

**THE BOARD OF COUNTY COMMISSIONERS
OF SANTA FE COUNTY**

ORDINANCE NO. 2015-1

**THE SANTA FE BREWING COMPANY
LOCAL ECONOMIC DEVELOPMENT ACT (LEDA) PROJECT ORDINANCE**

IT IS HEREBY ORDAINED by the Board of County Commissioners of Santa Fe County as follows:

1. **SHORT TITLE.** This Ordinance shall be cited as the "Santa Fe Brewing Company LEDA Ordinance" and shall be referred to herein as "the Ordinance" or "this Ordinance."

2. **AUTHORITY.** This Ordinance is enacted pursuant to N.M. Const., art. IX, Section 14(D), LEDA, and the Santa Fe County Economic Development Ordinance, Ordinance No. 2014-7.

3. **DEFINITIONS.**

- a. "Board" means the Board of County Commissioners of the County.
- b. "County" means Santa Fe County.
- c. "EDD" means the New Mexico Economic Development Department.
- d. "LEDA" means the Local Economic Development Act, NMSA 1978, Chapter 5, Article 10.
- e. "Project" means the expansion of SFBC's beer manufacturing capacity and related storage, warehousing, and distributing capacity through the construction of buildings and infrastructure at the Property, including an on-site wastewater treatment system for SFBC's wastewater.
- f. "Property" means the real property located at 35 Fire Place, Santa Fe, NM 87508.
- g. "SFBC" means Santa Fe Brewing Company, a New Mexico corporation.

4. **FINDINGS.**

- a. SFBC has submitted an application for economic assistance pursuant to Section V(C) of the Santa Fe County Economic Development Ordinance, Ordinance No. 2014-7.
- b. The Board has reviewed the application and hereby determines that the Project warrants the economic assistance set forth in this Ordinance and the attached Project Participation Agreement based upon the following, among other, factors:
 - i. SFBC is a qualifying entity under LEDA, in that it is "an industry for the manufacturing, processing or assembling of agricultural or manufactured products" (NMSA 1978, § 5-10-3(I)(1));
 - ii. SFBC is an expanding business;

- iii. SFBC has agreed to make a substantive contribution to the County economy in the form of 64 new jobs by January 1, 2020;
- iv. The economic benefits of SFBC's expansion, including the 64 new jobs, represent adequate return on the public investment of \$250,000 plus the value of the waived application and development review fees;
- v. The economic assistance to be provided under this Ordinance and Project Participation Agreement is permissible under LEDA, in that it represents direct or indirect assistance for infrastructure and buildings for the Project; and
- vi. Except for the waiver of application and development review fees, the economic assistance for the Project will be provided by a LEDA grant to the County from EDD.

5. APPROVAL OF PROJECT AND PROJECT PARTICIPATION AGREEMENT. Subject to the contingencies set forth in Section 7 of this Ordinance, the Board hereby approves of the Project and the Project Participation Agreement attached hereto as Exhibit A; provided, however, the County Manager is authorized to negotiate and agree to on behalf of the County non-substantive changes to the Project Participation Agreement.

6. ECONOMIC ASSISTANCE TO BE PROVIDED. Subject to the provisions of this Ordinance and the Project Participation Agreement, the County shall provide the following economic assistance to SFBC for the Project:

- a. \$250,000, via a LEDA grant from EDD to the County, to plan, design, and construct an on-site wastewater treatment system for SFBC's wastewater; and
- b. for development applications necessary for the Project submitted after the effective date of the Project Participation Agreement but before the termination of the Project Participation Agreement, the County shall waive all otherwise applicable application and development review fees due under the Land Development Code or Sustainable Land Development Code and Ordinance No. 2008-12 and any future ordinance establishing application or development review fees under the Land Development Code or Sustainable Land Development Code. Notwithstanding anything in the Land Development Code, Ordinance No. 2008-12, the Sustainable Land Development Code, or other ordinance to the contrary, the Land Use Administrator is hereby authorized to waive such application and development review fees in accordance with this Ordinance and the Project Participation Agreement. For the avoidance of doubt, the application and development review fees authorized to be waived hereunder do not include impact fees.

7. CONTINGENCIES. The economic assistance to be provided under this Ordinance and the Project Participation Agreement are contingent upon the following:

- a. EDD's approval of the County's application for a \$250,000 LEDA grant for the Project;
- b. EDD and the County entering into an Intergovernmental Agreement, pursuant to which EDD grants \$250,000 to the County for the Project;
- c. SFBC receiving final development plan approval for the Project; and

d. The City of Santa Fe and County entering into an agreement pursuant to which the City agrees to allow the County to discharge SFBC's wastewater into the City's wastewater collection and treatment system.

These contingencies must be met by December 31, 2015, or the County's approval of the Project and Project Participation Agreement is void.

