



Securities Terms for the COFINA Plan of Adjustment

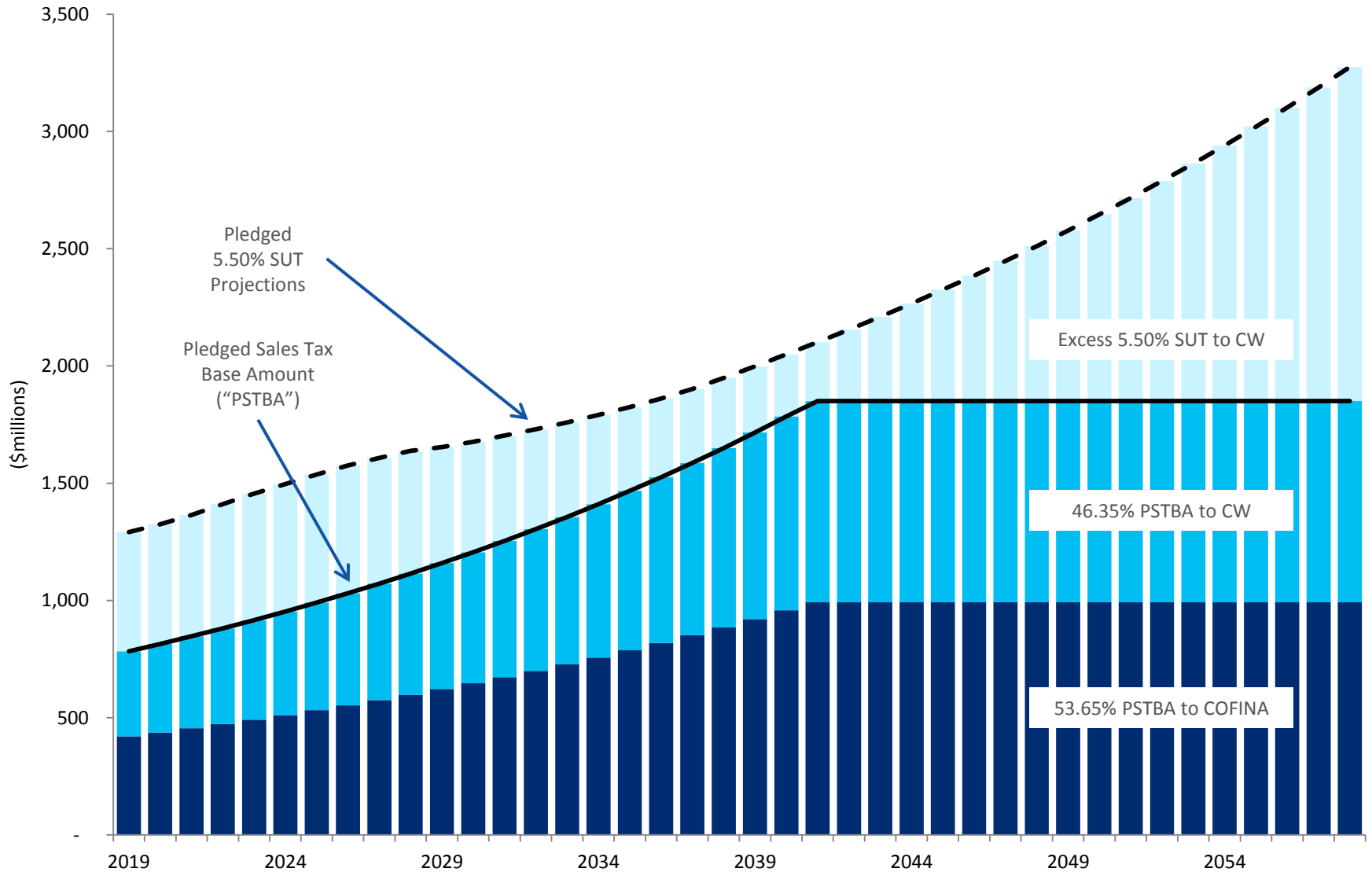
Dated August 7, 2018

- The FOMB would like to reach a consensual COFINA Plan of Adjustment with all parties
- The FOMB's proposed new COFINA securities honor all property terms of the Settlement in Principle Agreement, including the following:
 - The 53.65% Pledged Sales Tax Base Amount (“PSTBA”) cash flow through and including 2058 (40 years) is fully allocated to the New COFINA Bonds
 - All pre-FY19 BNYM cash is allocated to COFINA and subsequent deposits are split according to the Settlement in Principle percentage splits
 - All current COFINA holders receive new closed Senior Lien Bond secured by the 5.50% pledged SUT
 - No parity debt may be issued other than refinancing bonds that produce debt service savings in each year for COFINA (the “ABT Test”)
- In accordance with PROMESA, the FOMB also seeks to create long-term market access for the Commonwealth with an expanded subordinate lien ABT



Illustration of Agent “Settlement in Principle” Allocations

Prepared at the Direction of Counsel
/ Subject to FRE Rule 408



All COFINA holders to receive their recovery in the form of Senior Lien Bonds.

