

Maryland Economic Development Corporation

Written Testimony for FY 2019

Background and History

MEDCO was created by the Maryland Legislature in 1984 to assist the state in its economic development efforts by owning real and personal property. The legislature gave MEDCO broad powers to accomplish its mission, including the authority to issue revenue bonds to finance its projects. In 2000, MEDCO's enabling legislation was broadened to allow it to assist other entities of government. MEDCO is managed by an Executive Director who is appointed by its Board with the approval of the Governor. The Executive Director reports to the Board of Directors, which is comprised of 12 members appointed by the Governor. Included on the MEDCO Board are the Secretaries of the Maryland Department of Transportation (MDOT) and the Maryland Department of Commerce (Commerce) or their designees.

MEDCO is staffed with nine employees and one part-time employee. The activities of MEDCO are divided between financing, project development, project administration and accounting. A significant portion of MEDCO's activities are focused on portfolio maintenance and ongoing oversight of its projects. MEDCO monitors its projects' compliance with the provisions of their financing documents to ensure that all of the terms and conditions of its loans are in compliance.

MEDCO structures its financings on a non-recourse, project-specific basis. The State of Maryland and MEDCO are not guarantors for the repayment of the bonds that are issued by MEDCO. The repayments of MEDCO bonds are limited to the revenues and the resources of each project.

Types of MEDCO Activities

Conduit Bond Issuance

MEDCO is a statewide issuer of conduit bonds. These bonds allow certain businesses that are eligible to borrow on a tax-exempt basis to arrange financing with their bank or access the capital markets and obtain a lower interest rate. The types of eligible borrowers are defined by the IRS and include nonprofits, certain manufacturers and other eligible tax-exempt activities such as port and transportation facilities. Conduit issuance is the core of MEDCO's business, and MEDCO has issued more than 200 of these types of bonds since its inception.

MEDCO-Owned Projects and Bond Issuance

MEDCO issues tax-exempt or taxable revenue bonds for projects that it will own and operate. Examples of these types of projects include the Chesapeake Bay Conference Center (Hyatt Cambridge), the University of Maryland College Park energy project, two of the Montgomery County business incubators and student housing projects. These are projects that are, from an accounting perspective, assets of MEDCO, and MEDCO operates each of these projects as a standalone business enterprise. MEDCO closely monitors the operating matrix and performance to ensure the projects are financially stable. When

a project is not financially stable, MEDCO works closely with the day to day management company to take corrective measures. In the case of its student housing facilities, MEDCO also includes the host university in crafting operating solutions. This activity requires close attention by MEDCO staff, and the Director of Bond Financing is tasked with assuring portfolio compliance.

MEDCO-Financed Lease Revenue Bonds

MEDCO has issued both taxable and tax-exempt lease revenue bonds to finance both State and Federal projects. In these transactions, the bond financing is secured by the lease agreement and, in some instances, the real property. The portfolio of lease revenue bonds includes the MDOT headquarters building, the Southwest Airlines terminal piers A&B, the Laboratory for Telecommunication Sciences on behalf of the US Army Corp of Engineers, the Hilton Street facility for the Department of General Services, the Maryland Public Health Laboratory which is under construction in east Baltimore and, most recently, the Maryland State Archives warehouse. In all of these projects MEDCO is actively involved through the procurement, development, financing and construction phases of the project. After construction, MEDCO's involvement is dictated by the lease agreements. By example MEDCO's involvement with the MDOT headquarters building is minimal while involvement with the State Health Lab will be ongoing, as MEDCO will actively oversee the building management and will work with the Department of Health and Mental Hygiene to ensure the facilities are functional in an optimal capacity.

Public Private Partnerships (P3s)

MEDCO has been at the forefront when conducting P3s in Maryland. The P3s include student housing projects, the University of Maryland College Park energy project and Seagirt Marine Terminal. Depending on how much private sector involvement is desired, P3s can take on a variety of structures, such as design, build, finance, operate and maintain, or as MEDCO has structured, a hybrid transaction in which the private sector is only engaged for the operations and maintenance portion of the project. MEDCO has also used private entities to design and build, but has retained the financing of the asset using tax-exempt financing. MEDCO has been working with MDOT on the Purple Line, where it is anticipated that MEDCO will issue the transportation revenue bonds for the project.

Tax Increment Financing (TIF)

While MEDCO is not an eligible issuer for TIF bonds in most jurisdictions, it was given the authority to issue TIF bonds for Baltimore City. Additionally, the statewide TIF legislation was expanded to provide enhanced features to support Transportation Oriented Development (TOD) projects, and in this past session, Sustainable Communities. MEDCO was named as an authorized issuer of TIF bonds in these designated areas and was also provided the capability to own certain acquired or improved assets. MEDCO financed and owns a parking garage in the Owings Mills Town Center in Baltimore County using its TOD TIF capabilities. MEDCO has been working closely with MDOT on other TOD opportunities, and there are several projects that MEDCO may be able to assist in developing and/or financing.

Commerce Sponsored Projects

MEDCO has developed industrial parks, spec buildings and other types of facilities in areas where private developers will not invest funds and in One Maryland jurisdictions. These projects are oftentimes funded by Commerce and MEDCO will, when available, apply for other funding through the host county, USDA, US-EDA and or ARC. MEDCO will hold the property and work collaboratively with the host-county and Commerce to either lease or sell the property. MEDCO also maintains a portfolio of loans that originated through Commerce to industrial and other types of business users. MEDCO is currently working with Commerce and Montgomery County to repurpose the Shady Grove Innovation Center into a facility that will be used as the National Cybersecurity Center of Excellence (NCCoE). This facility became operational in January 2016.