8. DELEGATION OF AUTHORITY TO THE COUNTY MANAGER. The Board hereby delegates to the County Manager the authority to:

- a. sign on behalf of the County all applications and other documents required to be submitted to EDD for purposes of applying for a LEDA grant for the Project;
- b. execute on behalf of the County an Intergovernmental Agreement between the County and EDD pursuant to which EDD grants \$250,000 to the County for the Project; and
- c. execute on behalf of the County the Project Participation Agreement attached hereto as Exhibit A; provided, however, the County Manager is authorized to negotiate and agree to non-substantive changes to the Project Participation Agreement.

9. PROJECT REVENUE FUND. The County Manager shall cause to be established the SFBC LEDA Grant Fund, in which all revenue and expenditures associated with the Project shall be accounted. Any unexpended balance remaining in the SFBC LEDA Grant Fund as of the date set forth in the Intergovernmental Agreement between the County and EDD shall revert to EDD.

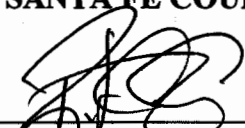
10. SEVERABILITY. If a provision of this Ordinance or its application to any person or circumstance is held invalid, the invalidity does not affect other provisions or applications of the Ordinance that can be given effect without the invalid provision or application, and to this end the provisions of this Ordinance are severable.

11. NO EFFECT ON DEVELOPMENT APPLICATIONS. The adoption of this Ordinance does not obligate the Board, any County committee, or County staff to approve any application for or issue any development approval or development permit under the Land Development Code or Sustainable Land Development Code. Each such application shall be evaluated on its merits without regard to this Ordinance.

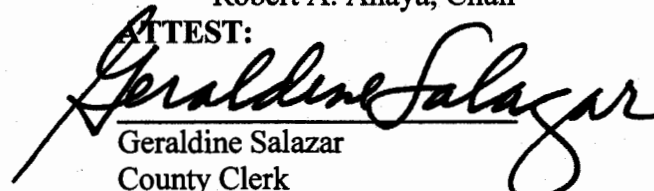
12. EFFECTIVE DATE. This Ordinance shall become effective thirty (30) days after it is recorded in the Office of the County Clerk.

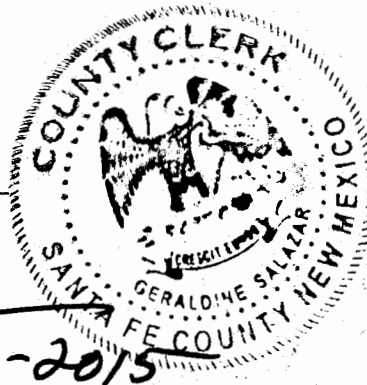
PASSED, APPROVED AND ADOPTED THIS 13TH DAY OF JANUARY, 2015.

**THE BOARD OF COUNTY COMMISSIONERS
OF SANTA FE COUNTY**


By: 
Robert A. Anaya, Chair

ATTEST:


Geraldine Salazar
County Clerk



APPROVED AS TO FORM:

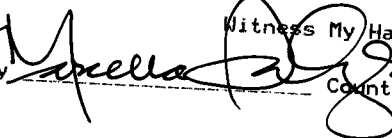


Gregory S. Shaffer
County Attorney



COUNTY OF SANTA FE) BCC ORDINANCE
STATE OF NEW MEXICO) ss PAGES: 19

I Hereby Certify That This Instrument Was Filed for
Record On The 14TH Day Of January, 2015 at 11:32:06 AM
And Was Duly Recorded as Instrument # 1754910
Of The Records Of Santa Fe County

Witness My Hand And Seal Of Office
Deputy  Geraldine Salazar
County Clerk, Santa Fe, NM

REC'D DEPT. CLERK 01/14/2015

**LEDA PROJECT PARTICIPATION
AGREEMENT FOR SANTA FE BREWING
COMPANY PROJECT**

This Project Participation Agreement (“Agreement” or “PPA”) is entered into by and between Santa Fe County, New Mexico (“the County”) and Santa Fe Brewing Company, a New Mexico corporation (“the Project Party” or “SFBC”), as of the date it is signed by both parties.

1. Recitals.

A. Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Santa Fe Brewing Company LEDA Ordinance.

B. Pursuant to LEDA, the County adopted the Santa Fe County Economic Development Ordinance, Ordinance No. 2014-7, authorizing the County to consider applications for economic assistance.

C. The Project Party has submitted an application to the County for economic assistance under the Santa Fe County Economic Development Ordinance. In the application, the Project Party has proposed that:

- The County grant \$250,000 to the Project Party to plan, design, and construct an on-site wastewater treatment system to treat all the Project Party’s wastewater at the Property.
- The County waive all otherwise applicable application and development review fees for development applications necessary for the expansion of the Project Party’s manufacturing and related storing, warehousing and distributing facilities.

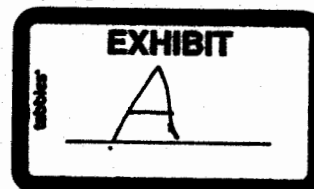
D. The County has adopted the Santa Fe Brewing Company LEDA Ordinance, finding, among other things, that the Project Party is a qualifying entity as defined in Section 5-10-3(I)(1) NMSA 1978 and approving this Agreement.

