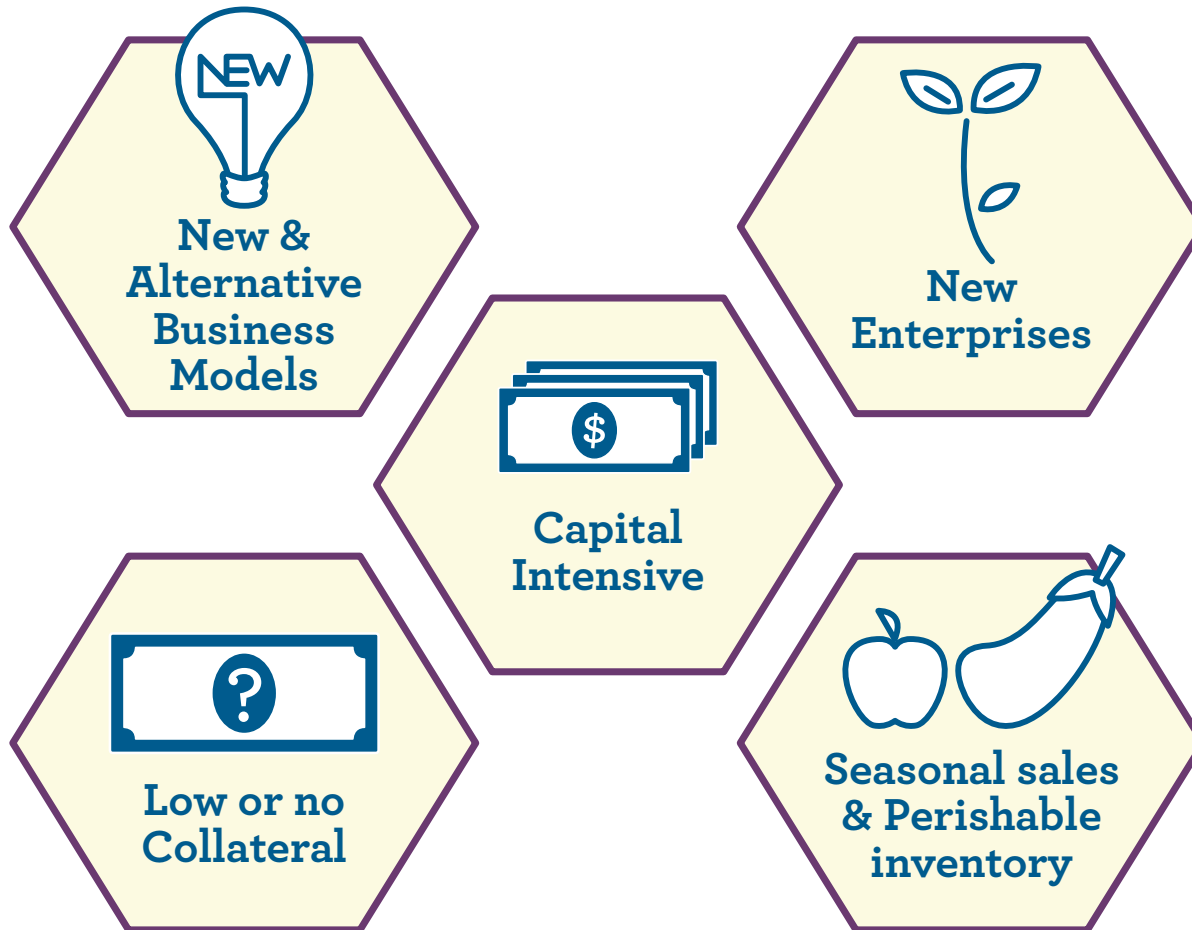
A woman with blonde hair, wearing a white short-sleeved shirt and blue nitrile gloves, is leaning over a large white plastic tub. She is carefully handling several round, pale yellow cheese wheels submerged in a greenish liquid. The setting is a cheese aging facility, with numerous metal shelving units in the background, each filled with rows of similar cheese wheels. The floor is concrete, and there are some white plastic chairs or racks nearby. The overall atmosphere is clean and industrial.

