

VERMONT ECONOMIC DEVELOPMENT AUTHORITY

Minutes

December 13, 2019

A meeting of the Vermont Economic Development Authority (VEDA) convened at the offices of the Vermont Economic Development Authority, Montpelier, Vermont on December 13, 2019 beginning at 9:32 a.m. Those Members of the Authority present were: T. Gallagher, Chair; S. Voigt; T. Foster; E. Delhagen (designee for J. Tierney); R. Shippee; A. Gagner and J. Goldstein (designee for L. Kurrle). Members participating via phone were: T. Collier; D. Kurzman; L. Graves and B. Pearce. Staff members present were: C. Polhemus, Chief Executive Officer; P. Samson, Chief Lending Officer; D. Carter, Chief Financial Officer; C. Houchens, Chief Risk and Resource Officer; R. Grzankowski, Chief Operations Officer; S. Isham, Director of Agricultural Lending; C. Morris, Communications Manager; Senior Loan Officers: M. Dussault, S. Croft, J. Conklin and A. Wood; Loan Officers: E. Paradee, C. Leonard and E. Hall and K. Kilpatrick, Administrative Assistant. Also present via phone: R. Milrod of CFO Consulting Partners. Member A. Eastman (designee for A. Tebbetts), T. Porter, Director of Commercial Lending; J. Kimberly, Deputy Director of Agricultural Lending and A. Curler, Senior Loan Officer entered the meeting later. Those Members present constituted a quorum.

Minutes of October 25, 2019

On a motion by T. Collier, seconded by T. Foster, the minutes of the October 25, 2019 regular and annual meetings were approved by those Members of the Authority present by a vote of 10 to 0 with the Chair abstaining.

At 9:34 a.m. T. Porter entered the meeting.

CEO's Report

Orientation to VEDA

C. Polhemus explained an orientation session would be held immediately following the Board Meeting. She noted she was pleased to find so many Members excited to participate. The

format today would be a brief overview of how the VACC, Commercial and Operations Departments work, then should the Members wish to discuss more topics in-depth, additional presentations will be made at a later date.

CoBank Audit

Next, C. Polhemus explained the annual CoBank review of the VACC portfolio held in October went very well. She noted during the exit interview, the lead examiner noted the audit was “really strong”.

Potential Legislative Initiatives for 2020

J. Goldstein explained she has been working with C. Polhemus and P. Samson to incorporate VEDA into an incentive program with the Agency of Commerce and Community Development. She explained currently the incentive is paid to qualifying businesses over time, but many small businesses need the funds upfront. She explained VEDA’s involvement in the program will help these businesses receive funds in a timelier fashion. She explained the program will be launched as a pilot program and will be expanded if successful.

At 9:40 a.m. S. Voigt left the meeting.

At 9:42 a.m. A. Eastman entered and S. Voigt returned to the meeting.

C. Polhemus explained a change to VACC’s statute is currently being considered to enable lending to various agritourism opportunities for farmers. She explained agritourism includes a broad range of activities that can provide diversified sources of revenues. She continued, noting VACC’s statute does not currently permit loans for this purpose.

Operations Update from R. Grzankowski

C. Polhemus explained VEDA’s current cloud-based document management system, Xyθος, would no longer be supported by its parent company, BlackBoard. As such, members of the Operations team have researched various options for replacement. C. Polhemus is happy to report the best option for replacement is already owned by VEDA – SharePoint. Utilizing SharePoint’s Document Library will make for a smooth transition as well as a cost-effective one. With syncing from the old system to the new occurring every night, the change over to the new system will be complete for the start of 2020.

Latest on Hemp

Next, C. Polhemus explained the November trip to Northeast Processing in Brattleboro was successful, interesting and educational. She commented the trip came just two days after the USDA announced its “Interim Final Rule on US Domestic Hemp Production” – which includes clarity on sampling and testing for THC, disposal for “hot crops” (considered marijuana and accordingly cannot be composted or used for soil amendments and must be disposed as a Schedule I substance), interstate commerce, and signals to the banking industry that hemp and CBD are legal.

Staff News

C. Polhemus continued her report welcoming D. Carter back after his time away. Next, C. Polhemus congratulated C. Houchens on her recent promotion to Chief Risk and Resource Officer, noting this new role will provide C. Houchens with additional responsibilities related to human resources. Lastly, C. Polhemus noted there have been 4 babies born to VEDA employees over the past several months.

Cross House and Middlebury Office Update

C. Polhemus continued her report noting work at the Cross House was very close to completion, with just a few items still needing to be removed from the parking lot. She explained tenants are ready to occupy the building effective January 1, 2020. She closed her report stating the new Middlebury office space is currently under construction. This new space on Exchange Street should be ready for occupancy in summer 2020.

December Loan Committee Meeting

P. Samson noted there would be a project to present at the Loan Committee Meeting next Friday, December 20, 2019. He explained the writeup will be sent to the Members of the Committee early next week.

Board Financial Summary

D. Carter stated direct approvals for the first five months of FY2020 totaled \$18.31 million; \$2.10 million below budget and \$320 thousand below the same period of FY2019. Loans closed for the first five months of FY2020 totaled \$14.88 million; \$2.20 million below budget and \$7.99 million below the same period in FY2019.

