Maryland Health and Higher Educational Facilities Authority

Agenda & Board Meeting Materials

May 7, 2024

Board Meeting Agenda

May 7, 2024

MARYLAND HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

401 E. PRATT STREET, SUITE 1224
BALTIMORE, MARYLAND 21202
410-837-6220
FAX 410-685-1611

AGENDA

This open meeting will be held at 401 East Pratt Street (World Trade Center) in McKennon Shelton & Henn's board room on the 26th Floor.
Access is also available remotely via Zoom as follows:
Video Link:
https://us06web.zoom.us/j/81291453475?pwd=bESIlrRsaPycxkw88IFMF7kSNO0uEA.1

Conference Phone Line - +1 301 715 8592
Meeting ID/Access Code – 812 9145 3475
Passcode: 573563
(Dial Back In If Experiencing Connection Issues)

Authority Open Meeting
Tuesday, May 7, 2024, 10:00 A.M.

1. Approval of the Minutes of the Regular Meeting of the Authority held on Tuesday, February 6, 2024

2. Stevenson University - Consideration of an Application Letter and Authorizing the issuance, sale and delivery of the Authority's Indebtedness (Approximately $14,000,000)

Stevenson University has submitted an application to finance a portion of the construction costs of a one-story, approximately 36,000 square foot new Performing Arts Center. The plan of finance includes the issuance of a direct placement that is expected to be purchased by Eagle Bank.

Representatives from Stevenson are expected to be in attendance to answer questions.

3. Friends School of Baltimore– Consideration of an Application Letter and Authorizing the issuance, sale and delivery of the Authority's Indebtedness (Approximately $16,700,000)

Friends School of Baltimore has submitted an application to refund the Authority's Revenue Bonds, Friends School of Baltimore Issue (2004) and to finance construction costs associated with the expansion and internal renovation of the Institution's existing Lower School Building. The plan of finance includes the issuance of a bank direct placement that is expected to be purchased by Pinnacle Bank.

Representatives from Friends School are expected to be in attendance to answer questions.

4. Maryland Institute College of Art (MICA) - Consideration of an Application Letter for the sale and delivery of the Authority's Indebtedness (Approximately $42,000,000)

MICA has submitted an application to issue publicly offered bonds to refund its Series 2012 bonds and to finance various campus improvements and transaction costs. The plan of finance includes the issuance of rate, publicly fixed rate bonds.

MICA requests the appointment of BofA Securities as the underwriter. The Authority anticipates going into Closed Session for the consideration of public securities between approximately 10:50 and 11:00.

Representatives from MICA are expected to be in attendance to answer questions.

5. Financial Advisor's Report

6. Executive Director's Report

7. All Other Matters Which May Come Before the Authority

Board Meeting Minutes

February 6, 2024

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 6, 2024, 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 Frederick W. Meier, Jr., Member Bonnie Phipps, Member Arthur S. Varnado, 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:	Mamie Johns Perkins, Member John Phelps, Member W. Daniel White, 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 December 5, 2023 regular meeting of the Authority were unanimously approved.

GENERAL GERMAN AGED PEOPLE'S HOME OF BALTIMORE (d/b/a EDENWALD)

Mr. Mark Beggs, President and Chief Executive Officer of Edenwald, provided an overview of the organization, its market profile, financial performance and the planned project. Mr. Beggs stated that Edenwald has been a borrower of the Authority since 1982. Edenwald has entered into a development agreement and land lease with Goucher College for 3.1 acres of land to construct 127 independent living units and a 130-space parking garage. This expansion project will be connected to the existing 373-unit life plan community. Mr. Beggs stated that Edenwald expansion would be the first university-based retirement facility in Maryland.

Mr. Beggs reported that Edenwald conducted an extensive market study to gauge demand and to understand market dynamics. Mr. Beggs anticipates that the expansion of independent living capacity and the project's amenities will increase operating margins and allow the Institution to serve the community more efficiently. The organization has benefitted from strong demand across its continuum of care. In August 2022, Edenwald became Medicare certified, which has generated annually over $1 million in revenues. Edenwald offers type A and type C residential contracts. Having these contract options enhances market appeal and provides prospective residents with pricing alternatives.

The proposed plan of finance will be a draw-down bank bond to be purchased by Fulton Bank. The draw down feature will allow Edenwald to receive bond proceeds when eligible project expenditures, renovations and pre-development costs are incurred. The bank commitment period is for seven years with a 30-year bond maturity. The financing is a variable rate and could be refinanced when the permanent expansion financing is executed.

Several questions were raised including which services were subcontracted by Edenwald and how entrance fees were invested. Mr. Beggs responded that all services except for therapy and salon services are provided internally, and entrance fees are invested with Brown Advisory pursuant to its investment policy. Other questions included if marketing expenses could be financed on a tax-exempt basis and how many residents were on Edenwald's Board. Mr. Beggs responded that Edenwald's auditors provide guidance on whether its marketing expenses should be expensed or capitalized and tax-exempt bond proceeds are only used to finance those marketing costs that could be capitalized. Mr. Beggs indicated that at least one resident must be a member of Edenwald's Board.

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 $17,000,000 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. Meier, seconded by Ms. Phipps, adopted the following resolution (Affirmative – Williams, Beg, Martin, Meier, Phipps and Varnado; Negative – none; Abstain – none):

EDENWALD
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 $17,000,000 IN ORDER TO LEND THE PROCEEDS THEREOF TO GENERAL GERMAN AGED PEOPLE'S HOME OF BALTIMORE FOR THE PURPOSE OF FINANCING AND REFINANCING CERTAIN CAPITAL PROJECTS; 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

At its meeting on February 6, 2024, Maryland Health and Higher Educational Facilities Authority (the "Authority") accepted an application from General German Aged People's Home of Baltimore, a nonprofit corporation formed under the laws of the State of Maryland (the "Institution"), for the financing of a portion of the costs of acquisition, construction and equipping of certain capital projects (collectively, the "Project") of the Institution 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: (i) renovations and capital improvements to the Institution's existing facility located at 800 Southerly Road in Towson, Maryland; and (ii) pre-development costs associated with an expansion of such existing facility, which is expected to include approximately 127 independent living units expected to be constructed on approximately three acres of property currently owned by Goucher College and the subject to a lease with the Institution, located on the campus of Goucher College.

At the request of the Institution, the Authority has determined to authorize the issuance of revenue bonds under the Act for the purposes 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 bond (the "2024 Bond") in an aggregate principal amount not to exceed $17,000,000 for the purpose of financing and refinancing the Project. The 2024 Bond shall be issued and the proceeds thereof loaned to the Institution pursuant to a financing agreement (the "Financing Agreement") among the Authority, the Institution, Fulton Bank, N.A. and U.S. Bank Trust Company, National Association, as trustee, which shall contain such terms, provisions and conditions as shall be approved by the Authorized Member (defined herein).

The proceeds of the 2024 Bond shall be loaned to the Institution pursuant to the Financing Agreement 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.

SECTION 2. As permitted by the Act, one or more series of the 2024 Bond 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 2024 Bond, including (without limitation):

(a) the maximum principal amount of 2024 Bond;

(b) the purchase price or prices to be paid to the Authority for the 2024 Bond;

(c) the rate or rates of interest payable on the 2024 Bond, or the method of determining the same;

(d) the date of maturity of the 2024 Bond issued at any one time or from time to time, the payment provisions therefor, the mandatory tender and purchase provisions thereof, optional and mandatory redemption provisions thereof, including (without limitation) the mandatory sinking fund installments (if any) for such 2024 Bond, the designation of the 2024 Bond and the date of issuance thereof;

(e) the form, tenor, terms and conditions of the 2024 Bond, and provisions for the registration and transfer of the 2024 Bond;

(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 2024 Bond issued at any one time or from time to time, the loan of the proceeds of such 2024 Bond to the Institution, and the financing and refinancing of the Project, including (without limitation) the Financing Agreement, a resolution or trust agreement, loan agreement and any security agreements, letters of credit, bond insurance policies or other credit or liquidity facilities supporting the 2024 Bond and other similar agreements;

(g) provision for the administration of the 2024 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 2024 Bond;

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

(j) the creation of security for the 2024 Bond, which may include (without limitation) provisions for securing any indebtedness or other obligations incurred in connection with the issuance of the 2024 Bond, 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 2024 Bond and the security for the 2024 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. The Authorized Member and the Executive Director of the Authority are hereby authorized from time to time after the issuance of the 2024 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.

RATING UPDATES AND SECTOR CREDIT REVIEW

As a component of the Authority's due diligence practices, Mr. Savidge presented Institutions' rating profiles, rating agency sector outlooks and commentary and financial covenant waiver updates.

Mr. Savidge stated that Fitch and S&P continue to have a negative outlook on the healthcare sector, but Moody's has revised its outlook on this sector from negative to stable. This is mostly due to a slight reduction in the wage and labor pressures facing this sector. In reviewing the rating profile of the Authority's institutions, he highlighted that Luminis, TidalHealth and GBMC were all downgraded from Stable to Negative outlooks. In the higher educational sector, Goucher College and Loyola University were downgraded from stable to negative. The outlooks for Maryland Institute College of Art and St. John's College were both upgraded due to enrollment stability and strong balance sheets.

Mr. Savidge reviewed the methodology of charter schools to provide the Members with an appreciation of how rating agencies evaluate this particular sector. He highlighted that most charter schools do not have ratings and are sold in limited public offerings. He also highlighted that the sector continues to benefit from increasing per pupil funding and stable enrollment.

Mr. Savidge provided updates on several institutions that were granted financial covenant waivers by MHHEFA and the lenders holding the bonds including Trinity School, ChristianaCare Union Hospital and Atlantic General Hospital. He highlighted how the Authority works with these institutions to help facilitate consents.

UPDATE ON MARYLAND HEALTH SYSTEM PERFORMANCE

Liz Sweeney, President of Nutshell Associates, provided an update on the Maryland Health System's financial performance and metrics. Ms. Sweeney reported that rating actions within the healthcare sector have resumed a negative trend after a brief respite in 2021. Negative outlooks of all three rating agencies significantly exceed positive outlooks predicting more downward rating pressure in 2024-2025. Ms. Sweeney highlighted that Moody's is putting more weight on recovery and improvements in this sector than the other two rating agencies. Ms. Sweeney reported that Maryland hospitals and healthcare systems are experiencing a recovery from the pandemic. On average, these systems are showing operating margins of only 1% as of the 3rd quarter of 2023. Ms. Sweeney did state that these challenges are affecting this sector at the national level as well and that Maryland metrics overall are quite close to national medians except for long-term debt to capital metrics; Maryland health systems are more leveraged than the national average.

A question was raised asking if Maryland's unique global budget reimbursement system is helping the rating profile for Maryland's hospitals and healthcare systems. Ms. Sweeney responded that Maryland's rate setting system does provide some predictability from a credit standpoint but does have some constraints such as slow revenue growth. Another question was raised asking if the quality of Maryland healthcare systems were attracting good management. Ms. Sweeney responded that the healthcare industry is very complex; it's hard to manage and hard to govern. Management and board governance are critical for an organization's long-term success.

FINANCIAL ADVISOR'S REPORT

Mr. Brian Carter reported on the current overall economic condition in the United States, stating that national and economic indicators and the inverted yield curve are still indicating a recession. The unemployment rate remains low at 3.7% and the market currently expects the Federal Funds Rate to approach a peak of nearly 5.3% by January of 2024. Mr. Brian Murphy highlighted that indicators relating to pricing and inflation are beginning to moderate as the Federal Reserve is not as aggressive in interest rate cuts as originally perceived. He stated that consumer confidence has increased and there are signs of some stability in the housing market. He provided details on the overall impact these conditions have on interest rates and the municipal bond market.

Mr. Carter provided an overview of the capital markets year in review and forecast. He highlighted that there had been volatility in the treasury yield curve throughout 2023. He also reported that municipal issuances while relatively flat in 2023 experienced a 40% reduction in healthcare issuance.

EXECUTIVE DIRECTOR'S REPORT

Mr. Savidge provided an update on the City Neighbors Schools' refunding transaction. The School was able to lock in a fixed rate of 4.79% to the maturity of the bonds in 2044. Mr. Savidge also highlighted that the Authority had a kick-off call to review and plan for the goals related to its annual disaster recovery test. Mr. Savidge also reported on recent outreach activities including meetings with Keswick Multi-Care Center and TD Bank.

With no further business, on motion by Mr. Meier, seconded by Mr. Varnado, the meeting was adjourned at approximately 11:45 a.m. (Affirmative – Williams, Beg, Martin, Meier, Phipps and Varnado; Negative – none; Abstain – none).

The next meeting of the Authority is scheduled for May 7, 2024.

Barlow T. Savidge
Executive Director

Approved:

Arnold Williams
Chairman

May 7, 2024

Authority Meeting
February 6, 2024
Guest List

<u>Edenwald</u>
Mark Beggs, President and Chief Executive Officer
Roland DeVasher, Vice President of Finance and Administration

<u>McGuireWoods</u>
Alan Cason, Partner & Counsel to Edenwald

<u>HJ Sims – Placement Agent</u>
Aaron Rulnick, Managing Director
David Saustad, Assistant Vice President

<u>Nutshell Associates, LLC</u>
Liz Sweeney, President

<u>Community Outreach Consultant</u>
Annette Anselmi

Bond Authorization Summary

Maryland Health & Higher Educational Facilities Authority

Bond Issuance Authorization Summary

May 7, 2024

Institution:	Stevenson University
Issuance Amount:	Up to $14,000,000
Project Description:	To finance a portion of the construction costs of a one-story, approximately 36,000 square foot facility which will serve as the Institution's new Performing Arts Center.
Bank Purchaser:	Eagle Bank
Expected Structure:	Tax-exempt - Bank direct placement
Credit Ratings:	Not required for a bank direct placement
Project Rational:	Provide low-cost capital for a portion of the construction of a New Performing Arts Center.

Institution:	Friends School of Baltimore
Issuance Amount:	Up to $16,700,000
Project Description:	To refund the Authority's Revenue Bonds, Friends School of Baltimore Issue (2004) and to finance construction costs associated with the expansion and internal renovation of the Institution's existing Lower School Building.
Bank Purchaser:	Pinnacle Bank
Expected Structure:	Tax-exempt - Bank direct placement
Credit Ratings:	Not required for a bank direct placement
Project Rational:	Provide debt service savings and low-cost capital for the expansion and renovation of the Institution's existing Lower School Building.

