

VERMONT ECONOMIC DEVELOPMENT AUTHORITY

Minutes

July 29, 2022

A meeting of the Vermont Economic Development Authority (VEDA) convened at VEDA's office in Montpelier on July 29, 2022, beginning at 9:32 a.m. Members present in VEDA's office were: S. Voigt, Chair; T. Gallagher; T. Foster; R. Shippee; K. Hale and E. Delhagen (designee for J. Tierney). Staff present in VEDA's Montpelier office were: C. Polhemus, Chief Executive Officer; P. Samson, Chief Lending Officer; T. Richardson, Chief Financial Officer; R. Grzankowski, Chief Operations Officer; S. Croft, Deputy Director of Commercial Lending; S. Isham, Director of Agricultural Lending; A. Wood, Deputy Director of Agricultural Lending; J. Emens-Butler, Director of Closing; E. Denny, Senior Loan Officer; A. Wright, Executive Assistant and Office Manager; and K. Kilpatrick, Administrative Assistant. Those Members joining the meeting later via teleconferencing were: J. Goldstein (designee for L. Kurrle) and A. Eastman (designee for A. Tebbetts). Joining the meeting later in VEDA's office were: Senior Loan Officer: M. Dussault; E. Kahler, Executive Director of Vermont Sustainable Jobs Fund and J. St. Onge, President of Flexible Capital Fund. Those Members present constituted a quorum.

CEO's Report

C. Polhemus opened her report noting she had met with the Legislature's Joint Fiscal Committee regarding the recently passed Forgivable Loan Program. Further discussions on guidelines and eligibility will continue into mid-August.

At 9:37 a.m. J. Goldstein joined the meeting via teleconferencing.

Next, C. Polhemus reflected on the labor shortages, noting three recent staff resignations as well as three Board Member vacancies.

C. Polhemus continued with positive news on SSBCI, noting the Joint Fiscal Committee approved accepting the state's \$58 million SSBCI allocation. Four venture capital fund managers have been selected to manage the venture capital portion.

C. Polhemus closed her report welcoming Members to attend the August 18th open house at VEDA's Middlebury office from 2:00 – 4:30 p.m.

Member Area Review

E. Delhagen noted the increase in telecom funds to expand broadband networks, and the ramping up to deploy the allocated \$145 million dollars.

J. Goldstein updated Members on recently passed federal legislation including the CHIPS (Creating Helpful Incentives to Produce Semiconductors Bill), and the major energy and tax bill to pay renewable energy incentives.

At 9:55 a.m. M. Dussault entered the meeting.

Vermont Sustainable Jobs Fund and Flex Capital Fund Presentation

E. Kahler presented a history and overview of the Vermont Sustainable Jobs Fund (VSJF). VSJF is a non-profit organization that provides business assistance, value chain facilitation, network development, and strategic planning. Its programs include Farm to Plate Investment Program, Vermont Forest Products Program, Delta Clime (a business accelerator program for the climate economy), and Vermont Bioenergy Initiative. E. Kahler noted VSJF has developed deep knowledge across sectors and encourages VEDA's loan officers to use VSJF's industry expertise in the areas of agriculture and food systems, forest products, waste management, renewable energy, and environmental technology.

At 10:14 a.m. A. Eastman joined the meeting via teleconferencing.

J. St. Onge presented an overview of the Flexible Capital Fund (FCF), a low profit investment fund launched in 2011 investing in small and growth stage companies in sustainable agriculture and food systems, forest products, renewable energy, clean technology and other natural resource sectors. FCF uses revenue-based financing which is an investment product whereby the investor is repaid by a percent of revenue over time. J. St. Onge noted FCF is currently closed, and she is in the process of raising capital for a new regional fund.

At 10:41 a.m. E. Kahler and J. St. Onge left the meeting.

