

FINANCE PROGRAMS
THE ECONOMIC DEVELOPMENT
OPPORTUNITIES PROGRAM
(SUNNY DAY)

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As of June 30, 2006

THE ECONOMIC DEVELOPMENT OPPORTUNITIES PROGRAM
(SUNNY DAY)

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ECONOMIC DEVELOPMENT OPPORTUNITIES PROGRAM FUND (SUNNY DAY)

History and Program Description

The Economic Development Opportunities Program Fund (“Sunny Day”) was created by statute in 1988 to enable Maryland to act on extraordinary economic development proposals that required financial assistance beyond the capabilities of other state and local financing programs. The Sunny Day Fund is a non-lapsing revolving fund administered by the Department of Business and Economic Development (the “Department”). Under the program, funds are loaned, granted or invested to assist in the retention and expansion of existing business, or the establishment and attraction of new business in Maryland.

Under the program, the Department is required to submit an analysis of each Sunny Day proposal as part of the approval request process to the Legislative Policy Committee of the Maryland General Assembly. The analysis must include, among other things, a description of the projected economic impact and the number and type of jobs to be created and/or retained as a result of the project. The Department focuses significant attention on the analysis of a request and the projected economic impact before approval. The Department must also conduct substantial monitoring actions after an incentive has been approved and funded. Agreements carry strict performance requirements, including; capital investments within specified time frames; job creation over a fixed period of time; maintenance of certain jobs levels for a specified time period, usually 3-5 years; and reporting of financial information, employment information and capital investment information on a periodic basis.

The Statute requires that each Sunny Day project be deemed an extraordinary economic development opportunity, as defined by the following criteria:

- The recipient must maintain a strong financial condition and a minimal risk profile
- The recipient is capable of accessing alternative sources of financing through financial institutions or capital markets
- Minimum of 5:1 capital investment by the recipient for each \$1 of Sunny Day funds
- The recipient’s project is consistent with the strategic plan of the State for economic development
- The recipient creates or retains substantial employment, particularly in areas of high unemployment

Additionally, the Department requires the local jurisdiction to participate by providing any one or a combination of the following: a loan, a conditional loan, a grant, an in-kind contribution, job training funds, tax credits, tax increment financing or below market contributions.

Actual Program Performance From Inception through June 30, 2006

As of June 30, 2006, the Department had settled a total of one hundred-fifteen (115) Sunny Day transactions with a total aggregate original balance of \$156,345,071. Of that total seventy-four (74) transactions totaling \$103,120,944 were structured as loans or conditional loans, thirty-eight (38) transactions totaling \$42,224,127 were structured as grants or conditional grants, and three (3) transactions totaling \$11,000,000 were structured as investments. The above assistance has contributed to the retention of 35,022 jobs, the creation of 22,866 new jobs, and capital investment of \$2,226,862,091.

Based on the full or partial achievement of performance requirements related to the assistance provided under the program, forty-two (42) conditional grants or loans totaling \$40,047,734 have been either fully or partial forgiven. In contrast, as a result of not fully achieving all performance criteria, twenty-two (22) conditional grants and loans with an aggregate original amount of \$22,979,000 have been subject to clawbacks of \$13,123,789.

DEPARTMENT OF BUSINESS AND ECONOMIC DEVELOPMENT

As of June 30, 2006, the total outstanding active portfolio consisted of thirty three (33) loans, conditional loans, conditional grants, and investments with a total original approved balance of \$67,789,573 and an outstanding balance of \$58,691,089. The portfolio breaks down into twenty (20) loans and conditional loans with a total original approved balance of \$41,325,000 and an outstanding balance of \$32,302,594, ten (10) grants and conditional grants having a total original approved balance of \$15,464,573 and an outstanding balance of \$15,464,573, and three (3) investments with both the total original approved balance \$11,000,000 and the outstanding balance being equal to \$10,923,922,000. The total outstanding active portfolio continues to be subject to review for compliance with performance requirements.

General economic conditions, combined in some cases with specific industry conditions, have resulted in several credit problems within the active portfolio over the last several fiscal years. At the end of fiscal year 2006 there were four (4) companies within the active portfolio that were in bankruptcy or who had a parent that was in bankruptcy. This involves loans, conditional loans, and conditional grants for a total aggregate original approved amount of \$9,250,000. This amount is comprised of three (3) charged off loans totaling \$6,500,000, one (1) conditional grant of \$2,000,000, and one (1) loan of \$750,000. The Department continues to monitor the business activities of these distressed operations and works to support potential restructures that result in continued employment, which stays within the original scope of the projects. In fiscal year 2006, the program had no charge-off activity and recoveries of \$930,838. The Sunny Day program has had historical total gross charge-offs of \$8,743,889 since inception of the program, the bulk (\$6,500,000) of which, were discussed above.