**PART 3.**  
**FINANCING**  
**REGIONAL FOOD ENTERPRISES**

# Financing challenges for regional food enterprises



# Financing partners: Broad range of players looking at food

Investor type	Type of Capital	Risk/Return	Examples
<b>Foundations</b>	Grants, Loans, Guarantees	High/None; High/Low	Kellogg, Kresge, Packard, Erb Family Fdtns
<b>Government</b>	Grants, Debt, Guarantees	Low/Low	Rural Bus-Coop Services, SBA Loans
<b>CDFIs and community lenders</b>	Debt, Sub. Debt, occasionally Equity or Equity-like instruments	Medium/ Medium	CEI (ME), Self Help (NC), MACED (KY)
<b>Impact Investors</b>	Debt, Sub. Debt, Royalty Financing, Convertible Debt, Equity	Medium-High/ Low-Medium	RSF, Slow Money, JPMorgan Impact Investment group
<b>Venture Capital</b>	Equity	High/High	Sherbrook, Sequoia
<b>Angel Investors</b>	Equity, Conv. Debt	Varied	High net worth individuals
<b>Family &amp; Friends</b>	Debt, Equity	Varied/Varied	

# Financing partners: Different investors use different tools

## Spectrum of Capital

Investor type	Lower Risk, Lower Return	GRANTS	HYBRID CAPITAL	SECURED DEBT	SUBORDINATE DEBT	REVENUE SHARING	MEZZANINE	EQUITY	Higher Risk, Higher Return
Foundations		✓	✓	✓	?	?			
Government		✓	✓	✓	✓				
CDFIs, Loan Funds			✓	✓	✓	✓	✓		✓
Impact investors			✓	✓	✓	✓			✓
Venture Capital				✓	✓	✓			✓
Angel investors						✓			✓
Family & Friends			✓	✓	✓	✓			✓

# It takes a village: Cases of capital stacks

	Red's Best	Farm Fresh RI	Pearl Meats Dev.	Common Market
	 <p><b>Red's Best</b> August 2013</p>	 <p><b>Farm Fresh RI</b> June 2013</p>	 <p><b>Pearl Meats Dev.</b> September 2013</p>	 <p><b>Common Market</b> 2013</p>
<b>Deal Amount</b>	<b>\$Multi-million</b> (Public, Private)	<b>\$100,000 with \$40,000 guarantee</b> (Public, Philan.)	<b>\$1,300,000</b> (Public, Private)	<b>Over \$1 million</b> (Philan., Private)
<b>Structuring Intermediary</b>				
<b>Direct Investors</b>	  <b>FRESH SOURCE CAPITAL</b>	 	 	 

# Practice capital stacking: How do we fund Good Food Co?



1

**Re-read the case about Good Food Co** (if you haven't read it recently). Review the additional material about financing history, financing needs, and possible investors in this business.

2

**Using what you know** about Good Food Co and the investors, develop a capital stack with some basic terms.

3

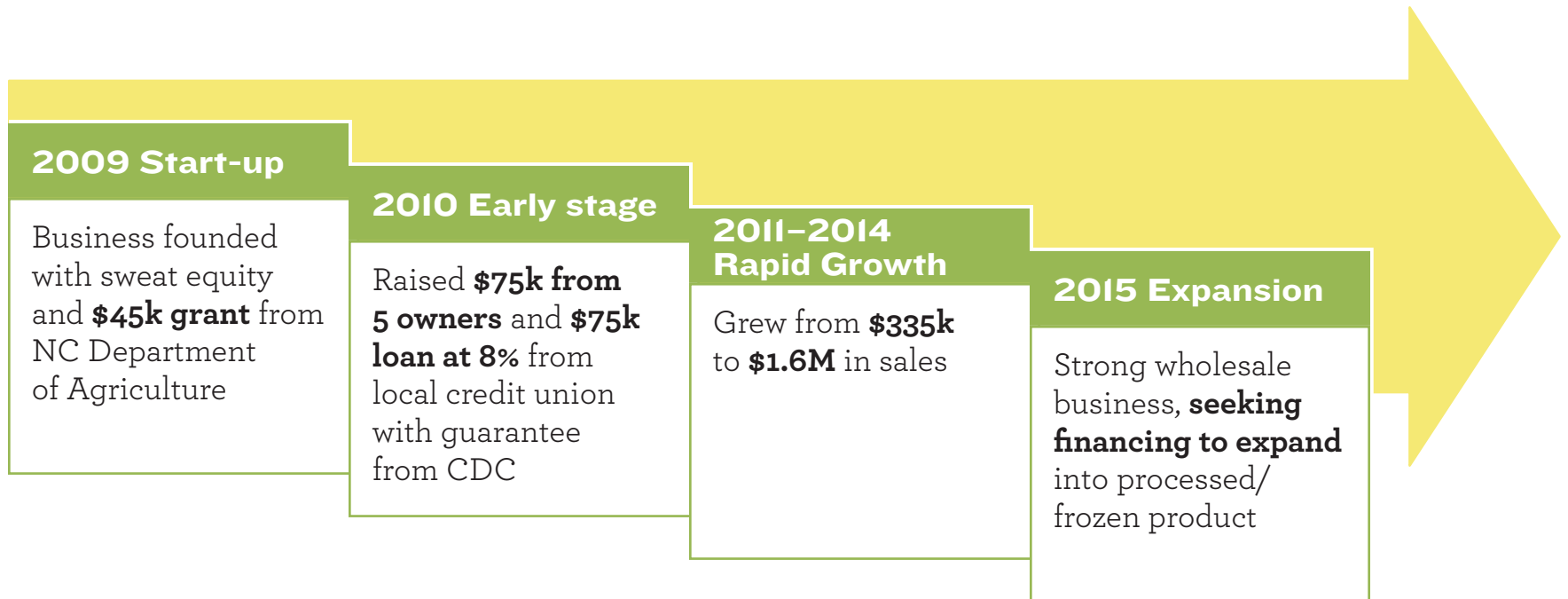
**We will provide** an example of one possible solution.

