NYC HEALTH+ HOSPITALS

125 Worth Street
New York, NY 10013

HHC Capital Corporation
Semi-annual Meeting

November 17, 2015, 3:00 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 5/28/15	Dr. Lilliam Barrios-Paoli, Ph.D.
II.	Short Term Equipment Financing Program	Linda Dehart
III.	Citibank Transaction	Linda Dehart
IV.	Loans: Planned Spending	Nini Mar
V.	Loans: Cash Flows	Nini Mar
VI.	HHC Bonds: issuance History	Linda Dehart
VII.	2010 Bonds: Construction Fund Balance	Linda Dehart
VIII.	Old business, new business and adjournment	Dr. Lilliam Barrios-Paoli, Ph.D.

MINUTES

HHC Capital Corporation
Semi-annual Public Meeting

Meeting Date: May 28, 2015, 3:30 p.m.
Location: 125 Worth Street
Fifth Floor Board Room

ATTENDEES

Members of the HHC Capital Corporation Board of Directors:
Gordon J. Campbell, Chairman (Acting)
Mark Page
Ramanathan Raju, M.D.
Emily A. Youssouf

Corporation Officers and other HHC Board Members:
Salvatore J. Russo, Esq., General Counsel and Senior Vice President, Legal Affairs and Secretary to the Board
Vincent Calamia, M.D.
Julian John, Corporate Comptroller
Antonio D. Martin, Executive Vice President and Chief Operating Officer
Marlene Zurack, CFO and Senior Vice President, Finance & Managed Care

Health and Hospitals Corporation Staff:
Deborah Cates – Chief of Staff, Board Affairs
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

HHC Capital Corporation – Semi-annual Public Meeting
Thursday, May 28, 2015

Mr. Gordon Campbell chaired the meeting of the HHC Capital Corporation Board of Directors (the "Board") while Mr. 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 3:38 p.m. by Mr. Campbell.

Minutes:

The first agenda item is the adoption of the minutes of the HHC Capital Corporation meeting held on November 20, 2014. Mr. Campbell asked the Board if there were any questions, comments or suggested changes; if not, Mr. Campbell entertained the motion to adopt the minutes. On motion made by Ms. Youssouf and duly seconded, the Board unanimously adopted the minutes.

Introduction:

Mr. Campbell announced to the Board that Linda DeHart and Nini Mar will be speaking about updates to the Equipment Financing Program, the RFP for underwriting services, the History of HHC's Bond Issuances, the 2010 Bonds Construction Fund Balance and any old business and, or new business.

HHC Equipment Financing Program:

Ms. DeHart indicated that on the first page of the presentation, background was provided on the equipment financing program which was authorized by the HHC Board of Directors on April 30th at an amended amount of up to $60 million. This allowed the Corporation to establish a financing program with one or more banks over multiple years. As previously reported, HHC was unsuccessful in attempting to secure traditional equipment financing using only a lien on the equipment. Once a secondary Health Care Reimbursement Revenue lien security was developed, several banks were interested. As a result, HHC reached an agreement with JP Morgan and is currently working with bond counsel on ironing out the last few details of the agreement. The deal is expected to close within the next few weeks.

Equipment Financing Security Structure:

Ms. DeHart explained that the right hand side of the diagram, in black ink, highlights the existing security structure for holders of HHC bonds. The items in blue ink, on the left side of the diagram, describe the newly developed secondary lien pledge related to the equipment financing.

JP Morgan Transaction:

Ms DeHart stated that the third page shows details of the proposed $60 million transaction with JP Morgan to upgrade, purchase and install medical equipment and IT systems as well as cover the costs of issuance. In addition to a first lien on the equipment, there is a secondary pledge of revenues provided as security. The term is a 12 month drawdown period at variable rates converting to a six year fixed rate loan at close-out. The indicative interest rate as of the end of March was 0.9249% during the drawdown period and 1.7062% for the fixed rate loan. Mr. Campbell asked if there were any questions. Ms. Youssouf asked how the fixed rate was calculated. Ms DeHart stated that she did not have the information with her but would send it to Ms. Youssouf. Ms. Zurack recalled that the rate was based on the LIBOR (London Interbank Offered Rate) rate plus a mark-up.

