

Vermont Community Loan Fund

2011 ANNUAL REPORT TO THE COMMUNITY

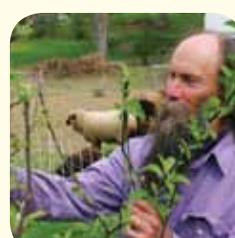
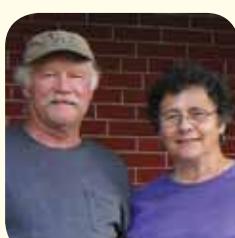


**Celebrating 25 Years of Making Money Work
in Vermont, for Vermont.**



OUR MISSION:

The Vermont Community Loan Fund transforms Vermonters' lives by providing equitable access to capital for affordable housing, community facilities, child care providers and small businesses.



investinvermont.org

(802) 223-1448

Dear Friends,

Twenty-five years ago, the Loan Fund's founders envisioned an organization that would put capital in the hands of those who couldn't get it anywhere else, for the benefit of those who needed it most. They wanted a tool for Vermonters' money to do good work right here at home, a way for our money to coexist with our values.

Twenty-five years later, that vision has clearly come true. VCLF's core values — social and economic justice, the power of community — are stronger than ever. They've guided us every step of the way as we've lent over \$70 million, financed the construction and rehabilitation of 3,000 affordable homes, created or preserved 3,900 quality jobs and 2,900 child care slots and provided vital community services to hundreds of thousands of Vermonters.

Our work requires us to focus on the present and future: our borrowers' and investors' changing needs, the strength of our loan portfolio, the changing socio-economic landscape. We rarely stop to take a look back into the past, so that's what we'd like to do with this, our 25th anniversary annual report.

In these pages, you'll find the stories of some of our past successes, loans we've made to emerging businesses and organizations that have gone on to do great things. We're proud of all our borrowers' success and good works, and grateful that we could play our part in helping to make it happen.

The Loan Fund's future is bright. We're making more loans and supporting our borrowers with more training and resources than ever. We're helping more Vermonters than ever to achieve their philanthropic and investment goals by putting their VCLF investments, large and small, to the best possible use in the community. We're continuing to expand our reach into lending for energy efficiency and renewable energy, housing with supportive services, child care for working families, health care for healthy communities...as always, we're going where we're needed. The landscape changes, but our values endure.

Thank you for your support for the Loan Fund over the past 25 years. Borrowers, investors, donors, allies and friends — we wouldn't be celebrating this milestone without you. We'll be celebrating throughout the year with small events recognizing individual borrowers around the state, as well as a larger event this fall, September 27, at The Ponds at Bolton Valley (invitations will be out soon). We hope we'll see you in 2012, and that you'll continue to be a vital part of our work for the next 25 years and beyond!



William Belongia



Elizabeth Glenshaw

William Belongia, Executive Director

Elizabeth Glenshaw, President

Twenty-five years ago, the Loan Fund's founders envisioned an organization that would put capital in the hands of those who couldn't get it anywhere else, for the benefit of those who needed it most.



Open for Business: Small Business Lending

In 1994, VCLF created the Small Business Loan Program to support the many small businesses in our state that, in reality, provide the majority of Vermont jobs. In 2011 alone, VCLF's business borrowers used their loans to start new corporations, expand manufacturing facilities, grow retail operations, agricultural and tourism businesses and more. Many of our borrowers' businesses are located in village and city centers, thereby contributing to the revitalization of historic downtown districts.



2011 Business Lending Highlights:

- Loaned **\$1,869,985** to **19** Vermont micro- and small businesses.
- Leveraged **\$879,314** in additional project funding.
- Created or retained jobs for **347** Vermonters.

Quality Care is Elementary: Child Care Lending

Since our first child care loan in 2000, VCLF has been committed to promoting high-quality, affordable and accessible child care. We believe that education and development of Vermont's youth is at the core of our mission to build Vermont's future. We believe that a parent's ability to access quality child care is essential — so they can be part of Vermont's workforce, and provide a better quality of life for their children.

In working closely with our child care program borrowers, we've learned a lot, too. Our borrowers come to us with specific technical assistance needs and questions, regarding program development, and the business-related challenges of running a busy facility. We've responded with a no-fee service called Project SUCCESS that provides training in running a thriving, quality child care business of any size. We also administer the Vermont Birth to Three grants program and partner with the Vermont Department for Children and Families to manage the Building Bright Futures Facilities Fund.

2011 Child Care Program Highlights:

- Loaned **\$780,764** to six Vermont child care programs, leveraging **\$116,500** in additional project funding.
- Created or retained slots for **221** children and jobs for **83** child care providers.
- Provided comprehensive technical assistance to **110** child care providers.

Building Bright Futures Fund

In partnership with the Department for Children and Families, the Building Bright Futures Facilities Fund was created in 2002 to increase the quantity and improve the quality of child care facilities throughout Vermont.



