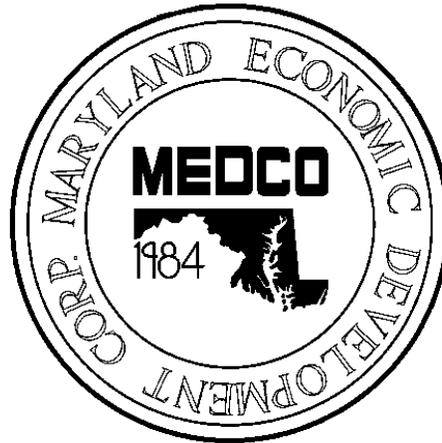


**MARYLAND
ECONOMIC DEVELOPMENT
CORPORATION**



Annual Activities Report

&

Audited Annual Financials

Fiscal Year Ending:

June 30, 2018

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The Honorable R. Michael Gill (Ex-Officio)

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Legislation

The Maryland Economic Development Corporation (MEDCO) functions under the provisions of Title 10, Subtitle 1 of the Economic Development Article of the Annotated Code of Maryland.

The legislative purposes of MEDCO are to: relieve unemployment in the State; encourage the increase of business activity and commerce and a balanced economy in the State; help retain and attract business activity and commerce in the State; promote economic development; and promote the health, safety, right of gainful employment, and welfare of residents of the State.

The General Assembly intends that MEDCO operate and exercise its corporate powers in all areas of the State; exercise its corporate powers to assist governmental units and State and local economic development agencies to contribute to the expansion, modernization, and retention of existing enterprises in the State, as well as attraction of new business to the State; cooperate with workforce investment boards, private industry councils, representatives of labor, and governmental units in maximizing new economic opportunities for residents of the State; and accomplish at least one of its legislative purposes and complement existing State marketing and financial assistance programs by owning projects, leasing projects to other persons, or lending the proceeds of bonds to other persons to finance the cost of acquiring or improving projects.

Corporate Overview

MEDCO is staffed with ten full-time employees and one part-time employee. A significant portion of MEDCO's ongoing project management responsibilities include reviewing and providing management oversight. MEDCO monitors its projects' compliance with the provisions of financing documents to ensure that the current financial statements of participants are available, required compliance benchmarks are achieved and current and appropriate insurance requirements are being met. MEDCO also collects and periodically reviews financials for its owned projects.

MEDCO structures its financings on a non-recourse basis. The State of Maryland, any State agency and MEDCO are not responsible for the repayment of the bonds that are issued by MEDCO. The repayment of MEDCO bonds is limited to the revenues and the resources of the project.

MEDCO has a website which lists MEDCO's projects, presents MEDCO's annual audited financials, highlights many MEDCO projects, lists MEDCO's Board Members, provides MEDCO's Board Meeting Schedule, and provides other useful information at www.medco-corp.com.

Bond Financed Projects in FY 2018

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, 2018, MEDCO provided bond financing for the following projects:

Capitol Technology University Series 2017: On July 14, 2017, MEDCO issued its non-recourse, tax-exempt bonds in the principal amount of \$14,200,700 named Maryland Economic Development Corporation Student Housing Revenue Loan Revenue Bond (CTU Foundation Project) Series 2017 (the "Bonds") for the CTU Foundation (the "Foundation"), a Maryland non-stock corporation, in the following series and amounts: \$13,400,700 of Series 2017 A Bonds ("Series 2017 A Bonds") and \$800,000 of Series 2017 B Bonds ("Series 2017 B Bonds").

Proceeds of the Bonds were used to: (1) finance the cost of the acquisition, construction, furnishing and equipping of a 222-bed student housing facility (the "Project") located on a 0.742-acre parcel of land on the campus of Capital Technology University (the "University") in Laurel, Prince George's County, Maryland, which premises are leased by the Foundation from the University pursuant to a ground lease, and subleased by MEDCO from the Foundation pursuant to a ground sublease, (2) establish a debt service reserve fund for the Bonds, (3) pay capitalized interest for the Bonds for a period of time, (4) pay working capital and marketing costs, and (5) pay a portion of the costs of issuance. In addition to the MEDCO financing, the Foundation provided an equity contribution in the amount of \$4,000,000 for Project costs.

