

***Summary Description of
MARBIDCO's Rural Business Development
& Working Lands Retention Programs (FY 2010)***

Loan Programs

- √ The **Maryland Resource-Based Industry Financing Fund** offers low-interest (3% APR initially) loans to established Ag/RBI-industry firms for the purchase of land and capital equipment for production and processing activities (or environmental enhancement projects). The maximum MARBIDCO loan amount is \$200,000. Some priority is given to value-added and niche market-oriented projects as well as beginning or transitioning producers and processors. MARBIDCO provides up to 50% of financing needed for a project, and a *commercial lender and/or a public instrumentality must also have an equal financial commitment in any transaction*. (Note: MARBIDCO typically takes a subordinate position on the required collateral security with MRBIFF loans.)
- √ The **Rural Business Working Capital Loan Fund** offers low-interest (4.75% APR) loans to Ag/RBI-industry firms and producers for working capital and equipment purchases. The maximum loan amount is \$75,000. A letter of referral from a commercial lender is required. Certain eligibility restrictions may also apply if federal funds are being used. (The State's financial support for this program may also leverage USDA-Rural Development funding.)
- √ The **Maryland Vineyard Planting Loan Fund** offers low-interest (3-5% APR) loans to help meet the unique financing needs of Maryland's rural landowners wanting to plant grapes and develop wineries. The maximum loan amount is \$100,000 and an interest only option is available. A letter of referral from a commercial lender is required as well as a site evaluation approval letter from the wine/grape industry's viticulture committee. The requested financial assistance from MARBIDCO must relate to the installation of new vineyards, including, but not limited to, the prepping of land for vineyard installation, purchase of vines, vineyard equipment and supplies. The purchase of tractors, pick-up trucks, and wine-making equipment are not eligible for financing under this particular program.
- √ The **Forestry Equipment and Working Capital Loan Fund** offers low-interest (4.75-10% APR, depending on the level of credit and collateral risk) loans to Maryland's forest products businesses with respect to working capital and equipment purchases. The maximum loan amount is \$150,000. A letter of referral from a commercial lender is required. In a special effort to better serve the forest products industry in Maryland, MARBIDCO will utilize slightly more liberal underwriting guidelines than normal for making loans under this program (including the utilization of a minimum cash flow coverage ratio of 1.0/1.0, as well as partially relaxed collateral security requirements, where appropriate).
- √ The **Rural Business Energy Efficiency Improvement Loan Fund** offers low-interest (4%) "micro" loans for energy efficiency projects undertaken by food and fiber producers and processors implementing the recommendations of a third-party energy auditor. The minimum loan amount is \$2,500 and the maximum loan amount is \$15,000. Loan advances may not exceed the cost of actually making the improvements minus any grant incentive funding received for a project. A credit score of at least 650 is required with no bankruptcies filed within the last seven years. Loans made under this program are unsecured and only the personal guarantees of the borrowers and/or businesses would be required. Loans will be fully amortized with terms not exceeding the anticipated savings payback period with at least 1.0 - 1.0 ratio on the annual energy savings payback. A letter of referral from a commercial lender is required.
- √ The **Agricultural Cooperatives Equity Investment Fund** provides a portion of the patient capital investment needed by cooperatives that do not have the necessary equity available to obtain the commercial financing that typically is required during the period that business operations are beginning or significantly expanding. The maximum amount of equity funding that MARBIDCO can provide to an individual cooperative is \$100,000 in any single year. Equity contributions made to coops by non-voting member investors will be offered in the form of "preferred stock", with a dividend (TBD) paid annually beginning in the third year of business

operation. After about the tenth year of a cooperative's operation, the equity investment will be callable, at which time a lump sum principal repayment will be due or, alternatively, a loan note agreement must be entered into with MARBIDCO with a near market-rate interest charge. The following conditions must be met for a legally organized and recognized cooperative to be eligible for equity investment by MARBIDCO:

- 1) MARBIDCO will consider a cooperative equity investment when the project fits within MARBIDCO's statutorily established economic development profile. Any project funded must assist in some fashion Maryland's farming, forestry, or seafood industries. Businesses that produce foodstuff or other goods that grow in the soil or in the water, and the packaging and/or value-added processing and marketing of such products, are generally eligible targets of MARBIDCO's programs and services.
- 2) Government financial participation is ordinarily required for any cooperative that receives an equity investment from MARBIDCO. A unit of federal, state or local government should ideally have at least an equal amount of grant resources invested in the cooperative project.