Consulting and Advisory Services

MEDCO has worked with local governments in the procurement of economic feasibility or other technical studies. These studies are usually funded through partner governmental agencies. MEDCO assists the governmental entity by writing the request for proposals and developing the scope of the engagement to assure the proper elements are obtained to make a decision for a project. MEDCO has worked with MDOT on the Purple Line to procure and contract the financial transaction advisor, and will work closely with MDOT to assist with the structuring of the project. MEDCO is involved in several state organizations such as the Bainbridge Development Corporation and PenMar Development Corporation.

Below are highlights from MEDCO's 2017 Annual Report.

<u>Bond Financed Projects in FY 2017</u>

MEDCO's bond financed projects encourage business activities, retain businesses, relieve unemployment, promote the welfare of State residents, and generally promote economic development in the State.

For the fiscal year ending June 30, 2017, MEDCO provided bond financing for the following projects:

Easter Seals Series 2016: On December 1, 2016, MEDCO issued its non-recourse, private activity revenue bonds in the principal amount of \$5,935,000 named Maryland Economic Development Corporation Revenue Refunding Bonds (Easter Seals Project) Series 2016 (the "Series 2016 Bonds") for Easter Seals Serving DC | MD | VA, Inc., a not-for-profit organization providing therapeutic services to children and adults with disabilities and special needs and their families in the District of Columbia and portions of Maryland, Virginia and West Virginia (the "Borrower").

MEDCO loaned the bond proceeds of the Series 2016 Bonds to the Borrower for the purposes of (i) refunding MEDCO's outstanding Variable Rate Demand Revenue Bonds (Easter Seals Facility) Series 2006 (the "Prior Bonds") and (ii) financing certain costs relating to the issuance of the Series 2016 Bonds.

The bond proceeds of the Prior Bonds were used for the purposes of (a) financing, refinancing, or reimbursing the costs of (1) the construction of a building containing approximately 41,000 square feet above grade and underground parking containing approximately 34,000 square feet on a parcel of land

containing approximately 0.6 acres owned by the Borrower and located at 1420 Spring Street, Silver Spring, Maryland; (2) the acquisition and installation of certain necessary or useful furnishings, fixtures, equipment or machinery; and (3) the acquisition of such interests in land as may be necessary or suitable for the foregoing, including roads and rights or access, utilities and other site preparation facilities and (b) paying costs of issuance of the Prior Bonds.

The Prior Bonds were backed by a letter of credit with M&T Bank, and both M&T Bank and the Borrower were interested in switching the financing to a bank held structure. By refinancing the Prior Bonds, the Borrower was able to take advantage of lower interest rates. The Series 2016 Bonds bear interest at a fixed rate pegged to one month LIBOR and have a 20-year maturity and amortization from closing. Payment on the Series 2016 Bonds is secured by a first lien on the Borrower's property located at 1420 Spring Street, Silver Spring, Maryland.

Towson University Series 2017: On May 7, 2017, MEDCO issued its non-recourse, tax-exempt revenue bonds in the principal amount of \$30,625,000 named Maryland Economic Development Corporation Senior Student Housing Project and Refunding Revenue Bonds (Towson University Project) Series 2017 (the "2017 Bonds") at the request of Towson University (the "University") to refund its Maryland Economic Development Corporation Senior Student Housing Revenue Bonds (Towson University Project) Series 2007 A (the "2007 A Bonds") and to fund certain capital improvements to the student housing facility known as Millennium Hall located on the campus of the University ("Millennium Hall"). The 2017 Bonds were issued as additional bonds under the documents for the 2007 A Bonds.

Proceeds of the 2017 Bonds were used to (i) currently refund MEDCO's 2007 A Bonds originally issued in the aggregate principal amount of \$33,485,000, (ii) fund certain capital improvements to Millennium Hall ("2017 New Money Bonds"), (iii) make a deposit to the debt service reserve fund securing the \$15,590,000 Maryland Economic Development Corporation Senior Student Housing Revenue Bonds (Towson University Project) Series 2012 (the "2012 Bonds") and the 2017 Bonds, and (iv) pay the costs associated with issuing the 2017 Bonds.

The proceeds of the 2007 A Bonds were used to (i) pay the costs of the acquisition, construction, furnishings, and equipping of a 668-bed student housing facility located on a parcel of land owned by and on the campus of the University leased to MEDCO (the "2007 Project"), (ii) establish a debt service reserve fund for the 2007 A bonds, (iii) pay interest to accrue on the 2007 A bonds through February 1, 2009, and (iv) pay working capital and marketing costs associated with the opening of the 2007 Project.

The proceeds of the 2012 Bonds were used to (i) purchase the leasehold estate that includes the 420-bed Millennium Hall facility, (ii) make a deposit to the debt service reserve fund securing the 2007 A Bonds and the 2012 Bonds, and (iii) pay the costs associated with issuing the 2012 Bonds.

MEDCO owns both the 2007 Project and Millennium Hall and uses the combined revenues from the facilities to fund operating expenses, debt service, and required reserve funds. The 2017 Bonds bear interest at a fixed rate and will amortize to produce approximately level debt service over their 20-year maturity. The 2017 Bonds, rated BBB by S&P Global Ratings, are secured by revenues from, improvements on and a leasehold interest in land from the 2007 Project and Millennium Hall and are further supported by a debt service reserve fund.

The 2017 New Money Bonds will allow for MEDCO to fund necessary capital improvements to Millennium Hall which will provide University students and the University a better student housing facility. The refinancing of the 2007 A Bonds generates debt service savings that almost fully offset the increased debt service from the 2017 New Money Bonds. Additionally, the refinancing will accelerate repayment of the 2007 B Bonds and 2017 Bonds which will result in a faster transfer of the 2007 Project to the University.

