



Vermont Sustainable Jobs Fund

FY 2008 ANNUAL REPORT



www.vsjf.org



Vermont Sustainable Jobs Fund

Accelerating

VSJF uses **early stage grant funding** and **technical assistance** to catalyze and accelerate the development of markets for sustainably produced goods and services.

the Development of

We analyze critical **market development needs** for these goods and services, including, research, technology & infrastructure, financing, technical assistance, network development, education & outreach, workforce development, sales & distribution, regulatory & public policy, and deploy our resources to meet those needs.

Vermont's Green Economy

The products and services we support drive the green economy by **eliminating the use of fossil fuels, relocalizing production** (including food production, manufacturing, & the sustainable use of local resources), & **building resilience** against challenges such as peak oil & climate change.



VSJF Staff

Ellen Kahler, *Executive Director*
Janice St. Onge, *Deputy Director*
Netaka White, *Biofuels Director*
Scott Sawyer, *Research, Evaluation & Communications*
Heather Pipino, *Office & Finance Manager*

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Thanks to Jamie Stewart, Carolyn Cooke and John Merrill for their service on the Board, and our accountant, Larry Murphy.

Vermont Sustainable Jobs Fund | 3 Pitkin Court Suite 301E | Montpelier, VT 05602 | (802) 828-1260

On the cover: John Williamson gives a thumbs up after a biodiesel test batch at State Line Farm (Photo: Chris Callahan); Lumber stack at Copeland Furniture (Photo: Ellen Kahler); Assembling a Concept 2 rower at MSI Inc. (Photo: Ellen Kahler); Composting demonstration (Photo: Highfields Institute)

January 31, 2009

**The Honorable James Douglas
Governor, State of Vermont**

Members of the General Assembly

Dear Governor Douglas and Members of the General Assembly:

The Vermont Sustainable Jobs Fund (VSJF) works to accelerate the development of the state's green economy. Given the state's fiscal challenges caused by the national financial crisis and the overall economic recession, the VSJF is needed more than ever – to help build new, and grow existing, markets which will lead to new jobs and strengthen Vermont's existing, home-grown entrepreneurial companies.

With the new Administration in Washington promising to make significant investments in the development of 'green jobs', especially in the renewable energy sector, and the renewed importance of relocating our economy, the VSJF is poised to support a wide range of farmers, entrepreneurs, and organizations so that they can take full advantage of emerging opportunities.

Building a sustainable economy takes new models for enterprise and market development and it takes time. Through strategically targeted grant making and technical assistance, the VSJF has invested significant resources over the past 13 years in the organizations, farms and businesses that are helping to shape a new, greener economy in Vermont- an economy that capitalizes on our entrepreneurial strengths, our strong work ethic, and can-do attitude to taking on the challenges that the global marketplace throws at us.

Funding support from the state's General Fund helps us leverage other federal and foundation sources that would not otherwise come to Vermont. A case in point is \$984,000 in new funding from the US Department of Energy, thanks to the Office of U.S. Senator Patrick Leahy. These funds will be used over the next 2 – 3 years to invest in farmers and entrepreneurs who will help meet the goal of generating 25% of the state's energy needs from our farms and forests by 2025.

In addition, funds from the Vermont Training Program helped to support our Peer to Peer Collaborative program in working with 7 growth stage companies in FY08, which we've highlighted through three client case studies in this annual report. All of our client companies have experienced revenue growth, improved profitability and hopefully, long term sustainability.

Collectively, our grantees and P2P client companies are helping to build the green economy in Vermont, from local food systems to sustainable forestry, from renewable energy to green technologies. Their combined efforts create local jobs, support community development initiatives, preserve resilient ecosystems, and fill special niches in the global economy. This document is a testament to the inspiring, innovative and risk taking entrepreneurs, farmers and nonprofit organizations that have created a vision for our collective future and invested themselves in bringing their ideas and passions to life.

We look forward to more successful partnerships and programs in service to the State in 2009 and beyond. Thank you for your continued support.

Sincerely,



Ellen Kahler
Executive Director



Nancy Wood
Chair, Board of Directors



Peer to Peer Collaborative Case Study: Union Street Media

Passion, Drive...and a Little Help from Their Peers

A PASSION FOR VERMONT AND COMMUNITY, a drive to use technology to help their customers leverage the power of the internet, and a philosophy that creative, hard working people are a businesses' greatest asset led three enterprising young partners to form Union Street Media (USM) in a dorm room at Middlebury College in 1999.

Over the past 10 years, the company has evolved from creating websites for college students and small businesses in Middlebury, to becoming a website and application developer for the real estate industry and other industries nationwide. With 14 full time employees and four part time contractors, this young and rapidly growing company has found success in Vermont's growing software / web development industry. USM offers high paying (low impact) jobs and brings in dollars from outside the state. Half of their employee base has a degree from a Vermont college or university – keeping more young minds from leaving the state. In recognition of their hard work, USM won the Lake Champlain Chamber of Commerce's *A. Wayne Roberts Entrepreneurial Spirit Award*, given annually to a local business that exemplifies entrepreneurship, leadership, creativity and business expertise.

In March 2007, the USM President, Ted Adler and his two partners, Andy Vota and Jon Adler, knew they were at somewhat of a crossroads. USM really had two businesses – the general web development and the realtor application business. The question was could they (and

should they) scale the real estate application business to the point where it would become more and more of their core business? The team had no shortage of ideas – but they wanted to know more immediately how best to execute current ideas.

Ted thought the team could benefit from some outside perspective into the business so he approached the Peer to Peer Collaborative (P2P). “We were looking for an advisory board opportunity where we could get outside input into our business, our operations, and the way we were going about making decisions. When we looked at who the P2P had in their stable of advisors we were really impressed by the skill and experience there. Lawrence Miller (CEO of Danforth Pewterers) did our initial assessment and he was asking some hard questions. I was thinking ‘now that’s the kind of person I’d love to have learn more about our business and advise us.’”

Ted appreciated the idea that P2P would take on the work of matching the right peer advisors, who had experience in their industry, with his team. “The fact that the peer advisors were well respected among their own peers and that they could come in with a fresh look at our business seemed like a super compelling opportunity to me,” said Ted.

