

DIVISION OF FINANCE PROGRAMS  
MARYLAND INDUSTRIAL DEVELOPMENT  
FINANCING AUTHORITY

(MIDFA)

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MARYLAND INDUSTRIAL DEVELOPMENT FINACING AUTHORITY  
(MIDFA)

TABLE OF CONTENTS

History and Program Description.....	1
Performance Since Inception of the Program .....	1
Performance for the Year ending June 30, 2007.....	2
Projected Program Performance for Fiscal Year 2008 .....	2
<i>Exhibits</i>	
DOF Listing of Approved Activity 07/01/2006 – 06/30/2007.....	3
DOF Listing of Closed (Settled) Activity 07/01/2006 – 06/30/2007.....	4

**MARYLAND INDUSTRIAL DEVELOPMENT FINANCING AUTHORITY (MIDFA)**

**History and Program Description**

The Maryland Industrial Development Financing Authority (MIDFA) was established by the General Assembly in 1965 to promote significant economic development by providing financing support to manufacturing, industrial and technology businesses located in or moving to Maryland. MIDFA stimulates private sector financing of economic development by issuing Bonds and providing credit enhancements that increase access to capital for small and mid-sized companies. The Program has increased its commitment to growth and development of small business by increasing outreach efforts to community banks.

The Fund does not provide direct loans, but insures Bonds, loans and certain other types of transactions from financial institutions. The Program promotes private sector financing by providing insurance to transactions resulting in reduced credit risks, and enabling better terms. As an insurance product, the Fund is allowed a 5:1 leverage of its capital base. Decisions rest with the 9-member board comprised of two ex-officio and seven private business members from throughout the state appointed by the Governor with the advice and consent of the Senate. In addition to credit risk assessment, the statute dictates that consideration be given to the impact that the expansion, retention, and attraction of strategic commercial enterprises has on a balanced economy, employment, and quality of life. The operating expenses are funded through general funds appropriated by the Legislature, the interest earned on the fund balances, Bond issuance fees and through annual premiums of ½ of 1% of all insured transactions, unless waived in “qualified distressed” (One Maryland) jurisdictions.

**CONVENTIONAL LOAN PROGRAM**

The Conventional Loan Program primarily insures transactions made by conventional and asset-based financial institutions for working capital, fixed assets, letters of credit, leasing, and other related activities up to 80% of the obligation (90% for Trade) to a maximum of \$2.5 Million.

**TAXABLE AND TAX-EXEMPT BONDS**

Taxable and Tax-exempt Industrial Revenue Bonds may be issued to finance fixed assets. Tax Exempt Bonds may finance manufacturing, 501(c)(3) non-profit corporations, and certain solid waste recovery projects. The Fund charges a 1/8 of 1% annual issuance fee. To facilitate the issuance of such bonds, the Fund may insure up to 100% of the obligation to a maximum coverage of \$7.5 Million.

**Program Performance Since Inception**

To date, the Program has participated in eight hundred thirteen (813) loans/bonds, totaling \$2,076,389,856. Currently, seventy-one (71) transactions remain active, with principal balances totaling \$474,215,131 insured for \$30,661,710.

The current Fund balance of \$39,191,557 is leveraged .80:1 against the \$31,411,710 total insurance exposure consisting of \$30,661,710 outstanding plus the \$750,000 of un-funded commitments. Based on the statutory 5:1 maximum leverage, the Fund would have capacity of up to \$164,546,075 of additional insurance. However, as a practical matter, given the portfolio’s growing concentration in technology companies, leverage beyond 2.5:1 could diminish the value of this credit enhancement in stimulating private sector participation. The following is a summary of the current balances and exposure by program capability, excluding pending transactions.

**DEPARTMENT OF BUSINESS AND ECONOMIC DEVELOPMENT**

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<i>(Thousands)</i>	<b>Current Insurance Exposure</b>	<b>Principal Balance</b>	<b>Number of Active Accounts</b>	<b>Average Insurance Exposure</b>
Bonds – insured	\$14,059	\$ 62,939	11	\$1,278
Bonds - uninsured	N/A	217,738	20	N/A
Energy Bonds	N/A	142,870	4	N/A
Conventional	15,261	47,029	29	526
Loans				
Day Care	1,342	3,639	7	192
Linked Deposits	N/A	0	0	N/A

**Program Performance for the Year Ending June 30, 2007**

During fiscal year 2007, MIDFA approved nine (9) transactions totaling \$49,630,950 insured for \$3,830,685. Nine (9) transactions, including four (4) approvals from the prior year, settled totaling \$20,125,950 insured for \$6,549,265. Additionally, four (4) transactions remain pending settlement for a total of \$41,000,000 insured for \$750,000.

Deal flow, as measured by the number of transactions, declined with nine (9) approvals and nine (9) settlements compared to last year's thirteen (13) approvals and fourteen (14) settlements. The continued strong economy, low interest rates and competitive banking environment reduced the demand for credit enhancements. Credit quality remains strong with only five (5) accounts in Special Assets totaling \$1,882,013 of principal outstanding reserved for \$1,920,164 which represents 2% of the number of insured loans and 6.3% of the total insurance exposure. Additionally, MIDFA recovered \$26,681, which was part of a claim paid in 1997. Record low interest rates enabled ten (10) credit-seasoned transactions totaling \$29,000,000 to payoff or refinance out of the program. This seasoning of risk and "graduating" to un-enhanced private sector lending is a principal objective of the program and restores capacity to meet future demand.

