



PUERTO RICO  
**FISCAL AGENCY  
& FINANCIAL ADVISORY  
AUTHORITY**

# Investor Presentation

June 23<sup>rd</sup>, 2021

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# Executive Summary – Overview

- **Progress on Debt Restructuring:** in the last three years, Puerto Rico has faced numerous unexpected challenges – including unprecedented hurricanes and earthquakes, a governance disruption and the COVID-19 pandemic – which have added an additional layer of complexity in the efforts to improve the Island’s fiscal and economic position. Even with these major disruptions, the Government has made significant progress with respect to the restructuring of the Commonwealth’s obligations:
  - Consummated Restructurings – restructured over \$23 billion through the successful restructuring of COFINA, GDB, PRIFA-PORTS and PRASA.
  - Commonwealth Plan of Adjustment – in the last year, the Oversight Board has reached agreements with creditor groups for the Commonwealth Plan of Adjustment, with overwhelming creditor support:
    - Significant portion of the GO & PBA Creditors
    - Assured and National, as part of an agreement to resolve their claims against HTA and CCDA, as well as their Clawback claims against the Commonwealth
    - ERS Bondholders
  - HTA – the PSA with Assured and National included the framework and terms for the restructuring of all obligations at HTA. It is expected that the restructuring at HTA, through a Title III process, will occur in the months following the confirmation of a Commonwealth Plan of Adjustment.
  - PREPA – following the Commonwealth POA, the largest remaining restructuring for the Government will be the restructuring of PREPA.
- **Updates on Other Critical Matters**
  - Progress on the COVID-19 Situation – Rapid vaccination roll-out, decreases in new cases, decreased capacity restrictions, and status of federal fund disbursements.
  - Update on Commonwealth Fiscal Plan – improved outlook relative to 2020 Certified Fiscal Plan.
  - FEMA Disbursements – federal government has allocated over \$68 billion in order to assist Puerto Rico in its recovery and rebuilding efforts.
  - Public Private Partnerships (P3’s) – update on PREPA, MTA and PORTS P3’s.
  - Financial Statements – status of issuance of FY2018 financial statements.



# Executive Summary – Timeline

Past

Future

**Hurricanes** - Hurricanes María and Irma inflicted unprecedented damage on Puerto Rico and its infrastructure.

Fall 2017

Consummation of COFINA Plan of Adjustment

February 2019

November 2018  
Consummation of Qualifying Modification for GDB under Title VI - GDB marked the first Puerto Rico debt restructuring transaction closed under PROMESA.

August 2019  
PRASA completes restructuring of \$1bn in loans- from the EPA and USDA.

Summer 2019

Summer 2019  
**Governance Transition** - Public outrage over the Governor and senior officials' comments causes a political transition.

**Earthquakes** - Puerto Rico suffered the most serious earthquakes in recent memory.

January 2020

February 2020  
**Plan of Adjustment**- The Oversight Board files the first amended plan of adjustment.

February 2020

March 2020  
**COVID-19** - Puerto Rico's economic situation exacerbated by the COVID-19 pandemic, causing a reevaluation of the February 2020 PSA.

February 2021  
**Plan Support Agreement**- An agreement between the Oversight Board and a group of GO/PBA creditors is signed.

February 2021

April 2021  
**ERS Amended Stipulation** - An amended stipulation between the Oversight Board and ERS Bondholders is filed.

May 2021  
**Third Amended Plan of Adjustment** - The Oversight Board files the Third Amended Plan of Adjustment.

May 2021

May 2021  
**Clawback Plan Support Agreement**- An agreement between the Oversight Board and clawback creditors is reached.

June 2021

CY Q4 2021  
**Planned CW Plan of Adjustment Confirmation**

Mid-2022

Mid-2022  
**Planned Confirmation of HTA Restructuring**

Summer 2017  
**Title III** - The Oversight Board files for Title III protection for the Commonwealth, COFINA, HTA, ERS, and PREPA.

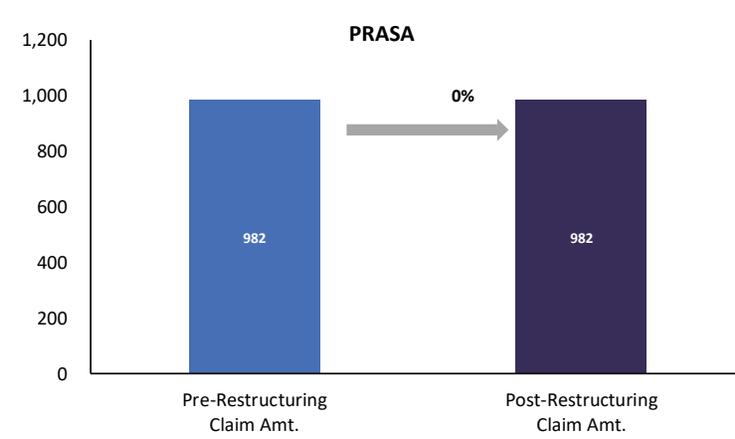
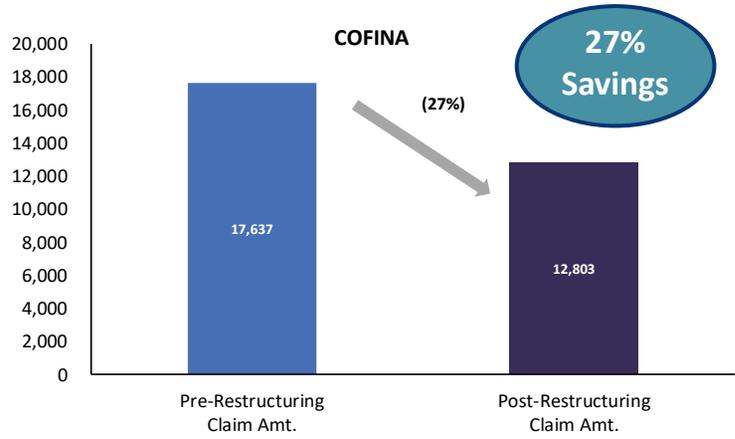
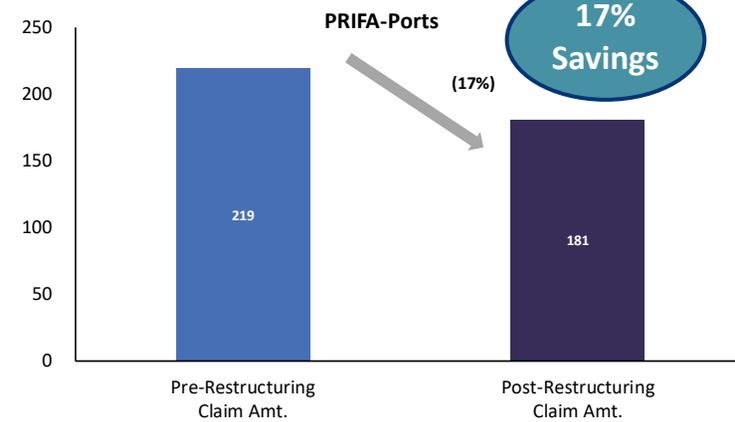
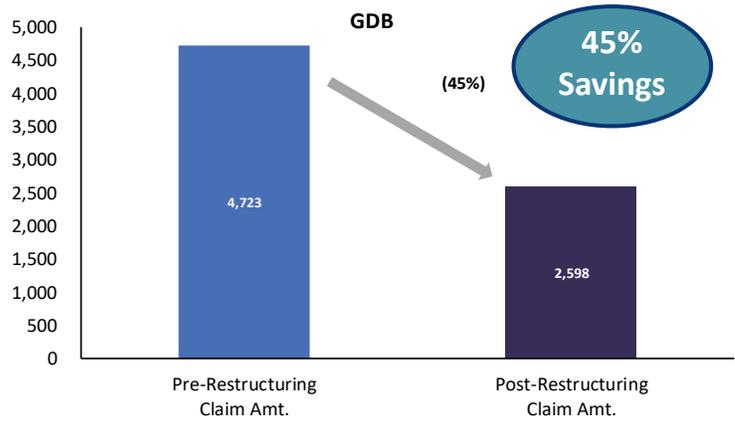


