

VERMONT ECONOMIC DEVELOPMENT AUTHORITY

Minutes

July 26, 2019

A meeting of the Vermont Economic Development Authority (VEDA) convened at the offices of the Vermont Economic Development Authority, Montpelier, Vermont on July 26, 2019 beginning at 9:36 a.m. Those Members of the Authority present were: T. Gallagher, Chair; D. Kurzman; L. Graves; S. Voigt; T. Foster; R. Shippee and E. Delhagen (designee for J. Tierney). Members present via phone were: M. Tuttle; T. Collier and B. Pearce. Staff members present were: C. Polhemus, Chief Executive Officer; P. Samson, Chief Lending Officer; D. Carter, Chief Financial Officer; R. Grzankowski, Chief Operations Officer; C. Houchens, Chief Compliance and Loan Review Officer; S. Isham, Director of Agricultural Lending; T. Porter, Director of Commercial Lending; Senior Loan Officers: S. Buckley and A. Curler; E. Denny, Loan Officer; C. Morris, Communications Manager; C. Brown, Office/Facilities Manager and K. Kilpatrick, Administrative Assistant. Those Members present constituted a quorum. Member M. Schirling, P. Fitzgerald, Director of Loan Resolution and J. Kimberly, Deputy Director of Agricultural Lending entered the meeting later.

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On a motion by L. Graves, seconded by D. Kurzman, the minutes for the June 28, 2019 meeting were approved by those Members of the Authority present by a vote of 9 to 0 with the Chair abstaining.

At 9:37 a.m. M. Schirling entered the meeting.

New Member – R. Shippee

T. Gallagher welcomed R. Shippee to the Board. R. Shippee offered a brief background, stating she had worked for many years for USDA Rural Development, covering both Vermont and New Hampshire. She stated she enjoyed working with VEDA at that time and was looking forward to working with VEDA again as a Member of the Board.

CEO's Report

Introduction – P. Samson

C. Polhemus opened her Report by introducing P. Samson, the new Chief Lending Officer, stating he had jumped right into work in his first three weeks and was spending time getting to know staff and borrowers.

At 9:39 a.m. P. Fitzgerald entered the meeting.

P. Samson then explained he was excited to join VEDA and looking forward to helping economic development in Vermont.

Introduction – C. Morris

Next, C. Polhemus introduced C. Morris, the Communications Manager who took over for S. Cavanagh after her retirement in March. She stated he is responsible for all press releases and social digital marketing and will be working on the Annual Report.

End of Fiscal Year

C. Polhemus then explained the Executive Committee had met just prior to the Board Meeting. She thanked staff for their hard work, resulting in an incredibly productive end of FY2019. She noted it took a huge team effort and was pleased with how staff pulled together and ended the year on a positive note.

Planning Meeting – September 19, 2019 – Burke Mountain Resort

Next, C. Polhemus stated she has engaged a strategic planner, Bob Kafafian of the Kafafian Group, to help facilitate strategic planning at the Planning Meeting in September. She explained she will soon be sending out a questionnaire to the Members with questions similar to a SWOT (Strengths, Weaknesses, Opportunities, Threats) Analysis. She will ask the Members to return the survey quickly, to enable the results to be compiled prior to the August Board Meeting. She explained a survey will also be provided to VEDA management and staff. At the September Planning Meeting the survey results, along with financial information and additional public policy goals, statutes, etc. will be included in workbooks and the entire day will be devoted to productively framing a Strategic Plan. She noted the Plan will not be completed at the September meeting; Management will take the framework and build out the details and fine tuning.

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Pipeline

C. Polhemus explained there are several clean water projects in the pipeline and VEDA now has a new clean water affiliate program which will generate loans with larger requested amounts. C. Polhemus continued by reviewing several loans on the Commercial pipeline.

Cross House

Next, C. Polhemus explained the renovations are moving forward on the Cross House. Additional bids have been received which will reduce the original pricing. She noted VEDA is in talks with potential tenants who are very interested in the space.

Board Financial Summary

D. Carter stated direct approvals for FY2019 totaled \$56.57 million, \$2.93 million below budget and \$3.86 million below FY2018. Loans closed for FY2019 totaled \$52.22 million, \$5.93 million below budget and \$2.53 million above FY2018.

D. Carter continued his financial report, explaining Net Operating Income before fair value adjustment for FY2019 was favorable to budget by \$679,200. Net Interest Income was favorable to budget by \$259,200. Other Income was unfavorable to budget by \$539,500.