Program Performance for Fiscal Year 2006

In fiscal year 2006 four (4) projects totaling \$4,689,573 were closed (settled). Of those projects, one (1) project was structured as a conditional loan totaling \$2,000,000, two (2) projects were structured as grants totaling \$689,573, and one (1) project was structured as an investment totaling \$2,000,000. There were six (6) projects totaling \$17,459,073 approved during the fiscal year. Four (4) projects were structured as grants totaling \$5,959,073, one (1) project structured as a conditional loan totaling \$7,500,000, and one (1) project was structured as an investment totaling \$4,000,000. The continuing reduced level of activity under the program reflects the ongoing shift to usage of the MEDAAF program for deals that were historically done under this program, as well as the lack of budgeted funds for the program that would permit planning its use for future commitments.

Projected Program Performance for Fiscal Year 2007

The Department anticipates that if adequate funds were available, activity for fiscal year 2007 could equal or exceed the prior fiscal year when measured by the number of new projects to be processed for approval. In general, the nature of a Sunny Day project is such that its lifespan generally straddles two and often three fiscal periods, from project introduction, through approval and final disbursement of the funds. Each year the Department handles new projects, which involves receiving inquiries, structuring deals, and processing approvals, while continuing to complete the documentation, funding, and monitoring process on projects that were presented to the Legislative Policy Committee for approval in prior fiscal years. There are currently no funds in the program available for the approval of new projects in fiscal year 2007.

DEPARTMENT OF BUSINESS AND ECONOMIC DEVELOPMENT

Sunny Day Approved - 3 Year Activity

SUNNY DAY FUND PROJECTS APPROVED FY06

Company	Incentive (In Dollars)	County	Amount Disbursed (In Dollars)	FY Disbursed	Measure of Economic Development		
					Goal	Attain By	Status
MedImmune, Inc.	\$7,500,000	Frederick County	-0-	N/A	Create 1,528 new jobs/retain 847 jobs/\$1 billion CAPEX	2014	Construction not yet started.
UMBC	\$196,524	Baltimore County	\$16,575	2006	The activities to be financed with grant proceeds are part of the Academic Collaboration Extension, a partnership between the University and NSA to support research related to national security. Anticipated completion 3/31/08.		
UM, College Park	\$439,049	Prince George's County	-0-	N/A	The activities to be financed with grant proceeds are part of the Academic Collaboration Extension, a partnership between the University and NSA to support research related to national security. Anticipated completion 3/31/07.		
UM, NanoCenter	\$3,654,500	Prince George's County	-0-	N/A	The funds will be used to purchase nanofabrication equipment at the NanoCenter's new FabLab clean room located in the new Kim Engineering Building at the UMCP.		
UM Biotechnology Institute	\$1,615,000	Montgomery County	-0-	N/A	Funds will be used to expand UMBI's small scale contract Good Manufacturing Practices facility and enable UMBI to employ the state-of-the- art facility in workforce training programs designed to meet the diverse needs of the biopharmaceutical manufacturing industry.		
East Baltimore Development, Inc.	\$4,000,000	Baltimore City	-0-	N/A	Funds are to be used as an investment with East Baltimore Development, Inc. to assist in the development of a Life Science and Biotechnology Park in East Baltimore City.		

The following charts show the approvals in fiscal years 2004 and 2005 with the status of the transactions updated as of FYE 2006

SUNNY DAY FUND PROJECTS APPROVED FY05

Company	Incentive (In Dollars)	County	Amount Disbursed (In Dollars)	FY Disbursed	Measure of Economic Development		
					Goal	Attain By	Status
UMBC Research Park	\$2,000,000	Baltimore	\$2,000,000	2006	Project to be completed 2009		

SUNNY DAY FUND PROJECTS APPROVED FY04

Company	Incentive (In Dollars)	County	Amount Disbursed (In Dollars)	FY Disbursed	Measure of Economic Development		
					Goal	Attain By	Status
The Sunny Day Program did not have any new approvals in fiscal year 2004							

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Sunny Day Forgiven - 3 Year Activity

