

A Conference Call / Video Conference Meeting of the Board of the Atlantic Avenue Healthcare Property Holding Corporation was held on May 5, 2021 with proceedings commencing at 10:43 a.m.

Chairman Carney: Good morning and Happy Cinco de Mayo. I want to welcome the Members to the Annual Meeting of the Atlantic Avenue Healthcare Property Holding Corporation.

We have asked Sara Richards to read certain legal notifications into the record. Sara?

Sara Richards, Managing Senior Director, Governance and Administration: Thank you.

As a result of the ongoing public health emergency related to COVID-19, Executive Order 202.1, as extended, authorizes public boards to meet remotely and take action without permitting in-person access to meetings. The public must have the ability to view or listen to the proceedings. An audio and video recording of today's meeting will be accessible from DASNY's website within two days, and a transcript will be posted as soon as practicable under the circumstances. For additional information, please see the DASNY website.

And unless there are questions about that, I will read the roll and then turn it back to you, Mr. Chair.

Board Members Present:

Alfonso L. Carney, Jr. – Chair
John B. Johnson, Jr. – Vice Chair
Beryl L. Snyder, J.D. – Secretary
Jonathan Gardner – Board Member
Wellington Chen – Board Member
Joan M. Sullivan – Board Member
Janice McKinnie – Board Member
Gerard Romski, Esq. – Board Member
Tracy Raleigh, Designated Representative of the Commissioner of Health, Board Member (*ex officio*) – Board Member
Adrian Swierczewski, Designated Representative of the Director of the Budget, Board Member (*ex officio*) – Present

Bond Counsel:

Alethia Nancoo, Esq., Squire Patton Boggs, LLP

Staff Members Present:

Reuben R. McDaniel, III, President and Chief Executive Officer
Paul G. Koopman, Vice President
Portia Lee, Managing Director, Public Finance and Portfolio Monitoring
Kimberly A. Ellis, Chief Financial Officer

Stephen Curro, Managing Director, Construction
Caroline V. Griffin, Chief of Staff
Ricardo Salaman, Esq., Deputy General Counsel
Sara Potter Richards, Esq., Managing Senior Director, Governance and Administration
Nicola B. Zarrelli, Managing Senior Director, Construction, Finance and Administration
Jeffrey Gordon, Senior Director, Communications and Marketing
Kathy Ebert, Senior Director, Internal Audit
Craig Schreivogl, Director, Portfolio Monitoring
Michael L. Johnson, Director, Diversity and Inclusion
Deborah K. Fasser, Director, Strategic Communications and Business Development
Matthew T. Bergin, Director, Public Finance
Maria Carrasco, Financial Analyst
Alex Sirdine, Public Finance Fellow
Diane Felitte, Executive Administrator, Governance and Administration

With that Mr. Chair, I will turn it back over to you.

Chairman Carney: Thank you very much. The Agenda indicates that we would normally begin with the Election of Officers, but we've asked the President to give his report first because of the significance of some of the items to be discussed.

Reuben McDaniel, President and Chief Executive Officer: Thank you, Mr. Chairman. The Atlantic Avenue Subsidiary has experienced a lot of activity over the last six to eight months. I thought it would be appropriate to review how we have gotten here today as a result of some refinancings, restructuring of the lease and other things. Craig Schreivogl, who actually lived through this and did much of the work on it, will give us a summary of where we have been with this transaction and where we are today.

Craig Schreivogl, Director, Portfolio Monitoring: Thank you, Mr. President. Good morning. My presentation today is intended to provide an overview of the annual Atlantic Avenue Presidents Report, which is included in the Board materials, and to briefly explain the history of how we got here.

As a review, Interfaith Medical Center was one of 11 hospitals to finance under the New York Secured Hospitals Program. The Secured Hospital Program dates back to the mid-1980s and was designed to enable financially distressed hospitals to achieve access to the municipal bond market for the purpose of raising capital for their obsolescent facilities.

In its simplest terms, the State agreed that for bonds issued under the Program, if all else fails and subject to annual appropriation, the State would ultimately be responsible for paying debt service on the bonds.