Funded by a special-issue Vermont license plate, donations and state appropriations, BBFF grants can be used for real estate purchase, facility construction or renovation, and pre-development costs.

To date:

- **76** Vermont child care programs and centers have received grants.
- Over **2,700** children have benefited from this initiative.
- **5,860** BBFF license plates have been sold, generating over **\$117,000** for child care facilities.



1987

VCLF is incorporated.

1988

Nancy Wasserman hired as first fund manager (later executive director).

1st loan — \$5,075 to the Brattleboro Area Community Land Trust.

1991

Launched Community Facilities Loan Program.

1994

Launched Small Business Loan Program.

1996

Certified by the U.S. Dept. of Treasury as a Community Development Financial Institution (CDFI).

Welcome Homes: Affordable Housing Lending

Home. It signifies stability, security and comfort. And it is a financial foundation for any family. Unfortunately, Vermont ranks lowest in the nation when it comes to home ownership vacancy rates; it's literally harder to find an affordable home here in Vermont than anywhere else. For 25 years, we've worked with affordable housing developers to improve Vermont's affordable housing quality and availability.

VCLF provides financing for projects to construct affordable housing for lower-income Vermonters and other vulnerable populations. Our projects include single- and multi-family housing ranging in size from one unit to 100.

2011 Affordable Housing Lending Highlights:

- Loaned **\$2,475,000** across nine organizations, to create safe, affordable homes throughout Vermont.
- Leveraged **\$4,273,932** in additional financing through our loans.
- Built or rehabilitated homes for **132** lower-income families, seniors and individuals.
- Created or preserved construction jobs for **145** Vermonters.

It Takes a Community: Community Facilities Lending

The Loan Fund collaborates with local and regional partners to build and bolster vital community resources such as recreational centers, rural health clinics, arts organizations and more. With the goal of enriching and revitalizing our Vermont cities and towns, we lend to non-profits that benefit local communities and improve the quality of life in Vermont.

2011 Community Facility Highlights:

- Loaned **\$1,999,500** to three Vermont community-based organizations.
- Leveraged **\$1,607,500** in additional project funding.
- Provided financing to **three** organizations that together serve **1,324** Vermonters a year.

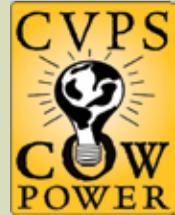


We lend to non-profits that benefit local communities and improve Vermonters' quality of life.



CVPS Cow Power

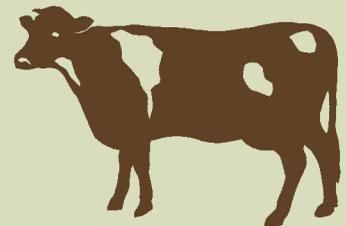
VCLF manages Central Vermont Public Service's Renewable Development Fund to support the generation of "Cow Power" — using methane from manure to create a renewable source of electricity, benefitting farmers, consumers, and the environment.



www.cvps.com/cowpower

To date:

- VCLF has awarded CVPS Cow Power grants to **14** farms throughout the state; grantees have converted their total farm waste methane into **15,500,000 kWh** of electricity annually.



1998

\$4.8 million under management; closed 30 new loans totaling \$1.4 million.

1999

Received \$1 million capital award from the U.S. Dept. of Treasury's CDFI Fund.
Dick Mansfield hired as executive director.

2000

Launched Child Care Loan Program.
Made first \$1 million loan.
\$10 million under management.

2003

Received first appropriation from the Vermont Legislature to create and administer the Building Bright Futures Facilities Fund grants.

Windham-Windsor Housing Trust

The year was 1987, a big year for both VCLF and the Brattleboro Area Community Land Trust (BACLt). In fact, both organizations were ‘born out of’ the very same transaction; the first loan VCLF ever made, 25 years ago, was to BACLt. The rest, as they say, is history.

BACLt’s Executive Director, Connie Snow, remembers the transaction. She was there when three Brattleboro buildings, home to low-income families, were about to be torn down to make room for a mini-mart. “It was right in the middle of a spike in housing prices, and Brattleboro was about to lose the only affordable housing it really had.”

The structures were saved, in effect, by the formation of BACLt, which took out a loan from VCLF to purchase them. The buildings were rehabbed extensively and provide, to this day, 14 units of affordable housing.

And so a long and fruitful partnership was born. In the years since, there have been several VCLF loans to the organization.

“Back in 1987, our original focus was on Brattleboro,” says Snow. “Our mission was to hold land and housing in trust to create affordable housing for the Brattleboro community.” And that they did, confronting escalating prices of local real estate and the resulting affordable housing crisis with a series of home rehabs, transforming hundreds upon hundreds of lives.

