

VERMONT ECONOMIC DEVELOPMENT AUTHORITY

Minutes

August 25, 2017

A meeting of the Vermont Economic Development Authority convened at the offices of the Vermont Economic Development Authority, Montpelier, Vermont on August 25, 2017 beginning at 9:38 a.m. Those Members of the Authority present were: D. Kurzman, Chair; L. Graves; T. Gallagher; J. Snow; M. Tuttle; S. Baker (designee for B. Pearce); W. Patten and T. Brady (designee for M. Schirling). Member T. Richards participated via phone. Staff members present were: R. Bradley, Chief Executive Officer; C. Polhemus, Chief Operating Officer; D. Carter, Chief Financial Officer; C. Brown, Office Manager; T. Porter, Director of Commercial Lending; J. Kimberly, Deputy Director of Agricultural Lending; R. Grzankowski, Director of Operations; Senior Loan Officers: M. Dussault and S. Buckley; Loan Officers: M. Corbett, E. Denny, E. Paradee; E. Hall, Agricultural Credit Analyst and S. Anechiarico, Commercial Credit Analyst. Senior Loan Officers A. Curler and C. Anderson entered the meeting later.

Introductions

Board Members were introduced to two new staff members: R. Grzankowski, Director of Operations and E. Hall, Agricultural Credit Analyst.

Minutes of July 28, 2017

On a motion by T. Gallagher, seconded by W. Patten, the minutes for the July 28, 2017 meeting were approved by those Members of the Authority present by a vote of 8 to 0 with the Chair abstaining.

Member Area Review

W. Patten began the Member Area Review stating he recently met with legislators from Chittenden County to discuss Vermont's proposed medical leave and the proposed increase of minimum wage. He fears this will be a burden to small businesses, as many retail businesses are struggling to reach last year's numbers. R. Bradley added materials will be presented at the Planning Meeting in October regarding Vermont's economy.

CEO's Report

Planning Meeting

R. Bradley reminded the Members of the Planning Meeting scheduled for Friday, October 13 at the Hotel Vermont in Burlington. She stated she welcomes any comments or new ideas for discussion topics at the Planning Meeting and she asked for volunteers to help facilitate the discussions.

Capital, Leverage and Liquidity Plan

Next, R. Bradley stated a revised Capital, Leverage and Liquidity Plan would be presented at today's meeting. She thanked M. Tuttle and T. Gallagher for their help in reviewing the plan.

State Small Business Credit Initiative (SSBCI)

R. Bradley explained C. Ridpath, VEDA's Compliance Officer, oversaw the SSBCI program. And, in part, because of her due diligence, VEDA received a great report. Vermont was 5th in the nation in terms of its leverage rate and first in the number of participation loans. Staff is to be highly commended for their hard work and dedication to this program.

Council of Development Finance Agencies (CDFA) Award

R. Bradley concluded her report stating she was both honored and humbled to learn she will be receiving the CDFA Lifetime Achievement Award at the National CDFA Meeting in Atlanta, GA in November.

Loan Committee Charter

R. Bradley explained the Members of the Loan Committee had approved the new committee charter, but the charter would not be official until approved by the full Board.

On a motion by J. Snow, seconded by L. Graves, the Loan Committee Charter was approved as presented by those Members of the Authority present by a vote of 8 to 0 with the Chair abstaining.

Board Financial Summary

D. Carter explained Net Operating Income before fair value adjustment for the first month of FY2018 totaled \$111,000 and was favorable to budget by \$5,800. Investment Income slightly unfavorable to budget by \$500. Other Income was favorable to budget by \$132,200.

Audit Committee Report

T. Gallagher pointed out the Audit Committee Charter should be amended to state the Committee would be comprised of 4 Members either appointed by the Chair, or including the Chair.

He continued, stating KPMG had reported an extremely clean audit and congratulated Staff.

On a motion by L. Graves, seconded by M. Tuttle, the Audit Committee Charter was approved as amended by those Members of the Authority present by a vote of 8 to 0 with the Chair abstaining.

At 9:58 a.m. A. Curler entered the meeting.

Enterprise Risk Management – Amendments to Capital, Leverage and Liquidity Plan

D. Carter explained the VEDA Capital, Leverage and Liquidity Plan was adopted by the Members in December 2015. The Plan included risk-weighted asset (RWA) percentages that were considerably more conservative for some asset classes relative to the corresponding regulatory RWA percentages. Staff is recommending the Board adopt an amended Capital and Liquidity Plan which adopts a minimum Tier 1 ratio of 8.5% and a minimum Risk Based Capital ratio of 10.50%. Staff also recommends the Plan reflect a maximum Covenant Borrowing Ratio of 6.0. Should the Plan Ratio exceed 5.50, a Corrective Action Plan would be required to be presented to the Board for approval.