The Atlantic Avenue subsidiary was formed as part of the approved 2013 bankruptcy reorganization plan for Interfaith Medical Center to take title to Interfaith's real property following the default by Interfaith on its bond and loan agreements with DASNY. As the

property owner, Atlantic Avenue entered into a lease with Interfaith, which allowed the hospital to continue operations on the campus after emerging from bankruptcy.

Lease payments, if and when made by Interfaith, were used by Atlantic to cover costs associated with owning the property and to help offset State payments to the bondholders, as Interfaith's obligation to pay the Series 2007 bondholders was discharged in bankruptcy.

Bondholders continue to be paid by the State of New York for any deficiencies, principal and interest payments, pursuant to the State Service Contract. So while efforts to improve sustainability are ongoing, the restructured Interfaith, which as you'll hear in a minute is actually now part of Brookdale Hospital Medical Center, remains highly dependent upon State support and staff expects this situation to continue this year. The last year has proven quite active for Interfaith and in turn, Atlantic Avenue.

To start, the Interfaith bankruptcy finally came to a close in 2020, as the final few claims involving the Interfaith Medical Center dispersing trust were settled and any unused funds were returned to Atlantic Avenue. Those returned funds were used to cover ongoing costs associated with owning property (mostly insurance related) and the balance was used to offset the majority of the February 15, 2021 bondholder payment being made by the State under the service contract.

Next, Interfaith and the entire One Brooklyn Health System, which also includes Brookdale Hospital Medical Center and Kingsbrook Jewish Medical Center, continued to progress with its transformation plan using funds from a \$664 million grant the system was awarded back in 2018.

To date, approximately \$75 million of bond funding has been disbursed to OBHS by the Department of Health for the various project components.

The three priorities of this plan are the establishment of a 30-plus site ambulatory care network, integrated IT system improvements to standardize clinical and patient accounting applications, and facility infrastructure investments to support the clinical restructuring of Member hospitals.

Separately, under the auspices of the Vital Brooklyn initiative and in combination with special legislation passed two years ago, a parcel owned by Atlantic Avenue was conveyed in 2020 pursuant to a State run RFP in furtherance of a plan to create affordable housing and increase access and quality of healthcare services to transform central Brooklyn.

DASNY staff is working with New York State Homes and Community Renewal, DOH, DOB, and other State officials on the potential transformation of a total of four Atlantic Avenue properties off the main hospital campus. As you recall, the Atlantic Avenue Board approved the transfer of the Herkimer Avenue parcel in September 2020 and staff is expected to seek Board approval in the coming year for the conveyance of the other three parcels for similar purposes.

A fourth major event from the past year occurred at the start of 2021, when Interfaith Medical Center and Kingsbrook Medical Center officially merged into Brookdale Hospital Medical Center, which remains the sole surviving legal entity. Such a merger had been contemplated

since the formation of the One Brooklyn Health System in 2016 and is in furtherance of the OBHS transformation plan. As reported at the December 2020 Atlantic Avenue Board meeting, Brookdale assumed the liabilities of the merging hospitals, including the Interfaith lease with Atlantic Avenue, which was then amended, and a \$29 million note for Interfaith lease payment arrearages, while certain other hospital obligations were consolidated and collateral was expanded.

My final update centers around operations and Covid. Interfaith and OBHS were hit hard by the Covid pandemic. Like many other New York City hospitals, Interfaith treated Covid patients while experiencing a precipitous overall decline in discharges in 2020, together with an even greater drop in emergency room visits. The continued flow of State subsidy funding, in combination with federal financial assistance for Covid-related expenses and lost revenue and Medicare-accelerated payments helped Interfaith and One Brooklyn Health financially endure the many challenges of this past year.

Before I conclude my presentation, I wish to touch on one other topic and make one disclaimer. Coming up soon in the Atlantic Avenue Board Agenda is the annual review of the subsidiary's Mission Statement, Performance Measures and Metrics.

Before you for your consideration is a proposed change to the Performance Measures and Metrics submitted annually to the New York State Authorities Budget Office by Atlantic Avenue. While the Mission Statement and Measures one through three remain appropriate, the fourth Measure and Metric is no longer attainable due to recent changes to the Interfaith lease, and we are proposing that it be eliminated.

