

MARYLAND HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

A public meeting of the Maryland Health and Higher Educational Facilities Authority was convened at 10:00 a.m., Tuesday, March 7, 2023, with Mr. Arnold Williams, Chairman, presiding. This open meeting was held at 401 East Pratt Street (World Trade Center) in a conference room on the 26th Floor. This meeting was open to the public and available to the public remotely via an open conference and video line.

Present: Arnold Williams, Chairman
Sheila K. Riggs, Vice Chairman
Jonathan Martin, Chief Deputy Treasurer, Designee of Treasurer
Frederick W. Meier, Jr., Member
Mamie Johns Perkins, Member
John Phelps, Member
Bonnie Phipps, Member
W. Daniel White, Member
Bart Savidge, Executive Director
Lynn Gorman-Lepson, Chief Financial Officer
David W. Gregory, Bond Counsel
William Taylor IV, Bond Counsel
Brian Carter, Financial Advisor
Stephen Murphy, Financial Advisor

Absent: Reco Collins, Member

Special Guests: See attached.

Mr. Arnold Williams, Chairman, convened the meeting. Mr. Savidge announced the names of the Members, staff, counsel, and advisors in attendance.

APPROVAL OF MINUTES

The minutes of the February 7, 2023 regular meeting of the Authority were unanimously approved.

BULLIS SCHOOL, INCORPORATED

Ms. Rachel Venezian, Director of Finance and Operations for Bullis School, provided an update on enrollment and the status of the project since the February 7, 2023 board meeting when Bullis presented its application. Ms. Venezian stated that the School is expecting a 97% retention rate of current students and 368 new offers were extended in early March. The School expects a total enrollment for the 2023-2024 school year to be approximately 970 students. Ms. Venezian reported that zoning approvals and design plans for the campus improvement projects are progressing as planned and the School is expected to break ground on the loop road around the facility in September 2023.

pursuant to the Maryland Health and Higher Educational Facilities Authority Act, Sections 10-301 through 10-356, inclusive, of the Economic Development Article of the Annotated Code of Maryland (the "Act").

At the request of the Institution, the Authority has determined to authorize the issuance of its revenue bonds under the Act for such purposes.

NOW, THEREFORE, BE IT RESOLVED BY MARYLAND HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY THAT:

SECTION 1. The Authority is hereby authorized to issue, sell and deliver its revenue bonds (the "2023 Bonds") in a principal amount not to exceed \$68,000,000. The 2023 Bonds shall be issued and the proceeds thereof loaned to the Institution pursuant to a financing agreement (the "Financing Agreement") among the Authority, the Institution, Truist Commercial Equity, Inc. (the "Purchaser") and a trustee, which shall contain such terms, provisions and conditions as shall be approved by the Authorized Member (defined herein). The proceeds of the 2023 Bonds shall be loaned to the Institution pursuant the Financing Agreement for the public purpose of refunding the Refunded Bonds and financing and refinancing the 2023 Project in order to enable the Institution to provide, and to finance and refinance at the least cost to the users thereof, the facilities financed and refinanced with the proceeds of the Refunded Bonds and the 2023 Project (collectively, the "Project") for the benefit of the people of the State of Maryland, the increase of their commerce, welfare and prosperity and the improvement of their health and living conditions.

SECTION 2. As permitted by the Act, one or more series of the 2023 Bonds shall be sold at private (negotiated) sale to the Purchaser, at a price or prices at, above or below par and upon such terms as the Authorized Member deems to be in the best interest of the Authority.

SECTION 3. Any Member of the Authority (the "Authorized Member") is hereby authorized to specify, prescribe, determine, provide for or approve, all within the limitations of this resolution and the Act, all matters, details, forms, documents and procedures pertaining to the sale, security, issuance, delivery and payment of or for the 2023 Bonds, including (without limitation):

- (a) the maximum principal amount of 2023 Bonds;
- (b) the purchase price or prices to be paid to the Authority for the 2023 Bonds;
- (c) the rate or rates of interest payable on the 2023 Bonds, or the method of determining the same;
- (d) the date or dates of maturity of the 2023 Bonds, the payment provisions therefor, the optional and mandatory redemption provisions thereof, including (without limitation) the mandatory sinking fund installments (if any) for the 2023 Bonds, the designation or designations of the 2023 Bonds and the date of issuance thereof;

(e) the form, tenor, terms and conditions of the 2023 Bonds, and provisions for the registration and transfer of the 2023 Bonds;

(f) the form and contents of, and provisions for the execution and delivery of, such documents as the Authorized Member shall deem necessary or desirable to evidence, secure or effectuate the issuance, sale and delivery of the 2023 Bonds issued at any one time or from time to time, the loan of the proceeds of such 2023 Bonds to the Institution, and the financing and refinancing of the Project, including (without limitation) the Financing Agreement and any security agreements, letters of credit, bond insurance policies or other credit or liquidity facilities supporting the 2023 Bonds, financing agreements and other similar agreements;

(g) provision for the administration of the 2023 Bonds, including (without limitation) the appointment of a trustee under the Financing Agreement and any remarketing agents, paying agents, registrars, escrow agents or other agents as the Authorized Member shall deem necessary or desirable to effectuate the transactions authorized hereby;

(h) the form and contents of, and provisions for the execution and delivery of, a contract or contracts for the purchase and sale of the 2023 Bonds;

(i) procedures for the approval of change orders and substitutions for the construction, renovation, equipping and other improvements included within the 2023 Project by an authorized officer on behalf of the Authority;

