

## **E. Commercial Vineyard Establishment Revolving Loan Fund Guidelines**

### **I. CVE RLF Purpose**

The purpose of the Commercial Vineyard Establishment Revolving Loan Fund (CVE RLF) program is to assist in the preservation of agriculture land and to promote agri-tourism in Queen Anne's County and on a regional level by providing financial assistance to aid in the establishment of commercial vineyards. Recognizing that the establishment of a viable commercial vineyard takes approximately three (3) years, this program allows borrowers the flexibility in repayment options during the time that the vineyard is not fully operational. The use of loan proceeds must relate to the installation of new commercial vineyards, including, but not limited to, the prepping of land for vineyard installation, purchase of vines, vineyard equipment and supplies. The purchase of wine making equipment and rolling stock, such as automobiles and trucks, are not eligible for financing under this program.

### **A. Overall Program Features**

1. **Amount:** Loan amounts to a maximum of \$50,000.
2. **Rate:** Interest rate will vary depending upon the loan purpose, amount and term (and other factors at the County's sole discretion), but will generally be similar to bank loans for the same purposes. Payments may be interest only for the first three (3) years of the loan term with principal and interest payments commencing at year four (4).
3. **Terms:** Generally, the loan term will reflect the estimated useful life and value of assets securing the loan. Loan terms may vary with the purpose of the loan, but shall not exceed eight (8) years for machinery and equipment; fifteen (15) years or the term of private financing whichever is less for real estate. There is no prepayment penalty. Should the subject property be leased by the borrower, the term of the loan shall be concurrent with the term of the lease.
4. **Collateral:** In all cases, the personal guarantee of the business owner is required and borrowed funds shall be secured by collateral, such as fixed assets or marketable securities, in the County's sole discretion. In addition, the appropriate liens will be filed on both tangible and intangible business assets. These liens may be subordinated to a principal lender if one is involved. The use of automobiles and trucks (rolling stock) is not permitted as collateral.
5. **Purpose:** The loan proceeds may be used for business start up and working capital, the installation of new commercial vineyards, including, but not limited to, the prepping of land for commercial vineyard installation, purchase of vines,

vineyard equipment and supplies. Proceeds shall not be used to finance winery operations, wine making equipment, or the purchase of rolling stock (vehicles).

6. **Equity Participation:** The borrower will demonstrate a contribution of his/her own funds equating to at least 5% of the total cost of the project. The borrower's contribution may be an in kind and/or cash match
7. **Educational Component:** The borrower is strongly encouraged to partner with the Cooperative Extension Service of the University of Maryland or a private vineyard management company.
8. **Repayment:** Payments shall be in accordance with the terms outlined in the Note in annual or other periodic increments. Payment shall be received by the Department of Finance in the form of cash, personal check, cashier's check, or money order.

### **B. Eligible Borrowers**

To be considered eligible for the CVE RLF, the following criteria shall apply:

1. The property on which the commercial vineyard is to be established is located in Queen Anne's County on privately held land; and
2. Only properties deemed feasible for the establishment of a successful commercial vineyard operation shall be eligible for this loan program; and
3. The property shall be free from any encumbrances that would prevent its use as a vineyard; and
4. In the case where the borrower is leasing the property, the leasehold agreement with the property owner must equal or exceed the loan term. The lease documentation shall be reviewed for legal sufficiency by the County Attorney as part of the application process.

### **C. Application Requirements**

The borrower shall submit the following information as the loan package:

1. Completed Revolving Loan Fund Business Credit Application;
2. A complete Business Plan, including financial projections;
3. Documentation verifying the ownership of the subject property (deed). Should the borrower not be the owner of the property, the borrower shall provide a leasehold agreement.

4. A Vineyard Establishment Feasibility study prepared by a viticulture consultant and approved the University of Maryland Cooperative Extension;
5. If the borrower is a corporation, limited liability company or other legal entity, provide the following:
  - a. Documentation of the business entity (i.e. Articles of Incorporation, Limited Liability Corporation documentation);
  - b. Corporate Tax Returns for three (3) previous years if available; and
  - c. A Certificate of Good Standing from the State of Maryland.
6. Investor/Bank Commitment Letter(s) if a primary lender is involved.
7. Personal and corporate income tax returns may be requested (Form 4056T required).
8. Use of Funds Statement.

## **II. CVE RLF Review Process**

All requests for loans under the CVE program shall be processed as follows:

1. An eligible borrower shall file the loan application package and all required documents (refer to most current loan application checklist) with the Department of Administrative Services, Economic Development and Tourism (“the Department”), which will review the application submission for completeness. Additional documents to support the request may be requested by the Department at any time during the review process.
2. The complete application will be forwarded to the CVE RLF Review Committee, which shall be comprised of the following members: three (3) Economic Development Commission (EDC) members; one (1) representative from the County Agricultural Board; and one (1) representative from Maryland Agriculture Resource Based Industry Development Corporation (MARBIDCO).
3. The CVE RLF Review Committee will formulate a recommendation on the loan request based the applicant’s demonstrated compliance with the eligibility requirements. In addition to establishing the terms of the loan, the reviewing bodies reserve the right to place any condition upon the approval of the loan and to deny the loan request.

4. Should the loan request receive a favorable recommendation, the application package will be forwarded to the Economic Development Commission (EDC) for review and recommendation at its next regularly scheduled meeting.
5. Once the recommendation and terms have been secured, those along with the loan application, shall be forwarded to the County Commissioners for approval of the disbursement of funds at their next regularly scheduled meeting.
6. Upon approval of disbursement of funds, a commitment letter shall be sent to the borrower stating the terms of the loan and the settlement date. The necessary support documents (Note, lien, etc.) shall be drafted to reflect the designated terms of the loan by the Department's attorney.
7. The release of funds shall occur once the loan documents have been processed and recorded and in accordance with the terms of the loan agreement. The borrower shall complete a Non-Discriminatory Certification (refer to Appendix A).
8. The borrower will be responsible for all costs associated with the drafting, recording, and review of any documents required in connection with the loan.
9. The Department's staff shall follow up with the loan recipient on a bi-monthly basis for the first year commencing on the date of disbursement of the funds and on an annual basis thereafter for the life of the loan to ensure that the terms of the loan agreement are being maintained. Payments must be accompanied by the required "Post-Loan Checklist" detailing sales revenues, inventory levels, employee numbers, market serviced, cash flow status, space/location plans and any outstanding problems (refer to Appendix B).
10. The loan will be due and payable in full if for any reason the activity financed or the economic benefit is moved from Queen Anne's County or the borrower fails to maintain and fulfill the terms of the loan agreement.

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