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AUTHORITY

## **REQUEST FOR CALCULATION AGENT SERVICES**

**For Services in Connection with the Annual Calculation of Outperformance Metrics with respect to Securities to be Issued Upon Confirmation and Effectiveness of the Eighth Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico (the “CWPOA”), Et Al**

**Issue Date: November 23, 2021, 2021**

**Documents will only be received electronically. Refer to Section 5 herein for instructions.  
Hand delivery and postal mailed documents will not be accepted.**

### **Submission Time:**

Responses to be received at the submission email address included in Section 5 herein on or prior to:  
5 pm (EST), December 2, 2021

**No Telephone Queries Will Be Accepted**

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## **REQUEST FOR PROPOSAL FOR CALCULATION AGENT IN CONNECTION WITH THE CONTINGENT VALUE INSTRUMENTS AND OTHER OBLIGATIONS**

### **Introduction**

The Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF” or the “Authority”) is an independent public corporation and governmental instrumentality with separate legal existence, fiscal and administrative autonomy, and independence from the Government of Puerto Rico. AAFAF was created for the purpose of acting as fiscal agent, financial advisor and reporting agent of the Government of Puerto Rico, its agencies, instrumentalities, subdivisions, public corporations and/or municipalities (hereinafter collectively referred to as the “Government”), and to assist such entities in confronting the grave fiscal and economic emergency that Puerto Rico is currently experiencing. AAFAF has assumed the majority of the fiscal agency and financial advisory responsibilities that were previously held by Government Development Bank for Puerto Rico.

AAFAF’s powers include, among other things, sole responsibility to renegotiate, to restructure and/or to reach an agreement with creditors on all or part of the public debt or any other debt issued by any government entity. AAFAF also has authority to monitor compliance with the budget certification and tax plans approved under the Puerto Rico Oversight, Management and Economic Stability Act of 2016 (“PROMESA” or the “Act”) and to review matters such as, but not limited to, contracts, transactions and regulations of agencies and instrumentalities of the Government. In addition, AAFAF is empowered to negotiate and execute any type of contract, including all instruments and agreements necessary or convenient to exercise the powers and functions conferred to AAFAF by its enabling act.

The activities and responsibilities of AAFAF are separate and distinct from those of the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), which was established by PROMESA.

### **Description of Contingent Value Instruments to be Issued Upon Confirmation and Effectiveness of Eighth Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, Et Al, as modified (the “CWPOA”).**

Except as provided in this Request for Proposal (“RFP”), all capitalized terms used herein shall have the same meaning given to such terms in the CWPOA.

On the Effective Date, the Commonwealth shall issue the GO CVIs, in the aggregate original notional amount of \$3,500,000,000.00, having a maturity date of July 1, 2043 and a final redemption payment date of November 1, 2043.

On the Effective Date, the Commonwealth shall issue the Clawback CVIs, in the aggregate original notional amount of \$5,239,002,764.00, having a maturity date of July 1, 2051 and a final redemption payment date of November 1, 2051.

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**Payment Waterfall and Redemption Provisions:** The GO CVIs shall be subject to mandatory redemption in accordance with the priorities set forth in the “Subject to Waterfall Annual Mandatory Redemption Payments” provisions set forth on Exhibit J of the CWPOA, subject to the provisions set forth in Annex 1 thereto and the allocation set forth in Annex 3 thereto. The Clawback CVIs shall be subject to mandatory redemption in accordance with the “Mandatory Redemption Payments Subject to Waterfall Clawback CVI” and “Mandatory Redemption Payments Not Subject to Waterfall Clawback CVI” provisions set forth on Exhibit J of the CWPOA, subject to the provisions set forth in Annex 2 thereto, the allocation set forth in Annex 4 thereto and the priorities set forth in Annex 6 thereto. While proposers should read the POA in its entirety, for ease of reference, certain of the foregoing are attached to the Request for Proposals.

### **Description of Other Obligations arising upon Confirmation and Effectiveness of the CWPOA**

In addition to the CVIs, there are other plan provisions that may give rise to obligations in the future to the extent certain events occur. Specifically, contributions into the pension reserve trust, bonuses to AMPR members and bonuses to AFSCME members are all contingent upon actual Commonwealth surplus relative to the Certified Fiscal Plan as of the effective date of the CWPOA.

#### **1. Purpose of the RFP**

AAFAF is seeking proposals on behalf of the Commonwealth from entities interested in serving as Calculation Agent for the CVIs and Other Obligations. Respondents must be a nationally recognized Accounting or Consulting firm. Respondents should also not have any conflicts or potential conflicts of interests. See “Conflicts of Interest” below. Before responding to this RFP, you should carefully read and understand the Disclosure Statement and the CWPOA<sup>1</sup>.

#### **2. Scope of RFP**

AAFAF will only consider proposals that are responsive to the scope included herein and any deviation from the requested scope may result in disqualification. If there are items not applicable to your proposal, then please respond as such. Responses must address the following:

- a. Requested scope of services.** In coordination with the Puerto Rico Department of the Treasury (“Hacienda”), calculation of certain outperformance metrics pursuant to the CWPOA, including:
  - i. 5.5% Sales and Use Tax (“5.5% SUT”)** – Pursuant to the provisions set forth in the CWPOA, with respect to the GO CVIs and Clawback CVIs, based on information provided by Hacienda, annual calculation of actual 5.5% SUT and the Measured SUT or the Substitute Measured Tax, as applicable, as compared to the 5.5% SUT Baseline

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<sup>1</sup> Please refer to documentation related to the CWPOA for complete descriptions of all securities being restructured as part of the CWPOA. Relevant documentation is available at the Oversight Board’s website (<https://oversightboard.pr.gov/>) or at Prime Clerk’s website (<https://cases.primeclerk.com/puertorico/Home-Index>).



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(per Exhibit J, Annex 5 of the CWPOA) to determine if an Outperformance Condition has occurred.

- ii. Adjustments to SUT Baseline and 5.5% SUT Collections - Based on information provided by Hacienda, determine whether a Baseline SUT Reduction or an SUT True-Up should be applied to the annual calculation referenced in clause (a).
  - iii. General Fund Rum Tax Collections – Pursuant to the Rum Tax CVI provisions included in the CWPOA and as detailed in the settlement summary annexed to the plan as Exhibit M, based on information provided by Hacienda, calculation of actual general fund rum tax collections as compared to the general fund rum tax collections forecast included in Annex 1 of Exhibit M of the CWPOA.
  - iv. Pension Reserve Trust Contributions – Pursuant to section 83.2 of the CWPOA, for the fiscal years beginning FY2022 and ending FY2031, based on information provided by Hacienda, calculation of actual unrestricted primary surplus to determine what, if any, contributions into the Pension Reserve Trust are required pursuant to the CWPOA.
  - v. AMPR and AFSCME Fiscal Plan Surplus Sharing Agreements – Pursuant to Appendix II and Appendix III of the CWPOA, based on information provided by Hacienda, calculation of actual surplus above and beyond, to the extent applicable, the Certified Fiscal Plan in effect as of the effective date of the CWPOA.
  - vi. No Double Counting – With respect to sub-sections (i) through (iv) above, ensuring that the calculations of outperformance do not result in the Commonwealth distributing in excess of 100% of outperformance relative to the Certified Fiscal Plan in effect as of the effective date of the CWPOA.
  - vii. Determination Challenges – The scope will also include participating in discussions with, and in contests by, holders of the CVIs and other interested parties to finalize determinations, calculations and payments, including the preparation and posting on public websites of material financial information relating to the foregoing.
- b. Experience for the proposed services.** Provide a summary of your experience with governmental entities and in acting as Calculation Agent. Such description should cover your experience (i) with calculating budget to actual outperformance, (ii) dealing with complicated waterfall mechanics, and (iii) drafting findings memoranda with respect to such calculations.
- c. Fees and Expenses.** Provide a detailed description of your proposed compensation, broken down by type of service.