The University requested that MEDCO assist with the construction, and own and operate the Project. The Foundation provides onsite management. The University is devoted to educating individuals for professional opportunities in engineering, computer and information sciences, and business. Located in Prince George's County, Maryland, the University serves traditionally underserved populations by providing relevant learning experiences that lead to success in the evolving global community. The Project offers a variety of apartments with single bedrooms, double bedrooms, or triple bedrooms. Each apartment includes one or two large shared bathrooms, combined living, dining, and kitchen area, a fully furnished kitchen, as well as Wi-Fi/ wired internet access and cable TV. The Project provides needed on-campus, apartment style housing for the University's growing student population, as well as the opportunity for continued enrollment growth, one of University's strategic goals.

The Bonds were purchased and are held by Bridge Funding Group. The Series 2017 A Bonds and Series 2017 B Bonds bear interest at 3.074% with 30-year maturity and 2.84% with 7-year maturity, respectively. The Foundation makes quarterly payments and the Bonds will fully amortize over the terms.

AFCO Cargo BWI II, LLC Series 2017: On September 28, 2017, MEDCO issued its non-recourse, tax-exempt bonds in the principal amount of \$7,175,000 named Maryland Economic Development Revenue Refunding Bonds (AFCO Cargo BWI II LLC) Series 2017 (the "2017 Bonds") for AFCO Cargo BWI II, LLC. (the "Borrower"), a Virginia limited liability company, formed for the purpose

of developing certain airport facilities located at the Baltimore/Washington International Thurgood Marshall Airport in Anne Arundel County, Maryland (“BWI Airport”).

MEDCO loaned the proceeds of the 2017 Bonds to the Borrower to: (1) currently refund the outstanding amount of the MEDCO Air Cargo Revenue Bonds (AFCO Cargo BWI II LLC) Series 1999 (“1999 Bonds”) and the MEDCO Air Cargo BWI II LLC Revenue Refunding Bonds (AFCO BWI II LLC) Series 2003 (“2003 Bonds”) and (2) pay cost of issuance for the 2017 Bonds.

Proceeds of the 1999 Bonds were used to finance the acquisition, construction and development of three air cargo warehouses containing 118,363 square feet of warehouse space and 23,542 square feet of related office space, known as “Buildings B, C and F”, located on the grounds of BWI Airport. Proceeds of the 2003 Bonds were used to refund the outstanding amount of MEDCO’s \$2,400,000 Maryland Economic Development Revenue Bonds (AFCO Cargo BWI II LLC) Series 2000, which were issued by MEDCO to pay/reimburse a portion of the costs of the acquisition, development, and construction of certain airport facilities (A) a cargo building known as Cargo Building G, containing 60,000 square feet of warehouse space and (B) 123,000 square feet of aircraft parking ramp (collectively, the “2000 Airport Facilities”).

The Borrower was formed for the purpose of entering into a ground lease with the Maryland Aviation Administration to develop Buildings B, C, and F, as well as the 2000 Airport Facilities (collectively, the “Airport Facilities”) located at BWI Airport. The managing member of the Borrower, the Aviation Facilities Company, Inc. (“AFC”), is an industry leader in the development of on-airport cargo facilities. AFC specializes in airport and other transportation-related infrastructure including terminal, air cargo, warehousing, ground support, concessions logistics, and hanger facilities. The Airport Facilities provide office and warehouse space to various tenants, many of which support companies operating out of the BWI Airport.

The 2017 Bonds bear interest at fixed rates of 3.50% and 4.00% with 7-year maturities. The Borrower makes annual payments and the 2017 Bonds will fully amortize over the 7-year terms.

PRG-Towson Place Properties, LLC Series 2017: On September 26, 2017, MEDCO issued its non-recourse, tax-exempt revenue bonds in the aggregate principal amount of \$44,306,480 named Maryland Economic Development Corporation Economic Development Revenue Bonds (PRG-Towson Place Properties, L.L.C. Project) Series 2017 (the “2017 Bonds”) for PRG- Towson Place Properties, LLC, a Maryland limited liability company (the “Borrower”), in the following series and amounts: \$33,700,000 of Series 2017 A (“2017 A Bonds”), \$8,890,000 of Series 2017 B-1 (“2017 B-1 Bonds”), and \$1,716,480 of Series 2017 B-2 Bonds (“2017 B-2 Bonds”).

