Vermont Community Loan Fund, Inc.

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(802) 223-1448
www.investinvermont.org

Offering Memorandum

Up to $5,000,000 in Community Investment Notes

General Regulatory Notices and Legends

These securities have not been registered with the Securities and Exchange Commission, the State of Vermont Department of Financial Regulation or any other federal or state securities agency. Neither the Securities and Exchange Commission nor any state securities agency has passed upon or endorsed the merits of this offering.

Except as otherwise provided herein, no offering literature in any form is authorized to be used in the offering of these securities except for this Memorandum. No person is authorized to make any representation other than those contained in this Memorandum and, if made, such representation must not be relied upon.

This Memorandum does not constitute an offer to sell or a solicitation or an offer to buy to any person in any jurisdiction in which such offer or solicitation is unauthorized or unlawful.

In making an investment decision investors must rely on their own examination of the issuer and the terms of the offering, including the merits and risks involved. These securities have not been approved or disapproved by the Securities and Exchange Commission nor has the Securities and Exchange Commission or any state securities commission passed upon the accuracy or adequacy of this Memorandum. Any representation to contrary is a criminal offense.

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Introduction

The Vermont Community Loan Fund ("VCLF" and "the Loan Fund") creates opportunities that lead to healthy communities and financial stability for all Vermonters. VCLF provides loans, grants and business development assistance for Vermont businesses & entrepreneurs, community organizations & facilities, early care & learning programs and the development of affordable housing.

The money VCLF lends comes from the community in the form of interest-bearing impact investments. VCLF investors include individuals & families, faith-based groups, foundations & other nonprofits, community & national banks, corporations, local, state and federal governments and others who want to align their investments with their values, earning them a social or "community" return along with their financial return. VCLF offers these investors an attractive investment vehicle for achieving both financial returns and community impacts, which the Fund believes, based on its track record of responsible lending and financial management, is a sensible and low-risk investment. Investors in the Loan Fund may also receive tax benefits.

VCLF is seeking to increase its loan fund through the issuance of promissory notes (hereinafter called "Community Investment Notes"). The investment objectives of Community Investment Notes are to maintain principal, to provide an opportunity to earn a modest financial return and to use these funds to make available financing for projects and businesses that benefit lower-income Vermonters. A range of options is available as to rates, terms and repayment schedules.

This investment option is suitable for persons who are interested in investing in a sustainable and socially responsible manner.

Description of the Organization

A nonprofit, mission-driven, community-focused lender, the Vermont Community Loan Fund provides loans and business development services and technical assistance to create opportunities leading to healthy communities and financial stability for all Vermonters.

VCLF develops and promotes capital-based approaches to issues of poverty and opportunity. An expert in finding and financing businesses and organizations not quite ready for a loan from a conventional lender, the Loan Fund seeks to put transformational capital in the hands of Vermonters who can't get it anywhere else, all to benefit the Vermonters who need it most. Equally committed to social as well as financial returns, VCLF focuses on businesses and programs that help lower-income Vermonters access safe, affordable homes, quality jobs, quality early care & learning and other essential community services. VCLF's goals, as stated in our Articles of Association (rev. 11/2013):

- Make loans and provide assistance to projects that provide long-term access to and control over housing, access and availability of quality early childhood education and care, access and availability of essential community services and economic opportunities including employment for low- and moderate-income and other disadvantaged groups who are denied such access through conventional channels;

- Encourage the elimination of discrimination in access to housing, child care, credit and economic

opportunities;

- Promote models of ownership or tenant control that prevent speculation and guarantee that housing remains affordable for successive generations;

- Support projects and educate and advocate for activities that lead to beneficial impacts on the natural environment;

- Educate and advocate for the improvement of children's welfare in the areas of learning, safety, health and economic security;

- Educate and advocate for investments in affordable housing, early childhood education and care, community services, small businesses and entrepreneurship, the revitalization of neighborhoods, downtowns and the working landscape; and

- Conduct public discussion groups, forums, panels, lectures and other similar programs designed to educate the public about the housing, early childhood education and care and economic needs of low-income and other disadvantaged groups.

Today, VCLF has three core lending programs. Our Business Program provides financing to small and emerging businesses and entrepreneurs that preserve or add value to Vermont's natural resources, honor the traditional character of our working landscape, create jobs for lower-income Vermonters, are women-owned or downtown-located, or are agricultural. Our Housing & Community Facilities Program provides loans for affordable housing and facilities and organizations that provide essential services for lower-income Vermonters. VCLF's Early Care & Learning Program helps Vermont's child care providers to start up, grow or enhance their programs and facilities, supporting high-quality early care and learning for Vermont's children and families, as well as jobs in this essential industry.

Beyond these broader core programs, the Loan Fund has developed smaller programs focused on addressing specific needs. A partnership with the Center for an Agricultural Economy and the Mad River Food Hub, our Equipment Access Program provides lease financing for specialized equipment for emerging food producers. Our Agritourism Program provides lower-cost capital for projects that enhance on-farm experiences and tourism. Our Food, Farms & Forests Fund provides lower-cost capital to support Vermont's working landscape. New in 2016, and launched with start-up support from the State of Vermont's Working Lands Enterprise Initiative, the SPROUT program provides lower-interest loans to working lands businesses that wouldn't otherwise qualify for VCLF financing.

VCLF's loan programs provide more than just a loan. A key aspect of VCLF's work is the financial education and business development services we provide. VCLF provides information about the financial, legal and organizational options available to our borrowers. VCLF staff also consults applicants on budget development, ownership structure and general support for the challenging work of acquiring and maintaining affordable housing or other real estate.

The Vermont Community Loan Fund was founded in 1987 by a group of Vermonters working in the areas of affordable housing and economic development. In April 1988, VCLF was recognized as a 501(c)3 nonprofit publicly supported organization governed by a Board of Directors, and began making loans to

support development of affordable housing. Over time, in response to emerging needs, the Loan Fund launched loan programs focusing on community facilities/other nonprofits (1990), small businesses (1996) and early care & learning programs (2000).

In 1996, VCLF was certified as a Community Development Financial Institution (CDFI) by the US Department of the Treasury. CDFIs are mission-driven community development organizations, including revolving loan funds (like VCLF), banks, credit unions and venture funds, which provide financial services to underserved communities and populations. Today, there are over 1,100 certified CDFIs with approximately $110B under management; in 2016 alone, certified CDFIs provided $3.6B in financing to support 13,300 businesses and the development of over 33,500 affordable homes nationally. CDFIs must undergo annual recertification.

The Vermont Community Loan Fund has a long track record of successfully partnering with federal programs to support economic development and equitable access to capital throughout Vermont. VCLF became Vermont's first statewide US Small Business Administration Microloan Program Intermediary in 2010. In December 2013, the Loan Fund was selected to participate in US SBA's Community Advantage Program, providing small business loan guarantees. US SBA named the Vermont Community Loan Fund the Vermont Microlender of the Year in 2013 and Vermont Mission Lender of the Year in 2015. VCLF has accessed small business loan capital through USDA RD's Intermediary Relending Program since 1995; in 2016 we were selected to participate in their Rural Microentrepreneur Assistance Program providing loan capital and program subsidy for our business development services.

In 2007, the Vermont Community Loan Fund underwent our first CARS rating. Then overseen by CDFI industry advocate/convener Opportunity Finance Network, CARS, or the CDFI Assessment and Rating Service, was created as a standardized framework for assessing CDFI performance, risk and mitigants. Now overseen by independent third-party information service Aeris, today's Aeris Financial Ratings assess capitalization, asset quality, management, earnings and liquidity (often referred to as the "CAMEL" assessment) and evaluate financial strength and risk in the context of the community finance sector. As a result of our 2017 rating update, VCLF received a "★★★PolicyPlusA" rating, defined below[1]:

- "★★★" – The Loan Fund shows strong alignment of its impact mission, strategies, activities, and data that guide its lending, programs and planning. It accurately tracks relevant data that indicate that it effectively uses its resources to further its impact goals. However, it may have limited activities beyond direct investments that support its mission and longer term outcome metrics may be limited. Board and management use the data on a regular basis to adjust strategies and activities in line with the Fund's mission.

- "PolicyPlus" – Policy change is an integral part of this CDFI's strategies. The CDFI leads initiatives to change government policy to benefit the community development finance industry or disadvantaged people and communities. The CDFI can provide evidence of its leadership role in recent policy changes that produced benefits beyond additional resources for the CDFI itself, and management can clearly articulate the CDFI's leadership role in current policy activities.

[1] The past performance of other community loan funds is provided for informational purposes only. VCLF makes no warrantees concerning other loan funds or its future performance.

- “A” – The Loan Fund has strong financial strength, recent performance and risk management practices relative to its size, complexity, and risk profile. It is stable but more vulnerable to fluctuations in its operating environment than higher rated loan funds.

Further information about VCLF’s rating and the Aeris rating system can be received by contacting VCLF's Director of Investment & Philanthropy at (802) 223-1448.

Lending Activities of the Fund

Since its inception, the Vermont Community Loan Fund has made approximately 1,015 distinct loans exceeding $106M, with an estimated impact of creating or retaining jobs for 6,500 Vermonters, building or rehabilitating safe, affordable homes for 4,100 Vermont households, creating or retaining quality early childhood care & learning for 4,100 children and financing community organizations serving hundreds of thousands of Vermonters.

VCLF has remained very active, stable and successful in recent years, despite the turbulent economy. In 2018, we closed 25 loans totaling almost $4M, leveraging $15M in project support including supplemental financing and equity investments. As of year-end 2018, VCLF’s portfolio consisted of 243 loans with $30.5M outstanding, representing employment for 2,240 Vermonters, safe, affordable homes for 996 households, quality early care & learning for 1,323 children and financing for organizations serving 79,355 Vermonters annually.

Although each housing, community facility, child care and small business loan is unique, typical financing needs to be met by VCLF include:

1. Interest-only and amortizing loans to land trusts to acquire homes which are sold to leaseholders using a lease-to-purchase scenario;

2. Loans for acquisition and rehabilitation of rental housing by nonprofit organizations;

3. Interim property acquisition and construction loans for affordable housing or social service programs which are expected to receive grants or other long-term, low-interest permanent financing;

4. Loans for acquiring housing which will provide affordable shelter for people who are developmentally disabled, young adults in SRS custody, individuals who were formerly homeless or elders in shared living arrangements;

5. Loans for acquiring buildings which will be used as food banks, child and elder care services or other programs benefiting low-income Vermonters;

6. Loans for acquisition of property, equipment and working capital for small businesses;

7. Loans to for- and nonprofit child care businesses; or

8. Loans to purchase and operate a dairy or other production-based farm or agricultural enterprise.

Lending Policies

VCLF's Loan Policy Manual serves as a comprehensive guide to the policies and procedures to be followed by the VCLF Board of Directors and staff in administering the Vermont Community Loan Fund's loan programs. Projects or businesses seeking financing from VCLF are reviewed by VCLF staff and evaluated by a Loan Review Committee based on several criteria including:

1. The effectiveness with which the project or business provides resources to the community, encourages full participation, builds capacity and eliminates discrimination;

2. The extent to which the project or business provides long-term benefits to low-income persons and the community at large;

3. The ability and potential of the loan applicant to successfully carry out the project or business;

4. The ability of the loan applicant to repay the loan;

5. The ability of the loan to leverage other financing from public agencies, traditional financial institutions or other organizations;

6. The applicant's access to technical assistance and development expertise; and

7. The inability of the applicant to find sufficient financing elsewhere.

The VCLF Internal Loan Team, comprising the Executive Director, Director of Finance and Loan Program Directors, has the authority to approve loans in amounts under $75,000. Loans above these limits require review and approval by the Loan Review Committees comprising members of the VCLF Board of Directors and appointed non-Board community members. Loan repayment schedules are negotiated by VCLF staff and the applicant, according to the instructions of the Loan Review Committee. In setting the terms, the Fund considers the financial ability of the borrower and the resources of the Fund.

All VCLF loans are secured, generally through a mortgage or another type of security interest on borrower assets. In special circumstances, the Fund may consider an unsecured loan of up to $10,000 for not more than five years. An unsecured loan may only be approved if a sufficient loan loss reserve exists. All borrowers from the Fund are required to submit periodic written reports describing the financial and operational status of the project, and of the sponsoring organization.