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- d. Description of Your Company.** Provide an overview of your company and its financial condition. For instance, please describe or provide the following information, as applicable:
- i. Confirm that you are a nationally recognized accounting or consulting firm.
  - ii. Name, title, location and contact information of the person that will directly oversee the services that you propose to provide and who should be contacted about your proposal.
  - iii. A description of any material judgments, arbitration proceedings or other suits, pending or outstanding, against your company or its officer.
  - iv. A description of any default on a material contract occurring in the past ten years.
- e. Conflicts of Interest.** In order to allow AAFAF to conduct an assessment of potential conflicts of interest, please identify any existing or potential conflict of interest, or any relationships that might be considered a conflict of interest, that may affect or involve transaction(s) for the Oversight Board, AAFAF or the Commonwealth, including but not limited to conflicts with financial advisors or law firms providing services to the Oversight Board, AAFAF or the Commonwealth. Please include description of any work you have performed for the Government, any of its entities or instrumentalities or any creditors thereof or any guarantors of indebtedness in relation to their activities in the Commonwealth. Indicate whether this activity is ongoing, and if not, when the prior assignment was concluded.
- f. References.** Please provide names and complete contact information (phone, email, address, etc.) for at least two business references that are directly relevant to the activities anticipated by this RFP and a brief description of the services you provided to each reference.
- g. Other Matters.** Provide any other information that you believe would be helpful for AAFAF to know in evaluating proposals submitted pursuant to this RFP process.

### 3. Preparation of Proposals

Proposals shall be clear and concise, avoiding the use of promotional materials and focused on completeness and responsiveness. For ease of review, the proposals must be limited to 5 pages or less (inclusive of appendices, and exclusive of disclaimers, conflicts of interest and cover pages) with a minimum font size of 11 pts. Excess pages and extraneous materials or appendices will detract from the overall evaluation of the proposal.

### 4. Key Dates

1. RFP Due Date: December 2, 2021 @ 5:00 p.m. EST
2. RFP Award Date: At the discretion of the Authority

### 5. Submission of Proposals

Proposals must be emailed to AAFAF at [rfp@aafaf.pr.gov](mailto:rfp@aafaf.pr.gov).

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## **6. Inquiries/Questions**

Any inquiries or requests for clarification shall be submitted by email to the addresses indicated in Section 5 above. No telephone queries will be accepted.

## **7. Anticipated Evaluation Criteria**

AAFAF intends to evaluate proposals using a combination of criteria, including, but not limited to, those described below. AAFAF reserves the right to make the selection in its sole discretion, subject to the consents set forth in the CWPOA, and may place more or less emphasis on any identified selection criteria.

- a. Depth of experience working with governmental entities while acting as Calculation Agent.
- b. Experience of individual team members.
- c. Strength of references.
- d. Proposed compensation arrangement.
- e. Management strength.

## **8. Confidential or Proprietary Information**

All proposals, evaluations and the content of any discussions shall be kept strictly confidential throughout the evaluation and award process. Only the Authority's evaluation committee shall have access to the proposals and the evaluation results. The Authority and/or the Government may request and use, at their discretion, assistance from outside consultants during the evaluation process of the proposals. A copy of each proposal will be retained for the Authority's files. If a proponent considers that its proposal contains material that is confidential and/or proprietary, the proponent must clearly note or mark each section of material as confidential and/or proprietary. The Authority will determine whether such material meets the requirements for an exemption from disclosure. If so, that information will not be disclosed pursuant to a request for public documents. If the Authority does not consider such material to meet the requirements for exemption from disclosure, the material will be made available to the public, regardless of the notation or markings. It is the responsibility of proponents to be thoroughly informed and familiar with the requirements of disclosure of public documents.

Furthermore, by responding to this RFP, proponents acknowledge and agree that the Authority will not be responsible or liable in any way for any losses that the proponent may suffer from the disclosure of information or materials to third parties. It is the responsibility of the proponent, as the real party in interest, to object any disclosure and defend any action that may be necessary to protect its confidential information.

## **9. Other matters and additional disclosures**

- a. This RFP process is intended to provide all prospective calculation agents with sufficient information to enable them to prepare and submit offers for consideration by AAFAF. This RFP process does not obligate any prospective calculation agent to procure or contract for services or supplies, and it shall not be construed as authorization to proceed with or be reimbursed for any

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of the costs of the work specified herein. Each prospective calculation agents is responsible for all of its costs and expenses for preparation and submission of the proposal and all related activities.

- b. The issuance of this RFP, submission of a proposal, and the acceptance of such proposal by the Authority does not obligate the Authority. Legal obligations will only arise upon the execution of a formal contract with the selected proponent. This RFP does not constitute a promise or guarantee of engagement by AAFAF and/or the Commonwealth, and in no way limits AAFAF and/or the Commonwealth's authority to engage any other organization or firm, as needed. Subject to the obligations set forth in the CWPOA, AAFAF will negotiate a contract with the prospective Calculation Agent whose proposal, in the joint and absolute discretion of the Authority and/or the Commonwealth, is the best, i.e., most advantageous to the Commonwealth. Experience, financial capacity, resources of the proponent and other factors will be considered in the evaluation.
- c. The Authority reserves the right to amend, modify or cancel this RFP in whole or in part, at any time, with or without substitution of another RFP if such cancellation is determined to be in the best interest of the Authority and/or the Commonwealth. All costs and expenses incurred by the proponents in the preparation and delivery of a proposal will be the sole responsibility of the proponents. The Authority will not be liable for any amounts to any proponent in any manner, under any circumstances, including without limitation, as a result of a cancelation of the RFP process. The proponents cannot make any claims whatsoever for reimbursement from the Authority for the costs and expenses associated with the process.
- d. To be eligible for award, the proponent shall comply with the requirements stated under this RFP. Also, to be eligible for award the proponent shall submit a proposal that conforms to the requirements of format and content as stated under sections ***Scope of Services, Key Information to be Included in Your Proposal*** and ***Preparation of Proposals*** of this RFP. Failure to comply with such requirements may result in disqualification and removal from further consideration. The Authority is not bound to accept any proposals if proponents do not meet the requirements set forth in this RFP. Specifically, to be responsive, the proposal shall include all information identified, organized and in the form specified under the abovementioned sections. A nonresponsive proposal may be disqualified and removed from further consideration.
- e. Any prospective Calculating Agent who submits or attempts to submit a proposal is solely responsible for the method of submission and assumes the risk that the proposal may be delayed or not received by AAFAF, whether by reason of equipment malfunction, human error or any other cause whatsoever.
- f. Upon receipt of responses to this RFP, AAFAF, together with Hacienda and/or any other corresponding Government entity, shall discuss the merits of such responses. Acceptance of proposals shall give rise to no liability or obligation on the part of the Commonwealth, AAFAF,

