

OFFICE OF FINANCE PROGRAMS
MARYLAND INDUSTRIAL DEVELOPMENT
FINANCING AUTHORITY

(MIDFA)

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FISCAL YEAR 2011
ECONOMIC DEVELOPMENT
ARTICLE

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Maryland Department of Business and Economic Development

As of June 30, 2011

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 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) jurisdiction.

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 fifty-six (856) loans and bonds, totaling \$2,432,551,825. Currently, sixty-three (63) transactions remain active, with principal balances totaling \$545,207,634 insured for \$16,783,359.

At June 30, 2011, the Fund balance, net of reserves, of \$39,309,100 was leveraged .59:1 against the \$23,072,859 total insurance exposure consisting of \$16,783,359 outstanding plus the \$6,289,500 of approved commitments. As a practical matter given the economic downturn, 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.

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

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<i>(Thousands)</i>	Current Insurance Exposure	Principal Balance	Number of Active Accounts	Average Insurance Exposure
Bonds – insured	\$ 2,294	\$8,044	2	\$1,147
Bonds - uninsured	N/A	378,060	28	N/A
Energy Bonds	N/A	98,685	3	N/A
Conventional Loans	13,559	56,858	20	678
Day Care	0	0	0	0
Linked Deposits	N/A	0	0	N/A
Small Business	<u>930</u>	<u>3,561</u>	<u>10</u>	<u>93</u>
	\$16,783	\$545,208	63	\$1,918

Program Performance for the Year Ending June 30, 2011

During fiscal year 2011, MIDFA approved twenty-eight (28) transactions totaling \$183,689,453 insured for \$10,535,795. Twenty-two (22) transactions, including seven (7) approvals from prior years, settled totaling \$177,801,350 insured for \$5,688,819. Six (6) of these settlements were for Recovery Zone Facility bonds totaling \$129,173,000. Five (5) approvals became inactive and were rescinded. At year-end fourteen (14) approvals remained pending settlement for a total of \$30,653,103 insured for \$6,289,500. The number of approvals in 2011 was up nearly 50% from last year and the number of settlements doubled. It is noteworthy that at the end of FY11 there are no transactions from prior years awaiting settlement. The \$70,217,350 increase in settlements over last year was primarily due to the Recovery Zone Facility Bonds that were a one-time nonrecurring stimulus activity that expired December 31, 2010.

Special Assets declined from six (6) accounts with reserves of \$3,831,581 to three (3) accounts with reserves of \$2,670,268, due to the payoff of three accounts. Given the continued weak economy, we expect that reserves will increase and anticipate claim payments commencing in 2012, both from projects under severe cash flow strains and from the new small business initiative which targets one of the more vulnerable sectors of the economy.

As a credit guaranty, MIDFA's activity is typically counter cyclical to the economy, being in greater demand during tight credit periods. As a positive, in spite of the recession, the continued low interest rates enabled seventeen (17) credit-seasoned transactions totaling \$47,200,683 to payoff or refinance. This is an increase in transactions from the eight (8) totaling \$114,000,000 in 2010. 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.

DEPARTMENT OF BUSINESS AND ECONOMIC DEVELOPMENT

Starting with FY10 and continuing through FY11, MIDFA was the focal point of four (4) major economic development initiatives that placed far greater demands on the program.

1. The American Recovery and Reinvestment Act of 2009 (“the Stimulus Act”) created a new type of Tax Exempt Private Activity Bonds. These Recovery Zone Facility Bonds were a more flexible, one-time opportunity to stimulate project financings but were limited to designated Recovery Zones and had to be issued by the allocation expiration of December 31, 2010. By Executive Order in October 2009, MIDFA was given responsibility for administrating and stimulating the maximum usage of the State’s \$313 million allocation. MIDFA issued \$129 million of the State’s \$171 million total activity.
2. In January 2010 MIDFA completed the U.S. Department of Energy (“DOE”) process to be designated a Development Finance Organization that originates and partners with DOE to provide sizeable credit enhancements to stimulate new and innovative energy project financing in the private sector.
3. In February 2010 the Governor committed \$10 million in MIDFA funding to the Small Business Credit Recovery Initiative to provide rapid response to small loan guarantees in order to unlock bank lending. For FY 11 eight (8) loans were settled for over \$1.8 million and thirteen (13) were approved pending settlement for over \$5.1 million.
4. 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. In order to stimulate all levels of small business activity the funds are being divided among: MIDFA \$10.5 million, MD Small Business Development Financing Authority \$4.5 million, MD Venture Fund \$6.5 million, and Neighborhood Business Works \$1.5 million.

