Maryland Health and Higher Educational Facilities Authority

Agenda & Board Meeting Materials

June 4, 2024

Board Meeting Agenda

June 4, 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/85154176588?pwd=uNYayuQHT40Ju4GN4R9VlpWZKqtVPp.1

Conference Phone Line - +1 301 715 8592
Meeting ID/Access Code - 851 5417 6588#
Passcode: 123456#
(Dial Back In If Experiencing Connection Issues)

Authority Open Meeting
Tuesday, June 4, 2024, 10:00 A.M.

1. Approval of the Minutes of the Regular Meeting of the Authority held on Tuesday, May 7, 2024

2. Maryland Institute College of Art (MICA) - Consideration of Authorizing the issuance, 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.

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

3. TidalHealth - Consideration of Authorizing the issuance, sale and delivery of the Authority's Indebtedness (Approximately $131,730,000)

TidalHealth, formerly Peninsula Regional Health System, Inc., submitted an application in December 2020 to advance refund the callable maturities of the Authority's Revenue Bonds, Peninsula Regional Medical Center Issue, Series 2015 utilizing a taxable note/tax-exempt bond structure ("Cinderella Bond"). The taxable note was issued by Truist Bank to lock in the refunding debt service savings. TidalHealth also refinanced existing debt with a taxable note issued by Truist Bank related to the McCready Foundation. This request seeks authorization to refund the taxable notes to MHHEFA issued, tax-exempt bonds on or after July 1, 2024.

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

4. Luminis Health Inc. - Consideration of Authorizing the issuance, sale and delivery of the Authority's Indebtedness (Approximately $112,170,000)

Luminis Health Inc. submitted an application in January 2022 to advance refund the Authority's Revenue Bonds, Anne Arundel Health System Issue, Series 2014 utilizing a taxable note/tax-exempt bond structure ("Cinderella Structure"). The taxable note was issued Truist Bank to lock in the refunding debt service savings. This request seeks authorization to refund the taxable note to a MHHEFA issued, tax-exempt bond on or after July 1, 2024.

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

5. Charlestown Community, Inc. - Consideration of an Application Letter and Authorizing the issuance, sale and delivery of the Authority's Indebtedness (Approximately $30,000,000)

Charlestown Community Inc. has submitted an application to finance construction costs for certain campus and facility capital improvement/repositioning projects as well as other routine and nonroutine capital expenditures. The plan of finance includes the issuance of a direct placement that is expected to be purchased by Truist Bank.

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

6. Approval of Administrative Fee Waiver for FY 2025 - Review of FY 2025 Operating and Capital Budgets

7. Investment Policy

The Authority's Investment Policy is approved annually by the Members. The proposed FY 2025 Investment Policy has been included in the Board package. There are no prosed changes to the Investment Policy.

8. Employee Handbook

The Authority's Employee Handbook is acknowledged annually by the Members. The FY 2025 Employee Handbook with the redline changes has been included in the Board package.

9. Financial Advisor's Report

10. Executive Director's Report

11. All Other Matters Which May Come Before the Authority

Board Meeting Minutes

May 7, 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, May 7, 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 Mamie Johns Perkins, Member Arthur S. Varnado, Member W. Daniel White, Member Bart Savidge, Executive Director Lynn Gorman-Lepson, Chief Financial Officer David Gregory, Bond Counsel William Taylor IV, Bond Counsel Brian Carter, Financial Advisor Stephen Murphy, Financial Advisor
Absent:	Frederick W. Meier, Jr., Member John Phelps, Member
Special Guests:	See attached.

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

APPROVAL OF MINUTES

The minutes of the February 6, 2024 regular meeting of the Authority were unanimously approved.

STEVENSON UNIVERSITY

Mr. Elliot Hirshman, President of Stevenson University, provided an overview of the project and current operations. The project consists of the construction of a one-story, approximately 36,000 square foot facility which will serve as the Institution's new Performing Arts Center. Mr. Hirshman highlighted that this Center will be used by the entire University community and will serve as a central gathering place for students. This is the final project in the University's 20-year plan of growing its Owings Mills Campus. The project will be funded by 4 sources: MHHEFA debt, philanthropy support, state support and other sources from the University. Mr. Hirshman stated that the University is seeing the benefits of its expansion efforts with increases in applications and enrollment. Mr. Hirshman concluded his remarks by stating that Ms. Melanie Edmondson, current CFO, will be retiring in the summer after 28 years with

Stevenson. She will serve as a consultant to the University and Mary Beth Schiller-Schwenke, the current Interim Controller, will assume the role of Chief Financial Officer.

Ms. Melanie Edmondson, CFO of Stevenson University, provided some additional comments on operations. She highlighted that the University's management of its cash balances and expense controls have allowed the University to respond to the operational pressures of the pandemic.

Several questions were raised relating to the maximum freshman enrollment figures and the general contractor performing the construction work. It was reported that the University's maximum resident hall capacity is 1801 students and David S. Brown Enterprises will be the General Contractor for the project.

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 $10,000,000 and delegating to any one Member of the Authority the power to approve the principal amount of the bonds, the interest rate and other terms of the bonds and other matters in connection with the issuance, sale, and delivery of such bonds.

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

STEVENSON UNIVERSITY, INC.
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 $10,000,000 IN ORDER TO LEND THE PROCEEDS THEREOF TO STEVENSON UNIVERSITY, INC. (THE "INSTITUTION") FOR THE PURPOSE OF FINANCING AND REFINANCING CERTAIN CAPITAL PROJECTS FOR THE INSTITUTION; AUTHORIZING ANY MEMBER OF THE AUTHORITY TO SPECIFY, PRESCRIBE, DETERMINE, PROVIDE FOR AND APPROVE CERTAIN MATTERS, DETAILS, FORMS, DOCUMENTS AND PROCEDURES PERTAINING TO THE AUTHORIZATION, SALE, ISSUANCE, DELIVERY AND PAYMENT OF AND FOR SUCH REVENUE BONDS; AND PROVIDING FOR AND DETERMINING VARIOUS MATTERS IN CONNECTION WITH THE FOREGOING.

RECITALS

At its meeting on May 7, 2024, Maryland Health and Higher Educational Facilities Authority (the "Authority") accepted an application from Stevenson University, Inc., a non-stock, nonprofit Maryland corporation (the "Institution"), for the financing of the construction and equipping of a one-story, approximately 36,000 square foot facility which will serve as the Institution's new Performing Arts Center (the "Project") 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 (the "Act").

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:

<u>SECTION 1</u>. The Authority is hereby authorized to issue, sell and deliver its revenue bond (the "2024 Bond") in an aggregate principal amount not to exceed $10,000,000. The 2024 Bond shall be issued and the proceeds thereof loaned to the Institution pursuant to the Financing Agreement dated as of May 1, 2024 (the "Financing Agreement") among the Authority, the Institution, EagleBank (the "Purchaser") and Manufacturers and Traders Trust Company, 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.

<u>SECTION 2</u>. 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.

<u>SECTION 3</u>. 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 principal amount of the 2024 Bond;

(b) the purchase price 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 or dates of maturity of the 2024 Bond, the payment provisions therefor, the optional and mandatory redemption provisions thereof, including (without limitation) the mandatory sinking fund installments (if any) for the 2024 Bond, the designation or designations 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 and any security agreements, letters of credit, bond insurance policies or other credit or liquidity facilities supporting the 2024 Bond, financing agreements 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 2024 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 any outstanding revenue bonds previously issued by the Authority pursuant to any resolution or trust agreement executed and delivered by the Authority, the execution and delivery by an Authorized Member of 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.

FRIENDS SCHOOL OF BALTIMORE

Mr. White disclosed the fact that he is a retired Executive and Board Member of The Whiting-Turner Contracting Company and abstained from all deliberations and action regarding the proposed Friends School of Baltimore application and authorization.

Mr. Christian Donovan, Head of School, and Mr. Malcolm Haynes, Chief Financial and Operating Officer introduced themselves and provided a brief background of their prior work experience, Mr. Donovan provided a brief background on the School and Mr. Haynes provided a brief overview of the project. Mr. Haynes highlighted that this project would expand the Little Friends Early Learning Center, modernize the East and West wings of the Lower School building and provide improvements and upgrades to the landscaping and playground equipment for the Lower School playground. Mr. Haynes also provided an overview of operations highlighting the strength of the School's balance sheet.

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 $16,700,000 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. Varnado, seconded by Mr. Martin, adopted the following resolution (Affirmative – Williams, Beg, Martin, Perkins and Varnado; Negative – none; Abstain – White):

FRIENDS SCHOOL OF BALTIMORE
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 $16,700,000 IN ORDER TO LEND THE PROCEEDS THEREOF TO FRIENDS SCHOOL OF BALTIMORE, INC. (THE "INSTITUTION") FOR THE PURPOSE OF FINANCING AND REFINANCING CERTAIN CAPITAL PROJECTS OF THE INSTITUTION AND TO REFUND REVENUE BONDS

PREVIOUSLY ISSUED BY THE AUTHORITY ON BEHALF OF THE INSTITUTION; AUTHORIZING ANY MEMBER OF THE AUTHORITY TO SPECIFY, PRESCRIBE, DETERMINE, PROVIDE FOR AND APPROVE CERTAIN MATTERS, DETAILS, FORMS, DOCUMENTS AND PROCEDURES PERTAINING TO THE AUTHORIZATION, SALE, ISSUANCE, DELIVERY AND PAYMENT OF AND FOR SUCH REVENUE BONDS; AND PROVIDING FOR AND DETERMINING VARIOUS MATTERS IN CONNECTION WITH THE FOREGOING.

RECITALS

Maryland Health and Higher Educational Facilities Authority (the "Authority") has received an application from Friends School of Baltimore, Inc., a nonprofit corporation formed under the laws of the State of Maryland (the "Institution"), for (a) the financing and refinancing of certain capital expenditures of the Institution including the expansion, internal renovation and equipping of the Institution's existing facilities, consisting of: (i) the expansion of the Little Friends Early Learning Center consisting of repurposing of an existing structure, including interior and exterior refinishing and replacement of mechanical, electrical and safety systems, (ii) the 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 (the "2024 Project"); and (b) the refunding of all or a portion of the Authority's Revenue Bonds, Friends School of Baltimore Issue, Series 2004 (the "Refunded Bonds") pursuant to the Maryland Health and Higher Educational Facilities Authority Act, Sections 10-301 through 10-356, inclusive, of the Economic Development Article of the Annotated Code of Maryland (the "Act").

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

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

SECTION 1. The Authority is hereby authorized to issue, sell and deliver its revenue bond (the "2024 Bond") in a principal amount not to exceed $16,700,000. 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, Pinnacle Bank (the "Purchaser") and a trustee, which shall contain such terms, provisions and conditions as shall be approved by the Authorized Member (defined herein). The proceeds of the 2024 Bond shall be loaned to the Institution pursuant the Financing Agreement for the public purpose of refunding the Refunded Bonds and financing and refinancing the 2024 Project in order to enable the Institution to provide, and to finance and refinance at the least cost to the users thereof, the facilities financed and refinanced with the proceeds of the Refunded Bonds and the 2024 Project (collectively, the "Project") for the benefit of the people of the State of Maryland, the increase of their commerce, welfare and prosperity and the improvement of their health and living conditions.

SECTION 2. As permitted by the Act, one or more series of the 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 principal amount of the 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 or dates of maturity of the 2024 Bond, the payment provisions therefor, the optional and mandatory redemption provisions thereof, including (without limitation) the mandatory sinking fund installments (if any) for the 2024 Bond, the designation or designations 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 and any security agreements, letters of credit, bond insurance policies or other credit or liquidity facilities supporting the 2024 Bond, financing agreements 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 2024 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.

MARYLAND INSTITUTE COLLEGE OF ART (MICA)

Mr. Savidge asked the Members to consider an application from MICA to refund the Authority's Revenue Bonds, Maryland Institute College of Art Issue, Series 2012 and to finance various campus improvements and transaction costs. The plan of finance includes the issuance of tax-exempt, publicly offered fixed rate bonds.

Ms. Cecilia McCormick, President of MICA, provided an overview of the School highlighting that MICA is among the Top 10 Art and Design Schools in the nation. Mr. Dan

Cronin, Executive Vice President and Chief Financial Officer, provided an update on operations. He reported that MICA has a strong balance sheet and endowment fund. He also stated that the School's cash flow has improved since MICA's covenant violation two years ago. The proposed transaction will provide debt service relief and allow MICA to update certain provisions of its master loan agreement.

Several questions were raised regarding the current competitive environment, tuition levels and the General Contractor for this project. Ms. McCormick responded that current college students are much more selective and are smart consumers. She highlighted that MICA's current tuition is approximately $53,000 and approximately 97% of MICA students have successful job placement upon graduation. A general contractor has not been selected as project elements are smaller campus improvements.

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

NOW, THEREFORE, BE IT RESOLVED, THAT the Authority hereby accepts the application submitted by MICA and authorizes any Member and the Executive Director of the Authority to execute the form of acceptance of such application in order to evidence such acceptance and to execute a bond resolution, master loan agreement, security documents and such other documents deemed requisite or appropriate in connection therewith, such acceptance being subject to the following:

(1) the fulfillment of all requirements of the Authority with respect to the quality of obligations which the Authority will issue; and

(2) the Authority's acceptance of such application shall not be deemed to constitute in any way a determination by the Authority that the project or the financing and refinancing of the project is feasible or will in fact be consummated and although the Authority will keep MICA advised from time to time of the Authority's opinion in regard to the possibility of a successful financing and refinancing of the project by the Authority, the Authority does not guarantee such successful financing and refinancing or in any way represent that funds for such financing and refinancing are or will become available.

FINANCIAL ADVISOR'S REPORT

Mr. Brian Carter reported on the current overall economic condition in the United States, stating that national and economic indicators are providing mix signals of the Federal Reserve's next actions. The market currently expects the Federal Funds Rate to approach a peak of nearly 5.3% in May of 2024. The unemployment rate remains low at 3.8%. Mr. Stephen Murphy highlighted that indicators relating to pricing and inflation are beginning to moderate. 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 cyberattack that occurred at Change Healthcare, a medical claims subsidiary of UnitedHealth Group. The subsidiary did not have Multi-Factor Authentication deployed on a certain end point and UnitedHealth Group reportedly paid a $22 million ransom. Mr. Carter highlighted that this attack has provided a keener appreciation of vulnerabilities in the healthcare sector as well as institutions' access to liquidity sources.

EXECUTIVE DIRECTOR'S REPORT

Mr. Savidge provided an update on recent closings and extensions highlighting the Edenwald Senior Living issue and the 3-year purchase date extension for Keswick. Mr. Savidge also provided an update on the current legislation that the Authority is tracking. Mr. Savidge highlighted that the Authority does not lobby, but rather is proactive in tracking possible legislation that can impact MHHEFA's operations and the institutions it serves. Mr. Savidge concluded his comments by providing an overview of outreach activities, highlighting meetings with UMMS and St. Vincent de Paul.

Mr. Williams reported to the Board that Ms. Bonnie Phipps had to resign from the MHHEFA Board due to a current directive that an individual can only serve on one Governor appointed Board. Ms. Phipps was also a Member of the University of Maryland Medical System Board and was asked to extend her term for another 5 years.

EXECUTIVE SESSION

Upon motion by Mr. White, seconded by Mr. Martin, the Authority voted unanimously to close the meeting pursuant to Section 3-305(b)(6) of the General Provisions Article of the Annotated Code of Maryland for the purpose of discussing the marketing of public securities (Affirmative – Williams, Beg, Martin, Varnado and White; Negative – none; Abstain – none).

Subsequently, Mr. Williams resumed the public meeting of the Authority.

MICA -- APPOINTMENT OF UNDERWRITER

Following discussion, the Authority, on motion by Mr. Varnado, seconded by Mr. White, appointed BofA Securities as the underwriter of the proposed MICA bond issue (Affirmative – Williams, Beg, Martin, Varnado and White; Negative – none; Abstain – none).

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

The next meeting of the Authority is scheduled for June 4, 2024.

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Barlow T. Savidge
Executive Director

Approved:

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Arnold Williams
Chairman

June 4, 2024

Authority Meeting
May 7, 2024
Guest List

Stevenson University
Elliot Hirshman, President
Melanie Edmondson, Vice President Finance and Administration & CFO

DLA Piper, LLP – Stevenson University – Borrower's Counsel
Kristin Franceshi, Esq

Friends School of Baltimore
Christian Donovan, Head of School
Malcolm Haynes, Chief Financial & Operating Officer

Maryland Institute College of Art (MICA)
Cecelia McCormick, President
Daniel A. Cronin, M.B.A., Ph.D, Executive Vice President & Chief Financial Officer

Arent Fox Schiff LLP – Maryland Institute College of Art - Borrower's Counsel
Davis Sherman, Counsel

Callowhill Capital Advisors – Maryland Institute College of Art - Financial Advisor
Sandra Kurtz Baxter, President & Principal

Community Outreach Consultant
Annette Anselmi

Bond Authorization Summary

Maryland Health & Higher Educational Facilities Authority

Bond Issuance Authorization Summary

June 04, 2024

Institution:	Maryland Institute College of Art (MICA)
Issuance Amount:	Up to $42,000,000
Project Description:	Refund its Series 2012 bonds and to finance various campus improvements and transaction costs.
Underwriter:	BofA Securities
Expected Structure:	Tax exempt - Fixed Rate - Public Offering
Current Credit Ratings:	Fitch - BBB+ Moody's - Baa1
Project Rational:	Provide debt service savings, low-cost capital for construction of campus improvements and the ability to provide debt service relief.

Institution:	TidalHealth
Issuance Amount:	Up to $131,730,000
Project Description:	Refunding of the Taxable Notes issued by Truist Bank used to refund the callable maturities (2025-2045) of the Authority's Revenue Bonds, Peninsula Regional Medical Center Issue, Series 2015 and debt attributable to McCready Foundation.
Bank Purchaser:	Truist
Expected Structure:	Tax-exempt - Bank direct placement
Credit Ratings:	N/A - Bank Direct Placement
Project Rational:	Debt service savings

Maryland Health & Higher Educational Facilities Authority

Bond Issuance Authorization Summary (Continued)

June 04, 2024

Institution:	Luminis Health, Inc.
Issuance Amount:	Up to $112,170,000
Project Description:	Refunding of the Taxable Note issued by Truist Bank used to refund the Authority's Revenue Bonds, Anne Arundel Health System Issue, Series 2014.
Bank Purchaser:	Truist
Expected Structure:	Tax-exempt - Bank direct placement
Credit Ratings:	N/A - Bank Direct Placement
Project Rational:	Debt service savings

Institution:	Charlestown Community, Inc.
Issuance Amount:	Up to $30,000,000
Project Description:	Finance construction costs for certain campus and facility capital improvement/repositioning projects, as well as other routine capital expenditures.
Bank Purchaser:	Truist
Expected Structure:	Tax-exempt - Bank direct placement
Credit Ratings:	N/A - Bank direct placement
Project Rational:	Provide low-cost capital for construction of campus improvements and other routine capital expenditures.

Maryland Institute College of Art (MICA)

Prior 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.

MICA
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.

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

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
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

DISCLAIMER & DISCLOSURES

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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.

Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at https://www.fitchratings.com/site/regulatory. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third- party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided “as is” without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk

Endorsement policy

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be. Fitch's approach to endorsement in the EU and the UK can be found on Fitch's Regulatory Affairs page on Fitch's website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.

TidalHealth

Updated Borrower Overview
Prior Application & Borrower Overview

TidalHealth, Inc. Updated Overview

OVERVIEW OF REQUEST

On February 4, 2021, TidalHealth, Inc. ("TidalHealth" or the "System) issued two taxable fixed rate promissory notes, the 2021A Note in the principal amount of $123,325,000 (the "2021 A Note") and the 2021B Note in the principal amount of $8,405,000 (the "2021B Note" and together with the 2021A Note, the "2021 Notes"). The 2021 Notes were purchased and are held by BB&T Community Holdings Co. (the "Bank"). The 2021A Note was used to refund for interest cost savings the $104,955,000 of outstanding Maryland Health and Higher Educational Facilities Authority ("MHHEFA") Revenue Bonds, Peninsula Regional Medical Center Issue, Series 2015, that are callable beginning July 1, 2024 (the "Refunded Bonds"). The 2021B Note was issued to refinance two taxable loans made to a TidalHealth Obligated Group member to finance the Alice B. Tawes Nursing Home and Assisted Living facility. The 2021 Notes are expected to be refunded by tax-exempt MHHEFA Revenue Bonds, TidalHealth Issue, Series 2024A (the "2024A Bond"), and Series 2024B (the "2024B Bond") in a cashless exchange on or after July 1, 2024, the first optional call date for the Refunded Bonds. As a condition to the issuance of the 2024A and 2024B Bonds, bond counsel must deliver a validity and tax-exemption opinion, among other requirements. Upon such refunding, the 2024A and 2024B Bonds will bear interest at a fixed tax-exempt interest rate of (1.90%) which is .50% lower than the initial taxable rate (2.40%) on the 2021 Notes.

BORROWER OVERVIEW

TidalHealth, Inc. ("Tidal Health") is the parent corporation that controls a group of affiliated non-profit and for-profit entities (the "Health System") with the mission of improving the health of communities in the southern Maryland, southern Delaware and northern Virginia portions of the Delaware-Maryland-Virginia Peninsula (the "Delmarva Peninsula") on the east side of Chesapeake Bay. TidalHealth is a Maryland non-stock corporation with tax-exempt status under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. TidalHealth's affiliates, TidalHealth Peninsula Regional, Inc., Tidal Health Nanticoke, Inc., and McCready Foundation, Inc. respectively, own and operate Peninsula Regional, an acute tertiary care hospital in Salisbury, Maryland, Nanticoke, an acute care community hospital in Seaford, Delaware, and McCready, a nursing home, assisted living facility and urgent care provider in Crisfield, Maryland.

TidalHealth and its affiliates listed below (the "Obligated Group Members") are the obligors under the Financing Agreement dated as of February 1, 2021, among the Obligated Group Members, MHHEFA, the Bank and the bond trustee (the "Trustee"):

- TidalHealth Peninsula Regional, Inc.
- TidalHealth Nanticoke, Inc.
- McCready Foundation, Inc

The following is a brief description of the health care facilities that are operated by the Obligated Group Members and that form the core of the Health System.

Peninsula Regional. With 271 licensed acute care beds, Peninsula Regional is the sole tertiary care hospital and trauma center in the Health System's primary service area, the largest of the competitor hospitals within 50 miles, and since its founding in 1897, the lead provider within the Health System. Peninsula Regional occupies an approximately 30-acre campus in the city of Salisbury, Wicomico County, Maryland, near the intersection of U.S. Route 13 (a major north-south highway that extends through the entire State of Delaware and the Eastern Shore region of

Virginia) and U.S. Route 50 (a major east-west highway stretching across the Eastern Shore of Maryland to Ocean City). As the largest acute care hospital serving the core of the Delmarva Peninsula, Peninsula Regional draws patients who might otherwise leave its service area for care to its specialized clinical programs such as the Guerrieri Heart & Vascular Institute, which performs over 270 open heart procedures a year, and the Richard A. Henson Cancer Institute, which provides a comprehensive array of cancer treatment services. Peninsula Regional's Robert T. Adkins, M.D. Emergency/Trauma Center handles over 77,000 patient encounters a year and is the state-designated trauma center for Maryland's entire Eastern Shore region, equipped to treat severely injured patients, many of whom arrive by helicopter.

Nanticoke. With 139 licensed acute care beds (99 currently operated), Nanticoke primarily serves the western Sussex County, Delaware portion of the Health System's primary service area. Nanticoke is in Seaford, a community within Sussex County, Delaware that has a population of over 270,000 residents. Seaford is approximately 22 miles north of Salisbury, Maryland and along U.S. Route 13. Nanticoke provides a broad range of inpatient, outpatient and emergency medical services at its main campus and at satellite locations in Sussex County, Delaware and parts of Caroline County, Maryland.

McCready. McCready owns and operates a free-standing medical facility today in the same location with plans to expand services in Crisfield within the next 2 years. Plans are currently underway to identify a location and finalize the scope of services to be provided. McCready also owns and operates a 76-licensed bed skilled nursing and rehabilitation center and an assisted living facility with 28 suites, both also in Crisfield.

Health System Market Position. Within the Health System, Peninsula Regional anchors the delivery of acute inpatient services with an approximate market share of 70% in the Maryland counties in its primary service area. As the largest of the competitor hospitals within its primary and secondary service area, Peninsula Regional generated over 15,790 inpatient admissions and over 400,000 outpatient visits. FY2023 Nanticoke serviced over 4,400 inpatient admissions and about 151,000 outpatient visits in FY2023 in addition to about 31,800 emergency visits. This dominant market strength positions the Health System to manage and accept accountability for population health in its region, and to respond to the changing regulatory and reimbursement initiatives of the Maryland Health Services Cost Review Commission.

Nanticoke expands the reach of the Health System's primary service area to the zip codes of Bethel, Bridgeville, Georgetown, Laurel and Seaford in western Sussex County, Delaware, and alignment of services offered at Nanticoke and at Peninsula Regional enables the Health System to capture more of the referrals for tertiary care made for Nanticoke patients. The healthcare facilities of McCready in Crisfield, Maryland (32 miles southwest of Peninsula Regional) fulfill TidalHealth's commitment to sustain community-based services in the southernmost parts of Maryland's Eastern Shore.

In addition to acute inpatient care, Health System patients have access to a continuum of care provided by affiliated entities within the Health System, permitting efficient delivery of healthcare services in the appropriate setting and cost structure.

STRATEGIC BUSINESS PLAN

The Health System's mission is to improve the health of the communities it serves. The Health System provides a continuum of care that ranges from community-centered primary care to world-class inpatient tertiary care. The strategic plan focuses the Health System not only on the traditional core elements of efficient and effective hospital services, but also on efficient and coordinated management of healthcare delivery in the lower cost settings of home and ambulatory care, primary physician practices and outpatient centers. The strategic plan channels the Health System's investments in facilities, locations and equipment, in people (physicians, other licensed providers and supporting staff), and in systems, software and information technology. A core element of the strategic planning process is the development of annual operating goals, which is done from the top down as well as from the bottom up, so that the efforts of all Health System employees are aligned with achieving its mission.

Beginning in early 2020 the Health System worked to align the Salisbury, Maryland-based core of the Health System with Nanticoke to the north and McCready to the south. TidalHealth consummated affiliations with Nanticoke and McCready in the first quarter of 2020. These affiliations furthered the Health System's goal to improve access to the community along the eastern shore of Maryland and Delaware.

As a result of the two affiliations, TidalHealth has extended the reach of its inpatient-based services in southern Delaware, centered at Nanticoke in Seaford. Tidal Health's plans for McCready call for the development of a new outpatient health pavilion in the southern portion of the Health System's service area in Crisfield, Maryland. Plans are currently in development and TidalHealth is working closely with the Mayor of Crisfield on these plans.

With healthcare reimbursement increasingly focused on population health management, particularly in the State of Maryland, TidalHealth's strategic plan identifies required investments in physician practices, physician recruitment and the coordination of primary care with more acute modes of care. Investments in information technology, including software applications based on electronic medical records, are intended to facilitate moving care toward low-intensity maintenance of good patient health in home, outpatient or ambulatory settings, as opposed to high intensity acute inpatient interventions to address health crises. To accommodate this shift, the Health System's strategic planning process includes identification and evaluation of satellite locations and assets required to support community care. Among other things, this part of the planning process has emphasized the development and continued investment in the Health System's health pavilions in Ocean Pines, Maryland and Millsboro, Delaware, the Woodbrooke ambulatory complex in Salisbury, Maryland and the health pavilion at Nanticoke's Mears Campus in Seaford, Delaware.

During the fiscal years 2021, 2022 and 2023, the strategic focus was on the consolidation and integration of existing operations and services. Major efforts included (i) greater coordination between the medical staffs of Peninsula Regional and Nanticoke to improve management of care and the direction of patients to the optimal settings for care; (ii) integration of information technology in use at Peninsula Regional, Nanticoke and McCready; (iii) consolidation of supporting administrative systems and administrative leadership to achieve efficiencies and cost savings in the areas of personnel, benefits, insurance, and procurement, and (iv) enhanced access to all levels of care provided by the Health System through traditional and non-traditional sites and modes of care. Management expects its focus on these priorities to contribute to stronger financial performance by TidalHealth.

TIDALHEALTH, INC. – HISTORICAL FINANCIAL RESULTS

For the Three Fiscal Years Ended June 30, 2023 & March 31, 2024 Interims
(dollar amounts in thousands)

	F/Y 2021	**F/Y 2022**	**F/Y 2023**	**F/Y YTD 2024 Nine months ended 03/31/2024**
Operating Revenue over Operating Expenses	($17,052)	($54,271)	($53,312)	($6,749)
Total Revenue over Total Expenses	89,024	(130,316)	(11,250)	49,341
Net Income Available for Debt Service	141,884	43,788	35,053	81,361
Maximum Annual Debt Service (“MADS”)	13,979	13,979	13,979	13,979
Cash and Investments	702,263	491,716	453,671	515,733
Long Term Debt	235,213	228,685	221,908	220,053
Total Net Assets	831,268	690,005	689,692	748,257
Total Unrestricted Net Assets	764,459	627,388	623,976	675,385

TIDALHEALTH – SELECTED FINANCIAL RATIOS

For the Three Fiscal Years Ended June 30, 2023

	F/Y 2021	F/Y 2022	F/Y 2023	F/Y YTD 2024 Nine months ended 03/31/2024	Moody's Rated Non-Profit Hospital "Baa'' Medians F/Y 2022 [1]
Operating Indicators					
Operating Margin	-2.3%	-7.1%	-6.8%	-1.1%	-2.1%
Operating Cashflow Margin	4.4%	-0.36%	-0.91%	4.0%	3.6%
Liquidity Indicators					
Days Cash on Hand	362.3	232.0	203.5	231.4	157.6
Cash to Debt	291.0%	209.4%	198.8%	185.9%	128.6%
Leverage Indicators					
Debt to Capitalization	24.0%	27.2%	26.8%	29.1%	37.5%
Debt to Cash Flow (x)	1.9	-3.26	9.65	3.62	5.0
MADS Coverage (x) [2]	10.15	3.13	3.41	5.55	2.4

[1] Source: Moody's FY 2022 US Not-for-Profit Hospital Medians report dated September 7, 2023.
[2] MADS Coverage based upon Obligated Group.

- TidalHealth's operating margin was negatively impacted by inflationary pressures that were not captured in its reimbursement and the tight healthcare labor market.
- TidalHealth's March 31, 2024, nine-month results illustrate an improvement in operating performance.
- TidalHealth's strong balance sheet is evident by its strong days cash on hand and cash to debt ratios.

Ratings:

- TidalHealth is rated "A" with a negative outlook by S&P and "Baa1" with a stable outlook by Moody's.

TidalHealth

Executive

100 East Carroll Street
Salisbury, MD 21801

O 410-543-7111
F 410-543-7102

November 20, 2020

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

Re: Application for Financing

Members of the Authority:

TidalHealth, Inc. (formerly Peninsula Regional Health System, Inc.), a Maryland non-profit corporation ("TidalHealth") hereby makes application to the Maryland Health and Higher Educational Facilities Authority to finance and refinance the projects described in Appendix A (collectively, the "Project") on behalf of TidalHealth and the members of the TidalHealth Obligated Group by the issuance and sale of the Authority's revenue bonds. TidalHealth encloses herewith a non-refundable application fee in the amount of Five Thousand Dollars ($5,000), in the form of a check payable to the Authority, in order for the Authority to undertake a review of TidalHealth's application and to incur costs in connection with such review. If such application is not accepted, the application fee will be refunded to TidalHealth.

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

TidalHealth 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 TidalHealth's application and preparations by the Authority's staff, advisors and bond counsel for the issuance of bonds to finance and refinance the Project. Accordingly, TidalHealth understands and agrees that in the event that TidalHealth's application is accepted by the Authority, TidalHealth will pay (i) all costs incurred by or on behalf of the Authority or TidalHealth in connection with the financing and refinancing (irrespective of whether the Authority issues its revenue bonds to finance the Project), 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 annually, until all of the bonds have been redeemed or paid at maturity.

TidalHealth further agrees that if its application is approved by the Authority, Tidal Health 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 TidalHealth Obligated Group Members and any third parties, including (without limitation) contracts for consultant and management services, design, construction or repair. TidalHealth 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 refinancing in the event that any required action is not taken by TidalHealth. If the Authority accepts TidalHealth's application, TidalHealth agrees to comply with the Authority's requirements 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 financing and refinancing available to all institutions which qualify for it without the intervention of third parties, Tidal Health agrees that it has not paid and will not pay any fee to any person or firm in connection with any Authority financing and refinancing.

Upon acceptance by the Authority, this letter shall constitute a binding agreement between the Authority and TidalHealth. TidalHealth recognizes and agrees that, if the Authority accepts TidalHealth's application for financing and refinancing, such acceptance shall in no way constitute a determination by the Authority that the Project is feasible or an assurance that the proposed financing and refinancing will in fact proceed to completion and that the Authority's decision to finance and refinance 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 is an officer of TidalHealth holding the office set forth below and is duly authorized to sign and submit this letter on behalf of TidalHealth.

TIDALHEALTH, INC.

By: ____________

Bruce I. Ritchie
Senior Vice President of Finance and
Chief Financial Officer

Accepted by the Authority this day of , 2020.

(Seal)

MARYLAND HEALTH AND HIGHER
EDUCATIONAL FACILITIES AUTHORITY

By:____________________________________

Chairman

____

Executive Director

APPENDIX A

DESCRIPTION OF THE PROJECT

Name of Institution:

TidalHealth, Inc.

Estimated total amount of loan requested:

$122,985,000 (estimate, subject to change) (the "Series 2024 Bond")

Description of Project to be financed / refinanced with loan:

The Series 2024 Bond will be used to refund a taxable fixed rate note (the "2021 Note") to be issued by TidalHealth (for the same or similar dollar amount) and purchased by Truist Bank, formerly BB&T (or one of its affiliates). The 2021 Note will be issued in late January or early February 2021 and its proceeds used to advance refund for savings the callable $104,955,000 of MHHEFA Revenue Bonds, Series 2015 (the "Series 2015 Bonds") and pay costs of issuing the 2021 Note and the 2024 Bond.

Proceeds of the Series 2015 Bonds were used to (1) advance refund for savings MHHEFA's outstanding $121,950,000 of Series 2006 Revenue Bonds (the "Series 2006 Bonds"), (2) fund $25 million worth of various hospital capital expenditures for TidalHealth and (3) pay all Series 2006 Bond costs of issuance. The 2021 Note will be refunded through Truist Bank's cashless exchange of the Series 2024 Bond for the 2021 Note on (or up to 90 days before) July 1, 2024, the earliest call date for the Series 2015 Bonds. Issuance of the tax-exempt Series 2024 Bond assumes the conditions to issuance of tax-exempt refunding bonds will be met in 2024, including receipt of a favorable opinion of bond counsel. The tax-exempt rate for the 2024 Bonds will be established at the same time as the taxable rate for the 2021 Note. The 2024 Bond will bear interest at a fixed tax-exempt interest rate equal to the Bank's tax-exempt equivalent of the taxable rate on the 2021 Note.

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

Not Applicable

Estimated costs: ***Not Applicable***

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

Anticipated construction and / or acquisition schedule:

Not Applicable

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

Not Applicable

(B) Refinancing:

Outstanding amount of loan to be refinanced: **$104,955,000**

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

The callable Series 2015 Bonds to be refunded consist of serial and term bonds maturing in 2025 through 2045, callable beginning on July 1, 2024 at their par or face value. The Series 2015 Bonds bear interest at 5% (their coupon rate).

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

Proceeds of the Series 2015 Bonds advance refunded (for savings) MHHEFA's Series 2006 Bonds, financed $25 million of new capital projects and paid all costs of Series 2015 Bond issuance.

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

No other source of funds will be used to advance refund the callable Series 2015 Bonds

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

TidalHealth obtained proposals from seven commercial banks and Siemens Financial Services to purchase the 2021 Note and 2024 Bond. TidalHealth selected Truist Bank. Truist Bank offered the best combination of taxable and tax-exempt interest rates, financing term, financial covenants and other banking services which TidalHealth must purchase as requirement of the bond sale.

The attached memorandum describes the Series 2021 Note, Series 2024 Bond and TidalHealth's refunding for savings plan.

