HHC Capital Corporation
Semi-annual Meeting

May 31, 2018, 1:30 p.m.
125 Worth Street – 5th Floor Board Room
New York, New York 10013

AGENDA

I. Call to order
   Adoption of minutes for the HHC Capital
   Corporation Meeting held on Nov 30, 2017
   Gordon J. Campbell

II. HHC Outstanding Bond Portfolio
    Linda DeHart

III. HHC Bonds: issuance History
     "

IV. 2010 Bonds: Construction Fund Balance
    "

V. 2013 Series A Bond Arbitrage Rebate
   "

VI. Short Term Financing Program
    "

VII. 2015 JP Morgan Chase Loan
     "

VIII. 2017 Citibank Loan
      "

IX. Old business, new business and adjournment
    Gordon J. Campbell
MINUTES

HHC Capital Corporation  
Semi-annual Public Meeting

Meeting Date: November 30, 2017, 2:00 p.m.
Location: 125 Worth Street
Fifth Floor Board Room

ATTENDEES

Members of the HHC Capital Corporation Board of Directors
Gordon Campbell, Acting Chair
Stanley Brezenoff, Interim President
Mark Page
Bernard Rosen

H + H Board Members
Vincent Calamia, M.D.

NYC Health+ Hospitals Staff
Salvatore J. Russo, General Counsel and Senior Vice President, Legal Affairs and Secretary to the Board
Linda DeHart, Assistant Vice President, Debt Finance & Corporate Reimbursement Services
Patricia Lockhart, Secretary to the Corporation, Chairman’s Office
Nini Mar, Director, Debt Finance & Corporate Reimbursement Services

Other Attendees and Guests
Jessika Graterol, Analyst, New York City Office of Management and Budget
HHC Capital Corporation – Semi-annual Public Meeting
Thursday, November 30, 2017

Mr. Gordon Campbell chaired the meeting of the HHC Capital Corporation Board of Directors (the “Board”). Salvatore Russo, Secretary of the HHC Capital Corporation kept the minutes thereof.

Call to Order:

The semi-annual HHC Capital Corporation meeting was officially called to order at 2:19 p.m. by Mr. Campbell.

Minutes:

Mr. Campbell asked for a motion to adopt the minutes of the previous meeting that was held on May 25, 2017. The Board unanimously adopted the minutes. Mr. Campbell then introduced that Ms. Linda DeHart.

HHC Bonds - Issuance History:

Ms. DeHart stated that this is the semi-annual meeting of the HHC Capital Corporation where the status of the System’s bond financing program and other debt is presented. Page 1 shows a history of bonds issued. The last financing occurred in 2013 which was a refunding, the last new money issuance took place in 2010. The total outstanding par amount of is $733 million. The majority of the bonds are fixed rate while approximately 20% of the bonds are variable rate.

Construction Fund Balance on the 2010 Bonds:

Ms. DeHart described page 2 which shows that the unspent balance for the HHC Series 2010 construction fund is approximately $3.0 million. Encumbrances against that amount slightly exceed the construction fund by $300,000. OFD has made considerable progress since the previous meeting in spending down the construction fund amount.

Mr. Page asked why the encumbrances exceeded the construction fund balance. Ms. DeHart explained that it is mainly due to the timing of the reconciliation efforts by OFD and when the changes are recorded. Some of the encumbered funds that are no longer needed can be freed up and used for other projects.

Short Term Financing Program:

Ms. DeHart provided an overview of the organization’s short term financing program on page 3. Through multiple resolutions approved by the Board in 2013 and 2015, Health + Hospitals entered into two loan agreements for up to a total of $120 million which can be drawn down on an “as-needed” basis. The loans are with JP Morgan Chase and Citibank.
2015 JP Morgan Chase Loan:

Ms. DeHart presented slide 4 which describes the JPM Chase loan negotiated in July 2015 for up to $60 million to fund the purchase of medical equipment and smaller construction projects. The loan was structured to include a drawdown period of 25 months with interest payable monthly at variable rates. The loan, in the amount of $60 million, was converted to a fixed rate mode on August 1, 2017.

Responding to Mr. Page’s query about the interest rate on the fixed rate loan, Ms. DeHart replied that the rate is 2.088%.

2015 Citibank Revolving Loan:

Ms. DeHart described the initial Citibank Revolving Loan Agreement shown on page 5 which was negotiated in October 2015 and provided up to $60 million for spending on IT and other capital projects. The terms of the revolving loan included a three-year drawdown period with a loan expiration of October 12, 2018. $10 million was drawn down when the deal closed on October 14, 2015.

