



**MARBIDCO**  
*growing rural ventures™*

# FY 2013 Annual Report

Helping Sustain Agricultural and Rural Business  
for Future Generations

## Maryland Agricultural & Resource-Based Industry Development Corporation





# MARBIDCO: GROWING RURAL VENTURES (as of 6/30/13)

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 6 years of operation, MARBIDCO has invested nearly \$19 million in 138 farm and rural business projects located in 22 Maryland counties, and in the process has helped create or retain over an estimated 1,800 full- and part-time jobs. To date the organization has funded 88 value-added food or fiber processing enterprises and helped 96 young or beginning farmers buy their first farms or expand their business operations. Thanks to the strong support of Maryland's Governor and General Assembly, 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. 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 or Micro-Credit 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.

**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**

Sea Grant Extension Program Leader  
University of Maryland  
Department of Agricultural & Resource  
Economics  
*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*



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

# RURAL BUSINESS DEVELOPMENT: LOAN PROGRAMS



**Maryland Resource-Based Industry Financing Fund (MRBIFF)** offers low-interest (3% 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. 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. (The State's financial support for this program may also leverage USDA-Rural Development funding.)

**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 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.

**Forestry Equipment and Working Capital Loan Fund** offers low-interest (3-10% 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 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).

**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 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 greatly 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 would be 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 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 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 including 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 2013

In FY 2013, MARBIDCO made 40 loans (including Aquaculture loans) totaling over \$4 million. MARBIDCO also helped 16 farmers with land purchases totaling about \$2.3 million.

## July 1, 2012 to June 30, 2013

<u>Business or Farm Description</u>	<u>County</u>	<u>Loan Amount</u>
Forestry - 1 loan	Garrett	\$111,000
Grain and Row Crops - 1 loan	Charles	\$100,000
Grain and Row Crops - 2 loans	Caroline	\$180,000
Grain and Row Crops - 1 loan	St. Mary's	\$215,000
Grain and Row Crops - 1 loan	Worcester	\$37,000
Poultry and Eggs - 4 loans	Dorchester	\$639,900
Poultry and Eggs - 4 loans	Caroline	\$779,500
Poultry and Eggs - 3 loans	Queen Anne's	\$452,000
Poultry and Eggs - 2 loans	Wicomico	\$300,000
Shellfish Aquaculture - 1 loan	Anne Arundel	\$7,350
Shellfish Aquaculture - 2 loans	Calvert	\$105,500
Shellfish Aquaculture - 6 loans	Dorchester	\$455,225
Shellfish Aquaculture - 1 loan	Somerset	\$20,000
Shellfish Aquaculture - 3 loans	St. Mary's	\$154,000
Shellfish Aquaculture - 1 loan	Talbot	\$59,350
Remote Setting - 1 loan	Cecil	\$15,500
Remote Setting - 1 loan	St. Mary's	\$30,000
Remote Setting - 1 loan	Talbot	\$30,000
Vegetable and Specialty Crops - 1 loan	Caroline	\$117,000
Vegetable and Specialty Crops - loan	Wicomico	\$85,000
Vineyards and Wineries - 1 loan	Cecil	\$100,000
Vineyards and Wineries - 1 loan	Charles	\$57,055

**TOTAL Amount of Loans:**

**\$4,050,380**



Pictured at left: MARBIDCO value-added grant recipient, Nice Farms Creamery, Caroline County.

# 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 \$100,000 for a planning grant and \$300,000 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 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.

**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 \$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 are being 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.

# MARBIDCO GRANT MAKING ACTIVITY IN FY 2013

**July 1, 2012 to June 30, 2013**

**Maryland Value-Added Producer Grant - Capital Assets Option Program**

<u>Business or Farm Type Assisted</u>	<u>County</u>	<u>Grant Amount</u>
Beef & Large Animals	Carroll	\$15,000
Beef & Large Animals	Frederick	\$15,000
Dairy	Harford	\$14,000
Dairy	Howard	\$15,000
Dairy	Washington	\$15,000
Dairy	Worcester	\$10,000
Forestry	Frederick	\$3,075
Forestry	Wicomico	\$15,000
Forestry	Worcester	\$15,000
Poultry & Eggs	Frederick	\$5,367
Vegetable & Specialty Crops	Talbot	\$11,800
Vineyards & Wineries	Anne Arundel	\$15,000
Vineyards & Wineries	Carroll	\$15,000
Vineyards & Wineries	Cecil	\$15,000
Miscellaneous	Caroline	\$1,046
Miscellaneous	Dorchester	\$1,047
Miscellaneous	Talbot	\$1,047

