

Vermont Employment Growth Incentive Program
2009 Interim Annual Report

VERMONT ECONOMIC PROGRESS COUNCIL

VERMONT DEPARTMENT OF TAXES



VEGI Program Summary

KNOWN ACTUAL ECONOMIC IMPACT TO DATE (Through December 31, 2007) ¹

Number of New Qualifying Jobs Created	258
Amount of New Qualifying Payroll Created	\$9,763,361
Amount of New Qualifying Capital Investment	\$17,715,810
Incentive Installments Paid	\$208,653
Estimated Net Revenue Benefit (2007)	\$582,792

In January 2007, the Vermont Employment Growth Incentive (VEGI) program began offering new incentives for business recruitment, growth and expansion. The VEGI program provides a cash payment, based on new job and payroll creation, to companies that have been authorized to earn the incentive. Authorization occurs through application to the Vermont Economic Progress Council (VEPC), a board that reviews the applications based on three criteria:

- Whether the economic activity would not occur or would occur in a significantly different and/or less desirable manner without the incentive (But For);
- If the economic activity will generate more new revenue for the state than is foregone through the incentive (cost-benefit modeling); and
- If the company and economic activity are consistent with a set of nine guidelines.

VEGI incentives are earned over a period of up to five years and paid out over a period of up to nine years. The incentives are earned only if payroll, employment, and capital investment targets are met each year. If the company earns the incentive, it is then paid out in five annual installments, if the new jobs and payroll are maintained. Annual VEGI incentive claims are examined and either approved or denied by the Vermont Department of Taxes.

This report presents the applications considered and the incentives authorized during 2007 and 2008, the actual economic activity for 2007, and the incentives earned by those companies in 2007.

Table 1 provides a summary of the incentives authorized in 2007 and 2008 and the status as of December 31, 2008. Detailed information on the projected annual economic and fiscal impact is presented in Table 2. The status of the authorized incentives as of December 31, 2008 is summarized in Table 3 and the actual 2007 activity is presented in Table 4. The data presented on Table 1 is updated monthly and is available on the VEGI website.

Further information on VEPC and the Vermont Employment Growth Incentive Program is available at: <http://economicdevelopment.vermont.gov/Programs/VEPC/tabid/124/Default.aspx>. Further information on the Department of Taxes is available at: www.state.vt.us/tax.

Vermont Statute 32 VSA §5930(b) requires the following elements of the program to be reported annually. The table in which each requirement is addressed is noted below:

- | | |
|--|---|
| 1. Total authorized award amount of incentives granted during preceding year (Table 1) | 7. Recipient performance in the year in which the incentives were applied (Table 4) |
| 2. Amounts actually earned and paid out from inception to date of report (Table 4) | 8. Number of applications for incentives (Table 3) |
| 3. Date and amount of award (Table 1) | 9. Number of approved applicants who complied with ALL their requirements for the incentive (Table 2) |
| 4. Expected calendar year or years in which the award will be exercised (Table 1) | 10. Aggregate number of jobs created (Table 4) |
| 5. Whether the award is currently available (Table 1) | 11. Aggregate payroll (Table 4) |
| 6. Amount and date of all incentives exercised (Table 4) | 12. Date the award will expire (Table 1) |
| | 13. Identity of the business whose applications were approved (Table 1) |

