

INVESTOR PACKAGE

Foremost Brewing Cooperative

Minimum Offering: \$260,000

Maximum Offering: \$550,000

Non-Patron Membership Interests

Purchase Price: \$1 per Non-Patron Membership Interest

DO NOT REPRODUCE

The Date of this Investor Package is August 8, 2018

The Date of Expiration of the Offering is August 8, 2019

Foremost Brewing Cooperative
UP TO \$550,000 of Non-Patron Membership Interests

Foremost Brewing Cooperative, a Minnesota Cooperative, is offering a minimum of 260,000 of its Non-Patron Membership Interests for an aggregate total of \$260,000 and maximum of 550,000 of its Non-Patron Membership Interests for an aggregate total of \$550,000, at an offering price of \$1 per Non-Patron Membership Interests, pursuant to this Investor Package. The minimum required investment is \$750, unless waived by the Company, in its sole discretion.

All funds received from investors will be held in an escrow account at Sunrise Banks in until such time as the Company has received subscriptions for 260,000 Non-Patron Membership Interests (an aggregate amount of \$260,000) or until the earlier expiration or termination of the Offering, as provided herein. Once we have reached this minimum threshold, we may begin using proceeds received from those investors.

The offering price of the Non-Patron Membership Interests has been arbitrarily determined by the Company. Before this Offering, there was no market for our securities, and it is unlikely that such a market will develop in the future. The Non-Patron Membership Interests will be “restricted securities” under the Securities Act, must be held for investment purposes only and are subject to substantial limitations on resale or other transfer. You must purchase the Non-Patron Membership Interests for your own account and must assume the economic risk of investment for an indefinite period of time.

YOU ARE URGED TO SEEK INDEPENDENT ADVICE FROM YOUR LEGAL AND FINANCIAL ADVISORS RELATING TO THE SUITABILITY OF AN INVESTMENT IN OUR COMPANY AND OUR SECURITIES, IN LIGHT OF YOUR OVERALL FINANCIAL NEEDS AND WITH RESPECT TO THE LEGAL AND TAX IMPLICATIONS OF SUCH AN INVESTMENT.

THIS DISCUSSION IS NOT INTENDED AS A SUBSTITUTE FOR CAREFUL TAX PLANNING AND INDIVIDUAL TAX ADVICE, PARTICULARLY BECAUSE THE INCOME TAX CONSEQUENCES OF AN INVESTMENT IN A CORPORATION OR LIMITED LIABILITY COMPANY SUCH AS OUR COMPANY ARE UNCERTAIN AND COMPLEX AND MANY CONSEQUENCES WILL NOT BE THE SAME FOR ALL TAXPAYERS. ACCORDINGLY, YOU SHOULD SEEK, AND MUST DEPEND UPON, THE ADVICE OF YOUR OWN TAX ADVISOR, TAX COUNSEL OR ACCOUNTANT WITH RESPECT TO YOUR PROSPECTIVE INVESTMENT IN THE COMPANY. NOTHING IN THIS OFFERING DOCUMENT OR THE ACCOMPANYING DOCUMENTS IS OR SHOULD BE CONSTRUED AS LEGAL OR TAX ADVICE.

**INVESTOR PACKAGE INSTRUCTIONS: THE INSTRUCTIONS LISTED BELOW APPLY IF YOU
ARE INVESTING THROUGH FOREMOST.SPPX.IO**

On behalf of Foremost Brewing Cooperative, a Minnesota Cooperative (“Foremost Brewing,” “we” or the “Company”), we are pleased that you have expressed an interest in purchasing Non-Patron Membership Interests (the “Non-Patron Membership Interests”) in the Company. In order to streamline the subscription process, the Company has created a “Funding Portal” located at foremost.sppx.io to coordinate the Company’s acceptance of investor subscriptions and issuance of the Non-Patron Membership Interests to purchasers. In order to proceed with your purchase of the Non-Patron Membership Interests, please visit and refer to the instructions found on the Funding Portal.

IMPORTANT NOTICES TO PROSPECTIVE INVESTORS

We have prepared this Investor Package for distribution to prospective investors for their use and information in evaluating an investment in the Non-Patron Membership Interests. You are urged and invited to ask questions of and obtain additional information from us concerning the terms and conditions of this offering (the "Offering"), the Company, our business, and any other relevant matters (including, but not limited to, additional information to verify the accuracy of the information set forth herein). Such information will be provided to the extent that our , Roger Warehime, (the "Chair"), possess such information or can acquire it without unreasonable effort or expense. You will be asked to acknowledge in the Subscription Agreement attached hereto as Exhibit E that you were given the opportunity to obtain such additional information and that you either did so or elected to waive such opportunity.

Prospective investors having questions or desiring additional information should contact Roger Warehime, at 507-456-1429.

You should not construe the contents of this Investor Package as legal, tax, or investment advice, and you should consult your own attorney, accountant, and business advisor as to legal, tax, and related matters concerning an investment in the Non-Patron Membership Interests.

THIS INVESTOR PACKAGE DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE NON-PATRON MEMBERSHIP INTERESTS. THIS INVESTOR PACKAGE DOES NOT CONSTITUTE AN OFFER TO ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. ALL INFORMATION CONTAINED HEREIN IS AS OF THE DATE OF THIS INVESTOR PACKAGE, AND NEITHER THE DELIVERY OF THIS INVESTOR PACKAGE NOR ANY SALES MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, IMPLY THAT THERE HAS BEEN NO CHANGE IN OUR AFFAIRS SINCE SUCH DATE.

THE NON-PATRON MEMBERSHIP INTERESTS ARE HIGHLY SPECULATIVE, ILLIQUID, INVOLVE A HIGH DEGREE OF RISK AND SHOULD BE PURCHASED ONLY IF YOU CAN AFFORD TO LOSE YOUR ENTIRE INVESTMENT. SEE THE "RISK FACTORS" ATTACHED HERETO AS EXHIBIT C.

IN MAKING AN INVESTMENT DECISION, PURCHASERS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR DIVISION OR OTHER REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED BY SUBSECTION (e) OF SEC RULE 147A (CODE OF FEDERAL REGULATIONS, TITLE 17, PART 230.147A (e)) AS PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. PURCHASERS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

SALES WILL BE MADE ONLY TO RESIDENTS OF MINNESOTA. OFFERS AND SALES OF THESE SECURITIES ARE MADE UNDER AN EXEMPTION FROM FEDERAL REGISTRATION AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. FOR A PERIOD OF SIX MONTHS FROM THE DATE OF THE SALE BY THE ISSUER OF THE SECURITIES, ANY RESALE OF THE SECURITIES (OR THE UNDERLYING SECURITIES IN THE CASE OF CONVERTIBLE SECURITIES) SHALL BE MADE ONLY TO PERSONS RESIDENT WITHIN Minnesota. ANY RESALE OF THESE SECURITIES MUST BE REGISTERED OR EXEMPT PURSUANT TO THIS CHAPTER.

Should the Company issue a certificate or other document evidencing the security, the following legend must be displayed conspicuously:

OFFERS AND SALES OF THESE SECURITIES WERE MADE UNDER AN EXEMPTION FROM FEDERAL REGISTRATION AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. FOR A PERIOD OF SIX MONTHS FROM THE DATE OF THE SALE BY THE ISSUER OF THESE SECURITIES, ANY RESALE OF THESE SECURITIES (OR THE UNDERLYING SECURITIES IN THE CASE OF CONVERTIBLE SECURITIES) SHALL BE MADE ONLY TO PERSONS RESIDENT WITHIN MINNESOTA. ANY RESALE OF THESE SECURITIES MUST BE REGISTERED OR EXEMPT PURSUANT TO THIS CHAPTER.

A PURCHASER IS PERMITTED TO CANCEL THE PURCHASER'S COMMITMENT TO INVEST AT ANY TIME BEFORE FORTY-EIGHT HOURS BEFORE EXPIRATION OF THE OFFERING DEADLINE IF NOTICE OF CANCELLATION IS DELIVERED ELECTRONICALLY OR PHYSICALLY IN WRITING TO THE COMPANY. IF A PURCHASER IS GIVEN NOTICE OF AN EARLY CLOSING, THE PURCHASER MAY CANCEL THE COMMITMENT WITHIN SEVENTY-TWO HOURS OF DELIVERY OF THE NOTICE.

IF WE CLOSE THE OFFERING BEFORE THE OFFERING DEADLINE, WE MUST DELIVER A NOTICE OF THE CLOSING TO EACH PURCHASER AND POTENTIAL PURCHASERS BY POSTING THE NOTICE CONSPICUOUSLY ON OUR WEBSITE, AT LEAST FIVE DAYS BEFORE THE EARLY CLOSING. IF YOU WISH TO CANCEL YOUR SUBSCRIPTION PURSUANT TO EARLY CLOSING, YOU MUST DO SO WITHIN 72 HOURS OF DELIVERY OF NOTICE.

IF WE FAIL TO RAISE THE MINIMUM OFFERING AMOUNT BEFORE THE OFFERING DEADLINE, THIS OFFERING WILL BE VOID AND THE ESCROW AGENT MUST RETURN ALL FUNDS HELD IN ESCROW TO THE PURCHASERS.

INDEX OF EXHIBITS

- Exhibit A of this package includes a copy of the Company’s Investor Overview, which includes projected financial statements (the “***Investor Overview***”).
- Exhibit B of this package contains a summary of the terms of this Offering (the “***Summary of Terms***”).
- Exhibit C of this package describes key risk factors that may be relevant to an investment in the Non-Patron Membership Interests (the “***Risk Factors***”). Please read them carefully.
- Exhibit D of this package includes a copy of the Company’s Articles of Organization (“***Articles of Organization***”) and Bylaws (“***Bylaws***”).
- Exhibit E of this package contains the subscription agreement to be completed by investors in order to purchase Non-Patron Membership Interests (the “***Subscription Agreement***”).
- Exhibit F of this package contains certain financial statements of the Company (the “***Financial Statements***”).
- Exhibit G of this package contains the escrow agreement with Sunrise Banks (the “***Escrow Agreement***”).
- Exhibit H of this package contains the agreement with Silicon Prairie Portal & Exchange, LLC to provide MNvest portal services to the Company for this Offering (the “**Portal Operator Agreement**”).
- Exhibit I of this package contains an example Company advertisement (the “**Advertisement**”).
- Exhibit J of this package contains the Notice Filing Form (the “**Notice Filing Form**”).
- Exhibit K of this package contains the Cyberpolicy (the “**Cyberpolicy**”).

EXHIBIT A
Investor Overview
(See attached)

BUSINESS PLAN FOR

Foremost Brewing Cooperative *Minnesota's First Brewpub Cooperative*



Prepared by: The Foremost Brewing Cooperative Interim Board of Directors

CONFIDENTIAL

This corporate overview is being furnished on a confidential basis solely to a limited number of prospective investors and may not be used for any other purpose. Any reproduction or distribution of this corporate overview, in whole or in part, or the disclosure of its contents, without the prior written consent of the company, is prohibited.

This corporate overview does not purport to contain all of the information necessary to evaluate an investment in the company and it is understood that each investor will make his, her or its own independent investigation into the merits and risks of investing in the company to arrive at an independent evaluation of such investment.

Certain statements made in this corporate overview contain “forward-looking statements”. Investors should not rely on forward-looking statements in our corporate overview. Such forward-looking statements are subject to risks, uncertainties and other factors, many of which are beyond the control of the company, which could cause actual results and developments to differ materially from future results and developments expressed or implied by such forward-looking statements. As a result, all such forward-looking statements are qualified by this cautionary statement and there can be no assurance that the actual results or developments anticipated by the company and its management will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the company. Actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors.

The company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. These statements include those relating to future events, performance and/or achievements. Nothing contained in this corporate overview is, or should be relied upon as, a promise or representation as to the future.

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Executive Summary

Foremost Brewing Cooperative is an exciting opportunity for a large number of civic-minded people to directly invest in the revitalization of downtown Owatonna while personally receiving social and financial returns.

Foremost Brewing will be a restaurant, bar, and craft beer brewery that will provide guests in Owatonna, MN with an upscale, casual, beer-centric dining experience featuring locally-produced craft beers paired with fresh, gourmet pub food using locally sourced ingredients.

As a brewpub and a cooperative, Foremost Brewing is statistically poised for long term success. While 60% of restaurants close within 3 years of opening, only 40% of the 3,269 brewpubs that have opened in the past 38 years have closed. Similarly, while only 5% of traditional businesses are still operating after 5 years, 90% of cooperatives are still operating after 5 years.

“Forged in Community” is a guiding principle that will set Foremost Brewing apart from all other establishments in the area and provide a competitive advantage. Foremost Brewing Cooperative is the result of local people coming together to achieve a common goal of making Owatonna a more desirable place to live and visit by creating, from the ground up, what will become a local treasure and community pillar. Through the cooperative business model, Foremost Brewing will continue to engage the community through democratic control and direction by its members.

Organized under Chapter 308B of Minnesota Statutes, Foremost Brewing Cooperative is formed for the benefit of its members and is based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. Its members believe in the ethical value of honesty, openness, social responsibility, ecological responsibility, and caring for others.

There are two classes of members. Patron Members join the cooperative with the intent of consuming products produced by the cooperative. Refunds (dividends) are received on the basis of business done with the cooperative. The Patron Member investment is \$150 for an individual and \$250 for a household (two adults living together). Non-patron Members own a membership interest and receive investment returns in proportion to their share of the investment. Non-patron Member investment levels for non-accredited investors are between \$750 and \$10,000. Members that hold both a Patron Membership and a Non-patron Membership are referred to as “Patron Plus” members.

Foremost Brewing will be located at 224 North Cedar, on the corner of Cedar Avenue and Pearl Street in Owatonna, MN. The building will be owned by Foremost Properties, LLC and leased to Foremost Brewing under a 10-year triple-net lease agreement. Foremost Properties is a local company that was organized for the exclusive purpose of restoring and renovating the building and leasing it to the Foremost Brewing Cooperative. This arrangement provides stability for Foremost Brewing.

Anticipated start-up costs, including funds for working capital and contingency are \$535,000. We anticipate that the funding sources will be: \$90,000 equity funding from patron members, \$320,000 equity funding from non-patron members, and \$125,000 in loans from members and the Southern Minnesota Initiative Foundation.

Sales projection assume a modest 890 customers per week resulting in sales of approximately \$14,500 per week, or \$750,000 per year. Cashflow before taxes is expected to be approximately 9% of sales during the first five years of operation. Annual return on investment for Non-patron Members is anticipated to be 12-15% after the first two years of operations, while dividends for Patron Members are anticipated to be 5-6% of purchases.

In closing, we believe the business plan for Foremost Brewing represents a realistic expectation of success, and we ask that you join us in making this investment in our shared future.

Section 1 – The Brewpub Advantage

The basic concept of the brewpub, pairing beer and food made onsite, is neither new nor particularly novel—taverns have been making their own beer for centuries. Even so, the modern crop of American brewpubs has managed to put a new spin on the concept of beer and food, and in doing so have created economic value that extends beyond the two components independent from each other.

That value can be seen clearly in the historical success rate of brewpubs. Since the Brewers Association started tracking in 1980 through 2017, 3,269 brewpubs opened in the United States and only 1,3011 closed. That calculates to a historical success rate of 60 percent (a bit inflated by the faster-than-usual opening rate the last few years). In contrast, a study at Ohio State found that 60 percent of restaurants close in a three-year period¹.

To restate, 60 percent of restaurants close in the first three years, whereas only 40 percent of the 3,269 brewpubs that have opened in the past 38 years have closed. That type of disjuncture can only occur when there is something fundamentally different about the categories in question.

It's worth noting up front that some of the advantages of brewpubs stem from their ability as the manufacturer to sell a high-value-added product (aka beer) at better margins than a typical restaurant. In the latest Brewery Operations and Benchmarking Survey, smaller brewpubs (fewer than 1,000 barrels) derived 26.8 percent of their sales from house beers, and larger brewpubs (more than 1,000 barrels) derived 46.3 percent of their sales from house beers. In 2010, those percentages were closer to 35 percent for both groups. Regardless of the specific percentage, that means roughly a third of sales stems from a product that averages gross margins that can reach more than \$800 per barrel depending on the business model and beer style.

These benefits don't come without risk. Brewpubs are betting heavily on their ability to sell their own beers, and not surprisingly, typically have a much lower percentage of their sales come from guest beers and other bar sales. Most people come to brewpubs looking to try the house beers, so if those beers don't meet the ever-increasing quality standards, there may be challenges. In addition, running a brewery inside a restaurant requires additional capital, expertise, staff, and more. So, brewpubs are a step beyond the average restaurant on the classic risk-reward scale, with more invested, but greater potential benefits. Given this basic tradeoff, what are the additional advantages that have allowed so many brewpubs to keep that balance firmly pointed toward reward?

Exclusive Experiences

The American beer lover craves variety and novel beer experiences. The on-premise is where this experimental spirit is the strongest. In a recent Nielsen survey commissioned by the Brewers Association², a majority (51 percent) of craft beer drinkers said that when selecting a beer to order at a restaurant or bar, it was very or somewhat important that "it's a craft beer product that I have not tried before." Brewpubs have a tremendous advantage in this regard, in that not only can they serve whatever they can

think up, they can also choose to have exclusive rights to that beer, offering the beer lover a novel experience they can't get anywhere else.

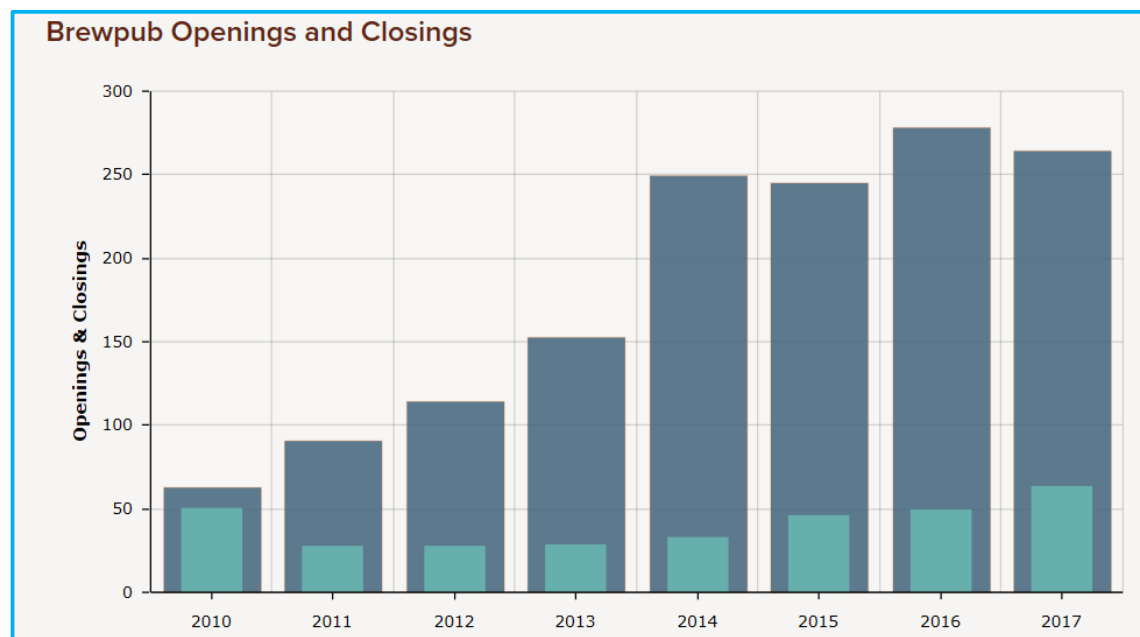
Complementary DNA

In the same Nielsen survey, 71 percent of craft beer purchasers gave “complements my meal” as a very or somewhat important selection criteria in their beer choice. More than ever, beer lovers are thinking beer and food pairing, and in increasingly sophisticated ways. Pairing beer with food is in the DNA of brewpubs, and they have additional advantages in their ability to create beers with specific pairings in mind, use special ingredients like spent grains to enhance the pairing experience, and more easily integrate beer throughout the menu development and cooking process. This isn't to say that a restaurant can't accomplish many of these components; it's simply that brewpubs are more likely to do it as a part of their natural process.

Built-in Beer Knowledge

A recent CraftBeer.com survey of its readers asked them to decide among the “5 Cardinal Sins” of beer service. While several sins rose to the top (including limited diversity on the beer list and dirty beer lines), the number one response was “unknowledgeable servers,” with 27 percent of respondents picking that as their biggest red flag. While there's nothing about brewpubs that makes servers inherently more knowledgeable, the reservoir of brewing knowledge, presence of a brewing culture, and physical presence of brewing makes training staff more accessible.

Source: The Brewpub Advantage by Bart Watson. This article was originally published in the January/February 2016 issue of The New Brewer—a bi-monthly journal published by the Brewers Association. Downloaded from www.brewersassociation.org 4/26/17.



Source: www.brewersassociation.org, downloaded 6/12/18

Section 2 – The Cooperative Advantage

A cooperative is a specialized form of business. Having more in common with a traditional business than, say, a nonprofit organization, a cooperative distinguishes itself by a member ownership, benefits, and control model which puts power in the hands of the customers rather than a single owner or small group of partners. More than 47,000 cooperatives operate in the United States alone, boasting more than 100 million member-owners. To begin understanding how cooperatives differ from traditional businesses, it helps to first look at who owns the assets.

Ownership

Traditional businesses concentrate the power of ownership in a single individual or a small group of partners. This idea is turned completely on its head with the cooperative model, where every customer is a member and every member a part owner. Cooperative member owners share equally in control of the organization. They meet regularly to analyze operations reports and elect members from among themselves to a board that hires administrators to tend to day-to-day operations.

Control

It would be hasty to equate cooperative members directly to shareholders in a traditional company. A single person can seize control of a stock-issuing company by buying a majority of shares, thus gaining superior voting power. With a cooperative, no member can buy or control the share of another. Each member has equal voting power and decisions must be made in conjunction with the wishes of the majority. Power truly rests in the hands of lowest common denominator -- the customer.

Benefits

Most traditional businesses operate with the primary goal of turning a profit. There's nothing wrong with that, but a cooperative offers benefits to members that go beyond that. By pooling their money, a group of like-minded individuals can form a cooperative that offers higher quality products at lower prices. That's increased buying power in action. But beyond simple monetary rewards, a cooperative allows individuals to have a direct say in business operations, something often lacking in the retail world in general.

Considerations

Often, a business begins as an idea in the head of a single person, who then runs with it. A cooperative might be similar in the very beginning, but soon diverges because it requires a group of people with similar goals and needs to band together in order to progress the idea. One way to think about the differences between traditional businesses and cooperatives is that the first puts capital at the center of the model while the other places people there.

Source: *Differences Between Cooperatives & Traditional Businesses* by Derek Dowell, downloaded from <http://smallbusiness.chron.com/differences-between-cooperatives-traditional-businesses-23270.html> 4/26/17

Startup Success

Cooperative businesses have lower failure rates than traditional corporations and small businesses, after the first year of startup, and after 5 years in business. About 10% of cooperatives fail after the first year while 60-80% of traditional businesses fail after the first year. After 5 years, 90% of cooperatives are still in business, while only 3 - 5% of traditional businesses are still operating after 5 years. This is often because of the many people involved in starting a cooperative and the high level of community support for cooperatives (World Council of Credit Unions study in Williams 2007).

Improving Communities

Cooperative businesses stabilize communities because they are community-based business anchors; and distribute, recycle, and multiply local expertise and capital within a community. They pool limited resources to achieve a critical mass. They enable their owners to generate income, and jobs, and accumulate assets; provide affordable, quality goods and services; and develop human and social capital, as well as economic independence (Gordon Nembhard 2002, 2004b, 2008a, 2014; Fairbairn et al 1991; Logue and Yates 2005; WAGES no date; Yes! Magazine 2013). In addition, co-op enterprises and their members pay taxes, and are good citizens by giving donations to their communities, paying their employees fairly, and using sustainable practices (Gordon Nembhard 2013; Iowa Association of Electrical Co-ops. 2011).

Source: The Benefits and Impacts of Cooperatives by Jessica Gordon Nembhard. Downloaded from <http://www.geo.coop/story/benefits-and-impacts-cooperatives> 4/26/17

Cooperative Brewing

Foremost Brewing is not the first to recognize the synergy inherent in community brewing and the cooperative business model. Black Star Co-op became the first cooperatively owned craft brewer when it opened its doors in Austin, TX in 2010 after raising \$500,000 from its members.

Black Star has inspired and assisted a number of other efforts across the country. As of this writing, there are at least 18 cooperatives in operation or in the planning stages in the U.S.:

Open for Business

4th Tap (Austin, TX)
 Artisan Beverage Cooperative (Greenfield, MA)
 Bathtub Row Brewing Co-op (Los Alamos, MN)
 Black Star Co-op (Austin, TX)
 Bluetick Brewery (Maryville, TN)
 Broken Clock Brewing (Minneapolis, MN)
 Cherry Street Brewing Cooperative (Cumming, GA)
 Fair State Brewing Cooperative (Minneapolis, MN)
 Fifth Street Brewpub (Dayton, OH)
 Flying Bike Cooperative Brewery (Seattle, WA)

In Planning Stages

Barley Grail Brewing Cooperative (Hudson, OH)
 Bluenose Gopher (Granite Falls, MN)
 Burlington Beer Works (Burlington, NC)
 Full Barrel Cooperative Brewery and Taproom (Burlington, VT)
 High Five Co-op Brewery (Grand Rapids, MI)
 Foremost Brewing Cooperative (Owatonna, MN)
 Umunhum Brewing (San Jose, CA)
 Yellow City Co-op Brewpub (Amarillo, TX)

The Seven Cooperative Principles

Co-ops worldwide share a common creed. They share a fundamental respect for all human beings and a belief in people's capacity to improve themselves economically and socially through mutual help. This basic philosophy has been developed into a list of seven principles:

1. **Open and voluntary membership** Co-ops are open to all who can make use of their services and are willing to accept the responsibilities involved.
2. **Member economic participation** Members provide the basic capital (money) to start and operate the co-op. If co-ops pay dividends to their member-owners, the rate must be limited. Surplus, or profit, resulting from operations belongs to the members and they control how it will be distributed. If a co-op's surplus is returned to members, it is distributed in proportion to the amount of business each member has conducted with the cooperative.
3. **Democratic member controls** All co-op members have equal voting and decision-making power in the governance of the business, on the basis of one vote per member.
4. **Autonomy and Independence** Cooperatives are independent, self-help organizations controlled by their members. They limit the influence of outside agencies or business partners to ensure their independence.
5. **Education, training, and information** Co-ops have an obligation to educate members about cooperative business. This mandate also encompasses educating the general public, young people, and community leaders about the nature and benefits of cooperation.
6. **Cooperation among cooperatives** To bring the theory of working together full circle, co-ops recognize the vital importance of working with other co-ops—locally, regionally, nationally, and internationally. Through these efforts, co-ops try to help each other—to strengthen their economic positions and to contribute to the co-op movement.
7. **Concern for community** While member needs are their primary concern, cooperatives also work for the sustainable development of their communities.

Additionally, the International Co-operative Alliance (ICA) defines the standards by which all co-ops should operate:

Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility, and caring for others.

Section 3 – The Concept

Overview

Foremost Brewing is a restaurant, bar, and craft beer brewery that will provide guests in Owatonna, MN with an upscale, casual, beer-centric dining experience featuring locally-produced craft beers paired with fresh, gourmet pub food using locally sourced ingredients.

In addition to brewing better beer, Foremost Brewing will offer an alternative to the typical bar scene by providing great beer in a comfortable atmosphere which lends itself to drinking responsibly. Foremost Brewing will provide a distinct alternative to the choices presently available in Owatonna and will appeal especially to people reacting against the impersonal nature of large corporations and mass production.

Unique Selling Proposition

“Forged in Community” is a guiding principle that will set Foremost Brewing apart from all other establishments in the area. It will be the place where local professionals hang out and visitors put on their “must experience” list. Foremost Brewing will pay tribute to Owatonna’s rich history and celebrate its vibrant future. Not only will customers be able to enjoy delicious food and beverage in an authentically local brewhouse; they will be able to say they own the place!

Business Hours

Monday - Tuesday	Closed
Wednesday-Thursday	3 pm – 10 pm
Friday-Saturday	11 am – 11 pm
Sunday	11 am – 8 pm

Guest Experience

When guests enter, they will feel welcomed into a beloved community gathering place housed in a historic building with a rustic-industrial décor. They will experience a vibrant, energetic-yet-relaxed atmosphere, exceptional service and hospitality, and extraordinary food and drink.

They will see the brewing equipment prominently displayed and notice that it is clean, well-lit, and modern looking. At certain times, they may see the brewers fastidiously working to produce the next batch of delicious, local brew.

Guests will easily identify the wait staff by the matching polo shirts worn and they will soon learn that every staff member they encounter is knowledgeable about the beer.

They will leave in a mood better than when they arrived and feel a sense of satisfaction for supporting this community treasure.

Menu and Signature Items

The food menu will be intentionally small and will be rotated seasonally to keep the choices interesting for loyal, returning guests. The seasonally rotating menu will also provide opportunities to market new menu offerings which will be available for a limited time. We will specialize in unique appetizers, toasted sandwiches, fresh salads, and flatbread style pizzas.

The beers brewed at Foremost Brewing will evolve over time based in response to our members' preferences and input. In the beginning, we will focus primarily on traditional styled ales such as India Pale Ale, American Pale Ale, Cream Ale, Dry Irish Stout and Belgian Golden Ale. Experimental styles might include Kettle Soured Ales, Fruit-Nuanced Hazy IPA's and beers using experimental hop breeds. Seasonal beers may include Winter Warmers (spiced Holiday Ale), Russian Imperial Stouts and American Wheat Beers. Foremost Brewing Cooperative will also have the ability to occasionally brew German Lagers such as Bock, Maibock and Oktoberfest.

In time, we will have a core group of mainstays which customers can expect to always be on tap. Rotating taps will include our patrons' favorite beers from craft breweries located in Minnesota, Iowa, and Wisconsin. There will always be at least one beer inspired by one of our members on tap.

Pricing

Tap Beer:	
Pint or Tulip	\$6.00
8 oz	\$4.00
Flight of 3 4 oz glasses	\$6.00
Flight of 4 4 oz glasses	\$8.00
Growler	\$20.00
Crowler	\$12.00

Appetizers	\$5.00 to \$15.00
Salads	\$12.00
Entrees	\$8.00 to \$16.00
Desserts	\$6.00
Kid's Entrée	\$5.00
Homemade Sodas & Rootbeer	\$3.00
Glass of Wine	\$6.00 - \$9.00

Sample Menu

Appetizers

Charcuterie and Cheese Board, Olives with Bread and Crackers
Giant Pretzel and Dips
Spinach and Artichoke Dip with Toasted Baguette Slices
Chips and Salsa (seasonal salsas)
Maple Seasoned Mixed Nuts

Flatbreads

Prosciutto Pear
Pesto Chicken with Red Onion
Margherita
Italian Meats

Salads

Apple Cranberry Bacon Candied Walnut Salad with an Apple Poppy Seed Vinaigrette
Roasted Sweet Corn Harvest Salad with a Chili Lime Vinaigrette

Wraps

Chicken, Bacon and Avocado
Roasted Veggie with Sundried Tomato Hummus

Sandwiches and Paninis

Cuban
Slow Roasted Beef with Caramelized Onions and Swiss Cheese
Roasted Chicken with Caramelized Apples and Brie Panini
Caprese Panini

Brats

Elk
Bison
Venison

Section 4 – The Organizational Team

Several talented and dedicated people are working to bring this vision to reality. Members of the interim board of directors are:

Roger Warehime – Chair

As an Owatonna Forward Steward and team leader of the Public Input Team, Roger Warehime repeatedly heard Owatonna citizens express their desire to see a brewpub come to downtown as well as see downtown revitalized. He, along with fellow stewards Reid Stranksy and Seth Madole, envisioned a grass-roots, citizen-lead initiative to create a cooperatively-owned brewpub. Since January 2017, Roger has been involved in all aspects of bringing the vision to reality including extensive research, planning, and organizing of activities.

Roger Warehime holds a Bachelor of Science in Mechanical Engineering from the University of Minnesota and an MBA from St. Thomas University. He has been employed at Owatonna Public Utilities for 14 years and is currently the Director of Field Operations. Throughout his career, he has gained extensive experience in leading and managing a variety of teams and projects.

John Deranek – Vice Chair

John Deranek moved to Owatonna from the Twin Cities in the summer of 2015. He graduated from Pharmacy School at the University of Minnesota in 2005 and has spent over 10 years managing different pharmacies across Minneapolis and the Twin Cities. John has been an amateur home brewer for over 10 years brewing a variety of beers and ciders.

Sue Tuma – Financial Officer

Sue Tuma was born and raised in Owatonna, left for Minneapolis and Chicago for a few years, and has been back in her beloved hometown for 30 years. She retired early from Truth Hardware three years ago and has been devoting a good amount of her time to getting Foremost Brewing up and running over the past year or so. She is an inactive-licensed CPA and has worked in accounting and finance her entire life. She is an Owatonna Arts Center board member and has served on the United Way Grant Review Panel for the past four years.

Sue and her husband Tom love to visit new breweries and brewpubs and have over 80 notches on their "beer-post" to date, most of which are located in Minnesota. Sue & Tom have two adult sons still living at home, Dylan and Ryan.

Molly Kerr – Records Officer

Molly Kerr received her Bachelor of Science in Music Industry with a minor in Marketing from Minnesota State University, Mankato. She was employed with Ticketmaster for 10 years as an Event Support Specialist. As an Event Support

Specialist, she worked closely with venues to ensure a seamless event from start to finish.

Molly relocated with her family to Owatonna in 2017 and has become involved with several community organizations.

Terrence Flynn – Head Brewer

Terrence Flynn brings a wide range of life experiences to the Foremost Brewing Team; from commercial sales to working as a Police Officer for the City of Owatonna for more than ten years. During those ten years of serving Owatonna, Terrence grew to love the community and wants to be a part of its continued success. Terrence has been brewing beer for approximately 10 years after learning the craft from his father, who had been brewing for nearly twenty years. Terrence has won multiple local Homebrew Awards, most recently winning Brewers and People's Champion at Brew-Fest and People's Champion at Hops for Habitat. Terrence brings a consistent, yet creative touch to brewing traditional, well-balanced beers. Terrence is one of the Superintendents of the Homebrew Competition at the Steele County Free Fair and is working on attaining Brewing and Beer Steward Certification.

Chris Harrison – Director

Chris Harrison grew up working in his family's restaurant. At a young age he was tasked with managing both the kitchen and front of house. Leaving the family business, he pursued and completed his Bachelors in Business Administration degree at the University of Minnesota Duluth. While there he worked various jobs at the athletic department and interned in sports marketing.

He moved to Owatonna in 2017 while working for the Department of Human Services in St. Paul. He is now a healthcare eligibility worker at MN Prairie County Alliance in Owatonna. Prior to his healthcare career, Chris was a retail manager with both Sam's Club and Mills Fleet Farm. In his retail days he prided himself on team building, driving performance-based results, and delivering quality service to all customers.

Chris enjoys spending time with his 2 children (Dylan 14, Abby 12). He also enjoys fishing, woodworking, and checking out new breweries! Chris aims to bring an energy and excitement to Foremost Brewing. As a board member he looks forward to organizing a successful marketing and crowdfunding campaign. His goal is to help make Foremost Brewing a cornerstone business for downtown Owatonna.

