50 Water Street
New York, NY 10004

HHC Capital Corporation Semi-annual Meeting

January 27, 2022, 1:00 p.m.

50 Water Street – 15th Floor Boardroom - VIRTUAL

New York, New York 10004

AGENDA

I.	Call to order Adoption of minutes for the HHC Capital Corporation Meeting held on July 29, 2021	Freda Wang
II.	H+H Outstanding Bond Portfolio	Linda DeHart
III.	2008 Series B-E Bonds Historical Interest Rates	"
IV.	H+H Bonds – Issuance History	"
V.	2020 Bonds A Bonds – Construction Fund Balance	"
VI.	JPMorgan Loan – 5th Year Arbitrage Rebate	"
VII.	2015 JP Morgan Chase Loan	"
VIII.	2017 Citibank Loan	"
X.	Old business, new business and adjournment	Freda Wang

MINUTES

HHC Capital Corporation
Semi-annual Public Meeting

Meeting Date: July 29, 2021, 1:00 p.m.
Location: 125 Worth Street
Fifth Floor Board Room

ATTENDEES

Members of the HHC Capital Corporation Board of Directors
Freda Wang, Chair
José A. Pagán (attended meeting virtually)
Matt Siegler (represented Mitchell Katz, M.D., President)
Feniosky Peña-Mora
Robert F. Nolan
Sally Hernandez-Piñero

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

HHC Capital Corporation – Semi-annual Public Meeting
Thursday, July 29, 2021

Ms. Freda Wang 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 1:06 p.m. by Ms. Wang.

Minutes:

Ms. Wang asked for a motion to adopt the minutes of the previous meeting that was held on January 28, 2021. The Board unanimously adopted the minutes. Ms. Wang then introduced Ms. Linda DeHart to provide the update to the Board.

Ms. DeHart referred to the HHC Capital Corporation Semi-Annual Meeting presentation to update the Board. Ms. DeHart reminded the Board that the HHC Capital Corporation was formed as part of the NYC Health + Hospitals' (the "System" or H+H") security structure for its bond issuances; to receive patient care revenue in a lockbox that is held for coverage of debt service on the bonds, before it is released to the System for its operating needs.

HHC Outstanding Bond Portfolio (page 1):

Page 1 of the presentation provides a snapshot of H+H's current outstanding bonds portfolio. We currently have $513.5 million of tax-exempt bonds outstanding, about 25% or $129 million are variable rate bonds, and the balance are fixed rate bonds. About 75% of the variable rate bonds (Series B and C) with 2031 maturity are supported by two letters of credit from TD Bank. The TD Bank letters of credit will expire in 2023, accordingly we will be reaching out to TD Bank next year for an extension. The remaining variable rate bonds (Series D and E) will mature in 2026, and are supported by a JPMorgan Chase Bank letter of credit, which was recently extended to match the bonds' maturity in 2026 with very good terms, particularly considering the longer length of the agreement.

Ms. DeHart also pointed out that, as of 7/7/21 the variable rate bonds interest rate was reset at 0.02%, and these variable rate bonds were estimated to have generated approximately $67.7 million of savings over the life of the bonds compared to what the cost would have been if these bonds had been issued as fixed rate.

HHC 2008 Series B-E Bonds Historical Interest Rates (page 2):

The graph on Page 2 provides some more details on the variable rate debt. The top line represents the interest rate spread against the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap index, which is an index used in setting tax-exempt variable rate bonds' interest rate.

The spread is a measure of the competitiveness of the interest rates H+H received on its variable rate bonds.

The bottom line on the graph is the actual interest rates of the variable rate bonds since inception. There were two interest rate spikes in its history. The first interest rate spike occurred in 2008, reflecting the auction rate bond crisis at the time, and the second interest rate spike occurred in March 2020, related to COVID-19. Recent rates were extremely low, resetting at 0.02% in July 2021.

