

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, September 12, 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
Jonathan Martin, Chief Deputy Treasurer, Designee of Treasurer
Dr. Bisma Beg, Member
Mamie Johns Perkins, Member
John Phelps, Member
Bonnie Phipps, Member
Arthur S. Varnado, Member
W. Daniel White, Member
Bart Savidge, Executive Director
Lynn Gorman-Lepson, Chief Financial Officer
David Gregory, Bond Counsel
William Taylor IV, Bond Counsel
Brian Carter, Financial Advisor
Stephen Murphy, Financial Advisor

Absent: Frederick W. Meier, Jr., 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. Mr. Savidge introduced the 2 newly appointed Members, Dr. Bisma Beg and Mr. Arthur Varnado and they each shared their backgrounds.

APPROVAL OF MINUTES

The minutes of the August 1, 2023 regular meeting of the Authority were unanimously approved.

GREATER BALTIMORE MEDICAL CENTER (GBMC)

Mr. Matt Beitman, Controller of GBMC, provided an update on the project and the plan of finance. Mr. Beitman stated that in 2021, GBMC began a two-part project: the construction of a three-story building that is an expansion to and renovation of an existing hospital facility ("Promise Project") and the construction of a four-story parking garage with a new cancer center constructed atop the garage. The Promise Project is scheduled to be completed in October of 2023, on or under budget. This was financed by GBMC's Series 2021 Bonds. The garage/cancer center component

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 Bond 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.

DIENER SCHOOL

Ms. Kathy Chumas, Head of School for Diener, provided background on the School and detailed the plan of finance. The Diener School is an independent, K-8 school located in North Bethesda, Maryland that provides a multi-sensory education to children with learning differences. Diener has a staff of 38 and a current enrollment of 75 students. For the last 16 years, Diener has rented space for its operations. Diener is currently leasing space with the Green Acres School and enrollment is limited to 75 students. For the 2023-2024 school year Diener had to turn away many qualified students. This issuance would finance the acquisition and renovation of a new campus located 4 miles south of the School's current location that would almost double its current space and allow for a capacity of 120 students.

Ms. Chumas provided a brief overview of the plan of finance. She reported that the School engaged First Tyron Advisors, LLC as its financial advisor in connection with this financing. The School conducted a competitive RFP process for financing sources for this project and selected Pinnacle Bank as its lender based on its competitive rates, commitment term and acceptable financial covenants. The plan of finance will consist of a tax-exempt bond purchased by Pinnacle Bank for a term of up to 15 years. The balance of the project will be financed through equity contributions from the School as well as proceeds from its \$5 million Capital Campaign.

A question was raised regarding the contingency plan for this project. Ms. Chumas responded that the School has a good relationship with the current lessor, Green Acres, and that the School will be able to continue to lease space in the event the project timeline is not met.

Mr. Savidge asked the Members to consider a resolution authorizing the issuance from time to time of the Authority's revenue bonds in a principal amount not exceeding \$13,000,000 and delegating to any one Member of the Authority the power to approve the principal amount of the bonds, the interest rate and other terms of the bonds and other matters in connection with the issuance, sale, and delivery of such bonds.

Following discussion, the Authority, on motion by Mr. White, seconded by Ms. Perkins, adopted the following resolution (Affirmative – Williams, Martin, Beg, Perkins, Phelps, Phipps, Varnado and White; Negative – none; Abstain – none):

**THE DIENER SCHOOL
BOND AUTHORIZING RESOLUTION**

A RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY BY MARYLAND HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY (THE "AUTHORITY") OF ITS REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT (DETERMINED AS PROVIDED HEREIN) NOT EXCEEDING \$13,000,000 IN ORDER TO LEND THE PROCEEDS THEREOF TO THE DIENER SCHOOL, INC. (THE "INSTITUTION") FOR THE PURPOSE OF FINANCING AND REFINANCING CERTAIN CAPITAL PROJECTS OF THE INSTITUTION; AUTHORIZING ANY MEMBER OF THE AUTHORITY TO SPECIFY, PRESCRIBE, DETERMINE, PROVIDE FOR AND APPROVE CERTAIN MATTERS, DETAILS, FORMS, DOCUMENTS AND PROCEDURES PERTAINING TO THE AUTHORIZATION, SALE, ISSUANCE, DELIVERY AND PAYMENT OF AND FOR SUCH REVENUE BONDS; AND PROVIDING FOR AND DETERMINING VARIOUS MATTERS IN CONNECTION WITH THE FOREGOING.

RECITALS

Maryland Health and Higher Educational Facilities Authority (the "Authority") has received an application from The Diener School, Inc., a nonprofit corporation formed under the laws of the State of Maryland (the "Institution"), for the financing and refinancing of certain capital expenditures of the Institution including (without limitation): (i) the acquisition, renovation and equipping of a two-story (plus lower level), approximately 26,000 square foot facility to serve as the main school building of the Institution; (ii) the payment of capitalized interest; and (iii) the payment of certain costs of issuance and other related costs incurred with respect to the financing (collectively, the "2023 Project") 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 the purpose of financing and refinancing the Project.