TIDALHEALTH, INC.

Note: TidalHealth, Inc. was formerly known as Peninsula Regional Health System, Inc. The name change took effect September 1, 2020 and included analogous name changes for affiliates of Peninsula Regional Health System. Certain maps, charts and tables herein may use the former names.

Delmarva Peninsula

OVERVIEW

TidalHealth, Inc. ("Tidal Health") is the parent corporation that controls a group of affiliated non-profit and for-profit entities (the "Health System") with the mission of improving the health of communities in the southern Maryland, southern Delaware and northern Virginia portions of the Delaware-Maryland-Virginia Peninsula (the "Delmarva Peninsula") on the east side of Chesapeake Bay. TidalHealth is a Maryland non-stock corporation with tax-exempt status under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Two TidalHealth affiliates, TidalHealth Peninsula Regional, Inc. and Tidal Health Nanticoke, Inc., respectively, own and operate Peninsula Regional, an acute tertiary care hospital in Salisbury, Maryland, and Nanticoke, an acute care community hospital in Seaford, Delaware. The Health System also includes other supporting entities described under "Corporate Structure" below.

TidalHealth and its first and second tier affiliates listed below are co-obligors under the Loan Agreement (the "Obligated Group Members").

- TidalHealth Peninsula Regional, Inc.
- TidalHealth Nanticoke, Inc.
- TidalHealth Medical Partners, LLC
    - TidalHealth Primary Care, LLC
    - TidalHealth Specialty Care, LLC
    - Tidal Health Physician Network, Inc.

Following is a brief description of the two hospitals and the employed physician network that are operated by the Obligated Group Members and that form the core of the Health System.

Peninsula Regional. With 266 licensed acute care beds, Peninsula Regional is the sole tertiary care hospital and trauma center in the Health System's primary service area, the largest of the competitor hospitals within 50 miles, and since its founding in 1897, the lead provider within the Health System. Peninsula Regional occupies an approximately 30-acre campus in the city of Salisbury, Wicomico County, Maryland, near the intersection of U.S. Route 13 (a major north-south highway that extends through the entire State of Delaware and the Eastern Shore region of Virginia) and U.S. Route 50 (a major east-west highway stretching across the Eastern Shore of Maryland to Ocean City). As the largest acute care hospital serving the core of the Delmarva Peninsula, Peninsula Regional draws patients who might otherwise leave its service area for care to its specialized clinical programs such as the Guerrieri Heart & Vascular Institute, which performs over 300 open heart procedures a year, and the Richard A. Henson Cancer Institute, which provides a comprehensive array of cancer treatment services. Peninsula Regional's Robert T. Adkins, M.D. Emergency/Trauma Center handles over 90,000 patient encounters a year and is the state-designated trauma center for Maryland's entire Eastern Shore region, equipped to treat severely injured patients, many of whom arrive by helicopter. Additional specialized centers at Peninsula are described in "SERVICES" below.

Nanticoke. Effective January 1, 2020, Nanticoke joined the Health System by amending its bylaws to make TidalHealth its sole member, pursuant to an Affiliation Agreement dated as of July 15, 2019 (the "Nanticoke Affiliation Agreement"). With 139 licensed acute care beds (99 currently operated), Nanticoke primarily serves the western Sussex County, Delaware portion of the Health System's primary service area. Nanticoke is in Seaford, a community with approximately 25,885 residents in Sussex County, Delaware. Seaford is approximately 22 miles north of Salisbury, Maryland and along U.S. Route 13. Nanticoke provides a broad range of inpatient, outpatient and emergency medical services at its main campus and at satellite locations in Sussex County, Delaware and parts of Caroline County, Maryland.

TidalHealth Medical Partners, LLC, including **TidalHealth Primary Care, LLC,** ("Medical Care") **TidalHealth Specialty Care, LLC** ("Specialty Care") and **TidalHealth Physician Network, Inc.** ("Physician Network"). Medical staffing for the Health System combines traditional independent physicians who have medical staff membership and admitting privileges with managed groups of physicians employed by Health System affiliates to work at each hospital and satellite locations. At Peninsula Regional, the 76 employed primary and specialty care physicians are managed under Primary Care and Specialty Care. These entities also manage 67 physician assistants, nurse practitioners and other licensed providers (Advanced Practice Providers or "APPs"). At Nanticoke, the employed physicians are employees of Physician Network. This affiliate currently employs 36 physicians, three midwives, and 22 other APPs, most of whom currently admit patients solely to Nanticoke.

Health System Market Position. Within the Health System, Peninsula Regional anchors the delivery of acute inpatient services with an approximate market share of 70% in the Maryland counties in its primary service area. As the largest of the competitor hospitals within its primary and secondary service area, Peninsula Regional generated over 14,200 inpatient admissions and over 647,000 outpatient visits in FY2020. This market strength positions the Health System to manage and accept accountability for population health in its region, and to respond to the changing regulatory and reimbursement initiatives of the Maryland Health Services Cost Review Commission.

Nanticoke expands the reach of the Health System's primary service area to the zip codes of Bethel, Bridgeville, Georgetown, Laurel and Seaford in western Sussex County, Delaware, and alignment of services offered at Nanticoke and at Peninsula Regional may enable the Health System to capture more of the referrals for tertiary care made for Nanticoke patients. The addition of the healthcare facilities of McCready Foundation, Inc. ("McCready") in Crisfield, Maryland (32 miles southwest of Peninsula Regional) to the Health System effective March 1, 2020 fulfills TidalHealth's commitment to sustain community-based services in the southernmost parts of Maryland's Eastern Shore.

In addition to acute inpatient care, Health System patients have access to a continuum of care provided by affiliated entities within the Health System, permitting efficient delivery of healthcare services in the appropriate setting and cost structure.

STRATEGIC BUSINESS PLAN

The Health System's mission is to improve the health of the communities it serves. The Health System provides a continuum of care that ranges from community-centered primary care to world-class inpatient tertiary care. The strategic plan focuses the Health System not only on the traditional core elements of efficient and effective hospital services, but also on efficient and coordinated management of healthcare delivery in the lower cost settings of home and ambulatory care, primary physician practices and outpatient centers. The strategic plan channels the Health System's investments in facilities, locations and equipment, in people (physicians, other licensed providers and supporting staff), and in systems, software and information technology. A core element of the strategic planning process is the development of annual operating goals, which is done from the top down as well as from the bottom up, so that the efforts of all Health System employees are aligned with achieving its mission.

A major priority of the strategic plan in 2019 made effective in early 2020 was to align the Salisbury, Maryland-based core of the Health System with two other providers in the service area, Nanticoke to the north and McCready to the south. TidalHealth consummated affiliations with Nanticoke and McCready in first quarter of 2020. The goal of the affiliations is to improve TidalHealth's operating margin.

As a result of the two affiliations, TidalHealth has extended the reach of its inpatient-based services in southern Delaware, centered at Nanticoke in Seaford. Tidal Health's plans for McCready call for development of a new outpatient health pavilion and freestanding medical facility in the southern portion of the Health System's service area in Crisfield, Maryland. Proceeds of the Series 2020 Bonds issued in May of 2020 are being used to pay for the construction and equipping of this new freestanding medical facility. Proceeds of the Series 2020 Bonds were also used to advance refund Nanticoke's outstanding bond indebtedness and finance planned construction, renovation and equipment purchases for Peninsula Regional and Nanticoke.

With healthcare reimbursement increasingly focused on population health management, particularly in the State of Maryland, TidalHealth's strategic plan identifies required investments in physician practices, physician recruitment and the coordination of primary care with more acute modes of care. Investments in information technology, including software applications based on electronic medical records, are intended to facilitate moving care toward low-intensity maintenance of good patient health in home, outpatient or ambulatory settings, as opposed to high intensity acute inpatient interventions to address health crises. To accommodate this shift, the Health System's strategic planning process includes identification and evaluation of satellite locations and assets required to support community care. Among other things, this part of the planning process has emphasized the development and continued investment in the Health System's health pavilions in Ocean Pines, Maryland and Millsboro, Delaware, the Woodbrooke ambulatory complex in Salisbury, Maryland and the health pavilion at Nanticoke's Mears Campus in Seaford, Delaware.

For fiscal years 2021, 2022 and 2023, the strategic plan calls for a period of consolidation and integration of existing operations and services. Major priorities include (i) greater coordination between the medical staffs of Peninsula Regional and Nanticoke to improve management of care and the direction of patients to the optimal settings for care; (ii) integration of information technology in use at Peninsula Regional, Nanticoke and McCready; (iii) consolidation of supporting administrative systems and administrative leadership to achieve efficiencies and cost savings in the areas of personnel, benefits, insurance, and procurement, and (iv) enhanced access to all levels of care provided by the Health System through traditional and non-traditional sites and modes of care. Management expects its focus on these priorities to contribute to stronger financial performance by TidalHealth.

Affiliation with McCready Foundation

Effective March 1, 2020, TidalHealth became the sole corporate member of McCready, which is a nonprofit 501(c)(3) corporation. McCready owns McCready Memorial Hospital in Crisfield, Maryland, previously licensed to operate 3 acute care beds, and owns and operates a 76-licensed bed skilled nursing and rehabilitation center and an assisted living facility with 28 suites, both also in Crisfield. TidalHealth does not plan to include McCready in the TidalHealth Obligated Group.

As part of a plan to preserve access to healthcare services in Crisfield and the surrounding service area, on March 1, 2020, Peninsula Regional and McCready terminated the acute care hospital license for McCready Memorial Hospital and limited its functions to those consistent with status as a free standing medical facility doing business as a unit of Peninsula Regional known as McCready Health Pavilion. Peninsula Regional is currently operating the McCready Health Pavilion in the existing premises of McCready Memorial Hospital. Peninsula Regional has launched a project to construct an approximately 23,990 gross square foot replacement facility on an approximately ten-acre site approximately three miles from McCready Memorial Hospital, with a budgeted cost of approximately $25,589,294, funded primarily with proceeds of the Series 2020 Bonds. The new free-standing medical facility is scheduled to be placed in service by the end of calendar year 2022. McCready's skilled nursing and rehabilitation center and its assisted living facility are expected to continue to operate at their current locations.

TIDALHEALTH, INC. – HISTORICAL FINANCIAL RESULTS

For the Three Fiscal Years Ended June 30, 2020
(dollar amounts in thousands)

	F/Y 2018	F/Y 2019	F/Y 2020
Operating Revenue over Operating Expenses	$ 5,143	$ 3,508	($17,836)
Total Revenue over Total Expenses	44,113	40,230	124,995
Net Income Available for Debt Service	79,319	75,681	58,391
Maximum Annual Debt Service ("MADS")	9,586	9,586	13,979
Cash and Investments	359,901	398,611	602,540
Long Term Debt	135,931	132,736	237,429
Total Net Assets	524,687	565,530	689,006
Total Unrestricted Net Assets	$482,295	$518,507	$636,522

TIDALHEALTH – SELECTED FINANCIAL RATIOS

For the Three Fiscal Years Ended June 30, 2020

	F/Y 2018	F/Y 2019	F/Y 2020	Moody's Rated Non-Profit Hospital A2 Medians F/Y 2020 [1]
Operating Indicators				
Operating Margin	1.5%	0.8%	-3.1%	2.8%
Operating Cashflow Margin	9.4%	8.4%	4.2%	9.0%
Liquidity Indicators				
Days Cash on Hand	320.4	337.7	397.4	213.0
Cash to Debt	258.2%	295.0%	253.8%	170.3%
Leverage Indicators				
Debt to Capitalization	22.3%	20.7%	27.6%	32.3%
Debt to Cash Flow (x)	1.9	1.9	1.4	2.8
MADS Coverage (x)	8.3	7.9	4.2	4.9

[1] Source: Moody's FY 2019 US Not-for-Profit Hospital Medians report dated September 9, 2020.

Luminis Health Inc.

Updated Borrower Overview
Prior Application & Borrower Overview

Overview of Request

To achieve debt service savings, Luminis Health (the “System”) issued a $108,895,000 taxable fixed rate note (“2022C Note”) on February 3, 2022, which is expected to be refunded by a tax-exempt MHHEFA Revenue Bond (“2022C Bond”) on July 1, 2022. The 2022C Note advance refunded the callable maturities of Luminis Health’s Series 2014 Bonds (the “2012 Bonds”) issued by MHHEFA. The 2022C Note was issued directly by Luminis Health and was purchased by BB&T Community Holdings Co., a subsidiary of Truist Bank (“Truist”).

The 2022C Note is scheduled to be refunded pursuant to the existing documents with the tax-exempt 2022C Bond, if certain conditions are met, through a tax-exempt, current refunding. The interest rate on the 2022C Bond was established at the same time as the interest rate on the 2022C Note. The current taxable note rate is 2.27% and will be 1.79% upon the issuance of the MHHEFA bond. The refunding as a whole, including the current refunding of the 2022C Note with the 2022C Bond, is referred to as a “Cinderella” refunding or “Cinderella Bonds.”

Luminis Health originally submitted its application at the January 11, 2022 Authority meeting. The prior application materials have been included with this request. Luminis Health’s borrower overview provides an update on operations and the implemented plan of finance. Luminis Health is seeking authorization for financing of up to $109 million to permit the issuance of the 2022C Bond to refund the existing 2022C Note. The 2022C Bond will only be issued upon MHHEFA authorization and certain additional due diligence, including validity and tax-opinions to be issued by counsel.

Overview of The Project - Realized Significant Interest Cost Savings

Luminis Health, through a Cinderella Bonds structure, refunded all or a portion of its Series 2014 Bonds originally issued through MHHEFA, in order to reduce risk within its debt portfolio, reduce its overall cost of capital and to realize significant debt service savings. Luminis has benefitted from proactively implementing this refunding plan when interest rates were very favorable. Through the refunding of the Series 2014 Bonds, which process will conclude with the issuance of the 2022C Bonds, ***Luminis Health will realize net present value savings of approximately $22.4 million (22.3% of refunded bonds) and lower annual debt service by approximately $1.5 million.***

Luminis Health Update

The credit ratings of Luminis Health with respect to its senior, unenhanced debt are "A-" and "A3" by Standard & Poor's Ratings Services and Moody's Investors Service, respectively. The most recently issued rating surveillance reports are included for informational purposes behind this updated Borrower overview.

Financial Analysis – 9 Months Ended March 31, 2024

Following a period of weakened operating performance due to revenue cycle complications, the System has implemented several operational improvements that are ongoing and have resulted in an operating margin improvement through the nine-month period ended March 31, 2024. For the nine-month period ended March 31, 2024, the operating loss was $4.0 million compared to a loss of $27.1 million for the nine months ended March 31, 2023. The year-to-date operating improvement is primarily attributable to the revenue cycle reset implemented in calendar year 2023 as well as continued implementation of labor initiatives that have resulted in a reduction of agency utilization.

Total operating revenue for the nine-month period ended March 31, 2024 was $876.3 million, compared to $844.8 million for the nine-month period ended March 31, 2023, an increase of $31.5 million or 3.7%. Net patient service revenue increased by $29.1 million compared to the prior year.

Salaries, wages and benefits decreased $3.6 million, or (0.7%), nine months 2024 over nine months 2023. The decrease represents was largely due to an FTE favorability that also reduced FICA expenses. In addition, the cost of the System's medical plan was lower than budgeted.

Expenses for medical supplies and drugs have increased $3.3 million, or 2.3%, in 2024 vs. the comparable nine-month period in 2023. This increase was driven by med surg supplies for Cath Lab and pharmaceuticals for Infusion Therapy.

Purchased services increased $20.0 million, or 13.0%, primarily due to increased contracted services for Revenue Cycle, in addition to, professional fees for radiology and anesthesia services.

Depreciation and amortization decreased year over year by $6.9 million, or 20.2% due in part to an asset re-lifing project. Also, interest expense increased by $1.6 million due additional interest expense related to the utilization of Luminis' line of credit.

Luminis Health

Select Financial Data

For the Three Years Ended June 30, 2023 & Nine-Months Ended 3/31/2024

(in $000s)

	FY 2021	FY 2022	FY 2023	9 Months Ended 3/31/2024
Operating Income/(Loss)	$22,591	($57,516)	($53,008)	($4,020)
Excess (Deficit) of Revenues over Expenses	$157,190	($73,491)	($3,898)	$48,303
Unrestricted Cash and Investments[1]	$729,114	$510,105	$479,476	$514,098
Total Debt	$470,813	$456,438	$438,245	$451,722
Total Unrestricted Net Assets	$654,877	$582,495	$592,660	$647,445
Total Net Assets	$684,131	$604,281	$616,342	$670,291

[1] Includes approximately $135 million and $35 million of Medicare Accelerated and Advance Payments as of June 30, 2021 and 2022, respectively. These funds were fully repaid in October 2022 and no further balance remained.

Luminis Health

Select Financial Ratios

For the Three Years Ended June 30, 2023 & Nine-Months Ended 3/31/2024

	FY 2021	FY 2022	FY 2023	9 Months Ended 3/31/2024 (Annualized)	Moody's A3 Rated Non-Profit Hospital Medians FY 2022 [2]
Operating Indicators [1]					
Operating Margin (%)	2.0%	(5.1%)	(4.8%)	(0.5%)	(1.2%)
Operating Cashflow Margin (%)	7.6%	0.1%	(0.1%)	4.1%	4.1%
Liquidity Indicators [1]					
Days Cash on Hand	249.9	154.3	146.7	144.8	172.7
Cash to Debt (%)	154.9%	111.8%	109.4%	113.8%	142.2%
Leverage Indicators [1]					
Debt to Capitalization (%)	41.8%	43.9%	42.5%	41.1%	36.2%
Debt to Cash Flow (x)	4.3	24.1	21.3	6.2	4.5
MADS Coverage (x) [3]	5.7x	1.8x	1.6x	2.0x	3.2

[1] Calculations use Moody's definitions for specified indicators.
[2] Source: Moody's FY 2022 Medians for U.S. Not-for-Profit Hospitals report dated September 7, 2023.
[3] MADS Coverage is calculated at the Obligated Group level.

MOODY'S INVESTORS SERVICE

CREDIT OPINION
1 November 2023

Send Your Feedback

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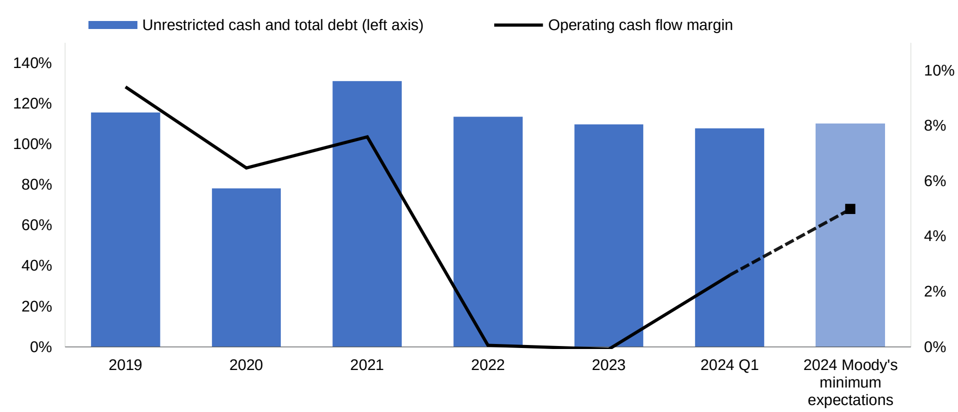
Luminis Health Inc., MD

Update to credit analysis

Summary

Luminis Health's (A3 negative) credit profile reflects expected quarterly improvements in operating performance to mid-single digit cash flow margins in fiscal 2024, following a prolonged period of weakened operating performance due to internal revenue cycle complications. Management reports that an overhaul of Luminis' revenue cycle management and processes has positioned them to execute collections improvements in fiscal 2024 and results for the first quarter ending September 30th, 2023 show some modest recovery in operating performance. Luminis' credit profile also incorporates the system's strong market position in its primary service area, protected by certificate of need (CON) and the revenue predictability of Maryland's Global Budget Revenue (GBR). Luminis will be constrained by its weakened levels of liquidity (110% cash to debt and 156 days cash on hand at fiscal year-end 2023), limiting the organization's flexibility as it faces financial challenges.

Exhibit 1
Operating performance expected to steadily improve in fiscal 2024, along with at least maintenance of cash



Fiscal years 2020 - 2022 unrestricted cash is excluding Medicare Accelerated and Advance Payments of $152 million, $135 million, and $35 million, respectively
Fiscal 2024 Q1 reflects results through September 30, 2023
Source: Moody's Investors Service

Credit strengths

» Dominant market share expected to be maintained in the affluent, desirable primary service area which boasts strong demographic characteristics

» Strong clinical enterprise; long standing strategic affiliation with Johns Hopkins Health System, MD

» Absolute liquidity, although weaker than historical, provides stability during a transitional period as Luminis works to improve operating performance

» Strict state certificate of need (CON) laws and relative predictability of GBR

Credit challenges

» Financial performance continues to be weak relative to historical results and peer organizations; significant miss compared to budget for fiscal 2023

» Cash and investment growth will be limited as Luminis works toward financial improvement

» Leverage, as measured by balance sheet resources and operations, will remain higher than peer medians

» Luminis will continue to face competition in its broader market area

Rating outlook

The negative outlook reflects uncertainty surrounding the pace of operating performance improvement. Failure to achieve significant traction toward a 5% operating cash flow margin and maintain days cash on hand and cash-to-debt over the next two quarters will result in a downgrade.

Factors that could lead to an upgrade

» Significant and sustained strengthening of operating performance

» Substantially improved unrestricted cash that results in materially stronger cushion for debt

Factors that could lead to a downgrade

» Inability to make quarterly progress toward a 5% operating cash flow margin in fiscal 2024

» Declines in cash-to-debt or days cash on hand metrics below 110% and 156 days

» Addition of leverage without commensurate growth in cash and cashflow

» Unfavorable change to GBR that is not readily absorbed

Key indicators

Exhibit 2
Luminis Health Inc., MD

	2019	2020	2021	2022	2023
Operating Revenue ($'000)	776,056	1,047,498	1,105,890	1,133,726	1,107,955
3 Year Operating Revenue CAGR (%)	5.1	14.6	14.6	13.5	1.9
Operating Cash Flow Margin (%)	9.4	6.5	7.6	0.1	-0.1
PM: Medicare (%)	41.5	42.1	38.9	43.6	43.4
PM: Medicaid (%)	10.1	10.9	13.9	13.6	13.0
Days Cash on Hand	212	190	257	162	156
Unrestricted Cash and Investments to Total Debt (%)	115.6	110.6	160.9	113.5	109.8
Total Debt to Cash Flow (x)	3.8	4.9	3.7	16.1	17.3

Based on audits for Luminis Health Inc., fiscal year ended June 30.
Fiscal years 2020 - 2022 unrestricted cash includes Medicare Accelerated and Advance Payments of $152 million, $135 million, and $35 million, respectively
Source: Moody's Investors Service

Profile

Luminis Health, Inc. ($1.1 billion revenue in fiscal 2023) owns and operates a regional health care delivery system with assets located in Annapolis and Lanham Maryland. Luminis is the sole corporate member of the Luminis Health Anne Arundel Medical Center, Inc., a 447-licensed bed acute care hospital, located three miles from the center of Annapolis, the state capital. Luminis Health Doctor's Community Medical Center, Inc. became part of the Luminis Health System in fiscal 2019. Doctor's is a 208-licensed bed hospital serving Prince George's and Anne Arundel Counties in Maryland.

Detailed credit considerations

Market position: good market position in Maryland, protected by CON and the revenue predictability of state GBR program

Luminis Health's service area will remain a strength of the organization with 44.5% market share in its broad primary service area and 24.4% in its secondary service area. Anne Arundel Medical Center (AAMC) and Doctor's Community Medical Center (DCMC) maintained a 61.8% and 25.6% market share in their respective primary service areas. Luminis will continue to benefit from the state's strict certificate of need (CON) and the large influence of Maryland's Global Budget Revenue (GBR) on operating performance, the latter of which provides a level of predictability in reimbursement in the Maryland market. There is some degree of competition in the broader service area, with many larger consolidated providers in the Baltimore and Washington D.C. areas.

Revenue growth will follow management's efforts to broaden access points and expand on unregulated revenue services, while also maximizing performance under the state's GBR. The system is located in a demographically favorable service area; Anne Arundel County (Aaa stable) has been experiencing ongoing economic growth and its resident have strong wealth and income metrics. Although the payor mix plays a less significant role within the state of Maryland due to its rate setting program, commercial payors accounted for a 37.7%, of gross revenues in fiscal 2023.

Operating performance and liquidity: while expected to improve in fiscal 2024, margins will remain below historical levels

Fiscal 2024 operating performance is expected to improve to a 5% operating cash flow margin by year-end, primarily driven by a revenue cycle reset. Luminis reported modest improvement in operating performance through September 30th, 2023 with a 2.6% operating cash flow margin. In order to get back to better operating performance, Luminis is addressing revenue cycle and collections issues. Luminis is working to bring accounts receivable back in-house to have more oversight and monitoring capabilities. Fiscal 2023 resulted in a large miss to budget on the revenue side, driving a negative operating cash flow margin of -0.1%. Weak fiscal 2022 and 2023 results were primarily due to the previously mentioned revenue cycle issues, which are in the process of being addressed through an overhaul of management and processes. Fiscal 2023 was particularly weak as a result of decreased collections compared to historical collection percentages, which resulted in an accounting estimate change that reduced fiscal 2023 revenues by $22 million, although it was related to fiscal 2022. Without this change, the operating cash flow margin would have generated a positive cash flow margin of 1.9%.

Luminis' market position and continued improvement initiatives should drive stronger volumes in fiscal 2024. GBR reimbursement is also expected to be better in fiscal 2024 compared to fiscal 2023. We expect Luminis to begin showing improvement toward mid-single digit operating cash flow margins on a quarterly basis. Ongoing operating weakness akin to fiscal 2023 levels would result in a downgrade.

Liquidity
Liquidity is expected to improve in fiscal 2023 as a result of operating performance improvement. Unrestricted cash and investments of $479 million were relatively flat compared to fiscal 2022. Fiscal year-end 2023 days cash on hand of 156 days is a low point for the organization and will improve in fiscal 2024.

Leverage: high financial leverage compared to peers
Debt cushion ratios are expected to improve as a result of improvements in operating performance and liquidity, along with regular principal payments of around $20 million. Luminis' debt affordability declined as a result of weakened operating performance. The obligated group's maximum annual debt service coverage ratio narrowed to 1.6 times in fiscal 2023, compared to 1.8 times in fiscal 2022. Favorably, Luminis will not issue additional debt in the near-term. Luminis receives some state and local funding for capital, offsetting some of the capital spending burden. The system is budgeting a $71 million capital spend in fiscal 2024, of which nearly $25 million is funded by state and local grants.

Luminis' capital structure is composed of 74% fixed-rate debt and 26% variable-rate debt as of September 30, 2023. Most of Luminis' debt ($310 million) is held at banks with 66% held by Truist. The remainder of the bank debt is with Bank of America, Capital One, and M&T Bank.

Legal security and covenants
The bonds are secured by a pledge of all Receipts from the Obligated Group. The Obligated Group includes Luminis Health (the parent; formerly Anne Arundel Health System), Luminis Health Anne Arundel Medical Center (formerly Anne Arundel Medical Center), Luminis Health Imaging, (formerly Anne Arundel Health Care Services) and Luminis Health Doctor's Community Medical Center (formerly Doctors Community Hospital), representing the vast majority of consolidated system revenues, cash flow and cash. Under the MTI, there is a rate covenant of 1.10 times; consultant call-in if not met. An Event of Default occurs if the rate covenant is less than 1.0 times for any two consecutive fiscal years and days cash on hand is below 150 days at the end of the second fiscal year. For the bank debt, covenants include a debt service coverage requirement of 1.0 times and days cash on hand of 70 days.

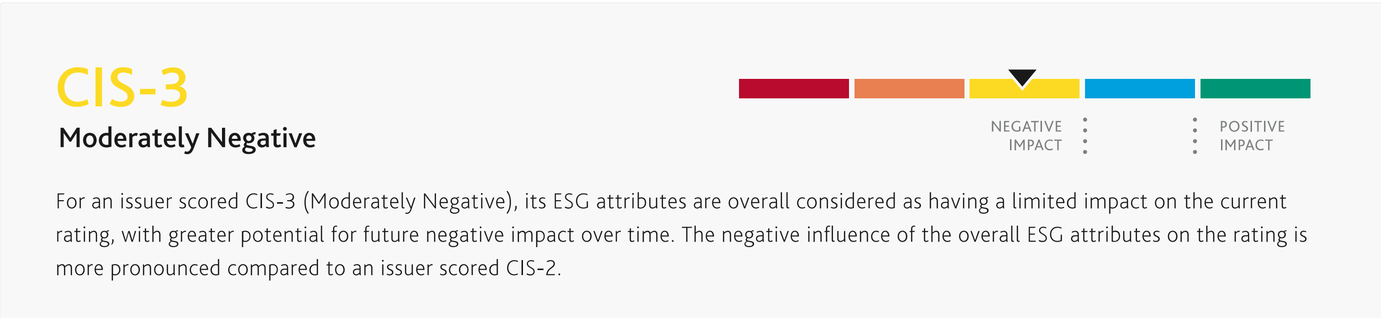
Debt-related derivatives
Luminis has two interest rate swaps, each with a notional amount of $180 million, that are not coterminous. Luminis has a fixed payor interest rate swap with Truist that will terminate in 2031. The other swap is with Citibank, which will be effective in 2031 with a final maturity of 2048. The mark-to-market value totaled $42 million in fiscal 2023. Under the swap contracts, Luminis must transfer collateral to the extent that the mark-to-market values exceed certain limits. Luminis' collateral requirement was $5.8 million in fiscal 2023.

Pensions and OPEB
Comprehensive liabilities will remain modest with noncancelable operating leases equivalent to $38.6 million. Luminis' pension has been overfunded for the last three fiscal years.

ESG considerations

Luminis Health, MD's ESG Credit Impact Score is Moderately Negative CIS-3

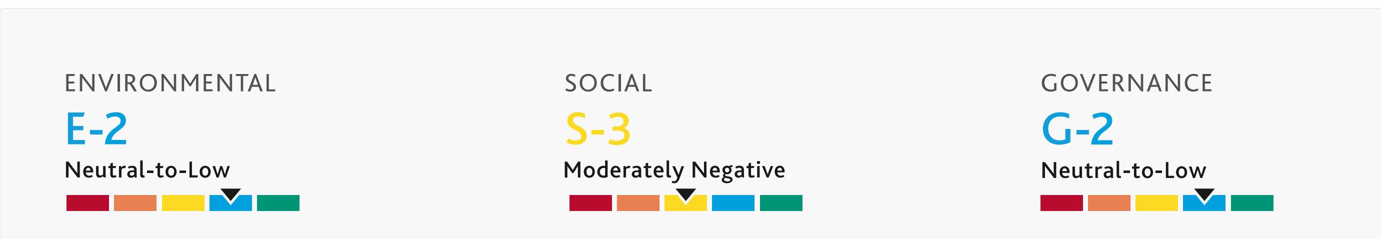
Exhibit 3
ESG Credit Impact Score



Source: Moody's Investors Service

Luminis Health's **CIS-3** indicates that ESG considerations have a limited impact on the current credit rating with potential for greater exposure over time. Consistent with the industry, the system has elevated exposure to social risk, particularly risks related to demographic and societal trends. These challenges are consistent with most not for profit hospitals and are mitigated in part by the system's good market position in its service area and solid balance sheet.

Exhibit 4
ESG Issuer Profile Scores



Source: Moody's Investors Service

Environmental

Luminis Health has neutral to low environmental risks given its location in and around Annapolis, Maryland.

Social

Luminis Health is moderately exposed to social risk, driven largely by its exposure to government payers, with more than 57% of gross patient revenues derived from government sources. Favorably, the system will continue to benefit from the state's strict certificate of need (CON) and the large influence of Maryland's Global Budget Revenue (GBR) on operating performance, the latter of which provides a level of predictability in reimbursement in the Maryland market. While Maryland's GBR tempers the risks related to hospitals reliance on governmental payers, state determined rates can constrain revenue growth. Luminis' customer relations risk is in line with the sector average, reflecting the organization's small scale and competition in the state. Labor shortages and reliance on contract labor contribute to a human capital score in line with the sector.

Governance

Luminis Health's G-IPS is low, reflecting governance characteristics that are in line with the average for the sector with all subcategory scores at neutral, except management credibility and track record which is scored slightly weaker. Luminis Health is structured as a 501-c3 and has a self-perpetuating board of directors. Senior management is a mix of new and tenured members, all of whom have been in healthcare for many years. An interim CFO began at the organization in August 2023 and Luminis has begun the search for a permanent CFO. There is elevated risk surrounding management credibility and track record given recent significant misses compared

REPORT NUMBER 1386602

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Luminis Health; Hospital

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Maryland Health & Higher Educational Facilities Authority
Luminis Health; Hospital

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Maryland Health & Higher Educational Facilities Authority, Maryland		
Luminis Hlth, Inc., Maryland		
Maryland Hlth & Hgr Educl Facs Auth (Anne Arundel Hlth Sys)		
Long Term Rating	A-/Stable	Downgraded
Maryland Hlth & Hgr Ed Facs Auth (Anne Arundel Hlth Sys) rev bnds		
Long Term Rating	A-/Stable	Downgraded
Maryland Hlth & Hgr Ed Facs Auth (Anne Arundel Hlth Sys) rev bnds (Anne Arundel Hlth Sys) SER 2017B due 07/01/2027		
Long Term Rating	A-/Stable	Downgraded

Credit Highlights

- S&P Global Ratings lowered its long-term rating on the Maryland Health & Higher Education Facilities Authority's hospital revenue bonds, issued for Luminis Health, to 'A-' from 'A'.
- The outlook is stable.
- The downgrade reflects consistently negative operating performance and modest cash flow, generating weak maximum annual debt service (MADS) coverage. The downgrade further reflects Luminis Health's weakened balance-sheet metrics, with already light days cash on hand and unrestricted reserves-to-long-term debt no longer commensurate with the 'A' rating.

Security

A pledge of the obligated group's gross revenue secures the bonds.

Credit overview

The 'A-' rating reflects our view of Luminis Health's improving enterprise profile, highlighted by a leading market share in a broad, populous primary service area (PSA), focused on two large and growing counties but covering eight counties in Maryland. Luminis Health operates Luminis Health Anne Arundel Medical Center (AAMC) in Anne Arundel County, Luminis Health Doctor's Community Medical Center (DCMC) in Prince Georges County, a behavioral health hospital near AAMC's campus, and more than 80 outpatient and clinical sites across the service area. The system benefits from a large medical staff covering a wide array of service lines and has received awards and national recognition for quality. An additional rating factor is the stability provided by the Maryland rate-setting system, which is an all-payer rate regulated system that diminishes the payer mix's effect, reduces the burden of uncompensated care, and eliminates market power issues from health plan negotiations. In our opinion, the global budget arrangement under the Maryland system mitigates, to some extent, risks regarding volume volatility and provides additional support to the rating with a stabilized and more predictable revenue base.

The rating further reflects Luminis Health's high revenue base of more than $1 billion in total operating revenue, much larger and more diverse than that of similarly rated stand-alone hospitals. Operating performance weakened through the pandemic, particularly in fiscal 2022 due to industrywide labor and inflationary pressures. Operating performance through the 12-month interim period ended June 30, 2023, remains strained; however, performance was significantly affected by issues with the system's revenue cycle, causing a substantial deviation from budgeted improvement. We understand that these issues have been largely identified, and we expect that, in conjunction with the implementation of a large-scale improvement plan, operating performance will likely improve during the outlook period. However, we also note that improvement could be hampered somewhat by ongoing industrywide staffing and inflationary pressures. Negative operations and modest cash flow have also produced very weak MADS coverage, though the system has not violated debt service coverage covenants on any of its debt, as the calculation based on the debt documents differs from S&P Global Ratings' calculation, which is based on the consolidated system. In addition, although the system's unrestricted reserves have been maintained through the interim period, balance-sheet metrics have weakened, which were historically light for the rating. We expect gradual improvement in unrestricted reserves given the expected better performance, moderate capital spending, and no additional debt plans.

The rating further reflects our view of Luminis Health's:

- Leading market share in a large, economically strong service area in Anne Arundel and Prince Georges counties;
- Large, increasing revenue base with more diversity than that of comparably rated stand-alone hospitals; and
- Strong management team focused on long-term planning and positioning the organization for the state's unique payment model.