Owings Mills Metro Centre at Owings Mills Series 2017: On June 22, 2017, MEDCO remarketed its non-recourse, tax-exempt revenue bonds in the principal amount of \$32,345,000 named Maryland Economic Development Corporation Special Obligation Bonds (Metro Centre at Owings Mills Project) Series 2017 (Tax-Exempt) (the “2017 Bonds”).

The 2017 Bonds were remarketed for the purpose of financing and refinancing (i) the costs of the construction, furnishing and equipping of a parking garage containing 2,138 spaces and related improvements, (ii) capitalized interest and accrued and paid interest on the \$32,345,000 Maryland Economic Development Corporation Special Obligation Bonds (Metro Centre at Owings Mills Project) Series 2014 (Taxable) (the “2014 Bonds”), (iii) certain south parcel administrative expenses, (iv) a debt service reserve fund for the 2017 Bonds, and (v) costs of remarketing the 2017 Bonds.

MEDCO used the proceeds of the 2014 Bonds to (i) pay the costs of the acquisition, construction, furnishing and equipping of storm water management improvements, water improvements, sewer improvements, roads, site grading relating to the foregoing, landscape and hardscape improvements and a parking garage containing 2,138 spaces (the “Project”) (including reimbursement of expenditures previously incurred in connection therewith), (ii) pay certain capitalized interest, (iii) establish a debt service reserve fund for the 2014 Bonds, (iv) pay certain administrative expenses, and (v) pay the costs of issuing the 2014 Bonds.

The Project is located on land in Baltimore County (the “County”) owned by the Maryland Transit Administration, leased to Owings Mills Transit LLC, sub-leased to the Metro Centre Garage II LLC (the “Developer”), and sub-sub-leased to MEDCO. MEDCO owns the Project and contracts with the Developer to manage the Project for the term of the sub-sub-lease through April 30, 2054, after which time the ownership of the Project will revert to the Developer.

The 2014 Bonds were taxable until they were converted into tax-exempt, fixed-rate and fully-amortizing bonds with the 2017 remarketing. The 2017 Bonds have a final maturity of July 1, 2044.

The 2017 Bonds are tax increment financing bonds and will be paid from the incremental increase in real property tax receipts (the “Tax Increment”) collected by the County on property owned by the Developer or its affiliates and located within a development district in the area surrounding the Project. The 2017 Bonds are also supported by special tax receipts assessed and collected by the County on property owned by the Developer or its affiliates and located within a special taxing district (the “South Parcel Special Taxing District”) in the event the Tax Increment is insufficient to pay debt service on and other administrative costs of the 2017 Bonds. The costs of operating the Project will be funded from a second special tax assessed and collected annually by the County on property located within the South Parcel Special Taxing District.

Annie E. Casey Foundation, Inc. Series 2017: On June 29, 2017, MEDCO issued its non-recourse, tax-exempt revenue bond (the “Bond”) in the principal amount of \$16,331,000 named Maryland Economic Development Revenue Bond (The Annie E. Casey Foundation Project) Series 2017 (the “Bond”) for the Annie E. Casey Foundation, Inc. (the “Borrower”), a Maryland not-for-profit charitable organization.

MEDCO loaned the proceeds of the Bond to the Borrower to finance or refinance (1) (a) certain renovations to either of its existing buildings located at 701 St. Paul Street, Baltimore, MD 21201 and 501-515 N. Charles Street, Baltimore, MD 21201, (b) the acquisition and installation of certain necessary or useful furnishings, fixtures, equipment or machinery, and (c) the acquisition of such interests in land as may be necessary or suitable for the foregoing, including roads and rights of access, utilities and other site preparation facilities (the “Project”) and (2) costs of issuance of the Bond and other transaction related costs to the Project.

The Borrower is a not-for-profit charitable organization devoted to developing a brighter future for children at risk of poor educational, economic, social and health outcomes across the country. Headquartered in Baltimore, the Borrower makes grants that help federal agencies, states, counties, cities and neighborhoods create more innovative, cost-effective responses to the issues that negatively affect children: poverty, unnecessary disconnection from family and communities with limited access to opportunity. The Project represents the Borrower’s long term commitment to Baltimore and allows for the Borrower to support its current staff in Baltimore while also providing flexibility for future growth. Approximately 180 of the Borrower’s 200 employees are based out of its two Baltimore City buildings.

The Bond was purchased and will be held by Compass Mortgage Corporation. The Bond has a 15-year maturity and bears interest at a variable rate pegged to 1 month LIBOR. The Borrower will make monthly payments and the bond will fully amortize over the 15-year term.

Loan Financed Projects in FY 2017

MEDCO’s loan-financed projects encourage and aid the development of business within Maryland’s expanding technology sector.

For the fiscal year ending June 30, 2017, MEDCO provided funding assistance to the following entity:

Maryland Center for Construction Education and Innovation, Inc.: In September 2016, MEDCO loaned \$200,000 to the Maryland Center for Construction Education and Innovation, Inc. (“MCCEI”) to assist in funding MCCEI’s operations while MCCEI awaited receipt of appropriations from other State and local partners. The loan will bear interest at a fixed rate over a seven-year term and will be paid in annual installments plus applicable interest until the end of the term or until the loan is repaid in full. MEDCO’s loan to MCCEI enables MCCEI to continue its mission of establishing a world-class education system for Maryland’s construction industry. The loan allows MCCEI to further its goals of: 1) ensuring that Maryland’s education system, including secondary and post-secondary-schools, becomes a reliable feeder for construction industry demand, 2) raising awareness of career opportunities in construction and creating a new paradigm for construction professional from GED to PhD, and 3) creating

an information marketplace for Maryland's fragmented construction industry to include training, education, and other resources for career seekers, training providers, the industry and governmental leaders.

