



FY 2014 Annual Report

MARBIDCO
growing rural ventures™



Maryland Agricultural and Resource-Based Industry Development Corporation

*Helping Sustain Agricultural and Rural Business
for Future Generations*

MARBIDCO: Growing Rural Ventures (as of 6/30/14)

MARBIDCO was established to enhance the sustainability and profitability of Maryland's agricultural and resource-based industries in order to help bolster rural economies, provide locally-produced food and fiber products, and preserve working farm and forest land. During its first seven years of operation, MARBIDCO has invested over \$24 million in 286 farm and rural business projects located in 22 Maryland counties, and in the process has helped create or retain over an estimated 2,230 full- and part-time jobs. To date, the organization has funded 102 value-added food or fiber processing enterprises, and helped 135 young or beginning farmers buy their first farms or expand their business operations. Thanks to the strong support of Maryland's government and rural leaders, MARBIDCO has been fully operational since 2007, and employs a small team of experienced rural economic development, credit underwriting, and loan servicing personnel.

Our Vision:

MARBIDCO expects to play a vital role in helping Maryland's food and fiber producers and processors, and other resource-based businesses to innovate and thrive, both now and well into the future. By working collaboratively with its public and private sector partners, MARBIDCO will be the "go to" place in Maryland to obtain rural business development assistance, including help with accessing capital and credit, business planning information and referral, and rural working lands preservation.

Our Mission:

To help Maryland's farm, forestry, seafood and related rural businesses achieve profitability through the provision of targeted services and a specialized financing infrastructure that helps retain existing resource-based industry production and commerce, promotes rural entrepreneurship, and nurtures emerging industries.

MARBIDCO Offers:

Assistance in securing capital and credit, especially for innovative or value-added activities;
Rural business planning information and technical assistance referral;
Rural land acquisition assistance (especially help for young and beginning farmers); and
Rural working land preservation facilitation.

MARBIDCO's programming fall into three broad categories:

- **Core Rural Business Development.** Several loan and grant incentive financing programs meet key agricultural, forestry, or seafood business investment needs. Loans can be used for land purchases, facilities construction or renovation, equipment acquisition or working capital and often leverage commercial lender funds. Loans range from \$10,000 to \$400,000 and must be fully collateralized. Grant incentive programs help producers with partial matching funds for processing projects, and provide local governments with matching economic development cost share funds for agricultural development projects.
- **Rural Land Preservation Facilitation.** These financing opportunities are offered in conjunction with other State and local agencies, with MARBIDCO serving as a conduit financing agent. This includes an "installment purchase agreements" program with the Maryland Agricultural Land Preservation Foundation to assist with purchasing agricultural land conservation easements.
- **Higher Risk Specialty Lending.** These loan programs are funded by partnering organizations for targeted purposes, such as the Maryland Shellfish Aquaculture Financing Fund Program, and the Rural Business Energy Efficiency Loan Program, which is offered with the support of the various federal, State, and private philanthropic funds.

MARBIDCO Board of Directors

MARBIDCO's Board of Directors consists of 17 individuals representing government agencies, food and fiber producers and processors, commercial lenders, and public finance and economic development professionals. The Governor, with the advice and consent of the Maryland State Senate, appoints 11 private sector members while six are appointed by state agencies.



MARBIDCO Board members pictured above top from left to right: Pat McMillan, Don Darnell, Wayne Richard, Megan Keyes, Howard Leathers, Pete Alexander, Doug Lipton, Greg Cole, Steve McHenry (Executive Director). Bottom from left to right: Emily Wilson, Charlotte Davis, Faith Elliott-Rossing (Chair), Sarah O'Herron. Not pictured are Aden King, Dan Kugler, Rantz Purcell, and Pam Saul.

Dr. Faith Elliott-Rossing (Chair)

Director of Economic Development
Queen Anne's County
*Representing Rural Economic Development
or Ag Marketing*

Mr. Pete Alexander

Retired District Manager
Glatfelter Pulp Wood Company
*Representing Timber and Forest Products
Industry*

Mr. Gregory Cole

Director
Financing Programs
Maryland Department of Business
& Economic Development
*Representing Maryland Department of
Business and Economic Development*

Dr. Donald Darnall

Executive Director
Maryland Food Center Authority
*Representing Maryland Food Center
Authority*

Ms. Charlotte Davis

Executive Director
Rural Maryland Council
Representing Rural Maryland Council

Ms. Megan Keyes

Business Manager
Keyes Creamery
Representing Agricultural Producers II

Mr. Aden A. King

Vice President
Phillips Foods, Inc.
*Representing Commercial Seafood Harvesting
and Processing Industry*

Dr. Dan Kugler

Interim Associate Dean / Associate Director
University of Maryland Extension
Representing University of Maryland Extension

Dr. Howard Leathers

Assoc. Professor & Undergrad Coordinator
Dept. of Agricultural & Resource Economics
Representing Public Finance

Dr. Douglas Lipton

Senior Research Economist
National Marine Fisheries Service
National Oceanic and Atmospheric
Administration (NOAA)
Representing Aquaculture Industry

Mr. S. Patrick McMillan

Assistant Secretary
Maryland Department of Agriculture
*Representing Maryland Department of
Agriculture*

