



VERMONT ECONOMIC DEVELOPMENT AUTHORITY

Funding Vermont's Future Since 1974

2011 ANNUAL REPORT

ENABLING LEGISLATION

10 VSA, Chapter 12

“The Legislature finds that it is necessary to alleviate and prevent unemployment and underemployment and to raise the per capita income within the state, that the development and increase of industry, including the further processing of agricultural products, within the state will promote the prosperity and general welfare of all citizens, and that this chapter is necessary and desirable in order to accomplish these purposes.”

MISSION

The mission of the Vermont Economic Development Authority shall be to contribute to the creation and retention of quality jobs in Vermont by providing loans and other financial support to eligible and qualified Vermont industrial, commercial and agricultural enterprises.



VEDA BOARD OF DIRECTORS

Back Row (l to r): Steve Bourgeois, Nate Hayward and Steve Wisloski
Center Row (l to r): Leon Graves, *Vice-Chair*, Rick Hashagen, Pat Moulton Powden,
Ken McEwan, *Treasurer*, and Dan Kurzman
Seated (l to r): Betsy Bishop, Bob Britt, *Chair*, and Jolinda LaClair

Letter of Transmittal

October 28, 2011

The Honorable Peter Shumlin
Governor, State of Vermont
Pavilion Office Building
Montpelier, Vermont

Dear Governor Shumlin:

The Members and Staff of the Vermont Economic Development Authority (VEDA) are pleased to submit to you our Annual Report for the fiscal year ended June 30, 2011.

FY2011 was a period of tremendous activity at the Authority. Financing activity was very strong, serious spring flooding necessitated emergency lending, and \$13.2 million in new federal funding was committed to Vermont, a resource that will help VEDA leverage ten times that amount in loans to be made to Vermont businesses and farms in the coming years.

This heightened level of activity coincides with Vermont's continuing efforts to emerge from a deep national recession, and VEDA continues to play a vital role in helping to stimulate and support Vermont's economic recovery. The Authority's direct loan closings to commercial businesses and farms in Vermont were up for the third year running, from \$27.4 million in 2009, to \$36.1 million in 2010, to \$40.4 million in 2011. Closings of VEDA financings not directly included on the Authority's balance sheets -- such as industrial development bonds, mortgage insurance contracts, and loans made under the U.S. Small Business Administration 504 Loan Program -- were more than double those of the year before, going from \$41.7 million in 2010 to \$94.3 million in 2011.

Revenue bond financing remained strong in 2011. In addition to manufacturing and 501(c)(3) bond issues, the Authority utilized the last of its expanded federal tax-exempt bond capacity under the American Recovery and Reinvestment Act (now sunset), issuing several Recovery Zone Facility Bonds for large fixed-asset projects. Total VEDA revenue bond financing was \$128 million this year, second only to the \$170 million in revenue bonds issued by the Authority last year.

These numbers show a remarkable capacity in Vermont's business and agricultural communities to invest in the future despite significant national economic challenges. We want to recognize VEDA's experienced and dedicated Staff for their determined efforts to meet the need, however great, for the Authority's assistance during difficult times. And, we thank VEDA's Board of Directors for their seasoned, professional guidance and support.

Thank you, Governor, for your support of VEDA's mission. At the Authority, we will continue to do our part to help our state's businesses create jobs for Vermonters, and strengthen Vermont's economy.

Sincerely,



A handwritten signature in cursive script that reads "Rosalea W. Bradley".

Rosalea W. 'Jo' Bradley
Chief Executive Officer

A handwritten signature in cursive script that reads "Robert D. Britt".

Robert D. Britt
Chair



\$13.2 MILLION IN FEDERAL FUNDS WILL LEVERAGE ADDITIONAL FINANCING TO HELP VERMONT BUSINESSES CREATE JOBS

In March, 2011, the U.S. Department of the Treasury announced the approval of Vermont's application for \$13.2 million in State Small Business Credit Initiative (SSBCI) funding under the Small Business Jobs Act. The funding will help create new jobs and spur more than \$132 million in small business lending in Vermont.

A requirement under the SSBCI program was that approved funding be administered by an existing state authority that partners with private lenders to substantially leverage dollars, thereby increasing the amount of credit available to small businesses. In Vermont, VEDA was designated as Vermont's administrator for the use of the \$13.2 million in new federal funds.

Vermont's approved plan includes the following uses of SSBCI funding:

- \$1 million to support VEDA's Financial Access Program, which provides loan portfolio insurance to encourage private financial institutions to lend to creditworthy small businesses and small manufacturers;
- \$5.9 million to enhance the resources available under VEDA's Commercial Loan Program, which provides financing for the purchase of land, construction and renovation of facilities, and purchase and installation of equipment for eligible projects;
- \$3.0 million to VEDA's Technology Loan Participation Program to support loans to early-stage firms, primarily in the information technology and bioscience sectors; and
- \$3.3 million to VEDA's Small Business Loan Program, which finances smaller commercial businesses' fixed asset and working capital needs.

Vermont's SSBCI funding approval would not have been possible without the assistance of Governor Shumlin's Administration and Vermont's Congressional delegation, particularly, Senator Patrick Leahy. VEDA expects to utilize the SSBCI funds to Vermont's best advantage -- leveraging private dollars, increasing the availability of low-interest financing for Vermont businesses, and helping to stimulate job creation in our state for several years to come.

DIRECT LOAN PROGRAM 2011 FEATURED BORROWERS AND LOAN APPROVALS

This program assists borrowers in financing fixed assets. It is utilized in cooperation with commercial banks. VEDA may either make its own direct loan or may purchase a portion of a bank loan.

Bariatrix Vermont, Inc. Georgia

Bariatrix Vermont, Inc. is a U.S. corporation owned by Canadian-based Bariatrix Nutrition Group. The Bariatrix Group of companies develop, manufacture and sell high-protein nutritional products, including wafers, puddings, packaged drinks, soy puffs, and other products.

After operating for over twenty years out of a leased South Burlington distribution and light manufacturing facility, the company needed to expand. With the help of \$1.06 million in VEDA financing, and additional financing provided by HSBC Bank, Bariatrix was able to grow their business by purchasing and renovating the former Vermont Fasteners building in the Georgia Industrial Park. Occupying the 56,000-square foot building on 13 acres will allow Bariatrix to expand its existing product line, offer more innovative products to large companies, and maintain inventory in one location. Bariatrix Vermont employs 17 persons, a number expected to grow to 22 within three years of the \$2.7 million expansion project.



Tivoly, Inc. Derby Line



Tivoly, Inc. is the largest tap and reamer private manufacturing label company in North America, selling its products through a network of distributors and agents. Founded in 1880, Tivoly manufactures high-speed steel and carbide products, including taps, end-mills, drills, reamers, inserts, dies, and other special products. The company operates a fully integrated manufacturing process, using state-of-the-art, robot-loaded CNC equipment.

Tivoly asked VEDA to help support their capital expenditures plan in 2011. Utilizing \$202,800 in VEDA financing, and additional financing from Community National Bank, Tivoly purchased new equipment, and repaired existing equipment at the plant, including fire and safety equipment. Tivoly employs 159 persons; it is expected that payroll may reach 168 within three years of the \$507,000 project.



Vermont Smoke and Cure (VSC Holdings, Inc.) Hinesburg

Vermont Smoke and Cure (VSC) is a rapidly-growing producer of high-quality premium and natural smoked meats and fresh sausages that it sells primarily in the health food, grocery, convenience store and food service distribution sectors. VSC is one of only two federally-licensed smokehouses in Vermont providing further processing services for farmers, making it a crucial link in the local agricultural infrastructure.

The company offers USDA-inspected processing for small, diversified family farms that market their livestock and vegetables directly to households, restaurants and stores, and also provides smoking services for “backyard farmers” who raise a pig or two. VSC also is working to create a wholesale



market for pigs in Vermont and currently purchases pork from one Vermont farmer for its “Vermont Grown” line of ham, bacon and sausages.



Future growth of VSC was constrained due to capacity issues in its manufacturing facility. With help from VEDA in the form of an \$800,000 direct loan, and additional financing provided by Community National Bank, VSC was able to fit-up and equip 21,000 square feet of leased manufacturing space in the former

Saputo cheese facility in Hinesburg. The larger, newly-equipped facility is expected to reduce processing costs, and will also allow VSC to increase production of its new, award-winning single-serve natural sausage sticks. VSC employs 16 people, and expects to increase the company’s payroll to 37 within three years of the \$4.9 million expansion project.