TABLE 1: INCENTIVE AUTHORIZATION SUMMARY, THROUGH DECEMBER 31, 2008

Company Name	Date Considered	Authorization Period	Status	Maximum Incentive Considered	LOCATION	Minimum Net Revenue Benefit	Type of Project
Ink Jet Machinery of Vermont	25-Jan-07	n/a	Rescinded Jan 24, 2008	\$336,055	Dorset	\$0	Startup
Olympic Precision, Inc/WIC/Town of Windsor	25-Jan-07	n/a	Rescinded Sept 6, 2007	\$474,428	Windsor	\$0	Recruitment
Monahan SFI, LLC	15-Feb-07	2007 - 2011	Active - Final	\$791,277	Middlebury	\$382,581	Plant Restart
Qimonda North America Corp.	15-Feb-07	n/a	Rescinded Mar 27, 2008	\$229,672	So. Burl	\$0	Ret./Expansion
Rehab Gym, Inc.	22-Mar-07	n/a	Denied	\$255,439	Colchester	\$0	Ret./Expansion
Applejack Art Partners	3-May-07	n/a	Rescinded Oct 25, 2007	\$85,539	Manchester	\$0	Recruitment
Omni Measurement Systems	3-May-07	2007 - 2011	Active - Final	\$677,944	Milton	\$324,549	Ret./Expansion
Vermont Timber Frames	3-May-07	2007 - 2011	Active - Final	\$156,126	Bennington	\$70,611	Recruitment
Battenkill Technologies, Inc.	28-Jun-07	n/a	Rescinded Jun 26, 2008	\$79,054	Manchester	\$0	Recruitment
Burton Corporation	28-Jun-07	2007 - 2011	Active - Final	\$1,653,965	Burlington	\$2,212,917	Ret./Expansion
Energizer Battery Manufacturing, Inc.	26-Jul-07	2007 - 2011	Active - Final	\$607,347	St Albans	\$637,270	Ret./Expansion
NEHP, Inc.	25-Oct-07	2007 - 2011	Active - Final	\$182,396	Williston	\$94,388	Ret./Expansion
Green Mountain Coffee Roasters	25-Oct-07	2007 - 2011	Active - Final	\$1,786,828	Waterbury/Essex	\$2,129,672	Ret./Expansion
Mascoma Corporation	25-Oct-07	n/a	Rescinded Jun 26, 2008	\$1,942,989	WRJ	\$0	Recruitment
Know Your Source, LLC	6-Dec-07	n/a	Denied	\$71,302	Burlington	\$0	Start-up
CNC North, Inc.	6-Mar-08	2008-2012	Active - Final	\$70,533	Springfield	\$29,542	Ret./Expansion
Vermont College of Fine Arts	27-Mar-08	2008-2012	Active- Final	\$206,737	Montpelier	\$126,260	Start-up
Isovolta, Inc.	26-Jun-08	2008-2012	Active- Final	\$568,330	Rutland	\$438,326	Ret./Expansion
Vermont Castings Holding Company**	18-Sep-08	2008-2012	Active - Final	\$488,000	Bethel	\$103,112	Ret./Expansion
New England Precision, Inc./Clifford Properties, Inc.	18-Sep-08	2008-2012	Active - Final	\$241,236	Randolph	\$350,926	Ret./Expansion
Utility Risk Management Corp	23-Oct-08	2008-2012	Active- Final	\$377,371	Stowe	\$185,973	Recruitment
Dominion Diagnostics, LLC	23-Oct-08	2009-2013	Active- Initial	\$103,995	Burlington Area	\$52,753	Recruitment
Helix Global Solutions, Inc.	4-Dec-08	n/a	Rescinded Dec 4, 2008	\$53,739	TBD	\$0	Recruitment
Vermont Wood Energy Corp**	4-Dec-08	n/a	Denied	\$293,967	Rutland	\$0	Start-up
Tata's Natural Alchemy	4-Dec-08	2008-2012	Active - Final	\$231,401	Whiting/Shoreham	\$96,498	Start-up
Albany College of Pharmacy	4-Dec-08	2009-2013	Active - Initial	\$1,048,047	Colchester	\$638,243	Recruitment
Commonwealth Yogurt, Inc.	4-Dec-08	2009-2013	Active - Initial	\$1,159,923	TBD	\$584,263	Recruitment/SU
ASK-in TAG, LLC	4-Dec-08	2009-2013	Active - Initial	\$ 795,139	Essex	\$ 373,338	Recruitment/SU
BEMAG Transformers, Inc.	4-Dec-08	2009-2013	Active - Initial	\$ 246,051	St. Albans	\$ 97,278	Recruitment
BioTek Instruments, Inc./Lionheart Technologies, Inc.	4-Dec-08	2009-2013	Active - Final	\$ 692,854	Winooski	\$ 1,059,543	Ret./Expansion