Partially offsetting the above strengths, in our view, are Luminis Health's:

- Weak operating performance, which we believe could improve in the next year due to various strategies in place, but could be tempered by ongoing labor and inflationary pressures;
- Light balance-sheet metrics, including high leverage, as well as modest days cash on hand and unrestricted reserves-to-long-term debt; and
- Weak MADS coverage, as calculated by S&P Global Ratings, although management has indicated there is little risk of a debt service coverage covenant violation.

Environmental, social, and governance

We view Luminis Health's social capital risk as low, given that the hospital operates in Maryland's rate-regulated system and under the Global Budget Agreement, which mitigates the risk of payer mix shifts and reimbursement changes. That said, like other providers, Luminis Health is facing additional human capital risks tied to higher wage and salary pressures that will likely continue in the coming year. We analyzed Luminis Health's environmental and governance risks and determined that both are neutral in our credit rating analysis.

Outlook

The stable outlook reflects our expectation of operating improvement as the revenue cycle issues are resolved and Luminis Health implements large-scale improvement initiatives. The outlook further reflects our view of the system's large, diverse revenue base and enterprise profile strengths, including a leading market share in a large PSA.

Downside scenario

We could revise the outlook to negative or lower the rating if Luminis Health does not demonstrate a trend of improving operations around breakeven or better results during the outlook period. In addition, we would view negatively any further deterioration in balance-sheet metrics through a meaningful decline in unrestricted reserves, higher-than-expected capital expenditures, or debt issuance. Also, while unexpected, significant changes to the competitive landscape, local demographics, or medical staff that negatively affect the enterprise profile could lead us to lower the rating.

Upside scenario

Although unlikely during the outlook period given the compressed performance, we could revise the outlook to positive or raise the rating in the longer term if Luminis Health demonstrates sustained improvement in its overall financial profile, fueled by financial performance metrics exceeding expectations, as well as increasing unrestricted reserves.

Credit Opinion

Enterprise Profile—Very Strong

Large, expanding PSA in economically sound markets

Luminis Health serves over 1 million patients in the PSA, consisting largely of Anne Arundel and Prince Georges counties. Both counties historically exhibited good population and employment growth, with further increases projected in line with the U.S. national average in the next five years. The total service area includes counties contiguous with Anne Arundel and portions of counties directly across Chesapeake Bay from Annapolis (the state capital and county seat) on Maryland's eastern shore, as well as the Washington, D.C. beltway, which we view favorably. We expect this broader patient base will continue benefiting the system over time, given its reach and access to a large, economically stable service area.

Leading market share strengthened by large medical staff and broad coverage of key services

We consider Luminis Health's competitive position as very strong because of its leading market share in a broadly drawn PSA. The system has a consistent total market share of about 38%, though market share at AAMC is very robust, at 62%, and DCMC's market share in the more populous Prince Georges County is about 26%. Although Luminis Health also competes with larger Baltimore- and Washington, D.C.-based hospitals for select tertiary services, most of these hospitals are at least 30 minutes from the system's campuses, and the largest share that any of them capture is the approximately 5% that outmigrates to Johns Hopkins Hospital in Baltimore.

In the past few fiscal years, management has focused on several initiatives, including building a mental health hospital near AAMC's campus. The hospital is a 16-bed facility that focuses on stabilizing patients to transfer to appropriate outpatient care, which was identified as a key service needed in the community. Although the hospital is small, it has enabled the system to keep these patients in the community before being transferred to Baltimore for these services. The system opened another 16-bed behavioral health center in Prince Georges County in 2022, with the support of the county, given the strong demand for this service in the area.

The system has a very large active medical staff covering a broad range of specialties, and operates more than 90 clinics offering primary and specialty care, as well as imaging services. Luminis Health also has a partnership with Gilchrist through a joint venture to coordinate health care across the continuum of care, offering hospice care, as well as elder medical care at home and in facilities. We view Luminis Health's service coverage favorably, as it has strengthened the system's market position and leadership in the region.

Experienced management team with turnover in financial leadership

The system's CEO, Tori Bayless, has held her position for over 12 years. There has been a transition in the CFO role, as the previous appointee left after two years. The system has an interim CFO in place, Douglas Womer, who previously worked at John Muir Health and has extensive experience in the sector. Leadership roles are fairly centralized at the system level, although each hospital has a president reporting to the system CEO. In addition, in recent years Luminis Health has focused on aligning the enterprise as a system, streamlining many shared services and moving to an integrated delivery system. The system's Vision 2030 strategic plan focuses on equitable, high-quality health care, community partnership and collaboration, recruitment and retention of an inclusive workforce, revenue growth, and affordability and cost of care. We also view favorably Luminis Health's commitment and investment in diversity, equity, and inclusion initiatives, which have helped strengthen the system's position as a community leader.

Table 1

Luminis Health, Inc., Maryland--enterprise statistics				
	--12 months ended June 30--	--Fiscal year ended June 30--		
	2023	2022	2021	2020
PSA population	N.A.	1,037,749	993,669	991,470
PSA market share (%)	37.3	38.3	38.3	38.2
Inpatient admissions	31,061	32,114	33,288	23,412
Equivalent inpatient admissions	41,677	41,295	58,700	52,486
Emergency visits	140,577	141,304	123,979	90,359
Inpatient surgeries	7,228	6,830	7,599	5,354
Outpatient surgeries	16,755	15,795	15,466	12,912
Medicare case mix index	1.1396	1.1314	1.6564	1.6088
FTE employees	5,527	5,483	5,033	5,193
Active physicians	1,941	2,036	1,638	814
Based on net/gross revenues	N/A	N/A	N/A	N/A
Medicare (%)	N/A	N/A	N/A	N/A
Medicaid (%)	N/A	N/A	N/A	N/A

Table 1

Luminis Health, Inc., Maryland--enterprise statistics (cont.)				
	--12 months ended June 30--	--Fiscal year ended June 30--		
	2023	2022	2021	2020
Commercial/Blues (%)	N/A	N/A	N/A	N/A

Inpatient admissions exclude normal newborn, psychiatric, rehabilitation, and long-term care facility admissions. N.A.-- Not available. N/A--Not applicable.

Financial Profile--Adequate

Pressured financial performance expected to improve as initiatives are implemented

Operations have been strained since the onset of the pandemic; however, fiscal 2022 and interim 2023 results have worsened significantly. Fiscal 2022 operating performance was heavily affected by industrywide staffing and inflationary pressures. Although these pressures persisted into the next fiscal year, a key cause of weakness through the interim period was significant revenue cycle issues. These issues were identified in fiscal 2023 and resulted in the inclusion of a $22 million reduction in fiscal 2023 revenues, which is related to prior year accounts receivables. We understand from discussions with management that these issues have been identified and are being addressed, which, in conjunction with other operating improvement initiatives, should improve performance during the outlook period. Furthermore, the system is targeting significant unregulated revenue growth across key services, which should also contribute to operating stability. We believe these expectations are reasonable, considering the one-time nature of the revenue cycle pressures and early indications of tracking favorably to budget through the first quarter of fiscal 2024. However, if the system fails to demonstrate a sustained trend of financial performance improvement during the outlook period, the rating could be further pressured downward.

Through the unaudited 12-month interim period ended June 30, 2023, the operating loss is spurring weak cash flow, resulting in MADS coverage below 1x. We understand from management that there will not be a covenant violation in fiscal 2023, given the debt service coverage covenant is calculated with obligated group results per the debt documents, excluding the significant losses generated by the physician enterprise and other non-obligated entities. While unexpected, failure to meet the financial covenant (further detailed below) would be an event of default with a 30-day cure period.

Modest balance sheet should incrementally improve in tandem with financial performance

Luminis Health's balance sheet has been light in the past several years following the acquisition of DCMC, which increased debt and the operating expense base. Following a boost in unrestricted reserves in fiscal 2021, reserves moderated in fiscal 2022 and through the unaudited 12-month interim period. However, although they are still modest for the rating, reserves have gradually improved through the interim period. We expect continued, albeit likely slow, growth in unrestricted reserves and associated metrics as the system implements operating improvements and has no significant capital or debt plans.

We consider Luminis Health's leverage to be elevated for the rating, although this has also improved markedly since fiscal 2020. Furthermore, the system's debt burden remains adequate for the rating, supported by a large revenue base. In 2022, Luminis Health consolidated DCMC within the obligated group and DCMC's legacy debt is now on parity with

Luminis Health's debt. The system has a defined-benefit pension plan, which it froze for all participants in 2009. The plan has been overfunded the past two fiscal years, which we view favorably. Luminis Health has no additional debt plans at this time.

In our view, Luminis Health has elevated contingent liability exposure, with more than 64% of long-term debt that we consider contingent. It also has $180 million notional in floating-to-fixed-rate swaps, with Citibank N.A. and Truist Bank as counterparties. As of June 30, 2023, the system posted $5.8 million of collateral against this swap with the mark-to-market liability at about $41.9 million. Financial covenants on the debt are summarized below and are applicable to both AAMC and DCMC's debt outstanding:

- Public debt: Debt service coverage of 1.1x (consultant call-in), event of default if debt service coverage is below 1.0x for two consecutive years and days' cash on hand is below 150 at the end of the second fiscal year
- Bank debt: Debt service coverage of 1.0x and days' cash on hand of at least 70 days
- Other non-obligated group debt (mortgages, etc.): Debt service coverage of 1.25x, days' cash on hand of at least 90 days

We consider event risk to be moderate for Luminis Health's contingent liabilities because of their significant size and termination provisions, though we note that the system has solid unrestricted reserves in relation to contingent liabilities.

Table 2

Luminis Health, Inc., Maryland--Financial Statistics					
	--12 months ended June 30--	**--Fiscal year ended June 30--**			**Medians for 'A-' rated stand-alone hospitals**
	2023	**2022**	**2021**	**2020**	**2022**
Financial performance					
Net patient revenue ($000s)	1,071,122	1,086,322	1,036,435	969,105	333,417
Total operating revenue ($000s)	1,105,771	1,128,284	1,100,226	1,041,832	345,502
Total operating expenses ($000s)	1,162,328	1,199,240	1,090,811	1,046,334	347,215
Operating income ($000s)	(56,557)	(70,956)	9,415	(4,502)	821
Operating margin (%)	(5.11)	(6.29)	0.86	(0.43)	0.40
Net nonoperating income ($000s)	25,418	30,098	19,038	(4,707)	6,351
Excess income ($000s)	(31,139)	(40,858)	28,453	(9,209)	9,073
Excess margin (%)	(2.75)	(3.53)	2.54	(0.89)	4.20
Operating EBIDA margin (%)	(0.14)	(0.50)	7.05	5.97	7.00
EBIDA margin (%)	2.11	2.11	8.63	5.55	8.90
Net available for debt service ($000s)	23,871	24,452	96,602	57,527	28,345
Maximum annual debt service ($000s)	34,554	34,554	34,554	34,554	9,194
Maximum annual debt service coverage (x)	0.69	0.71	2.80	1.66	4.30
Operating lease-adjusted coverage (x)	0.76	0.78	2.34	1.50	3.40
Liquidity and financial flexibility					
Unrestricted reserves ($000s)	479,476	475,189	593,936	367,378	243,833
Unrestricted days' cash on hand	155.7	150.3	207.7	134.0	234.4

Table 2

Luminis Health, Inc., Maryland--Financial Statistics (cont.)

	--12 months ended June 30--	--Fiscal year ended June 30--			Medians for 'A-' rated stand-alone hospitals
	2023	2022	2021	2020	2022
Unrestricted reserves/total long-term debt (%)	115.3	109.3	132.2	78.1	188.2
Unrestricted reserves/contingent liabilities (%)	179.1	175.0	505.8	302.5	1,060.2
Average age of plant (years)	15.5	13.9	12.4	11.7	13.2
Capital expenditures/depreciation and amortization (%)	131.6	88.7	72.1	135.4	103.7
Debt and liabilities					
Total long-term debt ($000s)	415,788	434,739	449,175	470,308	106,595
Long-term debt/capitalization (%)	41.2	42.7	40.6	50.4	25.3
Contingent liabilities ($000s)	267,727	271,611	117,432	121,467	32,975
Contingent liabilities/total long-term debt (%)	64.4	62.5	26.1	25.8	23.9
Debt burden (%)	3.05	2.98	3.09	3.33	2.40
Defined-benefit plan funded status (%)	N.A.	115.80	111.42	83.53	91.30
Miscellaneous					
Medicare advance payments ($000s)*	N/A	34,916	135,178	151,767	MNR
Short-term borrowings ($000s)*	N/A	N/A	N/A	N/A	MNR
COVID-19 stimulus recognized ($000s)	6,030	13,156	36,524	45,472	MNR
Total net special funding ($000s)	N/A	N/A	N/A	N/A	MNR

N/A--Not applicable. N.A.--Not available. MNR--Median not reported. *Excluded from unrestricted reserves, long-term debt, and contingent liabilities.

Credit Snapshot

- Group rating methodology: Core.
- Organization description: Luminis Health consists of Luminis Health Anne Arundel Medical Center, a 447-licensed-bed acute-care hospital in Annapolis, Luminis Health Doctor's Community Medical Center, a 208-bed acute-care hospital in Lanham, a behavioral health hospital and 40-bed substance use treatment facility in Annapolis, and more than 80 outpatient and clinical sites throughout the region. Luminis Health's nonobligated subsidiaries include Luminis Health Care Services Inc., Luminis Health Real Estate Holding Co. Inc., Luminis Health Research Institute Inc., Physician Enterprise LLC, Luminis Health AAMC Foundation Inc., Luminis Health Doctor's Community Medical Center Foundation, and AAMC Collaborative Care Network LLC. In determining the ratings, we considered all debt obligations related to the system.

Related Research

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

Luminis Health

2001 Medical Parkway
Annapolis, Md. 21401
LuminisHealth.org

APPLICATION LETTER

December 20, 2021

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:

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

The Institution understands and agrees that if the Authority issues its non bank-qualified bonds in connection with 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 (i) 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 non bank-qualified 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.

LUMINIS HEALTH, INC.

By:____________________________
Name: Kevin Smith
Title: Chief Financial Officer

Accepted by the Authority _____
of January, 2022

(Seal)

MARYLAND HEALTH AND HIGHER
EDUCATIONAL FACILITIES AUTHORITY

By:____________________________
Chairman

____
Executive Director

APPENDIX A

DESCRIPTION OF THE PROJECT

Name of Institution: **Luminis Health, Inc.**

Estimated total amount of loan requested: **$225,000,000**

Description of Project to be financed / refinanced with loan:

The proceeds of the Bonds will be used by the Institution to refinance debt as follows:

(i) the Authority's Revenue Bonds, Anne Arundel Health System Issue, Series 2009B;

(ii) the Authority's Revenue Bonds, Anne Arundel Health System Issue, Series 2012;

(iii) the Authority's Revenue Bonds, Anne Arundel Health System Issue, Series 2014;

and to pay cost of issuance of the financing.

(A) Description of any new construction, renovations, expansion, or equipment included in Project: **Not Applicable**

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

(B) (i) Refinancing:

Outstanding amount of loan to be refinanced: **$60,000,000**

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

The Institution plans to refinance its Series 2009B Variable Rate Demand Bond, currently outstanding in the amount of $60 million, originally issued through MHHEFA, currently backed with a Bank of America letter of credit with a bank held direct purchase from Bank of America to lower its credit cost and to increase the tenor of the underlying credit. The existing amortization structure of the bonds will approximately remain the same. The bank held direct purchase will be issued pursuant to Luminis Health Obligated Group's Amended and Restated Master Loan Agreement and secured on parity.

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

The Proceeds of the Series 2009B Bonds were originally used to fund a portion of the construction of a new patient tower, helipad, two parking garages; the renovation of existing space within the healthcare pavilion; and the acquisition of fixtures and other equipment at Anne Arundel Medical Center.

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

NA

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

The final BofA term sheet was provided to the Authority.

(B) (ii) Refinancing:

Outstanding amount of loan to be refinanced: **$47,990,000**

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

The Institution plans to refinance a portion of its Series 2012 Fixed Rate Bonds, currently outstanding in the amount of $51.14 million, originally issued through MHHEFA with a bank held direct purchase from DNT Asset Trust, a wholly owned subsidiary of JP Morgan Bank, for interest cost savings. The term of the bank held direct purchase matches the final maturity of the bonds. The bank held direct purchase will be issued pursuant to Luminis Health Obligated Group's Amended and Restated Master Loan Agreement and secured on parity.

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

The Proceeds of the Series 2012 Bonds were originally used to refund Anne Arundel Medical Center's Series 2004A Bonds, originally issued through MHHEFA and Anne Arundel Medical Center's Series 1998 Bonds. The 2004A Bonds, together with the 2004B and 2004C Taxable Bonds refunded the MHHEFA Series 1993 Bonds, refunded a taxable note and funded new projects. The Series 1998 Bonds funded new money projects.

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

No other anticipated sources of funds needed for the refinancing

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

The final JP Morgan term sheet was provided to the Authority.

(B) (iii) Refinancing:

Outstanding amount of loan to be refinanced: **$100,355,000**

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

The Institution plans to refinance a portion of its Series 2014 Fixed Rate Bonds, currently outstanding in the amount of $108.83 million, originally issued through MHHEFA with a bank held direct purchase from Truist Bank for interest cost savings. The term of the bank held direct purchase matches the final maturity of the bonds. The bank held direct purchase will be issued pursuant to Luminis Health Obligated Group's Amended and Restated Master Loan Agreement and secured on parity.

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

The Proceeds of the Series 2014 Bonds were originally used to refund Anne Arundel Medical Center's Series 2009A Bonds, originally issued through MHHEFA. The Series 2009A Bonds were originally issued to fund projects on Anne Arundel Medical Center's new hospital campus on Bestgate Road.

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

No other anticipated sources of funds needed for the refinancing

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

The final Truist Bank term sheet was provided to the Authority.

Overview of Borrower

Luminis Health, Inc. (Luminis or the System), formerly known as Anne Arundel Health System, Inc. (AAHS), is a Maryland not-for-profit corporation. The mission of Luminis Health is "to enhance the health of the people and communities we serve." Luminis Health's values are Respect, Inclusion, Service, and Excellence (RISE).

On July 1, 2019, Anne Arundel Health System and Doctors Community Medical Center (DCMC) and subsidiaries, formerly Doctors Community Hospital, executed an affiliation agreement (the "Agreement") providing for an affiliation between AAHS and DCMC and subsidiaries.

DCMC is a Maryland health system that includes an acute care hospital and a network of other health care providers serving residents of Prince Georges County region near Lanham Maryland, east of Washington DC. The transaction intends to preserve and enhance the mission of DCMC and to advance its ability to provide high-quality health services to its service area. On the date of the affiliation, the articles of incorporation and bylaws of DCMC were amended such that AAHS became the sole corporate member of the DCMC. This agreement will allow the new health system to improve access and population health while expanding services throughout the central Maryland region. As part of the affiliation, AAHS committed approximately $138 million over a five-year period in strategic investments to DCMC to expand healthcare services.

In September 2019, Anne Arundel Health System, Inc. changed its name to Luminis Health, Inc. Luminis Health has the following wholly-owned subsidiaries:

- Luminis Health Anne Arundel Medical Center, Inc. (LHAAMC), formerly Anne Arundel Medical Center, Inc. and its subsidiaries:
  - Luminis Health Pathways, Inc., formerly Anne Arundel General Treatment Services, Inc.,
  - J. Kent McNew Family Medical Center, Inc., formerly Anne Arundel Mental Health Hospital, Inc.,
  - Luminis Health Anne Arundel Medical Center Foundation, Inc., formerly Anne Arundel Medical Center Foundation, Inc.
- Luminis Health Doctor's Community Medical Center, Inc. (LHDCMC) and its subsidiaries:
  - Doctors Community Medical Group, LLC
  - Doctors Community Healthcare Programs, LLC
  - Doctors Community Hospital Clinic, LLC
  - Doctors Community Health Ventures, Inc.
  - Doctors Regional Cancer Center LLC (60% owned joint venture)
  - Luminis Health Doctors Community Hospital Foundation, Inc.
- Luminis Health Clinical Enterprise, Inc. and its subsidiaries:
  - Luminis Health Imaging, Inc. (LHI), formerly Anne Arundel Health Care Services, Inc.
  - Luminis Health Care Services, Inc. formerly Anne Arundel Health Care Enterprises, Inc.:

            - Physician Enterprise, LLC and its subsidiaries:
                - Luminis Health Medical Group, LLC, formerly Anne Arundel Physician Group, LLC,
                - Orthopedic Physicians of Annapolis, LHMG Physical Therapy, LLC, formerly Anne Arundel Medical Group Physical Therapy, LLC,
                - Luminis Health Community Clinics, LLC, formerly Community Clinics, LLC
        - Anne Arundel Medical Center Collaborative Care Network, LLC
        - Luminis Health Research Institute, Inc., formerly, Anne Arundel Health System Research Institute, Inc.
- Luminis Health Ventures and its subsidiaries:
    - Luminis Heath Real Estate Holding Company, Inc., formerly Anne Arundel Real Estate Holding Company, Inc. and its subsidiaries,
        - Pavilion Park, Inc.,
        - Annapolis Exchange, LLC,
        - Blue Building, LLC
    - Cottage Insurance Company, Ltd.

The combined Luminis Health is a regional, integrated network of hospitals, physicians and other related organizations providing care in the greater Anne Arundel and Prince Georges counties, east of Washington D.C. to the Chesapeake Bay. Luminis Health serves a region that spans eight counties through central Maryland, serving more than 1.8 million people from more than 150 physical locations. The hospitals, residential and post-acute care services provide more than 740 beds in the region and employ more than 1,800 medical staff members and more than 6,400 employees. There are two acute hospital campuses and a behavioral health campus: Luminis Health Anne Arundel Medical Center, McNew Family Medical Center and Pathways in Annapolis, MD and Luminis Health Doctors Community Hospital in Lanham, MD. The current members of the Luminis Health Obligated Group include Luminis Health System, Inc., Luminis Health Anne Arundel Medical Center, and Luminis Health Imaging. Inc., (the "Obligated Group").

The credit ratings of the Luminis Health Obligated Group in respect of its senior, unenhanced debt are "A" and "A3" by Standard & Poor's Ratings Services and Moody's Investors Service, respectively. The credit rating of LHDCMC in respect of its senior, unenhanced debt is "Baa3" by Moody's Investors Service. As part of the proposed financing plan, LHDCMC will join the Luminis Health Obligated Group. This will allow Luminis Health to streamline its credit structure under one obligated group. The rating agencies have evaluated the combined entity since its announcement, therefore there is not anticipated to be an impact on the Luminis Health Obligated Group's ratings. Although, it is anticipated that ratings on LHDCMC's debt will increase and be rated the same as Luminis Health Obligated Group's ratings.

Luminis Health Key Service Lines:

Luminis Health Anne Arundel Medical Center

LHAAMC provides a full range of inpatient acute care services including surgical services, primary angioplasty, obstetrics, and gynecology, pediatrics, and Level IIIB neonatal intensive care services. In addition, LHAAMC provides a comprehensive range of outpatient services including emergency medicine, outpatient surgery, oncology treatment services, and advanced diagnostic services, including CT scanning and interventional radiology.

- Cancer Care - The Geaton and JoAnn DeCesaris Cancer Institute is a comprehensive community cancer program that is recognized regionally and nationally as a leading provider of high-quality comprehensive cancer care. Physicians, nurses and staff stay up-to-date with the latest advancements in cancer prevention, screening, diagnosis, treatment and survivorship care.
- Women's and Children's- As the second-busiest birthing hospital in the state, LHAAMC is dedicated to providing safe and high-quality maternity care. More than 5,000 babies are born at LHAAMC each year, with over 700 premature babies staying in the Level III NICU.
- Cardiac Surgery- LHAAMC began cardiac surgical services in December 2020, and the team has performed over 100 surgeries to date.
- Behavioral Health- Since opening in April 2020, more than 1,200 mental health patients have received inpatient and outpatient treatment at the J. Kent McNew Family Medical Center. In addition, 5,843 patients working to recover from substance abuse received care at Pathways, LHAAMC's substance use treatment facility, in FY21.
- Graduate Medical Education- LHAAMC currently has 59 residents and welcomed a new cohort of 22 graduate medical education students into the residency program in 2021. These residents in Surgery, OBGYN, and Internal Medicine, play a significant role on care teams in the emergency department, intensive care unit, and other areas of the hospital.

Luminis Health Doctors Community Medical Center

- Surgery- LHDCMC was the first hospital in Prince George's County to provide robot-assisted bariatric surgery. Additional surgical services include breast surgery, general surgery, orthopedic surgery, thoracic surgery and vascular surgery.
- Cancer Care- LHDCMC was the first comprehensive breast care center in Prince George's County with a dedicated surgeon. The Breast Center screened more than 3,000 patients in 2020 and diagnosed more than 1,700 cases of breast cancer.
- Largest lymphedema program in the area.
- Sleep care- Established in 1996, LHDCMC has the first Sleep Center accredited by the American Academy of Sleep Medicine in Prince George's County.
- Women's and Children's- LHDCMC is a pediatric emergency care partner with Children's National. LHDCMC applied for a Certificate of Need (CON) to provide labor and delivery services to women in Prince George's County.
- Wound Care- LHDCMC has the largest innovative Wound Care Center in Prince George's County.

Community Outreach

In calendar year 2020, LHAAMC contributed more than $61 million in community benefit, including subsidized programs and charity care, community outreach, health education, and research activities. In addition, its 348 volunteers donated more than 29,391 hours of time to help patients, raise funds for the institution, and serve as program ambassadors.

In calendar year 2020, LHDCMC contributed more than $18 million in community benefit, including subsidized programs and charity care, community outreach, health education, and research activities. In addition, its 100+ volunteers donated more than 4,000 hours of time to help patients, raise funds for the institution, and serve as program ambassadors.

National Recognition

Luminis Health is a community health system that offers a variety of specialty services to a broad geographic area, including Anne Arundel County, Prince George's County, and the Eastern Shore.

Luminis Health has distinguished itself as a leader in a broad range of categories, from clinical care, to community health, to Diversity, Equity and Inclusion work. Recent accolades include:

Luminis Health:

In 2021, Luminis Health was 1 of 5 hospitals nationwide awarded the American Hospital Association (AHA) Dick Davidson NOVA Award for its efforts to improve community health. The AHA Dick Davidson NOVA Award honors hospitals and health systems for their collaborative efforts toward improving community health status, whether through health care, economic or social initiatives. Honorees participate in joint efforts among health care systems or hospitals, or among hospitals and other community leaders and organizations. Luminis Health is being recognized for its COVID-19 Community Prevention Project

Luminis Health's LGBTQIA and African-American Business Resource Groups earned the DiversityFirst Top 50 Employee Resource Group Award by the National Diversity Council for commitment to diversity and inclusion in the workplace and communities. In 2020, the health system received the American Organization for Nursing Leadership's Prism Award for advancing diversity efforts within the nursing profession, community and organization. Luminis Health is also recognized as a "Leader in LGBTQ Healthcare Equality" after earning a perfect score of 100 on the most recent Healthcare Equality Index (HEI).

CHIME® HealthCare's 2021 Most Wired recipient

Luminis Health Anne Arundel Medical Center:

- Leapfrog Hospital Safety Grade "A" Rating
- Top four best hospitals in Maryland by *U.S. News & World Report*
- CHIME® HealthCare's 2019 & 2020 Most Wired recipient
- Magnet® recognition by the American Nurses Credentialing Center

- Prism Award by the American Organization for Nursing Leadership
- American Heart Association Mission: Lifeline Gold Plus Receiving Quality Achievement Award
- Leaders in LGBTQ Healthcare Equality designation from the Human Rights Campaign Foundation
- American College of Cardiology NCDR Chest Pain-MI Registry Platinum Performance Achievement Award
- American Hospital Association Quest for Quality Finalist
- American Hospital Association NOVA Award for Annapolis Community Health Partnership
- Distinguished Achievement in Patient Safety Innovation
- Top 10 Joint Replacement hospital by Orthopedic Network News
- Top 100 Health Systems with Great Women's Health Programs by *Becker's Hospital Review*
- American Heart Association Mission: Lifeline® -STEMI Silver Plus Award and NSTEMI Bronze Award
- American Stroke Association Stroke Gold Plus Quality Achievement Award
- American Association for Respiratory Care (AARC) Apex Recognition Award
- Blue Distinction® Center for maternity care and for knee and hip replacement
- Newsweek/Leapfrog Group's "Best Maternity Hospitals 2021"
- Newsweek's "World's Best Hospitals" 2021

<u>Luminis Health Doctors Community Medical Center</u>:

- *U.S. News & World Report's* high performing hospital in colon cancer surgery and heart failure
- *U.S. News & World Report's* high performing hospital in Chronic Obstructive Pulmonary Disease (COPD)
- Medicare's highest-ranking hospital in Prince George's county
- Health Services Cost Review Commission's top ten in Maryland for education of all-cause 30-day hospital readmissions
- American Heart Association/ American Stroke Association's Stroke Gold Plus Award
- Maryland Institute for Emergency Medical System's primary stroke center designation
- Healthiest Maryland Business' Wellness at Work Gold Award
- CMS lowest CAUTI rates in the nation

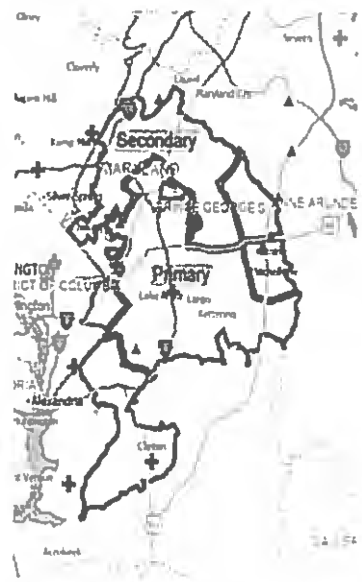
Overview of Competition

Luminis Health Anne Arundel Medical Center and Luminis Health Doctors Community Medical Center are the only acute care hospitals in their service area. The nearest competitor located in Anne Arundel County is UM-Baltimore Washington Medical Center (UMMS), 15.6 miles away in the northern portion of Anne Arundel County. Together, LHAAMC and UM-Baltimore Washington Medical Center maintained 634 licensed general medical/surgical beds in Anne Arundel County, as of July 1, 2021.

Maps of the LHAAMC and LHDCMC Service Areas are included below:

LHAAMC

LHDCMC



Certain information about primary service area competitors in Maryland is listed below:

LHAAMC Top Hospital Competitors

Primary Region

Hospital	Location	Distance from LHAAMC	Licensed Beds	FY2017	FY2018	FY2019	FY2020	FY2021	FY2017 - FY2021 Change
LHAAMC	Annapolis	NA	349	68.4%	67.9%	68.4%	69.4%	69.4%	1.0%
UM - BWMC	Glen Burnie	16	285	8.6%	8.1%	7.8%	7.8%	7.7%	-0.9%
Johns Hopkins Hospital	Baltimore	30	1,113	5.5%	5.6%	5.9%	5.8%	5.8%	0.3%
UMMC	Baltimore	27	806	2.6%	2.9%	2.7%	2.6%	3.2%	0.6%
Mercy	Baltimore	28	183	1.3%	1.5%	1.5%	1.2%	1.2%	-0.2%
UM - Shore	Easton	42	117	1.2%	1.1%	1.0%	1.1%	0.8%	-0.4%
UM - Capital Region	Largo	22	254	0.4%	0.6%	0.5%	0.5%	0.4%	0.0%

Data Source: Maryland HSCRC Hospital Cases
Datasets through 6/30/2021
Newborns = DRG 789-795 and Transplants excluded from
Region Market Share Totals

LHDCMC Top Hospital Competitors

Primary Region

Hospital	Location	Distance from LHDCMC	Licensed Beds	FY2017	FY2018	FY2019	FY2020	FY2021	FY2017 - FY2021 Change
LHDCMC	Lanham	NA	206	26.1%	23.4%	25.4%	27.4%	26.8%	0.7%
UM - Capital Region	Largo	6	254	23.7%	26.8%	25.1%	22.8%	21.0%	-2.6%
Holy Cross	Silver Spring	14	377	14.4%	14.8%	14.5%	15.4%	15.1%	0.6%
LHAAMC	Annapolis	22	349	10.3%	10.0%	10.5%	10.5%	10.8%	0.5%
Medstar Southern Maryland	Clinton	20	182	6.2%	5.7%	5.4%	6.2%	6.2%	0.0%
Washington Adventist	Silver Spring	9	178	5.0%	5.5%	5.8%	4.6%	4.7%	-0.3%

Data Source: Maryland HSCRC Hospital Cases Datasets through 6/30/2021
Newborns = DRG 789-795 and Transplants excluded from Region Market Share Totals

During the fiscal years ended June 30, 2017 through 2021, LHAAMC's market share in the primary service area grew 1.0% (68.4% vs. 69.4%) based on data obtained from the Maryland Health Services Cost Review Commission (the "HSCRC"), maintaining a dominant market presence. Competitor hospitals' combined market shares in the primary service area also remained relatively unchanged, down .6%.

LHAAMC has focused on maintaining a dominant presence in the primary service area while increasing its presence in the faster growing extended service area. As of June 30, 2021, almost 70% of inpatient discharges from the primary service area were from LHAAMC.

LHDCMC also has grown their market share over the past 5 years by .7% from for the years ended June 30, 2017 to 2021, which is significant in the competitive environment outside of the Washington, D.C. area. LHDCMC leads the competitor hospitals with almost 27% of the total market share in their primary service area.

COVID-19

Luminis Health experienced a major impact to operations due to the COVID-19 pandemic. The Maryland state mandate to close physician offices and cease elective and non-urgent medical procedures during the last quarter of fiscal year 2020 resulted in significant volume declines across Luminis Health. Volumes have recovered at many locations, but certain locations are still experiencing declines in volumes from pre-pandemic levels.

The Federal government provided certain sources of relief to health systems across the country. To increase cash flow to Medicare providers, the Medicare Accelerated and Advance Payment Program provided Luminis Health approximately $151.8 million in additional cash. The payback period began April 1, 2021. As of September 30, 2021, approximately $36.4 million was repaid through reduced Medicare claim payments. The remaining amount is expected to be repaid during fiscal year 2022.

The CAREs Act which was enacted in March of 2020, authorized funding to compensate healthcare providers for lost revenues and incremental expenses incurred in response to the COVID-19 pandemic. Luminis Health received approximately $82.0 million of Phase 1-3 CARES Act Provider Relief Funds of which $36.5 million and $45.5 million was recognized in other operating revenue in the year end June 30, 2021 and 2020, respectively. During the second quarter of fiscal year 2022, Luminis Health received approximately $7.0 million of Phase 4 Cares Act Provider Relief Funds, none of which has been recognized as revenue to date.

Management is continually monitoring the impact of the COVID-19 pandemic on its results of operations, financial position and cash flows.

Financial Analysis – Fiscal Year Ended June 30, 2021

Total operating revenue for the System, twelve months ended June 30, 2021 was $1.106 million, compared to $1.047 million for the twelve months ended June 30, 2020, an increase of $58.4 million or 5.6%. Net patient service revenue increased by $67.3 million compared to the prior year. Higher revenue was due to volume growth in physician services in 2021 over 2020, in which the services were closed for several months related to the COVID-19 pandemic. The Global Revenue Agreement with the HSCRC allowed for a maximum gross revenue target of $989 million in 2021 vs $948 million in 2020 combined for both hospitals.

Operating margin was $22.6 million for the twelve months ended June 30, 2021 compared to $5.7 million for the twelve months ended June 30, 2020. The increase in operating margin is primarily attributable volume recoveries during 2021 particularly in the physician practices, which were closed for several months during 2020 due to the pandemic.

Salaries, wages and benefits increased $29.3 million, or 5.3%, twelve months 2021 over twelve months 2020. The increase represents a reasonable annual wage adjustment necessary to retain a high quality workforce and bonuses paid to certain staff members, including certain nurses.

Expenses for medical supplies and drugs have decreased $8.3 million, or 4.2%, in 2021 vs. the comparable twelve month period in 2020. This decrease was driven by lower volumes of higher drug costs, especially for oncology infusion offset by higher costs related to COVID-19 supplies.

Purchased services increased $21.3 million, or 9.4%, due to COVID-19 related costs including agency staffing and laboratory testing.

