125 Worth Street
New York, NY 10013

HHC Capital Corporation
Semi-annual Meeting

November 29, 2018, 2:00 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 May 31, 2018	Gordon J. Campbell
II.	2008 Series B & C Bonds LOC Amendment	Linda DeHart
III.	HHC Outstanding Bond Portfolio	"
IV.	HHC Bonds: issuance History	"
V.	2010 Bonds: Construction Fund Balance	"
VI.	2008 Series A and Series B-E Bond Arbitrage Rebate	"
VII.	Short Term Financing Program	"
VIII.	2015 JP Morgan Chase Loan	"
IX.	2017 Citibank Loan	"
X.	New York Power Authority Financing	Paulene Lok
XI.	Bond Counsel Selection	"
XII.	Old business, new business and adjournment	Gordon J. Campbell

MINUTES

HHC Capital Corporation
Semi-annual Public Meeting

Meeting Date: May 31, 2018, 1:30 p.m.
Location: 125 Worth Street
Fifth Floor Board Room

ATTENDEES

Members of the HHC Capital Corporation Board of Directors
Gordon Campbell, Acting Chair
Mitchell Katz, M.D. President
Bernard Rosen

NYC Health+ Hospitals Staff
Andrea Cohen, General Counsel and Senior Vice President, Legal Affairs and Labor Relations and Secretary to the Board
Linda DeHart, Assistant Vice President, Debt Finance & Corporate Reimbursement Services
Colicia Hercules, Secretary to the Corporation, Chairman's Office
Paulene Lok, Senior Director, Debt Finance & Corporate Reimbursement Services
Nini Mar, Director, Debt Finance & Corporate Reimbursement Services

HHC Capital Corporation – Semi-annual Public Meeting
Thursday, May 31, 2018

Mr. Gordon Campbell chaired the meeting of the HHC Capital Corporation Board of Directors (the "Board"). Andrea Cohen, 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 1:35 p.m. by Mr. Campbell.

Minutes:

Mr. Campbell asked for a motion to adopt the minutes of the previous meeting that was held on November 30, 2017. The Board unanimously adopted the minutes. Mr. Campbell then introduced Ms. Linda DeHart to provide an update to the Board.

Background on HHC Capital Corporation:

Ms. DeHart briefly explained that the HHC Capital Corporation was established in 1993 as a wholly owned subsidiary to receive H+H's Health Care Reimbursement Revenues, as part of the security structure for H+H revenue bonds. And stated that the By-Laws of the HHC Capital Corporation required a minimum of two public board meetings annually.

Ms. DeHart then referred to the HHC Capital Corporation Semi-Annual Meeting Presentation and began her update to the Board.

HHC Outstanding Bond Portfolio:

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 H+H's current outstanding bonds of approximately $680 million, where a majority of bonds are fixed rate bonds, 79% ($535 million) and the remaining 21% ($145 million) are variable rate bonds, supported by letters of credit provided by JP Morgan Chase Bank and TD Bank.

HHC Bonds - Issuance History:

Ms. DeHart pointed to page 2 which shows a history of bonds issued. The outstanding bonds are the 2008 Series A-E, the 2010 Series A and the 2013 Series A bonds, with a total outstanding par amount of is $680 million.

Mr. Gordon asked if H+H foresees issuing any H+H's bonds in the near future? Ms. DeHart answered no, and further explained that H+H capital plan has shifted to near complete reliance on NYC financing. Ms. DeHart also informed the Board that there are two boiler projects to be financed by New York Power Authority ("NYPA"), which are expected to close in the coming months.

Construction Fund Balance on the 2010 Bonds:

Ms. DeHart described page 3 which shows that the unspent balance for the HHC Series 2010 construction fund is approximately $1.2 million. The remaining balance will be spent once OFD completed their reconciliation efforts on the projects financed by 2010 Bonds.

Health System Bonds-Arbitrage Rebate:

Ms. DeHart explained that arbitrage rebate liability is required to rebate to the IRS when interest earnings on bond proceeds exceeded the tax-exempt bond yield (i.e. issuers are not allow to make any profit when borrowing in tax-exempt debt).