Key advisors to the board of directors include:

Korey Borchert

Korey Borchert was born and raised in Owatonna, Minnesota. He received degrees in Business management, Recreation Management and Graphic Arts. He started and is the CEO of Legacy Signs located in downtown Owatonna. Korey is married with 2

children. He has been an avid home brewer for 5 years and is the Superintendent of the Homebrew Competition at the Foremost County Free Fair.

Matt & Deb Gillard

Matt and Deb Gillard are business and building owners of RE/MAX Venture at 118 N. Cedar Avenue in downtown Owatonna. Matt is involved with the community through Owatonna Business Partnership, Main Street Advisory Committee, and has served on both the Owatonna and Foremost County Planning and Zoning Committees. He is also a member of State and regional real estate boards.

Deb's community involvement includes Owatonna Business Partnership and on the committees for Foremost County Historical Society Marketing and Owatonna Walk to End Alzheimer's. Deb and Matt are passionate about the revitalization of downtown Owatonna and maintaining the great quality of life that our Owatonna & Foremost County area provides.

David Einhaus

David L. Einhaus was born and raised in Austin, Minnesota and is a 1970 graduate of Austin High School. David graduated Cum Laude from the William Mitchell College of Law in 1978. He began practicing as an associate with his firm in 1979. In 1982, he became a shareholder of what is now Einhaus, Mattison, Carver & Haberman, P.A. David practices extensively in areas of Estate and Incapacity Planning, Business Formation and Planning, Agricultural Law, Real Estate and Civil Litigation.

Dave and Cathy Effertz

In Owatonna since 1999 Cathy has worked for the Chamber of Commerce and is currently a long-term employee with LTC Professionals. She has given up her time to chair the Night of Knights auction committee for St. Mary's School, the Andrew Lawrence Scholarship Committee and other various committees.

Dave has been with the TPS Insurance Agency since 1999 and is currently the President and Owner.

Dave has a passion for community involvement. He has been the Chair of Owatonna Chamber of Commerce, Rotary President, Civil Service Commissioner, a Leadership Owatonna alumnus along with involvement in other local organizations.

As nearly a lifelong resident of Owatonna Dave is especially excited to be part of project involving the revitalization of downtown Owatonna.

Mark Schultz & Daun Resler-Schultz

Mark and Daun have been married for 25 years and have one daughter that recently graduated from OHS. Daun grew up in Foremost County on a diversified family farm, she currently works at Syngenta. Mark has lived in Foremost County for over 30 years. He works for the Owatonna Post Office and is close to retirement. Mark served on the Foremost County Board of Commissioners from 2006-2016. Their family is

very community minded and has been actively volunteering within the community for many years.

Ben Einhaus

Ben Einhaus grew up in Owatonna playing hockey and helping his dad, Dave, with his homebrewing hobby. Ben graduated from Owatonna high school in 2001 and then graduated from the University of Montana in 2004 with a business administration degree. In 2013 he was accepted into the University of California-Davis Master Brewer's Certificate program. After completing the program he was hired by Sierra Nevada Brewing Company in Chico, CA to work in the fermentation and cellaring department; he has run the department for the past three years. He is a member of the institute of Brewing and Distilling and the American Society of Brewing Chemists. Ben received special permission from Sierra Nevada to provide consulting and advice to our brewing team.

Dann & Sarah Kleeberger

Dann was born and raised in Foremost County, and has served as a teacher with ISD761 since his graduation from Winona State University nearly 20 years ago. Sarah is a graduate of Drake University and has called Owatonna home for the past 16 years. Her role as a senior executive with Ruffalo Noel Levitz (consulting and higher education services firm based in Washington, D.C.) often takes her outside of the Midwest. While they enjoy traveling across the country and abroad, Dann and Sarah also appreciate the hometown community feel that Owatonna offers. Family is a priority, and Owatonna has been a great place to raise their two sons, Jack and Samuel. The Kleebergers are committed to the Foremost Brewing project and share an excitement with fellow investors about the revitalization of downtown.

Tom Tuma

Tom was born and raised in Northfield, MN, but has lived in Owatonna since college, working in accounting and finance, and holds an inactive CPA license. He is currently VP of Finance for Hometown Credit Union, with offices in Owatonna and Faribault. He is a current board member and past president of Habitat for Humanity, Foremost-Waseca area and a past treasurer for United Way. He faithfully follows his wife Sue on "research" trips to breweries and brewpubs whenever they can, and even drags their boys along from time to time.

Jordan Lofgren

Jordan is a current resident of Owatonna and lives with his fiancée, Laurie. He works for Gopher Sport as a Product Marketer. Before moving to Owatonna, Jordan lived and worked in the Twin Cities for a few years after graduating college. He attended the University of Minnesota (SKI-U-MAH!) and graduated with a degree in Recreation

Administration and Marketing, so he literally went college and majored in the business of fun!

In his free time, he enjoys going to state parks and the North Shore with Laurie and his chocolate lab, Easton, hanging out with their friends and playing yard games, playing hockey and skating during the winter, homebrewing, and enjoying good craft beer. He has been homebrewing for five years after helping a friend brew a few times. He was then hooked on the hobby and the entire craft beer scene. Along with homebrewing, he enjoys going to different breweries all over the Midwest and has been to over 75 breweries in Minnesota alone.

Section 5 – The Organizational Structure

Cooperative Association

Foremost Brewing is a cooperative association organized under Chapter 308B of Minnesota Statutes. It is formed for the benefit of its members and based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. Its members believe in the ethical value of honesty, openness, social responsibility, ecological responsibility, and caring for others.

Membership

There are two classes of members:

Patron Members join the cooperative with the intent of consuming products produced by the cooperative. Refunds received are on the basis of business done with the cooperative.

Non-patron Members own a membership interest in the cooperative. Investment returns received are in proportion to their share of the investment.

A member may be both a Patron Member and a Non-patron Member. Each member will have one vote in the affairs of the cooperative. The membership holds the following powers:

1. election and removal of directors
2. passage of advisory resolution for consideration by the Board
3. and all other rights given to them in the bylaws

Board of Directors

Board members are the fiduciaries who steer the organization toward a sustainable future by adopting sound, ethical, and legal governance and financial management policies.

The Board is responsible for setting policy, issuing membership certificates, member capital certificates, investment certificates, and investment bonds; creating and amending Operating Rules for the Cooperative and ensuring that all actions taken by the cooperative are both lawful and consistent with the bylaws. The Board has authority to create standing committees or ad hoc committees that may include board members or other co-op members that are not board members.

General Manager

As Chief Executive Officer, the General Manager will oversee the general operations of Foremost Brewing Cooperative and will have authority to execute contracts and other documents on behalf of the cooperative as delegated by the Board of Directors. The General Manager will have authority to hire and fire employees not appointed directly by the Board of Directors. The General Manager will be accountable for all aspects of the business and its operations and will be responsible for delivering exceptional guest experiences while meeting financial performance metrics. The General Manager will be hired approximately 3 months before opening. The complete position description is included in the appendices.

Foremost Properties, LLC.

Foremost Properties is a local company that was organized for the exclusive purpose of purchasing the building located at 224 North Cedar from the City of Owatonna and then renovating it so that it can be leased to the Foremost Brewing Cooperative. The owners of Foremost Properties are:

Roger & Kristin Warehime
Sue & Tom Tuma
Mark Schultz & Daun Resler-Schultz
Matt & Deb Gillard
Sarah & Dann Kleeberger
Dave & Lynn Olson
Dave & Cathy Effertz

Foremost Properties and Foremost Brewing will enter a ten-year lease agreement which will provide stability for Foremost Brewing. A copy of the term sheet outlining the Foremost Properties and Foremost Brewing relationship is included in the Appendices.

Section 6 – The Market Analysis

Craft Brewing Industry

There are four distinct craft beer industry market segments: brewpubs, microbreweries, regional craft breweries and contract brewing companies. Foremost Brewing Cooperative will fall under the brewpub market segment.

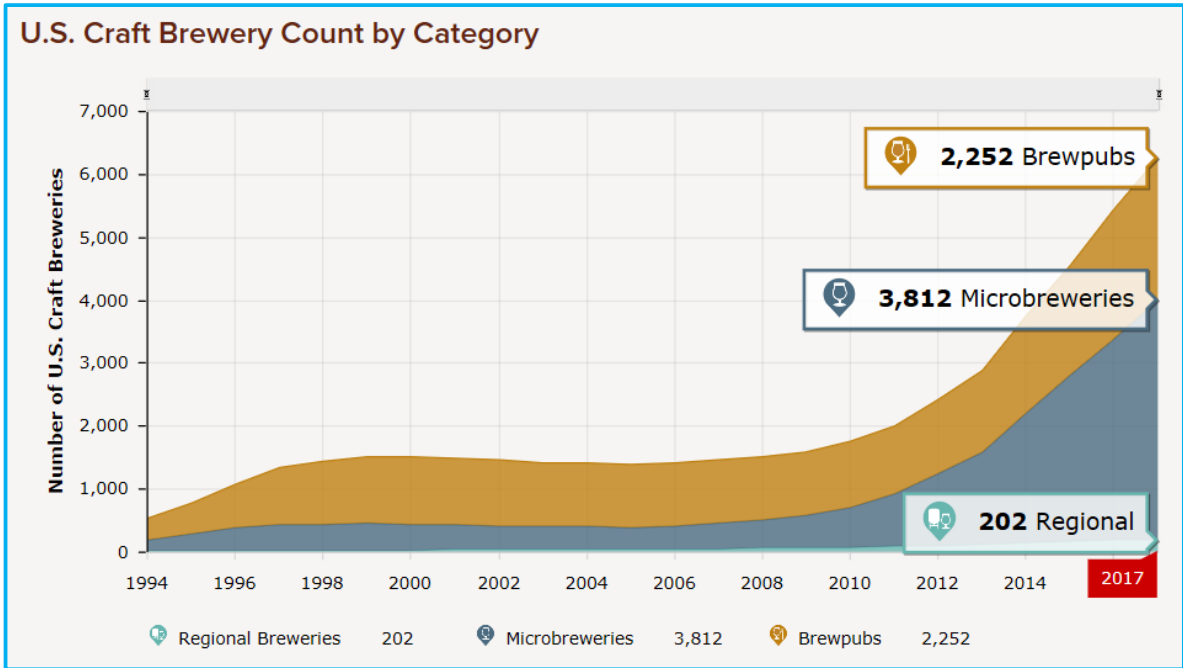
A brewpub is a restaurant-brewery that sells 25 percent or more of its beer on site. The beer is brewed primarily for sale in the restaurant and bar. The beer is often dispensed directly from the brewery's storage tanks. In Minnesota, brewpubs may sell beer "to go" and may sell beer from other breweries (as well as wine and spirits) on premise.

Source: Craft Beer Industry Market Segments, by Bart Watson, <https://www.brewersassociation.org/statistics/market-segments/>

Craft Brewing Industry Growth

While the growth in the craft beer industry over the past few years has been nothing short of phenomenal, in many respects it has really just been a return to our roots. In 1873, there were 4,131 breweries operating in the United States. The decline of breweries began in 1892 when "cork crown" was patented. Beer could now be bottled and shipped reliably, and by 1910 only 1,568 breweries remained. The decline continued with Prohibition, and by 1930 there were only 231 operating breweries. Upon repeal of Prohibition, thirty-eight states (including Minnesota) adopted the 3-tier distribution system (manufacturer-distributor-retailer), making it illegal for the manufacturer to also be the retailer. The brewpub became history.

In 1982 the legislature in the state of Washington approved a bill allowing a brewery to sell beer directly to the customer in a restaurant environment; the brewpub was reborn. Laws in other states were soon updated. Now, small scale "microbreweries" and "brewpubs" are reviving a cherished and historic tradition, the brewing of specialty beers. In 1983 there were only 12 microbreweries and brewpubs in the United States; just 35 years later in 2017 there are more than 6,000!

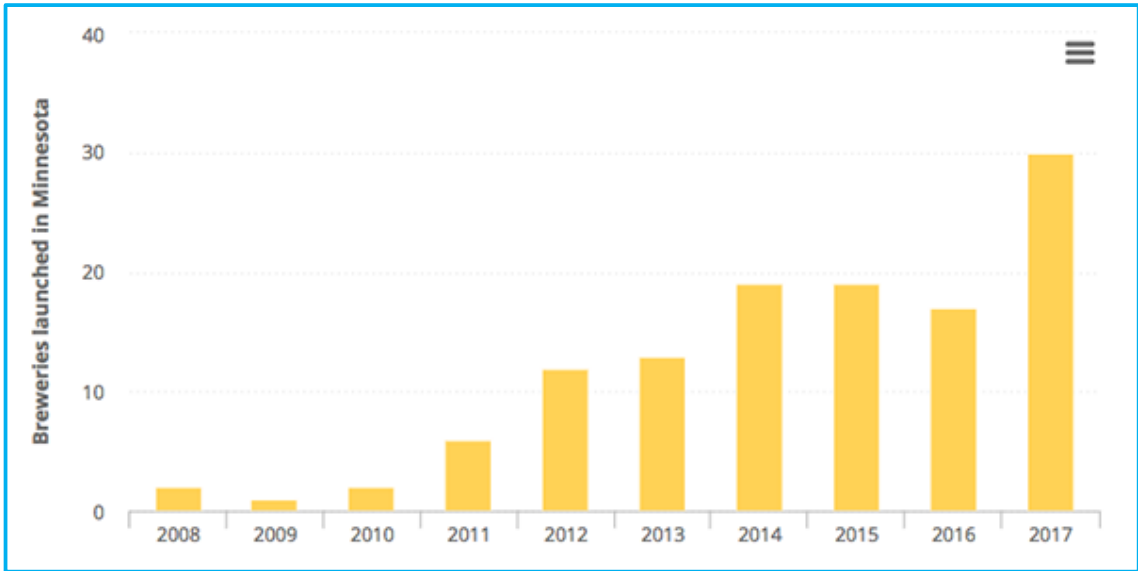


U.S. Brewery Count

	2012	2013	2014	2015	2016	2017	'16 to '17 % Change
CRAFT	2,420	2,898	3,739	4,544	5,424	6,266	+ 15.5
Regional Craft Breweries	97	119	135	178	186	202	+ 8.6
Microbreweries	1,143	1,471	2,076	2,626	3,196	3,812	+ 19.3
Brewpubs	1,180	1,308	1,528	1,740	2,042	2,252	+ 10.3
LARGE NON-CRAFT	23	23	26	30	51	71	
OTHER NON-CRAFT	32	31	20	14	16	35	
Total U.S. Breweries	2,475	2,952	3,785	4,588	5,491	6,372	+ 16.0

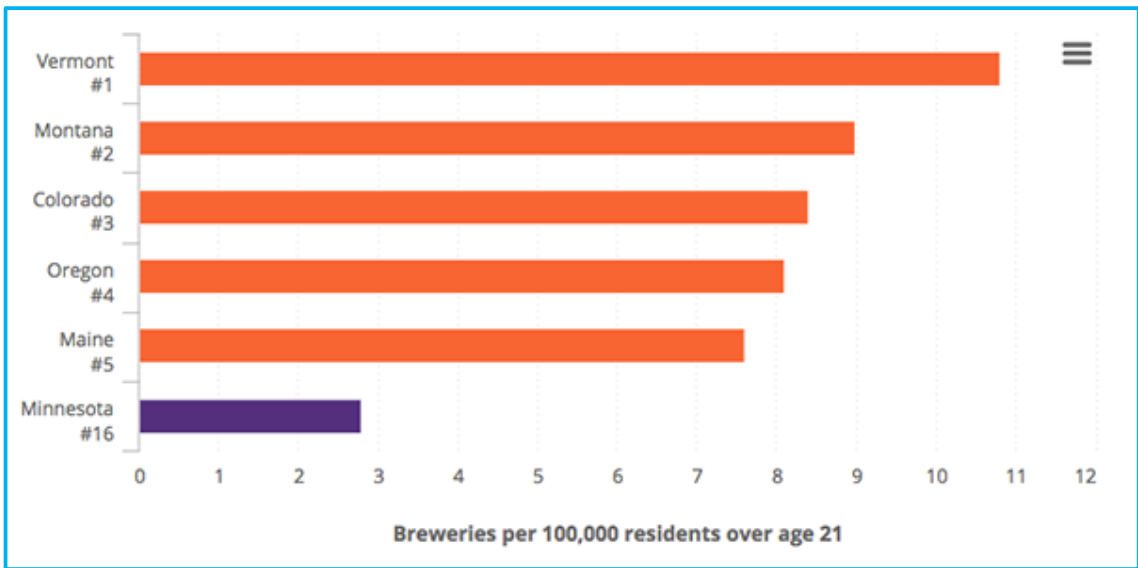
Source: www.brewersassociation.org, downloaded 6/12/18

Of the 150 breweries open in Minnesota, 30 of them opened in 2017. Of these 30 breweries, the majority were located outside of the Twin Cities metro. This was a departure from 2016 when about half of the 17 breweries that opened were located in the metro.



Source: Growler, MNBeer.com

Although Minnesota has seen growth in its craft beer scene, it is far from being a brew-saturated state. In 2015, Minnesota ranked 14th for breweries per capita, with 2.7 for every 100,000 residents over age 21. Despite upping its density of breweries by 0.1, it slipped to 16th in breweries per drinking age capita in 2016.



Source: www.brewersassociation.org, downloaded 6/12/18

Target Market

Foremost Brewing Cooperative will target the corporate and working class who appreciate a high-quality beer and dining experience. The average craft beer drinker in America today is aged between 21 and 54. The anticipated age range for the majority of our guests will be between ages 25 and 48 years, with an emphasis on working professionals. The customers we seek will be beer enthusiasts that are looking for a unique dining experience in Owatonna and comfortable with spending \$15.00 for an entrée. This target market tends to live in households that have young children and that enjoy spending their free time out in the community.

We are targeting this market specifically because of the of the brewpubs proximity to local companies. Within the downtown area there are approximately 2,000 workers and 1,000 residents. The workforce for Federated Insurance and Jostens are within three blocks of the Foremost Brewing Cooperative location. These two companies help to attract a younger workforce to the downtown area. The Foremost Brewing Cooperative will provide a welcoming space for people to gather after work and on weekends. The brewpub will be an attractive location for both business and family diners by providing a diverse menu with many drink options including soda and wine in addition to the craft beer.

Market Segments

We have identified four distinct market segments.

1. [Home Brewers](#) - A number of home brewers have been involved with the development of Foremost Brewing and will continue to be supportive. This group will be our most discerning group of customers and will value the ability to get involved in the brewing process, educational programs, and information sharing.
2. [Craft Beer Enthusiasts](#) - This rapidly growing segment will be drawn by high quality beer, warm atmosphere, and the ability to sample beers available nowhere else. This group includes out of town visitors who travel the state and region to visit microbreweries and brewpubs. We can count on this group to spread the word through social media, blogs, and craft brewing websites.
3. [Cooperative Supporters](#) - There is a growing segment of people who value “buying local”, participatory management, supporting the community, and similar values which the cooperative business model embraces. The opportunity for ownership will be particularly important to this group.
4. [Couldn't-Care-Less-about-Craft-Beer](#) - We acknowledge that not everyone is as excited about craft brewing as we are. Some of these non-enthusiasts will be brought to Foremost Brewing by friends and family. For these folks, we will have available lighter beers, wine, and non-alcoholic beverages. We will also have one brand-name domestic beer on tap.

Competitive Analysis

Foremost Brewing Cooperative will offer an experience that differs greatly from other restaurants in the area. There are 5 restaurants in Owatonna that offer at least 3 craft beers on tap:

- **Torey's Restaurant & Bar:** 6 craft beers, casual dining experience with a large family friendly menu.
- **SpareTime Entertainment:** 5 craft beers, bar setting, menu includes: burgers, wraps and pizzas
- **Lava Burger and Wings:** 5 craft beers, quick food setting with a large variety of burgers and wings
- **Black Sheep Burgers and Brew:** 12 craft beers, limited seating, menu of burgers and fries
- **Wings Tavern and Grille:** 5 craft beers, bar setting, menu includes: appetizers, burgers and sandwiches

We are aware of one new restaurant being proposed in the area that will target a similar customer. Torey's Restaurant & Bar will be moving to their new location at 208 North Cedar Avenue in 4th quarter, 2018. They will provide a family dining experience with a space for large events. Torey's new event space will help create extra foot traffic to the downtown area. Wedding reception and other event attendees will be looking for additional places to visit while in the area. Foremost Brewing Cooperative is located a mere half block from Torey's new location and an easy walk. In addition, the location of Foremost Brewing Cooperative will be beneficial to Torey's. We will attract customers from all over Minnesota and Torey's will give our customers an additional place to visit while enjoying downtown Owatonna.

While we recognize that we have some stiff competition from Torey's Restaurant & Bar, we understand that the customer base that we share is relatively large and growing. Foremost Brewing Cooperative will provide costumers an otherwise unfound unique dining experience in Owatonna. By offering beer brewed onsite with food options prepared with local ingredients, the Foremost Brewing Cooperative will provide options that cannot be found anywhere else in Owatonna.

Competitive Strengths and Weaknesses

STRENGTHS	WEAKNESSES
Core group of organizers is community minded, of like-mind but with different expertise, and has tenacity.	Operations managers not yet identified.
The Cooperative model will allow input from members of the community and will give them a sense of ownership.	All major decisions will be made by a vote from the board.
Will be a small menu made from fresh, locally sourced ingredients	The menu will be seasonal, so customer favorites may not always be available.
Able to provide a quality product at a fair price.	Products may be higher in price than some customer are accustomed to paying for beer.
In the heart of downtown Owatonna with many new businesses planned for the area.	The building will need major renovations.
A large number of local people have ownership and share in the financial success.	It is difficult to obtain loans from traditional lenders because they require personal guarantees.

Section 7 – The Marketing Strategy

Overview

It almost goes without saying that at the foundation of the marketing strategy is excellent food, drink, and service. While every establishment claims to provide great food, drink, and service, Foremost Brewing will implement operational strategies to assure that these claims are actually true. With the popularity of sites such as Yelp and Trip Advisor, as well as social media in general, “word of mouth” marketing is as important as it has ever been. That said, providing excellent products and service is not enough.

Our marketing strategy has three major phases: 1) initial membership and capital drive, 2) pre-opening buzz, 3) on-going community engagement. The initial phase will focus on sharing the vision and educating potential members about the benefits Foremost Brewing will bring to the community. The second phase will focus on keeping our new members engaged and our Foremost Brewing brand top-of-mind while the build-out occurs. Finally, on-going communication and involvement with the community will be woven into the day-to-day operations and aligned with the seven cooperative principles. Key messages will include the benefits of cooperative ownership, community involvement, local pride and support, fresh taste, and originality.

Educational Programs and Events

Educational events, focusing on beer and brewing, will attract both home brewers and people interested in learning more about how beer is made. Events centering on beer (e.g. food and beer pairings, brewing competitions, etc.) will be aimed at the same groups, while cultural events (e.g. musicians, stand-up comedy, speakers/films on topics of community interest) will appeal to the larger target market.

Foremost Brewing will take advantage of its local presence to tie into all festivals and celebrations, as well as create a few of its own. Special celebration ales will be brewed for most holidays and appropriate tank tapping ceremonies will announce these specialty beers. Foremost Brewing will sponsor the home brewer competition at the Foremost County Free Fair, as well as holding some of its own home-brewing competitions throughout the year.

Promotional Plans

Press and Media Coverage

Although there are two cooperatively-owned breweries in Minnesota, Foremost Brewing will be the first cooperatively-owned brewpub in our state. The uniqueness of the cooperative model as well as being “the first” are factors that lend themselves to media coverage. We will keep our local media aware of key milestones such as our capital

offering, building construction start, brewing license received, delivery of brewing equipment and so on. Trade journals and industry-oriented publications (e.g. The Growler) will also be sent press releases.

Social Media

Social media will play a key role in all phases of our marketing strategy. Through Facebook, Twitter, and Instagram we will post events, news, and updates and have contests to encourage more likes and shares to create online buzz.

Website

Initially our website will serve primarily as a landing page to direct potential member-investors to and from the Silicon Prairie MNvest Portal. Once we become operational, the website will become more interactive and serve as hub for news and information.

Member Newsletter

Member-owners will be kept up to date on all aspects of our operations through a twice-monthly electronic newsletter.

Member Benefits

A customer loyalty program is essentially baked-in to the cooperative business model. In addition to having a say in the operation of the business and receiving a dividend, members will receive perks such as member-only happy hour pricing, a free pint on their birthday or anniversary, and access to special, member-only events. “Patron Plus” members (members who are both a patron and non-patron member) receive additional perks (See the Offering section for details)

Community Support

“Concern for Community” is the seventh cooperative principal. In addition to encouraging its employees and members to be involved in activities and organizations that support sustainable development of our community, Foremost Brewing will provide financial support to some number of non-profit organizations that will be selected by a committee created for that purpose. For example, a different organization might be highlighted each month. On one day of the month a specified percentage of sales will be donated to the organization and one dollar from each growler sale throughout the month will be donated as well.

Section 8 – The Operational Strategy

Employees

In order to provide a high-touch, quality experience for our guests, Foremost Brewing will need to have a versatile, knowledgeable and skilled staff. Staff will primarily be recruited by referrals and direct recruiting by the general manager. All staff will initially be paid 90% relative to the prevailing wage for their roles and will be eligible for merit raises based on performance after 6 months and then annually. All staff, after one year of employment, will participate in the profit sharing program in which 10% of profits will be distributed amongst the employees of the Foremost Brewing Cooperative.

Foremost Brewing will employ approximately 20 employees, with a full-time-equivalent (FTE) of 8-10 employees. Management will use an effective competency-based interview and on-boarding process.

Because there is usually some error in hiring during the first weeks of any operation, we intend to slightly overstaff initially to account for staff that may not work out, and to make sure we have adequate numbers of trained personnel to provide a strong first impression.

Customer service will be given special emphasis throughout the operation. Training programs will include specific material to teach employees about service attitudes, customer perceptions, and how to deal with guest complaints.

Management Practices and Controls

Management will establish sound operating guidelines by which to conduct the day to day operations. Policies, systems, and procedures will be adopted, documented, and utilized.

The management team will develop detailed operations manuals for front- and back-of-house staff. These manuals will be used for training, for ongoing assessment of operations, and will be adapted as the brewpub matures to reflect best practices.

Management controls will include a POS system, scheduling system, operations checklists, order guides, weekly and daily inventory, cash audits, safety reviews, and liability reviews. Administrative systems will include daily cash control, weekly prime cost reporting, purchasing controls, and a bookkeeping service. Financial reports will be generated every four weeks (13 periods per year) rather than monthly; this method provides more consistent reporting periods as there are same number of weekdays and weekends in each reporting period.

Purchasing/Supply Chain Strategy

Our primary brewing ingredient vendor will be Brewer's Supply Group (BSG) located in Shakopee, MN. To the extent possible, we will purchase hops from local hop growers.

Guest beers will be sourced from craft breweries located in Minnesota, northern Iowa, and western Wisconsin. We will also source beer from other cooperatively-owned breweries throughout the country.

We will incorporate and feature in our dishes local food suppliers such as those shown below. This strategy will result in better quality, support of local economies, and marketing appeal.

<u>Vendor</u>	<u>Products</u>	<u>Location</u>
Hope Creamery	Butter	Hope, MN
Hastings Co-op Creamery	Dairy products	Hastings, MN
Hilltop Greenhouse & Farm	Produce	Ellendale, MN
Revol	Lettuce	Owatonna, MN
Bushel Boy	Tomatoes	Owatonna, MN
Sorenson Honey Farm	Honey	Owatonna, MN
Thousand Hills Cattle	Beef	Clearwater, MN
Open Hands Farm	Produce	Northfield, MN
Faribault Cheese Cave	Cheese	Faribault, MN
Larry Schultz Organic Farm	Eggs, Chicken, Turkey	Owatonna, MN

Schedule

Our goal is to open by May 2019:

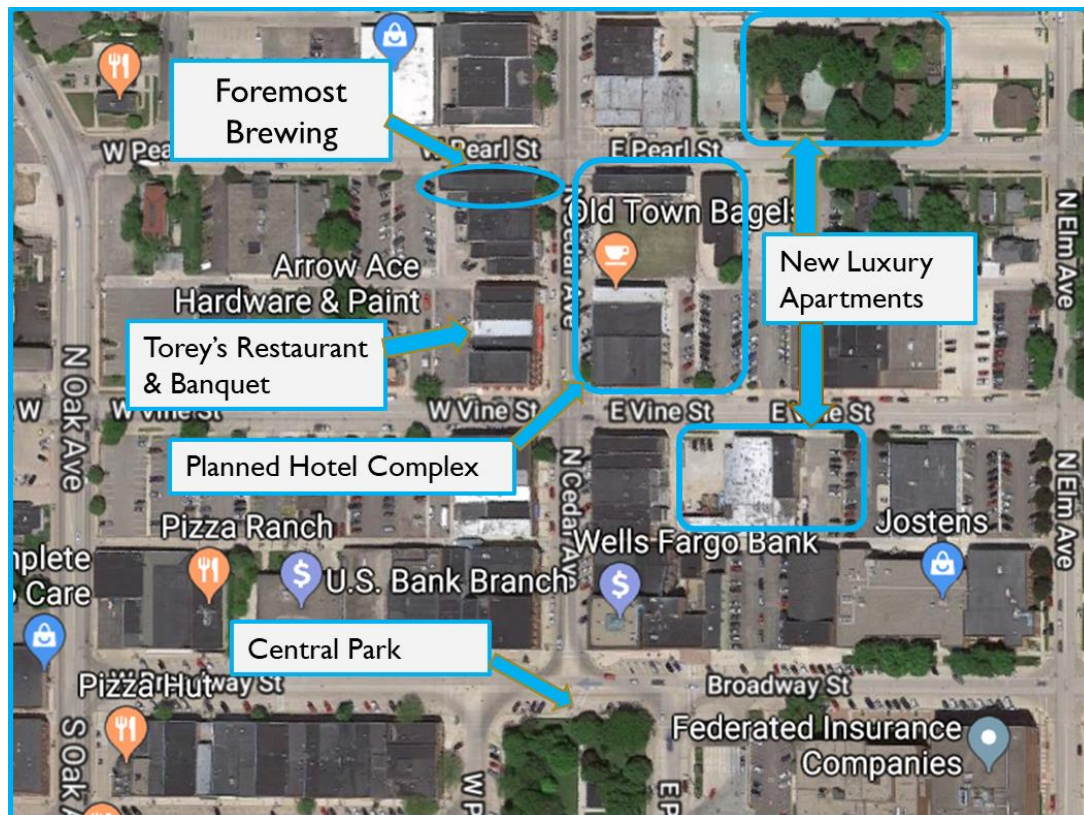
	Start (Week Ended)	Duration (weeks)	End (Week Ended)
<u>Foremost Properties LLC</u>			
Initial Building Design and Estimate	22-Jun-18	8	10-Aug-18
TIF Process - Develop Agreement With City	17-Aug-18	8	5-Oct-18
Finalize Drawing and Bid Package	17-Aug-18	4	7-Sep-18
Contractor Bidding/Selection	14-Sep-18	4	5-Oct-18
Time between bid award and construction start	12-Oct-18	3	26-Oct-18
Building Renovation	2-Nov-18	16	15-Feb-19
<u>Foremost Brewing Cooperative</u>			
Brewer's License	5-Oct-18	24	15-Mar-19
MNVest Campaign	17-Aug-18	13	9-Nov-18
Brew Equipment - Finalize Specifications & Drawings	14-Sep-18	4	5-Oct-18
Brew Equipment - Shipping Schedule	12-Oct-18	20	22-Feb-19
Brew Equipment - Installation	1-Mar-19	2	8-Mar-19
Recruit and Onboard General Manager	5-Oct-18	13	28-Dec-18
Move in to Building & Prepare to Open	15-Feb-19	6	22-Mar-19
Front of House - Soft Open	29-Mar-19	2	5-Apr-19

Section 9 – The Location

The Site & Neighborhood

Foremost Brewing Cooperative will be located at 224 North Cedar Avenue, Owatonna. This site is near the headquarters of Federated Insurance, Jostens, 1 major apartment complex and 2 planned high-end apartment complexes. Foremost Brewing Cooperative's location will also be in walking distance from Owatonna's Central Park. The Central Park is the site of many summer events which include a Thursday night concert series and a Saturday Farmers' Market. Both events attract a large number of people to the downtown area. The downtown is currently undergoing a revitalization with an event space and shop fronts currently in the planning stages.

The total space is 7,346 square feet and has an entrance on Cedar Ave. The space has the following features that are a good fit with the Foremost Brewing Cooperative concept: unique layout, historic building, exposed brick with a seasonal outdoor dining patio. These features will help Foremost Brewing Cooperative be successful because it will provide a space that is unique and cannot be found anywhere else in the Owatonna area.



Proposed Layout

The space will accommodate approximately 110 dining seats on two levels in a total front-of-house area of 3,710 square feet. The back-of-house areas, including kitchen, storage and administrative areas, brew equipment will be a total of 3,636 square feet. The City of Owatonna will grant use of the four parallel parking stalls north of the building to allow for construction of parklets to be used for outdoor seating annually from April 15th to October 15th, providing an additional 28-40 seats in the summer months.

Preliminary architectural drawings are included in the appendices.

Building Architect

Charles Schatz, LEED AP BD+C, Reprise Design

Charles is an accomplished architect, particularly strong in restaurant and retail design. With a degree in Architecture from the University of Minnesota and over 20 years of experience, he has a broad, yet firm foundation in architectural design and the real estate development process. His knowledge of the development process (from site acquisition to facilities management), artistry as a designer, skill at engaging environmentally sensitive and sustainable LEED AP standards, and commitment to client service have given him a loyal following. Charles understands what clients want, how developers think, and how inspired design drives results.

Charles is a respected, highly-valued employee of Reprise Design. His enthused association with the restaurant and retail sector has allowed his firm to broaden its client base and strengthen its interior design breadth and portfolio. Charles currently works with Dunn Brothers, Erbert & Gerbert's, Qdoba, Caribou Coffee, Noodles and Company, Chedd's and Papa Luna's Empanadas.

Key Design Features

The overall design for Foremost Brewing Cooperative is intended to be rustic-industrial. Key elements of the design will be original exposed brick, rustic wooden bar and table tops with steel accents. The decor will include elements reminiscent of the buildings past as a printing press. Articles from years past along with historical photos will adorn the walls.