Depreciation and amortization decreased slightly year over year by $890,000, or 1.9%. Also, interest expense decreased by $1.7 million due lower variable interest costs during 2021 driven by the market.

Select System Financial Data

For the Three Years Ended June 30, 2021

(in $000s)

	FY 2019	FY 2020	FY 2021
Operating Revenue over Operating Expenses	$28,997	$5,681	$22,591
Total Revenue over Total Expenses	$23,292	$(161)	$(157,190)
Net Income Available for Debt Service	$92,938	$67,826	$83,879
Maximum Annual Debt Service	$27,348	$27,348	$27,348
Cash and Investments[1]	$468,843	$519,145	$729,114
Total Debt	$497,606	$486,748	$470,813
Total Net Assets	$561,546	$486,604	$684,131
Total Unrestricted Net Assets	$534,064	$460,552	$654,877

[1] Amount includes approximately $152 million and $135 million as of June 30, 2020 and 2021, respectively, of Medicare Advance Payments that are expected to be repaid within the next 12 months.

Select System Financial Ratios

For the Three Years Ended June 30, 2021

	FY 2019	FY 2020	FY 2021	Moody's A3 Rated Non-Profit Hospital Medians FY 2020 [2]
Operating Indicators [1]				
Operating Margin	2.8	0.5	2.0	0.1%
Operating Cashflow Margin	9.1	6.5	7.6	2.8%
Liquidity Indicators [1]				
Days Cash on Hand	180	190	257	233
Cash to Debt (%)	94	107	155	186
Leverage Indicators [1]				
Debt to Capitalization	48	51	42	37.4
Debt to Cash Flow (x)	5.4	7.2	4.6	3.7
MADS Coverage (x)	3.7	4.4	3.6	3.4

[1] Calculations use Moody's definitions for specified indicators.

[2] Source: Moody's Preliminary FY 2020 Medians for U.S. Not-for-Profit Hospitals report dated September 9, 2021.

The Health System has 257 days of cash on hand as of June 30, 2021, an increase of 67 days since June 30, 2020. This increase is principally due a return of swap collateral in connection with the novation of an existing interest rate swap in February 2021. Repayment of Medicare Advance Funding will result in a decrease of 48 days of cash.

Maximum annual debt service coverage, defined as EBIDA (excluding unrealized gains on investments and mark-to-market adjustments on interest rate swaps) divided by maximum future annual debt service, decreased from 4.4 in 2020 to 3.6 in 2021.

Overview of The Plan of Finance

Luminis Health plans to refund all or a portion of its existing Series 2009A Bonds, Series 2012 and Series 2014 Bonds originally issued through MHHEFA, in order to reduce risk within its debt portfolio, reduce its overall cost of capital and realize significant debt service savings. While tax-exempt advance refundings are still not permitted, the refunding of the Series 2012 and 2014 fixed rate bonds will be accomplished with a "Cinderella Bond" structure. Taxable notes are initially issued to advance refund the Series 2012 and 2014 bonds and the taxable notes can be converted to MHHEFA authorized tax-exempt bonds when eligible.

- **Realize significant interest cost savings**
  - Series 2012 Bonds – Realize indicative NPV Savings of approximately $6.9 million or 14.4% of refunded bonds – Fixed rate and bank commitment to maturity.
  - Series 2014 Bonds – Realize indicative NPV Savings of approximately $19.7 million or 19.66% of refunded bonds – Fixed rate and bank commitment to maturity
  - Series 2009B Bonds reduced credit charge by 11 basis points annually while increasing the committed funding by seven years and eliminating letter of credit remarketing risk

Charlestown Community

Application
Borrower Overview

Erickson LIVING Charlestown
Add more Living to your Life®

APPLICATION LETTER

May 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:

Charlestown Community, Inc., 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.

Charlestown Community, Inc.

By: ______________________
Name: Richard Grove
Title: Chair

Accepted by the Authority this ____ day of June __, 2024.

(Seal)

MARYLAND HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

By:______________________
Chairman

____
Executive Director

APPENDIX A

DESCRIPTION OF THE PROJECT

Name of Institution: Charlestown Community, Inc.

Estimated total amount of loan requested: $30,000,000

Description of Project to be financed / refinanced with loan:

Charlestown Community, Inc. (the "Community" or "Charlestown") plans to borrow up to $30 million of non-bank qualified, tax-exempt debt, the proceeds of which will be used to pay or reimburse Charlestown for (A) capital improvement projects with respect to its campus and facilities, including its Historic District and its outdoor amenity space, and also expects to make capital expenditures on account of its requirements for annual "life-cycle" improvements, improvements to other real estate and personal property, the acquisition of equipment and to make other capital expenditures in order to ensure the future success and attractiveness of CCI and its campus (B) capitalized interest and (C) costs related to the issuance (collectively, the "2024 Project"). All or a portion of the financing is expected to be structured as a drawdown loan/bond providing for the ability to draw funds for a period of up to 36 months to pay for the 2024 Project costs.

The estimated use of funds with respect to the above-described plan of finance is as follows:

Sources of Funds/ Series 2024 Par Amount	$30,000,000
Uses of Funds:	
2024 Project Costs	$26,845,000
Capitalized Interest	2,655,000
Costs of Issuance	500,000
Total uses of funds	$30,000,000

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

Historic District Improvements. The core neighborhood Charlestown, adjacent to the historic, Our Lady of Angels Chapel, is a central hub of activity. Easily accessible to residential living and all levels of care, the development project will bring a new café, sit-down restaurant, and multi-function catering and indoor pickle ball space, as well as many other new and refreshed attractions for residents.

Outdoor Amenities. Improvements to the historic grounds of Charlestown will also include construction of accessible walking paths that weave among existing resident gardens, our pet park and softball field. In addition, new features will outdoor bocce and pickle ball court, picnic and social gather spaces along with additional gardens and landscaping to enjoy. Activating this space will align with market demands and our efforts to continue attracting a younger and vibrant resident population.

Building and Structural Modernization. Certain elements of the 2024 Project will support capital project needs related to safety and compliance projects including elevators, concrete/paving, fencing and boilers/central plant equipment.

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

(B) Refinancing: N/A In addition to financing of the 2024 Project, Charlestown expects to pursue certain amendments to the existing, Series 2016B and Series 2016C of the Maryland Health and Higher Educational Facilities Authority Revenue Bond, Charlestown Community Issue(s) in order to extend the Purchase Dates to be coterminous with the anticipated Series 2024 issue, which will have a 12-year term. While not refinancing the 2016B and 2016C Bonds, this amendment to extend the purchase date is an effective capital planning tool.

Terms of loan to be refinanced (name of lender, final due date of loan, interest rate, prepayment provisions, etc.), if any: N/A See Borrower Overview for a description of the Series 2016B and Series 2016C Bonds.

Description of project(s) financed with original proceeds of loan to be refinanced: The Series 2016 B Bonds, together with the Series 2016 A Bonds refinanced prior debt; the Series 2016C Bonds financed certain healthcare repositioning projects.

(C) Description of any anticipated sources of funds for the Project other than the proposed loan through the Authority, if applicable: No other funds are currently contemplated.

(D) Provide proposed financing term sheet / financing structure, if available. The term sheet has been provided to the Authority. After a RFP process conducted by Charlestown's financing advisor, Marathon Capital Strategies, Truist was selected based upon its rates, covenants and commitment term.

Charlestown
BY ERICKSON SENIOR LIVING®

Charlestown Community, Inc.

Borrower Overview

Capital Strategies

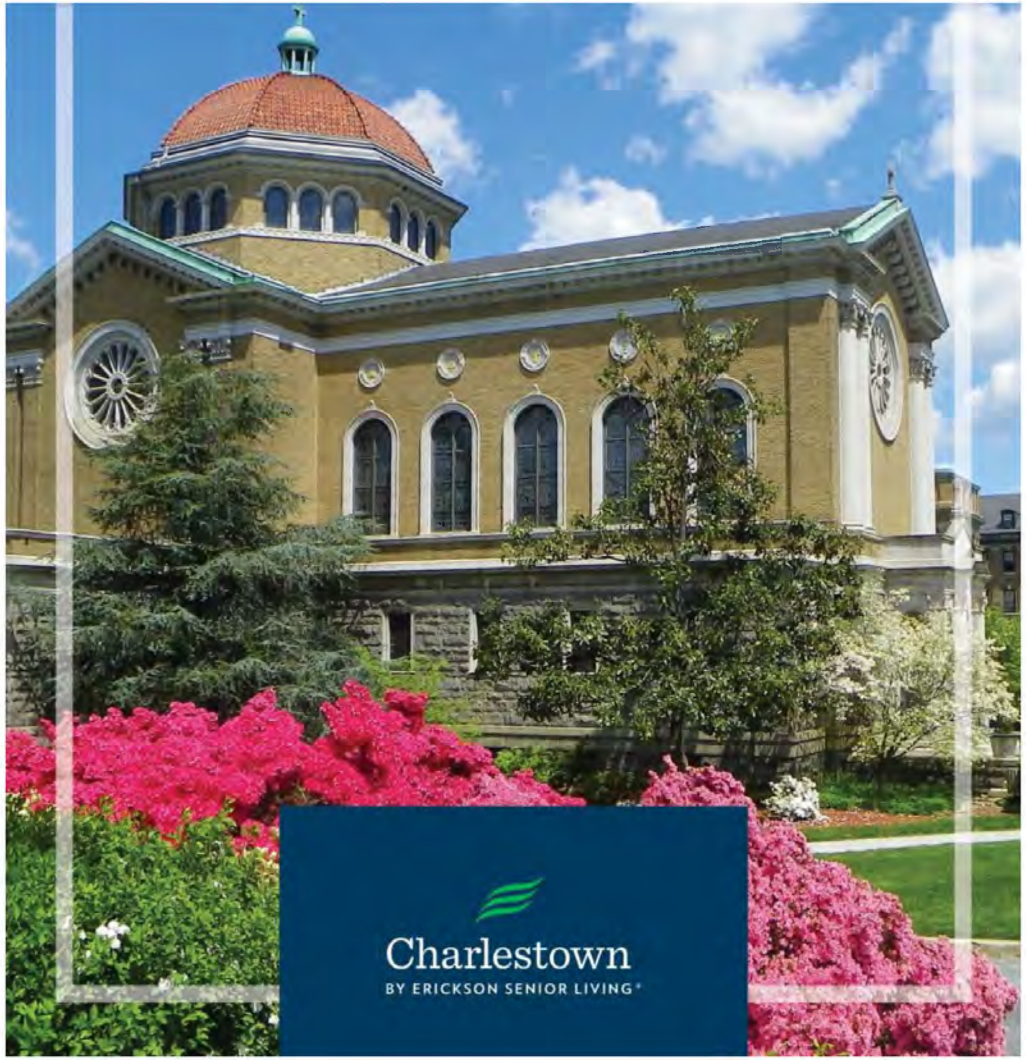
MARATHON

Capital Strategies

Charlestown
BY ERICKSON SENIOR LIVING®

Charlestown Community

Content



Presenters:

Don Grove, Executive Director

Pam Stiner, Regional Finance Director

Alex Dinkels, Marathon Capital

Executive Summary

Charlestown Community | 2024 Project

- Charlestown is a Maryland non-stock corporation organized in 1982 operating a not-for-profit continuing care retirement community (the "Facility" or the "Community") located in Catonsville, Maryland.
  - The Facility is **home to nearly 2,000 residents** and consists of 1,380 independent living units, 156 assisted living beds, 52 memory care beds, and 103 skilled nursing beds.
  - Since its inception, Charlestown has partnered with Erickson Living to provide management and marketing services.
- Charlestown maintains a rating of **'A-' with a 'stable' outlook** from Fitch with respect to its Series 2016A Bonds (*latest report attached*).
- Charlestown is seeking MHHEFA's approval to issue **up to $30 million non-bank qualified tax-exempt debt** to fund:
  - repositioning projects related to the Historic District
  - expansion/improvements of outdoor amenity spaces, and
  - certain infrastructure improvements and equipment (collectively, the "2024 Project")
- The 2024 Project will help the Community attract new residents, optimize services for existing residents, and support the long-term mission of helping people live better lives.

Over the next 3+ years, Charlestown will continue to invest in the campus to maintain a competitive edge and ensure strong financial performance for the future. Current development plans are summarized as follows:

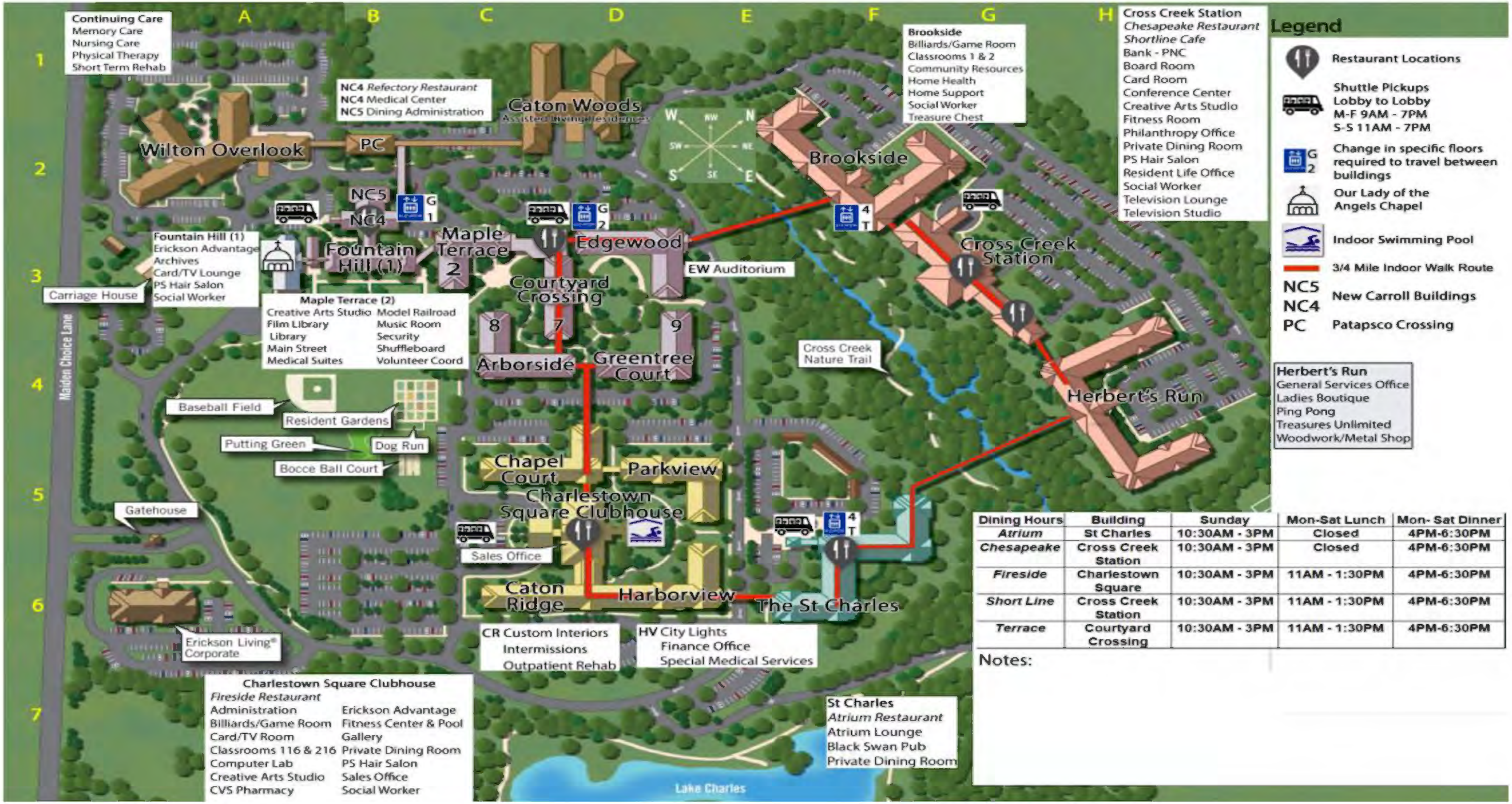
Historic District Improvements. The core neighborhood Charlestown, adjacent to the Historic Our Lady of Angels Chapel is a central hub of activity. Easily accessible to residential living and all levels of care, the development project will bring a new café, sit-down restaurant, and multi-function catering and indoor pickle ball space, as well as many other new and refreshed attractions for residents.

Outdoor Amenities. Improvements to the historic grounds of Charlestown will also include construction of accessible walking paths that weave among existing resident gardens, our pet park and softball field. In addition, new features will outdoor bocce and pickle ball court, picnic and social gather spaces along with additional gardens and landscaping to enjoy. Activating this space will align with market demands and our efforts to continue attracting a younger and vibrant resident population.

Building and Structural Modernization. Certain elements of the 2024 Project will support capital project needs related to safety and compliance projects including elevators, concrete/paving, fencing and boilers/central plant equipment.

Charlestown
BY ERICKSON SENIOR LIVING®

Community Map



Dining Hours	Building	Sunday	Mon-Sat Lunch	Mon- Sat Dinner
Atrium	St Charles	10:30AM - 3PM	Closed	4PM-6:30PM
Chesapeake	Cross Creek Station	10:30AM - 3PM	Closed	4PM-6:30PM
Fireside	Charlestown Square	10:30AM - 3PM	11AM - 1:30PM	4PM-6:30PM
Short Line	Cross Creek Station	10:30AM - 3PM	11AM - 1:30PM	4PM-6:30PM
Terrace	Courtyard Crossing	10:30AM - 3PM	11AM - 1:30PM	4PM-6:30PM

Source: Charlestown Community

Historic District Concept

CONCEPT - HISTORIC VIEWSH IMPROVEMENTS

CONCEPT PLAN KEY

1. ACCESSIBLE GARDEN EXPANSION
2. EXISTING COMMUNITY GARDEN
3. EXISTING DOG PARK
4. BOCCE COURTS
5. LAWN
6. BOCCE SHADE STRUCTURES
7. PAVILION
8. SHUFFLEBOARD COURTS
9. PICKLEBALL COURTS W/ SHADE SAILS
10. EXISTING SOFTBALL FIELD

Source: Charlestown Community

Charlestown
BY ERICKSON SENIOR LIVING®

Outdoor Space Concept

Source: Charlestown Community

Board of Directors

Structure, Members

- The Board of Directors of Charlestown (the “Board”) is authorized to have up to 15 Directors who serve without compensation.
- Each Director is elected to a three (3) year term by majority vote; there are no term limits.
- The Board functions through several subcommittees to address specific objectives and to provide internal recommendations.
- Members of the Board meets approximately four (4) times a year and is available for special meetings if necessary.
- Advisory board committees consists of: Audit, Benevolent Care Foundation, Continuing Care Review, Executive, Finance & Budget, Governance, Resident Life, Strategic Planning & Capital Oversight, and Treasury & Investment

Member	Joined	Position
Richard A. Grove, Jr.	2006	Chairman & President
Rev. David S. Cooney, Ph.D.	2006	Vice Chairman
Dr. Heidi Abdelhady	2021	
Richard M. Barnes	2008	
Father Phillip Brown, P.S.S.	2020	
Charles Gamble	1990	
Mitch Lomax	2023	
James Mauser	2015	
Christopher M. McNally	2021	
Joanne Pollak, Esq.	1990	
Michael J. Stafford, Jr.	2017	
Patricia Kasuda	2021	
Dr. Stephen Schimpff, MD	2023	
Alison Brown	2024	
Linda Woolf	2024	
Charles Denton	2013	Resident
Naomi McAfee	2010	Resident

- The Community consists of 1,379 independent living units, three community buildings, and a Continuing Care Health Services at Charlestown, the healthcare neighborhood for the campus.
- Continuing Care Health Services at Charlestown consists of Assisted Living Facilities with 238 licensed beds in 156 Assisted Living Units and 52 Memory Care Units for residents who need additional assistance with the activities of daily living.
- The Assisted Living Facilities also includes dining rooms, resident lounges, activity rooms, and on-site beauty salons and physical therapy. Continuing Care at Charlestown also includes 103 licensed nursing beds in 103 Nursing Units.
- The total licensed assisted living and nursing licensed beds and units is 341 and 311, respectively.
- In addition, the Facility includes community centers that contain dining areas, classrooms, activity spaces and other common areas. Certain community centers include a beauty salon, a bank, convenience or gift store, a pharmacy, a fitness center, a pool and an auditorium. In all, 28 buildings, encompassing more than 2 million square feet, are situated on the campus of the Facility.
- As of March 31, 2024, the Community's available units totaled 1,690 and included:

Level of Care	Unit Mix	3/31 Occupancy
IL/Resident units	1,379	95%
AL beds	156	98%
MC beds	52	98%
SN beds	103	79%
Total	**1,690**	**94%**

- The Community offers a Residence and Care Agreement ("RCA") with all residents, governing the primary aspects of residence and care at the Facility including inter-resident transfers and certain amenities for each level of care
  - New residents pay an upfront entrance fee and monthly service fee, varying in amount depending on occupied unit *(see the following slide for unit mix and current pricing)*
  - Since 2017, the Community offers a **90% refundable/ 10% non-refundable** entrance fee contract payable upon satisfaction of certain terms and conditions
- Charlestown maintains a pipeline of prospective residents updated daily and recorded monthly. As of December 31, 2023, there was a total of **848 prospective residents** on the waiting list.
  - All prospective residents on the priority wait list are required to make a $1,000 refundable deposit.
- The Community operates a **Benevolent Care Foundation** to assist residents who have exhausted their financial resources or are unable to pay.

Services and Amenities	RUs	ALUs	NCBs
Flex meal plan	X		
Three meals per day		X	X
Tray Service			X
Emergency communication system	X	X	X
Assistance with the activities of daily living		X	X
Nursing care			X
Maintenance of buildings, grounds and equipment	X	X	X
All utilities	X	X	X
Basic cable television service	X	X	X
Sewage, trash and common area snow removal	X	X	X
Use of all public rooms and common areas	X	X	X
Flat linen service (Facility linens)		X	X
Medicine administration		X	X
Light housekeeping		X	X
Regularly scheduled transportation	X	X	X
Pre-wiring for telephone	X	X	X
On-campus shuttle	X	X	
Security/safety officers on duty 24 hours/day	X	X	X
Insurance for the unit and all non-resident items in it	X	X	X
Minimal or occasional supervision	X		
Individual service plan of care		X	X
Personal laundry service available		X	X
Social/recreational activities		X	X
Nurse/resident communication			X
On-site health club	X		

Charlestown
BY ERICKSON SENIOR LIVING®

2024 Unit Pricing

	2024 Entrance Fee Range	2024 Monthly Service Fee Range
Residential Units:		
Studio	$79,000 - $163,000	$2,325 - $2,350
One Bedroom with 1 Bath	$173,000 - $315,000	$2,511 - $3,328
One Bedroom with 1 ½ Baths	$216,000 - $412,000	$2,704 - $3,328
One Bedroom, 1 Bath with Den	$294,000 - $525,000	$3,196 - $3,845
One Bedroom, 1 ½ Baths with Den	$308,000 - $536,000	$2,929 - $3,790
One Bedroom, 2 Baths with Den	$357,000 - $525,000	$3,328 - $3,845
Two Bedroom with 1 Bath	$283,000 - $359,000	$2,822 - $3,196
Two Bedroom with 1 ½ Baths	$312,000 - $503,000	$3,078 - $3,727
Two Bedroom with 2 Baths	$330,000 - $803,000	$3,078 - $3,919
Two Bedroom, 2 Baths with Den	$485,000	$3,727
Two Bedroom, 2 ½ Baths with Den	$484,000 - $760,000	$3,727 - $4,038
Assisted Living Units	$97,300 - $195,900	$5,959 - 13,681
Memory Care Units	$112,000	$9,381 - $11,338
Nursing Care Beds	$97,300	$452 - $519 per day

Fees Increase History & Payor Mix

	FY 2021	FY 2022	FY 2023	FY 2024
Fee Increases				
IL Entrance Fees	4.0%	3.0%	4.8%	3.0%
IL Monthly Service Fees	5.0%	4.75%	8.5%	4.5%
AL/MC Monthly Service Fees	5.0%	4.75%	9.0%	4.5%
SN – Private Pay	5.0%	4.75%	9.0%	4.5%
SN – Medicaid	-	-	-	-
Payor Mix				Q1 2024
Private Pay	49%	54%	57%	52%
Medicaid	17%	15%	19%	20%
Medicare	17%	20%	16%	20%
Other	17%	11%	8%	8.2%
Total	100%	100%	100%	100%

Competitors

- Charlestown is a **Type-C life plan community** in the town of Catonsville, a well-established and stable commercial and residential neighborhood within Baltimore County.
- The Facility is the largest senior housing facility in Baltimore County and offers neighborhood retail amenities within a quarter mile.
- Charlestown offers units at a variety of sizes and competitive price points, and the average entrance fee for ILUs compares favorably to median homes within its primary market area. Charlestown further distinguishes itself through its large size that provides for a high level of amenities, social activities and on-site healthcare services (including on-site geriatric physicians and nurses, a full-service pharmacy, dental office, podiatry office and visiting specialists including ophthalmology and audiology).
- PMA competitors include:

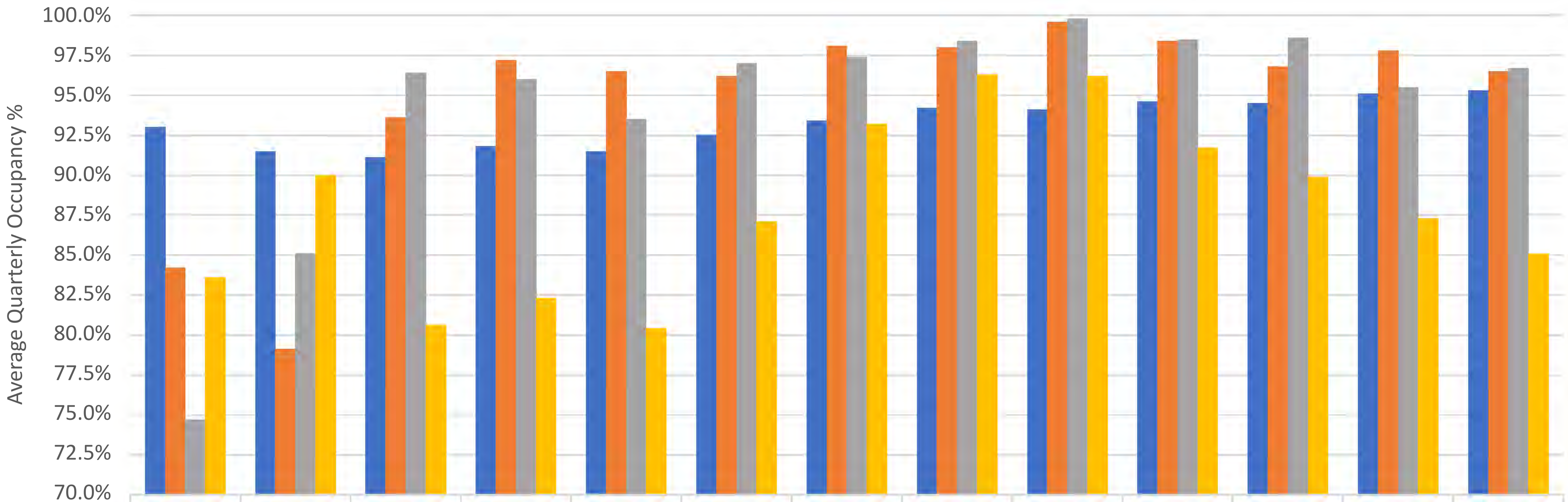
Community	Location	Distance from Community	Contract Type(s)	Levels of Care
Charlestown	Catonsville	-	Type C	IL, AL, MC, SN
Brightview Rolling Hills	Catonsville	2 miles	Rental	IL, AL, MC
Lutheran Village at Miller's Grant	Ellicott City	12 miles	Types B & C	IL, AL, MC, SN
Vantage Point	Columbia	15 miles	Types A & C	IL, AL, MC, SN
Fairhaven *(Acts Retirement-Life Community)*	Sykesville	22 miles	Type A	IL, AL, MC, SN
Ginger Cove	Annapolis	28 miles	Type A	IL, AL, SN

Charlestown
BY ERICKSON SENIOR LIVING®

Occupancy Trends

Charlestown's consistently high occupancy are supported by strong demand fundamentals, pricing advantages and distinctive amenities

Average Quarterly Occupancy %



	31-Mar-21	30-Jun-21	30-Sep-21	31-Dec-21	31-Mar-22	30-Jun-22	30-Sep-22	31-Dec-22	31-Mar-23	30-Jun-23	30-Sep-23	31-Dec-23	31-Mar-24
IL	93.0%	91.5%	91.1%	91.8%	91.5%	92.5%	93.4%	94.2%	94.1%	94.6%	94.5%	95.1%	95.3%
AL	84.2%	79.1%	93.6%	97.2%	96.5%	96.2%	98.1%	98.0%	99.6%	98.4%	96.8%	97.8%	96.5%
MC	74.7%	85.1%	96.4%	96.0%	93.5%	97.0%	97.4%	98.4%	99.8%	98.5%	98.6%	95.5%	96.7%
SN	83.6%	90.0%	80.6%	82.3%	80.4%	87.1%	93.2%	96.3%	96.2%	91.7%	89.9%	87.3%	85.1%

Charlestown BY ERICKSON SENIOR LIVING®

Statement of Operations ($000)

	Year Ended December 31, (Consolidated Audit) 2021	2022	2023	Year-to-Date March 31, (excl. BCF) 2023	2024
Operating Revenues					
Resident occupancy revenue	$76,261	$83,267	$90,522	23,002	$23,621
Departmental revenues	11,983	14,604	11,689	1,965	1,980
Total operating revenues	88,245	97,871	102,210	24,967	25,602
Operating Expenses					
Salaries, wages and benefits	45,948	49,307	51,764	12,427	13,467
Contract labor	12,045	12,461	12,771	677	1,113
Supplies	7,982	8,490	8,861	2,305	2,350
General and administrative	5,956	6,218	7,129	3,562	4,338
Taxes	2,079	1,826	1,796	498	418
Management fees	2,955	3,378	3,994	1,000	1,018
Other operating expenses	3,785	1,967	1,283	444	-
Total operating expenses	80,750	83,647	87,598	20,913	22,702
Operating income	**7,495**	**14,224**	**14,612**	**4,055**	**2,899**
Non-Operating Income					
Investment income/ contributions	11,980	(16,003)	13,113	3,714	5,370
Realized/unrealized gain/(loss) on swap	1,596	5,745	705	-	-
Amortization of entrance fees	257	495	779	150	270
Total non-operating income	13,833	(9,763)	14,597	3,864	5,640
Non-Operating Expenses					
Interest expense	4,044	4,593	6,000	1,471	1,477
Depreciation and amortization	21,109	21,921	22,397	5,672	5,607
Total non-operating expenses	25,152	26,514	28,396	7,143	7,086
Increase/(Decrease) in net assets	**($3,824)**	**($22,054)**	**$813**	**$776**	**$1,453**

Charlestown
BY ERICKSON SENIOR LIVING®

Financial Performance

Key performance metrics

	Consolidated Audited Financial Results			Unaudited TTM	
	FY 2021	FY 2022	FY 2023	Q1 2023	Q1 2024
Profitability Profile:					
Total operating revenues ($000) [1]	$88,245	$97,871	$102,210	$24,967 [3]	$25,602 [3]
Total operating expenses ($000) [2]	$80,750	$83,647	$87,598	$20,913 [3]	$22,702 [3]
Net operating income ($000)	$7,495	$14,224	$14,612	$4,055 [3]	$2,899 [3]
NOI margin %	**8.5%**	**14.5%**	**14.3%**	**16.2%** [3]	**14.7%** [3]
Net entrance fees ($000)	$12,185	$23,851	$13,377	$22,170 TTM	$13,777 TTM
Net income available for debt service ($000)	$27,237	$40,957	$32,142	$41,639 TTM	$32,257 TTM
Capital Structure & Cash Flow Profile:					
Maximum annual debt service (MADS) ($000)	$9,409	$9,409	$9,409	$9,409	$9,409
MADS coverage (x)	**2.9**	**4.4**	**3.4**	**4.4**	**3.4**
MADS coverage (revenue only)	**1.6**	**1.8**	**2.0**	**2.1**	**2.0**
Liquidity Profile:					
Unrestricted cash & investments ($000)	$111,905	$103,222	$125,136	$106,143 [4]	$123,193 [4]
Days cash on hand (DCOH)	**502**	**434**	**491**	**441**	**475**

(1) Excludes amortization of entrance fee revenues

(2) Excludes interest, depreciation and amortization

(3) Year-to-date results; excludes the Benevolent Care Foundation (BCF)

(4) Includes BCF funds

Historic District/Capital Project Financing

Overview

- In 2023, the Investment Committee, Management team and Marathon reviewed plan of finance options for funding the Historic district and other planned capital projects, totaling approximately $26- 27 million (hard and soft costs) or $30 million when including estimated costs of issuance and interest during construction.
- The preliminary analysis considered, among other things:
  - Impact to key credit ratios (leverage, liquidity) – cash vs. debt
  - Traditional bond vs. bank financing structures, rate environment, as well as risks and benefits of either structure
- Decision was to pursue financing proposals for a tax-exempt bank drawdown structure (up to $30 million) given objective to best manage credit/financial profile, ease of execution and preservation of future flexibility with respect to the broader capital structure.
- Following a request for proposal shared with qualified lending institutions, Truist was selected to given its existing lending relationship, terms and pricing. In general, the terms of the facility are expected to be as follows:
  - 36-month drawdown facility w/ 30-year amortization following interest only period Commitment term of up to 12 years (tender w/ option to extend) and 30-year final maturity
  - Option to extend term on the existing Series 2016B/C Bonds by approximately 5 years to be coterminous with the new facility
  - Covenant and reporting structure to largely mirror existing debt

Charlestown BY ERICKSON SENIOR LIVING®

Pro Forma Capital Structure & Debt Service Coverage

Series	Par Amount Outstanding	Type/Mode	Final Maturity	Interest Rate	Holder	Optional Redemption/ Mandatory Tender Date
MHHEFA Series 2016A	$77,060,000	Public Fixed	1-Jan-2045	2.375% - 5.00%	Public	1-Jul-2026 @ par call
MHHEFA Series 2016B	$25,015,000	Fully Hedged Direct Purchase	1-Jan-2045	2.553% (hedged thru 2031)	Truist	1-Jan-2031 tender*
MHHEFA Series 2016C	$22,259,000	Fully Hedged Direct Purchase	1-Jan-2045	2.715% (hedged thru 2031)	Truist	1-Jan-2031 tender*
MHHEFA Series 2024	$30,000,000	Direct Purchase	30 years	variable	*Truist*	*12 years*
Total	**$154,334,000**					

** Truist has offered Charlestown the option to extend the term of the existing debt for up to 12 years*

	Audited Financial Results			Unaudited TTM	
	FY 2021	FY 2022	FY 2023	Q1 2023	Q1 2024
Net income available for debt service	$27,237	$40,957	$32,142	$41,639	$32,257
Pro forma maximum annual debt service (MADS):					
Existing MADS	$9,409	$9,409	$9,409	$9,409	$9,409
Estimated pro forma MADS (assuming est. new money hedged rate)	$11,304	$11,304	$11,304	$11,304	$11,304
Historic Pro Forma MADS coverage	2.4	3.6	2.8	3.7	2.9
MADS coverage (existing debt only)	*2.9*	*4.4*	*3.4*	*4.4*	*3.4*

FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms Charlestown Retirement Community's (MD) 2016 Revs at 'A-'; Outlook Stable

Fri 28 Jul, 2023 - 12:04 PM ET

Fitch Ratings - New York - 28 Jul 2023: Fitch Ratings has affirmed at 'A-' the Issuer Default Rating (IDR) for Charlestown Retirement Community, MD (Charlestown) and affirmed the revenue rating on the following Maryland Health and Higher Educational Facilities Authority (MHHEFA) bonds, issued on behalf of Charlestown at 'A-':

--$89.6 million revenue bonds, series 2016A.

The Rating Outlook is Stable.

RATING ACTIONS

ENTITY / DEBT	RATING			PRIOR
Charlestown Retirement Community (MD)	LT IDR	A- Rating Outlook Stable	Affirmed	A- Rating Outlook Stable
Charlestown Retirement Community (MD) /General Revenues/1 LT	LT	A- Rating Outlook Stable	Affirmed	A- Rating Outlook Stable

VIEW ADDITIONAL RATING DETAILS

The affirmation of the 'A-' rating reflects the improved performance at Charlestown' as independent living (IL) occupancy stabilizes closer to historical levels and assisted living (AL), memory care and skilled nursing occupancies show improvement as they rebuild after a major health care repositioning project. With no major capital projects planned, capital spending is expected to be below depreciation, providing an additional measure of financial cushion.