Ms. DeHart informed the Board that H+H's 2013 Series A Bonds interest earning exceeded bond yield by $581,458.02, as indicated in page 4, and that H+H had sent the rebate check to the IRS on May 25, 2018, as required.

Ms. Cohen inquired if H+H had made similar payment back to the IRS in the past? Ms. Lok answered yes, a rebate check on H+H's 1997 Series Variable Rate Bonds was sent to the IRS in the past. And further explained that an arbitrage rebate liability typically will be incurred with a variable rate debt, since the bond yield of a variable rate debt is likely lower than the interest earnings on the bond proceeds.

Short Term Financing Program:

Ms. DeHart provided an overview of the organization's short term financing program on page 5. Through multiple resolutions approved by the Board in 2013 and 2015, Health + Hospitals authorized the Chief Financial Officer (CFO) to borrow up to $120 million on an "as-needed" basis. As of now, H+H has entered into two loans with JP Morgan Chase and Citibank.

2015 JP Morgan Chase Loan:

Ms. DeHart presented page 6 which describes the JPM Chase loan negotiated in July 2015 for up to $60 million to finance the purchase of medical equipment and related renovation projects. The $60 million loan was borrowed at 2.088% fixed rate interest with a final maturity of July 1, 2022. As of the end of April 2018, the outstanding loan amount is $51.3 million.

Ms. DeHart further explained to the Board why H+H uses short-term financing to finance shorter life projects. By borrowing "as needed", it prevented H+H from borrowing a large amount of capital funds, where the interest earnings is much lower than the interest cost on the borrowed proceeds, which is typically the case if issuing bonds.

2017 Citibank Loan:

Ms. DeHart explained to the Board that the 2017 Citibank Loan on page 7 was entered into in November 2017, of which $30 million was borrowed as a fixed rate loan at the interest rate of 2.17%

with final maturity of November 1, 2022; and the remaining $30 million is available to be borrowed as 5-year variable rate loan, if necessary.

Mr. Gordon asked under what conditions H+H would borrow the remaining $30 million? Ms. DeHart answered H+H would evaluate our capital project needs and available funding from various funding sources, as well as the interest rate of the loan, to determine if it is advantageous for us to borrow the remaining $30 million loan from Citibank. As of now, we encumbered $46.6 million and expended $42.1 million of project costs eligible for this financing. Therefore, we would consider borrowing at least $12 to $17 million to cover those unreimbursed capital expenses.

Adjournment:

There being no further business before the Board, Mr. Campbell adjourned the meeting at 1:50 p.m.