RFP for Bond Underwriting Services:

Nini Mar explained that every five years, HHC Debt Finance issues RFPs for services provided by underwriters, bond counsel and financial advisory firms. In 2015, a RFP was issued for underwriting services. The RFP was released on March 16. The due date for the proposals was April 13. HHC received proposals from 9 firms seeking the senior underwriter role and 11 proposals from firms interested in the co-managing underwriter role. The RFP Evaluation Committee will interview the top six senior managing underwriter candidates on June 4th. Out of those six firms, the top three will be chosen for the senior manager role and the remaining senior manager candidates will be ranked alongside the co-manager candidates for the co-manager role. HHC's current underwriting team consists of three senior managers and 13 co-managing underwriters. Responding to Mr. Campbell's question about the Evaluation Committee members, Ms. Mar replied that the team consists of Jay Olson from the NYC Office of Management and Budget, Carmen Pigler from the NYC Comptroller's Office, Jawwad Ahmad and Cyril Toussaint from HHC's Office of Facilities Development (who will count as one vote), Linda DeHart serving as Chair and Rebecca Fischer from Bellevue Hospital. Ms. Youssouf asked if there are plans to rotate the three senior managers. Ms. DeHart said yes. Mr. Page asked for the names of the three senior managers. Mr. Campbell asked if all three firms have re-applied. Ms. Zurack answered that Citi, Morgan Stanley and JP Morgan are the current senior managers and that all three submitted proposals. To Ms. Youssouf's question about how many proposals were received, Ms. Mar stated that 9 firms applied for the senior role and 11 for the co-manager role so the total is 20. Mr. Campbell asked if there were at least a few firms that were minority and women owned. Ms. DeHart answered yes.

HHC Bonds - Issuance History:

According to Ms. DeHart, the currently par amount of bonds outstanding is $833.4 million mostly in fixed rate mode with the exception of the Series 2008 B-E bonds which is in variable rate mode, roughly 20% of the portfolio.

Construction Fund Balance on the 2010 Bonds:

Ms. DeHart said that page 6 shows the status of the Series 2010 bond construction fund. Of the total $8.8 million remaining, $7.8 million is the unspent encumbrance amount leaving an unencumbered balance of just less than $1 million.

Ms. Campbell asked for the high point or maximum amount of bonds outstanding. Ms DeHart said that the amount is approximately $1.1 billion in the early 2000s and again in 2010. Ms. Youssouf asked if there are any plans to issue bonds this year. Ms. Zurack replied that typically HHC's capital program is financed with approximately one-third HHC bonds, and two-thirds by the City for mainly the major reconstruction projects.

Ms. Zurack informed the Board that the City's current capital plan contains the large FEMA funded projects which are federal dollars that flow through NYC. Also included are the Epic EMR and other IT projects. It is likely that HHC will have to issue bonds this Fall. There is a very small refinancing opportunity resulting in approximately $5 million of present value savings which may be reduced as interest rates rise. Ms. Youssouf asked Ms Zurack to elaborate on the amount of bonds which might be issued. Ms. Zurack said that historically, HHC spends down approximately $30 million a year on routine reconstruction and equipment. Some of the capital needs can be addressed by the proposed equipment financing. HHC does not want to create a big construction fund given that it took five years to spend down the bond proceeds from the 2010 bond issue. Finance has been in discussions with Citibank who is willing to provide a revolving loan to finance smaller construction projects. HHC can use the floating rate loan as an interim financing vehicle until HHC can issue bonds. Mr. Page asked if this is similar in mechanics to bond anticipation notes ("BANs"). Both Ms. Zurack and Ms DeHart replied that it was not and that Citi would be receiving CRA (Community Reinvestment Act) credits and availing the bank of the secondary revenue pledge as a security during the contemplated three year loan period. Ms. Youssouf believes that HHC cannot issue BANs because only municipalities are allowed to do so.

