

Flexible Debt for Growing Companies

LIZ LOVELY, INC. | WAITSFIELD, WASHINGTON COUNTY | WWW.LIZLOVELY.COM

A year ago, **Liz Lovely Cookies**—a manufacturer of gluten free, all natural cookies—tried and lost on the TV show Shark Tank, but won big from the national publicity and uptick in sales—positioning them favorably to become the fifth investment in the expanding socially responsible investment portfolio managed by the Flexible Capital Fund.



Baking cookies and making profits in Waitsfield.

In 2013, the Flex Fund provided Liz Lovely with royalty financing to help them accelerate sales and increase production in their existing space at the Mad River Food Hub in Waitsfield—where they have served as the anchor tenant for a number of years. The Flex Fund saw great market opportunity, an experienced management team with good advisory capacity, and a strong mission fit. Liz Lovely had approached other investors with common stock offering, but they liked the idea of royalty financing—as it preserves their equity and decision-making abilities.

The company has a track record in creating jobs, adding six new employees in 2012, and another six employees in 2013. Through their continued support and mentorship of other small and emerging value-added agricultural businesses in the Mad River Food Hub, Liz Lovely is helping to advance the Flex Fund’s food systems goal of conserving and protecting agriculturally productive land in Vermont and the region.

“We began selling to large supermarket chains, and started to need more working capital to fuel the rapid growth in our business. Liz and I were reluctant to take on new equity partners, and we found that working with the Flex Fund was the perfect alternative. They have a vested interest in our success, they are aligned with our goals, and we were able to retain our existing equity. The Flex Fund is a unique and valuable opportunity for Vermont entrepreneurs!”

—Dan Holtz, Maverick CEO and Liz Holtz, President

VERMONT BUTCHER BLOCK & BOARD COMPANY | WILLISTON, CHITTENDEN COUNTY | WWW.VERMONTBUTCHERBLOCK.COM

The **Vermont Butcher Block & Board Company**—the Flex Fund’s sixth investment—is a manufacturer of high quality wood kitchen products and the second Vermont company to unsuccessfully make a pitch on Shark Tank.

Vermont Butcher Block saw a 299% five year increase in revenues, to just under a million dollars in 2011. But annual sales plateaued in 2012—primarily due to the lack of manufacturing space, inventory storage, and cash flow. They needed

bigger, more efficient space and equipment in order to grow. In 2013, the Flex Fund provided Vermont Butcher Block with a royalty loan to help with the relocation and expansion of the business, and provide much needed permanent working capital. Vermont Butcher Block sources wood that is responsibly harvested, demonstrating commitment to the preservation of Vermont and the region’s working landscape.

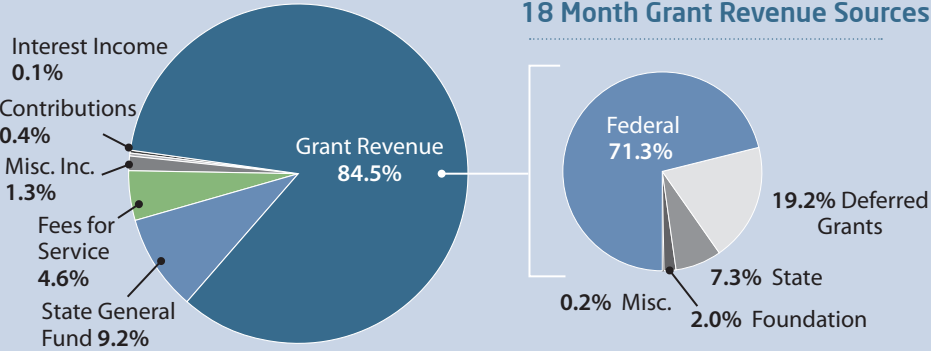
✉ To learn more about the Flex Fund, contact Janice St. Onge at janice@vsjf.org.



Vermont Butcher Block & Board Company.

FY13 + 2nd Quarter FY14 VSJF Revenues by Sources

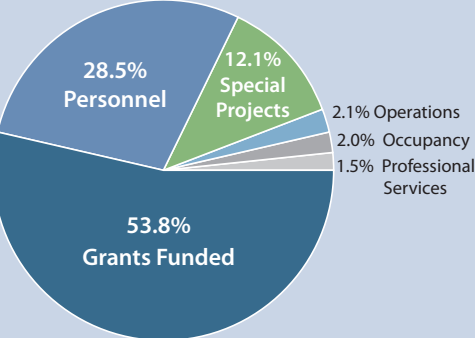
Total = \$3,580,390



Note 1: Federal Grant Revenue Sources include HUD-EDI funds and US Department of Energy Funds. Deferred Grants represent foundation funding received in previous fiscal year but expensed in FY13.