Andrea Cohen, Esq.
Secretary to the Board of Directors

NYC HEALTH+ HOSPITALS

HHC Capital Corporation

Semi-Annual Meeting

Date: November 29, 2018
Time: 2:00 p.m.
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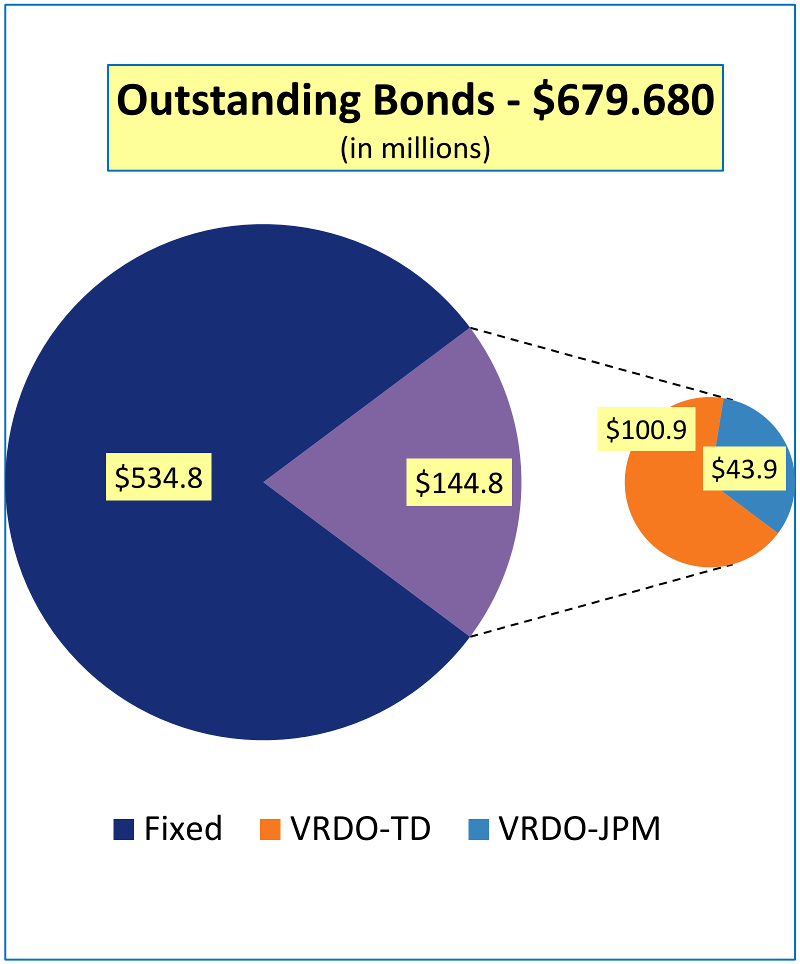
5th Floor Board Room
New York, NY 10013

H+H Outstanding Bond Portfolio

H+H 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
- JPMorgan's LOC expires 7/1/22
- TD Bank's LOC expires 9/3/23
  - Amended on October 31, 2018 to extend expiration from September 3, 2019 to September 3, 2023
  - LOC fees remained the same
- Variable rate bond interest rates averaged 1.125% in FY2018 and 0.38% since inception.



Bonds: Issuance History (as of 10/31/18)

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

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**	**83.930**	**2/15/2026**	**Fixed**
9/4/08	**2008 B-E** [(5)]	**189.000**	**144.845**	**2/15/2031**	**Variable**
10/26/10	**2010 A** [(6)]	**510.460**	**340.865**	**2/15/2030**	**Fixed**
3/28/13	**2013 A** [(7)]	**112.045**	**110.040**	**2/15/2023**	**Fixed**
	Total	**-**	**679.680**		

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)

Drawdown Period	Activity/Action	Construction Fund = Deposits at Issuance + Interest Earnings	(Withdrawals)	Construction Fund Balance
10/26/2010	**Construction Fund at 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)	6.615
FY2016	Drawdown		(3.913)	2.702
FY2017	Drawdown		(0.679)	2.023
FY2018	Drawdown		(1.825)	0.198
FY2019	Drawdown (up to 8/31/18)		(0.215)	-0.017
	Interest Earnings (as of 10/31/2018)	**1.016**		0.999
	Totals	**200.770**	**(199.775)**	**0.999**

As of	Total Drawdowns	Total Encumbrances	Total Encumbrances Less Drawdowns	Encumbered balance exceeds Construction Fund Balance
10/31/18	199.775	200.782	1.007	(0.008)

(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.

- H+H's rebate consultant, Hawkins, Delafield & Wood LLP, prepared the Arbitrage Rebate Reports for the 2008 Series A fixed rate bonds and the 2008 Series B-E variable rate bonds.
  - With the close of the 10th bond year on 8/21/18 for the 2008 Series A bonds and on 9/4/18 for the 2008 Series B-E bonds, Hawkins analyzed and prepared the arbitrage rebate reports, indicating H+H incurred no arbitrage rebate and yield restriction liability on both its 2008 Series A bonds and 2008 Series B-E bonds.
  - Form 8038-T was filed/mailed to the IRS on 10/18/18 and 10/31/18 for the 2008 Series A bonds and the 2008 Series B-E bonds, respectively.