P2P worked hard to match the young entrepreneurial team with advisors who could bring IT industry experience, financial acumen, project management exper-



LOCATION:
BURLINGTON

FOCUS:
REAL ESTATE
E-COMMERCE

OF EMPLOYEES
14 FT, 4 PT

PEER ADVISORS:

-LAWRENCE MILLER (CEO, DANFORTH PEWTERERS)
-EVE HOAR (DIRECTOR, CLINICAL CONTENT & PHYSICIAN
ADVISORY BOARDS AT ALLSCRIPTS)
-JANICE ST. ONGE (DEPUTY DIRECTOR, VSJF)

www.unionstreetmedia.com



TED ADLER



JON ADLER



ANDY VOTA

Photos courtesy of Union Street Media

tise, and leadership and strategy skills. “The team came from a variety of backgrounds, worked well together, and often saw eye to eye when needed,” said Ted.

Ted points to the many benefits to the company, to the team, and to him individually that occurred during their P2P engagement. “Because of P2P, we fundamentally changed how we were accounting for revenue, and learned how to budget more accurately, which has helped us make better decisions in running the company. The real life experience of the peer advisors was instrumental in our discussions about good project management processes, and helped us identify where the real pain points were in our organization that were slowing down the production process. The process instilled a structure that we’re continuing to use even now that the program’s done. P2P gave our management team the opportunity to interact and spend time at the 30,000 foot level -

which increased the strength, bond and mutual trust between the three of us.”

USM is now in the process of putting together a formal board of advisors to keep the momentum going. And, as a result of P2P advisors working with the USM team to identify where they were making and losing money, USM took a second look at the value of recurring revenue as part of their business model. Since then, USM has hired a staff person to focus solely on up-selling existing clients to expand on this important source of new revenue.

Ted summed it up best. “Having access to the experience of the P2P advisors was invaluable for our growing Vermont business. We made several strategic changes as a result of our interaction with P2P that directly impacted our bottom line. I enthusiastically recommend the P2P process.”

About the Peer to Peer Collaborative

THE PEER TO PEER COLLABORATIVE was created in 2003 to provide strategic advisory services to growth stage companies in Vermont. By providing critical leadership development to the entrepreneurs of companies with \$1 – 15million in sales, these entrepreneurs should see increased company profitability - thereby providing an opportunity for improving employee wages and benefits.

P2P matches accomplished Peer Advisors (CEOs, COOs, and CFOs) in teams of three with CEOs of growing companies over a 12 to 18 month period. Peer advisors encourage entrepreneurial learning by sharing experiences, triumphs and failures, and offering our clients an outside perspective on growth challenges. Drawing on the talents of Advisors who have “walked in your shoes” has helped accelerate the growth of these companies. Our P2P clients come out of the program with a plan to build stronger operations, improve profitability and support livable wages for their Vermont employees.

Funding for P2P comes from client fees for service and the *VT Training Program* at the *VT Department of Economic Development*.



Peer to Peer Collaborative Case Study: Vermont Smoke and Cure

Tradition, Taste...and a New Recipe for Success

NAMED A LOCAL VERMONT FOOD TREASURE in a recent *Boston Globe* article, touted by *Gourmet* magazine as having a “pepperoni that makes a delightful hors d’oeuvre”, and featured on the Food Network’s *Road Tasted with the Neelys*, Vermont Smoke and Cure (VSC) has been generating a lot of buzz lately.

As a key hub in Vermont’s agricultural economy, VSC produces and sells branded specialty meats and provides meat processing services to Vermont farmers. Their mission is to profitably create improved economic opportunities by providing processing services to farmers, as well as aggregating, processing and marketing meats they purchase from farmers.

Consumer trends in buying local and eating healthier – not to mention just great tasting products – have contributed to VSC’s rapid revenue growth of 80% in 2007 and 40% 2008. With continued growth rates in the 40-50% range and sales closing in on \$2.0 million in 2009, VSC is bursting at the seams at their existing 3,300 square foot facility. Distribution has expanded beyond Vermont to the Northeast and Midwest and discussions are underway with several minor and major chains, including natural food chain *Whole Foods*.

As a senior management team of one, it was lonely at the top. Chris Bailey, CEO of VSC, realized that in order to grow the company successfully he needed a broader spectrum of expertise to master the key growth areas and opportunities for VSC – including

facilities expansion, financing growth, compensation / management strategy, and branding direction. In Vermont, and at their scale, accessing the right kind of capital to grow the business – without compromising their mission – has been one of the biggest challenges. A leap to a larger, more efficient production facility (from 3,300 to 10,000 square foot) is critical to continued growth, more efficient production, and VSC’s ability to produce a broader range of products.

Chris saw the P2P Collaborative as “a great opportunity to tap into people with complementary business and leadership skills – and more experience at rapidly growing a business than I currently brought to the table. I wanted to be sure I was asking the right questions and thinking through all the key strategic decisions I would be facing.” Knowing that VSC needed a new facility and growth financing to keep momentum going – Chris needed to put together the pieces quickly. Chris felt that by tapping into P2P’s ready-made network, he could gain the expertise and framework in which to shape and make better decisions than he could otherwise do on his own.

The P2P team brought expertise in consumer goods, value added food production, branding and marketing, strategy, and human resource management. P2P also connected Chris to other peer advisors who were instrumental in providing perspective on raising capital, expanding facilities and crafting incentive compensation plans for production workers.



LOCATION:
SOUTH BARRE

PROJECTED SALES:
>\$2MILLION IN 2009

OF EMPLOYEES
15

PEER ADVISORS:

- KAREN FLEMING (CEO, COATES WALKER)
- VICTOR MORRISON (PRESIDENT, AMERICAN FLATBREAD)
- JANICE ST. ONGE (DEPUTY DIRECTOR, VSJF)

www.vtSmokeandCure.com



CHRIS BAILEY

Over the last 18 months, the peer advisors worked through a variety of strategic issues facing VSC. “On the real estate side,” Chris said, “the advisors helped me see the value in being patient and worked with me to fully weigh all the options on the table. They helped me think through a strategy that would accelerate sales while considering new facility factors. We talked about ways to transition to a new location while keeping business interruptions to a minimum. Now, VSC is fortunate to have the opportunity to purchase the ideal facility – an existing building at the size and cost which fits our current stage of growth and budget.” Chris adds that “the work we did on VSC’s brand in moving our message towards ‘healthy’ enabled us to identify and directly communicate this as a key attribute of our brand and thereby capitalize on the growing consumer trend in buying healthy.”

Going forward, Chris will use what he learned in P2P to recruit and manage a more formal board of advisors. The P2P team did a lot of good thinking early on about organizational structure and key hires – including a sales manager. “When it’s time to actually hire the sales position, I will be sure to consider some of the variables that weren’t originally on my list for this position, but will be very important to the company’s growth, including how they’re compensated, where they’re located, and their ability to be a team player,” Chris explained.

