

MEMORANDUM

To: Governor Peter Shumlin
From: Lucy Leriche, Secretary, ACCD 
CC: Darren Springer
Date: December 1, 2016
Re: Windham County Economic Dev. Program funding for Hermit Thrush Brewery

The Hermit Thrush Brewery (HTB) is dedicated to providing top quality Belgian-inspired ales using historical brewing processes, oak casks and new "green" technologies. Led by Brewmaster and President Christophe Gagne and VP/Brewer Avery Schwenk, they have been brewing for over eight years and started HTB in November 2014. They currently offer over 15 varieties at the Brewery and throughout Vermont at restaurants and retail establishments.

HTB proposes to expand wholesale production operations to an additional facility in order to fulfill additional demand for barrel-aged sour beers. They would maintain their current location on High Street in Brattleboro and expand production at the former Pepsi Bottling plant on Route 5 in Dummerston. Their aim is to become a New England regionally-recognized specialty beer brand due to their niche market and devotion to, and reputation for, high quality products.

They would build and license in the first quarter of 2017, begin production in March 2017, and begin sales of the new products by September 2017. Their five-year growth plan would retain six full-time positions and add 20 new full-time employees with an average wage of about \$35,000. The increased scaling will also allow the company to make additional contributions toward more cost-effective employee benefits.

Christophe and Avery have invested time and energy in the Brattleboro community and their business model emphasizes community, nature, and environmental awareness. They have a strong focus on local sourcing and environmental sustainability, even when it's more expensive. They attract and hire like-minded people and strive for a high retention rate through training and involvement in company decisions. They also encourage their wide consumer base to visit Vermont, so they are brand ambassadors for their product and the State.

The total expansion project cost is about \$1.2 million, with \$600k for new machinery and equipment, \$125k to remodel the space, \$60k for inventory, and \$475k for working capital. They have a financing plan that includes:


- \$65,000 in owner equity consisting of \$15,000 from existing business operations and \$50,000 in equity investment from investors in exchange for membership shares;
- \$250,000 commercial loan from Brattleboro S&L (applied for);
- \$159,000 VEDA Loan (regular program; applied for);
- \$70,000 loan from the Town of Brattleboro (applied for);
- \$300,000 investor loans, secured by membership share conversion options;
- \$350,000 loan from the WCEDP Revolving Loan Fund (applied for).

This leaves a gap of \$60,000 which would have to be part of owner equity in order to meet the requirement of minimum 10% owner equity for loans from the WCEDP Revolving Loan Fund. Christophe and Avery are requesting a \$60,000 incentive grant from the WCEDP to make up this funding shortfall.

They will also be applying for VEGI incentives (estimated at \$125,000) and for Vermont Training Program funds.

We seek your approval to utilize \$60,000 from the Windham County Economic Development Program as a grant to Hermit Thrush Brewery which would not be repaid, in addition to the \$350,000 WCEDP loan, which will still need to go through VEDA underwriting and, if approved, would be repaid.

Please let me know if you have questions. Please approve an amount, or deny, and return a signed copy to ACCD for our files.

Approved:  Not Approved: _____

WCEDP Amount: \$ 60,000 Windham Cty Econ. Dev. Prog. Grant and
\$ 350,000 WCEDP loan.
Peter Shumlin, Governor

Date: 12-8-15