On a motion by M. Tuttle, seconded by T. Gallagher, the Capital, Leverage and Liquidity Plan was approved as presented by those Members of the Authority present by a vote of 8 to 0 with the Chair abstaining.

Board Loan Committee – Approvals

Staff presented the Members with the Internal Board Loan Committee Approval memo.

Staff Authority – Other Business

Staff presented the Members with the Internal Other Business memo.

Staff Authority – Other Affiliate Programs

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

VEDA Minutes – August 25, 2017

Pitcher Inn Partners, LLC – Warren – Subchapter 5 – \$1,200,000 Participation in USDA 80% Guaranteed Loan

| <i>Project Costs</i> | | <i>Project Funding</i> | |
|----------------------|---|------------------------|---|
| \$ 2,700,000 | Land and Building (1.50 acres; 17,920 sq. ft) | \$ 2,400,000 | Northfield Savings Bank; 4.75% Fxd 5 yrs Interest Rate; 240 month Term; and 240 month Amortization; USDA-RD 80% Guarantee |
| \$ 320,000 | Renovation of Existing Real Estate | | VEDA \$1,200,000 Participation; VEDA Prime Rate -0.75 bp for 2 years then VEDA Prime Rate (Initial Interest Rate 3.00%);beginning in years 11-20 VEDA Base Rate 240 month Term; and 240 month Amortization; USDA-RD 70% Guarantee (VEDA Prime Rate Currently 3.75%) |
| \$ 150,000 | Furniture and Fixtures | \$ 500,000 | Seller Financing, 4.5% Interest Rate, Interest Only for 1 year commencing 4 months after closing, followed by P&I payments over 25 years; note balloons in 5 years |
| \$ 50,000 | Other-Closing Costs | \$ 600,000 | Equity Investment to Borrower |
| \$ 280,000 | Working Capital | \$ - | |
| <u>\$ 3,500,000</u> | <u>Total Project Cost</u> | <u>\$ 3,500,000</u> | <u>Total Project Funding</u> |

M. Dussault explained Pitcher Inn Partners, LLC of Warren is requesting a \$1,200,000 Subchapter 5 participation loan for the above purposes. The \$500,000 loan will be purchased from Northfield Savings Bank with an 80% USDA guarantee.

At 10:16 a.m. C. Anderson entered the meeting.

After discussion regarding collateral, financing options and the reasons for this request, on a motion by L. Graves, seconded by M. Tuttle, the above request was approved by those Members of the Authority present by a vote of 8 to 0 with the Chair abstaining.

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Greenfield Capital, LLC – Logic Supply, Inc. – South Burlington – Subchapter 4 IRB
Inducement – \$8,000,000

| <i>Project Costs</i> | | <i>Project Funding</i> | |
|----------------------|------------------------------------|------------------------|---------------------------------|
| \$ 8,000,000 | Construction - New | \$ 8,000,000 | VEDA Tax-Exempt Bond |
| \$ 2,000,000 | Renovation of Existing Real Estate | \$ 2,000,000 | Equity Investment From Borrower |
| <u>\$ 10,000,000</u> | Total Project Cost | <u>\$ 10,000,000</u> | Total Project Funding |

M. Dussault explained Greenfield Capital, LLC and Logic Supply, Inc. of South Burlington are requesting an \$8,000,000 Subchapter 4 Industrial Revenue Bond Inducement for the above purposes.

After discussion regarding project job creation, financial risk and lack of servicing issues, on a motion by J. Snow, seconded by T. Gallagher, the following resolution was approved by those Members of the Authority present by a vote of 8 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, Greenfield Capital, LLC and Logic Supply, Inc. (together with any parent corporation, subsidiary or other business affiliate, the "Company") has proposed the financing of certain eligible facilities in the City of South Burlington, Vermont described in the Company's application to the Authority for financing and consisting generally of the following (the "Project"):

Construction of up to a 100,000 SF building on Lot 12, and renovations to the existing 37,000 SF building at located at Lot 10, both properties located at 35 Thompson Street, Meadowlands Industrial Park in South Burlington, to be used in connection with the Company's computer system manufacturing operations.

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WHEREAS, the estimated cost of the Project is approximately \$10,000,000, 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 \$8,000,000 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.
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.