Overview of Senior Lien Bonds

- COFINA holders will receive Senior Lien Bonds
- Senior Lien Bonds designed to enhance liquidity for investors
- New COFINA Bonds in the Senior Lien would have a senior pledge of the 5.50% SUT up to the 53.65% PSTBA COFINA portion
- All bonds to bear fixed rates on a pro-rata basis which will include:
 - Current Interest Bonds (“CIBs”) (pay cash interest); and
 - Capital Appreciation Bonds (“CABs”) (accrete non-cash interest until maturity)

Closed Lien

- Parity Bonds permitted to refinance Senior Lien Bonds if Annual Debt Service not increased in any year, final maturity not extended and debt service held below portion of 53.65% PSTBA allocated to the Senior Lien Bonds

Senior Lien Securities

- Senior Lien on 5.50% Pledged SUT to fund COFINA 53.65% portion of PSTBA from “first dollars”
- All Bonds begin to accrue interest beginning 8/1/2018 (dated date)
- CIB Term Bonds maturing in years 10, 14, 20 and 25 (2028, 2032, 2038 and 2043)
 - First sinking fund on 2028 maturity commences in 2019; annual sinkers thereafter
 - Term Bond sizes ranging from \$995 Million to over \$3.8 Billion
- CAB Term Bond maturing in 40 years (2058)
 - First sinking fund on term bond commences in 2043; annual sinkers thereafter
 - Term bond initial par value of ~\$2.7 Billion

Senior Lien Current Interest Bond Terms			Senior Lien Capital Appreciation Bond Terms			
Year	Par	Cpn/Yld	Year	Initial Value*	Accreted Value	Yield
Total/Avg	\$9,249,560,000.00	4.543%	Total/Avg	\$2,697,682,642.20	\$15,401,229,579.75	5.500%
2028	995,875,000.00	4.350%	2058	2,697,682,642.20	15,401,229,579.75	5.500%
2032	1,206,510,000.00	4.500%	*Assumes CAB Initial Value of 8/1/18			
2038	3,212,925,000.00	4.550%	Average Coupon/Yield			4.759%
2043	3,834,250,000.00	4.600%	Duration Weighted Yield to Par			5.022%

Call Provisions

- 2028 CIB – non-call
- 2032 CIB – Par call commencing 2025 (7-year call)
- 2038 CIB – Par call commencing 2028 (10-year call)
- 2043 CIB – Par call commencing 2028 (10-year call)
- 2058 CAB – Callable at 107.5% AV 2028 through 2032, 105% AV 2033 through 2037, 103% AV 2038 through 2042, 100% AV 2043 through maturity
(10-year call at 107.5% AV with declining premiums to 100% AV in year 25)

Additional Bonds Test

- Subordinate Lien Bonds for CW purposes payable only from the 5.50% pledged SUT and issued if compliant with the following ABT tests (a) and (b) below are met:
 - a) Preceding year's Pledged 5.5% SUT (if issued pre-2024, assumed to grow at April 2018 certified CW Fiscal Plan and, if issued after 2023, assumed to grow at average annual SUT growth rate for the preceding 5 Fiscal years) is greater than 1.50x the COFINA Bonds annual debt service in any succeeding year; AND
 - b) The preceding year's collections from 5.5% SUT equal to or greater than 1.10x coverage to MADs
- After 2028, final maturity extension permissible for future CW new money bonds, but only with ABT test compliance

Senior Lien COFINA Bonds meet several key AA category SUT revenue bond credit criteria.

