

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, February 2, 2021, with Mr. Arnold Williams, Chairman, presiding. The meeting was conducted remotely via an open conference line available to the public.

Present: Arnold Williams, Chairman
Sheila K. Riggs, Vice Chairman
James P. Daly, Jr., Member
Frederick W. Meier, Jr., Member
Mamie Johns Perkins, Member
John Phelps, Member
Bonnie Phipps, Member
W. Daniel White, Member
Bernadette Benik, Chief Deputy Treasurer, Designee of Treasurer
Bart Savidge, Executive Director
Lynn Gorman-Lepson, Chief Financial Officer
Elizabeth A. McKennon, Bond Counsel
David W. Gregory, Bond Counsel
Will Taylor, Bond Counsel
Errol Brick, Financial Advisor
Alford Evans, Financial Advisor

Absent: None

Special Guests: See attached.

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

APPROVAL OF MINUTES

The minutes of the December 1, 2020 regular meeting of the Authority were unanimously approved.

CALVERT HEALTH SYSTEM, INC

Ms. Heithaus, CFO of Calvert Health System, provided an update on operations and the impact of COVID-19. Ms. Heithaus reported that financial results for the six-month period ending December 31, 2020 exceeded budget. This was due to the Calvert Health's ability to manage costs and revenue streams, in large part due to Maryland's unique healthcare reimbursement system. Calvert Health was able to procure adequate PPE to support its workforce. Ms. Heithaus stated that new initiatives were implemented for both full-time and part-time staff to cover additional shifts without having to incur the cost of extensive contract labor. Due to its strong balance sheet

and management of bad debt expenses, Calvert Health did not take the Medicare Advance Funding that was offered in April. Calvert Health did receive \$7 million in CARES Act funding.

Ms. Heithaus also provided an overview of the plan of finance. RFP's were solicited from 20 financial institutions with 12 institutions responding. The refinancing of the 2015 Bond and the Series 2013 Bonds are expected to provide debt service savings and fixed rates for the term of the proposed bonds. The initial financing is expected to consist of a tax-exempt bond issued to refund the 2015 Bond, which is currently refundable, and a Calvert Health note to refund the Series 2013 Bonds. The Authority will be requested to refund the taxable on the earliest date possible under applicable tax regulations.

Mr. Savidge asked the Members to consider an application for approximately \$52,000,000 and a resolution authorizing the issuance from time to time of the Authority's revenue bonds in a principal amount not exceeding \$18,000,000 to refund the 2015 Bond 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. Daly, seconded by Ms. Benik, adopted the following resolutions (Affirmative – Williams, Riggs, Daly, Meier, Perkins, Phelps, Phipps, White and Benik; Negative – none; Abstain – none).

RESOLUTION RECITALS

Maryland Health and Higher Educational Facilities Authority (the "Authority") has received a request from Calvert Health System, Inc. for the issuance of revenue bonds by the Authority to refund all or a portion of the Authority's Revenue Bonds, Calvert Memorial Hospital Issue, Series 2013 and Revenue Bond, Calvert Memorial Hospital Issue (2015) (collectively, the "Projects"); and

The Authority has duly considered such application;

NOW, THEREFORE, BE IT RESOLVED, THAT the Authority hereby accepts such application and authorizes any Member and the Executive Director of the Authority to execute the form of acceptance of such application in order to evidence such acceptance, such acceptance being subject to the following:

- (1) the fulfillment of all requirements of the Authority with respect to the quality of obligations which the Authority will issue; and
- (2) the Authority's acceptance of such application shall not be deemed to constitute in any way a determination by the Authority that the Projects are feasible or will in fact be consummated and although the Authority will keep the Institution advised from time to time of the Authority's opinion in regard to the possibility of a successful financing and refinancing of the Projects by

the Authority, the Authority does not guarantee such successful financing and refinancing or in any way represent that funds for such financing and refinancing are or will become available.

**CALVERT HEALTH SYSTEM
BOND AUTHORIZING RESOLUTION**

A RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY BY MARYLAND HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY (THE "AUTHORITY") OF ITS REVENUE BOND IN A PRINCIPAL AMOUNT (DETERMINED AS PROVIDED HEREIN) NOT EXCEEDING \$18,000,000 IN ORDER TO LEND THE PROCEEDS THEREOF TO ONE OR MORE OF CALVERT HEALTH SYSTEM, INC. AND CALVERT MEMORIAL HOSPITAL, INC. FOR THE PURPOSE OF REFUNDING ALL OR A PORTION OF THE AUTHORITY'S REVENUE BOND, CALVERT MEMORIAL HOSPITAL ISSUE (2015); 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 BOND; 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 Calvert Health System, Inc., a non-stock, nonprofit Maryland corporation (the "Health System"), for the refunding of all or a portion of the Authority's Revenue Bond, Calvert Memorial Hospital Issue (2015) (the "Refunded Bond") pursuant to the Maryland Health and Higher Educational Facilities Authority Act, Sections 10-301 through 10-356 of the Economic Development Article of the Annotated Code of Maryland, as amended (the "Act").