As Chris summed up, “What I found most helpful about the program were the interested, experienced, thoughtful, smart, wise, and successful advisors. They encouraged me to consider paths I might not have

identified on my own or considered as strongly. It was refreshing to step outside of the day to day push of the company. P2P helped me identify and pushed me to get moving on key elements of VSC’s healthy growth (mission, vision, staffing structure and plan) and then provided me with valuable feedback. I know that I can call on P2P’s networks from time to time even now that I’m done with the program – and those connections are really valuable!”



Photos courtesy of Vermont Smoke and Cure

Other P2P Clients in FY08:

CPA Site Solutions, Winooski
 Senix Corp., Bristol
 Sunrise Orchards, Cornwall
 VT Compost Company, Montpelier



Peer to Peer Collaborative Case Study: Manufacturing Solutions Inc.

Quality, Value...and Moving Forward with Confidence

SCATTERED AMONG 4 BUILDINGS IN MORRISVILLE and Hyde Park, the employees of Manufacturing Solutions Inc. (MSI) assemble a myriad of products for customers such as *Concept 2*'s rowers and blades and components of Blodgett ovens, in a LEAN manufacturing environment.¹ Started in 1996 by Garret Hirschak and his wife Beth Salvas, MSI has become one of Morrisville's largest employers with over 77 employees. And unlike many businesses in this tough economic climate, they plan to add 10-15 new employees in 2009 due to the anticipated doubling of work from one of their growing customers.

MSI is a contract assembly manufacturer that has experienced steady growth in revenue and employees since it was established. According to *Concept 2* Chief Financial Officer Linda Markin, "When our long-time employee, Garret Hirschak, expressed interest in starting his own business providing assembly services for manufacturers, we saw it as an opportunity to grow our business while keeping production jobs local." Since then, MSI has added five additional customers and has worked hard to diversify its revenue base so as not to be dependent on any one client.

MSI began working with the Peer to Peer Collaborative in May 2007 after HR Manager Davis Koier heard about the program while listening to the radio. "I was listening to VPR's *Switchboard* program and there was a

reference to P2P working with businesses. At the time, we were trying to get a grip on where the company was really at and how we were going to grow it to the next level. It seemed to me that P2P could assist us with our questions, so I called the VSJF the next day and got the process rolling."

A Peer Advisor team was assembled and began working on a number of key issues that had been identified during an Organizational Assessment conducted by VSJF Executive Director, Ellen Kahler and Lawrence Miller (CEO, Danforth Pewterers). According to Koier, "our monthly work sessions were a helpful sounding board; a real reality check. Our peer advisors had more experience than we did in managing growth and they were able to really mentor us through the process. Getting everyone on the management team to understand our financial statements and for those statements to be part of a planning process which could help us judge the effectiveness of changes we were putting in place was an important part of our learning. This in turn helped us with quoting for new work and understanding our real value as a company – not just our assembly work but also our value added expertise and how to get paid for that work from our customers."

Doug Griswold, P2P Advisor, recalls, "before we started working with the MSI team, it was clear that they needed to do some work to better understand their true cost

¹ MSI has working for a number of years with the VT Manufacturing Extension Center (VMEC) on implementing LEAN manufacturing systems. The P2P and VMEC's LEAN programs are strong complements for manufacturers to consider working with.



LOCATION:
MORRISVILLE / HYDE PARK

PROJECTED SALES:
12.2% GROWTH IN 2009

OF EMPLOYEES
77 FT

PEER ADVISORS:

- DOUG GRISWOLD (CEO, ST GRISWOLD)
- FRANK SADOWSKI (PARTNER, GALLAGHER FLYNN & CO.)
- BARRY MIRAKIAN (PRESIDENT, THE CONTINUUM GROUP)
- ELLEN KAHLER (EXECUTIVE DIRECTOR, VSJF)

www.msivt.com



of production and which product lines were profitable, and they really needed to develop an annual budget for planning purposes. So while they were growing 20 – 25% each year, they had no way of knowing which customer's products were really contributing to the bottom line. They added a lot of employees to handle the increased work they were bringing in, but you can grow yourself right out of business if you don't know your true costs. Through the P2P process I think they've gained a great deal of discipline and confidence in how to manage the company through the growth they are experiencing and they have a much better sense of their financial position at any given point in time."

For Facilities Manager Cindy Scott, "One of the biggest benefits was the exposure to other contract manufacturing companies that P2P took us around to. We learned about their business model and the story of their growth. They were powerful meetings for us. Being able to talk with people who were going through or had gone through the same kind of issues was very beneficial."

Another important change for the company was the development of Garret Hirschak as CEO. As companies grow in size and complexity it's important for the CEO to continue to evolve as the leader of the organization. Many CEOs never realize that the transition from being a start-up, hands-on CEO to a strategic, coach CEO is critical to their company's continued growth and profitability.

For Hirschak, that meant an important change in his day-to-day work duties. "Before P2P, I spent a lot of time on new building acquisitions for production capacity

needs we had and fixing them up and not as much time with the management of MSI. Working with our P2P team was good because it helped draw my attention back to MSI where it belongs. I saw working **on** the business was really important, rather than just working **in** the business. I learned to identify where I really add value to the company as the CEO and how to develop our management team to work on the other pieces that are also important to the business. Focusing on what I am best at and what I enjoy doing, these are the things that led to improvements to our bottom line. Getting clearer on my appropriate role has also led to a new sense of empowerment for the management team and it's given them the authority to act in ways that are adding the most value to the work they are responsible for."

This new focus by the MSI management team has resulted in increased employee retention (up from 21% in 2006 to 50% in 2008), increased sales and wages (equal on average to an additional \$2,808 per year for production workers), a new bonus system, and a new cost accounting system that has led to more accurate price quoting and additional revenue from previously unbilled value added work.

Hirschak sums up his experience with P2P this way, "Because of the way the program is structured, we have gained new confidence in our own abilities and we've learned to recognize that we do have expertise and sale-ability. Learning to recognize our value to our customers and to then be compensated for that value has made a huge difference to our bottom line and to our future."



(L to R: Cindy Scott, Garret Hirschak, Donna Eckert, Melanie Clark, Peter Davis. Absent from photo: Davis Koier).

Photos: Ellen Kahler



Biofuels the Right Way

LOCAL BIOFUEL PRODUCTION AND USE ARE AMONG the strategies that can help our communities prepare for, mitigate against, and adapt to peak oil and climate change. However, controversy surrounding commodity-scale biofuels has circulated in the press and activated a number of national and international initiatives aimed at developing principles and standards for *sustainable bio-fuel* production practices. In 2008, VSJF worked closely with Jeff Plowman, Executive Director of the national *Sustainable Biodiesel Alliance* (SBA), and served on several working groups (i.e., feedstock, production, distribution, and end users), to develop the SBA's draft *Baseline Principles for Sustainability*, available at www.sustainablebiodieselalliance.com.