Stevenson University

Application
Borrower Overview

STEVENSON
UNIVERSITY

APPLICATION LETTER

April 15, 2024

Maryland Health and Higher Educational Facilities Authority
401 East Pratt Street
Suite 1224
Baltimore, MD 21202-3003
Attention: Barlow T. Savidge
Executive Director

Members of the Authority:

Stevenson University, a Maryland non-profit corporation (the "Institution") hereby makes application to the Maryland Health and Higher Educational Facilities Authority to finance or refinance the project described in Appendix A (the "Project") on behalf of the Institution by the issuance and sale of the Authority's revenue bonds.

The Institution understands and agrees that if the Authority issues its revenue bonds to finance the Project, such bonds will be payable solely from moneys received by the Authority from the Institution under the terms of a loan agreement, mortgage or other agreement between the Authority and the Institution pursuant to which the proceeds of the bonds will be loaned to the Institution.

The Institution understands that the Authority is not financed by general funds of the State of Maryland but must rely upon payments made to it by participating institutions and that the Authority must incur costs in connection with the Institution's application and preparations by the Authority's staff, advisors and bond counsel for the issuance of bonds to finance the Project. Accordingly, the Institution understands and agrees that in the event that the Institution's application is accepted by the Authority, the Institution will pay all costs incurred by or on behalf of the Authority or the Institution in connection with the financing (irrespective of whether the Authority issues its revenue bonds to finance the Project), including the costs of a financial feasibility study (if required by the Authority), as well as on-going administrative costs associated with the bonds until the bonds mature or are prepaid, and the Authority's Annual Administrative Fee, payable semi-annually, until all of the bonds have been redeemed or paid at maturity.

The Institution further agrees that if its application is approved by the Authority, the Institution will submit to the Authority for its review all contracts relating to the Project currently in force or to be executed in the future between the Institution and any third parties, including (without limitation) contracts for consultant and management services, design, construction or repair, as requested. The Institution recognizes the Authority's right to approve, disapprove or require modification to any or all such contracts and to refuse to proceed with the financing and /

or refinancing in the event that any required action is not taken by the Institution. If the Authority accepts the Institution's application, the Institution agrees to comply with the Authority's requirements, if any, concerning the use of minority business enterprises in the construction and acquisition of the Project and the provision of services and supplies to the Project and to provide the Authority with such information concerning minority business participation in the Project, as it may request.

Because the Authority is prepared to make the financing available to all institutions which qualify for it without the intervention of third parties, the Institution agrees that it has not paid and will not pay any fee to any person or firm in connection with any Authority financing. The Institution has engaged the services of First Tryon Advisors as its independent financial advisor with respect to the Project.

Upon acceptance by the Authority, this letter shall constitute a binding agreement between the Authority and the Institution. The Institution recognizes and agrees that, if the Authority accepts the Institution's application for financing, such acceptance shall in no way constitute a determination by the Authority that the Project is feasible or an assurance that the proposed financing will in fact proceed to completion and that the Authority's decision to finance the Project will be contingent upon, among other things, the Authority's determination that the terms of the financing are satisfactory to it in all respects.

The undersigned certifies that he or she is an officer of the Institution holding the office set forth below and is duly authorized to sign and submit this letter on behalf of the Institution.

STEVENSON UNIVERSITY

By: M Edmondson
Melanie Edmondson
Vice President, Administration & Finance
Chief Financial Officer

Accepted by the Authority this
____ day of ____________, 2024.

(Seal)

MARYLAND HEALTH AND HIGHER
EDUCATIONAL FACILITIES AUTHORITY

By: ______________________________
Chairman

____
Executive Director

APPENDIX A

DESCRIPTION OF THE PROJECT

Name of Institution: Stevenson University ("Stevenson" or the "University")

Estimated total amount of loan requested: Up to $14 Million

Description of Project to be financed / refinanced with loan:

(A) Description of any new construction, renovations, expansion or equipment included in Project:

Stevenson seeks to finance a portion of the costs of construction for a new performing arts center on the University's Owings Mills campus.

Description of any existing interim financing arrangements (name of lender, final due date of loan, interest rate, etc.):

N/A

(B) Refinancing:
Outstanding amount of loan(s) to be refinanced:

N/A

Terms of loan to be refinanced (name of lender, final due date of loan, interest rate, prepayment provisions, etc.):

N/A

Description of project(s) financed with the original proceeds of loans to be refinanced:

N/A

Description of any anticipated sources of funds for the Project other than the proposed loan through the Authority, if applicable:

The University will be funding a portion of the cost of the facility with project-related fundraising proceeds, University equity (existing cash), and a Maryland Capital Projects Grant.

Provide proposed financing term sheet / financing structure, if available.

Stevenson engaged First Tryon Advisors, LLC as its independent financial advisor in connection with the above-described financing. First Tryon assisted the University with a competitive solicitation of financing sources for the project. The University has selected EagleBank as its lender and has executed a term sheet. EagleBank was selected based upon its rates, commitment term and acceptable financial covenants.

STEVENSON
UNIVERSITY

BORROWER OVERVIEW

Introduction

Stevenson is a private university emphasizing a career focused education. The university offers bachelor's, master's, and doctoral degrees in both traditional and online formats with two locations in the Baltimore region. The University enrolls approximately 2,744 (2667 full time, 77 part-time) students in traditional undergraduate programs, 47 in doctoral programs, and approximately 868 online master's and bachelor's students. Stevenson is the third largest private undergraduate institution in Maryland. Approximately 77 percent of its students are Maryland residents, and 77 percent of Stevenson alumni remain in Maryland. Ninety-two percent of Stevenson graduates are working, going to graduate school or enrolled in the military within six months of graduation, adding to Maryland's job market and stimulating Maryland's economy.

Stevenson is dedicated to career preparation and is an innovative, independent institution offering an education marked by individualized attention, civility, and respect for difference. The University blends the liberal arts with career exploration and planning, complementing a traditional education with applied learning beyond the classroom. Students graduate with the competence and confidence needed to address creatively the opportunities and problems facing their communities, the nation, and the world.

Stevenson employs approximately 1,231 faculty and staff, with 76% of faculty holding doctoral or terminal degrees in their field of study. The University has an annual cash operating budget of $169 million, cash and investments of $128 million and outstanding long-term debt of approximately $135 million[1].

As will be detailed immediately below, Stevenson has pursued a two-decades long process of campus development that has transformed the institution and created significant opportunities for enrollment growth and financial strength.

Campus Development and Locations

As noted above, Stevenson currently resides on two locations (Owings Mills, Greenspring) in the northern suburbs of Baltimore, Maryland.

While the university was originally located on its Greenspring Campus, restrictive zoning on campus residency motivated the university to pursue development of its Owings Mills campus in 2005. Following the construction of residence halls, student life, and athletics facilities on the Owings Mills campus, the university began to transfer academic programs serving traditional undergraduate students to the Owings Mills campus. This process motivated the

[1] Unrestricted cash and outstanding debt are as of March 31, 2024.

acquisition of adjoining property (currently known as North Campus) from the Shire Pharmaceutical corporation and the renovation of two facilities on that property to serve as the Manning Academic Center, home to Stevenson's Science and Allied Health programs, and the School of Design, Arts and Communications.

The transfer of all of our traditional undergraduate programs (except Theater and Media Performance) to the Owings Mills campus was completed in 2017 and the university began additional land acquisition and development to ensure that the Owings Mills campus could serve as a comprehensive campus for our traditional undergraduate students. Since 2017, the university has developed our new East campus (the former site of the Rosewood State Hospital), a 117-acre site for our NCAA athletics and club sports teams. We have also constructed the 48,000 square foot Philip A. Zaffere Library and completed extensive renovations to renovate Garrison Hall into our Garrison Student Union. The Middle States Commission on Higher Education, our accrediting agency, recognized the collective impact of our efforts in 2022 by designating Stevenson's Owings Mills campus as our main campus.

As will be documented below, the completion of these significant campus developments has been accompanied by significant increases in applications and freshman enrollments in the post-COVID period (since 2020-2021) and these increases are, in turn, driving increases in overall enrollment since 2021-2022. This strong trend is continuing in the fall 2024 freshman admissions cycle (see below).

The following is a brief description of each location.

- <u>Greenspring</u>

  The Greenspring property is a 60-acre wooded campus surrounded by horse farms and estate homes located 12 miles from downtown Baltimore in Stevenson, Maryland. The Greenspring Campus, which was the University's original campus, is home to the University's Doctor of Psychology program, administrative offices and 350-seat theatre.

- <u>Owings Mills Campus</u>
  The 230-acre Owings Mills Campus is located approximately six miles from the Greenspring location in Owings Mills, Maryland and includes parcels containing the following facilities:

  - Owings Mills South

    - 13 residential buildings,
    - an assortment of classrooms and study lounges,
    - the Ratcliffe Community Center,
    - the Caves Sports and Wellness Center (former training facility of the Baltimore Ravens),
    - the Rockland Student Center,
    - the Brown School of Business and Leadership,
    - the Garrison Student Union (which includes the Center for Student Life and Leadership, the Center for Student Success, our E-sports facilities, our

Bookstore, our Coffee House, the Offices of Financial Aid, Student Accounts and Admissions, meeting rooms for student clubs and activities, club sports offices, and a satellite fitness center)
  - a gymnasium,
  - a 3,500-seat Mustang Stadium

- Owings Mills North

  As described above, Stevenson purchased this site from Shire Pharmaceuticals in November 2011. The 37.58-acre property, now called Owings Mills North, includes five buildings totaling 222,000 sq. ft. and a 400-space parking lot. This location houses the brand-new Philip A. Zaffere Library, Kevin J. Manning Academic Center, School of Design, Arts and Communications, and the soon to be constructed Berman Family Performing Arts Center.

- Owings Mills East

  On September 25, 2020, Stevenson purchased the Rosewood Campus from the Maryland Department of Health & Mental Hygiene. This 117-acre site has been transformed into a premier Division III athletic facility which includes: a Beynon 8-Lane outdoor track, a specialized field hockey turf field, throwing facilities for shot-put, discus, hammer throw, and javelin, two soccer Bermuda grass and one general use grass field. In addition, the site also includes buildings which house the team rooms, equipment storage, staff offices and an open-air pavilion.

Governance

Stevenson is governed by a Board of Trustees. The internal day-to-day administration of the University is the responsibility of the President of the University, who is selected by the Board. The Board is generally responsible for the following:

- Setting and reviewing the mission and purpose of the University
- Setting fiscal policies and monitoring financial performance
- Ensuring good management
- Reviewing long-range plans
- Supporting and monitoring the performance of the President
- Preserving the institutional independence of the University

The Board is self-perpetuating and consists of no fewer than 7 or more than 30 members. Currently the Board is comprised of 28 voting members as listed below. Trustees are elected for terms of three years, may succeed themselves for three additional terms and thereafter may not be re-elected until passage of a year. Terms are staggered to provide continuity in the make-up of the Board. The Past President of the Alumni Association serves on the Board *ex officio*.

Board Member	Professional Affiliation
Elliot L. Hirshman *Ex Officio*	President, Stevenson University, Inc.
T. Scott Pugatch *Chair of the Board*	President, Greenhill Properties, Inc.
Robert C. Brennan *Treasurer of the Board*	Former Executive Director, Maryland Economic Development Corporation
Paul Mark Sandler, Esq. *Secretary of the Board*	Partner, Shapiro Sher Guinot & Sandler
Blaire Aull Miller '05 *Ex Officio*	Senior Business Development Manager, Constellation
Arthur F. Bell, Jr., CPA	Managing Member and Owner of Belltower LLC
Sandra R. Berman	President, Sandra & Malcolm Berman Charitable Foundation
Robert D. Biagiotti, P.E.	Vice President, Asset and Core System Projects, Exelon Corp.
Barbara M. Bozzuto	Business leader and philanthropist
David Burrows, Jr.	President and Owner, Visual Integrators
Samuel M. Dell III	Retired, Regional Director of ExxonMobil
Scott E. Dorsey	Chairman and CEO, Merritt Companies
Vanessa Eluma	Chief of Staff to the CEO, T. Rowe Price Group, Inc.
Karen Gibbs	President and Founder, The Gibbs Perspective
Nancy C. Hubble, GRI, CRS, ABR	Hubble Bisbee Christie's International Real Estate
Sean A. Issac M.D.	President, Copper Kettle Anesthesia
Brenda Bowe Johnson, Ph.D.	Vice President, The Language House, Inc.
Donna Kahoe	Retired, T. Rowe Price
Meredith A. Mowen	Managing Director, 1919 Investment Counsel
Candace Osunsade	Executive VP, Global People Resources
Jennifer Ward Reynolds, CFA	Partner and Director, Ward Properties
Paul Mark Sandler, Esq.	Partner, Shapiro Sher Guinot & Sandler
Margaret Sheetz	Managing Partner, Greyhound Holdings
Kathleen Sher	President K Sher Consulting
Anna L. Smith	Business leader and philanthropist
James Stradtner, CFA	Managing Partner, Century Private Investments, LLC
Justin Towles	Partner, JTR Strategies
Christopher Tsakalos	Business leader and philanthropist
Judith Waranch, Esq.	Managing Director, The Waranch Group, LLC
Orsia Foudos Young, Esq.	Business leader and philanthropist

Management

The administration of the University is the responsibility of the President of the University, in conjunction with the President's Cabinet, which consists of an Executive Vice President and eight Vice Presidents.

The presenters at MHHEFA's May 7, 2024 board meeting are as follows:

Elliot Hirshman, Ph.D., *President*
Elliot Hirshman, Ph.D., was appointed the seventh president of Stevenson in 2017. Dr. Hirshman has nearly 40 years of experience in higher education. Before coming to Stevenson, he had served as president of San Diego State University (SDSU) since 2011. Prior to Dr. Hirschman's appointment at SDSU, he served as provost and senior vice president for Academic Affairs at the University of Maryland, Baltimore County. He also had been chief research officer at George Washington University and chaired the Department of Psychology there and at the University of Colorado at Denver. He began his academic career, rising to the rank of full professor, at the University of North Carolina at Chapel Hill. Dr. Hirshman holds a BA from Yale University, an MA and PH.D. from UCLA and a post-doctoral Fellow from NYU.