Morgan State University Student Housing Project Equipment Loan: In March 2017, Morgan State University ("MSU") requested that MEDCO assist in financing information technology network upgrades for the MEDCO-owned Morgan View student housing project ("Morgan View") located at 1500 Pentridge Road, Baltimore, Maryland 21239. The network upgrades will allow Morgan View to keep pace with similar IT upgrades made across the MSU campus. The full cost of the IT upgrades was financed totaling \$1,113,785.45. The loan bears interest at a fixed rate and will be repaid in full by MSU over a period of 7 years from future ground rent payments to be received from Morgan View.

Portfolio Project Updates

National Cybersecurity Center of Excellence: In September 24, 2012, NIST obtained a program of requirement for an off-campus facility to house the NCCoE program. In early 2013, NIST approached the Montgomery County ("County") and expressed interest in redeveloping the facility in order to accommodate the NCCoE and auxiliary cybersecurity incubator efforts. Commerce and the County requested MEDCO's support and assistance in transforming the facility into the NCCoE, including but not limited to: cooperating with the County in amending certain agreements; engaging an architecture firm to create a redevelopment plan; securing redevelopment funding through options available to MEDCO; and overseeing the redevelopment of the Facility to accommodate the NCCoE program.

In December 2015, MEDCO completed the approximately \$11M renovation of a 57,000sq/ft the Shady Grove Innovation Center facility, located at 9700 Great Seneca Highway, Rockville, MD (the "Facility"), to transform the Facility's usage from a biology and information technology business incubator into the National Cybersecurity Center of Excellence ("NCCoE"). The NCCoE program was established in 2012, through a partnership and a Memorandum of Understanding between the National Institute of Standards and Technologies ("NIST"), the Department of Commerce ("Commerce") and the County's Department of Economic Development, and is dedicated to furthering innovation through the rapid identification, integration and adoption of practical cybersecurity solutions. The NCCoE is part of the NIST Information Technology Laboratory and operates in close collaboration with NIST's Computer Security Division. The NCCoE integrates commercially available technologies to build practical cybersecurity solutions that can be rapidly applied to the real challenges that businesses face each day. The off-campus facility will be used to attract private companies to the center to collaborate on advanced and innovative solutions to the private sector's cybersecurity needs.

Since the completion of the renovations in December 2015, MEDCO has continued to support, in coordination with NIST, the facility through providing ongoing operational management services and capital improvements to the facility. In July 2017, under the coordination of MEDCO, an approximately \$600,000 upgrade to one of the facility's datarooms reached completion; nearly doubling the facilities data storage and computing capabilities.

Maryland State Archives: On October 3, 2014, MEDCO issued its non-recourse, tax-exempt revenue bonds in the amount of \$9,200,000 named Maryland Economic Development Corporation

Revenue Bond (Maryland State Archives Project) Series 2014 and used the bond proceeds along with \$2,300,000 of MEDCO funds (the “MEDCO Contribution”) to acquire approximately 5.9 acres of land located at 2255 Rolling Run Drive, Woodlawn, Maryland 21244, which contained an approximately 134,240 square foot building previously used by the Social Security Administration as a record retention facility (the “Project”).

MEDCO owns the Project and entered into an Intergovernmental Lease Agreement (the “Lease”) with Maryland State Archives (“MSA”) for the use of the Project for an initial fifteen year term. MSA has occupied the Project since the execution of the Lease and has the option to renew the Lease for up to two additional ten year terms. MSA makes monthly payments as required by the Lease (the “Lease Payments”) which repay the outstanding debt service and the MEDCO Contribution. In addition to Lease Payments, MSA also pays for operating expenses associated with the Project. With the Lease, MSA was able to consolidate its operations from three separate leased facilities into one at the Project and benefits from the Project building’s environmental control to protect the stored records.

In late June 2016, MEDCO initiated renovations to the Project to improve and accommodate the furtherance of certain archival storage, restoration, and preservation efforts of MSA. Renovations to the Project included the complete overhaul of the HVAC system (including roof top cooling units), a new roofing system, the addition of a back-up generator, the reconfiguration and refinish of two stories of office space, and other improvements to the Project aligned with the archival nature of its usage. Renovations to the facility were completed in early January 2017, a month ahead of initial project schedule and under budget.

MSA continues to populate, in coordination with MEDCO, the Project with specialty storage units, State records, artistic property and data management devices. Plans are in place to apply the savings from the completed interior renovations towards improvements to the exterior building envelope as well as additional upgrade improvements during fall of 2017 to spring of 2018.

Consultancies, Studies, and Reports

Excel Maryland: In March 2017, Johns Hopkins University, the University System of Maryland and the Maryland State Department of Commerce requested the assistance of MEDCO in engaging a consultant and coordinating efforts to undertake a study to provide independent analysis and objective assessment of the State of Maryland’s existing life science and information technology sectors (with a particular focus on cyber security) and provide customized recommendations in developing and implementing strategic initiatives and investments that will accelerate innovation-driven commercial activity and economic development in the State of Maryland. In April 2017, MEDCO engaged a consulting team to undertake the study and, throughout the summer of 2017, MEDCO coordinated over 200 interviews with stakeholders (including, but not limited to, representatives from academia, government, industry, emerging companies, entrepreneurs, and investors) and the consultants.

The final report was issued to Johns Hopkins University, the University System of Maryland and the Maryland State Department of Commerce in September 2017. Since the issuance of the final report, Johns Hopkins University, the University System of Maryland, the Maryland State Department of Commerce, and the Technology Development Corporation have requested MEDCO’s additional assistance to coordinate the implementation of an action plan to accelerate innovation-driven commercial

and economic development activity and create an ecosystem of innovation within the State of Maryland as recommended by the report.