According to Plowman, "The VSJF Vermont Biofuels Initiative work has been a great resource for the SBA and the biodiesel community in general. Their contribution to our *Baseline Practices for Sustainability* workgroups really helped us put together a strong document."

The Vermont Biofuels Initiative is:

- 1) developing alternative models to industrial-scale biofuels production that ensure opportunities for rural sustainable development through renewable energy production for local use,
- 2) creating opportunities for Vermonters and businesses to reduce their overall petroleum consumption and greenhouse gas emissions,
- 3) buffering Vermont against disturbances in the petroleum market,
- 4) creating a dynamic development model that can be applied to any form of biofuels (i.e. biodiesel, grass energy, algae, cellulosic ethanol, woody biomass).

With our partners at the *University of Vermont Extension*, *VT Agency of Agriculture REAP* program, the *Farm Viability and Enhancement Program*, the *Department of Public Ser-*

vice, the *University of Vermont Center for Sustainable Agriculture*, *Renewable Energy Vermont*, and the *Biomass Energy Resource Center*, we have been working to develop an in-state market for biodiesel and grass energy.

Biodiesel

State Line Biofuels biobarn with solar grain dryer



Photo Credit: Chris Callahan

Significant grant funding and technical assistance have made **State Line Biofuels** in Shaftsbury operational. A State Line Biofuels Systems Overview, Engineering Schematic, Solar Seed Dryer and Storage Bin feasibility study, Standard Operating Procedures, and Failure Mode and Effects Analysis are available to assist the development of new on-farm biodiesel facilities.

A second facility is almost operational at **Borderview Farm** in Alburgh. Both State Line Farm and Borderview Farm are working cooperatively with neighbor farmers to ramp up production and meet local fuel and feed needs.



Photo Credit: Vern Grubinger

**Roger Rainville
Borderview Farm**

In 2008, VSJF actively participated on the steering committee and several working groups of Vermont's **25 by '25 Initiative**, provided early stage grant funding to the *University of Vermont* for a **greenhouse gas life cycle assessment** for canola and sunflower, and completed a **mobile processing feasibility study** for biodiesel production.

New funding from the *U.S. Department of Energy*, courtesy of *U.S. Senator Patrick Leahy*, will enable VSJF to optimize Vermont's biodiesel market, while launching new endeavors on algae-based liquid fuel and grass energy for thermal applications. To kick off this new round of funding, a grant has been made for Dr. Heather

Darby's (*University of Vermont*) continued oilseed crop research. Three requests for proposals recently went out for an On-Farm Biodiesel Production Facility (grant amount - \$65,000), Biomass-to-Biofuels Course Development at one of Vermont's higher education institutions (grant amount - \$20,000), and several grants for oilseed crop feedstock analysis to increase acreage (total available - \$70,000).

Additional **Biodiesel Grants** will include funding for a mobile biodiesel production unit, algae feedstock analysis, algae production techniques, algal biodiesel production demonstration, and to assist the expansion of existing commercial biofuels distributors.

Grass Energy

Where is Vermont today in its knowledge and capacity in the production, processing, and combustion technology of grass and other pelletizable fuels? What don't we know in this emerging yet rapidly growing area? And, where do we want to be in the next couple of years to position ourselves to depend less on petroleum imports and more on our wood and herbaceous energy resources?

To start to answer these questions, VSJF, the *Biomass Energy Resource Center*, and the *University of Vermont Extension* held a Grass Energy Symposium on November 12th, 2008 at *Shelburne Farms*. This day-long symposium featured leading experts and practitioners who shared the latest thinking on the...

- ▶ Varieties and methods of growing, harvesting, drying, and soil nutrient and carbon management of energy crops;
- ▶ Pelletization and other processes, and current research and development on, grass, and grass/wood combination fuels; and
- ▶ State of combustion technologies (both in current use and those near commercialization) for residential through small commercial- and community-scale use in the US, Canada, and Europe.



Photo Credit: Jock Gill

To build on the information shared at the Symposium, a new grant has been made to Dr. Sid Bosworth at the *University of Vermont* for perennial grass research trials. Other **Grass Energy Grants** will include funding for biomass feedstock analysis and pelletizer units.

Major funding for the VBI has been provided by the *U.S. Department of Energy*, *U.S. Senator Patrick Leahy*, the *High Meadows Fund*, the *Vermont Community Foundation*, *Indian Tree Foundation*, and the *Vermont Sustainable Ag Council*.

In 2008, VSJF also acted as a **fiscal agent** for the *Vermont School Carbon Rally* project administered by the *Agency of Natural Resources*, as well as the *Central Vermont Recovered Biomass Facility*, *Renewable Energy Vermont*, and the *Sheffield Wind Project* video.



Harvest for Use Pilot Project Gets Underway

TO TAKE ADVANTAGE OF INCREASING CONSUMER interest in wood products made from *Forest Stewardship Council* (FSC) certified forests and 'chain of custody' manufacturers, the VSJF has teamed up with *Redstart Forestry*, *Allard Lumber Company*, *Champlain Hardwoods*, and *Copeland Furniture* to market test two product lines that are FSC certified and made from Vermont maple. The goals of the pilot project are to shepherd Vermont-grown FSC logs through the supply chain all the way to finished product and to capture a 5 – 15% premium in the marketplace so that all parties—from the landowner to the logger to the mill to the manufacturer—are able to capture a slightly higher value for their efforts.

Many Vermont officials – like George Robson at the *Department of Economic Development*, Bob DeGeus at the *Department of Forests, Parks & Recreation* and Bob Paquin from Senator Leahy's office – have been talking about this Harvest for Use concept for years. But it wasn't until Ben Machin at *Redstart Forestry* began to approach *Allard Lumber* and *Copeland Furniture*, as a condition of a grant *Redstart* received from the VSJF back in 2006, that the idea finally got some legs.

Redstart Forestry, a consulting forestry firm with about 70,000 acres under management, has developed a GIS-based wood supply forecasting system which allows them to determine how many board feet, of what species, and on what parcels, harvests will be scheduled in

the coming year. *Copeland Furniture* has a steady need for both FSC sugar maple for their *Harbor Island* line and for FSC red maple for a new line of furniture they are selling through *Crate & Barrel* and other retailers. In total, they need about 250,000 board feet of high grade maple per year. To date *Allard Lumber* is the largest FSC certified mill and *Champlain Hardwoods* is the only certified lumber broker, so it made sense to pull all the parties together to see if by working together, more value per unit of sales and more sales in general could result.