2011 DIRECT LOAN PROGRAM APPROVALS

Name	Town	County	Loan Amount
30 Main Realty, LLC	Richmond	Chittenden	\$ 360,000.00
Amoskeag Woodworking, Inc.	Fairfax	Franklin	142,000.00
Bariatatrix Vermont, Inc.	Georgia	Franklin	1,080,000.00
Cabot Hosiery Mills, Inc.	Northfield	Washington	273,000.00
Community Health Centers of the Rutland Region, Inc.	Rutland	Rutland	425,000.00
Dealer.Com, Inc. and DDC Holdings, LLC	Burlington	Chittenden	1,300,000.00
Dew Lending, LLC	Rutland	Rutland	1,300,000.00
Flex-A-Seal, Inc.	Essex Jct.	Chittenden	168,000.00
Goddard College Corporation	Plainfield	Washington	799,670.00
Greensea Systems, Inc.	Richmond	Chittenden	172,000.00
HRS, LLC	Fairfax	Franklin	396,000.00
J.B.M. Carmel, LLC and JBM Sherman Carmel, Inc.	Bennington	Bennington	455,000.00
L. Brown & Sons Printing, Inc.	Barre City	Washington	47,293.00
Laraway Youth and Family Services	Johnson	Lamoille	600,000.00
Larkin Family Partnership	Hartford	Windsor	1,300,000.00
Laughing Moon Chocolates, LLC	Waterbury	Washington	19,720.00
Macisaac Enterprises, LLC	Barre Town & Warren	Washington	658,400.00
Mad River Park Corporation	Waitsfield	Washington	210,000.00
Richmond Family Medicine PLLC	Richmond	Chittenden	50,000.00
RMN Properties, LLC	Morrisville	Lamoille	480,000.00
Rock Art Brewery, LLC	Morrisville	Lamoille	40,000.00
Swan Valley Cheese of Vermont, LLC and Jonergin Realty, LLC	Swanton	Franklin	1,300,000.00
Tivoly, Inc.	Derby Line	Orleans	202,800.00
Vermont Roots, Inc.	North Clarendon	Rutland	226,160.00
Vermont Smoke & Cure, LLC	Hinesburg	Chittenden	800,000.00
Wyatt Ventures, LLC, Business Financial Publishing, LLC and 65 Railroad, LLC	Williston	Chittenden	<u>216,000.00</u>
Total 2011 Direct Lending			\$13,021,043.00



VERMONT AGRICULTURAL CREDIT CORPORATION (VACC) 2011 FEATURED BORROWERS AND LOAN APPROVALS

VACC is a nonprofit corporation which provides credit to farmers and agricultural facilities who are not having their financing needs fully met by conventional agricultural credit sources. Loans are available from VACC to strengthen existing farm operations, encourage diversification, support beginning farmers, and encourage marketing and processing of Vermont agricultural products.



Cochran Cousins, LLC Richmond

In 1960, Mickey and Ginny Cochran moved their family from Burlington to a farmhouse at the bottom of a 150-acre hillside farm on the banks of the Winooski River in Richmond. They put in a few ski trails and a 300-foot rope tow to provide mid-week ski training for their children. Since then, their children went on to Olympic successes; the ski area expanded onto 600 acres; and a new generation -- ten grandchildren -- have gone from the same slopes to their own Olympic, collegiate and national success. The ski area remains active today with a racing team that still produces some of the best junior skiers in Vermont.



The original property is now owned by Mickey's and Ginny's children, who discovered in 2009 that in addition to the ski area, the land also included a healthy maple stand, with the potential for a 25,000 tap sugar bush. Four of the Cochran grandchildren – Doug, Jim, Roger and Tim – formed a new maple sugar business, Cochran Cousins, LLC, to make the most of this natural resource.

In 2010, with financing provided by VACC, Cochran Cousins constructed a traditional post and beam sugar house adjacent to the ski lifts. They also installed the necessary sugaring equipment and a total of 5,400 taps.

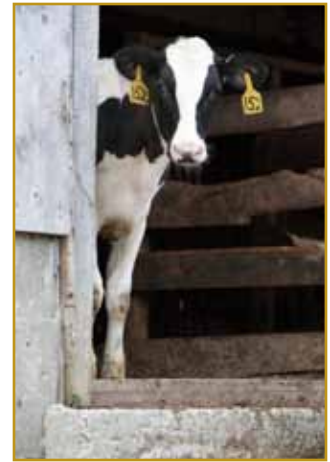


With VACC financing assistance of \$76,500 this year, the Cochran Cousins are expanding their operation to 15,000 taps, also purchasing an additional releaser, sap storage, barrels and a storage unit for their family sugaring operation.

Hall and Breen Farm, LLC Orwell

Hall and Breen Farm in Orwell is a 5th generation family dairy farm purchased by Louis (4th generation) and Phyllis Hall in 1976. The farm has 462 acres of land of which 250 are tillable, providing pasture and winter feed for their cows. Daughter Jennifer Breen returned to the farm after college graduation and formed a new partnership with her father to certify and operate the farm as an organic milk producer, a milestone reached by the family in 2007.

With the help of a \$228,000 VACC Farm Ownership Loan, and additional financing from FSA, Louis and Jennifer constructed



a new barn equipped with robotic milkers. The \$490,000 facility expansion and equipment upgrade project helped position the family organic dairy farm for future growth.



Kimball Brook Farms, LLC Ferrisburg

In 2000, John A. DeVos III and his wife, Cheryl, formed Kimball Brook Farms, LLC in partnership with John's parents, who owned a 210-acre farm property in Ferrisburg. In 2003, John and Cheryl bought the neighboring 324-acre farm to increase the cropland base, provide heifer housing, and add residential income to the growing farm operation. In 2004, they bought out John's parents,

and became the sole owners of Kimball Brook Farms. They also converted the farm operation from conventional to organic milk production the same year.

Today, John and Cheryl operate the farm with the help of five full-time employees and a part-time employee. With the assistance of \$360,000 in VACC financing, John and Cheryl were able to refinance debt associated with Kimball Brook Farm's growth during the

prior decade, and realize significant cash flow improvement to help them further grow their farm operation into the future. Their goal is to develop a value-added processing enterprise for the organic milk they produce on the farm.



Pete's Greens, Inc. Craftsbury

In 1995, Pete Johnson started Pete's Greens, a four-season organic vegetable farm selling fresh vegetables to stores and restaurants throughout Vermont, Boston and New York City. Pete's Greens also began an innovative Community Supported Agriculture (CSA) program called "Good Eats," through which the farm purchases meats, eggs, bread, cheese, apples and cider from other Vermont farmers, and sells and distributes the locally-produced food directly to approximately 390 year-round Vermont customers.



In 2003, Pete purchased a 190-acre Craftsbury farm with 35 acres of prime river bottom land, and an old dairy barn which Pete converted to a root cellar and cold storage facility to store the large quantities of crops he sells in the winter.



Early in the morning on January 12, 2011 a fire broke out in Pete's barn. The barn burned to the ground taking with it stored crops, meats, several cold storage areas, vegetable cleaning and processing equipment, two tractors, many implements and all of the farms tools and supplies. The resulting loss was estimated at \$950,000, for which Pete was only partially-insured. With the help of \$325,000 in VACC financing, and an outpouring of community support, Pete's Greens undertook an \$850,000 project to build a new



processing facility, replacing the lost barn. Pete's Greens employs 12 full-time workers, with an additional six employees during the growing season.