# Debt Restructuring Overview

# Debt Restructurings – Completed

The Government and the Oversight Board have shown the willingness and ability to reach consensual deals, having restructured over \$23 billion of existing indebtedness through the various mechanisms available under PROMESA, resulting in a ~30% reduction in debt across GDB, PRIFA-PORTS, COFINA and PRASA.

## Completed Debt Restructurings (\$ in millions)

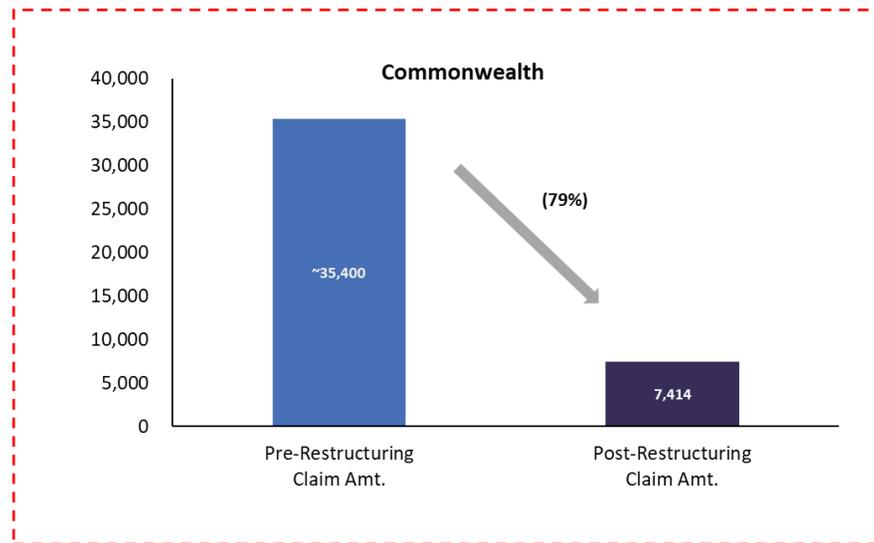
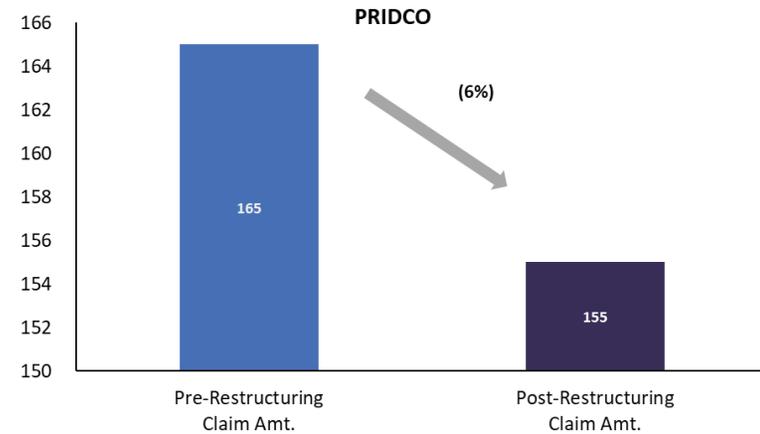
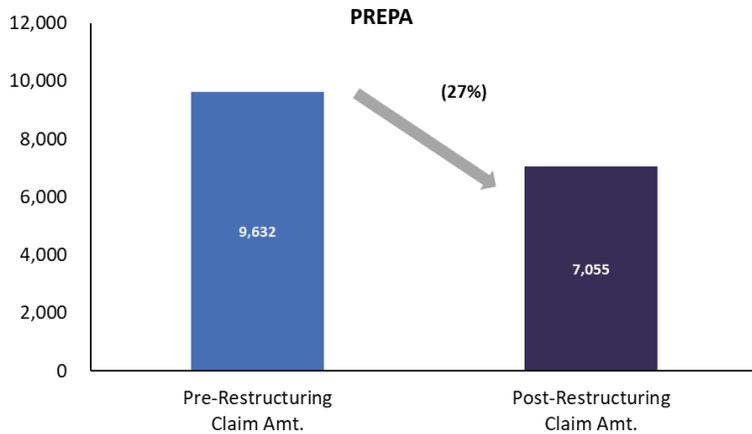


Restructuring resulted in the termination of 100% of CW Guarantee and amended terms favorable to PRASA

# Debt Restructurings – In Process

While there is still more work to be done, the Government and Oversight Board have made substantial progress on the restructuring of the outstanding Commonwealth obligations. In particular, substantial progress has been made with over the course of the last year with respect to the Commonwealth Plan of Adjustment.