According to Mark Burzynski (COO) of *Copeland Furniture*, "the ability to go to market with a full line of furniture which we can point to as being manufactured with FSC Certified maple and then to add in that the maple is from Vermont forests, really added some credence to our overall story of environmental awareness." Retailers are hungry for a "green" story and increasingly customers want to know where the wood comes from.

As *Redstart* started to explore its harvest schedule for 2008, they realized they needed to find additional sources of red maple. So they approached other consulting forestry firms, mostly in Windham County because of their proximity to *Allard Lumber*, to join in the log aggregation process. *Allard Lumber* agreed to pay between 10-15% more per 1,000 board feet for the Vermont-grown FSC certified logs that would be part

FOREST CERTIFICATION SYSTEMS

2008 was also a big year in the forest certification system world. The largest and most well known system, FSC, enjoyed continued growth in the marketplace, especially because of its connection to the US Green Building Council's LEED program. The *Sustainable Forestry Initiative* (SFI), an industry created certification program, has been making changes to their system to gain LEED acceptance. The *American Tree Farm* program, which has been around for 50+ years and enjoys strong participation rates in Vermont, adopted a third party certification system in 2008 – known as the *Programme for the Endorsement of Forest Certification* schemes. Increasing consumer awareness around the importance for sustainably managed forests and good working conditions at wood product manufacturers, coupled with the strong Vermont brand, will give Vermont's wood products industry new opportunities to take advantage of in the years ahead.

of the pilot project. In turn, *Copeland* has designed a new set of marketing materials and has revamped their logo to differentiate themselves and to take advantage of the growing trend towards ‘place-based’ marketing of products.

As an additional component of this project, VSJF, *Redstart*, the *Vermont Land Trust*, and the *Vermont Wood Manufacturers Association*, teamed up to conduct some much needed market research to determine the level of interest in Vermont grown, FSC wood products and services. A significant percentage of respondents affirmed their interest from both inside Vermont and throughout the New England region. The research also identified gaps and constraints in the existing forest-to-mill delivery system and steps to take to develop a complete system of certification, aggregation, and brokerage in Vermont.

Although the project is not yet complete, Ben Machin says that clients who have participated in the pilot “are happy to have a market for their wood that will support excellent forest stewardship, maintain local jobs, and contribute to a global movement towards more transparent supply chains, allowing consumers

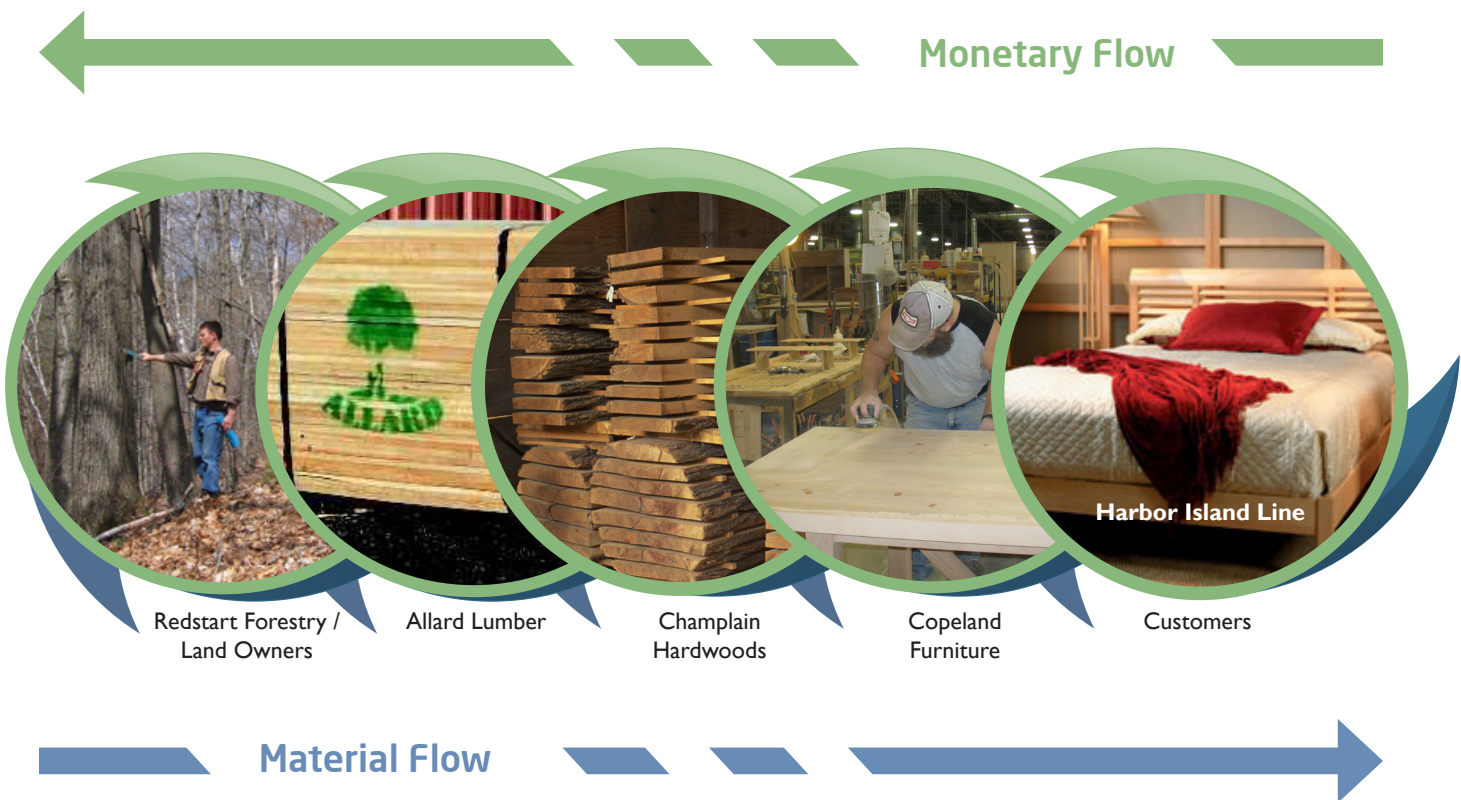
to choose sustainably sourced materials like furniture manufactured in Vermont from Vermont-grown trees.”

Although the current recession has tempered his comments, Cliff Allard, CEO at *Allard Lumber Company*, has had a positive experience with this project: “In a normal market, I’m confident that being FSC certified is an asset to us. I know we could have sold more FSC soft maple but we didn’t have the inventory. FSC is an important part of our business and under normal market conditions it would be a growing part of our business.”