Section 10 – The Financials

Projected Uses of Capital

To open Foremost Brewing Cooperative and operate it effectively in its first few months, we propose a total project budget of \$525,000. The budget is allocated as follows:

Projected Sources & Uses of Cash			
Development & Startup Period			
SOURCES OF CASH:			
Equity Contributions - Patrons	\$ 90,000	# Individuals 600	% Equity 22.0%
Equity Contributions - Non Patrons	\$ 320,000	160	78.0%
Loan Financing	115,000		
TOTAL SOURCES OF CASH	\$ 525,000		
USES OF CASH:			
Land & Building	0		
Leasehold Improvements	50,000		
Bar / Kitchen / Brewing Equipment	280,000		
Bar / Dining Room Furniture	30,000		
Professional Services	1,000		
Organizational & Development	15,000		
Interior Finishes & Equipment	28,000		
Exterior Finishes & Equipment	6,000		
Pre-Opening Expenses	95,000		
Working Capital & Contingency	20,000		
TOTAL USES OF CASH	\$ 525,000		
Equity as % of Total Investment	78%		

Capital Budget

Capital Budget		TOTAL COST	Detail
LAND & BUILDING		0	
Land		0	
Building - Construction / Contractor Fees		0	
LEASEHOLD IMPROVEMENTS		50,000	
Construction Contract		50,000	
Landlord Contribution		0	
BAR / KITCHEN & BREWING EQUIPMENT		280,000	
BAR / DINING ROOM FURNITURE		30,000	
PROFESSIONAL SERVICES		8,500	
Architect & Engineering		0	
Legal & Minvest Offering		7,500	
Project Consultant		0	
Accounting & Tax		1,000	
Name, Logo & Graphic Design			
ORGANIZATIONAL & DEVELOPMENT		15,000	
Deposits (utilities, sales tax, etc.)		3,000	
Insurance Binder (property, casualty, liability)		3,000	
Workers Comp. Binder		1,500	
Liquor & Brewing Licenses		3,000	
Building Permits		2,500	
Other Licenses & Permits		1,500	
Utility Deposits (gas, electric, water)		0	
Change, Operating Banks & Petty Cash		500	
Menus / Menu Boards		0	
Lease Deposit		0	
Travel, Research, Concept Development		0	
INTERIOR FINISHES & EQUIPMENT		28,000	
Kitchen Smallwares		6,000	
Artwork & Specialty Décor		1,000	
Music/Sound/Audio-Visual Systems		12,500	
Cash Register / Point of Sale		2,000	
Phone System		500	
Office Equipment / Computer		4,000	
Office Supplies		500	
Interior Signs		1,500	

Capital Budget

	TOTAL COST	Detail
EXTERIOR FINISHES & EQUIPMENT	6,000	
Landscaping		
Exterior Signs & Decorations		6,000
Resurfacing		0
Parking Bumpers		0
Parking Lot Striping		0
PRE-OPENING EXPENSES	97,500	
Construction Period Utilities		4,000
Construction Period Building Lease		10,000
Construction Period Interest		0
Uniforms		1,000
Opening Inventories -		
Food		3,000
Brewing Supplies		10,000
Beer, Liquor & Wine		12,000
Paper & Other Supplies		2,000
Marketing -		
Advertising		2,500
Mechandise		3,000
Opening Parties		1,000
Personnel -		
Management & Master Brewer		26,300
Hourly Employees		11,600
Payroll Taxes & Employee Benefits		11,100
WORKING CAPITAL & CONTINGENCY	20,000	
Working Capital		20,000
Contingency		0
TOTAL PROJECT COST	\$ 535,000	

Project Cost Per Square Foot	\$191
Project Cost Per Seat	\$4,864

Sales Projection

The sales projection makes several conservative assumptions, including that we will be closed on Monday and Tuesday and that diners will have appetizers only. The average check is \$15.55 per person. The sales projection also does not include additional sales from outdoor seating.

Sales Projection Worksheet - Typical Week									
Number of Seats		110							
		Daily Sales By Category							% of Week
		Table Turns	Covers	Food	Liquor	Beer Onsite	Beer Offsite	Wine	
Monday	Bev Only	0.0	0	0	0	0	0	0	0
	Lunch	0.0	0	0	0	0	0	0	0
	Dinner	0.0	0	0	0	0	0	0	0
	Day Totals		0	0	0	0	0	0	0.0%
Tuesday	Bev Only	0.0	0	0	0	0	0	0	0
	Lunch	0.0	0	0	0	0	0	0	0
	Dinner	0.0	0	0	0	0	0	0	0
	Day Totals		0	0	0	0	0	0	0.0%
Wednesday	Bev Only	0.9	99	446	0	871		223	1,539
	Lunch	0.0	0	0	0	0		0	0
	Dinner	0.0	0	0	0	0		0	0
	Day Totals			446	0	871		223	1,539
Thursday	Bev Only	1.1	121	545	0	1,065		272	1,882
	Lunch	0.0	0	0	0	0		0	0
	Dinner	0.0	0	0	0	0		0	0
	Day Totals			545	0	1,065		272	1,882
Friday	Bev Only	2.5	275	1,238	0	2,420		619	4,276
	Lunch	0.0	0	0	0	0		0	0
	Dinner	0.0	0	0	0	0		0	0
	Day Totals			1,238	0	2,420		619	4,276
Saturday	Bev Only	2.6	286	1,287	0	2,517		644	4,447
	Lunch	0.0	0	0	0	0		0	0
	Dinner	0.0	0	0	0	0		0	0
	Day Totals			1,287	0	2,517		644	4,447
Sunday	Bev Only	1.0	110	495	0	968		248	1,711
	Lunch	0.0	0	0	0	0		0	0
	Dinner	0.0	0	0	0	0		0	0
	Day Totals			495	0	968		248	1,711
WEEK TOTALS (restaurant only)	Totals in \$		4,010	0	7,841	750	2,005	14,605	
	Sales Mix %		27.5%	0.0%	53.7%		13.7%	100.0%	
Special Events (banquets, parties, catering)	Ave. # of Banquets, Parties/ Week		0.0						
	Ave. # of Guests		0						
	Per Person Average \$		\$0.00						
	Sales Mix %		80%	10%	3%		7%	100%	
	Special Event Sales Per Week		0	0	0		0	0	
WEEK TOTALS - All Sales	Totals in \$		4,010	0	7,841		2,005	14,605	
	Sales Mix %		27.5%	0.0%	53.7%		13.7%	100.0%	

RECAP: Key Sales Numbers:	
Annual Sales	\$759,463
Average Monthly Sales	\$63,289
Annual Sales Per Square Foot	\$271
Annual Sales Per Seat	\$6,904

Growler Sales	
Weekly #	50
Price per	\$15
Weekly Sales	\$750

REALITY CHECK	
891	Total Customer visits per week
46,332	Total Customer visits per year
25%	% of visits from individuals outside the trade area
34,749	Total annual visits by individuals in the trade area.
19,803	Total Individuals in trade area age 25-64 with Household income >\$40,000 ("Target market")
40%	% of Target Market that will visit at least once per year
4.4	Average # of visits per year by customers in trade zone that visit

Summary Income Statement for First Year

Annual Operating Projection - Summary

	MONTHLY AVE		ANNUAL	
Sales:				
Food	\$ 17,375	27.5%	\$ 208,494	27.5%
Beverage	45,914	72.5%	550,969	72.5%
TOTAL SALES	63,289	100.0%	759,463	100.0%
Cost of Sales:				
Food	5,560	32.0%	66,718	32.0%
Beverage	10,420	22.7%	125,043	22.7%
TOTAL COST OF SALES	15,980	25.2%	191,761	25.2%
Gross Profit	47,308	74.8%	567,701	74.8%
Payroll:				
Salaries & Wages	19,310	30.5%	231,724	30.5%
Employee Benefits	4,948	7.8%	59,371	7.8%
TOTAL PAYROLL	24,258	38.3%	291,095	38.3%
PRIME COST	40,238	63.6%	482,856	63.6%
Other Controllable Expenses:				
Direct Operating Expenses	1,561	2.5%	18,727	2.5%
Music & Entertainment	300	0.5%	3,600	0.5%
Marketing	800	1.3%	9,600	1.3%
Utilities	1,600	2.5%	19,200	2.5%
General & Administrative Expenses	2,916	4.6%	34,997	4.6%
Repairs & Maintenance	550	0.9%	6,600	0.9%
TOTAL OTHER CONTROLLABLE EXP.	7,727	12.2%	92,724	12.2%
CONTROLLABLE PROFIT	15,323	24.2%	183,882	24.2%
Occupancy Costs & Depreciation				
Occupancy Costs	5,275	8.3%	63,300	8.3%
Depreciation & Amortization	5,817	9.2%	69,801	9.2%
Other (Income) Expenses				
Other (Income)	0	0.0%	0	0.0%
Interest Expense	520	0.8%	6,244	0.8%
Other Expense	0	0.0%	0	0.0%
NET INCOME BEFORE PROFIT SHARING	\$ 3,711	5.9%	\$ 44,537	5.9%
EMPLOYEE PROFIT SHARING	371	0.6%	4,454	0.6%
NET INCOME AFTER PROFIT SHARING	\$ 3,340	5.3%	\$ 40,083	5.3%
ADD BACK:				
Depreciation & Amortization	5,817	9.2%	69,801	9.2%
DEDUCT:				
Loan Principal Payments	(271)	(0.4%)	(3,249)	(0.4%)
CASH FLOW BEFORE INCOME TAXES	\$ 8,886	14.0%	\$ 106,635	14.0%

KEY RATIOS:

Sales Per Square Foot	\$271
Sales Per Seat	\$6,904
Sales to Investment	1.4

Break Even Cash Flow Projection

CASH FLOW Break-Even Worksheet

Fixed Costs		Annual	Monthly
Total Management Salaries		\$ 105,000	\$ 8,750
Minimum Hourly Labor	70%	\$ 88,707	\$ 7,392
Employee Benefits		\$ 53,174	\$ 4,431
Direct Operating Expenses		\$ 15,600	\$ 1,300
Music & Entertainment -		\$ 3,600	\$ 300
Marketing -		\$ 9,600	\$ 800
Utilities -		\$ 19,200	\$ 1,600
General & Administrative -		\$ 19,200	\$ 1,600
Repairs & Maintenance		\$ 6,600	\$ 550
Occupancy Costs:		\$ 63,300	\$ 5,275
Interest		\$ 6,244	\$ 520
Misc Other Expense		\$ -	\$ -
Loan Principal Payments		\$ 3,249	\$ 271
		\$ 393,474	\$ 32,789

Variable Costs	% of Sales	\$
Cost of Sales	25.2%	\$ 12,462
Hourly Labor	5.0%	\$ 2,471
Employee Benefits	0.8%	\$ 403
Credit Card Expense	2.1%	\$ 1,027
Paper Supplies	0.4%	\$ 203
	33.6%	\$ 16,565

	Annual	Monthly
Percentage Rent	\$ -	\$ -

	Annual	Monthly	Weekly
Break-even Sales	\$ 592,253	\$ 49,354	\$ 11,389

Sales Break-Down:	Annual	Monthly	Weekly
Food	\$ 162,590	\$ 13,549	\$ 3,127
Liquor	\$ -	\$ -	\$ -
Beer Onsite	\$ 317,954	\$ 26,496	\$ 6,114
Beer Offsite	\$ 30,413	\$ 2,534	\$ 585
Wine	\$ 81,295	\$ 6,775	\$ 1,563
Total	\$ 592,253	\$ 49,354	\$ 11,389

Summary Income Statement for Years 1-5

5 Year Operating Projections										
	Year 1		Year 2		Year 3		Year 4		Year 5	
Sales:										
Food	\$ 208,494	27.5%	\$ 216,834	27.5%	\$ 225,507	27.5%	\$ 234,527	27.5%	\$ 243,908	27.5%
Beverage	550,969	72.5%	573,007	72.5%	595,928	72.5%	619,765	72.5%	644,555	72.5%
TOTAL SALES	759,463	100.0%	789,841	100.0%	821,435	100.0%	854,292	100.0%	888,464	100.0%
Cost of Sales:										
Food	66,718	32.0%	69,387	32.0%	72,162	32.0%	75,049	32.0%	78,051	32.0%
Beverage	125,043	22.7%	130,045	22.7%	135,247	22.7%	140,657	22.7%	146,283	22.7%
TOTAL COST OF SALES	191,761	25.2%	199,432	25.2%	207,409	25.2%	215,706	25.2%	224,334	25.2%
Gross Profit	567,701	74.8%	590,409	74.8%	614,026	74.8%	638,587	74.8%	664,130	74.8%
Payroll:										
Salaries & Wages	231,724	30.5%	238,676	30.2%	245,836	29.9%	253,211	29.6%	260,807	29.4%
Employee Benefits	59,371	7.8%	61,152	7.7%	62,987	7.7%	64,876	7.6%	66,823	7.5%
TOTAL PAYROLL	291,095	38.3%	299,828	38.0%	308,823	37.6%	318,087	37.2%	327,630	36.9%
PRIME COST	482,856	63.6%	499,260	63.2%	516,232	62.8%	533,793	62.5%	551,964	62.1%
Other Controllable Expenses:										
Direct Operating Expenses	18,727	2.5%	19,289	2.4%	19,868	2.4%	20,464	2.4%	21,078	2.4%
Music & Entertainment	3,600	0.5%	3,708	0.5%	3,819	0.5%	3,934	0.5%	4,052	0.5%
Marketing	9,600	1.3%	9,888	1.3%	10,185	1.2%	10,490	1.2%	10,805	1.2%
Utilities	19,200	2.5%	19,776	2.5%	20,369	2.5%	20,980	2.5%	21,610	2.4%
General & Administrative Expenses	34,997	4.6%	36,047	4.6%	37,128	4.5%	38,242	4.5%	39,389	4.4%
Repairs & Maintenance	6,600	0.9%	6,798	0.9%	7,002	0.9%	7,212	0.8%	7,428	0.8%
TOTAL OTHER CONTROLLABLE EXP.	92,724	12.2%	95,506	12.1%	98,371	12.0%	101,322	11.9%	104,362	11.7%
CONTROLLABLE PROFIT	183,882	24.2%	195,075	24.7%	206,832	25.2%	219,177	25.7%	232,138	26.1%
Occupancy Costs & Depreciation										
Occupancy Costs	63,300	8.3%	63,300	8.0%	63,300	7.7%	63,300	7.4%	63,300	7.1%
Depreciation & Amortization	69,801	9.2%	69,801	8.8%	69,801	8.5%	69,801	8.2%	69,801	7.9%
Other (Income) Expenses										
Other (Income)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Interest Expense	6,244	0.8%	6,061	0.8%	5,867	0.7%	5,663	0.7%	5,446	0.6%
Other Expense	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
NET INCOME BEFORE PROFIT SHARING	\$ 44,537	5.9%	\$ 38,331	4.9%	\$ 43,744	5.3%	\$ 55,745	6.5%	\$ 68,363	7.7%
EMPLOYEE PROFIT SHARING	4,454	0.6%	3,833	0.5%	4,374	0.5%	5,574	0.7%	6,836	0.8%
NET INCOME AFTER PROFIT SHARING	\$ 4,454	0.6%	\$ 3,833	0.5%	\$ 4,374	0.5%	\$ 5,574	0.7%	\$ 6,836	0.8%
ADD BACK:										
Depreciation & Amortization	69,801	9.2%	69,801	8.8%	69,801	8.5%	69,801	8.2%	69,801	7.9%
DEDUCT:										
Loan Principal Payments	(3,249)	(0.4%)	(3,432)	(0.4%)	(3,626)	(0.4%)	(3,830)	(0.4%)	(4,046)	(0.5%)
CASH FLOW BEFORE INCOME TAXES	\$ 71,006	9.3%	\$ 70,202	8.9%	\$ 70,550	8.6%	\$ 71,546	8.4%	\$ 72,591	8.2%
CASH FLOW Less Principal Payments	\$ 67,757	8.9%	\$ 66,770	8.5%	\$ 66,924	8.1%	\$ 67,715	7.9%	\$ 68,545	7.7%

Return on Investment Projection

PROJECTED INVESTMENT RETURNS										
Distributable Cash Flow Percent	25%	50%	75%	85%	90%					
Distributable Cash Flow	\$16,939	\$33,385	\$50,193	\$57,558	\$61,690					
Cash Distribution:										
Non-patron Members	\$13,221	78%	\$26,057	78%	\$39,175	78%	\$44,923	78%	\$48,149	78%
Patron Members	\$3,718	22%	\$7,328	22%	\$11,018	22%	\$12,635	22%	\$13,542	22%
Non-Patron Returns:										
Annual Return on Investment (before tax)	4.1%		8.1%		12.2%		14.0%		15.0%	
Average Annual Return on Investment	10.7%									
Average Patron Dividend										
	\$ 6.20		\$ 12.21		\$ 18.36		\$ 21.06		\$ 22.57	
% of Total Sales by Patrons	25%		25%		25%		25%		25%	
Average Annual Patron Spending	\$ 316		\$ 329		\$ 342		\$ 356		\$ 370	
Dividend as a % of Patron Spending	2%		4%		5%		6%		6%	

INVESTMENT ASSUMPTIONS

Total Equity Investment	\$410,000
Patron Members	
Equity Contribution	\$90,000
Non-Patron Members	
Equity Contribution	\$320,000

OPERATING ASSUMPTIONS - Years 2 - 5

Sales - % Increase Over Prior Year					
Food	4.0%	4.0%	4.0%	4.0%	4.0%
Beverage	4.0%	4.0%	4.0%	4.0%	4.0%
Cost of Sales - Cost as a % of Sales					
Food	32.0%	32.0%	32.0%	32.0%	32.0%
Beverage	22.7%	22.7%	22.7%	22.7%	22.7%
Salaries & Wages - % Increase over Prior Year					
Salaries & Wages	3.0%	3.0%	3.0%	3.0%	3.0%
Employee Benefits	3.0%	3.0%	3.0%	3.0%	3.0%
Other Expenses - % Increase over Prior Year					
Direct Operating Expenses	3.0%	3.0%	3.0%	3.0%	3.0%
Music & Entertainment	3.0%	3.0%	3.0%	3.0%	3.0%
Marketing	3.0%	3.0%	3.0%	3.0%	3.0%
Utilities	3.0%	3.0%	3.0%	3.0%	3.0%
General & Administrative Expenses	3.0%	3.0%	3.0%	3.0%	3.0%
Repairs & Maintenance	3.0%	3.0%	3.0%	3.0%	3.0%
Occupancy Costs (Rent & Taxes increase more years 2&3)	2.0%	2.0%	2.0%	2.0%	2.0%
Depreciation & Amortization (assumed to be constant in years 1-5)					
Other (Income)	3.0%	3.0%	3.0%	3.0%	3.0%
Interest Expense (from annual interest expense on loan amortization schedule on "Assumptions" page)					
Other Expense	3.0%	3.0%	3.0%	3.0%	3.0%
Loan Principal Payments (from annual total principal payments on loan amortization schedule on "Assumptions" page)					

Financial Projection Assumptions

These operating statements assume an annual sales growth rate of 4%. We project our busiest days to be Fridays and Saturdays with 280 covers on average and our quietest periods to be Tuesdays and Wednesdays with less than 110 covers on average. We project an average check of \$15.55 per person.

Food cost is estimated to be 27.5% of sales and beverage cost is projected to be 72.5% of sales. This ratio of beverage to food is considerably higher than what would generally be expected for a brewpub because Foremost Brewing's focus is primarily on the beer and we are intentionally keeping the menu small. We assume the cost of goods sold percentages will remain relatively stable as we will alter our menu to accommodate changes in individual item costs.

Labor costs including management salaries are projected to be 38.5% of sales. Together with food and beverage costs, this gives the operation a proposed prime cost percentage of 64%.

Occupancy cost is based on a triple-net, monthly rent of \$4,000 in the first year, \$4,500 in the second year, and \$5,000 each year thereafter; this is based on the agreement with Foremost Properties and assumes Foremost Properties will invest \$600,000 in the build out. Additional occupancy costs include taxes, insurance and common area maintenance.

Operating costs have been estimated both from the ground up as well as being compared with industry averages and area norms. The break-even sales point is \$11,400 per week.

The capital budget includes \$175,000 for brewing equipment. The vast majority of building renovation costs will be borne by Foremost Properties. Leasehold improvements by Foremost Brewing will primarily be finishes and modifications required for the brewing and restaurant equipment.

Given all of these conservative estimates, Foremost Brewing Cooperative projects a 5-6% operating profit in its first full year.

Section 11 – The Offering

Funds Required

Foremost Brewing Cooperative requires a total investment of approximately \$535,000 to develop, build out and begin operations. Of this amount, \$125,000 will come from debt financing. The remaining \$410,000 will be equity invested by members.

Patron Members

The investment level for patron members who become members before we open our doors for business is \$150 for an individual membership and \$250 for a joint membership (two people of the same household). Members who become members before we open our doors for business are considered “founding” members and will receive a founding member T-shirt and pin. After we open our doors for business, memberships will increase to \$200 for an individual membership and \$300 for a joint membership. The patron membership investment is a one-time fee. In addition to voting rights and dividends (refunds) based on purchases made, patron members receive the following financial benefits:

- Your name on the Founders tribute wall
- Member-only happy hour pricing
- A free pint the week of their birthday
- A free pint the week of their membership anniversary
- An exclusive Foremost Brewing Founders t-shirt
- An exclusive Founders pin

Non-Patron Members

Non-patron members own a membership interest in the cooperative and have the same voting rights as patron members.

Non-patron membership interests can be purchased in increments of \$50, with the minimum investment level being \$750 and the maximum investment level (for non-accredited investors) being \$10,000.

Patron Plus Members

Member who hold both a patron membership and a non-patron membership are called “Patron Plus” members. Patron Plus members receive additional benefits corresponding to increasing levels of investment:

Level	Investment	Beer Perks *, **	Additional Perks ***
Mosaic	\$10,000	One free pint per day and two growler fills per month	<ul style="list-style-type: none"> • Host a fundraising event**** • Complimentary patron membership • Brewer for a Day with a namesake beer • Local artisan created wooden Foremost Brewing coasters • Exclusive personalized Foremost Brewing Founders brewer shirt • Foremost Brewing growler carrier • Exclusive Foremost Brewing Founders hooded sweatshirt • Exclusive Foremost Brewing Founders hat • Your name on the Foremost Brewing Cooperative Founders tribute wall
Cascade	\$7,500 - \$9,750	One free pint per week and two growler fills per month	<ul style="list-style-type: none"> • Brewer for a Day with a namesake beer • Local artisan created wooden Foremost Brewing coasters • Exclusive personalized Foremost Brewing Founders brewer shirt • Foremost Brewing growler carrier • Exclusive Foremost Brewing Founders hooded sweatshirt • Exclusive Foremost Brewing Founders hat • Your name on the Foremost Brewing Cooperative Founders tribute wall
Eldorado	\$5,000 - \$7,450	One free pint per week and one free growler fill per month	<ul style="list-style-type: none"> • Local artisan created wooden Foremost Brewing coasters • Exclusive personalized Foremost Brewing Founders brewer shirt • Foremost Brewing growler carrier • Exclusive Foremost Brewing Founders hooded sweatshirt • Exclusive Foremost Brewing Founders hat • Your name on the Foremost Brewing Cooperative Founders tribute wall
Citra	\$2,500 - \$4,950	One free pint and one free growler fill per month	<ul style="list-style-type: none"> • Exclusive personalized Foremost Brewing Founders brewer shirt • Foremost Brewing Growler carrier • Exclusive Foremost Brewing Founders hooded sweatshirt • Exclusive Foremost Brewing Founders hat

			<ul style="list-style-type: none"> Your name on the Foremost Brewing Cooperative Founders tribute wall
Amarillo	\$2,000 - \$2,450	One free growler fill per month	<ul style="list-style-type: none"> Foremost Brewing Growler carrier Exclusive Foremost Brewing Founders hooded sweatshirt Exclusive Foremost Brewing Founders hat Your name on the Foremost Brewing Cooperative Founders tribute wall
Liberty	\$1,000 - \$1,950	One free pint per week	<ul style="list-style-type: none"> Exclusive Foremost Brewing Founders hooded sweatshirt Exclusive Foremost Brewing Founders hat Your name on the Foremost Brewing Cooperative Founders tribute wall
Simcoe	\$750- \$950	One free pint per month plus one free pint the week of birthday and week of membership anniversary	<ul style="list-style-type: none"> Exclusive Foremost Brewing Founders hat Your name on the Foremost Brewing Cooperative Founders tribute wall

* For a joint membership, free pints are per person; free growler fills are per household.

** All pint and growler fills must be Foremost Brewing Cooperative brewed beers.

*** For a joint membership, all Additional Perks are per household.

****A list of Foremost Brewing Cooperative sponsored local charities will be provided by the Board of Directors. The Patron Plus member will receive the opportunity to select a charity from the list provided and host an event in the charities honor. Foremost Brewing Cooperative will donate 10% of the events proceeds to the selected charity.

Dividends Paid to Patron and Non-Patron Members

Each year, the board of directors will determine what portion, if any, of the profits will be paid out to the members as dividends. The percentage paid to the patron membership and the portion paid to the non-patron membership will be in proportion to the investment level of the two groups. For example, if the total patron membership investment is \$100,000 and the total non-patron membership investment is \$300,000, the non-patron membership will receive 75% of the dividends and the patron membership will receive 25% of the dividends. However, in accordance with Minnesota law, the portion paid to the patron membership cannot be less than 15% even if the non-patron membership investment is greater than 85%.

Each patron member’s share of the dividend will be in proportion to the amount of business they did with the cooperative that year. Each non-patron’s dividend will be in proportion to their share of the investment held by the non-patron membership.

Projected Returns

Cashflow before taxes is expected to be approximately 9% of sales during the first five years of operation. Annual return on investment for non-patron members is anticipated to be 12-15% after the first two years of operations, while dividends for patron members are anticipated to be 5-6% of purchases. It likely that the board of directors will decide to not pay dividends in the first one to two years of operations in order to build up adequate cash reserves.

It is important to note that all project cost estimates and performance assumptions stated or implied are not guarantees.

MNvest Portal

In 1933, following the stock market crash of 1929, Congress passed the Securities Act ('33 Act). The '33 Act was designed to regulate the sale of securities (e.g. stocks,) by requiring companies that want to sell securities in their company to follow specific disclosure requirements. Prior to the '33 Act, there was limited regulation of these types of transactions and consumers had little recourse if they were victims of fraudulent business practices. The ideal of protecting the average consumer in this way was certainly noble, but the results over the last 80 years may not have been what the lawmakers expected.

While the '33 Act did address the issue of disclosure by companies, it also created a system that prevented the average consumer from taking advantage of the wealth creation that business investments offer. Companies wanting to publicly solicit securities investments are required to file extensive disclosure documents regarding their business and the securities they're offering. The idea being that these disclosure documents will protect consumers from fraudulent business practices. In reality, these requirements have made the cost of offering securities so expensive that companies can only afford to sell large amounts of securities to wealthy individuals and institutions.

Passed by the Minnesota legislature in 2015, the MNvest legislation provided an opportunity to break open this system, and now allows any consumer the right to benefit from investing in local Minnesota businesses.

Source: MNvest legislation provides an opportunity for Minnesota consumers By Chris Hanson | 02/13/15, downloaded from <https://www.minnpost.com/community-voices/2015/02/mnvest-legislation-provides-opportunity-minnesota-consumers>, 6/18/18

Additional information about MNvest is available at <http://mnvest.org/>.

Foremost Brewing Cooperative is taking advantage of this “democratization of investment” law by offering shares through Silicon Prairie Online. <https://mn.sppx.io/>

Appendices

Position Description for General Manager

Job Title: General Manager

Reports to: Board of Directors

Position Summary

As Chief Executive Officer, the General Manager will oversee the general operations of Foremost Brewing Cooperative and will have authority to execute contracts and other documents on behalf of the cooperative as delegated by the Board of Directors. The General Manager will have authority to hire and fire employees not appointed directly by the Board of Directors.

As Foremost Brewing is a new venture, the General Manager will have the opportunity to build a successful business from the ground up. The General Manager is accountable for all aspects of the business and its operations and is responsible for delivering exceptional guest experiences while meeting financial performance metrics.

Essential Pre-Opening Duties and Responsibilities

- Finalize menu and establish vendor relationships
- Develop standard operating procedures for front-of-house and kitchen operations
- Create staffing plan and human resources budget
- Design and implement the employee selection process
- Develop and implement all training materials and processes
- Create employee development, performance management, engagement, and retention methods
- Establish employee, health, and safety policies

Essential On-Going Duties and Responsibilities

- Oversee guest satisfaction and ensure that all quality and service standards are adhered to at all times.

- Ensure highest standards of food, beverage, and service
- Create an employee culture where employees are cheerful and highly engaged in assuring a consistently high standard of excellence
- Maintain satisfactory business relationships with vendors and suppliers
- Collaborate with Head Brewer on quantity, type, and timing of house brews
- Collaborate with Head Brewer to assure servers have a high level of craft brew knowledge
- Achieve company objectives in sales, service, quality, appearance of facility and sanitation and cleanliness through training of employees and creating a positive, productive working environment
- Ensure compliance with all federal, state, county and municipal regulations that pertain to health, safety and labor requirements of the restaurant, employees, and guests
- Review financial statements, sales or activity reports, and other performance data to measure productivity and goal achievement or to identify areas needing cost reduction or program improvement
- Control cash and other receipts by adhering to cash handling and reconciliation procedures in accordance with policies and procedures
- Maintain food and equipment inventories, and keep inventory records
- Assess staffing needs and recruit staff
- Schedule staff hours and assign duties
- Establish and enforce standards for personnel performance and customer service
- Provide regular performance feedback to employees and administer prompt, fair and consistent corrective action for any and all violations of company policies, rules and procedures
- Fill-in for employees where needed to ensure guest service standards and efficient operations
- Review work procedures and operational problems to determine ways to improve service, performance, or safety
- Keep Board of Directors appropriately informed of key performance indicators, state of the business, and on-going or potential issues
- Translate strategy and general direction from Board of Directors into action
- With input and assistance from the Marketing Committee, generate sales growth, excitement, and customer loyalty

Competencies

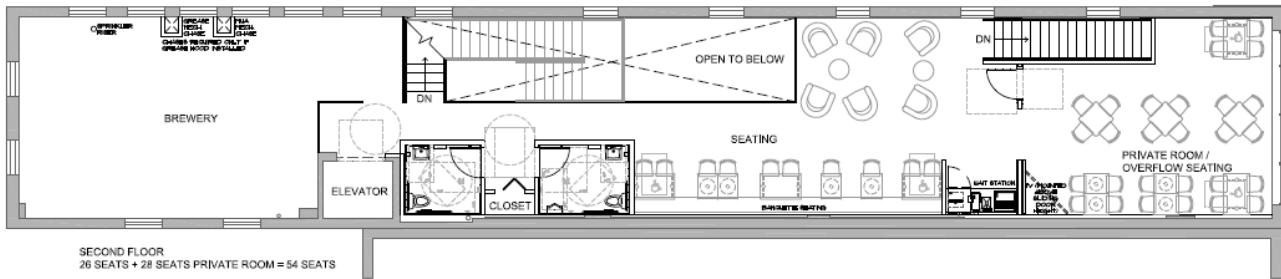
- Service Orientation—actively looking for ways to help people
- Attention to Detail—careful about detail and thorough in completing work tasks
- Leadership—willingness to lead, take charge, get results through others, create an environment where employees can excel and be engaged, build a sense of team
- Critical Thinking—using logic and reasoning to identify the strengths and weaknesses of alternative solutions, conclusions or approaches to problems
- Integrity—honest and ethical
- Dependability—reliable, responsible, and dependable, and fulfilling obligations
- Cooperation—pleasant with others on the job and displaying a good-natured, cooperative attitude
- Stress Tolerance—accepting criticism and dealing calmly and effectively with high stress situations
- Self-Control—maintaining composure, keeping emotions in check, controlling anger, and avoiding aggressive behavior, even in very difficult situations
- Adaptability/Flexibility—open to change (positive or negative) and to considerable variety in the workplace
- Concern for Others—sensitive to others' needs and feelings and being understanding and helpful on the job
- Social Orientation—preferring to work with others rather than alone, and being personally connected with others on the job
- Initiative—willingness to take on responsibilities and challenges
- Persistence—persistence in the face of obstacles
- Active Listening—giving full attention to what other people are saying, taking time to understand the points being made, asking questions as appropriate, and not interrupting at inappropriate times
- Oral Expression—communicating information and ideas in speaking so others will understand
- Oral Comprehension—listening to and understanding information and ideas presented through spoken words and sentences

Typical Experience

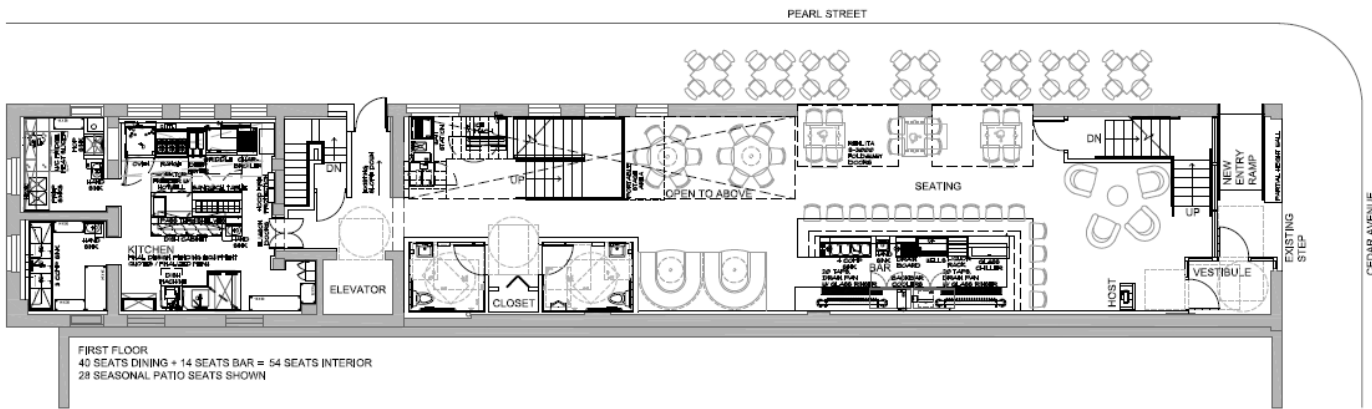
- 3 or more years table-serve restaurant experience
- 5 or more years supervision and management experience
- Strong computer skills and knowledge of a range of business software programs
- Business skills including P&L management and building sales
- Entrepreneurial spirit and ability to build a winning team

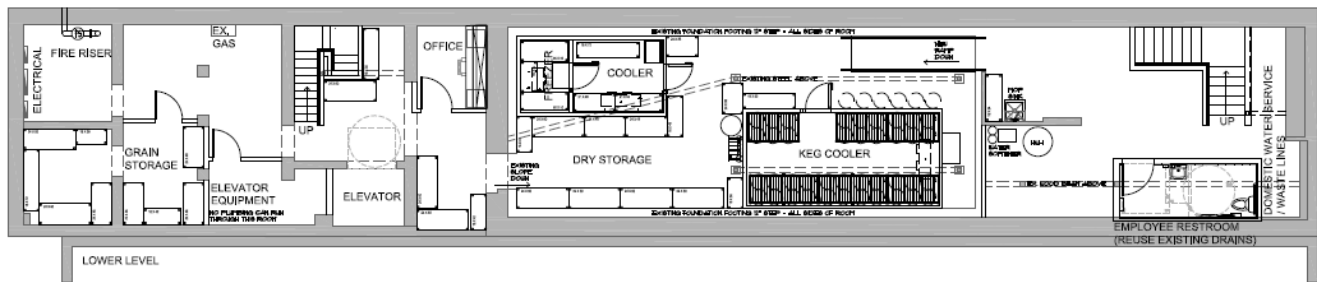
The duties listed above are intended as illustrations of the various work that may be performed. The omission of specific statements of duties does not exclude them from the position. The position guide does not constitute an employee agreement between employer and employee and is subject to change as the needs and requirements of the position change.

Preliminary Architectural Design



THE STEELE TAP
224 CEDAR AVE N,
OWATONNA, MN
PRELIMINARY DESIGN #2
7/03/2018
3/32" = 1'-0" SCALE
2,782 S.F. EACH FLOOR
TYPE V48 CONSTRUCTION
FULLY SPRINKLERED
TOTAL INTERIOR SEATS: 108
SEASONAL PATIO SEATS: 28
TOTAL SEAT COUNT: 136





Brewery vs. Brewpub Business Model

The article below was downloaded from <http://growlermag.com/the-increasingly-blurry-line-between-brewpubs-and-taprooms/> on February 1, 2017.