## Debt Restructurings in Process (\$ in millions)



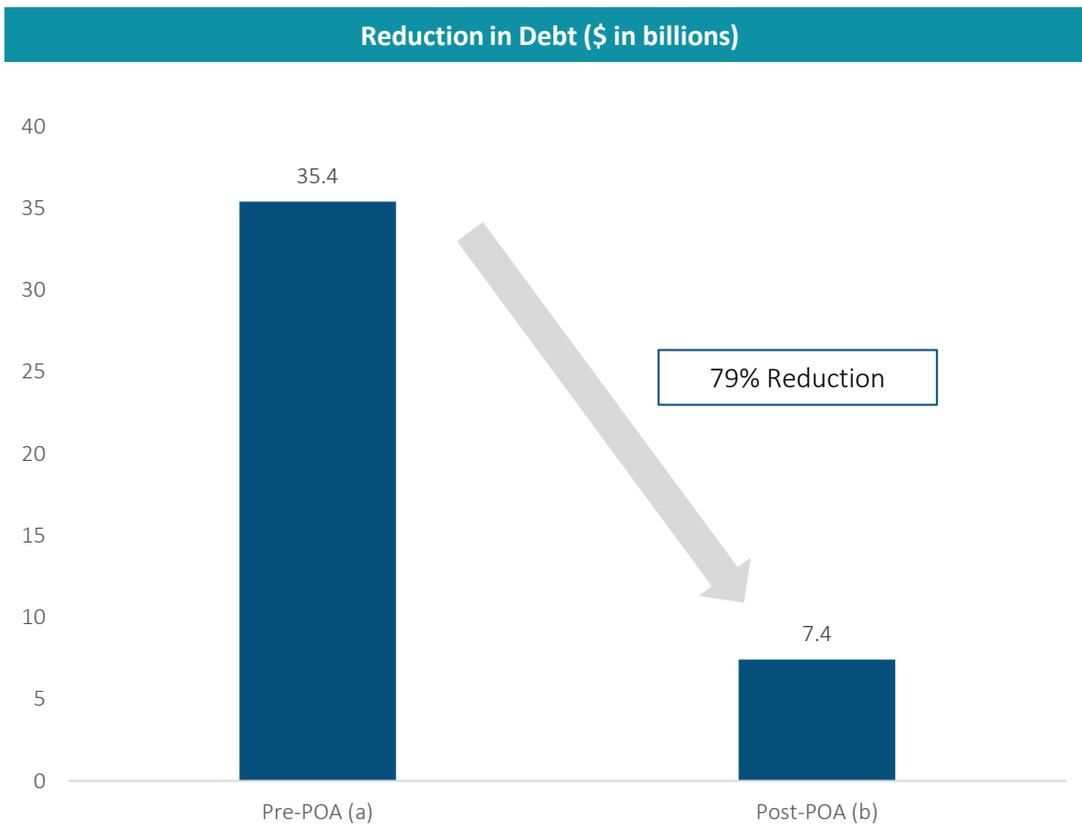
Additional detail on subsequent pages

# Commonwealth Plan of Adjustment

# Commonwealth Plan of Adjustment – Overview

On May 11, 2021, the Oversight Board filed the Third Amended Commonwealth Plan of Adjustment (“Commonwealth POA”) to restructure approximately \$35 billion of claims. The Commonwealth POA represents an important step towards restructuring Puerto Rico’s legacy obligations, exiting Title III and re-establishing access to the capital markets, which are required for the termination of the FOMB’s presence in Puerto Rico.

- Reduces over ~\$35 billion of claims to ~\$7 billion in pro-forma debt at the Commonwealth.



## Other Key Points

- Reduction of total debt service, including COFINA, from ~\$90 billion to ~\$34 billion, a 62% decrease
- Current Interest Maximum Annual Debt Service of \$1.15 billion<sup>c</sup>
- Includes a Contingent Value Instrument (“CVI”) based upon sharing of outperformance of 5.5% Sales and Use Tax Collections (“5.5% SUT”) subject to both annual and lifetime caps

## Select Benefits

- Significant de-risking relative to Feb’2020 POA
- Inclusion of CVI allows for a sharing of upside on island between Government and Creditors

# Commonwealth POA – Agreements with Key Creditor Groups

The Oversight Board has reached agreements with multiple key creditor constituencies that hold a significant portion of the ~\$35 billion in claims at the Commonwealth, which dramatically reduces the confirmation risk associated with the Commonwealth Plan of Adjustment.

- **GO & PBA Creditors:** On February 9, 2021, the Oversight Board reached a Plan Support Agreement (“PSA”) with a significant portion of GO & PBA Creditors to settle their claims at the Commonwealth.
  - Cash Recovery: ~\$7.0 billion
  - New Bonds: ~\$7.4 billion
  - Maximum CVI: ~\$3.5 billion
- **Clawback Creditors:** On May 5, 2021, the Oversight Board reached a PSA with Assured & National to resolve their claims against HTA and CCDA, as well as their Clawback claims against the Commonwealth. The agreement provides a template for treatment of other similarly situated creditors, such as PRIFA and MBA.
  - Cash Recovery: ~\$560 million in total cash from the Commonwealth, HTA, and CCDA<sup>3</sup>
  - New Bonds: no new bonds at Commonwealth (includes ~\$1.2 billion in new bonds at HTA).
  - Maximum CVI: ~\$5.4 billion, which reflects up to 75% of deficiency claim.
- **ERS Bondholders:** On April 2, 2021, an amended stipulation was filed documenting the agreement between the Oversight Board and ERS Bondholders.
  - Cash Recovery: ~\$518 million.<sup>1</sup>
  - New Bonds: none
  - Maximum CVI: none
- **Outstanding Creditor Groups:** the Oversight Board and Government continue to engage in discussions with the outstanding creditor groups, such as the Unsecured Creditors Committee and certain other Monoline insurers, in order to achieve a consensual resolution on these claims.

