

OFFICE OF FINANCE PROGRAMS
MARYLAND INDUSTRIAL DEVELOPMENT
FINANCING AUTHORITY

(MIDFA)

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FISCAL YEAR 2014

ECONOMIC DEVELOPMENT
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Maryland Department of Business and Economic Development

As of June 30, 2014

DEPARTMENT OF BUSINESS AND ECONOMIC DEVELOPMENT

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

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MARYLAND INDUSTRIAL DEVELOPMENT FINANCING AUTHORITY (MIDFA)

History and Program Description

The Maryland Industrial Development Financing Authority (MIDFA or Program) was established by the Maryland 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 of the program are funded through 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 an 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 eighty-four (884) loans and bonds, totaling \$2,567,607,007. Currently, fifty-seven (57) transactions remain active, with principal balances totaling \$388,434,019 insured for \$14,720,566.

At June 30, 2014, the Fund balance net of reserves, of \$ 36,510,342 was leveraged .555:1 against the \$20,260,974 total insurance exposure consisting of \$ 14,720,566 outstanding plus the \$5,540,408 of approved commitments. As a practical matter given the still difficult economic environment, and the tightened credit standards in the capital markets, leverage beyond 1.5:1 could diminish the value of this credit enhancement in stimulating private sector participation. Accordingly, the Program is well-funded to support the economic upturn.

The following is a summary of the current balances and exposure by Program capability, excluding pending transactions.

<i>(Thousands)</i>	Current Insurance Exposure	Principal Balance	Number of Active Accounts	Average Insurance Exposure
Bonds – insured	\$ 0	\$0	0	\$0
Bonds - uninsured	N/A	332,525	24	N/A
Energy Bonds	N/A	2,610	1	N/A
Conventional Loans	11,310	42,328	19	595
Day Care	0	0	0	0
Linked Deposits	N/A	0	0	N/A
Small Business	517	1,466	9	57
MIDFA-SSBCI	<u>2,894</u>	<u>9,506</u>	<u>4</u>	<u>723</u>
	\$14,721	\$388,435	57	\$1,375

Program Performance for the Year Ending June 30, 2014

During Fiscal Year (FY) 2014, MIDFA approved seven (7) transactions totaling \$56,191,000 insured for \$6,337,570. Six (6) transactions, including one (1) approval from prior years, settled totaling \$15,879,000 insured for \$1,047,063. At year-end three (3) approvals remained pending settlement for \$52,962,000 insured for \$5,540,408. There were no approvals from prior years that became inactive and were rescinded. The number of approvals for FY 2014 were close to FY 2013 with 7 compared to 6 but the dollar volume more than doubled from \$24,315,416 in FY2013 compared to \$56,191,000 for FY2014. The dollar volume of settlements in FY 2014 were higher than FY 2013 with \$41,245,416 versus \$15,879,000 respectively. In FY 2014 the amount of transactions that were approved were more than doubled than in FY 2013 while the need for MIDFA insurance nearly tripled over the same period \$2,162,800 versus \$6,337,570. The amount of insurance needed in settled transactions as a percentage of total transactions settled was much higher in FY2013 with \$7,223,800 (17%) as compared to FY 2014 with \$1,047,063(6%).

Special Assets declined from five (5) accounts with reserves of \$2,265,666 to four (4) with reserves of \$2,050,249 due to the payoff of one (1) account and one addition of \$30,634. There were no claim payments made in FY 2014.

As a credit guaranty, MIDFA’s activity is typically counter cyclical to the economy, being in greater demand during tight credit periods. The continued low interest rate environment enabled eight (8) credit-seasoned transactions totaling \$28,123,000 to pay off or refinance resulting in a net portfolio decline of two (2) accounts and \$12 million. Most notable was the \$3,600,000 Bond pay-off when Protenergy was purchased by Treehouse Foods.

MIDFA was instrumental in developing the State Small Business Credit Initiative (SSBCI) which was created under the Small Business Jobs Act of 2010. This U.S. Treasury program provides up to \$1.5 billion of federal funding to state programs that can leverage at least 10:1 of private sector small business lending during the program’s seven (7) year life span. By Executive Order in March 2011, MIDFA was given responsibility to apply for and administer the State’s SSBCI allocation of \$23 million. At the end of FY 2014, we completely disbursed our first installment and have applied for our second installment of funds.

Projected Program Performance for Fiscal Year 2015

Currently under discussion are five (5) transactions with \$5.5 million in guarantees leveraging \$29.4 million of private sector lending and resulting in CAPEX of more than \$28 million. The Department will reinstitute bank meetings to encourage participation in economic development transactions.