Portfolio Management and Monitoring

The VCLF Board of Directors has established a Loan Monitoring Committee which meets at least annually to ensure compliance with lending and management policies and to recommend strategies for preventing or minimizing loan loss. The Committee is also charged with reviewing loan procedures and recommending needed changes. An additional measure of protection is achieved through regular staff monitoring of loans and the provision of technical assistance and other support services to borrowers.

VCLF holds cash in reserve equal to a percentage of each loan outstanding, based upon a risk assessment for each loan. VCLF has separated the loans into two loan pools for the purpose of risk

rating. Housing and community facilities loans make up one pool and the business and child care loans make up the second. Both loan pools have risk ratings ranging from 1 (lowest risk) to 6 (workout). The risk rating policy for each loan pool specifies threshold requirements for risk levels. As of December 31st, 2018, the weighted average risk rating of the housing and community facility loan portfolio was 2.98; the allocation to loan loss reserves represented 4.1% of loans receivable. As of December 31st, 2018, the weighted average risk rating of the business and early care & learning loan portfolio was 3.49; the allocation to loan loss reserves represented 11.8% of loans receivable. On December 31st, 2018, VCLF's loan loss reserves totaling $2,010,364 were equal to 6.6% of the total value of the portfolio. In the event of problem loans, VCLF, due to its mission, does not necessarily follow standard workout or collection procedures.

VCLF strives to maintain a level of permanent loan capital (equity or net assets) that will insure the ability of VCLF to satisfy its obligations to its investors. Various funders/investors, as well as VCLF's own internal policies, have set a minimum level of permanent capital equal to no less than 15% of total assets. As of December 31st, 2018, permanent capital/equity of $12,389,092 was equal to 29.1% of total assets.

Organizational Management of the Fund

VCLF is directed and controlled by a Board of Directors. The skills and experience of the members of the VCLF Board of Directors represent a wide range of expertise in housing development, real estate, community organizations, economic development, banking, entrepreneurship, agricultural, child care and financial management. The VCLF Board currently sets broad strategic goals and policy and assists with fundraising and capitalization.

VCLF's By-laws specify that board members have an affirmative obligation to disclose any actual or potential conflicts of interest of themselves or members of their families or any organization with which they are affiliated. Members of the VCLF Board of Directors and its committees serve the Loan Fund on a voluntary basis and without compensation. Summary resumes of VCLF's Board of Directors are presented in Exhibit A.

The Executive Director is responsible for overseeing all operations including management, lending and portfolio oversight, business development assistance, capitalization and fundraising, communications and public relations. The Executive Director is also charged with executing all promissory notes and loan agreements with investors; the Executive Director and the Loan Officers are authorized to execute documents with approved borrowers. Loan Program Directors are responsible for loan underwriting, portfolio monitoring and provision of technical assistance. The Director of Finance & Administration is responsible for oversight and management of the organization's financial position, budgeting and planning, IT systems and human resources. The Director of Investment & Philanthropy is responsible for fundraising, capitalization and communications. Summary resumes of VCLF management staff are presented in Exhibit B.

The Loan Fund's operating expenses are supported by fees and income generated by our loan programs, as well as by philanthropy and government grants and contracts. VCLF's most recently completed audited financial statements are attached as Exhibit C.

Terms of Investment in the Community Investment Notes

Flexible Vehicles, Rates and Terms: Subject to VCLF's approval, any individual or organization may invest in the Vermont Community Loan Fund. VCLF accepts investments whenever there is a reasonable likelihood that the funds can be placed responsibly in accordance with both the investor's wishes and the overall purposes of the Fund. In order to best serve its borrowers' investment goals, VCLF has created products with varying characteristics as to term, interest rate, liquidity and schedule of repayment:

- The **Social Investment Term Account** features fixed interest and maturity date. Interest payments can be made quarterly, semi-annually, annually or at maturity; interest can also be "reinvested" (added to your principal) on a regular basis. Interest repayment options include quarterly, semi-annual or annual payments, to defer payment of the principal until the end of the loan period, or to defer all payment until the end of the loan period.

- The **Social Investment Cash Account** features an open-ended maturity date. The investor may withdraw funds once a month; there is no limit to deposits.

- The **Social Investment Graduating Account** allows for a lower balance required to open a VCLF investment account, and regular electronic deposits from the investor.

The rate of return an investor chooses can vary from no interest, to the maximum rate allowed by VCLF, depending on the investor's wishes. Lower interest investments allow us to provide greater resources to community organizations.

Investors are urged to consider their personal situation in determining the rate of return they desire. Any other combination that fits the needs of the investor will be considered.

Investment Process: To make an investment, the investor fills out the VCLF Investor Response Form to select the product, amount, rate, terms and repayment schedule. Upon receipt of the completed Investor Response Form, accompanied by the funds necessary to open the investment, either by check or electronic transfer, a loan agreement and promissory note are prepared. These documents outline the terms of the Community Investment Note. If the documents meet the investor's approval, the investor signs two copies of the Loan Agreement, returning one copy to VCLF and retaining the other copy and the Promissory Note for their own records.

A sample Investor Response Form is attached as Exhibit D. A sample VCLF Loan Agreement and Promissory Note are attached as Exhibit E.

VCLF Investments are not Insured or Secured: An investor's loan to VCLF is not insured or guaranteed by VCLF or any other entity. They are unsecured loans between the investor and VCLF, and as such they are not secured through the grant of any interest in property of VCLF. The Community Investment Notes issued by VCLF to investors are not negotiable instruments (i.e. they cannot be sold or signed over to another holder, and must be held by the original investor through their stated term).

There are Potential Tax Benefits to Investors: Community Investment Notes are not tax deductible nor

are they considered income when the principal is repaid. Any interest is fully taxable to the investor. Investors should consult their own tax advisors as to the tax consequences of investing in Community Investment Notes.

Vermont taxpayers may be eligible to receive the Charitable Housing Tax Credit, a tax credit toward their state income tax liability. The amount of the credit will be calculated based upon the difference between the investor's VCLF interest rate and the State of Vermont's Charitable Threshold Rate. Both the amount of the credit and the charitable investment rate vary on an annual basis as adjusted each July 1. Current information about the tax credit is available from VCLF's Director of Investment & Philanthropy, at (802)-223-1448. As of July 1, 2018, the charitable investment rate was 2.58%.

Investors May Request Early Repayment, or VCLF May Choose to Prepay a Loan: VCLF, in its discretion and upon request by an investor, may prepay any Community Investment Notes before maturity. VCLF, at its own initiative, may prepay any Community Investment Note, at any time, without penalty.

Your Loan Can be Renewed at Your Option: Approximately two weeks prior to a loan's stated maturity date, VCLF will notify the investor, and the investor can choose to be repaid, or let the loan renew automatically on the same term at the current interest rate. The investor can choose to reinvest the interest earned on the principal sum, and increase the amount loaned to VCLF.

VCLF Will Provide Periodic Financial Information: For so long as their Community Investment Note is outstanding, investors will receive access to annual reports and audited financial statements. Interim un-audited quarterly financial statements shall be made available upon request.

VCLF Welcomes Further Support: VCLF is seeking investments in their Community Investment Notes, however tax-deductible donations and gifts of appreciated stock and securities to VCLF are also welcome. Gifts may be either unrestricted or designated for operating expenses, providing technical assistance, or permanent capital. Contributions enhance the ability of VCLF to meet the varied financial needs of its borrowers.

Special Risk Factors

The Community Investment Notes offered by VCLF are subject to certain risks, which should be carefully considered by any potential investor. Special risk factors identified by VCLF's management include the following:

High-risk Operations: VCLF seeks to meet financing needs not commercially serviceable due to the cost of the financing, the limited debt coverage ratio, the ratio of loan to value, the newness of the enterprise or the limited experience of management. The size of its loans may also be large in relation to its funding base, and its security may be of a subordinate priority. In some cases, collateral acquired may have limited or no re-sale value. Thus, VCLF's lending activities typically involve a higher degree of risk than deemed acceptable by a conventional lender. Any losses in its loan portfolio, to the extent they might exceed loss reserves and permanent capital, could thus seriously affect the Loan Fund's financial position.

Balloon Loans: Balloon loans are a common financing structure employed by VCLF's Affordable Housing

and Community Facilities Loan Program. These are loans where, generally, the principal amount borrowed is repaid in one lump payment at maturity. Although VCLF maintains portfolio management policies to address this risk, there is an inherently higher risk in these loans, because the borrower may not be able to secure additional financing at the time the balloon is due and will therefore be unable to repay VCLF.

Limited Capitalization: Income generated by VCLF loan programs only covers a portion of the Loan Fund's operating costs. Philanthropy and government grants are required to fund the balance of the Loan Fund's expenses. These funding sources also provide resources for permanent loan capital, or fund equity, beyond retained earnings. VCLF is under no commitment to return the proceeds of Community Investment Notes prior to their due date. VCLF may not choose to accommodate those investors who request an early repayment of their investment.

No Assured Participation in Management: As a nonprofit organization, VCLF has no shareholders. Control of the Fund is exercised by the VCLF Board of Directors. Those individuals who serve on the VCLF Board of Directors donate their time and are not compensated, and appointments to the Board of Directors are established by the then current Board of Directors. Unlike a for-profit corporation, the Directors who serve on the VCLF Board cannot be removed by shareholder action, and therefore the Directors serve at their leisure, without oversight (beyond the oversight of fellow Board members).

Limited Governmental Regulation: VCLF is not subject to the same governmental regulation or supervision in regard to its lending activities as a traditional commercial lender. Additionally, as a nonprofit organization, VCLF is generally able to rely upon exemption from compliance with Federal and State securities laws and regulations that require registration of securities to protect investors. For more information, please see "Exhibit F – VT Department of Financial Regulation Exemption from Registration."

Because of these exemptions, VCLF is regulated differently than for-profit entities who are involved in similar offerings and as a result, investors are not afforded with the same protections. The absence of such regulatory oversight, together with the possibility of future regulation of this type, may negatively affect the Fund, which in turn may negatively affect investors in the Fund.

Conflict of Interest: VCLF management must balance the interests of its investors with the interests of its borrowers and the needs of the Loan Fund itself. This situation may cause potential conflicts of interest, particularly in the event that these interests become divergent.

No Public Market: There is no public market for Community Investment Notes nor is it expected any such market will develop. As a consequence, an investment in a Community Investment Note cannot be easily liquidated through sale or other transfer for value.

No Repayment Penalty: The Community Investment Notes may be prepaid in whole, or in part, at any time, at VCLF's discretion, without penalty.

Unsecured Loan Obligations: The Community Investment Notes are unsecured (i.e. they are not collateralized by any assets of VCLF), so the holders of the Community Investment Notes would not be able to foreclose on any property or assets of VCLF in the event VCLF defaulted in the repayment of such Community Investment Notes. Additionally, the Community Investment Notes are not FDIC-insured or

otherwise insured. They rest only upon the general credit of VCLF, which has not been established by any conventional means. Neither are funds from Community Investment Notes placed in escrow nor subject to a trust indenture or any sinking fund obligations. Therefore there can be no assurance that liquid assets will be available to pay accrued interest or to repay principal when it is due.

Plan of Distribution

Investments in the Vermont Community Loan Fund may be made only with the approval of the Executive Director or the officers of VCLF. The Loan Fund retains the right, in its sole discretion, to accept or reject any investment.

Use of Proceeds

The investment monies received by VCLF from investors through its Community Investment Notes are intended to be used by VCLF to augment its revolving loan fund and not to pay the expenses of administration or expenses of the offering of these securities. It is intended that such expenses, to the extent that they are not covered by the net interest earned on loans made by VCLF, will be funded through separate grants solicited for this purpose. While it is the Fund's intention to apply the proceeds of these investments as indicated, VCLF reserves the right to alter the application of proceeds should business exigencies so require.

Additional information

Any prospective investor having questions or wishing to review any of the Vermont Community Loan Fund's corporate records should contact the Executive Director William Belongia or Director of Investment & Philanthropy Jake Ide. The offices of the Vermont Community Loan Fund, Inc. are located at 15 State Street in Montpelier, Vermont. The telephone number is (802) 223-1448. The fax number is (802) 223- 1455. The website is located at: www.investinvermont.org.

