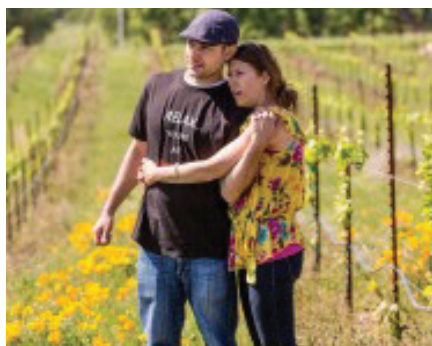


TECH CU CASE STUDY: SBA Lending

Five-Generation Wine Family Carries on Tasty Traditions in Amador County



Sera Fina Cellars was started in 2010 by winemaker Paul Scotto, who hails from a five-generation wine family that's had a hand in **nearly every aspect of the wine business** — from enology and viticulture to operations, sales, marketing and distribution. Scotto's grandfather, Anthony Scotto Sr., was the founder of Villa Armando winery, one of the oldest wine brands in the country. Scotto's brother, Anthony Scotto III, runs Scotto Cellars, which produces more than 40 brands that sell across the U.S. and internationally. His sister owns a successful northern California wine distributorship, J Woods Beverage.

Sera Fina offers an eclectic variety of casual Italian-influenced red and white wines produced and bottled at the winery, as well as its own estate-bottled wines.

To learn more, call a Commercial Banker at: (800) 448-1467



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THE NEED

Sera Fina has been steadily growing as a brand since Scotto first opened the doors in 2010. The young winemaker started by leasing property in Amador County, which he has been slowly developing into a commercial winery and vineyard for more than four years. During that time, he's steadily increased Sera Fina's club membership and wine sales. In addition, Sera Fina wines have been shown to wholesalers in more than 200 domestic and 11 foreign markets, winning Scotto even more sales.

The increase in sales volume meant Scotto was getting more orders than he could fill with the winery's limited inventory. He also wanted to produce a Sera Fina estate-grown wine that could be sold directly to wine club members and upgrade the winery and tasting room.

Sera Fina was at a turning point, and Scotto needed capital to take the winery to its next phase of growth. A small business loan would allow Scotto to purchase the property Sera Fina was currently leasing, expand the winery and tasting room, and start a new vineyard. In addition, it would give Scotto extra capital to help with the purchase of equipment for the vineyards.

THE CHALLENGES

- **A Challenging Lending Environment.** During the economic recession, many lenders tightened their underwriting requirements for business loans, making it generally more difficult to qualify than in the past. This has been especially true for wine and agricultural businesses. Many banks have stopped lending to these industries all together because the businesses are highly specialized and therefore perceived as risky.
- **Emerging Winery.** Banks often prefer lending to businesses that are long established, versus an emerging winery like Sera Fina.
- **Drought Poses Problem.** Sera Fina Cellars is located in Amador County, an area that has been affected by drought. Many lenders are more hesitant to underwrite loans to agricultural businesses in that area due to concerns about future access to water.

WHY TECH CU?

- **Seeing Opportunity.** The SBA team at Tech CU reviewed Scotto's business model closely and was able to see that Sera Fina is part of a network of closely connected family businesses that will help Sera Fina succeed, including a highly successful wine distribution business owned by the founder's brother.
- **SBA Expertise.** With comprehensive knowledge of the many SBA programs, Tech CU's lending specialists ascertained that Sera Fina qualified for the International Trade Loan Program due to the winery's exports to Europe. This helped to speed the processing of their loan application.
- **More Flexibility and Faster Decision-Making.** As a Bay Area financial institution, Tech CU was able to offer faster service and greater flexibility because of local decision-making, which made it possible for Sera Fina to access the capital it needed faster.

BENEFITS TO THE BORROWER

- Sera Fina Cellars was able to purchase the property they were leasing, including a winery, tasting room and vineyard.
 - The tasting room gives Sera Fina a retail presence for developing customer relationships, holding wine club and other special events, and showcasing their wines, which ultimately helps the winery build its brand.
 - With the purchase of the vineyard, Sera Fina will increase production of its premium wines and sell them direct-to-consumer, which is more profitable and creates greater consumer loyalty.
 - Sera Fina will also increase production of its non-estate wines, giving the winery additional inventory to expand into 30 new markets.
- Scotto purchased much-needed equipment for the vineyard, such as new netting and is investing in research and planning for a new well on the property that will ensure a sufficient water supply in the future.

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