Ms. Sarah J. O'Herron

Owner
Black Ankle Vineyards
*Representing Commercial Food or Fiber
Processing*

Mr. Rantz W. Purcell

Poultry & Grain Farmer
Representing Agricultural Producers I

Mr. Wayne Richard

Area Lending Manager
MidAtlantic Farm Credit
Representing Commercial Lending Institutions

Ms. Pamela Saul

Owner
Farm & Equine Business Services, LLC
*Representing Ag, Forestry or Seafood;
or Economic Development*

Ms. Emily Wilson

Director of Land Acquisition and Planning
Maryland Department of Natural Resources
*Representing Maryland Department of Natural
Resources*

Rural Business Development: Loan Programs

Maryland Resource-Based Industry Financing Fund (MRBIFF) offers low-interest (3.25% APR initially) loans to Ag/RBI-industry firms for the purchase of land and capital equipment for production and processing activities. The maximum loan amount is \$200,000 for acquisition of equipment and fixed assets, and \$400,000 for real estate purchases, food/meat processing and bioenergy projects, and \$600,000 for large-scale food/fiber processing projects of \$2.5 million and up. 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. MRBIFF is MARBIDCO's most popular lending program.

Rural Business Equipment and Working Capital Loan Fund offers low-interest (5% APR) loans to Ag/RBI-industry firms and producers for working capital and equipment purchases. The maximum loan amount is \$75,000. A referral from a commercial lender is required. Certain eligibility restrictions may also apply if federal funds are being used.

Maryland Vineyard Planting Loan Fund (now includes financing for tree fruit and orchards and hopyards) The Vineyard Planting Loan Fund has been established by MARBIDCO to help meet the unique financing needs of Maryland's rural landowners wanting to plant grapes and develop wineries. Vines typically take 3-4 years to produce their first commercial crop, with additional years to reach full maturity. Also eligible for financing under this program is the planting of tree fruit orchards or hopyards. The program makes available low-interest loans of at least \$10,000 to qualified applicants. A major aim of this program is to increase the acreage of viable commercial vineyards and tree fruit orchards in Maryland. Another objective of this program is to complement the financial services offered by private commercial lenders by helping to make rural enterprise financing both available and affordable. This program is supported by the Maryland Wineries Association and the Maryland Grape Growers Association.

Forestry Equipment and Working Capital Loan Fund offers low-interest (4-10% APR, depending on the level of credit and collateral risk) loans to Maryland's forest products businesses for working capital and equipment purchases. The maximum loan amount is \$150,000. A 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.

Agricultural Cooperatives Equity Investment Fund provides a portion of the 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 MARBIDCO will be offered in the form of preferred stock, with a dividend paid annually beginning in the third year of business operation. After about the seventh 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 financial participation of a unit of federal, state or local government is also usually required for any cooperative that receives an equity investment from MARBIDCO.

Rural Business Development: Specialty Loan Programs

Maryland Shellfish (Oyster) Aquaculture Financing Fund (working in collaboration with DNR and UME and using a combination of State and Federal funds), helps commercial watermen (and other entrepreneurs) who wish to transition from wild oyster harvesting to start or expand underwater shellfish farming enterprises using leased growing areas in the Chesapeake or Coastal Bays (which as a by-product will also contribute to enhancing estuarine water quality). Eligible projects include commercial aquaculture enterprises with feasible oyster or shellfish production and business plans. The loan proceeds can be used to purchase shell, seed, spat or equipment (depending on the source of funds). The borrower makes interest-only payments for the first three years while the oysters are growing to market size. After that, if borrowers have been consistent in making their quarterly payments, some of the principal balance will be forgiven and borrowers will fully repay the remaining amount of the loan over two years at a slightly higher interest rate. These loans are unsecured and only the personal guarantees of the borrowers and/or businesses are required (although the loss of a DNR shellfish aquaculture lease is also at risk).

Rural Business Energy Efficiency Improvement Loan Fund (working in collaboration with MEA using special funds) offers low-interest (4% APR) “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 \$30,000. A grant incentive of 10% of the loan amount is now available to help borrowers reduce the expense. 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 are 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 copy of an energy audit or an ag energy management plan report (or an energy savings confirmation letter) provided by a qualified third-party energy consultant is required to be submitted with the application.

Remote Setting Shellfish Aquaculture Loan Fund (working in collaboration with DNR) provides affordable financing to commercial watermen who want to start or expand shellfish remote setting aquaculture operations. Remote Setting is a process for growers to produce seed oysters for aquaculture cost-effectively. The grower purchases larvae from a hatchery and places it in a tank containing cultch for the larvae to set on. Larvae are circulated through the tank to keep them in suspension while they cement themselves to the cultch and begin growing as spat. Spat on shell setting systems consist of a tank, pump, piping and valves, and a blower to provide low pressure air to circulate larvae during setting. A heater may be required during early or late season setting. Cultch-less setting systems are smaller and contain microchips, or small ground shell pieces, and are used to produce seed for contained aquaculture systems such as cages or floats. These are operated as downweller systems and require a pump, piping and valves, and blower. The University of Maryland Extension (UME) is also contributing to this effort by providing training and business planning assistance to current and prospective shellfish growers. Information on setting system design and operation, as well as training in their use and business planning assistance, is available from University of Maryland Extension. Eligible Expenses: items related to commercial remote setting aquaculture projects, with approved business plans, to raise oysters or clams in Maryland. These include the following equipment items: seed (larvae), shell (substrate), tanks, pumps, blower, valves and tank heaters. Minimum/Maximum Loan Amounts: \$5,000 to \$30,000. Loan Terms: \$5,000 - \$15,000 (5 years); and \$15,001 - \$30,000 (6 years) - with the first year interest-only. Loan Interest Rate: 5% APR. Loan Application Fee: None. Security: Cash Collateral of 15% is needed (and can be financed).