The affirmation also reflects Charlestown's strong revenue defensibility, as a sizable, single site life care community provider, with historically solid demand and moderate pricing that maintains its competitive market position in the greater Baltimore area, which has a number of other life plan communities (LPCs).

Charlestown's key financial profile metrics--cash-to-adjusted debt and maximum annual debt service (MADS) coverage-- are mixed for the 'A' category based on Fitch's suggested rating table. While MADS coverage is consistent with the suggested category, cash-to-adjusted debt falls below the suggested rating category. Fitch's forward look shows Charlestown's operating and financial metrics steadily improving over the next two to four years, with Charlestown's financial profile remaining consistent with the current assessment through a moderate stress. The balance sheet is expected to grow steadily, supported by additional cash flow, amortizing debt and reduced capital needs. Cash-to-adjusted debt remains outside the suggested rating though the stress scenario, which emphasizes the need for the steady improvement in performance.

SECURITY

The bonds are secured by a pledge of gross receipts and a mortgage on the Charlestown campus.

KEY RATING DRIVERS

Revenue Defensibility - 'a'

Sizable, Moderately Priced Single-Site LPC Provider

The strong revenue defensibility reflects the good demand for services at Charlestown as indicated by historical IL occupancy that over the last four years has averaged 95% across a sizable base of about 1,400 IL units. Charlestown has a priority waitlist of about 900 members as of June 2023 and offers a range of apartments sizes and modest entrance fee pricing that is very competitive relative to its competition and consistent with the local Catonsville real estate market and resident net worth. Charlestown reports a strong demand for larger units and combines smaller apartments when it is feasible, which generates larger entrance fees.

Occupancy in AL, memory care and skilled nursing has been steadily recovering from sector-related pandemic challenges and a health care repositioning project that finished in 2021. At March 31, 2023, occupancy in AL, memory care and skilled nursing was 99%, 100%, and 98%, respectively.

Operating Risk - 'bbb'

Improving Operating Risk Profile

The midrange assessment is supported by good operating metrics, with the operating ratio averaging 90.7% and the net operating margin adjusted (NOMA) averaging 17.3% in the last four audited years. After a softer year in performance in 2020 due to the pandemic and ongoing capital projects, Charlestown's operating performance improved to levels closer to Fitch's expectations for the rating, with Charlestown producing operating ratios of 87.9% and 87.7% in 2022 and 2021, respectively. The improved performance was maintained through Q1 2023, with an 89.7% operating ratio.

Charlestown's NOMA was above 20% in both 2022 and 2021 after it was 7.7% in 2020. The improved performance reflects good cost management, an ability to manage through the current sector staffing challenges and the improved occupancy, especially in the continuum of care service lines. Fitch expects Charlestown to maintain the improved level of performance, despite the current staffing and inflationary pressures the sector is experiencing, as post-project stabilized occupancy across the continuum of care keeps revenue growth steady.

With the completion of the health care repositioning project, capital spending is expected to be below depreciation. The largest near term project, consisting of renovations to amenity space and dining, is expected to start within the next 18 months and is factored into the rating. Charlestown's debt burden is manageable, with (MADS as a percentage of revenue of 9.9% and debt to net available of 4.1x in 2022, both strong for the midrange assessment. Revenue-only coverage was 1.2x and is expected to remain a strength at over 1x moving forward. It was 1.9x in the three-month 2023 interim period.

Financial Profile - 'a'

Improving Financial Profile Under a Stressed Scenario

Given Charlestown's strong revenue defensibility and midrange operating risk and Fitch's forward-looking scenario analysis, Fitch expects key leverage metrics to remain consistent with the current financial profile, throughout the current economic and business cycle. At YE 2022, Charlestown had unrestricted cash and investments of approximately $103 million. This represented about 75.5% of total debt. Days cash on hand (DCOH) was good at 427 days. MADS coverage was solid at 3.7x (as calculated by Fitch) and that was helped by a strong year for net entrance fees receipts.

Fitch's baseline scenario, which is a reasonable forward look of financial performance over the next five years given current economic expectations, shows Charlestown maintaining its improved operating and financial metrics, with operating ratios at about 90% and NOMAs above 20%. With the repositioning complete, capital spending is expected to drop to below depreciation. The largest project, the expected renovation of amenity space and the dining venues, is captured in the forward look.

The forward look assumes an economic stress (to reflect both operating and equity volatility). The equity stress is specific to Charlestown's asset allocation. Charlestown's cash-to-adjusted debt shows improvement in the base case, but remains below the 'a' financial profile. MADS coverage and revenue only coverage are consistent with the 'a' financial profile. DCOH remains above 200 days, which is neutral to the rating outcome.

Asymmetric Additional Risk Considerations

No asymmetric risk considerations informed the rating outcome.

RATING SENSITIVITIES

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

--Failure to grow the balance sheet and maintain total system occupancy above 90%;

--A weakening in unrestricted liquidity such that cash-to-adjusted debt fails to improve and is expected to stabilize below 80%;

--A weakening in the operating performance such that the operating ratio rises to above 100% and revenue only coverage is consistently below 1x.

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

--Growth in unrestricted liquidity such that cash-to-adjusted debt stabilizes above 130%;

--Improved operating metrics to levels more consistent with a strong operating risk assessment such that operating ratios are consistently at or below 90% and the net operating margin is at or above 15%.

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

Charlestown is located on a 110-acre site in Catonsville, MD, less than 10 miles west of Baltimore. Charlestown is a type-C LPC with 1,397 IL units, 156 AL units, 52 memory care units and 103 skilled nursing facility beds available as of March 31, 2023. Charlestown had total operating revenues of approximately $98.4 million in 2022.

Charlestown contracts with Erickson Living (EL) to provide management services. Management fees for the years ended Dec. 31, 2022 and 2021 were $3.4 million and $3.0 million, respectively. Additionally, Charlestown pays for direct and shared costs as allocated by EL, under the term of the management contract.

Those costs were $8.1 million and $7.6 million in 2022 and 2021 and include salaries and benefits for management personnel and the use of services such as finance, legal, human resources, information systems, and operations. The management contract was renewed in 2022 and extended through Dec. 31, 2032. Fitch views the relationship with EL positively as it provides Charlestown with additional resources and expertise often unavailable to single site LPCs.

In 2023 a new executive director and associate executive director started at Charlestown. While leadership turnover can be a credit concern, there is often movement of senior management, including promotions from within, among the EL managed campuses and the additional support provided by EL mitigates some of this concern.

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, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

U.S. Public Finance Not-For-Profit Life Plan Community Rating Criteria (pub. 05 Apr 2023) (including rating assumption sensitivity)

Public Sector, Revenue-Supported Entities Rating Criteria — Effective from April 27, 2023 to January 12, 2024 (pub. 27 Apr 2023) (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), v2.0.0 (1)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

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

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FY 2025 Operating Budget

MARYLAND HEALTH & HIGHER EDUCATIONAL FACILITIES AUTHORITY

FY 2025 BUDGET

5/17/24

Maryland Health and Higher Educational Facilities Authority
FY 2025 Budget Assumptions

Operating Revenues:

- Annual Administrative Fees
  - ✓ $2,345,000
    - o By statute, the Authority is allowed to charge a maximum 10 basis point annual fee.
      - ▪ From FY 2007 to FY 2024 the Authority has waived 70% of the maximum admin fee and has charged 3 basis points; prior to FY 2007 the Authority charged 2.5 basis points.
    - o A Draft FY 2025 Budget was presented to the Audit Committee with admin fees continuing at 3 basis points and information illustrating historical operating income at 2.5 basis points.
    - o The following chart was presented to the Audit Committee illustrating the impact of this 16.7% admin fee reduction over the last three fiscal years:

	2021	2022	2023
Operating Revenues	$2,855,000	$2,794,000	$2,808,000
Operating Income	$777,000	$1,260,000	$1,058,000
Operating Income at 2.5 basis points Admin Fee	$300,000	$793,000	$589,000
Reduction at 2.5 basis points	$477,000	$467,000	$469,000

    - o After considering the impact on operating income, the Authority's fund balances and its ability to adjust fees annually, the Audit Committee unanimously voted to recommend establishing the FY 2025 administrative fee at 2.5 basis points.

Non-Operating Revenue (Expense):

- Investment Income
  - ✓ $1,095,127 – For investments that do not mature prior to 6/30/25, budgeted investment income is based upon stated coupon rate for current investment portfolio purchased at par and yield to maturity for current investment portfolio purchased at a discount. If investments mature prior to 6/30/25, investment income is budgeted as a combination of stated coupon rate (par purchases) or yield to maturity (discount purchases) for FY 2025 days outstanding plus investment revenue budgeted at 4% for all days outstanding subsequent to maturity.
  - ✓ The Authority investments are governed by its conservative Investment Policy which is reviewed and approved annually.
  - ✓ The Authority maintains a laddered maturity approach and does not trade or sell investments prior to maturity. The current investment portfolio matures as follows:
    - i. FY 2024 - $5,000,000
    - ii. FY 2025 - $9,732,000
    - iii. FY 2026 - $10,475,000
    - iv. FY 2027 - $10,520,000
  - ✓ As of 3/31/2024, the average maturity of its investments (excludes cash position) was 563 days.

- Interest Expense
  - ✓ $10,423 - Based on the Adoption of GASB 87 on Leases requiring the calculation of monthly interest expense based on the present value of the remaining lease liability.

Operating Expenses:

- Salaries
  - ✓ $966,647, includes a 5.5% increase to account for cost of living and certain step increases, modest discretionary staff bonuses and the estimated net impact of year-end vacation accruals.

- Benefits
  - ✓ $83,000 - Based on current expected salaries for FY 2025.

- Pension
  - ✓ $91,200 - Does not include potential non-cash changes in net pension liability.

- Payroll Taxes
  - ✓ $61,923 - Based on budgeted salaries for FY 2025.

- Professional Fees: $441,500
  - ✓ Legal - $65,000 - MSH legal for Authority matters.
  - ✓ Audit - $64,000.
  - ✓ Financial Advisor(s) - $242,500, includes retainer, meeting fees and bond transaction fees for both PFM and possible alternate financial advisory services.
  - ✓ Other - $40,000, MSH legal for special projects, legislative monitoring and other inquiries.
  - ✓ Project Consulting - $30,000, includes fees for IT management consulting (Waters) and community outreach projects (Anselmi).

- Contracted Services: $184,966
  - ✓ Physical off-site storage - $3,000.
  - ✓ General Contracted Services - $6,000, includes fees for Paychex and Capital Office Solutions.
  - ✓ Information System Data Security - $10,200, includes fees for VEEAM on-site and cloud back-up services.
  - ✓ Information Systems Trustee Reporting - $52,770, includes fees for SS&C Evare Data Network.
  - ✓ Onsite IT Support - $48,000, includes various professional fees associated with CTI Tech-a-Day services and other IT labor related expenses related to annual retainer.
  - ✓ Information System Contracted Annual Services - $64,996, includes various service and support retainers for accounting and investment software applications and software renewals.

- Insurance: $44,500
  - ✓ Premiums in FY2024 were $39,706; The budget includes a contingency for an increase in renewal premiums.
  - ✓ The Authority utilizes RCM&D as its commercial insurance broker. Management meets annually to review coverage and prepare for renewals.
  - ✓ Travelers Insurance provides our Commercial Package (Property & General Liability ($2 million) and Workers Compensation which includes a $5 million Umbrella.
  - ✓ ACE American Insurance provides our $5 million Directors & Officers coverage.
  - ✓ The A.M. Best ratings are A++ and A+ for Travelers and ACE American, respectively; both are characterized as "Superior" by A.M. Best.

- Depreciation and Amortization: $104,542
  - ✓ Depreciation - $18,631, based on current fixed asset depreciation schedules plus increase for Capital Budget items.
  - ✓ Amortization - $85,911, based on the Adoption of GASB 87 on Leases requiring monthly amortization to be calculated on a straight-line basis over the 88-month lease term.

- All Other Operating Expense: $67,900
  - ✓ Allocated Building Operating Expenses - $7,000, based on current estimate of annual building utility assessment provided by the landlord plus a contingency (Maryland Port Administration).
  - ✓ Phone and Internet - $11,000 – Telecommunications.
  - ✓ Board Related Meeting and Travel - $7,500 - PFM travel expenses and other miscellaneous board meeting expenses.
  - ✓ $42,400, includes dues & subscriptions, bank service charges, training and general office expenses such as office supplies and postage.

Capital Budget

- ✓ $28,500, Furniture and Fixtures, Replacement of Watchguard Appliance, Host Server and Laptops, Software Upgrades, & Replacement of Office Equipment.

MHHEFA PORTFOLIO SUMMARY

MARCH 31, 2024

CUSIP	Investment #	Issuer	Purchase Date	Remaining Cost	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Money Market Accounts											
608919809	00101MMTB05	JPMorgan US Government MM Fund	07/01/2023	206,342 55	206,342 55	206,342 55	4 950	4 882	4 950		1
		Subtotal and Average		206,342.55	206,342.55	206,342.55		4.882	4.950		1
Federal Agency Coupon Securities											
3133EMWH1	707	Federal Farm Credit Bank	04/21/2021	3 500 000.00	3,500,000.00	3,341,374 65	0 710	0 700	0.710	04/21/2025	385
3133EME40	709	Federal Farm Credit Bank	08/03/2021	3 500 000.00	3,500,000 00	3 468 199 91	0 330	0 325	0 330	08/03/2024	63
3133EMH21	713	Federal Farm Credit Bank	06/16/2021	3 000 000.00	3,000,000 00	2,756 798 52	0 900	0 887	0 899	06/15/2026	805
3130AMGJ5	711	Federal Home Loan Bank	06/04/2021	2 499 875.00	2,500,000 00	2,400 972 35	0 625	0 617	0 626	02/26/2025	331
3130AMRU8	712	Federal Home Loan Bank	06/21/2021	1 500 000 00	1,500,000 00	1 483 821 89	0 400	0 394	0 400	06/21/2024	81
3130ANLZ1	714	Federal Home Loan Bank	08/26/2021	1 000,000.00	1,000 000 00	914 935 69	0 900	0 887	0 900	08/26/2026	877
3130APV69	716	Federal Home Loan Bank	11/30/2021	700 000.00	700,000 00	681 376 65	1 000	0 986	1 000	11/25/2024	238
3130ARUY5	720	Federal Home Loan Bank	05/18/2022	2 000 000 00	2,000,000 00	1,972 377 62	3 000	2 958	2 999	11/15/2024	228
3130AKQZ2	730	Federal Home Loan Bank	07/28/2023	1 799 080 00	2,000,000 00	1,853 843 72	0 625	4 876	4 948	01/28/2026	667
3130ALGJ7	731	Federal Home Loan Bank	08/17/2023	859 933 99	975,000 00	905 115 76	1 000	4 882	4 950	03/23/2026	721
3130APCH6	733	Federal Home Loan Bank	12/08/2023	3 491 000.50	3,835,000.00	3,512,317 92	1 125	4 501	4 563	09/29/2026	911
3130AQUT8	735	Federal Home Loan Bank	12/28/2023	2 219 675.00	2,375,000 00	2,212,832 25	2 010	4 200	4 259	02/17/2027	1 052
3130APVJ1	738	Federal Home Loan Bank	02/28/2024	1 988 280 00	2,160,000 00	2,006,657 46	1 500	4 562	4 625	11/23/2026	968
3135G06Q1	702	Federal Nat'l Mtg. Assoc.	01/08/2021	1 502 940 00	1,500,000 00	1 389,530 06	0 640	0 591	0 599	12/30/2025	638
3135G05X7	705	Federal Nat'l Mtg Assoc	03/12/2021	2,959 920 00	3,000,000 00	2 819 732 79	0 375	0 671	0 680	08/25/2025	511
		Subtotal and Average		32,520,704.49	33,545,000.00	31,719,887.44		2.036	2.064		859
Federal Agency Disc. -At Cost											
313384H85	736	Federal Home Loan Bank	02/12/2024	999 519 09	1,032,000 00	1,005,153 38	4 905	5 115	5 186	09/30/2024	182
		Subtotal and Average		999,519.09	1,032,000.00	1,005,153.38		5.115	5.186		182
Treasury Coupon Securities											
91282CET4	737	U S. Treasury	02/12/2024	1,093,765 00	1,150,000.00	1,096,312 46	2 625	4 170	4 228	05/31/2027	1,155
		Subtotal and Average		1,093,765.00	1,150,000.00	1,096,312.46		4.170	4.228		1,155
		Total Investments and Average		34,820,331.13	35,933,342.55	34,027,695.83		2.208	2.238		564

Maryland Health and Higher Educational Facilities Authority

5/17/2024

FY 2025 Operating Budget

	FY 2023 Actual	FY 2024 Projected	Adopted FY 2024 Budget	Proposed FY 2025 Budget	FY 2025 Budget Increase (Decrease)
OPERATING REVENUES					
Administrative Fees (4)	$2,807,582	$2,814,000	$2,804,000	$2,345,000	($459,000)
TOTAL OPERATING REVENUES	$2,807,582	$2,814,000	$2,804,000	$2,345,000	($459,000)
OPERATING EXPENSES					
Salaries	$883,271	$925,480	$925,083	$966,647	$41,564
Employees' insurance and other fringe benefits (1)	$69,412	$75,445	$74,000	$83,000	$9,000
Pension Expense (1)	$71,743	$86,048	$87,000	$91,200	$4,200
Payroll Taxes	$55,475	$58,394	$58,993	$61,923	$2,930
Professional Fees	$318,844	$296,522	$525,000	$441,500	($83,500)
Contracted Services	$175,933	$178,026	$160,657	$184,966	$24,309
Insurance	$44,793	$40,205	$50,500	$44,500	($6,000)
Depreciation and Amortization (2)	$92,907	$98,100	$106,978	$104,542	($2,435)
All Other Operating Expenses (2)	$36,433	$39,062	$67,550	$67,900	$350
TOTAL OPERATING EXPENSES	$1,748,811	$1,797,282	$2,055,761	$2,046,178	($9,582)
NET OPERATING INCOME	$1,058,771	$1,016,718	$748,239	$298,822	($449,418)
NON-OPERATING REVENUES (EXPENSES)					
Net Income from Investments	$325,584	$635,529	$564,035	$1,095,127	$531,092
Interest Expense (2)	($17,578)	($14,113)	($14,113)	($10,423)	$3,690
Unrealized Gain/(Loss) on Investments (3)	($173,492)	$781,525	$0	$0	$0
CHANGE IN NET POSITION	$1,193,286	$2,419,660	$1,298,162	$1,383,526	$85,364

(1) In the FY 2022, MHHEFA broke out the Employees' insurance, pension and other fringe benefits line item into 2 separate expense categories to clarifiy the nature of these expenses. The Pension Expense line item includes the non-cash pension liability adjustment that is provided by the State.

(2) The cash outlay for monthly rent payments continues to be in accordance with the first amendment to the office lease agreement with the Maryland Port Administration, effective February 26, 2020. Due to the adoption of GASB 87 in FY 2022, rent expense is no longer recorded. Instead, monthly interest expense represents the present value of the remaining lease liability, calculated on a monthly basis. Monthly amortization expense is calculated on a straight-line basis over the 88 month lease term. The total of the monthly interest and amortization expense is not materially different from the previous rent expense amounts. Since there will not be rent expense going forward, phone and internet expenses have now been included in All Other Operating Expenses.

(3) Unrealized Gain/Loss is not budgeted. All changes sum to -0- over time because investments are held until maturity or call date. The FY 2024 projected amount is based upon 3/31/24 position.

MHHEFA FUND BALANCE HISTORY

FY 2025 Operating Budget

5/17/2024

FISCAL YEAR	BEGINNING NET POSITION	LESS EXPENSES	PLUS OPERATING REVENUE	NET OPERATING INCOME	PLUS INVESTMENT INCOME	LESS INTEREST EXPENSE	PLUS UNREALIZED G/(L)	Plus Prior Period Adjustments	EQUAL ENDING NET POSITION	INCREASE IN NET POSITION
2024-Projected	32,275,000	1,797,000	2,814,000	1,017,000	635,000	14,000	782,000	-	34,695,000	2,420,000
2023	31,082,000	1,750,000	2,808,000	1,058,000	326,000	18,000	(173,000)	-	32,275,000	1,193,000
2022	31,181,000	1,534,000	2,794,000	1,260,000	167,000	21,000	(1,505,000)	-	31,082,000	(99,000)
2021-Restated	30,390,000	2,078,000	2,855,000	777,000	123,000	24,000	(85,000)	-	31,181,000	791,000
2020	28,902,000	1,977,000	2,908,000	931,000	526,000	-	35,000	(4,000)	30,390,000	1,488,000
2019	26,896,000	1,719,000	2,901,000	1,182,000	554,000	-	270,000	-	28,902,000	2,006,000
2018	25,487,000	1,767,000	2,934,000	1,167,000	341,000	-	(99,000)	-	26,896,000	1,409,000
2017	24,633,000	1,993,000	2,793,000	800,000	266,000	-	(212,000)	-	25,487,000	854,000
2016	23,487,000	1,885,000	2,785,000	900,000	215,000	-	31,000	-	24,633,000	1,146,000
2015	22,950,000	1,942,000	2,733,000	791,000	192,000	-	1,000	(447,000)	23,487,000	537,000
2014	21,895,000	1,921,000	2,693,000	772,000	139,000	-	144,000	-	22,950,000	1,055,000
2013	21,300,000	2,018,000	2,641,000	623,000	170,000	-	(198,000)	-	21,895,000	595,000
2012	20,360,000	2,067,000	2,707,000	640,000	269,000	-	31,000	-	21,300,000	940,000
2011	19,413,000	1,913,000	2,575,000	662,000	413,000	-	(128,000)	-	20,360,000	947,000
2010	18,333,000	1,942,000	2,459,000	517,000	478,000	-	85,000	-	19,413,000	1,080,000
2009	16,930,000	1,610,000	2,366,000	756,000	612,000	-	35,000	-	18,333,000	1,403,000

Notes:

1 For financial statement purposes, Net Position is allocated to Capital Assets, Operations, Community Outreach and Contingencies. The Capital Assets portion equals the net book value of fixed assets. The Operations portion is equal to approximately two times the Authority's annual operating expenses. Approximately 20% of Total Net Position less Capital Assets portion is allocated to the Community Outreach Program. The remainder (Total Net Position - Capital Assets - Community Outreach Program) is allocated to contingencies.

2 Administrative Fees - The Authority may charge up to a maximum of one tenth of one percent (10 bps) of the par amount of the debt issued per annum. However, 75% of the maximum fee was waived for debt issued prior to July 1, 2007 and 70% has been waived from July 1, 2007 through July 1, 2024. Beginning on July 1, 2025 the Authority will waive 75% of the maximum fee and will charge 2.5 bps.

Maximum Fee -10 bps/.001
Prior to 7/1/2007 - 2.5 bps/.00025
From 7/1/2007 - 7/1/2024 3 bps/.0003
From 7/1/2025 - 2.5 bps/.00025

3 Prior Period Adjustments - Related to the adoption of GASB 68 on net pension liability in 2015 and the adoption of GASB 87 on leases adopted in 2021.

4 This schedule is rounded to nearest thousand and will not therefore tie exactly to other supporting schedules.

Investment Policy

Maryland Health and Higher Educational Facilities Authority
Investment Policy
(Reviewed 6-4-2024)

Authority and Responsibility

The Maryland Health and Higher Educational Facilities Authority (the "Authority") is an instrumentality of the State of Maryland, created by an act of the Maryland General Assembly to assist certain non-profit health and educational institutions in financing capital projects through the issuance of tax-exempt revenue bonds. The Authority is responsible for the investment and management of money held in connection with certain bond issues in accordance with the bond resolutions and other security agreements under which the bonds are issued (the "Bond Documents"), as well as its own funds.

Scope

This Policy applies to:

- Construction funds, debt service funds, debt service reserve funds, escrow funds and any other funds and accounts held under any Bond Document that are invested at the direction of the Authority (collectively, "Bond Funds")

- Funds of the Authority (the "General Operating Fund" or "GOF")

Investment Objectives

The Authority's investment objectives are:

- Preservation of capital
- Liquidity
- Highest effective yield within policy constraints

The Authority shall not borrow funds for the express purpose of investing those funds.

Standard of Care

All investments shall be made with the same degree of judgment and care that would be exercised under the circumstances then prevailing by persons of prudence, discretion and intelligence in the management of their own investments within the Authority's policy constraints. Officers engaging in investment activities shall act at all times in accordance with written procedures established by the Executive Director in accordance with this Policy. Deviations from established procedures shall be reported to the Executive Director in a timely manner. Appropriate actions shall be taken to prevent any adverse consequences and further noncompliance.

Trading Philosophy

The Authority recognizes that excessive transaction costs erode the returns on fixed income portfolios, particularly those with relatively short durations. Accordingly, non-callable bonds shall be purchased wherever possible and turnover of portfolios is to be limited. The Authority's investment strategy is passive.

Delegation of Authority

Overall authority for the investment activities is delegated to the Executive Director. The Executive Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of persons involved with investment activities.

The Executive Director shall establish written procedures for the operation of the investment programs consistent with this Policy. The procedures shall delineate responsibility for investment accounts among Authority personnel and shall include (without limitation) competitive bidding procedures, broker-dealer relationships and safekeeping, security and valuation requirements.

Ethics and Conflicts of Interest

As in all other activities, employees involved in the investment program shall be subject to the Financial Code of Ethics set forth in the Employee Handbook.

Authorized Financial Dealers and Institutions

The Executive Director shall maintain a list of financial institutions authorized to provide investment services. The institutions from which investments may be purchased are:

- Primary dealers in government securities designated by the Federal Reserve Bank of New York ("Primary Dealers")

- Other security dealers having adequate capital to fulfill their commitments under adverse market conditions

Dealers that are not Primary Dealers must provide copies of their audited financial statements and Financial and Operational Combined Uniform Single (FOCUS) Reports for review and approval before initiating any transaction and annually thereafter.

Authorized Investments

Bond Funds shall be invested only in investments permitted under the Bond Documents under which such funds are held, which shall be established with the approval of the participating institution and its financial advisor, if any, based upon the requirements of the bond rating agencies, the bond underwriters or purchasers and any financial institutions providing credit enhancement.

The General Operating Fund shall be invested only in:

- United States Treasury obligations ("Government Obligations")
- Obligations of federal agencies and instrumentalities ("Agency Obligations")
- Repurchase agreements for Government Obligations and Agency Obligations
- Investment agreements with entities rated AAA/Aaa by Moody's or S&P Global Ratings or collateralized by Government Obligations and Agency Obligations
- Commercial paper rated in the highest rating category by Moody's or S&P Global Ratings
- Money Market funds operated in accordance with Rule 2a-7 of the Investment Company Act of 1940 and rated in the highest rating category by Moody's or S&P Global Ratings
- Certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or collateralized by Government Obligations and Agency Obligations
- Municipal securities and mutual funds investing only in municipal securities to the extent required to preserve the tax-exempt status of any bonds

All investments shall be subject to applicable law as in effect from time to time.

Maturity Limitations

Maturity limitations shall be established based upon the purposes for which the funds are to be used and as follows:

- Debt Service Reserve Funds: investment must mature within 10 years; may be invested under authorized investment agreements having longer maturities provided that funds are available on any date on which there is a draw on the Debt Service Reserve Fund.

- Debt Service Funds: maturity is limited to the date the funds will be required for payment to bondholders.

- Construction Funds: maturity is tailored to match the expected draw schedule provided by the participating institution.

- Other funds, including the General Operating Fund: maturity limitations shall be developed in order to minimize market risk while at the same time reducing reinvestment risk.

Safekeeping and Custody

All security transactions shall be conducted, and all collateral shall be provided on a delivery versus payment (DVP) basis. A third-party custodian designated by the Executive Director shall hold all investments. Securities held shall be evidenced by safekeeping receipts or other confirmatory documentation.

Collateralization

Collateralization shall be required on repurchase agreements, investment agreements with entities rated below AAA/Aaa and certificates of deposit that are not insured by the FDIC. In order to anticipate market changes and provide a level of security, the collateralization level shall be at least 102 percent of the repurchase price or, in the case of investment agreements and certificates of deposit, the amount of the investment and accrued interest (as the case may be). An independent party with whom the Authority (or a trustee or other agent on behalf of the Authority) has a current custodial agreement shall always hold the collateral. Clearly marked evidence of ownership must be supplied to the Authority.

The right to collateral substitution may be granted provided that the seller shall pay all associated costs. Collateral shall be valued on a mark-to-market basis when the investment is initiated and at least weekly for the term of the investment.

Risk Management

Permitted investments for the Authority's investment programs shall be further limited based upon market conditions prevailing at the time the investments are made so as to minimize the counterparty/single issuer risk. Consideration shall be given to the following additional limitations based upon the type of investment:

- Commercial paper: Commercial paper shall be purchased only based upon receipt of commercial paper memoranda and current rating reports. Consideration shall be given to requiring the issuers of the commercial paper to have long-term ratings not lower than A1/A+ without regard to external credit enhancement.

- Repurchase agreements: Consideration shall be given to requiring higher levels of collateral than are required by this Policy.

- Investment agreements: In addition to considering higher collateral levels, consideration should be given precluding certain types of collateral, such as mortgage pass-through securities.

Internal Control

The Executive Director shall report to the Authority not less than quarterly regarding (1) the current investments of the General Operating Fund, (2) the net income for the reporting period, (3) the percentage share of each type of security then held and (4) any sales of investments prior to maturity during the period.

The Executive Director shall review the system of internal controls and report findings and recommendations to the Authority annually.

Annual Audit

The Authority is required by law to be audited annually and to provide a report of the audit to the Governor of the State of Maryland. Bond Funds are covered by the audited financial statements of the respective borrowing institutions and are subject to audit in connection with the audits of the trustees and other fiscal agents.

Investment Policy Adoption

This Policy shall be adopted by the Authority, and the Authority shall review this Policy on an annual basis.

Risks and Internal Controls

Risk	Internal Control
Written procedures in accordance with this policy are not established or maintained.	The procedures covering the investment processes for GOF and Institutions are covered in several written procedures.
Deviations from this policy are not identified and reported to the Executive Director ("ED") and/or the members of the Authority.	The ED also reviews the Investment Trade Log (list of investment transactions maintained by the Chief Financial Officer and signs off on its accuracy monthly.
Inappropriate/unapproved brokers are used.	A list of approved brokers is maintained and approved by the ED. Each GOF and/or Bond Fund purchase is reviewed and approved by the ED. Each trade ticket is approved by the ED.
The GOF and/or Bond Funds are invested in securities not permitted under this Policy or the Bond Documents.	Per written procedure, the Account Manager ("AM") reviews the permitted investments for each bond issue and keeps the list of permitted investments in the daily work folder for each bond issue. Each GOF and/or Bond Fund purchase is reviewed and approved by the ED. Each trade ticket is approved by the ED. The ED also reviews the Investment Trade Log (list of investment transactions maintained by the Chief Financial Officer) and signs off on its accuracy and legitimacy monthly.

Risk	Internal Control
Bond Funds are invested in securities with maturities inconsistent with this Policy, the Bond Documents and the cash flow requirements for payments to bondholders.	Per written procedure, the AM reviews the permitted investments for each bond issue and keeps the list of permitted investments in the daily work folder for each bond issue. Prior to the Bond Closing, the Executive Director provides the AM with guidance and instructions regarding investment types and maturities. Each GOF and/or Bond Fund purchase is reviewed and approved by the ED. Each trade ticket is approved by the ED. The ED also reviews the Investment Trade Log (list of investment transactions maintained by the Chief Financial Officer) and signs off on its accuracy monthly.
The securities purchased under this policy are not under the safekeeping/custody of a third party as required by this policy.	Each security is placed under the safekeeping of a Trustee (Bank – Corporate Trust).
The Authority's operating cash held by its depositor bank could exceed FDIC insured limits of $250,000.	The Authority's depository bank posts collateral with a custodian, BNYM, for the Authority's operating cash balances in excess of FDIC insured limits. Furthermore, the Authority cash management practices are that it sweeps excess balances into a government money market fund to earn interest that typically exceeds the earnings credit that its depositor bank provides to offset service charges.

MARYLAND HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

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

FY 2025 Investment Policy Exception

The Authority currently does not purchase commercial paper for the General Operating Fund or directly for Bond funds. Investment managers engaged by the Authority overseeing the investment of certain Bond funds may be permitted to purchase Commercial Paper exempt from registration under 3(a)(3) of the Securities Act as amended pursuant to the Permitted investments in the governing bond documents.

Any changes in our current approach will be reported to the Board.

Note: A government money market fund is the performance benchmark.

Employee Handbook

Redlines & Final

Maryland Health and Higher Educational Facilities Authority

Employee Handbook

As of

May 11, 2024

Deleted: 3

LEAVE AND TIME OFF - SICK LEAVE

The Authority provides sick leave to employees. It may be used only when an employee is ill, injured or disabled and should not be viewed as extra holiday or vacation time. Falsification of the circumstances relating to the need for leave can lead to discipline, up to and including termination.

Deleted: ~~Sick leave is considered a privilege.~~

Sick leave is time off with pay, when an employee is unable to work because of illness, injury or disability. Sick leave is accrued from the date of employment at the rate of 4.04 hours per two week pay period; 105 hours per annum. Sick leave accrues without limit during the employee's years of service. The employee is not paid for accumulated sick leave at separation. Accumulated sick leave may be included in the calculation of retirement benefits in accordance with the laws, regulations and policies of the Maryland State Retirement Agency at the time of retirement. Temporary employees are not eligible for paid sick leave.

Procedures

1. An employee may use sick leave when unable to work because of illness, injury or disability.

2. An employee is expected to notify the Executive Director, personally, whenever he or she will be absent on a scheduled workday as a result of illness, injury or disability. A call should be made each consecutive day of an absence unless the Executive Director is given sufficient information to waive the daily notice.

3. Notice of health care appointments should normally be given at least 48 hours before the appointment.

4. Use of sick leave in excess of one (1) workday per occurrence to care for a family member will require the approval of the Executive Director.

5. Approval of sick leave of three of more consecutive days will require documentation by a healthcare provider. If sick leave is scheduled (surgery, recuperation, treatment plan, etc.) the healthcare provider documentation must be provided prior to scheduled absence.

6. The Authority reserves the right to require documentation from a healthcare provider of any sick leave, particularly in cases involving excessive medical absences of less than three days or a pattern of absences on Mondays or Friday.

7. An employee may use any available leave with pay, including annual leave or sick leave, to care for an immediate family member of the employee who is sick or injured. "Immediate family member" includes (1) a child under the age

of 18 years old, (2) a spouse, or (3) a parent. The Authority reserves the right to request documentation regarding the family member's sickness.

LEAVE & TIME OFF - BEREAVEMENT LEAVE

The Authority provides time off with pay for bereavement as described in this section.

A maximum of five (5) working days (three (3) days of bereavement leave and two (2) days of sick leave) may be taken in the event of the death of one of the following members of the employee's immediate family: spouse, children, foster children, step-children, parents, step-parents, foster-parents, legal guardians or others who took the place of parents of employee or spouse; brothers and sisters of the employee or spouse; grandparents and grandchildren of the employee or spouse; and other relatives living as a member of the employee's household.

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A maximum of three (3) working day may be charged to sick leave in the event of the death of one of the following relatives: aunts and uncles of employee or spouse, nephews and nieces of the employee or spouse, brothers-in-law and sisters-in-law of employee or spouse, sons-in-law, daughters-in-law and first cousins. (An additional day may be granted at the Executive Director's discretion.)

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If additional time is required by the employee, the Executive Director shall make reasonable efforts to arrange the work so that the employee may take other accrued leave for this purpose.

Temporary employees are not eligible for paid bereavement leave.

LEAVE AND TIME OFF - INCLEMENT WEATHER

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The Authority provides the following guidance during periods of inclement weather.

1. The Authority will follow a liberal leave policy during periods of inclement weather. Employees must use accrued vacation leave unless other arrangements including working remotely are approved by the Executive Director.

2. Employees are to contact the Executive Director if they elect not to come to the office as a result of inclement weather.

