

REVOLVING LOAN FUND

POLICY AND GUIDELINES

Maine Coast Heritage Trust (MCHT) has a long tradition of working in a variety of informal partnerships with public and private entities to permanently conserve and steward Maine's coastal lands and islands for their renowned scenic beauty, ecological value, outdoor recreational opportunities and contribution to community well-being. MCHT provides statewide conservation leadership through its work with land trusts, coastal communities, conservation buyers and other partners. In addition to technical assistance, the Trust offers conservation partners use of its Revolving Loan Fund (Fund). Partners have included local land conservation trusts, municipalities and other qualified non-profit and governmental entities. MCHT gives primary consideration to members of the Maine Land Trust Network for use of this Fund.

Description of the Revolving Fund.

Since 1989, MCHT has had a Revolving Loan Fund for both internal and external use. A visionary donor and MCHT staff determined that such a fund would be a valuable use of money left over after The Bold Coast Campaign – MCHT's first capital campaign. Between its inception and today (2016) 70 loans have been processed with 44 of them being external loans, and only once has MCHT had to go through foreclosure (Eochaid Stables). With these funds MCHT assisted partners to purchase land for public access from Rangeley to Lubec. We helped build a Maine Coastal Islands National Wildlife Refuge Visitor's center in Rockland and enabled Maine Huts and Trails to open a hut to hut hiking and skiing trail. As the name implies, monies are intended to revolve out of the Fund in the form of short-term loans to entities acquiring land and back into the Fund through repayment from the fundraising efforts of the acquiring organizations. For instance, a land trust requiring immediate cash in order to purchase an important property could borrow from the Fund and then repay the full amount with interest over a predetermined period of time through a capital fundraising drive. All loans from the Fund, other than those made internally and those made to the Conservation Limited Development LLC, must be repaid in full with interest in order to preserve the value of the Fund. There are times when MCHT will offer a partnership contribution that covers all or part of the interest payment. For example, for a priority project in an existing MCHT Whole Place. These partnership contributions will be handled separately and on a case by case basis in the same way we currently handle other partnership contributions.

President's Authority to Approve Loan Funding.

The President of MCHT, in consultation with the Director of Land Protection, shall have the authority to:

1. Approve all loans and the extension of all loans made to the Conservation Limited Development LLC;

2. Approve any secured loan to conservation groups of up to and including \$400,000, in total from MCHT, for up to one year at an interest rate of 1% below prime or 2 % whichever is higher or such other interest rate as the Finance Committee shall determine, so long as the then total current balance in the Revolving Loan fund is over \$1,000,000; and
3. Approve any such loan of up to \$50,000 so long as the current balance in the Revolving Loan fund is \$500,000 or above;
4. Approve the extension of any loan for one year beyond its original term, with or without an increase in interest rate.

Terms of Revolving Fund Loans.

MCHT charges an annual fixed interest rate equivalent to one percentage point below the Bank of America prime lending rate or 2% whichever is higher or such other interest rate as the Finance Committee shall determine. The actual rate will be fixed at the time of the loan. Internal loans and loans to the Conservation Limited Development LLC, of which MCHT is the sole member, shall carry zero interest.

The typical loan structure will be for a one-year term with a lump sum payment of principal and interest at the end of the term, or earlier if grant funding for repayment is received early. Security may be in the form of a mortgage, a bank letter of credit, personal guarantees, or assignment of grant funding earmarked for the project. A late charge and/or increased interest may be imposed if payment is not received on time.

Requirements for Use of the Revolving Fund.

Process.

MCHT's lands staff and General Counsel work together to generate the loan documents. The Lands staff member generally serves as point person with the Borrower, ensuring clear communication and collecting and processing Borrower's due diligence documentation, and identifying possible security for the loan. Lands staff works closely with the General Counsel to determine the security acceptable to MCHT for each loan. The Lands staff member then submits all due diligence to MCHT's General Counsel, who will review and approve the materials prior to recommendation to the President and the loan closing.

MCHT will require Borrowers seeking use of the Revolving Fund to provide the following information:

1. **Fundraising Plan.** Borrowing entities must demonstrate that they are capable of raising the required funds to repay the Revolving Fund according to the terms of the loan. Preference will be given to Borrowers that have begun fundraising and received a significant level of support in the form of pledges and/or cash gifts prior to requesting

assistance from the Revolving Fund.

2. Loan Security. MCHT requires that loans from its Revolving Fund be secured by one of the following methods: bank letter of credit, personal guarantees, assignment of a letter of grant award, or mortgage on property. Personal guarantors are obliged to repay the loan should the Borrower default. Guarantors may be individuals, financial institutions or other qualified entities. In the case of the Conservation Limited Development LLC and in rare cases when the Borrower is a well know partner to MCHT and the threat of default is low, MCHT, in its sole discretion, may grant an unsecured loan, or accept a letter certifying that Borrower's Board has voted to freeze an account with sufficient funds to pay back the loan. MCHT's General Counsel determines whether the security is acceptable and sufficient. For personal guarantors, some review of personal financial information is required, which is reviewed only by MCHT's Lands staff and General Counsel.

3. Appraisals. In order to determine the value of a property contemplated for purchase with Revolving Loan Fund monies, MCHT requires that an appraisal or opinion of value be prepared by a qualified appraiser.

4. Title. The Borrower must demonstrate that clear title to property will be acquired. MCHT prefers that borrowing entities purchase title insurance for properties acquired, naming MCHT co-insured, if a mortgage is held.

5. Legal Authorization of Borrower. The Borrower will provide proof of its legal existence and good standing with the State of Maine (if a corporation); an unqualified opinion of counsel that it has the authority to purchase the land and enter into the loan; as well as an attested copy of the authorizing resolution of its board of directors or responsible officers.

6. Conservation Purpose. The Borrower must demonstrate that the funds will be used for ecological and or community conservation purposes. Loans can be made for land acquisition, infrastructure improvements, or stewardship needs. A description of the conservation goals achieved or enhanced with loan funds, and other pertinent information must be documented by staff. Conservation Easements are not necessary to prove conservation purpose.

7. Due Diligence: Borrowers must also demonstrate to MCHT staff's satisfaction that the property is not contaminated with hazardous materials or otherwise poses a danger to the public.

8. Stewardship. Borrowers must demonstrate that they are capable of properly managing properties acquired through the Revolving Fund. Establishment of a permanent stewardship fund is encouraged.

9. Standards & Practices. Land trust borrowers must have adopted the Land

Trust Standards and Practices as established by the Land Trust Alliance.

Expenses Associated With Use of the Revolving Fund.

Borrowers are responsible for all costs incurred in association with preparation of legal documents, appraisals, and other documentation submitted to MCHT. Staff costs associated with review and/or preparation of documentation by MCHT's general counsel and land protection staff will be assumed by MCHT.

Allocation of the Revolving Fund.

MCHT reserves the right in its sole discretion to determine the use of its Revolving Fund. The size of the Revolving Fund is limited. MCHT will evaluate competing proposals with preference given to projects providing maximum conservation value and public benefit for the cost, projects furthering the goals of MCHT as described in its **Guiding Principles and Criteria for Land Protection**, and projects involving properties that are imminently threatened by conversion to non-conservation uses.