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Hacienda, and/or the Government, as well as the Oversight Board, any other party to the CWPOA or their respective advisors, and no prospective Calculation Agent will have any cause of action against such arising out of a failure to award a contract to that prospective Calculation Agent, or failure to consider any proposal or any expenses incurred by a prospective Calculation Agent in the course of the preparation of the proposal. AAFAF, on behalf of the Commonwealth, reserves the right, in its sole discretion (but subject to its obligations under the CWPOA), to request other proposals in the future. AAFAF, Hacienda, and/or any other corresponding Government entity, hereby reserve the right to consider any and all factors relating to a determination of the ability and suitability of the prospective Calculation Agents, their respective agents or representatives.

- g.** The prospective Calculation Agent will secure the prior written approval of AAFAF before any specifications, records, drawings, data and other information relating to this RFP are released to anyone other than such prospective Calculation Agent's directors, officers, employees, accountants or attorneys.

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## **Relevant 8th Amended Plan of Adjustment Provisions:**

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## Contingent Value Instrument (“CVI”)

### General Terms Applicable to Both GO CVI and Subject to Waterfall Clawback CVI

TERM	DESCRIPTION
<b>Outperformance Metric</b>	<ul style="list-style-type: none"> <li>▪ See Annex 5</li> </ul>
<b>Structure</b>	<ul style="list-style-type: none"> <li>▪ Attachment Point: 100% of CW Fiscal Plan projections as included in Annex 5 (the “Baseline SUT”) of this exhibit</li> <li>▪ The Commonwealth shall pledge its full faith, credit and taxing power under the Puerto Rico Constitution and applicable Puerto Rico law for payment of the GO CVI, Subject to Waterfall Clawback CVI, and Not Subject to Waterfall Clawback CVI               <ul style="list-style-type: none"> <li>○ See Annex 1 for terms specific to GO CVI</li> <li>○ See Annex 2 for terms specific to Clawback CVI</li> </ul> </li> <li>▪ For the avoidance of doubt, when the term “Clawback CVI” is used on its own throughout this exhibit, the term encompasses both the Subject to Waterfall Clawback CVI and Not Subject to Waterfall Clawback CVI, defined as follows               <ul style="list-style-type: none"> <li>○ <b>Subject to Waterfall Clawback CVI:</b> Represents portion of payments to Clawback CVI made from the Subject to Waterfall Outperformance Amount,</li> <li>○ <b>Not Subject to Waterfall Clawback CVI:</b> Represents portion of payments to Clawback CVI made from the Not Subject to Waterfall Outperformance Amount</li> </ul> </li> <li>▪ Security provisions as described in Section 4.10 (b) of the CW Plan Support Agreement</li> <li>▪ Amounts paid to various CVI instruments are subject to applicable caps, including GO CVI Maximum Annual Payment, GO CVI Lifetime Cap, Clawback CVI Maximum Annual Payment, and Clawback CVI Lifetime Cap (as defined throughout this exhibit)</li> </ul>
<b>Measurement Date</b>	<ul style="list-style-type: none"> <li>▪ Measured as of the end of each Fiscal Year, beginning FY22</li> <li>▪ Payment and measurement mechanics to be determined</li> </ul>
<b>Subject to Waterfall Outperformance Amount</b>	<ul style="list-style-type: none"> <li>▪ Lesser of, on an annual basis (the “Subject to Waterfall Outperformance Amount”):               <ul style="list-style-type: none"> <li>○ (i) 50% of cumulative outperformance relative to the 5.5% SUT Baseline in Annex 5 (which, for the</li> </ul> </li> </ul>

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TERM	DESCRIPTION
	<p>avoidance of doubt, includes both overperformance and underperformance), starting on July 1, 2021, less payments previously made to GO CVI and Subject to Waterfall Clawback CVI</p> <ul style="list-style-type: none"> <li>▪ For the avoidance of doubt, amounts paid to Clawback CVI will first be allocated to Subject to Waterfall Clawback CVI (from Subject to Waterfall Annual Payments, as defined below) for purposes of calculation of payments previously made               <ul style="list-style-type: none"> <li>○ (ii) 75% of annual outperformance (which, for the avoidance of doubt, includes both outperformance and underperformance)</li> </ul> </li> <li>▪ For the avoidance of doubt, the Subject to Waterfall Outperformance Amount may not be less than \$0 in a given year</li> </ul>
<p><b>Subject to Waterfall Annual Mandatory Redemption Payments</b></p>	<ul style="list-style-type: none"> <li>▪ <u>Years 1-22</u>: From the Subject to Waterfall Outperformance Amount, annual payment waterfall is as follows (the “Annual Payment Waterfall”):               <ul style="list-style-type: none"> <li>○ (a) First \$100,000,000 to GO CVI</li> <li>○ (b) Next \$11,111,111 to Subject to Waterfall Clawback CVI</li> <li>○ (c) Thereafter, pro rata sharing as follows:                   <ul style="list-style-type: none"> <li>▪ 90% to GO CVI</li> <li>▪ 10% to Subject to Waterfall Clawback CVI</li> </ul> </li> </ul> </li> <li>▪ To the extent that the GO CVI Lifetime Cap (as defined below) is met (i.e., aggregate \$3,500 million paid to GO CVI) in year 21 or prior, 100% of the Subject to Waterfall Outperformance Amount would accrue to the Subject to Waterfall Clawback CVI beginning in the following year</li> <li>▪ <u>Years 23-30</u>: 100% of Subject to Waterfall Outperformance Amount to Subject to Waterfall Clawback CVI</li> </ul>
<p><b>SUT True-Up</b></p>	<ul style="list-style-type: none"> <li>▪ No adjustment required:               <ul style="list-style-type: none"> <li>○ Exemptions / holidays included in the Puerto Rico Internal Revenue Code as of the date of the Plan Support Agreement (sections 4030.01 through 4030.27)</li> </ul> </li> <li>▪ Baseline SUT Reduced (the “Baseline SUT Reduction”):               <ul style="list-style-type: none"> <li>○ Exemptions/Holiday during U.S. Presidential Declaration of Disaster for a period not to exceed 30 days and only for emergency-related categories</li> </ul> </li> </ul>

