

HOUSING AND REDEVELOPMENT AUTHORITY OF THE CITY OF SAINT PAUL, MINNESOTA

REPORT TO THE COMMISSIONERS

DATE: JUNE 22, 2016

**REGARDING: APPROVING AND AUTHORIZING CHARGE-OFF OF A FORGIVABLE LOAN
TO BIOMEDIX VASCULAR SOLUTIONS, INC.**

Requested Board Action

Approval of loan charge-off for BioMedix Vascular Solutions, Inc., District 17, Ward 2

Background

The HRA provided a \$75,000 Strategic Investment Fund (SIF) forgivable loan to BioMedix Vascular Solutions, Inc. dated November 1, 2010, in exchange for a minimum of 50 full-time jobs with an average salary of \$70,000 per year. Assuming those job conditions were met, the loan was to be forgiven pro rata over five years.

BioMedix was founded in 1997 as a medical device company that provided an integrated suite of hardware, software, and online services designed to cost-effectively detect and manage Peripheral Arterial Disease and Chronic Venous Insufficiency. They used the SIF funds for furniture and equipment, helping them relocate from Vadnais Heights to 16,000 sq. ft. in the renovated Smyth Printing Building at 178 East Ninth Street.

BioMedix was a privately-held company that was profitable with no long-term debt prior to entering receivership in April 2013. Revenues in 2009 were just under \$18 million and came primarily from outside the metro area.

The company demonstrated tremendous growth in the first couple of years, peaking at \$22 million and growing to 76 and then to 200 employees. The pro rata SIF loan forgiveness conditions were met for those two years. In 2012, business abruptly changed due to a turbulent year brought on by uncertainty in the health care industry. Layoffs and the sale of the company's health care practice management division followed. Employment dropped to 20 in a matter of months.

PED was contacted by Lighthouse Management Group in April 2013 notifying us that BioMedix was entering receivership due to a bank default on a line of credit, and the objective of the receivership was to sell the operations of the company. The court-appointed receiver liquidated, with court approval, substantially all of the company's assets by January 2014. The amount received from the liquidation was not sufficient to pay BioMedix's debt to the senior creditor; junior creditors, including the HRA, received nothing.

PED staff pursued a conversation with John Romans, former CEO, about the loan obligation and the consequences of not meeting this obligation. Romans said he had no appetite to acquire the debt of the former BioMedix. A default letter was prepared in May of 2014 to Mr. Romans.

The current outstanding principal and interest payment amount is \$52,800.20, after accounting for the two years of pro rata forgiveness. All assets of BioMedix, including the collateral for the SIF loan, were liquidated in the receivership. Staff determined, after extensive consultation with the City Attorney's Office and review of the receivership records, that the outstanding balance is not collectible and the loan should be charged off. Because the outstanding loan amount exceeds \$50,000, the HRA must approve the charge-off.

Budget Action – N/A

Future Action – N/A

Financing Structure – N/A

PED Credit Committee Review

The Credit Committee reviewed and approved the loan charge-off, and the addition of BioMedix and its officers and major shareholders to the adverse lending list, on March 14, 2016.

Compliance – N/A

Green/Sustainable Development – N/A

Environmental Impact Disclosure – N/A

Historic Preservation – N/A

Public Purpose/Comprehensive Plan Conformance – N/A

Statement of Chairman (for Public Hearing) – N/A

Recommendation:

To approve and authorize charge-off of a forgivable loan to BioMedix Vascular Solutions, Inc.

Sponsored by: Rebecca Noecker, Ward 2

Staff: Ellen Muller, PED, 651-266-6605

Attachments – N/A