



STATE OF VERMONT
JOINT FISCAL OFFICE

MEMORANDUM

To: James Reardon, Commissioner of Finance & Management
From: Nathan Lavery, Fiscal Analyst
Date: May 19, 2011
Subject: JFO #2496, #2497, #2498, #2499, #2500, #2503

No Joint Fiscal Committee member has requested that the following items be held for review:

JFO #2496 — \$500,000 grant from the U.S. Department of Justice to the Vermont Department for Children and Families. These funds will be used to support 12 youth delinquency prevention programs.

[JFO received 4/06/11]

JFO #2497 — \$345,100 grant from the University of Massachusetts to the Vermont Department for Disabilities, Aging and Independent Living. These funds will be used to implement a Social Security Administration demonstration project to determine if enhanced work incentives result in increased employment outcomes for Social Security Disability Insurance beneficiaries. **This grant includes establishment of three limited service positions.**

[JFO received 4/06/11]

JFO #2498 — \$220,480 grant from the National Association of State Mental Health Program Directors to the Vermont Department of Mental Health. These funds will be used to create an Evidence-Based Practices Cooperative to support the adoption of evidence-based practices within the state's community mental health system. **An existing position will be used in lieu of requesting a new limited service position.**

[JFO received 4/06/11]

JFO #2499 — \$103,000 grant from the National Association of State Mental Health Program Directors to the Vermont Department of Mental Health. These funds will be used to develop Supported Employment Champions within a Designated Agency's Community Rehabilitation Treatment Program.

[JFO received 4/06/11]

JFO #2500 — \$150,000 grant from the U.S. Department of Education to the Vermont Department of Education. These funds will be used to establish a State Literacy Team that will develop a literacy plan for Vermont.

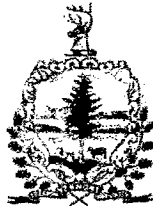
[JFO received 4/06/11]

JFO #2503 — \$13,168,350 grant from the U.S. Department of the Treasury to the Vermont Economic Development Authority. These funds will be used to allow VEDA to subsidize commercial loans in order to lower the cost of borrowing to Vermont businesses. This funding will support the following programs: Financial Access Program, Commercial Loan Participation Program, Technology Loan Participation Program, and Small Business loan Program.

[JFO received 5/2/11]

The Governor's approval may now be considered final. Please inform the Secretary of Administration and your staff of this action.

cc: Dave Yacovone, Commissioner
Susan Wehry, Commissioner
Christine Oliver, Commissioner
Armando Vilaseca, Commissioner
Lawrence Miller, Secretary



STATE OF VERMONT
JOINT FISCAL OFFICE

MEMORANDUM

To: Joint Fiscal Committee Members
From: Nathan Lavery, Fiscal Analyst
Date: May 12, 2011
Subject: Grant Requests

Enclosed please find two (2) grants that the Joint Fiscal Office has received from the administration. Establishment of one (1) limited service position is associated with these requests.

JFO #2503 — \$13,168,350 grant from the U.S. Department of the Treasury to the Vermont Economic Development Authority. These funds will be used to allow VEDA to subsidize commercial loans in order to lower the cost of borrowing to Vermont businesses. This funding will support the following programs: Financial Access Program, Commercial Loan Participation Program, Technology Loan Participation Program, and Small Business loan Program. **Expedited review of this item has been requested. Joint Fiscal Committee members will be contacted by May 19 with a request to waive the statutory review period and accept this item**
[JFO received 5/2/11]

JFO #2504 — \$27,000 grant from the Corporation for National and Community Service to the Vermont Agency of Human Services. These funds will be used to support the VISTA Supervision Project and 18 AmeriCorps VISTAs. Establishment of one limited service position is associated with this request.
[JFO received 5/2/11]

Please review the enclosed materials and notify the Joint Fiscal Office (Nathan Lavery at (802) 828-1488; nlavery@leg.state.vt.us) if you have questions or would like an item held for legislative review. Unless we hear from you to the contrary by May 19 we will assume that you agree to consider as final the Governor's acceptance of these requests.

cc: James Reardon, Commissioner
Lawrence Miller, Secretary
Doug Racine, Secretary

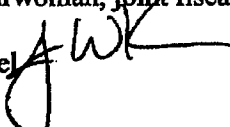


State of Vermont
Agency of Commerce and Community Development
National Life Building, Drawer 20
Montpelier, VT 05620-0501
www.dca.state.vt.us

[phone] 802-828-3211
[fax] 802-828-3383

MEMORANDUM

TO: Senator Ann Cummings, chairwoman, joint fiscal committee

FROM: John Kessler, General Counsel 

DATE: May 12, 2011

RE: Request for Expedited JFC Review of the State's Acceptance of a US Treasury Grant for the State Small Business Credit Initiative (SSBCI)

I am writing on behalf of Governor Peter Shumlin, Commerce Secretary Lawrence Miller, and VEDA Manager and CEO Jo Bradley to respectfully request expedited review by the joint fiscal committee of the governor's request for approval regarding VEDA's acceptance on behalf of the state of an over \$13 million award from the US Treasury under the federal State Small Business Credit Initiative.

Unlike other states applying for and receiving SSBCI funds, Vermont does not have a lending program within the executive branch to provide the services required to utilize the SSBCI funds. Thus, VEDA, created as an instrumentality of the state under 10 V.S.A. § 213(a) for those purposes, was authorized to apply for and administer the SSBCI funds. Part of the documentation required by the US Treasury in support of the award is a legal opinion confirming the state's authority to accept and administer the SSBCI funds. I worked with the Attorney General's Office to provide an informal legal opinion sufficient to enable the US Treasury to publicly announce in late March of this year the award of over \$13 million approved for Vermont.

We initiated the internal process with a letter dated April 15, 2011, accompanied by all necessary documentation, but the late session budget demands on the legislature and financial staff in the agency of administration caused the request for acceptance of the SSBCI award to only now be transmitted to the joint fiscal committee. While we had hustled to provide an informal legal opinion in time for the public announcement in March, the US Treasury had indicated the closing on this allocation would be late May at the earliest. However, US Treasury notified us in a May 9th letter that the closing on this allocation would be May 23rd and a legal opinion must be submitted on or before May 16th.



State of Vermont
 Department of Finance & Management
 109 State Street, Pavilion Building
 Montpelier, VT 05620-0401

Agency of Administration

[phone] 802-828-2376
 [fax] 802-828-2428

**STATE OF VERMONT
 FINANCE & MANAGEMENT GRANT REVIEW FORM**

Grant Summary:	Grant to Vermont from the US Department of the Treasury for State Small Business Credit Initiative (SSBCI). VEDA will administer these funds for Vermont. These funds will be used leverage more private lending for small businesses through various VEDA programs including Commercial Loan Participation Program, Technology Loan Participation Program, Small Business Loan Program and the Financial Access Program.				
Date:	4/15/2011				
Department:	Vermont Economic Development Authority				
Legal Title of Grant:	State Small Business Credit Initiative Act of 2010				
Federal Catalog #:	NA				
Grant/Donor Name and Address:	US Treasury Small Business Credit Initiative				
Grant Period:	From:	4/30/2011	To:	4/30/2013	
Grant/Donation	\$13,168,350				
	SFY 1	SFY 2	SFY 3	Total	Comments
Grant Amount:	\$13,168,350	\$	\$	\$13,168,350	
Position Information:	# Positions	Explanation/Comments			
	0				
Additional Comments:					

Department of Finance & Management <i>HH</i>	<i>4/25/11</i>	(Initial)
Secretary of Administration	<i>WD 4/28/11</i>	(Initial)
Sent To Joint Fiscal Office	<i>5/11/11</i>	Date

RECEIVED
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JOINT FISCAL OFFICE



Senator Ann Cummings

May 12, 2012

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Having the joint fiscal committee consider and approve by Friday May 20th VEDA's acceptance of the SSBCI funds on behalf of the state would allow the Attorney General to provide an unconditional legal opinion that VEDA is authorized to accept and administer the SSBCI funds on behalf of the state. Therefore, we kindly ask that the joint fiscal committee provide expedited review of our request.

Thank you for your consideration. If there is any additional information required, please do not hesitate to call me at 828-5202.

STATE OF VERMONT REQUEST FOR GRANT ACCEPTANCE (Form AA-1)

BASIC GRANT INFORMATION				
1. Agency:	VERMONT ECONOMIC DEVELOPMENT AUTHORITY			
2. Department:	N/A			
3. Program:	COMMERCIAL, TECHNOLOGY AND SMALL BUSINESS LOAN PROGRAMS			
4. Legal Title of Grant:	STATE SMALL BUSINESS CREDIT INITIATIVE ACT OF 2010 OMB CONTROL # 1505-0227			
5. Federal Catalog #:	N/A			
6. Grant/Donor Name and Address:	VERMONT SMALL BUSINESS CREDIT INITIATIVE			
7. Grant Period:	From:	4/30/2011	To:	4/30/2013
8. Purpose of Grant:	UTILIZE FEDERAL FUNDS TO LEVERAGE PRIVATE CAPITAL TO PROMOTE ECONOMIC ACTIVITY AND CREATE JOBS IN VERMONT			
9. Impact on existing program if grant is not Accepted:	THE GRANT SIGNIFICANTLY ENHANCES VEDA'S EXISITING PROGRAMS AND ALLOWS CONTINUED GROWTH IN PROVEN PROGRAMS.			
10. BUDGET INFORMATION				
	SFY 1	SFY 2	SFY 3	Comments
Expenditures:	FY	FY	FY	
Personal Services	\$	\$	\$	
Operating Expenses	\$	\$	\$	
Grants	\$13,168,350	\$	\$	
Total	\$13,168,350	\$	\$	
Revenues:				
State Funds:	\$	\$	\$	
Cash	\$	\$	\$	
In-Kind	\$	\$	\$	
Federal Funds:	\$13,168,350	\$	\$	
(Direct Costs)	\$	\$	\$	
(Statewide Indirect)	\$	\$	\$	
(Departmental Indirect)	\$	\$	\$	
Other Funds:	\$	\$	\$	
Grant (source)	\$	\$	\$	
Total	\$13,168,350	\$	\$	
Appropriation No:	N/A	Amount:	\$0	
			\$	
			\$	
			\$	
			\$	
			\$	

STATE OF VERMONT REQUEST FOR GRANT ACCEPTANCE (Form AA-1)

		\$
	Total	\$0

PERSONAL SERVICE INFORMATION

11. Will monies from this grant be used to fund one or more Personal Service Contracts? Yes No
 If "Yes", appointing authority must initial here to indicate intent to follow current competitive bidding process/policy.

Appointing Authority Name: _____ Agreed by: _____ (initial)

12. Limited Service Position Information:	# Positions	Title
Total Positions	0	

12a. Equipment and space for these positions: Is presently available. Can be obtained with available funds.

13. AUTHORIZATION AGENCY/DEPARTMENT

I/we certify that no funds beyond basic application preparation and filing costs have been expended or committed in anticipation of Joint Fiscal Committee approval of this grant, unless previous notification was made on Form AA-1PN (if applicable):

Signature: <i>Rosalea W. Bradley</i>	Date: 4/5/2011
Title: ROSALEA W. BRADLEY, CEO, VERMONT ECONOMIC DEVELOPMENT AUTHORITY	
Signature: _____	Date: _____
Title: LAWRENCE MILLER, SECRETARY, AGENCY OF COMMERCE AND COOMMUNITY DEVELOPMENT	

14. SECRETARY OF ADMINISTRATION

Approved: _____ (Secretary or designee signature) Date: 04/25/11

15. ACTION BY GOVERNOR

Check One Box:
 Accepted _____ (Governor's signature) Date: 4/22/11
 Rejected

16. DOCUMENTATION REQUIRED

Required GRANT Documentation	
<input type="checkbox"/> Request Memo	<input type="checkbox"/> Notice of Donation (if any)
<input type="checkbox"/> Dept. project approval (if applicable)	<input type="checkbox"/> Grant (Project) Timeline (if applicable)
<input type="checkbox"/> Notice of Award	<input type="checkbox"/> Request for Extension (if applicable)
<input checked="" type="checkbox"/> Grant Agreement	<input type="checkbox"/> Form AA-1PN attached (if applicable)
<input checked="" type="checkbox"/> Grant Budget	

End Form AA-1

March 22, 2011

CONTACT: Treasury Public Affairs, (202) 622-2960

OBAMA ADMINISTRATION, GOVERNOR SHUMLIN ANNOUNCE FUNDS TO SPUR AT LEAST \$132 MILLION IN NEW LENDING TO VERMONT SMALL BUSINESSES, HELP CREATE JOBS

WASHINGTON – Today, the U.S. Department of the Treasury and Vermont Governor Peter Shumlin announced the approval of Vermont's State Small Business Credit Initiative (SSBCI) application. Vermont's planned use of the SSBCI funds will help create new jobs and spur more than \$132 million in additional small business lending in that state. The SSBCI program, which supports state-level small business lending programs, is an important component of the Small Business Jobs Act that President Obama signed into law last fall.

"These critical funds will help Vermont small businesses access the capital they need to expand their operations, create new jobs, and continue supporting our nation's economic recovery," said Treasury Secretary Tim Geithner. "Public-private lending partnerships, such as the State Small Business Credit Initiative, have a proven track record of success, and I'm pleased that this funding is on its way to support economic growth in Vermont."

Under the Small Business Jobs Act, Vermont can access \$13.2 million in SSBCI funds. Vermont expects to generate a minimum "bang for the buck" of at least \$10 in new private lending for every \$1 in federal funding. As such, this \$13.2 million allocation for Vermont is expected to support more than \$132 million in new private lending in that state. Vermont's SSBCI funds will be administered by Vermont Economic Development Authority (VEDA), which has 37 years experience in creating opportunities for small businesses, manufacturers, agricultural enterprises, and other businesses in Vermont.

"This \$13.2 million in federal small business funding is terrific news for Vermont," said Vermont Governor Peter Shumlin, "and it would not have been possible without the strong advocacy efforts of our Congressional delegation. We thank Senator Patrick Leahy, Senator Bernie Sanders, and Congressman Peter Welch for their efforts, and also thank the U.S. Department of the Treasury for this well-timed award. With the help of Vermont's private sector leverage, these federal funds will go far, giving our small businesses the critical boost they need to create jobs for Vermonters."

U.S. Senator Patrick Leahy said: "The largest obstacle to job creation in this recession has been access to capital. This \$13.2 million infusion of federal funds, the result of Congress' successful effort at including an all-state minimum in the program, is one of the most significant one-time influxes of capital VEDA has seen -- and it couldn't come at a better time."

U.S. Senator Bernie Sanders commented: "As I travel across the state and speak with small business owners, I keep hearing how difficult it is to get the credit needed for these businesses to expand and create decent paying jobs for Vermonters. It is essential that the federal government support local businesses -- and not just the giant banks on Wall Street that use government guarantees to speculate with taxpayer money. Clearly, we have an important role to play in terms of spurring small business lending. I am pleased that the availability of these funds will better enable the State of Vermont and Vermont's community banks to extend more loans to small businesses -- something our Vermont banks have done for years."

U.S. Congressman Peter Welch said, "One of the biggest concerns I hear from Vermont small business owners is their ongoing difficulty in accessing credit in our struggling economy, in spite of the best efforts of our community banks. Vermont businesses are strong and ready to invest. That's why we pushed so hard for this legislation. The announcement today is a real boost for small businesses that will give them the tools they need to create jobs and thrive."

"This is a great federal and state partnership and a great opportunity for VEDA to enhance access to capital for a myriad of Vermont businesses," commented Lawrence Miller, Secretary of the Vermont Agency of Commerce and Community Development. "VEDA has a proven track record and ability to leverage these dollars with private funds to help stimulate job creation in Vermont."

"We are eager to start putting this money to use, and working with our banking partners to help Vermont's economy grow," said Jo Bradley, VEDA's Chief Executive Officer.

Vermont's approved plan dedicates \$1 million of the state's SSBCI funding to support its Financial Access Program, which provides loan portfolio insurance to encourage private financial institutions to lend to creditworthy small businesses. The remaining \$12.2 million is allocated to three additional programs:

- Vermont has allocated a total of \$5.9 million to its Commercial Loan Participation Program, which provides financing for the purchase of land; construction and renovation of facilities; and purchase and installation of equipment for eligible projects.
- Vermont has allocated \$3.0 million to its Technology Loan Participation Program. This initiative supports loans to early stage firms primarily in the information technology and bioscience sectors.
- Vermont has also allocated \$3.3 million to its Small Business Loan Program, which finances smaller commercial businesses' fixed asset and working capital needs.

Under the SSBCI, all states are offered the opportunity to apply for federal funds for state-run programs that partner with private lenders to increase the amount of credit available to small businesses. States must demonstrate a reasonable expectation that a minimum of \$10 in new private lending will result from every \$1 in federal funding. Accordingly, the \$1.5 billion federal funding commitment is expected to result in at least \$15 billion in additional private lending nationwide.

Treasury Secretary Tim Geithner announced the approval of Vermont's SSBCI application during a conference today at the Treasury Department entitled, "Access to Capital: Fostering Growth and Innovation for Small Companies." The conference brings together policymakers, entrepreneurs, investors, academics, and other market participants to explore how both the public and private sectors can help promote access to capital at each stage of growth for a small business – from seed capital, to growth equity, to accessing the public markets.

For more information about the SSBCI, please visit [link](#).

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VERMONT ECONOMIC DEVELOPMENT AUTHORITY

Vermont Agricultural Credit Corporation
Vermont Small Business Loan Program
Vermont 504 Corporation
Vermont Job Start

Executive Summary
State Small Business Credit Initiative (SSBCI) Application
April 5, 2011

In late 2010, President Obama signed into law the Small Business Jobs Act of 2010 (the "Act"). The Act created the State Small Business Credit Initiative (the Initiative), funded with \$1.5 billion, to strengthen lending programs that provide loans and other credit support to small businesses and small manufacturers. Under this initiative, funds must be used for programs that leverage private lending to help finance small businesses that are creditworthy, but are not getting all the financing they need to expand and create jobs. The initiative mandates that applicants build on successful models for small business financing programs, including collateral support programs, Capital Access Programs (CAPs) and loan guarantee programs.

VEDA is in essence the only entity in Vermont qualified to submit an application for these funds. VEDA currently operates all the programs specified as eligible uses of funds in the Federal SSBCI legislation.

As part of Vermont's SSBCI application, VEDA is proposing to allocate SSBCI funds to three Other Credit Support Programs ("OCSPs") and to a single Capital Access Program ("CAP"). VEDA is planning to integrate the three OCSPs and the CAP into its existing and very successful programs, enhancing them to support the Authority's mission. VEDA's Commercial OCSP is an expansion of a reduced interest rate program that VEDA has operated since fiscal 2000. VEDA refers to this as a "Subsidy Program." There are also significant enhancements to the Authority's Technology and Small Business programs that would not be possible without the SSBCI funds. The new CAP also represents a considerable expansion and enhancement of VEDA's existing Cap and will stimulate more small business lending in Vermont.

COMMERCIAL OCSP (Interest Rate Subsidy Programs)

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, State and ARRA funding have provided the Vermont Jobs Fund (VJF) the Authority's largest program with resources for an interest rate subsidy program. The resources allow the VJF to offer loan rates below the level necessary to fully cover operating costs (a "subsidy"). Since 2000, VEDA has made more than 300 subsidized commercial loans totaling \$124.0 million and created approximately 5,700 jobs. Just since FY 2008, when, due to the recession, VEDA began a deeply subsidized program (offering loans as low as 2%) VEDA has utilized \$2.45 million in subsidy \$\$ to leverage \$113.7 million in total projects, a leverage ratio of 46 to 1.

VEDA will utilize the SSBCI funds to continue to subsidize interest rates in its commercial program. VEDA estimates that \$5.6 million in SSBCI funds will leverage private credit of \$85.7 million, a leverage ratio of 15 to 1. Based on historical data, VEDA estimates over 875 jobs will be created or retained by this investment.

**VEDA: TEL (802) 828-5627 • JOB START: TEL (802) 828-5466 • VACC: (866) 828-3276
FAX (802) 828-5474 • 58 EAST STATE STREET, SUITE 5, MONTPELIER, VERMONT 05602-3044**

TECHNOLOGY OCSP

Vermont has a burgeoning technology sector, particularly in the software and biosciences industries. It is critical that these companies have access to capital. In 2008, VEDA began its Technology Loan Program. VEDA hired a seasoned with experience in lending to technology companies. These companies are often early stage and have little collateral, with the exception of intellectual property, oftentimes making loans in this sector quite risky. Since inception, with a program loan limit of only \$100,000, VEDA has already approved \$1.4 million in loans in the program. With additional funding from the SSBCI VEDA plans to increase the loan limits in this program to \$200,000 and add to reserves, allowing us to look at somewhat more risky projects. VEDA strongly believes that the expansion of its Technology Loan Program will support growth in this important sector, leading to the creation of high-paying jobs for Vermonters over the next several years.

SMALL BUSINESS OCSP

The VSBLP makes small business loans not to exceed \$250,000 for fixed assets and working capital. This program has grown by 250% over the last two years, even during the recession. Additional funds from the SSBCI will enable VEDA to lower the rate in this program and continue to grow the program to serve small business. VEDA estimates that by committing \$3.17 million in SSBCI funds, we will leverage \$47 million in private capital, a leverage ratio of 19 to 1.

VEDA Capital Access Program

The VEDA SSBCI Plan proposes to modify (enhance) the its current CAP in several important ways. The modifications include:

1. Increase the loan limits from \$200,000 to \$500,000;
2. Replace the State's full faith and credit pledge with a cash reserve fund;
3. Loss claims will be paid from a single reserve account for each participating lender;
4. The financial institution/borrower reserve remains fixed at 3% rather than a range from 2% to 7%;
5. SSBCI funds will allow the total reserve pool to increase from 6% to 12% of each enrolled loan.

The proposed program modifications are intended to increase lender participation by increasing the size of the reserve, and increasing the eligible loan size. VEDA also plans to implement a web-based system to make enrolling loans, making claims, and monitoring reserve levels easier for participating lenders.

The proposed modifications to the CAP are expected to significantly enhance the program's value to participating lenders. However, it remains difficult to project how popular the program will be with Vermont financial institutions. VEDA estimates that as much as \$3,200,000 in new loans may be enrolled in each of the next 5 years for a total of \$16,000,000. These are often loans to very small business enterprises. Based on historical data, this volume level could assist in the creation of 525 new jobs at an average hourly wage of \$18.00 (\$19.40 when adjusted for benefits).

It is estimated that the \$11.69 million in SSBCI funds (these do not include the CAP program) will create and/or retain over 3,800 jobs over the next five years (\$3,076 per job). In addition, the SSBCI program will leverage \$192 MILLION OF PRIVATE CAPITAL.

The chart below summarizes the projected results of VEDA's three Other Credit Support Programs (OCSP):

Summary of VEDA OCSP Objective

VEDA SSBCI OCSP:	Commercial Participation	Technology Participation	Small Business Participation	Combined Total
VEDA FINANCING: <i>Amounts Projected Over 5 years (dollar amount in millions)</i>				
NUMBER OF BORROWERS	94	69	156	318
AVERAGE SIZE	\$0.60	\$0.25	\$0.20	\$0.33
TOTAL AMOUNT	\$56.6	\$17.2	\$31.1	\$104.8
PROJECTS:				
TOTAL NUMBER	94	69	156	318
AVERAGE SIZE	\$1.82	\$0.58	\$0.61	\$0.96
TOTAL AMOUNT	\$171.4	\$40.0	\$94.2	\$305.6
LEVERAGE RATIOS:				
LEVERAGED PRIVATE CREDIT	\$85.7	\$16.0	\$47.1	\$148.8
LEVERAGED PRIVATE CAPITAL	\$111.4	\$20.0	\$61.2	\$192.6
PROGRAM FUNDS COMMITTED	\$5.67	\$2.85	\$3.17	\$11.69
PRIVATE CREDIT TO SSBCI \$	15.1 TO 1	5.6 TO 1	14.9 TO 1	
PRIVATE CAPITAL TO SSBCI \$	19.6 TO 1	7.0 TO 1	19.3 TO 1	
BENEFITS TO STATE:				
JOBS CREATED ⁽¹⁾	700	1,018	1,656	3,374
JOBS RETAINED ⁽¹⁾	175	0	292	467
INCREMENTAL REVENUE ⁽²⁾	\$25.0	\$10.0	\$87.0	\$122.0

⁽¹⁾ Jobs created and retained are estimated based on historical data for actual jobs created (retained) from VEDA loan activity during the past 2.5 fiscal years;

⁽²⁾ Incremental revenue is determined by the projected "job value" based on industrial classification, indirect jobs, geographic locations of economic need. The amount of benefit to the State represents the net present value of the estimated incremental benefit to the State over the seven-year SSBCI period.