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TERM	DESCRIPTION
	<p>of spend. If Exemptions/Holiday exceed 30 day period, the amount of any exemptions beyond such 30 day period will be included under the SUT True-Up mechanism defined below</p> <ul style="list-style-type: none"> <li>▪ In-Year SUT Revenue Increased (“SUT True-Up”):             <ul style="list-style-type: none"> <li>○ Any other exemption implemented by the Government under applicable law</li> </ul> </li> <li>▪ For the calculation of either the Baseline SUT Reduction or SUT True-Up, the calculation will be determined by the Treasury Secretary and validated by an independent third party and will be publicly disclosed. Validation of independent third party binding on both the Government and Creditors</li> <li>▪ Documentation in a separate agreement on the methodology the independent third party will use to verify the Treasury Secretary’s calculation</li> <li>▪ To the extent the Commonwealth reduces the 5.5% SUT to a lower rate, a formulaic adjustment to be agreed upon by the Board and Initial PSA Creditors to maintain the same amount of outperformance had the Measured SUT remained at 5.5%. Further protections provided in Section 4.10 (b)(xi) of the CW Plan Support Agreement</li> </ul>

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## ANNEX 1: GO CVI-SPECIFIC TERMS

TERM	DESCRIPTION
<b>GO CVI Lifetime Cap</b>	<ul style="list-style-type: none"> <li>▪ \$3,500 million (the “GO CVI Lifetime Cap”)</li> </ul>
<b>GO CVI Term</b>	<ul style="list-style-type: none"> <li>▪ 22 years (FY2043)</li> <li>▪ Deemed issuance date of July 1, 2021</li> </ul>
<b>Payments to GO CVI</b>	<ul style="list-style-type: none"> <li>▪ As referenced within (a) and (c) of Annual Payment Waterfall, subject to the GO CVI Maximum Annual Payment and the GO CVI Lifetime Cap</li> </ul>
<b>GO CVI Maximum Annual Payment</b>	<ul style="list-style-type: none"> <li>▪ Maximum annual payment of \$200 million for the GO CVI plus any unused amounts from previous years, subject to annual payment not being greater than \$400 million for the GO CVI. For the avoidance of doubt, the GO CVI Maximum Annual Payment is calculated as the lesser of the (i) the sum of GO CVI Carryforward Balance (see below) and \$200 million and (ii) \$400 million</li> <li>▪ The GO CVI Carryforward Balance shall be calculated as follows:               <ul style="list-style-type: none"> <li>○ (a) In year 1, an amount equal to \$0</li> <li>○ (b) For each year thereafter, the Annual GO CVI Carryforward Amount (see below) shall be added to (if positive) or subtracted from (if negative) the GO CVI Carryforward Balance.                   <ul style="list-style-type: none"> <li>▪ The Annual GO CVI Carryforward Amount shall be calculated as the difference between (which, for the avoidance of doubt, may be a positive or negative number) (y) \$200 million and (z) CVI payments (if any) made to the GO CVI in the prior fiscal year</li> </ul> </li> </ul> </li> <li>▪ To the extent there is a positive GO CVI Carryforward Balance remaining at the end of the 22-year term, the Commonwealth will not owe any further amount to GO CVI</li> </ul>
<b>GO CVI Call Structure</b>	<ul style="list-style-type: none"> <li>▪ Callable on any date at an aggregate value equal to the maximum amount of future payments present valued at an uncapped discount rate of the Treasury Rate + 100 basis points, wherein the Treasury Rate means the yield (or interpolated yield) of the comparable U.S. treasury security (or securities) that has an actual maturity (or interpolated</li> </ul>

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<b>TERM</b>	<b>DESCRIPTION</b>
	maturity) that is closest to the remaining average life of the remaining maximum payments of the GO CVI
<b>GO CVI Allocation</b>	▪ See Annex 3

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## ANNEX 2: CLAWBACK CVI-SPECIFIC TERMS

TERM	DESCRIPTION
<b>Clawback CVI Lifetime Cap</b>	<ul style="list-style-type: none"> <li>▪ \$3,697,668,995 for Allowed CW/HTA Claims, \$217,228,391 for Allowed CW/Convention Claims, \$22,580,090 for Allowed CW/MBA Claim, and \$1,301,525,288 for Allowed CW/PRIFA Rum Tax Claims<sup>2</sup> (in total, \$5,239,002,764)               <ul style="list-style-type: none"> <li>○ Applies to aggregate Clawback CVI payments, including payments to both Subject to Waterfall Clawback CVI and Not Subject to Waterfall Clawback CVI</li> </ul> </li> </ul>
<b>Clawback CVI Term</b>	<ul style="list-style-type: none"> <li>▪ 30 years (FY2051)</li> <li>▪ Deemed issuance date of July 1, 2021</li> </ul>
<b>Mandatory Redemption Payments to Subject to Waterfall Clawback CVI</b>	<ul style="list-style-type: none"> <li>▪ <u>Years 1-22</u>: As referenced within (b) and (c) of Annual Payment Waterfall, subject to the Clawback CVI Maximum Annual Payment and the Clawback CVI Lifetime Cap</li> <li>▪ <u>Years 23-30</u>: From 100% of the Subject to Waterfall Outperformance Amount, subject to the Clawback CVI Maximum Annual Payment and the Clawback CVI Lifetime Cap               <ul style="list-style-type: none"> <li>○ To the extent that GO CVI Lifetime Cap (as defined above) is met (i.e., aggregate \$3,500 million paid to GO CVI) in year 21 or prior, 100% of the Subject to Waterfall Outperformance Amount would accrue to the Clawback CVI beginning in the following year subject to applicable Clawback CVI Maximum Annual Mandatory Redemption Payment (as specified below) and Clawback CVI Lifetime Cap</li> </ul> </li> </ul>
<b>Not Subject to Waterfall Outperformance Amount</b>	<ul style="list-style-type: none"> <li>▪ Lesser of, on an annual basis (the “Not Subject to Waterfall Outperformance Amount”):               <ul style="list-style-type: none"> <li>○ (i) 40% of cumulative outperformance relative to the 5.5% SUT Baseline in Annex 5 (which, for the avoidance of doubt, includes both overperformance</li> </ul> </li> </ul>

<sup>2</sup> Per the PRIFA Plan Support Agreement, both (i) Clawback CVI Payments on account of Allowed CW/PRIFA Rum Tax Claims, and (ii) Rum Tax CVI Annual Payments (as defined in Exhibit “F” to the PRIFA Plan Support Agreement) will be paid to the PRIFA Trust. Distributions on account of Allowed CW/PRIFA Rum Tax Claims from the PRIFA Trust will be subject to a \$1,301,525,288.00 lifetime cap, which amount shall be reduced based on the decision of holders of Allowed PRIFA Bond Claims to opt out of recovering their pro rata share of distributions from the PRIFA Trust.