MARBIDCO Loan Making Activity in FY 2014

In FY 2014, MARBIDCO made 35 loans (including Shellfish Aquaculture loans) totaling over \$5.4 million. MARBIDCO also helped 15 farmers with land purchases totaling over \$3.5 million.

July 1, 2013 to June 30, 2014

<u>Business or Type Assisted</u>	<u>County</u>	<u>Loan Amount</u>
Brewing, Distilling & Hops – 1 loan	Howard	\$100,000
Equine – 1 loan	Kent	\$200,000
Forestry – 1 loan	Garrett	\$150,000
Grain and Row Crops – 1 loan	Cecil	\$335,000
Grain and Row Crops – 1 loan	Charles	\$400,000
Grain and Row Crops – 1 loan	Garrett	\$ 22,485
Grain and Row Crops – 2 loans	Queen Anne's	\$500,000
Greenhouse/Nursery – 1 loan	Harford	\$ 75,000
Poultry – 1 loan	Dorchester	\$221,000
Poultry – 1 loan	Frederick	\$200,000
Poultry – 1 loan	Kent	\$400,000
Poultry – 1 loan	Queen Anne's	\$250,000
Poultry and Eggs – 1 loan	St. Mary's	\$285,000
Poultry – 1 loan	Somerset	\$250,000
Poultry – 5 loans	Wicomico	\$862,135
Poultry – 1 loan	Worcester	\$250,000
Shellfish Aquaculture – 1 loan	Anne Arundel	\$ 65,000
Shellfish Aquaculture – 1 loan	Calvert	\$ 50,000
Shellfish Aquaculture – 3 loans	Dorchester	\$172,400
Shellfish Aquaculture – 1 loan	Queen Anne's	\$ 50,000
Shellfish Aquaculture – 4 loans	St. Mary's	\$265,845
Shellfish Aquaculture – 1 loan	Talbot	\$100,000
Shellfish Aquaculture – 1 loan	Wicomico	\$100,000
Shellfish Aquaculture – 1 loan	Worcester	\$ 81,500
Vegetable and Specialty Crops – 1 loan	Queen Anne's	\$ 15,000

Rural Business Development: Grant Programs

Maryland Value-Added Producer Matching Grant Program (MVAPMG) encourages participation in the USDA's annual and highly competitive Value-Added Producer Grant Program (VAPG). To be eligible for funding under the MARBIDCO program, the applicant must also be eligible under the USDA program and funds will be awarded up to 15% of the matching requirement to those who actually receive the USDA award. The USDA program requires a 100% financial matching commitment and each application for the USDA VAPG program must include a "verification of matching funds". The USDA VAPG Program offers a maximum award of \$75,000 for a planning grant and \$200,000 for a working capital grant.

Local Government Ag/RBI Project Cost Share Program is designed to lend support to local and regional rural business development efforts that substantially support Maryland's farming, forestry, or seafood industries. MARBIDCO's participation cannot exceed that of a unit of local government or rural regional development council. (The only exception to this funding limitation is in a "One Maryland" designated jurisdiction, which may qualify for up to 200% of a county's contribution. The maximum is \$10,000.)

Maryland Value-Added Producer Grant – Capital Assets Option Program (MVAPG – CAO) is designed to encourage farms and other businesses wanting to expand or diversify their operations to purchase new equipment or to construct facilities so that they can increase sales and job opportunities for rural and urban-edge residents in Maryland. Eligible applicants must be a crop or livestock producer or processor, agricultural cooperative, seafood processor, or primary or secondary timber products processor, and have been in business for a minimum of two years. In addition, applicants must be making a product that is "value-added." MVAPG funds and matching funds must be used for projects that are defined as capital assets by MARBIDCO and that have a useful life of seven years or more. The match required from the rural business must be at least equal the amount requested from MARBIDCO.



Pictured at left: Young calves at Rock Hill Orchard/Woodbourne Creamery. The creamery is one of MARBIDCO's Maryland Value-Added Producer Grant (Capital Assets Option) 2014 recipients.

Rural Business Development: Grant Programs (Continued)

Maryland Urban Agriculture Commercial Lending Incentive Grant (“MUACLIG”) Program, offered with the financial support of Farm Credit, is designed to meet the financing needs of beginning urban farmers by providing an incentive for them to seek commercial lender financing for the development of their agricultural enterprises. The maximum amount of the grant is \$7,500, calculated at no more than 20% of the project’s total cost and no more than 25% of the amount of the approved commercial loan for the project. (The minimum grant amount is \$1,000, with an approved commercial loan of at least \$4,000.) The participation of a commercial bank, Farm Credit Association or FSA in providing project financing is required.

