

TESTIMONY OF

Robert C. Brennan, Executive Director
Maryland Economic Development Corporation

BEFORE

Senate Budget and Taxation
Subcommittee on Health, Education and Human Resources

February 21, 2009
3:00PM

Legislation

The Maryland Economic Development Corporation (MEDCO), which functions under the provision of Article 83A, Sections 5-201 through 5-216 of the Annotated Code of Maryland 1984, as amended in 2005, is a body politic and corporate and is constituted as a public instrumentality of the State of Maryland. The purpose of the Corporation is to assist in the expansion, modernization and retention of existing Maryland business and to attract new business to the State. The Corporation also assists, upon request, local jurisdiction projects and other Governmental and State entities. The Corporation borrows money and issues bonds for the purpose of financing assistance.

MEDCO issues Revenue Bonds and structures its transactions on a non-recourse basis. Neither the State of Maryland, state agencies, nor MEDCO are responsible for the repayment of the bonds that are issued by MEDCO. The Bonds are repayable solely from the revenues of the project.

MEDCO is staffed with nine fulltime employees and two part-time employees. MEDCO's responsibilities are ongoing for transactions on its books. Maintaining financial records, including MEDCO's monthly balance sheet and income statements, are a significant portion of the ongoing work requirements. MEDCO also ensures that various requirements of the Internal Revenue Service, the Securities and Exchange Commission and other legal requirements of the transactions are being met by the borrower/lessor. These requirements

include ensuring that current financials of the borrower/lessor are available and that current and appropriate insurance requirements are being met. Transactions between the MEDCO and the Maryland Department of Business and Economic Development may also include requirements that job counts and other performance criteria are collected from the borrowers/lessors and validated in order to ensure that borrowers/lessors meet the covenants required by the transactions.

MEDCO has a web site which lists all of MEDCO's projects, presents MEDCO's annual financials, describes many MEDCO projects, lists MEDCO's Board Members, and provides other useful information at www.medco-corp.com.

For the fiscal year ending June 30, 2008, MEDCO was able to provide tax-exempt financing to (3) manufacturers, (6) not-for-profit entities, and one (2) utility companies. The following is an alphabetical list of the projects initiated during the fiscal year:

Bakery De France- On October 18, 2007, MEDCO issued its non-recourse, tax-exempt revenue bonds in the aggregate principal amount of \$10,000,000 for Riverside Bakery II, LLC, a Maryland limited liability company (the "Borrower"). MEDCO loaned the proceeds of the bonds to the Borrower to finance the acquisition, construction and equipping of a manufacturing facility in Frederick, Maryland (the "2007 Facility", as further described below) to be owned by the Borrower and leased to Bakery De France, Inc., a Delaware corporation (the "Facility User").

The 2007 Facility will consist of approximately 11.61 acres of land located at 1721 Monocacy Boulevard in the Riverside Corporate Park in the City of Frederick, Maryland and the following improvements to be located thereon: (a) a new, two-story building containing approximately 110,000 square feet of space, and (b) necessary or useful furnishings, fixtures, equipment and machinery, including manufacturing equipment. The Facility User will use the 2007 Facility for the manufacture and production of its par-baked and frozen bread products. More information on Bakery De France is available at: www.bakerydefrance.com.

Constellation Energy Group, Inc.- On December 12, 2007, MEDCO issued its non-recourse, tax-exempt revenue bonds in the aggregate principal amount of \$65,000,000 for Constellation Energy Group, Inc., a Maryland profit corporation (the "Borrower"). MEDCO loaned the proceeds of the Bonds to the Borrower to finance the acquisition, construction, installation and equipping of certain sewage and solid waste disposal facilities of the Borrower (the "Project")

The Project consists of the acquisition, construction and installation and equipping of certain sewage and solid waste disposal facilities related to the installation of a flue gas desulfurization system at the Borrower's Brandon Shores Power Plant located in Anne Arundel County, Maryland. The Project includes, without limitation, sludge dewatering equipment, ash handling and disposal equipment and wastewater treatment facilities related to the flue gas desulfurization system at the Brandon Shores Power Plant. For more information on the Borrower, visit their website at: www.constellation.com.

