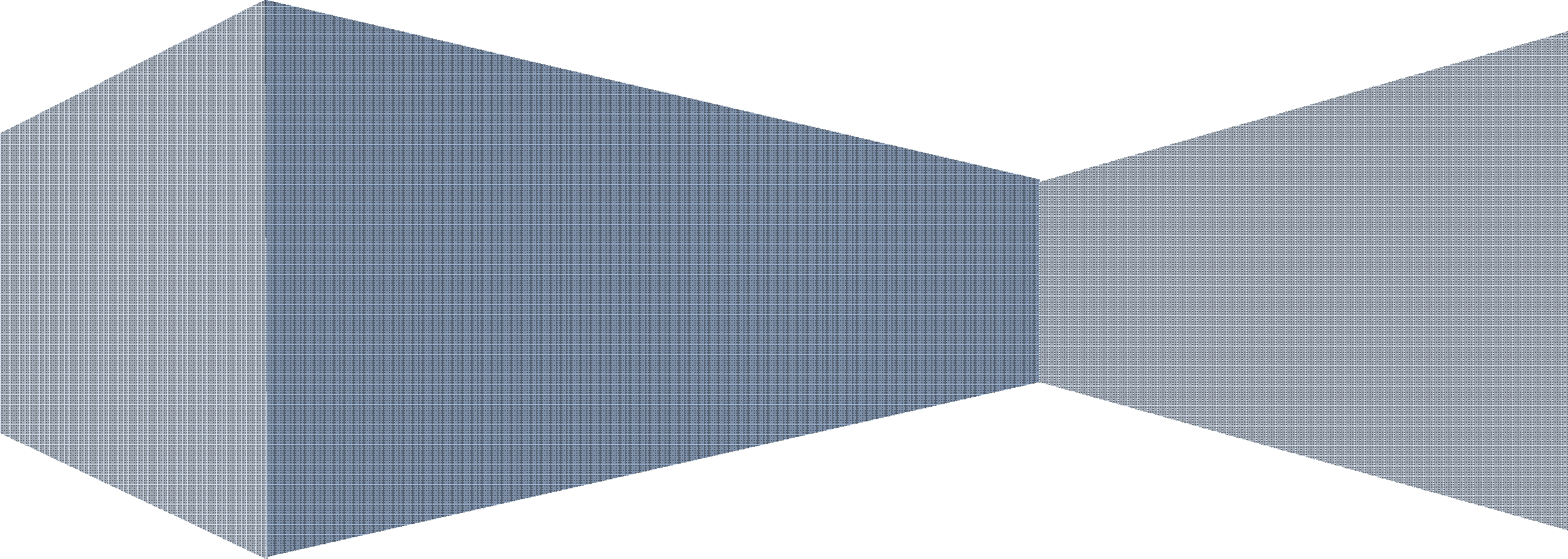
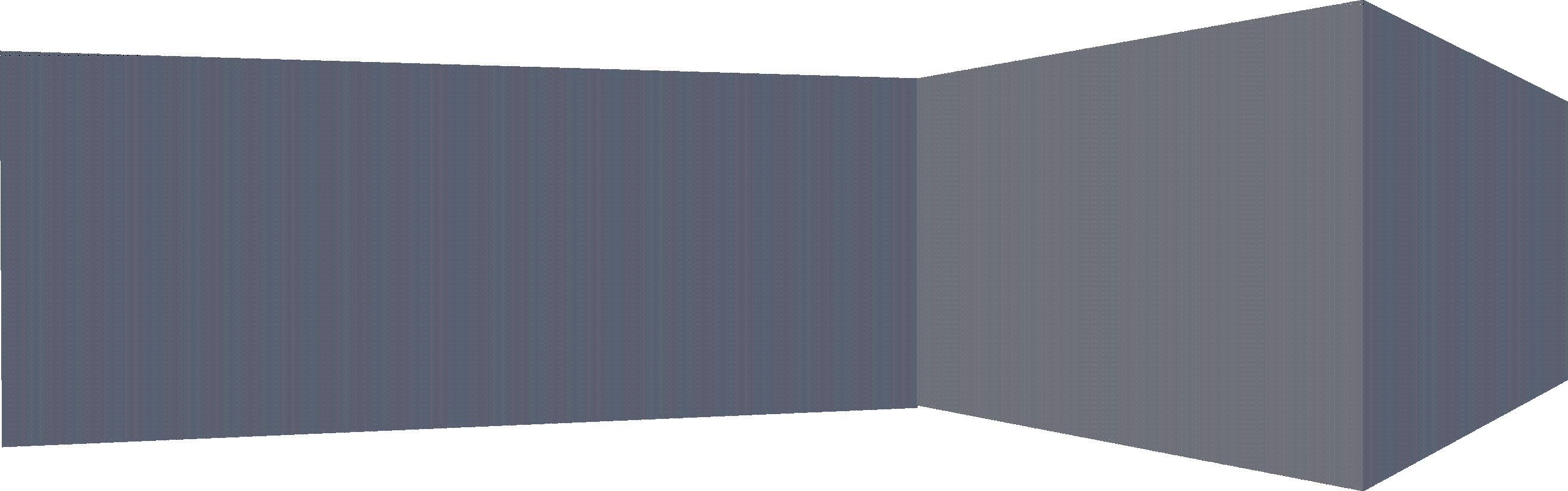
# 2019 Commercial Credit Analysis Competition