Senior Lien Credit Metrics

- Senior Lien on 5.5% Island-Wide SUT
- Projected Debt Service Coverage Ratio > 260% (2.6x)
- Historical 2018 Pledged Revenues MADs Coverage > 130% (1.3x)
- Parity borrowing limited to refunding bonds
- Refunding Bond ABT allows no increase to annual debt service
- “First Dollars” Funding from Pledged 5.50% SUT
- Non-Impairment Covenant
- Retention of Title III Court jurisdiction to ensure protection and enforcement of legal framework and security pledges
- **NOTE: While the Senior Lien Bonds are designed to meet certain metrics, the FOMB does not anticipate the bonds will receive investment grade ratings at issuance and the COFINA POA will not be contingent on receipt of ratings on the Bonds**

Select AAA and AA SUT Rating Criteria Ranges

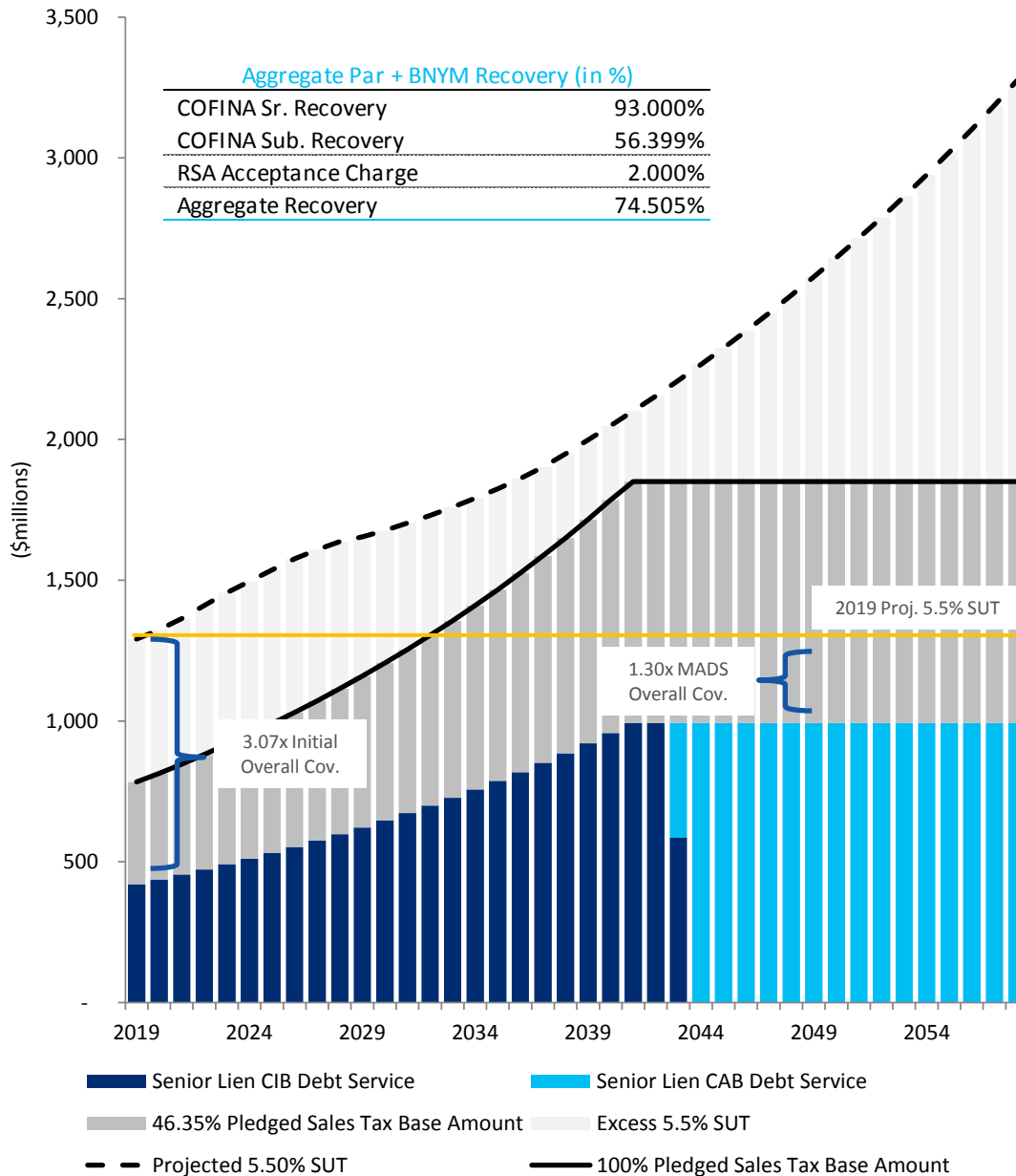
- Nature of Special Tax Pledge: Very Broad (AAA) to Broad (AA)
- Maximum Annual Debt Service Coverage Ratio: 4.5x (AAA) to 2.51x (AA)
- Parity Bond ABT Test range: 3.0x or closed (AAA) to 1.76x (AA)
- Revenue Trend: Significantly improving with no historical declines (AAA) to Generally improving with few historical declines (AA)