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TERM	DESCRIPTION
	<p>and underperformance), starting on July 1, 2021, less payments previously made to Not Subject to Waterfall Clawback CVI</p> <ul style="list-style-type: none"> <li>○ (ii) 95% of annual outperformance (which, for the avoidance of doubt, includes both outperformance and underperformance), less amounts paid to GO CVI and Subject to Waterfall Clawback CVI for the corresponding fiscal year</li> </ul> <ul style="list-style-type: none"> <li>▪ For the avoidance of doubt, the Not Subject to Waterfall Outperformance Amount may not be less than \$0 in a given year</li> </ul>
<p><b>Mandatory Redemption Payments Not Subject to Waterfall Clawback CVI</b></p>	<ul style="list-style-type: none"> <li>▪ 100% of Not Subject to Waterfall Outperformance Amount, subject to any applicable caps, including both Clawback CVI Maximum Annual Payment and Clawback CVI Lifetime Cap</li> </ul>
<p><b>Clawback CVI Maximum Annual Payment</b></p>	<ul style="list-style-type: none"> <li>▪ <u>Years 1-22</u>: Maximum annual payment of \$175 million plus any unused amounts from previous years, subject to a cap in any one year of twice the applicable annual cap (i.e., \$350 million) for the Clawback CVI, including payments to both Subject to Waterfall Clawback CVI and Not Subject to Waterfall Clawback CVI. For the avoidance of doubt, the Clawback CVI Maximum Annual Payment during this period is calculated as the lesser of (i) the sum of Clawback CVI Carryforward Balance (see below) and \$175 million and (ii) \$350 million             <ul style="list-style-type: none"> <li>○ The Clawback CVI Carryforward Balance shall be calculated as follows:                 <ul style="list-style-type: none"> <li>▪ (a) In year 1, an amount equal to \$0</li> <li>▪ (b) For each year thereafter, the Annual Clawback CVI Carryforward Amount shall be added to (if positive) or subtracted from (if negative) the Clawback CVI Carryforward Balance. The Annual Clawback CVI Carryforward Amount during this period shall be calculated as the difference between (which, for the avoidance of doubt, may be a positive or negative number) (y) \$175 million and (z) aggregate CVI payments made to the Subject to Waterfall Clawback CVI (if any)</li> </ul> </li> </ul> </li> </ul>

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TERM	DESCRIPTION
	<p>and the Not Subject to Waterfall Clawback CVI (if any) in the prior fiscal year</p> <ul style="list-style-type: none"> <li> <p>▪ <u>Years 23-30</u>: Maximum annual payment of \$375 million plus any unused amounts from previous years, subject to a cap in any one year of twice the applicable annual cap (i.e., \$750 million) for the Clawback CVI, including payments to both Subject to Waterfall Clawback CVI and Not Subject to Waterfall Clawback CVI. For the avoidance of doubt, the Clawback CVI Maximum Annual Payment during this period is calculated as the lesser of (i) the sum of the Clawback CVI Carryforward Balance (see below) and \$375 million and (ii) \$750 million.</p> <ul style="list-style-type: none"> <li>○ The Annual Clawback CVI Carryforward Amount during this period shall be calculated as the difference between (which, for the avoidance of doubt, may be a positive or negative number) (y) \$375 million and (z) aggregate CVI payments made (if any) to the Subject to Waterfall Clawback CVI and Not Subject to Waterfall Clawback CVI in the prior fiscal year</li> <li>○ Such Annual Clawback CVI Carryforward Amount will be added to (if positive) or subtracted from (if negative) the Clawback CVI Carryforward Balance</li> </ul> </li> <li> <p>▪ To the extent that GO CVI Lifetime Cap is met (i.e., aggregate \$3,500 million paid to GO CVI) in year 21 or prior, the \$375 million annual payment cap – and annual payment cap up to \$750 million to the extent sufficient Clawback CVI Carryforward Balance is available – for the Clawback CVI, including CVI payments to both Subject to Waterfall Clawback CVI and Not Subject to Waterfall Clawback CVI, would begin in the following year</p> </li> <li> <p>▪ To the extent there is a positive Clawback CVI Carryforward Balance remaining at the end of the 30-year term, the Commonwealth will not owe any further amount to Clawback CVI</p> </li> <li> <p>▪ For the avoidance of doubt, when calculating whether aggregate payments to Clawback CVI are limited by the Clawback CVI Maximum Annual Payment, payments to Subject to Waterfall Clawback CVI are counted first against the Clawback CVI Maximum Annual Payment before payments to Not Subject to Waterfall Clawback CVI are counted</p> </li> </ul>

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<b>TERM</b>	<b>DESCRIPTION</b>
<b>Clawback CVI Call Structure</b>	<ul style="list-style-type: none"><li>▪ Callable on any date at an aggregate value equal to the maximum amount of future payments present valued at an uncapped discount rate of the Treasury Rate + 100 basis points, wherein the Treasury Rate means the yield (or interpolated yield) of the comparable U.S. treasury security (or securities) that has an actual maturity (or interpolated maturity) that is closest to the remaining average life of the remaining maximum payments of the Clawback CVI</li></ul>
<b>Clawback CVI Allocation</b>	<ul style="list-style-type: none"><li>▪ See Annex 4</li></ul>

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### ANNEX 3: GO CVI ALLOCATION SUMMARY

<b>Claim</b>	<b>GO CVI Allocation %</b>
Vintage CW Bond Claim	32.244%
2011 CW Series D/E/PIB Bond Claim	3.514%
2011 CW Bond Claim	2.479%
2012 CW Bond Claim <sup>3</sup>	15.157%
2014 CW Bond Claim <sup>4</sup>	20.266%
Vintage CW Guarantee Claim	15.194%
2011 CW Guarantee Bond Claim	7.552%
2012 CW Guarantee Bond Claim	3.594%

<sup>3</sup> 2012 CW Bond Claim amount includes \$198 million of the Hacienda loans and \$25 million of the GSA Helicopter Loan.

<sup>4</sup> 2014 CW Bond Claim amount includes \$84 million of the PRIFA BANs and \$263 million of the Ports bonds.

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#### **ANNEX 4: CLAWBACK CVI ALLOCATION SUMMARY**

<b>Claim</b>	<b>Clawback CVI Allocation %</b>
Allowed CW/HTA Claims <sup>5</sup>	68.6%
Allowed CW/Convention Claims	4.0%
Allowed CW/PRIFA Rum Tax Claims	27.0%
Allowed CW/MBA Claims	0.4%

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<sup>5</sup> See Annex 6 for details of priority distribution waterfall of CVI payments from Clawback CVI allocation to Allowed CW/HTA Claims.