2. Economic Assistance to be Provided.

A. The County shall provide \$250,000 to the Project Party to plan, design, and construct an on-site wastewater treatment system to treat all the Project Party’s wastewater at the Property. This funding shall come from, and is contingent upon the County’s receipt of, a \$250,000 LEDA Grant from EDD.

B. For development applications necessary for the expansion of the Project Party’s manufacturing and related storing, warehousing, and distributing facilities and related infrastructure submitted after the effective date of this Agreement but before the termination of this Agreement, the County shall waive all otherwise applicable application and development review fees due under the Land Development Code or Sustainable Land Development Code and Ordinance No. 2008-12 and any future ordinance establishing application or development review fees under the Land Development Code or Sustainable Land Development Code. For the avoidance of doubt, the application and development review fees authorized to be waived hereunder do not include impact fees.

3. Substantive Contribution of the Project Party. Per the Economic Impact statement in Attachment 1 and in accordance with NMSA 1978, § 5-10-10(B), the Project Party agrees to



provide the following substantive contribution in exchange for the economic development assistance set forth in Paragraph 2: SFBC shall have on its payroll a total of 105 employees employed within Santa Fe County by January 1, 2020, as documented by its biannual reports to the County as well as required filings with the New Mexico Department of Workforce Solutions. This represents an increase of 64 jobs above its payroll as of January 5, 2015.

4. General Terms and Conditions. The economic assistance to be provided under this Agreement is expressly conditioned upon the following general terms and conditions:

a. The County Utility Department Director must approve of the design documents for the on-site wastewater treatment system in writing, in advance of construction.

b. The Project Party shall keep the County Utility Department Director fully informed as to the progress of the planning, designing, and construction of the on-site wastewater treatment system to treat all the Project Party's wastewater at the Property and shall permit the County Utility Department Director and other County representatives to inspect all work at reasonable times, provided the County provides the Project Party with at least twenty-four hours advance notice of its intention to do so. The Project Party shall provide the County with a construction schedule for the on-site wastewater treatment system and shall update that construction schedule at least weekly to ensure meaningful inspections can be scheduled.

c. Within fifteen days of the on-site wastewater treatment system being fully installed and operational, the Project Party shall permit the County Utility Department Director or designee to conduct a final inspection. The County Utility Department Director shall accept the infrastructure if all design parameters have been met and the infrastructure has been installed in a workmanlike manner.

d. The on-site wastewater treatment system shall be the property of the Project Party. In no event shall the County be liable to the Project Party or its guests for any damage resulting from design or other defects in the construction or installation of the infrastructure.

e. Maintenance and operation of the on-site wastewater treatment system shall be the Project Party's sole responsibility.

f. All conditions set forth in the Intergovernmental Agreement between the County and the EDD concerning the LEDA grant for the Project must be complied with. Without limiting the generality of the foregoing, all expenses for which the Project Party seeks reimbursement under this Agreement must be capital expenditures for the plan, design, and construction of the on-site wastewater system that are properly reimbursable under the Intergovernmental Agreement and appropriation providing funds for the LEDA grant from EDD to the County.

g. Expenditures for which SFBC seeks reimbursement under this Agreement must be made by the earlier of the date set forth in the Intergovernmental Agreement between the County and EDD or the end of the expenditure period set forth in law for the appropriation providing funds for the LEDA grant from EDD to the County.

h. The Project Party must obtain any necessary permits and other approvals from the New Mexico Department of Environment and City of Santa Fe concerning the on-site wastewater treatment system.

5. Events of Default; Recovery of Proportionate Share of Economic Development Assistance.

a. The following are Events of Default (i) entitling the County to terminate this Agreement; (ii) causing the amounts set forth in subparagraph b of this Section 5 to be immediately due and payable upon demand; and (iii) entitling the County to execute its rights under the Security Agreement:

- i. The failure of SFBC to create 64 new jobs by January 1, 2020;
- ii. The failure of SFBC to pay when due all local, state, and federal taxes, including property taxes;
- iii. The failure of SFBC to continually maintain a County business license;
- iv. Breach of any covenant or agreement or warranty by SFBC to the County, whether such covenant, agreement, or warranty is set forth in this Agreement or the Security Agreement;
- v. Any attempt by SFBC to sell, transfer, or otherwise encumber its Accounts, as defined in the Security Agreement, without first obtaining written consent of the County and EDD;
- vi. Abandonment of the Property by SFBC;
- vii. The filing, execution or occurrence of:
 - a) A petition in bankruptcy by or against SFBC which remains undismissed or unstayed for sixty (60) calendar days;
 - b) A petition or answer seeking a reorganization, composition, readjustment, liquidation, dissolution or other relief of the same or different kind under any provision of the federal Bankruptcy Code, 11 U.S.C., which remains undismissed or unstayed for sixty (60) calendar days;
 - c) Adjudication of SFBC as a bankrupt or insolvent, or insolvency in the bankruptcy equity sense which remains undischarged or unstayed for sixty (60) calendar days;
 - d) An assignment by SFBC for the benefit of creditors, whether by trust, mortgage or otherwise;
 - e) A petition or other proceeding by or against SFBC for the appointment of a trustee, receiver, guardian, conservator or liquidator with respect to all or substantially all of SFBC's property which remains undischarged or unstayed for sixty (60) calendar days; or
 - f) SFBC's dissolution or liquidation, or the taking of possession of SFBC's property by any governmental authority in connection with dissolution or liquidation; or
- viii. A reasonable determination by the County that the collateral in the Security Agreement is inadequate or in danger of being impaired or threatened from any cause whatsoever.