Melanie Edmondson, *Vice President, Finance and Administration and Chief Financial Officer*
Ms. Edmondson has served as the Vice President of Finance and Administration as well as Chief Financial Officer for Stevenson since August 2020. Prior to this role, Ms. Edmondson was the Associate Vice President for Financial Affairs and Controller since 1996. She also held the positions of Financial Systems Manager and General Accounting Manager for United Press International and The Presidio Corporation, respectively. Ms. Edmondson holds a B.A. in Finance from Florida Institute of Technology and is a certified public accountant.

Outstanding Debt

Stevenson has two series of outstanding bonds as follows:

Bank	Series	Original Amount	Amount Outstanding[1]	Final Maturity	Structure	Interest Rate
Public Bonds	2021A	$126,380,000	$126,380,000	10/1/2043	Fixed	4.00 - 5.00%[2]
Fulton Bank	2021B	14,779,000	9,306,000	10/1/2043	Fixed	2.35%
Total		**$141,159,000**	**$135,686,000**			

[1] *As of December 31, 2023*
[2] *True Interest Cost (TIC) of 3.28% at the sale of the Series 2021A Bonds*

Project Overview

As described above, Stevenson has been consolidating our traditional undergraduate programs on to our Owings Mills location for nearly two decades.

Through this process, Owings Mills North became the academic hub of the University. The current project, the construction of the Berman Family Performing Arts Center, will complete this process of campus development by providing a home for our Theater and Media Performance major, our Music minor, our co-curricular performing arts programs including our Pep Band, Marching Band, University Singers Chorus and Greenspring Valley Orchestra, as well as much needed gathering spaces for academic conferences and cultural programming. The Performing Arts Center and its accompanying programming will also provide additional professional development opportunities for our Fashion Design, Film and Moving Image and Graphic Design majors to participate in theatrical productions.

Therefore, Stevenson seeks to finance a portion of the construction of an approximately 36,000 square foot performing arts center on the existing footprint of the Owings Mills campus with proceeds of the proposed financing (the “Project”).

This new performing arts center will house a black box theater and music performance stage, serving the many programs and needs referenced above. The Performing Arts Center will be adjacent to the University’s new Philip A. Zaffere Library and the new north campus quadrangle will unite the Performing Arts Center, the Zaffere Library, the School of Design, Arts and Communications and the Manning Academic Center.

The University’s design team includes the following members:

- Architect: Vertical Architecture Enterprises
- Engineer: Carroll Engineering
- General Contractor: David S. Brown Enterprises

The University has entered into a cost-plus contract for the Project, and construction began in March 2024

An estimated Sources and Uses of Funds for the proposed Series 2024 Bonds is as follows:

Sources of Funds	
2024 Bond Proceeds	$10,000,000
Maryland State Capital Projects Grant	8,838,000
Capital Campaign Fundraising	4,500,000
Borrower Equity	4,798,828
Project Fund Earnings (Estimated)	131,160
Total Sources of Funds	**$28,267,988**

Uses of Funds	
Hard Costs	$23,102,086
FF&E	3,080,167
Soft Costs	1,024,745
Contingency	650,990
Total Project Costs	27,857,988
Transaction Costs	410,000
Total Uses of Funds	**$28,267,988**

In addition to the $10 million of Series 2024 bond proceeds, the University has secured funding through (1) a $6.8 million and a $2 million capital grant from the Maryland state legislature as well as (2) an ongoing Capital Campaign which has raised $4.5 million to date. The remaining Project amount will be funded with equity of the University.

Admissions and Enrollment Statistics

Undergraduate Information

As discussed above, Stevenson has seen significant increases in applications since the 2020-2021 cycle with traditional undergraduate applications increasing by 32% between 2020-2021 and 2024-2025. There have been significant increases in first-year enrollment in the post-COVID classes matriculating in fall 2022 and fall 2023. Stevenson had an incoming class of 793 first-year students for Fall 2023 and applications and acceptances have been equally strong for the fall 2024 freshman class.

First-Year Admissions Information

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Applications	4,413	4,177	4,431	4,793	5,233	5,330
Acceptances	3,565	3,725	4,027	4,031	4,354	4,398
Selectivity Ratio	80.8%	89.2%	90.9%	84.1%	83.2%	82.5%
Enrolled	694	672	628	744	793	TBD
Matriculation Rate	19.5%	18.0%	15.6%	18.4%	18.2%	TBD

First-Year Retention Information

Freshman Year of Entry	Fall 2018	Fall 2019	Fall 2020	Fall 2021	Fall 2022
Percent Retained	82%	80%	74%	77.5%	78%

Transfer Student Admissions Statistics (fall and spring matriculants)

	2019-20	2020-21	2021-22	2022-23	2023-24
Applications	675	635	628	625	722
Acceptances	369	364	382	363	366
Enrolled	128	197	225	194	178
Matriculation Rate	34.7%	54.1%	58.9%	53.4%	48.6%

Enrollment

As the increases in first-year enrollment referenced above have impacted overall enrollment, Stevenson's overall enrollment has increased to pre-COVID levels and, with the addition of our new Doctor of Psychology program, traditional face-to-face enrollment has exceeded pre-COVID levels. Most of Stevenson's students come from public and private high schools within the State of Maryland. However, the University is increasingly attracting students from across the country and internationally. Stevenson currently has students enrolled from 31 countries and 42 states including DC and the US Virgin Islands.

	2019-20	2020-21	2021-22	2022-23	2023-24
Undergraduate	2,732	2,670	2,612	2,647	2,744
Graduate	---	---	15	32	47
Undergraduate (Online)	429	422	418	390	361
Graduate (Online)	558	563	557	557	507
Total Headcount[2]	**3,719**	**3,655**	**3,602**	**3,626**	**3,659**

Tuition

The table below shows Stevenson's undergraduate tuition, fee revenue and contributions. Stevenson has deliberately limited tuition increases during this period to ensure that it would remain price competitive. During this time frame, the annual increase in the comprehensive fee has ranged from 0.6 to 2.5 percent, with an average annual increase of 1.6 percent:

	2019-20	2020-21	2021-22	2022-23	2023-24
Tuition*	$34,528	$35,204	$35,504	$36,036	$36,940
Fees	2,614	2,664	2,604	2,642	2,708
Total	**$37,142**	**$37,868**	**$38,108**	**$38,678**	**$39,648**
% Increase	*2.48%*	*1.95%*	*0.63%*	*1.50%*	*2.50%*
Tuition Discount	58.0%	60.0%	59.0%	60.3%	61.4%

**Rates displayed are for full-time students.*

Historical Financial Performance (FY 2021 to 2023)

Despite the many challenges of the COVID period and its accompanying surge of inflation, Stevenson has continued to maintain a strong overall financial position.

	2021	2022	2023
Unrestricted Revenues and Other Support			
Student Tuition and Fees, Net	50,991,189	46,496,422	46,733,783
Auxiliary Enterprises	15,069,834	21,291,610	23,583,402
State of Maryland Grants	8,203,203	11,448,724	9,526,901
Federal Grants	3,694,364	3,509,922	---
Contribution	963,912	1,335,843	1,971,784
Endowment Withdrawals for Operations	4,997,294	3,488,024	3,351,030
Other Sources	273,996	295,360	1,104,634
Net Assets Released from Restrictions	2,305,561	2,472,177	3,763,428
Total Revenues	**86,499,353**	**90,338,082**	**90,034,962**

[2] Total enrollment includes part-time and full-time undergraduate and graduate students.

	2021	2022	2023
Operating Expenses			
Instruction	29,093,311	30,321,827	32,309,254
Library	1,155,915	1,171,583	1,105,109
Student Services	16,905,563	21,226,289	22,478,301
General Administration	3,888,541	4,689,159	4,291,265
General Institutional	14,011,036	15,189,544	16,254,736
Auxiliary Enterprises	11,447,663	12,616,160	14,889,937
Total Operating Expenses	**76,502,029**	**85,214,562**	**91,328,602**
Change in Fair Value of Interest Rate Swap	1,842,038	---	---
Investment Gains/(Losses)	15,870,859	(18,810,171)	4,382,948
Change in Unrestricted Net Assets	**27,710,221**	**(13,686,651)**	**3,089,308**
Net Assets without Donor Restrictions	148,365,786	134,679,135	137,768,443

Key Financial Ratios (FY 2021 to 2023)

	2021	2022	2023
Change in Unrestricted Net Assets	27,710,221	(13,686,651)	3,089,308
Plus: Interest Expense	5,340,173	4,564,066	4,532,852
Plus: Depreciation and Amortization Expense	6,024,410	5,889,712	6,679,850
Plus: Unrestricted Unrealized (Gains)/Losses	(12,957,871)	20,110,867	(5,841,279)
Plus: Unrealized (gains)/losses on swaps	(1,842,038)	---	---
Income Available for Debt Service	**24,274,895**	**16,877,994**	**8,460,731**
Maximum Annual Debt Service (MADS)	**7,687,750**	**7,687,750**	**7,687,750**
MADS Coverage	**3.16x**	**2.20x**	**1.10x**
Total Unrestricted Liquid Cash and Investments	100,276,507	78,573,819	67,260,965
Cash Operating Expenses	70,477,619	79,324,850	83,876,855
Daily Cash Operating Expense	193,089	217,328	229,800
Days Cash on Hand	**519**	**362**	**293**

FY 2025 Cash Operating Budget

The table below summarizes the University’s cash operating budget for the current fiscal year. For budgetary purposes, Stevenson prefers to show Tuition and Fees on a gross basis and reflects Student Aid as an operating expense. This explains why the University is budgeting approximately $169 million of revenues for FY 2025 when its audited results for FY 2023 reflect revenues materially lower at approximately $90 million.

	Budget
Unrestricted Revenues and Other Support	
Tuition and Fees, Gross	$114,279,166
Grants	9,457,000
Gifts	2,220,673
Student Aid	6,128,590
Auxiliary Enterprises	32,592,495
Investment Income	4,422,395
Total Revenues	**169,100,319**
Operating Expenses	
Instruction	$29,776,715
Library	992,249
Student Services	16,025,027
General Administration	3,438,856
General Institution	13,101,839
Op/Maintenance of Plant	12,332,756
Student Aid	73,282,033
Auxiliary Enterprises	12,398,344
Total Operating Expenses	**161,347,819**
Excess Revenues Over Expenses Before Debt Service	**$7,752,500**
Annual Debt Service	7,749,000
Excess Revenues Over Expenses After Debt Service	**$3,500**

Credit Rating

Stevenson's outstanding Series 2021 Bonds are rated BBB- (Stable) by Standard & Poor's. A copy of the rating report by S&P is provided as **Exhibit A** to the Borrower Overview.

EXHIBIT A
Standard & Poor's - 2022 Credit Rating Report

S&P Global Ratings

Research

Maryland Health & Higher Educational Facilities Authority Stevenson University; Private Coll/Univ - General Obligation

Primary Credit Analyst:
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Maryland Health & Higher Educational Facilities Authority
Stevenson University; Private Coll/Univ - General Obligation

Credit Profile		
Maryland Hlth & Hgr Ed Facs Auth, Maryland		
Stevenson University, Maryland		
Maryland Hlth & Hgr Ed Facs Auth (Stevenson University) rev & rev rfdg bnds		
Long Term Rating	BBB-/Stable	Affirmed

Credit Highlights

- S&P Global Ratings affirmed its 'BBB-' long-term rating on debt issued for Stevenson University, Md. (Stevenson or the university).
- The outlook is stable.

Security

The bonds are secured by a gross revenue pledge of Stevenson University, which we view as equivalent to a general obligation pledge, in addition to a mortgage on the Owings Mills Campus (excluding Owings Mills East). The university has approximately $139 million in debt, including nominal operating leases, as of fiscal 2022 year-end.

Credit overview

We assessed Stevenson's enterprise profile as adequate, characterized by solid retention and graduation rates, offset by modestly weakening enrollment over the past several years that has improved recently with the implementation of strategic enrollment initiatives. We assessed Stevenson's financial profile as adequate, demonstrated by a solid balance sheet and consistent full-accrual operating surpluses, offset by declining net tuition revenue, in part because of a rapid rise in tuition discounting and a relatively high maximum annual debt service (MADS) burden. We believe these combined credit factors lead to an indicative stand-alone credit profile of 'bbb-' and a final rating of 'BBB-'.

The rating further reflects our view of Stevenson University's:

- Positive financial operating performance, with consistent full-accrual-based operating surpluses due, in part, to management's timely actions to cut expenses when and where necessary;
- Solid balance sheet metrics relative to operations, with available resources as measured by expendable resources equivalent to 78% of operations; and
- Moderate, but generally growing, endowment of $104 million as of June 30, 2022.

Partially offsetting these credit strengths are:

- A trend of full-time-equivalent (FTE) enrollment declines through fall 2021, although fall 2022 FTE enrollment grew by almost 2%;
- Softening net tuition revenue, attributable in part to a rising and high tuition discount rate;
- High 85% dependency on student-derived revenue sources of gross tuition and auxiliary revenue; and
- A relatively high MADS burden of 6%.

Stevenson University is a private, co-educational, comprehensive liberal arts university founded in 1947 by the Sisters of Notre Dame de Namur at Seven Oaks, an 80-acre estate in Stevenson, Md. (now known as the Greenspring Campus). Less than 40 years after its founding, in 1984, the university, then named Villa Julie College, transitioned from a health care-focused, two-year women's college into a four-year, coeducational college. In 1997, the university acquired 74 acres in Owings Mills, Md., six miles from the original campus, and opened its first student residence halls. In spring 2008, the board of trustees voted to change the name of the institution to Stevenson University. At that time, master's degrees were added to the curriculum and several new academic facilities were built to support the development of the university's expanding academic programming. The university educates all students in the liberal arts tradition, providing students with an interdisciplinary education that strengthens skills in problem solving, critical thinking, collaboration, and written, visual, and oral communication. Stevenson awards bachelor's and master's degrees in the arts, business, education, nursing, and the natural and physical sciences.