While Snow felt that the organization made important strides to alleviate the housing crunch in Brattleboro, she and her coworkers were aware of the extreme needs beyond that location, throughout Windham County, and into neighboring Windsor County as well. So in 2003, they expanded to become the Windham-Windsor Housing Trust (WWHT).

Their housing portfolio now includes efficiency apartments, a mobile home park, condominiums, single-family homes, senior housing, housing for formerly homeless mothers with children, service-enriched housing, special housing for the deaf, for persons with disabilities, and persons living with HIV/AIDS.

As capacity grew, so did services and staff. From just one employee (“Me,” says Snow, laughing) WWHT added staff to manage and maintain properties, and set up a second office in Springfield which serves as their Home Ownership Center, providing home buying education and counseling.

“We realized there was a need for supportive services like putting together a budget, helping tenants with supervising their children, and housekeeping,” Snow explains.

And there is the constant need, Snow emphasizes, to come up with new solutions and more housing. “The statistics are — two out of three low-income Vermonters still don’t have access to affordable housing. We knew that in addition to restoring existing properties, we had to build, to add to the housing stock,” says Snow.

Thus, the work continues, as does the partnership with the Loan Fund. A current project with VCLF is a source of optimism and excitement for Snow. “It’s going to be phase two of a village project in Guilford,” she says. The project involves several properties, some of which were rehabbed in phase one, and the upcoming development of two new buildings with 17 new affordable apartments.

“We’re excited,” Snow says, “and we couldn’t do it without VCLF.”

“There is the constant need to come up with new solutions... The statistics are — two out of three low-income Vermonters still don't have access to affordable housing.”



Community Health Centers of Burlington



At the Community Health Centers of Burlington (CHCB), Executive Director Jack Donnelly and Community Relations Director Alison Calderara are happily seated amidst a sea of half-unpacked boxes — thirty-six thousand square feet of half-unpacked boxes, to be exact.

CHCB has just relocated to its brand new home at 617 Riverside Drive, in Burlington. After three years of planning, fundraising, and construction, the new center is ready to serve a patient base that has soared to 14,000 — or 550 patient visits per day.

From its humble beginnings in a tiny storefront in Burlington's Old North End four decades ago, CHCB's progress is arguably one of the most impressive community health care success stories in the country.

The People's Free Clinic, located on North Street, was founded in 1971 with a mission to serve patients regardless of their ability to pay. As groundbreaking as that concept was, perhaps even more remarkable was the fact that the original clinic was staffed entirely by volunteers.

By the end of their second year, the clinic had become so busy that 50 patients per week were being seen and treated. As the patient base grew and grew, the clinic changed its name to the Community Health Centers of Burlington to reflect its expanded vision and mission to the larger community.

But a larger community required a larger space. Enter the Vermont Community Loan Fund, which believed in the Center's mission and in the vital importance of its health care services.

"The clinic had grown so quickly, it was bursting at its seams," recalls Brian Pine, Housing Director for the City of Burlington. "They needed support, and the Loan Fund got involved to help with the expansion."

Calderara recalls the details of the loan. "The facility needed room for administrative space upstairs in the building," she remembers. "VCLF was committed to our mission, and that was what mattered to them."

That expansion was only the first of many. In 1989, CHCB was awarded a federal Health Care for the Homeless grant. In 1993, CHCB was designated as Vermont's second Federally Qualified Health Center, which ushered in a significant expansion of services including social work, a prescription assistance program, an obstetrical and prenatal program, the region's first paid professional staff interpreter, and a new sliding-scale payment plan. By 2001, another expansion was in the offing, resulting in the construction of CHCB's 10,000 square foot main facility on Riverside Avenue.

Next followed the CHCB Pearl Street Clinic, offering primary and preventive health care, dental care, mental health and substance abuse counseling to homeless persons and at-risk youth, and Housing First, which provides housing for homeless patients with chronic medical conditions.

Next, a dental center was added to the Riverside location, and in 2002, behavioral treatment services were added. The staff of 135 now provides an estimated 55,000 patient visits per year. Patients include refugees, for whom there is a special translation service that can translate from 22 languages. Medicaid patients, the uninsured, the underinsured, the low-income and homeless make up a significant portion of the patient base.

CHCB's Executive Director Jack Donnelly sums it up: "Once we had so little space. Now, we have the Safe Harbor Center which does dental and medical. We have the Pearl Street Youth Center for those aged 26 years and under. We do outreach to family shelters, onsite, and we have nurses going to homeless camps, and outreach at the Howard Center. With this new facility, it's a whole new phase."