HHC Bonds - Issuance History (page 3):

Page 3 of the presentation provides a history of bond issuances by the System, starting in 1993 to the most recent issuance of 2020 Series A bonds. Ms. DeHart pointed out that there are three bond series still outstanding: they are the $129 million 2008 Series B-E variable rate bonds, the $74 million 2013 Series A bonds, and the recently issued $310 million 2020 Series A bonds, which was a combination of refunding bonds and $100 million new money bonds. Over the life of our bond program, refunding was estimated to have saved just under $145 million dollars for the System.

HHC 2020 Series A Bonds, New Money Planned Uses (page 4):

Page 4 of the presentation shows the planned uses of the 2020 A bonds new money across multiple facilities, which represents about 25% for a variety of equipment and 75% for a variety of infrastructure projects. Currently, there is some ongoing review of this project list with Office of Development (OFD) and Supply Chain, which may possibly shift some projects among various funding sources requiring minor adjustments to the project list.

Construction Fund Balance on the 2020 Bonds (page 5):

Ms. DeHart described page 5 which shows the status of the H+H Series 2020 construction fund. Ms. DeHart reported that the 2020 bonds issuance is still very new; with a small withdrawal of $2.4 million, the construction fund still has a balance of $97.57 million. Projects are expected to ramp up shortly, and as they progress, the construction fund drawdowns will accelerate over time.

Final Arbitrage Rebate Report for Refunded Bonds (page 6):

Referring to page 6 Ms. DeHart explained that the IRS requires tax exempt bond issuers to do arbitrage rebate analysis to determine whether interest earnings on bond proceeds exceeded the tax-exempt bond yield and were required to be rebated to the IRS. The analysis is conducted on every 5th year of a bond or at its final maturity.

Since the 2008 Series A and 2010 Series A bonds were fully refunded by the issuance of 2020 Series A bonds in January 2021, an arbitrage rebate analysis was performed for both bond series, which determined that no arbitrage rebate liability was incurred on either bond series on its final maturity.

Short Term Financing Program (pages 7-8):

Ms. DeHart explained that in addition to the bond program, H+H also has two short-term bank loans that provided funding for short-term projects, on an as needed basis to finance short lived projects. These loans have a secondary lien on the lockbox, that will only trigger in the event of a default.

H+H currently has two loans under this program. First loan is with JPMorgan Chase Bank for $60 million, of which the proceeds were fully expended. This loan was converted to a fixed rate at 2.088% and has a final maturity of July 2022. The second loan is with Citibank and has two components, a $30 million fixed rate loan at 2.17% that matures in November 2022 and another $30 million variable rate loan that matures in October 2023. To date, approximately $45 million these loans have been expended. We are working with Supply Chain and OFD to ensure spending the remaining balance in a timely manner.

Discussion:

A question was asked if it is possible to fix out H+H's variable rate bonds in today's low interest rate environment? Ms. DeHart explained that there are some benefits in having a portion of the debt portfolio in variable rate, as variable rate tends to be lower than fixed rate, even though there is always an interest rate risk. The advice H+H typically gotten is to keep a portion of variable rate debt to take advantage of the low interest rate to lower total interest expense.

There was a brief discussion on H+H project selection process for the 2020 bonds. The selection was primarily based on certain parameters such as the priority of the projects, the useful life of the projects, projects that can be completed within 18 months, etc. and these projects were identified by OFD and Supply Chain working with all the facilities. A question was asked about the investment rate of return on the new money borrowed versus the interest incurred on the bonds during the construction/spend down period. It was confirmed that H+H is required to invest money in very safe U.S. government securities, which tends to yield very low rates; as such, interest earnings tends not to be able to offset interest expense; hence one of the parameters is to finance priority projects that can be spent/completed within a very short period of time. There was a question about H+H's bank loans, Ms. DeHart confirmed that the JP Morgan bank loan was secured by the equipment/asset the loan financed as well as the secondary lien on the lockbox. Another question was asked, and confirmed by Ms. DeHart, that the bank loans are tax-exempt loans and that they didn't incur any arbitrage rebate liability.

