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Don Pablo Coffee files for Chapter 11 bankruptcy

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Miami-based Burke Brands, a coffee distributor doing business as Don Pablo Coffee, filed for Chapter 11 reorganization in U.S. Bankruptcy Court on Dec. 29.

The coffee distributor, at 521 N.E. 189th St., listed \$5.4 million in secured debt and \$3.4 million in unsecured debt. The company, which employs 41 workers, is operating as normal and continues to manufacture and supply its product to its main sellers: Costco Wholesale Corp., Sam's Club, Amazon.com and Shopify.



JOCK FISTICK

Burke Brands' problem arose after the price of raw coffee beans skyrocketed in 2020

and, with the high rates charged by its hard money lenders, the company experienced some temporary cash flow issues, said Aaron Wernick of Wernick Law PLLC, who represents the debtor in the case. Then, overall inflation hit the economy and the company wasn't able to secure approval from Costco and Sam's Club to raise prices. Burke Brands plans to emerge from the Chapter 11 process stronger than ever, to continue to provide coffee to its loyal customer base, he said.

"We are engaging in significant cost-cutting measures to streamline the operations of the debtor while still maintaining peak capacity and production," Wernick said. "We are also exploring DIP [debtor in possession] financing avenues to solve some short-term cash needs. The continued cash flow from the company will establish a solid track record of profitability, which will lead to a feasible plan of reorganization."

According to the case summary, Burke Brands generated \$16.3 million in sales in 2022 up to the date of the filing. Its sales for 2021 were \$19.8 million.

The company looked to its primary lender, Doral-based U.S. Century Bank, to provide additional financing in the form of working capital; however, all owners and investors in the company had to sign off, and they refused to agree to the new loan, according to the case summary. Burke Brands then took out merchant cash advance loans with six companies, from which almost \$20,000 a day was being debited for servicing the debts. MCA loans usually have higher interest rates than bank loans, the summary stated.

Burke Brands' biggest creditors are U.S. Century Bank, Ouiby Inc., Velocity Capital and Winn Capital.

The bankruptcy petition was signed by Darron Burke as managing member. The company estimated the value of its assets at \$4 million, including the value of its warehouse, which is owned by an affiliated company.

Established in 2004, Don Pablo Coffee is a family-owned coffee company. It grows its own coffee in Colombia and purchases specialty Arabica coffee beans from all over the world.

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