Rural Land Preservation Facilitation Programs

The Installment Purchase Agreements Program, working in conjunction with State and local farmland preservation agencies, enables the purchasing of easements on agricultural properties using tax-advantaged financial arrangements structured to benefit both landowners and the participating units of government. There are two types of IPAs – “self-funded” (which have been offered by MARBIDCO on behalf of the Maryland Agricultural Land Preservation Foundation), and “leveraged” (which MARBIDCO is developing in partnership with individual county governments).

The Next Generation Aggie Bonds/Option IPAs Program is offered in partnership with participating county governments in Maryland. MARBIDCO is able to work with county governments to utilize Next Generation “Aggie Bonds” (taxable or tax exempt private activity bonds that help first-time farmers purchase farmland) to assist these counties with their critical farms and rural land preservation programs. Using Aggie Bonds or Option IPAs, MARBIDCO facilitates a link with the county government, commercial lender or bond-buyer together with the farm seller and farm buyer to enable a farm property transfer to take place while preserving the farm land from future non-agricultural development.

Pictured at right: Sheep at rest on the farm at Shepherds Manor Creamery, LLC, one of MARBIDCO’s Maryland Value-Added Producer Grant (Capital Assets Option) 2014 recipients.



MARBIDCO Grant Making Activity in FY 2014

July 1, 2013 to June 30, 2014

Maryland Value-Added Producer Grant - Capital Assets Option Program

<u>Business or Farm Type Assisted</u>	<u>County</u>	<u>Grant Amount</u>
Creamery	Talbot	\$15,000
Poultry	Charles	\$15,000
Vineyard/Winery	Frederick	\$2,000
Agri-tourism	Charles	\$15,000
Goat Dairy	Washington	\$15,000
Winery/Distillery	Frederick	\$5,000
Winery	Baltimore	\$3,663
Artisanal Meats	Calvert	\$11,575
Creamery	Montgomery	\$15,000
Meat and Vegetable	Frederick	\$8,150
Vineyard/Winery	Anne Arundel	\$15,000
Sheep Dairy	Carroll	\$5,677
Gourmet Seafood Processing	Queen Anne's	\$15,000
Diversified Farm	Carroll	\$10,000
Greenhouse/Christmas Tree Farm	Howard	\$6,000
Vineyard	Carroll	\$5,000
Total Maryland Value-Added Producer Grant - CAO Program Awarded:		\$162,065

Maryland Value-Added Producer Matching Grants Program (with USDA Option)

<u>Business or Farm Type Assisted</u>	<u>County</u>	<u>Grant Amount</u>
CSA and Vegetable	Wicomico	\$5,850
Flower and Herb	Baltimore	\$1,285
Vineyard/Winery	St. Mary's	\$25,000
Christmas Tree	Frederick	\$165
Total Maryland Value-Added Producer Matching Grants Awarded:		\$32,300

MARBIDCO Grant Making Activity in FY 2014 (Continued)

July 1, 2013 to June 30, 2014

Local Government Agricultural/RBI Cost Share Program

<u>Business or Farm Type Assisted</u>	<u>County</u>	<u>Grant Amount</u>
Meats and Vegetables	Howard	\$3,500
CSA and Vegetables	Howard	\$6,500
Total Local Government Agricultural/RBI Cost Share Grants Awarded:		\$10,000

Special Ag Development Activity Grant

<u>Rural Industry/Sector Assisted</u>	<u>Partnering Entities</u>	<u>Grant Amount</u>
Video Series—Maryland Public Television	MDA, MAFC, MFB, MD Grain Producers Utilization Board, etc.	\$35,000
Total Special Ag Development Activity Grant Awarded:		\$35,000



Pictured above: Hannah Cawley, one of MARBIDCO’s MRBIFF loan recipients, is interviewed for MPT’s second season of *Maryland Farm & Harvest*. The highly-acclaimed series was developed in partnership with the Maryland Department of Agriculture (MDA) and with funding from MARBIDCO and a number of farm organizations including the Maryland Grain Producers Utilization Board.

Project Financing Review Committees

The Project Financing Review Committees play one of the most important roles at MARBIDCO. These committees have the demanding task of reviewing and approving applications for financial assistance (including grants as well as loans). Although the Board of Directors often has the final say in how and when MARBIDCO funds get distributed to qualified applicants, the Board relies heavily upon the recommendations of these panels of experts. The MARBIDCO Loan Review Committee, the MVAPG-CAO Grant Review Committee, and the Maryland Shellfish Aquaculture Financing Fund Review Committee are comprised of individuals from MDA, UME, DBED, DNR, local government, and the private sector. MARBIDCO would like to recognize the following individuals for their exemplary service and generous commitment of time and talent on one or more of our Project Financing Review Committees this past year:

Mr. Pete Alexander
Retired District Manager
Glatfelter Pulp Wood Company

Mr. Greg Bowen
Director
SMADC, Maryland Farmlink

Mr. Joseph Chisholm
Poultry Farmer & Vice President (retired)
Mercantile Peninsula Bank

Mr. Gregory Cole
Director
Office of Finance Programs
Maryland Department of Business
& Economic Development

Ms. Shannon Dill
Talbot County Extension Director
University of Maryland Extension

Dr. Faith Elliott-Rossing
Director
Queen Anne's County
Economic Development & Tourism

Ms. Karen Fedor
Sr. Ag Marketing Specialist – Specialty Crops
Maryland Department of Agriculture

Mr. Aden A. King
Vice President
Phillips Foods, Inc.