Foremost Brewing will be a brewpub rather than a brewery for the following reasons:

- The goal is to be a gathering place for the community rather than a production facility
- The ability to serve wine and beers from other breweries will allow us to appeal to a broader audience.
- Although breweries may also serve food, most choose not to recognizing that the competencies for a restaurant and a brewery are different. To be successful, Foremost Brewing will recognize that it is a restaurant and hire management accordingly.
- There is a concern about the long-term viability of a brewery since so many are being opened at the current time and the novelty may wear off. Foremost Brewing will be a place that customers will return to again and again.

The increasingly blurry line between brewpubs and breweries

JANUARY 21, 2016 BY [LOREN GREEN](#)

Brewpubs and breweries both have “brew” in their titles and both places serve beer; and that’s largely where the similarities between the two business models end—or at least where they used to.

Brewpubs and breweries are separate entities, each with its own definition and set of possibilities and limitations, and each offering owners very different business opportunities. However, the legislation passed in Minnesota in recent years has blurred the line between the two business models. With so many breweries and brewpubs popping up around Minnesota recently, we thought it was high time to finally explain what exactly the separation between a [Surly](#), a [Town Hall](#), and a [Union Pizza & Brewing](#) is, and why the owners of such establishments chose their respective routes.

In short, a Minnesota production brewery makes beer for distribution. Like [Summit](#) or [Lake Superior Brewing Company](#), being a brewery means kegs, bottles, and cans, with the option for the brewery (following passage of the taproom bill in 2011) to sell its own beer onsite in a taproom. Breweries whose annual production is less than 20,000 barrels can also sell their beer directly to consumers in growlers and 750ml bottles.

A Minnesota brewpub, on the other hand, is a restaurant-plus-brewery that can pour its own beer as well as operate a full bar, including non-house beers, wine, and hard liquor. Brewpubs cannot distribute or package their beer (except for onsite growler and 750ml bottle sales for offsite consumption), but they can operate multiple locations and serve their beer at them, whereas a production brewery can only operate one taproom. Brewpubs are also capped at brewing no more than 3,500 barrels per year.

Seems clear cut, right? But don’t forget, some production breweries like [Dangerous Man](#) choose to forego distribution altogether and only sell their beer exclusively onsite in their taproom and [in growlers](#). Oh, and did we mention production breweries can also operate restaurants at their brewerie

For a long time, the presence of a restaurant served as the key indicator that a place was a brewpub and not a brewery. When the first generation of Minnesota brewpubs opened in the 1990s, the only avenue available to brewers who wanted to sit across the bar from their customers was to go the brewpub route. But now that breweries can operate kitchens onsite—think Surly, [Urban Growler](#), [Brau Brothers](#), and more—the difference between the two models has become less distinct.

“There was more of a community aspect to brewpubs,” says Town Hall owner Pete Rifakes. “I don’t think that’s true today.” He chose the brewpub model when he was planning Town Hall in 1995 because it’s what he knew and loved. In graduate school, he was a regular at Seattle’s [Big Time Brewery & Alehouse](#), and when he moved to Minneapolis and started his own business plan, he frequented [Rock Bottom](#). The social aspect was something production breweries couldn’t provide back then. “If we were to reopen...I’m not in that situation, but I would probably lean toward opening a taproom,” Rifakes says of today’s marketplace. “The only reason to do [a brewpub] is if you’re going to have a full bar.”

Brewpubs are restaurants first, Rifakes adds. The beer is important, but “Your competition is other restaurants and the majority of your labor costs are on the restaurant side,” he says. Being known first and foremost as a restaurant with a full bar are marketing tools for brewpubs to draw different clientele and drinkers than production breweries. “Not everyone who walks in our door is a craft beer lover like we are,” says Steven Finnie, co-owner of Rochester, Minnesota, brewpub [Grand Rounds](#). “It allows us to appeal to a wide variety of people.” Downtown Rochester’s bar scene is already crowded, so being a restaurant helps distinguish their business, he says.

Brau Brothers has held both brewpub and production brewery licenses over the years. “We actually opened as a restaurant first,” says co-owner and brewer [Dustin Brau](#). “To be honest, we added the brewery to the restaurant simply to get people to drive to Lucan for food. It was never meant to be the focus of the business originally; it was developed to give us identity and draw the then-limited craft beer crowd out of the woodwork.” Due to growth, they changed direction in 2006 and began distributing their beer.

In some cases, the community dictates which business model brewers choose to run with. With the Mayo Center drawing travelers to Rochester, food sales are a key aspect to the survival of a business, says Grand Rounds chief operating officer Tessa Leung. A full bar and the ability to sell lagers, sours, cider, and other beverages they don’t make in-house is an extra bonus. The taproom limitations just don’t make sense for a downtown Rochester business, Leung says.

Farther outstate, away from Minnesota’s population-dense metropolitan areas, owners have to take stock of their town’s dynamics when deciding between the models. “If you didn’t have any food I think you’d have a hard time making it a full-time deal,” says Ben Schierer, owner of Union Pizza & Brewing in Fergus Falls, Minnesota (population 13,351). He and his wife run the brewpub as their primary employment, and the restaurant gets customers seven days a week.

Bob Nihart of [Reads Landing Brewing Co.](#), located in Reads Landing, Minnesota, just north of Wabasha, chose to open a brewpub because of space limitations. He already owned a historic building along the Mississippi River, and a production facility in the small building would be impractical. “My wife and I do a lot of beer tours, and have realized ambiance is key,” he says. “Some are a big empty restaurant space that somebody took over that don’t have atmosphere at all. Even if the beer is good, it feels stale and sterile.”

Nihart says he knew he could offer something unique with a building pushing 150 years of age that’s located a stone’s throw from the river. “Being on the water is a big draw,” he says. “The main reason I ended up here is because I already owned the building. Of course, had the building been in the middle of a field, I don’t think I would have converted that into a brewery/restaurant.”

Reads Landing and Union both use small three-barrel systems; Grand Rounds operates with a seven-barrel system. The small size of these and other such brewpubs means that even if distribution were an option, it would be a challenge. As such, brewpubs tend to feature more limited-edition beers, which increases their draw as a destination for craft beer enthusiasts.

“I think the brewpubs that open don’t expect large growth,” Town Hall’s Rifakes says about the new wave of openings. “Maybe they’re content with that.” He points to Town Hall as an example. He used to be more hands-on with bar work in the early years, but bartending and brewing are hard, physical work—better suited for younger employees. Eventually, he had to adopt a new strategy and bring on more workers. “You hire people that grow with the business,” he explains. “As a brewpub you’re constantly going to be turning over your young guys because they want to grow.”

With Mike Hoops holding down the head brewer role at Town Hall, Rifakes says there is no place to promote his assistant brewers. That makes retention a problem—one he believes would be solved were he able to distribute; distribution offers more room for internal promotions. The “satellite” system of distribution that allows brewpubs to sell their beer at restaurants owned by the parent company (e.g. Town Hall beers at Town Hall Tap, Fitger’s beers at Burrito Union, Freehouse beers at Groveland Tap) has helped the issue a little, Rifakes says, but it still doesn’t solve the retention issue. Another consideration is that every satellite location requires investments in real estate and kitchen equipment. “It gets costly,” he says. The bottom line? “I think if you’re selling a legal product and there’s demand for that product, you should be able to sell it,” he says.

John Moore of Barley John’s circumvented brewpub restrictions by opening a new production brewery (as a like-named but separate legal entity from the brewpub) in Wisconsin. Moore agrees with Rifakes’ frustration with the dueling models and regulations. “When you have four walls to a restaurant there’s a limit,” he says. “With a brewery, there are only the limitations of your space.”

When Rifakes, Moore, or Tim Nelson—one of the founders of Fitger’s Brewhouse in Duluth—chose to open brewpubs, it was the early 2000s—a different marketplace for Minnesota craft beer. Like Rifakes, Nelson says he’s seen the pendulum swing, but given industry dynamics he refuses to say one is a better business model than the other. Asked what he would open today: “Two years ago, I would have said the taproom, no question,” he says. “But today, as the competition increases, it becomes a question again.”

As for where a brewpub stands in comparison to a production brewery today, Nelson says it’s the differing definitions and limitations that are most tricky. “It creates a lot of confusion with consumers, that’s the biggest hurdle,” he says.

The lines will continue to blur as the beer scene develops in Minnesota and the state faces more and more people requesting to adjust regulations. Different communities and individuals have different goals and needs, and the fact remains that some people just don’t want to go to a place that only serves beer. “I think there’s room on both sides,” Nelson says. “I think it still is viable, it just depends on what the individual wants to do.”

Minnesota Statutes Chapter 308B

Following is a June 5, 2003 memo from the Minnesota Association of Cooperatives providing information about the advantages of a cooperative structuring itself under MN Statute 308B.



Minnesota Association of Cooperatives

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 Phone: 651.228.0213
 Toll Free (in MN, WI and ND only) 1.877.MNCOOPS
 Fax 651.228.1184 www.wfcmac.coop

DATE: June 5, 2003

TO: Minnesota Cooperative Leaders

FROM: Bill Oemichen, President & CEO *Bill Oemichen*
 Maura Schwartz, Managing Director *Maura Schwartz*

RE: New Minnesota Statutes Chapter 308B - Minnesota Cooperative Associations Act

I. Introduction.

A. The Chapter 308B Statute Was Proposed to Provide Flexibility to Minnesota Cooperatives Attempting to Raise Equity for Modernization or Expansion.

The recently concluded Minnesota Legislative Session ended with a major milestone for the Minnesota Association of Cooperatives (MAC). The Legislature passed, and Governor Pawlenty signed into law, legislation creating a second Minnesota cooperative law that provides significant tools for patron members seeking outside equity capital for the creation, modernization, or expansion of a cooperative. MAC sought passage of the new law because Minnesota cooperatives have experienced difficulty raising equity capital for cooperative creation, modernization or expansion under the current restrictive Minnesota cooperative law and because some cooperatives are converting to non-cooperative forms like LLC's to gain greater access to equity.

New Chapter 308B essentially authorizes outside equity investment in the cooperative in return for limited voting rights to provide for more flexible financing alternatives for cooperatives. New Chapter 308B does not replace Chapter 308A. Patron members now have two choices when determining what type of Minnesota cooperative they wish to create.

This new law places Minnesota, the leading cooperative state in the nation, at the forefront of the evolution of national cooperative law. Just today, the National Council of Farmer Cooperatives in a press release cited the new Minnesota law as a primary reason why national cooperative law needs to be reformed.

The new law was primarily written by attorneys in the Minneapolis office of Lindquist & Vennum, one of the leading cooperative law firms in the nation. The attorneys drafted the new law following an extensive series of meetings MAC hosted with Minnesota cooperatives across the state in the summer and fall of 2002. Attorneys from Dorsey & Whitney also provided MAC with legal guidance on this issue.

B. Chapter 308B Provides Significant Protections for Patron Members.

It's vital to understand that the new statute creates a number of protections for patron members through mandated minimum levels of voting control within the board of directors, by votes of the membership and in determining financial rights. These protections are established through a series of floors such as a requirement that patron members retain at least 50% voting control of the board of directors. Members, in the bylaws, may set the exact percentage. However, the members do not have the discretion to lower the minimum floors established in the statute.

II. Investment Members Authorized. Unlike current Chapter 308A, Chapter 308B cooperatives may have two classes of members: patron members and investment members. Patron members have the financial right to no less than 60% of the cooperatives' profit allocations and distributions unless patron members vote to reduce their financial rights. Even if they do, non-patron investor members may receive no more than 85% of the cooperative's profit allocations and distributions even if their ownership interest is greater than 85%. Also, it is important to note patron members may also become investment members.

III. Taxation and Conversion. A Chapter 308B cooperative may be taxed as a partnership under Subchapter K of the Internal Revenue Code and receive pass-through treatment, or elect to be taxed as a cooperative under Subchapter T with a deduction from taxable income to the cooperative for patronage-sourced income. Choosing subchapter K tax treatment provides the potential benefit of pass-through treatment of profits from non-member business and the avoidance of double taxation of non-member business under Subchapter T.

It is unlikely existing, profitable Chapter 308A Minnesota cooperatives taxed under Subchapter T would convert to a Chapter 308B cooperative taxed under Subchapter K because the IRS would likely view the conversion as a liquidation of the Chapter 308A cooperative with a sale of assets. According to tax and legal experts, an appraisal of the cooperative's value may result in considerable gain taxed to members without distributed income to pay the tax.

IV. Cooperative Governance. The statute provides flexibility in governance through reliance on the cooperative's bylaws, with certain mandated minimum levels of governance rights for patron members. This flexibility allows the cooperative's members to determine the appropriate governance structure through bylaws rather than having the Legislature determine all of the key governance issues.

Chapter 308B requires the patron-members to hold at *least* 50% of the voting powers on "general matters of the cooperative." This means patron-members retain considerable influence over cooperative decisions, particularly when combined with a Chapter 308B provision that provides that patron-members generally vote as a bloc in board decisions or decisions by the general membership.

The new statute sets a minimum patron member voting rights floor. Patron members of a cooperative can set significantly higher levels of patron member control in the bylaws.

A Chapter 308B cooperative must establish an Audit Committee which may consist of the entire Board.

V. Patron Member Financial Rights. A Chapter 308B cooperative has the flexibility to determine patron and investor member financial rights. Unless modified at the cooperative's inception, patron members are entitled to at least 60% of the cooperative's financial rights to profit allocations and distributions. This number may only be later reduced if the patron members affirmatively vote for the reduced patron member financial rights. Significantly, the statute mandates an absolute 15% floor on patron member financial rights. This means that even if patron members vote for a change that reduces their financial rights to less than 60%, the patron members must still receive at least 15% of the cooperative's profits even if investor members (who do not patronize the cooperative) own more than 85% of the equity. This provision is intended to ensure a minimum level of distribution for patron members.

The new statute sets a floor. Patron members of a cooperative can set significantly higher levels of patron member financial rights in the bylaws.

VI. Why Cooperatives Might Organize Under the New Chapter 308B. Many Minnesota cooperatives have expressed interest in utilizing a cooperative form of governance for a joint venture. Minnesota cooperatives have noted that the limitations of Chapter 308A meant they had to choose to organize related businesses as LLC's. Under Chapter 308B, two cooperatives and an outside investor can form a new Chapter 308B cooperative, be taxed like an LLC and still potentially qualify for Capper-Volstead Act antitrust immunity protection.

Minnesota agricultural producers have pointed out that the current law limits their ability to obtain debt financing because of the difficulty raising equity through preferred stock offerings and their inability to raise equity capital from non-patron investors or even from patron members who want to further invest in the cooperative. Chapter 308B allows for the ability to raise equity from non-patron investors and patron members to meet minimum equity requirements and pay more than 8% return on the investment.

Several electric cooperatives have asked for a new cooperative statute that allows them to create joint ventures with other electric cooperatives, or other cooperatives, in a cooperative form, rather than as an LLC. Chapter 308B provides significant flexibility for joint ventures. For example, two electric cooperatives can join with a non-cooperative business in a Chapter 308B cooperative for the purpose of conducting joint right-of-way maintenance, security services, etc.

Chapter 308B also allows non-agricultural businesses such as senior housing, electric, telecommunications, health care, and purchasing cooperatives to be more freely created and have the equity provided by members and non-members. For example, a telecommunications cooperative could raise non-patron member equity to help finance the installation of cable in their community.

VII. Potential Issues to Consider.

A. Antitrust Protection May Be An Issue for New Chapter 308B Cooperatives Marketing Agricultural Products. Minnesota cooperatives should carefully consider how the new Chapter 308B might apply to existing and future cooperative business activities. For example, existing agricultural cooperatives marketing agricultural products enjoy antitrust immunity protection under Capper-Volstead. Generally, antitrust immunity protection applies to

“[p]ersons engaged in the production of agricultural products as farmers, planters, ranchmen, dairymen, nut or fruit growers.” Furthermore, no member may be allowed more than one vote or dividends on preferred stock may not exceed 8% per year, and the cooperative may not market more products produced by non-members than members. Allowing non-patron investor members into the cooperative may place this immunity at risk and should be carefully considered by the cooperative’s legal and tax experts.

More than several Minnesota agricultural cooperatives have argued this is not a significant issue if the cooperative cannot raise enough equity capital to get started or is involved in a non-agricultural production or marketing activity. Furthermore, since antitrust immunity is generally limited to the marketing of agricultural products, a majority of Minnesota’s cooperatives currently do not currently enjoy this antitrust immunity protection.

B. Patron Member Decision-Making and the Need for Continuing Education.

Patron members, at the cooperatives’ creation, have the flexibility to determine what levels of control they wish to have relative to non-patron investor members. Therefore, it’s important that patron members carefully consider such important issues as member voting, board of director voting and financial rights when incorporating as a cooperative. Certainly these issues should be carefully considered throughout the life of the cooperative as well. This suggests the importance of continuing education of patron board directors and members so that patron members fully understand their rights and responsibilities within the cooperative and make decisions based on full information.

C. Securities Issues Should be Carefully Analyzed. Finally, anyone exploring creation of a Section 308B cooperative should also closely examine federal and state securities laws. Minnesota law generally exempts cooperative securities from state securities registration requirement. Depending on how the new cooperative is set up, the cooperative may not be eligible to receive the benefits of the securities exemption.

VIII. MAC Education Conferences on New Chapter 308B Planned for this Summer.

MAC is scheduling a series of educational conferences on new Chapter 308B for this summer. Notices will be mailed to MAC members and updates will be posted on MAC’s website: www.wfcmac.org/coops/mac/mac.html

This memorandum is offered by the Minnesota Association of Cooperatives to members for the purpose of generally summarizing new Minnesota Chapter 308B and not for the purpose of offering legal advice. Members should consult competent legal or tax counsel for guidance.

Foremost Brewing Cooperative Bylaws

STEELE TAP COOPERATIVE BY-LAWS

ARTICLE I: RECITALS AND DEFINITIONS:

Cooperative association

The Steele Tap Cooperative (“Cooperative”) is a Cooperative association organized under Chapter 308B of Minnesota Statutes. It is formed on a Cooperative basis for the benefit of its Members. It may engage in any purpose authorized by Chapter 308B.

Values

Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, Cooperative Members believe in the ethical values of honesty, openness, social responsibility, ecological responsibility, and caring for others.

Patronage Distributions

The term “patronage distribution” means an amount paid to a patron under the terms specified in 26 U.S.C. § 1388, therein entitled “patron dividends”. The terms “patron dividends”, “patron refunds”, “patronage distributions” and “distributions to patron Members” are understood to be interchangeable and conform to both the definition of “patron dividend” found in 26 U.S.C. § 1388 and the usage of the term “patronage distributions” of Minnesota Statute 308B.725 Subd. 3.

Nonpatron Membership

Nonpatron Membership interest means a Membership interest that does not require the holder to conduct patronage business for or with the Cooperative to receive financial rights or distributions.

Fiscal Year

The Cooperative’s Fiscal Year shall end on December 31.

ARTICLE II: MEMBERSHIP

Section 1: Qualifications. Any individual over the age at which consumption of alcohol is permitted in Minnesota, firm, company, corporation, or Cooperative may become a Member pursuant to terms established by the Board of Directors. Each transaction between this Cooperative and each Member shall be subject to and shall include as part of its terms each provision of the Articles of Organization of this Cooperative and these Bylaws, whether or not the same is expressly referred to in said transaction. The Cooperative shall not discriminate on social or political grounds, on the basis of race,

creed, age (except as noted herein above), sex, handicap, sexual preference or marital status.

Section 2: Current Address. Every Member agrees to provide his or her current address and to keep the Cooperative apprised of any changes to that Member's address. The Board of Directors shall establish a method by which a Member can update their address electronically and receive an electronic confirmation. If the Cooperative has not updated the Members' address in its records and the Member has not received an electronic confirmation, then that Member's address shall not be deemed to be updated under these bylaws. A Member may also update his or her address by sending a letter by certified mail through the United States Postal Service that both explicitly requests that the Member's address be updated and provides a complete updated mailing address.

Section 3: Classes of Members. There shall be two classes of Members:

(A). **Patron Members** will be those individuals who join the Cooperative with the intent of consuming any product produced by the Cooperative or otherwise doing business with the Cooperative in any way.

(B). **Nonpatron Members** will be those individuals who own a Membership interest in the Cooperative and have been approved by the Board of Directors as Nonpatron Members. Nonpatron Members may also be, but do not need to be, Patron Members.

Section 4: Patron Membership

(A). **Eligibility Requirements.** Any Qualified Member residing within the State of Minnesota may become a Patron Member.

(B). **Application and Purchase Requirement.** Application for Membership shall be made in writing on a form provided by the Cooperative or through some electronic means provided by the Cooperative. Pending approval by the board, a Qualified Member shall sign a Member purchase agreement for one unit of Patron Membership Interest and shall provide appropriate payment as determined by the Board of Directors. The Board of Directors shall have complete discretion to approve or disapprove of a prospective Patron Member's application for any reason.

(C). **Approval.** The Board of Directors, or a group of individuals delegated such authority by the Board of Directors, shall act upon applications for Membership at the first Board Meeting after the application is received. The application may be approved or rejected based upon policies established by the Board of Directors, subject to the restrictions in Section 1. The Board of Directors may, at its sole discretion, provide a means of providing some, but not necessarily all, Membership benefits to prospective Members on an expedited basis upon receiving appropriate payment but before official approval by the Board of Directors.

(D). Voting Rights. Patron Members shall have one vote in the affairs of the Cooperative regardless of how many Patron Membership interests are owned by the Qualified Member.

(E). Termination.

(1). A Patron Member may terminate his or her Membership by providing notice to the Cooperative through either an electronic method provided by the Cooperative for the express purpose of termination or by certified mail. Patron Membership shall also terminate automatically upon the death of a Member. A Patron Member who has not provided his or her current address for a period of two consecutive years shall be determined to have abandoned his or her Membership and gifted it to the Cooperative.

(2). The Board of Directors may, by a majority vote, terminate a Patron Membership at any time for any reason that they deem appropriate, including, but not limited to situations where the Member has:

- (a) intentionally or repeatedly violated any provision of the Articles of Incorporation, Bylaws or Board policies of this Cooperative;
- (b) materially breached any contract with this Cooperative;
- (c) remained indebted to this Cooperative for ninety (90) days after such indebtedness becomes payable;
- (d) willfully obstructed any lawful purpose of the Cooperative;
- (e) been convicted of any criminal offense related to the consumption of alcohol.
- (f) Members without valid mailing addresses (physical and electronic), and having no other activity with the Cooperative for a period of two years from the date of address invalidity, shall be considered inactive and their Membership transferred to the Cooperative. Inactive Members may have their Membership reactivated upon filing a valid address. If a Member's capital has been retained by the Cooperative, it will be returned to their account upon reactivation.

(3). Patron Members subject to termination of Membership by the Board of Directors shall be given at least a 30 day notice and an opportunity to be heard by the Board of Directors prior to the effective date of termination. However, in the event a Patron Member is convicted of a criminal offense related to the consumption of alcohol, then the Board of

Directors has complete discretion to terminate the Patron Member's Membership immediately without notice or chance for a hearing.

(4). Upon a Patron Member's withdrawal from the Cooperative, or other termination of a Patron Member's Membership Interest, the Membership Interest of the Patron Member shall be transferred to the Cooperative under any terms as provided by the Board of Directors. Membership Interests and Patron Membership rights of the Cooperative are not transferable or assignable under any other circumstances.

(5). Upon termination, the Cooperative shall purchase the Patron Member's Membership Interest at par or book value, whichever is lower, together with any cash or other distribution due or unpaid, less any indebtedness due to the Cooperative, provided that the Patron has been a member for at least one year. A Patron terminating their Membership within the first year of ownership shall receive no payment and the Membership Interest passes to the Cooperative. The Cooperative shall repurchase a terminating Member's Membership interest only when it has received replacement capital from new or continuing Members. Regardless of the reasons for termination, repurchase of this Cooperative's Membership Interest from a terminated Member shall be subject to the same terms and limitations governing all Membership Interest repurchases, including availability of replacement capital and the discretion of the Board of Directors to determine terms of repurchase.

(6). Upon termination of Membership, the Patron Member shall thereafter have no voting rights in the Cooperative. No action taken hereunder shall impair the obligations or liabilities of either party under any contract with the Cooperative, which may be terminated only as provided therein.

(F). Patronage Refund

(1). The Board of Directors shall establish a means by which certain proceeds of the Cooperative are returned to each Patron Member on the basis of business done with the Cooperative. The Cooperative is not obligated to provide any such Patronage Refund at the end of any Fiscal Year. The Board of Directors shall determine the form of distribution. The Board of Directors may distribute net income to Patron Members in cash, capital credits, allocated patronage equities, or its own or other securities.

(2). The Board of Directors, if it determines that it is in the interest of the Cooperative and/or its Members, shall have discretion to issue a return to all Patron Members that is distributed equally to all Patron Members.

(3) The amount returned to the Patron Membership as a Patronage Refund shall not be less than 15% of the Cooperative's total Profits, less a necessary and reasonable reserve, in the fiscal year.

(4.) A Patron Member's financial rights to distributions are not transferable to anyone except the Cooperative.

(G). Household Memberships

(1) The board of Directors may establish a process by which no more than two Members of a household may become joint Patron Members under the same Membership.

(2) Under such a Household Membership, both Members shall be bound by all the same terms of these By-Laws as well as the Cooperative's Articles of Organization.

(3) Under such a Household Membership, both Members shall have all the same rights and privileges of any other Patron Member, except that they shall have no more than one vote between them.

(4) Nothing in this subsection shall be read to prevent multiple Members of the same household from otherwise becoming separate individual Members.

Section 5: Nonpatron Membership

(A). Eligibility Requirements. Any Qualified Member may become a Nonpatron Member.

(B). Application and Purchase Requirement. A prospective Nonpatron Member shall make an application to purchase a Nonpatron Membership interest in writing to the Cooperative. The application shall indicate, at least, the amount of money, services, or other consideration the prospective Nonpatron Member intends to provide the Cooperative as well as identifying information about the prospective Nonpatron Member. Upon approval by the Board, the prospective Nonpatron Member shall sign a Membership Interest purchase agreement for the number of units of Nonpatron Membership Interest that have been agreed upon by the Cooperative and the potential Nonpatron Member.

(C). Approval. Upon the affirmative vote of the Board of Directors and execution by the prospective Nonpatron Member applicant of the Cooperative's then current Member control agreement, the Board of Directors shall accept the purchase agreement of the Nonpatron Member and accept the money, services, or other consideration offered in exchange for Nonpatron Membership.

(D). Voting Rights. Each Nonpatron Member shall have one vote in the affairs of the Cooperative.

(E.). Distribution of Profits or Losses. At the end of the Fiscal Year, if the Board of Directors decides to issue a return to the Membership, then the percentage to be paid to the Nonpatron Members shall be proportionate to the investment by Patron Membership as compared to the investment by Nonpatron Members. For example, if Patron Membership investment is \$100,000.00 and Nonpatron Membership investment is \$200,000.00, two thirds of the proposed distribution shall be distributed to the Nonpatron Membership. This distribution to Nonpatron Members shall be divided proportionally among the holders of outstanding Nonpatron Membership interests according to their share of such interests. Notwithstanding the foregoing, the distribution to the Nonpatron Members shall never exceed 85% of the distribution to the Members.

(F). Transfer. The Board of Directors shall create whatever policies it deems necessary restricting the transfer of Nonpatron Member interests. The Board of Directors shall publish these policies to Nonpatron Members in any manner it deems necessary, including, but not limited to, notification by post, electronic communication, notification in a regular publication provided to Nonpatron Members, or production on the Cooperative's website. Under no circumstances may a Nonpatron Membership interest be transferred or assigned except as provided in the policies created by the Board of Directors. The Board of Directors may at its sole discretion authorize the repurchase of Membership interests of any willing Nonpatron Member.

(G.) Withdrawal of Nonpatron Member. Upon withdrawal, the Cooperative shall purchase the Nonpatron Member's Membership Interest upon such terms or conditions as may be agreed upon by the Board of Directors and the withdrawing Nonpatron Member or as may be set forth in the Member Control Agreement. Notwithstanding the foregoing, the Cooperative shall repurchase a withdrawing Nonpatron Membership interest only when it has received replacement capital from new or continuing Members. No payment to a withdrawing Nonpatron Member shall be made prior to the end of the Cooperative's fifth full calendar year of operation.

ARTICLE III: MEETINGS OF MEMBERS

Section 1. Regular Members' Meetings

(A) Annual Meeting. Regular Members' meetings shall be held annually at a date and time determined by the Board of Directors.

(B) Powers & Duties. The Members holds the following powers, as well as any other powers granted to the Membership:

- (i) election and removal of Directors;

- (ii) passage of advisory resolutions for consideration by the Board.
- (C) **Location.** The regular Members' meeting shall be held at the principal place of business of the Cooperative or at another conveniently located place as determined by the Board.
- (D) **Business and Fiscal Reports.** The officers shall submit reports to the Members at the regular Members' meeting covering the business of the Cooperative for the previous fiscal year that show the condition of the Cooperative at the close of the fiscal year.
- (E) **Election of Directors.** All Directors shall be elected at the regular Members' meeting for the terms of office prescribed in the By-Laws.
- (F) **Notice.**
 - (1) The Cooperative shall give notice of regular Members' meetings by electronically delivering notice to each Member at the Members' email address of record or by mailing by first class mail to the Member's post office address of record or by any other notification approved by the Board and agreed to by the Members. The regular Members' meeting notice shall be given by approved method at least two weeks before the date of the meeting or mailed at least 15 days before the date of the meeting.
 - (2) The notice shall contain a summary of any By-Law amendments adopted by the Board since the last annual meeting.
- (G) **Waiver and objections.** A Member may waive notice of a meeting of Members. A waiver of notice by a Member entitled to notice is effective whether given before, at, or after the meeting, and whether given in writing, orally, or by attendance. Attendance by a Member at a meeting is a waiver of notice of that meeting, except where the Member objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened, or objects before a vote on an item of business because the item may not lawfully be considered at that meeting and does not participate in the consideration of the item at that meeting.

Section 2. Special Members' Meetings

- (A) **Calling meeting.** Special Members' meetings may be called by:
 - (1) a majority vote of the Board; or
 - (2) the written petition of at least 20 percent of the Patron Members, 20 percent of the Nonpatron Members, 20 percent of all Members, or Members

representing 20 percent of the Membership interests collectively are submitted to the chair.

- (B) **Notice of Special Members' Meeting.** The Cooperative shall give notice of a Special Members' meeting by electronically delivering notice to each Member at the Members' email address of record, publication in any regular periodical produced by the Coop for benefit of and distribution to the Membership as a whole, published on the website or on social media platforms of the Cooperative, or by mailing by first class mail to the Member's post office address of record mailing the special Members' meeting notice to each Member personally at the person's last known post office address or any alternative method approved by the Board and the Member individually or the Members generally. For a Member that is an entity, notice mailed or delivered by an alternative method shall be to an officer of the entity. The Special Members' meeting notice shall state the time, place, and purpose of the Special Members' meeting. The Special Members' meeting notice shall be issued within ten days from and after the date of the presentation of a Members' petition, and the Special Members' meeting shall be held within 30 days after the date of the presentation of the Members' petition.
- (C) **Waiver and objections.** A Member may waive notice of a meeting of Members. A waiver of notice by a Member entitled to notice is effective whether given before, at, or after the meeting, and whether given in writing, orally, or by attendance. Attendance by a Member at a meeting is a waiver of notice of that meeting, except where the Member objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened, or objects before a vote on an item of business because the item may not lawfully be considered at that meeting and does not participate in the consideration of the item at that meeting.

Section 3. Certification of Meeting Notice

- (A) **Certificate of mailing.** After mailing special or regular Members' meeting notices or otherwise delivering the notices, the Cooperative shall execute a certificate containing the date of mailing or delivery of the notice and a statement that the special or regular Members' meeting notices were mailed or delivered as prescribed by law.
- (B) **Matter of record.** The certificate shall be made a part of the record of the meeting.
- (C) **Failure to receive meeting notice.** Failure of a Member to receive a special or regular Members' meeting notice does not invalidate an action taken by the Members at a Members' meeting.

Section 4. Quorum

- (A) **Quorum for meeting.** The quorum for a Members' meeting to transact business shall be:
- (1) ten percent of the total number of Members for a Cooperative with 500 or fewer Members; or
 - (2) 50 Members for Cooperatives with more than 500 Members.
- (D) **Quorum for voting by mail.** In determining a quorum at a meeting, on a question submitted to a vote by mail or an alternative method, Members present in person or represented by mail vote or the alternative voting method shall be counted. The attendance of a sufficient number of Members to constitute a quorum shall be established by a registration of the Members of the Cooperative present at the meeting. The registration shall be verified by the chair or the records officer of the Cooperative and shall be reported in the minutes of the meeting.
- (E) **Meeting action invalid without quorum.** An action by the Cooperative is not valid or legal in the absence of a quorum at the meeting at which the action was taken.

ARTICLE IV. BOARD OF DIRECTORS

Section 1. Number of Directors. The governance and management of Steele Tap Brewing Cooperative is directed by its Board of Directors. There shall be no less than five and no more than nine Directors. A majority of the Directors shall be Patron Members, but there shall always be at least one Nonpatron Director on the Board to represent the interests of Nonpatron Members. Males and females shall each always occupy at least 25% of the seats on the Board of Directors.

Section 2. Eligibility. All Members are eligible to run for the Board of Directors.

Section 3. Powers and Duties. The Board is responsible for setting policy, issuing Membership interests, leading Members' Meetings, and ensuring that all actions taken by the Cooperative are both lawful and consistent with these By-Laws. A Director individually or collectively with other Directors does not have authority to act for or on behalf of the Cooperative unless authorized by the Board. A Director may advocate interests of Members or Member groups to the Board, but the fiduciary duty of each Director is to represent the best interests of the Cooperative and all Members collectively.

Section 4. Nominations. The Board shall establish a Nominating Committee responsible for finding and cultivating competent candidates to fill open positions on the Board, including the Nonpatron Directors. A slate of proposed candidates shall be submitted to the Board of Directors by the Nominating Committee in advance of the Annual

Members' Meeting so that the slate of candidates can be included with the Notice of the Annual Meeting. All candidates for Board positions must fill out an application, disclose all possible conflicts of interest they may hold, and comply with any other requirements of the Membership Committee for inclusion among the Board candidates. Nothing herein shall prohibit a qualified Member from submitting his or her name for election provided that they fill out an application, disclose all possible conflicts of interest they may hold, and comply with any other requirements of the Nominating Committee for inclusion among the Board candidates.

Section 5. Terms. Directors shall serve three year terms and elections shall be held on a staggered basis such that approximately one third of Director seats are up for election each year. Directors may serve on the Board for no more than two consecutive terms or six consecutive years, and thereafter must wait at least two years before standing again for election.

Section 6. Election and Removal. Board elections shall be held by a referendum of the Members attending the Annual Meeting. A Director may be removed with or without cause. Removal requires a vote of two-thirds vote of the Board, or a majority vote of a Meeting of the Members. Members may give a written proxy to any other qualified Member. The proxy shall be in the form established by the Board of Directors and must be delivered or mailed to the Cooperative's Records Officer in time for it to be presented at the Annual Meeting.

Section 7. Vacancies. Should a vacancy arise, the Board shall choose an individual to fill that position on a temporary basis until the next election cycle.