**Total Maryland Value-Added Producer Grant - CAO Program  
Awarded: \$197,382**

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

<u>Business or Farm Type Assisted</u>	<u>County</u>	<u>Grant Amount</u>
Vegetable & Specialty Crops	Talbot	\$6,495
Vineyard & Wineries	Carroll	\$24,386

**Total Maryland Value-Added Producer Matching Grants  
Awarded: \$31,331**

# MARBIDCO GRANT MAKING ACTIVITY IN FY 2013

## (Continued)

**July 1, 2012 to June 30, 2013**

**Local Government Agricultural/RBI Cost Share Program**

<b><u>Business or Farm Type Assisted</u></b>	<b><u>County</u></b>	<b><u>Grant Amount</u></b>
Vegetable & Specialty Crops	Howard	\$4,000
Vegetable & Specialty Crops	Howard	\$4,000
Grain & Row Crops	Howard	\$4,000
<b>Total Local Government Agricultural/RBI Cost Share Grants Awarded:</b>		<b>\$12,000</b>

***Special One-Time Grant***

<b><u>Rural Industry/Sector Assisted</u></b>	<b><u>Partnering Entities</u></b>	<b><u>Grant Amount</u></b>
Video Series—Maryland Public Television	MDA, MAFC, MD Grain Producers Utilization Board, etc.	\$25,000
<b>Total Special One-Time Grants Awarded Grants Awarded:</b>		<b>\$25,000</b>



Pictured above: A scene from Maryland Public Television’s (MPT) *Maryland Farm & Harvest*; a new series that will tell the stories of the industry that built this nation and continues to feed the world. The 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:

**Mr. Pete Alexander**  
Retired District Manager  
Glatfelter Pulp Wood Company

**Greg Bowen**  
Director  
SMADC, Maryland Farmlink

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

**Mr. Gregory Cole**  
Manager Rural  
Office of Finance Programs  
Maryland Department of Business  
& Economic Development

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

**Ms. 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. Kristen Robinson**  
Financial Programs Officer  
(Through April 2013)

**Ms. Betsy McKeehan**  
Financial Programs Specialist  
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**  
Bookkeeper  
twilkins@marbidco.org

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

# MARBIDCO FORESTRY LOAN SPOTLIGHT: RED ROCK ENTERPRISES, LLC

Red Rock Enterprises, LLC, is a third-generation, family-owned and operated forestry company, with a member of its fourth generation involved in the business as well. Started in the 1930's by Blain Frantz, and currently owned and operated by Phil Frantz and his wife Sharon, Red Rock Enterprises is located in the timber-rich Appalachian Mountains of Western Maryland. Red Rock Enterprises are buyers and sellers of timber and forestland, and provide a full-range of forestry services. Services include purchasing excess inventory if a customer has a tree species they can't use; the ability to store logs or pulpwood on site and ship out with just-in-time delivery; exporting preparation services; and pick-up and delivery of logs and lumber in various locations. Forest services include cruising timber, marking timber and client-focused management plans; and, Forest Stewardship Council (FSC) forest land certification, which provides access to the carbon credit market.

With an eye on environmental impact, the company has planted 20,000 seedlings in every year from 2005 to 2007, 40,000 seedlings in 2003, and 25,000 seedlings in 2002 in preparation for future timber harvesting. They are a participant in the Sustainable Forestry Initiative (SFI) Program and participating partner in the Pennsylvania SFI Implementation Committee (SIC). Red Rock is also certified through Forest Stewardship Council (FSC). Red Rock also provides Forest Management Plans for individuals so that the landowner will have more value in their timber going forward, and so that the timber is not overstocked (which will help manage the growth of their harvestable trees).

Helping to sustain the forestry industry in Maryland is a key mission objective of MARBIDCO. MARBIDCO is pleased to have been able to provide assistance to Red Rock, LLC, on three occasions since 2009. The most recent loan will help them to complete the purchase of timber from the City of Frederick Watershed in Frederick County and the Green Ridge Forest in Allegany County. This is the first timber the company has purchased from the State of Maryland, and it will be FSC-certified timber, which is in high demand. A previous Frederick County tract was harvested this winter and the quality of the timber was excellent, allowing the company to move forward with this additional timber purchase. This second tract will be harvested next winter.

***"Most banks don't understand the timber industry, so it's good to have MARBIDCO on our side!" - Sharon Frantz, Financial Officer, Red Rock, LLC***



Pictured above: A loader at the landing at Red Rock Enterprises in Garrett County, Maryland.