MEDCO loaned the proceeds of the 2017 Bonds to the Borrower to: (1) refinance the outstanding principal balance of the \$42,000,000 Baltimore County Maryland Economic Development Revenue Bonds (PRG-Towson Place Properties L.L.C. Facility) Series 2009 (the “Series 2009 Bonds”), including accrued interest, which financed (i) the acquisition of a parcel of land containing 15.5 acres located at 7700-7736 Greenview Terrace in Towson, Baltimore County, Maryland, improved by 33 brick buildings containing 220 apartments, with an aggregate of 184,225 gross square feet and 160,196 rentable square feet, to be rented exclusively to students, faculty, and staff of Towson University (collectively, the “2009 Facility”), (ii) the acquisition and installation of certain necessary or useful furnishings, fixtures, equipment and machinery, (iii) the acquisition of certain interests in land as may have been necessary or

suitable, including roads and right of access, utilities and other site preparation, and (iv) costs of issuance, a debt service reserve fund and other related costs of transaction, (2) finance improvements to the 2009 Facility including, but not limited to, the capital replacement, improvement or repair of HVAC units, locks, water heaters, sewer system, carpet, roof, sidewalk and other concrete work, patios and internet system and hardware and other miscellaneous capital replacements improvements or repairs (the “2017 Project”), (3) fund certain reserves, and (4) pay costs of issuance of the Series 2017 Bonds.

The 2017 A Bonds, purchased and held by Bank of America, bear interest at a variable rate and will be amortized over the 22-year term. The subordinate 2017 B-1 Bonds bear interest at fixed rate of 9.25% for the 22-year term. The 2017 B-2 Bonds bear no interest and were exchanged with the holders of the Series 2009 B Bonds for accrued and unpaid interest. The 2017 A Bonds are secured by a Deed of Trust and Security Agreement on the 2009 Facility.

The Borrower is a Maryland limited liability company whose sole member is Provident Resources Group, Inc., a Georgia nonprofit corporation (“Provident”). Since its formation in 1999, Provident has worked with numerous public universities to enhance on-campus student housing offerings and other essential infrastructure, including multi-level parking, campus dining facilities, and administrative space to further its charitable purposes of advancing education and lessening the burdens of government. Since its acquisition of the 2009 Facility, the Borrower has operated, maintained, and improved the 2009 Facility in a manner that addresses Towson University’s need for safe, convenient, affordable, and quality housing for students, faculty and staff.

Young Men’s Christian Association of Central Maryland, Inc. Series 2017: On December 27, 2017, MEDCO issued its non-recourse, tax-exempt revenue bonds in the aggregate principal amount of \$32,000,000 named Maryland Economic Development Corporation Economic Development Revenue Bonds (Young Men’s Christian Association of Maryland) Series 2017 (the “2017 Bonds”) for the Young Men’s Christian Association of Maryland, Inc., a Maryland non-profit corporation (the “Borrower”), in the following series and amounts: \$27,000,000 of Series 2017 A (“2017 A Bonds”) and \$5,000,000 of Series 2017 B (“2017 B Bonds”).

MEDCO loaned the proceeds of the 2017 Bonds to the Borrower to: (1) refinance a portion of the costs of (a) a 52,000 square foot building containing a gymnasium, health and wellness Center, 25 yard lap pool, family fun pool, modern locker room facilities, aerobic fitness room, multi-purpose space for classrooms and meeting rooms for community events, and space for before and after school programs on a 16.757 acre parcel of land owned by the Borrower and located at 600 West Chesapeake Avenue, Towson in Baltimore County, (b) a 10,000 square foot expansion of a building, including a 25 yard lap pool, family fun pool, aerobic fitness room, multi-purpose space for classrooms and meeting rooms for community events on a 14.39 acre parcel of land owned by the Borrower and located at 101 Walter Ward Boulevard, Abingdon in Harford County, (c) the renovation and expansion of a 29,000 square foot building, including upgraded lobby, modern locker room facilities, aerobic fitness room, multi-purpose space for classrooms and meeting rooms for community events on a 14.5 acre parcel of land owned by the Borrower and located at 850 South Rolling Road, Catonsville in Baltimore County, and (d) the acquisition of a parcel of land located at 1209 Ritchie Highway, Arnold in Anne Arundel County, containing 5.5 acres and a building located on such parcel containing 71,000 square feet, and renovation of such building, including an upgraded senior-friendly front entry, an elevator, 25 yard lap pool, therapy pool, fitness room, aerobic fitness room, multi-purpose space for classrooms and meetings rooms for community

events (collectively, the “Project”), and (2) pay costs of issuance of the Bonds and other related costs of the transaction. The Borrower owns and operates the Project.