b. Should an Event of Default occur and should SFBC have not fully met its substantive contribution under Paragraph 3 of this Agreement as of the date of the Event of Default, the following amounts shall be immediately due and payable from SFBC to the County upon demand:

i. a proportionate share of the economic assistance provided through the date of the Event of Default, calculated as follows: the amount due shall equal (i) the amount of economic assistance provided through the date of the Event of Default multiplied by (ii) the recovery percentage, where the recovery percentage is equal to 1 minus the quotient derived by dividing the number of new jobs actually created as of the date of the Event of Default or 64, whichever is less, by 64. By way of example, if \$250,000 of economic assistance had been provided to SFBC as of the date of the Event of Default and SFBC had created 50 new jobs as of the date of the Event of Default, the amount immediately due and payable from SFBC to the County would be \$54,687.50; that is, $\$250,000 \times (1 - (50/64))$;

ii. interest on the amount due under Section 5(b)(i) from the date of the Event of Default through the date of payment by SFBC at the prime rate on the date of the Event of Default as published by the Wall Street Journal; and

iii. any and all costs and fees incurred by the County in enforcing this Agreement or the Security Agreement or collecting amounts due from Santa Fe Brewing under this Agreement or the Security Agreement, including reasonable attorney's fees.

6. Security Provided by SFBC. Contemporaneously with its execution of this Agreement, SFBC shall execute and deliver to the County a Security Agreement in substantially the form as the Security Agreement attached hereto as Attachment 2.

7. Requests for Reimbursement. This section governs SFBC's requests for reimbursement from the LEDA Grant for expenditures to plan, design, and construct an on-site wastewater treatment system to treat all the Project Party's wastewater at the Property ("Reimbursable Expenditures").

a. SFBC shall submit Requests for Reimbursement to the County's Economic Development Manager.

b. SFBC may seek reimbursement of Reimbursable Expenditures no more frequently than once per month.

c. SFBC may only seek reimbursement of Reimbursable Expenditures that it has already paid, as evidenced by cashed checks or other proof of payment satisfactory to the County.

d. All requests for reimbursement must be made on forms provided by the County, be submitted in accordance with procedures developed by the County, and be supported by such documentation as the County may reasonably require.

e. Submission of a request for reimbursement constitutes SFBC's express representation and warranty that all conditions precedent to its reimbursement have been met and that there exists no Event of Default, as defined in Section 5 of this Agreement.

f. The County shall complete the requisite review of each request for reimbursement within fifteen days of receipt of each request. When additional documentation is necessary to support the request for reimbursement, the County shall notify SFBC of the need in writing

within the fifteen day review period. The County shall have an additional fifteen days to review any additional documentation supplied by SFBC.

g. If the County rejects a request for reimbursement, the County shall notify SFBC of the rejection and the reasons therefore. If the County approves of the request for reimbursement, reimbursement shall be mailed to SFBC within thirty days of the County's receipt of LEDA Grant funds from EDD.

8. Term; Early Termination; Limitation on Damages.

a. This Agreement shall be effective upon the date it is executed by both parties. It shall terminate on January 1, 2020, unless the County terminates the agreement early:

- i. Due to an Event of Default as defined in Section 5 of this Agreement;
- ii. Pursuant to Section 16 of this Agreement; or
- iii. Due to SFBC having met its substantive contribution by creating 64 new jobs prior to January 1, 2020.

The County shall provide written notice of early termination to SFBC and EDD in accordance with Section 17 of this Agreement.

b. In the event of early termination, the County's sole liability shall be to reimburse the Project Party for expenditures made prior to the effective date of termination that are properly reimbursable under this Agreement and the Intergovernmental Agreement between EDD and the County for the LEDA grant. WITHOUT IN ANY WAY LIMITING THE GENERALITY OF THE FOREGOING, IN NO EVENT SHALL THE COUNTY BE LIABLE TO THE PROJECT PARTY FOR ANY INCIDENTAL, CONSEQUENTIAL, SPECIAL, OR PUNITIVE DAMAGES OF ANY KIND OR NATURE, WHETHER LIABILITY FOR SUCH DAMAGES IS ASSERTED ON THE BASIS OF CONTRACT, TORT, OR OTHER THEORY, AND REGARDLESS OF WHETHER THE COUNTY HAD BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES PRIOR TO EXECUTION OF THIS AGREEMENT.

