

MARYLAND SMALL BUSINESS DEVELOPMENT FINANCING AUTHORITY

OPEN MEETING MINUTES

October 24, 2019

The Annual Portfolio Review meeting of the Maryland Small Business Development Financing Authority convened at 11:00 a.m. at MMG.

The following were in attendance at this meeting:

Authority Members	MMG Staff
Les Hall	Tim Smoot
Clemis Kaikis	Anthony Williams
Mara Sierocinski	Mark Harrison
Chuck Martin	Randy Croxton
Gina Ramsey	Stanley Tucker
Kenny Oreagba	Alex Agwuna
	Robin Harris

MMG staff presented the MSBDFA Portfolio Review Report for the period ended June 30, 2019, showing the portfolio characteristics by individual company performance, payment status and total exposure. The sales and earnings data are for the period ended December 31, 2018 and interim statement for the periods ended March 31, 2019 and June 30, 2019.

PROGRAM HIGHLIGHTS

Presenter: Tim Smoot

Discussion: The following was discussed:

- a) The state provides \$1.5M in annual allocations (general funds). MMG is proposing an increase to \$3.5M per year over the next 5 years to get an additional \$10M in capital. Additionally, Les Hall, Chairman, informed the meeting the program also generates special funds through:
 - 1. Principal repayments
 - 2. Interest Earned
 - 3. Fees earned
- b) On the revenue side, the fund received only \$560,000 from interest payments, investments, and recoveries for FY2019.
- c) Approximately \$2.2M is spent annually in MMG management fees and Department of Commerce (DOC) administrative fees

- d) Additional funding is needed given the program's current and anticipated activity. There is a dramatic need for more funding.
- e) The current spending limit is \$4.8M. MMG is pushing to have the limit increased to \$7.5M.
- f) It was noted that an additional \$5M was transferred from Maryland Industrial Development Financing Authority (MIDFA), a DOC program, in FY2019 under a very elaborate process carried out by the DOC that had to be approved by Department of Budget and Management, Department of Legislative Services, and the Governor's office. The purpose was to provide a reserve cushion for the Long Term Guaranty and EPIP programs, but was, to some extent, divided between MSBDFA's four programs.
- g) The program is looking to increase lending activity in the Long Term Guaranty program. **The board members were requested to assist with deal flow in this program. Les Hall is planning a series of bankers' meetings in early November.**
- h) Using an Automatic Clearing House (ACH) Authorization Form to collect loan payments by directly charging the borrower's bank accounts.

CURRENT PORTFOLIO PERFORMANCE

Presenter: Alex Agwuna

- Discussion:** The following was discussed (actions items are in bold for ease of reference):
- a) The borrowers' compliance with the reporting requirements. **It was suggested that MMG use form 4506 a requirement to get copies of the borrower's annual tax returns**
 - b) Flags from the Controller's office impeding the borrower's from receiving their payments. **Clem Kaikis advised MMG to contact him to assist with future flag issues.**
 - c) Long term guaranty deals. The Banks are not submitting the financial statements as required. **The loan officers were encouraged to follow up with the respective bankers.**
 - d) Rescinded Deals. There was discussion regarding the reason(s) why the approved financings did not close.
 - e) Payoffs. **It was recommended that these companies be showcased as success stories for the program.**
 - f) Time constraints on the resources for the InvestMD program.
 - g) Reason (s) for the lack of deal flow from Montgomery County. **Stan Tucker to follow up with Rich Madaleno.**
 - h) **Scheduling a meeting the statewide Economic Development**

Centers (EDCs) to boost deal flow.

- i) Lack of diversity of the gender distribution of financings across the programs.
- j) Loan Losses. What companies made up the 2019 losses and who makes the decision. It was explained that any company with a 90-delinquency is transferred to SAU. **Les Hall agreed to provide the details of the specific portfolio companies included in the report.**
- k) Lack of lending activity in Western Maryland. **MMG plans to increase its social media presence to help increase the footprint in Western Maryland.**

The following companies were discussed:

- a) **Flight Fab, Inc.**
- b) **JCM Control Systems, Inc.**
- c) **Lyles Cleaning Services, LLC**
- d) **AlliRudell, LLC t/a Log Cabin Candies**
- e) **Avdyne Aeroservices, LLC**
- f) **Edwards & Hill Communications, LLC**
- g) **Estimè Enterprises, Inc.**
- h) **The Great Gourmet, Inc.**
- i) **J. Marshall & Associates, LLC**
- j) **KMP Enterprises, LLC t/a Little Caesars**
- k) **L&G Exclusive Cleaning Services, LLC**
- l) **N&C, Inc. dba Notice & Comment.**
- m) **Sweet Spice Bake Shop, Inc.**
- n) **TextBehind, LLC**
- o) **Alpha Hill, LLC**
- p) **Bloosurf, LLC**
- q) **HLB Properties, LLC t/a Maystar**
- r) **204 Baltimore Pike/International Cosmetology, Inc.**
- s) **Weber Solutions, LLC**

Action Taken: The Authority accepted the report as presented.

ADJOURNMENT OF MEETING

The meeting adjourned at approximately 1:00 p.m.

APPROVED:



Celester A. Hall
Chairman

DATE:

1-15-20