Mr. Page asked about the relative cost of HHC issuing debt versus the City. Ms. Zurack said the difference is 50 basis points. Mr. Page stated that having construction funds sitting in accounts earning very little interest and the difficulty of predicting cash flows accurately makes it beneficial for the City to finance more of HHC's capital needs. Ms. Zurack agreed, but added that for smaller projects at the Facilities, the City's approval and spending process can be very onerous often causing delays to projects. If HHC can establish an interim financing vehicle which can be replenished or "fixed out" periodically, it should reduce the problem of having construction funds sitting in low bearing interest accounts. Ms. Youssouf asked about the type of projects in the capital plan. Ms. Zurack said that it was mainly infrastructure-related, projects such as boilers, air handlers and some IT.

Mr. Page asked if the City Comptroller's Office agreement on the terms is necessary when HHC issues its own debt. Ms. Zurack said yes. Mr. Page's follow-up question was if City Comptroller approval is needed when drawing down funds if the projects are funded by HHC bonds. Again, Ms. Zurack answered no. Ms. Zurack said that HHC skips OMB processes such as CPs and proceed directives as well as the City Comptroller's work order and contract registrations which can often add months to the completion schedule. On the big projects, clearly it makes sense to seek City financing. Mr. Page added that City debt is the City's obligation, HHC debt is HHC's obligation - and there is the negotiation of reimbursement of City debt service by HHC. Ms. Zurack said that HHC had asked for the maximum City financing during the last budget but it was not approved. Ms. Zurack is hoping that the loans from JP Morgan for equipment and Citibank for construction will provide sufficient capital in the short term.

Ms. Youssouf asked if Morgan Stanley or any other banks were interested in lending to HHC. Ms. DeHart indicated that there were some preliminary discussions with TD Bank and UBS who both had expressed some interest. TD Bank initially had some credit cap restrictions. Morgan Stanley was not directly approached. Ms. Youssouf indicated that Morgan Stanley may have some CRA capacity and it cannot hurt to ask. Ms. Zurack and Ms. DeHart agreed.

Adjournment:

There being no further business before the Board, Mr. Campbell adjourned the meeting at 3:54 p.m.

Salvatore J. Russo

Salvatore J. Russo, Esq.
Secretary to the Board of Directors

NYC HEALTH+ HOSPITALS

HHC Capital Corporation

Semi-Annual Meeting

Date: November 17, 2015
Time: 3:00 p.m.
Location: 125 Worth Street,
5th Floor Board Room
New York, NY 10013

Short Term Financing Program

- On September 24, 2015, the NYC Health + Hospitals Board of Directors approved an amendment increasing the authorization for equipment and other short term financing to $120 million. This allowed the system to establish a short term financing program with access capital funds from one or more banks over multiple years.

- After a secondary Health Care Reimbursement Revenue lien security was developed, the JP Morgan Chase financing for up to $60 million worth of primarily equipment purchases closed on July 9, 2015.

- The Citibank financing for up to $60 million worth of mostly routine renovation and IT projects closed on October 14, 2015.