Grant (or Grant-type) Programs

- √ The **Maryland Value Added Producer Grant (MVAPG)** is designed to encourage participation in USDA's highly competitive Value Added Producer Grant Program (which has both planning and working capital components). The USDA VAPG Program, which is offered annually, requires a financial matching commitment and each application for the USDA VAPG must include a verification of matching funds. The USDA VAPG Planning Grant offers a maximum award of \$100,000, and the Working Capital Grant offers a maximum of \$300,000. MARBIDCO's grants could be applied for up to \$10,000 and \$25,000, respectively (the actual amount depends on the total pool of resources available for the MVAPG program.)

To be eligible to apply to MARBIDCO for funding, a grant applicant must also be eligible under the USDA VAPG Program. Each applicant that has been selected to receive a MVAPG will receive a letter that contains how much funding will be to be available to the applicant in a MVAPG pool of funds (including a minimum and maximum amount of any potential grant award to be awarded if the applicant is successful in getting a grant under the USDA program). This commitment would amount up to 15% of the matching requirement required by the USDA. Funds will only be awarded to those who actually receive the USDA VAPG award.

- √ The **Local Government Ag/RBI Project Cost Share Program** is designed to lend support to local and regional rural business development efforts. *Total amount of all cost share grants awarded in a single county in FY 2010 is \$5,000.* The six "One Maryland" counties have a maximum county allotment of \$10,000, with an individual project maximum of \$5,000. For MARBIDCO to participate in any economic development cost share project with a unit of local government the following criteria must, at a minimum, be met:

- A) MARBIDCO will consider a project cost-share request from a local or regional economic development office if the project fits within MARBIDCO's statutorily established economic development profile. Any project or activity funded by MARBIDCO must assist in some fashion Maryland's farming, forestry, or seafood industries (including potentially rural recreation and tourism). If a project directly benefits an individual farmer or rural business owner, then the farmer or business owner must be willing to make a financial contribution to help support the implementation of the project.
- B) MARBIDCO's participation in the cost share project cannot exceed that of the local government. The only exception to this requirement is that a county designated as "One Maryland" jurisdiction (i.e., a severely economically distressed county) may qualify for a match from MARBIDCO of up to 200% of the county's contribution. (Or put another way, MARBIDCO cannot pay for more than 50% of an eligible project's

cost, with the exception that in “One Maryland” counties MARBIDCO may pay up to 67% of a project’s cost.)

Rural Land Preservation Facilitation Programs

√ The **Installment Purchase Agreements Program**, working in conjunction with the Maryland Agricultural Land Preservation Foundation (MALPF), will enable the purchasing of easements on agricultural properties using tax-advantaged financial arrangements structured to benefit both landowners and the State. There are two types of IPAs – “self-funded” (which are currently being offered by MARBIDCO on MALPF’s behalf), and “leveraged” (which are not currently planned to be offered in the near future). MARBIDCO is also currently exploring the use of “Aggie Bonds” (tax exempt private activity bonds that enable beginning farmers to purchase farmland) to assist counties with their critical farms and rural land preservation programs.

On the Horizon

Coming in the Future – The **Next Generation Farmland Acquisition Program** will enable MARBIDCO, working directly with commercial lenders (as well as MALPF, Rural Legacy and county agricultural land conservation programs), to assist young and beginning farmers with the purchase of farmland, while at the same time extinguishing the development rights on the land being purchased. Legislation enacted during the 2008 Session of the Maryland General Assembly allocates certain funds collected each year to this program from the State’s share of the Agricultural Land Transfer tax. With the current slump in the real estate market, funds for this program are not expected to be available until FY 2012.

Coming in the Future – The **Sustainable Forestry Emergency Loan Fund**, the creation of which is a recent recommendation of a DNR advisory commission to the Governor’s Bay Cabinet, will address a serious challenge facing some family forestland owners in the Chesapeake Bay watershed relating to land parcel fragmentation and unplanned or premature timber harvests. To address this dilemma, a revolving loan fund-type opportunity is being established by MARBIDCO to provide low-interest loans to qualified forest landowners to assist with short-term family financial needs (i.e. medical emergencies and death/estate tax situations). The loans will be secured by the private forest land itself, operating under an approved sustainable forest management plan, thereby protecting air/water quality and providing other timber resource benefits. In addition, a temporary land preservation easement would be put into effect during the term that the loan is outstanding. Applicants will also be required to enter into a Forest Conservation Management Agreement (FCMA) with the Maryland Forest Service (DNR). MARBIDCO and the Maryland Forest Service hope to roll out this program in the near future once funding becomes available.

Coming in the Future – MARBIDCO is in the process of developing a “**Rapid-response**” **Forestland Easement Option Purchase Program**, rather akin to the Next Generation program, will be able to react quickly to place a conservation restriction on threatened forestland. Moreover, this program should be able to work with DNR’s land conservation programs to relatively quickly revolve funds so that a relatively modest initial seed funding investment is anticipated to be needed.

Note: √ denotes currently authorized and available MARBIDCO programs.

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