2011 VACC LOAN PROGRAM APPROVALS

Name	Loan Amount	Name	Loan Amount
Aines, Dale R. and Tina M.	152,000.00	Clafin, Sidney E. III	85,000.00
Aines, Dale R. and Tina M.	75,000.00	Clafin, Sidney E. III	95,000.00
Allen, Joseph E. (II) and Karen M.	25,000.00	Cochran Cousins, LLC, Brown, Douglas R.S., Cochran, James M., Brown, Roger G.P. and Kelley, Timothy P.	250,000.00
Allen, Joseph E. (II) and Karen M.	20,000.00	Cochran Cousins, LLC, Brown, Douglas R.S., Cochran, James M., Brown, Roger G.P. and Kelley, Timothy P.	50,000.00
Allen, Joseph E. (II) and Karen M.	71,000.00	Collins, Christopher J. and Michael E.	35,000.00
Allen, Ray W.	580,000.00	Connor, Leo J. (Jr.) and Cheryl A.	15,000.00
Allen, Ray W.	30,000.00	Corey, Kenneth D. and Patti A.	22,000.00
Allen, Ray W.	45,000.00	Corey, Kenneth D. and Patti A.	25,500.00
Allen, Ray W. and Pamela D.	50,000.00	Correia Family Limited Partnership, Correia, Anthony H., Barbara L., Stephen A. and Jeffrey D.	211,750.00
Amanna, Emily E. and Hassan, David T. d/b/a Wild Shepherd Farm	184,000.00	Correia Family Limited Partnership, Correia, Anthony H., Barbara L., Stephen A. and Jeffrey D.	576,300.00
Amanna, Emily E. and Hassan, David T. d/b/a Wild Shepherd Farm	46,000.00	D & N Farm Partnership, Mead, Dale E. and Neil F.	10,000.00
Badman, James R.	45,000.00	D & N Farm Partnership, Mead, Dale E. and Neil F.	20,000.00
Barrett, Leonard A. and Linda J.	14,300.00	Davis, Gary L. and Tammy L.	164,500.00
Bathalon, Karen R. and Allan P.	49,000.00	Davis, Gary L. and Tammy L.	30,000.00
Bathalon, Raymond E.	120,500.00	East Shore Vineyard, LLC and Livingstone, Robert S. and Linda A.	42,000.00
Benjamin, Michael P. and Denna J.	228,500.00	East Shore Vineyard, LLC and Livingstone, Robert S. and Linda A.	130,000.00
Bessette Enterprises, Inc., Bessette, Brian H. and Heather P.	99,000.00	Elwood, Walter R.	11,500.00
Bessette Enterprises, Inc., Bessette, Brian H. and Heather P.	31,050.00	Ferris, Michael F. and Amy L.C.	30,000.00
Bishop, Christopher J. and Vanessa G.	35,000.00	Ferris, Michael F. and Amy L.C.	50,000.00
Bisson, Gregory D. and Kimberly S.	10,000.00	Forgues, John E. and Billie Jo C.	35,700.00
Blissful Dairy, LLC and Vorsteveld, Andre Z. and Lydia S.	300,000.00	Georgia Mountain Maples, LLC and Harrison, Kevin J. and Shannon and Rabtoy, Martin L. and Kathy H.	200,000.00
Blissful Dairy, LLC and Vorsteveld, Andre Z. and Lydia S.	650,000.00	Georgia Mountain Maples, LLC & Harrison, Kevin J. and Shannon and Rabtoy, Martin L. and Kathy H.	100,000.00
Bodette Farm, LLC and Bodette, Raymond H. (III) and Suzanne M.	45,800.00	Giles, Douglas B.	52,000.00
Boissonneault Family Farm, Inc., Boissonneault, Cathy L.	100,000.00	Gingue Brothers Dairy, LLC & Gingue, Daniel G., Shawn P., Jeffrey J. and James N.	80,000.00
Bushey, Rodney T. (Jr.)	40,900.00	Gingue Brothers Dairy, LLC & Gingue, Daniel G., Shawn P., Jeffrey J. and James N.	100,000.00
Canonica, Benjamin D. and Wedding, Megan A.	28,500.00	Green Acres Milking Shorthorns, LLC and Wortman, Joan N.	39,000.00
Carabeau, Larry G. and Cristine H.	277,000.00	Green Mountain Harvest, LLC, Hartshorn, David C., Farr, John D. and Theodore E.H.	385,000.00
Carrier, Charles P.	186,700.00	Green Mountain Organic Creamery, LLC, Devos, John A. (III) and Cheryl L.	225,000.00
Cavendish Game Birds, Inc. and Thompson, William (Jr.) & Richard M.	216,500.00	Guile, Karen L.	82,000.00
Chappelle, Robert N. and Barbara B.	20,000.00	Hall and Breen Farm, LLC and Breen, Jennifer and Hall, Louis L.	228,000.00
Chaput Family Farms Partnership and Chaput, Reg and Michael	48,300.00	Hammond, Leonard S. and Joanne L.	12,250.00
CHD, Inc., Butler, Lawrence E., Douglas E. and Deborah K	57,000.00		
CHD, Inc., Butler, Lawrence E., Douglas E. and Deborah K.	43,000.00		
Chimney Point Farm Limited Partnership and Smith, Robert W., Rita B., Peter and Dawn M.	42,000.00		
Chimney Point Farm Limited Partnership and Smith, Robert W., Rita B., Peter and Dawn M.	36,100.00		
Cilley, Daniel J.	40,000.00		

2011 VACC LOAN PROGRAM APPROVALS, continued

Name	Loan Amount	Name	Loan Amount
Hanfield, William B. (Jr.)	35,000.00	Nuzzo, Robert C.	175,600.00
Hanfield, William B. (Sr.) and Robin E.	113,600.00	Olcott, Gary A. (Sr.) and Veronica E.	12,500.00
Hanfield, William B. (Sr.), Robin E. and Michael T.	322,000.00	Olcott, Gary A. (Sr.) and Veronica E.	32,000.00
Hidden River Farm, LLC and Butler, Seth and Diane	6,000.00	Paquin, Daniel J. and Merrie B.	12,000.00
Hinsdale, Clark W. and Suzanne G.	342,000.00	Paquin, IJ and Erin W.	16,350.00
Holton, Seth W. and Caitlin C.	75,000.00	Perry Family Farm, LLC, and Perry, James M. & Laura N.	88,000.00
Howrigan, David A.	260,000.00	Perry Family Farm, LLC, and Perry, James M. & Laura N.	40,000.00
Howrigan, David A. and Peggy A.	125,000.00	Pete's Greens, Inc. and Johnson, Peter G.	325,000.00
Howrigan, David A. and Peggy A.	468,750.00	Pine Hill View Farm, II, LLC and Strohmaier, Henry M.	75,000.00
Hutchins, Frank O. and Donna L.	12,300.00	Porter, Steven R.	10,000.00
Joneslan Farm, LLC and Jones, Steven R. & Brian A.	71,000.00	Pullman, David L.	30,000.00
Joneslan Farm, LLC and Jones, Steven R. & Brian A.	388,000.00	Purinton, Scott M. and Mary L.	15,000.00
Joy Stables, LLC and Joy, Alice and Peter A.	450,000.00	Purinton, Scott M. and Mary L.	215,500.00
Kimball Brook Farm LLC, Devos, John A. (III) and Cheryl L.	360,000.00	Quesnel, Randall M. and Jean M. and L & R Farms, LLC	134,000.00
Laberge & Sons, Inc. and Laberge, Mark R. & Amie D.	12,500.00	Quesnel, Randall M. and Jean M. and L & R Farms, LLC	75,000.00
Leather, Jeremy M. and Jennifer L. d/b/a Leather Dairy	15,500.00	Rainville, Denis T. and Jeannine T.	287,000.00
Leather, Jeremy M. and Jennifer L. d/b/a Leather Dairy	45,000.00	Rankin, Warren D.	3,250.00
Leather, Jeremy M. and Jennifer L. d/b/a Leather Dairy	12,500.00	Reed, Allen G. and Janet M.	42,200.00
Lehouillier, Tony C. d/b/a Foote Brook Organics	24,875.00	Reed, Allen G. and Janet M.	5,000.00
Lermontov-Salmon, Nikita C.	46,500.00	Reynolds, John C.	53,500.00
Long, Suzanne and Sanford, Timothy	114,700.00	Riendeau, Michael A. and Kim M.	165,400.00
M.D. Howrigan, Inc. and Howrigan, Michael D. and Judith B.	29,500.00	Riendeau, Michael A. and Kim M.	371,600.00
Mach Farm, Inc. and Mach, Philip R.	350,000.00	Riendeau, Gaston A. and Beatrice A.	25,000.00
Machia, Thomas J. and Mary R.	120,000.00	Rockledge Maple Trust and Raymond E. Tardif Family Trust and Tardif, Raymond, Julie and Amanda	30,000.00
Machia, Thomas J. and Mary R.	72,500.00	Rowley, Connor P.	96,500.00
Masse, Marcel R. and Paula M.	6,250.00	Royce Hill Farm, LLC and Orleans, Brian R. and Lucinda D.	36,200.00
Meacham, Edward L. and Kelly H.	60,000.00	Scholten, Roger H. and Patricia J.	35,600.00
Middlebrook Farm, Inc., deBoer, Joannes J. and Tini	60,000.00	Scotch Burn Farm, LLC and Nelson, Fremont R., Marsha H., Ethan R. and Erin	25,000.00
Middlebrook Farm, Inc., deBoer, Joannes J. and Tini	43,000.00	Scotch Burn Farm, LLC and Nelson, Fremont R., Marsha H., Ethan R. and Erin	88,700.00
Middlebrook Farm, Inc., deBoer, Joannes J. and Tini	74,600.00	Shat-Acres Farm Partnership, Shatney, Leo J., Steve R., & Christine E.	24,000.00
Millborne Farms, A Partnership, Millborne Dairy, LLC, Schut, Gerritt and Gerarda H. and Miller, Peter M.	608,000.00	Shat-Acres Farm Partnership, Shatney, Leo J., Steve R., and Christine E.	169,000.00
Montagne, David R. and Cathy J.	865,000.00	Shatney, Ray V. and Steward, Janet B.	12,000.00
Montagne, David R. and Cathy J.	45,300.00	Sheldon Farm, Inc. & Sheldon, Richard C., Christine T. & Jeffrey R.	132,300.00
Morse, Steven J. and Esta M.	69,500.00	Simpson, Robert A. and Tay R.	122,000.00
Murray, Gordon W. and Patsy J.	26,150.00	Smart, Nathan L. and Darcy R.	50,000.00
		Somers, Brian L. and Kathleen L.	10,000.00
		Somers, Brian L. and Kathleen L.	110,000.00