*Presented by the Wisconsin Chapter of the RMA*

**TaTonka Brewing, Inc.**

***2019 Case Study***



**CORPORATE SPONSORS**

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Company Background

TaTonka Brewery Inc. (“TB”) started in 2005 and was purchased by present ownership in 2008. Company is an S corp. TB manufactures craft beer that sells in kegs, cans and bottles through its distributor network. Their brewing facility (currently leased) is located in West Fargo, ND and the brewpub/taproom (also leased from a third party) is in downtown Fargo.

TB produces five year-round brews and four seasonal brews. The highest selling brand is ‘Settler’s Ale’ and it accounts for 55% of annual sales. TB sells through distributors in North Dakota, Minnesota, and South Dakota. They have no near term plans to extend their geography.  There is some seasonality discussed in the financial discussion below. At this time TB is not planning to expand geographically but does plan on deepening relationships in existing markets and with recently acquired customer, Costco.

TaTonka has 42 employees and is the 4th largest independent brewer in North Dakota.

Current Ownership includes Gary Custer – 43%, Greg Custer – 43%, and Ross Halstrom – 14%. See below for an overview of ownership and key personnel for the company.

* Gregory Custer – Chief Executive Officer – Greg oversees and works with the department managers on a daily basis. He is also very involved in marketing/sales, production, and administration.
* Gary Custer – Gregory’s father – Gary is not actively involved in the daily operations of TB. He does get involved in big picture matters given his ownership and investment in TB.
* Ross Halstrom – Sales Manager – Ross is a minority owner/investor and a childhood friend of Greg’s. He works in and manages the Sales Department.
* Paula Johnson - Controller – Paula is new to the company. She is a CPA and previously was employed by the firm who handled TB’s accounting and tax work.
* “Hops” Boos – Brew master – Hops grew up in the Midwest. In his early 20’s he moved to Portland, Oregon to become a brew master. After nearly 15 years of training, apprenticeship, and brew master work, he returned to the Midwest for quality of life choices. He has been with TB since 2011.

With the Bank’s assistance, TB acquired new brewing equipment in 2018 allowing them to meet production demand and improve efficiencies. The equipment allowed for higher production volumes and is fully automated. This contributed to sales growth.

The last Relationship Manager (RM) visit to the site was February 12, 2019. The RM met with Greg Custer and new Controller, Paul Johnson. She inspected the production facility in West Fargo.  The RM noted that additional tanks had been installed since her last visit. Details of the RM’s conversation are discussed further within this document.

Competition / Industry Analysis

According to fmbeer.com, Fargo-Moorhead has 9 breweries within the metro. Top competitors include Scrapyard Brewing Company, River Brewing Company, and Dragon Brewing Company. All had winning beers in the last fargomonthly.com “Flavor Awards”.

The beer industry is highly fragmented with the largest players being Anheuser-Busch ($46 billion in annual sales) and Heineken ($22 billion in annual sales). The four largest U.S. brewers account for 90% of domestic beer production. The microbrewery business is highly competitive. There are thousands of smaller competitors with regional craft breweries focusing on particular brew formulas and a narrow drinker niche. Craft brewers are estimated to have grown from 1,500 in 2008 to 4,300+ in 2015. In addition, imported beers are gaining in market share. To some extent wine and hard liquor compete with beer as a social beverage.

The major breweries, with high advertising budgets, can launch a successful craft beer imitation of their own to compete head-on with a popular craft beer of a competitor. Some “consumer fatigue” has set in due to the proliferation of beer offerings, custom and traditional. Retailers, with limited shelf space, are becoming more focused on stocking only high performing brands. Good marketing, distribution, and operating efficiency are all cited as industry success factors.