In addition to the original Greenspring Campus, the current Owings Mills Campus is composed of three contiguous parcels of land: Owings Mills North, which is the main academic hub for the university; Owings Mills South, which is the primary student life hub on campus; and Owings Mills East. These three parcels of land total 246 acres and house 1.1 million square feet of facilities. In September 2020, the university purchased for $1 from the state of Maryland a 117-acre parcel of land adjacent to the existing Owings Mills North and South parcels, creating Owings Mills East. With support from the state, Stevenson opened Owings Mills East as an athletics and recreational hub for the university. Additionally, with support from the state and donors, Stevenson recently began construction of a new, 42,000-square-foot library on the Owings Mills North Campus.

As management has planned for the expansion and improvement of the Owings Mills Campus, it has also considered the sale of the Greenspring Campus, which currently houses primarily administrative offices. Based on a prior bank appraisal, Stevenson management believes that, if sold, the Greenspring Campus could produce a healthy return that would bolster its (unrestricted) financial resources and result in a reduction in operating expenses.

Environmental, social, and governance

We view the health and safety social risks posed by the COVID-19 pandemic as somewhat abating for the higher education sector. However, given the pandemic's significant effects on modes of instruction and enrollment trends, we believe a future public health event of similar size and scope could again affect demand and finances. We evaluated the university's environmental and governance factors and found them to be neutral within our credit analysis.

Outlook

The stable outlook reflects our belief that the university's strategic plan will maintain demand metrics near current levels while growing enrollment. The stable outlook also reflects our view that the university will maintain solid available resource levels and continue to generate positive operations.

Downside scenario

We could consider a negative rating action in the next two years if FTE enrollment declines or available resources were to decrease materially from current levels. We could also consider a negative rating action during the outlook period should the university issue additional debt without commensurate growth in available resources.

Upside scenario

We could raise the rating if positive enrollment trends continue; demand metrics do not weaken from current levels; available resources, namely to debt, continue to improve relative to those of peers; and positive operating performance is sustained absent federal relief funding.

Credit Opinion

Enterprise Profile

Market position and demand

FTE enrollment for fall 2022 of 3,027 increased by 1.7% over fall 2021 FTE enrollment of 2,975, and preliminary deposits for fall 2023 indicate another increase, based on year-to-date data. The fall 2022 increase follows five years of enrollment declines through fall 2021 due to competitive pressures, area demographics, and the pandemic. To counter those declines, management has implemented several initiatives to bolster enrollment growth, including adding new majors, programs, facilities, and student life activities. Additionally, the university built new academic and athletic facilities with proceeds from the series 2021 bonds. The university is also working on the development of new doctoral programs, including a doctorate in physical therapy, and in fall 2021 the university welcomed its first class for a doctor of clinical psychology degree program. This is part of a larger effort by the university to better equip students with the skills and knowledge necessary to find successful careers after leaving Stevenson. To this end, the university recently expanded undergraduate programs in cyber security and bioengineering for fall 2020.

Completed applications for fall 2022 totaled 4,793, an increase of 8.2% relative to the previous year. Fall 2021 applications also were up over fall 2020 after declines over the prior four years. With the new strategic plan emphasizing campus development, programmatic growth, student success, and community building, we expect that, over the medium term, demand and enrollment will increase.

Stevenson's geographic reach is limited, because 77% of students come from Maryland and over 90% come from the mid-Atlantic region (Maryland, Pennsylvania, New Jersey, New York, Virginia, and Delaware). Stevenson's retention rate is sound, at approximately 80% for the last four years, and its six-year graduation rate has improved to 65%. We expect overall demand metrics will remain stable or modestly grow during the next few years.

Management

Stevenson University is governed by a board of trustees, a self-perpetuating board, that permits up to 30 members that serve for three-year terms with the ability to serve two additional successive three-year terms, if elected, before ending their service to the university in that capacity for one year before being eligible to serve again on the board. Board members are composed of a head of a local charitable foundation, local businesspersons, banking and investment professionals, lawyers, and a state official. The board exercises its aegis over the university through a normal committee structure that includes the executive committee, audit finance committee, and property committee, among others.

The university is led by its seventh president, Elliot Hirshman, Ph.D., who was appointed to that position in 2017 and came from San Diego State University, where he had served as president since 2011. President Hirshman is assisted by one executive vice president, Susan Gorman, Ph.D., who oversees academic affairs and is the provost, and eight vice presidents. Melanie Edmondson serves as the chief financial officer; the university's financial management has achieved an impressive record of positive net operating income, including throughout the pandemic.

We understand Stevenson University has an annual planning process and a multiyear strategic planning process, with various dashboard indicators used to assess progress in implementing the plans, including eight financial strength metrics, nine enrollment metrics, and 11 academic achievement metrics.

The university has a limited history with large fundraising campaigns, but it did raise $10 million during its last campaign.

Financial Profile

Operating performance

Over the past six years, the university has produced unrestricted operating surpluses on a generally accepted accounting principles (GAAP) basis. Despite the pressure caused by the onset of the pandemic, Stevenson recorded a slight operating surplus of $1 million, or 0.7%. To offset the approximately $5 million in prorated housing and dining refunds, the university reduced operating expenses across all departments, renegotiated vendor contracts, implemented a temporary hiatus on major construction and renovation projects, and instituted a temporary hiring freeze. As a result, Stevenson saw a 1.2% decline in total adjusted operating expenses. In fiscal years 2021 and 2022, the surpluses increased to 7.6% and 3.6%, respectively. Fall 2023 is expected to return another surplus, with the growth in enrollment and continued strict cost control.

Tuition was $36,036 in fall 2022, which is average compared with those of its peers. Prior to fall 2018, Stevenson had consistently increased tuition by 7% annually, but in order to keep the cost of its education competitive with peers', Stevenson has since adjusted its tuition pricing strategy to maintain tuition below inflation, and actual results have kept increases below inflation. The overall tuition discount rate was 54.8% for fiscal 2022 and has been increasing rapidly over the last five years. Due in part to this high level of tuition discounting, net tuition revenue has remained pressured. Given the university's high reliance on student-generated revenues (85% in fiscal 2022), we view the high and increasing level of tuition discounting negatively.

Available resources

Available resources increased to a historical high in fiscal 2021 before declining to the second-highest level in fiscal 2022 due to a combination of spending for strategic initiatives and the decline in the market; the university's balance sheet ratios remain solid for the rating, in our view. The market value of the endowment as of June 30, 2022, was about $104 million. Cash and investments (some of which are restricted) were $124 million at the end of fiscal 2022, equal to a good 88% of operations and an adequate 89% of total debt. Expendable resources of $111 million as of June 30, 2022, represented a good 78% of operating expenses and an adequate 80% of debt. We would view further growth in assets without restriction favorably.

Debt and contingent liabilities

Debt totals $139 million, including the $126 million Maryland Health and Higher Educational Facilities Authority series 2021A revenue bonds and the $13 million Fulton Bank series 2021B bonds. Total lease obligations are not material. The bonds are fixed rate. Debt service is flat over the bonds' 30-year life. MADS is approximately $7.7 million, and we view the MADS burden of 6% of fiscal 2022 operations to be relatively high.

We understand that, in addition to the typical bond covenants, the series 2021A and 2021B bonds are expected to include a days' cash on hand covenant of at least 90 days; a 1.0x rate covenant on annual debt service, which is expected to approximate MADS; an additional bonds test of 1.2x, based on MADS; and a debt service reserve fund, all of which we feel the university can adequately meet.

We understand the university is considering issuing an additional $15 million in debt in the next year; however, various financing options are being evaluated and have not been finalized.

The university participates in a defined-contribution pension plan that we view as fully funded by definition.

Stevenson University, Maryland--Enterprise And Financial Statistics

	--Fiscal year ended June 30--					Medians for 'BBB' rated private colleges & universities
	2023	2022	2021	2020	2019	2021
Enrollment and demand						
Headcount	3,626	3,591	3,637	3,719	3,780	2,761
Full-time equivalent	3,027	2,975	3,021	3,314	3,353	2,454
Freshman acceptance rate (%)	84.1	90.9	89.2	80.8	73.2	78.2
Freshman matriculation rate (%)	18.5	15.6	18.0	19.5	19.0	16.5
Undergraduates as a % of total enrollment (%)	83.8	84.1	84.5	73.5	72.5	77.8
Freshman retention (%)	77.0	73.6	79.6	82.0	79.0	78.1
Graduation rates (six years) (%)	65.0	59.0	62.0	60.0	56.0	MNR
Income statement						
Adjusted operating revenue ($000s)	N.A.	146,752	140,932	135,881	137,265	MNR
Adjusted operating expense ($000s)	N.A.	141,629	130,935	134,876	136,562	MNR
Net operating income ($000s)	N.A.	5,123	9,997	1,005	703	MNR
Net operating margin (%)	N.A.	3.62	7.64	0.75	0.51	1.80

Stevenson University, Maryland--Enterprise And Financial Statistics (cont.)

	--Fiscal year ended June 30--					Medians for 'BBB' rated private colleges & universities
	2023	**2022**	**2021**	**2020**	**2019**	**2021**
Change in unrestricted net assets ($000s)	N.A.	(13,687)	27,710	4,214	3,952	MNR
Tuition discount (%)	N.A.	54.8	51.6	49.2	45.6	44.0
Tuition dependence (%)	N.A.	70.1	74.8	77.9	75.5	76.5
Student dependence (%)	N.A.	84.6	85.5	90.9	91.6	85.2
Health care operations dependence (%)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Research dependence (%)	N.A.	10.2	8.4	4.3	3.7	3.5
Endowment and investment income dependence (%)	N.A.	N.A.	N.A.	N.A.	N.A.	3.6
Debt						
Outstanding debt ($000s)	N.A.	139,351	141,159	127,560	131,144	60,809
Proposed debt ($000s)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Total pro forma debt ($000s)	N.A.	139,351	N.A.	N.A.	N.A.	MNR
Pro forma MADS	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Current debt service burden (%)	N.A.	5.20	5.50	6.77	6.77	MNR
Current MADS burden (%)	N.A.	5.47	5.87	6.68	N.A.	4.30
Pro forma MADS burden (%)	N.A.	N.A.	N.A.	N.A.	N.A.	MNR
Financial resource ratios						
Endowment market value ($000s)	N.A.	103,541	126,473	104,506	98,041	107,786
Cash and investments ($000s)	N.A.	124,325	149,654	119,953	107,667	MNR
Unrestricted net assets ($000s)	N.A.	134,679	148,366	120,656	116,442	MNR
Expendable resources ($000s)	N.A.	110,804	139,269	90,794	82,348	MNR
Cash and investments to operations (%)	N.A.	87.8	114.3	88.9	78.8	114.3
Cash and investments to debt (%)	N.A.	89.2	106.0	94.0	82.1	204.2
Cash and investments to pro forma debt (%)	N.A.	89.2	N.A.	N.A.	N.A.	MNR
Expendable resources to operations (%)	N.A.	78.2	106.4	67.3	60.3	72.9
Expendable resources to debt (%)	N.A.	79.5	98.7	71.2	62.8	129.4
Expendable resources to pro forma debt (%)	N.A.	79.5	N.A.	N.A.	N.A.	MNR
Average age of plant (years)	N.A.	N.A.	17.2	15.8	14.3	15.6

N.A.--Not available. MNR--Median not reported. MADS--Maximum annual debt service. Total adjusted operating revenue = unrestricted revenue less realized and unrealized gains/losses and financial aid. Total adjusted operating expense = unrestricted expense plus financial aid expense. Net operating margin = 100*(net adjusted operating income/adjusted operating expense). Student dependence = 100*(gross tuition revenue + auxiliary revenue) / adjusted operating revenue. Current debt service burden = 100*(current debt service expense/adjusted operating expenses). Current MADS burden = 100*(maximum annual debt service expense/adjusted operating expenses). Cash and investments = cash + short-term and long-term investments. Expendable resources = unrestricted net assets + temp. restricted net assets - (net PPE- outstanding debt). Average age of plant = accumulated depreciation/depreciation and amortization expense.

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

Friends School of Baltimore

Application
Borrowers Overview

Friends School
BALTIMORE•1784

APPLICATION LETTER

April 23, 2024

Maryland Health and Higher Educational Facilities Authority
401 East Pratt Street
Suite 1224
Baltimore, MD 21202-3003
Attention: Barlow T. Savidge
Executive Director

Members of the Authority:

Friends School of Baltimore, a Maryland non-profit corporation (the "Institution") hereby makes application to the Maryland Health and Higher Educational Facilities Authority to finance or refinance the project described in Appendix A (the "Project") on behalf of the Institution by the issuance and sale of the Authority's revenue bonds.

The Institution understands and agrees that if the Authority issues its revenue bonds to finance the Project, such bonds will be payable solely from moneys received by the Authority from the Institution under the terms of a loan agreement, mortgage or other agreement between the Authority and the Institution pursuant to which the proceeds of the bonds will be loaned to the Institution.

The Institution understands that the Authority is not financed by general funds of the State of Maryland but must rely upon payments made to it by participating institutions and that the Authority must incur costs in connection with the Institution's application and preparations by the Authority's staff, advisors and bond counsel for the issuance of bonds to finance the Project. Accordingly, the Institution understands and agrees that in the event that the Institution's application is accepted by the Authority, the Institution will pay all costs incurred by or on behalf of the Authority or the Institution in connection with the financing (irrespective of whether the Authority issues its revenue bonds to finance the Project), including the costs of a financial feasibility study (if required by the Authority), as well as on-going administrative costs associated with the bonds until the bonds mature or are prepaid, and the Authority's Annual Administrative Fee, payable semi-annually, until all of the bonds have been redeemed or paid at maturity.

The Institution further agrees that if its application is approved by the Authority, the Institution will submit to the Authority for its review all contracts relating to the Project currently in force or to be executed in the future between the Institution and any third parties, including (without limitation) contracts for consultant and management services, design, construction or repair, as requested. The Institution recognizes the Authority's right to approve, disapprove or require modification to any or all such contracts and to refuse to proceed with the financing and / or refinancing in the event that any required action is not taken by the Institution. If the

Authority accepts the Institution's application, the Institution agrees to comply with the Authority's requirements, if any, concerning the use of minority business enterprises in the construction and acquisition of the Project and the provision of services and supplies to the Project and to provide the Authority with such information concerning minority business participation in the Project, as it may request.

Because the Authority is prepared to make the financing available to all institutions which qualify for it without the intervention of third parties, the Institution agrees that it has not paid and will not pay any fee to any person or firm in connection with any Authority financing.