STATE OF VERMONT

AGENCY OF COMMERCE
AND COMMUNITY DEVELOPMENT

OFFICE OF THE SECRETARY
Tel.: (802) 828-3211 Fax: (802) 828-3383

NATIONAL LIFE BUILDING
DRAWER 20
MONTPELIER, VT 05620-0501

April 15, 2011

Jeb Spaulding
Secretary
Agency of Administration
109 State Street
Montpelier, VT 05609-0201

Stephen Klein
Chief Legislative Fiscal Officer
1 Baldwin Street
Montpelier, VT 05633-5701

Re: State Small Business Credit Initiative

Dear Jeb and Steve:

I am writing in reference to the required submission to the joint fiscal committee of a copy of the approval from the United States Treasury Department for the Vermont Economic Development Authority (VEDA) to administer on the state of Vermont's behalf a State Small Business Credit Initiative (SSBCI) grant in the amount of \$13,168,350.00. In accordance with the provisions of 32 V.S.A. §5 concerning the state's acceptance of grants, Form AA-1 is enclosed and the following summary is provided as a helpful overview:

(A) The source of the grant:

United States Treasury

(B) The legal and referenced titles of the grant:

The State Small Business Credit Initiative Act of 2010 was enacted as title III of the Small Business Jobs Act of 2010, Public Law 111-240, 124 Stat. 2568, 2582. OMB Control # 1505-0227.

(C) The costs, direct and indirect, for the present and future years related to such a grant:

No costs to the state, as VEDA was designated as the applicant on the state's behalf and will administer the SSBCI grant for the state.

DEPARTMENTS OF: *Economic Development* • *Housing and Community Affairs* • *Tourism and Marketing*
DIVISIONS OF: *Government Marketing* *Historic Preservation* *Travel Information Center*
 Labor Training *Historic Sites* *Vermont Life Magazine*

Jeb Spaulding
Stephen Klein
April 13, 2011
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(D) The department and/or program which will utilize the grant:

VEDA

(E) A brief statement of purpose:

VEDA will utilize the grant to strengthen its lending programs that provide loans and other credit support to small businesses and small manufacturers, promoting economic activity and creating jobs in Vermont.

(F) Impact on existing programs if grant is not accepted:


The US Treasury grant will allow VEDA to subsidize commercial loans by allowing VEDA to offer loan rates below the necessary level to fully cover operating costs. Since 2000, VEDA has made more than 300 subsidized commercial loans totaling \$124 million and created approximately 5,700 jobs. In the limited period since Fiscal Year 2008, VEDA has utilized \$2.45 million in subsidy funding to leverage \$113.7 million in total projects, a leverage of 46:1.

I have also enclosed a three-page executive summary of the VEDA programs that will utilize the SSBCI grant from the US Treasury.

If there are any questions, please feel free to call me at 828-5202, or alternatively, Lawrence Miller, secretary of commerce and community development.

Thank you.

Sincerely,



John Kessler
General Counsel

Enclosures

cc: Lawrence Miller, ACCD
Jo Bradley, VEDA



Agency of Commerce and Community Development

One National Life Drive
Montpelier, VT 05620-0501
www.dca.state.vt.us

[phone] 802-828-3211
[fax] 802-828-3383

February 3, 2011

Mr. Timothy Geithner
Secretary of the Treasury
United States Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Secretary Geithner,

I am writing to inform you that I am designating the Vermont Economic Development Authority (VEDA) as the applicant for Vermont's funds under Title III of the State Small Business Jobs Act, entitled the State Small Business Credit Initiative (SSBCI). VEDA has a long history of providing assistance to Vermont's businesses and farms with a focus on small businesses. The Authority is the State of Vermont's lending Authority and possesses the necessary infrastructure, controls and banking and business relationships to effectively and fiscally responsibly administer this funding.

Should you have any questions regarding this letter of intent to apply for Title III funding under the Act or my designation of VEDA as the applicant, please do not hesitate to call me.

Sincerely,

A handwritten signature in cursive script that reads "Lawrence Miller".

Lawrence Miller, Secretary
Agency of Commerce and Community Development
State of Vermont





SECTION 3B – How the State Plans to use SSBCI Funds for CAP (ATTACHMENT)

Section 1: Applicant Information

1A. Enter the name of the State: **VERMONT**

1B. Enter information below about the specific department, agency, authority, political subdivision of the State, or other organization that has been designated to implement the program(s) described in this application. Organization Name: **VERMONT ECONOMIC DEVELOPMENT AUTHORITY ("VEDA")**

Section 3: Capital Access Program (CAP). Complete this Section if applying for SSBCI funds to use for a CAP

3B. Attach documentation to indicate how the State plans to use funds allocated pursuant to the SSBCI to provide access to capital for small businesses (a) in low- and moderate-income communities, (b) in minority communities, and (c) in other underserved communities and to (d) women- and (e) minority-owned small businesses. States establishing new programs should provide detailed assumptions for their estimates of total enrolled loans, total loan amounts and the estimated total federal contributions over the lifespan of the SSBCI. Documentation should not exceed 5 pages.

VEDA's existing CAP is called the Vermont Financial Access Program (FAP). The FAP is authorized under VSA Title 10, Chapter 12 (the "VEDA Statute"), § 279. The VEDA SSBCI Plan proposes to modify (enhance) the FAP in several important ways. The modifications include:

1. Increase the loan limits from \$200,000 to \$500,000;
2. Replace the State's full faith and credit pledge with a cash reserve fund;
3. Loss claims will be paid from a single reserve account for each participating lender;
4. The financial institution/borrower reserve will be fixed at 6% rather than a range from 2% to 7%;
5. In an effort to lower the cost for eligible borrowers, VEDA will provide a 3% subsidy to borrowers;
6. SSBCI funds will allow the total reserve pool to increase from 6% to 12% of each enrolled loan.

The FAP is actively used by 7 of 21 financial institutions enrolled in the program. The proposed program modifications are intended to increase lender participation by increasing the size of the reserve, and increasing the eligible loan size. VEDA also plans to implement a web-based system to make enrolling loans, making claims, and monitoring reserve levels easier for participating lenders.

Lending institutions that participate in the FAP include the Vermont Opportunities Credit Union (VOCU) which is one of the leading users of the FAP. The VOCU targets low-moderate income households and small business and is located in the inner-city of Burlington, Vermont's largest city. VEDA intends to target other micro-lenders throughout the State whose mission is specifically to serve low-to-moderate income borrowers. Vermont's minority population is approximately 3% state-wide with a significant concentration in native-American, minority farm workers, and resettled refugees. Vermont lenders cover all regions of the State and serve all citizens of Vermont.

The proposed modifications to the FAP are expected to significantly enhance the program's value to participating lenders. However, it remains difficult to project how popular the program will be with Vermont financial institutions. VEDA estimates that as much as \$3,200,000 in new loans may be enrolled in each of the next 5 years for a total of \$16,000,000. Based on historical data, this volume level could assist in the creation of 525 new jobs at an average hourly wage of \$18.03 (\$19.39 with benefits).



SECTION 3B – How the State Plans to use SSBCI Funds for CAP (ATTACHMENT)

VEDA plans to launch its new Financial Access Program ("FAP II") to financial institutions across Vermont utilizing the Authority's extensive multi-media marketing campaign, web-based and electronic mail outreach, as well as our regular face-to-face meetings with Bankers across the State. VEDA will roll out FAP II with a new web-based platform for each participating financial institution ("FI"). The goal of the new platform is to simplify program use by the FI. Here is a brief outline of the process:

1. After an FI signs a Master FAP Agreement, authorized bank personnel will be provided with a secure log-in that will connect with VEDA's On-Line Financial Access Program.
2. Bank personnel will be able to select "Enroll a Loan," "Make A Claim," or "Reports." These areas are described in detail:
 - a. "Enroll a Loan" will be a simple single "page" form that provides VEDA with the necessary information about the enrolled borrower/business:
 - i. Business name, Contact name, Business address, phone, email, NAICS code, TIN;
 - ii. Demographic information like county, town, women-owned, minority-owned, business start-up, # of Full-Time Equivalent (FTE) employees, average wage, any benefits offered, and an estimate of the number of jobs expected in 1-2 years;
 - iii. Loan information including the FI loan number, loan amount, interest rate, term, purpose of the loan, and collateral description.
 - b. "Make A Claim" will be a form for making a notice of claim and ultimately a final loss claim. Banks will be required to describe the collection efforts made, estimated loss, results of liquidation and/or bankruptcy, and the amount of final loss claim.
 - c. "Reports" will be where banks can receive a list of enrolled loans, claims made, claims paid, and the amount of outstanding reserves.
3. When a financial institution enrolls a loan, the FI will deposit 6% of the loan amount into an interest-bearing account held at their institution; 3% will be the FI contribution and 3% will be the Borrower's contribution. The account will be in VEDA's name and will be treated (with respect to internal control and account authorizations) the same as other cash accounts of VEDA.
4. After the enrollment information is processed by VEDA, the Authority will transfer a "matching" 6% from SSBCI funds to the FI for deposit into the reserve account. In addition, VEDA will remit to the Borrower an amount equal to 3% of the enrolled amount to act as an incentive rebate payment and will come from VEDA sources. The rebate payment is intended to help the small business and encourage activity in the program.



Department of the Treasury

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SECTION 3B – How the State Plans to use SSBCI Funds for CAP (ATTACHMENT)

5. When a final claim is made by the FI and processed by VEDA, the Authority will authorize the FI to withdraw the loss claim amount from the reserve account.
6. If at any time a bank chooses to withdraw from the FAP II program, they will be entitled to 25% of the outstanding balance in the reserve account. The FI share will always be 25% based on the FI contribution of 3% by the 12% total deposit for each loan.
7. Loss claims paid to an FI can never exceed 100% of the amount outstanding in the reserve account.

See **Appendix A** for the **Vermont Economic Development Authority State Small Business Credit Initiative Plan February 16, 2011** for a detailed forecast of each of the SSBCI programs including both CAP and OCSP.



SECTION 4A – Narrative Statement for Each OCSP (ATTACHMENT)

Section 1: Applicant Information

1A. Enter the name of the State: VERMONT

1B. Enter information below about the specific department, agency, authority, political subdivision of the State, or other organization that has been designated to implement the program(s) described in this application. Organization Name: VERMONT ECONOMIC DEVELOPMENT AUTHORITY (“VEDA”)

Section 4: Other Credit Support Programs (OCSP). Complete this Section if applying for SSBCI funds to use for a State Other Credit Support Program

4A. Attach a narrative statement describing each OCSP. Applicants may find the following table useful in completing the narrative statement (historical performance should be cumulative since program inception. Expected performance should be cumulative over the next five years).

The Commercial Participation OCSP is an expansion of an innovative reduced interest rate program that VEDA has operated since fiscal 2000. VEDA refers to the program as the “Subsidy Program.” As part of the proposed SSBCI, VEDA plans to begin subsidizing the interest rate on loans in its small business loan program in addition to its commercial program. Following the “Background on VEDA’s Interest Rate Subsidy Program” (see below), more information is provided on each of the three (3) OCSP(s).

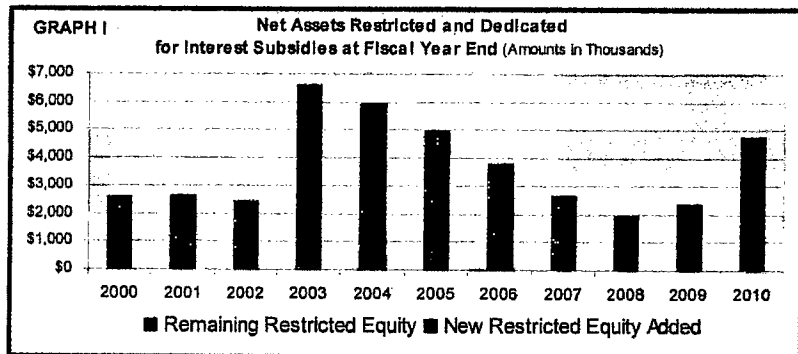
Background on VEDA’s Interest Rate Subsidy Program:

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 have allowed the VJF and VACC to offer loan rates below the level necessary to fully cover operating costs (a “subsidy”). Since 2000, a total of \$11.6 million has been provided to the VJF and VACC to be used for interest rate subsidies on loans to commercial and agricultural businesses.

Over the next several pages is an in depth explanation of the VEDA Commercial [and Agricultural] loan subsidy program(s); how the program operates and its effect on VEDA’s financial position and operating results.

GRAPH I 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 the prior year (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,” reflecting the amount of interest that would have been earned on the

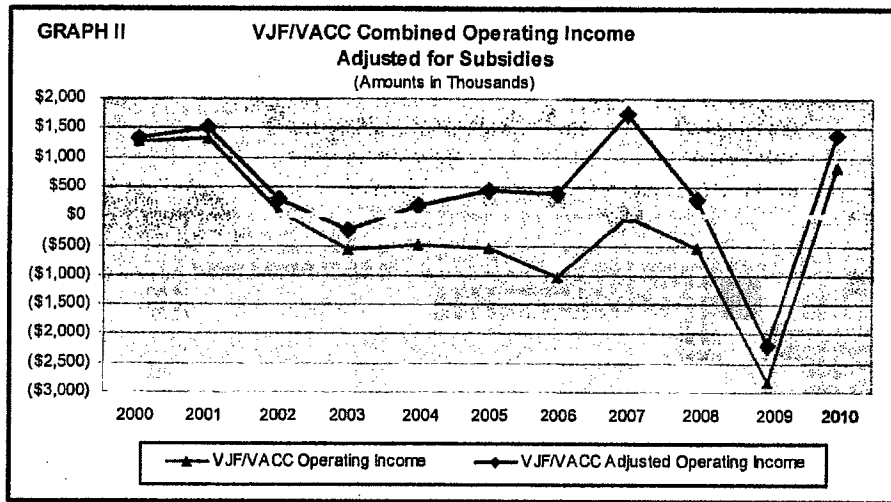




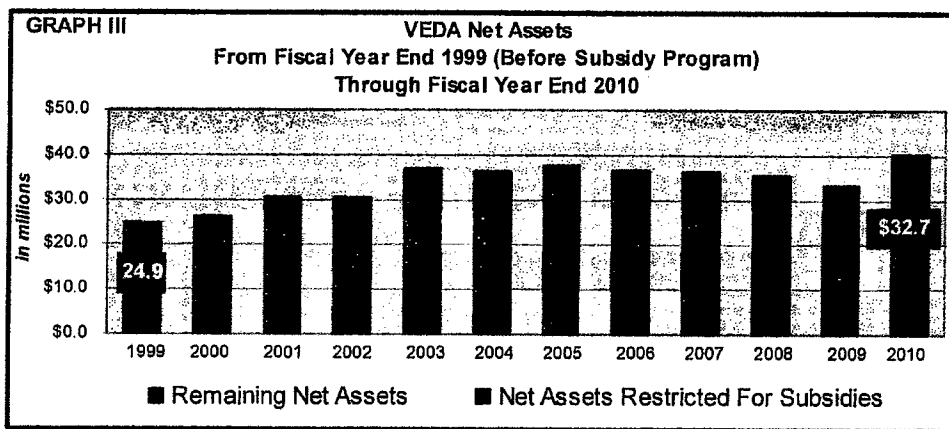
SECTION 4A – Narrative Statement for Each OCSP (ATTACHMENT)

subsidized loans if borrowers were charged an interest rate sufficient to cover operating costs. Without resources for subsidies, VEDA would have to charge higher rates which would negatively impact its economic development mission.

GRAPH II shows operating income (or loss) of the combined VJF and VACC programs from 2000-2010. Operating income, *including* the adjustment for the subsidies (black line), is contrasted with operating income *excluding* the adjustment for subsidies (red line). The Graph shows that operating income would be positive in every year except 2003 and 2009 when adjusted for the subsidies.



GRAPH III illustrates the change in total VEDA Net Assets since 1999 (the year before the subsidy program began) through the end of fiscal 2010. At the end of 1999, VEDA net assets totaled \$24.9 million. At the end of 2010, VEDA net assets totaled \$40.3 million, comprised of \$4.7 million restricted for the subsidy program (blue), \$2.9 million was restricted for seed capital investments (red), and \$32.7 million of unrestricted net assets. Therefore, VEDA has effectively grown its unrestricted net assets by \$7.8 million over the 11 years from 2000-2010.





SECTION 4A – Narrative Statement for Each OCSP (ATTACHMENT)

COMMERCIAL PARTICIPATION OCSP:

The Commercial OCSP is operated through the Vermont Jobs Fund ("VJF"), established under section 234 of the VEDA statute. Within the purview of the VJF are two commercial loan programs:

This program is designed to make loans available to commercial enterprises. Allowable lending purposes include the purchase of land, the purchase, construction and renovation of buildings, and the purchase and installation of machinery and equipment for use in an eligible facility or project. Loans in this program are limited to \$1,300,000 or 40% of total project costs. Private leveraged capital is estimated at 65% in this program.

In fiscal 2008, during the start of the recession, VEDA was provided with resources for a deeper interest subsidy to stimulate economic activity. The program was so effective that VEDA proposes that SSBCI funds be used to continue the program.

The results over the past 30 months are shown in the chart to the right as compared with the results projected for the SSBCI Commercial OCSP. Long-term volume and job creation statistics for the VEDA Commercial Subsidy Program are shown by fiscal year in the chart below.

COMMERCIAL PROGRAM: (dollar amounts in millions)	HISTORICAL*	PROJECTED
VEDA FINANCING:		
NUMBER OF BORROWERS	61	94
AVERAGE SIZE	\$0.59	\$0.60
TOTAL AMOUNT	\$36.2	\$56.6
PROJECTS:		
TOTAL NUMBER	61	94
AVERAGE SIZE	\$2.46	\$1.82
TOTAL AMOUNT	\$149.9	\$171.4
LOSSES, AS % OF OUTSTANDINGS:		
AVERAGE OVER PAST 3 YEARS	1.36%	1.00% is used in the SSBCI projections.
AVERAGE OVER PAST 5 YEARS	0.89%	
AVERAGE OVER PAST 10 YEARS	0.75%	
LEVERAGE RATIO:		
LEVERAGED PRIVATE CREDIT	\$91.2	\$85.7
PROGRAM FUNDS COMMITTED	\$2.45	\$5.67
CAPITAL TO FUNDS COMMITTED	37 TO 1	15 TO 1

* Historical is activity from July 2008 through December 2010.

VEDA Economic Development Program Results 2000 - 2010

COMMERCIAL	4 Years 2000-03	2004	2005	2006	2007	2008	2009	2010	TOTAL/ AVERAGE
COMMERCIAL NEW LOAN #	109	38	35	36	27	14	27	37	323
COMMERCIAL NEW LOAN \$	\$37,664,971	\$13,055,796	\$12,435,303	\$16,161,606	\$14,423,311	\$5,523,180	\$9,270,595	\$15,537,733	\$123,972,495
LEVERAGED PRIVATE CAPITAL	\$70,983,776	\$29,976,571	\$24,494,844	\$17,056,766	\$30,002,891	\$17,878,784	\$17,657,860	\$50,444,307	\$268,505,799
COMMERCIAL OUTSTANDING #	108	132	155	173	183	159	162	179	179
COMMERCIAL OUTSTANDING \$	\$31,009,472	\$36,307,636	\$44,444,328	\$52,326,368	\$56,864,834	\$52,385,755	\$53,096,637	\$57,725,443	\$57,725,443
JOBS AT FUNDING	2,930	1,048	1,697	1,540	847	336	1,026	784	10,208
JOBS IMPACTED IN 1-2 YEARS	4,452	1,460	2,258	2,023	1,506	533	1,228	1,165	14,624
CREATED/RETAINED IN 1-2YRS ¹	2,298	589	835	497	687	197	205	441	5,748
AVERAGE HOURLY WAGE	\$16.41	\$17.40	\$15.18	\$17.98	\$16.25	\$16.97	\$19.50	\$18.12	\$16.63
AVG WAGE WITH BENEFITS	\$19.24	\$21.25	\$18.36	\$22.18	\$19.22	\$20.34	\$23.56	\$20.43	\$20.21

(a) Outstanding balances at the end of each year reflect only loans closed since fiscal year 2000 and do not reflect loans closed prior to 2000.

(b) Leveraged private capital includes borrower equity and project funds from participating lenders.

(c) Job and wage data is based on information provided by VEDA borrowers at time of application. Jobs created are estimates provided by borrowers. Jobs impacted includes jobs existing at the time of funding plus those estimated to be created in the 1-2 years (retained are included in jobs at time of funding).

¹ Of the jobs created or retained over the 11 year period, 4,179 were estimated to be created and 1,569 were retained.



SECTION 4A – Narrative Statement for Each OCSP (ATTACHMENT)

TECHNOLOGY LOAN PARTICIPATION OCSP

The Technology Loan Program began in 2008 with the use of \$500,000 of the State's Full Faith & Credit as a reserve fund for loan losses. The reserve covers the additional credit risk inherent in the type of companies targeted by the program; many are "early stage" with only intellectual property as loan collateral.

Vermont has a burgeoning technology sector, particularly in the software and biosciences industries. These industries have formed their own trade organizations, with some help from small grants from the State of Vermont. It is critical that these companies have access to capital. In 2009, VEDA hired a seasoned lender from Silicon Valley Bank with experience in lending to technology companies. With a program loan limit of only \$100,000, VEDA has already approved \$1.4 million in loans in the program. VEDA plans to increase the loan limit to \$250,000 under the proposed SSBCI program.

TECHNOLOGY PROGRAM: (dollar amounts in millions)	HISTORICAL*	PROJECTED
VEDA FINANCING:		
NUMBER OF BORROWERS	9	69
AVERAGE SIZE	\$0.10	\$0.25
TOTAL AMOUNT	\$0.9	\$17.2
PROJECTS:		
TOTAL NUMBER	9	69
AVERAGE SIZE	\$0.47	\$0.58
TOTAL AMOUNT	\$4.2	\$40.0
LOSSES, AS % OF OUTSTANDINGS:		
OVER PAST 3 YEARS	N/A	3.50% is used in the SSBCI projections.
OVER PAST 5 YEARS	N/A	
OVER PAST 10 YEARS	N/A	
LEVERAGE RATIO:		
LEVERAGED PRIVATE CREDIT	\$2.9	\$16.0
PROGRAM FUNDS COMMITTED	\$0.50	\$2.85
CAPITAL TO FUNDS COMMITTED	5.8 TO 1	5.6 TO 1

* Historical is activity from July 2008 through December 2010.

Vermont's new Governor strongly supports the development of technology related industries and sees this sector as critical to Vermont's economic future. VEDA believes the expansion of its Technology Loan Program will support growth in this important sector, leading to the creation of high-paying jobs for Vermonters over the next several years.



SECTION 4A – Narrative Statement for Each OCSP (ATTACHMENT)

SMALL BUSINESS PARTICIPATION OCSP

VEDA operates its Vermont Small Business Loan Program ("VSBLP") through two non-profit corporations which are component units of VEDA. The Corporations borrow a portion of their funds for lending through the USDA Intermediary Relending Program.

The VSBLP makes small business loans not to exceed \$250,000. Allowable lending purposes include the purchase of land, the purchase, construction and renovation of buildings, and the purchase and installation of machinery and equipment for use in an eligible facility or project, and loans for working capital.

The vast majority of VSBLP projects include significant participation from private financial institutions.

Long-term volume and job creation statistics for the VEDA Small Business Loan Program are shown by fiscal year in the chart below.

