

Innovative Ways of Raising Capital

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Introductions

- Jason Hearnberger, *President*, **The Hearnberger Company**
- Todd Woloson, *Partner*, **Greenmont Capital Partners**
- Rick Dutkiewicz, *Chief Financial Officer*, **Einstein Noah**



Todd Woloson



Growth Capital Overview

- Early Stage Capital Planning
- Start Up Financing (pre-revenue)
- Early Stage Financing (\$1- \$5M)
- Growth Capital (\$5M - \$50M)
- Questions



Early Stage Capital Planning

- Balancing dilution with capital needs
- Eliminating risk
- Driving Growth
- Inflection point planning



Start Up Financing (pre-revenue)

- Friends & Family
- 2nd Mortgage/2nd Job/Visa/Sell Stuff
- Small Business Funds/Loans
- Vendor Financing
- Angel Investors



Early Stage Financing (\$1- \$5M)

- Angel Funds
- Small to Mid-Sized Venture Funds
- Credit Lines
- Industry Partner



Growth Capital (\$5M - \$50M)

- Larger Venture Funds
- Private Equity
- Buyout Funds
- Industry Partner



Growth capital conclusion & questions

- Inflection point planning maximizes returns and focuses your business
- The price of inefficiency is stiff and swift
- Good planning is worth the effort
- When to get off the bus



Rick Dutkiewicz

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Overview

- Lessons from the front line
- The Coleman days
- The Vari-L days
- The Einstein Noah days
- Fast forward six months
- The Impact of Restaurant Leverage Today
- Questions



Lessons from the front line

- “This above all: To thine own self be true” - Hamlet
- Know your Company well – be honest with respect to your capabilities
- Chasing a good deal may not be a good deal
- Understand the lenders state of affairs and prior behavior
- Keep your eyes to the horizon
- Don’t promise what you can’t deliver
- If things don’t work out as expected, it is your job to find a solution – not the lenders



The Coleman days

- Leading supplier of natural beef in the US
- Venture capital backed – the investment was “long in the tooth”
- The agricultural business is cyclical, really cyclical
- Got thrown out of a bank and found a new one
- Got thrown out of that bank and found the right lender
- Lesson learned – more often than not flexibility is hard to quantify, but incredibly valuable



The Vari-L days

- Supplier of electronic components to the largest wireless infrastructure manufacturers
- Accounting fraud led to delisting from NASDAQ – fell to Pink Sheets
- Sound business with good cash flow in a “normal environment”
- Environment ceased being “normal” in late 2001
- “Lender fatigue” settled in as sales volume decreased



The Vari-L days, cont.

- Although unpleasant, a reorganization was completed
- Realization that sale to strategic buyer was the proper decision
- Marketed company in mid to late 2002, completed transaction in 2003
- Win/Win for all stakeholders



The Einstein Noah days

- National bakery café fast casual restaurant chain
- Great brands – but focus and execution needed work
- Fell from NASDAQ to Pink Sheets, failed to comply with listing requirements
- Equity sponsor assumed control in mid 2003 and stabilized capital structure



The Einstein Noah days, cont.

- Focused on the big two – comparable store sales and cash flow from operations
- Refinanced in 2006
- Re-IPO in 2007
- Reduced and amended debt immediately after Re-IPO
- Told we were crazy for reducing leverage – glad we didn't listen



Fast forward six months

- Debt markets have really dried up
- Amendments for good credits becoming very costly
- Several high profile defaults and potential defaults
- Several lenders balance sheets really beat up
- The home is no longer an ATM for the consumer
- In the interim, control what you can control – growth and spending



The impact of restaurant leverage today

- A “frothy” market in late 2006 and early 2007
- Perception of hidden value in real estate holdings
- Franchise real estate models are able to be leveraged by royalty securitizations
- Several deals financed with substantial debt loads
- EBITDA multiples for purchases and leverage at historic highs
- Margin for error paper thin



The impact, cont.

- “Chains risk default as debt woes grow” – Nations Restaurant News February 18, 2008
- \$475 billion in leveraged loans maturing by 2010 throughout the entire market
- “Loud” investors now calling the shots
- List of victims include Ruby Tuesday and Buffets Holdings



Questions

- Thanks for your time – as the old saying goes – “It is always darkest before the dawn”