Federation of American Societies for Experimental Biology- On June 11, 2008, MEDCO issued its non-recourse, tax-exempt revenue bonds in the aggregate principal amount of \$15,500,000 for FASEB, a 501(c)(3) nonprofit corporation (the "Borrower"). MEDCO loaned

the proceeds of the Bonds to the Borrower (a) to refund the Maryland Economic Development Corporation Variable Rate Economic Development Revenue Bonds (Federation of American Societies for Experimental Biology Project) Series 2002A and 2002B, initially issued in the aggregate principal amount of \$13,000,000 (the "Prior Bonds"), which Prior Bonds (i) financed the costs of the acquisition, construction, installation and equipping of an office building, a parking garage and an atrium located at the Borrower's headquarters campus located in Bethesda, Montgomery County, Maryland, and (ii) refinanced the costs of the acquisition, construction, installation and equipping of an office building located at the Borrower's headquarters campus by refunding the Montgomery County, Maryland Industrial Development Revenue Bond (Federation of American Societies for Experimental Biology Project) 1984 Series (the "2002 Project"); (b) to finance the costs of the acquisition, construction, installation, renovation and equipping of certain improvements to existing facilities and related improvements at the Borrower's headquarters campus located in Bethesda, Maryland, as more fully described in the Loan Agreement (the "2008 Project" and together with the 2002 Project, the "Project"); and (c) to pay certain costs of issuing the Bonds. For more information on the Borrower please visit their website at: www.faseb.org.

Howard Hughes Medical Institute- On February 21, 2008, MEDCO issued its non-recourse, tax-exempt revenue bonds in the aggregate principal amount of \$83,500,000 for Howard Hughes Medical Institute, a Delaware nonprofit corporation (the "Borrower"). MEDCO loaned the proceeds of the Bonds to the Borrower to finance, refinance and reimburse all or a portion of the costs incurred in connection with the Series 2008A Project as defined below.

The Series 2008A Project consists of the following: (i) the development and construction of an approximately 65,000 square-foot expansion of new office space to the Borrower's existing headquarters and conference facilities, including approximately 85,000 square feet of underground parking areas, and certain renovations to existing facilities located at 4000 Jones Bridge Road, Chevy Chase, Maryland; (ii) the purchase of land, buildings, equipment and furnishings, together with other property, real and personal, functionally related to the facilities; (iii) capitalized interest on the Series 2008A Bonds; and (iv) certain financing costs.

On May 15, 2008, MEDCO issued its non-recourse, tax-exempt revenue bonds in the aggregate principal amount of \$76,500,000 for Howard Hughes Medical Institute, a Delaware nonprofit corporation (the "Borrower"). MEDCO loaned the proceeds of the Bonds to the Borrower to finance, refinance and reimburse all or a portion of the costs incurred in connection with the Series 2008B Project as defined below.

The Series 2008B Project consists of the following: (i) currently refunding all of the outstanding Montgomery County, Maryland Economic Development Revenue Bonds (Howard Hughes Medical Institute Facility), 1990 Series A, the Montgomery County, Maryland Economic Development Revenue Bonds (Howard Hughes Medical Institute Facility), 1990 Series B and the Montgomery County, Maryland Economic Development Revenue Bonds (Howard Hughes Medical Institute Facility), 1990 Series C (collectively, the "Prior Bonds"), the proceeds of which were used to finance the acquisition, construction, development, equipping and furnishing of the Borrower's existing headquarters facilities located at 4000 Jones Bridge Road, Montgomery County, Maryland; and (ii) pay certain financing costs (collectively referred to herein as the "Series 2008B Project"). For more information on the Borrower visit their website: www.hhmi.org.

Lutheran World Relief -On July 26, 2007, MEDCO issued its non-recourse, tax-exempt revenue bonds in the aggregate principal amount of \$5,805,000 for Lutheran World Relief and Lutheran Immigration and Refugee Services (the "Borrowers"). MEDCO loaned the proceeds of the Bonds to the Borrowers to (a) refund all outstanding Maryland Economic Development Corporation Economic Development Revenue Bonds (Lutheran World Relief/Immigration and Refugee Service Headquarters Facility), Series 2000 and (b) pay a portion of the costs of issuance of the Bonds.

The proceeds of the refunded bonds were used to pay the costs associated with the acquisition, development and construction of a facility consisting of an approximately 21,192 net rentable square foot portion of a six-story office building containing approximately 35,588 net rentable square feet (the "Building") on a parcel of land located at 700 Light Street in Baltimore City, Maryland (the "Land") owned by Lutheran Center Corporation (the "Guarantor"), together with a proportionate share of the common areas and infrastructure of the Building, which are occupied by the Borrowers and used by the Borrowers solely in connection with their non-sectarian, charitable activities, and certain furnishings and equipment acquired and used by the Borrowers in connection with such activities (the "Facility"). The Facility is complete and has

been fully occupied since 1999. For more information on the Borrowers, visit their website at: www.lwr.org.