In support of these initiatives MIDFA was a major participant in the Credit Connections Program created in cooperation with the Maryland Banker’s Association and the Risk Management Association to educate lenders and economic development professionals in the use of credit enhancements to stimulate lending. MIDFA partnered with the U.S. Small Business Administration, U.S. Department of Agriculture, and the Maryland Department of Housing and Community Development in conducting eleven (11) regional training sessions reaching one hundred thirty (130) lenders at fifty-six (56) banks and two hundred (200) economic development persons

Projected Program Performance for Fiscal Year 2012

The 2010 Small Business Jobs Act increased nationwide availability for lending through the Small Business Lending Fund that will provide \$30 billion in capitalization to community banks and the State Small Business Credit Initiative that will provide \$1.5 billion to strengthen state credit enhancement programs. Borrowing demand, however, continues to decline as the recession drags on, further eroding business confidence while increasing bank regulatory scrutiny. Accordingly, despite increased funding and outreach efforts, 2012 volume is expected to decline to less than \$100 million. It must be understood that last year’s record high \$177 million in settlements included \$129 million of Recovery Zone Facility Bonds that were only available in 2010. While insured transactions will likely decline, an unexpected positive experienced last year and continuing into this year is the number of high quality conduit bond issuances. While these transactions are not dependent on credit enhancements, they are still economic development projects with significant capital expenditures and employment generation.

Approved Report

7/1/2010 Through 6/30/2011

<i>Approved Retained</i>	<i>Client Name</i>	<i>Loan</i>	<i>Loan</i>	<i>Guarantor</i>	<i>Loan</i>	<i>County</i>	<i>Total Project</i>	<i>Trainees</i>	<i>New</i>	
<i>Date</i>			<i>Amount</i>	<i>Percentage</i>	<i>Guarantee</i>		<i>Costs</i>	<i>Pro /</i>	<i>Jobs</i>	<i>Jobs</i>
<i>MIDFA Issued Tax Exempt Bonds</i>										
8/26/2010	Bergman Property, LLC	11910101	\$5,325,000.00	20.0%	\$1,065,000.00	Washington	\$6,600,000.00	N/A	12	7
8/26/2010	VTI of Maryland, Inc.	11590102	\$10,000,000.00	0.0%	\$0.00	Washington	\$10,500,000.00	N/A	75	0
9/23/2010	Baltimore International College,	1870201	\$10,810,000.00	0.0%	\$0.00	Baltimore City	\$10,810,000.00	N/A	0	0
10/28/2010	Wexford BSP Three Funding, LLC	12170101	\$65,000,000.00	0.0%	\$0.00	Baltimore City	\$65,000,000.00	N/A	590	0
11/12/2010	Trilogy Enterprises, LLC	12070101	\$7,348,000.00	0.0%	\$0.00	Washington	\$8,850,000.00	N/A	20	42
12/15/2010	701 Aliceanna Street Capital, LLC	12200101	\$45,000,000.00	0.0%	\$0.00	Baltimore City	\$192,000,000.00	N/A	577	0
5/10/2011	Calvert School Incorporated	1820301	\$9,000,000.00	0.0%	\$0.00	Baltimore City	\$0.00	N/A	0	0
5/10/2011	Calvert School Incorporated	1820302	\$3,200,000.00	0.0%	\$0.00	Baltimore City	\$14,525,000.00	N/A	4	105
Totals:		8 Loans	\$155,683,000.00		\$1,065,000.00		\$308,285,000.00	0	0	1278 154
<i>MIDFA Conventional Insurance</i>										
8/26/2010	Bergman Property, LLC	11910102	\$615,000.00	20.0%	\$123,000.00	Washington	\$0.00	N/A	0	0
9/23/2010	CFBC Properties Funding, LLC	12250101	\$8,595,000.00	30.0%	\$2,578,500.00	Allegany	\$11,649,000.00	N/A	98	150
12/16/2010	Homestead Gardens, Inc.	1570201	\$5,500,000.00	45.5%	\$2,499,970.00	Anne Arundel	\$5,500,000.00	N/A	0	130
3/18/2011	Recreational Industries, Inc.	1500302	\$361,348.00	50.0%	\$180,674.00	Garrett	\$532,000.00	N/A	0	0
4/28/2011	JTS Enterprises, Inc.	12540101	\$1,750,000.00	50.0%	\$875,000.00	Baltimore City	\$2,300,000.00	N/A	0	75
4/28/2011	National Golden Tissue, Inc.	8410501	\$5,000,000.00	25.0%	\$1,250,000.00	Washington	\$8,268,000.00	N/A	0	0
5/20/2011	Star Spangled 200, Inc.	12670101	\$1,000,000.00	70.0%	\$700,000.00	Baltimore City	\$25,000,000.00	N/A	1	0
Totals:		7 Loans	\$22,821,348.00		\$8,207,144.00		\$53,249,000.00	0	99	355
<i>MIDFA-Small Business</i>										
7/13/2010	National Golden Tissue, Inc.	8410301	\$557,502.00	25.0%	\$139,375.50	Washington	\$796,502.00	N/A	20	0
9/22/2010	George And Maria Protopapas	11880101	\$320,000.00	25.0%	\$80,000.00	Baltimore	\$485,000.00	N/A	15	15