The 2017 Bonds are held by The Columbia Bank, a Maryland state-chartered bank (the “Bank”). The 2017 Bonds bear interest at variable rates and will fully amortize over the 23-year term. The Borrower may prepay at any time without penalty, and the Bank has the right to compel redemption of the 2017 Bonds in 2022 and every five years thereafter. The 2017 Bonds are secured by Deeds of Trust on assets of the Project.

The Borrower is a charitable organization dedicated to developing the full potential of every individual through programs that build healthy spirit, mind, and body. The Borrower is committed to providing family-oriented, affordable, high quality programs that focus on youth development, healthy living and social responsibility. The Project provides the Borrower with low-cost financing to further its capabilities to provide services to Maryland residents.

Seagirt Marine Terminal Series 2017: On December 27, 2017, MEDCO issued its non-recourse, tax-exempt revenue bonds in the principal amount of \$228,055,000 which were issued in the following series: \$147,220,000 Maryland Economic Development Corporation Development Refunding Revenue Bonds (Transportation Facilities Project), Series 2017 A (the “Series 2017 A Bonds”) and \$80,835,000 Maryland Economic Development Corporation Economic Development Refunding Revenue Bonds (Terminal Project), Series 2017 B (the “Series 2017 B Bonds” and, together with the Series 2017 A Bonds, the “Series 2017 Bonds”).

The Series 2017 Bonds were issued to: (1) refund MEDCO’s previously issued Economic Development Revenue Bonds (Transportation Facilities Project) Series A, in the original principal amount of \$166,920,000 (the “Series 2010 A Bonds”), and MEDCO’s Economic Development Revenue Bonds (Terminal Project) Series B, in the original principal amount of \$81,755,000 (the “Series 2010 B Bonds”; the Series 2010 A Bonds and Series 2010 B Bonds, collectively the “Series 2010 Bonds”), (2) deposit in an escrow fund, (3) satisfy the debt service reserve fund requirements for the Series 2017 Bonds, and (4) pay costs of issuing the Series 2017 Bonds.

The Series 2010 A Bonds were used to finance the costs of certain transportation projects of the Maryland Transportation Authority. The 2010 B Bonds were used to finance the costs of capital improvements to the facilities at the Seagirt Marine Terminal (the “Seagirt Terminal”), a containerized cargo-handling facility at the Port of Baltimore, now owned by the Maryland Port Administration (the “MPA”). The Seagirt Terminal is operated by Ports of America Chesapeake LLC (“PAC”) pursuant to a Lease and Concession Agreement between PAC and the MPA.

The Series 2017 Bonds bear interest at fixed rates ranging from 2.160% to 5.00% and will fully amortize over an eighteen-year period ending June 1, 2035. The Series 2017 Bonds will be secured by the revenues received by PAC from the Seagirt Terminal and a lien on PAC's leasehold interest in the Seagirt Terminal.

The advanced refunding of the 2010 Bonds provided over \$37,000,000 in net present value savings over the life of the 2017 Bonds.

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, 2018, MEDCO provided funding assistance to the following entity:

4445 Indian Head Highway, LLC ("Ely's Warehouse") Construction Loan: In May 2018, Ely's Warehouse entered into an agreement with MEDCO to assist in financing construction at 4445 Indian Head Highway, Indian Head, Maryland 20640. The construction financing will be used for environmental remediation and demolition relating to the redevelopment of the improvements located on the land. The full cost of the construction loan totals \$550,000.00. Ely's Warehouse will make a final balloon payment of the remaining principal balance, accrued and unpaid interest, and any other amounts outstanding under the loan documents on September 30, 2019 (the maturity date). To date, MEDCO has loaned a total of \$246,000.00 in four equal installments of \$61,500.00.

Portfolio Project Updates

National Cybersecurity Center of Excellence': In September 24, 2012, the National Institute of Standards and Technologies ("NIST") obtained a program of requirement for an off-campus facility to house the NCCoE program. In early 2013, NIST approached Montgomery County ("County") and expressed interest in redeveloping the facility in to accommodate the National Cybersecurity Center of Excellence ("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 redevelopment of the Facility to accommodate the NCCoE program.