Citibank Replacement Financings:

At the May 2017 HHC Capital Corporation meeting, Ms. DeHart informed the Board that Debt Finance was in discussions with its Financial Advisor, PFM, to research alternative financing options such as an extension or “fix out” of the Citibank Revolving Loan.

On November 1, 2017, the 2015 $60 million Citibank Revolving Loan was replaced by the following two financings listed on page 6 of the presentation:

- A $30 million Fixed Rate Loan that expires on November 1, 2022. $10 million was used to repay the $10 million borrowed under the original 2015 Revolving Loan Agreement. The remaining $20 million was used to reimburse H+H for capital equipment purchase costs that the organization has already incurred, and

- A Variable Rate Loan Agreement for up to $30 million, expiring on October 31, 2018. The one-year loan allows for multiple loan drawdowns. Each loan drawdown would have a five-year maturity. No interest is payable on the Variable Rate Loan unless there is a loan drawdown.

Mr. Rosen asked if the Organization’s Medicaid Revenues are pledged to repay the loans. Ms. DeHart explained that only the holders of the HHC bonds have access to the “lockbox”. JP Morgan Chase and Citibank have a secondary lien which is only triggered if the System defaults on its loan payments. Mr. Brezenoff asked for specifics on the “lockbox”. Ms. DeHart responded that pursuant to the Master Agreement, all healthcare reimbursement revenues are deposited daily into the “HHC Capital Lockbox”. Once the deposits are sufficient to cover the monthly debt service obligation, the subsequent healthcare reimbursement revenues are directed back to the organization for its day-to-day operations.
Citibank Replacement Financings, Loan Activity:

Ms. DeHart stated that page 7 shows the activity on the Citibank replacement financing. Out of the $60 million loan authorization, $30 million was borrowed at a fixed rate on November 1 which will go towards reimbursing the organization for the $39 million that was spent on various capital projects.

Mr. Page asked if the excess of $9 million will be reimbursed at a later date and the status of the loan if the remaining $30 million is not drawn down in five years. Ms. DeHart replied that it is likely that we will borrow at least $9 million to cover the unreimbursed expenses. If Health and Hospitals does not borrow a portion or the full $30 million within five years, the loan will simply expire.

Adjournment:

There being no further business before the Board, Mr. Campbell adjourned the meeting at 2:28 p.m.

Salvatore J. Russo, Esq.
Secretary to the Board of Directors
H+H Outstanding Bond Portfolio

HHC has $144.8 million (21.3%) of tax-exempt variable rate bonds and $534.8 million (78.7%) of tax-exempt fixed rate bonds outstanding.

- Variable rate bonds are supported by letters of credit (“LOC”) provided by TD Bank (69.7%) and JPMorgan Chase Bank (30.3%)
- The final maturity for the Series 2008 B-E variable rate bonds is 2/15/31
- TD Bank’s LOC expires 9/3/19
- JPMorgan’s LOC expires 7/1/22
## Bonds: Issuance History (as of 05/01/18)