Notes: (1) The approximate \$518 million cash consideration consists of \$448 million in cash plus the transfer of the Private Equity Portfolio to ERS Bondholders valued at \$70 million per the amended and restated stipulation. (2) Excludes stipulation payments made in 2017 and 2018 to ERS bondholders. (3) (a) \$59mm of Clawback Structuring Fees paid as part of the Commonwealth POA, (b) \$184.8mm distributed to holders of HTA 68 Bond Claims and \$79.2mm distributed to holders of HTA 98 Senior Bond Claims as part of interim distribution upon Commonwealth effective date (c) \$125mm HTA restriction fee upon HTA effective date and (d) \$112mm CCDA distribution (inclusive of the \$15 CCDA restriction fee)

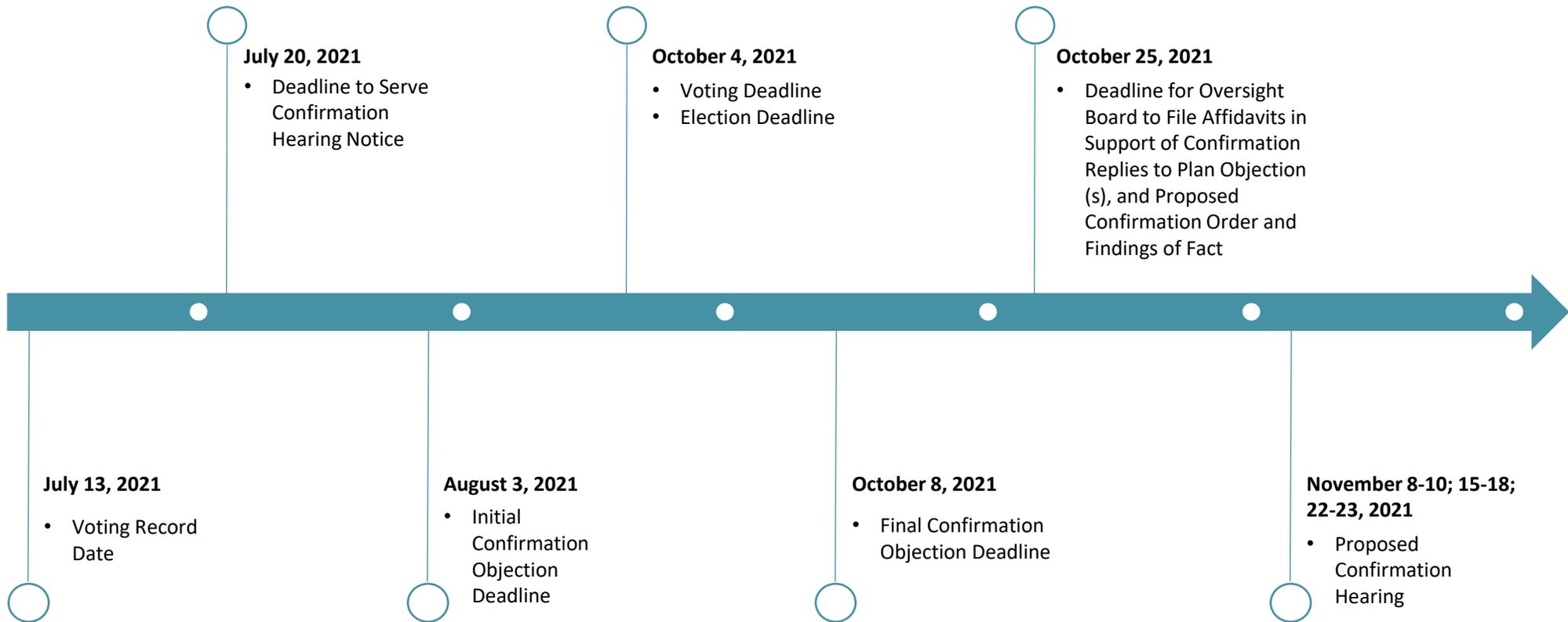
# Commonwealth POA – CVI

The CVI included in the Commonwealth Plan of Adjustment will only pay Creditors in the event that the actual SUT collections outperform the projections in the Commonwealth May 2020 Fiscal Plan. Moreover, the CVI is subject to both annual and lifetime payment caps. Key terms of the CVI include:

Term	GO/PBA CVI	Clawback CVI
<b>Metric</b>	Revenues and collections generated by the portion of the sales and use tax (SUT) that corresponds to the tax rate of 5.50%.	Revenues and collections generated by the portion of the sales and use tax (SUT) that corresponds to the tax rate of 5.50%.
<b>Annual Cap</b>	\$200mm; Unused amounts carry forward into future years, subject to annual payment not to exceed \$400mm for GO/PBA	Years 1-22 – Max. annual payment of \$175 million plus any unused amounts from previous years, subject to a cap in any one year of \$350 million. Years 23-30 – Max. annual payment of \$375 million plus any unused amounts from previous years, subject to a cap in any one year of \$750 million.
<b>Lifetime Cap</b>	\$3.5 billion	HTA - \$3.7 billion; CCDA - \$217 million
<b>Term</b>	22 years	30 years

# Commonwealth POA – Oversight Board Proposed Timeline

The Commonwealth restructuring is expected to follow the timeline below.



# HTA Plan of Adjustment

The Oversight Board and Government will restructure all legacy obligations at HTA through the Title III process consistent with the framework included in the PSA with Assured and National. This is expected to occur in the months following the Commonwealth Plan of Adjustment.

- **HTA Debt:** HTA Plan of Adjustment will include \$1,245 million in new HTA debt.
  - HTA has the option to substitute debt with cash to lessen the long-term debt burden following HTA's Title III exit.
  - Includes the recognition of a net revenue pledge and security interest for the post-reorganization HTA bonds.
- **Operational Restructuring:** The Oversight Board's 205 recommendation letter and the Fiscal Plan call for the separation of toll vs non-toll roads.
  - As a result of the separation, the non-toll roads will require additional Commonwealth transfers to operate the non-toll road assets.