SMALL BUSINESS PROGRAM: (dollar amounts in millions)	HISTORICAL*	PROJECTED
VEDA FINANCING:		
NUMBER OF BORROWERS	96	156
AVERAGE SIZE	\$0.10	\$0.20
TOTAL AMOUNT	\$9.4	\$31.1
PROJECTS:		
TOTAL NUMBER	96	156
AVERAGE SIZE	\$0.33	\$0.61
TOTAL AMOUNT	\$31.9	\$94.2
LOSSES, AS % OF OUTSTANDINGS:		
OVER PAST 3 YEARS	3.84%	3.00% is used in the SSBCI projections.
OVER PAST 5 YEARS	2.85%	
OVER PAST 10 YEARS	2.20%	
LEVERAGE RATIO:		
LEVERAGED PRIVATE CREDIT	\$17.8	\$47.1
PROGRAM FUNDS COMMITTED	None	\$3.17
CAPITAL TO FUNDS COMMITTED	N/A	15 TO 1

* Historical is activity from July 2008 through December 2010.

VEDA Economic Development Program Results 2000 - 2010

SMALL BUSINESS	4 Years 2000-03	2004	2005	2006	2007	2008	2009	2010	TOTAL/ AVERAGE
SMALL BUS. NEW LOANS #	41	9	25	14	17	19	38	44	207
SMALL BUS. NEW LOANS	\$1,996,273	\$412,624	\$2,308,325	\$1,221,209	\$1,036,225	\$1,240,601	\$2,741,792	\$4,465,360	\$16,422,410
LEVERAGED PRIVATE CAPITAL	\$5,163,431	\$1,027,748	\$4,932,640	\$3,103,600	\$2,495,242	\$2,402,290	\$5,781,038	\$10,394,144	\$35,300,133
SMALL BUS. OUTSTANDINGS #	38	42	60	85	72	84	116	141	141
SMALL BUS. OUTSTANDINGS	\$1,596,921	\$1,753,963	\$3,149,624	\$4,011,243	\$4,294,868	\$4,588,698	\$6,207,950	\$7,910,663	\$7,910,663
JOBS AT FUNDING	297	42	326	94	105	123	251	447	1,686
JOBS IMPACTED IN 1-2 YEARS	466	73	532	137	174	241	357	591	2,669
CREATED/RETAINED IN 1-2YRS ¹	238	54	207	44	83	169	243	170	1,207
AVERAGE HOURLY WAGE	\$13.82	\$9.29	\$16.13	\$16.33	\$22.03	\$16.08	\$16.58	\$17.31	\$16.28
AVG WAGE WITH BENEFITS	\$16.55	\$9.82	\$18.49	\$17.60	\$24.22	\$19.10	\$19.48	\$18.60	\$18.45

(a) Outstanding balances at the end of each year reflect only loans closed since fiscal year 2000 and do not reflect loans closed prior to 2000.

(b) Leveraged private capital includes borrower equity and project funds from participating lenders.

(c) Job and wage data is based on information provided by VEDA borrowers at time of application. Jobs created are estimates provided by borrowers. Jobs impacted includes jobs existing at the time of funding plus those estimated to be created in the 1-2 years (retained are included in jobs at time of funding).

¹ Of the jobs created or retained over the 11 year period, 1,017 were estimated to be created and 190 were retained.



SECTION 4B – Lender Capital at-Risk Criteria- OCSP Credit Support (ATTACHMENT)

Section 1: Applicant Information

1A. Enter the name of the State: VERMONT

1B. Enter information below about the specific department, agency, authority, political subdivision of the State, or other organization that has been designated to implement the program(s) described in this application. Organization Name: VERMONT ECONOMIC DEVELOPMENT AUTHORITY (“VEDA”)

Section 4: Other Credit Support Programs (OCSP). Complete this Section if applying for SSBCI funds to use for a State Other Credit Support Program

4B. If the State OCSP provides credit support through a financial institution lender, the financial institution lender has a meaningful amount of its own capital resources at risk in its small business lending. The term “meaningful capital” may vary for different programs. Guidelines for CAPs and OCSPs are contained in the Policy Manual. For instances where financial institution lender(s) bear less than 20% risk of loss, States should demonstrate exceptional circumstances as to why the financial institution lender is unable to bear a greater share of the risk.

VEDA Commercial Business, Technology and Small Business program generally always involve the participation of a third-party financial institution lender. These Lenders have significantly more than the minimum 20% of the total project financing at risk. The chart below shows the breakout of the proposed SSBCI project funding split between VEDA funds, private capital (financial institutions and borrower equity) and the proposed SSBCI funds:

VEDA SSBCI PROGRAM PROJECT FUNDING SOURCE %					
PROJECT FINANCING SOURCE %	VEDA	BORR EQUITY	PRIVATE CREDIT	SSBCI	TOTAL
COMMERCIAL OCSP	33%	15%	50%	2%	100%
TECHNOLOGY OCSP	43%	15%	35%	7%	100%
SMALL BUSINESS OCSP	33%	15%	50%	2%	100%
FINANCIAL ACCESS (CAP)	0%	0%	100%	0%	100%



SECTION 4B – Lender Capital at-Risk Criteria- OCSP Credit Support (ATTACHMENT)

CAP & OCSP PROJECT COST FUNDING & SSBCI LEVERAGE:

The chart below details how projects are funded under the various OCSP(s) and the resulting ratio of private capital to SSBCI funds allocated to the program:

VEDA SSBCI PROGRAM PROJECT FUNDING DOLLARS (in millions)							
PROJECT FINANCING: SOURCES OF FUNDS	VEDA	BORR EQUITY	PRIVATE CREDIT	SSBCI	TOTAL PROJECT FUNDING	SSBCI OTHER*	PRIVATE CREDIT LEVERAGE
COMMERCIAL PARTICIPATION	\$56.6	\$25.7	\$85.7	\$3.4	\$171.4	\$2.2	15.1 to 1
TECHNOLOGY OCSP	\$17.2	\$4.0	\$16.0	\$2.8	\$40.0	\$0.0	5.7 to 1
SMALL BUSINESS OCSP	\$31.1	\$14.1	\$47.1	\$1.9	\$94.2	\$1.3	14.8 to 1
FINANCIAL ACCESS (CAP)	\$0.0	\$0.0	\$16.0	\$0.0	\$16.0	\$1.0	16.0 to 1
TOTAL FOR VEDA SSBCI	\$104.9	\$43.8	\$164.8	\$8.1	\$321.6	\$4.5	13.0 to 1

* This includes additional SSBCI funds allocated for interest subsidies and matching CAP loss reserve.



U.S. Department of the Treasury

**State Small Business Credit Initiative
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SECTION 4D – Description of Anticipated Benefit from Each OCSP (ATTACHMENT)

Section 1: Applicant Information

1A. Enter the name of the State: VERMONT

1B. Enter information below about the specific department, agency, authority, political subdivision of the State, or other organization that has been designated to implement the program(s) described in this application. Organization Name: VERMONT ECONOMIC DEVELOPMENT AUTHORITY (“VEDA”)

Section 4: Other Credit Support Programs (OCSP). Complete this Section if applying for SSBCI funds to use for a State Other Credit Support Program

4D. Attach documentation describing the anticipated benefits from each OCSP to the (a) State, (b) its businesses, (c) its residents, and (d) describe the extent to which resulting small business lending will expand economic opportunities. For Loan Guarantee Programs, States must provide detailed assumptions concerning estimated number of loans and estimated loan amounts during the course of the SSBCI. States that are enacting new Collateral Support Programs should present detailed assumptions concerning estimated loan volume and overall federal collateral support used for such loans. The metrics used should include, but need not be limited to:

- Jobs created;
- The number and value of new OCSP small business loans;
- Increases in sales, income or other tax revenues paid by businesses or workers State Small Business Credit Initiative Application.

The proposed VEDA OCSP(s) are focused on subsidized subordinated loan financing. This financing is accomplished through a combination of resources: VEDA financing; private capital (Borrower Equity plus private Credit), and a small amount of SSBCI funds (2.8% of total projects funded). The combination of access to capital, low interest rates and VEDA subordination to senior lenders, all provide Vermont businesses with a significant incentive to start projects, expand operations, improve facilities or equipment, or access needed working capital.

The major benefits to the State are jobs and increased economic activity that ultimately generates additional revenue to the State. The chart on the following page shows results from econometric models that are used to estimate direct and indirect job creation and the incremental State revenues that could result from the projects.



SECTION 4D – Description of Anticipated Benefit from Each OCSP (ATTACHMENT)

VEDA SSBCI OCSP:	Commercial Participation	Technology Participation	Small Business Participation	Combined Total
VEDA FINANCING:	<i>Amounts Projected Over 5 years (dollar amount in millions)</i>			
NUMBER OF BORROWERS	94	69	156	318
AVERAGE SIZE	\$0.60	\$0.25	\$0.20	\$0.33
TOTAL AMOUNT	\$56.6	\$17.2	\$31.1	\$104.8
PROJECTS:				
TOTAL NUMBER	94	69	156	318
AVERAGE SIZE	\$1.82	\$0.58	\$0.61	\$0.96
TOTAL AMOUNT	\$171.4	\$40.0	\$94.2	\$305.6
LEVERAGE RATIOS:				
LEVERAGED PRIVATE CREDIT	\$85.7	\$16.0	\$47.1	\$148.8
LEVERAGED PRIVATE CAPITAL	\$111.4	\$20.0	\$61.2	\$192.6
PROGRAM FUNDS COMMITTED	\$5.67	\$2.85	\$3.17	\$11.69
PRIVATE CREDIT TO SSBCI \$	15.1 TO 1	5.6 TO 1	14.9 TO 1	12.7 TO 1
PRIVATE CAPITAL TO SSBCI \$	19.6 TO 1	7.0 TO 1	19.3 TO 1	16.5 TO 1
BENEFITS TO STATE:				
JOBS CREATED ⁽¹⁾	700	1,018	1,656	3,374
JOBS RETAINED ⁽¹⁾	175	0	292	467
INCREMENTAL REVENUE ⁽²⁾	\$25.0	\$10.0	\$87.0	\$122.0

⁽¹⁾ Jobs created and retained are estimated based on historical data for actual jobs created (retained) from VEDA loan activity during the past 2.5 fiscal years;

⁽²⁾ Incremental revenue is determined by the projected "job value" based on industrial classification, indirect jobs, geographic locations of economic need. The amount of benefit to the State represents the net present value of the estimated incremental benefit to the State over the seven-year SSBCI period.



SECTION 4E – Description of the Operational Capacity, Skills, and Experience of the Management Team of the State OCSP (ATTACHMENT)

Section 1: Applicant Information

1A. Enter the name of the State: **VERMONT**

1B. Enter information below about the specific department, agency, authority, political subdivision of the State, or other organization that has been designated to implement the program(s) described in this application. Organization Name: **VERMONT ECONOMIC DEVELOPMENT AUTHORITY (“VEDA”)**

Section 4: Other Credit Support Programs (OCSP). Complete this Section if applying for SSBCI funds to use for a State Other Credit Support Program

4E. Attach documentation for each OCSP describing (a) operational capacity, (b) skills, and (c) experience of the management team of the State OCSP. The metrics used should include, but need not be limited to:

- Qualifications and financial industry experience of senior management
- Experience of senior management in operating state credit support or capital access programs
- Adoption of industry best practices (e.g., use of risk management strategies employed by successful similar programs)

The Vermont Economic Development Authority (VEDA or the Authority) has operated as the Vermont's economic development lender since 1974. Since inception, VEDA has offered commercial participation loans, loans to development corporations, loan guarantees, and tax-exempt conduit bonds. In 1984, the Authority began participating as a certified development corporation in the SBA 504 loan program. There followed small business loans made with loan funds borrowed from the USDA Intermediary relending program. In 1988, VEDA started its first agricultural loan program. In the early 1990s VEDA launched its capital access program.

The Authority currently has 26 full-time staff and three consultants, for whom VEDA is their primary client, and two part-time employees. VEDA's executive management team has been together more than a dozen years and each have had extensive careers in finance and lending:

Executive Management - 3 full-time:

Rosalea “Jo” Bradley, is Manager and Chief Executive Officer. Jo became Chief Executive Officer in February, 1997. Her experience includes the positions of Deputy Secretary at the Vermont Agency of Commerce and Community Development, Commercial Loan Officer at VEDA, and Vice President at Solomon Brothers, Inc. in Boston. Jo graduated with Honors from Johnson State College, earning a B.A., and from the Boston University School of Management with an M.B.A. in Finance. She also completed the Program for Senior Executives in State and Local Government at the John F. Kennedy School of Government at Harvard University. Jo served as the State Government representative on the 2007 National Advisory Committee of the Export-Import Bank of the United States (Ex-Im Bank) and she also serves on numerous state and local boards.

Steven Greenfield is VEDA's Chief Operating Officer (and Senior Lender), a position he has held since 2004. Steve joined VEDA as a Loan Officer in October, 1985 and was appointed to the post of Deputy Manager in 1997. From 1981 to 1985, he was the Coordinator for the Vermont Job Start (a micro-business loan program). Prior to that, he was Business Manager for a Vermont school district and managed his family's retail furniture business. Steve received a B.B.A. degree from the University of Vermont in 1969, and an M.B.A. degree from Amos Tuck School of Business Administration at Dartmouth College in 1971.



SECTION 4E – Description of the Operational Capacity, Skills, and Experience of the Management Team of the State OCSP (ATTACHMENT)

David Carter became Chief Financial Officer of VEDA in November 1997. His previous professional experience includes sixteen years in finance and accounting positions at Vermont banks, including Vice President of Finance and Planning for Vermont Federal Bank, FSB and Manager of Financial Planning at Banknorth Group. David received a Bachelor of Science Degree in accounting from Champlain College and graduated with high honors. He also received a degree from the Bank Administration Institute at the University of Wisconsin. He is a Certified Public Accountant in Vermont (inactive).

Commercial Lending Staff - 4 full-time:

Thomas Porter has worked as a Commercial Loan Officer at VEDA since 1986. Prior to joining the Authority he worked as a Senior Management Consultant for the accounting firm Arthur Young in its New York Metropolitan Office. Tom graduated from Middlebury College and holds an M.B.A. in Finance from New York University's Graduate School of Business.

Marie Dussault joined VEDA in January 1994 as a Commercial Loan Officer. In 1995, she also became responsible for VEDA's International Trade Finance Programs. Prior to joining VEDA, Marie spent eighteen years in the Vermont banking industry, holding various positions in Commercial Lending and Management.

William Roberts joined VEDA in May 2006. From 1985 to 2006, he was a commercial lender for the Bank of Boston, Vermont National Bank and Chittenden Bank. Bill received his B.A. Degree in Business Administration from Western New England College in 1980, and his Masters Degree in Finance from American International College in 1989.

Sandy Croft joined VEDA in December 2008. From 1993 to 2008, she was employed by the Chittenden Bank, primarily in the Commercial Lending Division as a Credit Analyst and a Commercial Lender. Sandy received her B.A. in Economics from the University of Vermont in 1990.

Technology Loan Officer:

Peter Bendoris is the lead contact for the Authority's Technology Loan Program. Prior to his employment at VEDA, Peter was Senior Vice President at Bridge Bank, serving small technology and life science companies on the East Coast. Prior to his tenure at Bridge Bank, Peter worked for two years at Comerica Bank's Technology and Life Science Division, where he was responsible for portfolio management and business development from the Northeast to the Mid-Atlantic. For thirteen years, Peter was employed by Silicon Valley Bank, working in their Virginia and Boston offices to serve small, early-stage technology and life science companies. During his career, Peter has built and maintained a large network of venture capitalists, bankers, attorneys, auditors and entrepreneurs along the East Coast, and beyond. He has been an active participant, panelist and speaker in various professional associations in the respective business markets in which he served.

Agricultural Lending Staff - 4 full-time:

Sarah Isham is Senior Agricultural Lender. She became an Agricultural Loan Officer at VEDA in January, 1994. Following the formation of the Vermont Agricultural Credit Corporation (VACC), Sarah became VACC's Senior Agricultural lender in 2000. She previously had a 14-year career with USDA as an Assistant County Supervisor at Farmers Home Administration, where she originated farm and housing loans. Sarah graduated from the University of New Hampshire with a B.S. in Animal Science.



SECTION 4E – Description of the Operational Capacity, Skills, and Experience of the Management Team of the State OCSP (ATTACHMENT)

Charles Keeler came to VEDA in 1998 after operating a dairy farm in Brookfield, VT for twenty-five years. He graduated from McGill University with a degree in Geology, served in the US Navy, and worked for US Army Cold Regions Research and Engineering Laboratory in Hanover, New Hampshire until he started farming. Charlie serves on several agricultural related boards, and was a town selectman and town Treasurer for the Town of Brookfield.

Patty Duffy became an agricultural loan officer at VACC in February, 2005 after working as a consultant for VACC during 2002-2004. Her previous professional experience includes County Supervisor for Farmers Home Administration in Vermont and New York, and Adjunct Professor for Dairy and Agribusiness at Vermont Technical College. Patty graduated with Honors from the University of Connecticut with a B.S. in Animal Science. In addition, she is a Certified Veterinary Technician with prior experience in large, small, and exotic animal medicine and practice management.

David Lane became an Agricultural Loan Officer in 2007. Prior to becoming a loan officer at VEDA/VACC David was Deputy Secretary with the Vermont Agency of Agriculture, Food and Markets (2003 -2006), where he oversaw daily operations and played an integral role in agricultural policy. David was Executive Director for the Intervale Foundation (2000-2003) and was Director of Lending for the Vermont Community Loan Fund (1997-2000).

VEDA Loan Closing Staff - 5 full-time, 1 part-time

Nearly all direct loan financing is processed by the six members of the VEDA legal/loan closing department headed by Louise Anair. Louise and her staff have extensive legal experience with specialization in commercial and agricultural loan transactions.

Accounting/Information Technology Staff- 4 full-time

VEDA employs a full-time controller, information systems manager, a loan system specialist, and a senior accountant.

Administrative Staff - 6 full-time, 1 part-time

The Authority employs an office manager, receptionist and two full-time administrative staff for the commercial and agricultural lenders, respectively; a part-time intern assists both lending staffs.

Consultants:

VEDA utilizes three consultants in the areas of loan work-outs, marketing, and human resources.



SECTION 4E – Description of the Operational Capacity, Skills, and Experience of the Management Team of the State OCSP (ATTACHMENT)

Industry Best Practices:

Credit Risk Management

Credit risk is the risk that a borrower will default on the obligation to repay their debts. To provide for this risk, the Authority maintains allowance for losses (reserves) on specific notes receivable where a loss is determined to be probable. VEDA also maintains non-specific 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 meets quarterly with loan officers and the loan workout consultant to review every portfolio loan to evaluate each loan's credit risk classification on a four-point scale (Acceptable; Special Mention; Substandard; and Doubtful).

Loan officers and loan closing staff follow written policies and procedures to ensure proper underwriting, loan documentation, disclosure, compliance, and collateral perfection. Depending on the program, certain size loans can be approved "in-house" with approval of the CEO or COO. Larger loans are reviewed and approved by the Members of the Authority (the Board).

Asset-Liability Management

Asset-Liability Management is the management of the various risks inherent in financial instruments such as investments, loans and debt. One significant risk is market risk, or the sensitivity of future income to changes in interest rates. Management minimizes market risk primarily by matching the variable interest rate characteristics of its loans as closely as possible with the variable characteristics of its underlying debt. The Authority uses simulation modeling to determine the effect on net revenues due to changes in interest rates.

To manage its investment securities portfolio, VEDA employs third-party investment managers who follow the Authority's Investment Policy which prescribes specified limits on the mix and risk characteristics of investments. The currently approved mix of investments is 70% fixed-income and 30% equity securities. Equities are predominantly well capitalized companies traded on national exchanges. Fixed-income investments carry a composite AAA rating.



SECTION 4F – Description of the Capacity of OCSP Staff to Manage Increases in the Volume of its Small Business Lending (ATTACHMENT)

Section 1: Applicant Information

1A. Enter the name of the State: VERMONT

1B. Enter information below about the specific department, agency, authority, political subdivision of the State, or other organization that has been designated to implement the program(s) described in this application. Organization Name: VERMONT ECONOMIC DEVELOPMENT AUTHORITY (“VEDA”)

Section 4: Other Credit Support Programs (OCSP). Complete this Section if applying for SSBCI funds to use for a State Other Credit Support Program

4F. Attach documentation for each OCSP describing the capacity of OCSP staff to manage increases in the volume of its small business lending. Evidence cited should include, but need not be limited to:

- Financial strength
- Operational capacity

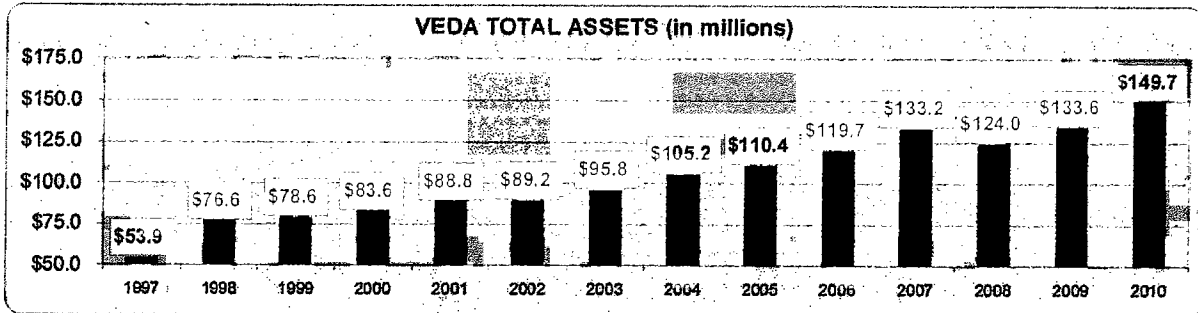
Financial Strength

VEDA does not receive any State funds as a source of funds for lending. VEDA borrows funds for lending and must charge borrowers an amount over its cost of funds that is sufficient to cover the operating expenses and loan losses.

The primary source of funds for lending comes from the quarterly issuance of VEDA Taxable and Taxexempt Commercial Paper Notes (“CP”). VEDA has a \$120 million credit facility that utilizes a bank letter of credit to elevate VEDA CP to the highest credit rating levels. VEDA also maintains a \$20 million working capital line of credit from another lender to provide needed liquidity between CP issuance and to fund a portion of the agricultural loan portfolio. Throughout the extended period of growth, VEDA has had to upsize these credit facilities many times. Most recently, VEDA negotiated new facilities in December, 2010 to provide more capacity to fund loan demand. The chart below shows the steady growth in assets over the past 14 years:

VEDA Growth in Total Assets 1997 - 2010

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
\$53.9	\$76.6	\$78.6	\$83.6	\$88.8	\$89.2	\$95.8	\$105.2	\$110.4	\$119.7	\$133.2	\$124.0	\$133.6	\$149.7



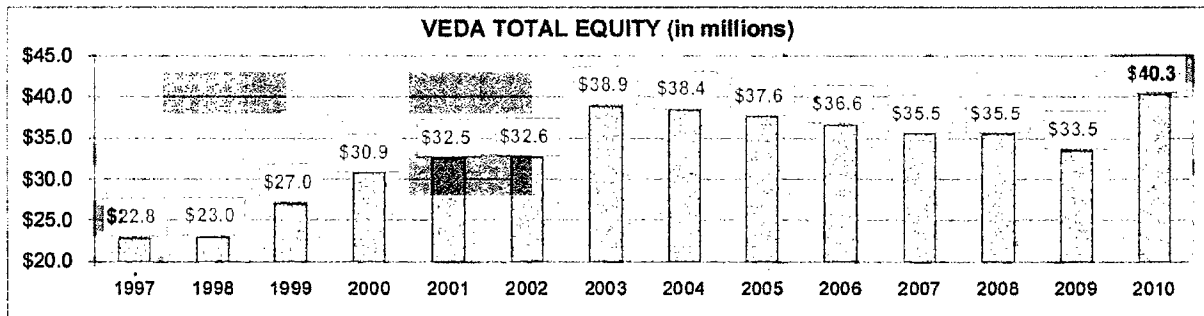


SECTION 4F – Description of the Capacity of OCSF Staff to Manage Increases in the Volume of its Small Business Lending (ATTACHMENT)

The chart below shows the growth in equity over the same 14 year period:

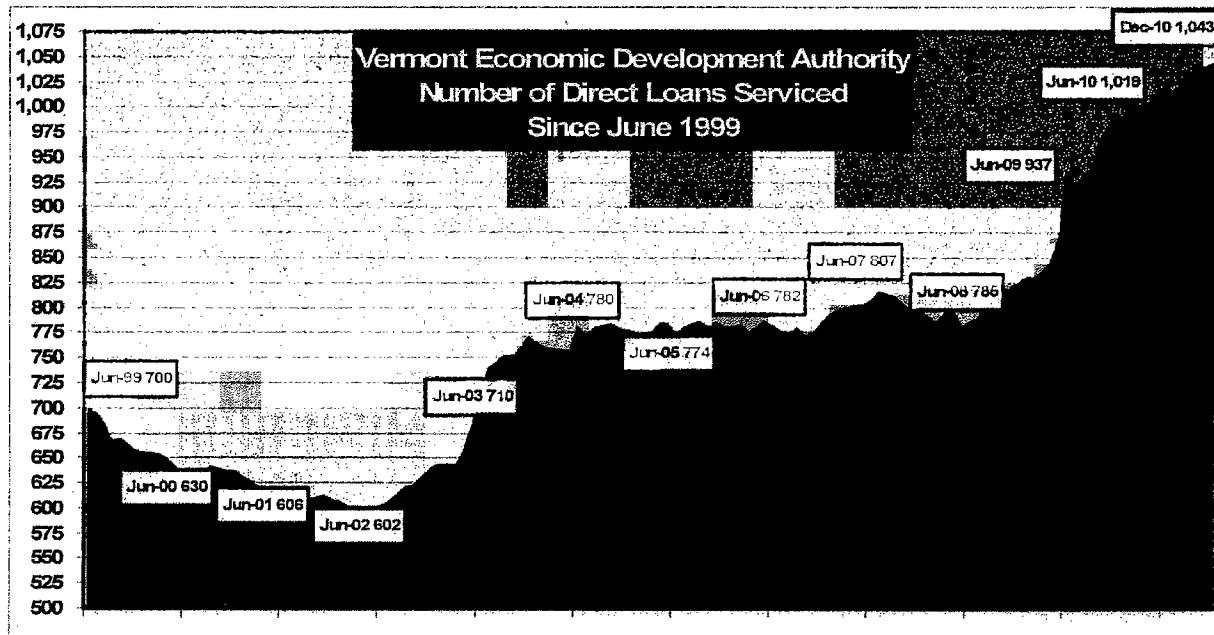
VEDA Growth in Total Equity 1997 - 2010

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
\$22.8	\$23.0	\$27.0	\$30.9	\$32.5	\$32.6	\$38.9	\$38.4	\$37.6	\$36.6	\$35.5	\$35.5	\$33.5	\$40.3



Operational Capacity:

Through this extended period of growth, VEDA has effectively managed its liquidity and financing capacity to meet loan demand as well as managed the staffing levels necessary to service a growing portfolio of loans. The chart below shows the number of direct loans serviced by VEDA staff.