Credit Quality Report

D. Carter provided the Members with the Credit Quality Report.

At 9:55 a.m. M. Tuttle disconnected from the call for the remainder of the day.

Appointment of Deputy Manager (Chief Lending Officer)/Document Signing Authority

C. Polhemus explained that in his new role of Chief Lending Officer, P. Samson will also be Deputy Manager of VEDA, and in this role will need the authority to sign loan documents.

On a motion by L. Graves, seconded by T. Foster, the following resolution was approved by those Members of the Authority present by a vote of 9 to 0 with the Chair abstaining.

Resolution

WHEREAS, Peter Samson be and he hereby is appointed Deputy Manager and Chief Lending Officer of the Authority effective July 26, 2019;

NOW THEREFORE BE IT RESOLVED, that pursuant to Article IV, Section 5 of the Authority's Bylaws, Peter Samson, Chief Lending Officer, be and hereby is authorized to act as the Authority's agent for the purpose of signing, acknowledging and delivering contracts, written

documents and instruments, commitments, deeds, mortgages and mortgage discharges, subordinations and all manner of written agreements for and on behalf of the Authority.

Check Signing Authority

C. Polhemus explained P. Samson, as Chief Lending Officer, needs authorization to sign checks on behalf of the Authority.

On a motion by S. Voigt, seconded by D. Kurzman, the following resolution was approved by those Members of the Authority present by a vote of 9 to 0 with the Chair abstaining.

Banking Resolution

WHEREAS, the Vermont Economic Development Authority (Authority) has, from time to time, authorized certain officers and staff members to sign checks drawn on the various accounts of the Authority and to invest, reinvest and redeem certificates of deposit and repurchase agreements from and with various Vermont banks (Banks) and initiate wire transfers of funds to and from the Banks for these purposes;

NOW THEREFORE BE IT RESOLVED, the Authority's Chief Executive Officer, Chief Lending Officer and Chief Financial Officer will each have individual signing authority for any check, cash and wire transfer of the Authority for any amount up to \$10,000. The following will each have individual signing authority for any check, cash, and wire transfer of the Authority for any amount up to \$5,000: the Chair of the Authority; the Treasurer of the Authority; Carol Brown; Margaret Baird; Kelly Leonard; Deborah Izor and Renee Grzankowski. All checks, cash and wire transfers drawn on any Authority account in excess of \$10,000 must be signed and countersigned by two of the above authorized individuals;

BE IT FURTHER RESOLVED, that the Authority's Chief Executive Officer, Chief Lending Officer and Chief Financial Officer are each hereby authorized to purchase, transfer, redeem and withdraw or reinvest the proceeds of certificates of deposit, repurchase agreements, and other investment securities, and to transfer funds to and from the Banks, whether manually, by wire or otherwise, as necessary to carry out the purposes specified above. The Chief Executive Officer, Chief Lending Officer and Chief Financial Officer are each also hereby authorized to contract with the Banks for safe deposit services and to designate certain employees or contractors to have access to such safe deposit services. The Banks are directed to honor any such requests;

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BE IT FURTHER RESOLVED, that the foregoing Resolution shall remain in full force and effect until written notice of its amendment or rescission shall have been received by the Banks;

BE IT FURTHER RESOLVED, that this Resolution supercedes and replaces that approved by the Authority on March 30, 2018.

FY2020 Final Budget

T. Gallagher explained the Executive Committee met prior to the Board Meeting and discussed the 2020 Budget. He stated the Committee recommends approval of the budget as presented. D. Carter then reviewed the Final 2020 Budget with the Members.

On a motion by D. Kurzman, seconded by T. Collier, the FY2020 Budget was approved by those Members of the Authority present by a vote of 9 to 0 with the Chair abstaining.

Credit Risk Classification Report – 4th Quarter FY2019

C. Polhemus reviewed Staff's Credit Risk Classification Report recommendations for the VEDA loan portfolios for the 4th quarter of fiscal 2019 (ended June 30, 2019) which included recommended loan loss reserves in the amount of \$3,399,100.

At 10:15 a.m. M Schirling left the meeting and returned at 10:20 a.m.

At 10:26 a.m. D. Kurzman left the meeting and returned at 10:29 a.m.