2011 VACC LOAN PROGRAM APPROVALS, continued

Name	Loan Amount
St. Pierre, Mark T. and Amanda J.	75,000.00
St. Pierre, Mark T. and Amanda J.	230,000.00
St. Pierre, Roy A. and Catherine E.	156,500.00
St. Pierre, Roy A. and Catherine E.	84,500.00
Stone, Paul A.	20,000.00
Sunshine Valley, LLC, Meadows, Robert H. and Rydle, Patricia E.	180,500.00
Sweet, Ronnie J. and Carol A.	49,250.00
Symon, Glenn R. and Judith T.	599,000.00
Taft Acres, LLC, Taft, Willard H. and Theodore H.	48,000.00
Tanay, Drew W. and Semler, Sarah E.	240,000.00
Tanay, Drew W. and Semler, Sarah E.	152,000.00
Tanner (Jr.), Hayden L. and Hubbard, Elizabeth O.	39,000.00
Taylor Farm, Inc. and Wright, Jonathan H.	15,000.00
Taylor Valley View Farm, A Partnership, Taylor, Maurice W. and Putney (Jr.), Ronald S.	20,000.00
Thompson, Thomas A. and Bridget R.	35,000.00
Thygesen, Shawn L. and Rhonda T.	20,700.00
Thygesen, Shawn L. and Rhonda T.	10,000.00
Two Pugs & A Reptile, LLC, Brust, Mary, Waldo, Andrea & Armstrong, Christine F.	165,000.00
Urie, Bruce A.	4,000.00
Urie, Neil R. and Kristin S.	15,000.00
Urie, Neil R. and Kristin S.	27,350.00
Vandeweert, Timothy J.	31,000.00
Vandeweert, Timothy J.	15,000.00
Veldman, Harry G., Yoka H., William M. and Benjamin A.	84,500.00
Wadel, D. Marlin and Denise E.	119,500.00
Wadel, D. Marlin and Denise E.	180,500.00
Wadel, D. Marlin and Denise E.	50,000.00
Wilson, R. Derek and Loretta M.	15,000.00
Wilson, R. Derek and Loretta M.	55,000.00
Windy Pastures, LLC	59,000.00
Wood, Loren C. and Gail S.	<u>\$ 153,000.00</u>
Total 2011 VACC Lending	\$19,408,175.00



VERMONT SMALL BUSINESS LOAN PROGRAM 2011 FEATURED BORROWER AND LOAN APPROVALS

This program is designed to help small businesses acquire working capital and financing for fixed assets needs.

Whistlepig Farm Shoreham



In 2007, Raj Bhakta purchased Whistlepig Farm, 468 acres on rolling Addison County hills with good soils and adequate drainage for growing crops. Raj plans to construct a distillery on the farm and turn rye grown on the land into premium whiskey. In the meantime, because farm-produced whiskey must be aged for two years to make it a premium product, Raj and his team of spirits industry veterans have been importing already-aged rye whiskey, and custom blending it in Shoreham to create the premium product being sold under the Whistlepig brand. Whistlepig premium whiskey is now sold in 19 states, including Vermont.

Raj's plan to build up a suitable inventory of high-quality imported rye whiskey required an infusion of working capital. VEDA's Small Business Loan Program provided \$140,000 in financing assistance as part of a \$350,000 project, helping Raj meet his goal of ultimately developing a successful and profitable enterprise that will keep his land productive and in farming. In time, Raj hopes to create six jobs in his business.



2011 VERMONT SMALL BUSINESS LOAN PROGRAM APPROVALS

Name	Town	County	Loan Amount
6305 Shelburne Road, LLC and Koerner, John and Carol	Shelburne	Chittenden	\$ 200,000.00
Ackermann, Walter E. and Julie E.	Cabot	Washington	25,000.00
Balance Designs, Inc.	Manchester Center	Bennington	150,000.00
Balance Team, Inc. and Breakwaters Cafe & Grill	Burlington	Chittenden	25,000.00
Barre Tile, Inc.	South Barre	Washington	25,000.00
Batchelder, Bruce A. and Joanne	North Hero	Grand Isle	52,525.00
Beth Mueller, Inc.	Barre	Washington	3,000.00
Boisvert, Karl and Mary Ellen d/b/a Boisvert Shoe Repair	Barre	Washington	10,000.00
BT Fitness, Inc. d/b/a Snap Fitness	Berlin	Washington	25,000.00
Capitol Stationers, Inc.	Montpelier	Washington	25,000.00
Central Vermont Community Action Council, Inc.	Berlin	Washington	25,000.00
Charles Curtis, LLC	Danville	Caledonia	18,260.00
Cote, Janet M. d/b/a Maquam Shore Property	St. Albans	Franklin	25,000.00
Crumbcakes, Inc. d/b/a Crown Point Camping Area	Weathersfield	Windsor	200,000.00
Dente, Richard H. d/b/a R. Dente Market	Barre	Washington	15,000.00
Dessureau Machines, Inc.	Barre	Washington	25,000.00
eCorp English, Ltd.	Middlebury	Addison	150,000.00
ENN Enterprises, Inc.	Rutland	Rutland	144,000.00
Family Memorials, Inc.	Barre	Washington	25,000.00
Farm at South Village, Inc.	South Burlington	Chittenden	225,000.00
First In Fitness	Berlin	Washington	37,500.00
Fitness Enterprises, Inc. d/b/a First In Fitness and Woodfield Properties, LLC	Berlin	Washington	12,000.00
Forest Hill Residential Care Home, Inc.	Hyde Park	Lamoille	200,000.00
Friends of the Sun	Manchester	Bennington	14,000.00
Gaujac, Roland L. and Lisa M.	Charlotte	Chittenden	250,000.00
Got That Rental & Sales, Inc.	Essex	Chittenden	150,000.00
Granite Corporation of Barre	Barre	Washington	25,000.00
Green Mountain Boat Lines, Ltd.	Burlington	Chittenden	25,000.00
Gregory Cremation and Funeral Services	South Burlington	Chittenden	141,640.00
Gregory Cremation and Funeral Services	South Burlington	Chittenden	42,836.00
Handy Hotels & Rentals, LLC	Colchester	Chittenden	25,000.00
Hizny, George and Williams, J. Douglas	Wilmington	Windham	177,500.00
Hood & Ayer, LLP	Montpelier	Washington	25,000.00
Irons, Paul and Margaret d/b/a Acorn Properties	Berlin	Washington	25,000.00
J. and E. Enterprises, LLC d/b/a Twisted Wrench	South Burlington	Chittenden	164,000.00
Keshav, LLC	Shelburne	Chittenden	25,000.00
Kismet, LLC	Montpelier	Washington	25,000.00
Knight Industries, Inc. d/b/a Knight Kitchens	North Clarendon	Rutland	125,000.00
Leber, Jonathan P. and Lucia A.	Poultney	Rutland	50,000.00
Leggett, William	Hinesburg	Chittenden	140,000.00
Leggett, William	Hinesburg	Chittenden	12,000.00
Mattress Land, LLC	Berlin	Washington	25,000.00
Middle Branch Market and Deli	Randolph	Orange	83,000.00