Adjournment:

There being no further business before the Board, Ms. Wang adjourned the meeting at 1:31 p.m.

Andrea Cohen, Esq.
Secretary to the Board of Directors

HHC Capital Corporation

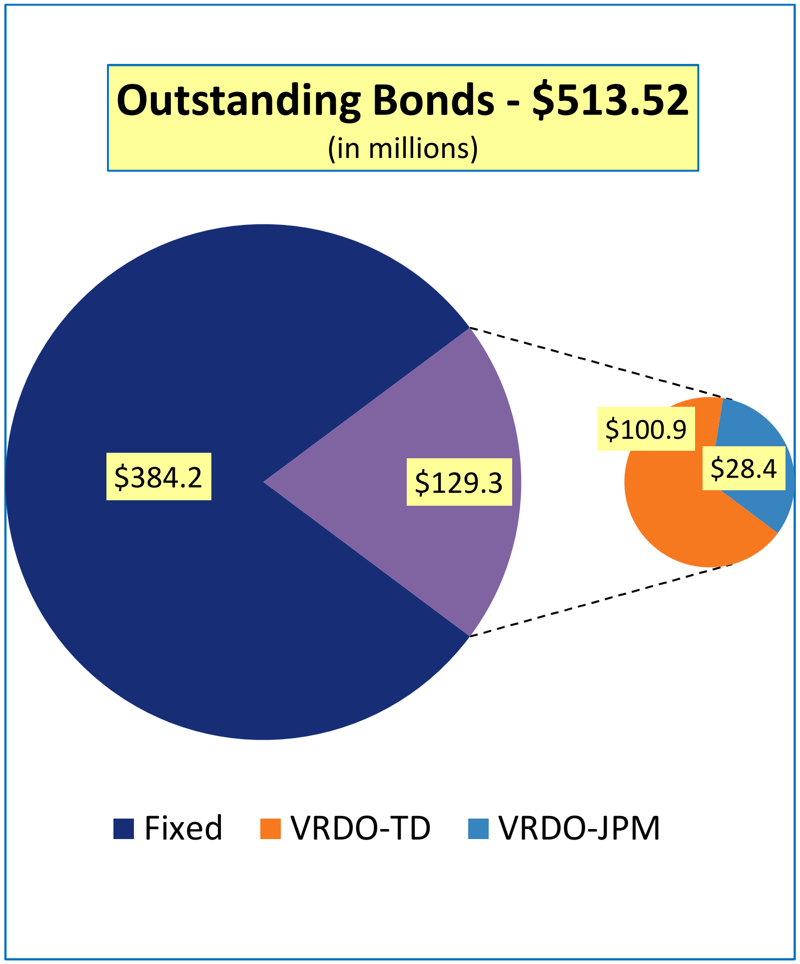
Semi-Annual Meeting

Date: January 27, 2022 Time: 1:00 p.m.
Location: VIRTUAL - 50 Water Street, 15th Floor Boardroom New York, NY 10004