** = "Green VEG"

Total Incentives:		
Total Incentives Considered To Date		\$15,907,684
Total Incentives Denied To Date		\$620,708
Total Incentives Rescinded to Date		\$3,201,476
Net Incentives Authorized to Date		\$12,085,500
Annual Incentives/Caps:		
2007 Authorizations (Earned 2007 - 2011; Paid out 2008 - 2016)		\$5,855,883
2007 Cap Balance		\$4,144,117
2008 Authorizations (Earned 2008 - 2012; Paid out 2009 - 2017)		\$2,183,608
2008 Cap Balance		\$7,816,392
2009 Authorizations (Earned 2009 - 2013; Paid out 2010 - 2018)		\$4,046,009
2009 Cap Balance		\$5,953,991

Economic Impact:	
New Qualifying Jobs Projected (Created between 2007 - 2013)	1,536
New Qualifying Payroll Projected (Created between 2007 - 2013)	\$62,004,062
Weighted Average Wage of New Qualifying Jobs	\$40,542
Average Total Compensation for New Qualifying Jobs	\$50,616
Qualified Capital Investment Projected (Invested between 2007 - 2013)	\$112,494,652
Fiscal Impact	
Total Revenue Benefits to the State (P.V.) (2007 - 2013)	\$35,734,871
Total Revenue Costs to the State, Including Incentives (P. V.) (2007 - 2017)	\$25,746,832
Net Fiscal Return to the State (2007 - 2017)	\$9,988,039

TABLE 2: AGGREGATE IMPACT BY YEAR, 2007 - 2018

FOR INCENTIVES AUTHORIZED THROUGH December 4, 2008

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
COST-BENEFIT ESTIMATE													
		2.18%	7.13%	15.41%	23.42%	31.32%	11.75%	8.78%					100.00%
Aggregate New Revenues to State (Present Value Dollars)		\$780,356	\$2,547,627	\$5,507,679	\$8,369,931	\$11,191,400	\$4,199,567	\$3,138,311					\$35,734,871
		1.3%	5.3%	13.2%	23.6%	36.0%	11.4%	9.1%					100.00%
Aggregate Costs to State Other Than Incentive Payments (Present Value Dollars)		\$198,794	\$820,198	\$2,034,571	\$3,640,608	\$5,539,749	\$1,755,949	\$1,405,660					\$15,395,530
		2.7%	7.6%	11.4%	16.0%	18.6%	16.8%	12.4%	8.6%	4.0%	1.4%	0.5%	100.00%
Aggregate Annual Incentive Payments (Present Value Dollars)		\$280,255	\$784,487	\$1,183,284	\$1,652,064	\$1,929,490	\$1,739,141	\$1,285,773	\$886,977	\$418,196	\$140,770	\$50,864	\$10,351,302
Aggregate Net New Revenues to State Because of Incentives (Present Value Dollars)		\$301,307	\$942,942	\$2,289,824	\$3,077,259	\$3,722,161	\$704,477	\$446,878	-\$886,977	-\$418,196	-\$140,770	-\$50,864	\$9,988,039
INCENTIVE EARNING SCHEDULE ESTIMATE													
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	TOTAL
Maximum Incentives Possible (Nominal Dollars)	\$ 1,636,055	\$ 2,943,571	\$ 2,328,070	\$ 2,736,614	\$ 1,619,539	\$ 524,846	\$ 296,933						\$ 12,085,629
Estimated Incentives to be Paid Based on Application Data (Nominal Dollars)	\$ 1,471,930	\$ 2,544,187	\$ 2,106,547	\$ 2,484,868	\$ 1,461,109	\$ 492,298	\$ 279,043						\$ 10,839,983
INCENTIVE PAYOUT SCHEDULE ESTIMATE													
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	TOTAL
Maximum Incentives Possible (Nominal Dollars)		\$327,211	\$915,925	\$1,381,539	\$1,928,862	\$2,252,770	\$2,030,528	\$1,501,201	\$1,035,587	\$488,264	\$164,356	\$59,387	\$12,085,629
Estimated Incentives to be Paid Based on Application Data (Nominal Dollars)		\$163,086	\$516,540	\$1,160,017	\$1,677,117	\$2,094,342	\$1,997,979	\$1,483,309	\$1,035,586	\$488,263	\$164,356	\$59,387	\$10,839,983
ECONOMIC ACTIVITY PROJECTED													
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	TOTAL
New Qualifying Jobs to be Created	270	418	277	262	244	40	25						1536
New Qualifying Payroll to be Created	\$9,538,659	\$14,680,487	\$12,557,389	\$11,334,025	\$10,381,057	\$2,120,885	1391560						\$62,004,062
New Qualifying Capital Investments to be Made	\$23,225,702	\$26,349,594	\$28,484,276	\$23,516,400	\$8,733,680	\$2,110,000	\$75,000						\$112,494,652
APPLICATION OF AUTHORIZED INCENTIVES AGAINST ANNUAL GROSS CAP													
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	TOTAL
Gross Cap	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	
Maximum Incentives Possible (Nominal Dollars)	\$ 5,855,883	\$ 2,183,608	\$ 4,046,009										\$ 12,085,500
Gross Cap Balance	\$ 4,144,117	\$ 7,816,392	\$ 5,953,991										
APPLICATION OF AUTHORIZED INCENTIVES AGAINST ANNUAL NET NEGATIVE CAP													
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	TOTAL
Net Negative Cap	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000		
Incentives Approved Against Net negative Cap	\$0	\$0	\$0										\$0
Net Negative Cap Balance	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000										