Small Business Lending

Cavendish Game Birds, Springfield

CGB employs 14 people and markets roughly 7,500 quail per week to distributors selling to the upscale restaurant/hotel trade. CBG used their VCLF loan to consolidate accounts payable, allowing for interest savings and early payment discounts. www.vermontquail.com

Encore Redevelopment, Burlington

ER, a developer of solar and wind energy, used VCLF financing to construct solar arrays on the roofs of two schools in the Burlington School District, producing renewable energy to sell back to Burlington Electric Co. www.encoredevelopment.com

Fat Toad Farm, Brookfield

A farmstead processing plant for goat's milk caramel and chevre cheeses, FTF used a VCLF loan to pay off a credit line, affording continued employment for their principals and three interns. www.fattoadfarm.com

The Great Outdoors of Vermont, Killington

GOV used a VCLF line of credit to purchase inventory for the 2011/2012 ski season. This loan led to a commitment from the VT Economic Development Authority for a three-year loan to purchase inventory, rental equipment and software. www.greatoutdoorsvermont.com

Grow Compost of Vermont, Waterbury

This compost producer used a VCLF Ag-Tourism loan to build farm/business infrastructure and to develop and market reusable compost bags, which are projected to increase sales while reducing waste. www.growcompost.com



Harry's Hardware, Cabot

Harry's, which has stood on Main Street in Cabot for over 100 years, used a VCLF loan to restructure existing debt, which helped reduce their monthly expenses.

Hudak Farm, Swanton

An operating farm for nearly four decades, HF used VCLF financing to expand compost production on their farm property in St. Albans. The expansion will increase production by 400%. www.hudakfarm.com

Intervale Center, Burlington

The Intervale Center, which provides education and entrepreneurial opportunities in sustainable agriculture, used a VCLF loan for a cash reserve that provided a cushion for the seasonality of program revenues and fundraising proceeds.

www.intervale.org



Knight Industries, North Clarendon

Knight Kitchens, designer and manufacturer of custom cabinetry, used a VCLF loan to rehire ten employees laid off the previous year, thereby recreating jobs, addressing backlogged orders, and moving sales forward. www.knightkitchens.com

Liquid Glass, Lyndonville

Following an increase in purchase orders, this designer and manufacturer of metal and glass body jewelry used a VCLF loan to add inventory and build sales.

www.liquid-glass.com

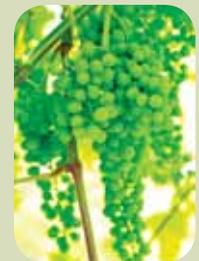
Mad River Rocket Company, Warren

MRRC promotes affordable, healthy, family outdoor activity with their high-quality sleds. They used VCLF financing to pay for part-time consulting fees that could lead to an expansion of the business, and new hires for the subsequent winter season. www.madriverrocket.com



North Branch Vineyards, Montpelier

NBV, having previously purchased vines from other suppliers, was ready in 2011 to start their own; they used a VCLF loan to purchase vines and equipment. www.northbranchvineyards.com



Outdoor Gear Exchange, Burlington

OGE, a retailer specializing in quality technical outdoor equipment and clothing, has been a leader in their commitment to providing quality jobs and a livable wage. They used a loan to help finance their move to a new, expanded retail location on Burlington's Church Street. www.gearx.com

2004

Began partnership with CVPS to administer funds for their Cow Power farm-based, renewable energy program.

Will Belongia became executive director.

2005

More than \$45 million in total lending since inception.

2006

Made first alternative energy loans to Gas-Watt Energy Systems and Draker Solar Systems.

2007

\$21 million under management.

Snow Farm Winery, South Hero

SFW used VCLF financing to start a joint venture with successful Vermont restaurant chain the Skinny Pancake, which will have a presence at the farm. The loan also helped fund the vineyard's expansion. The vineyard now employs five full-time and five part-time workers. www.snowfarm.com

Trans-Care Ambulance Service, Essex Junction

A provider of non-emergency ambulance transportation, TCAS opened in response to inadequate ambulance services in Chittenden County. They used a VCLF line of credit to finance accounts receivable and used a loan to purchase an additional wheelchair van. www.transcareamb.com

Turkey Hill Farm, Randolph Center

THF used a loan from VCLF to purchase equipment including a new walk-in cooler that provides increased product storage; the loan was also used to support on-farm sales of yogurt and other THF farm products. www.turkeyhillfarmvt.com

Vermont Compost Company, Montpelier

VCC makes organic compost, enhances local organic food production capacity, and educates about soil ethics and sustainable business practices. VCC extended their existing VCLF loan and refinanced a small mortgage.

www.vermontcompost.com

Vermont Smoke and Cure, Hinesburg

This central Vermont meat processor used a VCLF loan to restructure an existing line of credit — part of a financing package which enabled VSC to relocate to a new facility in Hinesburg that tripled the size of their previous facility, and created thirteen new jobs. www.vtSmokeandCure.com

Child Care Lending

ABC's Childcare Center, St. Johnsbury

ABC's used a VCLF loan to develop their new child care facility, creating 28 new child care slots and seven new jobs.



Community Kids Preschool Center, Fair Haven

CKPC used VCLF financing to cover the cost of installing a new fire protection system. CKPC serves up to 50 children, ages two to 12 years, offering preschool child care and after-school care.