E. Delhagen asked if there is a policy or mechanism in place to limit exposure to high risk borrowers. C. Polhemus explained there is no policy currently which limits this and that VEDA's mission and public policy goals involve higher risk lending, however this would be a good item for discussion at the Strategic Planning Meeting.

After discussion regarding the reserves and changes recommended thereto, on a motion by S. Voigt, seconded by L. Graves, the recommendations were approved by those Members of the Authority present by a vote of 9 to 0 with the Chair abstaining.

Revisions to Staff Loan Approval Authority

C. Polhemus explained the Staff Loan Approval Authority needed to be updated to include the newly created position of Chief Lending Officer as well as the new Clean Water State Revolving Fund and the Windham County Economic Development Loan Program.

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On a motion by D. Kurzman, seconded by S. Voigt, the revisions to the Staff Loan Approval Authority were approved by those Members of the Authority present by a vote of 9 to 0 with the Chair abstaining.

Enterprise Risk Management Program Revision

C. Houchens explained the creation of the position of Chief Lending Officer (CLO) requires an update to the Enterprise Risk Management Program (ERM). She stated the CLO was added as an ERM Committee member and was identified as the Risk Manager for Credit Risk. Also updated was R. Grzankowski's title from Director of Operations to Chief Operations Officer.

On a motion by D. Kurzman, seconded by S. Voigt, the revisions to the Enterprise Risk Management Program were approved by those Members of the Authority present by a vote of 9 to 0 with the Chair abstaining.

Loan Review Program Revisions

C. Houchens explained revisions had been made to the Loan Review Program, including term loans with balances less than \$10,000 be excluded from sample size requirements and the frequency for the SBA 504 Loan Review was reduced from annually to every other year as reflected by the revised SBA requirements.

On a motion by S. Voigt, seconded by T. Foster, the revisions to the Loan Review Program were approved by those Members of the Authority present by a vote of 9 to 0 with the Chair abstaining.

Castleton GLC Solar, LLC – Castleton – Commercial Energy – \$339,709

S. Buckley explained Castleton GLC Solar, LLC (CGS) of Castleton is requesting \$339,709 in Commercial Energy financing. The loan will be secured by a security interest in all of the borrower's project machinery and equipment, a security interest in all other now owned or hereafter acquired business assets, a security interest in a debt service reserve account, collateral assignment of the Act 248 Certificate of Public Good, collateral assignment of the Group Net Metering Agreement with Sugarbush Resort, collateral assignment of the Engineering, Procurement and Construction Agreement, and all other contracts involved in constructing, operating, monitoring and maintaining the project facility including the construction contracts and subcontracts with Green Lantern Construction (owner of Holdco), collateral assignment of

borrower's rights under a 20-year lease agreement with Christine Galvin, and guaranty of Holdco (owner of owner of CGS).

After discussion regarding forbearance, off-takers, solar panel productivity, and the overall scope of the request, on a motion by T. Collier, seconded by D. Kurzman, the above loan request was approved by those Members of the Authority present by a vote of 9 to 0 with the Chair abstaining.

Pownal Transfer East GLC Solar, LLC – Pownal – Commercial Energy – \$295,655

S. Buckley explained Pownal Transfer East GLC Solar, LLC of Pownal is requesting \$295,655 in Commercial Energy financing. The loan will be secured by a security interest in all of the borrower's project machinery and equipment, a security interest in all other now owned or hereafter acquired business assets, a security interest in a debt service reserve account, collateral assignment of the Act 248 Certificate of Public Good, collateral assignment of the Group Net Metering Agreement with Essex Westford School District, collateral assignment of the Engineering, Procurement and Construction Agreement, and all other contracts involved in constructing, operating, monitoring and maintaining the project facility including the construction contracts and subcontracts with Green Lantern Construction (owner of Holdco), collateral assignment of borrower's rights under a 20-year lease agreement with the Town of Pownal, and guaranty of Holdco (owner of owner of CGS).

On a motion by L. Graves, seconded by D. Kurzman, the above loan request was approved by those Members of the Authority present by a vote of 9 to 0 with the Chair abstaining.