# 2013 COMMERCIAL LENDER LEVERAGE AMOUNTS

In FY 2013, MARBIDCO lent more than \$3.3 million to 21 Maryland Resource-Based Industry Financing Fund (MRBIFF) borrowers and one Rural Business Equipment and Working Capital (RBEWC) borrower. This enabled MARBIDCO to leverage more than \$11 million in commercial lender funds (working with two banks and farm credit associations), resulting in a 3-1 leverage ratio.

## 2013 Commercial Lender Leverage Amounts

<u>Borrower</u>	<u>Loan Type</u>	<u>MARBIDCO Loan Amount</u>	<u>Commercial Lender Loan Amount</u>
Poultry Farm	MRBIFF	\$200,000	\$ 1,210,000
Grain & Cattle Farm	MRBIFF	\$100,000	\$560,000
Poultry Farm	MRBIFF	\$200,000	\$1,173,800
Poultry Farm	MRBIFF	\$200,000	\$400,000
Poultry Farm	MRBIFF	\$200,000	\$975,000
Poultry Farm	MRBIFF	\$300,000	\$500,000
Vegetable Farm	MRBIFF	\$85,000	\$150,000
Vegetable Farm	MRBIFF	\$117,000	\$117,000
Poultry Farm	MRBIFF	\$229,500	\$565,000
Poultry Farm	MRBIFF	\$200,000	\$850,000
Poultry Farm	MRBIFF	\$222,500	\$312,500
Grain Farm	MRBIFF	\$30,000	\$48,000
Poultry Farm	MRBIFF	\$157,500	\$157,500
Poultry Farm	MRBIFF	\$82,400	\$107,787
Grain Farm	MRBIFF	\$37,000	\$110,000
Poultry Farm	MRBIFF	\$200,000	\$1,351,000
Hay Farm	MRBIFF	\$215,000	\$215,000
Poultry Farm	MRBIFF	\$200,000	\$1,519,000
Poultry Farm	MRBIFF	\$100,000	\$360,000
Grain Farm	MRBIFF	\$150,000	\$350,000
Poultry Farm	RBEWC	\$50,000	\$180,000
<b>TOTALS</b>		<b>\$3,275,900</b>	<b>\$11,211,587</b>



Pictured above: A Queen Anne's County cornfield.

# MARBIDCO MRBIFF LOAN SPOTLIGHT:

## JOHN DAVIS, JR.

Although John C. Davis, Jr. (“JC”) is a young farmer who graduated from college in 2007, he’s not necessarily a beginning farmer, as he has been working on his father’s farm since he was a boy. Now at age 28, he and his wife Kristina are in the process of purchasing a 77-acre farm in Caroline County, which will allow for better crop rotation in the family’s vegetable business. MARBIDCO assisted with this farm purchase through its MRBIFF Program.

JC is part of the Davis family farming operation which consists of his father, John C. Davis, Sr. and his brother, Jared. MARBIDCO also helped Jared with his first farm purchase in 2011. The senior Mr. Davis noted that he was more than happy to assist his sons in the purchase of their farms, and was instrumental in steering them to (Farm Credit and ultimately to) MARBIDCO. He said, “If not for the next generation, what do you have? I’m happy for JC. He’s made it for himself and I’m happy to do whatever I can for him and the rest of my family.”

JC’s new farm property is adjacent to one of his father’s farm properties in Federalsburg. This property was purchased to help expand the family’s watermelon crop operation, and currently employs up to 36 workers seasonally. All three members of the family will continue working and managing the farms together.

JC described MARBIDCO’s loan process as being easy and helpful, with low interest rates offered that made the loan particularly affordable. He added that he couldn’t have expanded the farm businesses if not for his initial MidAtlantic Farm Credit “Start Right Loan” and the extra assistance from MARBIDCO that allowed the financing package to go forward.

*“MARBIDCO’s beginning low interest rate (and subordinate lien position) was extremely helpful and enabled us to get the financing and a better start on this new farm.” - John C. Davis, Jr.*



Pictured above: JC and Kristina Davis (center and right) sign their MARBIDCO loan documents with Financial Programs Officer Kristen Robinson (at left).

# MARBIDCO AQUACULTURE LOAN SPOTLIGHT: TRUE CHESAPEAKE OYSTER COMPANY

True Chesapeake Oyster Company founded in 2011 with a base of operations in operation in St. Jerome Creek (St. Mary's County), obtained two Shellfish Aquaculture Financing Loans from MARBIDCO over the past three years. The loans have helped True Chesapeake (formerly Chesapeake Fresh) to deploy over 2,000,000 oyster seedlings into nursery systems and off-bottom aquaculture cages for four water-column leases in St. Jerome Creek. Funds were also used to purchase harvesting machinery and other important capital equipment that helped streamline the grow-out and harvesting process. In May 2013, True Chesapeake debuted their signature oyster, called the "Skinny Dipper," as the preferred oyster of the 2013 Preakness Stakes. The Skinny Dipper is currently available at such local hot-spots as Hanks Oyster Bar in Washington, DC, Ryleigh's Oyster in Baltimore, and Boatyard Bar & Grille in Annapolis.