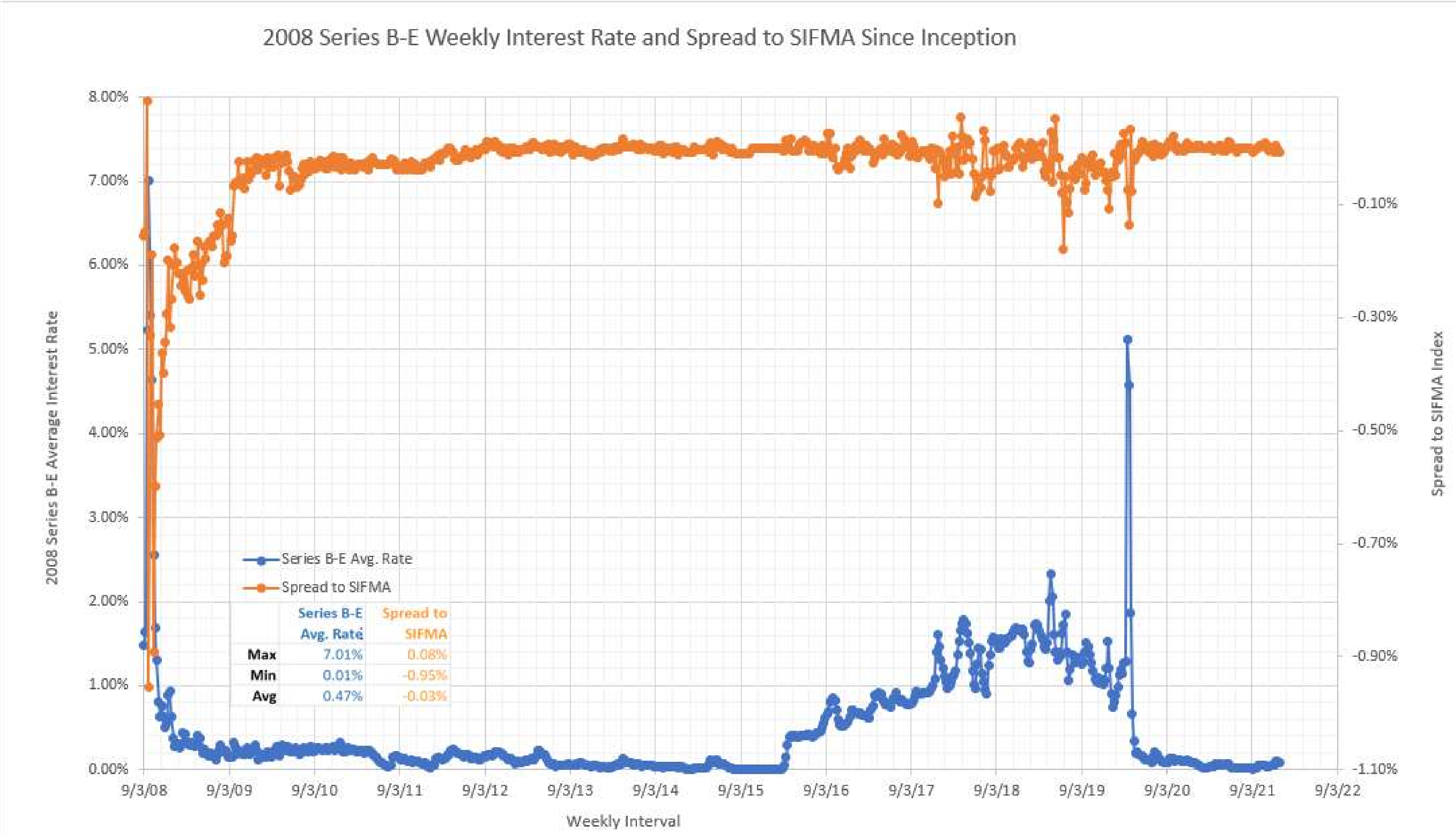
H+H Outstanding Bond Portfolio

As of December 31, 2021, H+H has $129.3 million (25.2%) of tax-exempt variable rate bonds and $384.2 million (74.8%) of tax-exempt fixed rate bonds outstanding.