Kingdom Montessori School, Lyndonville

KMS used a loan from VCLF to purchase the property at which the school operates and to consolidate existing debt.

Little Feet Children's Center, East Thetford

This STARS-rated child care center used a VCLF loan for the purchase and renovation of their new home. Little Feet now serves 20 children and employs four staff.

Suzu's Little Peanuts Preschool, Springfield

This for-profit, full-day, full-year, 5 STARS-rated child care facility borrowed from VCLF to finance an expansion for an infant/toddler program. The first of two loans was used to purchase real estate and make facility improvements; a second loan covered additional renovation costs.

Round Hill Kids, Hyde Park

RHK, a 3 STARS-rated child care center, used a VCLF loan to consolidate debt and reduce monthly debt service. A second loan provided capital to support serving families receiving state child care subsidies.

Housing & Community Facilities Lending

Addison County Community Trust, Vergennes

A VCLF loan helped fund the purchase of a mobile home and relocate it to the ACCT-managed Otter Creek Mobile Home Park in Vergennes. www.addisontrust.org

Addison County Community Trust, Williston/multiple sites

ACCT used two VCLF loans to finance the rehabilitation and relocation of two modular classrooms into six single-family affordable homes. The units were relocated from the Allen Brook School in Williston to mobile home parks in Starksboro, Bristol, Middlebury, Vergennes and Huntington. www.addisontrust.org

Capital City Housing Foundation, Montpelier

CCGF used VCLF financing to cover pre-development and due diligence costs for construction of 14 subsidized residential units of senior housing on Montpelier's Barre Street.



Champlain Housing Trust, Burlington

This loan was used to renovate an existing four-unit apartment building into a 16-bed group home for severely mentally ill adults, which is managed by the Howard Center. www.champlainhousingtrust.org

Gilman Housing Trust, multiple sites

GHT provides 670 units of affordable housing to families throughout the Northeast Kingdom. They used a loan for permitting, inspection and other pre-development costs across four separate sites. www.myvthome.org

Hedding Drive HLP, Randolph

HDH used a loan from to refinance capital improvements to 16 affordable homes; these improvements focused largely on energy efficiency.

Housing VT/Southview HLP, Springfield

HVT used a VCLF loan to finance energy efficiency improvements to 69 affordable homes, creating 76 construction jobs. www.hvt.org

King Street Neighborhood Revitalization Project, Burlington

KSNRP's loan covered rehabilitation and repairs to an 11 unit apartment building in downtown Burlington. In addition to providing affordable housing for Section 8 qualifying tenants, the project created 12 construction jobs.

Lake Champlain Community Sailing, Burlington

LCCS provides educational and recreational opportunities focusing on Lake Champlain, promoting environmental stewardship. They used a VCLF line of credit to purchase additional equipment. www.communitysailingcenter.org

Laraway Youth & Family Services, Johnson

This provider of family support and alternative education for at-risk youth used a VCLF loan to help with debt restructuring related to the construction of their new, updated facility. www.laraway.org

Rutland County Parent Child Center, Rutland

RCPC, a community organization that provides job training, parenting and nutrition education to young and expectant mothers, used a VCLF loan to purchase transitional housing for at-risk youth and young mothers. www.rcpcc.org

Outdoor Gear Exchange

In 1993, Outdoor Gear Exchange (OGE) was a small start-up business with a big idea — owner Marc Sherman would sell high-quality new, used and discounted technical outdoor equipment, accessories and clothing to the sizeable and growing number of outdoor sports enthusiasts in the Burlington area and beyond. Customers could even trade or consign their used gear.

The big idea grew.

Customers responded, sales jumped, and OGE decided to focus on the demand for new rather than used merchandise. Increased sales led to increased inventory; within its first five years, OGE had expanded its retail square footage by 500%.

With the level of growth now clearly indicating a need for additional working capital, Sherman set out to find financing.

“I met Will (Belongia, VCLF executive director) at a Vermont Businesses for Social Responsibility training session on small business funding,” Sherman recalls. While traditional banks were hesitant to lend to this relatively new business, Sherman remembers Belongia’s strong interest in OGE.

“VCLF sees value in socially and environmentally responsible businesses,” Sherman says. “Will focused on our strengths more than our challenges.”

Among those strengths, as a socially responsible employer, OGE offers an employee-funded retirement plan, medical and dental benefits, career training, profit-sharing and more. OGE jobs offer a livable wage and other benefits that align with the Loan Fund’s goals of creating quality jobs and transforming Vermonters’ lives.



“Marc’s commitment to his employees, to building jobs and careers has been a huge success,” Belongia says.

The first loan from VCLF helped with inventory at a critical juncture. By 2005, both sales and staff had jumped again.

Over the next six years, additional loans would follow, each helping expand OGE, step by step, leading to larger and larger retail spaces and opportunities.