Opportunity Builders, Inc.- On October 17, 2007, MEDCO issued its non-recourse, tax-exempt revenue bonds in the aggregate principal amount of \$6,260,000 for Opportunity Builders, Inc., a Maryland nonprofit corporation (the "Borrower"). MEDCO loaned the proceeds of the bonds to the Borrower (i) to finance the costs of the acquisition, construction and equipping of the 2007 Facility as defined below and (ii) to pay administrative, legal, financing and miscellaneous expenses related to the issuance of the bonds.

The 2007 Facility consists of the following improvements: (a) a new building containing approximately 41,000 square feet of space, and (b) necessary or useful furnishings, fixtures, equipment and machinery. The 2007 Facility will be located on a parcel of land recently purchased by the Borrower, which contains approximately 14 acres located at 8855 Veterans Highway, Millersville, Maryland. The 2007 Facility will serve as the Borrower's headquarters and services facility. For more information on the Borrower, visit their website at: www.oppbuidinc.org.

Potomac Electric Power Company (PEPCO)- On April 17, 2008 the interest rate on the original series 2006 bonds issued on behalf of PEPCO changed from auction rate to variable rate. The IRS considers this a reissuance of the original bonds. The original bonds were issued in the aggregate principal amount of \$109,500,000 on behalf of PEPCO for the purpose of refinancing the Prince George's County, Maryland, Pollution Control Revenue Refunding Bonds (Potomac Electric Project) Series 1992 outstanding in the principal amount of \$30,000,000, the Prince George's County, Maryland, Pollution Control Revenue Refunding Bonds (Potomac Electric Project), Series 1993 outstanding in the principal amount of \$37,000,000, and the Montgomery County, Maryland, Pollution Control Revenue Refunding Bonds (Potomac Electric Project), Series 1994 outstanding in the principal amount of \$42,500,000 (collectively, the "Prior Bonds"), issued for the benefit of the Borrower to finance certain pollution control facilities located in Prince George's County, Maryland. For more information on PEPCO please visit their website at: www.pepco.com.

Ravenwood – On February 29, 2008, pursuant to a court order entered by the U.S. Bankruptcy Court for the District of Maryland confirming Debtor's Revised Amended Plan of Reorganization (the "Amended Plan") entered by the United States Bankruptcy Court for the District of Maryland on January 19, 2007, in In Re Ravenwood Healthcare, Inc. dba Ravenwood Health and Rehabilitation Center (the "Borrower"), Case No. 02-5-9516-JS (Chapter 11), Maryland Economic Development Corporation Nursing Facility Mortgage Revenue Bonds (Ravenwood Healthcare, Inc. Facility) Series 1996A and 1996B were exchanged through the facilities of the Depository Trust Company for one or more of Maryland Economic Development Corporation Nursing Facility Mortgage Revenue Bonds (Ravenwood Healthcare, Inc. Facility) Series 2007A, 2007B, 2007C and 2007D (the "2007 Bonds"), pursuant to an Indenture of Trust and a Subordinate Trust Indenture. For more information on the Borrower please visit their website at: www.rwhhealth.org.

Tulkoff Holabird, LLC- On September 27, 2007, MEDCO issued its non-recourse, tax-exempt revenue bonds in the aggregate principal amount of \$6,000,000 for Tulkoff Holabird LLC (the "Borrower"). MEDCO loaned the proceeds of the Bond to the Borrower to finance or refinance all or a portion of the costs of (a) the acquisition, construction and equipping of a building, containing approximately 79,255 square feet of space on a parcel of land containing approximately 5.9 acres located at 2301 Chesapeake Avenue, in the City of Baltimore, Maryland (the "Land"); and (b) the acquisition of such other rights related to the Land including appurtenances, rights of way, franchises, easements and other interests in land and will be leased to Tulkoff Food Products, Inc., a Maryland corporation for use as a manufacturing facility in its business of processing condiments and sauces (the "Project"). For more information on Tulkoff Food Products, visit their website at: www.tulkoff.com

United States Bullet Proofing, Inc.- On December 10, 2007, MEDCO issued the following non-recourse, revenue bonds for Ken & Cyndy Sampson, LLC, a Maryland limited liability company (the "Borrower"): \$3,500,000 Maryland Economic Development Corporation Revenue Bond Series 2007A and \$1,700,000 Maryland Economic Development Corporation Taxable Revenue Bond Series 2007B (the "Bonds"). MEDCO loaned the proceeds of the Bonds to the Borrower (i) to finance the costs of the acquisition, construction and equipping of the 2007 Facility as defined below and (ii) to pay administrative, legal, financing and miscellaneous expenses related to the issuance of the Bonds.