<i>SCHEDULE OF SUNNY DAY FORGIVEN LOANS FY'06</i>					
Company	Loan Amount	Date Forgiven	Amount Forgiven	Benchmarks	Achievements
Aegon USA	\$1,747,000	12/20/05	\$760,129	1,088 jobs statewide with at least 736 jobs in Baltimore City and \$20 million in CAPEX	The company fell below the 1,088 total employment, but exceeded the 736 jobs in the City and CAPEX was \$30 million. Based on these achievements and the continued commitment to the economic well-being of Baltimore City, they requested and were granted a modification to forgive \$760,129 plus interest on 12/20/05 by the LPC.
Northrop Grumman #5	\$1,500,000	07/01/05	\$1,500,000	11,036 jobs	Loan #5 forgiven – job and CAPEX requirement met.
Phoenix Color Corporation	\$500,000	01/31/05	\$249,430	543 jobs	Partial forgiveness - attained 381 jobs – 162 short. Repayment noted in Clawback section below.
Qiagen	\$2,500,000	12/31/04	\$542,986	300 jobs	Company failed to meet job requirement by 123 jobs. The Department renegotiated transaction to allow for a pro rata repayment vs. full repayment - Modification forgave 5% accrued interest for the period of 4/06/00 – 06/30/05.
U.S. Foodservice, Inc.	\$250,000	09/28/05	\$250,000	418 jobs and Howard County headquarters	Met requirement

<i>SCHEDULE OF SUNNY DAY FORGIVEN LOANS FY'05</i>					
Company	Loan Amount	Date Forgiven	Amount Forgiven	Benchmarks	Achievements
Dietz & Watson	\$750,000	11/22/04	\$750,000	150 jobs as of 12/31/01 retain through 10/04 \$5 Million CAPEX	Achieved 155 jobs average 2004 CAPEX of \$9 million
Discovery Communications	\$2,400,000	06/30/05	\$2,400,000	\$130 million CAPEX/1400 jobs	Met requirements
Northrop Grumman Corporation #4	\$1,500,000	07/01/04	\$1,500,000	9,000 Jobs retained	Loan #4 forgiven; CAPEX and job numbers met
Rite Aid of Maryland	\$2,250,000	06/01/05	\$2,250,000	850 jobs by 06/01/02 retain through 06/01/05	05/31/04 – 05/31/05 employed an average of 1063 employees

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<i>SCHEDULE OF SUNNY DAY FORGIVEN LOANS FY'04</i>					
Company	Loan Amount	Date Forgiven	Amount Forgiven	Benchmarks	Achievements
National Association of Securities Dealers, Inc.	\$1,000,000	12/31/03	\$854,000	Retain not less than 1330	Principal forgiven; repaid \$146,000 for jobs short of goal
Northrop Grumman Corporation #3	\$1,500,000	07/01/03	\$1,500,000	9,000 Jobs retained	Loan 3 forgiven; CAPEX and job numbers met
Random House, Inc./Bertlesmann	\$2,500,000	12/31/03	\$2,500,000	900 jobs through 12/31/03 \$30,000,000 CAPEX by 12/31/03	972 jobs as of 2003 \$37 million CAPEX
Telecommunication Systems	\$400,000	02/01/03	\$100,000	Maintain 213 jobs \$800,000 CAPEX	Jobs maintained Totally forgiven in FY '04

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Sunny Day Clawback - 3 Year Activity

SUNNY DAY CLAWBACK ACTIVITY FY'06

Company	Jurisdiction	Financing	Original Amount	Amount Forgiven	Date of Forgiveness	Clawback	Date Repaid	Comments
Aegon USA Inc.	Baltimore City	Conditional Loan	\$1,747,000	\$760,129	12/20/05	\$986,871		Job goal not met 12/31/04 – Loan converted to a term loan – Company requested and was granted a modification to forgive \$760,129 plus interest on 12/20/05 by the LPC.
Magellan Behavioral	Howard	Conditional Grant	\$2,000,000			\$221,618		Magellan's bankruptcy reorganization has provided repayment of a total \$1,756,710.
Phoenix Color Corp.	Washington	Conditional Loan	\$500,000	\$259,430		\$240,570	02/06/06	Partial forgiveness and clawback for employee shortfall.
Qiagen	Montgomery	Conditional Loan	\$2,500,000	\$532,986	12/31/04	\$1,024,959	12/31/05	Company failed to meet employment goal of 300. The Department renegotiated the transaction to allow a pro rata repayment for job shortfall of 123 jobs. Company repaid \$8,333 per job.

SUNNY DAY CLAWBACK ACTIVITY FY'05

Company	Jurisdiction	Financing	Original Amount	Amount Forgiven	Date of Forgiveness	Clawback	Date Repaid	Comments
Digex Incorporated	Prince Georges	Conditional Loan	\$3,000,000			\$3,000,000	11/1/04	Bankruptcy. DBED Claim for payment paid by WorldCom/Intermedia.
RWD Technologies, Inc	Howard	Conditional Loan	\$1,272,000	\$739,880	1/1/00			Remaining balance converted to a term loan with repayment beginning in 4/02. Accelerated Repayment on 4/8/05.
Simon Pearce (MD) Inc.	Garrett	Conditional Loan	\$500,000			\$192,050	04/01/04	Repaid a pro-rata portion for a job shortfall of 50 jobs.