**Projected Program Performance for Fiscal Year 2008**

Credit enhancements are typically counter cyclical, experiencing increased demand in a downturn economy. Accordingly, the negative impact of the mortgage industry creating a credit tightening may cause an increased demand and, therefore, activity for 2008 is expected to increase.

# Approved Report

7/1/2006 Through 6/30/2007

Approved Date	Client Name	Loan #	Loan Amount	Guarantor Percentage	Loan Guarantee	County	Total Project Costs	New Jobs	Retained Jobs
<b>MIDFA Issued Tax Exempt Bonds</b>									
2/22/2007	PRS Realty, LLC/Paul Reed Smith Guitars,	2930201	\$10,000,000.00	0.0%	\$0.00	Queen Anne's	\$8,500,000.00	0	0
3/22/2007	Ecron SP Corporation	6700101	\$27,000,000.00	0.0%	\$0.00	Baltimore	\$200,000,000.00	50	0
<b>Totals:</b>			<b>\$37,000,000.00</b>		<b>\$0.00</b>		<b>\$208,500,000.00</b>	<b>50</b>	<b>0</b>
<b>MIDFA Taxable Bonds</b>									
2/22/2007	PRS Realty, LLC/Paul Reed Smith Guitars,	2930301	\$2,500,000.00	0.0%	\$0.00	Queen Anne's	\$0.00	0	0
<b>Totals:</b>			<b>\$2,500,000.00</b>		<b>\$0.00</b>		<b>\$0.00</b>	<b>0</b>	<b>0</b>
<b>MIDFA Conventional Insurance</b>									
9/28/2006	Adventure Sports Center, Inc.	6230101	\$2,850,000.00	35.0%	\$997,500.00	Garrett	\$3,200,000.00	0	0
9/28/2006	Fair Hill Condominium Association, Inc.	6170101	\$1,500,000.00	39.5%	\$592,500.00	Cecil	\$1,500,000.00	0	10
10/13/2006	Sandi's Learning Center, Inc.	6270101	\$780,950.00	32.1%	\$250,684.95	Baltimore City	\$2,016,000.00	14	10
1/2/2007	Cain Contracting, Inc.	6350101	\$500,000.00	50.0%	\$250,000.00	Howard	\$500,000.00	10	27
2/23/2007	BioServe Biotechnologies, Ltd.	6470101	\$1,500,000.00	50.0%	\$750,000.00	Prince George's	\$2,000,000.00	40	20
4/26/2007	Haynes, Inc. and Affiliates	6710101	\$3,000,000.00	33.0%	\$990,000.00	Montgomery	\$3,000,000.00	0	0
<b>Totals:</b>			<b>\$10,130,950.00</b>		<b>\$3,830,684.95</b>		<b>\$12,216,000.00</b>	<b>64</b>	<b>67</b>
<b>Grand Totals:</b>			<b>\$49,630,950.00</b>		<b>\$3,830,684.95</b>		<b>\$220,716,000.00</b>	<b>114</b>	<b>67</b>

# Settled Report

## 7/1/2006 Through 6/30/2007

Settled Date	Client Name	Loan #	Loan Amount	Guarantor Percentage	Loan Guarantee	County	Total Project Costs	New Retained Jobs	Retained Jobs
<i>MIDFA Issued Tax Exempt Bonds</i>									
10/19/2006	Bethesda Cultural Alliance, Inc.	6240101	\$4,425,000.00	45.2%	\$2,000,100.00	Montgomery	\$11,650,000.00	45	0
<b>Totals:</b>			<b>\$4,425,000.00</b>		<b>\$2,000,100.00</b>		<b>\$11,650,000.00</b>	<b>45</b>	<b>0</b>
<i>MIDFA Issued Taxable Bonds</i>									
7/26/2006	Advent Industries, LLC	2030101	\$6,170,000.00	19.4%	\$1,196,980.00	Allegany	\$9,270,000.00	35	50
<b>Totals:</b>			<b>\$6,170,000.00</b>		<b>\$1,196,980.00</b>		<b>\$9,270,000.00</b>	<b>35</b>	<b>50</b>
<i>MIDFA Conventional Insurance</i>									
10/12/2006	Hughesville Child Development Center, LLC	1450101	\$850,000.00	29.0%	\$246,500.00	Charles	\$875,000.00	3	9
12/27/2006	ChromoTrax, Inc.	3200101	\$50,000.00	50.0%	\$25,000.00	Frederick	\$50,000.00	10	5
12/28/2006	Adventure Sports Center, Inc.	6230101	\$2,850,000.00	35.0%	\$997,500.00	Garrett	\$3,200,000.00	0	0
2/2/2007	Fair Hill Condominium Association, Inc.	6170101	\$1,500,000.00	39.5%	\$592,500.00	Cecil	\$1,500,000.00	0	0
2/23/2007	Sand's Learning Center, Inc.	6270101	\$780,950.00	32.1%	\$250,684.95	Baltimore City	\$2,016,000.00	14	10
3/28/2007	Cain Contracting, Inc.	6350101	\$500,000.00	50.0%	\$250,000.00	Howard	\$500,000.00	10	27
6/12/2007	Haynes, Inc. and Affiliates	6710101	\$3,000,000.00	33.0%	\$990,000.00	Montgomery	\$3,000,000.00	0	0
<b>Totals:</b>			<b>\$9,530,950.00</b>		<b>\$3,352,184.95</b>		<b>\$11,141,000.00</b>	<b>37</b>	<b>61</b>
<b>Grand Totals:</b>			<b>\$20,125,950.00</b>		<b>\$6,549,264.95</b>		<b>\$32,061,000.00</b>	<b>117</b>	<b>111</b>