The Borrower owns 7.9 acres of land located at 16201 Branch Court, Upper Marlboro, MD 20774 (the "Land") and intends to (a) construct an approximately 95,000 square foot one-story building on the Land (the "Building"), (b) to acquire and install certain necessary or useful furnishings, fixtures, equipment and machinery to be installed in, or used at, the Building, (c) to acquire such other rights related to the Land, including appurtenances, rights-of-way, franchises, easements, and other interests in land as may be necessary or useful in connection with the construction of the Building, and (d) to acquire such other land and facilities which are functionally related and subordinate to the Land and Building (collectively, the "2007 Facility").

The 2007 Facility will be subjected to a condominium regime to create three separate real property interests – two pieces comprising a 58,000 square foot portion of the Building to be financed solely from proceeds of the tax-exempt bonds (the "Tax-Exempt Facility") and a 38,000 square foot portion to be financed solely from proceeds of the taxable bonds (the "Taxable Facility"). The Borrower intends to lease the Tax-Exempt Facility to United States Bullet Proofing, Inc. to be used as a manufacturing facility and to sell the Taxable Facility to an unrelated third party. Proceeds from the sale of the Taxable Facility will be used to retire the taxable bonds. For more information on United States Bullet Proofing visit their website at: www.usbulletproofing.com.

Your Public Radio Corporation- On November 27, 2007, MEDCO issued its non-recourse, tax-exempt revenue bonds in the aggregate principal amount of \$5,600,000 for Your Public Radio Corporation, a Maryland nonprofit corporation (the "Borrower"). MEDCO loaned the proceeds of the Bonds to the Borrower, to finance or refinance (a) all or a portion of the cost of (i) the acquisition of a radio station, including radio broadcasting licenses, transmitting equipment and facilities, and other real and personal property used in the broadcasting business (the "Property"), (ii) the acquisition and installation of certain necessary or useful furnishings,

fixtures, equipment and machinery to be installed in, or used at, the Property, (iii) the acquisition of such other rights related to the Property, including appurtenances, rights-of-way, franchises, easements, and other interests in land, and (iv) land and facilities which are functionally related and subordinate to the Property (collectively, the "Project"), (b) refund the outstanding principal of MEDCO's Revenue bond (Your Public Radio Corporation Project) Series 2004 (the "2004 Bond"), and (c) to pay for the costs of issuing the Bonds, including costs of credit enhancement and interest rate protection.

The Borrower's FM radio broadcasting facilities located in Baltimore City and Frederick and Worcester Counties, Maryland, comprise the Facility. The Borrower or an affiliate is the licensee of both WYPR, 88.1 FM in Baltimore, Maryland, and WYPF, 88.1 FM in Frederick, Maryland. The Borrower intends to acquire WRXS, 106.9 FM in Ocean City, Maryland, thereby expanding its statewide footprint to cover Ocean City and Salisbury, Maryland and Rehoboth and Bethany Beach, Delaware. The Borrower broadcasts public radio, community news and original programming and is affiliated with National Public Radio. For more information visit: www.wypr.org.

ONE MARYLAND

In 2000, MEDCO initiated the first projects under the **One Maryland Program**. MEDCO continues to work on existing projects. The One Maryland Program is funded by the Maryland Department of Business and Economic Development and provides economic development assistance to economically distressed jurisdictions. Projects have been completed in Allegany County, Garrett County, Dorchester County, Worcester County, Caroline County, Somerset County and Baltimore City.

1. MEDCO developed with **Allegany County** the **Barton Farms Industrial Park** located south of Cumberland on US Route 220. The project included land acquisition, permitting, providing all utilities including water and sewer, and site preparation. Allegany County has limited industrial land for industrial use that has access to water and sewer service. In June of 2004, approximately 40 acres were sold to American Woodmark. The Allegany facility assembles wood cabinet components received from other AWC plants and ships completed cabinets to customers located in the Northeast and Midwest regions of the United States. Since its inception on January 5, 2005, the plant has created jobs for 338 employees. The company expects to employ to ultimately grow to 500 people once the plant is fully developed over the next four years. American Woodmark Corporation, located in Winchester, VA, is the third largest manufacturer of kitchen and bath cabinets in the United States. Offering more than 230 cabinet lines in a wide variety of designs, materials and finishes, American Woodmark products are sold through a network of dealers and distributors and directly to home centers and major home builders. MEDCO, the County and DBED are actively offering the remaining property for development to attract technology based businesses to the Western Maryland region.

