



TO: Faribault EDA
FROM: Deanna Kuennen, Director
MEETING DATE: November 15, 2018
SUBJECT: F-Town Loan Discussion
Deferment and/or Buyout

Background

The EDA provided a loan to F-Town Brewing Company (F-Town) in October 2014. The original loan amount was \$75,000. In 2017, Staff and representatives from Rice County and the Faribault Industrial Corporation met with F-Town to discuss the status of the business. Due to a number of factors, F-Town was working on a new business plan that likely would result in the company relocation, with the hopes of maintaining a smaller Faribault presence. F-Town requested a loan deferment while they pursued new partnerships and investments.

EDA Loan 02015111

Original Loan Amount -	\$75,000
Original Loan Date -	10/16/14
Remaining Balance as of 1/2017-	\$65,785.68
<i>Remaining Balance as of 11/2018 -</i>	<i>Will be provided</i>

The EDA approved a deferment in January 2017, and again in October 2017. During this time, F-Town continued to work with lenders and funding agencies on a plan to restructure the company's debts. The goal was to have a plan in place by March 2018 that included the debt restructuring. Staff continued to stay in contact with Travis Tempke of F-Town, as the plan took longer than anticipated. The plan involved F-Town responding to an RFP to redevelop a historic fire station in St. Paul. In December 2017, F-Town was granted "developer status" and has since been working through the planning/zoning/financing for the St. Paul project.

In early October 2018 – the local creditors (First United Bank, Southern Minnesota Initiative Foundation, Rice County, Faribault Industrial Corporation, and Faribault EDA) were invited to a meeting to understand where F-Town is in regards to restructuring the existing debt, making the existing lenders whole, and moving ahead with the St. Paul project. F-Town plans to relocate their entire operations to St. Paul – and requested that each of the creditors consider the following deferment/buyout options:

Agenda Item: 5B

1. DEFERMENT

- a. Deferred principle and interest payments for 12 months (beginning 11/2018-10/2019) – *dates to be modified due to timing*
- b. Interest only payments for 12 months (beginning 11/2019-10/2020)
- c. Full principle and interest payments starting 11/2020
- d. Permit all equipment to be relocated to St. Paul
- e. Allow a sublease agreement from the new St. Paul operating entity paid to the existing entity
- f. Existing liens stay in place. No new liens

2. BUYOUT

- a. \$0.20 per dollar of outstanding balance of initial loan amount

In all scenarios, First United Bank, who is in first position, is made whole. SMIF is in second position, and the remaining three entities share third position. To date, SMIF and the Faribault Industrial Corporation have agreed to the deferment option. Rice County has not agreed to either option, and John Fossum will be meeting with Travis Tempke directly to discuss. The Rice County HRA met on 11/13/2018 and agreed to a buyout of \$14,500 on their approximate remaining balance of \$38,000.

Discussion

The EDA is being asked to discuss which option they would be willing to accept (or a proposed alternative). F-Town will discontinue operations in Faribault as of 12/31/2018. If an agreement cannot be reached, F-Town will be forced into bankruptcy and the bank will auction the remaining equipment. The proceeds would then go to pay off the bank, SMIF, and then the remaining lenders.

Requested Action

Consider loan deferment or buy-out options

Attachments:

Email communication regarding business status and options

From: [Dave Green](#)
To: [Deanna Kuennen](#); [Gary Kindseth](#); [Diane Lewis](#); jwatson@co.rice.mn.us; ifossom@co.rice.mn.us
Subject: F-Town Brewing
Date: Monday, October 29, 2018 5:32:51 PM

Good Afternoon Everyone,

I was out of the office last week and had talked to Travis before I left. I spoke to him again today. The meeting with the Mayor of St. Paul went well and it is basically a done deal regarding the building. The only issue appears to be with the equipment and being able to obtain financing to pay everyone off. This scenario is not likely to happen. As discussed in our last meeting, he has come up with a settlement option. Again the bank will not be accepting a settlement other than 100% of the amount owed. As you can see from his email below, he is looking at \$0.20 on the dollar of the existing junior debt.

He also has a few parties that have an interest in the equipment that he will not need for the St. Paul project. These pieces would generate about \$90,000 top \$95,000 depending on the equipment being sold. I believe, based on this dollar amount, it equates to about 80% of the purchase of the equipment. 100% of the proceeds will be used to reduce existing debt at 1st United Bank. I will again make an offer to anyone of you that if you want to buy out our note out you can.

He plans to shut down operation of the brewery on 12/31/2018 and has reached an agreement with the landlord. He will be leasing the existing space for \$500.00 a month just for storage of the equipment.

As stated prior, if an agreement can't be reached and he is forced into bankruptcy, the bank will need to have an auction for the remaining equipment.

So it comes down to your decisions on accepting his offer or not. It would be nice to have this resolved within the next day or two as this has gone on way to long as it is. Please let me know your decision as soon as you can or by Wednesday.

Thank You,

J. David Green
Senior Vice-President, Chief Credit Officer
Commercial Lending
NMLS# 653950
507-333-0421
507-412-9591 (cell)

From: Travis Temke | F-Town Beer [mailto:travis@ftownbeer.com]
Sent: Monday, October 29, 2018 2:58 PM
To: Dave Green
Subject: Lender Resolution

Hello Dave-

Since your meeting with the Secondary Lenders on October 2nd I have met and discussed potential resolutions to the existing debt. In meeting with numerous banks, non-profit lenders and investors I am not able to provide a scenario that would pay the lenders in full. With the secondary lenders agreeing to a buyout of \$0.20 per dollar of the outstanding balance of their initial loan amount we can come to a final resolution. For nearly two years I have sacrificed and worked to find a resolution. Since the initial lender meeting in January 2017 I have been honest and upfront with the situation. So I believe this is the best outcome that I can provide after the past two years.

To avoid filling bankruptcy and having the business and my personal life be flipped upside down I hope the secondary lenders can agree that this is the best option. If bankruptcy is forced both personally and on the business the lenders will get zero. Also I would need to halt the efforts of assisting a replacement brewery into the community which would utilize the \$160,000 in improvements.

Please assist in connecting with the Secondary Lenders to see if we can come to this resolution which is the best scenario for them. Bankruptcy and auctioning the equipment would not provide a zero return to them.

Let me know if you have questions and keep me informed on any replies so I can keep everyone informed.

Thank You

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F-Town Brewing Company
Formed. Founded. Fermented.



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