Upon acceptance by the Authority, this letter shall constitute a binding agreement between the Authority and the Institution. The Institution recognizes and agrees that, if the Authority accepts the Institution's application for financing, such acceptance shall in no way constitute a determination by the Authority that the Project is feasible or an assurance that the proposed financing will in fact proceed to completion and that the Authority's decision to finance the Project will be contingent upon, among other things, the Authority's determination that the terms of the financing are satisfactory to it in all respects.

The undersigned certifies that he or she is an officer of the Institution holding the office set forth below and is duly authorized to sign and submit this letter on behalf of the Institution.

Friends School of Baltimore

By: ______________________________

Name: Malcolm Haynes

Title: Chief Financial and Operating Officer

Accepted by the Authority this ______ day of 23 ______, 2024

(Seal)

MARYLAND HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

By: ______________________________

Chairman

____

Executive Director

APPENDIX A

DESCRIPTION OF THE PROJECT

Name of Institution: Friends School of Baltimore

Estimated total amount of loan requested: $16,700,000

Description of Project to be financed / refinanced with loan:

(A) Description of any new construction, renovations, expansion or equipment included in Project:

The School's Project (the "Project") consists of the expansion, internal renovation and equipping of the Institution's existing facilities, including without limitation (i) expansion of the Little Friends Early Learning Center consisting of repurposing of an existing structure located at the address listed in the following paragraph, including interior and exterior refinishing and replacement of mechanical, electrical and safety systems, (ii) modernization of the East and West buildings of the Lower School, including upgrading mechanical, electrical, HVAC and plumbing, and adding new windows and an outside elevator shaft to the West building, (iii) improvements and upgrades to the landscaping and playground apparatus and equipment for the Lower School Playground, and (iv) various capital campus wide internal improvements and equipment. Total estimated project cost is $13,000,000.

Additionally, the bond facility will fund a refinancing of existing debt ($3.0 million) and costs of issuance.

Estimated costs:

General Construction (new or renovation / expansion:	$ 13,000,000
Equipment:	
Architectural / engineering / design fees:	
Contingency	
Other:	
Total	$ 13,000,000

Anticipated construction and / or acquisition schedule:

The School has executed a GMP with Whiting-Turner as Construction Manager. Construction began in March, 2024 and is expected to be completed in August, 2024.

Description of any existing interim financing arrangements (name of lender, final due date of loan, interest rate, etc.), if any:

None/Not Applicable

(B) Refinancing:

Outstanding amount of loan to be refinanced: $ 3,044,000

Terms of loan to be refinanced (name of lender, final due date of loan, interest rate, prepayment provisions, etc.), if any:

The School's Series 2012 Loan is held by Truist Bank. The loan bears an interest rate of 2.65% and has a final maturity date of March 1, 2036. There is no prepayment penalty. The loan is being refinanced to achieve the desired amortization and give Pinnacle Bank its required security position.

Description of project(s) financed with original proceeds of loan to be refinanced:

The bonds were obtained to help fund the construction of a new middle school building and for renovations and expansion to science, mathematics, technology, and athletics facilities.

(C) Description of any anticipated sources of funds for the Project other than the proposed loan through the Authority, if applicable:

The School anticipates raising $5 million to support the renovations. When received, if restricted, fundraising proceeds will be used to prepay the Series 2024 Bonds

(D) Provide proposed financing term sheet / financing structure, if available.

The financing will have a 15 year term and a tax-exempt variable rate of 79%*SOFR + 0.91%. All or a portion of the bonds will be hedged utilizing an interest rate swap. An indicative all in hedged rate is 4.45% as of April 19, 2024. Pinnacle Bank was selected as the result of a competitive RFP process in which the School received seven proposals. The School selected Pinnacle Bank based on the length of the commitment term proposed, the cost of capital, and the flexibility of the covenants.

BORROWER OVERVIEW

Introduction

Friends School of Baltimore ("FSB" or the "School") is an independent, co-educational day school offering a Quaker education for students in Pre-K through grade twelve. Founded in 1784 by members of the Religious Society of Friends, FSB is located in Baltimore, Maryland and has an enrollment of 789 students for the 2023-24 academic year. The School is incorporated as a non-profit educational organization under Section 501(c)(3) of the Internal Revenue Code.

The Friends School of Baltimore educational journey is designed to emphasize the mastery of essential skills required to succeed in the world – skills like critical thinking, communication, collaboration, and leadership. Friends School of Baltimore believes learning takes place in an environment of trust and support where ideas are openly expressed, debated, and tested in real-world applications. The School's academic program is divided between the Lower School (PK through Grade five), the Middle School (grades five through eight), and the High School (Grades nine through twelve).

Friends School of Baltimore at a Glance

Students: Enrollment of 789 for the 2023-24 academic year, with 255 students in the Lower School, 193 students in the Middle School, and 341 students in the Upper School.

Faculty and Staff: 85 faculty, of which 64% hold advanced degrees.

Mission: The Mission of Friends School of Baltimore is as follows:

> *"Friends School of Baltimore is a Quaker school that exists to foster in young people the skills, knowledge, and habits of mind needed to partner with their communities and to be courageous change-makers in the world. We believe education is a journey, a continual seeking after truth that relies on both inward reflection and outward connection with others, especially across lines of difference. At Friends, learning is grounded in relationships and deepened by application to the world beyond our campus. Our School is guided by the testimonies of simplicity, peace, integrity, community, equality, and stewardship, and our core belief that there is that of God in each person, and we understand these testimonies and this belief to be a call to justice. We value diversity, pursue equity, and strive to be an actively inclusive institution that works against systemic oppression, within a campus community where each individual can live out their full identities. We seek in all ways to exemplify the ideals of the Religious Society of Friends."*

Accreditations: Association of Independent Maryland and DC Schools

Other Memberships and Professional Affiliations:
National Business Officers Association
The Council for Advancement and Support of Education
The Enrollment Management Association
The Friends Council on Education

History

Founded in 1784 by members of the Religious Society of Friends, Friends School of Baltimore is the first school in Baltimore. The School was first convened in the historic Aisquith Street Meetinghouse in Jonestown. The School moved westward to Lombard Street and then northward to Bolton Hill's Park Avenue through Baltimore until it found its permanent home on Charles Street in the Homeland neighborhood. FSB maintains its historic ties to Baltimore's wider Quaker community but was independently incorporated in 1973.

Governance

Friends School of Baltimore is governed by a self-perpetuating Board of Trustees. The School's Board of Trustees is comprised of 25 members; 21 appointed members and four representatives. Of the 21 appointed members, ten must be Quaker and of these Quaker seats, six must be occupied by Stony Run Meeting Members. Trustees are appointed through a Joint Nominating Process with the Stony Run Meeting, which ultimately includes approval of nominees by Stony Run Members. The representatives are Faculty Rep, Student Rep, Alumni Rep and Parents Rep.

Current members and officers of the Board of Trustees, the year of their initial election to the Board and their principal business or professional affiliations are listed below:

The Friends School of Baltimore Board of Trustees 2023-24 standing and ad hoc committee chair assignments are as follows:

Committee Assignments:	Clerk:
Buildings & Grounds	Joel Goldberg
Committee on Trustees	Chris Feiss
Development	Brandyn Hicks
Diversity	Katherine Hancock-Porter
Enrollment Management	Paul Sabundayo
Executive Committee	Lester Davis
Finance	Burck Smith
Quaker Mission Oversight	John Baer

Curriculum

The Lower School curriculum strives to ensure that all lower school students have a strong foundation in the core subjects — language arts, math, science, social studies — and develop a capacity for collaboration, creativity, and critical thinking. The Friends School of Baltimore Middle School program takes pride in student's achievements as inclusive and purposeful people and celebrates the impact that graduates have on the broader community. The Middle School curriculum prioritizes joy in learning and acknowledges that teaching skills such as empathy and collaboration are equally as important as teaching content. In the Upper School, Friends School of Baltimore believe that a college preparatory curriculum extends beyond the scope of what is taught and encompasses the diverse learning experiences that students will encounter in the future. The School provides a variety of teaching styles and practices so that students can become more nimble, adaptable, and flexible in their learning.

Additionally, at the Little Friends Early Learning Center, Friends School of Baltimore offers a full-service childcare center focused on developing a broad range of age-appropriate skills for children 6 weeks to 4 years old. Little Friends children benefit from dedicated class time with Friends teachers, using learning spaces that include the Friends School Gymnasium, Lower School Library, and turf fields. Structured cross-divisional collaboration is an essential part of the Little Friends experience, as children learn from and with students from the different academic divisions. All Little Friends children spend time outside each day, exploring the main campus and the School's native-plant teaching gardens.

The School also believes that its signature programs differentiate its curriculum, as follows:

University Partnership Program. The University Partnership Program connects students and teachers with thought leaders from major research institutions across the country. The Program, which launched in 2011 as the first of its kind in the Baltimore metro area, partners students with professors, researchers, and others in colleges and universities around the country, in subjects ranging from neuroscience and engineering to urban renewal, political science, the arts, and more.

Scholars Certificate Program. The Scholars Certificate Program (SCP) at Friends School of Baltimore provides students with the opportunity to explore an area of academic interest in ways that extend beyond the traditional bounds of any single course of study. Each certificate is a "bundle" of learning experiences including course work, club involvement, speaker series', independent studies, internships, and/or other capstone project(s) that are related by theme or area of interest. Certificates offered include STEAM; Sustainability; Renaissance Scholars; Global Studies; Diversity, Equity, and Social Justice; Artistic Expression; Pathway to Leadership; Public Health; Quakerism, Baltimore Urban Immersion and Engagement, Entrepreneurship, Literary Scholar Certificate and Design Your Own Certificate.

Inspired Institute. The Institute for Public Involvement & Responsible Dialogue (INSPIRED) is working to build a culture of responsible dialogue on campus that will both model best practices for building and sustaining community as well as prepare the School for fuller engagement in wider civic conversations. INSPIRED seeks to be local and even national leaders in developing curriculum and practices that schools can use to change the tone of the conversations around the most challenging issues we face (race, class, social and ecological justice, immigration, etc.) and to give students opportunities to take meaningful action on these issues.

Social Justice Practitioners. FSB's Student Diversity Practitioner course is the only one of its kind in the Baltimore metro area. Students explore a wide range of engaging topics related to DEI concepts from identity to social justice. Students also walk away with valuable hands-on experience by learning how to facilitate conversations, create workshops, and lead the planning for the Upper School Convocation Day for Social Justice.

William Penn Fellows. The William Penn Fellows are a group of Juniors and Seniors who are leaders in work for social justice and civic engagement in Baltimore at Friends. The Fellows host two retreats per year that are designed to help sophomores experience Baltimore through learning about organizations and individuals working to improve the shared Baltimore community.

Peer Educators. The Christopher O'Neil Peer Education Program invites selected high school students to present lessons to younger students on how to make healthy choices and discuss physical and emotional well-being. The program is supported in more than 15 independent schools in the Baltimore area through a foundation created by Pam and Tom O'Neil in memory of their son, Christopher, who was killed in 1992 at the age of 17 in an automobile accident involving a teenage drunk driver.

Project Overview

Proceeds of the Series 2024 Bonds will fund renovations to the School's Lower School campus and expansion of the Little Friends Program. Friends School of Baltimore experiences strong demand for its Little Friends Program, which has been at capacity with 66 students enrolled since November, 2022 when capacity at the current Little Friends Site was temporarily expanded in anticipation of the completion of a permanent expanded location. Due to facility constraints, the Little Friends program is not able to further expand, and 165 students are currently on the waitlist. The project will enable the Little Friends program to increase enrollment by 24 to 90 students.

The renovation of the Lower School is designed to enable Little Friends to expand, and to modernize the Lower School in order to be competitive with peer schools. Additionally, the School will demolish the White House, moving administration into the Pre-Primary building in order to enable the School to beautify the lower school entrance and driveway.

The total cost of the renovations is estimated at $13 million. The School has executed a GMP with Whiting-Turner as Construction Manager. Construction began in March, 2024 and is expected to be completed in August, 2024. As of the date of the application, the project remains on track for a completion date of August 23, 2024. In recognition of potential unforeseen complexities associated with the project, the school has preemptively modified its academic calendar by setting the first day of classes for Wednesday, September 4, 2024. In the event of construction delays beyond the first day of classes, the School is currently evaluating additional contingencies including the use of manufacture units to support classroom instruction and phased hybrid learning for Lower School students.

Geographic Area and Facilities

The School's campus is located on 34 acres in the Homeland neighborhood of Baltimore. The campus includes separate Lower and Middle School buildings, as well as a Main Upper School building and an Upper School Science and Math building.

The School's performing arts center, the Forbush Building, is home to the state-of-the-art Forbush Auditorium which includes a sound and lighting booth, scene shop, as well as cutting-edge acoustics. Forbush also houses the Upper School art studios, photography darkroom, sound editing studio, and a gallery for students' and visiting artists' exhibits. Forbush is also home to the Orchestra Room, practice music rooms, Upper School English and Senior Hall.

Not all learning happens inside the classroom. The Friends School of Baltimore Teaching Gardens offer students at every grade level opportunities to explore and record natural phenomena, apply classroom theory to solve ecological challenges, and cultivate a passion for stewardship. Also nestled on the School's campus is a thriving Quaker Meeting House where our students attend weekly Meeting with their classmates and teachers.

Competitive Environment

Overall admission to Friends School of Baltimore is selective. For the past five academic years, an average of 67% of students who applied to the School were accepted. Admission to the School has become increasingly competitive since the Covid-19 pandemic, with the School accepting 52% of applicants in Fall, 2023 as compared to acceptance rates in excess of 75% in Fall, 2019 and 2020. While enrollment has fallen from 872 students in the 2019-20 academic year to 789 students (not including 66 students enrolled in the Little Friends program) in the current academic year, the School believes its ideal enrollment level is approximately 800 students. Additionally, the current capital campaign and project are expected to further bolster enrollment by improving the capacity of the School's Little Friends program, which acts as a "funnel" for lower school enrollment, as well as the quality of the Lower School facilities.