The project consists of the facilities financed and refinanced with the proceeds of the Refunded Bond (the "Project").

At the request of the Health System, the Authority has determined to authorize the issuance of its revenue bonds under the Act for the purpose of refunding the Refunded Bond.

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 bond (the "2021 Bond") in a principal amount not to exceed \$18,000,000. The 2021 Bond shall be issued and the proceeds thereof loaned to the Institution pursuant to a financing agreement (the "Financing Agreement") among the Authority, the Health System, Calvert Memorial Hospital, Inc. (the "Institution"), CN Financing, Inc. or an affiliate thereof (the "Purchaser") and a trustee, which

shall contain such terms, provisions and conditions as shall be approved by the Authorized Member (defined herein) for the public purpose of financing and refinancing the Project in order to enable the Institution to provide, and to finance and refinance at the least cost to the users thereof, 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. It is hereby found and determined that the financing of the Project will serve the public purpose of the Institution.

SECTION 2. As permitted by the Act, the 2021 Bond shall be sold at private (negotiated) sale to the Purchaser, City National Bank or an affiliate thereof 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 2021 Bond, including (without limitation):

- (a) the principal amount of the 2021 Bond;
- (b) the purchase price to be paid to the Authority for the 2021 Bond;
- (c) the rate or rates of interest payable on the 2021 Bond, or the method of determining the same;
- (d) the date or dates of maturity of the 2021 Bond, the payment provisions therefor, the optional and mandatory purchase and redemption provisions thereof, including (without limitation) the mandatory sinking fund installments (if any) for the 2021 Bond, the designation or designations of the 2021 Bond, the conditions precedent to the issuance of the 2021 Bond and the date of issuance thereof;
- (e) the form, tenor, terms and conditions of the 2021 Bond, and provisions for the registration and transfer of the 2021 Bond;
- (e) 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 2021 Bond, the loan of the proceeds of such 2021 Bond 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 2021 Bond, financing agreements and other similar agreements;
- (g) provision for the administration of the 2021 Bond, 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 2021 Bond;

(i) the creation of security for the 2021 Bond, which may include (without limitation) provisions for securing the 2021 Bond and any indebtedness or other obligations incurred in connection with the issuance of the 2021 Bond, including (without limitation) any interest rate swap agreement, on parity with any 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 an amended or supplement to the master loan agreement between the Authority and the Institution and its affiliates and the bond resolution or other 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

(j) such other matters in connection with the authorization, issuance, execution, sale, delivery and payment of the 2021 Bond and the security for the 2021 Bond 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. An Authorized Member and the Executive Director of the Authority are hereby authorized from time to time after the issuance of the 2021 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.

MERCY MEDICAL CENTER, INC.

Mr. W. Daniel White disclosed the fact that he is a retired Executive Vice President, Assistant, Secretary, Assistant Treasurer and member of the Board of Directors of The Whiting-Turner Contracting Company, which provides construction management services to Mercy Health. He refrained from all deliberation and action in connection with matters related to Mercy Health.

Mr. Savidge asked the Members to consider an application from Mercy Medical Center, Inc. to refinance the Authority's 2011 Bonds and provide approximately \$14 million in new money

for the purchase of medical equipment. Mercy is currently evaluating whether this transaction will be a rated, public offering or a bank direct placement.

Mr. Deibel, CFO of Mercy Medical Center, provided an update on operations and the impact of COVID-19. In July, Mercy Medical hired a new CEO, Dr. David Maine, to succeed Mr. Thomas Mullan. Mercy was proactive in its response to COVID 19 by securing an emergency Certificate of Need for a 32-bed COVID Unit at a cost of \$12.5 million. Mercy secured partial funding for this unit from FEMA. Mercy also responded to the COVID 19 pandemic by rapidly deploying telehealth services and establishing COVID clinics for testing and sick visits at many of its major hubs. Mercy did experience a decline in operating room and emergency room volumes due to the pandemic, but its cash and liquidity position remained strong throughout this time.

Mr. Deibel also provided an update on the plan of finance. Mercy is currently evaluating whether this transaction will be a rated, public offering or a bank direct placement. Mercy has issued RFPs to financial institutions and is evaluating the optimal plan of finance. Total debt service savings of approximately \$9 million are expected from this transaction.

Following discussion, the Authority, on motion by Ms. Riggs, seconded by Ms. Perkins, adopted the following resolution (Affirmative – Williams, Riggs, Daly, Meier, Perkins, Phelps, Phipps and Benik; Negative – none; Abstain – White).