Section 8. Meetings of the Board of Directors.

(A) **Time and Place.** Meetings of the Board may be held at any location from time to time as provided in the Articles or By-Laws. If the Board fails to select a place for a meeting, the meeting shall be held at the principal executive office, unless the Articles or By-Laws provide otherwise.

(B) **Electronic Communications.**

(i) A conference among Directors by any means of communication through which the Directors may simultaneously hear each other during the conference constitutes a Board meeting, if the same notice is given of the conference as would be required by otherwise for a meeting, and if the number of Directors participating in the conference would be sufficient to constitute a quorum at a meeting. Participation in a meeting by that means constitutes presence in person at the meeting.

(ii) A Director may participate in a Board meeting not described in paragraph (a) by any means of communication through which the Director, other Directors so participating, and all Directors physically present at the meeting

may simultaneously hear each other during the meeting. Participation in a meeting by that means constitutes presence in person at the meeting.

Section 9. Calling meetings and notice. A Director may call a Board meeting by giving at least ten days' notice or, in the case of organizational meetings, at least three days' notice to all Directors of the date, time, and place of the meeting. The notice need not state the purpose of the meeting unless Chapter 508B, the Articles or the By-Laws require it.

- (A) **Previously Scheduled Meetings.** If the day or date, time, and place of a Board meeting have been provided in the Articles or By-Laws, or announced at a previous meeting of the Board, no notice is required. Notice of an adjourned meeting need not be given other than by announcement at the meeting at which adjournment is taken.
- (B) **Waiver of Notice.** A Director may waive notice of a meeting of the Board. A waiver of notice by a Director entitled to notice is effective whether given before, at, or after the meeting, and whether given in writing, orally, or by attendance. Attendance by a Director at a meeting is a waiver of notice of that meeting, except where the Director objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened and does not participate in the meeting after the objection.

Section 10. Absent Directors. A Director may give advance written consent or opposition to a proposal to be acted on at a Board meeting. If the Director is not present at the meeting, consent or opposition to a proposal does not constitute presence for purposes of determining the existence of a quorum, but consent or opposition must be counted as the vote of a Director present at the meeting in favor of or against the proposal and must be entered in the minutes or other record of action at the meeting, if the proposal acted on at the meeting is substantially the same or has substantially the same effect as the proposal to which the Director has consented or objected.

Section 11. Quorum. A majority of the Directors currently holding office is a quorum for the transaction of business. In the absence of a quorum, a majority of the Directors present may adjourn a meeting from time to time until a quorum is present. If a quorum is present when a duly called or held meeting is convened, the Directors present may continue to transact business until adjournment, even though the withdrawal of a number of Directors originally present leaves less than the proportion of number otherwise required for a quorum.

Section 12. Action of the Board of Directors Without a Meeting. An action required or permitted to be taken at a Board meeting may be taken by written action signed by all of the Directors. Any action, other than an action requiring Member approval, may be taken by written action signed by the number of Directors that would be required to take the same action at a meeting of the Board at which all Directors were present.

- (A) **Effective Time.** The written action is effective when signed by the required number of Directors, unless a different effective time is provided in the written action.
- (B) **Notice and Liability.** When written action is permitted to be taken by less than all Directors, all Directors must be notified immediately of its text and effective date. Failure to provide the notice does not invalidate the written action. A Director who does not sign or consent to the written action has no liability for the action or actions taken by the written action.

Section 13. Audit Committee. The Board shall establish an audit committee to review the financial information and accounting report of the Cooperative. The Cooperative shall have the financial information audited for presentation to the Members. If a majority of the Directors approve, financial statements that are not audited, but which clearly state that they are not audited, may be presented to the Members provided that they are prepared in accordance with generally accepted accounting procedures. The Directors shall elect Members to the audit committee. The audit committee shall ensure an independent review of the Cooperative's finances and audit.

Section 14. Compensation. The compensation of the Board shall be defined in a written policy to be approved by a majority of the Members.

Section 15. Committees. A resolution approved by the affirmative vote of a majority of the Board may establish committees having the authority of the Board in the management of the business of the Cooperative only to the extent provided in the resolution. Committees may include a special litigation committee consisting of one or more independent Directors or other independent persons to consider legal rights or remedies of the Cooperative and whether those rights and remedies should be pursued. Committees other than special litigation committees are subject at all times to the direction and control of the Board.

- (A) **Membership.** Committee Members must be natural persons and be Patron Members. A committee consists of one or more persons, who need not be Directors, appointed by affirmative vote of a majority of the Directors present.
- (B) **Procedure.** The procedures for meetings of the Board apply to committees and Members of committees to the same extent as those sections apply to the Board and individual Directors.
- (C) **Minutes.** Minutes, if any, of committee meetings must be made available upon request to Members of the committee and to any Director.

Section 16. Standard of conduct. A Director shall discharge the duties of the position of Director in good faith, in a manner the Director reasonably believes to be in the best interests of the Cooperative, and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. A person who so performs those

duties is not liable by reason of being or having been a Director of the Cooperative. The establishment of, delegation of authority to, and action by a committee does not alone constitute compliance by a Director with the standard of conduct set forth in section.

Section 17. Reliance. A Director is entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, in each case prepared or presented by:

- (A) one or more officers or employees of the Cooperative who the Director reasonably believes to be liable and competent in the matters presented;
- (B) counsel, public accountants, or other persons as to matters that the Director reasonably believes are within the person's professional or expert competence; or
- (C) a committee of the Board upon which the Director does not serve, duly established by the Board, as to matters within its designated authority, if the Director reasonably believes the committee to merit confidence.
- (D) paragraph (i) does not apply to a Director who has knowledge concerning the matter in question that makes the reliance otherwise permitted by paragraph (a) unwarranted.

Section 18. Presumption of assent and dissent. A Director who is present at a meeting of the Board when an action is approved by the affirmative vote of a majority of the Directors present is presumed to have assented to the action approved, unless the Director:

- (A) objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened and does not participate in the meeting after the objection, in which case the Director is not considered to be present at the meeting for any purpose of this chapter;
- (B) votes against the action at the meeting; or
- (C) is prohibited by a conflict of interest from voting on the action.

Section 19. Considerations. In discharging the duties of the position of Director, a Director may, in considering the best interests of the Cooperative, consider the interests of the Cooperative's employees, customers, suppliers, and creditors, the economy of the state, and long-term as well as short-term interests of the Cooperative and its patron Members, including the possibility that these interests may be best served by the continued independence of the Cooperative.

Section 20. Director Conflicts of Interest. A contract or other transaction between the Cooperative and one or more of its Directors, or between the Cooperative and a business entity in or of which one or more of its Directors are governors, directors, managers,

officers, or legal representatives or have a material financial interest, is not void or voidable because the Director or Directors or the other business entities are parties or because the Director or Directors are present at the meeting of the Members or the Board or a committee at which the contract or transaction is authorized, approved, or ratified, if:

(A) The contract or transaction was, and the person asserting the validity of the contract or transaction sustains the burden of establishing that the contract or transaction was, fair and reasonable as to the Cooperative at the time it was authorized, approved, or ratified, and:

(i) the material facts as to the contract or transaction and as to the Director's or Directors' interest are disclosed or known to the Members; and

(ii) the material facts as to the contract or transaction and as to the Director's or Directors' interest are fully disclosed or known to the Board or a committee, and the Board or committee authorizes, approves, or ratifies the contract or transaction in good faith by a majority of the Board or committee, but the interested Director or Directors are not counted in determining the presence of a quorum and must not vote; or

(iii) the contract or transaction is a distribution, contract, or transaction that is made available to all Members or patron Members as part of the Cooperative's business.

(B) If a committee is elected or appointed to authorize, ratify, or approve a contract or transaction under this section, the Members of the committee must not have a conflict of interest and be charged with representing the best interests of the Cooperative.

Section 21. Material financial interest. For purposes of this section,

(A) a resolution fixing the compensation of a Director or fixing the compensation of another Director as a Director, officer, employee, or agent of the Cooperative, is not void or voidable or considered to be a contract or other transaction between a Cooperative and one or more of its Directors for purposes of this section even though the Director receiving the compensation fixed by the resolution is present and voting at the meeting of the Board or a committee at which the resolution is authorized, approved, or ratified or even though other Directors voting upon the resolution are also receiving compensation from the Cooperative; and

(B) a Director has a material financial interest in each organization in which the Director or the spouse; parents; children and spouses of children; brothers and sisters and spouses of brothers and sisters; and the

brothers and sisters of the spouse of the Director or any combination of them have a material financial interest. For purposes of this section, a contract or other transaction between a Cooperative and the spouse; parents; children and spouses of children; brothers and sisters and spouses of brothers and sisters; and the brothers and sisters of the spouse of a Director or any combination of them, is considered to be a transaction between the Cooperative and the Director.

Section 22. Limitation of Directors' Liability. A Director shall not be personally liable to the Cooperative or its Members for monetary damages for breach of fiduciary duty if the acts of the Director are taken in good faith. Nothing herein shall limit the liability of a Director:

- (A) for a breach of the Director's duty of loyalty to the Cooperative or its Members; or
- (B) for acts or omissions that are not in good faith or involve intentional misconduct or a knowing violation of law; or
- (C) for knowing violations of securities laws or for illegal distributions; or
- (D) for a transaction from which the Director derived an improper personal benefit; or
- (E) for an act or omission occurring before the date when the provision in the By-Laws eliminating or limiting liability becomes effective.

ARTICLE V. OFFICERS

Section 1. Election of Officers. The Board shall elect a chair, a vice-chair, a records officer and a financial officer.

- (A) **Chair.** The Chair shall preside at all meetings of the Members and the Board of Directors. The Chair shall also have whatever powers and abilities the Board of Directors choose to delegate or assign to him or her.
- (B) **Vice-Chair.** In the absence of the Chair, the Vice-Chair shall perform his or her duties. The Vice-Chair shall also have whatever powers and abilities the Board of Directors choose to delegate or assign to him or her.
- (C) **Records Officer.** The Records Officer shall be responsible for documenting and keeping all records of the affairs of the Board of Directors, as well as any other duties that the Board of Directors may deem appropriate.

(D) **Financial Officer.** The Financial Officer shall be responsible for reviewing all financial records of the Cooperative and presenting them to the Board of Directors.

Section 2. Chief Executive Officer. The Chief Executive Officer shall oversee the general operations of the Cooperative. He or she shall have any authority to execute all certificates, contracts, and other documents on behalf of the Cooperative as delegated to the Chief Executive Officer by the Board of Directors. The Chief Executive Officer shall have final, but delegable, authority to hire and fire any employees of the Cooperative not appointed directly by the Board of Directors.

Section 3. Authority to Bind. The officers, other than the Chief Executive Officer, shall not have the authority to bind the Cooperative except as authorized by the Board.

Section 4. Additional Officers. The Board may elect such additional officers as the Board, in its discretion, deems advisable. The Board may establish the duties of such officers.

Section 5. Officers that must be Members. The chair and vice-chair shall be Directors and Members. The financial officer, records officer, and additional officers need not be Directors or Members.

ARTICLE VI. FISCAL MATTERS

Section 1. Fiscal Year. The fiscal year for this Cooperative shall end on December 31.

Section 2. Borrowing. The Board of Directors shall have power to authorize and approve the borrowing of money and the pledging and mortgaging of any or all of the assets of this Cooperative as security for the sums so borrowed.

Section 3. Financial Statements. The Cooperative is authorized to use unaudited financial statements.

Section 4. Compensation and Reimbursement. Compensation, if any, for the Board of Directors shall be determined by a resolution of the Board of Directors. The Board of Directors shall also decide issues of any additional compensation provided for Directors and managers. Director compensation shall be disclosed to the Membership at large. All officers and Directors shall be entitled to reimbursement for legitimate expenses incurred in attending meetings of the Board of Directors or conducting other business of the Cooperative. These expense claims must be approved by a majority vote of the Board of Directors.

ARTICLE VII. MISCELLANEOUS

Section 1. Indemnification. The Coop shall indemnify, as allowed by law, any officer, Director, or employee of the Coop, for expenses and costs actually and necessarily

incurred in connection with any claim asserted by reason of the person being or having been such officer, Director, or employee, except in relation to matters of negligence, fraud, criminal acts, or intentional misconduct in respect of the matter in which indemnity is sought. The Coop shall carry appropriate liability insurance to protect its officers, Directors, employees, and the Coop itself against the costs of such indemnification.

Section 2. Severability. If any section, clause, provision, or portion of these By-Laws is adjudged unconstitutional or invalid by a court of competent jurisdiction, the remainder of these By-Laws shall not be affected thereby.

Section 3. Adoption and Amendment. Adoption of these By-Laws requires a simple majority vote of the Members present at the organizational meeting. These By-Laws may be amended at any time. Amendments may be proposed by the Board of Directors or by a petition of 20% of the Members. Ratification shall follow voting procedures for Members' meetings and requires a 2/3 majority vote of the Members present at the meeting on which the ratification is voted upon to be adopted.

Section 4. Notice of Amendment of By-Laws. Any amendment of the By-Laws by the Board must be distributed to the Members no later than ten days after adoption. Notice of the annual meeting of the Members must contain a notice and summary of the actual amendments to the By-Laws adopted by the Board.

Section 5. By-Law changing quorum or voting requirement for Members

An amendment to the By-Laws to add, change, or delete a greater quorum or voting requirement for Members shall require a 2/3 majority vote of the Members present at the meeting on which the ratification is voted upon to be adopted.

Adopted August 21, 2017.



Molly Kerr, Records Officer

Term Sheet – Foremost Brewing Cooperative & Foremost Properties, LLC

TERM SHEET

This Term Sheet is entered into between the Steele Tap Cooperative, hereinafter referred to as "The Cooperative" and Foremost Properties, LLC, Developer of the subject property, hereinafter referred to as "The Developer", this 7th day of June, 2018, with regard to the construction of a brewpub facility located at 224 North Cedar Avenue.

- 1) The Developer will purchase the property from the City of Owatonna.
- 2) The Developer will invest up to \$600,000 in acquiring and renovating the building.
- 3) The Developer and the Cooperative will enter a triple-net lease agreement whereby the annual lease rate (net of insurance, taxes, and maintenance) will be equal to a percentage of the amount invested by the Developer as follows:
 - a. Year 1: 8.0% (example: \$48,000 for a \$600,000 investment)
 - b. Year 2: 9.0% (example: \$54,000 for a \$600,000 investment)
 - c. Years 3-10: 10% (example: \$60,000 for a \$600,000 investment)
- 4) All cost incurred by The Developer in securing, holding, and renovating the property prior to The Cooperative taking possession of the building with the lease will be included in investment amount used to calculate the lease rate. Such cost may include but is not limited to insurance, utilities, architectural and engineering fees, and construction costs.
- 5) A Project Team consisting of two or three representatives from The Developer and two or three representatives from The Cooperative will be formed and will be responsible for managing the renovation project and its associated costs. The representatives will be appropriately authorized by their respective organizations to make decisions and approve work within approved budgets and authorized levels.
- 6) The Project Team will report to The Developer and The Cooperative on a monthly basis, providing a summary of costs incurred to date and costs estimated at completion.
- 7) The Project Team will make it a prime objective to keep the total cost of investment by The Developer within the \$600,000 budget. This may necessitate reducing project scope to avoid overruns.
- 8) The Developer will commence with the design work necessary to enter a development agreement with the City of Owatonna and solicit bids from contractors. The Cooperative will begin its capital campaign at such time that it will be approximately 2 months into the campaign when the contractor is ready to begin construction. A determination shall be made based on the success of the Cooperative's capital campaign as to whether or not construction will be allowed to proceed.
- 9) The Developer will loan to the Cooperative prior to its capital campaign \$10,000 to be used for marketing and other expenses associated with the capital campaign. A promissory note will be issued by the Cooperative with simple annual interest of 4%. The term of the loan will be six months. There will be an option, if mutually agreed to by both parties, to roll the loan and accrued interest into the cost used to determine the lease amount as described in Paragraphs 3 and 4.

10) In general, the responsibility for renovation costs will be as follows:

The Developer

- Architectural fees
- Second floor demo

- Flooring, main level

- Interior and exterior tuckpointing and brick restoration
- Mezzanine & stairs
- Stairs to basement
- Elevator
- Bathrooms, including electrical and plumbing
- Building HVAC
- Fire Suppression
- Exterior windows and doors
- Electrical service

The Cooperative

- Brew Floor
- Bar and kitchen equipment, including venting, electrical, plumbing, wall and floor treatments
- Brewing equipment including venting, electrical, plumbing, wall and floor treatments
- Bar and casework
- Decorative lighting fixtures
- Interior finishes and painting
- Signage

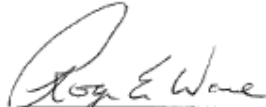
Steele Tap Cooperative

 Date: 6/7/18
 By: Roger Warehime

Its: Interim Board Chair

 Date: 6/7/18
 By: Molly Kerr
 Its: Records Officer

Foremost Real Estate, LLC

 Date: 6/7/18
 By: Roger Warehime

Its: President

 Date: 6/7/18
 By: Dave Effertz
 Its: Secretary

EXHIBIT B
Summary of Terms
(See attached)

Foremost Brewing Cooperative
CONFIDENTIAL TERM SHEET

The following is a summary of the basic terms and conditions of a proposed \$550,000 MNvest Offering by Foremost Brewing Cooperative, a Minnesota Cooperative (the “*Company*”), to certain qualified investors.

THIS TERM SHEET IS FOR DISCUSSION PURPOSES ONLY AND IS NOT BINDING ON THE COMPANY OR THE PROSPECTIVE INVESTORS. NEITHER THE COMPANY NOR ANY PROSPECTIVE INVESTORS SHALL BE OBLIGATED TO CONSUMMATE AN INVESTMENT UNTIL APPROPRIATE DOCUMENTATION HAS BEEN PROVIDED TO PROSPECTIVE INVESTORS.

Securities Offered: Up to 550,000 of Non-Patron Membership Interests (the “Non-Patron Membership Interests”)

Offering Price: \$1 per Non-Patron Membership Interest

Minimum Investment: \$750 for 750 Non-Patron Membership Interests

Minimum Offering: \$260,000 for an aggregate of 260,000 Non-Patron Membership Interests

Capital Structure: The Company will initially have one class of Non-Patron Membership Interests. A minimum of 260,000 of Non-Patron Membership Interests will be sold pursuant to this offering. The Non-Patron Members may receive no more than 85% of the Company’s profits, the remainder being distributed to the Patron Members.

Corporate Governance: The Company will be managed by a Board of Directors (the “*Board*”), and the day-to-day operations of the Company will be performed by the Directors and any other officers appointed by the Board. The Board will be comprised of 5-9 Directors, elected by a majority of the outstanding Membership Interests.

Non-Patron Membership Interests:

Capital Interest Each Member will have an initial capital account balance equal to such Member’s initial capital contribution. For example, if a Member makes a \$20,000 investment in the Company, the Member will have an initial capital account balance equal to \$20,000.

Voting Interest The Members shall have the right to vote on matters that must be submitted to the Members for their approval pursuant to the 308(b) (for example, a merger or conversion of the Company); One vote per Non-Patron Member.

Bylaws:

Prior to the closing of any sale of any Non-Patron Membership Interests the Company will provide prospective investors with a copy of its Bylaws, which will incorporate the terms described herein in all material respects. In order to invest in the Company, you will be required to sign the Subscription Agreement acknowledging your acceptance of the Bylaws.

Restrictions on Transfer:

We will be offering the Non-Patron Membership Interests pursuant to certain exemptions from the registration requirements of the Securities Act and applicable state securities laws. Therefore, the Non-Patron Membership Interests will not be registered with the SEC, and will be deemed “restricted securities” under the Securities Act. **You will not be able to re-sell or transfer your Non-Patron Membership Interests except as permitted under the Securities Act and applicable state securities laws, pursuant to registration or exemption therefrom.**

In addition, any transfer of Non-Patron Membership Interests will need to comply with the transfer restrictions that will be contained in the Company’s Bylaws. The Bylaws will include additional detail on these transfer restrictions.

Tax Considerations:

The Company will be treated as a partnership for federal income tax purposes. To the extent the Company has net profits for any fiscal year, each member will be taxed on such Member's allocative share of those profits, even though the amount of cash distributed to such member may be less than the resulting tax liability. Company profits and losses will be allocated to the Members as set forth in the Bylaws. The Company cannot guarantee it will make any annual distributions to the Members to cover their estimated individual tax liability relating to their allocative taxable share of Company profits ("***Tax Distributions***"). However, the Company will not make Tax Distributions if (a) the majority of the Board determines that doing so would not be commercially reasonable or would render the Company insolvent, (b) the Tax Distributions would otherwise be prohibited by the Company's loan agreements with lenders, or (c) with respect to an individual Member, aggregate Company losses that were previously allocated to that Member exceed aggregate Company profits allocated to that Member. In short, there are several circumstances in which you will not receive a Tax Distribution that covers your individual tax liability; therefore, **you may be required to come "out of pocket" to pay taxes on your allocative share of Company profits.**

In addition, all Tax Distributions received by Members will count towards the repayment of their capital contributions.

To the extent that the Company has net losses for any fiscal year, a Member may be limited in his, her, or its ability to deduct those losses if the Member has insufficient basis, the Member is limited by the passive loss rules, or if any expenses are "syndication expenses." Furthermore, it is possible that a Member may be subject to alternative minimum tax on the Member's allocative share of Company profits. Distributions, including Tax Distributions, may be taxed as capital gains or ordinary income.

Due to the complexity of an investment in Non-Patron Membership Interests, prospective Members are advised to contact their tax advisors with regard to tax consequences arising from investing in the Company.

Exit Strategy:

Investors may seek redemption of their ownership interests if the Company is fiscally able to redeem

EXHIBIT C
Risk Factors
(See attached)

FOREMOST BREWING COOPERATIVE

RISK FACTORS

Investing in the Company involves a high degree of risk. You should carefully consider the risks described below and all of the other information set forth in the Investor Package before deciding to invest in our Non-Patron Membership Interests. If any of the events or developments described below occurs, our business, financial condition or results of operations could be negatively affected. In that case, the value of your Non-Patron Membership Interests could decline and you could lose all of your investment.

RISKS RELATED TO A DEVELOPMENT-STAGE COMPANY

COMPANY HAS NO OPERATING HISTORY. Foremost Brewing Cooperative was incorporated under the laws of Minnesota on August 21, 2017. Accordingly, we have no history upon which an evaluation of our prospects and future performance can be made. Our proposed operations are subject to all business risks associated with new enterprises. The likelihood of our creation of a viable business must be considered in light of the problems, expenses, difficulties, complications, and delays frequently encountered in connection with the inception of a business, operation in a competitive industry, and the continued development of advertising, promotions, and a corresponding client base. We anticipate that our operating expenses will increase for the near future. There can be no assurances that we will ever operate profitably. You should consider the Company's business, operations and prospects in light of the risks, expenses and challenges faced as an early-stage company.

LIMITED INFRASTRUCTURE. We do not presently own the equipment needed to brew, bottle, package, or distribute our beers to the extent described in this Investor Package. Nor do we presently own or lease the space where we will produce our beer to the scale described in this Investor Package. If we are unable to purchase the necessary equipment and/or complete any necessary renovations to our prospective brewery location in Owatonna, MN it would likely have a material adverse impact on our financial condition, results of operations and cash flows.

GROWTH WILL BE CHALLENGING. If the Company is successful in implementing its business plans, including opening and operating a new brewery facility and tap room, we may experience a period of significant growth that could place a significant strain upon our managerial, financial and operational resources. If we are unable to manage our anticipated growth effectively, our business, results of operations and financial condition may suffer, our management will be less effective and our revenues, product development efforts and results of operations may suffer.

OUR BUSINESS MAY NOT DEVELOP AS WE EXPECT. Our business may not develop as we expect. As with any development stage company, there is a risk that our business will not develop as expected. The Company's beers may be subject to competitive pressures and/or may not find market acceptance. Costs may be greater than anticipated and revenues may be lower. Additional financing may be required and it may not be available to us or may be available only on terms that disadvantage the Non-Patron Membership Interests holders.

OUR FAILURE TO OBTAIN ADEQUATE TRADEMARK AND TRADE NAME PROTECTION MAY ADVERSELY AFFECT OUR ABILITY TO COMPETE. The Company does not yet, but intends to, use certain brand names and/or trademarks for our individual beer styles and product lines. We have not yet pursued trademark protection for any of the above. There can be no assurance that we will ultimately be able to obtain a federal trademark registration for any of these names, or that our use of these marks will not infringe upon the rights of other companies using similar marks or that other companies will not infringe upon our rights. There can be no assurance that we would be successful in any suit challenging our use of our trademark or preventing any other business from using similar trade names

and trademarks. Enforcing and protecting intellectual property rights can be expensive and time consuming, even if the outcome is in our favor.

WE MAY NOT HAVE SUFFICIENT CAPITAL TO PROTECT OUR PROPRIETARY INFORMATION. There can be no assurance that third parties will not assert intellectual property claims against us with respect to our existing or future products or future trademarks. We could incur substantial costs in redesigning our brands, recipes and products or in defending any legal action taken against us. Should our products be found to infringe the intellectual property rights of others, we could be enjoined from selling our products subject to such rights, required to pay royalties under a license or required to pay damages to the infringed party. An unfavorable decision or a significant settlement in any intellectual property lawsuit could have a material adverse effect on our financial condition and result of operations.

RISKS RELATED TO THE COMPANY

WE MAY EXPERIENCE FLUCTUATIONS IN REVENUE. Our net revenues and operating results may be subject to significant fluctuation and these fluctuations may impair our business. We believe that our future net revenues and operating results, both annually and quarterly, may be subject to significant fluctuations due to a variety of factors, many of which are beyond our control. These factors may include:

- the success of the Company's efforts to expand the Company's presence in an increasingly crowded marketplace of craft breweries in the Twin Cities and greater Minnesota markets;
- the success of the Company's ability to attract craft beer drinkers to its taproom, where we can charge retail price for our beer;
- legislation that may hinder our ability to sell our beer;
- introduction of new beer styles by our competitors;
- costs of our marketing efforts to build our brand;
- patterns of growth in the consumption of craft beer; and
- general economic conditions.

ADDITIONAL FINANCING. We are hopeful that we will be able to close on additional funding from outside sources, including bank financing with or without the Small Business Association ("SBA"). These outside funds will make it possible for us to execute our business plans. Our business plans are dependent upon us obtaining a minimum of approximately \$330,000 of financing in connection with this Offering, and to be used to purchase (or otherwise lease) equipment for our brewery facility and tap room. If we are unable to obtain acceptable financing, it is unlikely that we would be able to move forward with our business plans without scaling back on certain capital investments, which may be done at the discretion of the officers. Under such circumstances, we may need to terminate this Offering at the discretion of the officers.

WE MAY NEED ADDITIONAL CAPITAL IN THE FUTURE. We believe that the gross proceeds of this Offering, together with our other financing sources, will be sufficient to finance the build out of the brewery facility and tap room and to provide working capital to operate the business to the point we anticipate operating revenue being sufficient for the Company to be profitable. Our current assumptions and expectations are reflected in the financial projections included in the Investor Overview. If our expectations regarding (a) the Company's revenues and operating expenses and/or (b) the build out costs for our new brewing facility and tap room are other than as projected, we may require additional capital. The timing and amount of any such capital requirements cannot be predicted at this time. There can be no assurance that any such financing will be available, or available on terms acceptable to the Company. If financing is not available on satisfactory terms, we may be unable to develop the Company's business as projected or begin operation.

WE HAVE IDENTIFIED A PROPERTY TO HOUSE OUR TAPROOM AND BREWING OPERATIONS. While we have signed a lease agreement for a property, we may face opposition from cities, city councils, or city planning commissions regarding zoning and use of the property. More specifically, there is risk that the city council will not approve the development agreement with the landlord. You should not purchase Non-Patron Membership Interests unless you are willing to entrust the Founders with respect to property-related decisions.

RISKS RELATED TO THE COMPANY'S BUSINESS

COMPETITIVE NATURE OF THE CRAFT BEER INDUSTRY. The Company faces intense competition in the craft beer industry. There are approximately 130 licensed breweries in Minnesota. The Company's beers will compete primarily with beers produced by other local craft brewers and foreign brewers and, to a lesser extent, national domestic brewers. A significant portion of the craft beer market is comprised of consumers seeking new and exciting tastes, flavors and experiences. As the Company's brands mature, it may become more difficult to sell these brands to this portion of the craft beer market. Other craft brewers with whom the Company competes may offer beers that these consumers perceive to be newer, more exciting, and unique, and therefore preferable. These factors could lead to declining sales. Such events would cause future sales, results of operations and cash flows to be adversely affected.

REGULATORY APPROVALS. Federal, state and local laws and regulations govern the production and distribution of beer, including permitting, licensing, trade practices, labeling, advertising and marketing, distributor relationships and various other matters. A variety of federal, state and local governmental authorities also levy various taxes, license fees and other similar charges and may require bonds to ensure compliance with applicable laws and regulations. We have not obtained the licenses and permits necessary to support our operations. We will not be able to begin production or sale of beer at our new brewery facility and tap room until we have obtained the required Federal, state, county (if applicable), and city (if applicable) licenses and permits for our planned activities. There is no guarantee that we will be able to obtain all of the required permits. Certain actions undertaken by the Company may cause the Alcohol and Tobacco Tax and Trade Bureau or any particular state or jurisdiction to revoke its license or permit, restricting the Company's ability to conduct business. One or more regulatory authorities could determine that the Company has not complied with applicable licensing or permitting regulations or has not maintained the approvals necessary for the Company to conduct business within its jurisdiction. If licenses, permits or approvals necessary for any of our operations were unavailable or unduly delayed, or if any permits or licenses that we hold were to be revoked, our ability to conduct business may be disrupted, which would have a material adverse effect on the Company's financial condition, results of operations and cash flows.

RISKS RELATED TO OUR PROPOSED OPERATIONS

WE HAVE NO ESTABLISHED RELATIONSHIPS WITH KEY VENDORS AND SUPPLIERS, WHOSE FAILURE TO PERFORM COULD FORCE US TO ABANDON OUR BUSINESS, HINDER OUR ABILITY TO OPERATE PROFITABLY OR DECREASE THE VALUE OF THE NON-PATRON MEMBERSHIP INTERESTS. We intend to use multiple vendors and suppliers for the raw ingredients and other materials involved in the production and distribution of our beer. There can be no assurance that these vendors and suppliers will continue to meet our demands, especially if our business grows as projected. Furthermore, there can be no assurance that we will be able to reach terms acceptable to us with each vendor and supplier. If we are unable to access the raw ingredients necessary to produce our beer, we may experience substantial delays in production, which could have a material adverse effect on our projected revenues.

THE LOSS OF ANY OF OUR FOUNDERS WOULD SERIOUSLY IMPAIR OUR ABILITY TO IMPLEMENT OUR STRATEGY. For the foreseeable future, we will be dependent upon the services of our Founders. The loss of the services of any of the Founders would have a material and adverse effect on our operations and ability to achieve our business plans. Similarly, a disagreement between the Founders could lead to a deadlock situation in company governance.

RISKS RELATED TO THE OFFERING

THE DETERMINATION OF THE OFFERING PRICE MAY NOT REFLECT THE VALUE OF THE COMPANY. The determination of the offering price may not reflect the value of the Company. The offering price for the Non-Patron Membership Interests has been determined by the Founders based on a number of factors, including their view of the prospects for the business, construction costs relating to the Company's planned tap room and brewery facility, and general working capital requirements. The offering price is not related to our assets, historical earnings, or other commonly established criteria of value. Prospective investors must rely on their own business and investment background and their own investigation of the business and affairs of the Company in determining whether to invest in the Non-Patron Membership Interests. We make no representation as to the value of the Non-Patron Membership Interests and there can be no assurance that you will be able to sell the Non-Patron Membership Interests at any price.

THERE MAY BE NO MARKET FOR THE COMPANY'S NON-PATRON MEMBERSHIP INTERESTS. The Company's Bylaws contains restrictions on the transfer of Non-Patron Membership Interests. In addition, federal and state securities laws restrict the transferability of the Non-Patron Membership Interests. It may be difficult or impossible for an investor to liquidate his, her or its investment when desired. Therefore, investors will be required to bear the economic risks of their investment for an indefinite period of time.

RISKS RELATED TO ADVERSE PARTIES

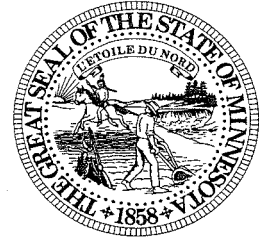
THIRD-PARTY LITIGATION. The Company's activities subject it to the typical risks of breweries becoming involved in litigation by third parties. The expense of defending against claims by third parties and paying any amounts pursuant to settlements or judgments would be borne by the Company and would reduce its net assets. We may not be able to pay to defend ourselves. It is anticipated that the Board of Governors and officers of the Company and others will be indemnified by the Company in connection with such litigation, subject to certain conditions. There is no ongoing litigation at this time.

RISKS RELATED TO TAXES

EXCISE TAXES. An increase in excise taxes could adversely affect our financial condition and results of operations. Federal and state legislators routinely consider various proposals to impose additional excise taxes on the production of alcoholic beverages, including beer. Due in part to the prolonged economic recession and the follow-on effect on state budgets, a number of states are proposing legislation that would lead to significant increases in the excise tax rate on alcoholic beverages for their states. Any such increases in excise taxes, if enacted, would adversely affect our financial condition, results of operations, and cash flows.

EXHIBIT D
Articles of Organization
(See attached) **Bylaws**
(See Ex. A)

Office of the Minnesota Secretary of State
Minnesota Cooperative | Amendment to Articles
Minnesota Statutes, Chapter 308A or 308B



Read the instructions before completing this form.

Filing Fee: \$55 for expedited service in-person and online filings, \$35 if submitted by mail

1. Cooperative Name: (Required)

Steele Tap Cooperative

2. The following amendments of articles or modifications to the statutory requirements regulating the above cooperative were adopted: (Insert full text of newly amended Article(s) indicating which article(s) is (are) being amended or added.) If the full text of the amendment will not fit in the space provided, attach additional pages.

ARTICLE

The name of this Cooperative shall be Foremost Brewing Cooperative.

3. This amendment was adopted by the vote of a majority of those voting on the amendment and a duly noticed and validly held meeting of the members, after the amendment was approved by the board of directors. This amendment has been approved pursuant to Minnesota Statutes, Chapter 308A or 308B.

4. I, the undersigned, certify that I am signing this document as the person whose signature is required, or as agent of the person(s) whose signature would be required who has authorized me to sign this document on his/her behalf, or in both capacities. I further certify that I have completed all required fields, and that the information in this document is true and correct and in compliance with the applicable chapter of Minnesota Statutes. I understand that by signing this document I am subject to the penalties of perjury as set forth in Section 609.48 as if I had signed this document under oath.

David L. Einhaus, Authorized Agent of Records Officer

Signature (See instructions for authorization signature requirements)

July 24, 2018

Date

Email Address for Official Notices

Enter an email address to which the Secretary of State can forward official notices required by law and other notices:

roger.warehime@charter.net

Check here to have your email address excluded from requests for bulk data, to the extent allowed by Minnesota law.

List a name and daytime phone number of a person who can be contacted about this form:

David L. Einhaus

507-451-3580

Contact Name

Phone Number

Entities that own, lease, or have any financial interest in agricultural land or land capable of being farmed must register with the MN Dept. of Agriculture's Corporate Farm Program.