Approved Report

7/1/2013 Through 6/30/2014

<i>Approved Date</i>	<i>Client Name</i>	<i>Loan</i>	<i>Loan Amount</i>	<i>Guarantor Percentage</i>	<i>Loan Guarantee</i>	<i>County</i>	<i>Total Project Costs</i>	<i>Trainees Pro / Actual</i>	<i>New Jobs</i>	<i>Retained Jobs</i>
<i>MIDFA Taxable Bonds</i>										
4/24/2014	National Golden Tissue, Inc.	8410701	\$11,200,000.00	45.0%	\$5,040,000.00	Washington	\$0.00	N/A	100	75
Totals:		1 Loan	\$11,200,000.00		\$5,040,000.00		\$0.00	0	100	75
<i>MIDFA Issued Taxable Bonds</i>										
9/26/2013	The Childrens Guild Institute,	15230101	\$40,000,000.00	0.0%	\$0.00	Multiple	\$40,000,000.00	N/A	87	445
Totals:		1 Loan	\$40,000,000.00		\$0.00		\$40,000,000.00	0	87	445
<i>MIDFA Conventional Insurance</i>										
8/20/2013	Murphy, Robert & Rose	1610301	\$1,679,000.00	1.3%	\$22,162.80	Dorchester	\$2,027,000.00	N/A	0	6
12/19/2013	Elkridge Coating Technologies,	15460101	\$1,000,000.00	50.0%	\$500,000.00	Howard	\$1,200,000.00	N/A	0	17
2/25/2014	Indigenous Intellegence, LLC	15480101	\$50,000.00	50.0%	\$25,000.00	Anne Arundel	\$50,000.00	N/A	15	5
3/25/2014	Denizens Brewing Company	15610101	\$500,000.00	50.0%	\$250,000.00	Montgomery	\$825,000.00	N/A	0	0
Totals:		4 Loans	\$3,229,000.00		\$797,162.80		\$4,102,000.00	0	15	28
<i>MIDFA/SSBCI</i>										
6/26/2014	Marlin Steel Wire Products, LL	15880101	\$1,762,000.00	28.4%	\$500,407.82	Baltimore City	\$1,762,000.00	N/A	0	25
Totals:		1 Loan	\$1,762,000.00		\$500,407.82		\$1,762,000.00	0	0	25
Grand Totals:		7 Loans	\$56,191,000.00		\$6,337,570.62		\$45,864,000.00	0	202	573

Settled Report

7/1/2013 Through 6/30/2014

<i>Settled Date</i>	<i>Client Name</i>	<i>Loan</i>	<i>Loan Amount</i>	<i>Guarantor Percentage</i>	<i>Loan Guarantee</i>	<i>County</i>	<i>Total Project Costs</i>	<i>Trainees Pro / Actual</i>	<i>New Retained Jobs</i>	<i>Retained Jobs</i>
<i>MIDFA Tax Exempt Bonds</i>										
12/2/2013	McDonogh School, Inc.	1860102	\$11,800,000.00	0.0%	\$0.00	Baltimore County	\$0.00	N/A	0	0
Totals:		1 Loan	\$11,800,000.00		\$0.00		\$0.00	0	0	0
<i>MIDFA Conventional Insurance</i>										
8/2/2013	Little Chicks, Llc	14460101	\$850,000.00	29.4%	\$249,900.00	Queen Anne's	\$1,098,000.00	N/A	0	4
10/8/2013	Murphy, Robert & Rose	1610301	\$1,679,000.00	1.3%	\$22,162.80	Dorchester	\$2,027,000.00	N/A	0	6
2/12/2014	Elkridge Coating Technologies,	15460101	\$1,000,000.00	50.0%	\$500,000.00	Howard	\$1,200,000.00	N/A	0	17
4/14/2014	Denizens Brewing Company	15610101	\$500,000.00	50.0%	\$250,000.00	Montgomery	\$825,000.00	N/A	0	0
6/3/2014	Indigenous Intellegence, LLC	15480101	\$50,000.00	50.0%	\$25,000.00	Anne Arundel	\$50,000.00	N/A	15	5
Totals:		5 Loans	\$4,079,000.00		\$1,047,062.80		\$5,200,000.00	0	15	32
Grand Totals:		6 Loans	\$15,879,000.00		\$1,047,062.80		\$5,200,000.00	0	15	32

Friday, July 11, 2014

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