(j) the creation of security for the 2023 Bonds, which may include (without limitation) provisions for securing any indebtedness or other obligations incurred in connection with the issuance of the 2023 Bonds, including (without limitation) any interest rate swap agreement, on parity with outstanding revenue bonds previously issued by the Authority pursuant to any resolution or trust agreement executed and delivered by the Authority, the execution and delivery by an Authorized Member of any supplemental resolution or trust agreement providing therefor to constitute conclusive evidence of the determination by the Authority that all of the conditions to the issuance of parity debt under such resolution or trust agreement have been met to the satisfaction of the Authority; and

(k) such other matters in connection with the authorization, issuance, execution, sale, delivery and payment of the 2023 Bonds and the security for the 2023 Bonds and the consummation of the transactions contemplated by this resolution as may be deemed appropriate and approved by the Authorized Member, including (without limitation) the establishment of procedures for the execution, acknowledgment, sealing and delivery of such other and further agreements, documents and instruments as are or may be necessary or appropriate to consummate the transactions contemplated by this resolution in accordance with the Act and this resolution.

SECTION 4. The Authorized Member and the Executive Director of the Authority are hereby authorized from time to time after the issuance of the 2023 Bonds to take any action required or permitted to be taken by or on behalf of the Authority under the Act, the Financing Agreement or other document or instrument executed and delivered in connection therewith, including (without limitation) providing any consent, approval or direction required or permitted thereunder, entering into any amendment of or supplement to any of the foregoing and entering into any agreement providing for the replacement of, substitution for or addition of (as the case may be) any credit or liquidity facility, remarketing agent, trustee or other agent, subject to the requirements of the Act and any other agreement by which the Authority is bound.

SECTION 5. This resolution shall take effect immediately.

FINANCIAL ADVISOR'S REPORT

Mr. Brian Carter reported on the current overall economic condition in the United States, highlighting that inflation concerns continue despite the interest rate increases by the Federal Reserve. Mr. Carter reported that mortgage applications and existing home sales have declined due to these rate increases. He provided details on the overall impact these conditions have on interest rates and the municipal bond market. Mr. Carter reported that benchmark interest rates and credit spreads have been volatile despite modest fund inflows in January and February of 2023. He highlighted the widening of credit spreads within the healthcare sector due to ongoing staffing pressures that are negatively impacting operating margins and causing ongoing problems with healthcare providers meeting debt service coverage ratio covenants.

Mr. Carter also provided an overview of the various assistance programs that were available to entities during the COVID-19 pandemic.

Questions were raised regarding additional information on the defaults and rating downgrades specifically in the healthcare sector. Mr. Savidge reported that due to the challenging operating environment in 2023 in the healthcare sector, all rating agency outlooks are negative. He also explained the pressures and strains on the Maryland healthcare reimbursement system and how this unique reimbursement system is impacting Maryland hospitals. Mr. Carter added that since rating agencies are forward looking in assigning ratings, healthcare facilities should focus on financial projections during this time of uncertainty.

EXECUTIVE DIRECTOR'S REPORT

Mr. Savidge provided updates on the various amendments to convert the interest rate on Authority revenue bonds that bear variable rate interest from LIBOR-based to SOFR-based. He reported that the Authority was leveraging templates specific to each bank to increase the efficiency of completing these amendments. He also highlighted the waiver that was executed for Union Hospital of Cecil County due to violating its debt service coverage ratio covenant. The Hospital attributed this covenant violation to elevated operating and labor expenses and an increase in service volumes in FY 2022 without a corresponding increase in reimbursement. Mr. Savidge stated that this was a prime example of the pressures identified in Maryland's unique

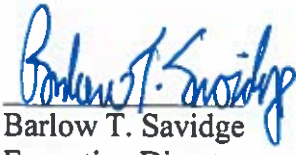
reimbursement system as Maryland begins to recover from the COVID-19 pandemic. Mr. Savidge provided a brief overview of the legislative tracking that is performed by the Authority and its counsel, McKennon Shelton & Henn LLP. Mr. Savidge stated that the Authority does not advocate for a specific position relating to proposed legislation but rather advises how the proposed legislation could impact the institutions that the Authority serves.

Mr. Savidge reported on several outreach activities, including Augsburg Lutheran and sharing the Authority's Community Outreach Guidelines with M&T Bank.

Mr. Savidge concluded by stating that the Authority is planning on scheduling several speakers at the upcoming board meetings, including Katie Wunderlich, the Executive Director of the Health Services Cost Review Commission. These speakers will provide an overview of Maryland's reimbursement model and provide insight on the unique pressures that Maryland's healthcare sector is experiencing as the COVID-19 pandemic subsides.

With no further business, on motion by Mr. Phelps, seconded by Mr. Meier, the meeting was adjourned at approximately 10:50 a.m. (Affirmative – Williams, Riggs, Martin, Meier, Perkins, Phelps, Phipps and White; Negative – none; Abstain – none)

The next meeting of the Authority is scheduled for May 2, 2023.



Barlow T. Savidge
Executive Director

Approved:



Arnold Williams
Chairman

May 2, 2023

**March 7, 2023 Authority Meeting
Guests participating remotely**

Bullis School, Incorporated

Rachel Venezian, Director of Finance & Operations

ArentFox Schiff – Bullis School, Incorporated Counsel

Sean Glynn, Partner

Stifel, Nicolaus & Co – Bullis School, Incorporated Placement Agent

Dev Talvadkar, Managing Director

Community Outreach Consultant

Annette Anselmi