Ms. Stacy Kubofcik
Tax Specialist
Office of Finance Programs
Maryland Department of Business
& Economic Development

Dr. Andrew Lazur
Adjunct Associate Professor & Assistant Director
University of Maryland Extension, Agriculture & Natural
Resources

Mr. S. Patrick McMillan
Assistant Secretary
Maryland Department of Agriculture

Ms. Sarah O'Herron
Owner
Black Ankle Vineyards

Mr. Dan Rider
Forest Stewardship & Utilization
Program Manager
Maryland Department of Natural Resources
Forest Service

Ms. Pamela Saul
Owner
Farm & Equine Business Services, LLC

MARBIDCO Staff

Mr. Stephen McHenry
Executive Director
smchenry@marbidco.org

Ms. Betsy McKeehan
Financial Programs Officer
bmckeehan@marbidco.org

Ms. Karen Gindes
Communications Specialist
kgindes@marbidco.org

Ms. Linda Arnold
Financial Programs Officer
larnold@marbidco.org

Ms. Andra Davis
Financial Programs Specialist
adavis@marbidco.org

Ms. Tina Wilkins
Accounting Specialist
twilkins@marbidco.org

Mr. W. David Rawle, Esq.
Assistant Attorney General
Counsel to MARBIDCO

2014 Commercial Lender Leverage Amounts

In FY 2014, MARBIDCO lent more than \$4.275 million (in conjunction with two banks and two Farm Credit Associations, as well as a county revolving fund) to 19 Maryland Resource-Based Industry Financing Fund (MRBIFF) borrowers. This enabled MARBIDCO to leverage more than \$13.7 million in commercial lender funds, resulting in a more than 3-to-1 leverage ratio.

<u>Borrower</u>	<u>Loan Type</u>	<u>MARBIDCO Loan Amount</u>	<u>Commercial Lender Loan Amount</u>
Poultry	MRBIFF	\$ 142,135	\$ 196,337
Poultry	MRBIFF	\$ 120,000	\$ 150,000
Equine	MRBIFF	\$ 200,000	\$ 200,000
Grain	MRBIFF	\$ 400,000	\$ 500,000
Poultry	MRBIFF	\$ 221,000	\$1,679,000
Poultry	MRBIFF	\$ 250,000	\$ 575,000
Poultry	MRBIFF	\$ 200,000	\$1,222,991
Grain	MRBIFF	\$ 335,000	\$ 335,000
Poultry	MRBIFF	\$ 200,000	\$ 812,500
Grain	MRBIFF	\$ 300,000	\$ 550,000
Poultry	MRBIFF	\$ 250,000	\$1,030,000
Poultry	MRBIFF	\$ 400,000	\$3,240,000
Poultry	MRBIFF	\$ 285,000	\$ 290,000
Grain	MRBIFF	\$ 200,000	\$ 950,000
Grain	MRBIFF	\$ 22,485	\$ 127,415
Poultry	MRBIFF	\$ 250,000	\$ 590,000
Poultry	MRBIFF	\$ 200,000	\$ 530,000
Poultry	MRBIFF	\$ 200,000	\$ 650,000
On-Farm Brewery	MRBIFF	\$ 100,000	\$ 100,000
TOTALS:		\$4,275,620	\$13,728,243

MARBIDCO MRBIFF LOAN Spotlight: *Cristo Rey Farms, LLC.*

KC and Ed Schnitker came to MARBIDCO last year with a plan to use MRBIFF loan funds (in conjunction with financing from County First Bank) to purchase a 128-acre farm in Leonardtown in St. Mary's County. Their farm, Cristo Rey, consists of a residence, 60 acres of crop-pasture land and 68 acres of forest.



Picture above: Poultry grazing at Cristo Rey Farm.

New to farming, Mr. and Mrs. Schnitker had been studying and visiting other farm enterprises since 2011. As part of their learning process, they had been building relationships with other local farmers, mentors and advisors, and feed and supply sources. In 2012, they attended the Polyface Farming Intensive Course and studied poultry care, brooders, natural health support, and processing. (Polyface Farm is a very successful rotational beef, pork and poultry grazing operation in the Shenandoah Valley of Virginia with markets extending into the Washington region.)

As they continue to grow and build their business, one aspect of farming has proven very important to the Schnitkers is their community. They have an open-farm policy, inviting neighbors, potential customers, and business associates to the farm. Mr. and Mrs. Schnitker also started a Community Supported Agriculture (CSA) program by which community members can purchase shares in the farm in return for an amount of produce every week. Ms. Schnitker noted that it helps the farmer because it spreads the risk out a little bit, buy purchasing shares in advance.

As their initial year ended, Cristo Rey Farms saw the successful sale of pastured chicken, pastured turkey, pastured pork, eggs from grass-fed layers, and timber. Ms. Schnitker adds, "Ed and I are so very grateful for the funding we received from MARBIDCO! Our farm is growing everyday and we are right on track with our business plan. If not for MARBIDCO, we couldn't have done all of this!"