2011 VERMONT SMALL BUSINESS LOAN PROGRAM APPROVALS, continued

Name	Town	County	Loan Amount
Middlebury Family Health, P.C.	Middlebury	Addison	34,000.00
Midstate Dodge, LLC	Barre	Washington	25,000.00
Miles Block Properties, LLC	Barre	Washington	25,000.00
Mutuo, Inc.	Barre	Washington	25,000.00
Nelson Hardware, Inc.	Barre	Washington	25,000.00
New England Culinary Institute	Montpelier	Washington	25,000.00
New England Woodcraft, Inc.	Brandon	Rutland	152,000.00
Olivia's Market, LLC and Bullock, William (Jr.)	Rutland	Rutland	200,000.00
P & G Custom Sandblast, Inc.	Barre	Washington	25,000.00
P & S Furniture, Inc.	Barre	Washington	25,000.00
People's Health & Wellness Clinic, Inc.	Barre	Washington	25,000.00
Positive Pie, Inc.	Montpelier	Washington	25,000.00
Project Independence	Barre	Washington	25,000.00
Ranch Camp Chip Company d/b/a Deano's Jalapenos	Hardwick	Caledonia	50,000.00
Redmond Properties, LLC	Vergennes	Addison	100,000.00
Renaissance Fine Jewelry, Ltd.	Brattleboro	Windham	159,740.00
Richard J. Wobby Jeweler, Inc.	Barre	Washington	10,000.00
River Street Associates	Montpelier	Washington	25,000.00
Salaam Outlet, LLC	Plainfield	Washington	13,000.00
Sandalwood Development, Inc. d/b/a Steeple Market and 1098 Main Street, LLC	Fairfax	Franklin	200,000.00
Searles Village Store, Inc. d/b/a Cabot Village Store	Cabot	Washington	25,000.00
Sidewalk Village, LLC	Barre	Washington	5,000.00
Sidon Pantry, LLC	Colchester	Chittenden	17,000.00
SJB Holdings, LLC	Colchester	Chittenden	116,000.00
Square Riggs, LLC d/b/a Charlotte Sailing Center	Charlotte	Chittenden	25,000.00
Studio Place Arts Incorporated	Barre	Washington	10,000.00
Super Thin Saws	Waterbury	Washington	150,000.00
Sweetwaters, LLC	Burlington	Chittenden	250,000.00
That's Life Ventures, LLC d/b/a That's Life Soup	Montpelier	Washington	5,000.00
Town Garden, Inc. d/b/a The Book Garden	Montpelier	Washington	25,000.00
Vermont Concrete Cutting, Inc.	Barre	Washington	25,000.00
Wendell B. Farrell and Karen Graves Farrell Revocable Trust, by Farrell, Wendell B. and Farrell, Karen Graves Trustees Of The	Colchester	Chittenden	200,000.00
Whistlepig, LLC d/b/a Whistle Pig Farm	Shoreham	Addison	140,000.00
Wiebe, Kerry D. and Katherine L. d/b/a Performance Chiropractic	Essex Junction	Chittenden	25,000.00
Woodstock Resort Corporation d/b/a Woodstock Inn and Resort	Woodstock	Windsor	<u>150,000.00</u>
Total 2011 Small Business Loan Lending			\$5,554,001.00

REVENUE BOND PROGRAM 2011 FEATURED BORROWERS AND LOAN APPROVALS

VEDA's Tax-Exempt Revenue Bond Program is designed to aid certain qualified entities by VEDA's issuance of tax-exempt bonds. In these projects, VEDA acts as a conduit issuer, thereby enabling eligible borrowers to access the tax-exempt bond market. Because income earned by purchasers of these bonds is exempt from federal and, in some cases, state tax, these bonds traditionally carry lower interest rates and may carry longer terms than conventional bank loans.

During FY2011, VEDA's bonding authority was expanded under the tax-exempt Recovery Zone Facility Bond (RZFB) Program, enabled by the American Recovery and Reinvestment Act of 2009. The RZFB Program, now sunset, offered tax-exempt financing for large fixed-asset projects such as manufacturing facilities, other commercial establishments and office buildings.

Dealer.Com, Inc. Burlington

Dealer.Com, Inc. is the largest provider of automotive Internet marketing solutions in North America. Founded in 1998, the company has grown to over 500 staff, and offers a complete platform of digital products for new and used automobile dealerships across the United States and Canada.



To prepare for continued growth, Dealer.Com purchased and substantially renovated the Pine Street industrial condominium formerly owned by Champlain Chocolate Company. Renovations to the new space, located next to Dealer.Com's existing



headquarters, included construction of a mezzanine and expansion of high-quality office space. VEDA approved a \$6.4 million tax-exempt Recovery Zone Facility Bond (RZFB), purchased by People's United Bank (PUB), and a \$1.3 million Direct Loan to help with the \$13 million expansion project, which allowed Dealer.Com to more than double its operating space.

WEIDMANN Electrical Technology, Inc. St. Johnsbury

The WEIDMANN companies, including St. Johnsbury-based WEIDMANN Electrical Technology, Inc., are global leaders in the design, manufacture, testing and supply of electrical insulation for oil-filled transformers of all voltage ranges. WEIDMANN was founded in Rapperswil,



Switzerland 125 years ago and the parent company, now known as WICOR (WEIDMANN International Corporation), continues to be based there.

VEDA approved \$25 million in tax-exempt RZFB financing, purchased by TD Bank, to help WEIDMANN substantially improve the St. Johnsbury plant's production quality and efficiency through the purchase and installation of a large new paperboard production machine and related equipment. The \$52 million improvement project will allow WEIDMANN boost production capacity, meet more demanding product quality standards, and help secure the future of this important Northeast Kingdom employer of over 260 people for decades to come.



2011 REVENUE BOND PROGRAM APPROVALS

Name	Town	County	Loan Amount
Burlington Community Dev. Corporation **	Burlington	Chittenden	\$ 2,977,500.00
Casella Waste Systems, Inc. *	Rutland	Rutland	16,000,000.00
Central Vermont Public Service Corporation **	East Barnet	Caledonia	30,000,000.00
College of St. Joseph (Series A) **	Rutland	Rutland	2,559,420.00
Dealer.Com, Inc. and DDC Holdings, LLC **	Burlington	Chittenden	6,400,000.00
Dew Lending, LLC **	Rutland	Rutland	5,895,596.00
King Arthur Flour Company, Inc. **	Norwich	Windsor	15,000,000.00
Liberty Mill, LLC *	Bellows Falls	Windham	3,000,000.00
Southern Vermont College (Series 2011) **	Bennington	Bennington	8,500,000.00
St. Albans Cooperative Creamery, Inc. *	St. Albans	Franklin	10,000,000.00
Vermont Center for the Deaf and Hard of Hearing **	Brattleboro	Windham	3,000,000.00
WEIDMANN Electrical Technology, Inc. **	St. Johnsbury	Caledonia	<u>25,000,000.00</u>

Total 2011 Revenue Bond Financing

\$128,332,516.00

* Inducement ** Final Approval

TECHNOLOGY LOAN PROGRAM 2011 FEATURED BORROWER AND LOAN APPROVALS

This program provides financing to eligible for-profit and non-profit corporations offering technology-based goods and services to consumers located both inside and outside Vermont.

Sterling Valley Systems, Inc. d/b/a Inntopia Stowe

Sterling Valley Systems, Inc. d/b/a Inntopia supplies destination travel technology booking and reservation systems for call centers and travel marketing websites. Users of Inntopia's products include central reservation agencies, destination marketing organizations, resort associations, property management companies, and tour operators.



Inntopia came to VEDA to help them invest in infrastructure upgrades aimed at improving performance and reliability of the company's web applications. Utilizing \$157,855 in VEDA financing, Inntopia's \$175,394 investment plan also included transferring production and development functions to a virtualized environment.

The company's system upgrades will help to increase flexibility and speed of deployment, and allow for faster expansion of capacity as Inntopia's customer base grows and transaction volumes increase. Inntopia employs 14 persons, a number expected to grow to 22 within three years of the investment project.



2011 TECHNOLOGY LOAN PROGRAM APPROVALS

Name	Town	County	Loan Amount
Aprexis Health Solutions, Inc.	Burlington	Chittenden	\$100,000.00
Draker Laboratories, Inc.	Burlington	Chittenden	100,000.00
eCorp English, Ltd.	Middlebury	Addison	100,000.00
eCorp English, Ltd.	Middlebury	Addison	250,000.00
Sensor Systems, Inc.	St. Albans	Franklin	100,000.00
Sterling Valley Systems, Inc. d/b/a Inntopia	Stowe	Lamoille	157,855.00
Thermal Storage Solutions, Inc.	St. Johnsbury	Caledonia	<u>100,000.00</u>

Total 2011 Technology Lending **\$907,855.00**

LOCAL DEVELOPMENT CORPORATION LOAN PROGRAM 2011 FEATURED BORROWER AND LOAN APPROVALS

This program provides financing to non-profit local and regional development corporations to build facilities for lease to identified eligible tenants, or to plan and/or develop industrial parks.



Brattleboro Development Credit Corporation Brattleboro

The Brattleboro Business Park, owned and managed by the Brattleboro Development Credit Corporation (BDCC), comprises 18 acres of land and 293,940 square feet of factory/warehouse space. BDCC manages the property with a goal of assisting start-up and other businesses to find appropriate building space in Brattleboro. Over 49 businesses are currently located in the facility. With the help of \$500,000 in VEDA financing, BDCC was able to fit up and lease 14,400 square feet of that space to Bradford

Machine, Inc., a precision machine shop that has been located in Brattleboro since 1985. The move to the business park will enable Bradford Machine to expand its services and create an estimated four new jobs over the next three years.