Materials that are available to prospective investors upon request include the VCLF's articles of incorporation, code of by-laws, IRS determination letter, sample loan agreement and promissory note. Further materials regarding lending activities that are available include Loan Policy Handbook and procedures and sample loan agreements with borrowers. Many organizational documents including audited financial statements, 990s, annual reports, newsletters, social impact reports and Strategic Plans can be found online at: www.investinvermont.org/about/vclf-publications-and-reports.

No agent of the VCLF is authorized to provide any offering literature or advertising of Community Investment Notes except for this Memorandum and its exhibits or to make any representations other than those contained in this Memorandum.

Exhibit A—Summary Resumes, VCLF Board of Directors

Alec Barclay – Secretary (Essex Junction)
Alec worked for over thirty years in commercial real estate lending and community development banking, with leadership positions at NBT Bank, KeyBank and Chittenden Bank.

Karin Chamberlain – Vice President (Etna, NH)
Karin works for Clean Yield Asset Management, where she oversees the research and implementation of their private placement and community investment initiatives focusing of food and agriculture in Vermont.

Kim Keiser (Moretown)
Currently serving as the Vermont Director for the Turrell Fund, Kim has had a long career in public service and advocacy for early care & learning, culminating as Deputy Commissioner the Vermont Department for Children & Families.

Jim Maland (Brattleboro)
A retired educator/administrator, Jim is a veteran of many community initiatives and organizations including serving as Chair of the Board of Directors of the Windham Child Care Association.

Ira Marvin (Hyde Park)
Ira is the farm and facility manager at Butternut Mountain Farm, a family business focused on maple syrup production, processing and distribution. Ira serves of the Board of the Vermont Natural Resources Council.

Andrew Perchlik (Plainfield)
Andrew is Director of the VT Department of Public Service's Clean Energy Development Fund.

Gwen Pokalo (Burlington)
Gwen is the Vermont Director for the Center for Women & Enterprise and has long career in the entrepreneurialism, business assistance and local economic development.

Janet Spitler – Treasurer (Shelburne)
Janet worked for twenty-five years in finance leadership positions at Merchants Bank and Boston Financial Group; today she is the VP Finance, CFO & Treasurer for Housing Vermont.

Nicki Steel (Wilmington)
A committed community activist, Nicki has worked in education, local affordable housing and served on the Wilmington Development Review Board for over two decades.

Stephanie Wernhoff (Shelburne)
Stephanie is Senior Vice President for Commercial Real Estate Finance for People's United Bank.

Exhibit B—Summary Resumes, VCLF Management Staff

William Belongia, Executive Director
Will is responsible for organizational leadership, strategy & planning, budget, personnel management and oversight for all programming. He has been with VCLF since 1993. He started as VCLF's Business Manager, eventually serving as CFO; he was hired as VCLF's Executive Director in July 2004. He serves on several Boards, including the Federal Reserve Bank of Boston's Community Development Advisory Council, Green Mountain Power Renewable Development Fund, Vermont Rural Ventures, Slow Money Vermont and the Working Lands Enterprise Board. He holds a degree in Economics from the University of Notre Dame and a Masters in Business Administration from the University of Vermont.

Paul Hill, Jr., Director of Housing & Community Facilities Programs
Paul joined VCLF in 1996 and is responsible for affordable housing underwriting, lending, servicing and technical assistance. He brings 30 years of residential lending experience. Paul's Board service includes the Vermont Community Development Association (present) and the Vermont State Employees Credit Union (former).

Jake Ide, Director of Investment & Philanthropy
Jake is responsible for oversight and management of VCLF fundraising, capitalization & communications. Prior to arriving at VCLF in 2005, Jake led fundraising & communications efforts for nonprofit organizations. He serves of the Board of Directors for the Initiative for Local Capital and Girls Rock Vermont. Jake is a graduate of Brown University.

Raymond Lanza-Weil, Director of Business & Child Care Programs
Arriving at VCLF in May 2016, Raymond is responsible for all aspects of the Loan Fund's business lending and technical assistance programs. Raymond had most recently served as the Loan Fund Program Manager at Goodwill Industries International, and is a long-time lender with tenures at banks, state government and alternative institutions. Raymond has founded a small business, launched a nonprofit theatre company and served on the Boards of several nonprofit arts organizations.

Katherine Nelson, Director of Finance & Administration
Katherine has been with VCLF since 2013. She started as VCLF's Senior Accountant and transitioned to the Director of Finance in January 2016, where she is now responsible for the Loan Fund's financial planning and management, as well as program planning, information systems, and human resources management. Prior to joining VCLF, Katherine held financial positions at several for-profit businesses. She serves on the Board for the Good Samaritan House. She holds an MBA from Babson.

Vermont Community Loan Fund, Inc.

FINANCIAL STATEMENTS

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KBS
Kittell Branagan & Sargent
Certified Public Accountants
Vermont License #167

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Vermont Community Loan Fund, Inc.
Montpelier, Vermont

We have audited the accompanying financial statements of Vermont Community Loan Fund, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vermont Community Loan Fund, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Kittell Branagan & Sargent

St. Albans, Vermont
April 6, 2019

Vermont Community Loan Fund, Inc.
STATEMENTS OF FINANCIAL POSITION
December 31,

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and Cash Equivalents - Note 2 and 5	$ 7,381,514	$ 8,008,558
Investments - Certificates of Deposit - Note 2 and 5	2,402,527	2,525,011
Investments - Note 3 and 5	1,504,496	-
Other Receivables - Current Portion - Note 6	728,291	24,109
Loans Receivable - Current Portion - Note 7	7,940,366	7,305,705
Equipment Lease Receivable - Current Portion - Note 9	12,082	10,721
Accrued Interest Receivable	141,397	125,751
Prepaid Expenses	31,992	24,377
TOTAL CURRENT ASSETS	20,142,665	18,024,232
NON-CURRENT ASSETS		
Investments - Long-Term Portion- Note 3 and 5	1,764,258	-
Loans Receivable - Long-Term Portion - Note 7	21,651,271	22,954,025
Equipment lease Receivable - Long-Term Portion - Note 9	9,277	19,858
Reserve for Loan Losses - Note 8	(1,974,364)	(1,805,760)
Plant and Equipment - (Net of Accumulated Depreciation) - Note 10	67,606	57,178
TOTAL NON-CURRENT ASSETS	21,518,048	21,225,301
TOTAL ASSETS	$ 41,660,713	$ 39,249,533

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	$ 29,939	$ 17,147
Accrued Liabilities	61,864	52,199
Accrued Interest Payable	204,137	182,939
Deferred Revenue - Current Portion - Note 11	28,384	14,933
Loans Payable - Current Portion - Note 12	9,938,559	9,060,483
TOTAL CURRENT LIABILITIES	10,262,883	9,327,701
NON-CURRENT LIABILITIES		
Deferred Revenue - Long-Term - Note 11	118,942	79,457
Loans Payable - Long-Term - Note 12	18,853,796	19,101,135
TOTAL NON-CURRENT LIABILITIES	18,972,738	19,180,592
TOTAL LIABILITIES	29,235,621	28,508,293
NET ASSETS		
Without Donor Restrictions- Note 14	10,043,578	8,372,597
With Donor Restrictions- Note 13 and 14	2,381,514	2,368,643
TOTAL NET ASSETS	12,425,092	10,741,240
TOTAL LIABILITIES AND NET ASSETS	$ 41,660,713	$ 39,249,533

The accompanying notes are an integral part of this financial statement.

Vermont Community Loan Fund, Inc.
STATEMENTS OF ACTIVITIES
For The Years Ended December 31,

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE						
Contributions	$ 564,973	$ 44,446	$ 609,419	$ 207,399	$ 40,563	$ 247,962
Grants	1,527,720	319,422	1,847,142	482,325	259,000	741,325
Financing Charges	97,579	-	97,579	116,840	-	116,840
Loan Interest	1,614,134	3,657	1,617,791	1,594,186	4,051	1,598,237
Net Investment Income	92,359	3,308	95,667	51,596	2,931	54,527
Recovery of Bad Debt and Foreclosure Expenses	389,694	-	389,694	57,834	-	57,834
Other Income	51,584	3,984	55,568	47,023	4,010	51,033
Net Assets Released from Restrictions - Note 12	361,946	(361,946)	-	458,073	(458,073)	-
TOTAL REVENUE	4,699,989	12,871	4,712,860	3,015,276	(147,518)	2,867,758
EXPENSES						
Program Services	2,565,520	-	2,565,520	2,360,334	-	2,360,334
Management and General	377,417	-	377,417	381,619	-	381,619
Fundraising	86,071	-	86,071	82,893	-	82,893
TOTAL EXPENSES	3,029,008	-	3,029,008	2,824,846	-	2,824,846
CHANGES IN NET ASSETS	1,670,981	12,871	1,683,852	190,430	(147,518)	42,912
NET ASSETS - January 1,	8,372,597	2,368,643	10,741,240	8,182,167	2,516,161	10,698,328
NET ASSETS - December 31,	$ 10,043,578	$ 2,381,514	$ 12,425,092	$ 8,372,597	$ 2,368,643	$ 10,741,240

The accompanying notes are an integral part of this financial statement.

Vermont Community Loan Fund, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2018

	Program Services	Management and General	Fundraising	Total
Accounting	$ -	$ 31,737	$ -	$ 31,737
Bank Charges	4,557	1,953	-	6,510
Board and Committee Expense	857	514	343	1,713
Computer Supplies	3,494	932	233	4,658
Consultants	67,275	28,832	-	96,107
Depreciation	17,930	4,781	1,195	23,905
Dues and Publications	5,912	1,577	394	7,883
Foreclosure Expense	63,396	-	-	63,396
Fiscal Sponsor Admin Fees	14,541	-	-	14,541
Grant Administrative Expenses	24,390	-	-	24,390
Insurance	10,558	2,815	704	14,077
Interest Expense	494,202	-	-	494,202
Legal	1,343	4,028	-	5,370
Loan Service Fees	18,160	-	-	18,160
Marketing and Communications	42,545	-	4,727	47,272
Provision for Loan Losses - Note 7	516,813	-	-	516,813
Occupancy Costs	60,482	16,129	4,032	80,644
Office Supplies	5,489	1,464	366	7,318
Outreach	29,791	-	3,310	33,101
Personnel Costs	1,020,868	272,231	68,058	1,361,157
Postage	2,483	1,242	414	4,139
Repairs and Maintenance	1,384	369	92	1,845
Staff Enrichment	1,972	526	132	2,630
Telephone	9,952	2,654	663	13,269
Training	3,170	845	211	4,225
Transportation	14,507	3,869	967	19,343
Travel	3,445	919	230	4,593
Pass Through Grant Expense	126,004	-	-	126,004
TOTAL	$ 2,565,520	$ 377,417	$ 86,071	$ 3,029,008

The accompanying notes are an integral part of this financial statement.

Vermont Community Loan Fund, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2017

	Program Services	Management and General	Fundraising	Total
Accounting	$ -	$ 30,786	$ -	$ 30,786
Bank Charges	7,931	3,399	-	11,330
Board and Committee Expense	1,211	727	484	2,422
Computer Supplies	3,690	984	246	4,920
Consultants	65,786	28,194	-	93,980
Depreciation	10,693	2,851	713	14,256
Dues and Publications	4,713	1,257	314	6,284
Foreclosure Expense	30,513	-	-	30,513
Fiscal Sponsor Admin Fees	14,571	-	-	14,571
Grant Administrative Expenses	25,607	-	-	25,607
Insurance	11,887	3,170	792	15,849
Interest Expense	458,194	-	-	458,194
Legal	6,164	18,491	-	24,655
Loan Service Fees	15,755	-	-	15,755
Marketing and Communications	33,522	-	3,725	37,247
Provision for Loan Losses - Note 7	307,600	-	-	307,600
Occupancy Costs	61,164	16,311	4,078	81,553
Office Supplies	6,767	1,804	451	9,022
Outreach	32,307	-	3,590	35,897
Personnel Costs	981,872	261,833	65,458	1,309,163
Postage	2,107	1,053	351	3,511
Repairs and Maintenance	2,006	535	134	2,675
Staff Enrichment	3,159	843	211	4,213
Telephone	10,097	2,692	673	13,462
Training	4,317	1,151	288	5,754
Transportation	15,446	4,119	1,030	20,595
Travel	5,322	1,419	355	7,096
Pass Through Grant Expense	237,933	-	-	237,933
TOTAL	$ 2,360,334	$ 381,619	$ 82,893	$ 2,824,846

The accompanying notes are an integral part of this financial statement.