MARBIDCO MRBIFF LOAN Spotlight:

Mark and Cassandra Baker—Next Generation Grain Farmers

Mark and Cassandra Baker have been married for twelve years and currently live in Galena (Kent County) with their two young children, where they are renting a home from Mark's paternal grandfather. Mark was raised on a farm, and his goal is to rent/own over 400 acres of land and to be self-employed. The Bakers came to MARBIDCO for help in financing the purchase of two parcels of land (55 acres and 14 acres) in Warwick, Cecil County. (The Bakers received a MRBIFF Loan in conjunction with a Start Right loan from MidAtlantic Farm Credit).

In 2008, Mark began renting 105 acres of farm land (75 acres of which is irrigated) in Galena, from his paternal grandfather. The land is planted in soybeans, wheat and corn. Within a short period of time, Mark has purchased a JD 4630 tractor, square baler, drill, corn planter, landsmen and other small pieces of equipment. Farm operations are managed by Mark, with the assistance of his father and siblings during busy times.

Last summer, Mark began baling large square bales of straw for his own use and for others (primarily mushroom farmers). The Bakers plans are to expand the baling and grain operation, and to eventually add a few full-time employees. At present, Mark will maintain his employment with Wilkinson Farms, and farm both the 105 acres of leased land as well as the newly purchased acreage. The subject farm includes approximately 55 tillable acres.

MARBIDCO Shellfish Aquaculture Fund Loan Spotlight: *Shore Thing Shellfish, LLC*



Kevin Boyle, Mandy Burch, Sheldon Russell, and Brian Russell began implementing their oyster aquaculture operation, Shore Thing Shellfish, LLC, in St. Mary's County, by obtaining their first 6 acres of lease bottom in December 2009. In 2010, they purchased their first 40,000 oysters from a State hatchery and planted them in 2010. Initially using their own savings, the group began looking for other ways to help fund their growing business.

In 2011, the business owners heard about MARBIDCO at a State aquaculture conference. They were intrigued by the features of MARBIDCO's Shellfish Aquaculture Financing Fund Loan, especially the favorable loan terms. One of Shore Thing's partners, Kevin Boyle, noted that the group did not have the wherewithal to pursue a big investment and said that MARBIDCO was the perfect solution. After successfully acquiring funding that year from their first Maryland Shellfish Aquaculture Fund loan, the group was able to purchase equipment with the long-term goal of adding water column cultivation, and continued improvements on growing techniques and processing equipment design.

In 2013, Shore Thing applied for, and received, an additional Shellfish Aquaculture Financing Fund loan from MARBIDCO. Equipment purchased with this recent loan has assisted Shore Thing with expansion, by growing culchless oysters for the half-shell market. Shore Thing is also working on a collaborative project with St. Mary's College, Maryland Industrial Partnerships (MIPS) and DNR to develop a new oyster setting method, the in-situ approach. The in-situ method places free swimming oyster larvae directly in water columns rather than in land-based tanks. As their business has grown, Shore Thing has been able to offer volunteer opportunities to people in the community as part of a marketing and outreach program.

Pictured above left: Brian Russell and Mandy Burch plant their oyster farm with blank oyster shells for the recruitment of natural spat.

MARBIDCO Rural Business Equipment and Working Capital Loan Fund Spotlight: *Calico Fields, LLC*

Jay and Christa Falstad, owners of Calico Fields, LLC, a lavender farm located in Queen Anne's County, came to MARBIDCO after learning about MARBIDCO in the *Delmarva Farmer* newspaper. The Falstads were requesting a Rural Business Equipment and Working Capital Loan for their project, which consisted of constructing a barn on the premises to dry and store lavender and bee-keeping supplies, complete honey extraction, and to manufacture their product line.

The Falstad's property encompasses two parcels of land, which they purchased in 2001. The first 5.6-acre parcel includes their residence and a small barn (the parcel that was utilized for construction of the new, larger barn). The second 5-acre parcel is zoned for forest conservation. Construction of the new barn not only allows Calico Fields the ability to expand their operations, but also provides customers with an on-farm location to make retail purchases. Mr. Falstad notes, "Our farm has been bringing in customers from the whole region and, we believe, provides a tourism boost to the local economy. We love sharing what we are doing here."

As a small farm focusing on a niche-based market, the Falstads believe this could be an important component to the future of Maryland's agriculture. Mr. Falstad says, "Beyond the lavender (which is our main product), we also have Aronia (a test plot with the University of Maryland Extension), hops, and an apiary consisting of 12 bee hives." Additionally Mr. Falstad adds, "We've got big plans for our future ... focusing not only on what we grow and make, but also on the growing agro-tourism possibilities."

Besides selling their products on-farm, Calico Fields sells their products at local farmer's markets and online.



Pictured above: Harvesting the lavender fields at Calico Fields, LLC, during the blooming season of June through July.