“At the beginning, we had two and a half employees; now we have 90. And since 2003, sales have increased between 500% and 600%” Sherman notes. Those numbers, he says, correlate exactly with the infusions of support from the Loan Fund. “The number of jobs we have created absolutely links to the support from VCLF,” he adds.

Today, the new Church Street location attracts hundreds of shoppers per week. The 2011 holiday season saw a bump in sales of approximately 20%. And employee retention, perhaps the best indicator of a valued employer, is remarkable. The average length of employment for staffers is six years — nearly unheard of in the retail world.

“Traditional banks looked backward,” Sherman says, recalling his first attempts to find financing. “They looked at the challenges we had faced. But VCLF looked forward. They saw what we could become.”



Suzy's Little Peanuts



To chat with Susan Coutermarsh is to get just a quick glimpse of her active, high-energy days. Children laugh excitedly in the background and she rushes to the phone, catching her breath as she answers. The founder and Director of Suzy's Little Peanuts Child Care Center in Springfield, Coutermarsh is not one to slow down.

Since 1999, when Coutermarsh opened her first home daycare, she quickly realized that to make the business stand on its own, she'd need to expand it to a licensed center with increased capacity. She met with the Loan Fund's Director of Child Care Programs, Hope Campbell. "Hope went through everything with me, helping me figure out funding, budgeting, the remodeling process, getting licensed, all of it," Coutermarsh recalls.

That first VCLF loan bolstered Suzy's Little Peanuts Child Care in many ways. "I've always been committed to serving our community," Coutermarsh says. Early on, Suzy's Little Peanuts enrolled in the STARS quality recognition program. "Hope helped me out with that, too," she recalls, "and we got up to a four-star rating (out of a possible five stars). "As soon as we expanded, we had a big waiting list of families wanting to bring their kids here," she adds.

Fortunately, Coutermarsh is not the kind to back off a challenge, especially where the needs of kids and community are concerned. After 12 years in her original space and much planning, she was ready to take it to the next level. She called VCLF, and spoke again with Campbell.

"We weren't in the best location in order to serve the full Springfield area community. We wanted more access and we wanted to do more collaborative partnerships with other school districts' publicly-funded programs," she remembers.

In 2011, a second loan from VCLF was made for the purchase of building in a more accessible location, with additional space to serve more kids and more families. The new center is now licensed to serve up to 45 children. They have a garden where fresh foods are grown and picked and then brought to the kitchen where all meals are prepared. "We have an infant room, a separate toddler room, two pre-school rooms and 12 staff," Coutermarsh says proudly. "And now we have five STARS."

And it doesn't end there, because Coutermarsh is already thinking ahead to how she can do more, do better, and serve more families. The list goes on, and the children beckon, and Coutermarsh is off and running, again.



The new center is now licensed to serve up to 45 children.

"We have an infant room, a separate toddler room, two pre-school rooms and 12 staff. And now we have five STARS."

Supporting the Loan Fund

Because of your generosity and commitment to social and economic justice, VCLF is able to provide opportunities for Vermonters to strengthen their communities in real, measurable ways. Quality jobs, thriving local businesses, essential community services, safe and affordable homes, excellent child care, opportunity: these are the products of our work together.

Want to be a part of making it all happen? Here's how:

Invest!

The capital we lend comes from community investments made by folks like you: individuals and families, businesses, banks, foundations and nonprofits, religious institutions and investment circles, who all share our vision for a stronger, healthier, happier Vermont. No amount is too small; we manage investments from \$1,000 to \$1,000,000. You select an interest rate and term that matches your financial and social investing goals, and you can even earn a credit toward your Vermont state income tax. Best of all, you'll know your investment has real power: creating opportunities for the lower-income Vermonters who need them most.

Contribute!

The Loan Fund is a nonprofit charitable organization. We rely on contributions and grants to support our operations, the technical assistance, site visits, and individualized counseling that ensure our borrowers' success. You can also choose to make gifts directly into the Permanent Capital Fund, to be used as loan capital in perpetuity.

Join the Legacy Investors Circle!

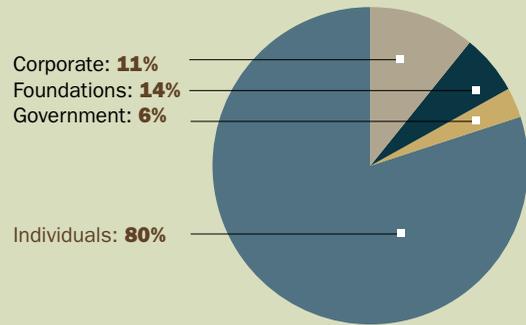
The Loan Fund now offers a new opportunity to make a planned gift that will support our work forever: the Legacy Investment. It's our version of a charitable gift annuity. When you make a Legacy Investment, you'll receive interest payments for life, while the capital you've provided to the Loan Fund is loaned out to create opportunities throughout Vermont. At the end of life, your Legacy Investment will become a part of our Permanent Capital Fund, to be loaned and re-loaned in perpetuity.