Examples of SUT Credits rated AA or higher

- Massachusetts School Building Authority (Aa2/AA+/AA+)
 - Sr. ABT 1.4x & Sub. ABT 1.3x / MADS Coverage: 2.2x
- LA County Metropolitan Transportation Authority (Aa1/AAA/NR)
 - ABT 2.46x / MADS Coverage: 3.7x
- Sales Tax Securitization Corporation (IL) (NR/AAA/AA)
 - ABT 4.0x / MADS Coverage: 6.6x
- Utah Transit Authority (Aa2/AA/AAA)
 - Sr. ABT 2.0x & Sub. ABT 1.2x / Sr. MADS Coverage: 2.2x & Sub. MADS Coverage: 1.36x

Illustration of Cash Flows; Recovery and Coverage Metrics

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Fiscal Year	Sr. Lien Coverage	Fiscal Year	Sr. Lien Coverage
2019 MADS Coverage		1.30x	
Average Coverage		2.64x	
2019	3.07x	2039	2.17x
2020	3.03x	2040	2.14x
2021	3.00x	2041	2.12x
2022	2.98x	2042	2.17x
2023	2.96x	2043	2.23x
2024	2.93x	2044	2.28x
2025	2.89x	2045	2.34x
2026	2.85x	2046	2.40x
2027	2.80x	2047	2.47x
2028	2.74x	2048	2.53x
2029	2.66x	2049	2.60x
2030	2.59x	2050	2.67x
2031	2.53x	2051	2.74x
2032	2.47x	2052	2.81x
2033	2.42x	2053	2.88x
2034	2.37x	2054	2.96x
2035	2.32x	2055	3.04x
2036	2.27x	2056	3.13x
2037	2.23x	2057	3.21x
2038	2.20x	2058	3.30x



Debt Service Reserve Fund

- None required, given “first dollars” flow of funds structure for the 53.65% PSTBA to COFINA

Non-Impairment Covenant

- COFINA Pledged SUT percentage may be reduced to a rate less than 5.50% if two rating agencies confirm at least an A2/A category or higher subsequent to such reduction and the Pledged SUT percentage is not reduced below 3.00%

Collateral Substitution

- CW may only substitute New Collateral for Pledged SUT if (1) New Collateral is a tax of general application throughout Puerto Rico that is being enacted in full substitution for the SUT or otherwise constitutes like or comparable security for the COFINA Bonds and not be “available resources” of the Commonwealth; AND (2) after such substitution, all COFINA Bonds are and remain at A2/A category or higher by at least two of the following four rating agencies: S&P, Moody’s, Fitch or Kroll, provided one of those two ratings shall be from either Standard & Poor’s or Moody’s if such agencies are still providing ratings and rating confirmations in the U.S. municipal securities market; (3) is protected by the same Non-Impairment rating threshold described above AND (4) Rating Confirmations are received from both such agencies prior to the effective date of such substitution

Mark-to-Market Test

- None

Rights of Acceleration

- New COFINA Bonds shall not have any rights of acceleration

Ratings and Rating Metrics

- No ratings required for confirmation of COFINA POA or thereafter; two ratings to be sought
- As noted, Bonds designed to comply with investment grade rating criteria for coverage and ABT metrics

RSA Acceptance Consideration

- Mediation parties who agreed on August 7th to negotiate and sign an RSA would receive consideration for their efforts based on their holdings as of that date
 - If RSA parties buy more bonds the RSA fee will not be extended to any additional bonds acquired after that record date
- 2.00% of consideration will be set aside in the form of Bonds/Cash
- On-Island Retail capped at \$1.0 billion in par amount will be eligible to receive a fee equal to 2.00%, less certain costs

Tax-Exemption

- Eligibility and Allocation to be determined by Section 103 Tax Counsel
- Common goal is to maximize the amount of restructured securities that are tax-exempt to the extent permitted by law – consideration to be given as to whether any remaining taxable amounts can be structured into a sub-series of bonds allocated to on-island holders
- Subject to any contrary elections made by bondholders, to the extent not all new COFINA bonds are Section 103 tax-exempt, all holders will receive a ratable strip of all securities issued