Fixed asset investment is an obstacle to entry yet the number of new craft breweries in the past ten years shows it does not deter entry that much. A brew master with a formula that they believe will capture consumer’s tastes will be motivated to start a brewery. Government regulations and commodity price changes (beer ingredients) are also industry factors. Refer to the State regulations attached. Even so, industry sales are projected to grow at a 4% annual compound rate from now through 2021.

Existing Banking Relationship

TaTonka has had a relationship with Your Bank (YB) since their inception. When Greg decided to embark on this adventure, he came to YB because YB was familiar with TB and because of his past relationship with his personal banking needs. While TaTonka was in essence a start-up operation, the lender was able to help with the financing requested at that time, partially due to the financial support of his father and partner, Gary. Over the years, the company has had various small equipment loans with YB. In early 2018 YB assisted TaTonka in obtaining an SBA 7A guaranteed loan which matures in 2032 and has a balance of $1,233,500. In addition, YB refinanced several smaller loans TaTonka had with relatives. Those non-SBA loans now total $629,182. They also have a $150,000 line of credit with a zero balance and deposits with an average balance of $198,000.

Banking Industry Characteristics

* While interest rates increased in 2018, the rate environment is still relatively low. Keep in mind rates are expected to increase further over the next 12 - 18 months.
* Banks of all sizes are seeking loan growth. As a result, loan pricing has become very competitive and loan structures are loosening (e.g. limited/no personal Guarantees, extended terms, no loan covenants) for lower-risk borrowers.
* The US Economy is expanding at a rate of approximately 2.5% annually and has maintained stable growth for five-plus years, following a deep recession.
* Stock market and real estate values are at all-time highs.
* Industrial real estate market in the Fargo - Moorhead area features low vacancy and lack of quality space is an issue, driving new construction.

Client – Lender Dialogue

*Meeting between lender, Greg Custer (CEO), Ross Halstrom (Sales Manager), and Paula Johnson (Controller) at the company facility.*

**Lender:** How has this year started for you? Anything new within your business or the industry?

**Paula:** We ended the year nicely. I know when we spoke last summer you were concerned with our sluggish mid-year numbers but remember, the second half of the year has always had better sales for us and thus better operating results. Summer doesn’t really kick in until the Fourth of July followed by the football season and the holidays. We were up over 35% year-over-year in terms of revenue, mainly based on increased business within our distributer network. The market for our top seller, Settler’s Ale remains strong. We are also off to a good start with our new Costco contract and are hoping that continues to grow.

**Ross:** Shipments are up, and the brewing and bottling areas are as busy as can be. We couldn’t be happier with where sales are. Our sales goal for the next two years is to deepen relationships in our wholesale distributor network and gain more market share in our Costco sales. While we don’t plan on making any extension on our existing territory, we would like to add some Costco store contracts in the Twin Cities. Currently we are only selling in their Fargo and Baxter stores.

**Lender:** How is your brewpub downtown performing? It usually seems busy but as you know better than me, that downtown market is very competitive.

**Ross:** As we have mentioned before, the brewpub and tap room is our direct connection to the public as we work to enhance and retain brand loyalty. We also use it to test market new beers before taking them to our distributor network. I believe it represents about 10% of our sales. Is that correct Paula?

**Paula:** Pretty close. In 2018 brewpub sales were 8% of our revenues. Our distributor network, including Costco, represented 90% of revenues and is obviously critical to the company. The balance is made up by sales of clothing, souvenirs, special catering events, etc.

**Lender:** We have talked in the past about how important it is for you manage your cost of grain and hops. What are you seeing in these markets?

**Greg:** You are correct. The price volatility in those commodity markets can really impact the bottom line. We quickly learned that increases in our grain and hops costs can’t easily be passed on by increasing the price of our beers. If our beer gets too expensive, consumers will move to our competitors or low cost domestic beers like Bud Light or Miller. In November the price of grain and hops was relatively low following a large harvest. We decided to lock in a three-year contract price for those ingredients. This will help us keep costs in line for that time frame and focus on other areas.

**Lender:** That sounds like a great risk management strategy. 2018 sounds like a continuation of your prior successes. What are you projecting for 2019 and even into 2020?

**Greg:** Our management team sat down in December and I asked them the same question, with my own thoughts in mind of course. As expected, Hops wanted to focus on new recipes and rolling out a bunch of new beers. We reeled him in and asked him to focus on just 2 or 3 each year.