Magnetic Levitation (MAGLEV) Train Project: The Maryland Department of Transportation (“MDOT”) requested MEDCO’s assistance to join as co-applicant for Federal Railway Administration grant funding in support of performing a study to develop a “super conducting” MAGLEV train between Washington and Baltimore. MEDCO also entered into an Economic Development Cooperative Agreement with the Baltimore-Washington Rapid Rail, LLC, a private firm, which in partnership with the Japanese Central Railroad, is proposing to construct the train and provide the 20% non-federal match funds to perform the environmental and engineering study. MEDCO is providing assistance to MDOT in the administration and management of the federal and private grant funds to complete the study by the summer of 2019.

Baltimore City Community College Bard Building Project: The Baltimore City Community College requested the consulting services of MEDCO to assist in the evaluation of property disposition options in the overall redevelopment of the Inner Harbor Campus, consistent with educational mission and economic and community development goals and objectives of College and Baltimore City. MEDCO is assisting in the solicitation of a potential private partner to redevelop the 1.2 acre parcel at 600 E. Lombard Street, which is the site of the vacant 163,508 GSF Bard Building.

Prince George’s Stadium Repurposing Feasibility Study: MEDCO was requested to assist in the procurement and oversight of a study to determine the feasibility and sustainability of repurposing the Prince George’s Stadium into a multi-sports stadium by the Maryland National Capital Park and Planning Commission (“MNCPPC”) which funded the entire cost of the study. The study initiated in late December 2016- early January 2017, with preliminary draft findings delivered in July 2017 and secondary cost projections delivered in October 2017. The study is scheduled for completion in early 2018.

Prince George’s County Performance Art Center Feasibility Study: MEDCO was requested to assist in the procurement of a market and economic feasibility study for a performance arts center in Prince George’s County (the “County”) which supports a significant growing arts community. The County and MNCPPC sought to explore the possibility of constructing a new performance arts center and desired assistance in conducting a County-wide study to determine the feasibility and sustainability of a new performance arts center based on an analysis of the demographics and potential locations within the County, region and State. MNCPPC funded the entire cost of the study. The study concluded in July 2017 and the findings were presented to MNCPPC. Subsequently in August 2017, MNCPPC indicated its interest to engage MEDCO in pursuing an additional architectural study, construction pricing and concept plan for one of its performing arts centers.

One Maryland Projects

The General Assembly intends that MEDCO assist governmental units as well as State and local economic development agencies in contributing to the expansion, modernization, and retention of existing enterprises in the State as well as the attraction of new business to the State. MEDCO follows through on

these intentions through its continued involvement with One Maryland projects. The One Maryland Program is funded by the Maryland Department of Commerce (Commerce) and provides economic development assistance to economically distressed jurisdictions. MEDCO assisted One Maryland projects have been completed in Allegany County, Garrett County, Dorchester County, Worcester County, Caroline County, Somerset County and Baltimore City.

MEDCO's FY 2017 involvement in One Maryland projects includes:

Barton Farms Business Park, Allegany County: Developed by MEDCO and located south of Cumberland on US Route 220, the project initially included land acquisition, permitting, installation of utilities and site preparation. In June of 2004, approximately 40 acres were sold to American Woodmark Corporation. In May 2015, the Allegany County purchased approximately 27.5 acres of land from MEDCO in order to construct a flex building to attract businesses to the project. The flex building was completed in late spring 2016. MEDCO, Allegany County and Commerce continue to market the remaining property to technology based businesses looking to relocate to the Western Maryland region.

Pocomoke Flex Building, Worcester County: Constructed by MEDCO in 2002, the Pocomoke Flex Building is a 43,000 square foot industrial shell building that provided the County with marketable flex space. In 2006, Mid-Atlantic Institute for Space and Technology ("MIST") master leased the entire building. In 2007, MIST and MEDCO co-applied for and MIST was awarded an EDA grant totaling \$200,000. The award provided for interior improvements to expand existing workspace within the building. In February 2012, MIST relinquished its master lease of the facility. In June 2015, MEDCO master leased the entire facility to Hardwire, LLC for a term of ten years. Hardwire, LLC utilizes the building to expand its manufacturing capabilities and workspace, and has an option to purchase the building at the end of the lease term.

Maryland Economic Development Assistance Authority and Fund (MEDAAF) Project

MEDCO is enabled by statute to receive funds from the Maryland Department of Commerce (Commerce) under MEDAAF in furtherance of its economic development activities.

MEDCO's FY 2017 involvement in MEDAAF projects include:

Patuxent Business Park: In 2000, MEDCO, with Commerce financing, purchased approximately 92 acres of land for the development of a business park in Calvert County, Maryland. The park was designed for Class A office and flex space. In 2005, MEDCO secured additional Commerce funding for the continued ongoing costs of engineering, design, permitting and construction of infrastructure; completed around 2007. In February 2016, Dominion Cove Point LNG purchased lot 6 of the park and completed the construction an approximately 20,000 sq /ft office/warehouse building and a helicopter pad on the lot in furtherance of Dominion's liquid natural gas initiatives in Calvert County. MEDCO and County continue to use the services of a commercial broker to assist with marketing efforts and increase exposure of the park to potential buyers.

Tradepoint Atlantic: In March 2016 MEDCO applied for, and in August 2017 received, \$2,000,000 in MEDAFF funds to be used for certain costs of site and infrastructure improvements along and to Tradepoint Avenue adjacent to Under Armour, Inc.'s approximately 1,000,000 sq/ft facility at

Tradepoint Atlantic in Baltimore County. The site and infrastructure improvements along and to Tradepoint Avenue are projected to be completed no later than November 2017.

Student Housing Projects

MEDCO provides assistance to Maryland's higher education entities through the bond financing and ownership of student housing projects. These projects enable Maryland's higher education entities to attract and house students without adversely affecting their State mandated debt capacities.