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<i>Approved Retained 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 /</i>	<i>New Jobs</i>	<i>Jobs</i>
10/25/2010	Trustworthy Staffing Solutuions,	12050101	\$300,000.00	25.0%	\$75,000.00	Baltimore	\$300,000.00	N/A	0	46
11/5/2010	P & J Contracting Company, Inc	12030101	\$2,000,000.00	12.5%	\$250,000.00	Baltimore City	\$2,000,000.00	N/A	30	0
11/17/2010	Barber Transportation, Inc.	8760201	\$94,500.00	50.0%	\$47,250.00	Baltimore City	\$105,000.00	N/A	10	96
11/17/2010	Iftikhar Ahmad	12220101	\$250,000.00	25.0%	\$62,500.00	Baltimore	\$463,000.00	N/A	0	2
11/17/2010	Martin Fast Foods of West	12090101	\$375,000.00	50.0%	\$187,500.00	Garrett	\$1,470,000.00	N/A	16	0
12/7/2010	National Golden Tissue, Inc.	8410401	\$708,103.00	25.0%	\$177,025.75	Washington	\$1,011,575.00	N/A	0	0
12/20/2010	Lisa M. Valentine DDS, LLC	12160101	\$75,000.00	50.0%	\$37,500.00	Baltimore	\$75,000.00	N/A	1	3
1/12/2011	Danny's Auto Body, LLC	12230101	\$75,000.00	50.0%	\$37,500.00	Caroline	\$75,000.00	N/A	4	8
2/11/2011	Panormitis Incorporated T/A Rodos	12290101	\$180,000.00	25.0%	\$45,000.00	Baltimore City	\$180,000.00	N/A	3	8
3/28/2011	Plasmonix, Inc.	12390201	\$150,000.00	50.0%	\$75,000.00	Baltimore City	\$1,250,000.00	N/A	9	4
4/14/2011	Union Electric Company, Llc	12510101	\$100,000.00	50.0%	\$50,000.00	Baltimore	\$100,000.00	N/A	0	3
Totals:		13 Loans	\$5,185,105.00		\$1,263,651.25		\$8,311,077.00	0	108	185
Grand Totals:		28 Loans	\$183,689,453.00		\$10,535,795.25		\$369,845,077.00	0	0	1485