Vermont Community Loan Fund, Inc.
STATEMENTS OF CASH FLOWS
For The Years Ended December 31,

	2018	2017
INCREASE/(DECREASE) IN CASH		
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	$ 1,683,852	$ 42,912
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation Expense	23,905	14,256
Loans Receivable Charged Off	348,209	283,076
Change in Provision for Loan Losses	168,604	24,524
(Increase)/Decrease in:		
Prepaid Expenses	(7,615)	(3,459)
Other Receivable	(704,182)	945,267
Increase/(Decrease) in:		
Accounts Payable	12,792	(7,420)
Accrued Liabilities	9,665	(11,329)
Deferred revenue	52,936	(5,588)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,588,166	1,282,239
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease/(Increase) in Investments - Certificates of Deposits	122,484	(34,234)
Decrease/(Increase) in Investments	(3,268,754)	-
(Purchase) or Sale of Leasehold Improvements and Equipment	(34,333)	(63,697)
Principal Advances on Loans Receivable	(4,646,520)	(8,840,358)
Principal Payments on Loans Receivable	4,966,405	6,105,040
Principal Advances on Equipment Lease Receivable	-	(37,173)
Principal Payments on Equipment Lease Receivable	9,220	32,455
Decrease/(Increase) in Accrued Interest Receivable	(15,646)	2,783
NET CASH USED BY INVESTING ACTIVITIES	(2,867,144)	(2,835,184)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(Decrease) in Accrued Interest Payable	21,198	3,211
Proceeds from additional Loans Payable	2,205,623	2,968,980
Principal Payments to Loans Payable	(1,574,887)	(1,827,069)
NET CASH PROVIDED BY FINANCING ACTIVITIES	651,934	1,145,122
NET DECREASE IN CASH	(627,044)	(407,823)
CASH - January 1,	8,008,558	8,416,381
CASH - December 31,	$ 7,381,514	$ 8,008,558
SUPPLEMENTAL DISCLOSURES		
Interest paid to investors	$ 472,506	$ 458,279

The accompanying notes are an integral part of this financial statement.

Vermont Community Loan Fund, Inc. (herein "The Fund") was organized in June, 1987 as a non-profit corporation under the laws of the State of Vermont and was granted exempt status by the Internal Revenue Service under IRC Section 501(c)(3) on April 27, 1988.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with generally accepted accounting principles.

Cash and Cash Equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three (3) months of the date acquired by the Fund.

Plant and equipment is stated at cost for purchases higher than $1,000. Normal maintenance and repair costs are expensed as incurred. Depreciation is charged using the straight-line method over the following estimated lives:

Leasehold Improvements	3 Years
Furniture, Fixtures and Equipment	5 Years
Computer Equipment	3 Years

Paid time off is accrued and charged to the appropriate program expense when earned by the employee.

Contributions of cash and other assets are reported as restricted if they are received with donor imposed stipulations that limit the use of the donated assets. Contributions can be unrestricted, temporarily restricted, or permanently restricted.

Net Assets without Donor Restrictions
These assets result from contributions and other inflows which have no restrictions and over which the Board of Directors retains full control to use in achieving any of its organizational purposes.

Net Assets with Donor Restrictions
These assets result from donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events or programs run by The Fund. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained for a particular use in perpetuity. Net assets with donor-imposed restrictions are released when the restriction expires which could be when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Fund reports each class of net assets within the following subcategories:

Program Activities – Include net assets that are restricted to cover program delivery expenses and general operating functions of the Fund, which could include salary, program costs, overhead, and other expenses.

Financing Activities – Net assets that are restricted for mission-related lending. Where restricted by donors, these include net assets which will be redeployed as lending capital unless the grant is released due to a restriction being met.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Because donors generally allow contributions to this category of net assets to offset loan charge-offs, the Fund releases an amount equivalent to the loss taken related to the charge-off. Any net recoveries related to the loan charge-off will be returned to this category.

Pass-Through Activities – Net assets that are restricted amounts to be passed through (re-granted) to other organizations or individuals for mission-related purposes. These net assets are not available to be used for program activities or financing activities.

The Fund classifies net assets with donor restrictions into three subcategories:

- *Purpose restricted* net assets include amounts restricted for program activities or mission related finance activities of the Fund.
- *Perpetual in nature* net assets include grant funds that are held in perpetuity.

Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Below Market Interest Rate Loans

Generally accepted accounting principles require not-for-profit organizations to record interest expense (income) and contribution revenue (expense) in connection with loans that are interest free or that have below market interest rates. The Fund believes there is no material difference between market rates for these types of loans and the stated rates of loans in their portfolios. Consequently, no adjustments have been made to the financial statements to reflect rate differentials.

Loans Receivable

The Fund considers all loans receivable as not held for sale therefore management intends to hold them until paid. Interest accrues daily on outstanding loan balances and the Fund generally collects payments on principal and interest monthly.

Loans become delinquent after 30 days have elapsed since the scheduled payment due date per the terms of the loan. Loans are recorded for non-accrual status when repayment of principal and/or interest in full is doubtful or the borrower's financial soundness is in serious jeopardy. If a loan is well secured and in the process of collection and not expected to result in a deficiency after collateral liquidation, the Fund's staff can recommend that the loan not be placed on non-accrual status. Loans that are removed from non-accrual status must be current and approved by the Fund's Executive Director with written notice.

Loans that have payments in arrears of 90 days or more will be reviewed for consideration as a potential loan charge-off. In the instance of secured loans, staff will take steps to review and evaluate the current value of collateral, including real estate, assigned accounts, chattel/personal property, and the strength of any loan guarantors or co-signers. After exhausting reasonable efforts in loan workout and collateral acquisition and liquidation, staff can categorize those non-performing loans as non-recoverable and offset the respective loan loss reserve account against the outstanding balance of the loan.

NOTE 2 CASH AND CERTIFICATES OF DEPOSIT

Cash and certificates of deposit as of December 31, 2018 and 2017 totaled $9,784,041 and $10,533,569, respectively.

Cash and Certficates of Deposit	*2018*	*2017*
Insured/(FDIC/NCUA)	$ 1,158,019	$ 1,904,306
Collateralized - Treasury	2,319,331	2,842,992
Collateralized - Pool	4,647,937	4,321,023
Uninsured/Uncollateralized	1,658,754	1,465,248
Total	$ 9,784,041	$ 10,533,569

The collateralized accounts are collateralized with government securities, federal agency issued mortgage backed securities and/or general obligation Vermont municipal notes and bonds held by the Bank's Trust department with a security interest granted to the Fund.

Per agreements with Green Mountain Power, USDA Rural Development, the Small Business Administration, and the Economic Development Authority (EDA), separate bank accounts are maintained totaling $2,943,930 and $3,465,872 at December 31, 2018 and 2017, respectively.

The book balance is comprised of cash and certificates of deposits as follows:

Cash and Certficates of Deposit	*2018*	*2017*
Cash and Cash Equivalents	$ 7,381,514	$ 8,008,558
Investments- Certificates of Deposit	2,402,527	2,525,011
Total	$ 9,784,041	$ 10,533,569

NOTE 3 INVESTMENTS

At December 31, 2018 and 2017, the Fund had $3,268,754 and $0 Investments in U.S. Government Agency Obligations, respectively.

The Fund's investments are reported at fair value in the accompanying balance sheets. The methods used to measure fair value may produce an amount that may not be indicative of net realizable or reflective of future fair values. Furthermore, although the Fund believes its valuations methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to measure the fair value of certain financial instruments could result in a different fair value at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quotes prices in active markets for identical assets and have the highest priority, and Level 3 inputs are unobservable and have the lowest priority.

NOTE 3 INVESTMENTS (continued)

The Fund uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Fund measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 input and Level 3 inputs are only used when Level 1 inputs are not available. All of the investments held by the Fund are classified as Level 1.

Level 1 Fair Value Measurements

The fair value of U.S. government agency obligations is valued at the daily closing price as reported by the fund.

The book balance is comprised of U.S. government agency obligations as follows:

Investments	*2018*	*2017*
Investments- U.S. Government Agency Obligations	$ 3,268,754	$ -
Less: Current Portion	1,504,496	-
Non-Current Portion	$ 1,764,258	$ -

NOTE 4 LIQUIDITY

Financial assets available for general operating use, that is, without donor or other restrictions limiting their use (see Note 5), within one year of the statement of financial position date, comprise the following at December 31, 2018.

Cash and cash equivalents	$ 7,381,514
Investments - Certificates of Deposit	2,402,527
Investments	1,504,496
Other receivables	728,291
Loans receivable - current portion	7,940,366
Equipment lease receivable - current portion	12,082
Accrued interest receivable	141,397
	$ 20,110,673
Less:	
Pass-through cash and cash equivalents (GMP and VECAA):	(510,894)
Investor liquidity reserves	(2,484,640)
	$ 17,115,139

The Fund's investment and cash management objectives are to carry out the Fund's mission. Effective investment and cash management enhances the Fund's capacity to increase access to capital for the benefit of low and moderate income Vermonters. The Fund is committed to repaying in full all investors and to preserve its capital for the use in fulfilling its mission.

NOTE 4 LIQUIDITY (continued)

As a part of its internal cash management policies, the Fund aims to maintain operating liquidity balances of at least three months of operating expenses and current payables. Cash exceeding short-term requirements can be invested in various marketable securities, mainly certificates of deposit from financial institutions, US government obligations, and/or US government agency securities (see Note 2 and 3) following the parameters of the Board-approved Investment and Cash Management Policy. In managing its investment portfolio, the Fund aims to minimize risk to principal and ensure compliance with all investor covenants.

To ensure sufficient funding available to support investor repayments, as part of a Board-approved Investment and Cash Management Policy, the Fund maintains an internal liquidity reserve equal to the greatest of 8% of unrestricted obligations to investors or 25% of unrestricted obligations to investors due in the next twelve months.

To supplement liquidity for mission related financing, the Fund currently has three committed lines of credit from three different banks which it could draw upon (see Note 16). As of December 31, 2018, none of these lines have outstanding balances.

NOTE 5 CASH AND INVESTMENT RESERVES

At December 31, 2018 and 2017, the Fund had cash and investments of $13,052,795 and $10,533,569, respectively. The Fund reserves a portion of this money for various purposes.

The following is a breakdown of these reserves.

Type of Reserve	*2018*	*2017*
Cash Reserved for GMP & GMPCHP	$ 294,375	$ 298,385
Cash Reserved for VECAA	216,519	199,863
Cash Reserved for Loan Commitments & Undisbursed Closed Loans	5,183,305	2,937,505
Cash Reserved for Loan Loss & Investor Liquidity	4,459,004	4,070,881
Available Cash - Undesignated (Operating)	826,367	798,523
Available Cash - for Lending	2,073,225	2,228,412
Total Cash	$ 13,052,795	$ 10,533,569

At December 31, 2018, the Available Cash – for Lending excludes various lines of credits and financing commitments as more fully described in Note 15. Financing Commitments.

NOTE 6 OTHER RECEIVABLES

At December 31, 2018 and 2017, the Fund had other receivables of $728,291 and $24,109 respectively. Other receivables are comprised of grants which will be received in 2019.

Other Receivables	*2018*	*2017*
CDFI Grant	$ 700,000	$ -
USDA (RMAP) Technical Assistance Grant	2,777	561
SBA Technical Assistance Grant	25,514	23,548
Total	$ 728,291	$ 24,109

NOTE 7 LOANS RECEIVABLE

At December 31, 2018 and 2017, there were 223 loans receivable, respectively. The loan balances at December 31, 2018 vary in amount from $629 to $2,300,000 with maturity dates ranging from January 31, 2019 to December 1, 2041 and with interest rates from 0% to 11.25% with a weighted average rate of 5.57%. Security interests vary from loan guarantees and senior and junior mortgages to personal and business property. Total loans receivable at December 31, 2018 and 2017 were $29,591,637 and $30,259,730, respectively.