3. If the Executive Director makes the determination that work-related travel is unsafe or if the Governor of the State of Maryland or the Mayor of Baltimore City declares a weather emergency and/or requests that all citizens remain off of the roadways, the Authority will close its offices. Employees are expected to work remotely and will be paid for that time.

Temporary employees are not eligible for pay for time off due to inclement weather.

LEAVE - JURY DUTY

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The Authority compensates employees who are required to perform jury duty necessitating their absence from work.

An employee who serves as a member of a jury of a court is permitted to be absent from assigned duties without loss of pay. If, after reporting for jury duty, it is determined that the employee's services are not required and the employee is dismissed from jury duty for the day, then, if time reasonably permits, the employee shall report for work. An employee who is called for jury service shall immediately notify the Executive Director. When the public interest requires that the employee not be absent from assigned duties, the Executive Director may request the appropriate judge to excuse the employee.

After an employee completes jury service, the employee is responsible for furnishing the Executive Director with evidence of having served.

Temporary employees are not eligible for pay for time off due to jury duty.

LEAVE - MILITARY LEAVE

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The Authority allows employees unpaid leave from their jobs to perform military duties. The Authority will conform to State and Federal law regarding military training, active service time and reinstatement rights.

LEAVE AND TIME OFF - LEAVE WITHOUT PAY

The Authority provides leave without pay for eligible employees for qualifying reasons.

1. The Authority may grant an employee's request for leave without pay if the employee has no appropriate credited paid leave, and the Executive Director determines that the employee's use of leave without pay will not unreasonably disrupt the Authority's activities. Requests for leave without pay will be determined on a case-by-case basis.

2. An employee shall submit a request for leave without pay to the Executive Director as soon as possible. Upon approval the employee will be placed on a leave without pay status at the approved time. Approved leave without pay may not exceed one year.

Social Security
The Authority will make the normal employer contribution to the Social Security Administration on the employee's behalf.

Workmen's Compensation
All employees of the Authority are covered under Workers Compensation Insurance for job related injuries and occupational illnesses.

SECU
Employees of the Authority are currently eligible to join the State Employees Credit Union (SECU). Checking and other financial programs are available.

Deleted: for an initial deposit of $10.

Day of Caring - Volunteer Leave
Employees of the Authority in good standing may take one (1) day of leave with pay per year to volunteer in the community. Employees shall provide fourteen (14) days' notice to the Executive Director.

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Open Enrollment
Unless there is a qualifying event, changes to State benefits programs may only be made during the State Open Enrollment period.

Extended Coverage
An employee and/or dependent who loses eligibility for subsidized health benefits may receive extended coverage through the Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA). The employee and/or dependent may remain in the State Group Health Benefits Plan on an unsubsidized basis for 18 to 36 months, depending on the circumstances. Enrolling in COBRA assures no break in health coverage. Information on COBRA may be obtained by calling the Maryland State Benefits Office.

None of the benefits described above are provided to employees working fewer than 30 hours per week on a scheduled basis or temporary employees.

DRESS CODE

Each employee's personal appearance during work time is a reflection on the Authority. Employees may dress business casual except on days with scheduled professional meetings where employees are expected to dress in business attire. On Fridays, employees may wear denim jeans, athletic shoes, tennis shoes and team logo sportswear. At no time are employees allowed to wear flip-flops, athletic wear, yoga pants, t-shirts, dresses or blouses that are backless, strapless, or have spaghetti straps unless worn with a jacket or sweater cover up.

WORK RELATED TRAVEL EXPENSES

Employees of the Authority shall generally be reimbursed for actual meal expenses and mileage in accordance with the current rates established by the State of Maryland. These expenses and any variances must be approved by the Executive Director before reimbursement.

TRAINING & TUITION

Employees of the Authority are strongly encouraged to pursue educational endeavors which will enhance job performance and update business skills. To this end, the Authority will fund one job-related training session for each employee each fiscal year.

The Authority will reimburse employees for 50% of the cost of up to four accredited college level or technical training courses geared to promoting skills and abilities beneficial to the Authority, per fiscal year. A schedule of courses or plan for pursuit of a degree must be agreed to in writing by the employee and the Executive Director. Tuition reimbursement for each course will be made when the employee submits proof of a "C" or better grade for the course. If an employee voluntarily leaves employment, then the employee must reimburse the Authority for the total amount of tuition assistance received from the Authority during the 12 months prior to their departure.

The cost of the continuing educational requirements will be covered by the Authority for employees seeking to maintain professional certifications (e.g., Certified Public Accountant) deemed by the Executive Director to benefit the Authority. A schedule of proposed courses needed to maintain professional credentials must be agreed to in writing by the employee and the Executive Director.

Deleted: An employee wishing to pursue a degree as well as maintaining professional certifications may choose only one of these two alternatives for reimbursement per semi-annual period. ¶

All training, continuing education and coursework at accredited institutions must be approved in advance by the Executive Director to be eligible for reimbursement.

YEARLY EVALUATION

The Authority will endeavor to review each employee's performance on a yearly basis prior to the close of each fiscal year (June 30). This review will take into consideration among other things, each employee's:

- Initiative, effort and attendance
- Knowledge of work
- Quality and quantity of work
- Attitude
- Teamwork
- Participation in training and awareness of Authority's IT security protocols

5. Employees are to use professional writing standards when creating and sending email communication.
6. Employees are to delete unneeded files and emails to maintain capacity for needed information per the Authority's Records Retention policy.
7. The Authority requires that any information that users consider sensitive or vulnerable be password protected and/or stored in such a manner where access is limited to authorized employees.
8. For security and network maintenance purposes, authorized individuals within the Authority and authorized IT vendors may monitor equipment, systems and network traffic at any time.
9. The Authority reserves the right to audit networks and systems on a periodic basis to ensure compliance with this policy.

4.2 Security and Proprietary Information

1. The user interface for information contained on Internet/Intranet/Extranet-related systems should be classified as either confidential or not confidential. Examples of confidential information include but are not limited to: borrower's confidential information, employee personal identification data or health records. Employees should take all necessary steps to prevent unauthorized access to this information.
2. For security and proprietary reasons employees will not download/upload any files to his/her personal computers without the written authorization of the Executive Director. Employees may not take or use any proprietary information from the Authority after their employment.
3. Keep passwords secure and do not share accounts, unless the activity is directly related to employee back-up responsibilities. Authorized users are responsible for the security of their passwords and accounts. System level passwords and user level passwords should be changed periodically.
4. All PCs, laptops and workstations should be secured with a password-protected screensaver with the automatic activation feature set at 10 minutes or less, or by logging-off (control-alt-delete) when the host will be unattended.
5. Use password protection and data storage to areas with restricted access when data is deemed confidential.
6. Because information contained on portable computers (i.e. laptops, tablets, mobile phones, etc.) is especially vulnerable, special care should be exercised. Protect portable computers with unsaved passwords.
7. Postings by employees from an Authority email address to newsgroups, forums, Facebook or any other public or private social media repository is prohibited unless posting is in the course of business duties and approved by the Executive Director.
8. All hosts used by the employee that are connected to the Authority's Internet/Intranet/Extranet, shall be continually executing approved virus-scanning software with a current virus database unless overridden by departmental or group policy.
9. Employees must use extreme caution when opening e-mail attachments received from unknown senders, which may contain viruses, e-mail bombs, or Trojan horse code. Only open email attachments you are expecting to receive from a known and reliable source.
10. Employees must complete security awareness training on an annual basis that is provided by the Authority.

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4.3. Unacceptable Use

The following activities are, in general, prohibited. Employees may be exempted from these restrictions during the course of their legitimate job responsibilities (e.g., systems administration staff may have a need to disable the network access of a host if that host is disrupting production services).

Under no circumstances is an employee of the Authority authorized to engage in any activity that is illegal under local, state, federal or international law while utilizing Authority-owned resources.

Maryland Health and Higher Educational Facilities Authority

Employee Handbook

As of

May 11, 2024

Table of Contents

INTRODUCTION

Welcome to the Maryland Health and Higher Educational Facilities Authority (the "Authority").

The Authority's goal is to attract, retain and motivate the best possible workforce.

The Authority owes its success to good relations with the public. The Authority has earned an extremely favorable reputation by conducting business according to the highest professional and ethical standards. Your conduct and performance contribute to the overall impression the Authority makes on the public. The Authority's actions are subject to constant public scrutiny. Your performance is crucial for the Authority to function properly and earn the confidence of the financial community, our borrowers, and the public.

This handbook is intended to provide answers to questions about many of our benefit programs, as well as a description of our policies and procedures. If anything is unclear, please discuss the matter with the Executive Director. You are responsible for reading and understanding this handbook, and your performance evaluations will reflect your adherence to Authority policies.

The Authority was established in 1970. Our mission is to assist certain nonprofit health and educational institutions in financing and refinancing capital projects. Our goal is to be aware of opportunities to meet the changing needs of our borrowing institutions.

The Authority is empowered to perform a variety of important functions on their behalf. These include, but are not limited to, the following:

- Issue bonds and bond anticipation notes.
- Make loans to participating institutions for the construction or acquisition of projects.
- Enter into leases of projects as lessor or lessee.
- Enter into contracts for the operation and management of projects.

As a public instrumentality working to support the financing and refinancing of key institutional projects, the Authority plays a vital role in improving the health and well-being of residents of our state.

The Authority strives to provide an environment that affirms the rights and dignity of each individual, fosters diversity, and encourages a respect for the differences among persons. Discrimination or harassment of any kind is prohibited.

From time to time, the information included in this handbook may change. Every effort will be made to keep you informed through suitable lines of communication.

EMPLOYMENT AT WILL

It is the intention of the Authority to hire, train and retain employees in order to provide exceptional service to our borrower clients now and for the foreseeable future. The Authority does not enter into contracts of employment, and neither this handbook nor any of its contents should be considered as an employment contract. Employment at the Authority is "at will" and terminable "at will" by the Authority or staff member with or without cause. Any oral or written statements or promises to the contrary are not binding upon the Authority or the employee. Should any such statement be made suggesting that employment is other than "at will," the employee should advise the Executive Director.

EQUAL EMPLOYMENT OPPORTUNITY

The Authority is committed to equal opportunity in employment and education and does not discriminate on the basis of race, color, religion, disability, sex (including pregnancy), sexual orientation, gender identity, national or ethnic origin, age, marital status, veteran status, genetic information or any other legally protected characteristic.

ACCOMMODATIONS

The Authority will make reasonable efforts to comply with the Americans with Disabilities Act and shall abide by State and Federal laws concerning employment of persons with disabilities. The Authority will consider requests for reasonable accommodations by qualified individuals who identify themselves as disabled and in need of a reasonable accommodation in order to perform the essential functions of their jobs and provide appropriate documentation. Employees who believe that they have disabilities that require accommodation in order to permit the employee to perform the essential functions of the job should advise the Executive Director. Accommodations that do not impose an undue hardship on the Authority will be made.

EMERGENCY PREPAREDNESS

The Emergency Preparedness Plan establishes methods and the procedures to be utilized in an emergency at The World Trade Center Baltimore. The manual is given to representatives of each tenant of the World Trade Center Baltimore. The contents are based upon requirements and obligations of owners and/or agents to comply with the rules and regulations of the Baltimore City Fire Prevention Code. Employees must acknowledge receipt and compliance with the Emergency Preparedness document.

PROCEDURE FOR HANDLING GRIEVANCES/COMPLAINTS

Employees who have a job-related problem, question or complaint should bring it to the attention of the Executive Director. At this level, employees usually reach the simplest, quickest, and most satisfactory solution. If the employee and Executive Director do not resolve the problem, or if the employee does not feel comfortable speaking with the Executive Director, he/she may contact the Chairman of the Authority.

ANTI-HARASSMENT AND ANTI-DISCRIMINATION POLICY

The Authority does not tolerate harassment, bullying or discrimination in the workplace or in any situation that is work related (including social gatherings). Prohibited forms of harassment include sexual harassment and harassment on the basis of race, sex (including pregnancy), color, sexual orientation, gender identity, national or ethnic origin (including accent), religion, veteran status, marital status, disability, age, genetic information and any harassment on the basis of any other legally protected characteristic. Prohibited harassment is considered to be misconduct and grounds for disciplinary action, up to and including discharge.

Harassment Generally:

> **Harassment is defined as unwelcome or unsolicited comment or conduct that targets a person and that is so severe or so pervasive that it interferes with an employee's job performance or creates an intimidating, hostile or offensive working environment. Some examples of what may be considered harassment, depending on the facts and circumstances, are the following:**

- *Verbal Harassment* ***-- Derogatory or vulgar comments regarding a person. Verbal harassment also includes threats of physical harm. Distribution of written or graphic material which could be viewed as offensive, vulgar or derogatory may also constitute harassment.***

- *Physical Harassment* ***-- Hitting, pushing or other aggressive physical contact, touching or threats to take such action may constitute harassment.***

Sexual Harassment Defined:

Unwelcome sexual advances, requests for sexual favors, and other physical, verbal, or visual conduct based on sex constitutes sexual harassment when 1) submission to such conduct is an explicit or implicit term or condition of employment; 2) submission to or rejection of the conduct is used as the basis for an employment decision; or 3) the conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile, or offensive working environment. This can include threats that are not carried out.

A sexual advance is not needed for conduct to constitute sexual harassment. Threats, harassing remarks, insults, and demeaning behavior on the basis of gender is considered sexual harassment. Sexual harassment may also include explicit sexual propositions, sexual innuendo, suggestive comments, gender-based slurs, sexually oriented or gender-based "kidding" or "teasing," "practical jokes," jokes about gender-specific traits, and improper physical contact, such as patting, pinching or brushing against another's body. Sexual harassment may include verbal or physical conduct of a sexual or gender-based nature engaged in by a person of the same sex as well as of the opposite sex. Sexual harassment does not refer to occasional compliments of a socially acceptable nature or welcome social relationships.

What to Do If You Believe You Have Been Harassed:
If you believe you have been the subject of harassment, you should **immediately** bring the conduct to the attention of the Executive Director. If the Executive Director is the source of the harassing conduct, or if for some reason you feel uncomfortable discussing the matter with the Executive Director, you should contact the Chairman of the Authority.

Why Complaints Are Important:
Some conduct may not be perceived as harassment in the absence of a complaint, such as kidding around, jokes, or personal attention. The Authority can only respond to concerns if we are aware they exist. We do not tolerate harassment, and do not want or expect employees who believe that they are being harassed to suffer in silence. Therefore, if you are exposed to offensive and unwanted conduct that you believe to be in violation of this policy, you should complain.

What the Authority Will Do about Complaints of Harassment:
The Authority will investigate all incidents of harassment and determine the appropriate remedy. Disciplinary action, up to and including termination of the employment of the offender, may be taken. The Authority will discuss with the complainant the outcome of the investigation, and where appropriate may ask for feedback regarding the complainant's preferred resolution. The Authority will also discuss the outcome of the investigation and any disciplinary actions with the alleged offender.

In conducting an investigation, the Authority will respect the privacy of all concerned, however, complete confidentiality may not always be possible because of the need to conduct an investigation and take steps necessary to eliminate harassment.

No Retaliation for Complaining:
This policy prohibits retaliation against any employee for raising in good faith a complaint or providing information concerning an alleged violation of this policy. Any person who is found to have taken adverse actions against an individual because

he or she raised a complaint or provided truthful information during an investigation will be subject to disciplinary action, up to and including termination of employment.

If an employee makes a false or malicious complaint of harassment or discrimination, the employee will be the subject of appropriate disciplinary action, up to and including termination. However, an employee will not be disciplined because a complaint made in good faith is not found to be harassment or discrimination.

DRUG AND ALCOHOL FREE WORKPLACE

Employees are expected to report to work in a fit condition to perform the duties of their employment. Being under the influence of drugs or alcohol is not acceptable. The Authority prohibits the unlawful manufacture, distribution, dispensing, possession, or use or abuse of illicit drugs, alcohol, or prescription drugs if used in a way that is illegal. Employees will not be terminated for voluntarily seeking assistance for a substance abuse problem. However, performance, attendance, or behavioral problems may result in disciplinary actions up to and including termination.

CONFIDENTIALITY

The Authority considers certain information to be confidential and/or proprietary. Such information should not be communicated to persons outside the Authority without proper authorization from the Executive Director. Confidential information includes but is not limited to: borrower personnel information, borrower files, and the Authority's human resource files. Ask the Executive Director if clarification is needed. When discussing or transmitting confidential information, including confidential information received in settings outside the office, please follow these guidelines:

Do not reveal any confidential information except under the direction and with approval of the Executive Director;

Make sure that confidential information is properly marked and secured before transmittal;

Ensure that the recipient of the confidential information has a legitimate need to know the information;

Avoid displaying confidential data where it can be easily observed including on your computer screen when you are not at your desk;

Immediately inform the Executive Director of the loss of any confidential data;

Limit reproduction and distribution of such information;

Secure confidential documents in locked cabinets or containers when not in use;

Make sure that all confidential information is properly disposed of; and

Do not release or post any confidential information via social media (Twitter, Facebook, blogs, etc.)

Do not remove any confidential information from the Authority's office without specific authorization to do so. Before leaving employment at the Authority, all confidential and sensitive information must be returned.

OWNERSHIP OF MATERIALS

All information that employees write, develop, receive, or compile, including but not limited to publications, articles, speeches, reports, manuals, etc., derived from or related to the performance of duties at the Authority automatically becomes Authority property, whether or not it is written, developed, or compiled in the Authority's office or at the employee's home or another location, and whether done during business hours or during other time.

PERSONAL BELIEFS AND PARTISAN ACTIVITY

The Authority recognizes that employees may hold a wide range of personal beliefs, values and commitments. These beliefs, values and commitments are a conflict only when they prevent an employee from fulfilling his or her job responsibilities, interfere with the conduct of the Authority's operations or involve the use of the Authority's facilities. For example, an employee's attempt to convince others of his or her personal beliefs after the employee has been asked to stop would be an interference with Authority operations. Employees may not use their organizational authority to coerce or attempt to command or advise other employees to pay or contribute anything of value for political purposes.

SMOKING POLICY

Smoking is prohibited in the Authority's offices or at Authority sponsored events.

VIOLENCE IN THE WORKPLACE

The safety and security of all employees and visitors is of primary importance at the Authority. Threats, threatening and abusive behavior, or acts of violence against employees, visitors, clients, or other individuals by anyone at the Authority's office will not be tolerated. Violations of this policy will lead to corrective action up to, and including termination and/or referral to appropriate law enforcement agencies for arrest and prosecution. The Authority reserves the right to take any necessary legal action to protect its employees.

CONFLICT OF INTEREST

All employees shall act with honesty and integrity, avoiding actual or apparent conflicts of interest in personal and professional relationships. A "conflict of interest" exists when an individual's private interests interfere or conflict, or appear to interfere or conflict, with the interests of the Authority in any way. Actual or apparent conflicts of interest shall promptly be called to the attention of the Executive Director or, if the concern relates to the Executive Director, the Chairman of the Authority. Except as otherwise approved by the Executive Director, each employee shall devote substantially all of his or her time during working hours to the performance of his or her duties as an employee of the Authority. No employee shall be employed or otherwise retained by any health care or educational institution eligible for Authority financing or any person or entity doing business with the Authority or any director, officer or employee of any of the foregoing without the prior approval of the Executive Director.

CLASSES OF EMPLOYMENT

The following are the classes of employees of the Authority:

<u>Full-Time Non-Exempt</u>- those employees who receive payments for overtime (hourly employees).

<u>Full-Time Exempt</u>- those employees who do not receive payments for overtime (salaried employees).

<u>Part-Time Non-Exempt</u>- those employees who regularly work less than the standard 35 hour work week, but are subject to payments of overtime if scheduling demands. Only those part-time employees who regularly work at least 30 hours per week on a scheduled basis are eligible to participate in benefit programs and will be credited with leave and time off on a pro rata basis.

Introductory- those employees who have been hired and have not successfully completed six months of employment with the Authority.

Temporary- those employees who may be hired from time to time by the Authority to perform duties which will extend over a limited period of time. These employees are not eligible to accrue leave with pay or to participate in benefit programs.

INTRODUCTORY PERIOD

Each new employee of the Authority will serve a six month introductory period during which his or her performance and job skills will be evaluated. If at any time during the six month period the employee's performance or job skills are deemed to be unsatisfactory, the employee may be terminated at the discretion of the Executive Director.

PAYROLL

The normal pay period for employees of the Authority shall be a two week period commencing on a Thursday and ending on a Wednesday. Payments will be made reflecting the pay for that period on the Wednesday of that pay period.

Payroll Deductions
Payroll deductions shall be made for each employee reflecting benefit elections and normal taxes from each pay distribution. Benefit deductions for benefits which are paid for monthly will be deducted from the payments for the first two pay periods of the month. Benefits based on a percentage of pay and those which stipulate amounts to be deducted from each payment will be deducted from each pay.

Direct Deposit
Direct deposit is available for employees of the Authority. We encourage employees to elect to participate in this benefit. Participating employees will have their net pay deposited directly into a bank account of their choice commencing with the second pay period.

Administrative Pay Corrections
The Authority takes reasonable steps to ensure that employees receive the correct amount of pay in each paycheck and that employees are paid promptly on the scheduled payday. Employees who believe that they have not been paid properly for all hours worked or that their pay has been subject to improper deduction should promptly bring the discrepancy to the attention of the Executive Director so that corrections can be made as quickly as possible. If it is determined that improper deductions have been made from the pay of any employee, including salaried pay, or that an employee has not been paid for all hours worked, the employee will be reimbursed promptly. Any employee paid

more than the correct amount is required to promptly report the overpayment and return the funds to the Authority. The Authority will make good faith efforts to ensure that any improper deductions or discrepancies concerning pay do not reoccur.

ATTENDANCE

Hours of Operation

The Authority's hours of operation are 8:00 a.m. to 4:00 p.m. Monday through Friday. Employees are expected to work these hours in the office unless other work arrangements, including working remotely, have been approved by the Executive Director in writing.

Breaks

Employees may take up to one (1) hour for lunch.

The nature of the Authority's bond closing and investment activities sometimes requires that employees maintain a flexible lunchtime schedule in order to effectively manage their workload.

Employees are expected to use reasonable judgment when taking any break from their responsibilities.

The Authority expects employees to be in the office or working remotely, at the Executive Director's approval, at their scheduled time on each day on which they are scheduled to work. Excessive absences or tardiness by employees adversely affects the efficient operation of the Authority.

Reporting Unscheduled Absence and Lateness

An employee who is going to be absent or late for work must notify the Executive Director no later than 30 minutes before his or her scheduled starting time. If the Executive Director is unavailable, a message left with someone else in the office or voicemail will be considered sufficient notice with detail provided to the Executive Director as soon as possible thereafter.

An employee who develops a pattern of absences and/or tardiness will be subject to disciplinary action, which may ultimately include discharge.

LEAVE & TIME OFF - ANNUAL LEAVE

The Authority provides eligible employees with annual leave. Employees are encouraged to take at least ten (10) annual leave days per year.

Eligibility

1. Employees are eligible to receive annual leave based on their length of continuous service.

2. Employees are eligible to use accrued leave upon completion of their six (6) month introductory period unless earlier leave usage is approved by the Executive Director.

3. Temporary employees are not eligible to earn annual leave.

4. A day of annual leave is equivalent to the hours normally worked on the day of the annual leave.

Annual Leave Allowances

1. Annual leave is earned on an hourly basis for each pay period in accordance with employees' service credit as established for leave purposes.

Years of Service	Service Credit	Maximum Leave
1 through 5	2.69 hours for each 70 hours worked	70 hours/year
6 through 10	4.04 hours for each 70 hours worked	105 hours/year
10 through 20	5.38 hours for each 70 hours worked	140 hours/year
20 plus*	6.73 hours for each 70 hours worked	175 hours/year

*Only employees hired before January 1, 2014 are eligible for annual leave in excess of 140 hours per year

2. Annual leave begins to accrue at the time that an employee starts service with the Authority and accrued leave may be used when an employee completes six months of continuous service. The Authority shall credit an employee with annual leave based on the schedule above.

3. For purposes of this policy, employees continue to earn leave while on paid leave.

4. An employee does not earn leave for hours worked in excess of the employee's standard work week.

5. Accelerated credit may be granted at the Executive Director's discretion up to 140 hour maximum leave per year.

Utilization of Annual Leave

1. Annual leave requests of one day or less should be submitted at least 48 hours in advance to the Executive Director for approval. Annual leave requests greater than one day should be submitted at least 14 days in advance to the Executive Director for approval. Emergency requests will always be given consideration.

2. Annual leave will be available to the employee to the extent earned, provided that the dates for the leave are approved.

3. Authority Holidays which occur during a vacation period when an employee is on leave are considered holiday hours, not annual leave hours.

4. Periods of illness or disability which occur while an employee is on scheduled annual leave may be charged to sick leave if the employee provides medical certification from an acceptable health care practitioner.

Payment of Annual Leave

1. An employee's annual leave pay will be computed on the base wage rate in effect at the time when the employee utilizes the annual leave.

2. Upon separation an employee is eligible to be paid for unused accrued annual leave. If an employee is eligible for payment for unused accrued annual leave upon separation from the Authority, the employee will be paid for the unused leave at the employee's salary rate in effect at the time of the employee's separation.

Annual Leave – Accumulation

1. An employee may not carry into a new fiscal year more than 45 days of unused annual leave. If, on June 30 of a year, an employee has more than 45 days of unused accumulated annual leave, then on July 1 of the following year the Authority shall reduce the employee's accumulated unused annual leave to 45 days without any payment to the employee for the unused leave.

2. A part-time employee may not carry into a new fiscal year more than the number of unused annual leave days which equals the employee's hours of employment each week expressed as a percentage of 35 multiplied by 45 days.

LEAVE & TIME OFF - HOLIDAYS

The Authority grants time off for non-temporary employees on certain recognized holidays.

Eligibility

1. The Authority recognizes certain holidays and grants paid time off on these days to full-time non-exempt, full-time exempt, part-time non-exempt (prorated) and introductory employees.

2. Temporary employees do not receive paid time off for holidays.

3. A day of holiday leave is equivalent to the hours normally worked on the day of the holiday.

4. Employees are expected to take time off for regular holidays. If it is necessary to work on a holiday, the employee may take compensatory time off for that holiday within the next month with the approval of the Executive Director.

Holidays Observed

1. New Year's Day (January 1)
2. Dr. Martin L. King Jr.'s Birthday (Third Monday in January)
3. President's Day (Date of Federal Observance)
4. Good Friday (Friday before Easter)
5. Memorial Day (Last Monday in May)
6. Juneteenth National Independence Day (Date of Federal Observance)
7. Independence Day (July 4)
8. Labor Day (First Monday in September)
9. Columbus Day (Date of Federal Observance)
10. Veterans' Day (Date of Federal Observance)
11. Thanksgiving Day (Fourth Thursday in November)
12. Day after Thanksgiving (Fourth Friday in November)
13. Christmas Eve (December 24)
14. Christmas Day (December 25)

Note: If a holiday falls on a Sunday, the Monday immediately following will be deemed and treated as the holiday; if a holiday falls on a Saturday, the Friday immediately preceding the holiday will be deemed and treated as the holiday. There will be no substitution for Christmas Eve when it occurs on a Saturday or Sunday or when Christmas falls on a Saturday. Good Friday is an observed holiday. An employee may substitute this holiday for another day with advance notice to the Executive Director.

LEAVE AND TIME OFF - SICK LEAVE

The Authority provides sick leave to employees. It may be used only when an employee is ill, injured or disabled and should not be viewed as extra holiday or vacation time. Falsification of the circumstances relating to the need for leave can lead to discipline, up to and including termination.

Sick leave is time off with pay, when an employee is unable to work because of illness, injury or disability. Sick leave is accrued from the date of employment at the rate of 4.04 hours per two week pay period; 105 hours per annum. Sick leave accrues without limit during the employee's years of service. The employee is not paid for accumulated sick leave at separation. Accumulated sick leave may be included in the calculation of retirement benefits in accordance with the laws, regulations and policies of the Maryland State Retirement Agency at the time of retirement. Temporary employees are not eligible for paid sick leave.

Procedures

1. An employee may use sick leave when unable to work because of illness, injury or disability.

2. An employee is expected to notify the Executive Director, personally, whenever he or she will be absent on a scheduled workday as a result of illness, injury or disability. A call should be made each consecutive day of an absence unless the Executive Director is given sufficient information to waive the daily notice.

3. Notice of health care appointments should normally be given at least 48 hours before the appointment.

4. Use of sick leave in excess of one (1) workday per occurrence to care for a family member will require the approval of the Executive Director.

5. Approval of sick leave of three of more consecutive days will require documentation by a healthcare provider. If sick leave is scheduled (surgery, recuperation, treatment plan, etc.) the healthcare provider documentation must be provided prior to scheduled absence.

6. The Authority reserves the right to require documentation from a healthcare provider of any sick leave, particularly in cases involving excessive medical absences of less than three days or a pattern of absences on Mondays or Friday.

7. An employee may use any available leave with pay, including annual leave or sick leave, to care for an immediate family member of the employee who is sick or injured. "Immediate family member" includes (1) a child under the age

of 18 years old, (2) a spouse, or (3) a parent. The Authority reserves the right to request documentation regarding the family member's sickness.

LEAVE & TIME OFF - BEREAVEMENT LEAVE

The Authority provides time off with pay for bereavement as described in this section.

A maximum of five (5)working days (three (3) days of bereavement leave and two (2) days of sick leave) may be taken in the event of the death of one of the following members of the employee's immediate family: spouse, children, foster children, step-children, parents, step-parents, foster-parents, legal guardians or others who took the place of parents of employee or spouse; brothers and sisters of the employee or spouse; grandparents and grandchildren of the employee or spouse; and other relatives living as a member of the employee's household.

A maximum of three (3) working days may be charged to sick leave in the event of the death of one of the following relatives: aunts and uncles of employee or spouse, nephews and nieces of the employee or spouse, brothers-in-law and sisters-in-law of employee or spouse, sons-in-law, daughters-in-law and first cousins. (An additional day may be granted at the Executive Director's discretion.)

If additional time is required by the employee, the Executive Director shall make reasonable efforts to arrange the work so that the employee may take other accrued leave for this purpose.

Temporary employees are not eligible for paid bereavement leave.

LEAVE AND TIME OFF - INCLEMENT WEATHER

The Authority provides the following guidance during periods of inclement weather.

1. The Authority will follow a liberal leave policy during periods of inclement weather. Employees must use accrued vacation leave unless other arrangements including working remotely are approved by the Executive Director.

2. Employees are to contact the Executive Director if they elect not to come to the office as a result of inclement weather.

3. If the Executive Director makes the determination that work-related travel is unsafe or if the Governor of the State of Maryland or the Mayor of Baltimore City declares a weather emergency and/or requests that all citizens remain off of the roadways, the Authority will close its offices. Employees are expected to work remotely and will be paid for that time.

Temporary employees are not eligible for pay for time off due to inclement weather.

LEAVE - JURY DUTY

The Authority compensates employees who are required to perform jury duty necessitating their absence from work.

An employee who serves as a member of a jury of a court is permitted to be absent from assigned duties without loss of pay. If, after reporting for jury duty, it is determined that the employee's services are not required and the employee is dismissed from jury duty for the day, then, if time reasonably permits, the employee shall report for work. An employee who is called for jury service shall immediately notify the Executive Director. When the public interest requires that the employee not be absent from assigned duties, the Executive Director may request the appropriate judge to excuse the employee.

After an employee completes jury service, the employee is responsible for furnishing the Executive Director with evidence of having served.

Temporary employees are not eligible for pay for time off due to jury duty.

LEAVE - MILITARY LEAVE

The Authority allows employees unpaid leave from their jobs to perform military duties. The Authority will conform to State and Federal law regarding military training, active service time and reinstatement rights.

LEAVE AND TIME OFF - LEAVE WITHOUT PAY

The Authority provides leave without pay for eligible employees for qualifying reasons.

1. The Authority may grant an employee's request for leave without pay if the employee has no appropriate credited paid leave, and the Executive Director determines that the employee's use of leave without pay will not unreasonably disrupt the Authority's activities. Requests for leave without pay will be determined on a case-by-case basis.

2. An employee shall submit a request for leave without pay to the Executive Director as soon as possible. Upon approval the employee will be placed on a leave without pay status at the approved time. Approved leave without pay may not exceed one year.

3. The Executive Director shall consider the following factors when determining whether to approve leave without pay:

    - employment terms upon hire;
    - position responsibilities;
    - to the extent permitted by law, length of leave without pay requested;
    - employee's workload and upcoming deadlines;
    - availability of other employees to perform the requesting employee's duties; and
    - previous abuse of leave.

4. An employee granted leave without pay must continue to make payments normally deducted from the employee's paycheck, such as payments on loans under the employee's supplemental retirement plans.

5. An employee on leave without pay does not accrue leave.

6. An employee may elect to continue group health insurance coverage by paying the total premium cost directly to the Authority. **The employee must pay both the individual and Authority portions of the premium amount. Upon return to work, the Authority will again deduct health insurance premiums from the employee's paycheck**.

7. An employee who is a member of Maryland State Retirement System may be eligible for continued benefits as a member of such System while on leave without pay. The availability of such benefits will be determined in accordance with the laws, regulations and policies of the Maryland State Retirement System.

8. While an employee is on leave without pay, the Authority will discontinue payroll deductions (if applicable) and contributions to the employee's supplemental retirement plans. An employee on leave without pay shall continue to make repayments on any loan the employee has taken from the supplemental retirement plans.

9. An employee who returns to work following a leave without pay status will be placed in the employee's previous position, if vacant, or in an equivalent position with equivalent pay.

OVERTIME

Non-exempt employees of the Authority who are asked to work outside of normal working hours will be paid for the hours exceeding 35 hours per week. The first five hours per week of excess work shall be paid at straight time and the hours per week over five hours will be paid at time and a half.

Exempt employees will accumulate compensatory hours for all time worked in excess of five hours over the regularly scheduled work week. Compensatory time must be utilized within two calendar months of earning it.
.
All hours worked in excess of the normal work week and all compensatory time will be subject to the approval of the Executive Director in advance.

BENEFITS

It is the policy of the Authority that employees have access to certain benefits plans available through the State of Maryland and are enumerated in the State of Maryland Summary of Benefits for that date. **The contribution rates, benefits provided, and services covered are subject to change and will be communicated at the time when the Authority receives notice of any change and at the time of each open enrollment period.** A separate Summary of Benefits Booklet is made available periodically through the State of Maryland.

If Federal or State law or administrative rulemaking affects the cost, content, availability or affordability of the medical insurance plan currently being offered to employees or makes health care insurance available through a governmental entity or health insurance exchange, the Authority shall have the right to change the benefits set forth herein.

Health

Employees of the Authority may currently participate in various health plans offered by the State of Maryland. The employee contributes 20% of the premium through payroll deduction. Employees may elect coverage for a spouse and eligible dependents. Failure to notify the Authority of a change in marital status or dependent eligibility may result in retroactive costs to employees in violation. The cost of the plan varies with the number of individuals covered under the plan. Coverage takes effect on the first calendar day after the first full calendar month of employment. Vision benefits, with limited reimbursement for specified services, are included as a part of this plan.

Dental

Employees of the Authority may currently participate in various dental plans offered by the State of Maryland. The employee contributes 50% of the premium through payroll deduction. Employees may elect coverage for a spouse and eligible dependents. Failure to notify the Authority of a change in marital status or dependent eligibility may result in retroactive costs to employees in violation. The cost of the plan varies depending on the number of individuals covered under the policy and the plan chosen. Coverage takes effect on the first calendar day after the first full calendar month of employment.

Prescription
Employees of the Authority may currently participate in the prescription plan offered by the State of Maryland. The employee contributes 20% of the premium through payroll deduction. Employees may elect coverage for a spouse and eligible dependents. Failure to notify the Authority of a change in marital status or dependent eligibility may result in retroactive costs to employees in violation. The cost of the plan varies with the number of individuals covered. Coverage takes effect on the first calendar day after the first full calendar month of employment.

Disability
Employees of the Authority are covered by a long-term disability policy which has a waiting period of 90 days and currently reimburses the employee 60% of earnings up to a maximum of $6,000 per month. Employees must have 30 days of continuous active service before this policy takes effect. Currently the Authority pays the full cost of this plan.

Accidental Death and Dismemberment (AD&D)
Employees of the Authority may participate in the AD&D plan which is available to employees and their dependents who are eligible for the health plan offered by the State of Maryland.