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 borrowings currently outstanding:
  - $60 million with JPMorgan Chase to finance medical equipment purchases; closed in July 2015 and maturing in July 2022
  - $60 million with Citibank to finance routine renovation and IT projects; closed November 2017
    - $30 million fixed rate loan borrowed at closing, matures on 11/1/22
    - $30 million variable rate loan borrowed on 10/30/18, matures on 10/30/23
      - Access to financing expired October 31, 2018
      - 2.20% initial rate, with weekly interest rate reset (*tied to weekly SIFMA index*)
- No additional borrowing authority remains under these authorizations

2015 JP Morgan Chase Loan
($millions)

Date	Activity/Action	Remaining Loan Capacity	Borrowed Funds
07/09/2015	Issuance	60.000	0.000
07/09/2015	Initial Drawdown: Borrowed Amount	(10.000)	10.000
07/31/2017	Final Drawdown: Borrowed Amount	(50.000)	50.000
08/01/2017	Converted to Fixed Rate @ **2.0880%**		
Total		**0.000**	**60.000**
Vouched Capital Expenses as of October 31, 2018			**(59.187)**
Cost of Issuance			(0.128)
Vouched Funds			**(59.315)**
Encumbrances as of October 31, 2018			**59.779**
Outstanding Loan as of October 31, 2018			**45.502**

- 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)

Date	Activity/Action	Remaining Loan Capacity	Borrowed Funds
11/01/2017	Issuance	60.000	0.000
11/01/2017	Initial Fixed Rate Loan Drawdown	(30.000)	30.000
10/30/2018	Revolving Loan Drawdown	(30.000)	0.000
Total		**0.000**	**60.000**
Vouched Capital Expenses as of October 31, 2018			**(42.974)**
Cost of Issuance			(0.250)
Vouched Funds			**(43.224)**
Encumbrances as of October 31, 2018			**46.710**
Outstanding Loan as of October 31, 2018			**60.000**

- Fixed Rate Loan:
  - Term: 5-years, matures on November 1, 2022
  - Interest rate: 2.17%
- Revolving Loan:
  - Term: 5-years, matures on October 30, 2023
  - Interest rate: Initial rate at 2.20%, with weekly interest rate reset based on SIFMA index.

New York Power Authority (NYPA) Financing for Energy Efficiency Program

- City of New York ENCORE Agreement Projects
  - The City of New York ENCORE Agreement allows City agencies and related parties such as NYC Health + Hospitals to participate in energy efficiency programs in which NYPA provides construction management, interim financing, and long-term financing upon project completion for qualifying projects.
  - In 2013 H+H engaged NYPA to construct and provide interim financing for two energy efficiency projects to replace outdated boilers and make other related upgrades at Metropolitan and Elmhurst hospitals.
  - Both projects were largely completed and placed into service during 2018.
- In order to avoid further accumulation of capitalized interest, project spending through May 2018 was converted to long term financing through two loans with identical terms.
  - Metropolitan Hospital – $22.8 million
  - Elmhurst Hospital – $21.5 million
  - Term: 20 years, matures on August 1, 2038
  - Interest Rate: Initial rate of 1.43%, reset annually in January or February by NYPA based on NYPA's prior 12 months' financing costs.
  - Combined monthly debt service of approximately $212,500 began in September 2018.
- Upon final completion of the projects, the remaining construction costs will be added to the balance of the loans and will be repaid in the remaining loan term.

Bond Counsel Selection

- Supply Chain (working with Debt Finance) issued a RFP on May 12, 2018 seeking proposals from qualified firms that provide bond counsel services.
- Five firms that specialize in health care in the Northeast area according to the Bond Buyer “Red Book” were contacted directly by email.
- Two firms, Harris Beach PLLC and Hawkins Delafield & Wood LLC, submitted proposals on June 25, 2018.
- Both firms were invited to an on-site interview on August 6, 2018 by the RFP Selection Committee, which comprised of members from:
  - NYC Management and Budget
  - NYC Comptroller Office
  - H+H Corporate Legal Affairs
  - H+H Corporate Finance
  - H+H Coney Island Hospital Senior Management
- Hawkins was selected by the Selection Committee based on the interview, knowledge of H+H’ and its relationship with NYC, as well as the quality and content of the RFP.
- The selection of Hawkins was approved by the Board at the October 2018 meeting.
- Hawkins has been serving as H+H’s bond counsel since 1995.