

**DIVISION OF FINANCE PROGRAMS**  
**MARYLAND ECONOMIC ADJUSTMENT FUND**

**(MEAF)**

**ANNUAL STATUS REPORT**  
**FISCAL YEAR 2008**

**Submitted by:**

**Maryland Department of Business and Economic Development**

**June 30, 2008**

MARYLAND ECONOMIC ADJUSTMENT FUND  
(MEAF)

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# DEPARTMENT OF BUSINESS AND ECONOMIC DEVELOPMENT

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## MARYLAND ECONOMIC ADJUSTMENT FUND (MEAF)

### History and Program Description

The Maryland Economic Adjustment Fund (MEAF) was established in 1994 as a non-lapsing revolving fund to make loans to new or existing companies in communities suffering dislocation due to defense adjustments, enabling the companies to modernize their manufacturing operations, develop commercial applications for technology, or enter into and compete in new economic markets. MEAF is comprised of funds from the US Economic Development Administration (EDA) and the State. An important note is that it is not a requirement of the Program that recipients are companies that have suffered as a result of a decline in defense spending, only that the firms reside in an area suffering dislocation due to defense adjustments. The following list represents the eligible jurisdictions for the federal component of the program:

Allegany County	Howard County
Anne Arundel County	Queen Anne's County
Baltimore City	Somerset County
Baltimore County	Washington County
Dorchester County	Worcester County
Harford County	

Other jurisdictions are supported by the State funded component of the program. In addition to making loans to eligible companies, the fund is able to make grants for Revolving Loan Funds administered by local or regional governments, or non-profit economic development organizations.

MEAF is the primary loan fund administered directly by DBED intended to serve small and minority businesses that are unable to qualify for loans from traditional lending sources. MEAF is a critical component of the Department's strategy to cultivate, support and assist the small and minority business sector of Maryland's economy. In addition, the program is a vehicle through which the Department provides critical technical assistance and consultative support to small and minority-owned firms.

The recipient of loan assistance from MEAF will in all instances be a small business that is unable to qualify for financing assistance from traditional lenders. The inability to meet lending criteria of traditional lenders will be due to varying levels of impairment of the client's financial condition. At the point of "intake", MEAF prospects typically present a "risk profile" that diminishes their attractiveness to traditional lenders.

The role of MEAF is to fill the void in the project financing structure and deliver needed technical support that will help the business to overcome conditions that diminish their attractiveness to traditional lenders. MEAF financing assistance is intended to facilitate improvements that enable the business to stabilize and grow, create or retain jobs, pay taxes and qualify for financing from traditional lenders, thus eliminating the need for public funding support. In most cases, moving a MEAF prospect from the point of "intake" to "loan approval" and finally to "loan settlement" is a very time and labor intensive process. In making loans under this sub-title, priority will be given to defense contractors and companies started by former defense workers who lost their jobs with defense contractors.

As of June 30, 2003, the Maryland Competitive Advantage Financing Fund (MCAFF), which was one of the Department's small business assistance resources, was eliminated by Maryland's General Assembly as part of the Budget Reconciliation and Financing Act of 2003. DBED was authorized by the Act to transfer the balance of available funds in MCAFF (\$891,035) to the Maryland Economic Adjustment Fund (MEAF) for use in assisting small businesses.

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## **Program Performance Since Inception**

Since the inception of the program through June 30, 2008, the Department has approved one hundred three (103) transactions including eighty three (83) loans totaling \$8,441,900, three (3) interest subsidies totaling \$300,000 and 17 grants to local government or non-profit economic development organization revolving loan funds totaling \$2,075,000. The total outstanding balance of loans to businesses and grants to revolving loan funds is \$1,613,219. Since the inception of the program through June 30, 2008, 17 loans, totaling \$1,145,504 have been charged-off. The Department expects to recover approximately \$973,678 (85%) of the amount charged-off through long term collection efforts. The total of 103 transactions includes 43 loan and 3 interest subsidy approvals under the former MCAFF program which was de-authorized by Maryland's General Assembly as of June 30, 2003. The combined activity of the MEAF and MCAFF programs have contributed to the creation and retention of approximately 1,700 jobs, and encouraged approximately \$9.5 million in private capital investment.