Retirement System
Employees of the Authority may currently participate in the Maryland State Retirement/Pension System with mandatory employee contributions and contributions from the Authority based on current actuarial figures with maximum benefit surcharges in place. Employees hired before June 30, 2011 are vested in the Maryland State Retirement/Pension System after five years of continuous service. Employees hired after July 1, 2011 are vested in the Maryland State Retirement/Pension System after ten years of continuous service. A separate Summary of Benefits Booklet is made available periodically through the State of Maryland. Information may also be found online at www.sra.state.md.us.

Supplemental Life
The Authority currently offers supplemental life insurance through the State's pre-tax plan which allows the employee to purchase up to $300,000 in life insurance for the employee and 50% or $150,000, whichever is less, for dependents. If coverage greater than $50,000 for the employee or greater than $25,000 for a dependent is requested, a medical history statement must be reviewed and approved by the carrier.

Supplemental Retirement
The Authority currently offers membership to employees in State sponsored supplemental retirement (401k) and deferred compensation (457) plans. Information may also be found online at www.msrp.maryland.gov.

Social Security
The Authority will make the normal employer contribution to the Social Security Administration on the employee's behalf.

Workmen's Compensation
All employees of the Authority are covered under Workers Compensation Insurance for job related injuries and occupational illnesses.

SECU
Employees of the Authority are currently eligible to join the State Employees Credit Union (SECU). Checking and other financial programs are available.

Day of Caring - Volunteer Leave
Employees of the Authority in good standing may take one (1) day of leave with pay per year to volunteer in the community. Employees shall provide fourteen (14) days' notice to the Executive Director.

Open Enrollment
Unless there is a qualifying event, changes to State benefits programs may only be made during the State Open Enrollment period.

Extended Coverage
An employee and/or dependent who loses eligibility for subsidized health benefits may receive extended coverage through the Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA). The employee and/or dependent may remain in the State Group Health Benefits Plan on an unsubsidized basis for 18 to 36 months, depending on the circumstances. Enrolling in COBRA assures no break in health coverage. Information on COBRA may be obtained by calling the Maryland State Benefits Office.

None of the benefits described above are provided to employees working fewer than 30 hours per week on a scheduled basis or temporary employees.

DRESS CODE

Each employee's personal appearance during work time is a reflection on the Authority. Employees may dress business casual except on days with scheduled professional meetings where employees are expected to dress in business attire. On Fridays, employees may wear denim jeans, athletic shoes, tennis shoes and team logo sportswear. At no time are employees allowed to wear flip-flops, athletic wear, yoga pants, t-shirts, dresses or blouses that are backless, strapless, or have spaghetti straps unless worn with a jacket or sweater cover up.

WORK RELATED TRAVEL EXPENSES

Employees of the Authority shall generally be reimbursed for actual meal expenses and mileage in accordance with the current rates established by the State of Maryland. These expenses and any variances must be approved by the Executive Director before reimbursement.

TRAINING & TUITION

Employees of the Authority are strongly encouraged to pursue educational endeavors which will enhance job performance and update business skills. To this end, the Authority will fund one job-related training session for each employee each fiscal year.

The Authority will reimburse employees for 50% of the cost of up to four accredited college level or technical training courses geared to promoting skills and abilities beneficial to the Authority, per fiscal year. A schedule of courses or plan for pursuit of a degree must be agreed to in writing by the employee and the Executive Director. Tuition reimbursement for each course will be made when the employee submits proof of a “C” or better grade for the course. If an employee voluntarily leaves employment, then the employee must reimburse the Authority for the total amount of tuition assistance received from the Authority during the 12 months prior to their departure.

The cost of the continuing educational requirements will be covered by the Authority for employees seeking to maintain professional certifications (e.g., Certified Public Accountant) deemed by the Executive Director to benefit the Authority. A schedule of proposed courses needed to maintain professional credentials must be agreed to in writing by the employee and the Executive Director.

All training, continuing education and coursework at accredited institutions must be approved in advance by the Executive Director to be eligible for reimbursement.

YEARLY EVALUATION

The Authority will endeavor to review each employee’s performance on a yearly basis prior to the close of each fiscal year (June 30). This review will take into consideration among other things, each employee’s:

- Initiative, effort and attendance
- Knowledge of work
- Quality and quantity of work
- Attitude
- Teamwork
- Participation in training and awareness of Authority’s IT security protocols

This review should serve to make employees aware of how their job performance compares to the Authority's expectations. It should include a discussion of the employee's interests and future goals. It is also a time to identify training and educational objectives for the upcoming year.

FINANCIAL CODE OF ETHICS

All employees shall act with honesty and integrity, avoiding actual or apparent conflicts of interest in personal and professional relationships.

The Authority's accounting records are relied upon to produce reports to management, creditors, governmental entities, and others. All accounting records, and reports produced from these records, must be kept and presented in accordance with applicable laws. They must accurately and fairly reflect, in reasonable detail, the Authority's income, cash flow, assets and liabilities and financial condition. "Reasonable detail" means the level of information and degree of assurance that would satisfy a prudent person in the conduct of his or her own affairs.

Compliance with generally accepted accounting principles and Authority accounting policies and procedures is required. Any concerns related to financial matter compliance may be submitted to the Executive Director or the Chairman of the Audit Committee at the following address:

Maryland Health and Higher Educational Facilities Authority
401East Pratt Street, Suite 1224
Baltimore, MD 21202

Correspondence addressed to the Audit Committee will be opened only by the Chairman of the Audit Committee. A telephone number for the Chairman of the Audit Committee may also be obtained on a confidential basis by contacting the Authority's Executive Director or the Executive Assistant.

Fraud/Theft

The implementation of, or intent to perform, fraud or theft against the Authority, its clients or its employees will not be tolerated. Violations of this policy will lead to corrective action up to and including termination and/or referral to appropriate law enforcement agencies for arrest and prosecution. The Authority reserves the right to take any necessary legal action.

In the event that an employee believes that any fraud or theft or suspected fraud or theft has occurred or may occur, the employee must immediately notify the Executive Director or, if the employee believes that the Executive Director may be involved in any way, the Chairman of the Authority at the following address:

Maryland Health and Higher Educational Facilities Authority
Attn: Chairman of the Authority / Confidential Material

401 East Pratt Street, Suite 1224
Baltimore, MD 21202

Correspondence so addressed will be opened only by the Chairman of the Authority. A telephone number for the Chairman of the Authority may also be obtained on a confidential basis by contacting the Authority's Executive Director or the Executive Assistant.

NO SOLICITATION & NO DISTRIBUTION POLICY

Solicitation or distribution of literature by any non-employee on Authority property is prohibited at all times.

Solicitation by an employee of another employee is prohibited while either person is on working time. Working time includes all time that employees are expected to be engaged in work tasks but excludes meal periods or scheduled breaks.

Employees are not permitted to distribute literature such as brochures, booklets, pamphlets, and fliers, during work time or at any time in the Authority's offices.

GIFTS FROM PERSONS/FIRMS DOING BUSINESS WITH THE AUTHORITY

Employees are not permitted to solicit gifts from persons or firms doing business with the Authority and may not accept unsolicited gifts other than items of nominal value.

EMPLOYEE COMPUTER, TELEPHONE, EMAIL AND INTERNET USE GUIDELINES

The Authority reserves the right to access and review employees' electronic mail, voicemail, computer, and internet use and each employee consents to such access and the guidelines established in the Information Technology Acceptable Use Policy.

The Executive Director will review alleged violations of the Information Technology Acceptable Use Policy. Violations will result in appropriate action, such as loss of use of computer for any personal use, letter in personnel file, reprimand, suspension or referral to appropriate authorities. Repeated, egregious, or malicious abuse of these guidelines may be cause for termination. Additionally, staff use of Authority computers for illegal activity may result in prosecution.

DISCIPLINE AND DISMISSAL

Employees are employed "at-will," meaning that absent an employment contract, no one has a contractual right, express or implied, to remain in the Authority's employ.

Either you or the Authority may terminate employment without cause, and with or without notice, at any time for any reason.

Any employee whose conduct, actions or performance violates or conflicts with the Authority's policies may be subject to disciplinary action, up to and including termination without warning.

<u>Without limiting the actions that can be taken by the Authority as a result of conduct, actions, omissions or performance that violates or conflicts with Authority policy, the Authority reserves the right to suspend an employee from work without pay for a day or more as part of a disciplinary action. Suspensions also may be imposed on employees pending an investigation of alleged misconduct. Suspensions may be authorized with or without pay depending upon the facts and circumstances. Suspensions shall only be made by the Executive Director.</u>

FORMS

I. Leave Request

MHHEFA - LEAVE REQUEST

____
PAYROLL

DATE:______________________________

NAME :______________________________

LEAVE:	DATE(S)	HOURS
ANNUAL		
SICK		

____________________________ __________________
APPROVED DATE

II. Request for Leave Without Pay

MARYLAND HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY
REQUEST FOR LEAVE WITHOUT PAY

Employee Name: ____

Reason: ____

Leave Without Pay requested from __________________ to _________________
Note: Requests for leave without pay of must be submitted to the Executive Director for approval. Leave without pay cannot exceed 12 months.

I, ___________________________________, hereby acknowledge that I have read and understand the Maryland Health and Higher Educational Facilities Authority policy governing leave without pay status and agree to abide by the provisions as presented.

****

PART II - Approval

Approved: __________________________________ Date: ___________________

Disapproved: ________________________________ Date: ___________________

Reason for disapproval
____

____

ACKNOWLEDGEMENT

This is to acknowledge that I have received a copy of the Maryland Health and Higher Educational Facilities Authority Employee Handbook. I have read and understand the information contained within the manual and agree to comply with all stated policies and procedures. I understand that employment at the Authority is "at will" and terminable "at will" by the Authority or me with or without cause. Any oral or written statements or promises to the contrary are not binding upon the Authority. I understand that failure to adhere to these policies may result in disciplinary action, up to and including termination.

____________________________________Signature

____________________________________Date

EXHIBIT I

Maryland Health and Higher Educational Facilities Authority

Information Technology Acceptable Use Policy

1.0 Overview
The Authority's intentions for publishing an Acceptable Use Policy are not to impose restrictions that are contrary to the Authority's established culture of openness, trust and integrity. The Authority is committed to protecting its employees, borrowers and the organization from illegal or damaging actions by individuals, either knowingly or unknowingly.

Internet/Intranet/Extranet-related systems and telephone systems, including but not limited to computer equipment, telephone equipment, software, operating systems, storage media, network accounts providing electronic mail, internet browsing, and FTP, are the property of the Authority. These systems are to be used for business purposes in serving the interests of the Authority and its borrowers.

Effective security is a team effort involving the participation and support of every Authority employee and affiliate who deals with information and/or information systems. It is the responsibility of every computer user to know these guidelines, and to conduct their activities accordingly.

2.0 Purpose
The purpose of this policy is to outline the acceptable use of computer equipment and telephone equipment at the Authority. These rules are in place to protect the employee and the Authority. Inappropriate use exposes the Authority to risks including virus attacks, compromise of network systems and services, and legal issues.

3.0 Scope
This policy applies to employees, contractors, consultants, temporaries, and other workers at the Authority, including all personnel affiliated with third parties. This policy applies to all equipment that is owned or leased by the Authority.

4.0 Policy
4.1 General Use and Ownership

1. While the Authority's network administration desires to provide a reasonable level of privacy, users should be aware that the data they create on the corporate systems remains the property of the Authority. Because of the need to protect the Authority's network, management cannot guarantee the confidentiality of information stored on any network device belonging to the Authority.
2. Employees are responsible for exercising good judgment regarding the reasonableness of personal use. Personal use should be limited to non-working hours (i.e. lunch break or before and after normal business hours). Personal use deemed to be emergency in nature that would require the use of Authority equipment during normal business hours should be brought to the attention of the Executive Director as soon as possible.
3. Employees are to avoid the use of computer games or any personal use of Authority-owned resources or internet in a way that would lessen job performance or harm the Authority's reputation.
4. Employees are to refrain from downloading or uploading personal files to the Authority's equipment.

5. Employees are to use professional writing standards when creating and sending email communication.
6. Employees are to delete unneeded files and emails to maintain capacity for needed information per the Authority's Records Retention policy.
7. The Authority requires that any information that users consider sensitive or vulnerable be password protected and/or stored in such a manner where access is limited to authorized employees.
8. For security and network maintenance purposes, authorized individuals within the Authority and authorized IT vendors may monitor equipment, systems and network traffic at any time.
9. The Authority reserves the right to audit networks and systems on a periodic basis to ensure compliance with this policy.

4.2 Security and Proprietary Information

1. The user interface for information contained on Internet/Intranet/Extranet-related systems should be classified as either confidential or not confidential. Examples of confidential information include but are not limited to: borrower's confidential information, employee personal identification data or health records. Employees should take all necessary steps to prevent unauthorized access to this information.
2. For security and proprietary reasons employees will not download/upload any files to his/her personal computers without the written authorization of the Executive Director. Employees may not take or use any proprietary information from the Authority after their employment.
3. Keep passwords secure and do not share accounts, unless the activity is directly related to employee back-up responsibilities. Authorized users are responsible for the security of their passwords and accounts. System level passwords and user level passwords should be changed periodically.
4. All PCs, laptops and workstations should be secured with a password-protected screensaver with the automatic activation feature set at 10 minutes or less, or by logging-off (control-alt-delete) when the host will be unattended.
5. Use password protection and data storage to areas with restricted access when data is deemed confidential.
6. Because information contained on portable computers (i.e. laptops, tablets, mobile phones, etc.) is especially vulnerable, special care should be exercised. Protect portable computers with unsaved passwords.
7. Postings by employees from an Authority email address to newsgroups, forums, Facebook or any other public or private social media repository is prohibited unless posting is in the course of business duties and approved by the Executive Director.
8. All hosts used by the employee that are connected to the Authority's Internet/Intranet/Extranet, shall be continually executing approved virus-scanning software with a current virus database unless overridden by departmental or group policy.
9. Employees must use extreme caution when opening e-mail attachments received from unknown senders, which may contain viruses, e-mail bombs, or Trojan horse code. Only open email attachments you are expecting to receive from a known and reliable source.
10. Employees must complete security awareness training on an annual basis that is provided by the Authority.

4.3. Unacceptable Use

The following activities are, in general, prohibited. Employees may be exempted from these restrictions during the course of their legitimate job responsibilities (e.g., systems administration staff may have a need to disable the network access of a host if that host is disrupting production services).

Under no circumstances is an employee of the Authority authorized to engage in any activity that is illegal under local, state, federal or international law while utilizing Authority-owned resources.

The lists below are by no means exhaustive, but attempt to provide a framework for activities which fall into the category of unacceptable use.

System and Network Activities

The following activities are strictly prohibited, with no exceptions:

1. Violations of the rights of any person or company protected by copyright, trade secret, patent or other intellectual property, or similar laws or regulations, including, but not limited to, the installation or distribution of "pirated" or other software products that are not appropriately licensed for use by the Authority.
2. Unauthorized copying of copyrighted material including, but not limited to, digitization and distribution of photographs from magazines, books or other copyrighted sources, copyrighted music, and the installation of any copyrighted software for which the Authority or the end user does not have an active license is strictly prohibited.
3. Exporting software, technical information, encryption software or technology, in violation of international or regional export control laws, is illegal. The Executive Director should be consulted prior to export of any material that is in question.
4. Introduction of malicious programs into the network or server (e.g., viruses, worms, Trojan horses, e-mail bombs, etc.). Do not download any software or add any hardware without express approval of the Executive Director.
5. Revealing your account password to others or allowing use of your account by others, except to your employee back-up and other appropriate Authority employees. This includes family and other household members when work is being done at home.
6. Using an Authority computing asset to actively engage in procuring or transmitting material that is in violation of sexual harassment or hostile workplace laws in the user's local jurisdiction.
7. Making fraudulent offers of products, items, or services originating from any Authority account.
8. Effecting security breaches or disruptions of network communication. Security breaches include, but are not limited to, accessing data of which the employee is not an intended recipient or logging into a server or account that the employee is not expressly authorized to access, unless these duties are within the scope of regular duties. For purposes of this section, "disruption" includes, but is not limited to, network sniffing, pinged floods, packet spoofing, denial of service, and forged routing information for malicious purposes.
9. Port scanning or security scanning is expressly prohibited unless prior notification to the Authority is made.
10. Executing any form of network monitoring which will intercept data not intended for the employee's host, unless this activity is a part of the employee's normal job/duty.
11. Circumventing user authentication or security of any host, network or account.
12. Interfering with or denying service to any user other than the employee's host (for example, denial of service attack).
13. Using any program/script/command, or sending messages of any kind, with the intent to interfere with, or disable, a user's terminal session, via any means, locally or via the Internet/Intranet/Extranet.
14. Providing information about, or lists of, Authority employees to parties outside the Authority.

Email and Communications Activities

1. Sending unsolicited email messages, including the sending of "junk mail" or other advertising material to individuals who did not specifically request such material (email spam).

2. Any form of harassment via email, telephone or paging, whether through language, frequency, or size of messages.
3. Unauthorized use, or forging, of email header information.
4. Solicitation of email for any other email address, other than that of the poster's account, with the intent to harass or to collect replies.
5. Creating or forwarding "chain letters", "Ponzi" or other "pyramid" schemes of any type.
6. Use of unsolicited email originating from within Authority's networks of other Internet/Intranet/Extranet service providers on behalf of, or to advertise, any service hosted by the Authority or connected via Authority's network.
7. Posting the same or similar non-business-related messages to large numbers of Usenet newsgroups (newsgroup spam).
8. Using a personal email account for Authority related business, unless approved in writing by the Executive Director.

4.4. Blogging and Social Media Posting

1. Blogging and social media posting by employees, whether using the Authority’s property and systems or personal computer systems, is also subject to the terms and restrictions set forth in this Policy. Limited and occasional use of the Authority’s systems to engage in blogging is acceptable, provided that it is done in a professional and responsible manner, does not otherwise violate the Authority’s policy, is not detrimental to the Authority’s best interests, and does not interfere with an employee's regular work duties. Blogging from the Authority’s systems is also subject to monitoring.
2. The Authority’s standards for confidentiality of information also applies to blogging. As such, Employees are prohibited from revealing any Authority confidential or proprietary information when engaged in blogging.
3. Employees shall not engage in any blogging that may harm or tarnish the image, reputation and/or goodwill of the Authority and/or any of its employees. Employees are also prohibited from making any discriminatory, disparaging, defamatory or harassing comments when blogging or otherwise engaging in any conduct prohibited by the Authority.
4. Employees may also not attribute personal statements, opinions or beliefs to the Authority when engaged in blogging. If an employee is expressing his or her beliefs and/or opinions in blogs, the employee may not, expressly or implicitly, represent themselves as an employee or representative of the Authority. Employees assume any and all risk associated with blogging.
5. Apart from following all laws pertaining to the handling and disclosure of copyrighted or export controlled materials, the Authority’s logo and any other Authority intellectual property may also not be used in connection with any blogging activity

5.0 Enforcement

Any employee found to have violated this policy may be subject to disciplinary action, up to and including termination of employment.

6.0 Definitions

Term	**Definition**
Blogging	Writing a blog. A blog (short for weblog) is a personal online journal that is frequently updated and intended for general public consumption. This includes posting information to Facebook, Twitter or any other social media account.
Spam	Unauthorized and/or unsolicited electronic mass mailings.

This is to acknowledge that I have received a copy of the Maryland Health and Higher Educational Facilities Authority IT Acceptable Use Policy. I have read and understand the information contained within the policy and agree to comply with all stated policies and procedures.

__________________________________Signature

__________________________________Date

Financial Advisor's Report

Maryland Health and Higher Educational Facilities Authority

Report of the Financial Advisor

June 4, 2024

1735 Market St.
42nd Floor
Philadelphia, PA 19103

100 High St.
Suite 2300
Boston, MA 02110

www.pfm.com

Agenda

ECONOMIC UPDATE

CURRENT INTEREST RATES

BARCLAYS/HFMA NFP HEALTHCARE CONFERENCE

Current Market Themes

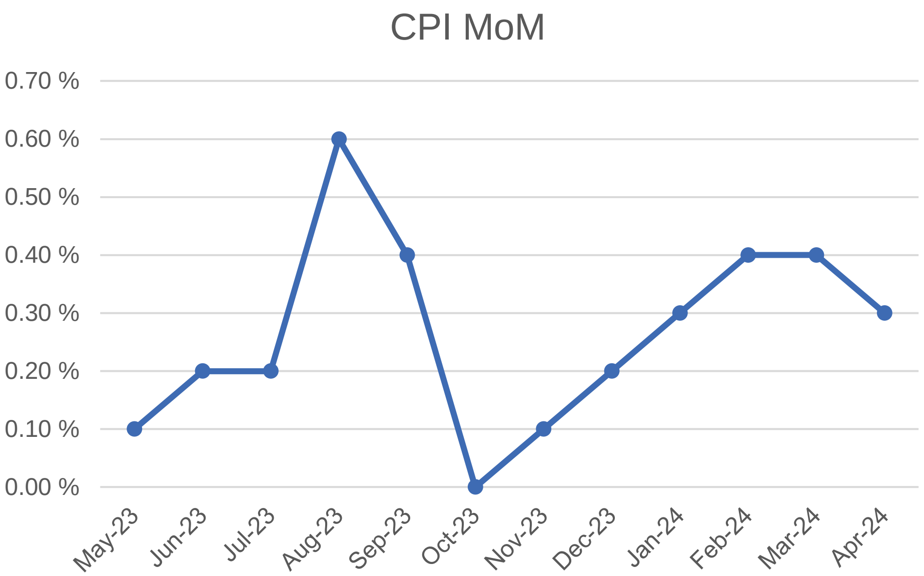
- The Federal Reserve's April/May meeting minutes reveal the Fed anticipates it is at the peak of the hike cycle:
  - ***"Recent data had not increased their confidence in progress toward 2 percent and, accordingly had suggested that the disinflation process would likely take longer than previously thought."***
  - ***"Participants discussed maintaining the current restrictive policy stance for longer should inflation not show signs of moving sustainably toward 2 percent or reducing policy restraint in the event of an unexpected weakening in labor market conditions."***

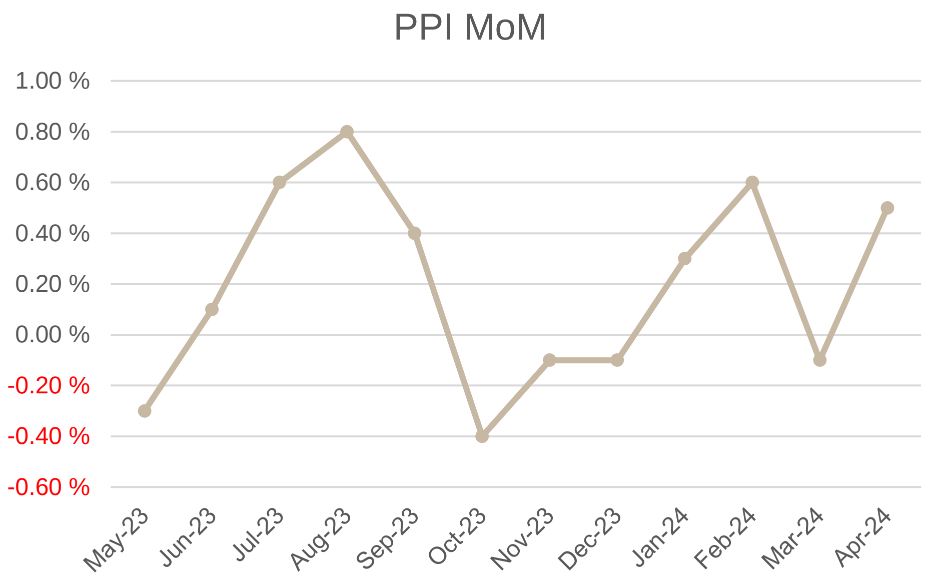
- The market currently expects Fed Funds is nearing its peak of nearly 5.3% in June of 2024.

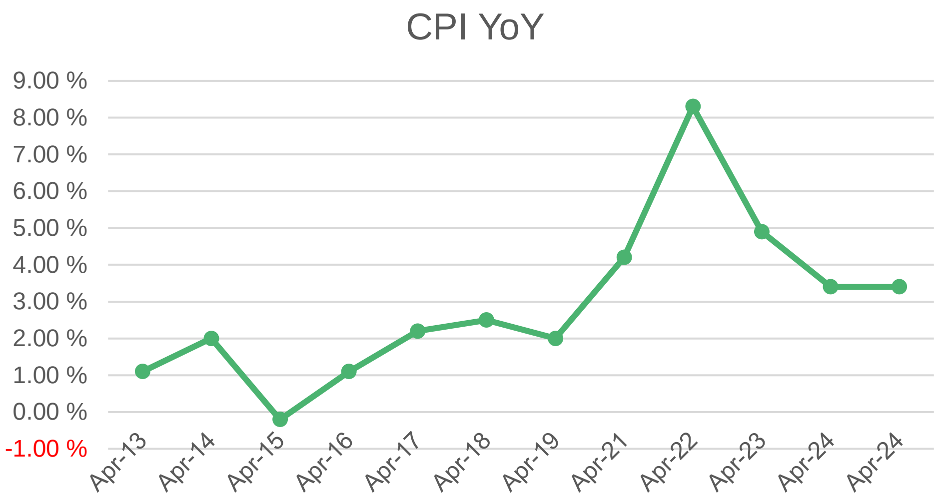
- Unemployment remains low at 3.9% as of April.

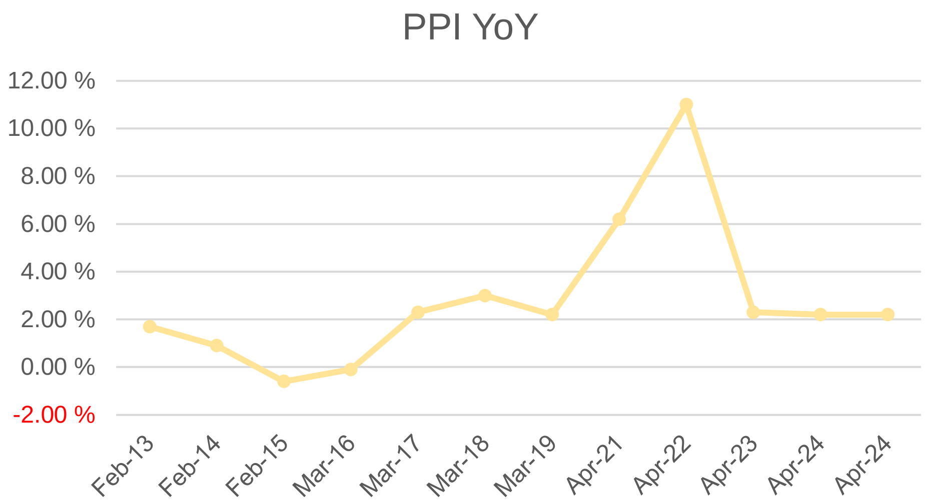
Source: Federal Reserve Meeting Minutes April 30 and May 1, Bloomberg, Bureau of Labor Statistics.