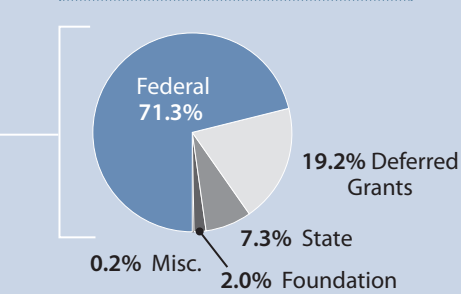
FY13 + 2nd Quarter FY14 Expenses by Category

Total = \$3,461,203



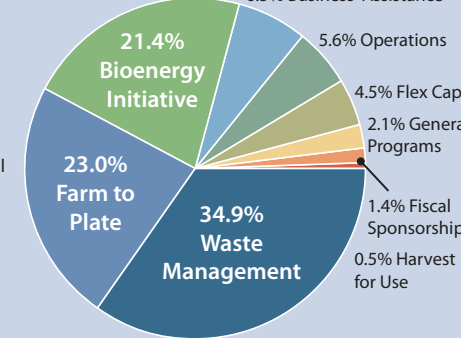
Note 2: Special Projects are expenses related to specific market development initiatives and/or are connected to specific grantee support services. Professional Services include accounting, audit and legal expenses.

18 Month Grant Revenue Sources



FY13 + 2nd Quarter FY14 Expenses by Initiative

Total = \$3,461,203



Vermont Sustainable Jobs Fund

www.vsjf.org

FY2013 ANNUAL REPORT AND ACCOMPLISHMENTS

FARM TO PLATE

VERMONT FOOD SYSTEM ATLAS

VERMONT AGRICULTURE DEVELOPMENT PROGRAM

FLEXIBLE CAPITAL FUND

PEER TO PEER COLLABORATIVE

VERMONT BIOENERGY INITIATIVE

RENEWABLE ENERGY ATLAS

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farm to plate Vermont's 10-Year Plan for Food System Development

In 2013, the Farm to Plate Network grew from 200 to 300 member organizations—including food system businesses, nonprofits, government agencies, educational institutions, and capital providers. The six Working Groups, six Cross-Cutting Teams, and 18 Task Forces have made significant progress this year in moving Vermont closer to achieving the 25 goals in the 10-Year Farm to Plate Strategic Plan. Below is a sampling of current projects under way through the Farm to Plate Network:

- To increase healthy local food options for Vermonters, the **Food Retailers Task Force** is working closely with the Vermont Department of Health's Healthy Retailers program to encourage small retailers to carry more healthy and local food in their markets (Goal 3).
- To better understand opportunities to increase the amount of local food sold in independent grocery stores, the **Supply & Demand Task Force** conducted a survey of country stores, convenient stores, and independently-owned grocery markets (Goal 13).
- To increase opportunities for food system education, the **Governor's Institute Task Force** led the first high school summer institute on food systems at **Vermont Tech**. The Task Force is helping to coordinate the second institute scheduled for July 2014 (Goal 16).
- To support existing producer and processor associations so they can better serve their members, the **Supporting Producer and Processor Associations Task Force** interviewed 16 associations to assess their funding and staffing needs and determine what actions are needed to make these associations more robust and effective (Goal 19).
- To promote viability and vibrancy of New England's value-added meat industry, the **Meat Processing Task Force**, led by the **Vermont Agency of Agriculture, Food & Markets**, has been building relationships within Vermont's livestock and meat processing industry and was featured as a model of success in a recent USDA report (Goals 7 & 11).
- The **Food Cycle Coalition Task Force** is working with the Agency of Natural Resources and the Agency of Agriculture to develop an action plan to meet the Act 148 Universal Recycling Bill organics goal of diverting 100% organics from landfills by 2020 (Goal 14).
- To expand community-based financing opportunities for food system entrepreneurs, the **Financing Cross-cutting Team** has formed a **Slow Money Task Force** to start Vermont's first Slow Money group. They hope to find opportunities to match individual investors with growing food system businesses in 2014.

The Farm to Plate Network continues to demonstrate regional—and national—leadership: In 2013, presentations were made to food system professionals from Boston MA, Providence RI, Buffalo NY, Knoxville TN, Memphis TN, St. Louis MO, Omaha NE, Douglas County KS, Albuquerque NM, Eugene OR, and the Puget Sound region, WA. Ongoing support and advice are provided to food system planning groups in the other five New England States.