Does this entity own, lease, or have any financial interest in agricultural land or land capable of being farmed?

Yes No

Work Item 1025364300022
Original File Number 962323200029

STATE OF MINNESOTA
OFFICE OF THE SECRETARY OF STATE

FILED

07/24/2018 11:59 PM



Steve Simon
Secretary of State



EXHIBIT E
Subscription Agreement
(See attached)

**FOREMOST BREWING COOPERATIVE
SUBSCRIPTION AGREEMENT
(Including investment representations)**

**IMPORTANT: This document contains significant representations.
Please read carefully before signing.**

Foremost Brewing Cooperative
Attn: Roger Warehime
524 Agnes Street
Owatonna, Minnesota 55060

Ladies and Gentlemen:

I desire to purchase the principal amount in “Non-Patron Membership Interests” set forth below in FOREMOST BREWING COOPERATIVE, a Minnesota Cooperative (the “Company”).

I understand that this Subscription Agreement is conditioned upon Company’s acceptance of subscriptions. If this Subscription Agreement has been accepted, the Non-Patron Membership Interests subscribed to hereby shall be issued to me in the form of Non-Patron Membership Interests.

With respect to such purchase, I hereby represent and warrant to you that:

1 Residence.

I am a bona fide resident of (or, if an entity, the entity is domiciled in) the state set forth on my signature page.

2 Subscription.

- a. I hereby subscribe to purchase the number of Non-Patron Membership Interests set forth below, and to make capital contributions to the Company in the amounts set forth below, representing the purchase price for the Non-Patron Membership Interests subscribed.

Principal Amount of Non-Patron Membership Interests (1)

(1) A minimum purchase of \$750, is required for individual investors. Amounts may be subscribed for in \$50 increments.

- b. I have funded my purchase via ACH, wire transfer or I am enclosing a check made payable to “**FOREMOST BREWING COOPERATIVE**” in an amount equal to 100% of my total subscription amount.

Portal Transaction ID (TXID)

- c. I acknowledge that this subscription is contingent upon acceptance by the Company, and that the Company has the right to accept or reject subscriptions in whole or in part.

3 Representations of Investor.

In connection with the sale of the Non-Patron Membership Interests to me, I hereby acknowledge and represent to the Company as follows: I hereby acknowledge receipt of a copy of the Confidential Private Placement Memorandum of the Company, dated on or about August 8, 2018, (the “Memorandum”), relating to the offering of the Non-Patron Membership Interest.

- a. I have carefully read the Memorandum, including the section entitled “Risks Factors”, and have relied solely upon the Memorandum and investigations made by me or my representatives in making the decision to invest in the Company. I have not relied on any other statement or printed material given or made by any person associated with the offering of the Non-Patron Membership Interests.
- b. I have been given access to full and complete information regarding the Company (including the opportunity to meet with the Board Chair of the Company and review all the documents described in the Memorandum and such other documents as I may have requested in writing) and have utilized such access to my satisfaction for the purpose of obtaining information in addition to, or verifying information included in, the Memorandum.
- c. I am experienced and knowledgeable in financial and business matters, capable of evaluating the merits and risks of investing in the Non-Patron Membership Interests, and do not need or desire the assistance of a knowledgeable representative to aid in the evaluation of such risks (or, in the alternative, I have used a knowledgeable representative in connection with my decision to purchase the Non-Patron Membership Interests).
- d. I understand that an investment in the Non-Patron Membership Interests is highly speculative and involves a high degree of risk. I believe the investment is suitable for me based on my investment objectives and financial needs. I have adequate means for providing for my current financial needs and personal contingencies and have no need for liquidity of investment with respect to the Non-Patron Membership Interests. I can bear the economic risk of an investment in the Non-Patron Membership Interests for an indefinite period of time and can afford a complete loss of such investment.
- e. I understand that there may be no market for the Non-Patron Membership Interests, that there are significant restrictions on the transferability of the Non-Patron Membership Interests and that for these and other reasons, I may not be able to liquidate an investment in the Non-Patron Membership Interests for an indefinite period of time.
- f. I have been advised that the Non-Patron Membership Interests have not been registered under the Securities Act of 1933, as amended (“Securities Act”), or under applicable state securities laws (“State Laws”), and are offered pursuant to exemptions from registration under the Securities Act and the State Laws. I understand that the Company’s reliance on such exemptions is predicated in part on my representations to the Company contained herein.
- g. I understand that I am not entitled to cancel, terminate or revoke this subscription, my capital commitment or any agreements hereunder and that the subscription and agreements shall survive my death, incapacity, bankruptcy, dissolution or termination.
- h. I understand that capital contributions to the Company will not be returned after they are paid.

4 Investment Intent; Restrictions on Transfer of Securities.

- a. I understand that (i) there may be no market for the Non-Patron Membership Interests, (ii) the purchase of the Non-Patron Membership Interests is a long-term investment, (iii) the transferability of the Non-Patron Membership Interests is restricted, (iv) the Non-Patron Membership Interests may be sold by me only pursuant to registration under the Securities Act and State Laws, or an opinion of counsel that such registration is not required, and (v) the Company does not have any obligation to register the Non-Patron Membership Interests.
- b. I represent and warrant that I am purchasing the Non-Patron Membership Interests for my own account, for long term investment, and without the intention of reselling or redistributing the Non-Patron Membership Interests. The Non-Patron Membership Interests are being purchased by me in my name solely for my own beneficial interest and not as nominee for, on behalf of, for the beneficial interest of, or with the intention to transfer to, any other person, trust, or organization, and I have made no agreement with others regarding any of the Non-Patron Membership Interests. My financial condition is such that it is not likely that it will be necessary for me to dispose of any of the Non-Patron Membership Interests in the foreseeable future.
- c. I am aware that, in the view of the Securities and Exchange Commission, a purchase of securities with an intent to resell by reason of any foreseeable specific contingency or anticipated change in market values, or any change in the condition of the Company or its business, or in connection with a contemplated liquidation or settlement of any loan obtained for the acquisition of any of the Non-Patron Membership Interests and for which the Non-Patron Membership Interests were or may be pledged as security would represent an intent inconsistent with the investment representations set forth above.
- d. I understand that any sale, transfer, pledge or other disposition of the Non-Patron Membership Interests by me (i) may require the consent of the Board Chair of the Company, (ii) will require conformity with the restrictions contained in this Section 4, and (iii) may be further restricted by a legend placed on the instruments or certificate(s) representing the securities containing substantially the following language:

“The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended, or applicable state securities laws and may not be sold, offered for sale, or transferred except pursuant to either an effective registration statement under the Securities Act of 1933, as amended, and under the applicable state securities laws, or an opinion of counsel for the Company that such transaction is exempt from registration under the Securities Act of 1933, as amended, and under the applicable state securities laws. The transfer or encumbrance of the securities represented by this certificate is subject to substantial restrictions.”

5 Investor Qualifications.

I represent and warrant as follows (Answer Part a, b or c, as applicable. Please check all applicable items):

- a. **Accredited Investor – Individuals.** I am an INDIVIDUAL and:
- i. I have a net worth, or a joint net worth together with my spouse, in excess of \$1,000,000, excluding the value of my primary residence.
 - ii. I had an individual income in excess of \$200,000 in each of the prior two years and reasonably expect an income in excess of \$200,000 in the current year.
 - iii. I had joint income with my spouse in excess of \$300,000 in each of the prior two years and reasonably expect joint income in excess of \$300,000 in the current year.
 - iv. I am a director or executive officer of FOREMOST BREWING COOPERATIVE
- b. **Accredited Investor – Entities.** The undersigned is an ENTITY and:
- i. The undersigned hereby certifies that all of the beneficial equity owners of the undersigned qualify as accredited individual investors by meeting one of the tests under items (a)(i) through (a)(iv) above. Please indicate the name of each equity owner and the applicable test:
 - ii. The undersigned is a bank or savings and loan association as defined in Sections 3(a)(2) and 3(a)(5)(A), respectively, of the Securities Act either in its individual or fiduciary capacity.
 - iii. The undersigned is an insurance company as defined in Section 2(13) of the Securities Act.
 - iv. The undersigned is an investment company registered under the Investment Company Act of 1940 or a business development company as defined therein, in Section 2(a)(48).
 - v. The undersigned is a Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958.
 - vi. The undersigned is an employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974 and one or more of the following is true (check one or more, as applicable):
 - (1) the investment decision is made by a plan fiduciary, as defined therein, in Section 3(21), which is either a bank, savings and loan association, insurance company, or registered investment adviser;
 - (2) the employee benefit plan has total assets in excess of \$5,000,000;
or
 - (3) the plan is a self-directed plan with investment decisions made solely by persons who are “accredited investors” as defined under therein.
 - vii. The undersigned is a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940.
 - viii. The undersigned has total assets in excess of \$5,000,000, was not formed for the specific purpose of acquiring Non-Patron Membership Interests and one or more of the following is true (check one or more, as applicable):
 - (1) an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended;

- (2) a corporation;
 - (3) a Massachusetts or similar business trust;
 - (4) a partnership; or
 - (4) a limited liability company.
- ix. The undersigned is a trust with total assets exceeding \$5,000,000, which is not formed for the specific purpose of acquiring Non-Patron Membership Interests and whose purpose is directed by a person who has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the investment in the Non-Patron Membership Interests.

c. Non-Accredited Investors.

- The undersigned cannot make any of the foregoing representations and is therefore not an accredited investor.

6 Miscellaneous.

- a. I agree to furnish any additional information that the Company or its counsel deem necessary in order to verify the responses set forth above.
- b. I understand the meaning and legal consequences of the agreements, representations and warranties contained herein. I agree that such agreements, representations and warranties shall survive and remain in full force and effect after the execution hereof and payment for the Non-Patron Membership Interests. I further agree to indemnify and hold harmless the Company, and each current and future member of the Company from and against any and all loss, damage or liability due to, or arising out of, a breach of any of my agreements, representations or warranties contained herein.
- c. This Subscription Agreement shall be construed and interpreted in accordance with Minnesota law without regard to the principles regarding conflicts of law.

SIGNATURE PAGE FOR INDIVIDUALS

Dated: _____

Dated: _____

Signature

Signature of Second Individual, if applicable

Name (Typed or Printed)

Name (Typed or Printed)

Social Security Number

Social Security Number

Telephone Number

Telephone Number

Residence Street Address

Residence Street Address

City, State & Zip Code
(Must be same state as in Section 1)

City, State & Zip Code
(Must be same state as in Section 1)

Mailing Address
(Only if different from residence address)

Mailing Address
(Only if different from residence address)

City, State & Zip Code

City, State & Zip Code

Email address

Email address

Individual Subscriber Type of Ownership:

The Non-Patron Membership Interests subscribed for are to be registered in the following form of ownership:

- Individual Ownership
- Joint Tenants with Right of Survivorship (both parties must sign). Briefly describe the relationship between the parties (e.g., married).
- Tenants in Common (both parties must sign). Briefly describe the relationship between the parties (e.g., married).

SIGNATURE PAGE FOR TRUSTS AND ENTITIES

Dated: _____

Name of Entity (Typed or Printed)

Telephone Number

Signature of Authorized Person

Entity's Tax Identification Number

Name & Title (Typed or Printed) of Signatory

Contact Person (if different from Signatory)

Principal Executive Office Address

Mailing Address
(If different from principal executive office)

City, State & Zip Code
(Must be same state as in Section 1)

City, State & Zip Code

Email address

Email address

Entity Subscriber Type of Ownership:

The Non-Patron Membership Interests subscribed for are to be registered in the following form of ownership (check one):

- Partnership
- Limited Liability Company
- Corporation
- Trust or Estate (Describe, and enclose evidence of authority)

- IRA Trust Account
- Other (Describe)

ACCEPTANCE

This Subscription Agreement is accepted by FOREMOST BREWING COOPERATIVE on

As to: the principal amount in Non-Patron Membership Interests set forth in Item 2.a.; or Non-Patron Membership Interests.

FOREMOST BREWING COOPERATIVE

By:.....
Name: Roger Warehime
Its: Board Chair

Counterpart Signature Page to Bylaws of Foremost Brewing Cooperative

IN WITNESS WHEREOF, the undersigned hereby executes this counterpart signature page to the Bylaws of Foremost Brewing Cooperative, as the same may be amended from time to time, and hereby authorizes Foremost Brewing Cooperative to attach this counterpart signature page to the Bylaws as executed by the other parties thereto.

FOREMOST BREWING COOPERATIVE

Investor Signature
Investor Name
Investor Signature
Investor Name

EXHIBIT F
Financial Statements
(actual and projected)
(See attached)

9:58 PM
07/30/18
Accrual Basis

Foremost Brewing Cooperative
Balance Sheet
As of December 31, 2017

	<u>Dec 31, 17</u>
ASSETS	0.00
LIABILITIES & EQUITY	0.00

9:55 PM
07/30/18
Accrual Basis

Foremost Brewing Cooperative
Profit & Loss
August 21 through December 31, 2017

	<u>Aug 21 - Dec 31, 17</u>
Net Income	<u><u>0.00</u></u>

Foremost Brewing Cooperative
Balance Sheet
As of August 3, 2018

	<u>Aug 3, 18</u>
ASSETS	
Current Assets	
Accounts Receivable	
Accounts Receivable	10,000.00
Total Accounts Receivable	<u>10,000.00</u>
Total Current Assets	<u>10,000.00</u>
TOTAL ASSETS	<u>10,000.00</u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Promissory Note - Foremost	10,000.00
Total Other Current Liabilities	<u>10,000.00</u>
Total Current Liabilities	<u>10,000.00</u>
Total Liabilities	<u>10,000.00</u>
TOTAL LIABILITIES & EQUITY	<u>10,000.00</u>

Foremost Brewing Cooperative

Projected Sources & Uses of Cash Development & Startup Period

SOURCES OF CASH:		# Individuals
Equity Contributions - Patrons	\$ 90,000	600
Equity Contributions - Non Patrons	\$ 320,000	160
Loan Financing	125,000	
TOTAL SOURCES OF CASH		\$ 535,000

USES OF CASH:		
Land & Building	0	
Leasehold Improvements	50,000	
Bar / Kitchen / Brewing Equipment	280,000	
Bar / Dining Room Furniture	30,000	
Professional Services	8,500	
Organizational & Development	15,000	
Interior Finishes & Equipment	28,000	
Exterior Finishes & Equipment	6,000	
Pre-Opening Expenses	97,500	
Working Capital & Contingency	20,000	
TOTAL USES OF CASH		\$ 535,000

Equity as % of Total Investment	77%
--	------------

Foremost Brewing Cooperative

Capital Budget

	TOTAL COST	Detail
LAND & BUILDING	0	
Land		0
Building - Construction / Contractor Fees		0
LEASEHOLD IMPROVEMENTS	50,000	
Construction Contract		50,000
Landlord Contribution		0
BAR / KITCHEN & BREWING EQUIPMENT	280,000	
BAR / DINING ROOM FURNITURE	30,000	
PROFESSIONAL SERVICES	8,500	
Architect & Engineering		0
Legal & Minvest Offering		7,500
Project Consultant		0
Accounting & Tax		1,000
Name, Logo & Graphic Design		0
ORGANIZATIONAL & DEVELOPMENT	15,000	
Deposits (utilities, sales tax, etc.)		3,000
Insurance Binder (property, casualty, liability)		3,000
Workers Comp. Binder		1,500
Liquor & Brewing Licenses		3,000
Building Permits		2,500
Other Licenses & Permits		1,500
Utility Deposits (gas, electric, water)		0
Change, Operating Banks & Petty Cash		500
Menus / Menu Boards		0
Lease Deposit		0
Travel, Research, Concept Development		0
INTERIOR FINISHES & EQUIPMENT	28,000	
Kitchen Smallwares		6,000
Artwork & Specialty Décor		1,000
Music/Sound/Audio-Visual Systems		12,500
Cash Register / Point of Sale		2,000
Phone System		500
Office Equipment / Computer		4,000
Office Supplies		500
Interior Signs		1,500
EXTERIOR FINISHES & EQUIPMENT	6,000	
Landscaping		0
Exterior Signs & Decorations		6,000
Resurfacing		0
Parking Bumpers		0
Parking Lot Striping		0
PRE-OPENING EXPENSES	97,500	
Construction Period Utilities		4,000
Construction Period Building Lease		10,000
Construction Period Interest		0
Uniforms		1,000

Foremost Brewing Cooperative

Capital Budget

TOTAL COST	Detail
------------	--------

Opening Inventories -

Food	3,000
Brewing Supplies	10,000
Beer, Liquor & Wine	12,000
Paper & Other Supplies	2,000

Marketing -

Advertising	2,500
Mechandise	3,000
Opening Parties	1,000

Personnel -

Management & Master Brewer	26,300
Hourly Employees	11,600
Payroll Taxes & Employee Benefits	11,100

WORKING CAPITAL & CONTINGENCY **20,000**

Working Capital	20,000
Contingency	0

TOTAL PROJECT COST	\$ 535,000
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Foremost Brewing Cooperative

Sales Projection Worksheet - Typical Week

Number of Seats **110**

		Daily Sales By Category							Total	% of Week
		Table Turns	Covers	Food	Liquor	Beer Onsite	Beer Offsite	Wine		
Monday	Bev Only	0.0	0	0	0	0	0	0	0	
	Lunch	0.0	0	0	0	0	0	0	0	
	Dinner	0.0	0	0	0	0	0	0	0	
	Day Totals			0	0	0	0	0	0	0.0%
Tuesday	Bev Only	0.0	0	0	0	0	0	0	0	
	Lunch	0.0	0	0	0	0	0	0	0	
	Dinner	0.0	0	0	0	0	0	0	0	
	Day Totals			0	0	0	0	0	0	0.0%
Wednesday	Bev Only	0.9	99	446	0	871		223	1,539	
	Lunch	0.0	0	0	0	0		0	0	
	Dinner	0.0	0	0	0	0		0	0	
	Day Totals			446	0	871		223	1,539	10.5%
Thursday	Bev Only	1.1	121	545	0	1,065		272	1,882	
	Lunch	0.0	0	0	0	0		0	0	
	Dinner	0.0	0	0	0	0		0	0	
	Day Totals			545	0	1,065		272	1,882	12.9%
Friday	Bev Only	2.5	275	1,238	0	2,420		619	4,276	
	Lunch	0.0	0	0	0	0		0	0	
	Dinner	0.0	0	0	0	0		0	0	
	Day Totals			1,238	0	2,420		619	4,276	29.3%
Saturday	Bev Only	2.6	286	1,287	0	2,517		644	4,447	
	Lunch	0.0	0	0	0	0		0	0	
	Dinner	0.0	0	0	0	0		0	0	
	Day Totals			1,287	0	2,517		644	4,447	30.5%
Sunday	Bev Only	1.0	110	495	0	968		248	1,711	
	Lunch	0.0	0	0	0	0		0	0	
	Dinner	0.0	0	0	0	0		0	0	
	Day Totals			495	0	968		248	1,711	11.7%
WEEK TOTALS (restaurant only)	Totals in \$		4,010	0	7,841	750	2,005	14,605		
	Sales Mix %		27.5%	0.0%	53.7%		13.7%	100.0%		
Special Events (banquets, parties, catering)	Ave. # of Banquets, Parties/ Week	0.0								
	Ave. # of Guests	0								
	Per Person Average \$	\$0.00								
	Special Event Sales Per Week		0	0	0	0	0	0	0	
WEEK TOTALS - All Sales	Totals in \$		4,010	0	7,841	750	2,005	14,605		
	Sales Mix %		27.5%	0.0%	53.7%		13.7%	100.0%		

RECAP: Key Sales Numbers:	
Annual Sales	\$759,463
Average Monthly Sales	\$63,289
Annual Sales Per Square Foot	\$271
Annual Sales Per Seat	\$6,904

Growler Sales	
Weekly #	50
Price per	\$15
Weekly Sales	\$750

Foremost Brewing Cooperative

Sales Projection Worksheet - Typical Week

Number of Seats **110**

Calculate Per Person Check Average:

Bev Only	Ave. Price Point	% Ordered	# of Orders	Ave. CK Food	Ave CK Bev	Ave CK
Food -						
Entrée	0.00	0%	0.0	0.00		
Appetizer	9.00	50%	1.0	4.50		
Dessert	0.00	0%	0.0	0.00		
Beverages -						
Non-Alcoholic	0.00	0%	0.0	0.00		
Tap Water	0.00	0%	0.0			
Liquor	0.00	0%	0.0		0.00	
Beer	5.50	80%	2.0		8.80	
Wine	7.50	20%	1.5		2.25	
TOTALS		100%		4.50	11.05	15.55

Lunch	Ave. Price Point	% Ordered	# of Orders	Ave. CK Food	Ave CK Bev	Ave CK
Food -						
Entrée	8.00	100%	1.0	8.00		
Appetizer	0.00	0%	1.0	0.00		
Dessert	0.00	0%	1.0	0.00		
Beverages -						
Non-Alcoholic	2.00	35%	1.0	0.70		
Tap Water	0.00	35%	1.0			
Liquor	0.00	0%	1.0		0.00	
Beer	5.00	20%	1.0		1.00	
Wine	7.00	10%	1.0		0.70	
TOTALS		100%		8.70	1.70	10.40

Dinner	Ave. Price Point	% Ordered	# of Orders	Ave. CK Food	Ave CK Bev	Ave CK
Food -						
Entrée	12.00	100%	1.0	12.00		
Appetizer	7.00	20%	1.0	1.40		
Dessert	5.00	20%	1.0	1.00		
Beverages -						
Non-Alcoholic	2.00	15%	1.0	0.30		
Tap Water	0.00	10%	1.0			
Liquor	0.00	0%	1.5		0.00	
Beer	5.00	55%	1.5		4.13	
Wine	7.00	20%	1.5		2.10	
TOTALS		100%		14.70	6.23	20.93

Foremost Brewing Cooperative

Annual Operating Projection - Summary

	MONTHLY AVE		ANNUAL	
Sales:				
Food	\$ 17,375	27.5%	\$ 208,494	27.5%
Beverage	45,914	72.5%	550,969	72.5%
TOTAL SALES	63,289	100.0%	759,463	100.0%
Cost of Sales:				
Food	5,560	32.0%	66,718	32.0%
Beverage	10,420	22.7%	125,043	22.7%
TOTAL COST OF SALES	15,980	25.2%	191,761	25.2%
Gross Profit	47,308	74.8%	567,701	74.8%
Payroll:				
Salaries & Wages	19,310	30.5%	231,724	30.5%
Employee Benefits	4,948	7.8%	59,371	7.8%
TOTAL PAYROLL	24,258	38.3%	291,095	38.3%
PRIME COST	40,238	63.6%	482,856	63.6%
Other Controllable Expenses:				
Direct Operating Expenses	1,561	2.5%	18,727	2.5%
Music & Entertainment	300	0.5%	3,600	0.5%
Marketing	800	1.3%	9,600	1.3%
Utilities	1,600	2.5%	19,200	2.5%
General & Administrative Expenses	2,916	4.6%	34,997	4.6%
Repairs & Maintenance	550	0.9%	6,600	0.9%
TOTAL OTHER CONTROLLABLE EXP.	7,727	12.2%	92,724	12.2%
CONTROLLABLE PROFIT	15,323	24.2%	183,882	24.2%
Occupancy Costs & Depreciation				
Occupancy Costs	5,275	8.3%	63,300	8.3%
Depreciation & Amortization	5,874	9.3%	70,491	9.3%
Other (Income) Expenses				
Other (Income)	0	0.0%	0	0.0%
Interest Expense	566	0.9%	6,787	0.9%
Other Expense	0	0.0%	0	0.0%
NET INCOME BEFORE PROFIT SHARING	\$ 3,609	5.7%	\$ 43,304	5.7%
EMPLOYEE PROFIT SHARING	361	0.6%	4,330	0.6%
NET INCOME AFTER PROFIT SHARING	\$ 3,248	5.1%	\$ 38,973	5.1%
ADD BACK:				
Depreciation & Amortization	5,874	9.3%	70,491	9.3%
DEDUCT:				
Loan Principal Payments	(294)	(0.5%)	(3,531)	(0.5%)
CASH FLOW BEFORE INCOME TAXES	\$ 8,828	13.9%	\$ 105,933	13.9%
KEY RATIOS:				
Sales Per Square Foot				\$271
Sales Per Seat				\$6,904
Sales to Investment				1.4

Foremost Brewing Cooperative

CASH FLOW Break-Even Worksheet

Fixed Costs		Annual	Monthly
Total Management Salaries		\$ 105,000	\$ 8,750
Minimum Hourly Labor	70%	\$ 88,707	\$ 7,392
Employee Benefits		\$ 53,174	\$ 4,431
Direct Operating Expenses		\$ 15,600	\$ 1,300
Music & Entertainment -		\$ 3,600	\$ 300
Marketing -		\$ 9,600	\$ 800
Utilities -		\$ 19,200	\$ 1,600
General & Administrative -		\$ 19,200	\$ 1,600
Repairs & Maintenance		\$ 6,600	\$ 550
Occupancy Costs:		\$ 63,300	\$ 5,275
Interest		\$ 6,787	\$ 566
Misc Other Expense		\$ -	\$ -
Loan Principal Payments		\$ 3,531	\$ 294
		\$ 394,299	\$ 32,858

Variable Costs	% of Sales	\$
Cost of Sales	25.2%	\$ 12,488
Hourly Labor	5.0%	\$ 2,476
Employee Benefits	0.8%	\$ 404
Credit Card Expense	2.1%	\$ 1,029
Paper Supplies	0.4%	\$ 204
	33.6%	\$ 16,600

	Annual	Monthly
Percentage Rent	\$ -	\$ -

	Annual	Monthly	Weekly
Break-even Sales	\$ 593,495	\$ 49,458	\$ 11,413

	Annual	Monthly	Weekly
Sales Break-Down:			
Food	\$ 162,931	\$ 13,578	\$ 3,133
Liquor	\$ -	\$ -	\$ -
Beer Onsite	\$ 318,621	\$ 26,552	\$ 6,127
Beer Offsite	\$ 30,477	\$ 2,540	\$ 586
Wine	\$ 81,466	\$ 6,789	\$ 1,567
Total	\$ 593,495	\$ 49,458	\$ 11,413

Foremost Brewing Cooperative 5 Year Operating Projections

	Year 1		Year 2		Year 3		Year 4		Year 5	
Sales:										
Food	\$ 208,494	27.5%	\$ 216,834	27.5%	\$ 225,507	27.5%	\$ 234,527	27.5%	\$ 243,908	27.5%
Beverage	550,969	72.5%	573,007	72.5%	595,928	72.5%	619,765	72.5%	644,555	72.5%
TOTAL SALES	759,463	100.0%	789,841	100.0%	821,435	100.0%	854,292	100.0%	888,464	100.0%
Cost of Sales:										
Food	66,718	32.0%	69,387	32.0%	72,162	32.0%	75,049	32.0%	78,051	32.0%
Beverage	125,043	22.7%	130,045	22.7%	135,247	22.7%	140,657	22.7%	146,263	22.7%
TOTAL COST OF SALES	191,761	25.2%	199,432	25.2%	207,409	25.2%	215,706	25.2%	224,334	25.2%
Gross Profit	567,701	74.8%	590,409	74.8%	614,026	74.8%	638,587	74.8%	664,130	74.8%
Payroll:										
Salaries & Wages	231,724	30.5%	238,676	30.2%	245,836	29.9%	253,211	29.6%	260,807	29.4%
Employee Benefits	59,371	7.8%	61,152	7.7%	62,987	7.7%	64,876	7.6%	66,823	7.5%
TOTAL PAYROLL	291,095	38.3%	299,828	38.0%	308,823	37.6%	318,087	37.2%	327,630	36.9%
PRIME COST	482,856	63.6%	499,260	63.2%	516,232	62.8%	533,793	62.5%	551,964	62.1%
Other Controllable Expenses:										
Direct Operating Expenses	18,727	2.5%	19,289	2.4%	19,868	2.4%	20,464	2.4%	21,078	2.4%
Music & Entertainment	3,600	0.5%	3,708	0.5%	3,819	0.5%	3,934	0.5%	4,052	0.5%
Marketing	9,600	1.3%	9,888	1.3%	10,185	1.2%	10,490	1.2%	10,805	1.2%
Utilities	19,200	2.5%	19,776	2.5%	20,369	2.5%	20,980	2.5%	21,610	2.4%
General & Administrative Expenses	34,997	4.6%	36,047	4.6%	37,128	4.5%	38,242	4.5%	39,389	4.4%
Repairs & Maintenance	6,600	0.9%	6,798	0.9%	7,002	0.9%	7,212	0.8%	7,428	0.8%
TOTAL OTHER CONTROLLABLE EXP.	92,724	12.2%	95,506	12.1%	98,371	12.0%	101,322	11.9%	104,362	11.7%
CONTROLLABLE PROFIT	183,882	24.2%	195,075	24.7%	206,832	25.2%	219,177	25.7%	232,138	26.1%
Occupancy Costs & Depreciation										
Occupancy Costs	63,300	8.3%	80,882	10.2%	87,420	10.6%	87,968	10.3%	88,527	10.0%
Depreciation & Amortization	70,491	9.3%	70,491	8.9%	70,491	8.6%	70,491	8.3%	70,491	7.9%
Other (Income) Expenses										
Other (Income)	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Interest Expense	6,787	0.9%	6,588	0.8%	6,377	0.8%	6,155	0.7%	5,920	0.7%
Other Expense	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
NET INCOME BEFORE PROFIT SHARING	\$ 43,304	5.7%	\$ 37,114	4.7%	\$ 42,544	5.2%	\$ 54,563	6.4%	\$ 67,199	7.6%
EMPLOYEE PROFIT SHARING	4,330	0.6%	3,711	0.5%	4,254	0.5%	5,456	0.6%	6,720	0.8%
NET INCOME AFTER PROFIT SHARING	\$ 4,330	0.6%	\$ 3,711	0.5%	\$ 4,254	0.5%	\$ 5,456	0.6%	\$ 6,720	0.8%
ADD BACK:										
Depreciation & Amortization	70,491	9.3%	70,491	8.9%	70,491	8.6%	70,491	8.3%	70,491	7.9%
DEDUCT:										
Loan Principal Payments	(3,531)	(0.5%)	(3,731)	(0.5%)	(3,941)	(0.5%)	(4,163)	(0.5%)	(4,398)	(0.5%)
CASH FLOW BEFORE INCOME TAXES	\$ 71,290	9.4%	\$ 70,472	8.9%	\$ 70,805	8.6%	\$ 71,784	8.4%	\$ 72,813	8.2%

Foremost Brewing Cooperative 5 Year Operating Projections

	Year 1	Year 2	Year 3	Year 4	Year 5
PROJECTED INVESTMENT RETURNS					
Distributable Cash Flow Percent	25%	50%	75%	85%	90%
Distributable Cash Flow	\$16,940	\$33,371	\$50,148	\$57,478	\$61,573
Cash Distribution:					
Non-patron Members	\$13,221	\$26,045	\$39,140	\$44,861	\$48,057
Patron Members	\$3,718	\$7,325	\$11,008	\$12,617	\$13,516
Non-Patron Returns:					
Annual Return on Investment (before tax)	4.1%	8.1%	12.2%	14.0%	15.0%
Average Annual Return on Investment	10.7%				
Average Patron Dividend					
	\$ 6.20	\$ 12.21	\$ 18.35	\$ 21.03	\$ 22.53
% of Total Sales by Patrons	25%	25%	25%	25%	25%
Average Annual Patron Spending	\$ 316	\$ 329	\$ 342	\$ 356	\$ 370
Dividend as a % of Patron Spending	2%	4%	5%	6%	6%

INVESTMENT ASSUMPTIONS	
Total Equity Investment	\$410,000
Patron Members	
Equity Contribution	\$90,000
Non-Patron Members	
Equity Contribution	\$320,000

OPERATING ASSUMPTIONS - Years 2 - 5					
Sales - % Increase Over Prior Year					
Food	4.0%	4.0%	4.0%	4.0%	4.0%
Beverage	4.0%	4.0%	4.0%	4.0%	4.0%
Cost of Sales - Cost as a % of Sales					
Food	32.0%	32.0%	32.0%	32.0%	32.0%
Beverage	22.7%	22.7%	22.7%	22.7%	22.7%
Salaries & Wages - % Increase over Prior Year					
Salaries & Wages	3.0%	3.0%	3.0%	3.0%	3.0%
Employee Benefits	3.0%	3.0%	3.0%	3.0%	3.0%
Other Expenses - % Increase over Prior Year					
Direct Operating Expenses	3.0%	3.0%	3.0%	3.0%	3.0%
Music & Entertainment	3.0%	3.0%	3.0%	3.0%	3.0%
Marketing	3.0%	3.0%	3.0%	3.0%	3.0%
Utilities	3.0%	3.0%	3.0%	3.0%	3.0%
General & Administrative Expenses	3.0%	3.0%	3.0%	3.0%	3.0%
Repairs & Maintenance	3.0%	3.0%	3.0%	3.0%	3.0%
Occupancy Costs (Rent & Taxes increase more years 2&3)	2.0%	2.0%	2.0%	2.0%	2.0%
Depreciation & Amortization (assumed to be constant in years 1-5)					
Other (Income)	3.0%	3.0%	3.0%	3.0%	3.0%
Interest Expense (from annual interest expense on loan amortization schedule on "Assumptions" page)					
Other Expense	3.0%	3.0%	3.0%	3.0%	3.0%
Loan Principal Payments (from annual total principal payments on loan amortization schedule on "Assumptions" page)					

EXHIBIT G
Escrow Agreement
(actual and projected)
(See attached)

SUBSCRIPTION ESCROW AGREEMENT

THIS ESCROW AGREEMENT, dated as of August 3, 2018 (this “Agreement”), is entered into by and between Foremost Brewing Cooperative, a Minnesota¹ Cooperative (the “Company”) and Sunrise Banks, National Association as Escrow Agent hereunder (“Escrow Agent”).

RECITALS

- A. The Company is offering a minimum of 260,000 (the “Minimum Number”) of its Non-Patron Membership Interests (“Securities”) and a maximum (the “Maximum Number”) of 550,000 of its Securities to subscribers (the “Subscriber(s)”) at a purchase price of 1 per Security (the “Offering”);
- B. The Offering is intended to be exempt from registration under the Securities Act of 1933, as amended, by virtue of Section 3(a)(11) and Rule 147 promulgated thereunder and by virtue of the MNvest registration exemption, Section 80A.461 of the Minnesota Statutes (collectively, the “Offering Exemptions”); and
- C. In compliance with the requirements of the Offering Exemptions, the Company has engaged Silicon Prairie as a portal operator (the “Portal Operator”) in connection with the Offering to provide an Internet website meeting the requirements of the Offering Exemptions (the “Portal”) and the Company is providing for the escrow of subscription payments (the “Subscription Payments”) received through the Portal in an escrow account (the “Escrow Account”) until certain conditions have been met and the Company and Escrow Agent desire to enter into an agreement with respect thereto.

NOW THEREFORE, in consideration of the premises and covenants set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, for themselves, their respective successors and assigns, hereby agree as follows:

1 Definitions.

The following terms shall have the following meanings when used herein:

“Escrow Funds” shall mean the funds deposited in escrow with Escrow Agent pursuant to this Agreement.