- Variable rate bonds are supported by letters of credit ("LOC") provided by TD Bank (75%) and JPMorgan Chase Bank (25%)
- The final maturity for the Series 2008 B-C variable rate bonds is 2/15/31, supported by TD Bank's LOC, which expires 9/3/23.
- The final maturity for the Series 2008 D-E variable rate bonds is 2/15/26, supported by JPMorgan's LOC, which expires 2/15/26 (same as the bonds).
- Variable rate bond interest rates
  - Latest weekly rate reset at 0.04%-0.05% on 01/12/22
  - Estimated $70.2 million interest savings from inception through 12//31/21 compared to fixed rate debt



2008 Series B-E Bonds Historical Interest Rates



NYC HEALTH+ HOSPITALS

Bonds: Issuance History (as of 01/11/22)

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

Issuance Date	Bond Series	Initial Par Amount (in $ millions)	True Interest Cost (TIC)	Refunding Savings (in $ millions)	Outstanding Par Amount (in $ millions)	Final Maturity	Fixed or Variable Rate
5/15/93	1993 A	550.000		N/A	-	-	Fixed
4/10/97	1997 A-D	320.000		N/A	-	-	Variable
3/1/99	1999 A (1)	235.700		12.900	-	-	Fixed
7/1/02	2002 A	192.700	4.269%	N/A	-	-	Fixed
7/1/02	2002 B-H (2)	397.750	(included above)	(included above)	-	-	Auction
1/15/03	2003 A (3)	245.180	4.754%	12.876	-	-	Fixed
8/21/08	2008 A (4)	268.915	4.485%	N/A	-	-	Fixed
9/4/08	**2008 B-E** (5)	**189.000**	**3.102%**	**N/A**	**129.280**	**2/15/2031**	**Variable**
10/26/10	2010 A (6)	510.460	3.875%	35.608	-	-	Fixed
3/28/13	**2013 A** (7)	**112.045**	**2.385%**	**23.027**	**74.045**	**2/15/2023**	**Fixed**
1/5/2021	**2020 A** (8)	**310.195**	**1.789%**	**60.506**	**310.195**	**2/15/2048**	**Fixed**
	Total	-		**144.917**	**513.520**		

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
(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
(8) Refunded the entire 2008 A and 2010 A Series Bonds and issued new money

2020 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
01/05/2021	**Construction Fund at Issuance Date**	**100.000**		**100.000**
	Interest Earnings (as of 12/31/2021)	**0.010**		100.010
FY 2021	Drawdown		(1.403)	98.607
FY 2022	Drawdown (up to 12/16/2021)		(10.347)	88.260
	Totals	**100.010**	**(11.750)**	**88.260**

As of	Total Drawdowns	Total Encumbrances	Total Encumbrances Less Drawdowns	Encumbered balance exceeds Construction Fund Balance
12/31/21	11.750	89.739	77.989	(0.00)

(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.

5th year Arbitrage Rebate Report for JPMorgan Loan

- If interest earnings on tax-exempt bond proceeds exceed the bond yield, issuers will incur arbitrage liability which must be rebated to the IRS.
  - Per Section 148 of the Internal Revenue Code, issuers must file Arbitrage Rebate forms with the IRS every fifth bond year and at final maturity to identify and repay any arbitrage rebate liability.

- With the close of the 5th year on 8/30/2021 for the tax-exempt JPMorgan loan, H+H's rebate consultant, Hawkins, Delafield and Wood LLP, prepared the Arbitrage Rebate Report, which indicated that H+H incurred <u>no</u> arbitrage rebate liability on the loan.

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%		
	Interest earned (01/01/21)	0.225	0.225
Total		**0.000**	**60.225**
Vouched Capital Expenses as of December 31, 2020			**(60.097)**
Cost of Issuance			(0.128)
Vouched Funds (i.e. completely spent)			**(60.225)**
Encumbrances as of December 31, 2020			**60.097**
Outstanding Loan as of January 3, 2022			**6.274**

- 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)

Date0.83	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)	30.000
	Interest earned (as of 12/31/21)	0.845	0.845
Total		**0.000**	**60.845**
Vouched Capital Expenses as of December 31, 2021			**(45.308)**
Cost of Issuance			(0.163)
Vouched Funds			**(45.090)**
Encumbrances as of December 31, 2021			**52.557**
Outstanding Loan as of December 31, 2021			**22.765**

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: reset weekly based on SIFMA index. Initially: 2.20%. Latest: 0.64% on 01/12/22.