RESOLUTION RECITALS

Maryland Health and Higher Educational Facilities Authority (the “Authority”) has received a request from Mercy Medical Center, Inc. for the issuance of revenue bonds by the Authority to refund all or a portion of the Authority’s Revenue Bonds, Mercy Medical Center Issue, Series 2011 and to finance certain capital projects for the Institution (collectively, the “Projects”); and

The Authority has duly considered such application;

NOW, THEREFORE, BE IT RESOLVED, THAT the Authority hereby accepts such application and authorizes any Member and the Executive Director of the Authority to execute the form of acceptance of such application in order to evidence such acceptance, such acceptance being subject to the following:

- (1) the fulfillment of all requirements of the Authority with respect to the quality of obligations which the Authority will issue; and
- (2) the Authority’s acceptance of such application shall not be deemed to constitute in any way a determination by the Authority that the Projects are feasible or will in fact be consummated and although the Authority will keep the Institution advised from time to time of the Authority’s opinion in regard to the possibility of a successful financing and refinancing of the Projects by the Authority, the Authority does not guarantee such successful financing

and refinancing or in any way represent that funds for such financing and refinancing are or will become available.

OVERVIEW OF THE IT MONITORING REPORT

Mr. Meier began his overview by providing background information on the review that was conducted on MHHEFA's IT security in January 2020. This review was performed by RGS and J2 Coordinated Response and followed the NIST framework. The NIST program has a set of 112 security requirements that are broken down into 14 subsets by subject matter. Of the 96 requirements that were applicable, MHHEFA was fully compliant with 68, partially compliant with 25 and non-compliant with 3 requirements which were considered moderate risk. This initial report concluded that a follow up review should be performed by the cybersecurity consultants in six months.

Mr. Meier stated that this six-month follow-up was delayed until December 2020 due to the COVID-19 pandemic. The results of this follow-up review are that MHHEFA is now fully compliant with 92 requirements and partially compliant with 4. MHHEFA is not non-compliant with any of the applicable requirements. MHHEFA has addressed, or is in the process of addressing, the 4 partially compliant requirements through follow up work and enhancements. Mr. Meier concluded his remarks by complimenting Ms. Annette Anselmi, Mr. Robert Waters and the MHHEFA staff on successfully addressing these outstanding issues.

Mr. Waters commented that MHHEFA's business risk profile is comparatively low. He also stated that MHHEFA is committed to continuous process improvements in IT security. Mr. Savidge added that this study has provided the MHHEFA staff with the knowledge needed to ask the right questions related to IT security and appreciates that IT risks evolve.

FINANCIAL ADVISOR'S REPORT

Mr. Evans reported on the current overall economic condition in the United States, highlighting the trends in treasury yields and the dynamics in the muni bond market. He provided details on the overall impact these conditions have on interest rates and the bond market. He concluded by providing an update on the supply and demand of bond transactions and the resulting impact on the market for them.

Mr. Brick reported on the Adventist Healthcare bond sale. He provided an analysis on the marketing, pricing structure and the investor participation in this issuance, highlighting that the large oversubscription was due to the demand from several large money managers. He stated that this issuance was priced very well and did better than certain higher rated institutions in the marketplace.

Mr. Brick reported on the Stevenson University bond sale. He provided an overview of the offering and an analysis on the pricing structure and the investor participation in this issuance, highlighting the investor diversity including hedge funds and insurance companies. He

commented that this was the University's first time in the public market and that this issuance was priced well and strong investor demand.

There was a question regarding why the Stevenson issuance was priced better than a Maryland issue for Morgan State as both bond issuances had the same assigned credit rating. Mr. Brick stated that this variance in pricing was likely due to the fact that the Morgan State issuance was for student housing and backed by dorm revenues whereas the Stevenson issue was a general obligation of the University.

EXECUTIVE DIRECTOR'S REPORT

Mr. Savidge provided updates on transactions that have closed, waivers and amendments that were issued and the various outreach activities that MHHEFA is pursuing. He highlighted that his outreach has been focused on institutions with a dependence on skilled nursing revenues, as this sector is facing significant challenges due to COVID 19.


Mr. Savidge also provided a detailed overview of the due diligence activities of MHHEFA staff, financial advisor and bond counsel before, during and after a financing. This Member education effort highlighted MHHEFA's financing objectives, areas of focus and due diligence efforts to obtain the lowest risk-adjusted cost of capital for its borrowers.

With no further business, on motion by Mr. Daly, seconded by Ms. Phipps, the meeting was adjourned at approximately 11:15 a.m. (Affirmative – Williams, Riggs, Daly, Meier, Perkins, Phelps, Phipps, White and Benik; Negative – none; Abstain – none).

The next meeting of the Authority is scheduled for April 6, 2021.


Barlow T. Savidge
Executive Director

Approved:


Arnold Williams
Chairman
April 6, 2021

February 2, 2021 Authority Meeting
Guests participating remotely via conference line

Calvert Health System, Inc.

Carolyn Heithaus, Vice President, Finance and Chief Financial Officer

Wye River Capital (Financial Advisor for Calvert Health System)

Kevin Quinn, Principal

Bill Bass, Senior Vice President

Pam Kelly, Senior Vice President

Mercy Medical

Justin Deibel, Senior Vice President and Chief Financial Officer

Ponder & Company (Financial Advisor for Mercy Medical)

John Cheney, Managing Director

Brad Dills, Associate

Community Outreach Consultant

Annette Anselmi

Information Technology Consultant

Bob Waters