9. Reporting and Review. By May 15 and November 15 of each year during the term of this Agreement, the Project Party will submit to the County, and the County will review and provide to EDD, a project report in such format and containing such information and supporting documentation as the County may reasonably require. At a minimum, each project report shall include the following: a 1-page narrative on project progress and a jobs spreadsheet listing all employees, their titles, and salaries as of the last day of the month preceding the project report. Project report must be supported by any reports and documentation from the New Mexico Department of Workforce Solutions, including form ES-903, demonstrating the headcount of the operation.

10. Ratification. The County and the Project Party hereby ratify all actions consistent with this Agreement that the County or the Project Party or their respective agents may have taken in furtherance of the Project.

11. Miscellaneous. This Agreement binds and inures to the benefit of the County and the Project Party and their respective successors and assigns. This Agreement may be amended or modified, and the performance by any party of its obligations hereunder may be waived, only in a written instrument duly executed by the parties. This Agreement may be executed in any number of counterparts, each of which is an original and all of which taken together constitute

one instrument. This Agreement is governed by and is to be construed in accordance with the substantive laws of the State of New Mexico, without giving effect to its choice-of-law principles.

12. No Commitment of County Funds. Project Party acknowledges and agrees that the LEDA grant from EDD to the County is the sole and exclusive source of reimbursement for expenditures it occurs to plan, design, or construct the on-site wastewater treatment system to treat all the Project Party's wastewater at the Property. In no event shall the County be obligated to reimburse the Project Party unless it receives LEDA grant funds from EDD with which to do so.

13. Merger and Integration Clause. This Agreement contains the entire agreement of the parties with respect to the subject matter hereof. This Agreement supersedes any prior agreements, understandings, or negotiations, whether written or oral.

14. Written Amendments Required. This Agreement may only be amended in writing, which written amendment must be duly executed by all parties.

15. Representations and Warranties of SFBC. SFBC hereby represents and warrants as follows:

- a. SFBC is a New Mexico corporation, duly organized and in good standing;
- b. The person signing this Agreement has the authority to bind SFBC to the terms hereof;
- c. This Agreement and the actions contemplated hereunder do not conflict with SFBC's Articles of Incorporation, Bylaws, any agreement to which SFBC is a party, any law or regulation applicable to SFBC, or any court order to which SFBC is bound; and
- d. Once duly executed by all parties, this Agreement shall be valid and enforceable against SFBC according to its terms.

16. Termination Clauses Related to Intergovernmental Agreement and LEDA Grant.

a. The terms of this Agreement are contingent upon sufficient appropriations and authorization being made by the Legislature of New Mexico for the performance of this Agreement. If sufficient appropriations and authorization are not made by the Legislature, the County may immediately terminate this Agreement by giving the Project Party written notice of such termination. The County's decision as to whether sufficient appropriations are available shall be accepted by the Project Party and shall be final. The Project Party hereby waives any rights to assert an impairment of contract claim against the County or EDD or the State of New Mexico in the event of immediate or Early Termination of this Agreement by the County or EDD.

b. This Agreement is funded in whole or in part by funds made available under an EDD Grant Agreement. Should EDD early terminate the grant agreement, the County may early terminate this Agreement by providing the Project Party written notice of such termination. In the event of termination pursuant to this paragraph, the County's only liability shall be to pay the Project Party for acceptable goods delivered and services rendered before the termination date.

17. Notices. All notices required to given in writing shall be sent by facsimile or regular mail, addresses as follows:

If to County:

County Manager
102 Grant Avenue
PO Box 276
Santa Fe NM 87504-0276
Facsimile: (505) 995-2740

with a copy to

County Economic Development Manager
102 Grant Avenue
PO Box 276
Santa Fe NM 87504-0276
Facsimile: (505) 820-1394

If to SFBC:

Brian Lock
35 Fire Place
Santa Fe NM 87508
Facsimile: (505) 424-1184

In the case of mailings, notices shall be deemed to have been given and received upon the date of the receiving party's actual receipt or five calendar days after mailing, whichever shall first occur. In the case of facsimile transmissions, the notice shall be deemed to have been given and received on the date reflected on the facsimile confirmation indicating a successful transmission of all pages included in the writing.

A party may change the person or address to which notice shall be sent by giving the other party written notice of such change in accordance with this paragraph.

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2025 RELEASE UNDER E.O. 14176

Attachment 1

LEDA Santa Fe Brewing Company Economic Impact Statement Regarding Proposed Expansion/Sewer Connection

Santa Fe Brewing Company (SFBC), located at 35 Fire Place in Santa Fe, has grown aggressively over the past 5 years and will reach maximum, practical capacity of the present 12,800 sq. ft. building within the next 12 to 18 months. Please note the attached Reference Table that outlines both historical and forecast growth for SFBC's business. The present brewing facility is currently served by a commercial Water Well, County Water, and utilities providing electricity (supplemented by a solar installation on the building roof) as well as natural gas. However, there is no sewer service available which creates a financial penalty for SFBC approaching \$75,000 annually.