Key admission data for the past five academic years is provided below:

Applications, Acceptances, and Matriculants

Academic Year	Applications	Acceptances	Acceptance Rate	Matriculants	Matriculation Rate	Total Enrollment
2019-20	507	385	76%	45	45%	872
2020-21	415	330	79%	43	43%	852
2021-22	535	310	58%	44	44%	832
2022-23	372	268	72%	50	50%	802
2023-24	541	284	52%	49	49%	789

The School benchmarks its tuition against those of other independent schools located in the Baltimore. area. For the 2023-24 academic year, the School's is tuition below the majority of its peer institutions. The following table lists the School's competitors:

Comparative 2023-24 Tuition

Institution	Grades K-4	Grades 5-6	Grades 7-8
The Bryn Mawr School, MD	$35,780	$37,430	$39,060
McDonogh School, MD	34,800	36,850	38,750
Roland Park Country School, MD	35,800	36,900	37,900
The Park School of Baltimore, MD	32,810	35,120	37,315
Friends School of Baltimore, MD	**31,480**	**34,810**	**36,445**
Gilman School MD	32,635	33,615	35,790
Peer School Median	34,800	36,850	37,900

Enrollment

The School enrolled 789 students for the 2023-24 academic year. The following table summarizes the School's enrollment by grade for the past five academic years, and enrollment for the current academic year:

Annual Enrollment by Grade

Grade	2019-20	2020-21	2021-22	2022-23	2023-24
Pre-Kindergarten	26	15	27	24	20
Kindergarten	47	47	36	38	35
Grade 1	38	43	45	28	38
Grade 2	41	36	46	41	31
Grade 3	33	45	39	45	43
Grade 4	48	32	47	41	44
Grade 5	43	47	32	53	44
Total Lower	276	265	272	270	255
Grade 6	70	53	56	51	72
Grade 7	54	69	49	58	53
Grade 8	79	59	69	55	68
Total Middle	203	181	174	164	193
Grade 9	111	99	74	85	76
Grade 10	105	111	103	76	90
Grade 11	91	105	108	102	75
Grade 12	86	91	101	105	100
Total Upper	393	406	386	368	341
Total Enrollment	872	852	832	802	789

Friends School of Baltimore strives to be a community where everyone can live out their full identity and be cherished and respected for every aspect of it. In an effort to further its social justice mission, Friends School released a community-informed Strategic Working Plan for Racial Equity for the 2020-21 school year and is continuing to develop this plan into a long-range, community informed multi-year strategic plan. Since 2019-20, students of color have grown from 36% of the School's student body to 46% of the student body.

The following table shows the distribution of students by race/ethnicity for the current and past four academic years:

Breakdown of Students of Color

Year	African American	Latino Hispanic	Asian and Asian American	Middle Eastern	Other/ Multiracial	Total	Percent of Total Students
2019-20	167	27	24	5	89	312	36%
2020-21	173	30	29	6	92	330	39%
2021-22	173	36	32	3	100	365	43%
2022-23	176	38	36	3	102	358	45%
2023-24	176	32	40	4	108	362	46%

Student Outcomes

FSB students engage in a comprehensive college planning process that includes course selection, standardized testing preparation and scheduling throughout their time at the School. Every fall upwards of 150 college representatives visit Friends School. The strength of the School's overall academic program is evidenced by its student scholarship achievements, student testing outcomes, and the success of its graduates in gaining acceptance to some of the nation's premier colleges and universities.

During the 2022-23 school year, as part of the National Merit Scholarship Program, 8 students were recognized as National Merit Commended. The following table shows the School's National Merit Scholarship and other notable awards for the past five academic years.

Friends School of Baltimore National Merit Awards

	2018-19	2019-20	2020-21	2021-22	2022-23
National Merit Commended	11	4	4	8	8
National Merit Semi-Finalists	2	-	-	-	-
AP Scholars	4	1	3	3	N/A

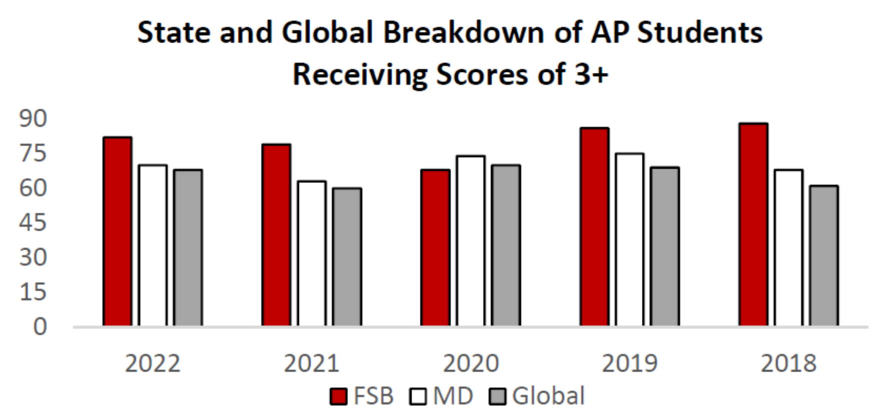
Students at Friends School of Baltimore take the SAT and ACT standardized tests. For the current academic year, FSB students have recorded a mean composite SAT score of 1256, 122% of the national average and a mean composite ACT score of 28, 144% of the national average. The following table shows the School's mean SAT scores compared to the national averages over the past 5 years.

Mean SAT & ACT Scores

	Class of '19	Class of '20	Class of '21	Class of '22	Class of '23
SAT Scores					
Evidence-Based Reading & Writing (ERW)	666	630	642	659	643
Math	660	634	624	651	613
Composite	1326	1264	1267	1310	1256
National Average	1059	1051	1060	1050	1028
% National Average	125%	120%	120%	125%	122%
ACT Scores					
ACT Composite Score	28.0	28.0	29.0	28.0	28.0
National Average	20.7	20.6	20.3	19.8	19.5
% National Average	135%	136%	143%	141%	144%

Source: College Board College-Bound Seniors Total Group Profile Report.

Although Advanced Placement subjects are not offered at FSB, many students choose to take examinations as part of their academic experience. Since the 2018-19 academic year, 58% of advanced placement exam scores yielded a "4" or "5", and 78% of students scored a "3" or higher. The chart below shows the state and global breakdown of AP students receiving scores of greater than "3" for academic years, compared to the share of students at FSB receiving scores of greater than "3"



In 2019, College Board moved on-time AP registration for non-AP schools to early November and almost tripled cancellation charges. Previously, non-AP schools had until mid-March to register without late fees. The shift in timeline and increase in charges has significantly impacted participation.

Over the last four years, FSB graduates have matriculated to a wide range of colleges and universities. The following table details the colleges and universities selected by three or more graduates of the FSB classes of 2020 through 2023.

FSB College Matriculation
Classes of 2020 – 2023

College/University	Number of Graduates	College/University	Number of Graduates
University of Maryland, College Park	21	University of Michigan	4
Elon University	13	University of North Carolina at Chapel Hill	4
Northeastern University	13	University of San Francisco	4
University of Vermont	11	Boston College	3
Dickinson College	6	Bryn Mawr College	3
Skidmore College	6	Carleton College	3
University of Maryland, Baltimore	6	Case Western Reserve University	3
DePaul University	5	Colby College	3
Drexel University	5	Cornell University	3
Morgan State University	5	Davidson College	3
University of California, Los Angeles	5	George Washington University	3
University of Delaware	5	Goucher College	3
University of Wisconsin, Madison	5	Haverford college	3
College of Charleston	4	Indiana University, Bloomington	3
College of William and Mary	4	Purdue University	3
Hamilton College	4	Rochester Institute of Technology	3
Loyola University Maryland	4	Stanford University	3
Salisbury University	4	Stevenson University	3
Temple University	4	Tufts University	3
Towson University	4	University of Pennsylvania	3
University of Denver	4	Virginia Polytechnic Institute & State Univ.	3

Financial Assistance

FSB recognizes that attending an independent school involves a significant financial commitment for many of the School's families. Friends School has a need-blind admission process and partners with Clarity Financial Aid to provide financial assistance assessment and auditing services. Clarity provides a personalized and unbiased financial assessment to the School, and using that assessment, FBS is able to determine the amount of financial assistance that can be offered to each individual student and family.

In 2023-24, the School awarded more than $7.5 million in financial aid to 374 students, representing 32% of gross tuition revenue and 47% of the student body.

The following table shows the financial aid awarded to students by the School for the past five academic years:

Financial Aid Awards

Academic Year	Total Grants	Number of Recipients	% of Student Body	Average Grant	Grants as a % of Tuition Revenue
2019-20	$7,980,207	359	41%	$22,229	33.1%
2020-21	$8,865,719	436	51%	$20,334	31.3%
2021-22	$8,294,382	363	44%	$22,850	31.9%
2022-23	$8,289,392	366	46%	$22,649	32.4%
2023-24	$8,661,216	374	47%	$23,158	32.4%

Existing Debt & Plan of Finance

The School's originally issued $7.5 million, Series 2004, bonds are held by Truist Bank. There is approximately $3 million outstanding and they can be refinanced without penalty. As part of the Series 2024 finance, the Series 2004 Bonds will be refinanced.

After an extensive credit solicitation process, Pinnacle Bank was selected to refinance the existing debt and finance $13 million of funds for renovations. The School selected Pinnacle Bank based on the length of the commitment term proposed, the cost of capital, and the flexibility of the covenants. The financing will have a 15-year term and a variable rate of 79%*SOFR + 0.91%, to be hedged by an interest rate swap. The indicative all-in rate as of April 19, 2024 is 4.45%.

The following table is the estimated sources and uses of funds:

Sources and Uses of Funds

Sources		
Series 2024 Bonds	$	13,700,000
Total Sources	$	13,700,000
Uses		
Refinancing	$	3,100,000
New Money*		13,000,000
COI / Contingency		600,000
Total Uses	$	13,700,000

**$5 million of new money proceeds anticipated to be prepaid from fundraising proceeds*

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Historical Financial Performance

The following table summarizes the School's unrestricted operations for the past five fiscal years:

Friends School of Baltimore
Statement of Unrestricted Activities
(Fiscal Year Ended June 30)

	2019	2020	2021	2022	2023
Revenue:					
Gross tuition and fees	$ 23,836,399	$ 26,044,562	$ 26,299,332	$ 26,295,884	$ 25,994,004
Less: student aid	(6,259,676)	(7,980,207)	(8,865,719)	(8,294,382)	(8,289,392)
Net tuition and fees	17,576,723	18,064,355	17,433,613	18,001,502	17,704,612
Auxiliary enterprises	2,146,155	1,845,823	1,148,242	2,388,585	3,067,714
Donations	648,176	874,485	1,534,618	1,469,183	909,740
Investment income (loss), net of fees	608,208	(205,118)	1,040,784	(1,043,101)	392,820
Other sources	284,354	178,102	121,030	182,105	250,532
Net assets released from restrictions	2,362,675	2,504,177	2,284,455	2,889,803	4,107,371
Total revenue	$ 23,654,733	$ 23,261,824	$ 23,562,742	$ 23,888,077	$ 26,432,789
Expenses:					
Instruction	19,551,542	20,000,897	19,774,363	20,406,966	20,977,613
General and administrative	3,705,757	4,057,392	4,210,905	3,599,759	4,027,492
Fundraising	1,133,011	1,274,793	1,139,964	1,030,108	1,142,566
Total expenses	$ 24,390,310	$ 25,333,082	$ 25,125,232	$ 25,036,833	$ 26,147,671
Excess of revenue over expenses	$ (764,019)	$ (2,071,258)	$ (1,562,490)	$ (1,148,759)	$ 285,118
Other changes in net assets:					
Paycheck Protection Program loan forgiveness	-	-	3,119,800	-	-
Reclassifications	-	-	-	-	53,335
Loss on disposal of assets	-	-	(14,250)	(1,080)	-
Change in unrestricted net assets	$ (764,019)	$ (2,071,258)	$ 1,543,060	$ (1,149,836)	$ 338,453
Unrestricted net assets, beginning	$ 41,704,757	$ 40,940,738	$ 38,869,480	$ 40,412,540	$ 39,262,704
Unrestricted net assets, ending	$ 40,940,738	$ 38,869,480	$ 40,412,540	$ 39,262,704	$ 39,601,157

The School's net assets as of June 30, 2019 through 2023 were as follows:

Net Assets

	2019	**2020**	**2021**	**2022**	**2023**
Without donor restrictions	$40,940,738	$38,869,480	$40,412,540	$39,262,704	$39,601,157
With donor restrictions	35,102,943	33,831,672	45,053,445	39,438,308	41,398,653
Total net assets	$76,043,681	$72,701,152	$85,465,985	$78,701,012	$80,999,810

Over the past five years, Friends School of Baltimore has generated cash flow based surpluses from operations, highlighted by surpluses in excess of $1.9 million since FYE 2021. During this time, the School's endowment has grown by 23%, or $7.4 million, from $32.3 million to $39.7 million. The surpluses and growth in financial resources are a product of robust fundraising support and disciplined expense management, as well as the School's consistently strong demand.

Annual fund support for operations has remained strong, growing $600,000 or 43%, from $1.4 million in FYE 2019 to $2.0 million in FYE 2023. From FYE 2019 – 23, the School raised $16 million in total giving. While enrollment declined from a peak of 872 students in FYE 2020 to 832 students in

2022, net tuition revenue has remained stable due to careful management of financial aid, which has remained stable at approximately 32% of total tuition revenue. For 2023, the School's net tuition revenue declined slightly, and based on current enrollment, the School expects this number to stabilize in the current year. The School is currently in the beginning stages of a capital campaign which is expected to further bolster financial resources by raising $10 million for the endowment.

Under the terms of the Series 2021 financing, the School will be required to maintain 90 days cash on hand. The following table depicts the School's days cash on hand by level of restriction for the previous three fiscal years:

Days Cash on Hand

	2021	2022	2023
Cash	$ 4,471,839	$ 5,895,178	$ 4,240,655
Investments	48,133,370	41,280,648	44,390,906
Less: Restricted Cash/Investments*	(44,541,173)	(39,046,610)	(40,563,511)
Unrestricted Liquidity	$ 8,064,036	$ 8,129,216	$ 8,068,050
Adjusted Operating Expense**	$ 22,919,175	$ 22,779,351	$ 23,941,221
Days Cash On Hand	128	130	123

**Calculated as Net Assets with Donor Restriction less Charitable Remainder Trust, less Restricted Promises to Give*
***Total operating expense less depreciation, less amortization*

The School will be required to meet a debt service coverage ratio of 1.10x. The School has a demonstrated ability to service its pro-forma debt service based upon past financial results. The chart below shows the School's pro forma debt service coverage over the past three years.