**Paula:** We did come up with several key financial areas to focus on. Given our past growth success we feel we can reasonably increase revenues by 30% in 2019 and we conservatively project 2020 growth at 20%. In addition, we are not happy with where our cost of sales has gone as we strive to meet sales growth. We have some ideas that we feel will improve our cost of sales margin by at least 5%, which of course will roll down to a stronger net margin.

**Lender**: I’m listening.

**Greg:** Even with the recent equipment purchases, we’re basically producing at capacity now and with our sales growth in 2018, we are already seeing inefficiencies in our production which is driving up our cost of sales. We often run into storage problems, both in the production process and with kegs. In addition, we end up with some down time in the bottling process as it takes time to swap out beers in our production runs. We actually have had to limit availability to our distributors from time to time as our production team struggles to keep up with sales growth. Growth is a good thing, but it brings continual challenges.

**Paula:** As you can see, the building has ample room for us to expand and improve production, we just need additional equipment. We had the Mississippi Brewery equipment folks come up and help us do an assessment. Together, we came up with approximately $1MM in equipment needs that will position us where feel we need to be to meet our growth over the next two years and improve our margins.

**Lender:** It’s certainly a significant investment on top of what you have done over the last year. Your financial performance has provided adequate cash flow over the years and if the new debt can be retired over a reasonable term and not be too cash flow negative, I think the expansion positions your company well for future growth opportunities. The Bank is happy to consider your request. Would you see a need to increase your existing line of credit? And, will this expansion require additional staff?

**Greg:** The expansion and reconfiguration will actually allow us to work more efficiently. We hope to be able to increase production and not need to add employees. And, as you know, we don’t utilize our operating line very often. We have favorable receivable collection days with our distributors and by using supplier terms as we have, we don’t think we need to increase the operating line. I would be interested to hear your thoughts after you review everything.

**Lender:** I will let you know once we have completed our full analysis. Is there any other credit needs that you are considering?

**Greg:** Actually, there is. As you know, Grandma Vicki was instrumental in getting us started. In addition to helping us with start-up funds in the form of interest-only debt, she purchased the building and we have been renting from her. Her health has been waning and we would like to purchase the real estate from her trust and take care of the interest-only debt. You know how sticky these things can sometimes get when they go to estate and other family members are involved. She has agreed to give us credit for prior rents as equity to lower our down payment, sell us the building **and** eliminate the interest-only debt for a total amount of $2 million. Does this sound like something you can assist with?

**Lender:** I am sorry to hear that about Grandma Vicki. She is a well-known figure in the community. Should our due diligence check out, we’d be willing to finance in the neighborhood of 70-75% of the appraised value of the building. Hopefully we can keep the monthly payments in line with what you have been paying her and not impact your cash flow. How is your cash position right now given you would need to inject some cash to make this work?

**Greg:** Obviously an appraisal is necessary, but dad is willing to inject personal cash if we need. I would prefer not to tie up any company cash. Our lease with Grandma Vicki is triple net so our real estate carrying costs shouldn’t increase. What kind of terms/rate are we looking at?

**Lender:** Well, rates are still fairly low, despite the Federal Reserve raising them lately. I’d highly recommend a fixed rate, which would probably be in the 5% to 5½% range, with either a 5 or 10 year balloon and a 20-25 year amortization. Paula – You always seem to be two steps ahead of me on these things. How do those terms compare with what you had anticipated?

**Paula:** A 20 year amortization will work well, and we definitely want the fixed rate for as long as we can get it. If we can get to 5% or in the 4’s, that’d be great. You’ve always been good to us, and we appreciate that.

**Lender:** I’ll certainly do all I can, you’ve been a great customer and your brewery has certainly developed a strong brand in the market. I know my fridge is always stocked with TaTonka.

**Greg**: Perfect! Let Paula know if you need any additional information and we look forward to seeing your final proposal.

CASE ASSUMPTIONS

1. Assume an Appraised Value of $2.0 million for the property being purchased from Grandma Vicki. This value includes the land and existing building. There are no adverse environmental or title issues surrounding the property.
2. All contracts, loan documents, etc. have been properly executed.
3. There are no past due tax or litigation issues related to the company.
4. TaTonka is in compliance with all rules and regulations related to beer manufacturing and sales.
5. TaTonka will be able to purchase equipment at the quoted rate, which represents fair market value.
6. Finally, assume TaTonka has been paying Grandma Vicki $100M per year in rents – triple net.