D. Carter continued his financial report, explaining Net Operating Income for the first five months of FY2020 was favorable to budget by \$597.7 thousand. Net Interest Income was favorable to budget by \$2.73 million. Other Income was unfavorable to budget by \$204.8 thousand.

Credit Quality Report

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

At 10:13 a.m. R. Milrod disconnected from the meeting.

Commercial Loan Review

C. Houchens explained the Commercial Loan Review included Subchapter 3, 5 and Commercial Energy loans. C. Houchens then reviewed the report with the Members, explaining findings and recommended actions. She further noted a report will be presented to the Members quarterly for those items which are outstanding.

On a motion by J. Goldstein, seconded by A. Eastman, the Commercial Loan Review was approved by those Members of the Authority present by a vote of 11 to 0 with the Chair abstaining.

Risk and Resource Department Update

Next, C. Houchens explained the Members will now receive a regular update from the Risk and Resource Department. Included in today's update was VEDA Compliance Management System, VEDA Loan Review Program, Enterprise Risk Management and Human Resources.

At 10:23 a.m. T. Gallagher left the meeting and returned at 10:25 a.m.

At 10:24 a.m. S. Voigt left the meeting.

Long Trail Brewing Co., Inc./Otter Creek Brewing Company LLC – Bridgewater and Middlebury – Subchapter 5 – \$440,000

S. Croft explained Long Trail Brewing Co., Inc. (LTBC) and Otter Creek Brewing Company LLC (OCB) of Bridgewater and Middlebury are requesting a Subchapter 5 loan in the

amount of \$440,000. The loan will be secured by a mortgage on the land and buildings located in Bridgewater, a mortgage on the land and buildings located in Middlebury and a security interest in all business assets of LTBC and OCB.

At 10:31 a.m. A. Curler entered the meeting and S. Voigt returned to the meeting.

At 10:34 a.m. J. Kimberly entered the meeting.

After discussion regarding industry risk, company renovations, covenants and waivers, on a motion by A. Eastman, seconded by J. Goldstein, the above loan request was approved by those Members of the Authority present by a vote of 11 to 0 with the Chair abstaining.

After thoroughly reviewing the loan request, VEDA staff has made the following determinations per 10 V.S.A. § 262:

- (1) The project is within the scope of this chapter and will increase or maintain employment and expand the economy of the State;
- (2) The project plans comply with all applicable environmental, zoning, planning, and sanitary laws and regulations of the municipality where it is to be located and of the State of Vermont;
- (3) The making of the loan will be of public use and benefit;
- (4) The proposed loan will be adequately secured by a mortgage on real property or equipment, or both;
- (5) The principal obligation of the Authority's mortgage does not exceed \$1,500,000.00 which may be secured by land and buildings or by machinery and equipment, or both; unless an integral element of the project consists of the generation of heat or electricity employing biomass, geothermal, methane, solar, or wind energy resources to be primarily consumed at the project, in which case the principal obligation of the Authority's mortgage does not exceed \$2,000,000.00, which may be secured by land and by buildings, or machinery and equipment, or both; such principal obligation does not exceed 40 percent of the cost of the project; and the mortgagor is able to obtain financing for the balance of the cost of the project from other sources as provided in the following section;
- (6) The mortgagor is responsible and able to manage its responsibilities as mortgagor and owner of the project;
- (7) The mortgage has a satisfactory maturity date, in no case later than 20 years from the date of the mortgage;
- (8) The mortgagor is unable to finance the project upon reasonable terms without the assistance of the requested loan from the Authority, or in the alternative, the granting of the loan will serve as a substantial inducement for the establishment or expansion of an eligible project within the State;

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(9) The mortgagor has made adequate provision for insurance protection of the project while the loan is outstanding; and

(10) The loan will be without unreasonable risk of loss to the Authority. Such findings when adopted by the Authority shall be conclusive.

Board Loan Committee – Approval

The following loan has been approved by the VEDA Board Loan Committee

Name	Town	Program	Loan Amount
Northeast Kingdom Development Corporation (Yellow Barn Business Accelerator)	Hardwick	Subchapter 3	\$2,152,162

Staff Authority – Loan Approvals

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

Name	Town	Program	Loan Amount
Grasteu Associates, Inc. and Huntington SS LLC	Huntington	Com Energy	\$ 60,000
RB3, LLC	Colchester	Subchapter 5	\$350,000

Staff Authority – Other Business

Staff presented the Members with the Internal Other Business memo.

Staff Authority – Other Affiliate Programs – Loan Approvals

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

Name	Town	Program	Loan Amount
East Thetford Water Company, Inc.	East Thetford	LASRF	\$100,000
Country Club Condominium of Bolton Homeowners' Assoc., Inc.	Jericho	DWSRLF	\$ 71,000
North Harbor Residents Association, Inc.	Colchester	DWSRLF	\$ 61,035
Colonial Estates Condominium Association, Inc.	Fairfax	DWSRLF	\$175,000

Staff Authority – Other Affiliate Programs – Other Business

Staff presented the Members with the Internal Other Affiliate Programs Other Business memo.

There being no other business to properly come before the Authority, on a motion by T. Collier, seconded by J. Goldstein, the meeting adjourned at 10:47 a.m.

ATTEST:

Vermont Economic Development Authority

By: _____
Cassandra F. Polhemus, Chief Executive Officer

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