# Other Critical Matters

# COVID-19 Pandemic – General Update

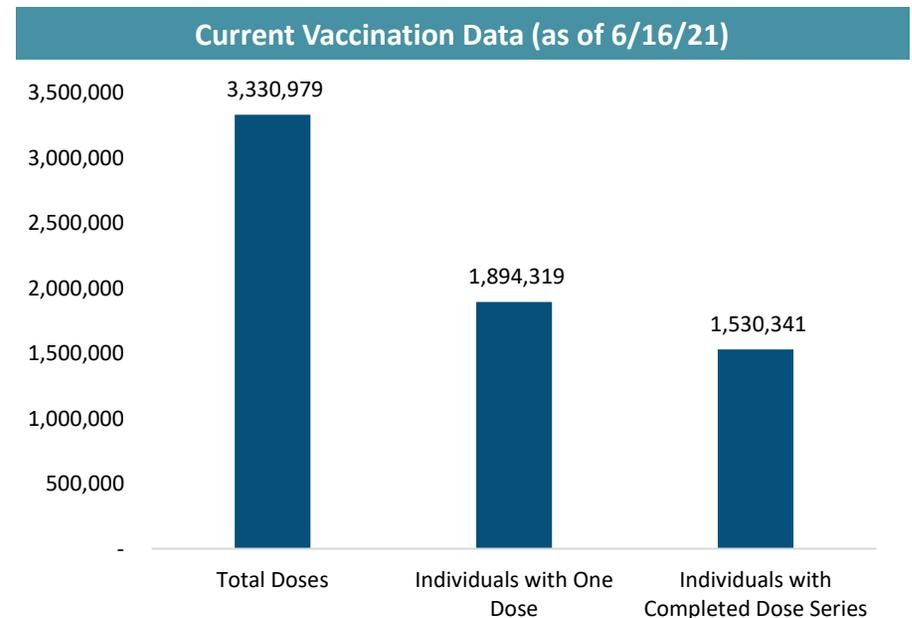
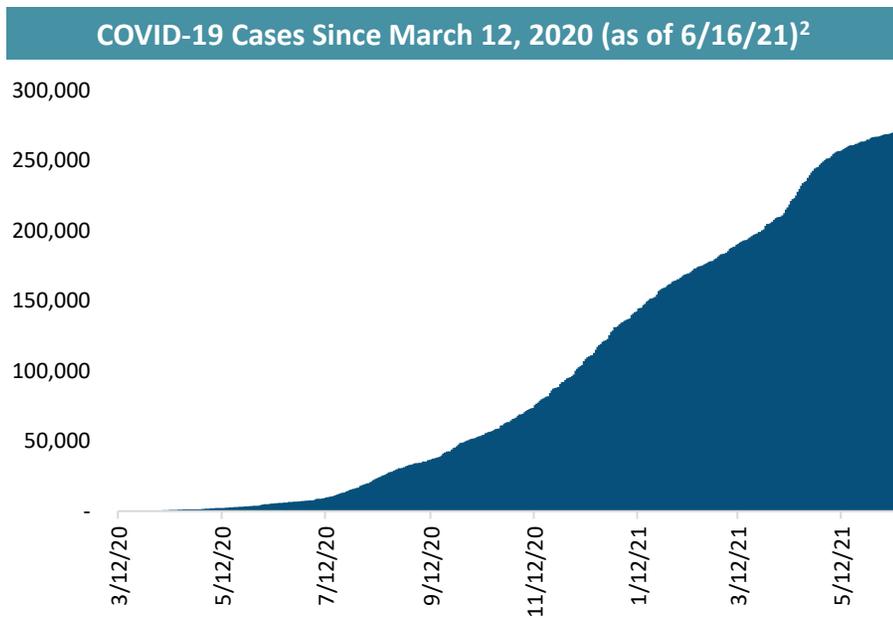
## 1. Puerto Rico COVID-19 Statistics<sup>1</sup>

- As of June 16, 2021, Puerto Rico has 122,610 confirmed, 16,850 probable, and 131,363 suspected cases of COVID-19 and 2,538 deaths.

2. Currently, there is an executive order which enforces COVID-19 restrictions through July 4, 2021. Maximum capacity for commercial establishments, restaurants, amphitheatres, theaters and cinemas is 75%. Arenas, coliseums and other similar venues are allowed to operate at 50% capacity with attendees needing a negative test for COVID-19 or proof of full vaccination.

## 3. Vaccine Doses<sup>1</sup>

- As of June 16, Puerto Rico had approximately 1,530,341 individuals that have completed their series of vaccines.



# Federal COVID-19 Relief to Puerto Rico

Puerto Rico received substantial federal COVID-19 relief funding, estimated at more than \$43.5 billion, to address the broad range of social, economic, and health impacts of COVID-19.

## Federal COVID-19 Relief

Coronavirus Aid, Relief, and Economic Security Act

**\$18.03 billion**

Programs with allocation over \$1 Billion:

- \$6.6B: Unemployment Insurance
- \$3.2B: Economic Business Support
- \$2.7B: Economic Impact Payments
- \$2.2B: State and Local Governments

Coronavirus Response and Relief Supplemental Appropriations Act

**\$7.37 billion**

Programs with allocation over \$1 Billion:

- \$1.9B: Education Funds
- \$1.5B: Economic Impact Payments
- \$1.2B: Unemployment Insurance
- \$1.1B: Economic Business Support
- \$1.0B: Nutrition & Housing Support

American Rescue Plan Act

**\$17.73 billion**

Programs with allocation over \$1 Billion:

- \$4.0B: State and Local Governments
- \$3.7B: Education Funds
- \$3.6B: Economic Impact Payments
- \$2.8B: Unemployment Insurance
- \$1.4B: Hospitals & Healthcare Funds
- \$1.3B: Nutrition & Housing Support

# CARES Act - Coronavirus Relief Fund

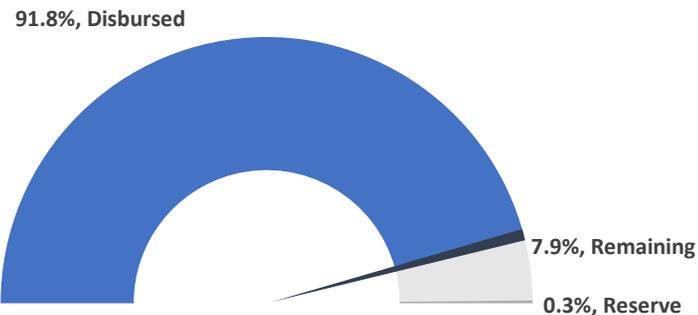
Puerto Rico has been leading the way among states in **disbursing \$2.06 billion in CRF funds** to date, helping the individuals, businesses, non-profits, and public-sector agencies in Puerto Rico that need it the most. AAFAF's fiscal agent role and responsibility extends over the Commonwealth funded \$787 million Emergency Measures Support Package and the federally funded \$2.2 billion CRF. Our collective response has been strong and meaningful.