*"We are very thankful that MARBIDCO was able to step in and fill a critical supportive role in the industry. But we are most thankful for the people who work at MARBIDCO - they have been nothing short of helpful, professional, and on-the-ball from the get-go. It's been a pleasure dealing with them." - Patrick Hudson, True Chesapeake Oyster Company*



Pictured above: A fall day on True Chesapeake Oyster Company's oyster farm, St. Jerome Creek, St. Mary's County.

## BY THE NUMBERS:

# MARBIDCO RURAL BUSINESS INVESTMENTS

<b>FY 2013 Loan Programs</b>	<b>Applicants</b>	<b>Loan</b>	<b>Status</b>
Maryland Resource-Based Industry Financing Fund Loan	16	\$ 2,638,900	Settled
Maryland Resource-Based Industry Financing Fund Loan	4	\$587,000	Approved
Rural Business Working Capital Loan Fund	1	\$50,000	Settled
Forestry Equipment and Working Capital Loan Fund	1	\$111,000	Settled
Maryland Vineyard Planting Loan Fund	1	\$57,055	Settled
Maryland Vineyard Planting Loan Fund	1	\$100,000	Approved
Rural Business Energy Efficiency Improvement Loan Fund	1	\$30,000	Settled
Maryland Shellfish Aquaculture Financing Loan Fund	8	\$414,950	Settled
Maryland Shellfish Aquaculture Financing Loan Fund	6	\$386,475	Approved
Maryland Remote Setting Shellfish Aquaculture Loan Fund	2	\$60,000	Settled
Maryland Remote Setting Shellfish Aquaculture Loan Fund	1	\$15,500	Approved
<b>Total Loan Applications Settled or Approved</b>	<b>42</b>	<b>\$4,450,880</b>	
Total Loan Applications Withdrawn	1	\$400,000	
Total Loan Applications Denied	5	\$657,000	
Total All Loan Applications	48	\$5,507,880	
Percent of Loan Applications Settled or Approved	81%		

<b>FY 2013 Rural Business Grants</b>	<b>Applicants</b>	<b>Grant</b>	<b>Status</b>
Maryland Value-Added Producer Grant - Capital Assets Option	6	\$84,000	Settled
Maryland Value-Added Producer Grant - Capital Assets Option	9	\$98,382	Approved
Maryland Value-Added Producer Matching Grant	2	\$30,881	Settled
Special One-Time Grant	1	\$25,000	Settled
Local Government Ag/RBI Cost Share Program	1	\$4,000	Settled
Local Government Ag/RBI Cost Share Program	2	\$8,000	Approved
<b>Total Applications Settled or Approved</b>	<b>21</b>	<b>\$ 250,263</b>	

# MARBIDCO FY 2013 STATEMENT OF NET ASSETS\*

<b>June 30, 2013 and 2012</b>	<b><u>2013</u></b>	<b><u>2012</u></b>
<b>Current Assets:</b>		
Cash and cash equivalents	\$1,701,197	\$1,066,871
Investments	\$1,939,043	\$934,246
Accounts Receivable	\$10,000	\$330,850
Current portion of loans receivable	\$228,613	\$31,373
Accrued interest receivable	\$68,878	\$99,414
Other Assets	\$1,504	\$245
<b>Noncurrent Assets:</b>		
Restricted investment	\$762,377	\$762,377
Loans receivable, net of current portion and Allowance of \$1,116,427 and \$806,232 for 2013 and 2012, respectively	\$10,489,989	\$9,110,116
Real estate owned	\$50,000	\$50,000
Capital assets, net	\$15,062	\$20,294
Total noncurrent assets	\$11,317,428	\$9,942,787
<b>Total Assets</b>	<b>\$15,266,663</b>	<b>\$12,405,786</b>
<b>Current Liabilities:</b>		
Accrued expenses	\$50,579	\$31,037
Total current liabilities	\$50,579	\$31,037
<b>Noncurrent Liabilities:</b>		
Long-term debt	\$762,377	\$762,377
Other liabilities	\$11,127	\$7,427
Total noncurrent liabilities	\$773,504	\$769,804
<b>Total Liabilities</b>	<b>\$824,083</b>	<b>\$800,841</b>
<b>Net Position</b>		
Invested in capital assets	\$15,062	\$20,294
Unrestricted	\$14,427,518	\$2,842,867
Total net position	\$14,442,580	\$11,604,945
<b>Total Liabilities and Net Position</b>	<b>\$15,266,663</b>	<b>\$12,405,786</b>

**\*From Audited Financial Statements**



Pictured left: Getting the word out. MARBIDCO exhibits at a number of agricultural events, workshops, and conferences around the State of Maryland each year.