SECTION 4F – Description of the Capacity of OCSP Staff to Manage Increases in the Volume of its Small Business Lending (ATTACHMENT)

A snapshot of the financial position of each of the respective OCSPs at June 30, 2010, the end of the last fiscal year, and as of December 31, 2010 is shown in the following three charts:

Vermont Jobs Fund: (Commercial and Technology OCSP)	06/30/2010 FROM AUDIT	12/31/2010 UNAUDITED
ASSETS:		
TOTAL ASSETS	\$89,398,039	\$95,551,800
CASH & INVESTMENTS	25,981,642	31,174,749
NOTES RECEIVABLE	59,838,181	62,017,869
LOAN LOSS RESERVES	2,359,425	3,072,900
RESERVES AS % OF OUTSTANDINGS	3.94%	4.95%
DEBT & EQUITY:		
BORROWING FACILITIES	\$60,000,000	\$90,000,000
BALANCE IN USE	55,475,000	60,980,000
AVAILABLE BORROWING CAPACITY	4,525,000	29,020,000
NET ASSETS (EQUITY CAPITAL)	28,422,342	29,628,766
NET ASSETS (EQUITY) AS % OF ASSETS	32%	31%
Small Business Loan Program		
	06/30/2010 FROM AUDIT	12/31/2010 UNAUDITED
ASSETS:		
TOTAL ASSETS	\$9,210,055	\$11,334,974
CASH & INVESTMENTS	821,879	297,757
NOTES RECEIVABLE	8,888,507	10,972,207
LOAN LOSS RESERVES	687,900	927,900
RESERVES AS % OF OUTSTANDINGS	7.74%	8.46%
DEBT & EQUITY:		
BORROWING FACILITIES	\$3,000,000	\$6,500,000
BALANCE IN USE	2,825,000	4,025,000
AVAILABLE BORROWING CAPACITY	175,000	2,475,000
NET ASSETS (EQUITY CAPITAL)	1,646,608	1,667,103
NET ASSETS (EQUITY) AS % OF ASSETS	18%	15%



**SECTION 4G – Description of the Internal Accounting and Administrative Controls
Systems used by the OCSP Staff (ATTACHMENT)**

Section 1: Applicant Information

1A. Enter the name of the State: **VERMONT**

1B. Enter information below about the specific department, agency, authority, political subdivision of the State, or other organization that has been designated to implement the program(s) described in this application. Organization Name: **VERMONT ECONOMIC DEVELOPMENT AUTHORITY (“VEDA”)**

Section 4: Other Credit Support Programs (OCSP). Complete this Section if applying for SSBCI funds to use for a State Other Credit Support Program

4G. Attach documentation for each OCSP describing the internal accounting and administrative controls systems used by the OCSP staff and the means they use to safeguard against (a) waste, (b) loss, (c) unauthorized use, and (d) misappropriation. Evidence cited should include, but need not be limited to:

- Periodic internal audits
- Annual independent audits (including management letters)
- Accounting and financial reporting system compliant with OMB Circular A-127

Internal Accounting and Administrative Controls

The Authority is governed by a twelve member Board (the “Members”) comprised of three State officials: the Treasurer, the Secretary of the Agency of Commerce and Community Development, and the Secretary of Agriculture, Food and Markets. The remaining Members are nine citizens appointed by the Governor with the advice and consent of the Senate.

The Authority follows the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when incurred. The Authority has elected to apply all Governmental Accounting Standards Board (“GASB”) pronouncements as well as any Financial Accounting Standards Board (“FASB”) pronouncements issued on or before November 30, 1989 to the extent they do not conflict with GASB pronouncements.

Management prepares a plethora of financial and statistical management reports, including the *Financial Statements with Supplementary Information* (annual audit). Management is responsible for the integrity and objectivity of management and financial reporting. Reports are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), applying certain estimates and judgments as required.

The Authority employs internal controls that are designed to provide reasonable assurance as to the integrity and reliability of the financial reporting and to adequately safeguard, verify and maintain accountability of assets. Such controls are based on established written policies and procedures and are implemented by trained, skilled personnel. The Authority's employment policy prescribes that VEDA and all of its employees maintain the highest ethical standards and that its business practices be conducted in a manner that is above reproach.

KPMG LLP, VEDA's independent auditors, audit the Authority's annual financial statements. Their report is based on an audit conducted in accordance with auditing standards generally accepted in the United States of America, which include consideration of the Authority's internal controls to establish a basis for reliance thereon in determining the nature, timing and extent of audit tests to be applied. KPMG also performs the additional audit requirements necessary to prepare their OMB A-133 Governmental Audit Report for VEDA's federally funded programs (USDA RD and FSA loan Guarantees and the USDA Intermediary Relending Program).



Department of the Treasury

**State Small Business Credit Initiative
APPLICATION**

**SECTION 4G – Description of the Internal Accounting and Administrative Controls
Systems used by the OCSP Staff (ATTACHMENT)**

The VEDA Members [Board] fulfill their responsibility for oversight and administration of the Authority's practices and governance through actions of the full Board as well as through committees comprised of a subset of its Members. The following committees are listed with their major functions:

- The **Executive/Budget/Compensation Committee** (3 committees, same members) is comprised of the Chair, Vice-Chair, Treasurer, and Past-Chair. The Executive Committee is responsible for reviewing budgets and compensation recommendations of Management as well as advising the Board on major issues;
- The **Audit Committee** meets periodically with the independent auditors, both privately and with management present, to review accounting, auditing, internal controls and financial reporting matters;
- The **Investment Committee** approves the VEDA Investment Policy and reviews staff's management of VEDA's operating cash and the management of securities by third-party managers.



SECTION 4H – Description of the Soundness of the Program Design and Implementation Plan of the State OCSP (ATTACHMENT)

Section 1: Applicant Information

1A. Enter the name of the State: **VERMONT**

1B. Enter information below about the specific department, agency, authority, political subdivision of the State, or other organization that has been designated to implement the program(s) described in this application. Organization Name: **VERMONT ECONOMIC DEVELOPMENT AUTHORITY (“VEDA”)**

Section 4: Other Credit Support Programs (OCSP). Complete this Section if applying for SSBCI funds to use for a State Other Credit Support Program

4H. Attach documentation for each OCSP describing the soundness of the program design and implementation plan of the State OCSP. Evidence of sound design should include, but need not be limited to:

- Adoption of established business models and strategies
- The absence of material weakness or deficiency findings by external auditors

Business Model & Strategy

VEDA is a special-purpose governmental entity engaged in a business-type activity. As such, VEDA has many characteristics of a for-profit enterprise. The business type with characteristics most similar to VEDA is that of a financial institution. VEDA follows the “best practices” common to most commercial lenders.

VEDA utilizes state-of-the-art information management systems for loan origination, servicing and accounting. Internal systems have also been developed to monitor borrower compliance, employment reporting, credit quality, credit review and other servicing requirements. VEDA uses a multi-format media program for outreach, marketing and public relations. The VEDA website located at www.veda.org

VEDA’s independent audits are consistently free of material weaknesses and management comments. Auditing standards accepted in the United States and those required under OMB A-133 include in depth review of VEDA lending policies, credit review systems, allowance for loss estimates, and compliance with requirements of the federal programs in which VEDA participates as well as information system security and the control and management of cash.

The VEDA loan programs presented herein as three OCSP(s) are a mix of subordinated fixed-asset lending to more established companies and also acting as senior lender to technology and small business start-ups that find access to sufficient, reasonably priced capital, difficult to obtain.

Over a long period, VEDA has maintained consistently low loan losses relative to peer group lenders which demonstrates the soundness of VEDA underwriting and loan operations. A chart of historic outstanding loans, loan loss reserves, loan loss provisions and actual charge-offs (net of recoveries) in VEDA’s direct lending programs over a 10 year period is seen in the chart(s) on the following pages.



**SECTION 4H – Description of the Soundness of the Program Design and Implementation
Plan of the State OCSF (ATTACHMENT)**

CHART I: COMBINED VEDA LOAN PROGRAMS: 10-YEAR RESERVE & LOSS HISTORY

YEAR	OUTSTANDING LOANS	LOAN LOSS RESERVES	AS % OF ENDING	LOAN LOSS PROVISIONS	AS % OF AVG OUTS	CHARGE- OFFS, NET	AS % OF AVG OUTS
BASE	\$30,971,216						
2001	34,207,583	\$1,942,100	5.68%	\$580,832	1.78%	(\$106,268)	-0.33%
2002	39,093,332	2,377,700	6.08%	535,476	1.46%	99,876	0.27%
2003	52,651,720	2,297,200	4.36%	266,663	0.58%	347,163	0.76%
2004	59,753,572	2,372,500	3.97%	67,099	0.12%	(8,201)	-0.01%
2005	67,232,630	2,239,500	3.33%	191,803	0.30%	324,803	0.51%
2006	70,662,224	1,870,400	2.65%	159,134	0.23%	528,234	0.77%
2007	77,110,571	2,001,400	2.60%	187,613	0.25%	56,613	0.08%
2008	72,463,808	2,116,300	2.92%	489,842	0.65%	374,942	0.50%
2009	84,317,890	2,464,500	2.92%	1,132,424	1.44%	784,224	1.00%
2010	\$99,595,440	\$2,805,200	2.82%	\$978,260	1.06%	\$637,560	0.69%

CHART II: COMMERCIAL LOAN PROGRAM: 10-YEAR RESERVE & LOSS HISTORY

YEAR	OUTSTANDING LOANS	LOAN LOSS RESERVES	AS % OF ENDING	LOAN LOSS PROVISIONS	AS % OF AVG OUTS	CHARGE- OFFS, NET	AS % OF AVG OUTS
BASE	\$20,979,084						
2001	22,548,468	\$1,373,900	6.09%	\$519,460	2.39%	(\$137,340)	-0.63%
2002	24,811,301	1,926,100	7.76%	573,520	2.42%	21,320	0.09%
2003	30,626,741	1,702,100	5.56%	114,630	0.41%	338,630	1.22%
2004	31,703,230	1,683,800	5.31%	(18,525)	-0.06%	(225)	0.00%
2005	36,808,353	1,510,900	4.10%	148,363	0.43%	321,263	0.94%
2006	38,406,855	1,128,600	2.94%	117,777	0.31%	500,077	1.33%
2007	37,781,503	1,081,200	2.86%	652	0.00%	48,052	0.13%
2008	34,161,944	1,171,000	3.43%	340,412	0.95%	250,612	0.70%
2009	34,892,873	1,064,900	3.05%	612,811	1.77%	718,911	2.08%
2010	\$39,500,112	\$1,330,900	3.37%	\$601,823	1.62%	\$335,823	0.90%

**SECTION 4H – Description of the Soundness of the Program Design and Implementation
Plan of the State OCSP (ATTACHMENT)****CHART III: SMALL BUSINESS LOAN PROGRAM: 10-YEAR RESERVE & LOSS HISTORY**

YEAR	OUTSTANDING LOANS	LOAN LOSS RESERVES	AS % OF ENDING	LOAN LOSS PROVISIONS	AS % OF AVG OUTS	CHARGE- OFFS, NET	AS % OF AVG OUTS
BASE	\$1,444,187						
2001	1,804,435	\$264,400	14.65%	\$34,039	2.10%	\$32,839	2.02%
2002	1,875,878	232,600	12.40%	9,341	0.51%	41,141	2.24%
2003	2,157,065	246,300	11.42%	13,645	0.68%	(55)	0.00%
2004	2,724,461	238,800	8.77%	(14,832)	-0.61%	(7,332)	-0.30%
2005	3,446,849	272,100	7.89%	33,300	1.08%	0	0.00%
2006	4,205,459	236,600	5.63%	1,243	0.03%	36,743	0.96%
2007	4,467,543	269,100	6.02%	45,600	1.05%	13,100	0.30%
2008	4,766,312	362,200	7.60%	219,042	4.74%	125,942	2.73%
2009	6,389,352	643,000	10.06%	337,994	6.06%	57,194	1.03%
2010	\$9,112,978	\$687,900	7.55%	\$220,346	2.84%	\$175,446	2.26%

State of Vermont
 Department of Finance & Management
 109 State Street, Pavilion Building
 Montpelier, VT 05620-0401

Agency of Administration

[phone] 802-828-2376
 [fax] 802-828-2428

STATE OF VERMONT
FINANCE & MANAGEMENT GRANT REVIEW FORM

Grant Summary:	Grant to Vermont from the US Department of the Treasury for State Small Business Credit Initiative (SSBCI). VEDA will administer these funds for Vermont. These funds will be used leverage more private lending for small businesses through various VEDA programs including Commercial Loan Participation Program, Technology Loan Participation Program, Small Business Loan Program and the Financial Access Program.				
Date:	4/15/2011				
Department:	Vermont Economic Development Authority				
Legal Title of Grant:	State Small Business Credit Initiative Act of 2010				
Federal Catalog #:	NA				
Grant/Donor Name and Address:	US Treasury Small Business Credit Initiative				
Grant Period:	From:	4/30/2011	To:	4/30/2013	
Grant/Donation	\$13,168,350				
	SFY 1	SFY 2	SFY 3	Total	Comments
Grant Amount:	\$13,168,350	\$	\$	\$13,168,350	

Position Information:	# Positions	Explanation/Comments
	0	

Additional Comments:

Department of Finance & Management <i>EH</i>	<i>[Signature]</i>	(Initial)
Secretary of Administration	<i>[Signature]</i>	(Initial)
Sent To Joint Fiscal Office	<i>5/1/11</i>	Date

RECEIVED
 MAY 02 2011
JOINT FISCAL OFFICE



STATE OF VERMONT REQUEST FOR GRANT ACCEPTANCE (Form AA-1)

BASIC GRANT INFORMATION				
1. Agency:	VERMONT ECONOMIC DEVELOPMENT AUTHORITY			
2. Department:	N/A			
3. Program:	COMMERCIAL, TECHNOLOGY AND SMALL BUSINESS LOAN PROGRAMS			
4. Legal Title of Grant:	STATE SMALL BUSINESS CREDIT INITIATIVE ACT OF 2010 OMB CONTROL # 1505-0227			
5. Federal Catalog #:	N/A			
6. Grant/Donor Name and Address:	VERMONT SMALL BUSINESS CREDIT INITIATIVE			
7. Grant Period:	From:	4/30/2011	To:	4/30/2013
8. Purpose of Grant:	UTILIZE FEDERAL FUNDS TO LEVERAGE PRIVATE CAPITAL TO PROMOTE ECONOMIC ACTIVITY AND CREATE JOBS IN VERMONT			
9. Impact on existing program if grant is not Accepted:	THE GRANT SIGNIFICANTLY ENHANCES VEDA'S EXISITING PROGRAMS AND ALLOWS CONTINUED GROWTH IN PROVEN PROGRAMS.			
10. BUDGET INFORMATION				
	SFY 1	SFY 2	SFY 3	Comments
Expenditures:	FY	FY	FY	
Personal Services	\$	\$	\$	
Operating Expenses	\$	\$	\$	
Grants	\$13,168,350	\$	\$	
Total	\$13,168,350	\$	\$	
Revenues:				
State Funds:	\$	\$	\$	
Cash	\$	\$	\$	
In-Kind	\$	\$	\$	
Federal Funds:	\$13,168,350	\$	\$	
(Direct Costs)	\$	\$	\$	
(Statewide Indirect)	\$	\$	\$	
(Departmental Indirect)	\$	\$	\$	
Other Funds:	\$	\$	\$	
Grant (source)	\$	\$	\$	
Total	\$13,168,350	\$	\$	
Appropriation No:	N/A	Amount:	\$0	
			\$	
			\$	
			\$	
			\$	
			\$	

REC'D APR 14 2011

STATE OF VERMONT REQUEST FOR GRANT ACCEPTANCE (Form AA-1)

	\$
Total	\$0

PERSONAL SERVICE INFORMATION

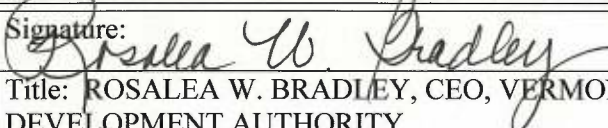
11. Will monies from this grant be used to fund one or more Personal Service Contracts? Yes No
 If "Yes", appointing authority must initial here to indicate intent to follow current competitive bidding process/policy.

Appointing Authority Name: _____ Agreed by: _____ (initial)

12. Limited Service Position Information:	# Positions	Title
Total Positions	0	

12a. Equipment and space for these positions: Is presently available. Can be obtained with available funds.

13. AUTHORIZATION AGENCY/DEPARTMENT

I/we certify that no funds beyond basic application preparation and filing costs have been expended or committed in anticipation of Joint Fiscal Committee approval of this grant, unless previous notification was made on Form AA-1PN (if applicable):	Signature: 	Date: 7/5/2011
	Title: ROSALEA W. BRADLEY, CEO, VERMONT ECONOMIC DEVELOPMENT AUTHORITY	
	Signature: _____	Date: _____
	Title: LAWRENCE MILLER, SECRETARY, AGENCY OF COMMERCE AND COOMMUNITY DEVELOPMENT	

14. SECRETARY OF ADMINISTRATION

Approved: _____ (Secretary or designee signature) Date: 04/25/11

15. ACTION BY GOVERNOR

Check One Box:
 Accepted _____ (Governor's signature) Date: 4/28/11

Rejected

16. DOCUMENTATION REQUIRED

Required GRANT Documentation	
<input type="checkbox"/> Request Memo <input type="checkbox"/> Dept. project approval (if applicable) <input type="checkbox"/> Notice of Award <input checked="" type="checkbox"/> Grant Agreement <input checked="" type="checkbox"/> Grant Budget	<input type="checkbox"/> Notice of Donation (if any) <input type="checkbox"/> Grant (Project) Timeline (if applicable) <input type="checkbox"/> Request for Extension (if applicable) <input type="checkbox"/> Form AA-1PN attached (if applicable)

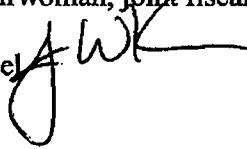
End Form AA-1

State of Vermont
Agency of Commerce and Community Development
National Life Building, Drawer 20
Montpelier, VT 05620-0501
www.dca.state.vt.us

[phone] 802-828-3211
[fax] 802-828-3383

MEMORANDUM

TO: Senator Ann Cummings, chairwoman, joint fiscal committee

FROM: John Kessler, General Counsel 

DATE: May 12, 2011

RE: Request for Expedited JFC Review of the State's Acceptance of a US Treasury Grant for the State Small Business Credit Initiative (SSBCI)

I am writing on behalf of Governor Peter Shumlin, Commerce Secretary Lawrence Miller, and VEDA Manager and CEO Jo Bradley to respectfully request expedited review by the joint fiscal committee of the governor's request for approval regarding VEDA's acceptance on behalf of the state of an over \$13 million award from the US Treasury under the federal State Small Business Credit Initiative.

Unlike other states applying for and receiving SSBCI funds, Vermont does not have a lending program within the executive branch to provide the services required to utilize the SSBCI funds. Thus, VEDA, created as an instrumentality of the state under 10 V.S.A. § 213(a) for those purposes, was authorized to apply for and administer the SSBCI funds. Part of the documentation required by the US Treasury in support of the award is a legal opinion confirming the state's authority to accept and administer the SSBCI funds. I worked with the Attorney General's Office to provide an informal legal opinion sufficient to enable the US Treasury to publicly announce in late March of this year the award of over \$13 million approved for Vermont.

We initiated the internal process with a letter dated April 15, 2011, accompanied by all necessary documentation, but the late session budget demands on the legislature and financial staff in the agency of administration caused the request for acceptance of the SSBCI award to only now be transmitted to the joint fiscal committee. While we had hustled to provide an informal legal opinion in time for the public announcement in March, the US Treasury had indicated the closing on this allocation would be late May at the earliest. However, US Treasury notified us in a May 9th letter that the closing on this allocation would be May 23rd and a legal opinion must be submitted on or before May 16th.



Senator Ann Cummings

May 12, 2012

Page 2

Having the joint fiscal committee consider and approve by Friday May 20th VEDA's acceptance of the SSBCI funds on behalf of the state would allow the Attorney General to provide an unconditional legal opinion that VEDA is authorized to accept and administer the SSBCI funds on behalf of the state. Therefore, we kindly ask that the joint fiscal committee provide expedited review of our request.

Thank you for your consideration. If there is any additional information required, please do not hesitate to call me at 828-5202.

March 22, 2011

CONTACT: Treasury Public Affairs, (202) 622-2960

OBAMA ADMINISTRATION, GOVERNOR SHUMLIN ANNOUNCE FUNDS TO SPUR AT LEAST \$132 MILLION IN NEW LENDING TO VERMONT SMALL BUSINESSES, HELP CREATE JOBS

WASHINGTON – Today, the U.S. Department of the Treasury and Vermont Governor Peter Shumlin announced the approval of Vermont's State Small Business Credit Initiative (SSBCI) application. Vermont's planned use of the SSBCI funds will help create new jobs and spur more than \$132 million in additional small business lending in that state. The SSBCI program, which supports state-level small business lending programs, is an important component of the Small Business Jobs Act that President Obama signed into law last fall.

"These critical funds will help Vermont small businesses access the capital they need to expand their operations, create new jobs, and continue supporting our nation's economic recovery," said Treasury Secretary Tim Geithner. "Public-private lending partnerships, such as the State Small Business Credit Initiative, have a proven track record of success, and I'm pleased that this funding is on its way to support economic growth in Vermont."

Under the Small Business Jobs Act, Vermont can access \$13.2 million in SSBCI funds. Vermont expects to generate a minimum "bang for the buck" of at least \$10 in new private lending for every \$1 in federal funding. As such, this \$13.2 million allocation for Vermont is expected to support more than \$132 million in new private lending in that state. Vermont's SSBCI funds will be administered by Vermont Economic Development Authority (VEDA), which has 37 years experience in creating opportunities for small businesses, manufacturers, agricultural enterprises, and other businesses in Vermont.