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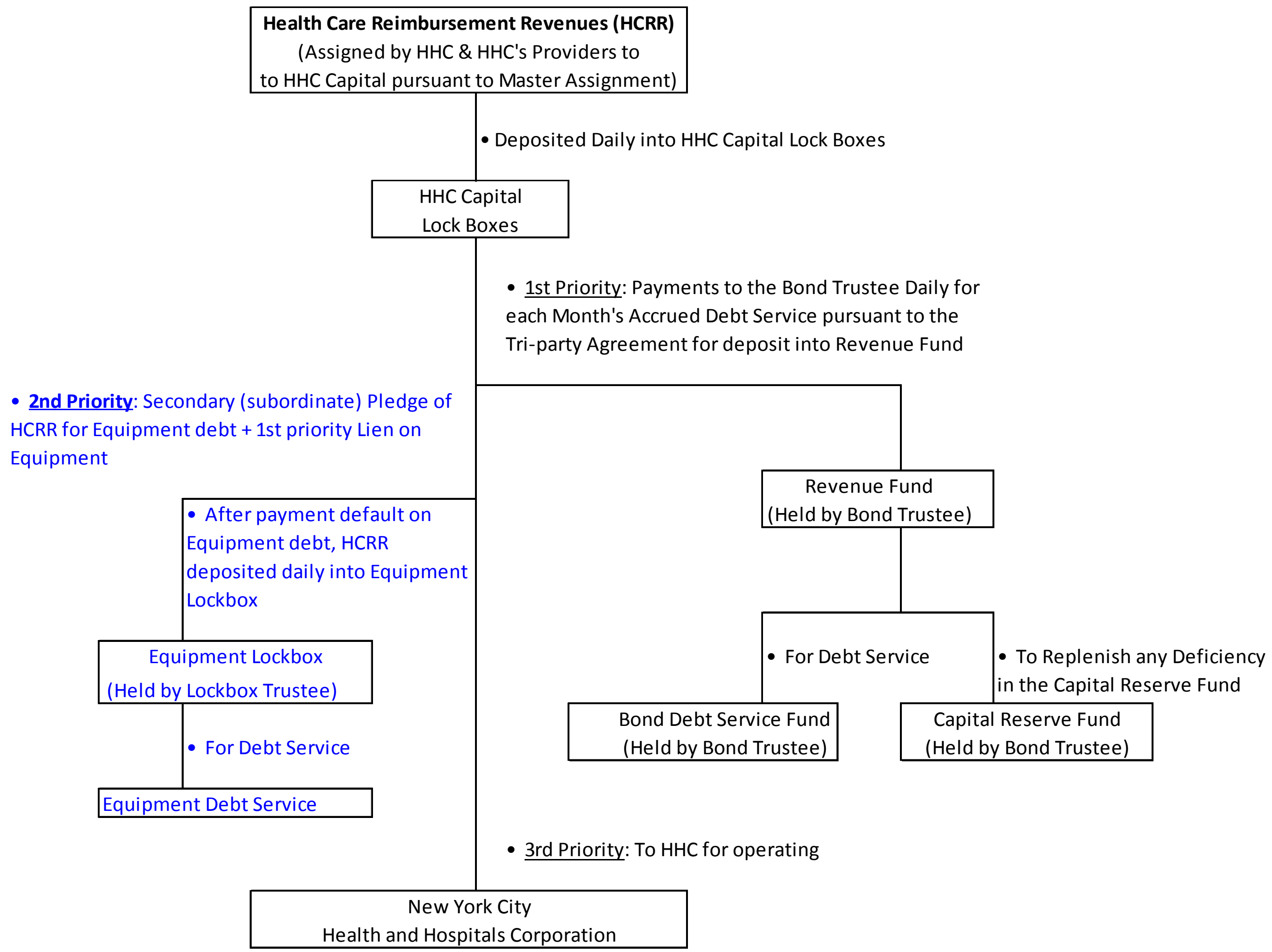
Equipment Financing Security Structure