In December 2015, MEDCO completed the approximately \$11M renovation of a 57,000sq/ft 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 NCCoE. The NCCoE program was established in 2012, through a partnership and Memorandum of Understanding between the NIST, the Maryland Department of Commerce ("Commerce") and the County's Department of Economic Development. NCCoE 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 real challenges 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 for 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. In July 2017, MEDCO coordinated an approximately \$600,000 upgrade to one of the Facility's datarooms, nearly doubling the Facilities data storage and computing capabilities. In May 2018, in coordination with MEDCO, NIST upgraded the building's exterior lighting and parking lot.

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 in Baltimore County 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 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 benefit 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, under budget and a month ahead of initial project schedule.

MSA continues to populate, in coordination with MEDCO, the Project with specialty storage units, State records, artistic property and data management devices. In the fall of 2017, the exterior envelope of the building was painted and specialty signage was installed utilizing savings from previously completed interior renovations. Plans are in place to upgrade the interior lighting systems to more energy efficient LEDs.

Consultancies, Studies, and Reports

Excel Maryland: In March 2017, Johns Hopkins University, the University System of Maryland and the Maryland Department of Commerce requested MEDCO's assistance 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 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 (BWRR), a private firm, which in cooperation with the Japanese Central Railroad, is proposing to construct the system and provide the 20% non-federal match funds to perform the environmental and engineering study. MEDCO provides assistance to MDOT in the administration and management of the federal and private grant funds to complete the study by the January 2020.

Baltimore City Community College Bard Building Project: The Baltimore City Community College ("BCCC") 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 BCCC and Baltimore City. MEDCO assisted 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. BCCC entered into a memorandum of understanding with the Cordish Companies in December 2017 to negotiate terms of a ground lease for mixed used development

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. Preliminary study findings were released in early 2018 and MEDCO is awaiting further direction to proceed moving forward.

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") to support 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. MEDCO is awaiting further direction to proceed moving forward.

Wilmer's Park Business Plan Evaluation: MEDCO was requested to assist MNCPPC with evaluating a proposed business plan for Wilmer's Park located in Prince George's County, Maryland. MEDCO provided input on the viability of the proposed business plan and insight on park usage.

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 2018 involvement in One Maryland projects include:

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 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 2018 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. In February 2016, Dominion Cove Point LNG purchased lot 6 of the park and completed the construction an approximately 20,000 square foot 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 square foot facility at Tradepoint Atlantic in Baltimore County. The site and infrastructure improvements along and to Tradepoint Avenue were completed in October 2017, a month ahead of schedule.

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, 2018:

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

- **Bowie State University, Prince George's County** - \$14,915,000- 460 beds
- **Frostburg State University, Allegany County** - \$12,980,000- 406 beds
- **Salisbury University, Wicomico County** - \$21,085,000- 890 beds
- **Towson University, Baltimore County** - \$43,599,000- 1,088 beds
- **University of Maryland, Baltimore** - \$25,790,000- 337 beds
- **University of Maryland, Baltimore County** - \$18,820,000- 578 beds
- **University of Maryland, College Park** - \$126,365,000- 2,933 beds

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

- **Morgan State University, Baltimore City** - \$27,660,000- 794 beds

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

- **University Village at Sheppard Pratt, Baltimore County** - \$18,450,000- 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 23 companies that support 117 employees. The GIC supports 6 virtual companies that have a total of 9 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 25 companies that support 93 employees. The RIC supports 5 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.

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 offered at the various incubators located in Montgomery County.

There are currently 15 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 Commerce (previously 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 2018, the ETC Eastern graduated 11 companies. Currently, the ETC Eastern accommodates 24 companies that support 120 employees, and works with 9 virtual tenants.

bwtech@UMBC Incubator and Accelerator: The bwtech@UMBC Incubator and Accelerator (“bwtech@UMBC”) 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 88 companies, including Celsis/InVitro Technologies, Next Breath LLC, AVIcode Inc. and Noxilizer, Inc. and currently accommodates 43 companies that support 250 employees. The bwtech@UMBC loan was paid and the property was transferred to UMBC in late 2017.

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 as of June 30, 2018:

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

University of Maryland, College Park Utility Infrastructure 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

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

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
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
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
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
Young Men's Christian Association of Maryland, Inc. Series 2017
Seagirt Marine Terminal 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
UMBC Tech Center
Silver Spring Innovation Center
National Cybersecurity Center of Excellence
Ely's Warehouse Indian Head Highway

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.