✉ **To learn more about the F2P Network, contact Erica Campbell at farm2plate@vsjf.org or visit the Vermont Food System Atlas: www.vtfoodatlas.com.**



VERMONT AGRICULTURE DEVELOPMENT PROGRAM: Coaching Helps Businesses Reach Expansion Goals

In its third year of operation, the Vermont Agriculture Development Program (VADP) has expanded the scope of its venture coaching services to value-added forest products businesses in Vermont. Looking back, both the program and its clients have broken significant new ground:

- VADP has begun providing its executive coaching to businesses in the forest products sector, taking on **The Vermont Butcher Block Company** of Williston and providing business-planning support to **Vermont Wildwoods** of Marshfield.
- VADP is helping two critical food hubs, the **Vermont Food Venture Center** in Hardwick and the **Mad River Food Hub** in Waitsfield, as they become more effective business incubators and collaborators in the expansion of local food processing by small farms and enterprises.
- The program launched its Peer Roundtable Series that brings together past and present clients, along with VSJF's Flexible Capital Fund portfolio companies, to discuss common issues such as employee ownership, sales and marketing challenges, and shared experiences while managing physical expansions.
- Successful client expansions include: First-year client **Freedom Foods** is overseeing the construction of an 18,000 square foot co-packing facility in Randolph; **The Royal Butcher** has nearly doubled its capacity and is operating a new small animal processing line in East Braintree; **Champlain Orchards** in Shoreham won a \$75,000 Working Lands Enterprise Fund grant and is investing more than \$150,000 in additional capital to install a second juice processing line to support burgeoning hard cider demand; **Eden Ice Cider** moved to Newport to anchor the NEK Tasting Center, a lynchpin of that community's downtown revitalization effort; **Vermont Butcher Block** has moved out of the home into 4,000 square feet of new manufacturing space in Williston, just as **Aquavitea Kombucha** has done in Bristol; both **Westminster Organics** in Westminster and **Pete's Greens** in Craftsbury purchased additional land and between them are preparing more than 300 new acres that will soon be certified for increased organic vegetables production.
- Additionally, clients are utilizing existing facilities more efficiently: **Sugarsnap** in South Burlington won the exclusive contract to cater events at the Echo Center on Burlington's waterfront, bringing fresh local products to corporate and private events large and small; the **Green Mountain Organic Creamery** in Hinesburg recently secured funding from VEDA to expand into glass bottling and offer a new range of flavored organic milks (Watch out Starbucks!); and **Vermont Soy** is now co-packing Montreal-based Soyummy's pudding line, keeping its Hardwick production line operating daily.

VADP's personalized support seems to be working, as their activity is translating into higher revenues and profits, more living wage jobs, increased tax receipts, and most importantly, more resilient working lands enterprises.

✉ **To learn more about the Vermont Agriculture Development Program, contact John Ryan, vadp@vsjf.org.**

VSJF could not continue without the generous support of our many funding partners including:

Castanea Foundation | Claniel Foundation | Clean Energy Development Fund | Green Mountain Coffee Roasters | Henry P. Kendall Foundation | High Meadows Fund | Jane's Trust | John Merck Fund | US Department of Energy | US Department of Housing & Urban Development | Vermont Agency of Agriculture, Food and Markets | Vermont Agency of Commerce | Vermont Agency of Education | Vermont Community Foundation | Vermont State General Fund | Anonymous (1)

Fostering a Viable Bioenergy Sector in Vermont

In 2013, VSJF launched a new website for VBI built around the 10-part video series, called **Bioenergy Now**. The educational website shows students, teachers, farmers, and entrepreneurs the people leading VBI and how they are forging connections between diversified agriculture and renewable energy production. The site is rich in resources, including links to relevant on-line information, reports, and an image gallery.



Sarah Galbraith and Jon Satz at Otter Creek Biofuels (Brandon)

The following are highlights of VBI activities in 2013:

- Farm Fresh Fuels continued for a second year in which 10 farmers planted sunflowers in Grand Isle to produce biodiesel. This program continues to investigate the logistics of sharing resources across multiple farms for planting, harvesting, and processing.
- 26 tons of high protein sunflower meal (a co-product from the oil extraction) from VBI grantees will be used as an animal feed ingredient or soil amendment.
- VBI hired an engineering firm to review the state of the science of grass energy for Vermont and to lay out strategic next steps for this program.

✉ **To learn more about the VBI, contact Sarah Galbraith, sarah@vsjf.org, or visit the Vermont Bioenergy Initiative website: www.vermontbioenergy.com.**



The state's first mixed-substrate anaerobic digester is about to become operational at Vermont Tech in Randolph. The facility is being constructed by Bio-Methatech of Quebec using technology from Lipp of Austria. The project will send electricity to the grid and provide a portion of the heat needed on campus. Funding for this project has been made possible by the VT State Colleges and US Senator Patrick Leahy from funds secured from the US Department of Energy. VSJF is administering the US DOE funds on behalf of Senator Leahy.

Learn more at: <http://digester.vtc.edu/>

VSJF also provides fiscal sponsorship services for Energy Action Network, the Food Hub Management Program, DairyVision, and the Hunger Mountain Food Coop Fund.