"This \$13.2 million in federal small business funding is terrific news for Vermont," said Vermont Governor Peter Shumlin, "and it would not have been possible without the strong advocacy efforts of our Congressional delegation. We thank Senator Patrick Leahy, Senator Bernie Sanders, and Congressman Peter Welch for their efforts, and also thank the U.S. Department of the Treasury for this well-timed award. With the help of Vermont's private sector leverage, these federal funds will go far, giving our small businesses the critical boost they need to create jobs for Vermonters."

U.S. Senator Patrick Leahy said: "The largest obstacle to job creation in this recession has been access to capital. This \$13.2 million infusion of federal funds, the result of Congress' successful effort at including an all-state minimum in the program, is one of the most significant one-time influxes of capital VEDA has seen -- and it couldn't come at a better time."

U.S. Senator Bernie Sanders commented: "As I travel across the state and speak with small business owners, I keep hearing how difficult it is to get the credit needed for these businesses to expand and create decent paying jobs for Vermonters. It is essential that the federal government support local businesses -- and not just the giant banks on Wall Street that use government guarantees to speculate with taxpayer money. Clearly, we have an important role to play in terms of spurring small business lending. I am pleased that the availability of these funds will better enable the State of Vermont and Vermont's community banks to extend more loans to small businesses -- something our Vermont banks have done for years."

U.S. Congressman Peter Welch said, "One of the biggest concerns I hear from Vermont small business owners is their ongoing difficulty in accessing credit in our struggling economy, in spite of the best efforts of our community banks. Vermont businesses are strong and ready to invest. That's why we pushed so hard for this legislation. The announcement today is a real boost for small businesses that will give them the tools they need to create jobs and thrive."

"This is a great federal and state partnership and a great opportunity for VEDA to enhance access to capital for a myriad of Vermont businesses," commented Lawrence Miller, Secretary of the Vermont Agency of Commerce and Community Development. "VEDA has a proven track record and ability to leverage these dollars with private funds to help stimulate job creation in Vermont."

"We are eager to start putting this money to use, and working with our banking partners to help Vermont's economy grow," said Jo Bradley, VEDA's Chief Executive Officer.

Vermont's approved plan dedicates \$1 million of the state's SSBCI funding to support its Financial Access Program, which provides loan portfolio insurance to encourage private financial institutions to lend to creditworthy small businesses. The remaining \$12.2 million is allocated to three additional programs:

- Vermont has allocated a total of \$5.9 million to its Commercial Loan Participation Program, which provides financing for the purchase of land; construction and renovation of facilities; and purchase and installation of equipment for eligible projects.
- Vermont has allocated \$3.0 million to its Technology Loan Participation Program. This initiative supports loans to early stage firms primarily in the information technology and bioscience sectors.
- Vermont has also allocated \$3.3 million to its Small Business Loan Program, which finances smaller commercial businesses' fixed asset and working capital needs.

Under the SSBCI, all states are offered the opportunity to apply for federal funds for state-run programs that partner with private lenders to increase the amount of credit available to small businesses. States must demonstrate a reasonable expectation that a minimum of \$10 in new private lending will result from every \$1 in federal funding. Accordingly, the \$1.5 billion federal funding commitment is expected to result in at least \$15 billion in additional private lending nationwide.

Treasury Secretary Tim Geithner announced the approval of Vermont's SSBCI application during a conference today at the Treasury Department entitled, "Access to Capital: Fostering Growth and Innovation for Small Companies." The conference brings together policymakers, entrepreneurs, investors, academics, and other market participants to explore how both the public and private sectors can help promote access to capital at each stage of growth for a small business – from seed capital, to growth equity, to accessing the public markets.

For more information about the SSBCI, please visit [link](#).

###

March 22, 2011

CONTACT: Treasury Public Affairs, (202) 622-2960

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VERMONT ECONOMIC DEVELOPMENT AUTHORITY

Vermont Agricultural Credit Corporation
Vermont Small Business Loan Program
Vermont 504 Corporation
Vermont Job Start

Executive Summary

State Small Business Credit Initiative (SSBCI) Application

April 5, 2011

In late 2010, President Obama signed into law the Small Business Jobs Act of 2010 (the "Act"). The Act created the State Small Business Credit Initiative (the Initiative), funded with \$1.5 billion, to strengthen lending programs that provide loans and other credit support to small businesses and small manufacturers. Under this initiative, funds must be used for programs that leverage private lending to help finance small businesses that are creditworthy, but are not getting all the financing they need to expand and create jobs. The Initiative mandates that applicants build on successful models for small business financing programs, including collateral support programs, Capital Access Programs (CAPs) and loan guarantee programs.

VEDA is in essence the only entity in Vermont qualified to submit an application for these funds. VEDA currently operates all the programs specified as eligible uses of funds in the Federal SSBCI legislation.

As part of Vermont's SSBCI application, VEDA is proposing to allocate SSBCI funds to three Other Credit Support Programs ("OCSPs") and to a single Capital Access Program ("CAP"). VEDA is planning to integrate the three OCSPs and the CAP into its existing and very successful programs, enhancing them to support the Authority's mission. VEDA's Commercial OCSP is an expansion of a reduced interest rate program that VEDA has operated since fiscal 2000. VEDA refers to this as a "Subsidy Program." There are also significant enhancements to the Authority's Technology and Small Business programs that would not be possible without the SSBCI funds. The new CAP also represents a considerable expansion and enhancement of VEDA's existing Cap and will stimulate more small business lending in Vermont.

COMMERCIAL OCSP (Interest Rate Subsidy Programs)

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, State and ARRA funding have provided the Vermont Jobs Fund (VJF) the Authority's largest program with resources for an interest rate subsidy program. The resources allow the VJF to offer loan rates below the level necessary to fully cover operating costs (a "subsidy"). Since 2000, VEDA has made more than 300 subsidized commercial loans totaling \$124.0 million and created approximately 5,700 jobs. Just since FY 2008, when, due to the recession, VEDA began a deeply subsidized program (offering loans as low as 2%) VEDA has utilized \$2.45 million in subsidy \$\$ to leverage \$113.7 million in total projects, a leverage ratio of 46 to 1.

VEDA will utilize the SSBCI funds to continue to subsidize interest rates in its commercial program. VEDA estimates that \$5.6 million in SSBCI funds will leverage private credit of \$85.7 million, a leverage ratio of 15 to 1. Based on historical data, VEDA estimates over 875 jobs will be created or retained by this investment.

TECHNOLOGY OCSP

Vermont has a burgeoning technology sector, particularly in the software and biosciences industries. It is critical that these companies have access to capital. In 2008, VEDA began its Technology Loan Program. VEDA hired a seasoned with experience in lending to technology companies. These companies are often early stage and have little collateral, with the exception of intellectual property, oftentimes making loans in this sector quite risky. Since inception, with a program loan limit of only \$100,000, VEDA has already approved \$1.4 million in loans in the program. With additional funding from the SSBCI VEDA plans to increase the loan limits in this program to \$200,000 and add to reserves, allowing us to look at somewhat more risky projects. VEDA strongly believes that the expansion of its Technology Loan Program will support growth in this important sector, leading to the creation of high-paying jobs for Vermonters over the next several years.

SMALL BUSINESS OCSP

The VSBLP makes small business loans not to exceed \$250,000 for fixed assets and working capital. This program has grown by 250% over the last two years, even during the recession. Additional funds from the SSBCI will enable VEDA to lower the rate in this program and continue to grow the program to serve small business. VEDA estimates that by committing \$3.17 million in SSBCI funds , we will leverage \$47 million in private capital, a leverage ratio of 19 to 1.

VEDA Capital Access Program

The VEDA SSBCI Plan proposes to modify (enhance) the its current CAP in several important ways. The modifications include:

1. Increase the loan limits from \$200,000 to \$500,000;
2. Replace the State's full faith and credit pledge with a cash reserve fund;
3. Loss claims will be paid from a single reserve account for each participating lender;
4. The financial institution/borrower reserve remains fixed at 3% rather than a range from 2% to 7%;
5. SSBCI funds will allow the total reserve pool to increase from 6% to 12% of each enrolled loan.

The proposed program modifications are intended to increase lender participation by increasing the size of the reserve, and increasing the eligible loan size. VEDA also plans to implement a web-based system to make enrolling loans, making claims, and monitoring reserve levels easier for participating lenders.

The proposed modifications to the CAP are expected to significantly enhance the program's value to participating lenders. However, it remains difficult to project how popular the program will be with Vermont financial institutions. VEDA estimates that as much as \$3,200,000 in new loans may be enrolled in each of the next 5 years for a total of \$16,000,000. These are often loans to very small business enterprises. Based on historical data, this volume level could assist in the creation of 525 new jobs at an average hourly wage of \$18.00 (\$19.40 when adjusted for benefits).

It is estimated that the \$11.69 million in SSBCI funds (these do not include the CAP program) will create and/or retain over 3,800 jobs over the next five years (\$3,076 per job). In addition, the SSBCI program will leverage \$192 MILLION OF PRIVATE CAPITAL.

The chart below summarizes the projected results of VEDA's three Other Credit Support Programs (OCSP):

Summary of VEDA OCSP Objective

VEDA SSBCI OCSP:	Commercial Participation	Technology Participation	Small Business Participation	Combined Total
VEDA FINANCING:	<i>Amounts Projected Over 5 years</i>			<i>(dollar amount in millions)</i>
NUMBER OF BORROWERS	94	69	156	318
AVERAGE SIZE	\$0.60	\$0.25	\$0.20	\$0.33
TOTAL AMOUNT	\$56.6	\$17.2	\$31.1	\$104.8
PROJECTS:				
TOTAL NUMBER	94	69	156	318
AVERAGE SIZE	\$1.82	\$0.58	\$0.61	\$0.96
TOTAL AMOUNT	\$171.4	\$40.0	\$94.2	\$305.6
LEVERAGE RATIOS:				
LEVERAGED PRIVATE CREDIT	\$85.7	\$16.0	\$47.1	\$148.8
LEVERAGED PRIVATE CAPITAL	\$111.4	\$20.0	\$61.2	\$192.6
PROGRAM FUNDS COMMITTED	\$5.67	\$2.85	\$3.17	\$11.69
PRIVATE CREDIT TO SSBCI \$	15.1 TO 1	5.6 TO 1	14.9 TO 1	12.7 TO 1
PRIVATE CAPITAL TO SSBCI \$	19.6 TO 1	7.0 TO 1	19.3 TO 1	16.5 TO 1
BENEFITS TO STATE:				
JOBS CREATED ⁽¹⁾	700	1,018	1,656	3,374
JOBS RETAINED ⁽¹⁾	175	0	292	467
INCREMENTAL REVENUE ⁽²⁾	\$25.0	\$10.0	\$87.0	\$122.0

⁽¹⁾ Jobs created and retained are estimated based on historical data for actual jobs created (retained) from VEDA loan activity during the past 2.5 fiscal years;

⁽²⁾ Incremental revenue is determined by the projected "job value" based on industrial classification, indirect jobs, geographic locations of economic need. The amount of benefit to the State represents the net present value of the estimated incremental benefit to the State over the seven-year SSBCI period.

Jeb Spaulding
Stephen Klein
April 13, 2011
Page 2

(D) The department and/or program which will utilize the grant:

VEDA

(E) A brief statement of purpose:

VEDA will utilize the grant to strengthen its lending programs that provide loans and other credit support to small businesses and small manufacturers, promoting economic activity and creating jobs in Vermont.

(F) Impact on existing programs if grant is not accepted:

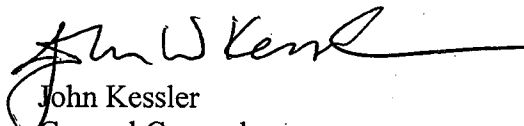
The US Treasury grant will allow VEDA to subsidize commercial loans by allowing VEDA to offer loan rates below the necessary level to fully cover operating costs. Since 2000, VEDA has made more than 300 subsidized commercial loans totaling \$124 million and created approximately 5,700 jobs. In the limited period since Fiscal Year 2008, VEDA has utilized \$2.45 million in subsidy funding to leverage \$113.7 million in total projects, a leverage of 46:1.

I have also enclosed a three-page executive summary of the VEDA programs that will utilize the SSBCI grant from the US Treasury.

If there are any questions, please feel free to call me at 828-5202, or alternatively, Lawrence Miller, secretary of commerce and community development.

Thank you.

Sincerely,



John Kessler
General Counsel

Enclosures

cc: Lawrence Miller, ACCD
Jo Bradley, VEDA



Agency of Commerce and Community Development

One National Life Drive
Montpelier, VT 05620-0501
www.dca.state.vt.us

[phone] 802-828-3211
[fax] 802-828-3383

February 3, 2011

Mr. Timothy Geithner
Secretary of the Treasury
United States Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Secretary Geithner,

I am writing to inform you that I am designating the Vermont Economic Development Authority (VEDA) as the applicant for Vermont's funds under Title III of the State Small Business Jobs Act, entitled the State Small Business Credit Initiative (SSBCI). VEDA has a long history of providing assistance to Vermont's businesses and farms with a focus on small businesses. The Authority is the State of Vermont's lending Authority and possesses the necessary infrastructure, controls and banking and business relationships to effectively and fiscally responsibly administer this funding.

Should you have any questions regarding this letter of intent to apply for Title III funding under the Act or my designation of VEDA as the applicant, please do not hesitate to call me.

Sincerely,

A handwritten signature in cursive script that reads "Lawrence Miller".

Lawrence Miller, Secretary
Agency of Commerce and Community Development
State of Vermont





SECTION 3B – How the State Plans to use SSBCI Funds for CAP (ATTACHMENT)

Section 1: Applicant Information

1A. Enter the name of the State: VERMONT

1B. Enter information below about the specific department, agency, authority, political subdivision of the State, or other organization that has been designated to implement the program(s) described in this application. Organization Name: VERMONT ECONOMIC DEVELOPMENT AUTHORITY ("VEDA")

Section 3: Capital Access Program (CAP). Complete this Section if applying for SSBCI funds to use for a CAP

3B. Attach documentation to indicate how the State plans to use funds allocated pursuant to the SSBCI to provide access to capital for small businesses (a) in low- and moderate-income communities, (b) in minority communities, and (c) in other underserved communities and to (d) women- and (e) minority-owned small businesses. States establishing new programs should provide detailed assumptions for their estimates of total enrolled loans, total loan amounts and the estimated total federal contributions over the lifespan of the SSBCI. Documentation should not exceed 5 pages.

VEDA's existing CAP is called the Vermont Financial Access Program (FAP). The FAP is authorized under VSA Title 10, Chapter 12 (the "VEDA Statute"), § 279. The VEDA SSBCI Plan proposes to modify (enhance) the FAP in several important ways. The modifications include:

1. Increase the loan limits from \$200,000 to \$500,000;
2. Replace the State's full faith and credit pledge with a cash reserve fund;
3. Loss claims will be paid from a single reserve account for each participating lender;
4. The financial institution/borrower reserve will be fixed at 6% rather than a range from 2% to 7%;
5. In an effort to lower the cost for eligible borrowers, VEDA will provide a 3% subsidy to borrowers;
6. SSBCI funds will allow the total reserve pool to increase from 6% to 12% of each enrolled loan.

The FAP is actively used by 7 of 21 financial institutions enrolled in the program. The proposed program modifications are intended to increase lender participation by increasing the size of the reserve, and increasing the eligible loan size. VEDA also plans to implement a web-based system to make enrolling loans, making claims, and monitoring reserve levels easier for participating lenders.

Lending institutions that participate in the FAP include the Vermont Opportunities Credit Union (VOCU) which is one of the leading users of the FAP. The VOCU targets low-moderate income households and small business and is located in the inner-city of Burlington, Vermont's largest city. VEDA intends to target other micro-lenders throughout the State whose mission is specifically to serve low-to-moderate income borrowers. Vermont's minority population is approximately 3% state-wide with a significant concentration in native-American, minority farm workers, and resettled refugees. Vermont lenders cover all regions of the State and serve all citizens of Vermont.

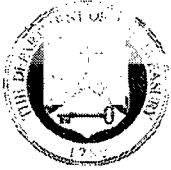
The proposed modifications to the FAP are expected to significantly enhance the program's value to participating lenders. However, it remains difficult to project how popular the program will be with Vermont financial institutions. VEDA estimates that as much as \$3,200,000 in new loans may be enrolled in each of the next 5 years for a total of \$16,000,000. Based on historical data, this volume level could assist in the creation of 525 new jobs at an average hourly wage of \$18.03 (\$19.39 with benefits).



SECTION 3B – How the State Plans to use SSBCI Funds for CAP (ATTACHMENT)

VEDA plans to launch its new Financial Access Program ("FAP II") to financial institutions across Vermont utilizing the Authority's extensive multi-media marketing campaign, web-based and electronic mail outreach, as well as our regular face-to-face meetings with Bankers across the State. VEDA will roll out FAP II with a new web-based platform for each participating financial institution ("FI"). The goal of the new platform is to simplify program use by the FI. Here is a brief outline of the process:

1. After an FI signs a Master FAP Agreement, authorized bank personnel will be provided with a secure log-in that will connect with VEDA's On-Line Financial Access Program.
2. Bank personnel will be able to select "Enroll a Loan," "Make A Claim," or "Reports." These areas are described in detail:
 - a. "Enroll a Loan" will be a simple single "page" form that provides VEDA with the necessary information about the enrolled borrower/business:
 - i. Business name, Contact name, Business address, phone, email, NAICS code, TIN;
 - ii. Demographic information like county, town, women-owned, minority-owned, business start-up, # of Full-Time Equivalent (FTE) employees, average wage, any benefits offered, and an estimate of the number of jobs expected in 1-2 years;
 - iii. Loan information including the FI loan number, loan amount, interest rate, term, purpose of the loan, and collateral description.
 - b. "Make A Claim" will be a form for making a notice of claim and ultimately a final loss claim. Banks will be required to describe the collection efforts made, estimated loss, results of liquidation and/or bankruptcy, and the amount of final loss claim.
 - c. "Reports" will be where banks can receive a list of enrolled loans, claims made, claims paid, and the amount of outstanding reserves.
3. When a financial institution enrolls a loan, the FI will deposit 6% of the loan amount into an interest-bearing account held at their institution; 3% will be the FI contribution and 3% will be the Borrower's contribution. The account will be in VEDA's name and will be treated (with respect to internal control and account authorizations) the same as other cash accounts of VEDA.
4. After the enrollment information is processed by VEDA, the Authority will transfer a "matching" 6% from SSBCI funds to the FI for deposit into the reserve account. In addition, VEDA will remit to the Borrower an amount equal to 3% of the enrolled amount to act as an incentive rebate payment and will come from VEDA sources. The rebate payment is intended to help the small business and encourage activity in the program.



SECTION 3B – How the State Plans to use SSBCI Funds for CAP (ATTACHMENT)

5. When a final claim is made by the FI and processed by VEDA, the Authority will authorize the FI to withdraw the loss claim amount from the reserve account.
6. If at any time a bank chooses to withdraw from the FAP II program, they will be entitled to 25% of the outstanding balance in the reserve account. The FI share will always be 25% based on the FI contribution of 3% by the 12% total deposit for each loan.
7. Loss claims paid to an FI can never exceed 100% of the amount outstanding in the reserve account.

See **Appendix A** for the ***Vermont Economic Development Authority State Small Business Credit Initiative Plan February 16, 2011*** for a detailed forecast of each of the SSBCI programs including both CAP and OCSP.



SECTION 4A – Narrative Statement for Each OCSP (ATTACHMENT)

Section 1: Applicant Information

1A. Enter the name of the State: **VERMONT**

1B. Enter information below about the specific department, agency, authority, political subdivision of the State, or other organization that has been designated to implement the program(s) described in this application. Organization Name: **VERMONT ECONOMIC DEVELOPMENT AUTHORITY (“VEDA”)**

Section 4: Other Credit Support Programs (OCSP). Complete this Section if applying for SSBCI funds to use for a State Other Credit Support Program

4A. Attach a narrative statement describing each OCSP. Applicants may find the following table useful in completing the narrative statement (historical performance should be cumulative since program inception. Expected performance should be cumulative over the next five years).

The Commercial Participation OCSP is an expansion of an innovative reduced interest rate program that VEDA has operated since fiscal 2000. VEDA refers to the program as the “Subsidy Program.” As part of the proposed SSBCI, VEDA plans to begin subsidizing the interest rate on loans in its small business loan program in addition to its commercial program. Following the “Background on VEDA’s Interest Rate Subsidy Program” (see below), more information is provided on each of the three (3) OCSP(s).

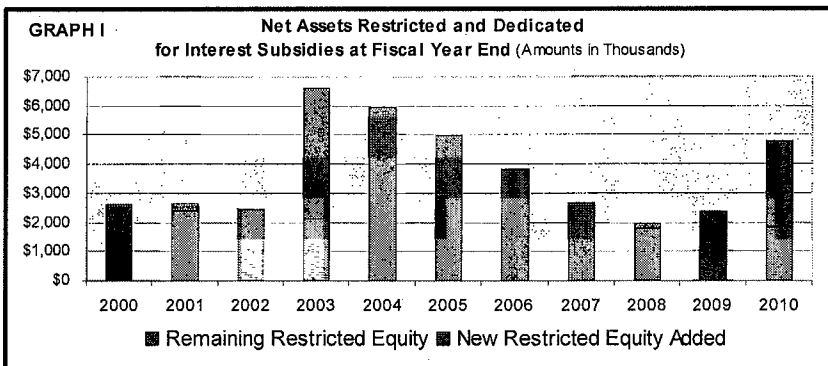
Background on VEDA’s Interest Rate Subsidy Program:

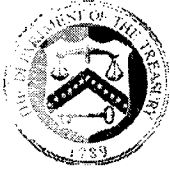
The core of the Authority’s business, and the primary source of its total revenue, comes from notes receivable interest (interest on loans). VEDA must set the interest rates on its loans at a level that will generate sufficient revenues, when combined with interest on cash and investments and other revenue, 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 have allowed the VJF and VACC to offer loan rates below the level necessary to fully cover operating costs (a “subsidy”). Since 2000, a total of \$11.6 million has been provided to the VJF and VACC to be used for interest rate subsidies on loans to commercial and agricultural businesses.

Over the next several pages is an in depth explanation of the VEDA Commercial [and Agricultural] loan subsidy program(s); how the program operates and its effect on VEDA’s financial position and operating results.

GRAPH I 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 the prior year (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,” reflecting the amount of interest that would have been earned on the

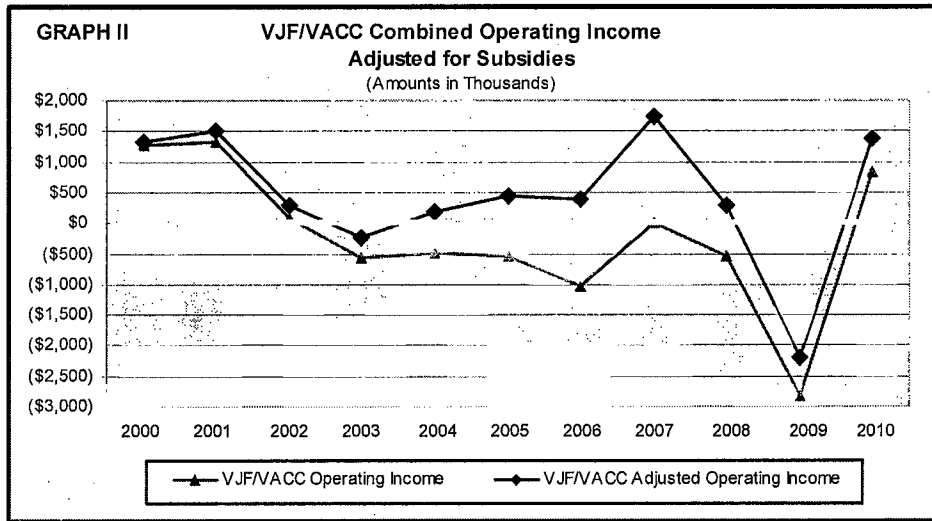




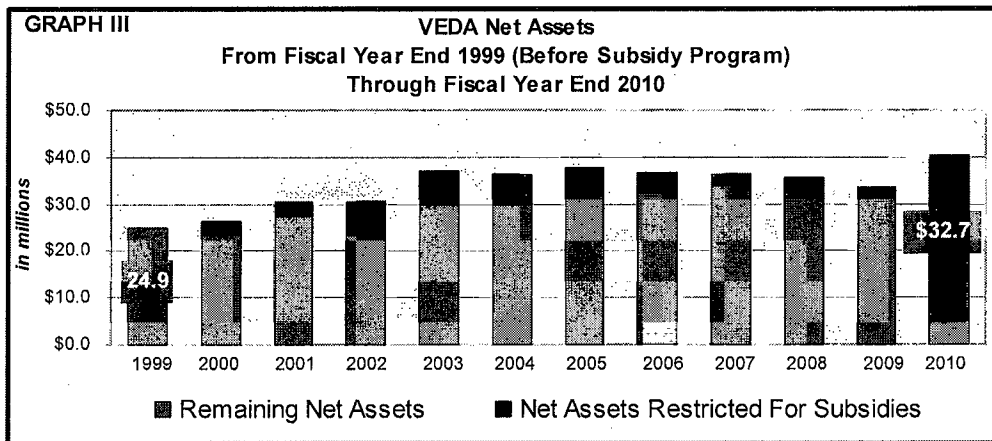
SECTION 4A – Narrative Statement for Each OCSP (ATTACHMENT)

subsidized loans if borrowers were charged an interest rate sufficient to cover operating costs. Without resources for subsidies, VEDA would have to charge higher rates which would negatively impact its economic development mission.