Economic Update



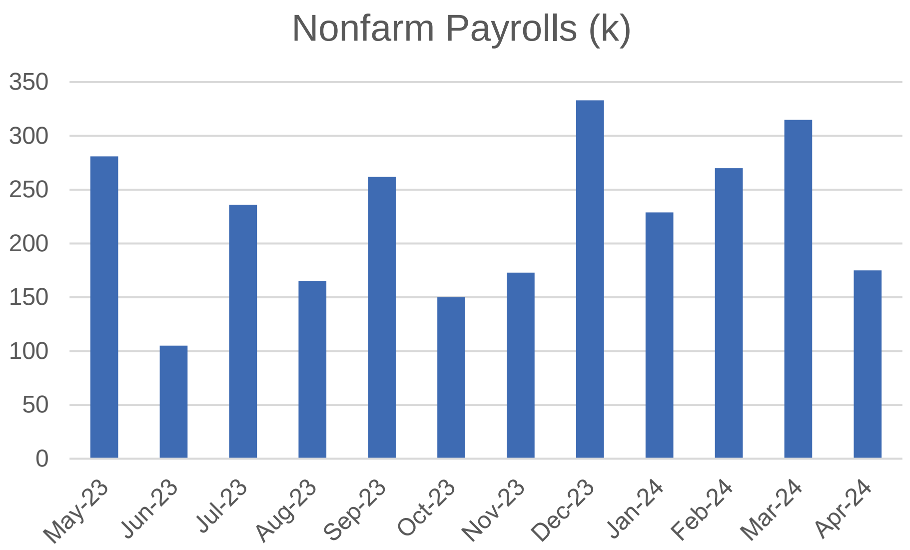


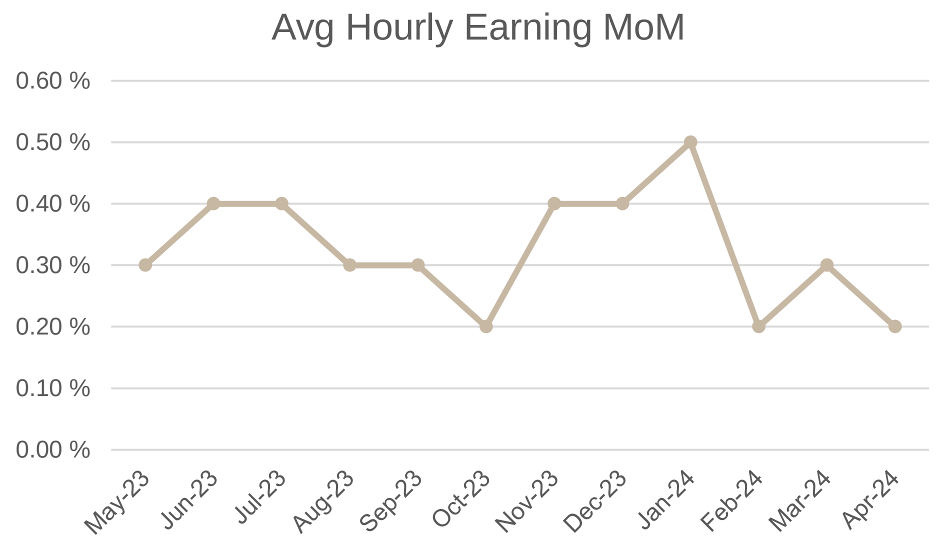


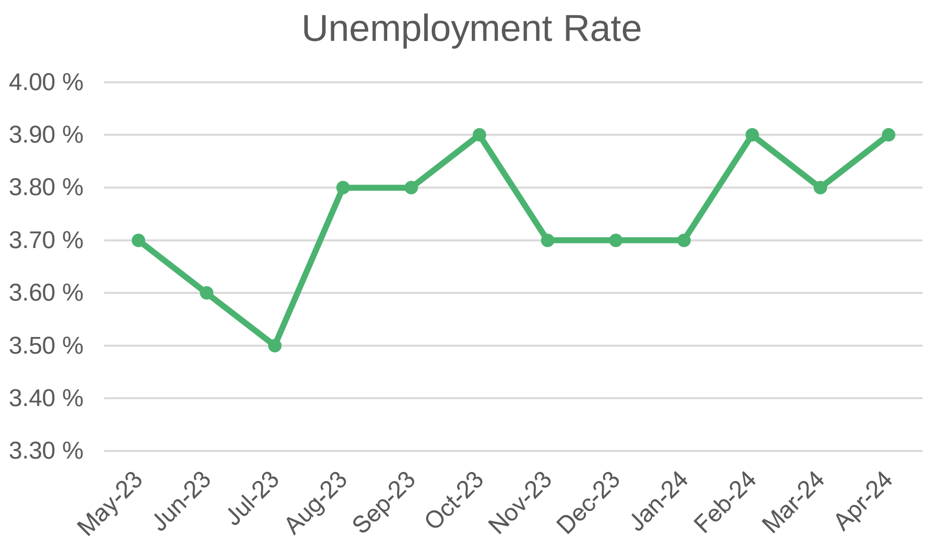


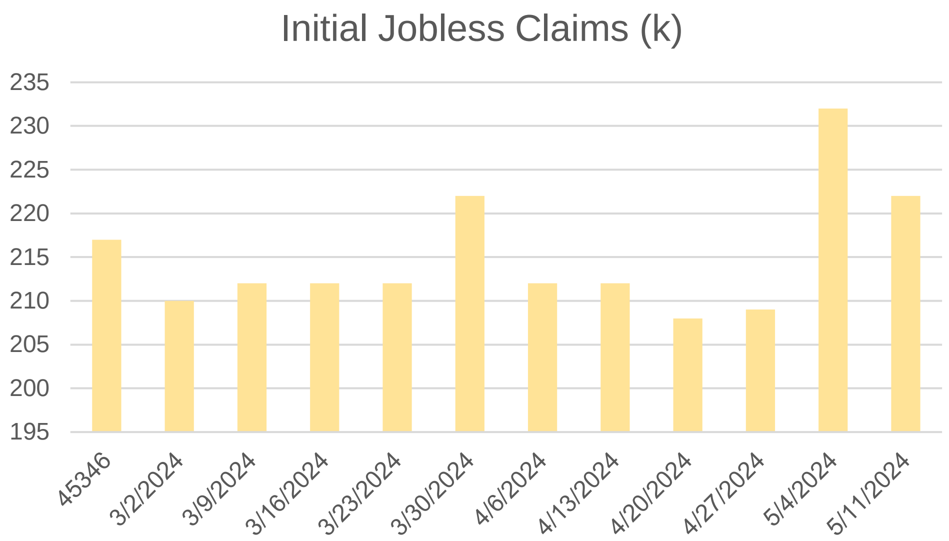
Source: Bloomberg, 5/28/2024

Labor Market



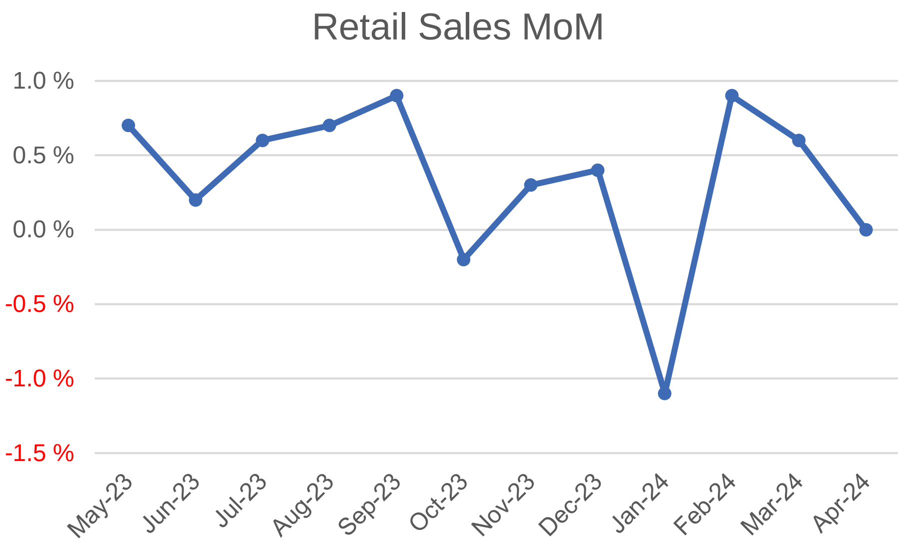


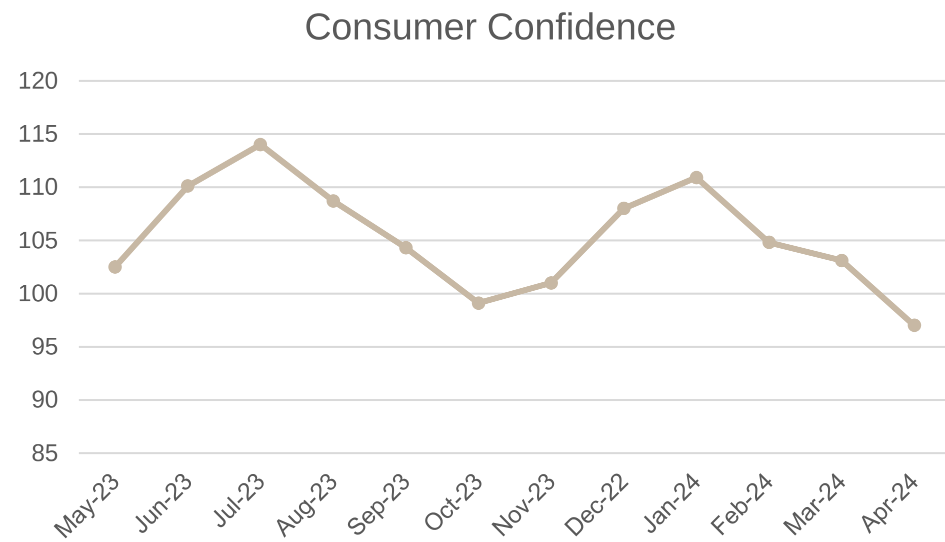


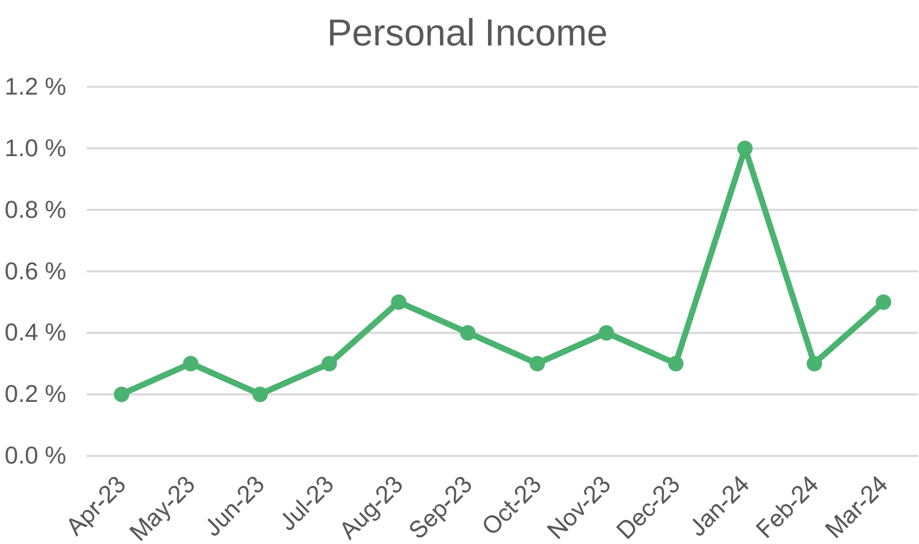


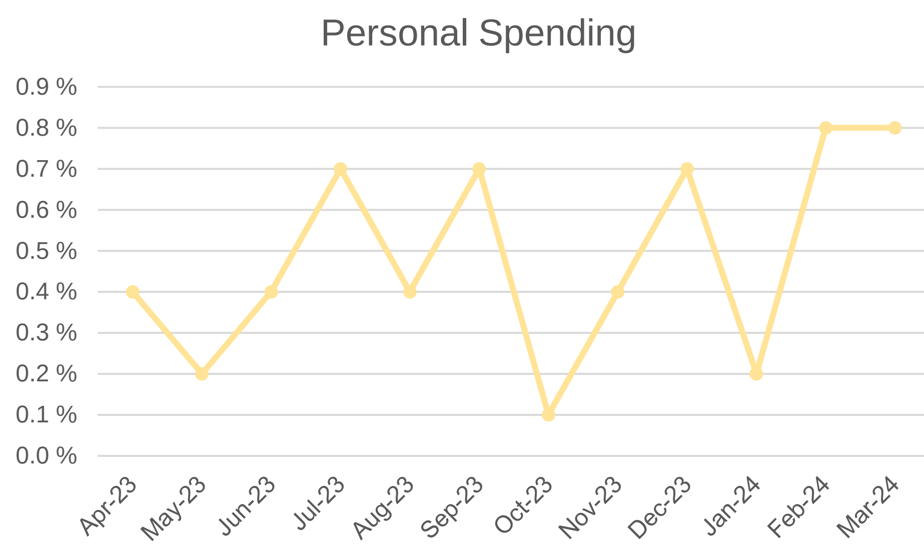
Source: Bloomberg, 5/28/2024

The Consumer



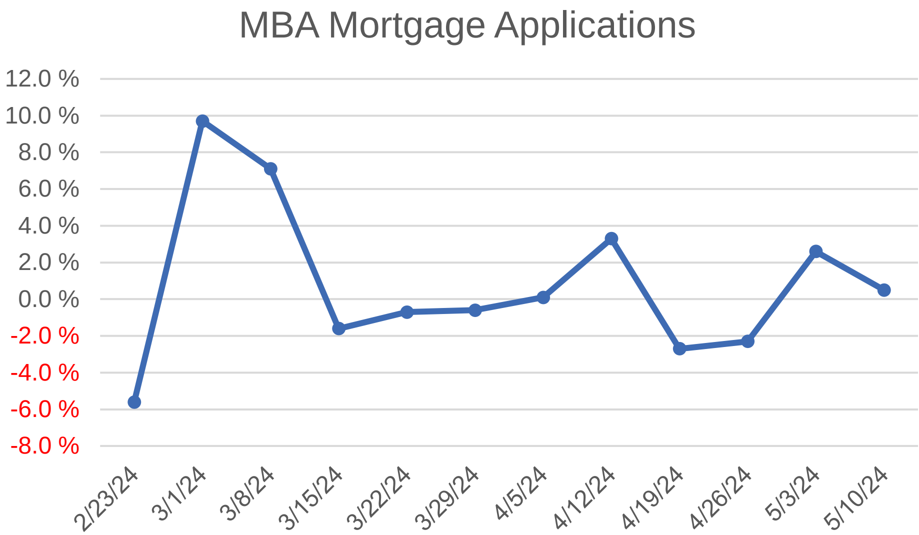


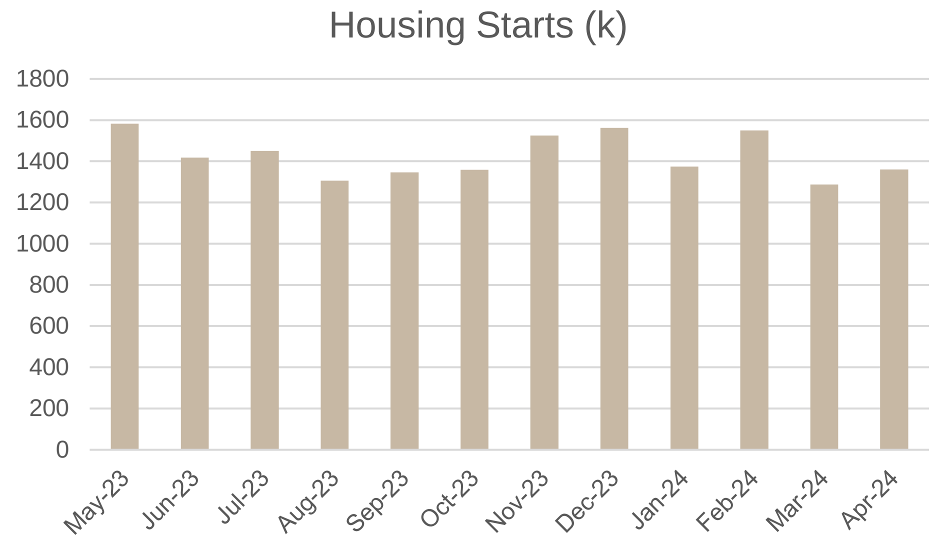


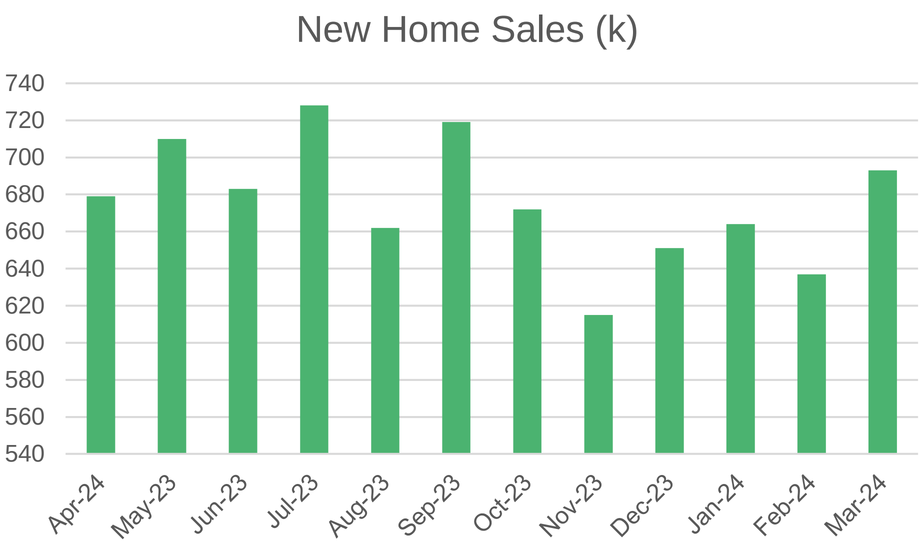


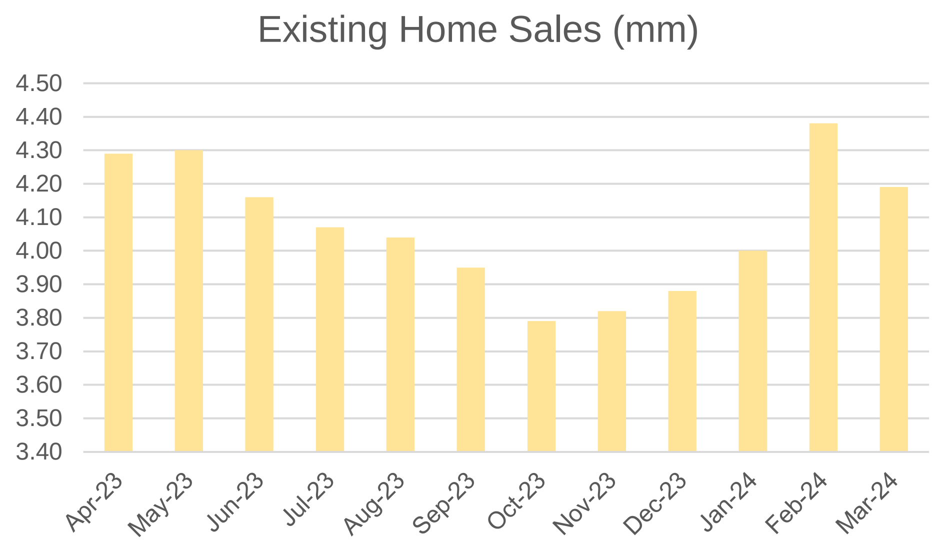
Source: Bloomberg, 5/28/2024

Housing Market



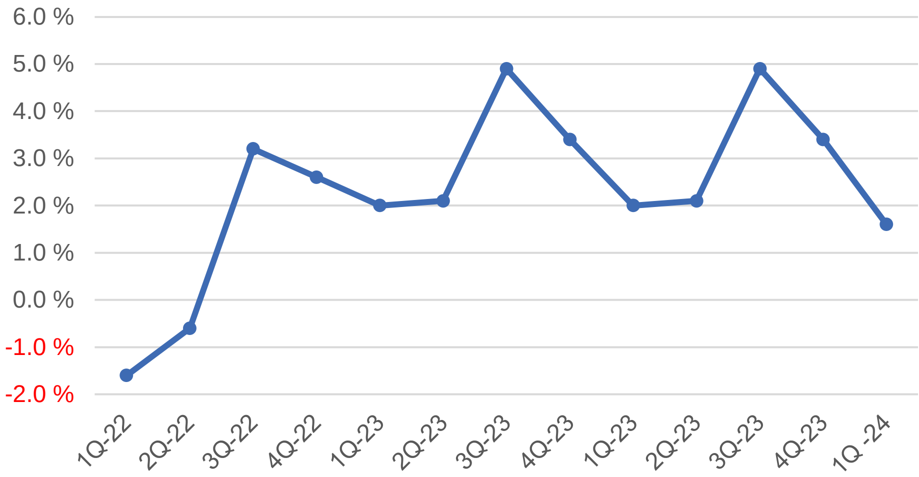




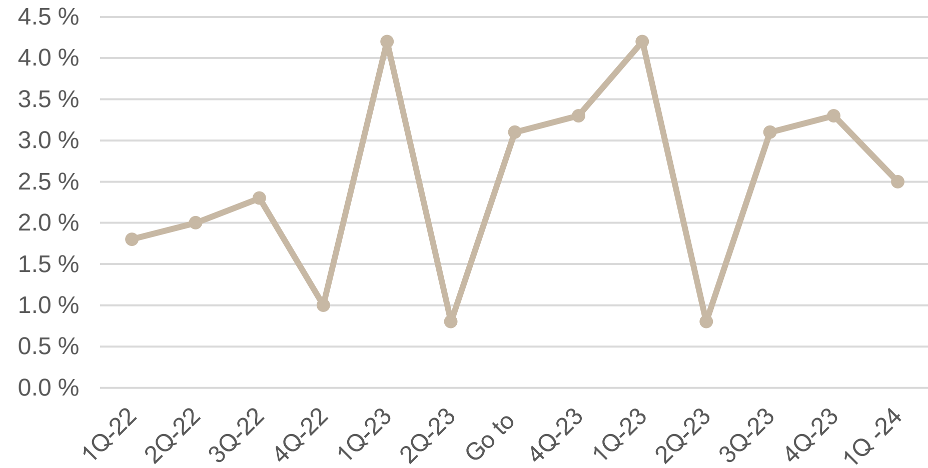


Source: Bloomberg, 5/28/2024

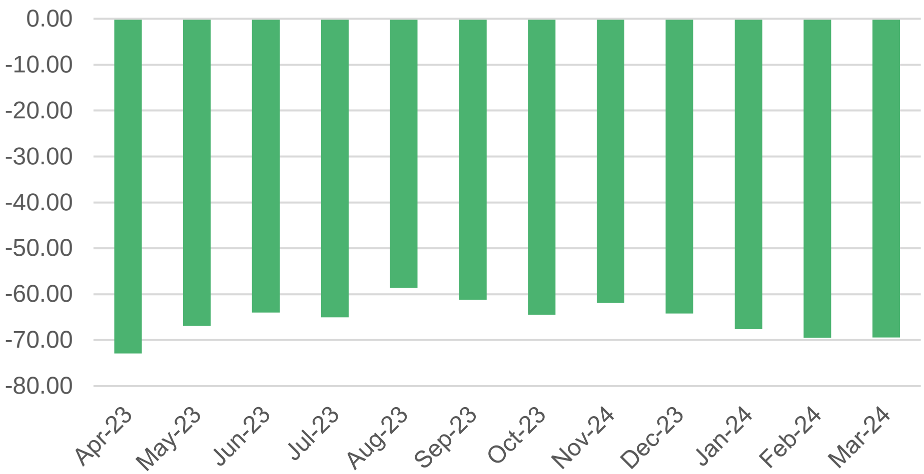
GDP Annualized QoQ



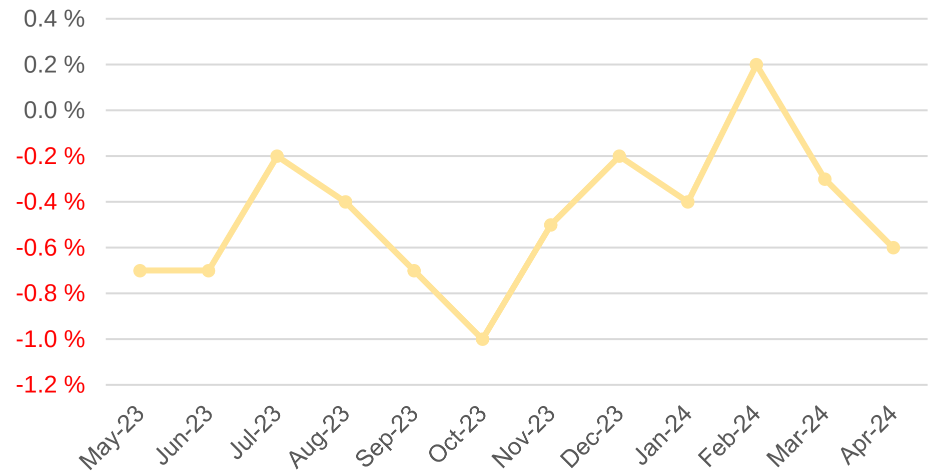
GDP Personal Consumption



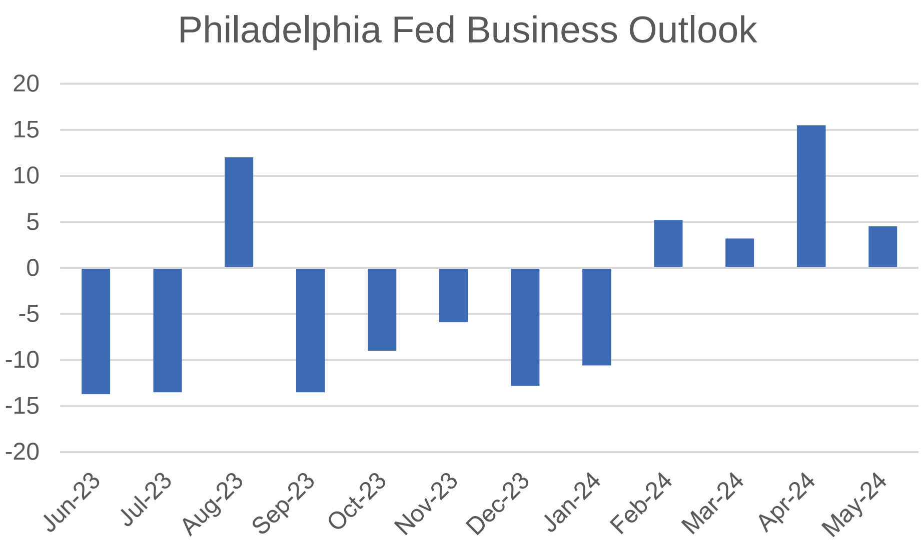
Trade Balance (bn)

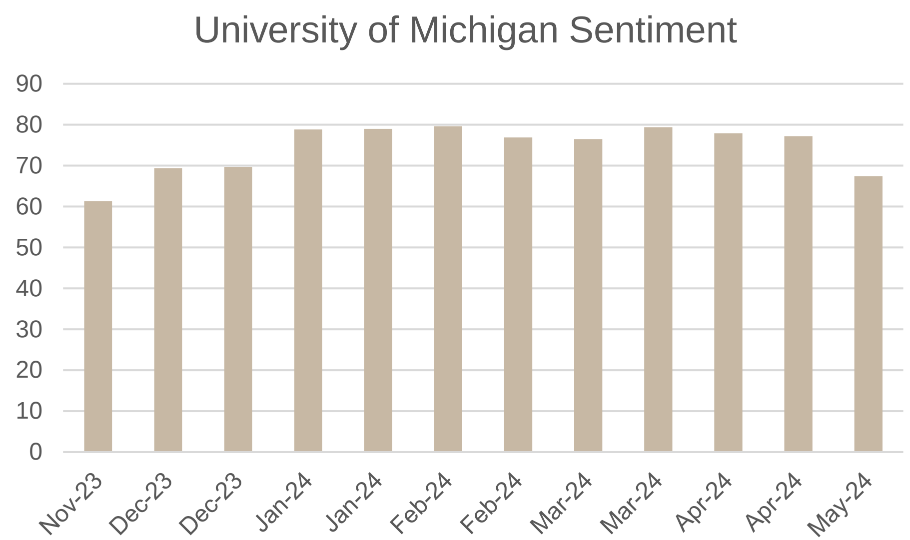


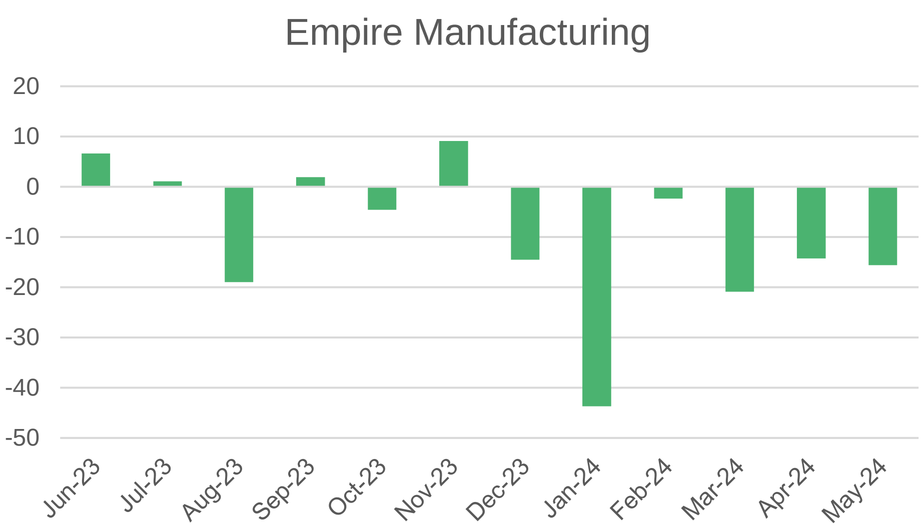
Leading Indicators

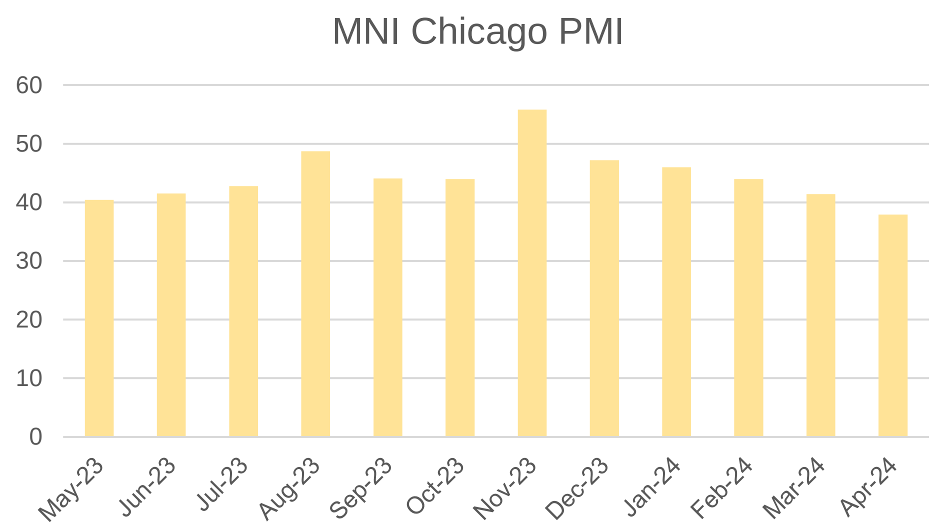


Source: Bloomberg, 5/28/2024





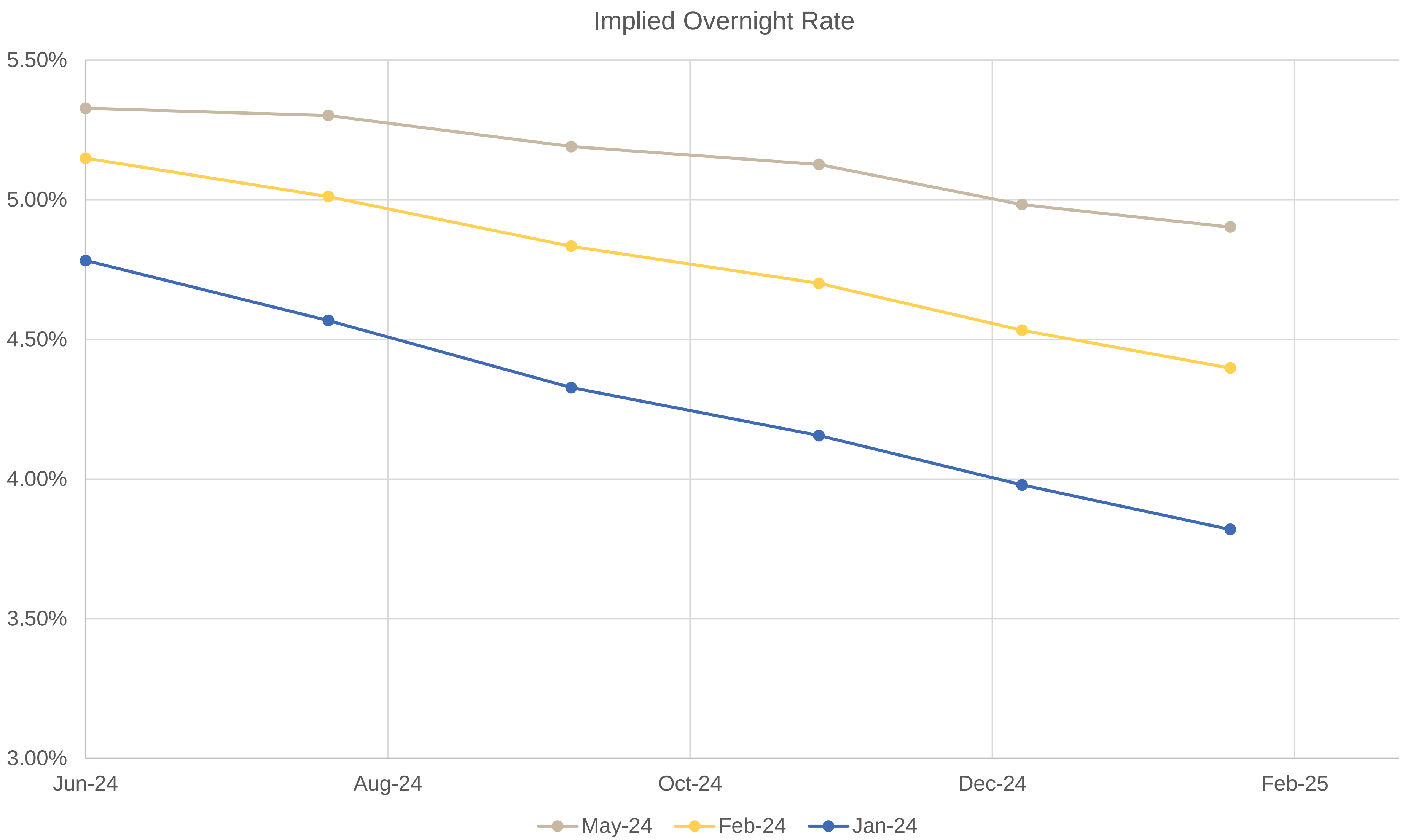




Source: Bloomberg, 5/28/2024

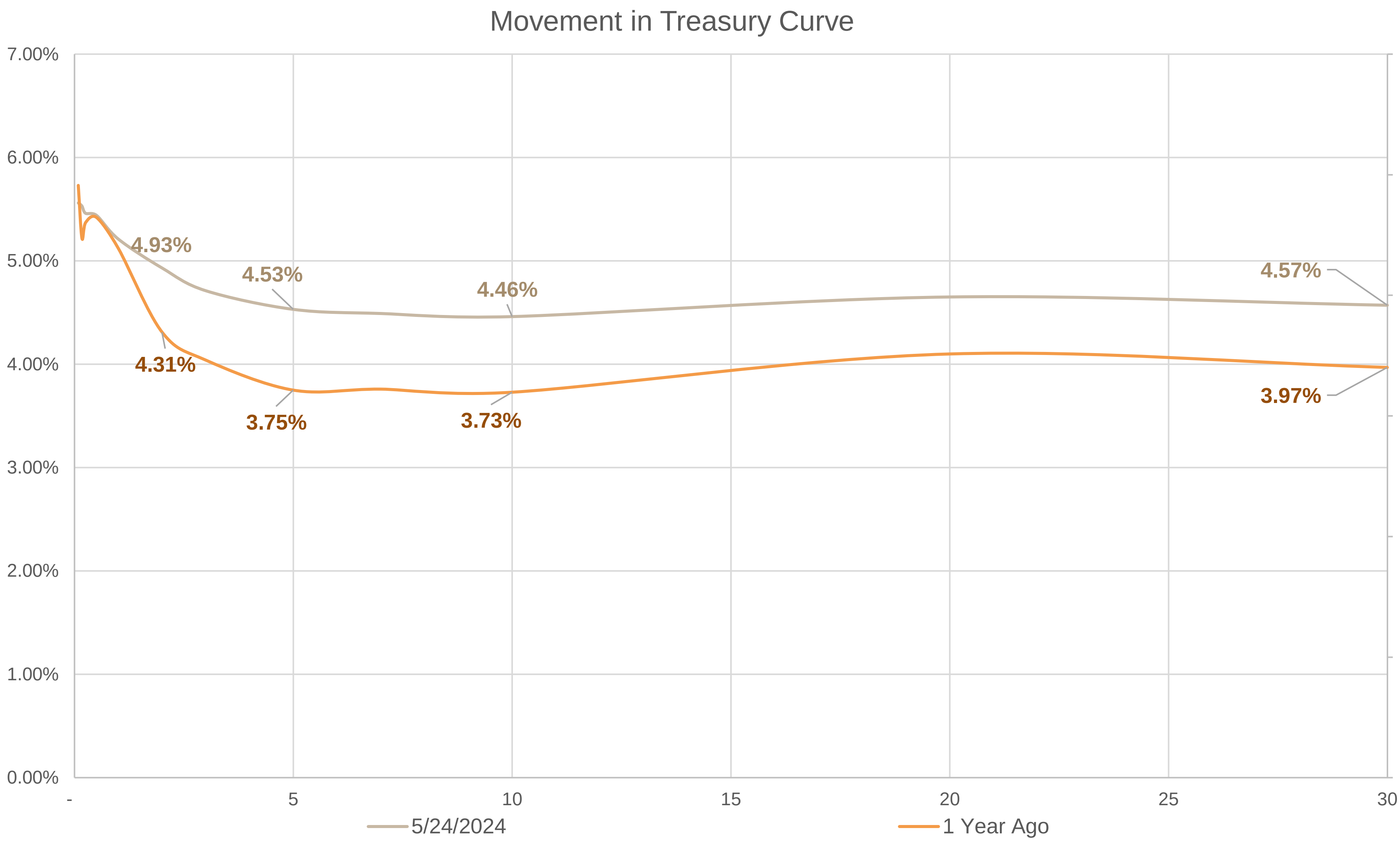
Current Interest Rates

Market-Implied Future Fed Funds Overnight Rates



Source: Bloomberg, as of 5/28/2024

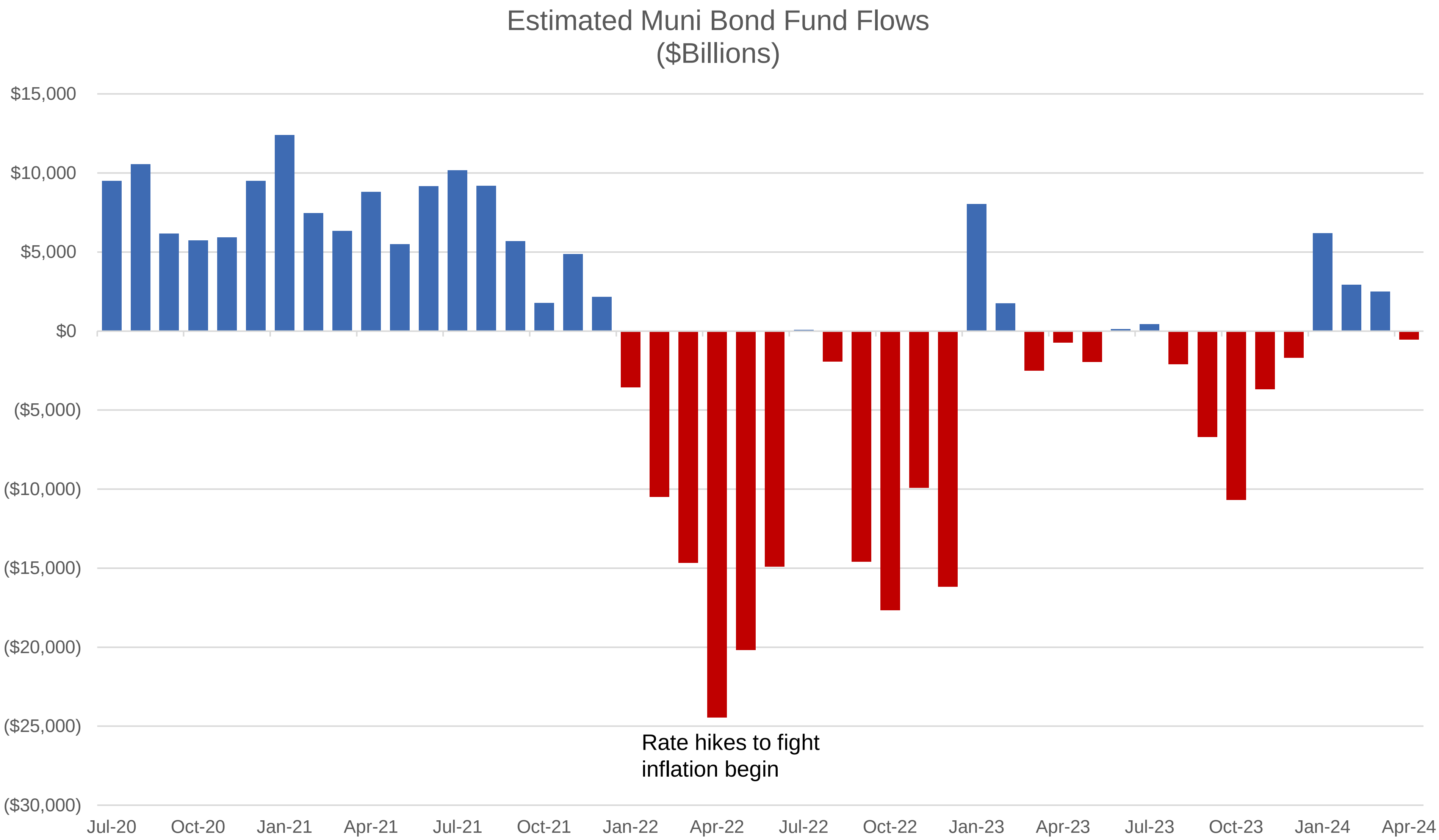
Yield Curve Remains Inverted



Source: Bloomberg, as of 5/28/2024

Note: Data labels shown on 2, 5, 10, 30 maturities.

Supply and Demand



Source: Investment Company Institute, as of 4/30/2024

Barclays / HFMA NFP Healthcare Conference

Themes from the Barclays / HFMA NFP Healthcare Conference

- Generative Artificial Intelligence ("AI") is an area of investment for hospitals and health systems

- Expenses remain elevated particularly with regards to labor

- Operating margins are returning to pre-pandemic levels albeit slower than expected

- Providers are experiencing a bifurcated recovery with larger systems faring better than single site and smaller system providers

Executive Director's Report

Maryland Health and Higher Educational Facilities Authority
Executive Director's Report
June 4, 2024

➢ Closings & Extensions

- Friends School of Baltimore - ($16.7MM) - Pinnacle Bank - Tax-exempt bank direct placement to refinance existing debt and finance renovations to the Lower School - Closed 5-16-24.

- Stevenson University - ($10MM) - Eagle Bank - Tax-exempt bank direct placement to finance a portion of the costs for the new Performing Arts Center - Closed 5-23-24.

➢ Waiver

- Hebrew Home of Maryland of Greater Washington - ($10.8MM) - Truist Bank (sole holder of parity debt) and MHHEFA consented to a waiver of HHGW's FYE 12/31/2023 debt service coverage violation - The organization was negatively impacted by inflation driven higher operating expenses and realized investment losses on its substantial portfolio - Cash flow was $2.7MM below the required level to achieve a minimum 1.10x debt service coverage ratio - Without the $3.3MM of realized investment losses, HHGW would have been in compliance - HHGW is a long standing provider of skilled nursing and assisted living services in Montgomery County and benefits from a strong balance sheet to support its mission - As of FYE12/31/2023, cash and investments exceeded $235MM.

➢ Operations

- MHHEFA is working with Robert Waters and CTI (managed IT service provider) to conduct an internal and external vulnerability assessment. This best practice allows MHHEFA to identify, evaluate and mitigate the consultants' recommendations.

➢ Outreach

- Foundation Schools (Laura Flemming, CFO) - Outreach to assist in evaluating extension options for its $3.7MM of debt held by WesBanco - 3-27-24.

- Charles County Nursing Home (Jacob Womble, Senior Vice President, WesBanco) - Call to discuss the organization's up-coming debt maturity and to receive an update on the Bank's approach - 5-17-24.

➢ **GOF Cash & Investments:** May 28, 2024: $35,249,903

➢ **Requisitions Processed:** May 28, 2024: $12,115,821