For more information on investing or contributing, please contact:

Jake Ide, *Director of Development*
(802) 223-4423 or jake@vclf.org

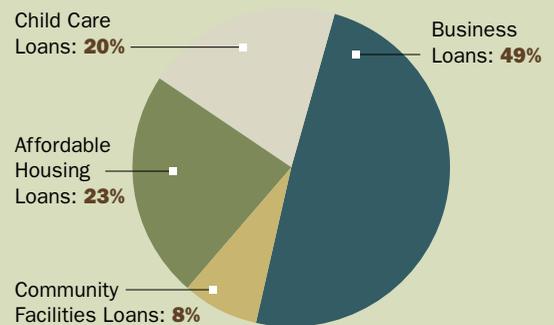
2011 Fundraising Composition by Source

Total = 242 Contributions & Grants



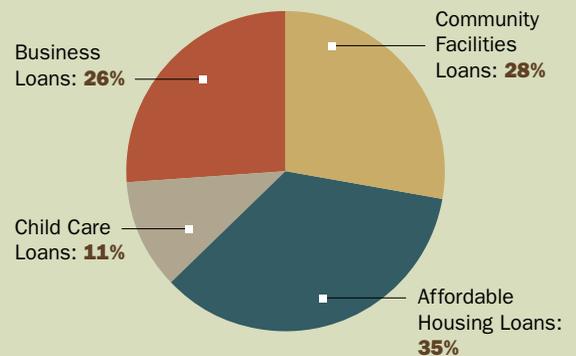
2011 Lending Totals by Number of Loans

Total = 39 Loans



2011 Lending Totals by Dollar Amounts

Total = \$7,131,249



Current Investment Rates as of April 1, 2012*

Social Investment Term Account

| 1-2 Years | 3-4 Years | 5-9 Years | 10+ Years |
|-----------|-----------|-----------|-----------|
| 1.0% | 1.5% | 2.5% | 3.0% |

Social Investment Cash Account

| | |
|--------------------------------|------|
| No term, Withdrawals on Demand | 0.5% |
|--------------------------------|------|

* Investors may choose to invest at lower rates. Lower rates allow us to keep financing affordable for our borrowers, furthering our impact in Vermont communities. Rates are subject to change. Check our web site under Rates & Terms at investinvermont.org.

For more information, contact Susan Hood at (802) 223-4426 or susan@vclf.org

Statement of Financial Position

On December 31st, 2011

Assets

| | |
|-------------------------|----------------------|
| Cash and Investments | \$ 8,890,537 |
| Loans Receivable | \$ 22,185,768 |
| Reserve for Loan Losses | \$ (1,317,540) |
| Plant and Equipment | \$ 24,549 |
| Other Assets | \$ 386,959 |
| TOTAL ASSETS | \$ 30,170,273 |

Liabilities and Net Assets

| | |
|----------------------------|----------------------|
| Accrued and Other Payables | \$ 249,301 |
| Deferred Revenue | \$ 81,816 |
| Loans Payable | \$ 22,024,271 |
| TOTAL LIABILITIES | \$ 22,355,388 |

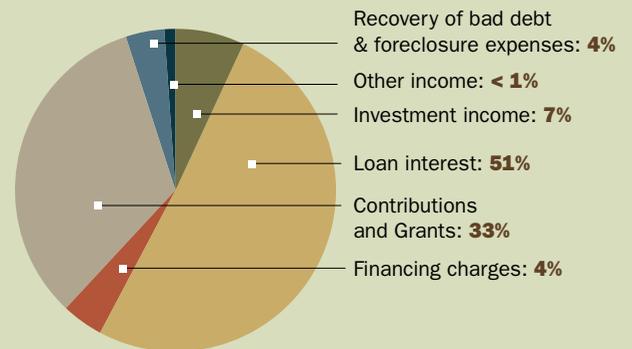
Net Assets

| | |
|---|----------------------|
| Unrestricted | \$ 6,568,510 |
| Temporarily Restricted | \$ 541,681 |
| Permanently Restricted | \$ 704,693 |
| TOTAL NET ASSETS | \$ 7,814,884 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 30,170,273 |

VCLF's complete audited financial statements through December 31st, 2011 are available upon request and at our web site: investinvermont.org. Our 2011 Audit was prepared by Kittell Branagan & Sargent.

Revenues and Support

Total = \$2,547,122



Expenses

Total = \$2,342,131



2008

\$20 million in total lending.

2009

Became the first statewide U.S. Small Business Administration-certified lender for micro-businesses.

2010

Launched Project SUCCESS technical assistance program for child care borrowers and prospects.