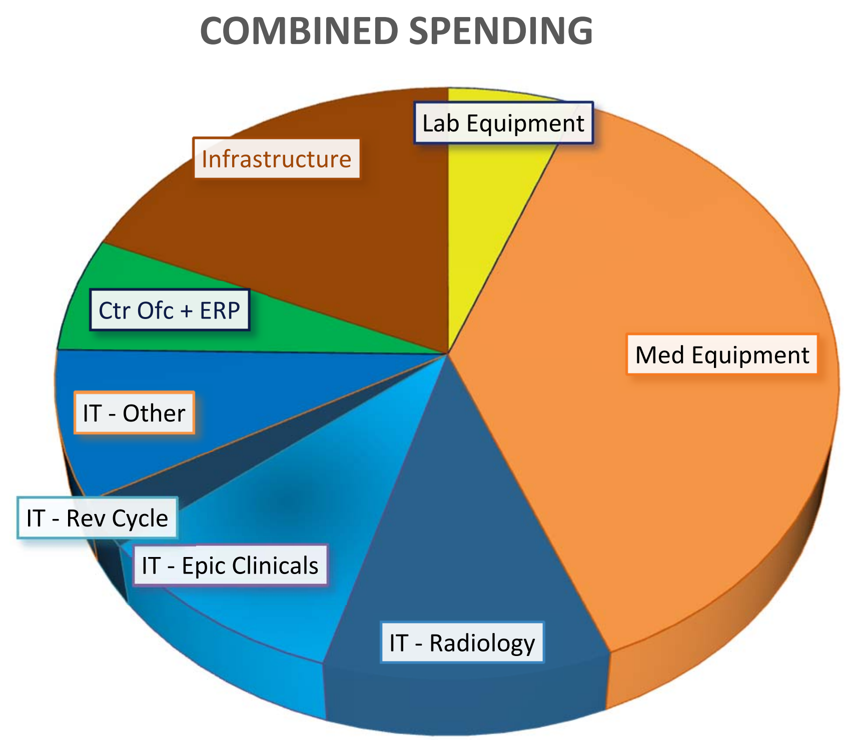


Citibank Transaction

NYC Health + Hospitals Debt Finance worked with its Bond Counsel and Financial Advisor to structure the short term financing with Citibank.

- Size: Up to $60 million
- Uses: Finance CRA (Community Reinvestment Act)-eligible capital needs such as the upgrade, purchase and install of information and medical technology systems; routine renovation projects; costs of issuance.
- Security: A secondary pledge of Health Care Reimbursement Revenues. In the event of a payment default, a requirement for revenues to be deposited into a daily lockbox will be triggered.
- Term: Revolving Loan Agreement matures in 3 years (October 13, 2018)
  - Funds can be drawn down from time to time ($1 million minimum), partially repaid at any time ($1 million minimum), but must be repaid in full no later than the maturity date
  - Provides maximum drawdown flexibility
  - Minimizes negative arbitrage on borrowed, but unused funds
- Fees:
  - Interest on funds used is calculated weekly. The weekly rate during the week of November 4 was 0.71%
  - Commitment Fee on unused funds is 0.15% as long as the system's credit rating does not fall below Moody's: A2, S&P and Fitch: A (current ratings are Moody's Aa3, S&P and Fitch: A+)

Loans: Planned Spending by Category



	JPM Loan	Citi Loan
Lab Equip	11.90%	-
Med Equip	73.75%	2.02%
IT – Radiology	12.28%	9.38%
IT – Epic Clinicals	-	19.56%
IT – Rev Cycle	-	5.19%
IT - Other	-	16.43%
Ctrl Ofc + ERP	0.31%	12.23%
Infrastructure	1.77%	35.19%
	100.00%	100.00%

Note: These allocations are as of October 30, 2015 and are subject to change. Facilities are allowed to substitute and re-prioritize projects through the loan period.

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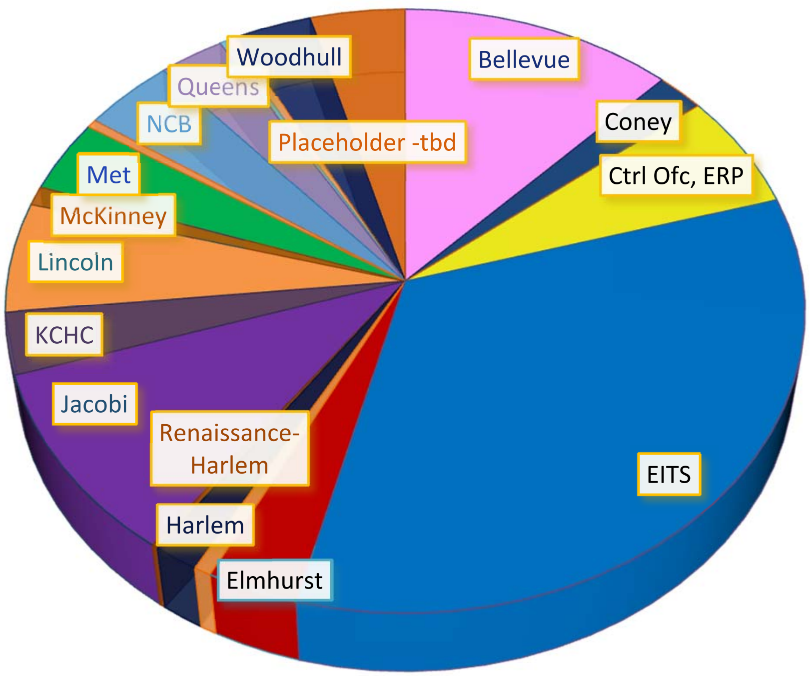
Loans: Planned Spending by Facility