## **Program Performance for Fiscal Year 2007**

The Department approved six (6) MEAF projects totaling \$1,000,000 in fiscal year 2008. One (1) of these approvals in the amount of \$150,000 has settled, and five (5) approvals totaling \$850,000 are in process of settlement.

## **Projected Program Performance for Fiscal Year 2008**

The Department anticipates requests for financial assistance that will fully utilize the \$1,000,000 Special Funds appropriation for the program in fiscal year 2009.

# Approved Report

## 7/1/2007 Through 6/30/2008

Approved Date	Client Name	Loan #	Loan Amount	Guarantor Percentage	Loan Guarantee	County	Total Project Costs	New Retained Jobs
<i>MEAF Loan State</i>								
3/26/2008	Grieb Manufacturing Company, Inc.	7700101	\$200,000.00	0.0%	\$0.00	Kent	\$816,000.00	4
<b>Totals:</b>			<b>\$200,000.00</b>		<b>\$0.00</b>		<b>\$816,000.00</b>	<b>4</b>
<i>MEAF Grant State</i>								
2/1/2008	Prince George's County Economic	2910201	\$250,000.00	0.0%	\$0.00	Prince George's	\$862,500.00	0
6/26/2008	Tri-County Council for Western Maryland,	460401	\$250,000.00	0.0%	\$0.00	Allegany	\$250,000.00	0
6/26/2008	Univ. of MD Eastern Shore Rural Dev. Ctr.	530201	\$100,000.00	0.0%	\$0.00	Somerset	\$100,000.00	0
6/27/2008	Maryland Capital Enterprises	520501	\$50,000.00	0.0%	\$0.00	Wicomico	\$50,000.00	0
<b>Totals:</b>			<b>\$650,000.00</b>		<b>\$0.00</b>		<b>\$1,262,500.00</b>	<b>0</b>
<i>MEAF Loan Fed</i>								
2/1/2008	Katharine of Alexandria Community	3780301	\$150,000.00	0.0%	\$0.00	Baltimore City	\$150,000.00	25
<b>Totals:</b>			<b>\$150,000.00</b>		<b>\$0.00</b>		<b>\$150,000.00</b>	<b>25</b>
<b>Grand Totals:</b>			<b>\$1,000,000.00</b>		<b>\$0.00</b>		<b>\$2,228,500.00</b>	<b>19</b>

Monday, August 04, 2008

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# Settled Report

## 7/1/2007 Through 6/30/2008

Settled Date	Client Name	Loan #	Loan Amount	Guarantor Percentage	Loan Guarantee	County	Total Project Costs	New Retained Jobs
<i>MEAF Grant State</i>								
9/27/2007	Garrett County Community Action	490301	\$50,000.00	0.0%	\$0.00	Garrett	\$50,000.00	0
9/27/2007	Maryland Capital Enterprises	520301	\$50,000.00	0.0%	\$0.00	Wicomico	\$150,000.00	0
	<b>Totals:</b>		<b>\$100,000.00</b>		<b>\$0.00</b>		<b>\$200,000.00</b>	<b>0</b>
<i>MEAF Loan Fed</i>								
6/25/2008	Katharine of Alexandria Community	3780301	\$150,000.00	0.0%	\$0.00	Baltimore City	\$150,000.00	17
	<b>Totals:</b>		<b>\$150,000.00</b>		<b>\$0.00</b>		<b>\$150,000.00</b>	<b>17</b>
	<b>Grand Totals:</b>		<b>\$250,000.00</b>		<b>\$0.00</b>		<b>\$350,000.00</b>	<b>17</b>