ATTACHMENT LIST

1. Presentation Roadmap – Page 9
2. Financial Statement Spreads – Page 10 - 11
3. RMA Industry Ratios – Page 12
4. Accounts Receivable / Customer Concentration Breakdown – Page 12
5. Existing Debt Service Schedule – Page 13
6. Income Statement with Projections – Page 13
7. Guarantor Financial Information – Page 13
8. Equipment Quote – Page 14
9. Liquor Laws and Regulations Handbook – Separate Document

PRESENTATION ROAD MAP

*The following is provided to serve as a guide for the development of your presentation to the loan committee.*

1. Should the Bank approve the loans requested by the customer?
2. Explain the loan structure you are proposing to the Bank’s loan committee (collateral, Loan-To-Value, interest rate, terms, etc.).
3. What are the company and management’s strengths and weaknesses?
4. Are there any unique aspects of TaTonka’s financial statements that require special consideration?
5. What risks are associated with this Borrower/request from the Bank’s perspective?
6. Using the basic assumptions discussed in the Client-Lender Dialogue and existing financial info, prepare a post-close balance sheet showing the impact of new debt on liquidity and leverage. A two year income statement projection has been provided.
7. Do the Liquor Laws and Regulations present risks that TaTonka needs to be positioned to perform under? Are there risks in the Regulations that the Bank should be mindful of?
8. Explain how the loan structure/terms/proposed covenants address the aforementioned items.
9. What risks should be communicated back to the customer?
10. Keep customer service and risk management in mind.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| TaTonka Brewery Inc | | | |  | | | |
| Detailed Balance Sheet - Actual | | | | Amounts Printed in: Thousands | | | |
|  | | | |  | | | |
| Statement Date | 12/31/2015 | 12/31/2016 | 12/31/2017 | | 12/31/2018 |  |
| Months Covered | 12 | 12 | 12 | | 12 |  |
| Audit Mthd | Tax Return | Tax Return | Tax Return | | Tax Return |  |
| Accountant | TBD | TBD | TBD | | TBD |  |
| Stmt Type | Annual | Annual | Annual | | Annual |  |
|  |  |  |  | |  |  |
| CURRENT ASSETS | | | | | | |
| Cash | 139 | 466 | 246 | | 116 |  |
| Accts/Notes Rec-Trade | 64 | 110 | 363 | | 296 |  |
| Finished Goods | 176 | 220 | 309 | | 556 |  |
|  |  |  |  | |  |  |
| Total Inventory | 176 | 220 | 309 | | 556 |  |
| Prepaids/Deferreds - CP | 4 | 2 | 2 | | 30 |  |
| Non-Op Current Assets | 6 | 6 | 6 | | 27 |  |
|  |  |  |  | |  |  |
| TOTAL CURRENT ASSETS | 389 | 804 | 925 | | 1,026 |  |
|  |  |  |  | |  |  |
| Machinery & Equipment | 711 | 768 | 2,224 | | 5,419 |  |
| Depletable Assets | 1,103 | 1,024 | 971 | | - |  |
|  |  |  |  | |  |  |
| Gross Fixed Assets | 1,815 | 1,792 | 3,195 | | 5,419 |  |
| Accum Deprec & Impairment(-) | 221 | 270 | 373 | | 1,067 |  |
|  |  |  |  | |  |  |
| Total Fixed Assets - Net | 1,594 | 1,522 | 2,822 | | 4,352 |  |
| Loans Rec: Shareholders and Related | 57 | 27 | 48 | | 61 |  |
| Intangibles - Other | 169 | 168 | 177 | | 210 |  |
| Employee Advance | 1 | - | - | | - |  |
|  |  |  |  | |  |  |
| Gross Intangibles | 226 | 195 | 225 | | 270 |  |
| Accum Amort & Impairment(-) | 46 | 57 | 70 | | 84 |  |
|  |  |  |  | |  |  |
| Total Intangibles - Net | 181 | 138 | 155 | | 186 |  |
|  |  |  |  | |  |  |
| TOTAL NON-CURRENT ASSETS | 1,775 | 1,660 | 2,976 | | 4,538 |  |
| TOTAL ASSETS | 2,164 | 2,464 | 3,901 | | 5,563 |  |
|  |  |  |  | |  |  |
| ST Loans Payable-Bank | 18 | - | - | | - |  |
| Credit Cards | - | 4 | 3 | | 13 |  |
| ST Loans Payable-Other | - | 6 | - | | - |  |
| CPLTD | 57 | 41 | 31 | | 173 |  |
| Accounts Payable-Trade | 114 | 79 | 206 | | 221 |  |
| Wages/Salaries Payable | 37 | 42 | 49 | | 33 |  |
| Other Accruals | 5 | 16 | 9 | | 94 |  |
| Other Taxes Payable | - | - | - | | 6 |  |
|  |  |  |  | |  |  |
| Total Accrued Liabilities | 42 | 59 | 58 | | 133 |  |
| Billings in Excess of Costs | - | 4 | 4 | | 7 |  |
|  |  |  |  | |  |  |
| TOTAL CURRENT LIABILITIES | 231 | 193 | 302 | | 546 |  |