GRAPH II shows operating income (or loss) of the combined VJF and VACC programs from 2000-2010. Operating income, *including* the adjustment for the subsidies (**black line**), is contrasted with operating income *excluding* the adjustment for subsidies (**red line**). The Graph shows that operating income would be positive in every year except 2003 and 2009 when adjusted for the subsidies.



GRAPH III illustrates the change in total VEDA Net Assets since 1999 (the year before the subsidy program began) through the end of fiscal 2010. At the end of 1999, VEDA net assets totaled \$24.9 million. At the end of 2010, VEDA net assets totaled \$40.3 million, comprised of \$4.7 million restricted for the subsidy program (**blue**), \$2.9 million was restricted for seed capital investments (**red**), and \$32.7 million of unrestricted net assets. Therefore, VEDA has effectively grown its unrestricted net assets by \$7.8 million over the 11 years from 2000-2010.





SECTION 4A – Narrative Statement for Each OCSP (ATTACHMENT)

COMMERCIAL PARTICIPATION OCSP:

The Commercial OCSP is operated through the Vermont Jobs Fund (“VJF”), established under section 234 of the VEDA statute. Within the purview of the VJF are two commercial loan programs:

This program is designed to make loans available to commercial enterprises. Allowable lending purposes include the purchase of land, the purchase, construction and renovation of buildings, and the purchase and installation of machinery and equipment for use in an eligible facility or project. Loans in this program are limited to \$1,300,000 or 40% of total project costs. Private leveraged capital is estimated at 65% in this program.

In fiscal 2008, during the start of the recession, VEDA was provided with resources for a deeper interest subsidy to stimulate economic activity. The program was so effective that VEDA proposes that SSBCI funds be used to continue the program.

The results over the past 30 months are shown in the chart to the right as compared with the results projected for the SSBCI Commercial OCSP. Long-term volume and job creation statistics for the VEDA Commercial Subsidy Program are shown by fiscal year in the chart below.

COMMERCIAL PROGRAM: (dollar amounts in millions)	HISTORICAL*	PROJECTED
VEDA FINANCING:		
NUMBER OF BORROWERS	61	94
AVERAGE SIZE	\$0.59	\$0.60
TOTAL AMOUNT	\$36.2	\$56.6
PROJECTS:		
TOTAL NUMBER	61	94
AVERAGE SIZE	\$2.46	\$1.82
TOTAL AMOUNT	\$149.9	\$171.4
LOSSES, AS % OF OUTSTANDINGS:		
AVERAGE OVER PAST 3 YEARS	1.36%	1.00% is used in the SSBCI projections.
AVERAGE OVER PAST 5 YEARS	0.89%	
AVERAGE OVER PAST 10 YEARS	0.75%	
LEVERAGE RATIO:		
LEVERAGED PRIVATE CREDIT	\$91.2	\$85.7
PROGRAM FUNDS COMMITTED	\$2.45	\$5.67
CAPITAL TO FUNDS COMMITTED	37 TO 1	15 TO 1

* Historical is activity from July 2008 through December 2010.

VEDA Economic Development Program Results 2000 - 2010

COMMERCIAL	4 Years 2000-03	2004	2005	2006	2007	2008	2009	2010	TOTAL/ AVERAGE
COMMERCIAL NEW LOAN #	109	38	35	36	27	14	27	37	323
COMMERCIAL NEW LOAN \$	\$37,564,971	\$13,055,796	\$12,435,303	\$16,161,606	\$14,423,311	\$5,523,180	\$9,270,595	\$15,537,733	\$123,972,495
LEVERAGED PRIVATE CAPITAL	\$70,983,776	\$29,976,571	\$24,494,844	\$17,066,766	\$30,002,891	\$17,878,784	\$17,657,860	\$60,444,307	\$268,505,799
COMMERCIAL OUTSTANDING #	108	132	155	173	183	159	162	179	179
COMMERCIAL OUTSTANDING \$	\$31,009,472	\$36,307,636	\$44,444,328	\$52,326,368	\$56,864,834	\$52,385,755	\$53,096,637	\$57,725,443	\$57,725,443
JOBS AT FUNDING	2,930	1,048	1,697	1,540	847	336	1,026	784	10,208
JOBS IMPACTED IN 1-2 YEARS	4,452	1,460	2,258	2,023	1,506	533	1,228	1,165	14,624
CREATED/RETAINED IN 1-2YRS ¹	2,298	589	835	497	687	197	205	441	5,748
AVERAGE HOURLY WAGE	\$15.41	\$17.40	\$15.18	\$17.98	\$16.25	\$16.97	\$19.50	\$18.12	\$16.63
AVG WAGE WITH BENEFITS	\$19.24	\$21.25	\$18.36	\$22.18	\$19.22	\$20.34	\$23.56	\$20.43	\$20.21

(a) Outstanding balances at the end of each year reflect only loans closed since fiscal year 2000 and do not reflect loans closed prior to 2000.

(b) Leveraged private capital includes borrower equity and project funds from participating lenders.

(c) Job and wage data is based on information provided by VEDA borrowers at time of application. Jobs created are estimates provided by borrowers. Jobs impacted includes jobs existing at the time of funding plus those estimated to be created in the 1-2 years (retained are included in jobs at time of funding).

¹ Of the jobs created or retained over the 11 year period, 4,179 were estimated to be created and 1,569 were retained.



SECTION 4A – Narrative Statement for Each OCSP (ATTACHMENT)

TECHNOLOGY LOAN PARTICIPATION OCSP

The Technology Loan Program began in 2008 with the use of \$500,000 of the State’s Full Faith & Credit as a reserve fund for loan losses. The reserve covers the additional credit risk inherent in the type of companies targeted by the program; many are “early stage” with only intellectual property as loan collateral.

Vermont has a burgeoning technology sector, particularly in the software and biosciences industries. These industries have formed their own trade organizations, with some help from small grants from the State of Vermont. It is critical that these companies have access to capital. In 2009, VEDA hired a seasoned lender from Silicon Valley Bank with experience in lending to technology companies. With a program loan limit of only \$100,000, VEDA has already approved \$1.4 million in loans in the program. VEDA plans to increase the loan limit to \$250,000 under the proposed SSBCI program.

TECHNOLOGY PROGRAM: (dollar amounts in millions)	HISTORICAL*	PROJECTED
VEDA FINANCING:		
NUMBER OF BORROWERS*	9	69
AVERAGE SIZE	\$0.10	\$0.25
TOTAL AMOUNT	\$0.9	\$17.2
PROJECTS:		
TOTAL NUMBER	9	69
AVERAGE SIZE	\$0.47	\$0.58
TOTAL AMOUNT	\$4.2	\$40.0
LOSSES, AS % OF OUTSTANDINGS:		
OVER PAST 3 YEARS	N/A	3.50% is used in the SSBCI projections.
OVER PAST 5 YEARS	N/A	
OVER PAST 10 YEARS	N/A	
LEVERAGE RATIO:		
LEVERAGED PRIVATE CREDIT	\$2.9	\$16.0
PROGRAM FUNDS COMMITTED	\$0.50	\$2.85
CAPITAL TO FUNDS COMMITTED	5.8 TO 1	5.6 TO 1

* Historical is activity from July 2008 through December 2010.

Vermont’s new Governor strongly supports the development of technology related industries and sees this sector as critical to Vermont’s economic future. VEDA believes the expansion of its Technology Loan Program will support growth in this important sector, leading to the creation of high-paying jobs for Vermonters over the next several years.



SECTION 4A – Narrative Statement for Each OCSP (ATTACHMENT)

SMALL BUSINESS PARTICIPATION OCSP

VEDA operates its Vermont Small Business Loan Program (“VSBLP”) through two non-profit corporations which are component units of VEDA. The Corporations borrow a portion of their funds for lending through the USDA Intermediary Relending Program.

The VSBLP makes small business loans not to exceed \$250,000. Allowable lending purposes include the purchase of land, the purchase, construction and renovation of buildings, and the purchase and installation of machinery and equipment for use in an eligible facility or project, and loans for working capital.

The vast majority of VSBLP projects include significant participation from private financial institutions.

Long-term volume and job creation statistics for the VEDA Small Business Loan Program are shown by fiscal year in the chart below.

SMALL BUSINESS PROGRAM: (dollar amounts in millions)	HISTORICAL*	PROJECTED
VEDA FINANCING:		
NUMBER OF BORROWERS	96	156
AVERAGE SIZE	\$0.10	\$0.20
TOTAL AMOUNT	\$9.4	\$31.1
PROJECTS:		
TOTAL NUMBER	96	156
AVERAGE SIZE	\$0.33	\$0.61
TOTAL AMOUNT	\$31.9	\$94.2
LOSSES, AS % OF OUTSTANDINGS:		
OVER PAST 3 YEARS	3.84%	3.00% is used in the SSBCI projections.
OVER PAST 5 YEARS	2.85%	
OVER PAST 10 YEARS	2.20%	
LEVERAGE RATIO:		
LEVERAGED PRIVATE CREDIT	\$17.8	\$47.1
PROGRAM FUNDS COMMITTED	None	\$3.17
CAPITAL TO FUNDS COMMITTED	N/A	15 TO 1

* Historical is activity from July 2008 through December 2010.

VEDA Economic Development Program Results 2000 - 2010

SMALL BUSINESS	4 Years 2000-03	2004	2005	2006	2007	2008	2009	2010	TOTAL/ AVERAGE
SMALL BUS. NEW LOANS #	41	9	25	14	17	19	38	44	207
SMALL BUS. NEW LOANS	\$1,996,273	\$412,624	\$2,308,325	\$1,221,209	\$1,036,225	\$1,240,601	\$2,741,792	\$4,465,360	\$15,422,410
LEVERAGED PRIVATE CAPITAL	\$5,163,431	\$1,027,748	\$4,932,640	\$3,103,600	\$2,495,242	\$2,402,290	\$5,781,038	\$10,394,144	\$35,300,133
SMALL BUS. OUTSTANDINGS #	36	42	60	65	72	84	116	141	141
SMALL BUS. OUTSTANDINGS	\$1,596,921	\$1,753,963	\$3,149,624	\$4,011,243	\$4,294,868	\$4,588,698	\$6,207,950	\$7,910,663	\$7,910,663
JOBS AT FUNDING	297	42	328	94	105	123	251	447	1,686
JOBS IMPACTED IN 1-2 YEARS	465	73	532	137	174	241	357	591	2,569
CREATED/RETAINED IN 1-2YRS ¹	238	54	207	44	83	169	243	170	1,207
AVERAGE HOURLY WAGE	\$13.92	\$9.29	\$16.13	\$16.33	\$22.03	\$16.08	\$16.58	\$17.31	\$16.28
AVG WAGE WITH BENEFITS	\$16.55	\$9.82	\$18.49	\$17.60	\$24.22	\$19.10	\$19.48	\$18.60	\$18.45

(a) Outstanding balances at the end of each year reflect only loans closed since fiscal year 2000 and do not reflect loans closed prior to 2000.

(b) Leveraged private capital includes borrower equity and project funds from participating lenders.

(c) Job and wage data is based on information provided by VEDA borrowers at time of application. Jobs created are estimates provided by borrowers. Jobs impacted includes jobs existing at the time of funding plus those estimated to be created in the 1-2 years (retained are included in jobs at time of funding).

¹ Of the jobs created or retained over the 11 year period, 1,017 were estimated to be created and 190 were retained.



SECTION 4B – Lender Capital at-Risk Criteria- OCSP Credit Support (ATTACHMENT)

Section 1: Applicant Information

1A. Enter the name of the State: **VERMONT**

1B. Enter information below about the specific department, agency, authority, political subdivision of the State, or other organization that has been designated to implement the program(s) described in this application. Organization Name: **VERMONT ECONOMIC DEVELOPMENT AUTHORITY (“VEDA”)**

Section 4: Other Credit Support Programs (OCSP). Complete this Section if applying for SSBCI funds to use for a State Other Credit Support Program

4B. If the State OCSP provides credit support through a financial institution lender, the financial institution lender has a meaningful amount of its own capital resources at risk in its small business lending. The term “meaningful capital” may vary for different programs. Guidelines for CAPs and OCSPs are contained in the Policy Manual. For instances where financial institution lender(s) bear less than 20% risk of loss, States should demonstrate exceptional circumstances as to why the financial institution lender is unable to bear a greater share of the risk.

VEDA Commercial Business, Technology and Small Business program generally always involve the **participation** of a third-party financial institution lender. These Lenders have significantly more than the minimum 20% of the total project financing at risk. The chart below shows the breakout of the proposed SSBCI project funding split between VEDA funds, private capital (financial institutions and borrower equity) and the proposed SSBCI funds:

VEDA SSBCI PROGRAM PROJECT FUNDING SOURCE %					
PROJECT FINANCING SOURCE %	VEDA	BORR EQUITY	PRIVATE CREDIT	SSBCI	TOTAL
COMMERCIAL OCSP	33%	15%	50%	2%	100%
TECHNOLOGY OCSP	43%	15%	35%	7%	100%
SMALL BUSINESS OCSP	33%	15%	50%	2%	100%
FINANCIAL ACCESS (CAP)	0%	0%	100%	0%	100%



SECTION 4B – Lender Capital at-Risk Criteria- OCSP Credit Support (ATTACHMENT)

CAP & OCSP PROJECT COST FUNDING & SSBCI LEVERAGE:

The chart below details how projects are funded under the various OCSP(s) and the resulting ratio of private capital to SSBCI funds allocated to the program:

VEDA SSBCI PROGRAM PROJECT FUNDING DOLLARS (in millions)							
PROJECT FINANCING: SOURCES OF FUNDS	VEDA	BORR EQUITY	PRIVATE CREDIT	SSBCI	TOTAL PROJECT FUNDING	SSBCI OTHER*	PRIVATE CREDIT LEVERAGE
COMMERCIAL PARTICIPATION	\$56.6	\$25.7	\$85.7	\$3.4	\$171.4	\$2.2	15.1 to 1
TECHNOLOGY OCSP	\$17.2	\$4.0	\$16.0	\$2.8	\$40.0	\$0.0	5.7 to 1
SMALL BUSINESS OCSP	\$31.1	\$14.1	\$47.1	\$1.9	\$94.2	\$1.3	14.8 to 1
FINANCIAL ACCESS (CAP)	\$0.0	\$0.0	\$16.0	\$0.0	\$16.0	\$1.0	16.0 to 1
TOTAL FOR VEDA SSBCI	\$104.9	\$43.8	\$164.8	\$8.1	\$321.6	\$4.5	13.0 to 1

* This includes additional SSBCI funds allocated for interest subsidies and matching CAP loss reserve.



SECTION 4D – Description of Anticipated Benefit from Each OCSP (ATTACHMENT)

Section 1: Applicant Information

1A. Enter the name of the State: **VERMONT**

1B. Enter information below about the specific department, agency, authority, political subdivision of the State, or other organization that has been designated to implement the program(s) described in this application. Organization Name: **VERMONT ECONOMIC DEVELOPMENT AUTHORITY (“VEDA”)**

Section 4: Other Credit Support Programs (OCSP). Complete this Section if applying for SSBCI funds to use for a State Other Credit Support Program

4D. Attach documentation describing the anticipated benefits from each OCSP to the (a) State, (b) its businesses, (c) its residents, and (d) describe the extent to which resulting small business lending will expand economic opportunities. For Loan Guarantee Programs, States must provide detailed assumptions concerning estimated number of loans and estimated loan amounts during the course of the SSBCI. States that are enacting new Collateral Support Programs should present detailed assumptions concerning estimated loan volume and overall federal collateral support used for such loans. The metrics used should include, but need not be limited to:

- Jobs created;
- The number and value of new OCSP small business loans;
- Increases in sales, income or other tax revenues paid by businesses or workers State Small Business Credit Initiative Application.

The proposed VEDA OCSP(s) are focused on subsidized subordinated loan financing. This financing is accomplished through a combination of resources: VEDA financing; private capital (Borrower Equity plus private Credit), and a small amount of SSBCI funds (2.8% of total projects funded). The combination of access to capital, low interest rates and VEDA subordination to senior lenders, all provide Vermont businesses with a significant incentive to start projects, expand operations, improve facilities or equipment, or access needed working capital.

The major benefits to the State are jobs and increased economic activity that ultimately generates additional revenue to the State. The chart on the following page shows results from econometric models that are used to estimate direct and indirect job creation and the incremental State revenues that could result from the projects.

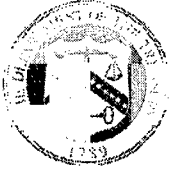


SECTION 4D – Description of Anticipated Benefit from Each OCSP (ATTACHMENT)

VEDA SSBCI OCSP:	Commercial Participation	Technology Participation	Small Business Participation	Combined Total
VEDA FINANCING:	<i>Amounts Projected Over 5 years (dollar amount in millions)</i>			
NUMBER OF BORROWERS	94	69	156	318
AVERAGE SIZE	\$0.60	\$0.25	\$0.20	\$0.33
TOTAL AMOUNT	\$56.6	\$17.2	\$31.1	\$104.8
PROJECTS:				
TOTAL NUMBER	94	69	156	318
AVERAGE SIZE	\$1.82	\$0.58	\$0.61	\$0.96
TOTAL AMOUNT	\$171.4	\$40.0	\$94.2	\$305.6
LEVERAGE RATIOS:				
LEVERAGED PRIVATE CREDIT	\$85.7	\$16.0	\$47.1	\$148.8
LEVERAGED PRIVATE CAPITAL	\$111.4	\$20.0	\$61.2	\$192.6
PROGRAM FUNDS COMMITTED	\$5.67	\$2.85	\$3.17	\$11.69
PRIVATE CREDIT TO SSBCI \$	15.1 TO 1	5.6 TO 1	14.9 TO 1	12.7 TO 1
PRIVATE CAPITAL TO SSBCI \$	19.6 TO 1	7.0 TO 1	19.3 TO 1	16.5 TO 1
BENEFITS TO STATE:				
JOBS CREATED ⁽¹⁾	700	1,018	1,656	3,374
JOBS RETAINED ⁽¹⁾	175	0	292	467
INCREMENTAL REVENUE ⁽²⁾	\$25.0	\$10.0	\$87.0	\$122.0

⁽¹⁾ Jobs created and retained are estimated based on historical data for actual jobs created (retained) from VEDA loan activity during the past 2.5 fiscal years;

⁽²⁾ Incremental revenue is determined by the projected "job value" based on industrial classification, indirect jobs, geographic locations of economic need. The amount of benefit to the State represents the net present value of the estimated incremental benefit to the State over the seven-year SSBCI period.



SECTION 4E – Description of the Operational Capacity, Skills, and Experience of the Management Team of the State OCSP (ATTACHMENT)

Section 1: Applicant Information

1A. Enter the name of the State: **VERMONT**

1B. Enter information below about the specific department, agency, authority, political subdivision of the State, or other organization that has been designated to implement the program(s) described in this application. Organization Name: **VERMONT ECONOMIC DEVELOPMENT AUTHORITY (“VEDA”)**

Section 4: Other Credit Support Programs (OCSP). Complete this Section if applying for SSBCI funds to use for a State Other Credit Support Program

4E. Attach documentation for each OCSP describing (a) operational capacity, (b) skills, and (c) experience of the management team of the State OCSP. The metrics used should include, but need not be limited to:

- Qualifications and financial industry experience of senior management
- Experience of senior management in operating state credit support or capital access programs
- Adoption of industry best practices (e.g., use of risk management strategies employed by successful similar programs)

The Vermont Economic Development Authority (VEDA or the Authority) has operated as the Vermont's economic development lender since 1974. Since inception, VEDA has offered commercial participation loans, loans to development corporations, loan guarantees, and tax-exempt conduit bonds. In 1984, the Authority began participating as a certified development corporation in the SBA 504 loan program. There followed small business loans made with loan funds borrowed from the USDA Intermediary relending program. In 1988, VEDA started its first agricultural loan program. In the early 1990s VEDA launched its capital access program.

The Authority currently has 26 full-time staff and three consultants, for whom VEDA is their primary client, and two part-time employees. VEDA's executive management team has been together more than a dozen years and each have had extensive careers in finance and lending:

Executive Management - 3 full-time:

Rosalea “Jo” Bradley, is Manager and Chief Executive Officer. Jo became Chief Executive Officer in February, 1997. Her experience includes the positions of Deputy Secretary at the Vermont Agency of Commerce and Community Development, Commercial Loan Officer at VEDA, and Vice President at Solomon Brothers, Inc. in Boston. Jo graduated with Honors from Johnson State College, earning a B.A., and from the Boston University School of Management with an M.B.A. in Finance. She also completed the Program for Senior Executives in State and Local Government at the John F. Kennedy School of Government at Harvard University. Jo served as the State Government representative on the 2007 National Advisory Committee of the Export-Import Bank of the United States (Ex-Im Bank) and she also serves on numerous state and local boards.

Steven Greenfield is VEDA's Chief Operating Officer (and Senior Lender), a position he has held since 2004. Steve joined VEDA as a Loan Officer in October, 1985 and was appointed to the post of Deputy Manager in 1997. From 1981 to 1985, he was the Coordinator for the Vermont Job Start (a micro-business loan program). Prior to that, he was Business Manager for a Vermont school district and managed his family's retail furniture business. Steve received a B.B.A. degree from the University of Vermont in 1969, and an M.B.A. degree from Amos Tuck School of Business Administration at Dartmouth College in 1971.



SECTION 4E – Description of the Operational Capacity, Skills, and Experience of the Management Team of the State OCSP (ATTACHMENT)

David Carter became Chief Financial Officer of VEDA in November 1997. His previous professional experience includes sixteen years in finance and accounting positions at Vermont banks, including Vice President of Finance and Planning for Vermont Federal Bank, FSB and Manager of Financial Planning at Banknorth Group. David received a Bachelor of Science Degree in accounting from Champlain College and graduated with high honors. He also received a degree from the Bank Administration Institute at the University of Wisconsin. He is a Certified Public Accountant in Vermont (inactive).

Commercial Lending Staff - 4 full-time:

Thomas Porter has worked as a Commercial Loan Officer at VEDA since 1986. Prior to joining the Authority he worked as a Senior Management Consultant for the accounting firm Arthur Young in its New York Metropolitan Office. Tom graduated from Middlebury College and holds an M.B.A. in Finance from New York University's Graduate School of Business.

Marie Dussault joined VEDA in January 1994 as a Commercial Loan Officer. In 1995, she also became responsible for VEDA's International Trade Finance Programs. Prior to joining VEDA, Marie spent eighteen years in the Vermont banking industry, holding various positions in Commercial Lending and Management.

William Roberts joined VEDA in May 2006. From 1985 to 2006, he was a commercial lender for the Bank of Boston, Vermont National Bank and Chittenden Bank. Bill received his B.A. Degree in Business Administration from Western New England College in 1980, and his Masters Degree in Finance from American International College in 1989.

Sandy Croft joined VEDA in December 2008. From 1993 to 2008, she was employed by the Chittenden Bank, primarily in the Commercial Lending Division as a Credit Analyst and a Commercial Lender. Sandy received her B.A. in Economics from the University of Vermont in 1990.

