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COFINA Senior Bondholders' Coalition Proposal to Commonwealth Agent and Official Committee of Retirees

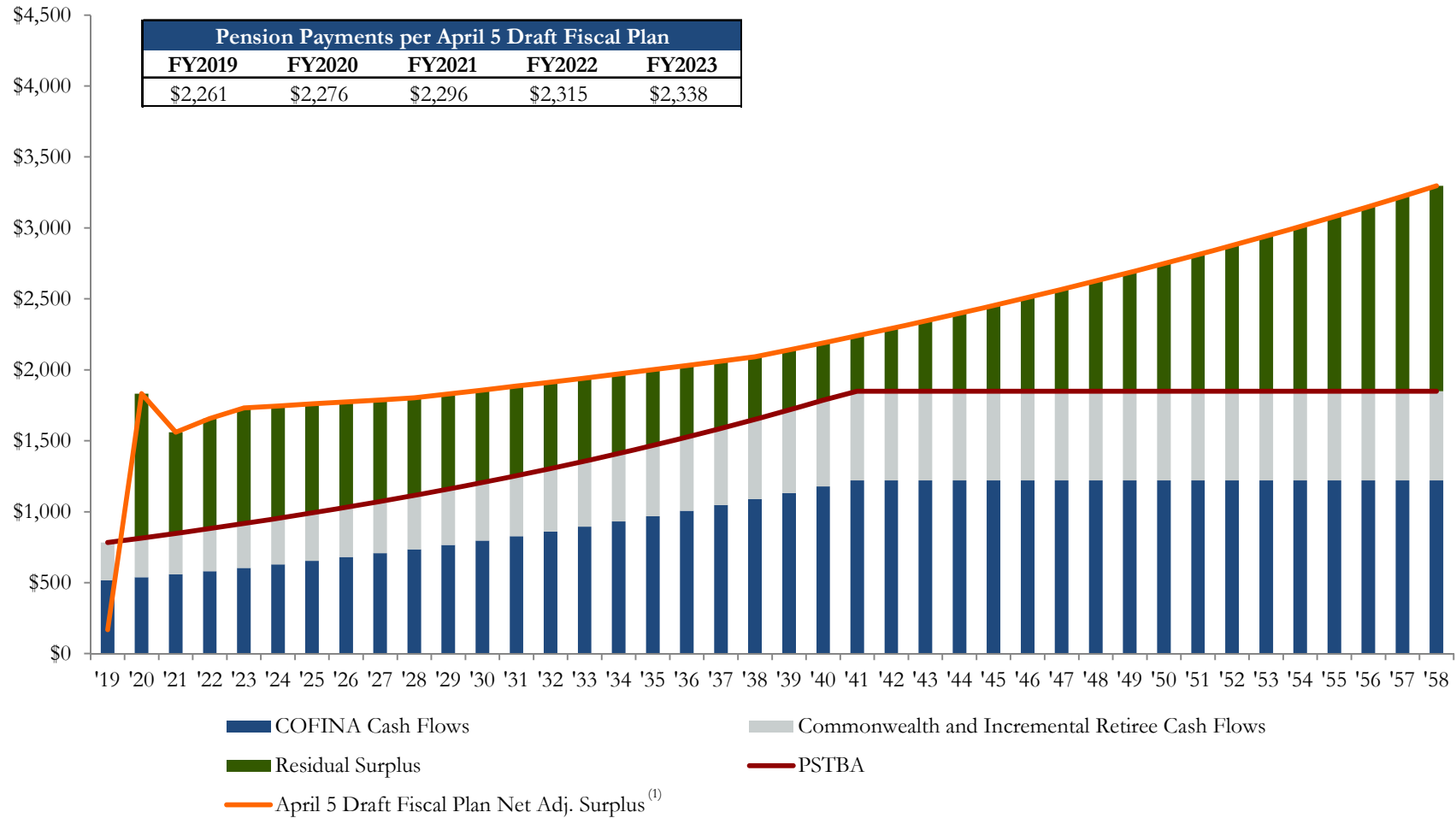
April 12, 2018

PROPOSAL FRAMEWORK

A settlement of the Commonwealth-COFINA dispute based on the statutory Pledged Sales Tax Base Amount (“PSTBA”) owned by COFINA, subject to creation of a COFINA SPV