2011 LOCAL DEVELOPMENT CORPORATION LOAN PROGRAM APPROVALS

Name	Town	County	Loan Amount
Brattleboro Development Credit Corporation	Brattleboro	Windham	\$ 500,000.00
Burlington Community Development Corporation	So. Burlington	Chittenden	560,000.00
Springfield Regional Development Fund - Great Bear Realty Corporation	Windsor	Windsor	<u>885,000.00</u>
Total 2011 Local Development Corporation Lending			\$1,945,000.00

2011 VERMONT 504 PROGRAM LOAN APPROVALS

The Vermont 504 Corporation, with SBA's approval, makes SBA 504 loans to eligible and qualified borrowers. To fund these loans, the SBA guarantees debentures which are sold to private investors. The proceeds of the debenture are subsequently loaned to the borrower. Vermont 504 loans are made in conjunction with a "third party lender" (i.e. a Bank) that normally provides financing for 50% of the Project.

Name	Town	County	Loan Amount
E.J.'s Kids Klub, Inc. and Morin Avenue D, LLC	Williston	Chittenden	\$ 398,000.00
Gordon's Window Décor, Inc.	Williston	Chittenden	376,000.00
Kate's Kitchen, LLC d/b/a Stowe Kitchen Bath & Linens and Gold Hill, LLC	Stowe	Lamoille	<u>447,000.00</u>
Total 2011 Vermont 504 Fund Lending			\$1,221,000.00

2011 MORTGAGE INSURANCE PROGRAM LOAN APPROVALS

This program is designed to aid businesses by insuring loans made by commercial banks to fund working capital or the acquisition of land, buildings, machinery and equipment. Insurance contracts issued by VEDA ensure repayment to banks of commercial loans made for these purposes.

Name	Town	County	Insured Amount
Vermont Composites, Inc.	Bennington	Bennington	\$ 500,000.00
Vermont Composites, Inc.	Bennington	Bennington	1,000,000.00
Vermont Hospitality Management, Inc. d/b/a New England Culinary Institute	Montpelier	Washington	<u>500,000.00</u>
Total 2011 Mortgage Insurance Financing			\$2,000,000.00

2011 DRINKING WATER STATE REVOLVING LOAN FUND APPROVALS

This program provides funds to repair or improve existing privately-owned drinking water systems. Borrowers must be reviewed and recommended by the Agency of Natural Resources. Funds may be used to obtain requisite permits, or to design, plan, construct, repair, or improve an existing eligible water system to comply with federal and state standards. Since its inception in 2008, the Drinking Water State Revolving Loan Fund has made \$12.8 million to drinking water cooperatives, mobile home parks and community water systems.

Name	Town	County	Loan Amount
Green Mountain Camp, Inc.	Dummerston	Windham	\$ 7,432.89
Hiland Hall School	Bennington	Bennington	12,860.00
Thetford Water Cooperative, Inc.	Thetford	Orange	409,394.00
Tri-Park Coop. Housing Corporation	Brattleboro	Windham	<u>160,288.00</u>
Total 2011 Drinking Water State Revolving Loan Fund Lending			\$589,974.89

2011 CLEAN ENERGY DEVELOPMENT FUND LOAN APPROVALS

VEDA underwrites loans made through the State's Clean Energy Development Fund (CEDF). The purpose of the CEDF is to promote the development and deployment of cost-effective and environmentally sustainable electric power and thermal energy or geothermal resources and emerging energy-efficient technologies – primarily with respect to renewable energy resources, and the use of combined heat and power (CHP) technologies – for the long-term benefit of Vermont consumers.

Name	Town	County	Loan Amount
Burke Mountain Operating Company	Burke	Caledonia	\$ 400,000.00
Burke Mountain Operating Company	Burke	Caledonia	100,000.00
City of Montpelier	Montpelier	Washington	750,000.00
Farm at South Village, Inc.	South Burlington	Chittenden	225,000.00
Georgia Mountain Community Wind, LLC	Georgia	Franklin	750,000.00
Goddard College Corporation	Plainfield	Washington	350,000.00
Green Mountain Environmental Consulting, Inc.	Pownal	Bennington	245,655.00
Kingsbury Branch Hydro Electric Company, LLC, Porter, Robert K. and William K.	East Montpelier	Washington	81,000.00
Long Wind Farm, Inc. & Chapman, David E.	East Thetford	Orange	308,000.00
S B E, Inc. d/b/a SB Electronics	Barre	Washington	251,000.00
S B E, Inc. d/b/a SB Electronics	Barre	Washington	<u>499,000.00</u>
Total 2011 Clean Energy Development Fund Lending			\$3,959,655.00

2011 VERMONT STATE INFRASTRUCTURE BANK PROGRAM LOAN APPROVALS

The State Infrastructure Bank (SIB) program, operated by the Vermont Economic Development Authority in conjunction with the Vermont Agency of Transportation and the Federal Highway Administration, is available to assist in the construction or reconstruction of highways, roads and bridges, as well as certain facilities related to rail transit. This program also provides funding for the purchase of commuter vans.

Name	Town	County	Loan Amount
Town of Marshfield	Marshfield	Washington	<u>\$200,000.00</u>
Total 2011 Vermont State Infrastructure Bank Lending			\$200,000.00

2011 BROWNFIELDS REVITALIZATION FUND PROGRAM LOAN APPROVALS

This program is designed to provide funding to assist in the redevelopment of contaminated properties. The Brownfields Revitalization Fund (BRF) was established in Vermont statute as part of the State's voluntary contaminated properties cleanup program, known as the Redevelopment of Contaminated Properties Program. In making loans under the program, the BRF utilizes the cooperative expertise of VEDA, the Vermont Agency of Commerce and Community Development and the Vermont Agency of Natural Resources.

Name	Town	County	Loan Amount
Salisbury Square Holdings Limited Partnership	Randolph	Orange	<u>\$160,000.00</u>
Total 2011 Brownfields Revitalization Fund Lending			\$160,000.00

VEDA MANAGEMENT DISCUSSION AND ANALYSIS

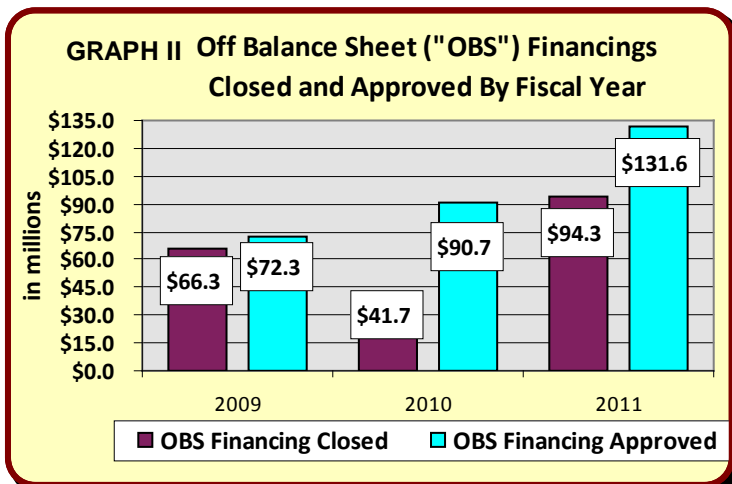
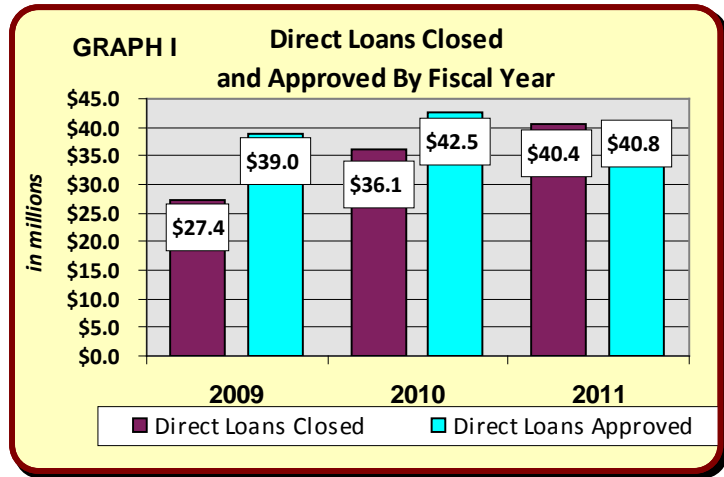
This was another challenging year for the economy and although Vermont fared somewhat better than many other states, we continue to face challenges. The State and the Nation continue to show slow economic and job growth. Given that VEDA plays a vital role in stimulating economic activity and creating jobs, 2011 was another year of considerable new activity. In addition, the Authority was awarded \$13.2 million in Federal funds to supplement its successful programs. This will have a positive impact on our Programs and our borrowers.

Vermont was hit with a serious flood in the spring of 2011. There was severe damage to businesses and homes in Central Vermont, as well as Chittenden and Franklin counties, particularly bordering Lake Champlain. VEDA partnered with the Administration to set up a special loan program to assist these distressed businesses.