Loans Receivable	*2018*	*2017*
Loans Current, Per Terms of Loan	$ 28,291,280	$ 29,455,230
Loans Delinquent, 31-90 Days	418,622	267,545
Non-Performing Loans	881,735	536,955
Total	29,591,637	30,259,730
Less: Current Portion	(7,940,366)	(7,305,705)
Non-Current Portion	$ 21,651,271	$ 22,954,025

Maturities of Loans Receivable at December 31, 2018 are as follows:

2019	$ 7,940,366
2020	5,002,150
2021	2,601,975
2022	4,866,760
2023	4,679,027
Thereafter	4,501,359
Total	$ 29,591,637

In 2013, the Fund was approved to be a member of the U.S. Small Business Administration 7(a) Loan Guarantee Program – Community Advantage Pilot Program. The guarantee program provides guarantees for 85% of the principal balance of qualifying loans equal to or under $150,000 and a 75% guarantee for loans over $150,000. As of December 31, 2018 and 2017 the guaranteed principal balance was $412,537 and $414,333, respectively. The total outstanding balances for these loans as of December 31, 2018 and 2017 were $516,332 and $512,274, respectively.

At December 31, 2018 and 2017, the Fund also held a $95,000 note receivable which will only be recoverable under certain conditions and, therefore, this loan is not included in the total above, or in Exhibit I. This loan was made to the Crystal Lake Housing Limited Partnership (Crystal Lake) and is structured as a thirty (30) year, 0% deferred note. This repayment of this note is based on the future cash flow and ability of the borrower to repay. A grant was received by the fund to make this loan. This grant does not require any payback by the Fund regardless of the collection of the loan from Crystal Lake.

At December 31, 2018 and 2017, the Fund also held a $400,000 note receivable which will only be recoverable under certain conditions and, therefore, this loan is not included in the total above, or in Exhibit I. This loan was made to the Moose River Housing Limited Partnership (Moose River) and is structured as a thirty (30) year, 0% deferred note. This repayment of this note is based on the future cash flow and ability of the borrower to repay. A grant was received by the Fund to make this loan. This grant does not require any payback by the Fund regardless of the collection of the loan from Moose River.

NOTE 7 LOANS RECEIVABLE (continued)

At December 31, 2018 and 2017, the Fund also held a $413,400 note receivable which will only be recoverable under certain conditions and, therefore, this loan is not included in the total above, or in Exhibit I. This loan was made to the Evergreen Housing Limited Partnership (Evergreen) and is structured as a thirty (30) year, 0% deferred note. The repayment of this note is based on the future cash flow and ability of the borrower to repay. A grant was received by the Fund to make this loan. This grant does not require any payback by the Fund regardless of the collection of the loan from Evergreen.

Per its Bylaws, the Vermont Community Loan Fund, Inc. actively seeks out community-based nonprofit organizations and members of lending institutions to serve on the Board of Directors. Consequently, during the course of business, loans may be made to organizations of which current Vermont Community Loan Fund, Inc. members are significant employees or board directors.

Committed Funds to Borrowers

At December 31, 2018 and 2017, there were twenty-one (21) and twenty-seven (27) outstanding loan commitments and loans not fully disbursed totaling $5,183,305 and $2,937,505, respectively.

NOTE 8 LOAN LOSS RESERVE

The Vermont Community Loan Fund, Inc. has established a reserve to cover potential loan losses. The reserve amount is based on a risk rating system. Each loan in the portfolio is assigned a risk rating which is tied to a percentage. This percentage is used to determine the reserve amount for each loan based on the outstanding loan balance. Each loan's risk rating is evaluated at the time of origination and annually by both the loan officer and the loan monitoring committee. This process is intended to manage the risk of the portfolio. It should assure a consistent level of awareness regarding the risk and a systematic method of adjusting the portfolio's reserves to accommodate risk levels at any given time. The loan loss reserve account is funded from unrestricted net assets. The loan loss reserves at December 31, 2018 and 2017 are $1,974,364 and $1,805,760, respectively.

Changes in the loan loss reserve for the year ended December 31, 2018 were as follows:

2018	Housing	Community Facilities	Business	Early Care & Learning	Total
Balance Dec 31, 2017	$ 572,225	$ 278,966	$ 654,017	$ 300,552	$ 1,805,760
Provision for Loan Losses	250,776	27,404	(162,671)	11,610	127,119
Recoveries of amounts charged off	-	-	206,783	182,911	389,694
	823,001	306,370	698,129	495,073	2,322,573
Amounts Charged off	(284,605)	-	(24,384)	(39,220)	(348,209)
Balance Dec 31, 2018	$ 538,396	$ 306,370	$ 673,745	$ 455,853	$ 1,974,364

NOTE 8 LOAN LOSS RESERVE (continued)

Changes in the loan loss reserve for the year ended December 31, 2017 were as follows:

2017	Housing	Community Facilities	Business	Early Care & Learning	Total
Balance Dec 31, 2015	$ 576,062	$ 164,989	$ 604,264	$ 435,921	$ 1,781,236
Provision for Loan Losses	(3,837)	113,977	66,444	73,182	249,766
Recoveries of amounts charged off	-	-	8,920	48,914	57,834
	572,225	278,966	679,628	558,017	2,088,836
Amounts Charged off	-	-	(25,611)	(257,465)	(283,076)
Balance Dec 31, 2016	$ 572,225	$ 278,966	$ 654,017	$ 300,552	$ 1,805,760

Despite the above allocation, the loan loss reserve is general in nature and is available to absorb loss from any loan type.

The Fund's impairment methodology is to individually evaluate every loan for impairment in calculating the loan loss reserve.

The following table summarizes the loan ratings applied to the Fund's loan types as of December 31:

2018 Risk	Housing	Community Facilities	Business	Early Care & Learning	Total
Low	$ 820,336	$ 123,191	$ -	$ -	$ 943,527
Moderate	3,941,292	1,003,414	182,326	238,033	5,365,065
Average	4,878,021	533,522	4,200,792	1,967,589	11,579,924
Substantial	2,339,984	5,041,674	1,568,372	381,231	9,331,261
High	519,998	109,332	685,104	663,770	1,978,204
Workout	193,028	-	-	200,628	393,656
Total	$ 12,692,659	$ 6,811,133	$ 6,636,594	$ 3,451,251	$ 29,591,637

2017 Risk	Housing	Community Facilities	Business	Early Care & Learning	Total
Low	$ 865,811	$ 131,552	$ -	$ 17,049	$ 1,014,412
Moderate	4,102,545	1,102,263	638,051	358,937	6,201,796
Average	6,078,610	545,411	4,563,011	2,077,202	13,264,234
Substantial	1,634,211	4,436,902	1,103,776	398,892	7,573,781
High	695,031	113,451	681,508	332,934	1,822,924
Workout	164,976	-	-	217,607	382,583
Total	$ 13,541,184	$ 6,329,579	$ 6,986,346	$ 3,402,621	$ 30,259,730

NOTE 8 LOAN LOSS RESERVE (continued)

The following is an overview of the Fund's loan rating system:

1 Rating – Low Risk

At origination, loans will warrant a rating of "1" when the loan is fully secured by cash or other liquid securities. This also would apply to loans that are pre-funded with designated funds from outside entities and there is no risk of VCLF capital. On a continuing basis, loans will warrant a rating of "1" only when the loan exhibits all of the following characteristics:

- Loan is current.
- Balance remains fully secured

2 Rating – Moderate Risk

At origination, loans will warrant a rating of "2" when the loan exhibits the following characteristics:

- The loan either has a strong collateral position with a discounted LTV of at least 80% or historical and projected cash flow provide debt service coverage of at least 1.3x.
- The loan officer believes there is very low risk of the loan going into default and very low risk of loss to VCLF

On a continuing basis, loans will warrant a rating of "2" when the loan exhibits the following characteristics:

- Loan payments are timely.
- Borrower's financial condition is stable (able to meet financial obligations).

3 Rating – Average Risk

At origination, loans will warrant a rating of "3" when the loan exhibits the following characteristics:

- Collateral coverage of the loan is sufficient with a discounted LTV of at least 100% but the liquidation value may be questionable.
- Cash flow coverage is sufficient with debt service coverage of at least 1.1x

On a continuing basis, loans will warrant a rating of "3" when the loan exhibits any of the following characteristics:

- Loan payments are frequently late.
- Borrower's financial condition is weak (having difficulty meeting financial obligations).
- Financial reports are irregular.

NOTE 8 LOAN LOSS RESERVE (continued)

4 Rating – Substantial Risk

In general, the Business lending shall not seek to originate loans with a risk rating of "4". On a continuing basis, loans will warrant a rating of "4" when the loan exhibits any of the following characteristics:

- Loan payments are frequently 30 days past due without good cause.
- Borrower's financial condition is weak (unable to meet financial obligations).
- Financial reports are non-existent without good cause.
- Evidence of fraud.
- Serious documentation deficiencies (i.e. insurance coverage)
- Workout is a consideration.

5 Rating – High Risk

Loans will warrant a rating of "5" when the loan exhibits the following characteristics:

- The loan officer believes there is a significant risk that the loan will remain non-performing.

6 Rating – Workout

A loan will warrant a "6" rating when it is deemed that there is virtually no chance that a loan will be performing and it is either in foreclosure or going through a voluntary liquidation with the borrower. A loan will maintain this rating until it has been charged off.

The following table provides information with respect to loans individually assessed for impairment as of and for the year ended December 31:

2018	Recorded Investment	Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Housing	$ 12,692,659	$ 12,692,659	$ 538,396	$ 13,116,922	$ 685,887
Community Facilities	6,811,133	6,811,133	306,370	6,570,356	346,571
Business	6,636,594	6,636,594	709,745	6,822,150	398,178
Early Care & Learning	3,451,251	3,451,251	455,853	3,426,936	187,155
Total	$ 29,591,637	$ 29,591,637	$ 2,010,364	$ 29,936,364	$ 1,617,791

2017	Recorded Investment	Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Housing	$ 13,541,184	$ 13,541,184	$ 572,225	$ 13,201,974	$ 690,118
Community Facilities	6,329,579	6,329,579	278,966	5,159,507	272,422
Business	6,986,346	6,986,346	654,016	6,776,286	420,237
Child Care	3,402,621	3,402,621	300,553	3,895,843	215,460
Total	$ 30,259,730	$ 30,259,730	$ 1,805,760	$ 29,033,610	$ 1,598,237

NOTE 8 LOAN LOSS RESERVE (continued)

For the years ended December 31, 2018 and 2017, $1,617,791 and $1,598,237 was recognized as interest income from the above loans.

As of December 31, 2018 and 2017, the Fund was not committed to lend any additional funds to borrowers whose loans were nonperforming, impaired or restructured.

NOTE 9 EQUIPMENT ACCESS PROGRAM

The Equipment Access Program (EAP) is a partnership between the Vermont Community Loan Fund and two food business incubators, the non-profit Center for an Agricultural Economy and the for profit Mad River Food Hub L3C. The Memorandum of Understanding was finalized April 28, 2014. The program is a revolving lease fund that helps emerging food processors find and finance the equipment they need to grow their businesses. The food business incubators provide customers, equipment and business expertise. VCLF provides the administrative services including lease documentation, billing systems, accounting and financial reporting. Philanthropic sources have provided grant capital to be used to reduce the lease amount owed. At December 31, 2018 and 2017, there were 6 equipment leases, respectively. Total equipment leases receivable at December 31, 2018 and 2017 were $21,359 and $30,579, respectively.