Burzynski adds that “while ours is a fashion based business where the styles we sell today can easily be gone tomorrow, our image in the marketplace is clearly enhanced by the work done this year with this program. We have operated with these principles for years, but this program gives us the independent verification that adds true value to the consumer.”

Funding for this project has been provided by the High Meadows Fund, Vermont Department of Forests, Parks & Recreation, USDA Rural Development, and the Wendling Foundation.

Keeping the ‘Chain-of-Custody’ Intact!



(L to R, photo credits: Redstart Forestry, Allard Lumber, Wayne Fawbush, Ellen Kahler, Copeland Furniture)



Green Guide Specs

THERE IS NO DOUBT THAT “GREEN” IS THE NEW WAVE driving the construction industry. Architects are charged with overseeing construction to a certain standard of care, and the architectural industry is moving towards “green and sustainable” as the new standard. With LEED® certification becoming more and more prevalent, and transportation costs rising due to high oil prices, the proximity of construction and overall project materials is becoming increasingly important.

So with Vermont already in the game as a producer of green wood, and demand for sustainably produced wood products increasing, how do you grease the skids to get more of this Vermont product in contractors’ hands? You make it easier for decision-makers – the architects, designers and developers – to source the products in one place.

In 2008, VSJF worked with the *Construction Specifications Institute - Vermont Chapter*, the *Vermont Wood Manufacturers Association*, and specification consultant Jonathan Miller, to support the development of Vermont Sustainable Wood Guide Specifications (SWGS), or the *Green Guide Specs* project.

A guide specification, similar to the chapters of a book, is part of a broader specification document used by architects to describe materials in a construction project drawing and to set project prices. Guide Specs focus on single construction material groupings (like wood flooring or cabinetry) and help architects, and designers tie specific resources (like Vermont sustainably harvested wood) to project applications.

“The goal of the SWGS project is to direct state, regional and national designers, architects and the green building industry towards Vermont certified wood products and resources. This project will directly tie a Vermont resource—*Forest Stewardship Council* (FSC) certified wood—to Vermont craftspeople, wood mills, and

manufacturers of certified wood products,” said guide specification author Jonathan Miller. “The SWGS will be available as a hard copy and online at no cost to the end user, and can serve as a means for Vermont wood manufacturers to promote their products to design professionals and green builders regionally and nationally.”

“We believe that the SWGS will save architects, designers and green builders time in sourcing sustainably harvested and produced Vermont wood products and will provide uniformity across the industry,” said VSJF Deputy Director Janice St. Onge.

The comprehensive SWGS will be distributed to key stakeholders throughout the New England and Northeast region and will be available to download on the VSJF and collaborative partners’ websites in the spring of 2009.

Funding for this project has been provided by the Vermont Community Foundation’s Sustainable Communities grant program, the Eagleridge Fund, and the Sustainable Future Fund, and project partners.

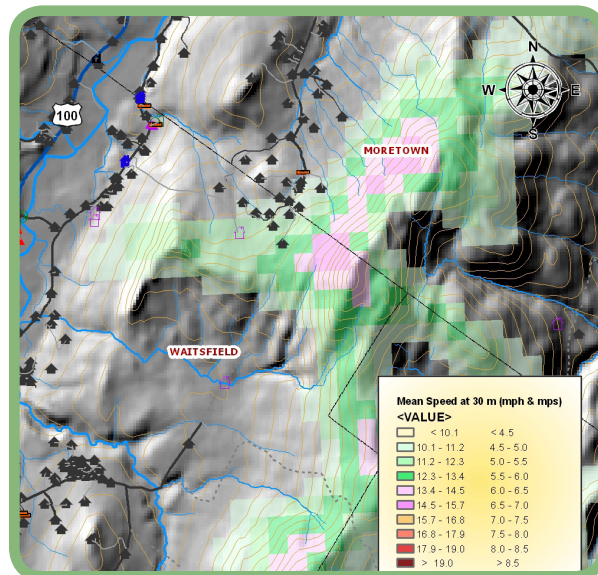
Renewable Energy Atlas of Vermont

VERMONT IS PRIMED TO ACCELERATE ITS TRANSITION toward a renewable energy and energy efficiency based green economy. A strongly voiced desire for renewable energy / energy efficiency combined with a series of recently completed studies and collaborative processes (e.g., the *VT Council on Rural Development’s* Rural Energy reports) have set the stage for developing diversified, community-scale renewable energy and energy efficiency projects.

The Renewable Energy Atlas of Vermont will complement these existing efforts by visualizing and analyzing renewable energy possibilities in Vermont's communities. The Atlas will be a user-friendly GIS-based website where Vermonters can click on their town (or several towns or county/counties) and select from a range of renewable energy options. A map and analysis will appear on the screen and both will be printable. The energy layers currently under construction are:

- ▶ **Biofuels:** oilseed & algal biodiesel; grass pellets
- ▶ **Biomass:** wood chips & pellets, biodigesters
- ▶ **Geothermal:** closed and open loop systems
- ▶ **Hydro:** small hydro, low head-convention turbines, low head-unconventional systems, microhydro
- ▶ **Solar:** PV and hot water systems
- ▶ **"Waste" to Energy:** food waste (analysis of food waste completed by Stone Environmental Inc.)
- ▶ **Wind:** wind classes

The Atlas is being completed under the umbrella of Vermont's 25 by '25 Initiative, and VSJF is working very closely with the Vermont Center for Geographic Information, Green Mountain Power, the USDA Natural Resources Conservation Service, and many others.



Draft map: Mike Brouillette, VCGI

Major funding for this project is provided by the U.S. Department of Energy through U.S. Senator Patrick Leahy, Green Mountain Coffee Roasters, and the Vermont Community Foundation.

Sustainable Agriculture

IN 2008, VSJF'S SUSTAINABLE AGRICULTURE GRANTS emphasized missing pieces of agricultural infrastructure and nutrient management. A \$5,000 grant to the Composting Association of Vermont's "Legal Compost" project helped to convene a stakeholder process for reviewing existing regulations and to develop recommendations for citing composting facilities in Vermont. Legal Compost participants developed a set of recommendations for a permitting framework and a new tiered permitting structure to support composting efforts in Vermont and will pursue policy changes with the Legislature.

A \$5,000 grant to Community Action Brattleboro Area was used to conduct feasibility work related to the proposed Southern Vermont Food Enterprise Center (SVFEC). The SVFEC is meant to encompass a combination of services that will incubate small food busi-

ness start-ups, and provide the regionally-scaled agricultural infrastructure necessary to stimulate growth, as well as support an increase in the economic activity and profitability of local livestock farmers.