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SUNNY DAY CLAWBACK ACTIVITY FY'04

Company	Jurisdiction	Financing	Original Amount	Amount Forgiven	Date of Forgiveness	Clawback	Date Repaid	Comments
Allied Signal, Inc./Honeywell	Howard	Conditional Loan	1,000,000	-0-		\$1,000,000	12/02/03	Loan converted to a paying loan due to failure to meet job goals
National Association of Securities Dealers Inc.	Montgomery	Conditional Loan	\$1,000,000	\$854,000	12/31/03	\$146,000	02/17/04	Failed to meet job numbers; repaid \$1,000 x 146 jobs plus interest.
Wood Products Inc.	Garrett	Conditional Loan	\$350,000			\$350,000	03/30/04	Failed to meet job numbers; loan converted to a Term loan.

DEPARTMENT OF BUSINESS AND ECONOMIC DEVELOPMENT

DOF Listing of Approved

Between 7/1/2005 And 6/30/2006

Program: *Sunny Day*

Sub-program: Sunny Day - Cond. Loan

D/App	#	Industrial Project	Loan Amt	Ins. Amt.	Proj. Cost	J/New	J/Ret.	Status	County
6/6/2006	MEDIMMU	MedImmune, Inc.	\$7,500,000	\$0	1,000,000,000	1,538	837	AP	Frederick
Group Total:		1	\$7,500,000	\$0	\$1,000,000,000	1,538	837		

Sub-program: Sunny Day - Grant

D/App	#	Industrial Project	Loan Amt	Ins. Amt.	Proj. Cost	J/New	J/Ret.	Status	County
12/20/2005	1205GR	Univ. of MD, Baltimore	\$196,524	\$0	196,524	0	0	CL	Baltimore Co.
12/20/2005	1204GR	Univ. of MD, College Park	\$493,049	\$0	493,049	0	0	CL	Prince George's
6/6/2006	NANOCENT	Univ. of MD NanoCenter	\$3,654,500	\$0	3,654,500	0	0	AP	Prince George's
6/6/2006	UMBI	University of Maryland	\$1,615,000	\$0	1,615,000	0	0	AP	Montgomery
Group Total:		4	\$5,959,073	\$0	\$5,959,073	0	0		

Sub-program: Sunny Day - Investment

D/App	#	Industrial Project	Loan Amt	Ins. Amt.	Proj. Cost	J/New	J/Ret.	Status	County
12/20/2005	EASTBALTI	East Baltimore	\$4,000,000	\$0	97,500,000	0	0	AP	Baltimore City
Group Total:		1	\$4,000,000	\$0	\$97,500,000	0	0		
Program Total:		6	\$17,459,073	\$0	\$1,103,459,073	1,538	837		
Report Total:		6	\$17,459,073	\$0	\$1,103,459,073	1,538	837		

DEPARTMENT OF BUSINESS AND ECONOMIC DEVELOPMENT

DOF Listing of Closed Activity

Between 7/1/2005 And 6/30/2006

Program: *Sunny Day*

Sub-program: Sunny Day - Cond. Loan

DTCL:	#	Industrial Project	Loan Amt	Ins. Amt.	Proj. Cost	J/New	J/Ret.	Status	County
7/1/2005	070105CL2	Mack Trucks, Inc. *	\$2,000,000		0	0	0	CL	Washington
Group Total:		1	\$2,000,000		\$0	0	0		

Sub-program: Sunny Day - Grant

DTCL:	#	Industrial Project	Loan Amt	Ins. Amt.	Proj. Cost	J/New	J/Ret.	Status	County
3/23/2006	1204GR	Univ. of MD, College Park	\$493,049	\$0	493,049	0	0	CL	Prince George's
3/28/2006	1205GR	Univ. of MD, Baltimore	\$196,524	\$0	196,524	0	0	CL	Baltimore City
Group Total:		2	\$689,573	\$0	\$689,573	0	0		

Sub-program: Sunny Day - Investment

DTCL:	#	Industrial Project	Loan Amt	Ins. Amt.	Proj. Cost	J/New	J/Ret.	Status	County
10/21/2005	1021INV	UMBC Research Park	\$2,000,000	\$0	2,000,000	0	0	CL	Baltimore Co.
Group Total:		1	\$2,000,000	\$0	\$2,000,000	0	0		
Program Total:		4	\$4,689,573	\$0	\$2,689,573	0	0		
Report Total:		4	\$4,689,573	\$0	\$2,689,573	0	0		

* Mack Truck, Inc.(MEDAAF assistance was also provided for this project and the Project Costs and Job Numbers were reported under MEDAAF) – \$155,000,000 Proj. Cost/150 New jobs/1,000 Retained Jobs.