SFBC is in the final stage of determining how it can best meet growing market demand for its products. One option SFBC has explored is to contract with another craft brewing company, located in either Colorado or Texas, for a portion of its output and use that product to meet growing market demand for SFBC products. This path is financially attractive in that it reduces capital investment risk and would accelerate the addition of incremental capacity, although it will result in some loss of control over the brewing process.

From SFBC's perspective, the preferred alternative is to initiate a 1 or 2 phase expansion at the present brewery production location, ultimately adding about 63,500 sq. ft. of building space with project investment of \$8 million depending on the ability to build out in just 1 phase. Employment growth at SFBC would approximate 65 jobs plus the employment created in the construction sector during the project duration. This would result in 105 ultimate jobs at SFBC and SFBC continuing to expand its demonstrated commitment to Santa Fe and the State of New Mexico. Some steps have been taken to make this a potentially feasible option including acquisition of an adjacent 3.5 acre property (necessary for the expansion) and a firm financing commitment from a financial institution. The ultimate capacity once both phases are complete would be 200,000 Barrels a year.

In the event that there would be 2 phases, phase I of the two step project would begin late this year/early next year and include a new building to house a laboratory, a waste water treatment plant, packaging hall, loading dock, a beer garden, an expanded tasting room at the brewery, a new tasting room in Albuquerque, and office / event space. Phase I investment would approximate \$5 million (\$2.2 million for new equipment and \$2.8 million in building construction) and will create approximately 30 new jobs. If SFBC were able to combine phase 1 and 2 the additional investment would be \$3 million and would include an additional 27,000 square foot building for storage and finished product.

If the project was split into 2 phases, phase II of the project would kick off in either 2016 or 2017 with total capital spending estimated at \$3 million (\$1 million for a new brew house and \$2 million for additional building space) and will create approximately 35 jobs.

The purpose of this application is two- fold. First, it is imperative to the success of this project that SFBC's facility be connected to the sewer line running along Hwy. 14. The cost penalty to SFBC in managing waste water effluent in the present configuration is the most significant

competitive disadvantage faced by SFBC relative to other craft brewers. The 3.5 acre plot acquired in the past 6 months will enable direct access to an existing sewer line without the necessity of acquiring easement rights. A sewer connection will remove SFBC's competitive cost disadvantage, one that presently amounts to nearly \$70,000 annually. Timing is important. The decision to proceed with expansion at the present site vs. contracting with another craft brewer hinges upon a commitment to allow SFBC immediate sewer connection.

Second, as a part of the sewer connection request, SFBC has budgeted \$435,000 for a new, comprehensive waste water treatment system. The treatment system will be designed and installed by VM Technology, a company with extensive experience in this field. Test results, illustrating a positive environmental impact, for the treatment system are included in this proposal. The request for a direct grant from the State of New Mexico, was approved, and will improve the overall project economics toward selecting the option to expand at SFBC's present site as opposed to entering into a contract brewing arrangement with a craft brewer in Colorado or Texas.

Finally, an expansion of the scope outlined in this document will enable SFBC to expand geographically beyond the 9 states now served by the company into new domestic and international markets. This will increase the flow of dollars into the State of New Mexico from consumers located outside the state, creating a net positive impact upon New Mexico's economy.

SFBC Expansion Economic Impact Reference Table

	<u>2009</u>	<u>2013</u>	<u>2017</u> <u>Forecast</u>	<u>2020</u> <u>Forecast</u>	<u>2025 Forecast</u>
SFBC Production Capacity	9,500 BBL	17,000 BBL	42,000 BBL	80,000 BBL	200,000 BBL
SFBC Sales Revenue	1,449,000	4,269,000	9,000,000	17,000,000	42,000,000
SFBC Employee Population					
Production	8	13	23	30	40
Sales/Marketing/Admin	7	8	18	40	55
Retail Servers	3	10	25	35	50
Total	18	31	66	105	145
SFBC Taxes Paid in NM					
NM Excise Tax	8,125	77,000	80,000	100,000	225,000
State Gross Receipts Tax	7,500	25,700	90,875	115,000	145,000
State Payroll Tax	42,000	80,000	170,000	300,000	440,000
Property Tax	9,000	9,000	19,000	19,000	19,000
Total	66,625	191,700	359,875	534,000	829,000

Attachment 1

LEDA Santa Fe Brewing Company Economic Impact Statement Regarding Proposed Expansion/Sewer Connection

Santa Fe Brewing Company (SFBC), located at 35 Fire Place in Santa Fe, has grown aggressively over the past 5 years and will reach maximum, practical capacity of the present 12,800 sq. ft. building within the next 12 to 18 months. Please note the attached Reference Table that outlines both historical and forecast growth for SFBC's business. The present brewing facility is currently served by a commercial Water Well, County Water, and utilities providing electricity (supplemented by a solar installation on the building roof) as well as natural gas. However, there is no sewer service available which creates a financial penalty for SFBC approaching \$75,000 annually.

