



# *Financing Your New (or Existing) Food Venture*

**Adam Borden  
Bradmer Foods, LLC**



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# Where Do You Search for Money?

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**FedEx**





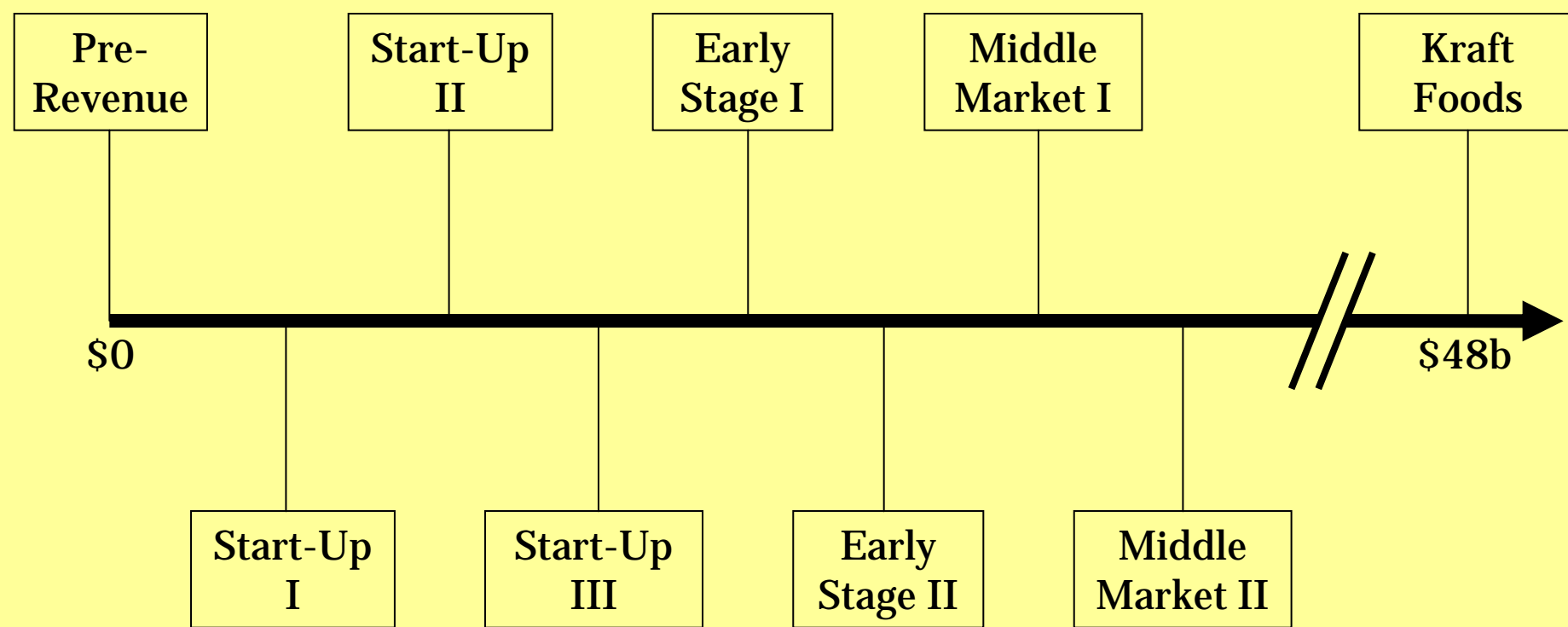
# Agenda

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- 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



# Capital Comes in Different Flavors

**SBA**

U.S. Small Business Administration



ENCORE CONSUMER CAPITAL

**Goldman Sachs**



# Pre-Revenue & Start-Up Sources

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## 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

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## 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

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## Stage of Food Business

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



# Capital Source Trade-Offs

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- 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)

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- **Bank/SBA**

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



## Capital Source Trade-Offs (Part III)

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- **Angel/Professional Investors**

- Equity
- Convertible Debt
- Debt (high interest)

<u>Benefits</u>	<u>Drawbacks</u>
<ul style="list-style-type: none"><li>• Control+</li><li>• Helpful to business</li><li>• External validation</li><li>• Patient</li></ul>	<ul style="list-style-type: none"><li>• Lower valuation/more expensive</li><li>• Potentially High Interest</li><li>• Hard to find</li><li>• Need to manage relationship</li><li>• Small \$\$</li></ul>



# Structuring Your Investment

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## Convertible Debt

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



# Alternative Funding Sources

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- 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



# Contact Information

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**Adam Borden  
Bradmer Foods, LLC**

**(443) 570-8102  
adam.borden@bradmer.com**