Equipment Leases Receivable	*2018*	*2017*
Loans Current, Per Terms of Loan	$ 21,359	$ 30,579
Loans Delinquent, 31-90 Days	-	-
Non-Performing Loans	-	-
Total	21,359	30,579
Less: Current Portion	(12,082)	(10,721)
Non-Current Portion	$ 9,277	$ 19,858

NOTE 10 PLANT AND EQUIPMENT

The following is a summary of net plant and equipment at December 31, 2018 and 2017:

Fixed Assets	Gross Fixed Assets 12/31/18	Accumulated Depreciation 12/31/18	Net Book Value 12/31/18	Gross Fixed Assets 12/31/17	Accumulated Depreciation 12/31/17	Net Book Value 12/31/17
Furniture, Fixtures and Equipment	$ 162,232	$ 95,771	$ 66,462	$ 141,545	$ 84,367	$ 57,178
Leasehold Improvements	16,109	14,965	1,145	14,679	14,679	-
Total	$ 178,341	$ 110,735	$ 67,606	$ 156,224	$ 99,046	$ 57,178

NOTE 11 DEFERRED REVENUE

At December 31, 2018 and 2017, deferred revenue was $147,326 and $94,390, respectively. In late 2016, with start-up support from the State of Vermont's Working Lands Enterprise Initiative (WLEB), the Fund started the Sprout Deferred Payment Loan Program (Sprout) to help meet the financing needs of work land entrepreneurs who might not be eligible for a loan otherwise. The initial grant funding in 2016 as well as additional funding in 2018 from WLEB covers a portion of the loan interest. As of December 31, 2018 and 2017, there were 10 and 6 borrowers were participating in the Sprout program, respectively.

NOTE 11 DEFERRED REVENUE (continued)

In 2018, Vermont Birth to Five (VB5) provided funding for the Fund's Business Resource Center to provide support and technical assistance to early care and learning providers that are applying for and implementing VB5's Make Way for Kids grants in 2018 and 2019. The services are expected to be completed in 2019.

Deferred revenue consists of remaining WLEB and VB5 grant funds and is expected to be earned in subsequent years.

Deferred Revenue	2018	2017
WLEB	$ 139,790	$ 94,390
VB5	7,536	-
Total Deferred Revenue	$ 147,326	$ 94,390
Less: Current Portion	(28,384)	(14,933)
Non-Current Portion	$ 118,942	$ 79,457

NOTE 12 LOANS PAYABLE

At December 31, 2018 and 2017, there were various loans payable. There were 575 loans, at December 31, 2018, which varied in amount from $250 to $1,247,000 with maturity dates from January 15, 2019 to August 18, 2047 and with interest rates from 0% to 4.25% with a weighted average rate of 1.69%. The loans from USDA, totaling $5,093,591, are secured by a pledge of all assets now in the IRP and RMAP Revolving Funds, including cash and investments, notes receivable and the security interest in collateral pledged. Loans from SBA, totaling $608,726, are secured by a pledge of all assets in the SBA Revolving Fund, including cash and investments, notes receivable and the security interest in collateral pledged. The remainder of the loans are unsecured. The loans payable balances at December 31, 2018 and 2017 were $28,792,355 and $28,161,618, respectively.

The following is a summary of loans payable at December 31, 2018 and 2017:

Loans Payable	2018	2017
Total Loans Payable	$ 28,792,355	$ 28,161,618
Less: Current Portion	(9,938,559)	(9,060,483)
Non-Current Portion	$ 18,853,796	$ 19,101,135

Maturities at December 31, 2018 are as follows:

2019	$ 9,938,559
2020	3,484,724
2021	2,415,070
2022	1,882,141
2023	3,766,664
Thereafter	7,305,197
	$ 28,792,355

NOTE 12 LOANS PAYABLE (continued)

Per its Bylaws, Vermont Community Loan Fund, Inc. actively seeks out investors and members of the socially responsible investment community to serve as members of its Board of Directors. Consequently, during the course of business, investments may be accepted from individual Board members or from organizations of which current VCLF Board members are significant employees or board directors. There are some loans payable that contain certain financial covenants.

NOTE 13 NET ASSETS WITH DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31:

	2018	2017
Satisfaction of purpose restrictions		
Vermont Early Childhood Advocacy Alliance	$ 232,425	$ 216,757
Barre Area Revolving Loan Fund	2,016	2,046
Equipment Access Program	1,328	32,337
Green Mountain Power	13,255	152,933
Seventh Generation	58,922	-
Building Bright Futures for Bright Spaces Fund	54,000	54,000
Total releases from purpose restrictions	$ 361,946	$ 458,073

NOTE 13 NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net Assets with donor restrictions are restricted and summarized as follows as of December 31:

	2018		
Program Initiative	Purpose Restricted	Perpetual in Nature	Total
Program Activities:			
Vermont Early Childhood Advocacy Alliance	$ 195,744	$ -	$ 195,744
Financing Activities:			
Barre Area Revolving Loan Fund	229,723	-	229,723
Equipment Access Program	133,759	-	133,759
Vermont Housing Conservation Board for Mobile Home Subsidy Program - VHCB (now restricted to affordable housing)	-	146,907	146,907
USDA-RD Grants (three revolving funds), plus deposit interest	-	430,422	430,422
Economic Development Authority (EDA)	-	950,586	950,586
Total Financing Activities	363,482	1,527,915	1,891,397
Pass-Through:			
Green Mountain Power (GMP)	294,372	-	294,372
Total Pass-Through	294,372	-	294,372
Total net assets with donor restrictions	$ 853,598	$ 1,527,915	$ 2,381,513

	2017		
Program Initiative	Purpose Restricted	Perpetual in Nature	Total
Program Activities:			
Vermont Early Childhood Advocacy Alliance	$ 185,820	$ -	$ 185,820
Financing Activities:			
Barre Area Revolving Loan Fund	231,739	-	231,739
Equipment Access Program	131,103	-	131,103
Vermont Housing Conservation Board for Mobile Home Subsidy Program - VHCB (now restricted to affordable housing)	-	146,907	146,907
USDA-RD Grants (three revolving funds), plus deposit interest	-	429,894	429,894
Economic Development Authority (EDA)	-	945,353	945,353
Total Financing Activities	362,842	1,522,154	1,884,996
Pass-Through:			
Green Mountain Power (GMP)	297,827	-	297,827
Total Pass-Through	297,827	-	297,827
Total net assets with donor restrictions	$ 846,489	$ 1,522,154	$ 2,368,643

NOTE 14 PROGRAM IMPACT ON NET ASSETS WITH AND WITHOUT DONOR RESTRICTIONS GMP FUNDS EFFECT ON NET ASSETS WITH DONOR RESTRICTIONS

In 2004, the Fund established the Green Mountain Power Renewable Development Fund (RDF). In 2008, the Fund established the Green Mountain Power Combined Heat and Power Fund (CHP). In 2015, the Funds of the CHP Fund were consolidated with the RDF Fund. In 2016 and prior years, both funds have received grants which increased the net assets in the Fund. Net assets in the funds will decrease in subsequent years as the Fund sub-grants the capital to eligible renewable energy projects.

NOTE 14 PROGRAM IMPACT ON NET ASSETS WITH AND WITHOUT DONOR RESTRICTIONS
GMP FUNDS EFFECT ON NET ASSETS WITH DONOR RESTRICTIONS (continued)

Donor restricted net assets for the RDF and CHP as of December 31, 2018 and 2017 are $294,372 and $297,827 respectively.

VERMONT EARLY CHILDHOOD ADVOCACY ALLIANCE EFFECT ON NET ASSETS WITH DONOR RESTRICTIONS

The Vermont Community Loan Fund entered into a fiscal sponsor relationship with the Vermont Early Childhood Alliance on November 22, 2013.

The Vermont Early Childhood Advocacy Alliance (VECAA) is an unincorporated coalition of individuals, organizations, businesses and agencies dedicated to supporting Vermont's children during their early years. The Alliance is committed to improving the early childhood experience in the areas of education/learning, safety, health, nutrition and economic security.

A fiscal sponsor describes a relationship in which an unincorporated group wishing to conduct charitable activities affiliates with an existing 501(c)(3) nonprofit with a compatible mission. The parent sponsor accepts the group as one of its programs, provides organizational support (accounting, HR, back-office, etc.). The fiscal sponsor is able to provide this support only to groups whose activities further the sponsor's mission and tax-exempt purpose. At a minimum the fiscal sponsor must:

- Retain control and discretion as to the use of any funds.
- Maintain records establishing that the funds were used for section 501(c)(3) purposes.
- Limit distributions to specific projects that are in furtherance of their own exempt purpose.

A 501(c)(3) organization acting as a fiscal sponsor that fails to conform to these requirements jeopardizes their own exempt status.

In preparation for beginning this relationship, VCLF revised and updated its charitable and tax-exempt purpose filing with the Vermont Secretary of State's office and filed Form 5768 with the IRS.

The original sponsorship agreement ran December 1, 2013 through November 30, 2014. Additional funds were received to close out December 2014. In subsequent years, the agreement has renewed, including 2017 and 2018. The VECA activities will be funded by grants and donations from interested foundations, agencies, corporations and individuals.

As of December 31, 2018 donor restricted net assets in the VECA Fund were $195,744 and $185,820 at December 31, 2017.

ECONOMIC DEVELOPMENT AUTHORITY EFFECT ON NET ASSETS WITH DONOR RESTRICTIONS

NOTE 14 PROGRAM IMPACT ON NET ASSETS WITH AND WITHOUT DONOR RESTRICTIONS (continued)

VCLF received a capital grant from the Economic Development Authority (EDA) in 2014 to provide loans to businesses in the six northern most counties of Vermont – Caledonia, Essex, Franklin, Grand Isle, Lamoille and Orleans. This revolving loan fund was capitalized with $526,007 received in cash and $180,393 in loans from the former holder of the grant. In addition, VCLF was required to contribute $231,500 in equity which is indicated on the Statement of Activities as a Net Asset Transfer from Unrestricted to Permanently Restricted Net Assets. The Net Asset Transfer was comprised of three performing loans with cumulative balances of $230,337 and $1,163 in cash.

As of December 31, 2018, the donor restricted net assets in the EDA were $950,586 and $945,353 at December 31, 2017.

BARRE AREA REVOLVING LOAN FUND EFFECT ON NET ASSETS WITH DONOR RESTRICTIONS

VCLF received a capital grant from the Barre Area Revolving Loan Fund (BRLF) in 2015 to provide loans to businesses in the Town and City of Barre, VT. This revolving loan fund was capitalized with $257,245 received in cash. VCLF charged 8% of deposited funds to establish a segregated loan fund to manage the BRLF. Annually, VCLF will charge 1% asset management fee to fund operations of the BRLF. VCLF will retain the interest from loans and cash on deposit.

As of December 31, 2018, the temporarily restricted net assets were $229,723 and $231,739 at December 31, 2017.

BUILDING BRIGHT SPACES FOR BRIGHT FUTURES EFFECT ON NET ASSETS WITH DONOR RESTRICTIONS

For several years, the Vermont Community Loan Fund has administered the Building Bright Spaces for Bright Futures Facility grant program funded by the State of Vermont, Department for Children and Families, Child Development Division. The purpose of the grant is to provide grant monies to improve or expand child care facilities. The grant award in 2017 was $60,000. Of this award, $54,000 was distributed to grantees and $6,000 was retained by the Fund per the grant authorization to cover reimbursement of expenses.

As of December 31, 2018 and 2017 the temporarily restricted net assets were $0, respectively.

SEVENTH GENERATION FOUNDATION EFFECT ON NET ASSETS WITH DONOR RESTRICTIONS

In 2018, the Vermont Community Loan Fund acted as a fiscal sponsor for the Seventh Generation Foundation (Seventh Generation) for the purpose of allowing form-provide early care and learning programs to benefit from the Toxin Free Kids Grant Program. The purpose of the grant is to provide grant monies that support early childhood programs in creating healthy environments. The grant award in 2018 was $63,925. Of this award, $58,925 was distributed to grantees and $5,000 was retained by the Fund per the grant authorization to cover reimbursement of expenses.

NOTE 14 PROGRAM IMPACT ON NET ASSETS WITH AND WITHOUT DONOR RESTRICTIONS (continued)

As of December 31, 2018 and 2017 the temporarily restricted net assets were $0, respectively.

NEXT GENERATION FUND EFFECT ON NET ASSETS WITHOUT DONOR RESTRICTIONS

The Next Generation Fund (NGF) was created by the Vermont Community Loan Fund late in 2013 in order to create a self-sustaining pool of loan capital to support its child care programs. The Fund is intended to provide technical assistance and lower cost loans to child care borrowers, through low interest rate bearing investments, permanent capital grants and capacity building grants. VCLF contributed $250,000 unrestricted equity to the NGF. As of December 31, 2017 the Fund has four (4) investors, including the Office of the Treasurer State of Vermont, totaling approximately $607,000 with approximately $674,000 in loans receivable to three (3) borrowers.