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## ANNEX 5: 5.5% SUT BASELINE

(\$ USD)

### 5.5% SUT Baseline

Fiscal Year	Amount	Fiscal Year	Amount
2022	\$1,282,901,069.30	2037	\$1,452,657,050.02
2023	1,279,617,661.88	2038	1,477,755,111.63
2024	1,301,220,703.34	2039	1,495,355,971.13
2025	1,315,295,083.41	2040	1,518,089,898.19
2026	1,345,037,783.09	2041	1,541,405,892.18
2027	1,377,398,882.61	2042	1,565,457,864.38
2028	1,403,141,426.98	2043	1,590,148,747.39
2029	1,414,785,980.78	2044	1,616,252,365.93
2030	1,427,393,695.32	2045	1,642,150,220.79
2031	1,437,998,166.98	2046	1,668,748,988.64
2032	1,447,406,781.79	2047	1,696,060,240.60
2033	1,428,210,572.57	2048	1,724,082,302.73
2034	1,426,102,595.91	2049	1,752,859,808.94
2035	1,429,798,842.15	2050 <sup>(4)</sup>	1,781,536,796.27
2036	1,438,540,327.00	2051 <sup>(4)</sup>	1,810,682,942.40

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## **ANNEX 6: PRIORITY DISTRIBUTION WATERFALL FROM CLAWBACK CVI ALLOCATION TO ALLOWED CW/HTA CLAIMS**

<b>TERM</b>	<b>DESCRIPTION</b>
<b>HTA Clawback CVI Priority Distribution Waterfall<sup>6</sup></b>	<ul style="list-style-type: none"><li>▪ <u>First</u>, from the Clawback CVI allocated to Allowed CW/HTA Claims, Clawback CVI payments, if any, to the HTA 68 Bond Claims up to \$179,462,539</li><li>▪ <u>Second</u>, from the Clawback CVI allocated to Allowed CW/HTA Claims, remaining Clawback CVI payments, if any, to HTA 98 Senior Bond Claims up to \$1,833,405,578</li><li>▪ <u>Third</u>, from the Clawback CVI allocated to Allowed CW/HTA Claims, remaining Clawback CVI payments, if any, to HTA 98 Sub Bond Claims up to \$207,294,178</li><li>▪ <u>Fourth</u>, after paying the permitted amounts above in full, from the Clawback CVI allocated to Allowed CW/HTA Claims, remaining Clawback CVI payments, if any, to the GDB HTA Loans up to \$1,477,506,700</li><li>▪ Waterfall implemented to the maximum extent allowable against the Commonwealth and subject to judicial determination</li></ul>

<sup>6</sup> Capitalized terms used but not otherwise defined within Annex 6 shall have the meanings ascribed to them in the HTA/CCDA Related Plan Support Agreement.

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## Terms Applicable to Rum Tax CVI

TERM	DESCRIPTION
1) <b><u>Rum Tax CVI</u></b>	
a) <b>Outperformance Metric</b>	<ul style="list-style-type: none"> <li>▪ See Annex 1, which is equivalent to 100% of general fund rum tax collections (i.e., aggregation of Items B, E, and I in Annex 2) per Rum Tax Waterfall (see Annex 2) within CW 2021 Fiscal Plan projections (the “Outperformance Metric”)</li> </ul>
b) <b>Measurement Date</b>	<ul style="list-style-type: none"> <li>▪ Measured as of the end of each Fiscal Year, beginning FY22</li> <li>▪ Payment and measurement mechanics to be determined</li> </ul>
c) <b>Rum Tax CVI Notional / Lifetime Cap</b>	<ul style="list-style-type: none"> <li>▪ See PRIFA Trust section below</li> </ul>
d) <b>Rum Tax CVI Term</b>	<ul style="list-style-type: none"> <li>▪ 30 years (FY2051)</li> <li>▪ Deemed issuance date of July 1, 2021</li> </ul>
e) <b>Call Structure for Rum Tax CVI and Clawback CVI</b>	<ul style="list-style-type: none"> <li>▪ Callable on any date at an aggregate value equal to the maximum amount of future payments present valued at an uncapped discount rate of the Treasury Rate + 100 basis points, wherein the Treasury Rate means the yield (or interpolated yield) of the comparable U.S. treasury security (or securities) that has an actual maturity (or interpolated maturity) that is closest to the remaining average life of the remaining aggregate maximum payments of the (i) Rum Tax CVI and (ii) Clawback CVI to Allowed CW/PRIFA Rum Tax Claims, subject to the remaining PRIFA Trust Lifetime Cap at the time call is exercised</li> <li>▪ If called, Rum Tax CVI and Clawback CVI to Allowed CW/PRIFA Rum Tax Claims must be called simultaneously, such that PRIFA Trust Lifetime Cap will be reduced proportionately for any amounts called.</li> </ul>
f) <b>Supplemental Cover Over</b>	<ul style="list-style-type: none"> <li>▪ Amount per proof-gallon that the U.S. Treasury can cover-over to the Commonwealth of Puerto Rico on</li> </ul>



TERM	DESCRIPTION
	<p>account of rum taxes, less \$10.50, for the applicable fiscal year</p>
<p><b>g) Supplemental Cover Over Revenues</b></p>	<ul style="list-style-type: none"> <li>▪ The amount of Supplemental Cover Over Revenues is calculated as the product of (i) the ratio of Supplemental Cover Over divided by the sum of (a) the Supplemental Cover Over and (b) \$10.50 (the “Base Cover Over”) and (ii) total rum tax collections received by the Commonwealth as documented within the U.S. Department of Treasury monthly detailed activity report of net excise tax due to the Government of Puerto Rico and certified by Hacienda (“Commonwealth Rum Tax Revenues”)               <ul style="list-style-type: none"> <li>○ For purposes of calculating the Rum Tax CVI Annual Payment based on outperformance of Waterfall General Fund Rum Tax Collections (as defined below) relative to the Outperformance Metric, the maximum amount of Supplemental Cover Over Revenues in each applicable fiscal year is \$88,000,000 (“Supplemental Cover Over Revenues Cap”)</li> </ul> </li> </ul>
<p><b>h) Waterfall Supplemental Cover Over Revenues</b></p>	<ul style="list-style-type: none"> <li>▪ The amount of Waterfall Supplemental Cover Over Revenues is calculated as the lesser of (i) Supplemental Cover Over Revenues and (ii) Supplemental Cover Over Revenues Cap</li> </ul>
<p><b>i) Base Cover Over Revenues</b></p>	<ul style="list-style-type: none"> <li>▪ The amount of Base Cover Over Revenues is calculated as the product of (i) the ratio of the Base Cover Over divided by the sum of (a) the Supplemental Cover Over and (b) the Base Cover Over and (ii) Commonwealth Rum Tax Revenues</li> </ul>
<p><b>j) Waterfall Cover Over Revenues</b></p>	<ul style="list-style-type: none"> <li>▪ The amount of Waterfall Cover Over Revenues is calculated as the sum of (i) Waterfall Supplemental Cover Over Revenues and (ii) Base Cover Over Revenues</li> </ul>
<p><b>k) Rum Producer Incentive</b></p>	<ul style="list-style-type: none"> <li>▪ The permitted incentive percentage (“Rum Producer Incentive Percentage”, included in calculations of Items D and H in Annex 2) that is utilized in calculating amounts paid to rum producers (“Rum</li> </ul>

