

DIVISION OF FINANCE PROGRAMS  
MARYLAND INDUSTRIAL DEVELOPMENT  
FINANCING AUTHORITY

(MIDFA)

ANNUAL FINANCIAL STATUS REPORT  
FISCAL YEAR 2008  
ECONOMIC DEVELOPMENT  
ARTICLE

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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 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) 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 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 eighteen (818) loans and bonds, totaling \$2,103,193,475. Currently, sixty-one (61) transactions remain active, with principal balances totaling \$465,790,082 insured for \$24,685,883.

The current Fund balance of \$40,317,367 is leveraged .73:1 against the \$29,500,883 total insurance exposure consisting of \$24,685,883 outstanding plus the \$4,815,000 of un-funded commitments. Based on the statutory 5:1 maximum leverage, the Fund would have gross capacity of up to \$172,085,952. However, as a practical matter, given the portfolio’s growing concentration in technology companies, 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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**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	\$11,085	\$ 56,024	8	\$1,386
Bonds - uninsured	N/A	231,292	22	N/A
Energy Bonds	N/A	139,840	4	N/A
Conventional Loans	12,893	37,126	23	561
Day Care	707	1,507	4	177
Linked Deposits	N/A	0	0	N/A

**Program Performance for the Year Ending June 30, 2008**

During fiscal year 2008, MIDFA approved eleven (11) transactions totaling \$171,991,619 insured for \$5,417,250. Five (5) transactions, including one (1) approval from the prior year, settled totaling \$26,803,619 insured for \$602,250. Additionally, seven (7) transactions remain pending settlement for a total of \$155,188,000 insured for \$4,815,000.

There was an increase in activity for 2008 in both the number of transactions and dollar amount with eleven (11) approvals, although only five (5) settlements compared to last year's nine (9) approvals and nine (9) settlements. The sharp economic downturn should increase demand for credit enhancements as lending tightens. There are six (6) accounts in Special Assets totaling \$5,541,648 of principal outstanding reserved for \$3,464,553 of insurance exposure. An additional reserve of \$1,292,779 has been established recognizing the increased industry sector risks of biotechnology and poultry farming. Total reserves of \$4,757,332 represent 4% of the insured loans and 19.3% of the total insurance exposure. Continued low interest rates enabled fifteen (15) credit-seasoned transactions totaling \$33,000,000 to payoff or refinance out of the program. 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. Historically, MIDFA has been a principal stimulus to bank lending in biotechnology. The resulting increased insurance capacity comes at the opportune time to support the Bio 2020 initiative to stimulate scientific growth.

**Projected Program Performance for Fiscal Year 2009**

Credit enhancements are typically counter cyclical, experiencing increased demand in a downturn economy. Accordingly, the negative impact of the mortgage industry rippling through the economy has created a credit tightening that should increase activity for 2009.

# Approved Report

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

<i>Approved 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>New Jobs</i>	<i>Retained Jobs</i>
<i>MIDFA Issued Tax Exempt Bonds</i>									
9/14/2007	Synagro Baltimore, LLC/Wheelevator	1710201	\$35,800,000.00	0.0%	\$0.00	Baltimore	\$35,800,000.00	0	0
9/27/2007	Hardwire, LLC	7260101	\$5,100,000.00	0.0%	\$0.00	Worcester	\$7,621,000.00	0	0
1/24/2008	Mirant North America, LLC/MNA Finance	7520101	\$100,000,000.00	0.0%	\$0.00	Multiple	\$1,600,000,000.00	0	0
2/28/2008	Food Swing, Inc.	7650101	\$10,000,000.00	0.0%	\$0.00	Dorchester	\$14,000,000.00	250	0
	<b>Totals:</b>	<b>4 Loans</b>	<b>\$150,900,000.00</b>		<b>\$0.00</b>		<b>\$1,657,421,000.00</b>	<b>250</b>	<b>0</b>
<i>MIDFA Equity Investment</i>									
6/27/2008	Little Rhino Maryland, LLC c/o Little Rhino	8380102	\$2,400,000.00	0.0%	\$0.00	Multiple	\$0.00	0	0
	<b>Totals:</b>	<b>1 Loan</b>	<b>\$2,400,000.00</b>		<b>\$0.00</b>		<b>\$0.00</b>	<b>0</b>	<b>0</b>
<i>MIDFA Conventional Insurance</i>									
9/27/2007	BioServe Biotechnologies, Ltd.	6470201	\$1,500,000.00	33.0%	\$495,000.00	Prince George's	\$1,500,000.00	0	0
3/27/2008	Hargrove, Inc.	7690101	\$2,200,000.00	80.0%	\$1,760,000.00	Prince George's	\$2,200,000.00	0	0
4/18/2008	ImagiNations Early Learning Center, LLC	7750101	\$203,000.00	37.0%	\$75,110.00	St. Mary's	\$203,000.00	15	0
4/24/2008	Bakery De France, Inc.	7890101	\$13,985,000.00	18.0%	\$2,517,300.00	Montgomery	\$31,500,000.00	0	0
5/9/2008	Christ Church Children's Center, Inc.	7970101	\$203,618.92	50.0%	\$101,809.46	Montgomery	\$350,000.00	15	0
6/27/2008	Little Rhino Maryland, LLC c/o Little Rhino	8380101	\$600,000.00	80.0%	\$480,000.00	Multiple	\$12,500,000.00	0	600
	<b>Totals:</b>	<b>6 Loans</b>	<b>\$18,691,618.92</b>		<b>\$5,429,219.46</b>		<b>\$48,253,000.00</b>	<b>30</b>	<b>600</b>
	<b>Grand Totals:</b>	<b>11 Loans</b>	<b>\$171,991,618.92</b>		<b>\$5,429,219.46</b>		<b>\$1,705,674,000.00</b>	<b>280</b>	<b>600</b>

## Settled Report

7/1/2007 Through 6/30/2008

<i>Settled 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>New Jobs</i>	<i>Retained Jobs</i>
<i>MIDFA Issued Tax Exempt Bonds</i>									
11/20/200	Hardwire, LLC	7260101	\$5,100,000.00	0.0%	\$0.00	Worcester	\$7,621,000.00	0	0
4/23/2008	Food Swing, Inc.	7650101	\$10,000,000.00	0.0%	\$0.00	Dorchester	\$14,000,000.00	250	0
6/24/2008	PRS Realty, LLC/Paul Reed Smith Guitars,	2930201	\$10,000,000.00	0.0%	\$0.00	Queen Anne's	\$8,500,000.00	0	0
	<b>Totals:</b>	<b>3 Loans</b>	<b>\$25,100,000.00</b>		<b>\$0.00</b>		<b>\$30,121,000.00</b>	<b>250</b>	<b>0</b>
<i>MIDFA Conventional Insurance</i>									
11/27/200	BioServe Biotechnologies, Ltd.	6470201	\$1,500,000.00	33.0%	\$495,000.00	Prince George's	\$1,500,000.00	0	0
6/25/2008	Christ Church Children's Center, Inc.	7970101	\$203,618.92	50.0%	\$101,809.46	Montgomery	\$350,000.00	15	0
	<b>Totals:</b>	<b>2 Loans</b>	<b>\$1,703,618.92</b>		<b>\$596,809.46</b>		<b>\$1,850,000.00</b>	<b>15</b>	<b>0</b>
	<b>Grand Totals:</b>	<b>5 Loans</b>	<b>\$26,803,618.92</b>		<b>\$596,809.46</b>		<b>\$31,971,000.00</b>	<b>265</b>	<b>0</b>