In these student housing projects, MEDCO assumes project ownership by way of ground leases that terminate contemporaneously with the repayment of the bonds issued by MEDCO to finance each project. Upon repayment of the bonds, the ownership of these projects reverts to the ground lessor.

The following is a brief summary of the student housing currently owned/ground leased by MEDCO and the debt outstanding for each project as of June 30, 2017:

Projects that revert to the University System of Maryland upon repayment of MEDCO bonds:

- **Bowie State University, Prince George's County** - \$15,610,000 - 460 beds
- **Frostburg State University, Allegany County** - \$13,530,000 - 406 beds
- **Salisbury University, Wicomico County** - \$22,190,000 - 890 beds
- **Towson University, Baltimore County** - \$45,895,000 - 1,088 beds
- **University of Maryland, Baltimore** - \$26,440,000 - 337 beds
- **University of Maryland, Baltimore County** - \$20,245,000 - 578 beds
- **University of Maryland, College Park** - \$133,075,000 - 2,933 beds

Projects that revert to Morgan State University upon repayment of MEDCO bonds:

- **Morgan State University, Baltimore City** - \$28,640,000 - 794 beds

Projects that revert to Sheppard Pratt Health Systems upon repayment of MEDCO bonds:

- **University Village at Sheppard Pratt, Baltimore County** - \$19,145,000 - 615 beds

Information and Biological Technology Incubator Projects

In the legislative findings which were part of the basis for MEDCO's creation, the General Assembly of Maryland determined that the State's economy continues to experience technological change

and that such change may result in economic contraction and dislocation, but affords opportunities to expand productive employment and expand the State's economy and tax base. MEDCO capitalizes on these opportunities through its continued ownership of and involvement in information and biological technology incubator projects.

An overview of those five incubators, as well as an overview of the virtual licensee program, includes:

Montgomery College Germantown Innovation Center (GIC): In September 2008, Montgomery College ("College") and Montgomery County Department of Economic Development renovated a vacant 67,000 square foot commercial building adjacent to Montgomery College's Germantown Campus. The County subleases the second floor (roughly 35,000 SF) from the College for the GIC. The GIC includes 12 labs, two clean room facilities and 8,500 square feet of office space. GIC companies have access to business resources including training, development, and best practices seminars led by industry experts, free counseling and legal services. MEDCO assisted in the construction of the GIC and continues to assist the GIC as its conduit manager.

Currently the GIC accommodates 18 companies that support 92 employees. The GIC supports 6 virtual companies that have a total of 10 employees.

Rockville Innovation Center (RIC): On July 12, 2007 MEDCO obtained a loan in the amount of \$4,700,000 from Mercantile Potomac Bank (now PNC Bank) for the construction of a two-story information technology incubator as part of a five-story mixed use building in Rockville, Maryland. RIC companies have access to business resources including training, development, and best practices seminars led by industry experts, free counseling and legal services. The RIC is backed by an operational grant agreement between MEDCO and Montgomery County. MEDCO is the owner and conduit manager of the RIC.

Currently, the RIC accommodates 17 companies that support 109 employees. The RIC supports 12 virtual companies that have a total of 8 employees. Two companies at RIC have both physical office agreements as well as a virtual agreement.

Silver Spring Innovation Center (SSIC): The SSIC is a 40,000 square foot building located in and owned by Montgomery County. The SSIC is an information technology incubator that excels in providing fast and efficient telecommunication connections for all of its companies. SSIC companies have access to business resources including training, development, and best practices seminars led by industry experts, and free counseling and legal services through the Maryland Intellectual Property Legal Resource Center. MEDCO is the conduit manager of the SSIC.

Currently, the SSIC accommodates 9 companies and supports 56 employees. The SSIC supports 4 virtual companies that have a total of 13 employees.

Incubator Without Walls (IWW): As of June 2016, the former Wheaton Business Innovation Center ("WBIC") was rebranded as the IWW. The IWW uses an approximately 10,000 square feet office and conference room space where companies were provided access to business resources including training, development, and best practices seminars led by industry experts, free counseling and legal

services, networking conferences, and business counseling to offer start-up companies with the same level of business support provided by the WBIC, with the exception that this support is provided directly by hired consultants to start-up companies, rather than the companies receiving such support within a physical building.

The IWW has provided consulting and assistance to over 65 small businesses since its inception.

Virtual Licensees: In the spirit of Great Britain's HUB concept, MEDCO and Montgomery County collectively designed a concept that would allow researchers, scientists and entrepreneurs with limited capital the usage of certain incubator resources on a scheduled basis for a minimal monthly fee. Such resources include mailbox space, shared office resources (phone, fax, copy machine, computers, etc.), conference rooms and access to programs offer at the various incubators located in Montgomery County.

There are currently 22 virtual licensees utilizing the incubators located in Montgomery County.

Emerging Technology Center @ Johns Hopkins Eastern (ETC Eastern): MEDCO received financial commitments from the Department of Business and Economic Development, the Maryland Technology Development Corporation, US Department of Commerce-Economic Development Administration, Baltimore Development Corporation and Johns Hopkins University, and employed both federal and State historic tax credits to assist in the building out of space within the former Eastern High School in Baltimore City. MEDCO leases one floor of the facility from Johns Hopkins University to accommodate the ETC Eastern and acts as conduit manager for the ETC Eastern.

The ETC Eastern facility contains approximately 45,800 square feet of office space, distributed over 35 separate offices and 10 cubicle spaces. The ETC Eastern is managed and financially supported by the Baltimore Development Corporation and provides its information technology companies with an assortment of business assistance services.