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TERM	DESCRIPTION
	<p>Producer Incentive Payments”) is subject to the following constraints:</p> <ul style="list-style-type: none"> <li>○ For the first 10 years (i.e. FY2022-2031), maximum of 46%</li> <li>○ For the next 5 years (i.e. FY2032-2036), maximum of 48%</li> <li>○ For the following 15 years (i.e. FY2037-2051), maximum of 50%</li> </ul> <ul style="list-style-type: none"> <li>▪ For the avoidance of doubt, any increase in Rum Producer Incentive Percentage within the limits set forth above will not affect the Outperformance Metric</li> <li>▪ Notwithstanding the limits for the purposes of the Rum Tax Waterfall calculation as set forth in this section 1(k), the Rum Producer Incentive Percentage may be increased beyond the limits set forth above at the Commonwealth’s discretion, subject to those increases not impacting the Outperformance Condition calculation and payment</li> </ul>
<p><b>l) Permitted Rum Tax Waterfall Deductions</b></p>	<p>Permitted Rum Tax Waterfall Deductions are calculated as the sum of the following:</p> <ul style="list-style-type: none"> <li>▪ <u>Science and Technology Trust</u> (i.e., Item C in Annex 2) <ul style="list-style-type: none"> <li>○ \$5 million transferred to the Puerto Rico Science, Research, and Technology Trust Fund account</li> </ul> </li> <li>▪ <u>Rum Producer Incentive Payments</u> (i.e., Items D and H in Annex 2) <ul style="list-style-type: none"> <li>○ As described above in section 1(k)</li> </ul> </li> <li>▪ <u>Conservation Trust</u> (i.e., Item F in Annex 2) <ul style="list-style-type: none"> <li>○ Calculated as the product of (a) Supplemental Cover Over Revenues and (b) 1/6<sup>th</sup></li> <li>○ Amount transferred to Puerto Rico Conservation Trust account</li> </ul> </li> <li>▪ <u>PRIDCO</u> (i.e., Item G in Annex 2) <ul style="list-style-type: none"> <li>○ Calculated as the lesser of (i) \$5 million and (ii) (a) 2.5% multiplied by (b) Commonwealth Rum Tax Revenues</li> <li>○ Amount transferred to Puerto Rico Industrial Development Company account</li> </ul> </li> </ul>

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TERM	DESCRIPTION
<b>m) Waterfall General Fund Rum Tax Collections</b>	<ul style="list-style-type: none"> <li>▪ Waterfall General Fund Rum Tax Collections are calculated as (i) Waterfall Cover Over Revenues less (ii) Permitted Rum Tax Waterfall Deductions</li> </ul>
<b>n) Rum Tax CVI Annual Payment</b>	<ul style="list-style-type: none"> <li>▪ On an annual basis, the lesser of the following:               <ul style="list-style-type: none"> <li>○ (i) 40% of cumulative outperformance of Waterfall General Fund Rum Tax Collections above the Outperformance Metric, starting on July 1, 2021, less payments made to the PRIFA Trust on account of previous Rum Tax CVI Annual Payments</li> <li>○ (ii) 50% of annual outperformance of Waterfall General Fund Rum Tax Collections above the Outperformance Metric, measured at the conclusion of each fiscal year</li> <li>○ (iii) \$30 million</li> </ul> </li> </ul>
<b>o) <u>Reporting</u></b>	<ul style="list-style-type: none"> <li>▪ Reporting obligations and audit rights related to the Rum Tax Revenues and calculation of the Rum Tax CVI Annual Payment to be agreed upon by no later than the PRIFA Effective Date (as defined within the PRIFA Related Plan Support Agreement)</li> </ul>
<b>2) <u>PRIFA Trust</u></b>	
<b>a) Structure of PRIFA Trust</b>	<ul style="list-style-type: none"> <li>▪ The Commonwealth shall pledge its full faith, credit and taxing power under the Puerto Rico Constitution and applicable Puerto Rico law for payment of distributions from the PRIFA Trust</li> <li>▪ Security provisions as described in GO/PBA Plan Support Agreement Section 4.10(b)</li> </ul>
<b>b) PRIFA Trust Distributions</b>	<ul style="list-style-type: none"> <li>▪ Rum Tax CVI Annual Payments and Clawback CVI payments distributed on a pro rata basis to PRIFA Trust interests</li> <li>▪ All CVI distributions from the PRIFA Trust are subject to a \$1,301,525,288 lifetime cap for Allowed CW/PRIFA Rum Tax Claims (“PRIFA Trust Lifetime Cap”), which amount shall be reduced on a pro rata basis for any Opt-Out PRIFA Rum Tax Claims (as defined below)</li> </ul>

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TERM	DESCRIPTION
	<ul style="list-style-type: none"> <li>▪ After the PRIFA Trust Lifetime Cap has been met, the Clawback CVI payments to Allowed CW/PRIFA Rum Tax Claims will be cancelled and future Rum Tax CVI Annual Payments would revert to the Commonwealth and not to the PRIFA Trust</li> </ul>
<p><b>c) Opt-Out Decision</b></p>	<ul style="list-style-type: none"> <li>▪ Any holder of Allowed CW/PRIFA Rum Tax Claims (other than claims insured by FGIC or Ambac) shall be permitted to elect to opt out of recovering its pro rata share of distributions from the PRIFA Trust and will be entitled to distributions under the Plan, but will have no right to receive any Rum Tax CVI or any Rum Tax CVI Annual Payment</li> <li>▪ Any holder of Allowed CW/PRIFA Rum Tax Claims who elects to opt-out of recovering its pro rata share of distributions from the PRIFA Trust must meet the following requirements before its holdings of Allowed CW/PRIFA Rum Tax Claims can qualify as Opt-Out PRIFA Rum Tax Claims:               <ul style="list-style-type: none"> <li>○ Must be determined to be a Qualified Institutional Buyer (QIB), which determination is at the sole discretion of the FOMB</li> <li>○ Must provide documentation demonstrating that it is a QIB to the Financial Oversight and Management Board for Puerto Rico (“FOMB”)</li> </ul> </li> <li>▪ The Rum Tax CVI Annual Payment to the PRIFA Trust will not be affected or impacted by any opt-out decision</li> </ul>

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## ANNEX 1: OUTPERFORMANCE METRIC

*(\$ in USD)*

Outperformance Metric			
Fiscal Year	Amount	Fiscal Year	Amount
2022	\$208,569,215.76	2037	\$208,781,748.91
2023	200,354,469.05	2038	209,289,240.57
2024	201,031,406.80	2039	209,788,269.00
2025	201,692,902.40	2040	210,278,694.61
2026	202,348,675.07	2041	210,749,432.35
2027	202,998,555.87	2042	211,211,199.81
2028	203,632,157.16	2043	211,674,906.69
2029	204,259,404.03	2044	212,129,474.13
2030	204,869,786.20	2045	212,574,772.82
2031	205,473,363.12	2046	213,021,852.71
2032	206,059,507.07	2047	213,459,499.22
2033	206,627,882.49	2048	213,898,852.55
2034	207,188,744.83	2049	214,339,919.35
2035	207,731,302.94	2050	214,782,706.32
2036	208,265,935.46	2051	215,227,220.15