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 2018, 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 \$20,000; FiveL, a Human Resources consulting firm (WBE) was paid \$2,005; Curry Printing and Copy Center (WBE) was paid \$1,482 for printing and business cards; Centric Business Solutions, LLC (MBE) was paid \$1,421.83 for copier/scanner maintenance services; and Crossroads Consulting Services, LLC (WBE) was paid \$23,000.00 for professional feasibility study services.

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 2017 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 2018 fiscal year:

Chesapeake Resort and Conference Center (Status: Non-Performing): The Chesapeake Bay Conference Center (CBCC) was classified as “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.

Fiscal year 2018 closed with year-to-date revenue increasing from last year by +\$705K or +1.8%, GOP improved by +\$490K or +4.7%. Revenue was off budget by -\$2,178K or -5.2%, GOP was down -\$923K or -7.8%. Overall, for the year, occupancy improved +160 bps and RevPAR in turn increased +0.8% year-over-year. Revenue per available room increased to \$267.80 from \$262.97, a +1.8% increase year-over-year. Overall, improved aggregated full year group room night reservations led to higher customer counts and produced better group room and banquet revenues year-over-year. CBCC had five record-setting months in fiscal year 2018: in September CBCC had its best banquet revenue month in the resorts’ 16-year history; in October CBCC had its best October revenue and GOP month since 2007; in December CBCC exceeded \$2 Mil. in revenue for the first time and had its best NYE to date; in March CBCC had its best March revenue month ever, exceeding previous highs set in 2012; and April brought CBCC its best April F&B revenue since 2012.

Various revenue tactics (over and above those planned in CBCC’s budget) such as queen bed pricing, ADARA remarketing, repurposing of Regency Club to Lantern Room (meeting room), resort fee price, and valet pricing brought \$501K in additional revenue over budget for the year. Salaries and wages as a percentage of revenues was 29.6% for fiscal year 2018, +40 bps better than and +20 bps more than budget. An improved productivity process resulted in hours worked decline of -5.0% for the year and hours worked per occupied room improved +7.7% year over year. Various expense initiatives including general increased productivity, an amended linen agreement, the repurposing of Regency Club, and energy consumption reductions resulted in \$438K in savings over and above those planned in the budget. While there are positive results to share for fiscal year 2018, they are in the context of what could have been had the year not seen winter storm Greyson, a January Government shutdown, federal budget issues in February, and unplanned renovation delays. These aforementioned events resulted in estimated revenue losses of \$615K.

The strategic plan heading into the year was to leverage the guestroom renovation to expand the client base, allowing for connections with new accounts and a strengthening of relationships with current and past customers. There were 20,117 group room nights booked in the year for the year, the highest number of bookings since 2012. Additionally, the group sales team contracted \$9,927K in group room revenues (production) in fiscal year 2018, which was the most since 2008. CBCC management planned and strived to provide authentic Eastern Shore hospitality ensuring to care for our guests and the surrounding community in meaningful ways.

The current year-end projection for fiscal year 2019 estimates revenues of \$41,725K and an increase of +\$2,626K year-over-year. GOP is projected at \$12,359K which would be \$1,507K better than 2018. The aforementioned numbers, if achieved, would be CBCC's best results since 2008. The bondholders remain active in the financial review and oversight of the project. They continue to work with MEDCO and support the ongoing operations through a forbearance arrangement which brings in additional oversight and management. Additionally, the bond trustee retained a consultant to provide additional oversight and review of the project. Since May 2014, MEDCO has worked 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 regularly communicates with MEDCO and onsite management to track current marketing, financial performance and other operational issues.

CCBC contributes 5% of revenues to a capital replacement reserve. The project has been going through a capital improvement plan which includes complete room makeovers as well as updates to other key visible areas of the property. Most of the rooms have been renovated along with other major functional areas of the hotel with a capital investments exceeding \$7,500K over the past 2 years. The investments were funded through the existing capital reserve fund and ongoing contributions to the fund. During the past year, there were several key management position changes. A new General Manager and a new Director of Marketing have been brought to the property, both of which had previously worked at the property and were familiar with its operations. This team brought a new energy to the resort and some early indicators are pointing towards positive improvements. More importantly, the CBCC customer experience remains at a four-star quality as the resort continues to deliver an excellent customer experience.