Financing Program Activity

GRAPH I shows that the Authority *closed* \$40.4 million in direct loans in 2011 compared with \$36.1 million closed in 2010 and \$27.4 million closed in 2009. Direct loans *approved* in 2011 totaled \$40.8 million compared with \$42.5 million in 2010 and \$39.0 million in 2009.

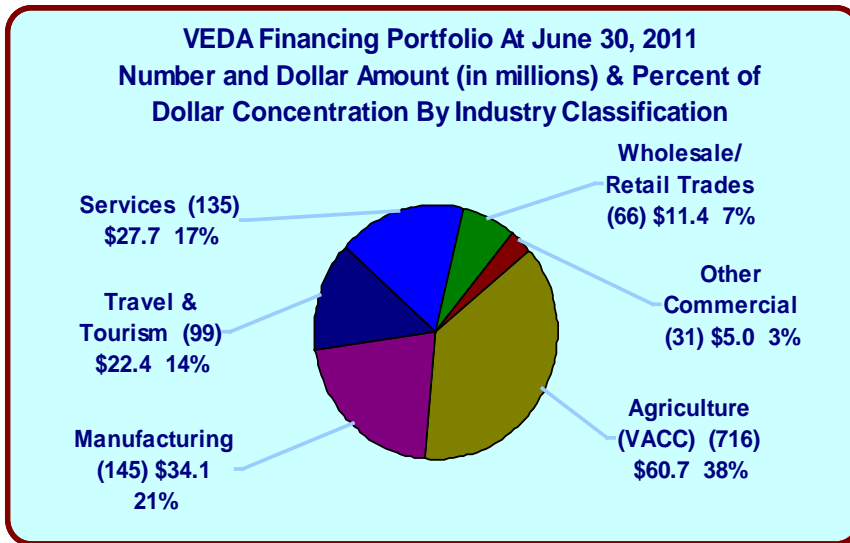
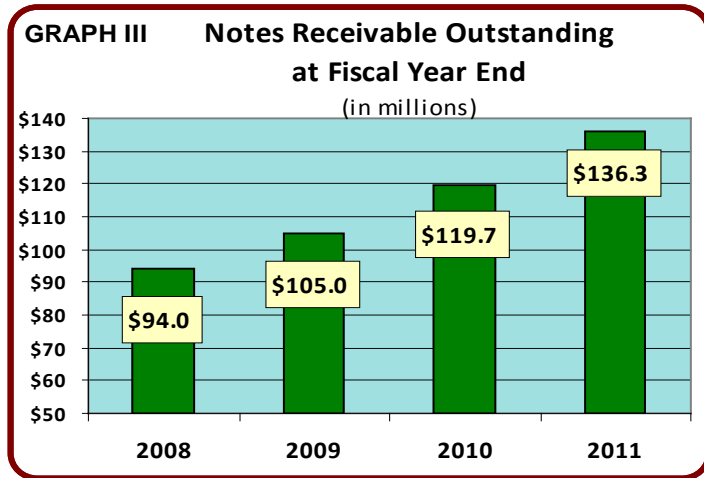
The Authority has three programs for which the financing volume is not included on VEDA's Balance Sheet. These programs include industrial development bonds, mortgage insurance contracts and loans made under the U.S. Small Business Administration 504 Loan Program.



GRAPH II illustrates that in 2011, the Authority *closed* \$94.3 million in Off Balance Sheet financings compared to \$41.7 million in 2010 and \$66.3 million in 2009. Off Balance Sheet closings increased in 2011, including \$90.3 million in Recovery Zone Facility Bonds ("RZFB") authorized under the American Recovery and Reinvestment Act ("ARRA").

VEDA MANAGEMENT DISCUSSION AND ANALYSIS

GRAPH III shows the outstanding notes receivable at year end for the period 2008 to 2011. The total growth in the three years (2009 through 2011) was 45%. In those years, outstanding notes receivable increased 12%, 14%, and 14%, respectively. This double digit growth in notes receivable in 2009-2011 demonstrates the high demand for VEDA financing, but also creates a need for increased borrowing capacity to fund future loan demand. During 2011, VEDA increased borrowing capability in all of its direct lending programs.

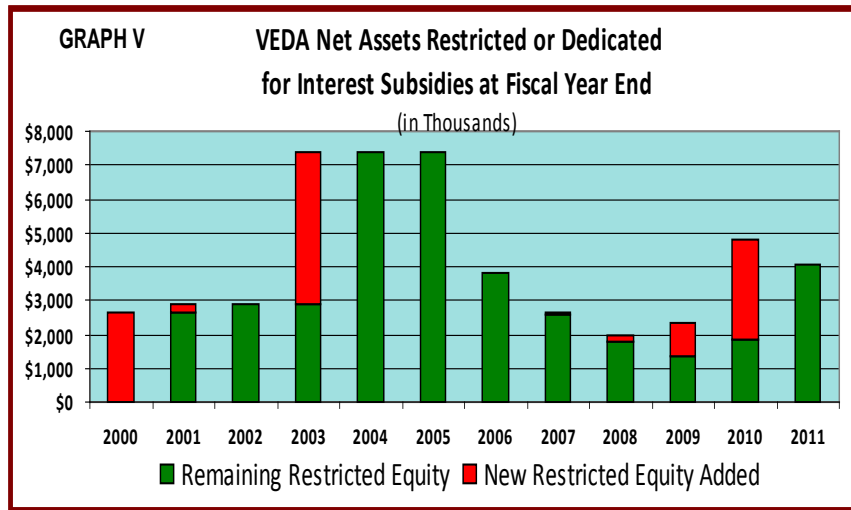


At June 30, 2011 VEDA’s combined portfolio represents all of the major sectors of the Vermont economy and a wide spectrum of industry classifications. Manufacturing accounted for 21%, down from 23% last year. Agriculture accounted for 38%, compared to 34% last year. Travel and Tourism was 14% and Service Related Businesses accounted for 17% of the portfolio.

The core of the Authority’s business, and the primary source of its total revenue, comes from notes receivable interest (interest on loans). VEDA must set the interest rates on its loans at a level that will generate sufficient revenues, when combined with interest on cash and investments and other revenue, to offset the Authority’s interest expense, loan losses and other overhead costs.

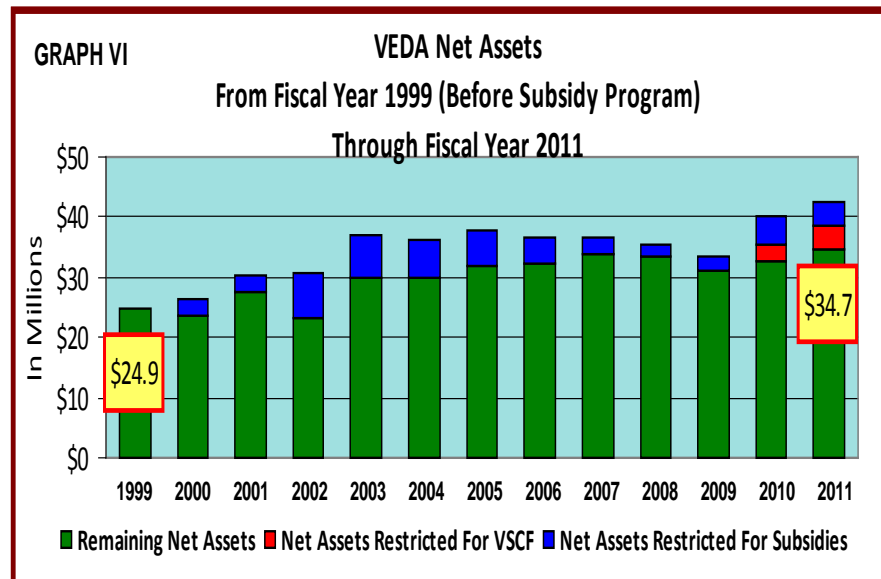
In an effort to foster economic development, the State has provided the Vermont Jobs Fund (VJF) and the Vermont Agricultural Credit Corporation (VACC), the Authority’s two largest programs, with resources for an interest rate subsidy program. The resources allow the VJF and VACC to offer loan rates below the level necessary to fully cover operating costs (a “subsidy”).

VEDA MANAGEMENT DISCUSSION AND ANALYSIS



GRAPH V illustrates the amount added to net assets each year for interest subsidies (**red**) plus the amount of any net assets restricted for the subsidy program and unused from prior years (**green**). Combined, this represents the total net assets restricted for subsidies. Each year a portion of the net assets restricted for the subsidy program is “used” to cover interest expense not charged to the borrower.

