

DIVISION OF FINANCE PROGRAMS
MARYLAND ECONOMIC ADJUSTMENT FUND

(MEAF)

ANNUAL STATUS REPORT
FISCAL YEAR 2006

Submitted by:

Maryland Department of Business and Economic Development

June 30, 2006

MARYLAND ECONOMIC ADJUSTMENT FUND
(MEAF)

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DEPARTMENT OF BUSINESS AND ECONOMIC DEVELOPMENT

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.

MEAF

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Last Updated 12/11/06

DEPARTMENT OF BUSINESS AND ECONOMIC DEVELOPMENT

Program Performance Since Inception

Since the inception of the program through June 30, 2006, the Department has approved ninety two (92) transactions including seventy nine (79) loans totaling \$7,976,400, three (3) interest subsidies totaling \$300,000 and 10 grants to local government revolving loan funds totaling \$1,150,000. The total outstanding balance of loans is \$1,138,476. Since the inception of the program through June 30, 2006, 17 loans, totaling \$992,388 have been charged-off. The Department expects to recover approximately \$745,000 (75%) of the amount charged-off through long term collection efforts. The total of 92 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 1,645 jobs, and encouraged approximately \$8 million in private capital investment.

Program Performance for Fiscal Year 2006

The Department was unable to approve any MEAF projects during fiscal year 2006 as the Legislature did not authorize General or Special Fund appropriations for program activity. The Department closed (settled) six (6) MEAF transactions totaling \$756,300 that were approved in fiscal year 2005.

Projected Program Performance for Fiscal Year 2007

The Department anticipates requests for financial assistance in excess of the \$625,000 Special Funds appropriation for the program in fiscal year 2007.

DEPARTMENT OF BUSINESS AND ECONOMIC DEVELOPMENT

DOF Listing of Closed Activity

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

Program: MEAF

Sub-program: MD Economic Adj. Fund

DTCL:	#	Industrial Project	Loan Amt	Ins. Amt.	Proj. Cost	J/New	J/Ret.	Status	County
8/10/2005	081005GR	Dorchester County-	\$100,000	\$0	190,000	0	0	CL	Dorchester
1/10/2006	1189GR	Garrett Co./Garrett Micro-	\$100,000	\$0	100,000	0	0	CL	Garrett
1/18/2006	1190GR	Maryland Capital	\$100,000	\$0	100,000	0	0	CL	Wicomico
2/1/2006	1824	Great Gourmet, Inc., The	\$56,300	\$0	300,000	0	0	CL	Dorchester
3/10/2006	1200GR	Univ. of Maryland Eastern	\$200,000	\$0	200,000	0	0	CL	Somerset
4/25/2006	1094GR2	Tri-County Council for	\$200,000	\$0	200,000	0	0	CL	Allegany
Group Total:		6	\$756,300	\$0	\$1,090,000	0	0		
Program Total:		6	\$756,300	\$0	\$1,090,000	0	0		
Report Total:		6	\$756,300	\$0	\$1,090,000	0	0		