

DIVISION OF FINANCE PROGRAMS  
MARYLAND INDUSTRIAL DEVELOPMENT  
FINANCING AUTHORITY

(MIDFA)

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FISCAL YEAR 2005  
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MARYLAND INDUSTRIAL DEVELOPMENT FINACING AUTHORITY  
(MIDFA)

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**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 approved by the Governor, comprised of 2 ex-officio and 7 private business members from throughout the state. 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 Bonds may be issued and/or insured with private sector financial institutions, counties, municipalities, industrial development authorities and other public bodies for fixed assets and working capital. The Fund charges a 1/8 of 1% annual issuance fee and can 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 seven hundred ninety (790) loans/bonds, totaling \$1,965,770,406. Currently, seventy (70) transactions remain active, with principal balances totaling \$494,913,472 insured for \$39,082,095.

The current Fund balance of \$37,163,520 is leveraged 1.29: 1 against the \$47,925,095 total insurance exposure consisting of \$39,082,095 outstanding plus the \$8,843,000 of un-funded commitments. Based on the statutory 5:1 maximum leverage, the Fund would have capacity of up to \$137,892,505 of additional insurance. The following is a summary of the current balances and exposure by program capability, excluding pending transactions.

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**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	\$20,685	\$74,651	13	\$1,591
Bonds - uninsured	N/A	204,410	20	N/A
Energy Bonds	N/A	155,318	6	N/A
Conventional Loans	16,480	56,225	21	757
Day Care	1,918	4,308	10	192
Linked Deposits	N/A	0	0	N/A

**Program Performance for the Year Ending June 30, 2005**

During fiscal year 2005, MIDFA approved sixteen (16) transactions totaling \$118,284,171 insured for \$12,726,250. Nine (9) transactions, including two (2) approvals from the prior year closed totaling \$33,153,171 insured for \$7,083,250. Additionally, nine (9) remain pending settlement for a total of \$91,531,000 insured for \$8,843,000.

Economic improvement coupled with a more concerted effort increased deal flow by 78% and dollar volume by 130% over last year. However, it should be noted that the spike in approvals to \$118 Million is skewed by one bond transaction of \$51 Million. Credit quality remains strong with only six (6) accounts in Special Assets totaling \$10,991,063 of principal outstanding reserved for \$4,744,477 which represents 8% of the number of insured loans and 12% of the total insurance exposure. The first loss since 2003 for \$45,000 resulted from a settlement to a 10 year old claim. Continued record low interest rates enabled eleven (11) credit-seasoned transactions to refinance out of the program thus returning \$43 Million of insurance capacity. 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.

Much of the program’s activity of recent years has been with young technology companies as the State’s industry base shifts away from traditional manufacturing. With an easing of the tight venture capital markets an upturn in activity is expected in this sector. Additionally, more seasoned technology companies are accessing bank financing. As part of an on-going initiative to strengthen our commitment to small businesses, MIDFA has begun special assistance, in conjunction with the Department of Agriculture, to provide poultry industry financing. Additionally, the MIDFA statute was modified to increase staff approval authority from \$50,000 to \$250,000, effective in 2006, to expedite small business approvals

**Projected Program Performance for Fiscal Year 2006**

Activity in fiscal year 2005 was skewed upward by a single large Bond. Projected 2006 is expected to be more in line historically, with a projected eighteen (18) transactions totaling \$65,000,000 insured for \$30,000,000 plus uninsured bonds of \$30,000,000 for a total of \$95,000,000 in approvals. It should be noted that small business and poultry transactions are smaller in dollars with disproportionately higher insurance requirements.

