

Rural America Bond Program Saves 75 Jobs in North Carolina

BY: AMBER HAGENS

Three years ago, the Farm Credit Administration (FCA) launched a pilot program called Rural America Bonds. The program was started after recognizing that agriculture is now dependent on the success of rural America and the fact that 90% of farmers depend upon off-farm incomes to supplement their farm income.

The Rural America Bond Program was designed to help meet the ever-expanding and changing needs of agricultural enterprises, agribusinesses, and rural communities by providing a new and flexible flow of money to rural areas. Carolina Farm Credits' investment in activities that sustain, revitalize, and develop rural communities assists in keeping producers on the land and attracts new families to rural areas.

After implementing the program, Carolina Farm Credit started to look for ways to get it off the ground. Their first Rural Bond was made to Harris Enterprises, an assisted living home just outside of China Grove, N.C., in March 2007.

James Taylor, Carolina Farm Credit (CFC) VP and Mission Related Investments Officer comments, "This was a learning curve for CFC. You couldn't find better people to work with than Georgette Ormsby and Tony Johnson

of Harris Enterprises. I will be forever grateful for their patience and confidence in working with us on this bond."

The second Rural Bond made by Carolina Farm Credit marks history for the program. This bond, made to Hygiene Systems Inc. of Richmond County, N.C., was the first USDA-Business & Industry Bond in the nation to be sent to Washington for their review and the second one to be closed and backed by the USDA.

The bond allowed Hygiene Systems Inc. to purchase assets of Laurel Hill Paper Company (LHP), a business going into bankruptcy. This created 20 new jobs in rural Richmond County and saved 75 more. The acquisition of LHP creates independence for Hygiene Systems Inc. through equipment purchases.

Hygiene Systems Inc. is a paper converting company that makes commercial paper towels, toilet paper and paper rags for garages and shops.

Many people at Carolina Farm Credit and Hygiene Systems Inc. were instrumental in making this bond part of rural American history. These included Franklin Rash, CFC Sr. Vice President and supervisor of the bond program; James Taylor, CFC VP and Mission Related Investments Officer; Patrick Chappel,



Above: Franklin Rash, CFC Sr. VP (left) and Alan Hogan, Hygiene Systems, Inc. COO and Carolina Farm Credit member (right).

CFC Loan Officer; Greg Vendable, Hygiene Systems Inc. CEO; Alan Hogan, Plant Manager and COO of Hygiene Systems, Inc and many others.

Alan Hogan states, "Possibilities exist as only potential reality. Reality comes as those possibilities are made real through actions. Carolina Farm Credit, through the Rural Bond program, helped Hygiene Systems Inc. take possibilities and turn them into reality."

The Preamble to the Farm Credit Act states, "...and to provide for an adequate and flexible flow of money into rural areas..." Carolina Farm Credit has and will continue to invest in their rural communities through programs such as the Rural America Bonds to help bring a steady flow of income into rural North Carolina. ■



Left: From left to right: Steve Byrd, USDA; James Taylor, Carolina Farm Credit; Heather Johnson, Nexsen & Pruet; Greg Venable, Hygiene Systems, Inc.; Lamar Wartman, USDA.

What Types of Projects Qualify for the Rural America Bond Program?

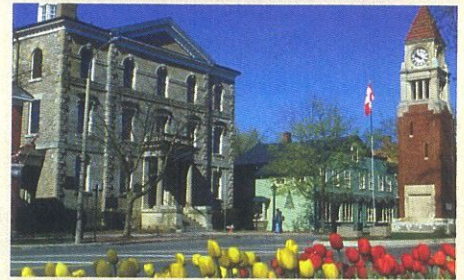
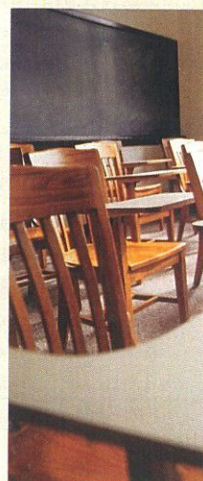
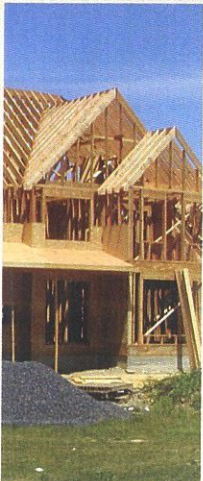
Under this program, Carolina Farm Credit can invest in two major types of projects: those that support rural communities and those that support agriculture and agribusinesses.

Projects that support rural communities include:

- Housing for low- and moderate-income families
- Community revitalization and development projects
- Rural infrastructure, such as water, waste, utility and transportation projects
- Essential community services, including schools, libraries, childcare facilities, medical and assisted-living facilities, community centers, and public buildings, as well as police, fire, and rescue stations
- Rural businesses that create or preserve jobs and provide products or services primarily serving rural areas and their residents (does not include major national corporations, religious organizations, or gaming operations)

Projects that support agriculture and agribusinesses include:

- Young, beginning and small farmers
- Value-added food and fiber processors and marketers
- Infrastructure for agricultural production, storage, shipping and trade, such as grain storage facilities or a farmers' market
- Alternative energy projects, including ethanol plants, biodiesel, wind or hydro energy, and other projects that qualify under the USDA's Renewal Energy and Energy Efficiency Program



Product Offerings

Amounts

- Bond financing available in amounts up to \$50,000,000 or more.

Purposes

- Construction and permanent financing
- Construction financing available with terms up to two years
- Real estate infrastructure - roads, utilities, etc.
- Equipment
- Working capital

Terms

- Maturities of 1-15 years, with amortizations up to 20 years
- Maturities and amortizations up to 30 years for bonds guaranteed by a government agency
- Monthly, quarterly, semi-annual, annual and customized payments

Rates

- Fixed or variable rates
- Fixed-rate quotes to 30-, 60- and 90-day lock ins
- Open prepayment on bonds less than \$3.0 million