By the Numbers: MARBIDCO Rural Business Investments FY2014

FY 2014 Loan Programs	Applicants	Loan Amounts	Status
Maryland Resource-Based Industry Financing Fund Loan	15	\$3,375,620	Settled
Maryland Resource-Based Industry Financing Fund Loan	4	\$ 900,000	Approved
Rural Business Working Capital Loan Fund	2	\$ 90,000	Settled
Forestry Equipment and Working Capital Loan Fund	1	\$ 150,000	Settled
Maryland Shellfish Aquaculture Financing Fund Loan	11	\$ 760,545	Settled
Maryland Shellfish Aquaculture Financing Fund Loan	2	\$ 124,200	Approved
Total Loan Applications Settled or Approved	35	\$5,400,365	
Total Loan Applications Withdrawn	4	\$ 634,500	
Total Loan Applications Denied	1	\$ 250,000	
Total All Loan Applications	40	\$6,284,865	
Percent of Loan Applications Settled or Approved	87.5%		

FY 2014 Rural Business Incentive Grants	Applicants	Grant Amounts	Status
Local Government Ag/RBI Cost Share Program	1	\$ 6,500	Settled
Local Government Ag/RBI Cost Share Program	1	\$ 3,500	Approved
Maryland Value-Added Producer Grant – Capital Assets Option	3	\$ 26,000	Settled
Maryland Value-Added Producer Grant – Capital Assets Option	13	\$ 136,065	Approved
Maryland Value-Added Producer Matching Grant	4	\$ 32,300	Approved
Special Ag Development Activity Grant	1	\$ 35,000	Settled
Total Grant Applications Settled or Approved	23	\$ 239,365	
Total Grant Applications Denied/Withdrawn	3	\$55,000	
Total All Grant Incentive Applications	26	\$ 294,365	
Percent of Grant Applications Settled or Approved	88%		

MARBIDCO FY 2014 Statement of Net Assets*

June 30, 2014 and 2013

Assets	<u>2014</u>	<u>2013</u>
Current Assets:		
Cash and cash equivalents	\$ 1,433,202	\$ 1,701,197
Investments	\$ 1,940,658	\$ 1,939,043
Accounts Receivable	\$ 139,155	\$ 10,000
Current portion of loans receivable	\$ 990,489	\$ 228,613
Accrued interest receivable	\$ 96,646	\$ 68,878
Other Assets	\$ 245	\$ 1,504
Noncurrent Assets:		
Restricted investment	\$ 762,377	\$ 762,377
Loans receivable, net of current portion and Allowance of \$1,407,468 and \$1,116,427 for 2014 and 2013, respectively	\$ 12,859,170	\$ 10,489,989
Real estate owned	\$ 50,000	\$ 50,000
Capital assets, net	<u>\$ 17,826</u>	<u>\$ 15,062</u>
Total Assets	\$ 18,289,768	\$ 15,266,663
Liabilities		
Current Liabilities:		
Accrued expenses	\$ 44,184	\$ 50,579
Noncurrent Liabilities:		
Long-term debt	\$ 762,377	\$ 762,377
Other Liabilities	<u>\$ 9,160</u>	<u>\$ 11,127</u>
Total Liabilities	\$ 815,721	\$ 824,083
Net Position		
Invested in capital assets, net	\$ 17,826	\$ 15,062
Unrestricted	<u>\$ 17,456,221</u>	<u>\$ 14,427,518</u>
Total Net Position	\$ 17,474,047	\$ 14,442,580
Total Liabilities and Net Position	\$ 18,289,768	\$ 15,266,663