As of December 31, 2018, the unrestricted net assets in the NGF were $224,002 and $223,243 at December 31, 2017.

FOOD, FARMS & FOREST FUND EFFECT ON NET ASSETS WITHOUT DONOR RESTRICTIONS

The Food, Farms & Forest Fund (FFF) was created by the Vermont Community Loan Fund in late 2015 in order to create a self-sustaining pool of loan capital to support its food, farm, and forest programs. The Fund is intended to provide technical assistance and lower cost loans to food, farm, and forest borrowers, through low interest rate bearing investments, permanent capital grants and capacity building grants. As of December 31, 2017 the FFF had 18 investors totaling approximately $655,000 in loans payable and has approximately $576,000 in loans receivable to ten (10) borrowers.

As of December 31, 2018, the unrestricted net assets in the FFF were $(28,743) and $(23,056) at December 31, 2017.

NOTE 15 403(b) RETIREMENT PLAN

The Vermont Community Loan Fund 403(b) Plan consists of an Elective Employee Deferral, an employer Match of the Participants' Elective Deferral and a Discretionary Employer Contribution. The Elective Employee Deferral allows each Participant to defer the maximum percentage of Compensation or dollar amount permissible under Code §402(g) not to exceed the limits of Code §§403(b), 404, 414(v) and 415. VCLF matches 100% of the Participants' Elective Deferrals up to a maximum of 2.5%. The Discretionary Employer Contribution is allocated as a percentage of compensation of the eligible Participants for the Plan Year. The Discretionary Contribution was 2.5% in 2017 and 2018. Pension expense for the years ended December 31, 2018 and 2017 was $50,661 and $50,335, respectively.

NOTE 16 FINANCING COMMITMENTS

The Fund was approved for loans from Community National Bank and People's United Bank in 2009, TD Bank in 2012, the USDA RMAP in 2016, the USDA IRP 31 in 2017, as well as The Small Business Administration (SBA) and the Bank of America in 2018. Each loan has been renewed at successive maturity since then, if applicable.

At December 31, 2018, the Fund had $4,150,000 in financing available.

Financing Commitments	Rate	Term (Yrs)	Financing Amount	2018 Outstanding Balance	Available Balance	2017 Outstanding Balance
People's United Bank Line of Credit (LOC)	Variable	1	$ 500,000	-	$ 500,000	-
Community National Bank LOC	Variable	2	500,000	-	500,000	-
TD Bank LOC	Variable	1	500,000	-	500,000	-
Bank of America	2.500%	8	2,000,000	500,000	1,500,000	-
SBA	0.625%	10	500,000	200,000	300,000	-
USDA RMAP	2.000%	20	400,000	300,000	100,000	300,000
USDA IRP 31 Loan	1.000%	30	1,000,000	250,000	750,000	250,000
Total			$ 5,400,000	$ 1,250,000	$ 4,150,000	$ 550,000

NOTE 17 LEASE AGREEMENT

In 2006, the Fund entered into a five (5) year lease agreement with River Street Associates to rent office space. An addendum was signed in July 2011 renewing the lease for an additional five years terminating July 31, 2016. Another addendum was signed in April 2016 renewing the lease for an additional five years terminating July 31, 2021. Rental expense for the year ended December 31, 2018 was $62,900 and for the year ended 2017 was $62,400.

Future lease commitments are as follows:

Year	Rent
2019	64,100
2020	65,300
2021	38,500
2022	-
	$ 167,900

Effective August 1, 2018 and at each annual renewal thereafter the Fund has the right to terminate the lease with 120 days' notice.

NOTE 18 CHANGE IN ACCOUNTING PRINCIPAL – RETROSPECTIVE APPLICATION

On January 1, 2018, the Fund changed its method of accounting for net assets to conform with ASU 2016-14, effective for fiscal years beginning after December 15, 2017. The change was adopted retroactively. Under the new accounting method, the Fund must now report their net assets as either with donor restrictions or without donor restrictions.

NOTE 18 CHANGE IN ACCOUNTING PRINCIPAL – RETROSPECTIVE APPLICATION (continued)

As a result, the cumulative effect of applying the new method, the following amounts increased/ (decreased):

Net Asset		2017		2016
Unrestricted Net Assets	$	(8,372,597)	$	(8,182,167)
Temporary Net Assets	$	(846,489)	$	(999,917)
Permanently Restricted Net Assets	$	(1,522,154)	$	(1,516,244)
Net Assets with Donor Restrictions	$	2,368,643	$	2,516,161
Net Assets without Donor Restrictions	$	8,372,597	$	8,182,167

NOTE 19 SUBSEQUENT EVENTS

In accordance with accounting standards, the Fund has evaluated subsequent events through April 6, 2019 which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2018, have been incorporated into these basic financial statements herein.

SUPPLEMENTARY INFORMATION

VERMONT COMMUNITY LOAN FUND, INC. AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION
COMBINING SCHEDULE OF FINANCIAL POSITION
December 31, 2018

Schedule 1

ASSETS	Operating Fund	Building Bright Futures Fund	7th Generation Fund	GMP CVPS RDF/CHP Fund	VECAA Fund	Unrestricted Fund	Agri Tourism Fund	Intermediary Relending Program 29 Fund	Intermediary Relending Program 30 Fund	Intermediary Relending Program 31 Fund	SBA Fund
CURRENT ASSETS											
Cash and Cash Equivalents	$ 469,119	$ -	$ 3	$ 294,372	$ 216,519	$ 2,988,212	$ 297,092	$ 843,268	$ 409,191	$ 121,874	$ 389,990
Investments - Certificates of Deposit	353,411	-	-	-	-	1,876,909	-	172,207	-	-	-
Investments	-	-	-	-	-	1,504,496	-	-	-	-	-
Other Receivables-Current Portion	28,291	-	-	-	-	700,000	-	-	-	-	-
Loans Receivable - Current Portion	-	-	-	-	-	6,239,178	9,393	818,608	195,792	98,246	89,212
Equipment Lease - Current Portion	-	-	-	-	-	-	-	-	-	-	-
Accrued Interest Receivable	180	-	-	-	-	104,230	327	14,352	2,738	898	938
Prepaid Expenses	27,179	-	-	-	4,813	-	-	-	-	-	-
Due from Other Programs	96,608	-	-	-	-	-	-	13,424	88,361	2,268	11,521
TOTAL CURRENT ASSETS	974,788	-	3	294,372	221,332	13,413,025	306,812	1,861,859	696,082	223,286	491,661
NON-CURRENT ASSETS											
Investments - Long-Term Portion	-	-	-	-	-	1,764,258	-	-	-	-	-
Loans Receivable - Long-Term Portion	-	-	-	-	-	16,723,198	124,791	2,313,344	553,298	277,639	252,109
Equipment Lease - Long-Term Portion	-	-	-	-	-	-	-	-	-	-	-
Reserve for Loan Losses	-	-	-	-	-	(1,514,291)	(4,985)	(259,092)	(31,903)	(28,897)	(12,298)
Net Property, Plant and Equipment	67,606	-	-	-	-	-	-	-	-	-	-
TOTAL NON-CURRENT ASSETS	67,606	-	-	-	-	16,973,165	119,806	2,054,252	521,395	248,742	239,811
TOTAL ASSETS	$ 1,042,394	$ -	$ 3	$ 294,372	$ 221,332	$ 30,386,190	$ 426,618	$ 3,916,111	$ 1,217,477	$ 472,028	$ 731,472
LIABILITIES AND NET ASSETS											
CURRENT LIABILITIES											
Accounts Payable	$ 20,120	$ -	$ -	$ -	$ 2,675	$ 7,123	$ -	$ -	$ -	$ -	$ -
Accrued Liabilities	55,808	-	-	-	6,056	-	-	-	-	-	-
Accrued Interest Payable	-	-	-	-	-	164,331	-	16,721	14,867	925	558
Due to Other Programs	-	-	-	-	16,856	151,942	375	-	-	-	-
Deferred Revenue - Current Portion	7,534	-	3	-	-	20,847	-	-	-	-	-
Loans Payable - Current Portion	-	-	-	-	-	9,034,225	-	209,250	-	-	78,940
TOTAL CURRENT LIABILITIES	83,462	-	3	-	25,587	9,378,468	375	225,971	14,867	925	79,498
NON-CURRENT LIABILITIES											
Deferred Revenue - Long-Term	-	-	-	-	-	118,942	-	-	-	-	-
Loans Payable - Long-Term	-	-	-	-	-	12,673,691	-	3,331,886	1,000,000	250,000	529,786
TOTAL NON-CURRENT LIABILITIES	-	-	-	-	-	12,792,633	-	3,331,886	1,000,000	250,000	529,786
TOTAL LIABILITIES	83,462	-	3	-	25,587	22,171,101	375	3,557,857	1,014,867	250,925	609,284
NET ASSETS											
Without Donor Restrictions	958,932	-	-	-	-	8,068,182	(4,179)	358,254	202,610	221,103	122,188
With Donor Restrictions	-	-	-	294,372	195,745	146,907	430,422	-	-	-	-
TOTAL NET ASSETS	958,932	-	-	294,372	195,745	8,215,089	426,243	358,254	202,610	221,103	122,188
TOTAL LIABILITIES AND NET ASSETS	$ 1,042,394	$ -	$ 3	$ 294,372	$ 221,332	$ 30,386,190	$ 426,618	$ 3,916,111	$ 1,217,477	$ 472,028	$ 731,472

Schedule 1

VERMONT COMMUNITY LOAN FUND, INC. AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION
COMBINING SCHEDULE OF FINANCIAL POSITION
December 31, 2018

ASSETS	RMAP Fund	EDA Fund	Equipment Access Program Fund	Barre Revolving Loan Fund	Food, Farms, and Forest Fund	Next Generation Fund	Elimination	Total
CURRENT ASSETS								
Cash and Cash Equivalents	$ 170,494	$ 542,534	$ 112,521	$ 122,227	$ 209,927	$ 194,171	$ -	$ 7,381,514
Investments - Certificates of Deposit	-	-	-	-	-	-	-	2,402,527
Investments	-	-	-	-	-	-	-	1,504,496
Other Receivables-Current Portion	-	-	-	-	-	-	-	728,291
Loans Receivable - Current Portion	41,493	113,014	-	15,728	148,612	171,090	-	7,940,366
Equipment Lease - Current Portion	-	-	12,082	-	-	-	-	12,082
Accrued Interest Receivable	269	1,495	-	135	1,775	14,060	-	141,397
Prepaid Expenses	-	-	-	-	-	-	-	31,992
Due from Other Programs	-	-	-	-	-	-	(212,182)	-
TOTAL CURRENT ASSETS	212,256	657,043	124,603	138,090	360,314	379,321	(212,182)	20,142,665
NON-CURRENT ASSETS								
Investments - Long-Term Portion	-	-	-	-	-	-	-	1,764,258
Loans Receivable - Long-Term Portion	117,257	319,371	-	66,802	419,969	483,493	-	21,651,271
Equipment Lease - Long-Term Portion	-	-	9,277	-	-	-	-	9,277
Reserve for Loan Losses	(6,350)	(63,651)	(854)	(3,302)	(22,743)	(25,998)	-	(1,974,364)
Net Property, Plant and Equipment	-	-	-	-	-	-	-	67,606
TOTAL NON-CURRENT ASSETS	110,907	255,720	8,423	63,500	397,226	457,495	-	21,518,048
TOTAL ASSETS	$ 323,163	$ 912,763	$ 133,026	$ 201,590	$ 757,540	$ 836,816	$ (212,182)	$ 41,660,713
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES								
Accounts Payable	$ -	$ 21	$ -	$ -	$ -	$ -	$ -	$ 29,939
Accrued Liabilities	-	-	-	-	-	-	-	61,864
Accrued Interest Payable	-	-	-	-	5,142	1,593	-	204,137
Due to Other Programs	12,058	25,807	122	781	1,707	2,534	(212,182)	-
Deferred Revenue - Current Portion	-	-	-	-	-	-	-	28,384
Loans Payable - Current Portion	16,144	-	-	-	-	600,000	-	9,938,559
TOTAL CURRENT LIABILITIES	28,202	25,828	122	781	6,849	604,127	(212,182)	10,262,883
NON-CURRENT LIABILITIES								
Deferred Revenue - Long-Term	-	-	-	-	-	-	-	118,942
Loans Payable - Long-Term	286,312	-	-	-	773,434	8,687	-	18,853,796
TOTAL NON-CURRENT LIABILITIES	286,312	-	-	-	773,434	8,687	-	18,972,738
TOTAL LIABILITIES	314,514	25,828	122	781	780,283	612,814	(212,182)	29,235,621
NET ASSETS								
Without Donor Restrictions	8,649	(63,651)	(855)	(28,914)	(22,743)	224,002	-	10,043,578
With Donor Restrictions	-	950,586	133,759	229,723	-	-	-	2,381,514
TOTAL NET ASSETS	8,649	886,935	132,904	200,809	(22,743)	224,002	-	12,425,092
TOTAL LIABILITIES AND NET ASSETS	$ 323,163	$ 912,763	$ 133,026	$ 201,590	$ 757,540	$ 836,816	$ (212,182)	$ 41,660,713