|  |  |  |  | |  |  |
| Long Term Debt | 511 | 368 | 281 | | 2,899 |  |
| Distributor Contract Buyout | - | 334 | 246 | | - |  |
| Subordinated Debt-Liab | 896 | 868 | 1,894 | | 777 |  |
|  |  |  |  | |  |  |
| TOTAL NON-CURRENT LIABILITIES | 1,407 | 1,570 | 2,422 | | 3,676 |  |
| TOTAL LIABILITIES | 1,638 | 1,763 | 2,724 | | 4,222 |  |
|  |  |  |  | |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| TOTAL NET WORTH | 526 | 701 | 1,178 | 1,342 |
| TOTAL LIABILITIES & NET WORTH | 2,164 | 2,464 | 3,901 | 5,563 |
|  |  |  |  |  |
| Working Capital | 158 | 611 | 623 | 480 |
| Tang Net Worth-Actual | 345 | 563 | 1,023 | 1,156 |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| TaTonka Brewery Inc | | | | |  | | | | | | | |
| Detailed Income Statement - Actual and % | | | | | Amounts Printed in: Thousands | | | | | | | |
|  | | | | |  | | | | | | | |
| Statement Date | 12/31/2015 |  | 12/31/2016 |  | | 12/31/2017 |  | 12/31/2018 |  |  |  |
| Months Covered | 12 |  | 12 |  | | 12 |  | 12 |  |  |  |
| Audit Mthd | Tax Return |  | Tax Return |  | | Tax Return |  | Tax Return |  |  |  |
| Accountant | TBD |  | TBD |  | | TBD |  | TBD |  |  |  |
| Stmt Type | Annual |  | Annual |  | | Annual |  | Annual |  |  |  |
|  |  |  |  |  | |  |  |  |  |  |  |
|  |  |  |  |  | |  |  |  |  |  |  |
| Source Currency: USD United States Dollars Target Currency: USD United States Dollars | | | | | | | | | | | |
|  | | | | | | | | | | | |
| Sales/Revenues | 2,919 | 100.0 | 3,927 | 100.0 | | 4,793 | 100.0 | 6,684 | 100.0 |  |  |
|  |  |  |  |  | |  |  |  |  |  |  |
| Cost of Sales/Revenues | 1,577 | 54.0 | 2,059 | 52.4 | | 2,557 | 53.3 | 3,688 | 55.2 |  |  |
| Cost of Sales - Deprec & Impairment | 118 | 4.0 | 149 | 3.8 | | 185 | 3.9 | 348 | 5.2 |  |  |
|  |  |  |  |  | |  |  |  |  |  |  |
| TOTAL COST OF SALES/REV | 1,695 | 58.0 | 2,209 | 56.2 | | 2,742 | 57.2 | 4,035 | 60.4 |  |  |
|  |  |  |  |  | |  |  |  |  |  |  |
| GROSS PROFIT | 1,225 | 42.0 | 1,718 | 43.8 | | 2,051 | 42.8 | 2,649 | 39.6 |  |  |
|  |  |  |  |  | |  |  |  |  |  |  |
| General & Admin Expense | 494 | 16.9 | 629 | 16.0 | | 773 | 16.1 | 1,058 | 15.8 |  |  |
| Marketing Expense | - | - | - | - | | - | - | - | - |  |  |
| Officers' Compensation | 87 | 3.0 | 91 | 2.3 | | 89 | 1.9 | 89 | 1.3 |  |  |
| Lease/Rent Expense | 79 | 2.7 | 112 | 2.8 | | 138 | 2.9 | 162 | 2.4 |  |  |
| Depreciation | 20 | 0.7 | 47 | 1.2 | | 38 | 0.8 | 48 | 0.7 |  |  |
| Amortization | 10 | 0.3 | 12 | 0.3 | | 13 | 0.3 | 14 | 0.2 |  |  |
| Personnel Expense | 360 | 12.3 | 483 | 12.3 | | 619 | 12.9 | 1,003 | 15.0 |  |  |
| Bonuses | - | - | - | - | | - | - | - | - |  |  |
|  |  |  |  |  | |  |  |  |  |  |  |
| TOTAL OPERATING EXPENSE | 1,050 | 36.0 | 1,374 | 35.0 | | 1,670 | 34.8 | 2,374 | 35.5 |  |  |
|  |  |  |  |  | |  |  |  |  |  |  |
| NET OPERATING PROFIT | 175 | 6.0 | 344 | 8.8 | | 381 | 8.0 | 275 | 4.1 |  |  |
|  |  |  |  |  | |  |  |  |  |  |  |
| Interest Expense (-) | 65 | 2.2 | 77 | 2.0 | | 68 | 1.4 | 170 | 2.5 |  |  |
| Interest Income | 1 | - | 2 | - | | 6 | 0.1 | 2 | - |  |  |
|  |  |  |  |  | |  |  |  |  |  |  |
| Total Interest Inc(Exp) | (64) | (2.2) | (75) | (1.9) | | (62) | (1.3) | (168) | (2.5) |  |  |
|  |  |  |  |  | |  |  |  |  |  |  |
| Other Income | 29 | 1.0 | 11 | 0.3 | | 169 | 3.5 | 59 | 0.9 |  |  |
| Gain(Loss) on Asset Sale | (48) | (1.6) | (2) | (0.1) | | - | - | (2) | - |  |  |
|  |  |  |  |  | |  |  |  |  |  |  |
| TOTAL OTHER INCOME(EXP) | (83) | (2.8) | (67) | (1.7) | | 107 | 2.2 | (111) | (1.7) |  |  |
|  |  |  |  |  | |  |  |  |  |  |  |
| NET PROFIT | 92 | 3.1 | 278 | 7.1 | | 488 | 10.2 | 164 | 2.5 |  |  |
|  |  |  |  |  | |  |  |  |  |  |  |
| EBIT | 157 | 5.4 | 355 | 9.0 | | 556 | 11.6 | 334 | 5.0 |  |  |
| EBITDA | 304 | 10.4 | 563 | 14.3 | | 791 | 16.5 | 744 | 11.1 |  |  |
| EBIDA | 304 | 10.4 | 563 | 14.3 | | 791 | 16.5 | 744 | 11.1 |  |  |
|  |  |  |  |  | |  |  |  |  |  |  |
| Withdrawals | (11) |  | (103) |  | | (94) |  | - |  |  |  |
|  |  |  |  |  | |  |  |  |  |  |  |