Pro Forma Debt Service Coverage Ratio

	2021	2022	2023
Change in Unrestricted Net Assets	$ 1,543,060	$ (1,149,836)	$ 338,453
Less: Investment Return	(1,040,784)	1,043,101	(392,820)
Plus: Depreciation	2,209,489	2,254,041	2,203,019
Plus: Interest	218,150	102,227	100,070
Plus: Unrestricted Endowment Spend	14,605	261,881	20,200
Net Revenues Available for Debt Service	$ 2,944,520	$ 2,511,414	$ 2,268,922
Pro Forma Debt Service	$ 1,005,000	$ 1,005,000	$ 1,005,000
Pro Forma Debt Service Coverage Ratio	2.93x	2.50x	2.26x

Note: the pro-forma debt service assumes an interest rate of 4.45%, and a 30 year amortization.

The Series 2024 debt service coverage ratio allows for a spend down of the restricted endowment in accordance with the School's spending policy to be included in the coverage ratio. To the extent that the School takes a spend rate off of its endowment it is included in the net revenues available for debt service.

Maryland Institute College of Art

Application
Borrower Overview

APPLICATION LETTER

Thursday, April 11, 2024

Maryland Health and Higher Educational Facilities Authority
401 East Pratt Street
Suite 1224
Baltimore, MD 21202-3003
Attention: Barlow T. Savidge
Executive Director

Members of the Authority:

The Maryland Institute, a Maryland non-profit corporation (the “Institution”) hereby makes application to the Maryland Health and Higher Educational Facilities Authority to finance or refinance the project described in Appendix A (the “Project”) on behalf of the Institution by the issuance and sale of the Authority’s revenue bonds.

The Institution understands and agrees that if the Authority issues its revenue bonds to finance the Project, such bonds will be payable solely from moneys received by the Authority from the Institution under the terms of a loan agreement, mortgage or other agreement between the Authority and the Institution pursuant to which the proceeds of the bonds will be loaned to the Institution.

The Institution understands that the Authority is not financed by general funds of the State of Maryland but must rely upon payments made to it by participating institutions and that the Authority must incur costs in connection with the Institution’s application and preparations by the Authority’s staff, advisors and bond counsel for the issuance of bonds to finance the Project. Accordingly, the Institution understands and agrees that in the event that the Institution’s application is accepted by the Authority, the Institution will pay all costs incurred by or on behalf of the Authority or the Institution in connection with the financing (irrespective of whether the Authority issues its revenue bonds to finance the Project), including the costs of a financial feasibility study (if required by the Authority), as well as on-going administrative costs associated with the bonds until the bonds mature or are prepaid, and the Authority’s Annual Administrative Fee, payable semi-annually, until all of the bonds have been redeemed or paid at maturity.

The Institution further agrees that if its application is approved by the Authority, the Institution will submit to the Authority for its review all contracts relating to the Project currently in force or to be executed in the future between the Institution and any third parties, including (without limitation) contracts for consultant and management services, design, construction or repair, as requested. The Institution recognizes the Authority's right to approve, disapprove or require modification to any or all such contracts and to refuse to proceed with the financing and / or refinancing in the event that any required action is not taken by the Institution. If the Authority accepts the Institution's application, the Institution agrees to comply with the Authority's requirements, if any, concerning the use of minority business enterprises in the construction and acquisition of the Project and the provision of services and supplies to the Project and to provide the Authority with such information concerning minority business participation in the Project, as it may request.

Because the Authority is prepared to make the financing available to all institutions which qualify for it without the intervention of third parties, the Institution agrees that it has not paid and will not pay any fee to any person or firm in connection with any Authority financing.

Upon acceptance by the Authority, this letter shall constitute a binding agreement between the Authority and the Institution. The Institution recognizes and agrees that, if the Authority accepts the Institution's application for financing, such acceptance shall in no way constitute a determination by the Authority that the Project is feasible or an assurance that the proposed financing will in fact proceed to completion and that the Authority's decision to finance the Project will be contingent upon, among other things, the Authority's determination that the terms of the financing are satisfactory to it in all respects.

The undersigned certifies that he or she is an officer of the Institution holding the office set forth below and is duly authorized to sign and submit this letter on behalf of the Institution.

M|I|C/A

Maryland Institute

By: ________________________________

Name: Dan Cronin

Title: Executive Vice President and CFO

Accepted by the Authority this ______ day of ____________________, 20__.

(Seal)

MARYLAND HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

By: ________________________________

Chairman

____

Executive Director

MARYLAND INSTITUTE COLLEGE OF ART

1300 MOUNT ROYAL AVENUE
BALTIMORE, MD 21217
T 410.669.9200
WWW.MICA.EDU

APPENDIX A

DESCRIPTION OF THE PROJECT

Name of Institution: Maryland Institute College of Art

Estimated total amount of loan requested: $42,000,000

Description of Project to be financed / refinanced with loan:

(A) Description of any new construction, renovations, expansion or equipment included in Project:

Funds will be used for a variety of campus projects presented below:

- Roofing- Metal/Skylight Replacement (Main) $2,000,000
- Roofing- Membrane/Shingle/Skylight Replacement (Art Tech, Founders Green, Station, Brown, Bunting, Station, 1200 W. Mount Royal) $1,116,000
- Roofing- Metal Replacements (Founders Green) $500,000
- HVAC Upgrades (Bunting, Meyerhoff, Lazarus, Brown, Lazarus, Fox, Founders Green, Lazarus, Gateway) $900,000
- Building Waterproofing (Founders Green, Warehouse, Bunting, Fox, Lazarus, Meyerhoff, Station, Warehouse, 1200, 1210, 1212 W. Mount Royal) $2,345,000
- ADA Upgrades (Art Tech, Station, Brown, Bunting, Main, Founders Green, Campus Updates) $1,200,000
- Safety/Security (Campus Updates) $214,000
- Fire Protection (Fox, Dolphin) $60,000
- Elevator Upgrades (Main, 81 Mosher) $280,000
- Plumbing Upgrades (Bunting, Main) $225,000
- Lighting Efficiency Upgrades (Lazarus, Gateway, Bunting, Fox) $250,000
- Interior/Exterior Finishes (Meyerhoff, Fox, Main, Bunting) $1,590,000
- Furniture (Meyerhoff) $600,000
- Transportation- Electric (Charging Stations) $80,000
- Food Service Equipment (Meyerhoff, Fox, Founders Green) $70,000
- Asphalt/Exterior Surfaces (1501, Bunting, Station, Founders Green) $70,000
- Interior Space Modification (81 Mosher, Gateway) $500,000
- IT Equipment Replacement (Campus Updates) $2,250,000
- Instructional Equipment (Campus Updates) $2,250,000

Estimated costs:

General Construction (new or renovation / expansion:	$	11,400,000
Equipment:	$	4,570,000

Architectural / engineering / design fees:	$	530,000
Contingency	$	
Other: (Bond Issuance)	$	500,000
Total	$	17,000,000

The various improvements and equipment purchases are anticipated to occur through May 2027.

Description of any existing interim financing arrangements (name of lender, final due date of loan, interest rate, etc.), if any: **Not Applicable**

(B) Refinancing:

Outstanding amount of loan to be refinanced: $ 24,905,000

Terms of loan to be refinanced (name of lender, final due date of loan, interest rate, prepayment provisions, etc.), if any:

	Series 2012 Bonds
Use of Proceeds:	New Money and Current Refunding of Series 1998 Bonds
Original Principal Amount:	$33,985,000
Outstanding Principal Amount: (as of 6/30/2024)	$24,905,000
Callable Principal Amount:	$24,905,000
Interest Rate(s): (remaining maturities)	5.00%
Final Maturity Date:	6/1/2047
Redemption Provision:	6/1/2022 @ 100%

Description of project(s) financed with original proceeds of loan to be refinanced:

$33,985,000 Maryland Institute College of Art, Series 2012 - The proceeds of the Series 2012 Bonds were used to finance the construction of an approximately 88,000 square foot mixed use residence hall known as “Commons II” which includes 63 apartments housing 242 students, a lecture hall and an art studio (the “Commons II Project”), finance renovations to an existing residence hall known as the “Commons”, fund capital improvements to various academic facilities and the acquisition of property to be used for the College’s graduate program and administrative offices and refund the Authority’s outstanding Series 1998 Bonds.

(C) Description of any anticipated sources of funds for the Project other than the proposed loan through the Authority, if applicable: **Not Applicable**

(D) Provide proposed financing term sheet / financing structure, if available.

MICA has engaged Callowhill Capital Advisors LLC as its financial advisor and Bank of America Merrill Lynch to serve as its managing underwriter. The bonds are expected to be issued as rated, long-term, fixed rate, tax-exempt obligations and sold through a negotiated, public offering.

MARYLAND INSTITUTE
COLLEGE OF ART

MICA Overview

Maryland Institute College of Arts (MICA) is the oldest private college in the United States dedicated to educating and developing artists, designers, creative entrepreneurs and launching them into professional careers. MICA champions the advancement and integration of art and design into the community and is committed to the betterment of society by bringing design-thinking and creative problem-solving to our community, our country, and our world. MICA offers undergraduate and graduate degree programs as well as professional-level courses to over 2,500 students, professionals, and life-long learners. MICA is consistently ranked in the top ten art and design colleges in the nation. Its groundbreaking curricular approach integrates a world-class art and design education, state-of-the-art technology training, liberal arts studies, and community-based social practices to educate and develop artist-citizens and creative entrepreneurs to thrive in the new creative economy and for the future of work. Students who attend MICA come from 45 states and 56 different countries and learn against the backdrop of Baltimore City — a city that celebrates the artist and receives unparalleled investments in the arts from the State. Maryland was recently ranked #1 in public funding for the arts nationally in the latest SMU DataArts "State of the Arts 2023" report. (https://culturaldata.org/state-of-the-arts-2023/full-rankings/)

MICA History

Founded in 1826, MICA is the nation's oldest independent and fully accredited degree-granting art college. MICA's mission is to empower students to forge creative, purposeful lives and careers in a diverse and changing world. Thrive with Baltimore. Make the world we imagine. The College's vision is a just, sustainable, and joyful world activated and enriched by artists, designers, and educators who are valued for their leadership and imagination Most renowned for its studio program, MICA is consistently ranked in the top tier of art programs in the nation.

MICA Leadership & Governance

Cecilia M. McCormick is the College's Interim President and has spent her career focusing on education, advocacy, and service to the community. Ms. McCormick is the former president of Elizabethtown College who successfully led the institution through a transformative time, securing financial stability and enrollment growth. Prior to that, Ms. McCormick served as Vice Provost for Academic Strategy and Special Programs, Chief of Staff for Academic Affairs, and the Associate Provost for Strategic and Academic Initiatives at Thomas Jefferson University.

At Jefferson, Ms. McCormick was integral to the successful merger of Thomas Jefferson and Philadelphia Universities and developed numerous strategic initiatives, including new academic programs, operations, and processes. She has collaborated across the institution in both the creation and implementation of strategic plans and budgeting processes. Ms. McCormick also secured school and community partnerships and launched pipeline programs for students in the Philadelphia region to create an interest in STEM (science, technology, engineering and math) Education with a focus on skills and workforce development for underserved populations.

At Johns Hopkins University, Ms. McCormick was the Chief of Staff to the Senior Vice President for Finance and Administration and Chief Operating Officer. She also has held myriad positions at Widener University, including serving as Executive Director in the Office of the President and a member of the President's Executive Team.

Ms. McCormick, a first-generation college student, holds a bachelor's degree in management and marketing from Saint Joseph's University in Philadelphia and a juris doctorate from Widener University's Delaware Law School and still maintains her license to practice law in Pennsylvania.

Daniel A. Cronin is the College's Interim Executive Vice President of Finance and Chief Financial Officer. Mr. Cronin comes to MICA with a wealth of experience in financial and operational leadership. He served as the Chief Financial and Operating Officer and Treasurer at the Howard Hughes Medical Institute, where he managed a $24B endowment and oversaw a comprehensive $1B budget, managed a $140M tax-exempt bond issuance, oversaw data management, and human resources. His tenure as Senior Associate Dean for Finance and Administration at the Krieger School of Arts and Sciences at Johns Hopkins University further exemplifies his capability to drive financial strategy and administration in an academic setting where he was responsible for a $500M operating budget and $750M endowment. He helped grow their professional masters programs from $25M in revenue to over $120M today.

Mr. Cronin has an BS in Business, a MBA, and a PhD in Communication from the University of Maryland, College Park. He has taught at several local universities in addition to his administrative positions at the University of Maryland and the George Washington University.

Overview of Competition

MICA consistently ranks within the top ten among peer art and design schools like the Rhode Island School of Design, School of the Art Institute of Chicago, Pratt Institute, School of the Visual Arts, and Savannah College of Art and Design. Among universities, MICA competes for undergraduate students with Virginia Commonwealth University, Syracuse University, Washington University, Carnegie Mellon, Temple University, and SUNY Purchase.

For graduate programs, MICA's peer institutions include Rhode Island School of Art and Design, the School of the Art Institute of Chicago, Yale, Virginia Commonwealth University, Parsons, and the School of the Visual Arts and Cranbrook.

MICA has seen strong interest from freshmen and transfer students for Fall 2024 enrollment. With the federal delays associated with the FAFSA process this spring, the normal May1st deadline for enrollment confirmations has been pushed out to June 1st and we are working with families on an individual basis to meet their needs. Our masters of arts graduate programs have robust interest and we are currently above our Fall 2024 new student target.

MARYLAND INSTITUTE COLLEGE OF ART

The following table includes student demand information for the last three academic years ending May 31, 2024.