Composting workshop (photo courtesy of the Highfields Institute)



High Risk? High Impact! The Missing Middle Story...

“Our economy is in trouble. Falling home prices, foreclosures, bank failures, a weaker dollar, rising prices for gas, food, and steel, and layoffs in banking, construction, and manufacturing sectors are all indicators of serious economic strain—following a long period in which the middle class went nowhere even while the economy grew as a whole...”

At the same time, we face a growing climate crisis that will require us to rapidly invest in new energy infrastructure, cleaner sources of power, and more efficient use of electricity and fuels in order to cut global warming pollution. There is much work to be done in building smart solutions at a scale and speed that is bold enough to meet this gathering challenge.”²

High Risk?

IN THIS CURRENT FINANCIAL CRISIS, individual and institutional investors have experienced major losses and are reluctant to invest in unstable global financial markets. There are, however, dozens of innovative, locally owned and growing businesses that need the right kind of capital to help them reach the next level of growth in their operations.

Unfortunately, growth businesses in VSJF’s market sectors are often overlooked by traditional equity investors and banks as too risky because their growth potential or margins don’t meet certain benchmarks, or their collateral isn’t sufficient for traditional lending institutions. These types of companies may never be venture capital candidates, but they have good growth plans, positive cash flow, and add value to the Vermont economy by providing quality jobs, innovative products or services, and non-financial returns to the community.

VSJF sees an opportunity here. The VSJF is in the process of creating a **Flexible Capital Fund** that will take on higher financing risk in an intentional, flexible and strategic way and offer individuals, foundations and other investors the opportunity to invest local through an intermediary.

The VSJF Flexible Capital Fund complements and builds on emerging initiatives such as the “Slow Money Collaborative” – a network of investors interested in capitalizing an investment fund targeted towards *local* food system enterprises in Vermont, Northern California, and targeted regions in the U.S. (www.slowmoneyalliance.org/index.html). These kinds of initiatives are aimed at *relocalization*, *responsible investing*, and providing financial, social, and ecological returns to communities.

High Impact!

High impact investing – the idea that you can achieve financial, social, and ecological returns – provides opportunities for socially responsible investors to be part of something bigger. These investors are looking for a *trusted* intermediary to place their money with for a multitude of reasons – to conduct due diligence, leverage their money, and preserve working landscapes.

Yet, even as investors are looking for higher impact investment opportunities, there remains a real financing gap in VSJF’s core market sectors – sustainable agriculture and forest products, biofuels, renewable energy, environmental technology and waste reduction. Some growth companies in these sectors are having difficulty finding flexible capital that doesn’t impact their ownership structure (like equity or venture capital), or

² John Podesta, Center for American Progress, “Green Recovery: A New Program to Create Good Jobs and Start Building a Low-Carbon Economy,” September 9, 2008, http://www.americanprogress.org/issues/2008/09/green_recovery.html

constrain their cash flow in a way that will slow down their growth (like traditional debt). They're the "missing middle."

Such a Fund would make it easier for investors to keep their dollars local. And these businesses – with the right match of capital for their business model – can be the growth engine Vermont needs to move us towards a sustainable economy.

So in 2009, the VSJF will seek to raise capital (investment, grant and donations) to create a \$3.0 million loan fund for the purpose of providing flexible risk capital to Vermont growth companies in our market sectors. The VSJF Flexible Capital Fund will use financing instruments such as royalty financing (also known as "near equity") and subordinated debt that will, in turn, allow these companies to leverage additional financing without impacting ownership structure or constraining cash flow.

VSJF recognizes the important role that technical assistance and advisory services play in reducing the risk of any business investment. The VSJF has a proven CEO

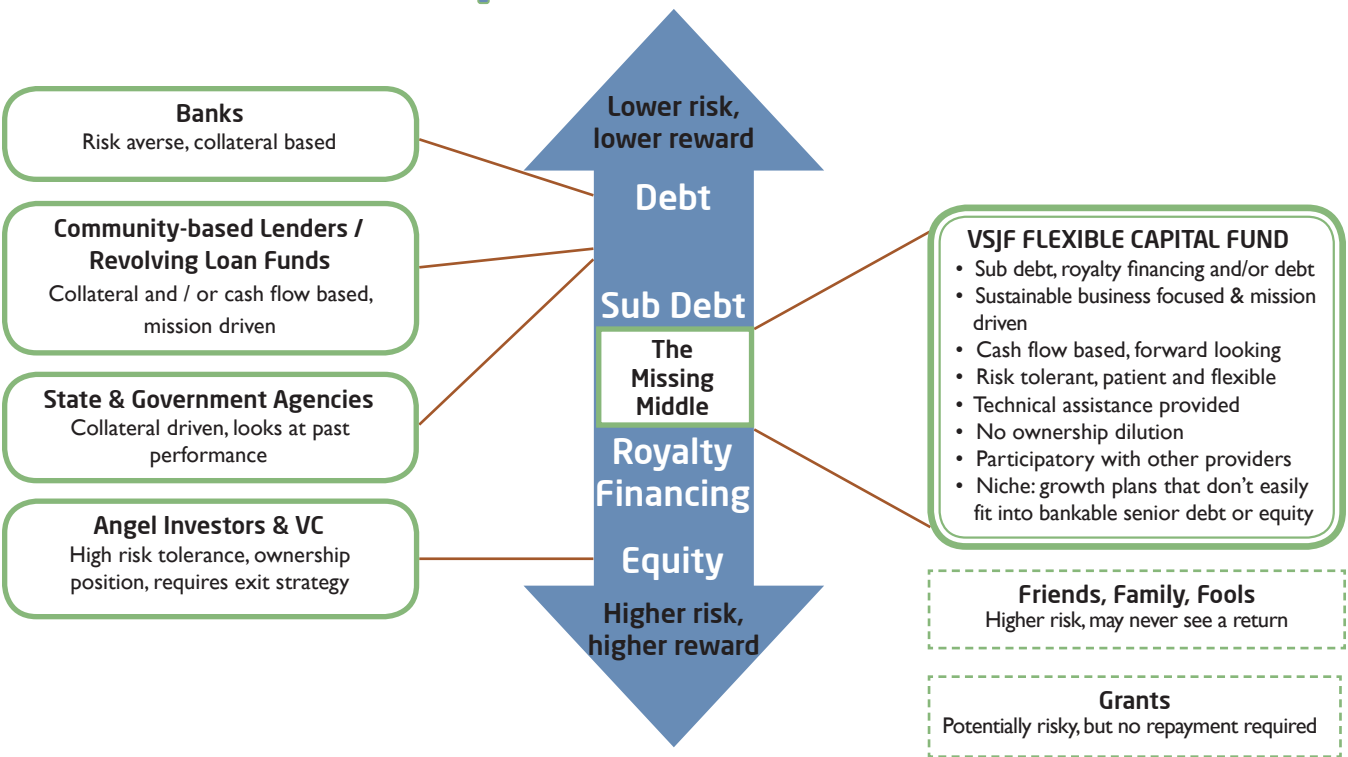
advisory service, the Peer to Peer Collaborative, that the Fund will leverage to provide technical assistance and an educational component to our investments.