“Final Escrow Closing Date” shall mean no earlier than August 3, 2018, unless prior to such date, the Company provides written notice to Escrow Agent of the extension of the Final Escrow Closing Date in accordance with the Offering Documents and applicable federal and state laws to a date no later than August 3, 2018², in which case the Final Escrow Closing Date shall mean the extended date established by such extension. In the case of each such extension, the Company shall provide Escrow Agent with a written certification of the duly approved extended Final Escrow Closing Date that is signed on behalf of the Company by a duly authorized person so designated on Exhibit B hereto.

“Notice of Escrow Closing” shall mean a written certification in the form of Exhibit C hereto that is signed on behalf of the Company by a duly authorized person so designated on Exhibit B hereto, stating that the following conditions to closing on the Escrow Funds have been satisfied on or before the Final Escrow Closing Date:

¹Issuer must be organized under the laws of the state of Minnesota.

²Under MN Stat 80A.461, subd. 4(2).

- (i) the Company shall have received and accepted subscriptions for the Minimum Number of Securities in the Offering; and
- (ii) the Company is not subject to any stop order or other legal order prohibiting the Offering or the acceptance of the Subscription Payments.

“Notice of Failure of Escrow Closing” shall mean a written certification in the form of Exhibit D attached hereto that is signed on behalf of the Company by a duly authorized person so designated on Exhibit B hereto, stating that:

- (i) the conditions to closing on the Subscription Payments being held in escrow have not been satisfied on or before the Final Escrow Closing Date;
- (ii) there has not been and will not be an escrow closing on the Subscription Payments; and
- (iii) directing Escrow Agent to return all Subscription Payments being held in the Escrow Account to the Subscribers.

“Offering Documents” shall mean the offering documents that have or will be provided to the Subscribers by the Company or the Portal Operator as required by the Offering Exemptions.

“Subscription Accounting” shall mean an accounting in spreadsheet format, prepared by the Company, indicating as of a particular date: (1) the unique identification number assigned to a Subscriber as part of the process of registration with the Portal, (2) the amount of the Subscription Payment(s) for the subscribed Securities, (3) the method of payment and date of deposit into the Escrow Account of the Subscription Payment relating thereto, including ACH information, and notations of any ACH return claims, (4) any withdrawal of any such subscription and by the Subscriber (if permitted), and (5) any rejection, cancellation or termination of any such subscription.

2 Appointment of and Acceptance by Escrow Agent; Effectiveness of Agreement.

The Company hereby appoints Escrow Agent to serve as escrow agent hereunder, and Escrow Agent hereby accepts such appointment and agrees to act as Escrow Agent in accordance with the terms of this Agreement. Notwithstanding the earlier execution and delivery of this Agreement or anything in this Agreement to the contrary, this Agreement shall only become effective and binding on the parties as of the date that (a) the Company pays the fees of Escrow Agent under Section 11 hereunder; and (b) the effective period of the Offering shall have begun under the Offering Exemption and the Company shall have confirmed in writing the first day of such effective period to Escrow Agent.

3 Deposits into Escrow.

- a. The Offering shall be conducted exclusively through the Portal. The Company shall at all times comply with the requirements of the Offering Exemptions in the conduct of the Offering, including the offer and sale of Securities, the provision of the Offering Documents to Subscribers, the collection of Subscription Payments, and the timing, form and content of instructions to Escrow Agent hereunder. The Company, and not Escrow Agent, shall be responsible for determining whether the Company has

received subscriptions for the Minimum Number of Securities in the Offering, whether the aggregate amount of Securities purchased by a Subscriber will cause such Subscriber to exceed the investment limits of the Offering Exemptions, the residency or any other qualification of any Subscriber, and all other matters relating to the conduct of the Offering in compliance with the Offering Exemptions.

- b. The Company shall direct and shall ensure that the Portal shall direct all Subscribers to deliver all Subscription Payments directly to Escrow Agent for deposit into the Escrow Account. From time to time and upon request by Escrow Agent, the Company shall provide a Subscription Accounting to Escrow Agent.

Unless otherwise agreed to by Escrow Agent, in no event shall any Subscriber be permitted to make any Subscription Payment by credit card payment and Escrow Agent shall only accept ACH credits or such other forms of electronic payment as may be permitted by Escrow Agent in its sole discretion.

Subscription Payments shall be delivered to the Escrow Account in accordance with the instructions provided by Escrow Agent on or about the date of this Agreement. The Company shall ensure that the Portal functionality includes the ACH payment processing solution designated by Escrow Agent.

ALL FUNDS SO DEPOSITED SHALL REMAIN THE PROPERTY OF THE SUBSCRIBERS ACCORDING TO THEIR RESPECTIVE INTERESTS AND SHALL NOT BE SUBJECT TO ANY LIEN OR CHARGE BY ESCROW AGENT OR BY JUDGMENT OR CREDITOR'S CLAIMS AGAINST THE COMPANY OR THE PLATFORM OPERATOR UNTIL RELEASED TO THE COMPANY IN ACCORDANCE WITH SECTION 4 HEREOF. IN NO EVENT SHALL ANY OF THE ESCROW FUNDS BE COMMINGLED WITH DEPOSIT ACCOUNTS OF ESCROW AGENT OR OTHERWISE TREATED AS A DEPOSIT ACCOUNT OF ESCROW AGENT OR REFLECTED ON THE FINANCIAL STATEMENTS OF ESCROW AGENT.

- c. Notwithstanding anything to the contrary contained in this Agreement, the Company understands and agrees that all Subscription Payments received by Escrow Agent hereunder are subject to collection requirements of presentment and final payment, and that the funds represented thereby cannot be drawn upon or disbursed until such time as final payment has been made and is no longer subject to dishonor. Upon receipt, Escrow Agent shall process each Subscription Payment it receives for collection, and the proceeds thereof shall be held as part of the Escrow Funds and disbursed in accordance with Sections 4 and 5 hereof. If, upon presentment for payment, any Subscription Payment is dishonored, Escrow Agent shall notify the Company of such dishonor.
- d. Escrow Agent shall provide the Company with online access to view information relating to the Escrow Account.

4 Disbursement of Funds to the Company.

- a. Escrow Closing. Upon or within five (5) business days of the receipt of a Notice of Escrow Closing from the Company, a Subscription Accounting and such other certificates, notices or other documents as Escrow Agent shall reasonably require, Escrow Agent shall disburse to the Company the Escrow Funds then held by Escrow Agent (after deducting amounts paid or payable to Escrow Agent pursuant to Section 10 and Section 11 hereof and deducting amounts under Section 4(c) hereof).
- b. Notwithstanding anything to the contrary herein provided, Escrow Agent shall be entitled to rely conclusively and without inquiry on any documents furnished to Escrow Agent by the Company which purport to be those documents contemplated by Section 4(a). Without limiting the foregoing, Escrow Agent shall have no duty or responsibility to review or seek to determine the truth, accuracy or sufficiency of any such documents. Escrow Agent shall have no duty to review any subscription agreement or Subscription Accounting, it being the understanding and agreement of the parties hereto that Escrow Agent shall disburse the Escrow Funds upon receipt of documents Escrow Agent believes, without any duty of further inquiry, to conform to the requirements set forth in Section 4(a).

- c. All disbursements to the Company pursuant to Section 4 shall be by wire transfer pursuant to wire instructions provided by the Company on or about the date hereof. All disbursements of Escrow Funds to the Company under Section 4 shall be made in U.S. Dollars and subject to the fees and claims of Escrow Agent and the Indemnified Parties (as defined below) pursuant to Section 10 and Section 11. In furtherance and not in limitation of the foregoing, from the disbursement to the Company under Section 4(a) hereof, Escrow Agent shall not disburse and shall hold in the Escrow Account all funds credited to the Escrow Account in the 60 days immediately prior to the delivery of the Notice of Escrow Closing and not otherwise returned to satisfy claims (including under Section 10(b) hereof) until the first business day following 61 days after delivery of the Notice of Escrow Closing.
- d. Notwithstanding the foregoing, Escrow Agent shall not disburse any Escrow Funds to the Company pursuant to Section 4(a) if Escrow Agent shall have received from the Company a Notice of Failure of Escrow Closing.

5 Return of Funds to Subscribers.

- a. Failure to Reach Escrow Closing. If, by the date that is five (5) business days after the Final Escrow Closing Date, Escrow Agent shall not have received a Notice of Escrow Closing, then Escrow Agent shall (i) notify the Company in writing that the conditions set forth in Section 4(a) have not been satisfied, and (ii) as soon as practicable but no later than five (5) days following the Final Escrow Closing Date, return the Escrow Funds then held by Escrow Agent to the Subscribers in the same manner and to the same account from which the Escrow Funds originated or in a manner otherwise as determined by Escrow Agent, with each Subscriber receiving the amount of the Subscription Payment received from such Subscriber then held in the Escrow Account, without interest or deduction. If Escrow Agent shall at any time have received a Notice of Failure of Escrow Closing, Escrow Agent shall likewise return the Escrow Funds as described in Section 5(a)(ii). The Subscription Payment returned to each Subscriber shall be made in U.S. Dollars and be free and clear of any and all claims of the Company, the Portal Operator, or any of its respective creditors, including but not limited to, any and all fees and claims of Escrow Agent and the Indemnified Parties pursuant to Section 10 and Section 11.
- b. Rejection or Cancellation of Any Subscription. As soon as practicable but no later than five (5) business days after receipt by Escrow Agent of written notice from the Company that the Company has rejected or intends to reject a Subscriber's subscription (which shall be rejected in whole and not in part) or written notice from the Company that a Subscriber has cancelled or that the Company has cancelled such Subscriber's subscription (which may be cancelled in whole and not in part), Escrow Agent shall return to the applicable Subscriber the amount of the Subscription Payment received from such Subscriber then held in the Escrow Account or which thereafter clears the banking system.
- c. Abandonment or Termination of Offering; Insolvency of the Company or the Portal Operator. As soon as practicable but no later than five (5) business days after receipt by Escrow Agent of (i) notice from the Company that the Offering is being abandoned or terminated, or (ii) notice of the Company's or the Portal Operator's insolvency or bankruptcy, or the institution of bankruptcy, reorganization, insolvency, foreclosure, receivership, or liquidation proceedings by or against the Company or the Portal Operator and, if against the Company or the Portal Operator, such proceedings have, in the case of bankruptcy, reorganization, insolvency or liquidation, continued without termination for at least thirty (30) days and, in the case of foreclosure or receivership, continued without termination for at least thirty (30) days, then Escrow Agent shall, subject to applicable court orders, if any, return the Escrow Funds then held by Escrow Agent to the Subscribers the amount of the Subscription Payments received from such Subscribers then held in the Escrow Account, without interest or deduction. The Subscription Payment returned to each Subscriber shall be made in U.S. Dollars and be free and clear of any and all claims of the Company, the Portal Operator or any of their respective creditors, including

but not limited to, any and all fees and claims of Escrow Agent and the Indemnified Parties pursuant to Section 10 and Section 11.

- d. In connection with a return of Subscription Payments to Subscribers pursuant to this Section 5, the Company shall provide Escrow Agent with a Subscription Accounting and such other certificates, notices or other documents as Escrow Agent shall reasonably require. Under no circumstances in connection with Escrow Agent's return of funds to Subscribers pursuant to this Section 5 shall a Subscriber receive from Escrow Agent less than the amount of all Subscription Payments made by the Subscriber.

6 Suspension of Performance or Disbursement Into Court.

If, at any time, there shall exist any dispute between or among the Company, the Portal Operator, Escrow Agent, any Subscriber or any other person with respect to the holding or disposition of any portion of the Escrow Funds or any other obligations of Escrow Agent hereunder, or if at any time Escrow Agent is unable to determine, to Escrow Agent's reasonable satisfaction, the proper disposition of any portion of the Escrow Funds or Escrow Agent's proper actions with respect to its obligations hereunder, or if the Company has not within thirty (30) days of the furnishing by Escrow Agent of a notice of resignation pursuant to Section 8 hereof appointed a successor escrow agent to act hereunder, then Escrow Agent may, in its sole discretion, consult legal counsel selected by it and take either or both of the following actions:

- a. suspend the performance of any of its obligations under this Agreement until such dispute or uncertainty shall be resolved to the sole satisfaction of Escrow Agent or until a successor escrow agent shall have been appointed (as the case may be); or
- b. petition (by means of an interpleader action or any other appropriate method) any court of competent jurisdiction in Ramsey County, Minnesota or in any venue convenient to Escrow Agent, for instructions with respect to such dispute or uncertainty, and to the extent required or permitted by law, pay into such court all Escrow Funds without deduction for holding and disposition in accordance with the instructions of such court and Escrow Agent shall thereupon be discharged from all further duties under this Agreement.

Escrow Agent shall have no liability to the Company, the Portal Operator, any Subscriber or any other person with respect to any such suspension of performance or disbursement into court, specifically including any liability or claimed liability that may arise, or be alleged to have arisen, out of or as a result of any delay in the disbursement of funds held in the Escrow Funds or any delay in or with respect to any other action required or requested of Escrow Agent.

7 Investment of Funds.

Escrow Agent shall hold the Escrow Funds in a non-interest bearing demand deposit account maintained by Escrow Agent. The Escrow Funds shall not be invested in any other securities or accounts, including, without limitation, corporate equity or debt securities, repurchase agreements, bankers' acceptances, commercial papers, or municipal securities. Notwithstanding anything to the contrary herein provided, Escrow Agent shall have no duty by reason of this Agreement to prepare or file any Federal or state tax report or return with respect to the Escrow Account.

8 Resignation of Escrow Agent.

Escrow Agent may resign from the performance of its duties hereunder at any time by giving thirty (30) days' prior notice to the Company. If, as of the effective date of such resignation, the Company has not appointed a successor escrow agent that has agreed in writing to such appointment, Escrow Agent shall return all Escrow Funds to Subscribers in accordance with Section 5(a)(ii). If, as of the effective date of such resignation, the Company has appointed a successor escrow agent that has agreed in writing to such appointment, Escrow Agent shall deliver to the Company and such successor escrow agent a full accounting of all Escrow Funds received, held and disbursed by Escrow Agent hereunder and shall deliver all Escrow Funds to the successor escrow agent. Upon the effectiveness of Escrow Agent's resignation, Escrow Agent shall be discharged from its duties and obligations under this Agreement, but shall not be discharged from any liability hereunder for actions taken as Escrow Agent hereunder prior to such resignation. After any Escrow Agent's resignation, the provisions of this Agreement shall continue to apply as to any actions taken or omitted to be taken by it while it was Escrow Agent under this Agreement, provided that any and all claims of Escrow Agent and the Indemnified Parties pursuant to Section 10 shall survive the termination of this Agreement or Escrow Agent's resignation. Any corporation or association into which Escrow Agent may be merged or converted or with which it may be consolidated, or any corporation or association to which all or substantially all of the escrow business of Escrow Agent's corporate trust line of business may be transferred, shall be Escrow Agent under this Agreement without further act.

9 Duty and Liability of Escrow Agent.

Escrow Agent undertakes to perform only such duties as are expressly set forth herein and no duties shall be implied. The sole duty of Escrow Agent, other than as herein specified, shall be to receive the Escrow Funds and hold them subject to release, in accordance herewith. Escrow Agent shall have no duty to inquire or determine as to whether any person is complying with requirements of this Agreement or any applicable laws or regulations, including but not limited to federal or state securities laws, in connection with the Offering, including the depositing in the Escrow Account the Subscription Payments or the release of Escrow Funds pursuant to Section 4 or Section 5. Escrow Agent may conclusively rely upon and shall be protected in acting upon any statement, certificate, notice, request, consent, order or other document believed by it to be genuine and to have been signed or presented by the proper party or parties, not only as to its due execution and the validity (including the authority of the person signing or presenting the same) and effectiveness of its provisions, but also as to the truth, sufficiency and acceptability of any information therein contained. Escrow Agent shall have no duty or liability to verify any such statement, certificate, notice, request, consent, order or other document, and its sole responsibility shall be to act only as expressly set forth in this Agreement and shall not be charged with knowledge or notice of any fact or circumstance not specifically set forth herein or provided to it pursuant to the express provisions hereof. Escrow Agent shall not be responsible for the sufficiency or accuracy of the form of, or the execution, validity, value or genuineness of, any document or property received, held or delivered by it hereunder, or of any signature or endorsement thereon, or for any lack of endorsement thereon, or for any description therein; nor shall Escrow Agent be responsible or liable to the other parties hereto or to anyone else in any respect on account of the identity, authority or rights of the persons executing or delivering or purporting to execute or deliver any document or property or this Agreement. Escrow Agent shall have no responsibility with respect to the use or application of any Escrow Funds released by Escrow Agent pursuant to the provisions hereof. Escrow Agent shall have no duty to solicit any Subscription Payment which may be due to be paid into the Escrow Account or to confirm or verify the accuracy or correctness of any amounts delivered into the Escrow Account or the calculation of the Minimum Number or the Maximum Number. Escrow Agent shall be under no obligation to institute or defend any action, suit or proceeding in connection with this Agreement, provided that, if it does so institute or defend any such action, suit or proceeding, it shall first be indemnified to its satisfaction. Escrow Agent shall have no duty to enforce any obligation of any person to make any payment or delivery, or to direct

or cause any payment or delivery to be made, or to enforce any obligation of any person to perform any other act. Escrow Agent shall be under no liability to the other parties hereto or to anyone else by reason of any failure on the part of any party hereto or any maker, guarantor, endorser or other signatory of any document or any other person to perform such person's obligations under any such document. Escrow Agent shall have no liability with respect to the transfer or distribution of any funds by Escrow Agent pursuant to wiring or transfer instructions provided to Escrow Agent by the Company or the Portal Operator or set forth in any Subscription Agreement. Except for this Agreement (including any instructions given to Escrow Agent pursuant this Agreement), Escrow Agent shall not be obligated to recognize any agreement between, among or with any or all of the persons referred to herein, notwithstanding that references thereto may be made herein and whether or not it has knowledge thereof. Escrow Agent may consult counsel selected by it in respect of any question arising under this Agreement and Escrow Agent shall not be liable for any action taken or omitted in good faith upon advice of such counsel. The Company shall promptly pay, upon demand, the reasonable fees and expenses of any such counsel. In no event shall Escrow Agent be liable for incidental, indirect, special, consequential or punitive damages (including, but not limited to lost profits), even if Escrow Agent has been advised of the likelihood of such loss or damage and regardless of the form of action. Escrow Agent shall not be responsible for delays or failures in performance resulting from acts beyond its control, including without limitation acts of God, strikes, lockouts, riots, acts of war or terror, epidemics, governmental regulations superimposed after the fact, fire, communication line failures, computer viruses, power failures, earthquakes or other disasters. Escrow Agent is authorized, in its sole discretion, to comply with final orders issued or process entered by any court with respect to the Escrow Funds, without determination by Escrow Agent of such court's jurisdiction in the matter. If any portion of the Escrow Funds is at any time attached, garnished or levied upon under any court order, or in case the payment, assignment, transfer, conveyance or delivery of any such property shall be stayed or enjoined by any court order, or in case any order, judgment or decree shall be made or entered by any court affecting such property or any part thereof, then and in any such event, Escrow Agent is authorized, in its sole discretion, to rely upon and comply with any such order, writ, judgment or decree which it is advised by legal counsel selected by it is binding upon it without the need for appeal or other action; and if Escrow Agent complies with any such order, writ, judgment or decree, it shall not be liable to any of the parties hereto or to any other person or entity by reason of such compliance even though such order, writ, judgment or decree may be subsequently reversed, modified, annulled, set aside or vacated unless such compliance is commenced following any appeal, order, injunction or other proceeding which stays the requirement of compliance with any such order, writ, judgment or decree. Escrow Agent shall not be liable for any action taken or omitted by it in good faith except to the extent that a court of competent jurisdiction determines in a final non-appealable decision that Escrow Agent's gross negligence or willful misconduct was the direct cause of any loss to the Company.

10 Indemnification of Escrow Agent; Limitation on Liability of the Company.

- a. From and at all times after the date of this Agreement, the Company shall indemnify and hold harmless Escrow Agent and each director, officer, employee, attorney, agent, parent, subsidiary and affiliate, and any director, officer, employee, attorney or agent of any such parent or subsidiary or affiliate of Escrow Agent (collectively, the "Indemnified Parties") from and against any and all actions, claims (whether or not valid), losses, damages, liabilities, costs and expenses of any kind or nature whatsoever, including without limitation reasonable attorneys' fees, costs and expenses, incurred by or asserted against any of the Indemnified Parties, whether direct, indirect or consequential, as a result of or arising from or in any way relating to any claim, demand, suit, action or proceeding (including any inquiry or investigation) by any person, including without limitation the Company and the Portal Operator, whether threatened or initiated, asserting a claim for any legal or equitable remedy against any person (whether or not an Indemnified Party) under any statute or regulation, including, but not limited to, any federal or state securities laws, or under any common law or equitable cause or otherwise, arising from or in connection with the negotiation, preparation, execution, performance or failure of performance of this

Agreement or any transactions contemplated herein, whether or not any such Indemnified Party is a party to any such suit, action or proceeding or the target of any such inquiry or investigation; provided, however, that no Indemnified Party shall have the right to be indemnified hereunder for any liability finally determined by a court of competent jurisdiction, subject to no further appeal, to have resulted solely from the gross negligence or willful misconduct of such Indemnified Party. The Company further agrees to indemnify each of the Indemnified Parties for all costs, including without limitation reasonable attorney's fees, incurred by such Indemnified Parties in connection with the enforcement of the Company's indemnification obligations hereunder. Each Indemnified Party shall, in its sole discretion, have the right to select and employ separate counsel with respect to any action or claim brought or asserted against it, and the reasonable fees of such counsel shall be paid upon demand by the Company. The obligations of the Company under this Section 10 shall survive any termination of this Agreement and the resignation of Escrow Agent.

- b. In the event that Escrow Agent distributes Escrow Funds to the Company pursuant to this Agreement, and any Subscriber later has a claim to the return of funds which were distributed (including any ACH return claim), then, in addition to any other indemnification obligation of this Section 10, the Company shall indemnify Escrow Agent for any and all funds that Escrow Agent returns to the Subscribers in connection with such claim and any and all costs associated with returning those funds.

11 Fees and Expenses of Escrow Agent.

Escrow Agent shall be entitled to compensation as described in Exhibit A attached hereto, at such time or times as set forth therein, for the services provided by Escrow Agent hereunder. The obligations of the Company under this Section 11 shall survive any termination of this Agreement and the resignation of Escrow Agent. The fees agreed upon for services rendered hereunder are intended as full compensation for Escrow Agent's services as contemplated by this Agreement; provided, however, that in the event Escrow Agent renders any material service not contemplated in this Agreement or there is any assignment of interest in the subject matter of this Agreement, or any material modification hereof, or if any material controversy arises hereunder, or Escrow Agent is made a party to any litigation pertaining to this Agreement, or the subject matter hereof, then Escrow Agent shall be reasonably compensated for such extraordinary services and reimbursed for all costs and expenses, including reasonable attorney's fees, occasioned by any delay, controversy, litigation or event, and the same shall be recoverable from the Company. No fees and costs and expenses payable to Escrow Agent or an Indemnified Party under this Agreement shall be deducted, withheld or set off against the Escrow Funds, except upon disbursement of Escrow Funds to the Company pursuant to Section 4(a).

12 Representations and Warranties.

The Company makes the following representations and warranties to Escrow Agent:

- a. It is duly organized, validly existing, and in good standing under the laws of the state of its incorporation or organization and has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder.
- b. This Agreement has been duly approved by all necessary action required for its part, has been executed by its duly authorized persons, and constitutes its valid and binding agreement, enforceable in accordance with its terms.
- c. The execution, delivery, and performance by it of this Agreement will not violate, conflict with, or cause a default under its governing instruments, any applicable law or regulation, any court order or

administrative ruling or decree to which it is a party or any of its property is subject, or any agreement, contract, indenture or other binding arrangement, including without limitation with respect to the Offering, to which it is a party or any of its property is subject.

- d. It hereby acknowledges that the status of Escrow Agent is that of agent only for the limited purposes set forth herein, and hereby represents and covenants that no representations or implications shall be made that Escrow Agent has investigated the desirability or advisability of investment in the Securities or has approved, endorsed or passed upon the merits of the investments therein (and the Offering Documents shall contain a statement to that effect) and that the name of Escrow Agent has not and shall not be used in any manner in connection with the offer or sale of the Securities other than to state that Escrow Agent has agreed to serve as agent for the limited purposes set forth herein.
- e. Each of the persons designated on Exhibit B hereto have been duly appointed to act as its respective authorized representatives hereunder and, individually and as authorized representatives, have full power and authority to execute and deliver any written notice, instruction or direction to amend, modify or waive any provision of this Agreement and to take any and all other actions including giving or confirming funds transfer instructions under this Agreement, all without further consent or direction from, or notice to, it or any other party provided that any change in designation of such authorized representatives shall be provided by written notice delivered to each party to this Agreement.
- f. Other than the Subscribers, no party other than the parties hereto has, or shall have, any lien, claim or security interest in the Escrow Funds or any part thereof. No financing statement under the Uniform Commercial Code is on file in any jurisdiction claiming a security interest in or describing (whether specifically or generally) the Escrow Funds or any part thereof.
- g. It possesses such valid and current licenses, certificates, authorizations or permits issued by the appropriate state, federal or foreign regulatory agencies or bodies necessary to conduct its business, to enter into and perform this Agreement, and in respect of the Offering; it has not received any notice of proceedings relating to the revocation or modification of, or non-compliance with, any such license, certificate, authorization or permit.
- h. All of its representations and warranties contained herein are true and complete as of the date hereof and will be true and complete at the time of any disbursement of Escrow Funds.

13 Security Advice Waiver.

The Company acknowledges that to the extent regulations of the Office of the Comptroller of the Currency or other applicable regulatory entity grant it the right to receive brokerage confirmations for certain security transactions as they occur, the Company specifically waives receipt of such confirmations to the extent permitted by law. Escrow Agent will furnish the Company periodic cash transaction statements that include detail for all transactions made by Escrow Agent.

14 Identifying Information.

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. For a non-individual person such as a business entity, a charity, a trust, or other legal entity, Escrow Agent requires documentation to verify its formation and existence as a legal entity. Escrow Agent may ask to see financial statements, licenses, identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation. The Company acknowledges that a portion

of the identifying information set forth herein is being requested by Escrow Agent in connection with the USA Patriot Act, Pub.L.107-56 (the "Act"), and the Company agrees to provide any additional information requested by Escrow Agent in connection with the Act or any similar legislation or regulation to which Escrow Agent is subject, in a timely manner. The Company represents and warrants that all identifying information provided to Escrow Agent, including any federal or state taxpayer identification number, is true and complete on the date hereof and will be true and complete at the time of any disbursement of Escrow Funds. The Company shall provide to Escrow Agent as requested such information relating to the Subscribers as may reasonably be required by Escrow Agent in connection with the Act or any similar legislation or regulation to which Escrow Agent is subject, in a timely manner.

15 Tax Reporting.

Escrow Agent shall have no responsibility for the tax consequences of this Agreement and hereby advises each party to consult with independent counsel concerning any tax ramifications. The Company shall prepare and file all required tax filings with the IRS and any other applicable taxing authority. Further, the Company agrees to (i) assume all obligations imposed now or hereafter by any applicable tax law or regulation with respect to payments or performance under this Agreement, (ii) request information from Escrow Agent in writing with respect to withholding and other taxes, assessments or other governmental charges, all of which shall be the responsibility of the Company, and advise Escrow Agent in writing with respect to any certifications and governmental reporting that may be required under any applicable laws or regulations, and (iii) indemnify and hold Escrow Agent harmless pursuant to Section 10 hereof from any liability or obligation on account of taxes, assessments, additions for late payment, interest, penalties, expenses and other governmental charges that may be assessed or asserted against Escrow Agent.

16 Consent to Jurisdiction and Venue.

In the event that any party hereto commences a lawsuit or other proceeding relating to or arising from this Agreement, the parties hereto agree that the courts in Ramsey County, Minnesota courts shall have sole and exclusive jurisdiction and shall be proper venue for any such lawsuit or judicial proceeding and the parties hereto waive any objection to such venue. The parties hereto consent to and agree to submit to the jurisdiction of the courts specified herein and agree to accept service or process to vest personal jurisdiction over them in any of these courts.

17 Notice.

Any notice and other communications hereunder shall be in writing and shall be deemed to have been validly served, given or delivered five (5) days after deposit in the United States mails, by certified mail with return receipt requested and postage prepaid, when delivered personally, one (1) day after delivery to any overnight courier, or when transmitted by facsimile transmission facilities, and addressed to the party to be notified as follows:

If to the Company at:

Foremost Brewing Cooperative
524 Agnes Street
Owatonna, Minnesota 55060
Phone: 507-456-1429
Fax:
Attention: Roger Warehime

If to Escrow Agent:

Sunrise Banks, National Association
2300 Como Avenue
Saint Paul, MN 55108
Fax: (651) 259-6808
Attention: Crowdfunding Escrow Services

or to such other address as a party may designate for itself by like notice.

18 Amendment or Waiver.

This Agreement may be amended, changed, waived, discharged or terminated only by a writing signed by the Company and Escrow Agent. No delay or omission by any party in exercising any right with respect hereto shall operate as a waiver. A waiver on any one occasion shall not be construed as a bar to, or waiver of, any right or remedy on any future occasion. This Agreement may not be assigned by any party without the prior written consent of the other parties.

19 Severability.

To the extent any provision of this Agreement is prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

20 Governing Law.

This Agreement shall be construed and interpreted in accordance with the internal laws of the State of Minnesota without giving effect to the conflict of laws principles thereof.

21 Entire Agreement.

This Agreement constitutes the entire agreement between the parties relating to the acceptance, collection, holding, investment and disbursement of the Escrow Funds and sets forth in their entirety the obligations and duties of Escrow Agent with respect to the Escrow Funds. Nothing in this Agreement, express or implied, is intended to or shall confer upon any other person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

22 Binding Effect.

All of the terms of this Agreement, as amended from time to time, shall be binding upon, inure to the benefit of and be enforceable by the respective successors and assigns of the Company and Escrow Agent.

23 Execution in Counterparts.

This Agreement and any written notice may be executed in two or more counterparts, which, when so executed, shall constitute one and the same agreement or notice.

24 Termination.

Upon the first to occur of the disbursement of all amounts in the Escrow Account pursuant to Section 4 or 5 hereof or deposit of all amounts in the Escrow Account into court pursuant to Section 6 hereof, this Agreement shall terminate and Escrow Agent shall have no further responsibilities whatsoever with respect to this Agreement or the Escrow Funds.

25 Publicity.

No party will (a) use any other party's proprietary indicia, trademarks, service marks, trade names, logos, symbols, or brand names, or (b) otherwise refer to or identify any other party in advertising, publicity releases, or promotional or marketing publications, or correspondence to third parties without, in each case, securing the prior written consent of such other party.

26 WAIVER OF TRIAL BY JURY.

EACH PARTY TO THIS AGREEMENT HEREBY WAIVES ANY RIGHT THAT IT MAY HAVE TO A TRIAL BY JURY ON ANY CLAIM, COUNTERCLAIM, SETOFF, DEMAND, ACTION OR CAUSE OF ACTION (1) ARISING OUT OF OR IN ANY WAY RELATED TO THIS AGREEMENT OR (2) IN ANY WAY IN CONNECTION WITH OR PERTAINING OR RELATED TO OR INCIDENTAL TO ANY DEALINGS OF THE PARTIES TO THIS AGREEMENT OR IN CONNECTION WITH THIS AGREEMENT

OR THE EXERCISE OF ANY SUCH PARTY'S RIGHTS AND REMEDIES UNDER THIS AGREEMENT OR THE CONDUCT OR THE RELATIONSHIP OF THE PARTIES TO THIS AGREEMENT, IN ALL OF THE FOREGOING CASES WHETHER NOW EXISTING OR HEREAFTER ARISING AND WHETHER IN CONTRACT, TORT OR OTHERWISE. EACH OF THE PARTIES HERETO HEREBY FURTHER ACKNOWLEDGES AND AGREES THAT EACH HAS REVIEWED OR HAD THE OPPORTUNITY TO REVIEW THIS WAIVER WITH ITS RESPECTIVE LEGAL COUNSEL, AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH SUCH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A CONSENT BY ALL PARTIES TO A TRIAL BY THE COURT.

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and effective as of the date first above written.

COMPANY:

Foremost Brewing Cooperative
By: /s/ Roger Warehime
Name: Roger Warehime
Its: Board Chair

ESCROW AGENT:

Sunrise Banks, National Association
By: /s/ Jason Scott
Name: Jason Scott
Its: VP – Regional Market Manager

EXHIBIT A
Compensation of Escrow Agent
Schedule of Fees for Services as Escrow Agent

EXHIBIT B

Representatives:

The following person(s) are hereby designated and appointed as Company representative under the Escrow Agreement (only one signature shall be required for any direction). No single Company representative may both give and confirm funds transfer instructions.

_____	_____	_____
Name	Specimen Signature	Telephone Number
_____	_____	_____
Name	Specimen Signature	Telephone Number

EXHIBIT C
Notice of Escrow Closing

Date: [_____]

VIA FACSIMILE AND U.S. MAIL

Sunrise Banks, National Association
2300 Como Avenue
Saint Paul, MN 55108
Fax: (651)259-6808
Attention: Crowdfunding Escrow Services

Re: Foremost Brewing Cooperative (the "Company") Notice of Escrow Closing

Dear Sir/Madam:

Reference is made to the Subscription Escrow Agreement dated as of _____ between the Company and Sunrise Banks, National Association, as escrow agent ("Escrow Agent"). Capitalized terms used herein shall have the meaning ascribed to such terms in the Subscription Escrow Agreement unless otherwise defined herein.

Please be advised that the following conditions have been satisfied:

- (i) the Company shall have received and accepted subscriptions for the Minimum Number of Securities in the Offering; and
- (ii) the Company is not subject to any stop order or other legal order prohibiting the Offering or the acceptance of Subscription Payments.

ACCEPTED SUBSCRIPTIONS

Attached hereto is a Subscription Accounting setting forth the Subscriptions Payments and subscriptions accepted by the Company as of the date of this notice.

In accordance with the Escrow Agreement, the Company hereby instruct you to disburse the Escrow Funds.

WITHDRAWN, REJECTED OR CANCELLED SUBSCRIPTIONS

You are hereby notified that all Subscriptions Agreements identified on the Subscription Accounting that were not accepted were withdrawn, rejected or canceled. The rejected, withdrawn and canceled subscriptions are shown with a \$0 in the "Accepted Amount Total" column on the Subscription Accounting. You are hereby instructed to return to the applicable Subscriber the amount of the Subscription Payment from such Subscriber being held in Escrow Account, without interest or deduction, as soon as practicable.

Please do not hesitate to call the undersigned with any questions or concerns you have regarding this notice of escrow closing.

Very Truly Yours,

/s/ Roger Warehime

By: Roger Warehime

Its: Board Chair

EXHIBIT D
Notice of Failure of Escrow Closing

Date [_____]

VIA FACSIMILE AND U.S. MAIL

Sunrise Banks, National Association
2300 Como Avenue
Saint Paul, MN 55108
Fax: (651)259-6808
Attention: Crowdfunding Escrow Services

Re: Foremost Brewing Cooperative (the “Company”) Notice of Failure of Escrow Closing

Dear Sir/Madam:

Reference is made to the Subscription Escrow Agreement dated as of August 3, 2018 between the Company and Sunrise Banks, National Association, as escrow agent (“Escrow Agent”). Capitalized terms used herein shall have the meaning ascribed to such terms in the Subscription Escrow Agreement unless otherwise defined herein.