2011

Lending reached highest single-year volume in VCLF history — \$7.2 million.

The following community members have been investors in, or made contributions to, VCLF during 2011. We are grateful to those who have contributed so generously to VCLF's mission. If we inadvertently left out your name from this list, please contact us. Thank you!

CONTRIBUTORS

Businesses and Organizations

Anonymous (1)
H.H. Benedict, Architect
Jack and Dorothy Byrne Foundation
Central Vermont Public Service Corporation
Citizens Bank Foundation
Community National Bank
Create Jobs for USA
Crystal Springs Services
O.P. & W.E. Edwards Foundation
Envirotox Associates
Fat Hat Factory
FJC Gift Certificate Fund
Gay and Lesbian Fund of Vermont
Green Living Journal
Green Mountain Coffee Roasters
Green Mountain Power Corporation
Jerry Greenfield and Elizabeth Skarie Foundation
Leunig's Bistro
Lintilhac Foundation
Maclay Architects
Main Street Landing Company
Marvin Family–Butternut Mountain Farm
Northfield Savings Bank
O'Brien Brothers Partnership
Passumpsic Savings Bank
PC Construction
Peoples Trust Company
Pizzagalli Construction
Russian Life Magazine
Stettenheim Foundation
Stitzel, Page & Fletcher, PC.
Trustco Bank
Turrell Fund
U.S. Small Business Administration
Vermont Community Foundation
Vermont Community Foundation–HF Fund
Vermont Department for Children and Families
Vermont Housing and Conservation Board
Vermont State Employees Credit Union
Walter Cerf Community Fund
Yellow Wood Associates

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Lynn and Otto Wurzburg
Constance Young

INVESTORS

Organizations, Entities and Businesses

Anonymous (21)
Addison County Community Trust
Anne Slade Frey Trust
Barbara K. Waters Revocable Trust
Burlington Meeting of the Religious Society
of Friends
Basilian Fathers of Toronto
Ben and Jerry's Foundation
Ben and Jerry's Homemade
Ben Harris Revocable Trust
Benedictine Foundation of the State of Vermont
Bethany United Church of Christ, Randolph
Burlington Airport Board of Commissioners
Calvert Foundation
Cathedral Church of St. Paul, Burlington
Charlie Burchard Memorial Trust
Christ Church, Bethel
Christ Church Presbyterian, Burlington
Church of the Good Shepherd, Barre
Clean Yield Group
Clifford Trust
Community Agricultural Center
Community National Bank
Concept 2

CPH Trust
 Domestic and Foreign Missionary Society of the
 Episcopal Church
 Episcopal Diocese of Connecticut
 Episcopal Diocese of Vermont
 Faulkner Trust
 First Congregational Church, Manchester
 First Unitarian Universalist Society Revocable Trust
 First Universalist Church, Barre
 Gadfly Trust
 Gaila S. Gulak Trust
 Greensboro Free Library
 Greensboro Historical Society
 Hanover Society of Friends
 Hunter Press
 John Merck Fund
 Karuna Trust
 Ledyard National Bank
 Loring, Wolcott and Coolidge
 Lyman P. Wood Crummey Trust
 Mercy Partnership Fund
 Montpelier Housing Authority
 Ninevah Trust
 North Universalist Chapel Society
 O.P. and W.E. Edwards Foundation
 Opportunity Finance Network
 Our Lady of the Snows Roman Catholic Church, Woodstock
 Parnassus Fund
 J. Tim Parsons Revocable Trust
 Passumpsic Savings Bank
 People's Health and Wellness Clinic
 People's United Bank – Socially Responsible Banking Fund
 Pizzagalli Construction Company/PC Construction Company
 Preservation Trust of Vermont
 R and R Foundation
 Robert Rex Seeber Testamentary Trust
 Rock Point Advisors
 Rosalie Harris Revocable Trust
 Rutland Dismas House
 St. James Episcopal Church of Arlington
 St. Mark's Episcopal Church of Springfield
 St. Michael's College
 St. Michael's College Edmundite Community
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 Society of St. Edmund
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 United Church of Christ, Vermont Conference
 United Church of Strafford
 Unitarian Church of Montpelier
 Unitarian Universalist Association of Congregations
 Unitarian Universalist Society, NH/VT District
 U.S. Dept. of Treasury Small Business Lending Fund
 U.S. Small Business Administration
 USDA Rural Development
 Vermont Community Foundation
 Vermont Energy Investment Corporation
 Vermont Office of the State Treasurer
 Vermont State Housing Authority
 Vitesse Press
 Watershed Center

Individuals and Families

Anonymous (27)
 Isabella Acker
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Vermont Community Loan Fund

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 VCLF is committed to reducing our environmental footprint and has chosen to print our annual report on a SFI (Sustainable Forestry Initiative) certified paper, which is also endorsed by the Rainforest Alliance. Go to sfiprogram.org to learn more.

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