TABLE 3: STATUS OF VEGI APPLICATIONS AS OF DECEMBER 31, 2008

STATUS	Number			Dollars		
	2007	2008	TOTAL	2007	2008	Total
Applications Considered ²	15	15	30	\$ 9,330,361	\$ 6,577,323	\$ 15,907,684
Applications Approved and Active	7	13	20	\$ 5,855,883	\$ 2,287,603	\$ 8,143,486
Applications Denied	2	1	3	\$ 326,741	\$ 293,967	\$ 620,708
Applications Rescinded	6	1	7	\$ 3,147,737	\$ 53,739	\$ 3,201,476
Active Applications Considered in 2007, with 2008 Start	2	-	2	\$ 3,186,138		
Active Applications Considered in 2008, with 2009 Start	-	6	6		\$4,046,009	
Net Active Applications with potential 2007 Incentive Claims	7			\$ 5,855,883		
Applicants that met 2007 Targets in 2007	5			\$ 5,066,140		

TABLE 4: ACTUAL ACTIVITY - 2007¹

	Estimated	Actual
Incentives to be Earned by 2007 Activity	\$ 1,471,930	\$ 1,434,964
Installments to be Paid in 2008 for 2007 Activity	\$ 163,086	\$208,653
Net Revenue Benefit to the State (in 2007)	\$ 299,134	\$ 582,792
Five Companies That Met December 31, 2007 Targets:³		
New Qualifying Jobs	247	258
New Qualifying Payroll	\$ 8,640,859	\$ 9,763,361
Average Annual Wage	\$ 37,173	\$ 44,405
Average Compensation (wages & benefits)	\$ 44,979	\$ 53,483
New qualifying Capital Investments	\$ 17,445,702	\$ 17,715,810

¹ 2008 claims are currently under review by the Vermont Department of Taxes. A revised report, including the claim data and economic impacts through 2008 will be published later in 2009.

² Count includes only the last application considered if the applicant filed both Initial and Final Applications.

³ The values in this table have been modified from the 2008 Annual Report to account for further review by the Vermont Department of Taxes.

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