## \$4.6M

CRF funds disbursed on average per day since March 25, 2020

**Puerto Rico has maintained 100% CRF reporting compliance with the Office of Inspector General.**

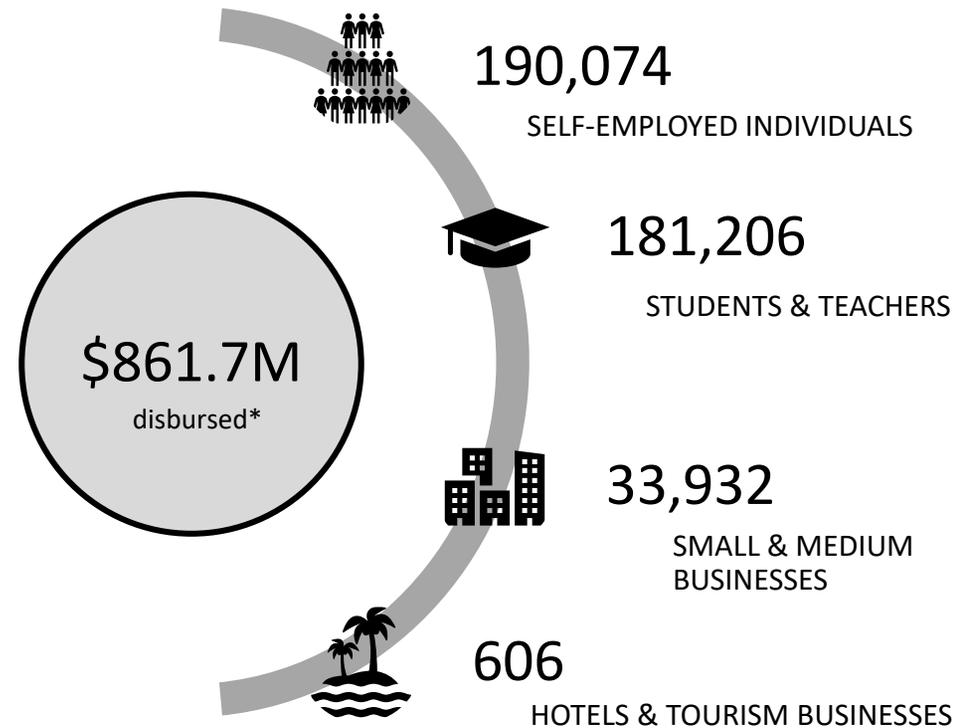
### Current Disbursement of CRF Funds



### Current Allocation Of CRF Funds By Impact Area



### Key CRF Economic Impact Areas



\*includes \$300M for Unemployment Trust Fund impacting 362,067 individuals

# ARP Act - Coronavirus State & Local Fiscal Recovery Fund

Unlike through the CARES Act's Coronavirus Relief Fund, both Puerto Rico and its local municipal governments are awarded funds through the Coronavirus State and Local Fiscal Recovery Fund.

## Coronavirus State and Local Fiscal Recovery Fund Allocations

State	Counties	Metropolitan Cities	Non-Entitlement Units
\$2,470,061,908	\$620,337,620	\$801,110,060	\$124,849,699

## Puerto Rico's Priority Impact Categories



### Support Public Health Response

Fund COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff



### Address Negative Economic Impacts

Respond to economic harms to workers, families, small businesses, impacted industries, and the public sector



### Replace Public Sector Revenue Loss

Use funds to provide government services to the extent of the reduction in revenue experienced due to the pandemic



### Premium Pay for Essential Workers

Offer additional support to those who have and will bear the greatest health risks because of their service in critical infrastructure sectors



### Water and Sewer Infrastructure

Make necessary investments to improve access to clean drinking water and invest in wastewater and stormwater infrastructure



### Broadband Infrastructure

Make necessary investments to provide unserved or underserved locations with new or expanded broadband access

# ARP Act - Coronavirus State & Local Fiscal Recovery Fund (Cont.)

Puerto Rico is actively evaluating programs that align with its six (6) priority impact categories. Through this evaluation process, the Government of Puerto Rico has announced its initial nine (9) programs totaling \$520 million.

## CSFRF Programs Announced on June 7, 2021, by Gov. Pierluisi (\$520M)

Assistance to Non-Profits

Assistance to Private & Public Hospitals and CDTs

Assistance to University of Puerto Rico

Digital Vaccine Passport

Genomic Testing

Mental Health Assistance

Premium Pay to Essential Public Health  
Employees

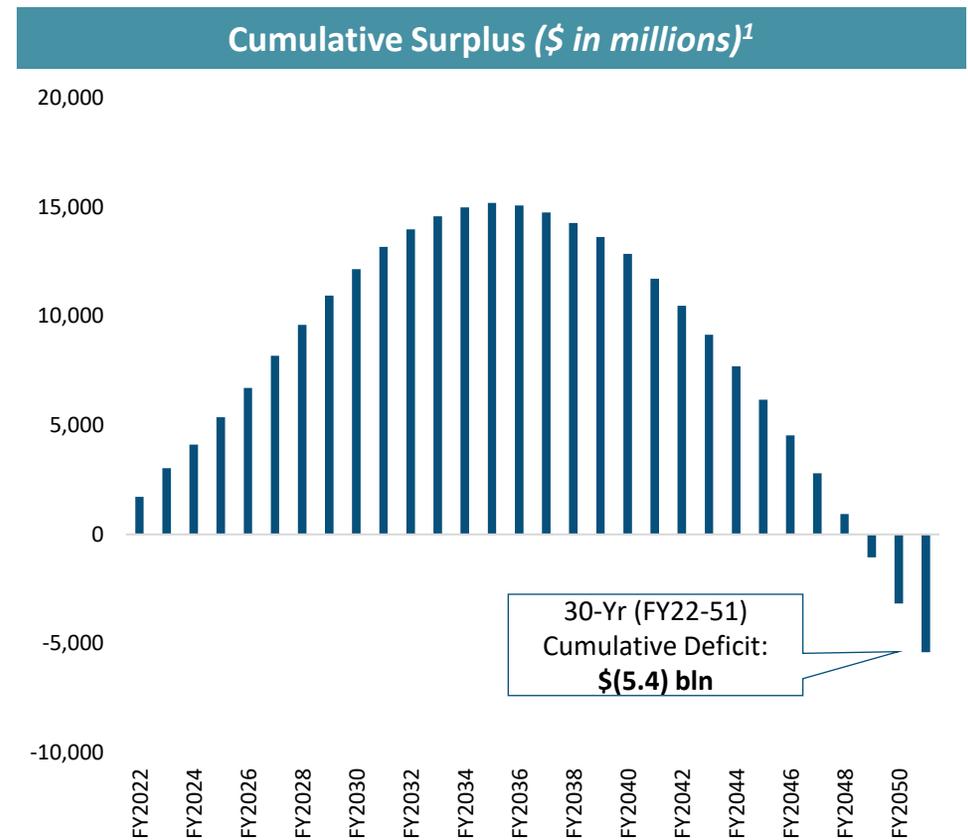
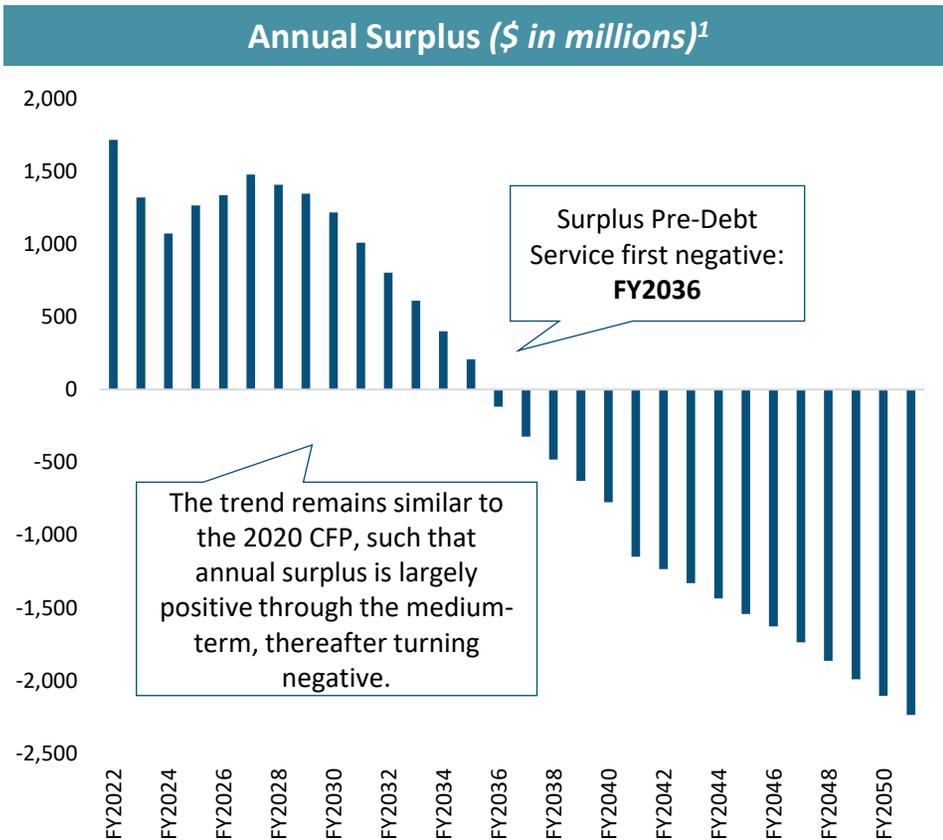
Return-to-Work Incentives