In FY 2017, the ETC Eastern graduated 4 companies. Currently, the ETC Eastern accommodates 25 companies that support 141 employees, and works with 18 virtual tenants.

bwtech@UMBC Incubator and Accelerator: The bwtech@UMBC Incubator and Accelerator is a nationally-recognized life-science and technology business incubation program that is home to over 30 early-stage bioscience and technology companies. bwtech@UMBC is managed by UMBC and owned by MEDCO. Companies enjoy 165,000 square feet of affordable office and wet lab space, flexible lease arrangements, as well as access to resources and networking opportunities to help their businesses succeed. An experienced entrepreneurial services staff provides resident companies with general business support services and access to an active network of mentors and investors.

Since its inception in 1989, the bwtech@UMBC Life Science and Technology Incubator has graduated 84 companies, including Celsis/InVitro Technologies, Next Breath LLC, AVicode Inc. and Noxilizer, Inc. and currently accommodates 46 companies that support 255 employees.

Active Bond Financed Projects

MEDCO's financed projects encourage business activities, retain businesses, relieve unemployment, promote the welfare of State residents, and generally promote economic development in the State.

Since its inception in 1984, MEDCO has provided financing for hundreds of projects. Below is a list of MEDCO's active financed projects to date:

Bond Financed and Owned Projects

Human Genome Sciences Series 1997
Human Genome Sciences Series 1999
Laboratory for Telecommunications Science Facility Series 2003
Chesapeake Resort and Conference Center Series 2006
Maryland Department of Transportation Series 2010
Maryland Public Health Laboratory Series 2011
Morgan State University Series 2012
Salisbury University Series 2012
Sheppard University Series 2012
Towson University Series 2012
Maryland Aviation Administration Series 2012
Salisbury University Series 2013
Frostburg State University Series 2013
Maryland State Archives Series 2014
Bowie State University Series 2015
University of Maryland, Baltimore Series 2015
University of Maryland, College Park Series 2016
University of Maryland, Baltimore County Series 2016
Metro Centre at Owings Mills Series 2017
Towson University Series 2017
Capitol Technology University Series 2017

Conduit Bond Financed Projects

Dietz & Watson, Inc. Series 1999
Maryland Soccer Foundation Series 2000
The Arc of Howard County Series 2000
Goodwill Industries of Monocacy Valley, Inc. Series 2001
Phenix (Redrock, LLC) Technologies, Inc. Series 2002
Blind Industries and Services of Maryland Series 2003
University of Maryland Alumni Association Series 2003
Maryland Science Center Series 2003
YMCA Metro Washington Series 2005
Prologue, Inc. Series 2005
Canusa Hershman Recycling, LLC Series 2005

Potomac Electric Power Company Series 2006
Catholic Relief Services, Inc. Series 2007
Gamse Lithographing Company, Series 2007
Lutheran World Relief Series 2007
Opportunity Builders, Inc. Series 2007
United States Bullet Proofing Series 2007
Howard Hughes Medical Institute Series 2008
Linemark Printing Series 2008
Jewish Council for Aging Series 2009
Crossroads Partnership, LLC Series 2009
Ardmore Enterprises, Inc. Series 2009
Seagirt Marine Terminal Series 2010
CNX Marine Terminal Series 2010
Gold Crust Baking Series 2010
Federation of America Societies for Experimental Biology Series 2010
Emerge Series 2010
Arc of Baltimore (BARC) Series 2010
Cornell Associates Series 2010
Living Classroom Foundation Series 2010
Providence Center Series 2010
The Baltimore Museum of Art Series 2010
The Maryland Food Bank Series 2010
The Arc of Prince George's County Series 2010
University of Maryland College Park Utility Infrastructure Series 2011
YMCA of Central Maryland Series 2011
United States Pharmacopeial Convention Series 2012
Your Public Radio Corporation Series 2012
American Urological Association Series 2012
Universities Space Research Association Series 2012
Arundel Lodge Series 2013
Washington Research Library Consortium Series 2013
Santa Barbara Court Series 2013
Chesapeake Bay Foundation Series 2013
Hospice of the Chesapeake Series 2014
Allegany College Series 2014
929 N. Wolfe Street Series 2014
Lyon Bakery Series 2014
Compass, Inc. Series 2015
Purple Line Light Rail Series 2016
Easter Seals Series 2016
Annie E. Casey Foundation, Inc. Series 2017
AFCO BWI II, LLC Series 2017
PRG Towson Place Properties, LLC Series 2017

Loan and Grant Financed Projects

UMBC Research Park
Chesapeake College
Hilton Street
Simon Pearce
Barton Business Park
Pocomoke Flex Building
Patuxent Business Park
Emerging Technology Center- Eastern High
Rockville Innovation Center
Germantown Innovation Center
Incubator Without Walls
UMBC Tech Center
Silver Spring Innovation Center
National Cybersecurity Center of Excellence

Advisory Capacity

MEDCO, through the involvement of its staff, directly promotes economic development and assists in maximizing new economic opportunities in the State by active service in board memberships and advisory positions within various organizations throughout the State. These organizations include:

Maryland Industrial Partnership (MIPS): MIPS promotes the development and commercialization of products and processes through research partnerships between universities and industries. MEDCO’s Executive Director is a member of MIPS’ advisory board.

PenMar Development Corporation: The PenMar Development Corporation is solely focused on the redevelopment of the Fort Richie site. MEDCO’s Executive Director serves as an ex-officio member of the board of directors.

Bainbridge Development Corporation: The purpose of the Bainbridge Development Corporation is to develop the Bainbridge Naval Training Center and to accelerate the transfer of the site to the private sector. MEDCO’s Executive Director is an ex-officio member of the board of directors.

Emerging Technology Centers (ETC): The ETC is a non-profit business incubator venture of the Baltimore Development Corporation that helps early-stage companies grow and prosper. MEDCO’s Executive Director serves as a member of the ETC’s advisory board.