Please be advised that:

- (1) the Offering was terminated on _____ (the “Final Escrow Closing Date”); and
- (2) the conditions to closing on the Subscription Payments being held in escrow have not been satisfied on or before the Final Escrow Closing Date; and
- (3) there has not been and will not be an escrow closing.

Please return all Subscription Payments being held in the Escrow Account to the Subscribers.

Please do not hesitate to call the undersigned with any questions or concerns you have regarding this Notice of Failure of Escrow Closing.

Very Truly Yours,

/s/ Roger Warehime
By: Roger Warehime
Its: Board Chair

EXHIBIT H
Portal Agreement
(actual and projected)
(See attached)

PORTAL AGREEMENT

This Portal Agreement (the “Agreement”), is made and entered into on August 8, 2018 (the “Effective Date”), by and between Silicon Prairie Portal & Exchange LLC (“SPPX” or “Vendor”) and Foremost Brewing Cooperative (“Customer”). Each party to this Agreement may be referred to individually as a “Party” and collectively as the “Parties.”

RECITALS

WHEREAS, SPPX provides a crowdfunding investment software platform which Customer will access under authorization from Vendor; and

WHEREAS, the Parties desire that SPPX make such platform and related services available to Customer under the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

AGREEMENT

1 Definitions

As used in this Agreement, the following terms shall have the following meaning:

- a. “**Content**” means the visual information, documents, software, products, and services contained or made available to Customer in the course of using the Service (as defined hereinafter).
- b. “**Customer User Account**” means the account maintained by Customer’s users which includes any related login credentials and certain Customer Data provided or submitted by Customer’s users in the course of using the Service.
- c. “**Customer Data**” means any data, information, or material provided or submitted by Customer or by third-party users in the course of using the Service.
- d. “**Intellectual Property Rights**” means any unpatented inventions, patent applications, patents, design rights, copyrights, trademarks, service marks, trade names, domain name rights, mask work rights, know-how and other trade secret rights, and all other intellectual property rights, derivatives thereof, and forms of protection of a similar nature anywhere in the world.
- e. “**SPPX Technology**” means all of SPPX’s proprietary technology (including software, hardware, products, processes, algorithms, user interfaces, know-how, techniques, designs, and other tangible or intangible technical material or information) made available to Customer by SPPX in providing the Service.
- f. “**Service(s)**” means SPPX’s crowdfunding investment platform (the “Software Platform”), developed, operated, hosted, and maintained by SPPX, or ancillary online or offline products and services provided to Customer by SPPX, to which Customer is being granted access under this Agreement, including the SPPX Technology and the Content. The Services are further described in the documentation set forth in Appendix B.

- g. “**User(s)**” means Customer employees, representatives, consultants, contractors, agents, or prospective investors who are authorized to use the Service and have been supplied user identifications and passwords by Customer (or by SPPX at Customer’s request).

2 Provision of Services

- a. Subject to the terms and conditions set forth in this Agreement (including any appendices), during the term of this Agreement, SPPX agrees to provide the Services and provide authorization to Customer and its Users with access and rights to use the Services subject to the fees set forth on Appendix A, attached hereto.
- b. Appendix A may be modified by the mutual written consent of the parties, in a form expressly amending such Appendices, to expand, limit or otherwise modify the scope the Services provided hereunder.
- c. SPPX will not provide any front-end web hosting services on the Customer’s website, but shall provide installation, maintenance, support, and other related hosting services to Customer as part of the Services and to be hosted on a subdomain of the Customer’s website.
- d. Neither the execution of this Agreement nor anything in it shall obligate SPPX to furnish any services beyond those described within this Agreement.

3 Access to Software Platform and Restrictions

- a. SPPX hereby authorizes Customer to access and use the Service, solely for Customer’s own business purposes, subject to the terms and conditions of this Agreement. All rights not expressly granted to Customer are reserved by SPPX.
- b. Customer may not access the Service for purposes of obtaining competitive advantages, including, but not limited to, monitoring its availability, performance or functionality, or for any other benchmarking or competitive purposes.

4 Customer Responsibilities

- a. Customer is responsible for all activity occurring under Customer’s User Accounts and shall abide by all applicable local, state, national, and foreign, laws, treaties and regulations in connection with Customer’s use of the Service, including those related to data security and privacy, international communications, and the transmission of technical or personal data.
- b. Customer shall: (i) notify SPPX immediately of any unauthorized use of any password or account or any other known or suspected breach of security; (ii) report to SPPX immediately and use reasonable efforts to stop immediately any copying or distribution of Content that is known or suspected by Customer or Customer Users; and (iii) not impersonate another SPPX user or provide false identity information to gain access to or use the Service.
- c. Customer shall not (i) license, sublicense, sell, resell, transfer, assign, distribute, or otherwise commercially exploit or make available to any third party the Service or the Content in any way; (ii) modify or make derivative works based upon the Service or the Content; (iii) “frame” or “mirror” any Content on any other server or wireless or Internet-based device; or (iv) reverse engineer or access the Service

in order to (a) build a competitive product or service, (b) build a product using similar ideas, features, functions or graphics of the Service, or (c) copy any ideas, features, functions or graphics of the Service.

- d. Customer shall not: (i) send spam or otherwise duplicative or unsolicited messages in violation of applicable laws; (ii) send or store infringing, obscene, threatening, libelous, or otherwise unlawful or tortuous material, including material harmful to children or violative of third party privacy rights; (iii) send or store material containing software viruses, worms, Trojan horses, or other harmful computer code, files, scripts, agents, or programs; (iv) interfere with or disrupt the integrity or performance of the Service or the data contained therein; or (v) attempt to gain unauthorized access to the Service or its related systems or networks.
- e. In connection with Customer's use of the Services on Customer's own front-end website, Customer's front-end materials, web pages, media, and graphics used in connection with the Services shall prominently indicate that Vendor is providing the back-end Services by using the phrasing "POWERED BY SILICON PRAIRIE ONLINE" alongside the SPPX logo, in a manner to be approved by Vendor prior to Customer's use of the Services with any third parties.

5 Account Information and Customer Data

- a. Customer, not SPPX, shall have sole responsibility for the accuracy, quality, integrity, legality, reliability, appropriateness, and intellectual property ownership or right to use of all Customer Data, and SPPX shall not be responsible or liable for the deletion, correction, corruption, destruction, damage, loss or failure to store any Customer Data. In the event this Agreement is terminated (other than by reason of Customer's breach), SPPX will make available to Customer a file of the Customer Data within thirty (30) days of termination if Customer so requests at the time of termination.
- b. SPPX reserves the right to withhold, remove, and/or discard Customer Data without notice for any breach, including, without limitation, Customer's non-payment. Upon termination for cause, Customer's right to access or use Customer Data immediately ceases, and SPPX shall have no obligation to maintain or forward any Customer Data.

6 Intellectual Property Ownership

- a. SPPX (and its affiliated entities, where applicable) shall retain all right, title, and interest, including all related Intellectual Property Rights, in and to the SPPX Technology, the Content and the Service and any suggestions, ideas, enhancement requests, feedback, recommendations, or other information provided by Customer or any other party relating to the Service.
- b. This Agreement is not a sale or license and does not convey to Customer any rights of ownership in or related to the Service, the SPPX Technology or the Intellectual Property Rights owned by SPPX. SPPX's name, SPPX's logo, and the product names associated with the Service are trademarks of SPPX or third parties, and no right or license is granted to use them.

7 Third Party Goods and Services

- a. Customer may enter into correspondence with, and utilize the services from, third party service providers whose services are embedded into, or linked from, our Service offering. Any such activity, and any terms, conditions, warranties, or representations associated with such activity, is solely

between Customer and the applicable third party. SPPX shall have no liability, obligation, or responsibility for any such correspondence, purchase, or utilization between Customer and any such third party. SPPX does not endorse any sites on the Internet that are linked through the Service. In no event shall SPPX be responsible for any content, products, or other materials on or available from such sites.

- b. Customer acknowledges that certain third party providers of ancillary software, hardware, or services may require Customer's agreement to additional or different license or other terms prior to Customer's use of or access to such software, hardware or services.

8 Term and Termination

- a. This Agreement is effective as of the Effective Date and will remain in effect until terminated by SPPX or Customer within 30 days' notice.
- b. SPPX may terminate Customer's access to all or any part of the Services at any time, with or without cause, with or without notice, with immediate effect.
- c. Any breach of Customer's payment obligations or unauthorized use of the SPPX Technology or Service will be deemed a material breach of this Agreement. SPPX, in its sole discretion, may terminate Customer's password, account or use of the Service if Customer breaches or otherwise fails to comply with this Agreement.

9 Payment of Fees

- a. Customer shall make payment to SPPX for the Services at the rates and terms agreed to in Appendix A of this Agreement.
- b. All payment obligations are non-cancelable and all amounts paid are nonrefundable. Customer shall provide SPPX with valid credit card, cash, check, crypto-currency or other approved payment information as a condition to signing up for the Service.
- c. SPPX will issue an invoice to Customer as set forth in Appendix A. SPPX's fees are exclusive of all taxes, levies, or duties imposed by taxing authorities, and Customer shall be responsible for payment of all such taxes, levies, or duties, excluding only U.S. (federal or state) taxes based solely on SPPX's income.
- d. Customer agrees to provide SPPX with complete and accurate billing and contact information. This information includes Customer's legal company name, street address, email address, and name and telephone number of an authorized billing contact. Customer agrees to update this information within thirty (30) days of any change to it. If the contact information Customer has provided is false or fraudulent, SPPX reserves the right to terminate or suspend Customer's access to the Service in addition to any other legal remedies.
- e. If Customer believes its invoice is incorrect, Customer must contact SPPX in writing within sixty (60) days of the invoice date of the invoice containing the amount in question to be eligible to receive an adjustment or credit.

10 Nonpayment and Suspension

- a. In addition to any other rights granted to SPPX herein, SPPX reserves the right to suspend or terminate this Agreement and Customer's access to the Service if Customer fails to timely pay Vendor as set forth in this Agreement. Customer will continue to be charged during any period of suspension. If Customer or SPPX terminates this Agreement, Customer will be obligated to pay all remaining amounts owed to SPPX in accordance with Sections 8 and 9 above.
- b. SPPX reserves the right to impose additional fees in the event Customer is suspended and thereafter requests reinstated access to the Service.

11 Representations and Warranties, Indemnification, and Disclaimers

- a. Each party represents and warrants that it has the legal power and authority to enter into this Agreement. SPPX represents and warrants that it will provide the Service in a manner consistent with general industry standards reasonably applicable to the provision thereof and that the Service will perform substantially in accordance with Appendix B under normal use and circumstances.
- b. Customer represents and warrants that Customer has not falsely identified Customer nor provided any false information to gain access to the Service and that Customer's billing information is correct.
- c. Customer shall indemnify, defend, and hold SPPX and its parent organizations, subsidiaries, affiliates, officers, governors, employees, attorneys, and agents harmless from and against any and all claims, costs, damages, losses, liabilities, and expenses (including attorneys' fees and costs) arising out of or in connection with: (i) a claim alleging that use of the Customer Data infringes the rights of, or has caused harm to, a third party; (ii) a claim, which if true, would constitute a violation by Customer of Customer's representations and warranties; or (iii) a claim arising from the breach by Customer or Customer Users of this Agreement, provided in any such case that SPPX (a) gives written notice of the claim promptly to Customer; (b) gives Customer sole control of the defense and settlement of the claim (provided that Customer may not settle or defend any claim unless Customer unconditionally releases SPPX of all liability and such settlement does not affect SPPX's business or Service); (c) provides to Customer all available information and assistance; and (d) has not compromised or settled such claim.
- d. SPPX shall indemnify, defend, and hold Customer and Customer's parent organizations, subsidiaries, affiliates, officers, directors, governors, managers, employees, attorneys, and agents harmless from and against any and all claims, costs, damages, losses, liabilities, and expenses (including attorneys' fees and costs) arising out of or in connection with: (i) a claim alleging that the Service directly infringes a copyright, patent issued as of the Effective Date, or a trademark of a third party; (ii) a claim, which if true, would constitute a violation by SPPX of its representations or warranties; or (iii) a claim arising from breach of this Agreement by SPPX; provided that Customer (a) promptly gives written notice of the claim to SPPX; (b) gives SPPX sole control of the defense and settlement of the claim (provided that SPPX may not settle or defend any claim unless it unconditionally releases Customer of all liability); (c) provides to SPPX all available information and assistance; and (d) has not compromised or settled such claim. SPPX shall have no indemnification obligation, and Customer shall indemnify SPPX pursuant to this Agreement, for claims arising from any infringement arising from the combination of the Service with any of Customer products, service, hardware or business process(s).
- e. SPPX MAKES NO OTHER REPRESENTATION, WARRANTY, OR GUARANTY AS TO THE RELIABILITY, TIMELINESS, QUALITY, SUITABILITY, TRUTH, AVAILABILITY, ACCURACY, OR COMPLETENESS OF THE SERVICE OR ANY CONTENT. SPPX DOES NOT REPRESENT

OR WARRANT THAT (A) THE USE OF THE SERVICE WILL BE SECURE, TIMELY, UNINTERRUPTED, OR ERROR-FREE OR OPERATE IN COMBINATION WITH ANY OTHER HARDWARE, SOFTWARE, SYSTEM, OR DATA; (B) THE SERVICE WILL MEET CUSTOMER'S REQUIREMENTS OR EXPECTATIONS; (C) ANY STORED DATA WILL BE ACCURATE OR RELIABLE; (D) THE QUALITY OF ANY PRODUCTS, SERVICES, INFORMATION, OR OTHER MATERIAL PURCHASED OR OBTAINED BY CUSTOMER THROUGH THE SERVICE WILL MEET CUSTOMER'S REQUIREMENTS OR EXPECTATIONS; (E) ERRORS OR DEFECTS WILL BE CORRECTED; OR (F) THE SERVICE OR THE SERVER(S) THAT MAKE THE SERVICE AVAILABLE ARE FREE OF VIRUSES OR OTHER HARMFUL COMPONENTS. THE SERVICE AND ALL CONTENT IS PROVIDED TO CUSTOMER STRICTLY ON AN "AS IS" BASIS. ALL CONDITIONS, REPRESENTATIONS AND WARRANTIES, WHETHER EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR NON-INFRINGEMENT OF THIRD PARTY RIGHTS, ARE HEREBY DISCLAIMED TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW BY SPPX.

- f. SPPX'S SERVICES MAY BE SUBJECT TO LIMITATIONS, DELAYS, AND OTHER PROBLEMS INHERENT IN THE USE OF THE INTERNET AND ELECTRONIC COMMUNICATIONS. SPPX IS NOT RESPONSIBLE FOR ANY DELAYS, DELIVERY FAILURES, OR OTHER DAMAGE RESULTING FROM SUCH PROBLEMS.

12 Limitation of Liability

- a. IN NO EVENT SHALL EITHER PARTY'S AGGREGATE LIABILITY EXCEED THE AMOUNTS ACTUALLY PAID BY AND/OR DUE FROM CUSTOMER IN THE TWELVE (12) MONTH PERIOD IMMEDIATELY PRECEDING THE EVENT GIVING RISE TO SUCH CLAIM. IN NO EVENT SHALL EITHER PARTY BE LIABLE TO ANYONE FOR ANY INDIRECT, PUNITIVE, SPECIAL, EXEMPLARY, INCIDENTAL, CONSEQUENTIAL, OR OTHER DAMAGES OF ANY TYPE OR KIND (INCLUDING LOSS OF DATA, REVENUE, PROFITS, USE, OR OTHER ECONOMIC ADVANTAGE) ARISING OUT OF, OR IN ANY WAY CONNECTED WITH THIS SERVICE, INCLUDING BUT NOT LIMITED TO THE USE OR INABILITY TO USE THE SERVICE, OR FOR ANY CONTENT OBTAINED FROM OR THROUGH THE SERVICE, ANY INTERRUPTION, INACCURACY, ERROR, OR OMISSION, REGARDLESS OF CAUSE IN THE CONTENT, EVEN IF THE PARTY FROM WHICH DAMAGES ARE BEING SOUGHT HAS BEEN PREVIOUSLY ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.
- b. Certain states and/or jurisdictions do not allow the exclusion of implied warranties or limitation of liability for incidental, consequential, or certain other types of damages, so the exclusions set forth above may not apply to Customer.

13 Local Laws and Export Control; Securities Compliance

SPPX makes no representation that the Service is appropriate or available for use in other locations. Customer is solely responsible for compliance with all applicable laws, including all securities state and federal securities laws, and without limitation export and import regulations of other countries.

14 Notice

SPPX may give notice by means of a general notice on the Service, email to Customer address on record in SPPX's account information, or by written communication sent by first class mail or pre-paid post to Customer address on record in SPPX's account information. Such notice shall be deemed to have been given upon the expiration of 48 hours after mailing or posting (if sent by first class mail or pre-paid post) or 12 hours after sending (if sent by email). Customer may give notice to SPPX (such notice shall be deemed given when received by SPPX) at any time by any of the following: letter delivered by nationally recognized overnight delivery service or first class postage prepaid mail to SPPX at the following address:

Silicon Prairie Portal & Exchange LLC
Attn: David V Duccini
475 Cleveland Ave Suite 315
St. Paul, MN 55104

15 Modification to Terms

SPPX reserves the right to modify the terms and conditions of this Agreement or its policies relating to the Service at any time, effective upon the posting of an updated version of this Agreement on the Service. Customer is responsible for regularly reviewing this Agreement. Continued use of the Service following a period of thirty (30) days after any such changes shall constitute Customer's consent to such changes.

16 Assignment; Change in Control

This Agreement may not be assigned by Customer without the prior written approval of SPPX, which shall not be unreasonably withheld, but may be assigned without Customer's consent by SPPX to (i) a parent or subsidiary, (ii) an acquirer of assets, or (iii) a successor by merger. Any purported assignment in violation of this section shall be void. Any actual or proposed change in control of Customer that results or would result in a direct competitor of SPPX directly or indirectly owning or controlling 50 percent or more of Customer shall entitle SPPX to terminate this Agreement for cause immediately upon written notice.

17 General

1. This Agreement shall be governed by Minnesota law and controlling U.S. federal law, without regard to the choice or conflicts of law provisions of any jurisdiction, and any disputes, actions, claims, or causes of action arising out of or in connection with this Agreement or the Service shall be subject to the exclusive jurisdiction of the state and federal courts located in Hennepin County, State of Minnesota.
2. No text or information set forth on any other purchase order, preprinted form, or document shall add to or vary the terms and conditions of this Agreement. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, then such provision(s) shall be construed, as nearly as possible, to reflect the intentions of the invalid or unenforceable provision(s), with all other provisions remaining in full force and effect. No joint venture, partnership, employment, or agency relationship exists between Customer and SPPX as a result of this agreement or use of the

Service. The failure of SPPX to enforce any right or provision in this Agreement shall not constitute a waiver of such right or provision unless acknowledged and agreed to by SPPX in writing. This Agreement comprises the entire agreement between Customer and SPPX and supersedes all prior or contemporaneous negotiations, discussions or agreements, whether written or oral, between the parties regarding the subject matter contained herein.

IN WITNESS WHEREOF, the parties have executed this Portal Agreement as of the Effective Date.

SILICON PRAIRIE PORTAL & EXCHANGE (“SPPX”):

BY: /s/ David V Duccini

Name: David V Duccini

Title: Founder and CEO

CUSTOMER: Foremost Brewing Cooperative

By: /s/ Roger Warehime

Name: Roger Warehime

Title: Board Chair

APPENDIX A
Schedule of Fees

Customer use of portal:

Signup: 2,500

Launch: 2,500

Per Month (Post-Launch): 0

Not to exceed 5,000 in the aggregate.

APPENDIX B
Description / Documentation of Services

MNvest Portal Hosting Package, Investor Residency Verification, Investment Tracking, and all other services as may be necessary.

APPENDIX C
FBO Account Authorization Letter

Foremost Brewing Cooperative (“Customer”) hereby Authorizes Silicon Prairie Holdings, Inc. (“SPPX”) to initiate the creation of a bank account (the “FBO Account”) for the benefit of Customer at Sunrise Banks (“Bank”), pursuant to that certain Third Party Sender ACH Agreement between SPPX and Bank dated July 21, 2017, in order to collect amounts contributed from investors to Customer to be held in escrow for the benefit of Customer. This authorization shall remain in full force and effect until SPPX has received written notification from Customer of its termination in such time and in such manner as to afford SPPX a reasonable opportunity to act on such notification.

ASSIGNMENT. Customer hereby assigns to SPPX its rights and management of the FBO Account during the term of the engagement, which is defined as commencing from the effective date of the Offering with the Minnesota Department of Commerce and concluding at the final close of its Offering. Customer expressly authorizes SPPX to add its name to such agreement as an FBO.

DISBURSEMENT. Customer understands that no funds can be disbursed until two conditions have been satisfied:

- 1 The Customer raises its stated minimum amount as documented in its filing with Commerce, and
- 2 The Customer has accepted signed subscription agreements, including via e-signature, from each of its investors.

SPPX will aid in the collection of signed subscription agreements and verify receipt prior to the disbursements of any funds from the escrow account. Signed subscription agreements can be obtained through the portal using e-signatures. Customer will be responsible for placing a digital signature on file with SPPX to be used for the sole and express purpose of countersigning subscription agreements on Customer’s behalf.

Customer understands that all funds disbursed will be subject to transfer via an approved payment method, including but not limited to ACH, bank draft or wire transfer and will be subject to any fees required per method, to be deducted from funds held in escrow.

RECESSION. Customer understands that investors have the right to rescind their investment pledges up to 48 hours prior to the close of the offering and receive a full refund of all funds without fee.

CHARGEBACKS. Customer understands that investors who fund their escrow pledges via ACH can refute such transactions (“CHARGEBACK”) for up to 60 days. In the event an investor initiates an ACH chargeback, Customer understands funds in the equivalent amount may be held back until the matter is cured at Customer’s expense.

RELEASE. Customer hereby further agrees to release, indemnify and hold harmless SPPX as administrator of the FBO Account from any claim or demand arising out of the administration of the FBO Account.

COMPLIANCE AND RECORD-KEEPING

Customer agrees:

- (i) To be bound by the Rules of the National Automated Clearing House Association (“Rules”);
- (ii) To assume the obligations and make the representation and warranties of an “Originator,” a “Third Party Service Provider” and/or a “Third Party Sender,” as the case may be and as such terms are defined under the Rules;
- (iii) To receive and maintain proper authorization from the “Receiver” for each “Entry” initiated on behalf of the Customer, as such terms are defined under the Rules;
- (iv) To be exposed to a limit and be subject to procedures for Third Party Sender to review and adjust the exposure limit periodically; and
- (v) To allow Third Party Sender to conduct regular audits of the Customer.

EXHIBIT I
Advertisement
(actual and projected)
(See attached)

FOREMOST

BREWING COOPERATIVE

Foremost Brewing Cooperative, a start-up craft brewpub in Owatonna, is excited to offer equity ownership to ALL Minnesotans through the new MNvest Law.



FOREMOST
BREWING COOPERATIVE

If you are a resident of MN and a craft beer enthusiast, this is your opportunity to join the brewing community with ownership stake in Foremost Brewing Cooperative

Visit ForemostBrewingCoop.com today to see if this unique opportunity is right for you.

This advertisement is for informational purposes only. This offering is being made under the amendment to the Minnesota Securities Act (Minnesota Statutes, section 80A.461) and is directed at Minnesota residents only. All actual offers and sales will be made through the MNvest portal Silicon Prairie at SPPX.IO. The Department of Commerce is the securities regulator in Minnesota. The advertisement is not the offer.

EXHIBIT J
Notice Filing Form
(actual and projected)
(See attached)

MNvest Issuer Notice Form

This form is for use by MNvest issuers to file notice of a MNvest offering with the Minnesota Department of Commerce. MNvest issuers completing this form must carefully review and comply with Minnesota Statute 80A.461 and Minnesota Rules 2876.3050 – 2876.3060.

1 Issuer Information

Name of Issuer: Foremost Brewing Cooperative

Address: 524 Agnes Street

Owatonna, Minnesota 55060

Telephone: 507-456-1429

Email: roger.warehime@charter.net

Issuer's website: foremost.sppx.io

2 Contact to whom communications regarding this Notice should be directed:

Name: Zachary J. Robins

Address: 100 South 5th Street, Suite 1400

Minneapolis, MN 55402

Telephone: (612) 672-3709

Email: zrobins@MesserliKramer.com

3 Offering Information¹

Identify the broker-dealer or MNvest portal that will be used to offer the issuer's securities:

Silicon Prairie

Does the MNvest issuer also intend to act as portal operator?² Yes No
(If yes, the issuer must register as a portal operator before commencing with the offering.)

Amount to be offered: \$550,000 in Non-Patron Membership Interests

Minimum amount to be raised: \$260,000

Explain how the stated minimum offering will be sufficient to implement the issuer's business plan (attach additional pages if necessary):

When the investments are recieved by the Company, we will be able to fund our growth plans, the particulars of which are more fully elaborated in Exhibit A of the Investor Package

Offering Commencement Date: August 8, 2018

Offering Expiration Date: August 8, 2019

Name and contact information of Bank or Depository Institution (Escrow Agent) in which investor funds shall be deposited³:

Sunrise Banks

200 University Ave W, Suite 200, St. Paul, MN 55103

ATTN: Nate Koenig nate.koenig@sunrisebanks.com 651-259-2275

4 Disqualifications

The MNvest issuer affirms that it has:

1. reviewed the disqualification provisions of Minn. Stat. 80A.461 Subd. 9(a); and

¹See Minnesota Statute 80A.461, Subd. 3 when completing this section.

²See Minnesota Statute 80A.461, Subd. 1(d)

³See Minnesota Statute 80A.461, Subd. 3(8) and Minnesota Rule 2876.30515.

2. undertaken the inquiries needed to establish, under Minn. Stat. 80A.461, subd. 9(b)(4), that the issuer has no reason to know that a disqualification exists.

RW (Enter initials of person signing this form)

5 Additional Information

Please include the following with your submission:

- A copy of the issuer’s disclosure document including all information required under Minnesota Statute 80A.461 Subd. 4. The disclosure document filed with the Department should include, as a cover page, the MNvest Offering Disclosure Guide provided on pages 4-5 of this form.
- A copy of a representative example of advertising that the MNvest Issuer intends to use to promote this offering or solicit prospective purchasers.
- A copy of the issuer’s balance sheet and income statement as required by Minnesota Statute 80A.461 Subd. 3(4).
- A filing fee of \$300, made payable to the Minnesota Department of Commerce

The undersigned represents that the issuer understands the conditions that must be satisfied to be entitled to the MNvest Securities Registration Exemption and understands that the issuer claiming the availability of this exemption has the burden of establishing that these conditions have been satisfied. The issuer has read this Notice and knows the contents to be true and has authorized the undersigned to sign this form on the issuer’s behalf.

The undersigned affirms that to the best of his or her knowledge, information, and belief the statements made on this form are true.

Roger Warehime
Representative of Issuer (Print Name)
/s/ Roger Warehime
(Signature)

Board Chair
(Title)
August 8, 2018
(Date)

Filing Instructions: Issuers relying on the MNvest Securities Registration Exemption must submit this form and accompanying documents to the Minnesota Department of Commerce a minimum of ten (10) days prior to any offer or sale of a security that relies on this exemption. The form and all accompanying documents should be emailed to Securities.Commerce@state.mn.us with “MNvest notice” in subject line, or mailed to the Minnesota Department of Commerce at the below address:

Minnesota Department of Commerce
Securities Section
85 7th Place East, Suite 500
Saint Paul, MN 55101

2. undertaken the inquiries needed to establish, under Minn. Stat. 80A.461, subd. 9(b)(4), that the issuer has no reason to know that a disqualification exists.

RW (Enter initials of person signing this form)

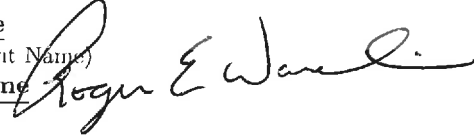
5 Additional Information

Please include the following with your submission:

- A copy of the issuer's disclosure document including all information required under Minnesota Statute 80A.461 Subd. 4. The disclosure document filed with the Department should include, as a cover page, the MNvest Offering Disclosure Guide provided on pages 4-5 of this form.
- A copy of a representative example of advertising that the MNvest Issuer intends to use to promote this offering or solicit prospective purchasers.
- A copy of the issuer's balance sheet and income statement as required by Minnesota Statute 80A.461 Subd. 3(4).
- A filing fee of \$300, made payable to the Minnesota Department of Commerce

The undersigned represents that the issuer understands the conditions that must be satisfied to be entitled to the MNvest Securities Registration Exemption and understands that the issuer claiming the availability of this exemption has the burden of establishing that these conditions have been satisfied. The issuer has read this Notice and knows the contents to be true and has authorized the undersigned to sign this form on the issuer's behalf.

The undersigned affirms that to the best of his or her knowledge, information, and belief the statements made on this form are true.

<u>Roger Warehime</u> Representative of Issuer (Print Name)		<u>Board Chair</u> (Title)
<u>/s/ Roger Warehime</u> (Signature)		<u>August 3, 2018</u> (Date)

Filing Instructions: Issuers relying on the MNvest Securities Registration Exemption must submit this form and accompanying documents to the Minnesota Department of Commerce a minimum of ten (10) days prior to any offer or sale of a security that relies on this exemption. The form and all accompanying documents should be emailed to Securities.Commerce@state.mn.us with "MNvest notice" in subject line, or mailed to the Minnesota Department of Commerce at the below address:

Minnesota Department of Commerce
Securities Section
85 7th Place East, Suite 500
Saint Paul, MN 55101

MNvest Offering Disclosure Guide

Pursuant to §80A.461 Subd. 4, issuers relying on the MNvest Securities Registration Exemption must create a disclosure document that contains the information and notices detailed below. A complete copy of the disclosure document must be made available through the MNvest portal to each prospective purchaser. Please list the page numbers of the disclosure document that include the information below.

1. The MNvest issuer's type of entity, the address and telephone number of its principal office, its formation history for the previous five years, a summary of the material facts of its business plan and its capital structure, and its intended use of the offering proceeds, including any amounts to be paid from the proceeds of the MNvest offering, as compensation or otherwise, to an owner, executive officer, director, governor, manager, member, or other person occupying a similar status or performing similar functions on behalf of the MNvest issuer.

Applicable page numbers within Disclosure Document: **Exhibit A, coveragepage**

2. The MNvest offering must stipulate the date on which the offering will expire, which must not be longer than 12 months from the date the MNvest offering commenced.

Applicable page numbers within Disclosure Document: **Introduction to Investor Package, coveragepage**

3. A copy of the escrow agreement between the escrow agent, the MNvest issuer, and, if applicable, the portal operator, as described in subdivision 3, clause (8).

Applicable page numbers within Disclosure Document: **Exhibit G (all)**

4. The financial statements required under Minnesota Statute, section 80A.461 subdivision 3, clause (4).

Applicable page numbers within Disclosure Document: **Exhibit F (all)**

5. The identity of all persons owning more than ten percent of any class of equity interests in the company.

Applicable page numbers within Disclosure Document: **Exhibit B Schedule of Non-Patrons**

6. The identity of the executive officers, directors, governors, managers, members, and other persons occupying a similar status or performing similar functions in the name of and on the behalf of the MNvest issuer, including their titles and their relevant experience.

Applicable page numbers within Disclosure Document: **Exhibit A, (Bios)**

7. The terms and conditions of the securities being offered, a description of investor exit strategies, and of any outstanding securities of the MNvest issuer; the minimum and maximum amount of securities being offered; either the percentage economic ownership of the MNvest issuer represented by the offered securities, assuming the minimum and, if applicable, maximum number of securities being offered is sold, or the valuation of the MNvest issuer implied by the price of the offered securities; the price per share, unit, or interest of the securities being offered; any restrictions on transfer of the securities being offered; and a disclosure that any future issuance of securities might dilute the value of securities being offered.

Applicable page numbers within Disclosure Document: **Exhibit B (all)**

8. The identity of and consideration payable to a person who has been or will be retained by the MNvest issuer to assist the MNvest issuer in conducting the offering and sale of the securities, including a portal operator, but excluding (i) persons acting primarily as accountants or attorneys, and (ii) employees whose primary job responsibilities involve operating the business of the MNvest issuer rather than assisting the MNvest issuer in raising capital.

Applicable page numbers within Disclosure Document: **Exhibit H (Appx A)**

9. A description of any pending material litigation, legal proceedings, or regulatory action involving the MNvest issuer or any executive officers, directors, governors, managers, members, and other persons occupying a similar status or performing similar functions in the name of and on behalf of the MNvest issuer.

Applicable page numbers within Disclosure Document: **N/A (No Pending Legal Matters)**

10. A statement of the material risks unique to the MNvest issuer and its business plans.

Applicable page numbers within Disclosure Document: **Exhibit C (all)**

11. A statement that the securities have not been registered under federal or state securities law and that the securities are subject to limitations on resale.

Applicable page numbers within Disclosure Document: **Investor Package, Introduction**

12. The following legend must be displayed conspicuously in the disclosure document:

“IN MAKING AN INVESTMENT DECISION, PURCHASERS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR DIVISION OR OTHER REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED BY SUBSECTION (e) OF SEC RULE 147 (CODE OF FEDERAL REGULATIONS, TITLE 17, PART 230.147 (e)) AS PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. PURCHASERS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

SALES WILL BE MADE ONLY TO RESIDENTS OF MINNESOTA. OFFERS AND SALES OF THESE SECURITIES ARE MADE UNDER AN EXEMPTION FROM FEDERAL REGISTRATION AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. FOR A PERIOD OF SIX MONTHS FROM THE DATE OF THE SALE BY THE ISSUER OF THE SECURITIES, ANY RESALE OF THE SECURITIES (OR THE UNDERLYING SECURITIES IN THE CASE OF CONVERTIBLE SECURITIES) SHALL BE MADE ONLY TO PERSONS RESIDENT WITHIN MINNESOTA. ANY RESALE OF THESE SECURITIES MUST BE REGISTERED OR EXEMPT PURSUANT TO THIS CHAPTER.”

Applicable page numbers within Disclosure Document: **Investor Package, Introduction**

13. The following legend must be displayed conspicuously on the certificate or other document, if applicable, evidencing the security stating that:

“OFFERS AND SALES OF THESE SECURITIES WERE MADE UNDER AN EXEMPTION FROM FEDERAL REGISTRATION AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. FOR A PERIOD OF SIX MONTHS FROM THE DATE OF THE SALE BY THE ISSUER OF THESE SECURITIES, ANY RESALE OF THESE SECURITIES (OR THE UNDERLYING SECURITIES IN THE CASE OF CONVERTIBLE SECURITIES) SHALL BE MADE ONLY TO PERSONS RESIDENT WITHIN MINNESOTA. ANY RESALE OF THESE SECURITIES MUST BE REGISTERED OR EXEMPT PURSUANT TO THIS CHAPTER.”

Applicable page numbers within Disclosure Document: **Investor Package, Introduction**

14. Per MN Rules §2876.3055, MNvest issuers must take reasonable steps to ensure that purchasers' financial and personal information is properly secured. Reasonable steps include, at a minimum, a written cybersecurity policy that outlines the MNvest issuer's policies and procedures. Please carefully review the complete Rule for specific requirements.

Applicable exhibit and webpage reference: **<https://foremost12.wixsite.com/foremostbrewing>**

EXHIBIT K

Cyberpolicy

Can be found at <https://foremost12.wixsite.com/foremostbrewing>