Credit Ratings: Moody’s Aa3, S&P A+ and Fitch AA-

<table>
<thead>
<tr>
<th>Issuance Date</th>
<th>Bond Series</th>
<th>Initial Par Amount (in $ millions)</th>
<th>Outstanding Par Amount (in $ millions)</th>
<th>Final Maturity</th>
<th>Fixed or Variable Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/15/93</td>
<td>1993 A</td>
<td>550.000</td>
<td>-</td>
<td>-</td>
<td>Fixed</td>
</tr>
<tr>
<td>4/10/97</td>
<td>1997 A-D</td>
<td>320.000</td>
<td>-</td>
<td>-</td>
<td>Variable</td>
</tr>
<tr>
<td>3/1/99</td>
<td>1999 A (1)</td>
<td>235.700</td>
<td>-</td>
<td>-</td>
<td>Fixed</td>
</tr>
<tr>
<td>7/1/02</td>
<td>2002 A</td>
<td>192.700</td>
<td>-</td>
<td>-</td>
<td>Fixed</td>
</tr>
<tr>
<td>7/1/02</td>
<td>2002 B-H (2)</td>
<td>397.750</td>
<td>-</td>
<td>-</td>
<td>Auction</td>
</tr>
<tr>
<td>1/15/03</td>
<td>2003 A (3)</td>
<td>245.180</td>
<td>-</td>
<td>-</td>
<td>Fixed</td>
</tr>
<tr>
<td>8/21/08</td>
<td>2008 A (4)</td>
<td>268.915</td>
<td>83.930</td>
<td>2/15/2026</td>
<td>Fixed</td>
</tr>
<tr>
<td>9/4/08</td>
<td>2008 B-E (5)</td>
<td>189.000</td>
<td>144.845</td>
<td>2/15/2031</td>
<td>Variable</td>
</tr>
<tr>
<td>10/26/10</td>
<td>2010 A (6)</td>
<td>510.460</td>
<td>340.865</td>
<td>2/15/2030</td>
<td>Fixed</td>
</tr>
<tr>
<td>3/28/13</td>
<td>2013 A (7)</td>
<td>112.045</td>
<td>110.040</td>
<td>2/15/2023</td>
<td>Fixed</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>679.680</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note:  
(1) Advance refunded certain 1993 Series bonds  
(2) Refunded the entire 1997 Series bonds and issued new money  
(3) Refunded the remaining 1993 Series bonds  
(4) Refunded the 2002 B,C,H Series bonds and issued new money, includes both refunded and new money bonds as of May 2017  
(5) Refunded the 2002 D,E,F,G series bonds  
(6) Refunded the entire 1999 Series and substantially all of the 2002 Series A bonds, and issued new money  
(7) Refunded the entire 2003 A and a portion of the 2008 A Series bonds
## 2010 Health System Bonds

### Construction Fund – Cash Flow

(UNAUDITED, IN $MILLIONS)

<table>
<thead>
<tr>
<th>Drawdown Period</th>
<th>Activity/Action</th>
<th>Construction Fund = Deposits at Issuance + Interest Earnings</th>
<th>(Withdrawals)</th>
<th>Construction Fund Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>10/26/2010</td>
<td>Construction Fund at Issuance Date</td>
<td>199.758</td>
<td>(9.483)</td>
<td>190.275</td>
</tr>
<tr>
<td>FY 2011</td>
<td>Drawdown</td>
<td></td>
<td>(57.938)</td>
<td>132.337</td>
</tr>
<tr>
<td>FY 2012</td>
<td>Drawdown</td>
<td></td>
<td>(83.838)</td>
<td>48.499</td>
</tr>
<tr>
<td>FY 2013</td>
<td>Drawdown</td>
<td></td>
<td>(31.438)</td>
<td>17.061</td>
</tr>
<tr>
<td>FY 2014</td>
<td>Drawdown</td>
<td></td>
<td>(10.446)</td>
<td>6.615</td>
</tr>
<tr>
<td>FY 2015</td>
<td>Drawdown</td>
<td></td>
<td>(3.913)</td>
<td>2.702</td>
</tr>
<tr>
<td>FY 2016</td>
<td>Drawdown</td>
<td></td>
<td>(0.679)</td>
<td>2.023</td>
</tr>
<tr>
<td>FY 2017</td>
<td>Drawdown (as of 4/30/18)</td>
<td></td>
<td>(1.825)</td>
<td>0.198</td>
</tr>
<tr>
<td>FY 2018</td>
<td>Drawdown (as of 4/30/18)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Interest Earnings (as of 04/30/2018)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td></td>
<td></td>
<td><strong>(199.560)</strong></td>
<td><strong>1.210</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>As of</th>
<th>Total Drawdowns</th>
<th>Total Encumbrances</th>
<th>Total Encumbrances Less Drawdowns</th>
<th>Encumbered balance exceeds Construction Fund Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>04/30/18</td>
<td>199.560</td>
<td>200.858</td>
<td>1.298</td>
<td>(0.088)</td>
</tr>
</tbody>
</table>

(a) Drawdowns are not reflective of actual capital spending.

(b) OFD continues to review and reconcile the projects with open encumbrances. Excess funds will be re-purposed for other priority projects.
Health System Bonds – Arbitrage Rebate

- Typically, when interest earnings on bond proceeds exceed the bond yield, issuers will incur arbitrage rebate liability which must be rebated to the IRS.
  - Section 148 of the Internal Revenue Code – Arbitrage Restrictions on Tax-exempt Bond Issues, requires issuers to file form 8038-T (Arbitrage Rebate, Yield Restriction and Penalty in Lieu of Arbitrage Rebate) with the IRS every fifth bond year and final maturity to identify and repay arbitrage rebate liability.