ReSOURCE: A Nonprofit Community Enterprise, Inc. – Burlington – Subchapter 4 IRB
Inducement – \$7,000,000

| <i>Project Costs</i> | | <i>Project Funding</i> | |
|----------------------|--|------------------------|-------------------------------|
| \$ 1,100,000 | Land (1.67 acres) | \$ 7,000,000 | TDBank, 20-year Bond |
| \$ 6,130,500 | Construction - New-40,000 SF | \$ 2,400,000 | Equity Investment by Borrower |
| \$ 105,000 | Machinery, Equipment Furniture and Fixtures | \$ - | |
| \$ 1,017,000 | Contingency | \$ - | |
| \$ 259,500 | Other Soft Costs | \$ - | |
| \$ 688,000 | Legal & Professional Fees | \$ - | |
| <u>\$ 100,000</u> | Other-Capital Campaign Costs | <u>\$ -</u> | |
| <u>\$ 9,400,000</u> | Total Project Cost | <u>\$ 9,400,000</u> | Total Project Funding |

M. Dussault explained ReSOURCE: A Nonprofit Community Enterprise, Inc. of Burlington is requesting a \$7,000,000 Subchapter 4 Industrial Revenue Bond Inducement for the above purposes.

After discussion regarding project benefits for the community, capital campaign and the reasons for this request, on a motion by J. Snow, seconded by W. Patten, the following resolution was approved by those Members of the Authority present by a vote of 8 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 eligible facilities through the issuance of 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, ReSOURCE: A Nonprofit Community Enterprise, Inc. (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

WHEREAS, Company has proposed the financing of certain eligible facilities in the City of Burlington described in the Company's application to the Authority for financing and consisting generally of the following (the "Project"):

The purchase of 1.6 acres of land and the construction of a 40,000 SF structure to house the Company's building materials and household goods reuse site.

WHEREAS, the estimated cost of the Project is approximately \$8,900,000 and the Company has requested that the Authority issue its revenue bonds under the Act at one time or from time to time in an aggregate principal amount not to exceed \$7,000,000 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.
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

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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.

208-212 North Winooski, LLC – Burlington – Subchapter 5 – \$180,000

| <i>Project Costs</i> | | <i>Project Funding</i> | |
|----------------------|------------------------------------|------------------------|--|
| \$255,998 | Building Purchase (3,263 sq ft) | \$ 225,000 | TD Bank; 4.50% Interest Rate; 120 month Term; and 300 month Amortization |
| \$166,339 | Renovation of Existing Real Estate | \$ 180,000 | VEDA; Initial Variable Interest Rate 3.00%; VEDA Prime Rate -0.75 bp for 2 years then VEDA Prime Rate; (VEDA Prime Rate Currently 3.75%); 240 month Term; and 240 month Amortization |
| \$ 5,000 | Legal & Professional Fees | \$ 25,000 | Tenant Custom Fitup |
| \$ 51,110 | Other Soft Costs | \$ 48,477 | Equity Investment by Borrower |
| <u>\$478,447</u> | Total Project Cost | <u>\$ 478,477</u> | Total Project Funding |

S. Buckley explained 208-212 North Winooski, LLC of Burlington is requesting a \$180,000 Subchapter 5 loan for the above purposes. The building will be leased to The Tank Studio, Inc.

After discussion regarding management experience, debt service coverage and guarantor strengths, on a motion by L. Graves, seconded by J. Snow, the above request was approved by those Members of the Authority present by a vote of 8 to 0 with the Chair abstaining.

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Elysian Fields, LLC and Joseph B. and Kathleen R. Hescock and Elysian Fields Ag Land, LLC – Shoreham – Commercial Energy – \$73,000

| Uses | | | Sources | |
|------------------|---------------------------------|------------------|------------------|---|
| Amount | Uses | Description | Amount | Sources |
| \$ 69,900 | Machinery & Equipment Purchase | Solar System | \$ 73,000 | VEDA-EL 4.50% F.*, 10 year term, 120-month amortization, \$756.56 per month |
| \$ 14,522 | Renovation of Existing Building | Site Preparation | \$ 14,522 | Borrower Equity Contribution (already paid) |
| \$ 3,100 | Legal and Closing Fees | | | |
| \$ 87,522 | Total Uses | | \$ 87,522 | Total Sources |

* VEDA Energy Initial Fixed Rate (Currently 4.50%) for 5 years, thereafter VEDA Base Rate (Currently 4.75%)

J. Kimberly explained Elysian Fields, LLC and Joseph B. and Kathleen R. Hescock and Elysian Fields Ag Land, LLC of Shoreham are requesting a \$73,000 Commercial Energy loan for the above purposes.

After discussion regarding borrower history, farm profitability and loan collateral, on a motion by J. Snow, seconded by L. Graves, the above loan request was approved by those Members of the Authority present by a vote of 8 to 0 with the Chair abstaining.

There being no other business to properly come before the Authority, on a motion by W. Patten, seconded by M. Tuttle, the meeting adjourned at 10:59 a.m.

ATTEST:

Vermont Economic Development Authority

By: _____
Rosalea W. Bradley, Chief Executive Officer