The fourth measure speaks to the Interfaith rental payments covering Atlantic Avenue costs associated with maintaining this property and helping offset future State Service Contract payments. At the time of the Interfaith and Kingsbrook merger into Brookdale, the Interfaith lease was assigned to Brookdale and payments were reduced to a nominal monthly amount in exchange for certain considerations through the State. With ongoing lease payments now insufficient to cover costs or offset any of the State's service contract payments, we are recommending that the fourth Measure and Metric be eliminated. It currently reads "payments received for use and occupancy of the corporation's real and personal property more than cover the corporation's cost of maintaining, operating and administering the property and provide some offset to the State service contract payments". Such reporting change was presented to the Atlantic Avenue Governance Committee on March 2, 2021 and is now being presented to the full Atlantic Avenue Board. As to my one disclaimer, it should be noted that the proposed refunding of the Secured Hospital Bonds through the PIT / Sales Tax Bonds as presented to the DASNY Board earlier today by Matt Bergin, is not expected to impact the role or activities of Atlantic Avenue for the foreseeable future.

Staff will continue to monitor and support the Department of Health, DOB and the administration on all matters. This concludes my prepared remarks and I would be happy to take any questions. Thank you.

Chairman Carney: Thank you very much. Are there questions for Craig?

Gerry Romski, Board Member: The three parcels that are forthcoming, will they be used for homes? Are there proceeds to come from those? Or is that like one of the transactions we did a few months ago where the property was conveyed for a dollar or so?

Mr. Schreivogl: Of the three parcels mentioned in the written President's Report—Broadway, Prospect Place and East New York Avenue, will be conveyed for nominal consideration. Basically, the land will be transferred, and affordable housing will be built on it. The hospital will get a long term lease, about 50 years, to put in some clinical services.

Tracy Raleigh, Board Member: That is correct. I want to commend Craig on that outstanding overview of the history because I have certainly lived it along with him. These affordable housing projects are part of the Vital Brooklyn plan, which speaks to not just the physical health care aspects, but also social determinants. So providing housing and then wrapping it with services to be provided by One Brooklyn such as needed primary care and specialty care in those communities is what those transactions represent.

But to your question, it is my understanding, that Housing and Community Renewal is issuing the bonds to support the affordable housing component, but there is not expected to be much in terms of payment for the transfer of the land.

Mr. Romski: So when that is completed, does Atlantic's role end? Is that when the separate entity goes away?

Mr. Schreivogl: These three parcels are just small parcels. We are still going to own the main hospital campus and a lot of other property. Our role will stay in place for the foreseeable future. If you recall, in my presentation, there is a note outstanding that's owed to Atlantic Avenue that was assumed by Brookdale regarding the \$29 million in lease arrearage payments and that comes due in 2028.

Portia Lee, Managing Director, Public Finance and Portfolio Monitoring: Correct me if I am wrong, but the authorizing legislation authorizes conveyance for nominal consideration.

Ricardo Salaman, Deputy General Counsel: Yes, that's right.

Chairman Carney: Thank you.

Mr. McDaniel: Financing through the PIT and Sales Tax programs actually realizes about \$10 million in savings from the current way the State is paying for this. So that consolidation is helpful in reducing the costs from the State's perspective.

Mr. Romski: Speaking of the PIT bonds, what is happening with North General?

Chairman Carney: We are going to get there in a minute. That is the next Meeting.

Mr. Romski: Craig, thank you, that was an excellent presentation.

Chairman Carney: Tracy is absolutely right, you did a fine job as I have said to you in the past. It was a great presentation and helped my understanding a great deal. Now that Interfaith and Kingsbrook have merged into Brookdale, may I assume the dissolution of the two Boards?

Ms. Raleigh: That's very good question Al. That has already occurred. Prior to that, there was one management team and one Board, but there were still separate corporations, which sometimes happens. But now, this actually goes to one balance sheet, one profit and loss. As we say in the licensure world, we now have one operating certificate with three campuses. It really facilitates the further transformation and integration that's coming. The One Brooklyn system has been through a lot, serving through Covid pandemic, but efforts are underway to continue to transform and integrate the care, not only within the hospitals, but more importantly, within the ambulatory care network, including the federally qualified health centers and other physician groups in the community.

Mr. Romski: I remember when we first got the news on Interfaith about 10 years ago. Thank you, Tracy, for all your good work on this.