Monoline Insurer Requests

- Subject to (a) confirmation from nationally recognized Section 103 tax counsel that the structure will not adversely affect the tax exempt treatment of either the existing tax-exempt COFINA Bonds or the new tax-exempt COFINA bonds and (b) Title III Court approval of structure, Monoline Insurers to receive New Bonds for deposit in Trust to secure Custody Receipts Structure

Alternate Plan Treatment

- In the event the POA is not accepted by any class, COFINA reserves its rights to seek alternate treatment

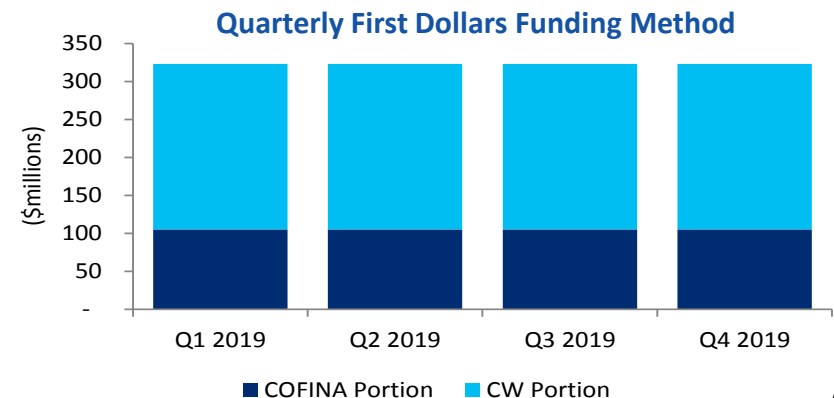
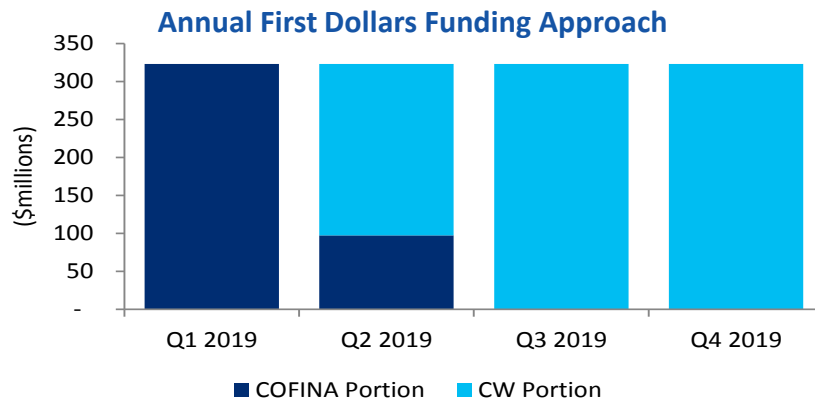
Key Features of Securities for the COFINA POA (continued)

Annual First Dollar Funding with Quarterly Funding permitted to Avoid TRANs borrowing if certain tests are met

- COFINA 53.65% PSTBA transfers to the COFINA Trustee will be funded annually from “first dollars” collected from the 5.5% Pledged SUT unless certain stringent tests for Quarterly First Dollars Funding are met
- Quarterly First Dollars may not be triggered prior to FY 2024
- Quarterly First Dollars permitted only if prior and current FY budget is balanced, quarterly bucketing shown to be necessary to avoid intra-fiscal year TRANs borrowing and prior year Pledged SUT collections provided 2X coverage of 53.65% PSTBA. **NOTE: Amount and timing of all debt service payments identical to “annual first dollars”**
- In each quarter until COFINA Bonds have been paid in full, the “First Dollars” collected from COFINA Pledged Taxes up to 25% of yearly scheduled COFINA’s 53.65% Portion of the PSTBA shall be deposited into Debt Service Fund held by the Bond Trustee for payment to holders on their future scheduled P&I payment dates
- If CW Funding Bonds issued on Subordinate Lien, Subordinate Lien is funded on a Second Dollar basis subordinate to funding of Senior Lien
- SUT quarterly collections range tightly between 22-27% of the total annual SUT collections

Fiscal Year Quarter	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Quarter % of Annual Collections	24.6%	24.3%	26.0%	25.1%	23.8%	24.8%	25.6%	25.7%
Cumulative Annual Collections	24.6%	48.9%	74.9%	100.0%	23.8%	48.7%	74.3%	100.0%

Fiscal Year Quarter	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Quarter % of Annual Collections	22.0%	24.7%	27.0%	26.2%	24.5%	24.8%	26.0%	24.7%
Cumulative Annual Collections	22.0%	46.7%	73.8%	100.0%	24.5%	49.3%	75.3%	100.0%



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