Technology Loan Officer:

Peter Bendoris is the lead contact for the Authority's Technology Loan Program. Prior to his employment at VEDA, Peter was Senior Vice President at Bridge Bank, serving small technology and life science companies on the East Coast. Prior to his tenure at Bridge Bank, Peter worked for two years at Comerica Bank's Technology and Life Science Division, where he was responsible for portfolio management and business development from the Northeast to the Mid-Atlantic. For thirteen years, Peter was employed by Silicon Valley Bank, working in their Virginia and Boston offices to serve small, early-stage technology and life science companies. During his career, Peter has built and maintained a large network of venture capitalists, bankers, attorneys, auditors and entrepreneurs along the East Coast, and beyond. He has been an active participant, panelist and speaker in various professional associations in the respective business markets in which he served.

Agricultural Lending Staff - 4 full-time:

Sarah Isham is Senior Agricultural Lender. She became an Agricultural Loan Officer at VEDA in January, 1994. Following the formation of the Vermont Agricultural Credit Corporation (VACC), Sarah became VACC's Senior Agricultural lender in 2000. She previously had a 14-year career with USDA as an Assistant County Supervisor at Farmers Home Administration, where she originated farm and housing loans. Sarah graduated from the University of New Hampshire with a B.S. in Animal Science.



SECTION 4E – Description of the Operational Capacity, Skills, and Experience of the Management Team of the State OCSP (ATTACHMENT)

Charles Keeler came to VEDA in 1998 after operating a dairy farm in Brookfield, VT for twenty-five years. He graduated from McGill University with a degree in Geology, served in the US Navy, and worked for US Army Cold Regions Research and Engineering Laboratory in Hanover, New Hampshire until he started farming. Charlie serves on several agricultural related boards, and was a town selectman and town Treasurer for the Town of Brookfield.

Patty Duffy became an agricultural loan officer at VACC in February, 2005 after working as a consultant for VACC during 2002-2004. Her previous professional experience includes County Supervisor for Farmers Home Administration in Vermont and New York, and Adjunct Professor for Dairy and Agribusiness at Vermont Technical College. Patty graduated with Honors from the University of Connecticut with a B.S. in Animal Science. In addition, she is a Certified Veterinary Technician with prior experience in large, small, and exotic animal medicine and practice management.

David Lane became an Agricultural Loan Officer in 2007. Prior to becoming a loan officer at VEDA/VACC David was Deputy Secretary with the Vermont Agency of Agriculture, Food and Markets (2003 -2006), where he oversaw daily operations and played an integral role in agricultural policy. David was Executive Director for the Intervale Foundation (2000-2003) and was Director of Lending for the Vermont Community Loan Fund (1997-2000).

VEDA Loan Closing Staff - 5 full-time, 1 part-time

Nearly all direct loan financing is processed by the six members of the VEDA legal/loan closing department headed by Louise Anair. Louise and her staff have extensive legal experience with specialization in commercial and agricultural loan transactions.

Accounting/Information Technology Staff- 4 full-time

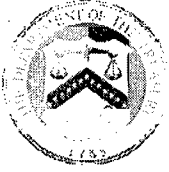
VEDA employs a full-time controller, information systems manager, a loan system specialist, and a senior accountant.

Administrative Staff - 6 full-time, 1 part-time

The Authority employs an office manager, receptionist and two full-time administrative staff for the commercial and agricultural lenders, respectively; a part-time intern assists both lending staffs.

Consultants:

VEDA utilizes three consultants in the areas of loan work-outs, marketing, and human resources.



SECTION 4E – Description of the Operational Capacity, Skills, and Experience of the Management Team of the State OCSP (ATTACHMENT)

Industry Best Practices:

Credit Risk Management

Credit risk is the risk that a borrower will default on the obligation to repay their debts. To provide for this risk, the Authority maintains allowance for losses (reserves) on specific notes receivable where a loss is determined to be probable. VEDA also maintains non-specific 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 meets quarterly with loan officers and the loan workout consultant to review every portfolio loan to evaluate each loan's credit risk classification on a four-point scale (Acceptable; Special Mention; Substandard; and Doubtful).

Loan officers and loan closing staff follow written policies and procedures to ensure proper underwriting, loan documentation, disclosure, compliance, and collateral perfection. Depending on the program, certain size loans can be approved "in-house" with approval of the CEO or COO. Larger loans are reviewed and approved by the Members of the Authority (the Board).

Asset-Liability Management

Asset-Liability Management is the management of the various risks inherent in financial instruments such as investments, loans and debt. One significant risk is market risk, or the sensitivity of future income to changes in interest rates. Management minimizes market risk primarily by matching the variable interest rate characteristics of its loans as closely as possible with the variable characteristics of its underlying debt. The Authority uses simulation modeling to determine the effect on net revenues due to changes in interest rates.

To manage its investment securities portfolio, VEDA employs third-party investment managers who follow the Authority's Investment Policy which prescribes specified limits on the mix and risk characteristics of investments. The currently approved mix of investments is 70% fixed-income and 30% equity securities. Equities are predominantly well capitalized companies traded on national exchanges. Fixed-income investments carry a composite AAA rating.



SECTION 4F – Description of the Capacity of OCSP Staff to Manage Increases in the Volume of its Small Business Lending (ATTACHMENT)

Section 1: Applicant Information

1A. Enter the name of the State: **VERMONT**

1B. Enter information below about the specific department, agency, authority, political subdivision of the State, or other organization that has been designated to implement the program(s) described in this application. Organization Name: **VERMONT ECONOMIC DEVELOPMENT AUTHORITY (“VEDA”)**

Section 4: Other Credit Support Programs (OCSP). Complete this Section if applying for SSBCI funds to use for a State Other Credit Support Program

4F. Attach documentation for each OCSP describing the capacity of OCSP staff to manage increases in the volume of its small business lending. Evidence cited should include, but need not be limited to:

- Financial strength
- Operational capacity

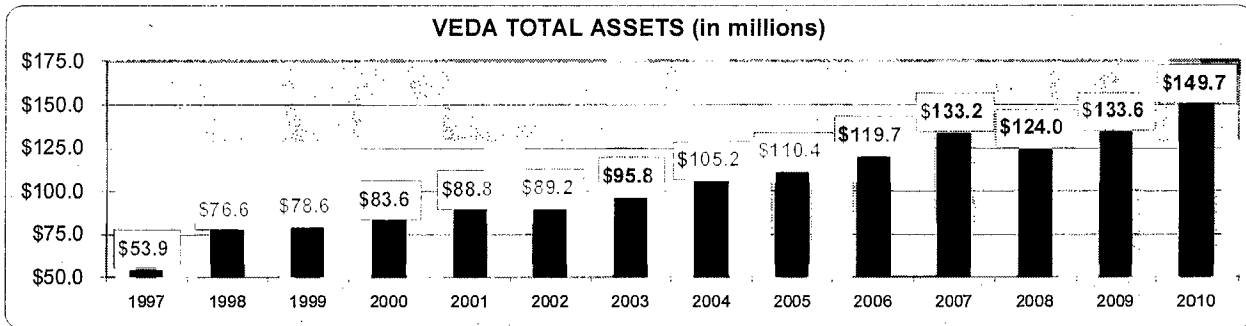
Financial Strength

VEDA does not receive any State funds as a source of funds for lending. VEDA borrows funds for lending and must charge borrowers an amount over its cost of funds that is sufficient to cover the operating expenses and loan losses.

The primary source of funds for lending comes from the quarterly issuance of VEDA Taxable and Taxexempt Commercial Paper Notes (“CP”). VEDA has a \$120 million credit facility that utilizes a bank letter of credit to elevate VEDA CP to the highest credit rating levels. VEDA also maintains a \$20 million working capital line of credit from another lender to provide needed liquidity between CP issuance and to fund a portion of the agricultural loan portfolio. Throughout the extended period of growth, VEDA has had to upsize these credit facilities many times. Most recently, VEDA negotiated new facilities in December, 2010 to provide more capacity to fund loan demand. The chart below shows the steady growth in assets over the past 14 years:

VEDA Growth in Total Assets 1997 - 2010

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
\$53.9	\$76.6	\$78.6	\$83.6	\$88.8	\$89.2	\$95.8	\$105.2	\$110.4	\$119.7	\$133.2	\$124.0	\$133.6	\$149.7



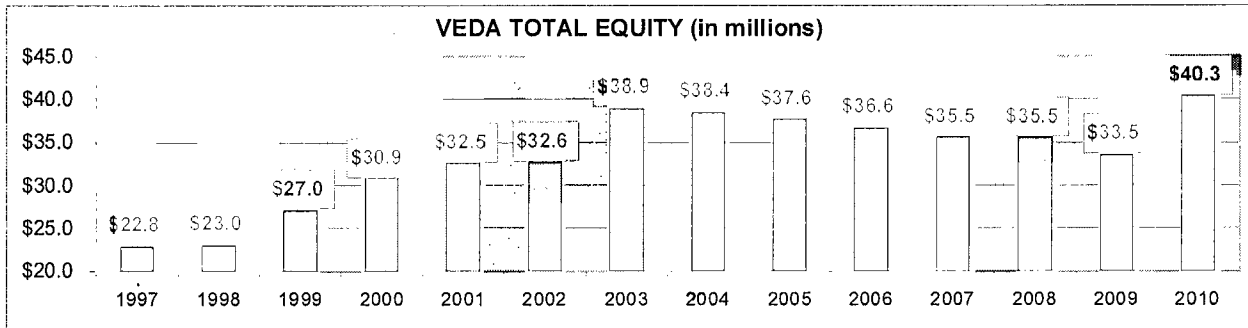


SECTION 4F – Description of the Capacity of OCSP Staff to Manage Increases in the Volume of its Small Business Lending (ATTACHMENT)

The chart below shows the growth in equity over the same 14 year period:

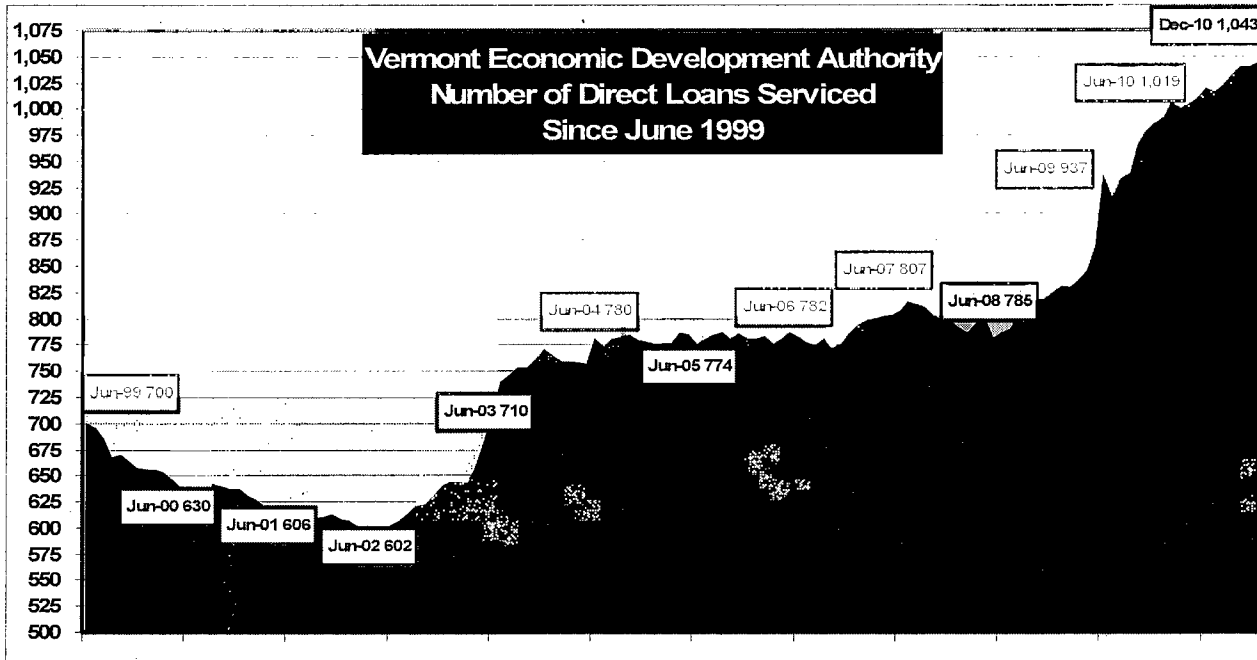
VEDA Growth in Total Equity 1997 - 2010

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
\$22.8	\$23.0	\$27.0	\$30.9	\$32.5	\$32.6	\$38.9	\$38.4	\$37.6	\$36.6	\$35.5	\$35.5	\$33.5	\$40.3



Operational Capacity:

Through this extended period of growth, VEDA has effectively managed its liquidity and financing capacity to meet loan demand as well as managed the staffing levels necessary to service a growing portfolio of loans. The chart below shows the number of direct loans serviced by VEDA staff.





SECTION 4F – Description of the Capacity of OCSP Staff to Manage Increases in the Volume of its Small Business Lending (ATTACHMENT)

A snapshot of the financial position of each of the respective OCSPs at June 30, 2010, the end of the last fiscal year, and as of December 31, 2010 is shown in the following three charts:

Vermont Jobs Fund: (Commercial and Technology OCSP)	06/30/2010 FROM AUDIT	12/31/2010 UNAUDITED
ASSETS:		
TOTAL ASSETS	\$89,398,039	\$95,551,800
CASH & INVESTMENTS	25,981,642	31,174,749
NOTES RECEIVABLE	59,838,181	62,017,869
LOAN LOSS RESERVES	2,359,425	3,072,900
RESERVES AS % OF OUTSTANDINGS	3.94%	4.95%
DEBT & EQUITY:		
BORROWING FACILITIES	\$60,000,000	\$90,000,000
BALANCE IN USE	55,475,000	60,980,000
AVAILABLE BORROWING CAPACITY	4,525,000	29,020,000
NET ASSETS (EQUITY CAPITAL)	28,422,342	29,628,766
NET ASSETS (EQUITY) AS % OF ASSETS	32%	31%

Small Business Loan Program	06/30/2010 FROM AUDIT	12/31/2010 UNAUDITED
ASSETS:		
TOTAL ASSETS	\$9,210,055	\$11,334,974
CASH & INVESTMENTS	821,879	297,757
NOTES RECEIVABLE	8,888,507	10,972,207
LOAN LOSS RESERVES	687,900	927,900
RESERVES AS % OF OUTSTANDINGS	7.74%	8.46%
DEBT & EQUITY:		
BORROWING FACILITIES	\$3,000,000	\$6,500,000
BALANCE IN USE	2,825,000	4,025,000
AVAILABLE BORROWING CAPACITY	175,000	2,475,000
NET ASSETS (EQUITY CAPITAL)	1,646,608	1,667,103
NET ASSETS (EQUITY) AS % OF ASSETS	18%	15%



**SECTION 4G – Description of the Internal Accounting and Administrative Controls
Systems used by the OCSP Staff (ATTACHMENT)**

Section 1: Applicant Information

1A. Enter the name of the State: **VERMONT**

1B. Enter information below about the specific department, agency, authority, political subdivision of the State, or other organization that has been designated to implement the program(s) described in this application. Organization Name: **VERMONT ECONOMIC DEVELOPMENT AUTHORITY (“VEDA”)**

Section 4: Other Credit Support Programs (OCSP). Complete this Section if applying for SSBCI funds to use for a State Other Credit Support Program

4G. Attach documentation for each OCSP describing the internal accounting and administrative controls systems used by the OCSP staff and the means they use to safeguard against (a) waste, (b) loss, (c) unauthorized use, and (d) misappropriation. Evidence cited should include, but need not be limited to:

- Periodic internal audits
- Annual independent audits (including management letters)
- Accounting and financial reporting system compliant with OMB Circular A-127

Internal Accounting and Administrative Controls

The Authority is governed by a twelve member Board (the “Members”) comprised of three State officials: the Treasurer, the Secretary of the Agency of Commerce and Community Development, and the Secretary of Agriculture, Food and Markets. The remaining Members are nine citizens appointed by the Governor with the advice and consent of the Senate.

The Authority follows the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when incurred. The Authority has elected to apply all Governmental Accounting Standards Board (“GASB”) pronouncements as well as any Financial Accounting Standards Board (“FASB”) pronouncements issued on or before November 30, 1989 to the extent they do not conflict with GASB pronouncements.

Management prepares a plethora of financial and statistical management reports, including the *Financial Statements with Supplementary Information* (annual audit). Management is responsible for the integrity and objectivity of management and financial reporting. Reports are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), applying certain estimates and judgments as required.

The Authority employs internal controls that are designed to provide reasonable assurance as to the integrity and reliability of the financial reporting and to adequately safeguard, verify and maintain accountability of assets. Such controls are based on established written policies and procedures and are implemented by trained, skilled personnel. The Authority's employment policy prescribes that VEDA and all of its employees maintain the highest ethical standards and that its business practices be conducted in a manner that is above reproach.

KPMG LLP, VEDA's independent auditors, audit the Authority's annual financial statements. Their report is based on an audit conducted in accordance with auditing standards generally accepted in the United States of America, which include consideration of the Authority's internal controls to establish a basis for reliance thereon in determining the nature, timing and extent of audit tests to be applied. KPMG also performs the additional audit requirements necessary to prepare their OMB A-133 Governmental Audit Report for VEDA's federally funded programs (USDA RD and FSA loan Guarantees and the USDA Intermediary Relending Program).



Department of the Treasury

**State Small Business Credit Initiative
APPLICATION**

**SECTION 4G – Description of the Internal Accounting and Administrative Controls
Systems used by the OCSP Staff (ATTACHMENT)**

The VEDA Members [Board] fulfill their responsibility for oversight and administration of the Authority's practices and governance through actions of the full Board as well as through committees comprised of a subset of its Members. The following committees are listed with their major functions:

- The **Executive/Budget/Compensation Committee** (3 committees, same members) is comprised of the Chair, Vice-Chair, Treasurer, and Past-Chair. The Executive Committee is responsible for reviewing budgets and compensation recommendations of Management as well as advising the Board on major issues;
- The **Audit Committee** meets periodically with the independent auditors, both privately and with management present, to review accounting, auditing, internal controls and financial reporting matters;
- The **Investment Committee** approves the VEDA Investment Policy and reviews staff's management of VEDA's operating cash and the management of securities by third-party managers.



SECTION 4H – Description of the Soundness of the Program Design and Implementation Plan of the State OCSP (ATTACHMENT)

Section 1: Applicant Information

1A. Enter the name of the State: **VERMONT**

1B. Enter information below about the specific department, agency, authority, political subdivision of the State, or other organization that has been designated to implement the program(s) described in this application. Organization Name: **VERMONT ECONOMIC DEVELOPMENT AUTHORITY (“VEDA”)**

Section 4: Other Credit Support Programs (OCSP). Complete this Section if applying for SSBCI funds to use for a State Other Credit Support Program

4H. Attach documentation for each OCSP describing the soundness of the program design and implementation plan of the State OCSP. Evidence of sound design should include, but need not be limited to:

- Adoption of established business models and strategies
- The absence of material weakness or deficiency findings by external auditors

Business Model & Strategy

VEDA is a special-purpose governmental entity engaged in a business-type activity. As such, VEDA has many characteristics of a for-profit enterprise. The business type with characteristics most similar to VEDA is that of a financial institution. VEDA follows the “best practices” common to most commercial lenders.

VEDA utilizes state-of-the-art information management systems for loan origination, servicing and accounting. Internal systems have also been developed to monitor borrower compliance, employment reporting, credit quality, credit review and other servicing requirements. VEDA uses a multi-format media program for outreach, marketing and public relations. The VEDA website located at www.veda.org

VEDA’s independent audits are consistently free of material weaknesses and management comments. Auditing standards accepted in the United States and those required under OMB A-133 include in depth review of VEDA lending policies, credit review systems, allowance for loss estimates, and compliance with requirements of the federal programs in which VEDA participates as well as information system security and the control and management of cash.

The VEDA loan programs presented herein as three OCSP(s) are a mix of subordinated fixed-asset lending to more established companies and also acting as senior lender to technology and small business start-ups that find access to sufficient, reasonably priced capital, difficult to obtain.

Over a long period, VEDA has maintained consistently low loan losses relative to peer group lenders which demonstrates the soundness of VEDA underwriting and loan operations. A chart of historic outstanding loans, loan loss reserves, loan loss provisions and actual charge-offs (net of recoveries) in VEDA’s direct lending programs over a 10 year period is seen in the chart(s) on the following pages.



**SECTION 4H – Description of the Soundness of the Program Design and Implementation
Plan of the State OCSP (ATTACHMENT)**

CHART I: COMBINED VEDA LOAN PROGRAMS: 10-YEAR RESERVE & LOSS HISTORY

YEAR	OUTSTANDING LOANS	LOAN LOSS RESERVES	AS % OF ENDING	LOAN LOSS PROVISIONS	AS % OF AVG OUTS	CHARGE- OFFS, NET	AS % OF AVG OUTS
BASE	\$30,971,216						
2001	34,207,583	\$1,942,100	5.68%	\$580,832	1.78%	(\$106,268)	-0.33%
2002	39,093,332	2,377,700	6.08%	535,476	1.46%	99,876	0.27%
2003	52,651,720	2,297,200	4.36%	266,663	0.58%	347,163	0.76%
2004	59,753,572	2,372,500	3.97%	67,099	0.12%	(8,201)	-0.01%
2005	67,232,630	2,239,500	3.33%	191,803	0.30%	324,803	0.51%
2006	70,662,224	1,870,400	2.65%	159,134	0.23%	528,234	0.77%
2007	77,110,571	2,001,400	2.60%	187,613	0.25%	56,613	0.08%
2008	72,463,808	2,116,300	2.92%	489,842	0.65%	374,942	0.50%
2009	84,317,890	2,464,500	2.92%	1,132,424	1.44%	784,224	1.00%
2010	\$99,595,440	\$2,805,200	2.82%	\$978,260	1.06%	\$637,560	0.69%

CHART II: COMMERCIAL LOAN PROGRAM: 10-YEAR RESERVE & LOSS HISTORY

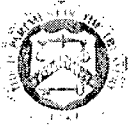
YEAR	OUTSTANDING LOANS	LOAN LOSS RESERVES	AS % OF ENDING	LOAN LOSS PROVISIONS	AS % OF AVG OUTS	CHARGE- OFFS, NET	AS % OF AVG OUTS
BASE	\$20,979,084						
2001	22,548,468	\$1,373,900	6.09%	\$519,460	2.39%	(\$137,340)	-0.63%
2002	24,811,301	1,926,100	7.76%	573,520	2.42%	21,320	0.09%
2003	30,626,741	1,702,100	5.56%	114,630	0.41%	338,630	1.22%
2004	31,703,230	1,683,800	5.31%	(18,525)	-0.06%	(225)	0.00%
2005	36,808,353	1,510,900	4.10%	148,363	0.43%	321,263	0.94%
2006	38,406,855	1,128,600	2.94%	117,777	0.31%	500,077	1.33%
2007	37,781,503	1,081,200	2.86%	652	0.00%	48,052	0.13%
2008	34,161,944	1,171,000	3.43%	340,412	0.95%	250,612	0.70%
2009	34,892,873	1,064,900	3.05%	612,811	1.77%	718,911	2.08%
2010	\$39,500,112	\$1,330,900	3.37%	\$601,823	1.62%	\$335,823	0.90%



**SECTION 4H – Description of the Soundness of the Program Design and Implementation
Plan of the State OCSP (ATTACHMENT)**

CHART III: SMALL BUSINESS LOAN PROGRAM: 10-YEAR RESERVE & LOSS HISTORY

YEAR	OUTSTANDING LOANS	LOAN LOSS RESERVES	AS % OF ENDING	LOAN LOSS PROVISIONS	AS % OF AVG OUTS	CHARGE- OFFS, NET	AS % OF AVG OUTS
BASE	\$1,444,187						
2001	1,804,435	\$264,400	14.65%	\$34,039	2.10%	\$32,839	2.02%
2002	1,875,878	232,600	12.40%	9,341	0.51%	41,141	2.24%
2003	2,157,065	246,300	11.42%	13,645	0.68%	(55)	0.00%
2004	2,724,461	238,800	8.77%	(14,832)	-0.61%	(7,332)	-0.30%
2005	3,446,849	272,100	7.89%	33,300	1.08%	0	0.00%
2006	4,205,459	236,600	5.63%	1,243	0.03%	36,743	0.96%
2007	4,467,543	269,100	6.02%	45,600	1.05%	13,100	0.30%
2008	4,766,312	362,200	7.60%	219,042	4.74%	125,942	2.73%
2009	6,389,352	643,000	10.06%	337,994	6.06%	57,194	1.03%
2010	\$9,112,978	\$687,900	7.55%	\$220,346	2.84%	\$175,446	2.26%



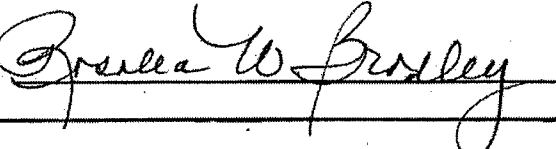
U.S. Department of the Treasury

State Small Business Credit Initiative

SIGNATURE PAGE

The signature in this document refers to information submitted in the State Small Business Credit Initiative application. This signed statement will be considered an official record and must be submitted with the application and attachments.