Consent Agenda

Approval Item

1. Minutes of June 24, 2022
2. SBA 504 Loan Review Report

Informational Items

3. Strategic Plan – Quarterly Update
4. Loan Review Quarterly Update
5. Staff Authority – Loan Approvals

Name	Town	Program	Loan Amount
Mountain Brewers, LLC Windsor Brewing Company, LLC (Mass. Bay Brewing Company, Inc.)	Bridgewater	Subchapter 5	\$496,000 \$102,000
Mountaineer Holdings, LLC Mountaineer Ops, LLC (DBA Mount Snow Mountaineer Inn)	West Dover	Subchapter 5	\$580,000 \$120,000

6. Staff Authority – Other Business

On a motion by T. Gallagher, seconded by E. Delhagen, the Minutes of the June 24, 2022 VEDA meeting and the SBA 504 Loan Review Report were approved by those Members of the Authority present by a vote of 7 to 0 with the Chair abstaining.

Board Financial Summary

T. Richardson presented his financial report, explaining Net Operating Income before fair value adjustment for investments through June 30, 2022 of \$4.103 million was favorable to budget by \$1.787 million. Net Interest Income of \$7.698 million was favorable to budget by \$80.4 thousand. Other Income of \$1.108 million was favorable to budget by \$474 thousand.

Credit Quality Report

P. Samson provided the Members with a review of the Credit Quality Report.

Enterprise Risk Assessment Report

C. Polhemus provided the Members with the Enterprise Risk Assessment Report.

Outstanding Loan Review Items

C. Polhemus provided the Members with the quarterly Outstanding Loan Review Items Report.

Credit Risk Classification Report – 4th Quarter FY2022

Staff's Credit Risk Classification Report recommendation for the Vermont Jobs Fund for the 4th quarter of fiscal 2022 (ended June 30, 2022) included recommended loan loss reserves in the amount of \$1,776.3 million, reflecting a \$106.3 thousand increase from the prior quarter.

After discussion regarding the reserves and changes recommended thereto, on a motion by T. Gallagher, seconded by K. Hale, the recommendation was approved by those Members of the Authority present by a vote of 7 to 0 with the Chair abstaining.

FY2023 Budget

T. Richardson provided the Members with the FY2023 Budget.

T. Gallagher indicated that the ALCO Committee had previously met to discuss the budget and supports approval of the budget.

After discussion regarding the assumptions due to the current economic environment, including interest rates and loan demand projections, on a motion by R. Shippee, seconded by T. Foster, the FY2023 Budget was approved by those Members of the Authority present by a vote of 7 to 0 with the Chair abstaining.

Policy/Program/Plan Updates

1. Enterprise Risk Management Program
2. Compliance Management System
3. Loan Review Program
4. Information Security Policy
5. Incident Response Plan

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C. Polhemus and R. Grzankowski provided the Members with the Policy/Program/Plan Updates indicating the updates are brought to the Board yearly for review and approval. No material changes were noted.

On a motion by K. Hale, seconded by E. Delhagen, the Enterprise Risk Management Program, Compliance Management System, Loan Review Program, Information Security Policy, and Incident Response Plan were approved by those Members of the Authority present by a vote of 7 to 0 with the Chair abstaining.

O.M. Fisher Home, Incorporated (The Gary Residence) – Montpelier – Subchapter 4 Inducement – \$9,800,000

M. Dussault explained O.M. Fisher of Montpelier is requesting approval of an up to \$9,800,000 Subchapter 4 Bond Inducement. The bond will be secured by a first mortgage on two properties owned by O.M. Fisher, first security interest in personal property, fixtures, furnishings and equipment, first priority assignment of leases and rentals, and of all income realized under the leases, and all plans, specifications and permits for construction.

After discussion regarding location, permitting, and energy efficiency considerations, on a motion by T. Gallagher, seconded by R. Shippee, the above Subchapter 4 Inducement request was approved by those Members of the Authority present by a vote of 7 to 0 with the Chair abstaining.