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 \$13,000,000. 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, Pinnacle Bank (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 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 with the proceeds of 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.

AUDIT COMMITTEE UPDATE

Ms. Bonnie Phipps stated that the Authority's Audit Committee met on September 7, 2023 to consider the Authority's FY 2023 Annual Report and Agreed Upon Procedures Report as presented by CohnReznick LLP. The Authority's Audit Committee accepted the FY 2023 Annual report as presented. Ms. Phipps reported that the Authority received an unmodified opinion on the

financial statements from the auditors, that no material weaknesses or significant deficiencies were noted and that, accordingly, there were no comments or adjustments noted in the management letter. Ms. Phipps noted that the Agreed Upon Procedures performed by CohnReznick LLP also indicated no issues.

Ms. Lynn Gorman-Lepson reported that there was a new audit partner, audit manager and staff that were based out of North Carolina. Several members from the team, including the audit partner, were onsite for several days of the audit fieldwork process. Ms. Gorman-Lepson stated that the new audit team was very engaged and asked good, insightful questions and that the 2023 audit process was very efficient and successful. Ms. Gorman-Lepson provided a brief overview of the Annual Report and the AUP process for the Board. Ms. Gorman-Lepson also shared financial highlights of the Annual Report and the AUP Report highlighting that management included a sampling of the LIBOR to SOFR Amendments in the AUP testing for FY 2023.

Ms. Phipps congratulated Ms. Gorman-Lepson and her team for the work performed on the FY 2023 Audit and AUP Report.

FINANCIAL ADVISOR'S REPORT

Mr. Brian Carter reported on the current overall economic condition in the United States, stating that the unemployment rate remains low at 3.8% and the market currently expect Fed Funds to approach a peak of nearly 5.5% by November of 2023. Mr. Carter highlighted that the various national and economic indicators of a recession remain mixed. He provided details on the overall impact these conditions have on interest rates and the municipal bond market. He highlighted the continued increase in credit spreads in the lower rated higher education institutions which is an indicator of market concern about smaller, private schools.

Mr. Carter expanded upon PFM's market commentary by provided details regarding taxable bond tenders and tax-exempt refinancings. Mr. Carter explained that due to the increase in interest rates, institutions' corporate bonds are trading at significant discounts. Mr. Carter indicated that for certain institutions, there may be opportunities to execute a tender for outstanding taxable bonds and use the proceeds from issued tax-exempt refunding bonds to pay for the taxable bonds tendered to realize debt service savings. Mr. Savidge stated that this is a good example of how the Authority utilizes the resources and knowledge of PFM to provide the borrowers with the best financing options to meet their needs.

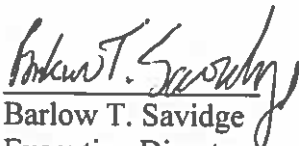
EXECUTIVE DIRECTOR'S REPORT

Mr. Savidge reported that there have been less issuances in FY 23 due to the increase in interest rates. Due to the current financial environment, Institutions are not refinancing outstanding debt and are delaying capital projects. Mr. Savidge stated that with higher short-term investment yields there is a potential risk that borrowers' investment earnings on construction funds may exceed borrowing costs which would lead to the potential for arbitrage and rebate liabilities. The Authority has proactively worked with its arbitrage and rebate provider, Hilltop


Securities, to understand best practices and inform Institutions about this potential risk. Mr. Savidge reported on several outreach activities including Meritus and Tuerk House.

With no further business, on motion by Mr. Phelps, seconded by Ms. Riggs, the meeting was adjourned at approximately 11:40 a.m. (Affirmative – Williams, Martin, Beg, Perkins, Phelps, Phipps, Varnado and White; Negative – none; Abstain – none).

The next meeting of the Authority is scheduled for December 5, 2023.


Barlow T. Savidge
Executive Director

Approved:


Arnold Williams
Chairman

December 5, 2023

**Authority Meeting
September 12, 2023
Guest List**

Greater Baltimore Medical Center

Laurie Beyer, Executive Vice President & CFO
Matt Beitman, Controller

First Tryon Advisors - Financial Advisor to GBMC

Kevin Quinn, Managing Director
William Bass, Director

Diener School

Beth Freedman, Board Chair
Kathy Chumas, Head of School
Lois McCabe, Director of Admissions
Laurie Aaronson, Director of Operations

First Tryon Advisors - Financial Advisor to Diener School

Kevin Quinn, Managing Director
Pamela Kelly, Director

Community Outreach Consultant

Annette Anselmi