INDUSTRY COMPARISON RATIOS

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ***Industry Average*** | ***TaTonka***  ***2016*** | ***TaTonka 2017*** | ***TaTonka 2018*** | ***RMA 2016-17*** |
| Revenues (000's) | $3,927 | $4,793 | $6,684 | $3-10MM |
| Current Ratio | 4.17x | 3.06x | 1.88x | 1.28x |
| Quick Ratio | 2.99x | 2.01x | 0.75x | 0.69x |
| Debt to Worth | 2.52:1 | 2.31:1 | 3.15:1 | 5.76:1 |
| GPM (%) | 43.75% | 42.80% | 39.63% | 59.20% |
| OPM (%) | 8.77% | 7.96% | 4.11% | 0.60% |
| Sales / Total Assets | 1.59x | 1.23x | 1.20x | 1.60x |
| A/R DOH | 10 | 28 | 16 | 9 |
| Inventory DOH | 36 | 41 | 50 | 78 |
| A/P DOH | 13 | 27 | 20 | 40 |

***December 31, 2017***

ACCOUNTS RECEIVABLE ANALYSIS

|  |  |  |  |
| --- | --- | --- | --- |
| Aging | Amount ($’s) | | % |
| 0-30 days |  | 358,431 | 99% |
| 31-60 days | 3,107 | | 1% 5 |
| 61-90 days | 226 | | - |
| 91 + days | 1,481 | | - |
|  |  | 363,245 | 100% |

CUSTOMER CONCENTRATION

|  |  |  |  |
| --- | --- | --- | --- |
| Customer | Total Receivables | | % of Total |
| Major, Inc. | $ | 112,166 | 31% |
| Family Liquors, Inc. | 39,951 | | 11% |
| Mega-Mart, Inc. | 32,135 | | 9% |
| Sports n Wings, Inc. | 24,693 | | 7% |
| Blvd Ave Pub | 24,343 | | 7% |
| Other | 127,137 | | 35% |
| *Totals* | *$* | 363,245 | 100% |