SFBC is in the final stage of determining how it can best meet growing market demand for its products. One option SFBC has explored is to contract with another craft brewing company, located in either Colorado or Texas, for a portion of its output and use that product to meet growing market demand for SFBC products. This path is financially attractive in that it reduces capital investment risk and would accelerate the addition of incremental capacity, although it will result in some loss of control over the brewing process.

From SFBC's perspective, the preferred alternative is to initiate a 1 or 2 phase expansion at the present brewery production location, ultimately adding about 63,500 sq. ft. of building space with project investment of \$8 million depending on the ability to build out in just 1 phase. Employment growth at SFBC would approximate 65 jobs plus the employment created in the construction sector during the project duration. This would result in 105 ultimate jobs at SFBC and SFBC continuing to expand its demonstrated commitment to Santa Fe and the State of New Mexico. Some steps have been taken to make this a potentially feasible option including acquisition of an adjacent 3.5 acre property (necessary for the expansion) and a firm financing commitment from a financial institution. The ultimate capacity once both phases are complete would be 200,000 Barrels a year.

In the event that there would be 2 phases, phase I of the two step project would begin late this year/early next year and include a new building to house a laboratory, a waste water treatment plant, packaging hall, loading dock, a beer garden, an expanded tasting room at the brewery, a new tasting room in Albuquerque, and office / event space. Phase I investment would approximate \$5 million (\$2.2 million for new equipment and \$2.8 million in building construction) and will create approximately 30 new jobs. If SFBC were able to combine phase 1 and 2 the additional investment would be \$3 million and would include an additional 27,000 square foot building for storage and finished product.

If the project was split into 2 phases, phase II of the project would kick off in either 2016 or 2017 with total capital spending estimated at \$3 million (\$1 million for a new brew house and \$2 million for additional building space) and will create approximately 35 jobs.

The purpose of this application is two- fold. First, it is imperative to the success of this project that SFBC's facility be connected to the sewer line running along Hwy. 14. The cost penalty to SFBC in managing waste water effluent in the present configuration is the most significant

competitive disadvantage faced by SFBC relative to other craft brewers. The 3.5 acre plot acquired in the past 6 months will enable direct access to an existing sewer line without the necessity of acquiring easement rights. A sewer connection will remove SFBC's competitive cost disadvantage, one that presently amounts to nearly \$70,000 annually. Timing is important. The decision to proceed with expansion at the present site vs. contracting with another craft brewer hinges upon a commitment to allow SFBC immediate sewer connection.

Second, as a part of the sewer connection request, SFBC has budgeted \$435,000 for a new, comprehensive waste water treatment system. The treatment system will be designed and installed by VM Technology, a company with extensive experience in this field. Test results, illustrating a positive environmental impact, for the treatment system are included in this proposal. The request for a direct grant from the State of New Mexico, was approved, and will improve the overall project economics toward selecting the option to expand at SFBC's present site as opposed to entering into a contract brewing arrangement with a craft brewer in Colorado or Texas.

Finally, an expansion of the scope outlined in this document will enable SFBC to expand geographically beyond the 9 states now served by the company into new domestic and international markets. This will increase the flow of dollars into the State of New Mexico from consumers located outside the state, creating a net positive impact upon New Mexico's economy.

SFBC Expansion Economic Impact Reference Table

	<u>2009</u>	<u>2013</u>	<u>2017</u> <u>Forecast</u>	<u>2020</u> <u>Forecast</u>	<u>2025 Forecast</u>
SFBC Production Capacity	9,500 BBL	17,000 BBL	42,000 BBL	80,000 BBL	200,000 BBL
SFBC Sales Revenue	1,449,000	4,269,000	9,000,000	17,000,000	42,000,000
SFBC Employee Population					
Production	8	13	23	30	40
Sales/Marketing/Admin	7	8	18	40	55
Retail Servers	3	10	25	35	50
Total	18	31	66	105	145
SFBC Taxes Paid in NM					
NM Excise Tax	8,125	77,000	80,000	100,000	225,000
State Gross Receipts Tax	7,500	25,700	90,875	115,000	145,000
State Payroll Tax	42,000	80,000	170,000	300,000	440,000
Property Tax	9,000	9,000	19,000	19,000	19,000
Total	66,625	191,700	359,875	534,000	829,000

Attachment 2

SECURITY AGREEMENT

This Security Agreement is made this ____ day of January, 2015, by Santa Fe Brewing Company, a New Mexico corporation ("Santa Fe Brewing" or "SFBC").

Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in Santa Fe County Ordinance No. 2015- and that certain Project Participation Agreement ("PPA") by and between Santa Fe Brewing and the County.

