HISTORY OF THE CORPORATION

The Addison County Economic Development Corporation was officially chartered on November 8, 1991 as a not for profit Vermont Corporation. As such it is a wholly owned subsidiary of the Addison County Chamber of Commerce. The By Laws (see attached) clearly spell out the purpose of the Corporation to be consistent with the responsibilities of a Regional Development Corporation as outlined in Sec 2. 24 V.S.A. 2781.

ACEDC evolved out of Addison County regional economic development activities that formally began with the chartering and start-up of Otter Creek Development Corporation in 1985. Otter Creek Development represented all Addison County towns with the exception of Hancock and Granville which are located on the other side of Breadloaf Mountain.

As a start-up Otter Creek had focus problems and turnover in its executive director position. It shared office space with the Addison County County Chamber of Commerce, and the fledgling organization received help and loans from ACCOC from time to time. It became apparent that Otter Creek was going to have continuing problems raising money unless it totally separated itself from the Chamber and in essence became a competitor for membership and fund raising dollars. This was not deemed to be acceptable considering the county's small economic base at the time.

In June of 1988, after months of discussion both corporations agreed to and consumated a friendly merger. Economic Development activities were carried out by a full time manager who reported to the Chamber Executive Director. A committee of the Chamber provided goals and oversight for the development activity.

The combination solved some of the funding problems, but with the advent of the 3rd development manager, it became clear that the work of economic development needed to be separated from the work of the Chamber. In early 1990 the development committee convinced the Chamber executive committee to have the development manager report directly to the development committee.

Work began in April 1991 to separate economic development work more completely from chamber work. This resulted in the creation of the Addison County Economic Development Corporation in November of 1991.

Another new director was hired in March of 1992, and with all of the organization issues resolved for the time being, the work of Economic Development received top priority. Unfortunately, by the end of August, the new director resigned for personal reasons.

Bill Kenerson, who was just coming off 19 months duty as Commissioner of Economic Development for the State of Vermont was assigned to the position as acting director for ACEDC on September 15, 1992. He continued in that role until December when he accepted the ACEDC director position on a full time basis.

Kenerson was a welcome replacement. He brought with him not only the experience as Commissioner in planning and implementing economic development programs State-wide, but also the knowledge of how State agencies operate. His many contacts throughout the State will also be of benefit to ACEDC. Since he has been on the job he has led efforts to expand the Board of Trustees from 10 to 15, has further developed the funding sources for the Corporation, and has encouraged the Corporation to develop a revolving loan fund.

LOAN FUND RATIONALE

Addison County is missing an important tool to help with its economic development activities. It does not have a county-wide loan fund, and it badly needs one to support its small employer base. Addison County has only one major manufacturing employer. Of the seven largest employers, one is a college, three are part of national companies, one is foreign owned and two are locally based. The remainder of its businesses are small. The future growth in manufacturing jobs in the county is forecast to come from the small employers. Care and feeding of our current bvusinesses and assistance to newly forming businesses is therefore critical to job growth. Small businesses, and particularly start-ups have more than their share of financing needs.

If ACEDC had a revolving loan fund it would be better able to:

<u>Create Jobs</u> - The county has lost more than 1000 manufacturing jobs over the past 4 years. Our RLF will have job creation and retention as major loan criteria to help replace these lost jobs.

<u>Help Small Businesses</u> - Banks tend to prefer dealing with larger loans since almost the same effort is required to investigate small requests for loans as for large requests. The bank's profitability is greater with the larger loans.

<u>Encourage Bank Participation</u> - Small businesses, particularly start-ups, typically have more risk than most banks want to accept. An RLF can accept some of the higher risk, allowing the bank to participate in the needed loan.

React To Small Business Needs Directly - Banks today are very tightly regulated. Being well capitalized with a good P & L is very important to a bank's well being. This makes banks shy away from risk, keeping many small businesses from cash needed to operate.

Banks, today, seem more oriented toward cash flow lending rather than asset based lending. The banks need to see that the loan can be repaid. Cash flow is most always a problem with new, small businesses.

Addison County while blessed with several bank operations, has only two local banks, and both of them are small and conservative. The branches of the larger banks have home offices outside the county, and in many cases do not identify with the needs of the small businesses in the area.

The following are examples where a county-wide RLF would be of great value. The names of the companies and their locations will not be used:

1. Small metal fabrication business that is located in a garage has recently developed new products that are greatly expanding the business base. Company has had some repayment problems during this recession, and local bank branch is not really interested in helping. Business needs approximately $25,000 to relocate its operations and add new equipment. Company would be a likely RLF candidate, and with the RLF involved, the branch bank would probably participate.

2. Start-up electronics company has 10 employees. It has developed new orders that require some new equipment. Currently has working capital needs in the $20-25k range. Several new employees could be added if cash were available to finance inventory to support orders and purchase new equipment.

3. Clothing manufacturer needs to relocate and add new equipment. Doesn't have long enough track record or high enough capital needs to be of interest to banks. RLF loan would help to create more jobs and help this business grow.