***December 31, 2018***

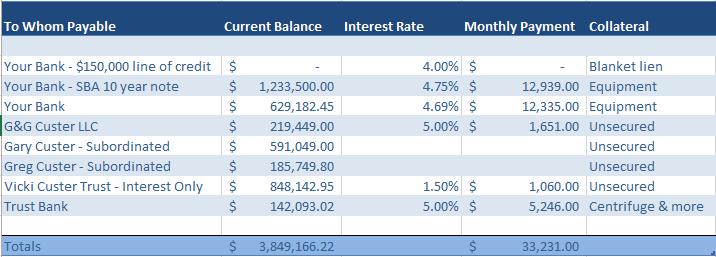
ACCOUNTS RECEIVABLE ANALYSIS

|  |  |  |  |
| --- | --- | --- | --- |
| Aging | Amount | | % |
| 0-30 days | $ | 283,559 | 96% |
| 31-60 days | 8,746 | | 3% |
| 61-90 days | 1,720 | | - |
| 91 + days | 2,009 | | - |
|  | $ | 296,034 | 100% |

CUSTOMER CONCENTRATION

|  |  |  |  |
| --- | --- | --- | --- |
| Customer | Total Receivables | | % of Total |
| Major, Inc. | $ | 162,948 | 55% |
| Sports n Wings, Inc. | 29,507 | | 10% |
| SpartanNash | 27,958 | | 9% |
| Mega-Mart, Inc. | 25,349 | | 9% |
| Family Liquors, Inc. | 24,782 | | 8% |
| Other | 25,490 | | 9% |
| *Totals* | *$* | 296,034 | 100% |

EXISTING DEBT SERVICE SCHEDULE



INCOME STATEMENT WITH PROJECTIONS FOR 2019 AND 2020



OWNERSHIP FINANCIAL ANALYSIS

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| (000's) | Personal Financial Statement (000’s) | | | | | | | |
| **Guarantor** | **FICO** | **FICO Date** | **PFS Date** | **Liquid Assets** | **Stated NW** | **Adjusted**  **NW** | **Total Liabilities** | **Contingent Liabilities** |
| Gary Custer | 811 | 9/19/18 | 9/22/18 | $730 | $3,783 | $1,543 | $887 | $2,792 |
| Gregory Custer | 763 | 9/19/18 | 9/1/18 | $28 | $456 | $146 | $1,184 | $0 |
|  |  |  |  |  |  |  |  |  |
| **Totals** |  |  |  | **$758** | **$4,239** | **$1,689** | **$2,071** | **$2,792** |

Mississippi Brewery & Plant Equipment

January 19, 2018

Quote #1234

|  |  |
| --- | --- |
| Bill To | Ship To |
| |  |  | | --- | --- | | Customer | TaTonka Brewery, Inc. | | Customer ID# | 56789-1 | | Address | West Fargo, ND | | Phone | 701-555-Brew | | |  |  | | --- | --- | | Recipient | TaTonka Brewery, Inc. | | Address | West Fargo, ND | | Phone | 701-555-Brew | |
| |  |  | | --- | --- | | Payment Due | June 1, 2019 | | Salesperson | Joe Anderson | | Payment Terms | Cash | | |  |  | | --- | --- | | Delivery Date | June 1, 2019 | | Shipping Method | Truck | | Shipping Terms | N/A | |

| Qty. | Item# | Description | Unit Price | Line Total |
| --- | --- | --- | --- | --- |
| 1 | 124 | Grain Mill, Hopper, & Handling Equip | 68,000.00 | 68,000.00 |
| 1 | 39 | 30 Barrel Brewhouse Tank | 150,000.00 | 150,000.00 |
| 2 | 36 | 60 Barrel Fermenter | 15,000.00 | 30,000.00 |
| 3 | 89 | 100 Barrel Fermenter-Ripley | 25,000.00 | 75,000.00 |
| 1 | 101 | Bright Tank | 50,000.00 | 50,000.00 |
| 1 | 98 | Keg Washer/Filler | 50,000.00 | 50,000.00 |
| 1 | 97 | Bottling Line – Filler, Accumulator, Instal. | 425,000.00 | 425,000.00 |
|  | 163 | Brewhouse Equipment – various |  | 75,000.00 |
|  | 10 | Support Equipment – various |  | 27,000.00 |
|  |  |  | Subtotal | 950,000.00 |
|  |  | 6.5% Sales Tax & Shipping | | 71,750.00 |
|  |  |  | Total Due | 1,021,750.00 |
|  |  |  |  |  |

Thank you for your business!