Applications, Acceptances & Matriculation	2023-2024	2022-2023	2021-2022
First Year Applications	3,193	3,136	3,066
Transfer Applications	200	209	229
Graduate Applications	1,065	1,078	1,175
Applications	**4,458**	**4,423**	**4,470**
First Year Acceptances	2,503	2,675	2,628
Transfer Acceptances	161	177	196
Graduate Acceptances	661	586	593
Acceptances	**3,326**	**3,438**	**3,417**
First Year Acceptance Rate	**78.4%**	**85.3%**	**85.7%**
Transfer Acceptance Rate	**80.5%**	**84.7%**	**85.6%**
Graduate Acceptance Rate	**62.1%**	**54.4%**	**50.5%**
First Year Matriculants	277	350	314
Transfer Matriculants	40	58	61
Graduate Matriculants	263	379	313
Matriculants	**580**	**787**	**688**
First Year Matriculation Rate	**11.1%**	**13.1%**	**12.0%**
Transfer Matriculation Rate	**24.8%**	**32.8%**	**31.1%**
Graduate Matriculation Rate	**39.8%**	**64.6%**	**52.7%**

Enrollment	2023-2024	2022-2023	2021-2022
Undergraduate Enrollment FTE	1,269	1,358	1,524
Graduate Enrollment FTE	400	417	462
Total Enrollment FTE	**1,669**	**1,775**	**1,986**

Plan of Finance Description & Objectives

The purpose of the proposed bond financing is to provide for (1) the funding of various qualified capital expenditures of the College, (2) the current refunding of the Series 2012 Bonds, and (3) the payment of transaction-related costs. In conjunction with the Series 2024 issuance, the College will cash defease the Authority's Series 2017 Bonds.

MARYLAND INSTITUTE
COLLEGE OF ART

An estimated sources and uses is provided below:

Preliminary Series 2024 Sources	
Par	38,850,000
Premium	2,963,356
Total Sources	**41,813,356**
Preliminary Series 2024 Uses	
Refunding of Series 2012	24,905,000
Capital Projects	16,276,104
Cost of Issuance	632,252
Total Uses	**41,813,356**

MICA's objectives with the proposed plan of finance are to 1) achieve cash flow savings with the refundings, 2) retain liquidity by funding planned capital expenditures and 3) update document terms and conditions.

MICA's debt to be refunded and repaid includes the Series 2012 and 2017 bonds respectively. In October 2012, the Authority issued $33,985,000 of tax-exempt bonds on MICA's behalf, the proceeds of which were used to finance the construction of an approximately 88,000 square foot mixed use residence hall known as "Commons II" which includes 63 apartments housing 242 students, a lecture hall and an art studio (the "Commons II Project"), finance renovations to an existing residence hall known as the "Commons", fund capital improvements to various academic facilities and the acquisition of property to be used for the College's graduate program and administrative offices and refund the Authority's outstanding Series 1998 Bonds. The Series 2012 Bonds are callable without penalty.

In March 2017, the Authority issued $17,585,000 of tax-exempt bonds on MICA's behalf to currently refund a portion of the Authority's Series 2007 bonds. The proceeds of the Series 2007 bonds were used to (1) finance the costs associated with the completion of the construction of a new residence hall, mechanical tower, multi-purpose performance space and student affairs offices, (2) finance renovations of three existing academic buildings, (3) refinance a loan to MICA to finance facilities and (4) advance refund the Authority's Revenue Bonds, Maryland Institute College of Art Issue, Series 2001 (the "Series 2007 Bonds"). The Series 2017 Bonds are subject to optional redemption starting June 1, 2026. MICA will use its own funds to defease the Series 2017 bonds as tax-exempt proceeds cannot be used for an advance refunding

MARYLAND INSTITUTE COLLEGE OF ART

Financial Analysis

The strengths of the College's financial condition are demonstrated by its current Baa1 long-term rating by Moody's (January 2023) and BBB+ rating by Fitch (August 2023), both with a stable outlook. The favorable ratings reflect the College's consistently healthy operating cash flow margins, strong levels of unrestricted liquidity, and low debt burden. The Fitch Rating report has been included as a reference.

For the Three Years Ended May 31, 2023

	FY 2023	FY 2022	FY 2021
Operating Revenue over Operating Expenses	($3,976,192)	($2,618,285)	($3,754,390)
Total Revenue over Total Expenses	($6,064,407)	($9,370,754)	$15,245,779
Net Income Available for Debt Service	$11,682,813	$24,934,005	$2,792,933
Maximum Annual Debt Service	$5,948,194	$5,948,194	$5,948,194
Long-Term Debt	$80,270,000	$81,820,000	$83,190,000
Total Net Assets	$220,297,307	$226,361,714	$235,713,445
Total Unrestricted Net Assets	$127,426,945	$131,403,137	$134,002,399
Unrestricted Cash and Investments	$67,399,812	$72,047,557	$69,452,118
Total Cash and Investments	$139,899,949	$148,295,844	$152,571,088

FitchRatings

09 AUG 2023

Fitch Affirms Maryland Institute College of Art at 'BBB+'; Outlook Stable

Fitch Ratings - New York - 09 Aug 2023: Fitch Ratings has affirmed the 'BBB+' Issuer Default Rating (IDR) and long-term bond rating with respect to approximately $82 million (outstanding as of FYE 2022) Maryland Health and Higher Educational Facilities Authority (MHHEFA) revenue bonds on behalf of Maryland Institute College of Art, MD (MICA).

The Rating Outlook is Stable.

The 'BBB+' IDR and bond rating reflect MICA's pressured but stabilizing enrollment base, a demonstrable history of operating cost management, and limited near-term capital needs together with sufficient financial flexibility and leverage metrics. The rating further incorporates MICA's high dependence on student fee revenues, relatively small enrollment base, and MICA's very competitive niche market with a focus on the visual arts.

MICA's student demand profile is expected to improve in fall 2023, after several years of volatile enrollment due in part to the pandemic's effect on international students (typically about one-quarter of MICA's undergraduate student body). The smaller incoming classes from fall 2020-fall 2022 are expected to prolong MICA's recovery trajectory somewhat, although the fiscal 2024 budget includes conservative enrollment expectations and significant attention to cost management.

The Stable Outlook reflects Fitch's expectation that MICA's net student revenues will grow modestly from fiscal 2023 levels while management commits to right-sizing its operating expense base to adjust to its current revenue projections. Such actions are necessary to preserve operating margins and financial resources in the four to five-year forward-looking period of Fitch's scenario analysis. In these scenarios, MICA's leverage position remains consistent with its current ratings through the forecast period.

SECURITY

MICA's revenue bonds are unconditional general obligations of the university, and are secured by an interest in MICA's unrestricted revenues.

KEY RATING DRIVERS

Revenue Defensibility - 'bbb'

Prolonged Enrollment Recovery, Competitive Market

MICA's 'bbb' revenue defensibility assessment reflects a high dependence on student-generated income as well as the university's somewhat narrow and competitive programmatic focus. For fiscal 2023 (unaudited), student fees comprised about 80% of total operating revenue, which is largely consistent with historical levels.

Recent volatility in undergraduate enrollment (73% of total headcount) has been offset in part by a generally growing graduate student base over the past several years. MICA's total FTE enrollment has been somewhat volatile, falling to 1,833 in fall 2022 from 2,089 in fall 2021, 1,698 in fall 2020 and 2,096 in fall 2019.

Undergraduate FTE enrollment has shown the most vulnerability, with 1,391 FTE enrollment in fall 2022, well below the 1,708 undergraduate FTE total in fall 2018. Fall 2022 had the smallest freshman class in recent years with 255 incoming students. The smaller incoming classes from fall 2020 onward will have a lagging negative impact going forward as larger graduating cohorts are replaced by smaller cohorts. A high international student population, historically at about a quarter of undergraduate enrollment, has contributed to MICA's enrollment volatility.

MICA expects enrollment recovery in fall 2023, with a larger incoming freshmen class, which is supported by current YTD deposit trends and stable-to-growing graduate enrollment. Demand indicators are mixed for freshmen admissions with an increasing number of applications and improved selectivity, but with a very weak matriculation rate (around 10%).

MICA's revenue base benefits from consistent endowment distributions, which are generally sustainable despite recent use of reserves to balance operating performance.

Operating Risk - 'a'

Strong Operating Cash Flow Through Active Expense Management; Limited Capital Requirements

MICA has a solid track record demonstrating very strong operating cost flexibility. Strong Fitch-calculated cash flow margins are expected to continue at about 14% for fiscal 2023 (unaudited) supporting the 'a' operating risk assessment. MICA's cash flow in fiscal 2022, which included non-recurring pandemic aid, recovered to about 15% from a very weak 3% in fiscal 2021.

In the fiscal 2024 budget, MICA plans to right-size commitments and will incur some one-time expenses related to a planned reduction-in-force, which may lead to a planned deficit for the year. Ongoing operating strength will depend upon success in stabilizing or growing student revenues together with strong expense management.

MICA's near-term capital plans are limited and include deferred maintenance, with good flexibility as to timing. MICA capex burden benefits from consistent state capital support. Expected outlays for the next few years are modest, and equal to just under depreciation expense funded with a combination of internal and state funds. MICA is also considering the launch of a public capital campaign in the next few years that will support future capital needs.

Financial Profile - 'bbb'

Solid Leverage Metrics; No Additional Debt

MICA's Available Funds (AF: Cash and Investments less Permanently Restricted Net Assets) total about $70 million against $84 million in adjusted debt (unaudited FYE 2023), resulting in an adequate leverage of about 84%, consistent with Fitch's 'bbb' financial profile assessment. MICA plans to use about $10 million in reserves in fiscal 2024 to fund non-recurring costs related to its reduction-in-force. Fitch expects resilient balance sheet levels over time as expenses are reduced in line with revenues.

Through Fitch's forward-looking scenario analysis, which incorporates the planned use of reserves, enrollment and financial market forecasts, AF levels are sensitive to modeled forecasts, but generally recover to historical levels over time with the planned budget balancing adjustments in place by fiscal 2025. Historically strong operating cash flow margins have led to overall healthy liquidity, but could erode should operating performance not remain strong over the medium term.

MICA is expecting to generate 2.4x debt service coverage and a 147% liquidity ratio in fiscal 2023, according to preliminary unaudited calculations. Both are well in excess of bond-required threshholds of 1.1x debt service coverage and 40% liquid assets to expenses. MICA has no plans for additional new debt.

Asymmetric Additional Risk Considerations

No asymmetric credit factors affected the rating.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/ Downgrade

--Material decline in demand profile, enrollment and/or on-campus occupancy that result in further and sustained reduction in revenues;

--Failure to execute expense management plans and sustain sufficient cash flow margins at or above 10% and/or as needed to generate sufficient debt service coverage after fiscal 2024;

--Leverage, as measured by AF-to-adjusted debt, declining to around 60%;

--Significant unplanned additional debt without corresponding growth in resources.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

--A material rebound in student demand and enrollment returning to or exceeding historical pre-pandemic levels;

--MICA's ability to generate and sustain strong cash flow margins above 15% that supports further growth in AF;

--Strong capital management and improved leverage ratios maintained above 100%.

Best/Worst Case Rating Scenario

International scale credit ratings of Sovereigns, Public Finance and Infrastructure issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit https://www.fitchratings.com/site/re/10111579.

PROFILE

MICA, founded in 1826, is a nonprofit university specializing in the visual arts located in the Bolton Hill neighborhood of Baltimore, MD. MICA offers a four-year undergraduate fine arts degree, offered in a wide range of disciplines and subject areas, as well graduate degree programs and continuing study non-credit courses. MICA's fall 2022 FTE enrollment was 1,833. MICA is accredited by the Middle States Commission on Higher Education, last reaffirmed in 2019 for a 10-year period.

Sources of Information

In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by information from Lumesis.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visithttps://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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Rating Actions

ENTITY/DEBT	RATING			RECOVERY	PRIOR
Maryland Institute College of Art (MD)	LT IDR	BBB+	Affirmed		BBB+
• Maryland Institute College of Art (MD) /General Revenues/ 1 LT	LT	BBB+	Affirmed		BBB+

RATINGS KEY **OUTLOOK** **WATCH**

POSITIVE

RATINGS KEY OUTLOOK WATCH

RATINGS KEY	OUTLOOK	WATCH
NEGATIVE	⊖	⬙
EVOLVING	⊙	◆
STABLE	⊙	

Applicable Criteria

Public Sector, Revenue-Supported Entities Rating Criteria (pub.27 Apr 2023) (including rating assumption sensitivity)

U.S. Public Finance College and University Rating Criteria (pub.22 Sep 2022) (including rating assumption sensitivity)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Portfolio Analysis Model (PAM), v1.3.4 (1)

Additional Disclosures

Solicitation Status

Endorsement Status

Maryland Health & Higher Educational Facilities Authority (MD)	EU Endorsed, UK Endorsed

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Parliament and of the Council of 16 September 2009 and The Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019 respectively.

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Financial Advisor's Report

Will Be Sent Via Email

Executive Director's Report

Maryland Health and Higher Educational Facilities Authority
Executive Director's Report
May 7, 2024

➢ Closings & Extensions

- Edenwald Senior Living - ($17MM) - Fulton Bank - Tax-exempt bank direct placement to finance renovations and pre-development costs associated with a planned 127-unit independent living expansion project on land leased from Goucher college - Closed 2-29-24.

- Keswick - ($8.955MM) - PNC - An existing bank direct placement - Purchase date extended 3 years - Closing 5-1-24.

➢ Maryland Legislative Session

- MHHEFA tracks legislation that could impact its operations and the institutions it serves. MHHEFA does not lobby; the tracking and implementation of certain bills ensures that MHHEFA can be informed and responsive. As an illustration, bills impacting CCRCs (HB068), charter schools (SB892), the Enough Act (SB482) and a commissioned organizational study of HSCRC&MHCC (SB694) were tracked.

➢ FY 2024 Audit & FY 2025 Budget

- Audit Committee to meet to plan for FY2024 audit and review draft of FY2025 budget.

➢ Outreach

- Imagine Andrews (Donald Bowman, VP Finance) - Outreach to receive an update on charter renewal and demand - 3-27-24.
- UMMS (Amy Myers, VP Corporate Treasury) - Lunch meeting to discuss capital planning for Eastern Shore project and certain debt maturities - Discussed UMMS' social investing initiative and MHHEFA's Community Outreach Program - 4-3-24.
- St. Vincent de Paul (John Schiavone, CEO, William Senft, Senior Director of Real Estate & Annette Anselmi) - Meeting to learn more about SVDP's programs and initiatives - Reviewed Community Outreach Program - 4-17-24.

➢ **GOF Cash & Investments:**	April 30, 2024:	$34,728,454
➢ **Requisitions Processed:**	February 2024:	$6,228,790
	March 2024:	$22,744,973
	April 2024:	$36,966,542