For and in consideration of the economic assistance provided to SFBC for the Project by EDD and the County pursuant to the PPA, Santa Fe Brewing agrees as follows:

1. Santa Fe Brewing hereby grants to EDD and the County a Security Interest in Santa Fe Brewing's current and after-acquired Accounts. For the purposes of this Security Agreement, Accounts shall have the same meaning as NMSA 1978, § 55-9-102(A)(2) and includes all Accounts which Santa Fe Brewing now has or may have in the future.
2. This Security Agreement secures to the County and EDD the repayment of all amounts that may become due pursuant to and under the PPA and this Security Agreement, up to a maximum amount of three hundred thousand dollars (\$300,000).
3. This Security Agreement will continue in effect until discharged in writing by the County and EDD.
4. Santa Fe Brewing represents and warrants that it is the sole owner of the Accounts subject to this Security Agreement and has not given or offered any interest in them to any other party.
5. Santa Fe Brewing will not sell, transfer, or otherwise encumber its Accounts without first obtaining written consent of the County and EDD. Any attempted sale, transfer, or encumbrance of its Accounts without the prior written consent of the County and EDD shall be null and void and without effect.
6. In the event that Santa Fe Brewing owes any money to the County or EDD under and pursuant to the PPA and this Security Agreement, the County shall have the following rights with respect to the Accounts:
 - a. The County may notify any account debtor of the County's interest in Santa Fe Brewing's Accounts and direct the account debtor to make payment directly to the County. Santa Fe County may endorse on Santa Fe Brewing's behalf any checks received from its account debtors.
 - b. The County may demand, collect, endorse, receive and give a receipt for, compromise, settle and handle suits or other proceedings involving the Accounts in Santa Fe Brewing's name.
 - c. The County may take any action it feels is necessary in order to take possession of the Accounts, including performing any part of a contract or endorsing it in Santa Fe Brewing's name.
 - d. The County may take action or pay money, on Santa Fe Brewing's behalf, to preserve or protect the Accounts. The County may treat such payments made or the reasonable value of services performed as advances to be added to the principal amount due from Santa Fe Brewing and secured by this Security Agreement.

e. The County, as a secured party, shall have all rights and may take any other action with respect to the Accounts allowed under the Uniform Commercial Code, NMSA 1978, Chapter 55, Article 9.

7. This Security Agreement constitutes a security agreement, as defined under the Uniform Commercial Code, NMSA 1978, Chapter 55, Article 9.

8. Santa Fe Brewing agrees to execute, deliver, file, and record all such notices, affidavits, assignments, financing statements such as an UCC1 Financing Statement, and other instruments that, in the judgment of the County, are necessary to evidence and validate the security interest created hereby. Should Santa Fe Brewing refuse to timely do so, Santa Fe County may do so on Santa Fe Brewing's behalf.

9. Santa Fe Brewing hereby irrevocably appoints Santa Fe County as its attorney-in-fact for purposes of doing all actions and exercising all remedies authorized under this Security Agreement, the PPA, or at law or equity.

10. This Security Agreement shall be governed by the substantive laws of New Mexico, without regard to its choice of law rules.

11. Upon demand, Santa Fe Brewing shall reimburse the County any and all costs and fees incurred by the County in enforcing the PPA or this Security Agreement or collecting amounts due from Santa Fe Brewing, including reasonable attorney's fees. All such costs and fees shall be treated as an advance and shall constitute additional indebtedness secured by this Security Agreement.

12. In the event the Accounts are insufficient to repay the County all amounts due under the PPA or this Security Agreement, Santa Fe Brewing shall be liable for any deficiency.

13. Remedies Cumulative, Concurrent and Nonexclusive. The County shall have all rights, remedies and recourses granted in the PPA and this Security Agreement and available at law or in equity (including the Uniform Commercial Code), which rights (a) shall be cumulative and concurrent; (b) may be pursued separately, successively or concurrently against Santa Fe Brewing or against the Accounts, or against anyone or more of them, at the sole discretion of the County; (c) may be exercised as often as occasion therefor shall arise, and the exercise or failure to exercise any of them shall not be construed as a waiver or release thereof or of any other right, remedy or recourse, and (d) are intended to be, and shall be, nonexclusive. No action by the County in the enforcement of any rights, remedies or recourse under the PPA or this Security Agreement or otherwise at law or in equity shall be deemed to cure any default by Borrower.

14. Santa Fe Brewing will at all times keep accurate and complete records of the Accounts, and the County, or any of its agents, shall have the right at all reasonable times to examine, inspect, and make extracts from Santa Fe Brewing's books and records and to arrange for verification of accounts directly with account debtors or by other methods.

[THIS SPACE LEFT BLANK INTENTIONALLY]

IN WITNESS WHEREOF, the undersigned have signed and sealed this Security Agreement this _____ day of January, 2015.

Santa Fe Brewing Company

By: _____ (signature)

Name: _____ (printed)

Its: _____ (title)

Address: _____

STATE OF NEW MEXICO)

COUNTY OF SANTA FE)

The foregoing instrument was acknowledged before me this _____ day of January, 2015, by _____ (name), _____ (title) of Santa Fe Brewing Company, a New Mexico corporation, on behalf of the corporation.

Notary Public

My Commission Expires:

2015 JAN 11 11:11 AM