# REVENUE AND EXPENSES

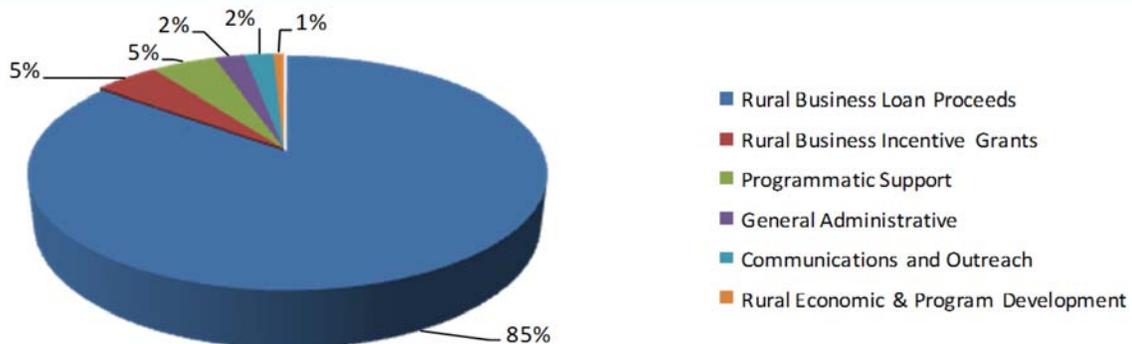
## Statement of Revenue and Expenses - June 30, 2013 and 2012\*

	<u>Year Ended June 2013</u>	<u>Year Ended June 2012</u>
<b>Income</b>		
State appropriation	\$2,875,000	\$2,750,000
Interest income	\$4,888	\$3,030
Program revenue	\$39,991	\$23,092
Federal/State grants	\$696,725	\$463,312
<b>Expenses</b>		
Grants	(\$241,147)	(\$373,665)
Administrative	(\$174,683)	(\$190,007)
Salaries & benefits	(\$346,688)	(\$319,549)
Depreciation expense	(\$6,351)	(\$9,146)
<b>Provision for Loan Losses</b>	<b>(\$310,195)</b>	<b>(\$556,904)</b>
<b>Net Income</b>	<b>\$2,837,635</b>	<b>\$2,067,157</b>
<b>Net Assets, Beginning of Year</b>	<b>\$11,604,945</b>	<b>\$9,537,788</b>
<b>Net Assets, End of Year</b>	<b>\$14,442,580</b>	<b>\$11,604,945</b>

\*From Audited Financial Statements

## FY 2013 MARBIDCO EXPENDITURES, BY CATEGORY

Rural Business Loan Proceeds	\$ 4,450,880
Rural Business Incentive Grants	\$ 250,263
Programmatic Support	\$ 251,299
General Administrative	\$ 117,708
Communications and Outreach	\$ 113,123
Rural Economic & Program Development	<u>\$ 41,039</u>
<b>Total</b>	<b>\$ 5,224,312</b>



## HOW WELL DO YOU KNOW MARBIDCO?

**Did you know that since its inception in 2007...**

- **MARBIDCO has funded nearly 250 farm and rural business projects in almost every county in Maryland?**
- **MARBIDCO has assisted more than 100 young and beginning farmers (many with helping to purchase their first farms)?**
- **MARBIDCO has supported the implementation of nearly 90 on-farm value added processing projects?**
- **MARBIDCO has helped State and county governments to preserve rural working land through bond finance programs?**

**MARBIDCO offers a variety of loans for commercial farming, forestry, and seafood production and processing. MARBIDCO also partners with commercial lenders to offer low-interest loans to young and beginning farmers and other rural businesses looking to expand or diversify their operations. Additionally, MARBIDCO works with other agencies to offer specialty loans for oyster aquaculture and farm energy efficiency projects.**

**To find out how MARBIDCO can help with rural business financing or rural land preservation projects, contact us at (410) 267-6807, or visit us on the web at [www.marbidco.org](http://www.marbidco.org).**



**MARBIDCO**  
*growing rural ventures*<sup>TM</sup>



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[www.marbidco.org](http://www.marbidco.org)