  - With the close of the 5th bond year on 3/28/18 for the 2013 Series A bonds, Hawkins analyzed and prepared the arbitrage rebate report, indicating H+H incurred $581,458.02 arbitrage rebate and yield restriction liability on its 2013 Series A bonds.
  - A form 8038-T along with a check made payable to U.S. Treasury will be filed/mailed to the IRS no later than May 27, 2018.
Short Term Financing Program

- Through resolutions approved in July 2013, April 2015 and September 2015, the NYC Health + Hospitals Board authorized equipment and other short term financing of up to $120 million, with the goal of allowing the system to establish a flexible short term financing program with “as needed” access to capital funds from one or more banks over multiple years.

- This short-term financing program is secured by a secondary lien on the Health Care Reimbursement Revenue (i.e. after the Bondholders lien).

- Under this program, there are two borrowing currently outstanding:
  - $60 million with **JPMorgan Chase** to finance medical equipment purchases
    - at **2.0880%** fixed rate
    - matures on **7/1/22**
  - $60 million with **Citibank** to finance routine renovation and IT projects
  - Two components
    - fixed rate loan – borrowed $30 million at **2.17%** fixed rate, matures on **11/1/22**
    - variable rate loan – (available to be borrowed)
      - Up to $30 million
      - 1 year availability period, expires **10/31/18**
      - 5 year maturity from drawdown
      - 1.98% indicative rate as of **5/16/18** (*tied to weekly SIFMA index*)
### 2015 JP Morgan Chase Loan ($millions)

<table>
<thead>
<tr>
<th>Date</th>
<th>Activity/Action</th>
<th>Remaining Loan Capacity</th>
<th>Borrowed Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>07/09/2015</td>
<td>Issuance</td>
<td>60.000</td>
<td>0.000</td>
</tr>
<tr>
<td>07/09/2015</td>
<td>Initial Drawdown: Borrowed Amount</td>
<td>(10.000)</td>
<td>10.000</td>
</tr>
<tr>
<td>07/31/2017</td>
<td>Final Drawdown: Borrowed Amount</td>
<td>(50.000)</td>
<td>50.000</td>
</tr>
<tr>
<td>08/01/2017</td>
<td>Converted to Fixed Rate @ 2.0880%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>0.000</strong></td>
<td><strong>60.000</strong></td>
</tr>
</tbody>
</table>

**Vouched Capital Expenses as of April 30, 2018**

- Cost of Issuance: (0.128)
- Vouched Funds: (59.057)

**Encumbrances as of April 30, 2018**

- 59.803

**Outstanding Loan as of April 30, 2018**

- 51.304

- **Terms:** $60 million outstanding loan converted to fixed rate @ 2.0880% with final maturity date of July 1, 2022

- **Interest Rates:** Avg. variable rate during drawdown period (to 8/1/17): 1.1687%. Final variable rate was set at 1.6270% prior to fixed rate conversion
### 2017 Citibank Loan ($millions)

#### Terms
- **5-year fixed rate loan, matures on Nov 1, 2022**

#### Interest Rate:
- **2.17%**

<table>
<thead>
<tr>
<th>Date</th>
<th>Activity/Action</th>
<th>Remaining Loan Capacity</th>
<th>Borrowed Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>11/01/2017</td>
<td>Issuance</td>
<td>60.000</td>
<td>0.000</td>
</tr>
<tr>
<td>11/01/2017</td>
<td>Initial Fixed Rate Loan Drawdown</td>
<td>(30.000)</td>
<td>30.000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>30.000</strong></td>
<td><strong>30.000</strong></td>
</tr>
<tr>
<td><strong>Vouched Capital Expenses as of April 30, 2018</strong></td>
<td></td>
<td>(41.868)</td>
<td></td>
</tr>
<tr>
<td><strong>Cost of Issuance</strong></td>
<td></td>
<td>(0.250)</td>
<td></td>
</tr>
<tr>
<td><strong>Vouched Funds</strong></td>
<td></td>
<td>(42.118)</td>
<td></td>
</tr>
<tr>
<td><strong>Encumbrances as of April 30, 2018</strong></td>
<td></td>
<td>46.616</td>
<td></td>
</tr>
<tr>
<td><strong>Outstanding Loan as of April 30, 2018</strong></td>
<td></td>
<td>30.000</td>
<td></td>
</tr>
</tbody>
</table>