RTLS Solar, LLC – Randolph – Commercial Energy – \$314,996

S. Buckley explained RTLS Solar, LLC of Randolph is requesting \$314,996 in Commercial Energy financing. The loan will be secured by a security interest in all of the borrower's project machinery and equipment, a security interest in all other now owned or hereafter acquired business assets, a security interest in a debt service reserve account, collateral assignment of the Act 248 Certificate of Public Good, collateral assignment of the Group Net Metering Agreement with Essex Westford School District, collateral assignment of the Engineering, Procurement and Construction Agreement, and all other contracts involved in constructing, operating, monitoring and maintaining the project facility including the construction contracts and subcontracts with Green Lantern Construction (owner of Holdco),

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collateral assignment of borrower's rights under a 20-year lease agreement with the Town of Randolph, and guaranty of Holdco (owner of owner of CGS).

On a motion by D. Kurzman, seconded by L. Graves, the above loan request was approved by those Members of the Authority present by a vote of 9 to 0 with the Chair abstaining.

Windsor South GLC Solar, LLC – Windsor – Commercial Energy – \$1,019,151

S. Buckley explained Windsor South GLC Solar, LLC in Windsor is requesting \$1,019,151 in Commercial Energy financing. The loan will be secured by a security interest in all of the borrower's project machinery and equipment, a security interest in all other now owned or hereafter acquired business assets, a security interest in a debt service reserve account, collateral assignment of the Act 248 Certificate of Public Good, collateral assignment of the Group Net Metering Agreement with GS Precision, collateral assignment of the Engineering, Procurement and Construction Agreement, and all other contracts involved in constructing, operating, monitoring and maintaining the project facility including the construction contracts and subcontracts with Green Lantern Construction (owner of Holdco), collateral assignment of borrower's rights under a 20-year lease agreement with GL Pittsford Holdings, LLC, Collateral assignment of Interconnection Agreement with Green Mountain Power, and guaranty of Holdco (owner of owner of CGS).

On a motion by L. Graves, seconded by D. Kurzman, the above loan request was approved by those Members of the Authority present by a vote of 9 to 0 with the Chair abstaining.

At 11:00 a.m. J. Kimberly entered the meeting.

Solar Lending Limits Discussion

C. Polhemus explained VEDA has reached the solar lending limit cap of \$8 million set by the Members at the January 25, 2019 meeting. She noted Green Lantern Construction has several more solar projects to complete and would like to continue working with VEDA for funding; therefore, staff request the Members consider raising the lending limit. Discussion ensued regarding tax equity, due diligence, renewable energy certificates and risks involved with solar lending.

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T. Gallagher asked Staff to put forth a proposal for the mid-month Loan Committee meeting on August 9, 2019. This proposal will be considered by the Committee and, if approved, should be brought before the full Board for ratification at the August 23, 2019 meeting. B. Pearce stated it is important to make a decision promptly for the benefit of the borrower, but also noted this topic should be considered for part of the strategic planning slated for the September 19, 2019 Planning Meeting.

At 11:22 a.m. T. Gallagher left the meeting and returned at 11:24 a.m.

Presentation on Clean Water Loan Program (Affiliate Loan Program)

T. Porter provided the Members with an overview of the affiliate loan programs with the Department of Environmental Conservation: Drinking Water State Revolving Loan Fund and the new Clean Water Loan Program.

C. Polhemus explained these loans fall under the affiliate loan programs and are not required to come before the Board; but she noted the some of the loans in the Clean Water Loan Program will be quite sizeable. She wanted to be sure this was understood by all Members. She continued, noting VEDA would be doing the underwriting on the loans.

Staff Authority – Loan Approval

Pursuant to a resolution passed by the Members of the Authority at the July 29, 2016 meeting, Staff has approved the following loan:

Name	Town	Program	Loan Amount
Wilmington Miller Road GLC Solar, LLC	Wilmington	Commercial Energy	\$266, 261

Staff Authority – Other Business

Staff presented the Members with the Internal Other Business memo.

Staff Authority – Other Affiliate Programs – Loan Approval

Pursuant to Affiliate Program agreements and memorandums of understanding, Staff has recommended the following loan. (Note BRF – Brownfields Revitalization Fund; DWRSF – Drinking Water State Revolving Fund; LASRF – Local Assistance State Revolving Loan Fund; WCEDP – Windham Community Economic Development Program).

Name	Town	Program	Loan Amount
City of St. Albans	St. Albans	BRF	\$393,503

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There being no other business to properly come before the Authority, on a motion by T. Collier, seconded by S. Voigt, the meeting adjourned at 11:34 a.m.

ATTEST:

Vermont Economic Development Authority

By: _____
Cassandra F. Polhemus, Chief Executive Officer

DRAFT