Vaccination Incentives

# Fiscal Plan – Overview of 2021 Certified Fiscal Plan

On April 23, 2021, the Oversight Board certified the 2021 Fiscal Plan for the Commonwealth (“2021 CFP”). Given the progress achieved with the Commonwealth restructuring, it is possible that this is the Certified Fiscal Plan that will be used in the Commonwealth Plan of Adjustment confirmation process.

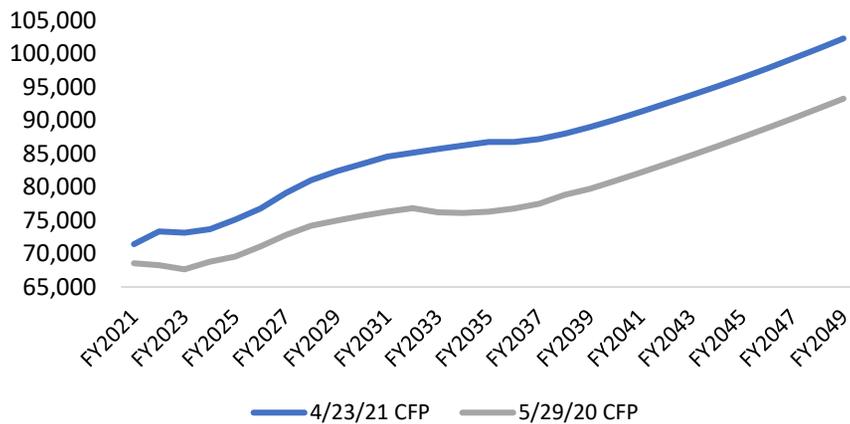
- The 2021 Certified Fiscal Plan results in a cumulative deficit of \$(5.4) billion over the 30-year period from FY2022 to FY2051, as illustrated below.



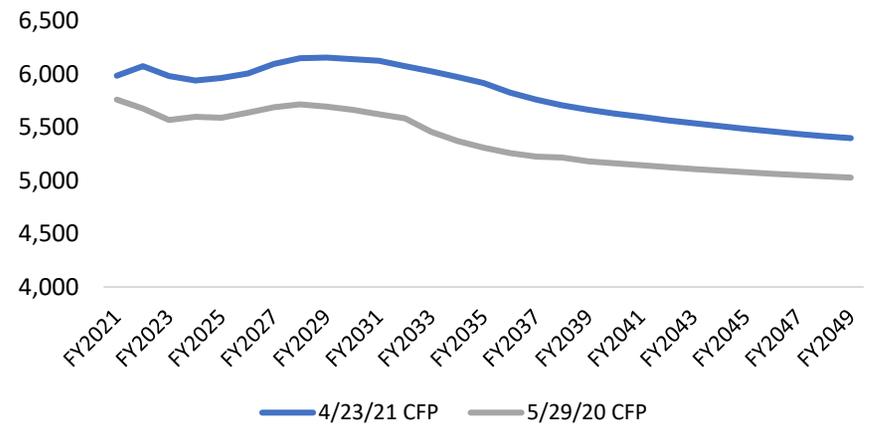
# Fiscal Plan – Improved Macroeconomic Outlook

Illustrated below are comparisons of forecasts for key macroeconomic factors between the 2020 and 2021 Certified Fiscal Plans. The 2021 Certified Fiscal Plan shows a significantly more positive Macroeconomic forecast given the incremental federal funding and positive outlook for the COVID-19 pandemic.

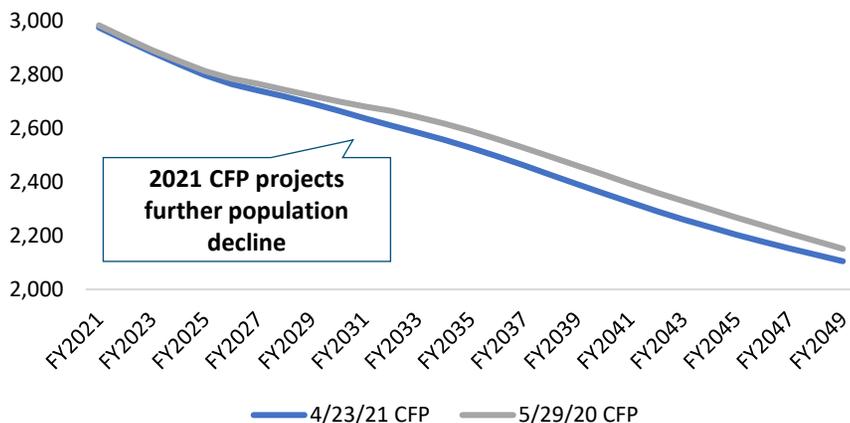
### Nominal GNP (\$ in millions)