Maryland Economic Development Association (MEDA): MEDCO’s Executive Director is a member of MEDA’s Past Presidents. Past Presidents provide economic development consulting services to parties requesting services. Additionally, MEDCO’s Associate Director for Development and Information Technology serves on MEDA’s program committee.

Maryland Department of Housing and Community Development, Revenue Bond Advisory Board: The purpose of the Revenue Bond Advisory Board is to provide independent advice and expertise to the Department of Housing and Community Development on the issuance of revenue bonds by the

Department, and the policies and procedures related to the issuance of those revenue bonds. MEDCO's Executive Director serves as a member of the Revenue Bond Advisory Board.

Excel Maryland: MEDCO's Executive Director was appointed to the steering committee for the Excel Maryland initiative. The committee coordinates and administrates the Excel Maryland initiative which focused on developing new collaborative strategies to accelerate growth in the life sciences and cyber security industries.

Baltimore Community Lending (BCL): BCL is a non-profit community development financial institution that provides financing to support the revitalization and strengthening of underserved neighborhoods in Baltimore City. MEDCO's Director of Bond Financing is a member of BCL's Board of Directors.

Minority Business Enterprises Participation

MEDCO seeks to implement its statutory purpose of promoting economic development in the State by purchasing supplies and services from entities with operations in the State. While the majority of its projects are funded privately, MEDCO complies in practice with applicable minority business enterprise requirements for projects that involve governmental funding sources.

During fiscal year 2017, MEDCO directed the purchasing of goods and services for its operation and administration from the following MBE's and WBE's: The Canton Group (MBE, SBE, & DBE) for data base restructuring and monthly servicing at a cost of \$1,900.00; FiveL, a Human Resources consulting firm (WBE) was paid \$52.50; Curry Printing and Copy Center (WBE) was paid \$1,142.00 for printing and business cards; Centric Business Solutions, LLC (MBE) was paid \$1,472.97 for copier/scanner maintenance services; and Crossroads Consulting Services, LLC (WBE) was paid \$73,300.00 for professional feasibility study services.

During fiscal year 2017, MEDCO directed the purchasing of goods and services for the National Cybersecurity Center of Excellence Project from the following MBE/WBE: Daly Computers, Inc. for computer hardware in the amount of \$68,376.84.

During fiscal year 2017, MEDCO directed the purchasing of goods and services for the Maryland State Archives Project from the following MBE/WBE: Faisant and Associates for structural engineering services in the amount of \$700.00.

MEDCO staff attends MBE networking/procurement events where minority businesses promote their products and services. MEDCO staff attended the Maryland Washington Minority Companies Association's 14th Annual 2016 Spring Breakfast Meeting/Business Showcase Expo and the Maryland Washington Minority Companies Association's Maryland Live! Casino Minority Outreach Fair. In addition, The Governors' Office of Minority Affairs and various directories are checked periodically for upcoming exhibitions that could be beneficial to MEDCO.

Member Maryland Washington Minority Companies Association since 2012.

Member Maryland Minority Contractors Association since 2012.

Project Classification Report

MEDCO has adopted a loan classification policy whereby projects are characterized as “Performing”, “Watch” or “Non-Performing.” The following are projects that are classified as either Non-Performing or Watch where MEDCO was either the issuer or owner during the 2016 fiscal year:

Chesapeake Resort and Conference Center: (*Status: Non-Performing*) The Chesapeake Bay Conference Center (CBCC) was classified as a “Watch” in 2010 as the project failed to achieve the required minimum debt service coverage ratio of 1.25 and the project was reclassified as “Non-Performing” in 2014 after the June debt service payment was only partially made. With the downturn in the economy in 2008, the resort suffered a loss in business.

For the fiscal year ending June 30, 2017 revenues declined compared to last year by -\$1,322K or -3.3%, and GOP declined by -\$820K or -7.3%. Revenue was off to budget by -\$4,281K or -10.0%, GOP was down -\$2,071K or -16.7%. Several factors contributed to this decline; key sales positions turned over in 2017 and renovation ran longer than planned. Group off-season bookings didn’t come to fruition to the extent planned and renovation displacement increased to \$567K. With declining group room nights and declining Q1 weddings, incremental revenues declined as well. There were some positive results; the group ADR, for business booked in the year, improved +8.4% over previous four year high actualizing at \$182.55. The resort achieved its highest group ADR since 2009 and a group ADR that exceeded the 2017 budget, actualizing at \$188.68. The resort had its best transient revenue in the resort history actualizing at \$8,732K, transient ADR was the best in resort history at \$224.85 beating the previous high set in 2007 by +3.1%. In banquets SPGRN of \$174.64 improved year over year by +13.3%, revenue upsell, specialty menus, value packages, and internal incentives contributed to this growth. Flow through at GOP level was +51.6% of budget on declining revenues. Overhead was reduced -9.0% with revenue declining -10.0% to budget.

The bondholders have been active in the financial review and oversight of the project. The bond trustee retained a consultant to assist in the review and oversight of the project. Additionally, the bondholders have continued to work with MEDCO and have supported the ongoing operations through a forbearance arrangement which has brought in additional oversight and management. Since May 2014, MEDCO has been working with a turnaround consultant with a strong track record in working with underperforming hospitality projects. The consultant meets at the property at least monthly and has regular communication with MEDCO and onsite management to track current marketing, financial performance and other operational issues. The project contributes 5% of revenues to a capital replacement reserve. Currently, the property is undergoing a capital improvement plan which will include complete room makeovers as well as updates to other key visible areas of the property. As of June 30, all but 88 rooms were completed and the remaining will be completed starting in late November and wrapped up by January 1, 2018. All of the improvements totaling \$7,500K were funded through the existing capital reserve fund and ongoing contributions to the fund. More importantly, the CBCC customer experience remains at a four star quality as the resort continues to deliver an excellent customer experience.