# Read about Good Food Co and its Financing History



	<b>Good Food Co</b> <i>Wadesboro, NC</i>
<b>Business activity</b>	Wholesale produce aggregator and distributor
<b>Target market</b>	Wholesale for food service — institutions, restaurants, schools
<b>Growth stage</b>	Growth
<b>Revenue (2014)</b>	\$1.6M

# Good Food Co's Financing History





# Good Food Co's Financing Needs



Seeking  
**\$700k**

- **\$500k** for equipment and cold storage
- **\$200k** line of credit for seasonal purchasing



Sources  
Considered

- Equity from current owners and potential new owners
- Federal or state grants
- Loans—ideally low interest

# Read about potential financing partners for Good Food Co

Investor type	Type of Capital	Risk/Return	GFC Potential Financing Partners
<b>Foundations/ CDCs</b>	Grants, Loans, Guarantees	High/None; High/Low	<ul style="list-style-type: none"> <li>• NC Economy-focused Innovative Foundation</li> <li>• Greater Charlotte Regional Council of Governments</li> </ul>
<b>Government</b>	Grants, Debt, Guarantees	Low/Low	<ul style="list-style-type: none"> <li>• Wadesboro Community Economic Development Department</li> <li>• NC Department of Agriculture</li> <li>• USDA</li> </ul>
<b>CDFIs and community lenders</b>	Debt, Sub. Debt, occasionally Equity or Equity-like instruments	Medium/ Medium	<ul style="list-style-type: none"> <li>• NC Regional Bank</li> <li>• NC CDFI</li> <li>• NC Smaller Environment-focused CDFI</li> </ul>
<b>Angel Investors</b>	Equity, Conv. Debt	Varied	Ms. Neighbor Angel Investor
<b>Employees, Owners</b>	Debt, Equity	Varied/Varied	<ul style="list-style-type: none"> <li>• Current owners</li> <li>• Current farmer-suppliers interest in becoming owners</li> <li>• GFC Employees</li> </ul>

# How would you meet Good Food Co's financing needs?



- 1 Use the case material and potential investor info to:**
  - Develop a capital stack with illustrative terms that you think will work for all parties involved.
  - Don't feel you have to include all the potential investors.
  - Don't worry about perfection. Be creative!
- 2 Take about 8 minutes.**
- 3 Discuss with your colleagues.**

# One possible funding approach for Good Food Co

Ms. Neighbor Angel Investor  
**\$25k**

NC Economy-focused Innovative Foundation  
**\$90k** in patient sub-debt, **2%**

NC Regional Bank  
**\$210k** loan, **6%**, secured w/equipment and lease lien  
**\$180k** line of credit, **8%**

**5** current owners  
**\$10k** each

NC Department of Agriculture  
**\$120k** Farm to School grant to CDC to pass through to Good Food Co



**\$75k** in equity

**\$300k** in debt

**\$110k** grant

**\$180k** line of credit

Greater Charlotte Regional Council of Governments (CDC)  
Business development TA Pass through **\$110k** of NCDA Farm to School grant

# Closing Thoughts

- Regional food enterprises are starting up and expanding all over the country — **you'll be encountering regional food enterprises in your work!**
- Assessing a regional food enterprise requires understanding the sector's goals and particular needs — **use Wholesome Wave's Toolkit to help!**
- Funding and financing regional food enterprises has its challenges — **use partnerships and creative funding and deal structuring to make it happen!**

# Thank you!



For more information about Wholesome Wave  
and to download resources,  
please visit [www.wholesomewave.org](http://www.wholesomewave.org)



Please visit the  
Know Your Farmer, Know Your Food  
portal for a plethora of resources on local  
and regional food systems  
at [www.usda.gov/knowyourfarmer](http://www.usda.gov/knowyourfarmer)