The authorized state official must complete this application signature page, print and affix signature at the bottom of the page. The completed and signed application signature page must be emailed as part of the application form and attachments to SSBCIapplications@do.treas.gov.

APPLICANT INFORMATION			
Enter the name of the State.			
State:	<input type="text" value="VERMONT"/>		
Enter information below about the specific department, agency, authority, political subdivision of the State, or other organization that has been designated to implement the program(s) described in this application.			
Organization Name:	<input "authority")"="" or="" the="" type="text" value="VERMONT ECONOMIC DEVELOPMENT AUTHORITY (" veda"=""/>		
Check one of the following boxes as appropriate for the organization:			
<input checked="" type="checkbox"/>	State Agency, Department, or Authority		
<input type="checkbox"/>	Municipality		
<input type="checkbox"/>	Other Political Subdivision		
Organizational DUNS:	<input type="text" value="04-356-5675"/>		
Employer/Taxpayer Identification Number (EIN/TIN):	<input type="text" value="03-6024497"/>		
SIGNATURE OF AUTHORIZED OFFICIAL			
Under penalties of perjury, I declare that I have examined the attached State Small Business Credit Initiative application and to the best of my knowledge and belief, the information in the application is true, correct, and complete. I certify that I am an authorized official for the applicant and authorized to submit this application.			
Name:	<input type="text" value="ROSALEA W. BRADLEY"/>	Title:	<input type="text" value="MANAGER & CHIEF EXECUTIVE OFFICER"/>
Email:	<input type="text" value="JBRADLEY@VEDA.ORG"/>	Phone:	<input type="text" value="(802) 828-5458"/>
Signature: (Sign in ink)		Date Signed:	<input type="text" value="2/07/2011"/>



State Small Business Credit Initiative

APPLICATION

Applicants must complete and submit this application form, relevant attachments, and the signature form on or before 5:00 pm ET June 27, 2011 to Treasury. The completed application and relevant attachments must be saved and emailed to SSBCIapplications@treasury.gov. Applicants should use the attachments provided to facilitate submission of supplemental information as required by certain Sections below. For questions pertaining to any program terms used in this application form or appropriate methods by which to validate responses to the questions below, please consult the Application Instructions and Program Guidance. Central Contractor Registration (CCR) is required for all applicants. To register, go to www.ccr.gov/startregistration.asp. Treasury will make all applications available in their original format, including any business or personal information provided such as names, addresses, email addresses, and telephone numbers, to the public by posting the applications on Treasury's website at <http://www.treasury.gov/resource-center/sb-programs/Pages/ssbci.aspx>. All applications received, including attachments and other supporting materials, are part of the public record and subject to public disclosure.

Section 1: Applicant Information	
1A. Enter the name of the State: <input type="text" value="VERMONT"/>	
1B. Enter information below about the specific department, agency, authority, political subdivision of the State, or other organization that has been designated to implement the program(s) described in this application.	
Organization Name: <input "the="" authority")"="" or="" type="text" value="VERMONT ECONOMIC DEVELOPMENT AUTHORITY (" veda"=""/>	
Check one of the following boxes as appropriate for the organization:	
<input checked="" type="checkbox"/> State Agency, Department, or Authority	
<input type="checkbox"/> Municipality	
<input type="checkbox"/> Other Political Subdivision	
Organizational DUNS: <input type="text" value="04-356-5675"/>	Registered in CCR: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Employer/Taxpayer Identification Number (EIN/TIN): <input type="text" value="03-6024497"/>	
Official's Name: <input type="text" value="ROSALEA W. BRADLEY"/>	Title: <input type="text" value="MANAGER & CHIEF EXECUTIVE"/>
Street Address: <input type="text" value="58 EAST STATE STREET, SUITE 5"/>	City: <input type="text" value="MONTPELIER"/>
State: <input type="text" value="VERMONT"/>	Zip Code: <input type="text" value="05602"/>
1C. Name and contact information of person to be contacted on matters involving this application.	
Name: <input type="text" value="DAVID E. CARTER"/>	Title: <input type="text" value="CHIEF FINANCIAL OFFICER"/>
Email: <input type="text" value="DCARTER@VEDA.ORG"/>	Phone: <input type="text" value="(802) 828-5470"/>
1D. Contracting Entity. Complete this Section if the organization(s) or /entity(ies) administering one or more of the programs described in this application are different from applicant listed in Section 1B. Space is provided below for applicants to enter information for up to four (4) such organizations/entities. Use attachment for Section 1D to submit the information below for any additional organization/entity.	
1. Name of Contracting Entity: <input type="text" value="NOT APPLICABLE"/>	Program Name: <input type="text"/>
Indicate (by checking the appropriate box below) if such entity is:	
<input type="checkbox"/> Agency or Department of another State	
<input type="checkbox"/> For-profit Entity Supervised by State	
<input type="checkbox"/> Non-profit Entity Supervised by State	
Name of Authorized Official: <input type="text"/>	Title: <input type="text"/>
Street Address: <input type="text"/>	City: <input type="text"/>
State: <input type="text"/>	Zip Code: <input type="text"/>

Enter contact person information below:

Name: Title:
Email: Phone:

2. Name of Contracting Entity: Program Name:

Indicate (by checking the appropriate box below) if such entity is:

- Agency or Department of another State
- For-profit Entity Supervised by State
- Non-profit Entity Supervised by State

Name of Authorized Official: Title:
Street Address: City:
State: Zip Code:

Enter contact person information below:

Name: Title:
Email: Phone:

3. Name of Contracting Entity: Program Name:

Indicate (by checking the appropriate box below) if such entity is:

- Agency or Department of another State
- For-profit Entity Supervised by State
- Non-profit Entity Supervised by State

Name of Authorized Official: Title:
Street Address: City:
State: Zip Code:

Enter contact person information below:

Name: Title:
Email: Phone:

4. Name of Contracting Entity: Program Name:

Indicate (by checking the appropriate box below) if such entity is:

- Agency or Department of another State
- For-profit Entity Supervised by State
- Non-profit Entity Supervised by State

Name of Authorized Official: Title:
Street Address: City:
State: Zip Code:

Enter contact person information below:

Name: Title:
Email: Phone:

1E. Have all legal actions been taken pursuant to applicable State law that are necessary to enable the designee to implement the State program(s) described herein? Check the appropriate box.

- No – do not continue with this application
- Yes – attach documentation showing all necessary legal actions have been taken

Section 2: Amount Requested

2A. Enter the total amount of SSBCI funds requested. Do not exceed the amount of the State allocation.

Amount:

2B. Will all or part of the requested amount be used as collateral for a qualifying loan or swap funding facility?

- Yes, all of the requested amount Yes, part of the requested amount No

If yes, provide the following information:

Amount of funding:

Name(s) of private financial entity(ies):

Attach commitment letter from source of financing. If commitment letter is unavailable, use attachment for Section 2B to describe the items and structure of the transaction. The description should not exceed 1 page.

2C. If applying for more than one program enter the information below for each program (use attachment for Section 2C if more space is needed for additional programs):

1. Name of Program:	<input type="text" value="FINANCIAL ACCESS PROGRAM (CAP)"/>	Amount Requested:	<input type="text" value="\$1,037,700.00"/>
2. Name of Program:	<input type="text" value="COMMERCIAL (OCSP PARTICIPATION)"/>	Amount Requested:	<input type="text" value="\$5,883,730.00"/>
3. Name of Program:	<input type="text" value="TECHNOLOGY (OCSP PARTICIPATION)"/>	Amount Requested:	<input type="text" value="\$2,957,430.00"/>
4. Name of Program:	<input type="text" value="SMALL BUSINESS (OCSP PARTICIPATION)"/>	Amount Requested:	<input type="text" value="\$3,289,490.00"/>
5. Name of Program:	<input type="text"/>	Amount Requested:	<input type="text"/>

Section 3: Capital Access Program (CAP). Complete this Section if applying for SSBCI funds to use for a CAP

3A. Confirm by checking each box below that the State's CAP satisfies the following criteria:

- Provides portfolio insurance for business loans based on a separate loan-loss reserve fund for each financial institution.
- Requires insurance premiums to be paid by participating financial institution lenders and by the business borrowers to the CAP-created reserve fund to have their loans enrolled in such reserve fund.
- Provides for contributions to be made by the State to the CAP-created reserve fund in amounts at least equal to the sum of the amount of the insurance premium charges paid by the borrower and the financial institution to the reserve fund for any newly enrolled loan.
- Provides portfolio insurance solely for loans that meet both the following requirements: (a) The borrower has 500 employees (as defined at 13 CFR 121.106) or less at the time that the loan is enrolled in the State CAP and (b) the loan amount does not exceed \$5,000,000.

3B. Use attachment for Section 3B to indicate how the State plans to use funds allocated pursuant to the SSBCI to provide access to capital for small businesses (a) in low- and moderate-income communities, (b) in minority communities, and (c) in other underserved communities and to (d) women- and (e) minority-owned small businesses. States establishing new programs should provide detailed assumptions for their estimates of total enrolled loans, total loan amounts and the estimated total federal contributions over the lifespan of the SSBCI. Documentation should not exceed 5 pages.

3C. Lender capital at-risk criteria: For loans made under State CAP programs where private financial entity(ies) bear less than 20% risk of loss, use attachment for Section 3C to articulate exceptional circumstances as to why the private financial entity is unable to bear a greater share of the risk. Documentation should not exceed 2 pages.

3D. Is the CAP a new program or an existing program? Check the appropriate box.

- New, beginning with SSBCI Existing

Section 4: Other Credit Support Programs (OCSP). Complete this Section if applying for SSBCI funds to use for a State Other Credit Support Program

4A. Check all types of OCSPs for which the application applies and use attachment for Section 4A to provide a narrative statement describing each program. Statement should not exceed 1 page for each OCSP.

- Loan participation program
- State-run venture capital fund program
- Credit guarantee program
- Other types of credit support programs that use public resources to promote private access to credit, are not a State CAP, and meet the eligibility criteria for OCSPs

4B. Confirm by checking each box below (box 3 should only be checked if it is applicable) that each program checked in Section 4A, above, satisfies the following criteria:

- At a minimum, \$1 of public investment by the State OCSP will cause and result in \$1 of new private credit
- The State has a reasonable expectation that, when considered with all other State programs of the State, such State programs together have the ability to use amounts of new Federal contributions to, or for the account of, all such programs in the State to cause new small business lending at least 10 times newly contributed federal amount.
- If the State OCSP provides credit support through a financial institution lender, the financial institution lender has a meaningful amount of its own capital resources at risk in its small business lending. The term "meaningful capital" may vary for different programs. Guidelines for CAPs and OCSPs are contained in the Policy Manual. *For instances where financial institution lender(s) bear less than 20% risk of loss, use attachment for Section 4B to demonstrate exceptional circumstances as to why the financial institution lender is unable to bear a greater share of the risk.*
- The OCSP provides credit support that meets all the following requirements: (a) Targets an average borrower size of 500 employees or less; (b) does not extend support to borrowers that have more than 750 employees; (c) targets support towards loans with an average principal amount of \$5,000,000 or less; and (d) does not extend credit support to loans that exceed a principal amount of \$20,000,000.
* The definition at 13 CFR 121.106 should be used to calculate the number of employees.

4C. Is the OCSP a new program or an existing program? Check the appropriate box.

- New, beginning with SSBCI Existing

4D. Provide documentation (use attachment for Section 4D) describing the anticipated benefits from each OCSP to the (a) State, (b) its businesses, (c) its residents, and (d) describe the extent to which resulting small business lending will expand economic opportunities. For Loan Guarantee Programs, States must provide detailed assumptions concerning estimated number of loans and estimated loan amounts during the course of the SSBCI. States that are enacting new Collateral Support Programs should present detailed assumptions concerning estimated loan volume and overall federal collateral support used for such loans. Documentation should not exceed 5 pages. The metrics used should include, but need not be limited to:

- Jobs created
- The number and value of new OCSP small business loans
- Increases in sales, income or other tax revenues paid by businesses or workers

4E. Provide documentation (use attachment for Section 4E) for each OCSP describing (a) operational capacity, (b) skills, and (c) experience of the management team of the State OCSP. Documentation should not exceed 5 pages. The metrics used should include, but need not be limited to:

- Qualifications and financial industry experience of senior management
- Experience of senior management in operating state credit support or capital access programs
- Adoption of industry best practices (e.g., use of risk management strategies employed by successful similar programs)

4F. Provide documentation (use attachment for Section 4F) for each OCSP describing the capacity of OCSP staff to manage increases in the volume of its small business lending. Documentation should not exceed 2 pages. Evidence cited should include, but need not be limited to:

- Financial strength
- Operational capacity

4G. Provide documentation (use attachment for Section 4G) for each OCSP describing the internal accounting and administrative controls systems used by the OCSP staff and the means they use to safeguard against (a) waste, (b) loss, (c) unauthorized use, and (d) misappropriation. Documentation should not exceed 3 pages. Evidence cited should include, but need not be limited to:

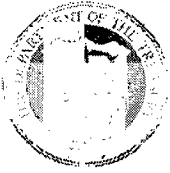
- Periodic internal audits
- Annual independent audits (including management letters)
- Accounting and financial reporting system compliant with OMB Circular A-127

4H. Provide documentation (use attachment for Section 4H) for each OCSP describing the soundness of the program design and implementation plan of the State OCSP. Documentation should not exceed 3 pages. Evidence of sound design should include, but need not be limited to:

- Adoption of established business models and strategies
- The absence of material weakness or deficiency findings by external auditors

Applicants must save the completed PDF application and attachments and email to SSBCIapplications@treasury.gov.

Applicants must complete, sign, and email the signature page with the application and attachments.



U.S. Department of the Treasury

**State Small Business Credit Initiative
APPLICATION**

SECTION 1E – (ATTACHMENT)

1E. Have all legal actions been taken pursuant to applicable State law that are necessary to enable the designee to implement the State program(s) described herein? Check the appropriate box.

No – do not continue with this application

Yes – attach documentation showing all necessary legal actions have been taken

The authorizing legislation for the Vermont Economic Development Authority (“VEDA”, or the “Authority”) is established under **Title 10 V.S.A., Chapter 12 Vermont Economic Development Authority** (the “VEDA Statute”).

The complete VEDA Statute can be found on-line at the Vermont Legislature website (see URL below):

<http://www.leg.state.vt.us/statutes/sections.cfm?Title=10&Chapter=012>

Excerpts from the VEDA Statute cited below are included herein to supplement the application:

§213. Authority; organization

- (a) The Vermont economic development authority is hereby created and established as a body corporate and politic and a public instrumentality of the state. The exercise by the authority of the powers conferred upon it in this chapter constitutes the performance of essential governmental functions.

VEDA is a component unit of the State of Vermont and as such is included in the State’s *Consolidated Annual Financial Report* (“CAFR”).

The SSBCI programs proposed herein are currently operated by VEDA and are authorized in law as the responsibility of VEDA. The statute section for each proposed SSBCI program is cited below:

1. Capital Access Program - **§279. Vermont financial access fund;**
2. Commercial Program - **§234. The Vermont Jobs Fund;**
3. Technology Program - **§280bb. Technology loan program;**
4. Small Business Program - **§216. General Powers(13), (14), and (15);**



State Small Business Credit Initiative

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APPLICATION

SECTION 1E – (ATTACHMENT)

In addition to the statutory authorization for of the proposed SSBCI programs, the Authority has the statutory authority to modify these programs within certain conditions provided for in the following section of the Statute:

§280a. Eligible projects; authorized financing programs

- (a) The authority may develop, modify, and implement any existing or new financing program, provided that any specific project that benefits from such program shall meet the criteria contained in the Vermont sustainable jobs strategy adopted under section 280b of this title, and provided further that the program shall meet the criteria contained in the Vermont sustainable jobs strategy adopted under section 280b of this title. Such programs may include:
- (2) the loans to local development corporations program, administered under subchapter 3 of chapter 12 of this title;
 - (4) the direct loan program, administered under subchapter 5 of chapter 12 of this title;
 - (5) the Vermont financial access program, administered under subchapter 8 of chapter 12 of this title;
 - (7) the Small Business Development Corporation program, administered by the authority under section 216(14) of this title;
 - (8) one or more programs targeting economically distressed regions of the state;
 - (10) any other program implemented after the adoption of the sustainable jobs strategy pursuant to section 280b of this title designed to meet Vermont's need for sustainable economic development.

Designation Letter From State Attached:

Included with the 1E Attachment is a letter from the State of Vermont Secretary of Commerce and Community Development authorizing VEDA to receive SSBCI funds and to administer the SSBCI program described herein.

ASSURANCES - NON-CONSTRUCTION PROGRAMS

Public reporting burden for this collection of information is estimated to average 15 minutes per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Management and Budget, Paperwork Reduction Project (0348-0040), Washington, DC 20503.

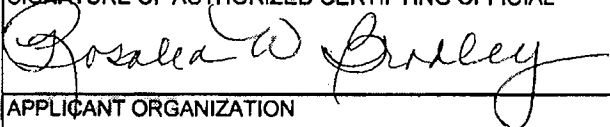
PLEASE DO NOT RETURN YOUR COMPLETED FORM TO THE OFFICE OF MANAGEMENT AND BUDGET. SEND IT TO THE ADDRESS PROVIDED BY THE SPONSORING AGENCY.

NOTE: Certain of these assurances may not be applicable to your project or program. If you have questions, please contact the awarding agency. Further, certain Federal awarding agencies may require applicants to certify to additional assurances. If such is the case, you will be notified.

As the duly authorized representative of the applicant, I certify that the applicant:

1. Has the legal authority to apply for Federal assistance and the institutional, managerial and financial capability (including funds sufficient to pay the non-Federal share of project cost) to ensure proper planning, management and completion of the project described in this application.
2. Will give the awarding agency, the Comptroller General of the United States and, if appropriate, the State, through any authorized representative, access to and the right to examine all records, books, papers, or documents related to the award; and will establish a proper accounting system in accordance with generally accepted accounting standards or agency directives.
3. Will establish safeguards to prohibit employees from using their positions for a purpose that constitutes or presents the appearance of personal or organizational conflict of interest, or personal gain.
4. Will initiate and complete the work within the applicable time frame after receipt of approval of the awarding agency.
5. Will comply with the Intergovernmental Personnel Act of 1970 (42 U.S.C. §§4728-4763) relating to prescribed standards for merit systems for programs funded under one of the 19 statutes or regulations specified in Appendix A of OPM's Standards for a Merit System of Personnel Administration (5 C.F.R. 900, Subpart F).
6. Will comply with all Federal statutes relating to nondiscrimination. These include but are not limited to: (a) Title VI of the Civil Rights Act of 1964 (P.L. 88-352) which prohibits discrimination on the basis of race, color or national origin; (b) Title IX of the Education Amendments of 1972, as amended (20 U.S.C. §§1681-1683, and 1685-1686), which prohibits discrimination on the basis of sex; (c) Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. §794), which prohibits discrimination on the basis of handicaps; (d) the Age Discrimination Act of 1975, as amended (42 U.S.C. §§6101-6107), which prohibits discrimination on the basis of age; (e) the Drug Abuse Office and Treatment Act of 1972 (P.L. 92-255), as amended, relating to nondiscrimination on the basis of drug abuse; (f) the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment and Rehabilitation Act of 1970 (P.L. 91-616), as amended, relating to nondiscrimination on the basis of alcohol abuse or alcoholism; (g) §§523 and 527 of the Public Health Service Act of 1912 (42 U.S.C. §§290 dd-3 and 290 ee 3), as amended, relating to confidentiality of alcohol and drug abuse patient records; (h) Title VIII of the Civil Rights Act of 1968 (42 U.S.C. §§3601 et seq.), as amended, relating to nondiscrimination in the sale, rental or financing of housing; (i) any other nondiscrimination provisions in the specific statute(s) under which application for Federal assistance is being made; and, (j) the requirements of any other nondiscrimination statute(s) which may apply to the application.
7. Will comply, or has already complied, with the requirements of Titles II and III of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (P.L. 91-646) which provide for fair and equitable treatment of persons displaced or whose property is acquired as a result of Federal or federally-assisted programs. These requirements apply to all interests in real property acquired for project purposes regardless of Federal participation in purchases.
8. Will comply, as applicable, with provisions of the Hatch Act (5 U.S.C. §§1501-1508 and 7324-7328) which limit the political activities of employees whose principal employment activities are funded in whole or in part with Federal funds.

9. Will comply, as applicable, with the provisions of the Davis-Bacon Act (40 U.S.C. §§276a to 276a-7), the Copeland Act (40 U.S.C. §276c and 18 U.S.C. §874), and the Contract Work Hours and Safety Standards Act (40 U.S.C. §§327-333), regarding labor standards for federally-assisted construction subagreements.
10. Will comply, if applicable, with flood insurance purchase requirements of Section 102(a) of the Flood Disaster Protection Act of 1973 (P.L. 93-234) which requires recipients in a special flood hazard area to participate in the program and to purchase flood insurance if the total cost of insurable construction and acquisition is \$10,000 or more.
11. Will comply with environmental standards which may be prescribed pursuant to the following: (a) institution of environmental quality control measures under the National Environmental Policy Act of 1969 (P.L. 91-190) and Executive Order (EO) 11514; (b) notification of violating facilities pursuant to EO 11738; (c) protection of wetlands pursuant to EO 11990; (d) evaluation of flood hazards in floodplains in accordance with EO 11988; (e) assurance of project consistency with the approved State management program developed under the Coastal Zone Management Act of 1972 (16 U.S.C. §§1451 et seq.); (f) conformity of Federal actions to State (Clean Air) Implementation Plans under Section 176(c) of the Clean Air Act of 1955, as amended (42 U.S.C. §§7401 et seq.); (g) protection of underground sources of drinking water under the Safe Drinking Water Act of 1974, as amended (P.L. 93-523); and, (h) protection of endangered species under the Endangered Species Act of 1973, as amended (P.L. 93-205).
12. Will comply with the Wild and Scenic Rivers Act of 1968 (16 U.S.C. §§1271 et seq.) related to protecting components or potential components of the national wild and scenic rivers system.
13. Will assist the awarding agency in assuring compliance with Section 106 of the National Historic Preservation Act of 1966, as amended (16 U.S.C. §470), EO 11593 (identification and protection of historic properties), and the Archaeological and Historic Preservation Act of 1974 (16 U.S.C. §§469a-1 et seq.).
14. Will comply with P.L. 93-348 regarding the protection of human subjects involved in research, development, and related activities supported by this award of assistance.
15. Will comply with the Laboratory Animal Welfare Act of 1966 (P.L. 89-544, as amended, 7 U.S.C. §§2131 et seq.) pertaining to the care, handling, and treatment of warm blooded animals held for research, teaching, or other activities supported by this award of assistance.
16. Will comply with the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. §§4801 et seq.) which prohibits the use of lead-based paint in construction or rehabilitation of residence structures.
17. Will cause to be performed the required financial and compliance audits in accordance with the Single Audit Act Amendments of 1996 and OMB Circular No. A-133, "Audits of States, Local Governments, and Non-Profit Organizations."
18. Will comply with all applicable requirements of all other Federal laws, executive orders, regulations, and policies governing this program.

SIGNATURE OF AUTHORIZED CERTIFYING OFFICIAL 	TITLE Manager and Chief Executive Officer
APPLICANT ORGANIZATION VERMONT ECONOMIC DEVELOPMENT AUTHORITY	DATE SUBMITTED 2/04/2011