



Financing Your New (or Existing) Food Venture

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BF

Where Do You Search for Money?

FedEx



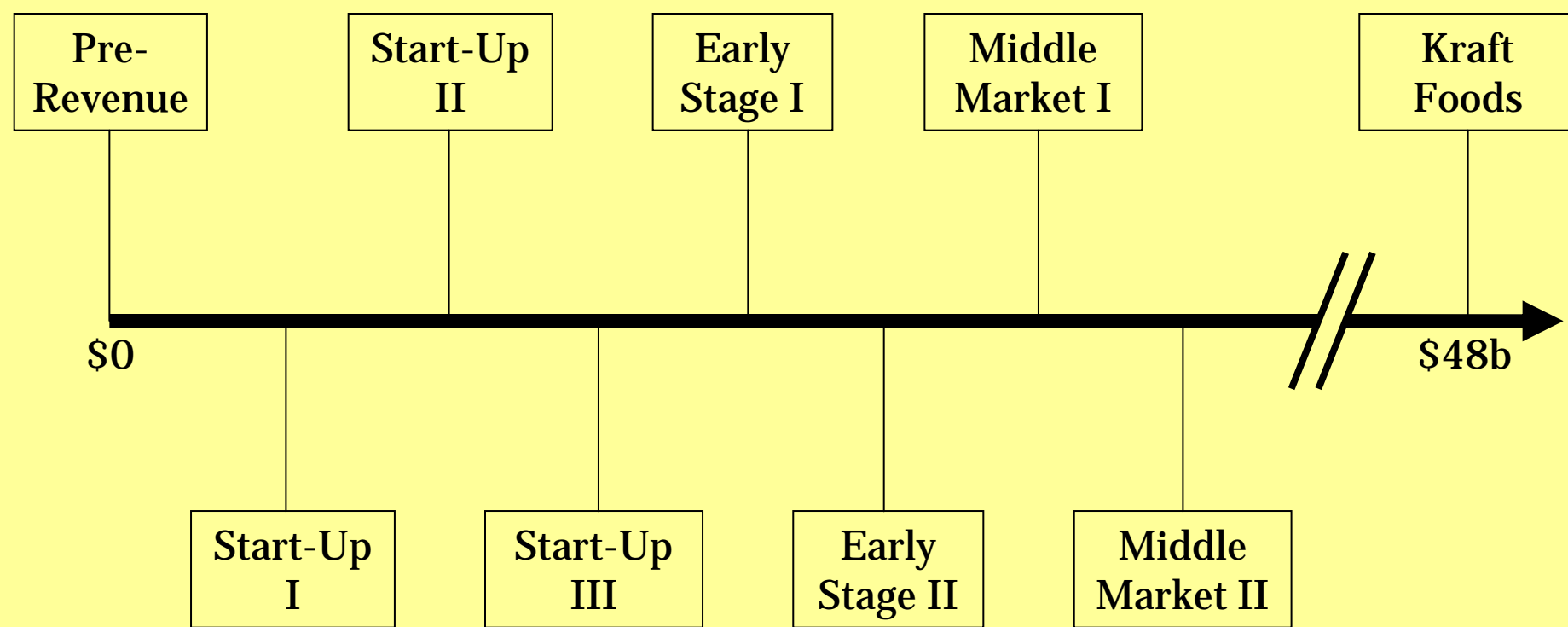


Agenda

- Stages of Food Companies
- Different Capital Sources
- Capital Source Trade Offs
- How to Structure Investment
- Alternative Financing Mechanisms
- Q&A



Food Companies Come in All Sizes





Defining Size

Classification		Revenue
Pre-Revenue	—————→	\$0
Start-Up I	—————→	<\$25k
Start-Up II	—————→	<\$100k
Start-Up III	—————→	<\$500k
Early Stage I	—————→	>\$1mm
Early Stage II	—————→	>\$5mm
Middle Market I	—————→	\$10-25mm
Middle Market II	—————→	>\$25mm
Kraft	—————→	\$48b

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Capital Comes in Different Flavors

SBA

U.S. Small Business Administration



ENCORE CONSUMER CAPITAL

Goldman Sachs



Pre-Revenue & Start-Up Sources

Stage of Food Business

Capital Source	Pre-Revenue	Start-Up I	Start-Up II	Start-Up III
Savings	X	X	X	X
Credit Cards	X	X	X	X
Mortgage	X	X	X	X
F&F	X	X	X	X
SBA			X	X



Early Stage Sources

Stage of Food Business

Capital Source	Early Stage I	Early Stage II
Savings	X	X
Credit Cards	X	X
Mortgage	X	X
F&F	X	X
SBA	X	X
Local Bank	X	X
Angels	X	X
Prof. Investors	X	X
National Bank		X
VC		X



Middle Market & CPG Sources

Stage of Food Business

Capital Source	Middle Market I	Middle Market II	CPG Company
Local Bank	X	X	
Angels	X	X	
Prof. Investors	X	X	
National Bank	X	X	X
VC	X	X	
Private Equity	X	X	X
Strategic Investors		X	
Wall Street			X



Capital Source Trade-Offs

- You
 - Personal Savings
 - Home Equity Line
 - Credit Card Debt

- Friends & Family
 - Equity
 - Debt (low interest)

Benefits

- Control+++

Drawbacks

- Personal Risk
- Potentially High Interest

Benefits

- Control++
- Great Terms

Drawbacks

- Strategic Help?
- Limited Funds
- Thanksgiving



Capital Source Trade-Offs (Part II)

- **Bank/SBA**

<u>Benefits</u>	<u>Drawbacks</u>
<ul style="list-style-type: none">• Low interest• Control++• Potential for introductions	<ul style="list-style-type: none">• Need for collateral• Personal Guarantee• Restrictive Covenants



Capital Source Trade-Offs (Part III)

- **Angel/Professional Investors**

- Equity
- Convertible Debt
- Debt (high interest)

Benefits

- Control+
- Helpful to business
- External validation
- Patient

Drawbacks

- Lower valuation/more expensive
- Potentially High Interest
- Hard to find
- Need to manage relationship
- Small \$\$



Structuring Your Investment

Convertible Debt

- Definition
- Rationale
 - Avoids Valuation Discussion
 - “Known” Return
 - Required for other loans?



Alternative Funding Sources

- **Factoring/PO Financing**
- **Whole Foods Loan Program**
- **Federal & State Programs**
 - US Food Export Branded Program
 - State Ag Marketing
 - USDA Value Added Producer Grant Program
- **Municipal Lending**
- **Job Creation Initiatives**
- **Business Schools**



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