VERMONT COMMUNITY LOAN FUND, INC. AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION
COMBINING SCHEDULE OF ACTIVITIES
December 31, 2018

Schedule 2

	Operating Fund	Building Bright Futures Fund	7th Generation Fund	GMP CVPS RDF/CHP Fund	VECAA Fund	Unrestricted Fund	Agri Tourism Fund	Intermediary Relending Program 29 Fund	Intermediary Relending Program 30 Fund	Intermediary Relending Program 31 Fund	SBA Fund
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS											
Revenue and Support											
Contributions	$ 119,533	$ -	$ -	$ -	$ -	$ 445,440	$ -	$ -	$ -	$ -	$ -
Grants	141,220	-	-	-	-	1,386,500	-	-	-	-	-
Financing Charges	97,579	-	-	-	-	-	-	-	-	-	-
Loan Interest	-	-	-	-	-	1,236,965	5,315	180,104	51,675	23,836	18,714
Net Investment Income	3,699	-	-	-	-	76,786	-	6,449	1,563	547	1,273
Other Income	51,584	-	-	-	-	389,694	-	-	-	-	-
Net Assets Released from Restrictions	-	54,000	58,922	13,255	232,425	-	-	-	-	-	-
Total Unrestricted Revenue and Support	413,615	54,000	58,922	13,255	232,425	3,535,385	5,315	186,553	53,238	24,383	19,987
Expenses:											
Program Services	1,106,960	54,000	58,922	13,255	232,425	844,351	(1,280)	191,676	27,706	3,897	2,356
Management and General	377,417	-	-	-	-	-	-	-	-	-	-
Fundraising	86,071	-	-	-	-	-	-	-	-	-	-
Total Expenses	1,570,448	54,000	58,922	13,255	232,425	844,351	(1,280)	191,676	27,706	3,897	2,356
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS BEFORE TRANSFERS	(1,156,833)	-	-	-	-	2,691,034	6,595	(5,123)	25,532	20,486	17,631
Transfers	1,185,907	-	-	-	-	(918,536)	(5,315)	(150,025)	(40,738)	(24,383)	11,615
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	29,074	-		-	-	1,772,498	1,280	(155,148)	(15,206)	(3,897)	29,246
NET ASSETS WITHOUT DONOR RESTRICTIONS- January 1, 2018	929,858	-	-	-	-	6,295,684	(5,459)	513,402	217,816	225,000	92,942
NET ASSETS WITHOUT DONOR RESTRICTIONS - December 31, 2018	$ 958,932	$ -	$ -	$ -	$ -	$ 8,068,182	$ (4,179)	$ 358,254	$ 202,610	$ 221,103	$ 122,188
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS											
Contributions	$ -	$ -		$ 8,596	$ 35,850	$ -	$ -	$ -	$ -	$ -	$ -
Grants	-	54,000	58,922	-	206,500	-	-	-	-	-	-
Net Investment Income	-	-		1,204	-	-	528	-	-	-	-
Net Loan Interest Income	-	-		-	-	-	-	-	-	-	-
Lease Revenue	-	-		-	-	-	-	-	-	-	-
Net Assets Released from Restrictions	-	(54,000)	(58,922)	(13,255)	(232,425)	-	-	-	-	-	-
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	-	-	-	(3,455)	9,925	-	528	-	-	-	-
NET ASSETS WITH DONOR RESTRICTIONS- January 1, 2018	-	-	-	297,827	185,820	146,907	429,894	-	-	-	-
NET ASSETS WITH DONOR RESTRICTIONS - December 31, 2018	$ -	$ -	$ -	$ 294,372	$ 195,745	$ 146,907	$ 430,422	$ -	$ -	$ -	$ -

Schedule 2

VERMONT COMMUNITY LOAN FUND, INC. AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION
COMBINING SCHEDULE OF ACTIVITIES
December 31, 2018

	RMAP Fund	EDA Fund	Equipment Access Program Fund	Barre Revolving Loan Fund	Food, Farms, and Forest Fund	Next Generation Fund	Total
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS							
Revenue and Support							
Contributions	$ -	$ -	$ -	$ -	$ -	$ -	$ 564,973
Grants	-	-	-	-	-	-	1,527,720
Financing Charges	-	-	-	-	-	-	97,579
Loan Interest	9,966	22,202	-	3,828	24,054	37,475	1,614,134
Net Investment Income	631	-	207	460	388	356	92,359
Other Income	-	-	-	-	-	-	441,278
Net Assets Released from Restrictions	-	-	1,328	2,016	-	-	361,946
Total Unrestricted Revenue and Support	10,597	22,202	1,535	6,304	24,442	37,831	4,699,989
Expenses:							
Program Services	4,659	12,497	959	1,415	6,412	5,310	2,565,520
Management and General	-	-	-	-	-	-	377,417
Fundraising	-	-	-	-	-	-	86,071
Total Expenses	4,659	12,497	959	1,415	6,412	5,310	3,029,008
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS BEFORE TRANSFERS	5,938	9,705	576	4,889	18,030	32,521	1,670,981
Transfers	(4,550)	-	(207)	(4,289)	(17,717)	(31,762)	-
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,388	9,705	369	600	313	759	1,670,981
NET ASSETS WITHOUT DONOR RESTRICTIONS- January 1, 2018	7,261	(73,356)	(1,224)	(29,514)	(23,056)	223,243	8,372,597
NET ASSETS WITHOUT DONOR RESTRICTIONS - December 31, 2018	$ 8,649	$ (63,651)	$ (855)	$ (28,914)	$ (22,743)	$ 224,002	$ 10,043,578
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS							
Contributions	$ -	$ -	$ -	$ -	$ -	$ -	$ 44,446
Grants	-	-	-	-	-	-	319,422
Net Investment Income	-	1,576	-	-	-	-	3,308
Net Loan Interest Income	-	3,657	-	-	-	-	3,657
Lease Revenue	-	-	3,984	-	-	-	3,984
Net Assets Released from Restrictions	-	-	(1,328)	(2,016)	-	-	(361,946)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	-	5,233	2,656	(2,016)	-	-	12,871
NET ASSETS WITH DONOR RESTRICTIONS- January 1, 2018	-	945,353	131,103	231,739	-	-	2,368,643
NET ASSETS WITH DONOR RESTRICTIONS - December 31, 2018	$ -	$ 950,586	$ 133,759	$ 229,723	$ -	$ -	$ 2,381,514

VERMONT COMMUNITY LOAN FUND, INC.
PROMISSORY NOTE[ii]

Note L-«feeid»
$«feeamt»

FOR VALUE RECEIVED, the VERMONT COMMUNITY LOAN FUND, INC. (hereinafter the "Borrower") promises to pay to «notes» (hereinafter the "Lender"), the principal sum of $«feeamt», with simple interest on the unpaid principal balance from «CurrentInvestDate» until paid, at the rate of «CurrentRate» per annum. Payments shall be made to the Lender at «address», «city», «state» «zip», or such other place as the Lender may designate. Interest on the unpaid principal balance shall be payable quarterly/semi-annually/annually/at maturity/reinvested at maturity. No principal shall be due and payable, until «expirationdate» (the "Maturity Date"). The entire remaining indebtedness under this Note, unless sooner paid, shall be due and payable on the Maturity Date, unless otherwise extended and/or modified under the terms and provisions of the Loan Agreement executed between the Borrower and the Lender dated «today». This Note may be prepaid, in whole or in part, without premium or penalty.

This Note and the loan evidenced herein are subject to the terms and conditions of the above-referenced Loan Agreement between the Borrower and the Lender. This Note shall be the joint and several obligations of all makers, sureties, guarantors and endorsers, and shall be binding upon them, their successors and assigns.

This PROMISSORY NOTE shall be governed by the laws of the State of Vermont.

DATED at Montpelier, Vermont on «today».

BORROWER:
Vermont Community Loan Fund, Inc.
P.O. Box 827, Montpelier, VT 05601

By: _____
William Belongia, Executive Director

[ii] These securities are subject to restrictions on transferability and resale and may not be transferred or resold. You may be required to bear the financial risks of this investment for an indefinite period of time. This PROMISSORY NOTE has not been registered under the Securities Act of 1933, as amended, or under any state securities act. The securities have not been recommended by any federal or state securities commission or regulatory authority.

STATE OF VRMONT
DEPARTMENT OF FINANCIAL REGULATION

SECURITIES DIVISION

In the matter of:	)	
	)	
Waiver of conditions	)	Docket No. [17-012-S]
of V.S.R. § 5-4 for the	)	
Vermont Community Loan Fund	)	

ORDER

WHEREAS, on March 13, 2017, the Vermont Community Loan Fund ("VCLF") requested an exemption from: (i) the registration requirements of 9 V.S.A. § 5304; and/or (ii) the nonprofit exemption requirements found in the Vermont Securities Regulations (V.S.R.) § 5-4, promulgated under 9 V.S.A. § 5201(7) (the "Nonprofit Exemption") for up to $5,000,000 in Community Investment Notes in the securities offering described in their private placement memoranda dated January 1, 2017 (the "Securities Offering"); and

WHEREAS, VCLF is a registered nonprofit revolving loan fund and has raised tens of millions from investors during the last thirty years to fund secured loans for local community development initiatives within the State of Vermont; and

WHEREAS, VCLF represents it is exempt from the Securities Act of 1933 and was previously exempt from registration under the Vermont Uniform Securities Act (the "Act") prior to the Department of Financial Regulation's (the "Department") enactment of the Nonprofit Exemption in July 2016, which exempted nonprofit securities offerings under one million from registration while requiring registration for those offerings over one million; and

WHEREAS, the commissioner is provided with authority under the Nonprofit Exemption to waive any of its terms or conditions; and

WHEREAS, the commissioner finds registration of the Securities Offering and/or compliance with the Nonprofit Exemption unnecessary for investor protection due to VCLF's sturdy financial position and long track record of successfully repaying investors;

NOW, THEREFORE, IT IS ORDERED, under the authority granted by 9 V.S.A. § 5201(7) and V.S.R. § 5-4(g):

(1) The commissioner waives the one million restriction of V.S.R. § 5-4(a) and the requirements of V.S.R. § 5-4(b), and exempts the Securities Offering from registration under the Act; and

(2) The commissioner waives the filing requirements of V.S.R. § 5-4(c)-(f), provided the VCLF (i) annually files a copy of its audited financial statements with the Department within thirty (30) days of their completion; (ii) files a copy of any amended offering document with the Department within thirty (30) business days of using such amendment in solicitation activities; and (iii) and files a sales report conforming with the requirements of V.S.R. § 5-4(f), on an annual basis.

(3) This Order is specific to VCLF's Securities Offering; accordingly, VCLF may not rely on this Order for future offerings and no other person or entity may rely on this Order for any purpose;

(4) A copy of this Order shall be provided by VCLF to each investor; and

(5) The Department retains all other enforcement authority conferred by law.

Dated at Montpelier, Vermont this 5th day of May, 2017.

Michael S. Pieciak, Commissioner
Vermont Department of Financial Regulation