* From Audited Financial Statements

Revenue and Expenses

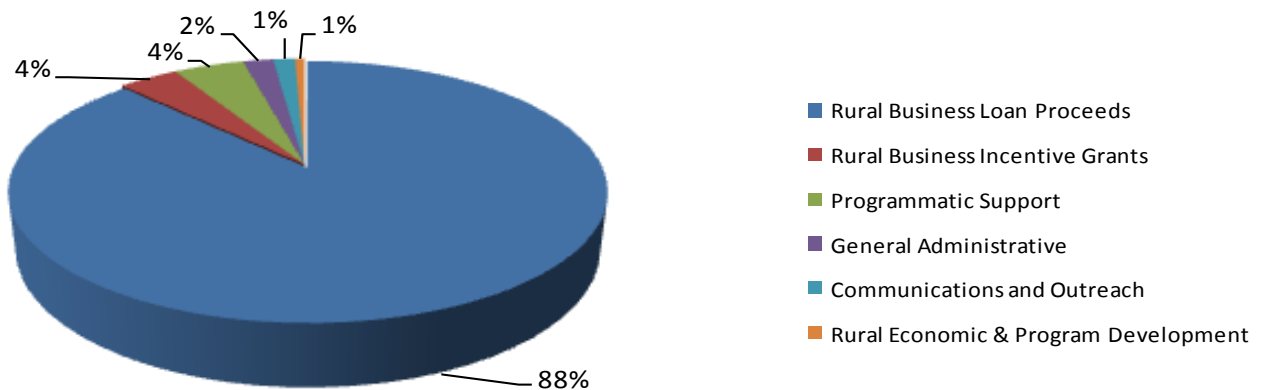
June 30, 2014 and 2013

	Year Ended <u>June 30, 2014</u>	Year Ended <u>June 30, 2013</u>
Income		
State appropriation	\$ 2,875,000	\$ 2,875,000
Interest income	\$ 1,682	\$ 4,888
Interest income on loans receivable	\$ 474,300	\$ 300,765
Program revenue	\$ 26,065	\$ 39,992
Federal/State grants	\$ 797,235	\$ 696,725
Expenses		
Incentive Grants	(\$ 174,512)	(\$ 241,147)
Administrative	(\$ 162,031)	(\$ 174,683)
Salaries & benefits	(\$ 360,238)	(\$ 346,688)
Depreciation expense	(\$ 5,627)	(\$ 6,351)
Loss on disposal of asset	(\$ 800)	\$ -
Provision for Loan Losses/Loan Forgiveness	(\$ 439,607)	(\$ 310,195)
Change in Net Assets	\$3,031,467	\$ 2,838,306
Net Assets, Beginning of Year	\$14,442,580	\$ 11,604,274
Net Assets, End of Year	\$17,474,047	\$ 14,442,580

* From Audited Financial Statements

FY 2014 MARBIDCO EXPENDITURES, BY CATEGORY

Rural Business Loan Proceeds	\$ 5,400,365
Rural Business Incentive Grants	\$ 239,365
Programmatic Support	\$ 280,163
General Administrative	\$ 120,484
Communications and Outreach	\$ 87,295
Rural Economic & Program Development	<u>\$ 37,537</u>
Total	\$ 6,165,209



MARBIDCO MRBIFF Loan Spotlight: Seven Hills Stables, LLC



Pictured above: Seven Hill's new barn in Kent County, Maryland.

Seven Hills Stables, LLC, was established in 2013 in order to purchase property to house both SummerWinds Stables (a non-profit that was established in 2001) and Sugarland Stables. Seven Hills Stables is a for-profit business that provides boarding, breeding, training and active lessons for children and adults, as well as offering and running its own summer camps. In addition, Seven Hills Stables is home to the Washington College Equestrian Team.

As the Executive Director of the SummerWinds Stables, Elena DiSilvestro has been rescuing horses since 2000. She notes, "We lost our long-term land lease last year, and it looked like we would have to close the doors of the nonprofit horse rescue and outreach program ... forever. Without MARBIDCO's help, we never would have been able to afford the move or the payments for this new farm. MARBIDCO was there for us every step of the way as we began the process of finding and securing funding for our agricultural business." CNB Bank also participated in financing this project as part of a MRBIFF Loan request.

Ms. DiSilvestro and her family are now working hard to establish grant and donor funding for the capital improvements for the nonprofit portion of the farm. Ms. DiSilvestro added that having an agricultural-focused lender such as MARBIDCO available to help was essential, and "was an answered prayer." She also adds, "We are so grateful that we get to live the dream of rescuing horses, helping children and growing our small operation, thanks to everyone who believed in us at MARBIDCO."

Business Investments of More than \$25 Million Since MARBIDCO's Founding Just Over Seven Years Ago*

As a nimble financial intermediary organization and rural business development lender, MARBIDCO has financed some 290 farm and rural business projects located in 22 counties since becoming operational in 2007. More specifically, MARBIDCO has assisted with financing 102 value added food or fiber processing enterprises, and helped 140 young or beginning farmers buy their first farms or expand their business operations. The total amount of all MARBIDCO loans (176) during this period has been \$23.8 million, and the total value of MARBIDCO grant incentives (118) has been about \$1.5 million. MARBIDCO's investment in rural business lending has also leveraged almost \$52 million in private commercial loan capital. As a result, MARBIDCO has helped to create or retain an estimated 2,235 full- and part-time jobs all across the State of Maryland. (*All figures as of 9/30/14.)

<u>Rural Business Type</u>	<u># of Projects</u>	<u>Amounts</u>	<u>Counties with Projects</u>
Poultry & Eggs	46	\$8,287,964	Caro, Dor, Fred, QA, Tal, Wic, Wor, St.M, Som, Chas, Kent
Grain Crops	36	\$6,271,472	Caro, Carr, Chas, Dor, How, Kent, St.M, QA, Tal, Wash, Cec, Gar
Seafood & Aquaculture	63	\$3,674,804	AA, Balt, Cal, Cec, Dor, Kent, Som, St.M, Tal, Wic, Wor
Vineyards & Wineries	44	\$1,515,820	AA, Balt, Cal, Carr, Chas, Cec, Dor, Fred, Har, Kent, Mont, PG, St.M, QA, Wash, Wor
Vegetable & Specialty Crops	21	\$1,488,718	Caro, Carr, Dor, Kent, How, St.M, Tal, Wic, Balt, QA
Dairy	41	\$1,337,291	Caro, Carr, Cec, Fred, Gar, Har, How, Kent, Tal, Wash, Wor, Mont
Greenhouse & Nursery	8	\$601,000	Caro, Cec, QA, Tal, Wic, Har, How
Beef Cattle/Large Animals	10	\$507,675	Balt, Carr, Fred, Gar, Har, Som, Cal
Forestry	12	\$558,575	Fred, Gar, QA, Wic, Wor
Equine	1	\$200,000	Kent
On-Farm Brewing & Hops	2	\$106,500	How



MARBIDCO - 1410 Forest Drive, Suite 21, Annapolis, MD 21403 - 410-267-6807
www.marbidco.org