Ms. Raleigh: I just want to say that the support of DASNY in these transactions, and overall, has been tremendous. So thank you from the Health Department.

Chairman Carney: Thank you for saying that. Any other questions for Craig?

Hearing none, we will go back to the Agenda. The first Agenda item is the Election of Officers. You will see the slate under Tab 1 within the Board Materials, along with the accompanying Resolution. May I have a motion to adopt it?

Wellington Chen, Board Member: So moved.

Chairman Carney: Thank you. Wellington, thank you. It is good to have you with us. Is there a second?

Beryl Snyder: Board Member: I'll second.

Chairman Carney: Thank you very much Beryl. Are there any objections to the motion or to the Resolution as presented? Hearing none, the motion carries, and the Resolution is passed unanimously.

A RESOLUTION OF THE ATLANTIC AVENUE HEALTHCARE PROPERTY HOLDING CORPORATION ELECTING OFFICERS OF THE CORPORATION

The second Agenda item is the Transcript of the meeting of December 9, 2020. Does anyone have any revisions to that transcript? There being none, may I have a motion please to approve that transcript from the 9th of December meeting?

Ms. Snyder: So moved.

Mr. Chen: Second.

Chairman Carney: Beryl, thank you. Wellington, thank you for the second. Are there any objections? Hearing none, are there any abstentions? Hearing none, the motion carries, and the Transcript is approved unanimously.

The third Agenda item is the Mission Statement and Revised Performance Measures and Metrics. We just had an excellent discussion of what this involves. Sara is going to present what she believes is necessary for this Board to hear in addition to what Craig presented.

Ms. Richards: This will be very short, Mr. Chair. Just one procedural matter I'd like to note is that the Governance Committee of Atlantic Avenue did discuss the changes that Craig just presented to us at its Meeting on March 2. The Governance Committee of Atlantic Avenue recommends approval of the change by the full Board.

Chairman Carney: Thank you very much. I will ask for a motion to adopt the Mission Statement, Revised Performance Measures and Metrics.

Mr. Chen: So Moved.

Chairman Carney: Thank you Wellington. And a second?

Ms. Snyder: I'll second.

Chairman Carney: Thank you very much Beryl. Are there any objections to the motion as offered? Hearing none, are there any abstentions from the vote? Hearing none, the motion carries, and the revisions are adopted unanimously.

RESOLUTION OF THE MEMBERS OF THE ATLANTIC AVENUE HEALTHCARE
PROPERTY HOLDING CORPORATION APPROVING THE ATLANTIC AVENUE
HEALTHCARE PROPERTY HOLDING CORPORATION MISSION STATEMENT AND
PERFORMANCE MEASUREMENTS

The last Agenda item is the annual review of the By-Laws. Sara is going to talk about that.

Ms. Richards: The law requires the Atlantic Avenue subsidiary to perform a review and approve its By-Laws on an annual basis. The Atlantic Avenue Governance Committee reviewed them at its March 2 meeting and no changes are being recommended at this time. The Governance Committee has recommended approval of those By-Law in their current form.

Chairman Carney: Sara, thank you. Are there any comments regarding the motion I am about to ask for? There being no questions, may I have a motion please to approve the By-Laws as presented?

Mr. Chen: So moved.

Chairman Carney: Thank you Wellington. A second please?

Mr. Romski: Second.

Chairman Carney: Gerry, thank you very much. Are there any objections to the motion? Hearing none, are there any abstentions from the vote? Hearing none, the By-Laws are adopted unanimously.

I believe that is the last Agenda item.

Ms. Richards: That is correct.

Chairman Carney: Thank you very much, Sara. Reuben, thank you for your report. May I have a motion please to adjourn the Atlantic Avenue meeting?

Mr. Romski: Moved.

Chairman Carney: Gerry, thank you. Is there a second?

Joan Sullivan, Board Member: Second.

Chairman Carney: Joan, thank you very much. Are there any objections? Are there any abstentions from the vote? Hearing none, the meeting stands adjourned.

The Meeting adjourned at 11:07 a.m.

Respectfully submitted,

A handwritten signature in cursive script that reads "Sara Richards". The signature is written in black ink on a white background.

Sara Richards
Assistant Secretary