Settled Report

7/1/2010 Through 6/30/2011

<i>Settled Retained 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 /</i>	<i>New Jobs</i>	<i>Jobs</i>
<i>MIDFA Issued Tax Exempt Bonds</i>										
9/28/2010	David Rider and David Gochenour	11750101	\$3,500,000.00	0.0%	\$0.00	Washington	\$5,000,000.00	N/A	0	0
9/28/2010	David Rider and David Gochenour	11750201	\$3,000,000.00	0.0%	\$0.00	Washington	\$4,000,000.00	N/A	0	0
12/14/2010	VTI of Maryland, Inc.	11590102	\$10,000,000.00	0.0%	\$0.00	Washington	\$10,500,000.00	N/A	75	0
12/16/2010	Bergman Property, LLC	11910101	\$5,325,000.00	20.0%	\$1,065,000.00	Washington	\$6,600,000.00	N/A	12	7
12/17/2010	Baltimore International College,	1870201	\$10,810,000.00	0.0%	\$0.00	Baltimore City	\$10,810,000.00	N/A	0	0
12/22/2010	Trilogy Enterprises, LLC	12070101	\$7,348,000.00	0.0%	\$0.00	Washington	\$8,850,000.00	N/A	20	42
12/23/2010	Wexford BSP Three Funding, LLC	12170101	\$65,000,000.00	0.0%	\$0.00	Baltimore City	\$65,000,000.00	N/A	590	0
12/31/2010	701 Aliceanna Street Capital, LLC	12200101	\$45,000,000.00	0.0%	\$0.00	Baltimore City	\$192,000,000.00	N/A	577	0
5/31/2011	Calvert School Incorporated	1820301	\$9,000,000.00	0.0%	\$0.00	Baltimore City	\$0.00	N/A	0	0
5/31/2011	Calvert School Incorporated	1820302	\$3,200,000.00	0.0%	\$0.00	Baltimore City	\$14,525,000.00	N/A	4	105
Totals:		10 Loans	\$162,183,000.00		\$1,065,000.00		\$317,285,000.00	0	0	1278 154
<i>MIDFA Conventional Insurance</i>										
7/30/2010	123 South Liberty Street Funding,	9510101	\$7,315,000.00	17.0%	\$1,243,550.00	Allegany	\$8,414,000.00	N/A	0	0
12/15/2010	Bergman Property, LLC	11910102	\$615,000.00	20.0%	\$123,000.00	Washington	\$0.00	N/A	0	0
12/23/2010	Homestead Gardens, Inc.	1570201	\$5,500,000.00	45.5%	\$2,499,970.00	Anne Arundel	\$5,500,000.00	N/A	0	130
6/20/2011	Recreational Industries, Inc.	1500302	\$361,348.00	50.0%	\$180,674.00	Garrett	\$532,000.00	N/A	0	0
Totals:		4 Loans	\$13,791,348.00		\$4,047,194.00		\$14,446,000.00	0	0	130
<i>MIDFA-Small Business</i>										
7/7/2010	AJ & R Petroleum Inc	11660101	\$400,000.00	25.0%	\$100,000.00	Prince George's	\$507,000.00	N/A	2	3
7/7/2010	Clean Castle, Inc.	11370101	\$370,000.00	25.0%	\$92,500.00	Baltimore City	\$477,000.00	N/A	1	3
7/9/2010	MECAG, LLC d/b/a Mobern	11190101	\$100,000.00	45.0%	\$45,000.00	Prince George's	\$100,000.00	N/A	7	36

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<i>Settled Retained 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 /</i>	<i>New Jobs</i>	<i>Jobs</i>
10/19/2010	National Golden Tissue, Inc.	8410301	\$557,502.00	25.0%	\$139,375.50	Washington	\$796,502.00	N/A	20	0
12/2/2010	Barber Transportation, Inc.	8760201	\$94,500.00	50.0%	\$47,250.00	Baltimore City	\$105,000.00	N/A	10	96
12/28/2010	Family Medical Center, Llc	11540101	\$80,000.00	50.0%	\$40,000.00	Frederick	\$80,000.00	N/A	10	7
4/29/2011	Plasmonix, Inc.	12390201	\$150,000.00	50.0%	\$75,000.00	Baltimore City	\$1,250,000.00	N/A	9	4
6/27/2011	Danny's Auto Body, LLC	12230101	\$75,000.00	50.0%	\$37,500.00	Caroline	\$75,000.00	N/A	4	8
Totals:		8 Loans	\$1,827,002.00		\$576,625.50		\$3,390,502.00	0	63	157
Grand Totals:		22 Loans	\$177,801,350.00		\$5,688,819.50		\$335,121,502.00	0	0	1341