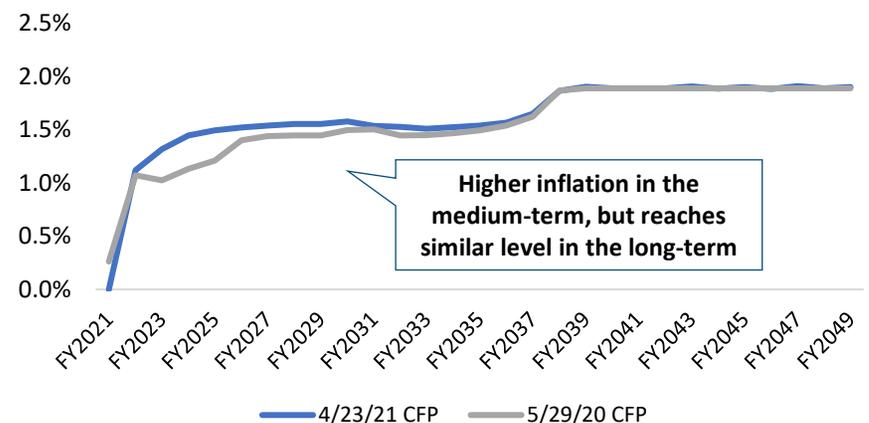
### Real GNP (\$ in millions)



### Population (in thousands)



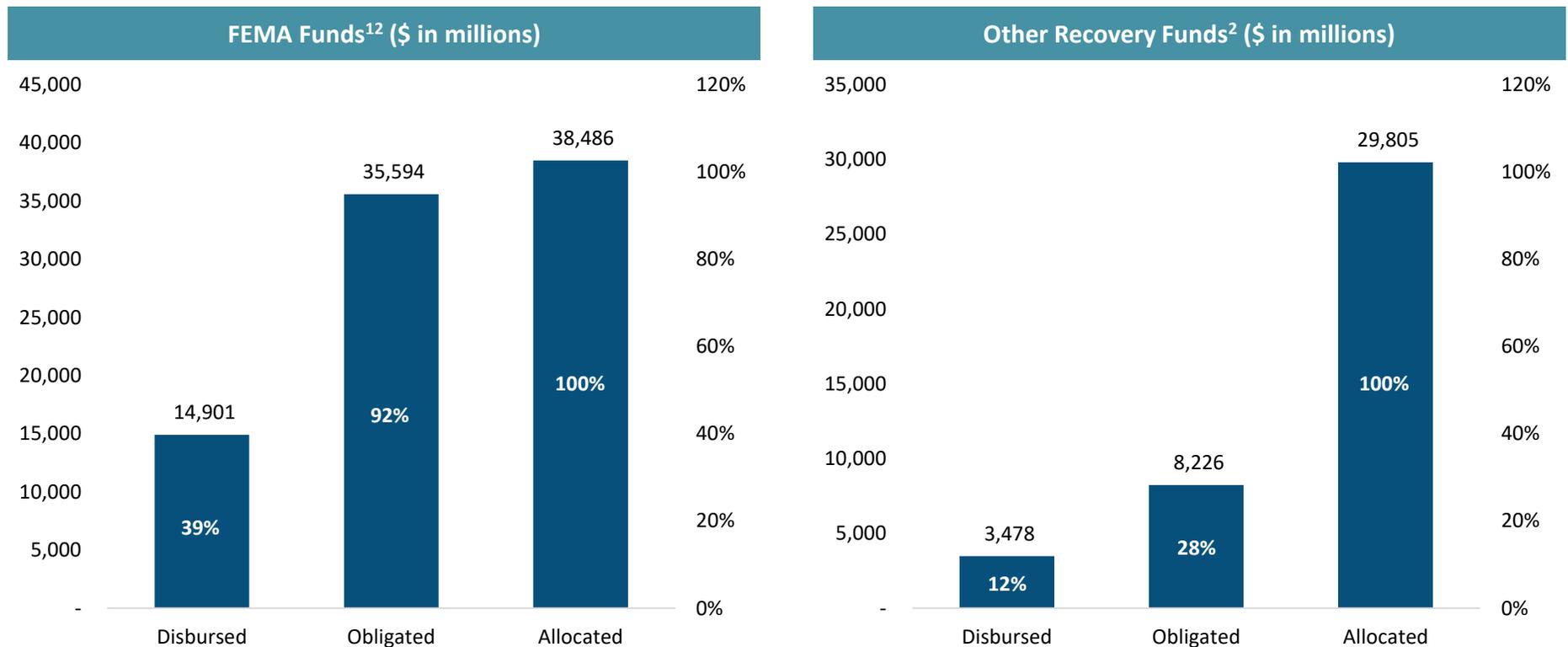
### Inflation (%)



# FEMA and Other Recovery Funds

Puerto Rico has experienced historic and unprecedented disasters since 2017. The impact of Hurricanes Irma and Maria, as well as a magnitude 6.4 earthquake (and its subsequent aftershocks), has resulted in damage to the infrastructure, economy, and community.

- The Federal Government has allocated over \$68 billion in order to assist Puerto Rico in its recovery and rebuilding efforts.
- As illustrated below, the Government has rapidly, and transparently, disbursed funds to utilize monies efficiently.



# Progress on P3's

Puerto Rico is transforming the economy and standard of living by improving infrastructure and services through effective integration of the private sector's innovation and expertise.

PREPA		Transmission and Distribution	<b>\$323 MM</b>	Cumulative Net O&M Savings by FY2027
		Generation Transformation	<b>Q4 2021</b>	Target Completion Date
MTA		O&M Contract for MTA's Ferries System	<b>\$337 MM</b>	Estimated Savings
Ports		Modernization of the San Juan Bay Cruise Terminals	<b>\$340 MM</b>	Estimated Investment
		Puerto Rico's Regional Airports	<b>P3</b>	Project aimed at improving and optimizing regional airports operations and infrastructure

# Conclusion

# Conclusion – Transforming our Island

Despite the unprecedented natural disasters, political challenges, and COVID-19 pandemics, the Commonwealth has made significant progress in its transformation of Puerto Rico. Following the successful confirmation of a Commonwealth Plan of Adjustment, the Government's will turn its focus to PREPA. The Government is committed to continuing to improve the fiscal and economic conditions in Puerto Rico, exit from Title III and focus on promoting private investment on the Island.