## DOF Listing of Approved

Between 7/1/2004 And 6/30/2005

**Program:** MIDFA

**Sub-program:** Conventional Insurance

D/App	#	Industrial Project	Loan Amt	Ins. Amt.	Proj. Cost	J/New	J/Ret.	Status	County
10/28/2004	POPPLTON	Poppleton Parking, LLC	\$11,400,000	\$2,500,000	14,400,000	0	0	WD	Baltimore City
12/16/2004	1264C	Saval Foods Corporation	\$13,758,171	\$475,000	0	0	0	CL	Baltimore City
1/27/2005	1292C	Columbia MedCom Group	\$200,000	\$100,000	0	0	0	CL	Howard
2/28/2005	TOWERS	Towers, Paul W. Sr. & Mary	\$320,000	\$64,000	320,000	0	2	AP	Caroline
3/24/2005	1294C	Key Tidewater Ventures,	\$7,200,000	\$1,000,000	10,750,000	0	20	CL	Baltimore City
3/24/2005	1293C	Murphy, Robert & Rose	\$775,000	\$271,250	775,000	0	6	CL	Dorchester
4/28/2005	FARAWAY	Far Away Farm, LLC	\$995,000	\$199,000	1,065,000	1	0	AP	Caroline
10/15/2004	1290C	Cooper, Patricia L. &	\$820,000	\$287,000	820,000	0	2	CL	Caroline
5/26/2005	ACAMBIS	Acambis, Inc.	\$2,000,000	\$880,000	7,500,000	300	0	AP	Montgomery
5/26/2005	SOUTHERN	Southern Connection	\$1,500,000	\$700,000	0	0	70	AP	Somerset
6/23/2005	GLOBALDI	Global Diagnostic	\$9,216,000	\$2,000,000	11,500,000	92	0	AP	Baltimore Co.
1/27/2005	1292CL	Columbia MedCom Group	\$3,000,000	\$1,500,000	5,413,000	35	65	CL	Howard
1/27/2005	1291CL	Vapotherm, Inc.	\$1,000,000	\$250,000	786,000	10	20	CL	Queen Anne
<b>Group Total:</b>		<b>13</b>	<b>\$52,184,171</b>	<b>\$10,226,250</b>	<b>\$53,329,000</b>	<b>438</b>	<b>185</b>		

**Sub-program:** Tax-Exempt Bond Activity

D/App	#	Industrial Project	Loan Amt	Ins. Amt.	Proj. Cost	J/New	J/Ret.	Status	County
2/17/2005	OURLADY2	Our Lady of Good Counsel	\$18,700,000	\$2,500,000	0	0	0	AP	Montgomery
12/16/2004	OURLADY1	Our Lady of Good Counsel	\$33,000,000	\$0	52,000,000	0	0	AP	Montgomery
4/28/2005	MCDONOGH	McDonogh School, Inc.	\$14,400,000	\$0	\$0		14,400,000	253	AP
		Baltimore Co.							
<b>Group Total:</b>		<b>3</b>	<b>\$66,100,000</b>	<b>\$2,500,000</b>	<b>\$66,400,000</b>	<b>0</b>	<b>253</b>		
<b>Program Total:</b>		<b>16</b>	<b>\$118,284,171</b>	<b>\$12,726,250</b>	<b>\$119,729,000</b>	<b>438</b>	<b>438</b>		
<b>Report Total:</b>		<b>16</b>	<b>\$118,284,171</b>	<b>\$12,726,250</b>	<b>\$119,729,000</b>	<b>438</b>	<b>438</b>		

## DOF Listing of Closed Activity

Between 7/1/2004 And 6/30/2005

**Program:** MIDFA

**Sub-program:** Conventional Insurance

DTCL:	#	Industrial Project	Loan Amt	Ins. Amt.	Proj. Cost	J/New	J/Ret.	Status	County
8/23/2004	1287CL	Products Support, Inc.	\$1,200,000	\$700,000	0		70	IT	Howard
8/25/2004	1289C	Homestead Gardens, Inc.	\$5,200,000	\$2,500,000	6,000,000	10	190	CL	Anne Arundel
9/30/2004	1276C	Caroline Center, Inc.	\$774,805	\$61,000			6	143	Caroline
11/11/2004	1290C	Cooper, Patricia L. &	\$820,000	\$287,000	820,000	0	2	CL	Caroline
4/28/2005	1291CL	Vapotherm, Inc.	\$1,000,000	\$250,000	786,000	10	20	CL	Queen Anne
5/2/2005	1292CL	Columbia MedCom Group	\$3,000,000	\$1,500,000	5,413,000	35	65	CL	Howard
5/2/2005	1292C	Columbia MedCom Group	\$200,000	\$100,000	0	0	0	CL	Howard
5/13/2005	1293C	Murphy, Robert & Rose	\$775,000	\$271,250	775,000	0	6	CL	Dorchester
6/1/2005	1294C	Key Tidewater Ventures,	\$7,200,000	\$1,000,000	10,750,000	0	20	CL	Baltimore City
6/30/2005	1264C	Saval Foods Corporation	\$13,758,171	\$475,000	0	0	0	CL	Baltimore City
<b>Group Total:</b>		<b>10</b>	<b>\$33,927,976</b>	<b>\$7,144,250</b>	<b>\$24,544,000</b>	<b>61</b>	<b>516</b>		
<b>Program Total:</b>		<b>10</b>	<b>\$33,927,976</b>	<b>\$7,144,250</b>	<b>\$24,544,000</b>	<b>61</b>	<b>516</b>		
<b>Report Total:</b>		<b>10</b>	<b>\$33,927,976</b>	<b>\$7,144,250</b>	<b>\$24,544,000</b>	<b>61</b>	<b>516</b>		