	JPM Loan	Citi Loan
Bellevue	19.81%	4.53%
Coney	4.21%	-
Ctrl Ofc, ERP	0.31%	12.10%
EITS	12.28%	54.73%
Elmhurst	5.86%	0.91%
Gouv	1.10%	0.19%
Harlem	0.13%	3.21%
Renaissance-Harlem	-	0.47%
Jacobi	18.55%	1.75%
KCHC	3.34%	3.23%
Lincoln	7.26%	4.50%
McKinney	1.08%	0.94%
Met	3.95%	3.89%
Morrisania		0.87%
NCB	5.39%	2.74%
Queens	2.84%	3.02%
SR Belvis	0.06%	0.50%
Seaview	0.67%	0.25%
Woodhull	4.74%	2.15%
Placeholder -tbd	8.45%	
	100.00%	100.00%

COMBINED SPENDING ALLOCATION



Note: These allocations are of October 30, 2015 and subject to change. Facilities are allowed to substitute and re-prioritize projects through the loan period.

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2015 Short Term Loans (Cash Flows in $millions)

JPM Loan Date	Activity/Action	Loan Amount	(Withdrawals)	Remaining Balance
7/9/2015	Issuance Date	60.000		60.000
7/9/2015	Initial Drawdown		(10.000)	50.000
	Total	60.000	(10.000)	**50.000**

- Drawdowns are not reflective of actual capital spending.
- Approximately $5.9 million was paid out / vouched as of October 30, 2015.
- Over $20 million worth of items have been encumbered as of October 30, 2015.

Citi Loan Date	Activity/Action	Loan Amount	(Withdrawals)	Remaining Balance
10/14/2015	Issuance Date	60.000		60.000
10/14/2015	Initial Drawdown		(10.000)	50.000
	Total	60.000	(10.000)	**50.000**

- Drawdowns are not reflective of actual capital spending.

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Bonds: Issuance History (as of 10/30/15)

Issuance Date	Bond Series	Initial Par Amount (in $ millions)	Outstanding Par Amount (in $ millions)	Final Maturity	Fixed or Variable Rate
5/15/93	1993 A	550.000	-	-	Fixed
4/10/97	1997 A-D	320.000	-	-	Variable
3/1/99	1999 A (1)	235.700	-	-	Fixed
7/1/02	2002 A	192.700	-	-	Fixed
7/1/02	2002 B-H (2)	397.750	-	-	Auction
1/15/03	2003 A (3)	245.180	-	-	Fixed
8/21/08	**2008 A** (4)	**268.915**	**107.805**	**2/15/2026**	**Fixed**
9/4/08	**2008 B-E** (5)	**189.000**	**159.405**	**2/15/2031**	**Variable**
10/26/10	**2010 A** (6)	**510.460**	**454.155**	**2/15/2030**	**Fixed**
3/28/13	**2013 A** (7)	**112.045**	**112.045**	**2/15/2023**	**Fixed**
	Total	**-**	**833.410**		

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
(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

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2010 Health System Bonds

Construction Fund – Cash Flow

(Unaudited, in $millions)

Drawdown Period	Activity/Action	Deposits + Interest Earned	(Withdrawals)	Remaining Balance
10/26/2010	Issuance Date	199.758		199.758
FY 2011	Drawdown		(9.483)	190.275
FY 2012	Drawdown		(57.938)	132.337
FY 2013	Drawdown		(83.838)	48.499
FY 2014	Drawdown		(31.438)	17.061
FY 2015	Drawdown		(10.446)	6.614
FY2016	FYTD Drawdown (as of 9/29/2015)		(1.766)	4.848
	Interest Earnings (as of 10/30/2015)	0.983		
	Total	200.741	(194.909)	**4.848**

As of	Total Drawdowns	Total Encumbrances	Total Encumbrances Less Drawdowns	Unencumbered Balance
11/6/15	194.909	200.621	5.712	0.120

Drawdowns are not reflective of actual capital spending.