- The COFINA SPV will be substantially similar to the existing COFINA structure
 - The cash flow profile with respect to the PSTBA is divided between existing COFINA creditors and the Commonwealth (or its creditors)
- COFINA bondholders will deposit their bonds into the COFINA SPV and receive 66% of the annual PSTBA cash flow and 100% of Bank of New York cash held through FY 2018
 - Represents a 73% recovery on COFINA claims
 - COFINA’s 66% portion of the annual PSTBA to continue as the first dollars of pledged 5.5% sales and use tax (“SUT”)
 - Securities to be structured subsequently
- Commonwealth and its creditors will receive 34% of the annual PSTBA cash flow
 - Given the property is from a separate debtor (COFINA), the cash flows transferred per the settlement can be earmarked for particular Commonwealth creditors, as determined by the Commonwealth Agent
- As contemplated by the settlement protocol, upon the effective date of the compromise as approved by federal court order, COFINA SPV’s right to the PSTBA for the benefit of its beneficiaries will be free from subsequent legal challenges
 - Title III Court to retain jurisdiction over implementation of settlement, including amount of PSTBA transferred to COFINA and allocation of PSTBA to creditors of the COFINA SPV
- COFINA SPV’s collections of SUT will be smoothed within each year to eliminate the need for TRANS financing by GPR
 - Willingness to consider structuring additional liquidity toggles for future Commonwealth relief
- Treatment of monoline insurance policies and commutation will be addressed in the COFINA plan of adjustment
- All professional fees of COFINA restructuring support parties to be reimbursed out of the COFINA SPV

ANNUAL ALLOCATION (\$MM)



(1) Growth rates per April 5, 2018 Draft Fiscal Plan.

RECOVERIES (\$MM)

COFINA bondholders receive recovery in BNYM cash and 66% of future PSTBA collections. The Commonwealth and its creditors receive 34% of the PSTBA cash flows

Total Distributable Value	
	<u>NPV Amount</u>
Blended PV of PSTBA to the Trust	\$18,494
Cash at BNYM	<u>1,195</u>
Total	\$19,689

COFINA Bondholder Recovery			
	<u>Discount Rate</u>	<u>NPV Amount</u>	<u>Recovery</u>
Cash at BNYM	-	\$1,195	6%
66% of the PSTBA	6.0%	<u>12,517</u>	<u>67%</u>
Total		\$13,712	73%
COFINA Claims (as of 6/30/18)		\$18,808	

Value for Commonwealth and its Creditors		
	<u>Discount Rate</u>	<u>NPV Amount</u>
34% of the PSTBA	6.5%	<u>\$5,977</u>
Recovery from PSTBA		\$5,977

BENEFITS TO KEY STAKEHOLDERS

COMMONWEALTH	<ul style="list-style-type: none">■ Comprehensive solution to approximately \$19BN of COFINA secured debt, including the transfer of \$6BN of value to Commonwealth■ Eliminates uncertainty of “all or nothing” litigation with COFINA■ Improves future access to capital markets – a primary goal of PROMESA■ Proposed debt service comfortably fits within debt service capacity of the Draft Fiscal Plan■ Allows redeployment of Governmental and Oversight Board attention to fiscal matters and saves hundreds of millions of litigation costs■ Eliminates challenge to Act 84-2016, thereby facilitating GDB deal■ Leaves unchanged Commonwealth’s rights to 4.5% SUT surcharge
RETIREE COMMITTEE	<ul style="list-style-type: none">■ Potential to lock in additional recovery in response to FOMB demands for cuts■ Flexibility to distribute value away from GO priority litigation risk■ Overall reduction in bond debt and access to Puerto Rico’s most reliable revenue stream
COFINA BONDHOLDERS	<ul style="list-style-type: none">■ Validates a carefully constructed legal structure, preserves rule of law■ Provides acceptable economic recoveries■ Resolves litigation risks■ Aligns Commonwealth’s interests in SUT collection with COFINA’s creditors■ Independent COFINA Title III POA that is not tied to the Commonwealth Title III POA