GRAPH VI illustrates the changes in total (before the subsidy program began) through 2011. At the end of 1999 VEDA Net Assets totaled \$24.9 million. At the end of 2011, VEDA Net Assets totaled \$42.7 million of which \$4.0 million is restricted for the subsidy program (shown in **blue**) and \$4.0 million of net assets were restricted for investment in the Vermont Seed Capital Fund (“VSCF,” shown in **red**). The remaining \$34.7 million of net assets can be compared with the net assets at the end of 1999. Therefore, since 1999 VEDA has effectively grown its net assets by \$9.8 million over the twelve years; 2000-2011.



Credit Risk Management

Credit risk is the risk that a borrower will default on the obligation to repay their loans. To provide for this risk the Authority maintains allowances for losses (reserves) on specific notes receivable where a loss is determined to be probable. It also maintains general reserves that are estimated based on historical loss experience, economic conditions, industry concentration and expectation of future events that would adversely affect VEDA borrowers.

VEDA MANAGEMENT DISCUSSION AND ANALYSIS

Table 1 details the amount of specific and non-specific (“general”) allowance for loan losses (“reserves”) and the total reserves as a percentage of outstanding notes receivable balances at June 30, 2009 through 2011. Integral to VEDA’s mission is the challenge of meeting its economic development objectives while utilizing prudent lending practices.

Table 1: Specific and General Allowance for Loan Losses ('Reserves') at June 30

Total for Years Ending	Total Notes Receivable at June 30:	Specific Reserves at June 30:	General Reserves at June 30:	Total Reserves at June 30:	Reserves as a % of Total Notes Receivable		
					Specific	General	Total
2011	\$ 136,319,011	\$ 1,863,100	\$ 1,862,600	\$ 3,725,700	1.37%	1.37%	2.73%
2010	\$ 119,709,038	\$ 2,081,925	\$ 1,751,800	\$ 3,833,725	1.74%	1.46%	3.20%
2009	\$ 104,980,156	\$ 1,968,100	\$ 1,348,400	\$ 3,316,500	1.87%	1.28%	3.16%

Capital Adequacy

Table 2 details the Authority’s net assets, (equity or capital) as a percentage of total assets at June 30, 2011, 2010 and 2009. VEDA’s Capital/Equity ratio of between 25% and 27% represents a strong equity position. The Authority must maintain these strong levels of net assets relative to

Table 2: Net Assets as a % of Total Assets

As of June 30:	VJF	VACC	VEDA
2011	32%	18%	25%
2010	32%	20%	27%
2009	28%	21%	25%

total assets to borrow at favorable terms in the capital markets, in order to fund its lending activity.

We at VEDA are proud of the organic growth the organization has undergone since FY1999 and our increased capacity to help Vermont businesses. We have added several new programs and our asset base has grown from \$46 million at the end of FY 1999 to \$167 million as of June 30, 2011. Our equity has increased from \$24.9 million to \$43 million, despite planned “losses” due to our subsidy program. In short, our innovative Recapitalization/Subsidy model has been extremely successful. This subsidy program has been extremely important during these last three years when the economy has been recovering from the recession. VEDA’s portfolio has grown dramatically during these years as those borrowers who might not have otherwise done so, borrowed low-interest funds to expand and hire new employees. Vermont’s unemployment rate still remains one of the lowest in the nation.

VEDA is extremely fortunate to have a competent and dedicated staff which has been with us for an average of 12 years. It is these dedicated and extremely competent people who have allowed us to continue to meet our dual goals of prudent lending and supporting Vermonters as they grow and expand their businesses.

FINANCIAL STATEMENTS

Vermont Economic Development Authority
(A Component Unit of the State of Vermont)
Balance Sheet (Unaudited)
as of June 30, 2011 and 2010

<u>Assets</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Cash and cash equivalents		
Unrestricted	\$ 2,005,098	\$ 1,904,867
Restricted	<u>327,732</u>	<u>274,849</u>
Total cash and cash equivalents	2,332,830	2,179,716
Restricted Investments	26,495,356	25,295,559
Notes receivable	136,319,011	119,709,038
less allowance for loan losses	<u>(3,725,700)</u>	<u>(3,833,725)</u>
Notes receivable, net of allowance	<u>132,593,311</u>	<u>115,875,313</u>
Accrued interest receivable	229,302	163,192
Other assets	714,416	1,300,185
Fixed assets, net of accumulated depreciation	<u>5,072,367</u>	<u>4,852,331</u>
Total Assets	<u>\$ 167,437,582</u>	<u>\$ 149,666,296</u>
 <u>Liabilities</u>		
Commercial Paper	\$ 104,000,000	\$ 84,500,000
Notes payable	14,074,324	22,150,012
Escrow and reserve accounts	199,619	186,389
Accounts payable and accrued expenses	900,139	566,624
Due to State of Vermont	62,827	35,827
Other Liability - State of Vermont	1,142,663	1,450,206
Deferred revenue for federal program	4,345,555	0
Fair value of derivative instrument	0	401,879
Accrued interest payable	<u>60,631</u>	<u>104,912</u>
Total Liabilities	<u>124,785,758</u>	<u>109,395,849</u>
 Net Assets		
Unrestricted	14,509,588	12,543,958
Restricted	<u>28,142,236</u>	<u>27,726,489</u>
Total Net Assets	<u>42,651,824</u>	<u>40,270,447</u>
Total Liabilities and Net Assets	<u>\$ 167,437,582</u>	<u>\$ 149,666,296</u>

Audited financial statements are available upon request or visit our website at www.veda.org

FINANCIAL STATEMENTS

Vermont Economic Development Authority

(A Component Unit of the State of Vermont)

Statement of Revenues, Expenses and Changes in Net Assets *(Unaudited)*

For the Years Ending June 30, 2011 and 2010

<u>Operating Revenues:</u>	2011	2010
Cash and investment interest	\$ 495,931	\$ 643,313
Net decrease in the fair value of investments	1,942,483	1,346,631
Notes receivable interest	4,576,384	4,096,108
Non-interest income	1,433,494	1,056,399
Total Operating Revenues	8,448,292	7,142,451
<u>Operating Expenses:</u>		
Interest expense	1,530,789	1,136,793
Provision for loan losses	1,702,023	1,024,785
Provision for losses on insured loans	1,962	69,670
Staff salaries, expenses and benefits	2,693,409	2,499,353
Professional fees	496,206	696,180
Office and administrative expenses	848,192	644,788
Depreciation expense	214,747	201,414
Total Operating Expenses	7,487,328	6,272,983
Net Operating Income	960,964	869,468
Non-Operating Revenues (Intergovernmental Transfers):		
Appropriation from State of Vermont	1,140,000	5,850,000
Deferred appropriation earned	305,451	0
Operating transfer (to) from State of Vermont	(25,038)	38,351
Total Non-Operating Income	1,420,413	5,888,351
Net increase in net assets	2,381,377	6,757,819
Net assets at beginning of year	40,270,447	33,512,628
Net assets at end of year	\$ 42,651,824	\$ 40,270,447

Audited financial statements are available upon request or visit our website at www.veda.org

VERMONT ECONOMIC DEVELOPMENT AUTHORITY

The Vermont Economic Development Authority (VEDA), created by the General Assembly in 1974, is Vermont's economic development finance lender. VEDA manages a wide range of low-cost lending programs for Vermont businesses and farms of all sizes, and the Authority's lending solutions are customized to each client's individual needs.

Whether in the form of direct loans, tax-exempt bond issuance or loan guarantee support, VEDA's innovative financing programs help ensure that Vermont businesses and farms have the capital they need to grow and succeed. In the past 37 years, VEDA has provided over \$1.8 billion in financing assistance to thousands of eligible Vermont entrepreneurs, manufacturers, small businesses and agricultural enterprises, helping them to realize their business growth goals, create jobs, and enhance the vitality of Vermont's economy.





**VEDA EXECUTIVE
MANAGEMENT TEAM**

Seated (l to r): David Carter, Chief
Financial Officer and Jo Bradley,
Chief Executive Officer
Standing: Steven Greenfield,
Chief Operating Officer



VEDA STAFF

Standing on stairs (from top right): Gerrie Rogers, Charlie Keeler, Margaret Baird,
Heidi van Gulden, Nancy Gonneville, Barry Koch, Peter Bendoris, Pete Fitzgerald,
Tom Porter, Marie Dussault, Louise Anair, Angela Roy and Alice Ennis

Standing at base of stairs:

Back Row (l to r): Kathy Rouleau and Sandy Croft
Middle Row (l to r): Ruth Tucker, Thom Firlik and Rob LaClair
Front Row (l to r): Kelly Leonard, Carol Brown, Bill Roberts and Mariah Miller
Missing: Patty Duffy, Sarah Isham, Dave Lane, Melanie Scott and Jay Stewart





Vermont Economic Development Authority

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*VEDA is an Equal Opportunity
Provider and Employer*