VSJF cares about building sustainable markets. Our Fund will serve as a source of capital that can grow and be reinvested many times over through Vermont's natural resource businesses to help them grow further, faster. To learn more about the VSJF Flexible Capital Fund, contact Janice St. Onge, Deputy Director at janice@vsjf.org.

VSJF FLEXIBLE CAPITAL FUND Committee Members

- Ellen Kahler & Janice St. Onge
- Kevin Harper (Angel investor)
- David Lane (Deputy Secretary, Agency of Ag.)
- Dave Marvin (Butternut Mountain Farm)
- Ken Merritt (Attorney)
- Lawrence Miller (CEO, Danforth Pewterers)
- Tammy Newmark (President, Eco-Enterprise Fund)
- Jamie Stewart (Executive Director, Rutland Economic Development Corporation)
- Nancy Wood (Board Chair, VSJF)

Capital Continuum



Balance Sheet *

	FY 08 June 2008 (audited)	YTD FY 09 Dec. 31, 2008 (un-audited)
ASSETS		
Cash and Cash Equivalents	\$113,372	\$199,916 ³
Prepaid Expenses	\$ 1,093	\$ 0
Grants Receivable	\$ 16,498	\$ 73,455
Other Assets	\$ 6,739	\$ 10,545
Security Deposit	\$ 1,000	\$ 1,000
TOTAL ASSETS	\$138,702	\$284,916
LIABILITIES & FUND EQUITY		
Accounts Payable and Accrued Expenses	\$ 6,793	\$ 2,402
Deferred Grant Revenue ⁴	\$ 85,309	\$126,168
TOTAL LIABILITIES	\$ 92,102	\$128,570
Net Investment in Property, Plant & Equipment	\$ 6,739	\$ 0
Unrestricted Net Assets	\$ 39,861	\$156,346
TOTAL FUND EQUITY	\$ 46,600	\$156,346
TOTAL LIABILITIES & FUND EQUITY	\$138,702	\$284,916

At the close of FY08, the VSJF had \$138,702 in total assets with \$113,372 held in cash or as cash equivalents. Liabilities included \$85,309 in deferred (restricted) grant revenue from private sources to be used for future activities and grant making. VSJF's closing Fund Balance for FY08 was \$46,600, a decrease of -\$6,589 (-12.4%) over FY07.

Year to date FY09 un-audited assets and liabilities reflect receipt of a General Fund Appropriation of \$233,890 in July, 2008 (a 5% reduction over FY08). The VSJF serves as fiscal agent for a number of other non-profit organizations and are currently holding \$28,729 in fiscal agency funds and \$97,439 in restricted foundation funds that will be expensed over FY09 for specific projects. VSJF's overall financial position at the end of the first half of FY09 compared with the first half of FY08 is down 38,127.

* Copies of the VSJF Audited Financial Statement are available upon request.

3 Because the VSJF receives its General Fund Appropriation in one lump sum in August of each year, cash on hand at this time of the year is normally at this level. We manage our General Fund Appropriation to last the entire FY.

4 Deferred grant revenue represents funds held for other entities that the VSJF serves as fiscal agent for and restricted foundation revenue that the VSJF has received for specific programmatic or grant making projects.

Statement of Revenue, Expenses & Changes in Net Assets

	FY 08 June 2008 (audited)	YTD FY 09 Dec. 31, 2008 (un-audited)
<u>OPERATING REVENUE</u>		
Contributions	\$128,300	\$ 56,016
Federal and State Grants	\$108,465	\$106,692
Fees for Service	\$ 27,325	\$ 6,502
Miscellaneous Income	\$ 614	\$ 4,583
TOTAL OPERATING REVENUES	\$264,704	\$ 173,793
<u>NON-OPERATING REVENUE</u>		
State of Vermont Appropriations	\$246,200	\$233,890
Interest Income	\$ 9,564	\$ 2,880
TOTAL NON-OPERATING REVENUE	\$255,764	\$236,770
<u>OPERATING EXPENSES</u>		
Grants & Project Expenses	\$226,430	\$117,544
Staff Salaries, Benefits and Expenses	\$229,778	\$138,331
Board Expenses	\$ 3,023	\$ 1,294
Professional Fees	\$ 19,915	\$ 14,007
Other Office Expenses	\$ 47,911	\$ 29,639
TOTAL OPERATING EXPENSES	\$527,057	\$300,815
CHANGE IN NET ASSETS	(\$6,589)	\$109,748
NET ASSETS – BEGINNING OF YEAR	\$ 53,189	\$ 46,600
NET ASSETS – END OF YEAR	\$ 46,600	\$156,347

In FY08, the VSJF continued its efforts to build new markets in its core sectors and to provide technical assistance to growth stage companies by securing an additional \$264,704 from a variety of sources to augment our General Fund Appropriation of \$246,200. Total operating revenue for FY08 decreased by 22.7% while total operating expenses decreased by 10.6%. This leaves Net Assets (unrestricted fund balance) of \$46,600 compared with \$53,189 from the previous year (a decrease of 12.4%).

Total Income for the first half of FY09 was 26% higher than during the first half of FY08, largely due to new federal U.S. Department of Energy funding that has been awarded. At the same time, expenses have increased by 43% due to the addition of a new staff person to direct our *Vermont Biofuels Initiative* and due to increased grant making activity. The result is a 6% decrease in Net Income compared with last fiscal year at this time. Because of the new U.S. Department of Energy funding the VSJF has received, we will be making a number of new on-farm energy related grants in the second half of FY09.

Continued General Fund support of the VSJF in the FY10 budget will be critical if we are to maintain our momentum in funding innovative on-farm energy projects, support entrepreneurs and businesses within our designated market sectors, and contribute to the economic recovery of our state.



Vermont Sustainable Jobs Fund

Accelerating the Development of Vermont's Green Economy

New logo: Russell Branding, www.russellbranding.com