Inducement Resolution

WHEREAS, the State of Vermont, acting by and through the Vermont Economic Development Authority (the "Authority"), is empowered to assist in the financing of industrial development facilities through the issuance of industrial revenue bonds pursuant to Title 10 V.S.A., Chapter 12 (the "Act"); and

WHEREAS, for purposes of Subchapter 4 of the Act, facilities for the conduct of any trade or business which is eligible for tax-exempt financing under the United States Internal Revenue Code of 1986, as amended (the "Code") are deemed to be eligible facilities; and

WHEREAS, O.M. Fisher Home, Incorporated (hereinafter with any parent corporation, subsidiary or other business affiliate referred to as the "Company") is a 501(c)(3) charitable organization exempt from income tax under the Code and as such, is eligible for tax-exempt financing under the Code; and

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WHEREAS, Company has proposed the financing of certain eligible facilities in the (town/city of Montpelier) described in the Company’s application to the Authority for financing and consisting generally of the following (the “Project”):

- The Bond will represent financing of up to \$8.70MM for the construction and permanent financing of a 15-unit/18-bed memory care facility to be located at The Gary Residence in downtown Montpelier. The Company is requesting that the requested financing be consolidated with existing debt held by Northfield Savings Bank (NSB) in the amount of \$1.1MM, which financed the construction of Westview Meadows at Montpelier, and a second loan in the original amount of \$100,000 which financed renovations at Westview Meadows, bringing the total Bond financing to \$9.8MM. The new financing represents 100% of the construction of the new memory clinic which will be secured by both senior living facilities owned and operated by OMF; Westview Meadows and The Gary Residence.

WHEREAS, the estimated cost of the Project is approximately \$9,800,000 and the Company has requested that the Authority issue its industrial development revenue bonds under the Act at one time or from time to time in an aggregate principal amount not to exceed \$9,800,000 in order to finance the Project in whole or in part, such bonds to be secured by the obligation of the Company to pay the debt service thereon, and the interest on such bonds to be exempt from federal income taxes by virtue of the provisions of Section 103 and 141-150 of the Internal Revenue Code of 1986, as amended and the regulations (collectively, the “Code and Regulations”), as they may now or hereafter exist.

NOW THEREFORE BE IT RESOLVED, THAT:

1. Purpose of Resolution. This resolution is intended as affirmative official action and official intent, as contemplated by the Code and Regulations, toward the issuance of industrial development revenue bonds under the Act to finance the Project and as a declaration of official intent for the reimbursement of Project costs within the meaning of Section 1.150-2 of the Federal Income Tax Regulations.
2. Eligibility for Financing. Based upon the information contained in the Company's application to the Authority for financing, the Project appears to be eligible for financing under the Act. Issuance of the bonds is subject to all requirements of the Act and to the Authority being able to make the findings required by the Act, including a determination by the Authority regarding the priority of financing the Project in relation to the priority for extending financing to other industrial development facilities for which application has been made to the Authority or may be made in the future. Such bonds shall not constitute a general obligation of the State or the Authority nor a pledge of the faith and credit of the State or the Authority but shall be payable solely from the revenues pledged for their payment in accordance with the Act.

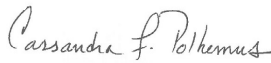
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3. Further Action Required. This resolution is not a contract or final agreement to issue bonds. The Authority will consider whether to approve the issuance of bonds when the terms of the financing have been finalized and the Authority is in a position to determine that this project should be given priority for the issuance of tax-exempt revenue bonds pursuant to guidelines established by the Authority and by statute.
4. Effective date. This resolution shall take effect upon its adoption.

There being no other business to properly come before the Authority, on a motion by T. Gallagher, seconded by R. Shippee, the meeting adjourned at 11:33 a.m.

ATTEST:

Vermont Economic Development Authority

By: 
Cassandra F. Polhemus, Chief Executive Officer