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## ANNEX 2: RUM TAX WATERFALL<sup>7</sup>

(\$ in USD millions)

Fiscal Year															
Item	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
<b>Total Projected Rum Tax</b>	<b>\$383</b>	<b>\$341</b>	<b>\$344</b>	<b>\$346</b>	<b>\$348</b>	<b>\$350</b>	<b>\$353</b>	<b>\$355</b>	<b>\$357</b>	<b>\$359</b>	<b>\$361</b>	<b>\$363</b>	<b>\$365</b>	<b>\$367</b>	<b>\$369</b>
General Fund	(117)	(117)	(117)	(117)	(117)	(117)	(117)	(117)	(117)	(117)	(117)	(117)	(117)	(117)	(117)
Remaining	\$266	\$224	\$227	\$229	\$231	\$233	\$236	\$238	\$240	\$242	\$244	\$246	\$248	\$250	\$252
Science and Technology Trust	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)
Remaining	\$261	\$219	\$222	\$224	\$226	\$228	\$231	\$233	\$235	\$237	\$239	\$241	\$243	\$245	\$247
Incentive Pay. to Rum Producers	(120)	(101)	(102)	(103)	(104)	(105)	(106)	(107)	(108)	(109)	(110)	(111)	(112)	(113)	(113)
Incentive %	46%	46%	46%	46%	46%	46%	46%	46%	46%	46%	46%	46%	46%	46%	46%
Remaining	\$141	\$118	\$120	\$121	\$122	\$123	\$125	\$126	\$127	\$128	\$129	\$130	\$131	\$132	\$133
General Fund	(48)	(48)	(48)	(48)	(48)	(48)	(48)	(48)	(48)	(48)	(48)	(48)	(48)	(48)	(48)
Remaining	\$93	\$70	\$72	\$73	\$74	\$75	\$77	\$78	\$79	\$80	\$81	\$82	\$83	\$84	\$85
Conservation Trust	(8)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Remaining	\$86	\$70	\$72	\$73	\$74	\$75	\$77	\$78	\$79	\$80	\$81	\$82	\$83	\$84	\$85
PRIDCO	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)
Remaining	\$81	\$65	\$67	\$68	\$69	\$70	\$72	\$73	\$74	\$75	\$76	\$77	\$78	\$79	\$80
Rum Producers	(37)	(30)	(31)	(31)	(32)	(32)	(33)	(33)	(34)	(34)	(35)	(35)	(36)	(36)	(37)
Incentive %	46%	46%	46%	46%	46%	46%	46%	46%	46%	46%	46%	46%	46%	46%	46%
Remaining	\$44	\$35	\$36	\$37	\$37	\$38	\$39	\$40	\$40	\$41	\$42	\$42	\$43	\$43	\$43
General Fund	(44)	(35)	(36)	(37)	(37)	(38)	(39)	(39)	(40)	(40)	(41)	(42)	(42)	(43)	(43)
Remaining	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Outperformance Metric</b>	<b>\$209</b>	<b>\$200</b>	<b>\$201</b>	<b>\$202</b>	<b>\$202</b>	<b>\$203</b>	<b>\$204</b>	<b>\$204</b>	<b>\$205</b>	<b>\$205</b>	<b>\$206</b>	<b>\$207</b>	<b>\$207</b>	<b>\$208</b>	<b>\$208</b>

  

Fiscal Year															
Item	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051
<b>Total Projected Rum Tax</b>	<b>\$370</b>	<b>\$372</b>	<b>\$374</b>	<b>\$375</b>	<b>\$377</b>	<b>\$379</b>	<b>\$380</b>	<b>\$382</b>	<b>\$383</b>	<b>\$385</b>	<b>\$386</b>	<b>\$388</b>	<b>\$389</b>	<b>\$391</b>	<b>\$392</b>
General Fund	(117)	(117)	(117)	(117)	(117)	(117)	(117)	(117)	(117)	(117)	(117)	(117)	(117)	(117)	(117)
Remaining	\$253	\$255	\$257	\$258	\$260	\$262	\$263	\$265	\$266	\$268	\$269	\$271	\$272	\$274	\$275
Science and Technology Trust	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)
Remaining	\$248	\$250	\$252	\$253	\$255	\$257	\$258	\$260	\$261	\$263	\$264	\$266	\$267	\$269	\$270
Incentive Pay. to Rum Producers	(114)	(115)	(116)	(117)	(117)	(118)	(119)	(119)	(120)	(121)	(122)	(122)	(123)	(124)	(124)
Incentive %	46%	46%	46%	46%	46%	46%	46%	46%	46%	46%	46%	46%	46%	46%	46%
Remaining	\$134	\$135	\$136	\$137	\$138	\$139	\$139	\$140	\$141	\$142	\$143	\$144	\$144	\$145	\$146
General Fund	(48)	(48)	(48)	(48)	(48)	(48)	(48)	(48)	(48)	(48)	(48)	(48)	(48)	(48)	(48)
Remaining	\$86	\$87	\$88	\$89	\$90	\$91	\$91	\$92	\$93	\$94	\$95	\$96	\$96	\$97	\$98
Conservation Trust	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Remaining	\$86	\$87	\$88	\$89	\$90	\$91	\$91	\$92	\$93	\$94	\$95	\$96	\$96	\$97	\$98
PRIDCO	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)
Remaining	\$81	\$82	\$83	\$84	\$85	\$86	\$86	\$87	\$88	\$89	\$90	\$91	\$91	\$92	\$93
Rum Producers	(37)	(38)	(38)	(39)	(39)	(39)	(40)	(40)	(41)	(41)	(41)	(42)	(42)	(42)	(43)
Incentive %	46%	46%	46%	46%	46%	46%	46%	46%	46%	46%	46%	46%	46%	46%	46%
Remaining	\$44	\$44	\$45	\$45	\$46	\$46	\$47	\$47	\$48	\$48	\$48	\$49	\$49	\$50	\$50
General Fund	(44)	(44)	(45)	(45)	(46)	(46)	(47)	(47)	(48)	(48)	(48)	(49)	(49)	(50)	(50)
Remaining	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Outperformance Metric</b>	<b>\$209</b>	<b>\$209</b>	<b>\$210</b>	<b>\$210</b>	<b>\$211</b>	<b>\$211</b>	<b>\$212</b>	<b>\$212</b>	<b>\$213</b>	<b>\$213</b>	<b>\$213</b>	<b>\$214</b>	<b>\$214</b>	<b>\$215</b>	<b>\$215</b>

<sup>7</sup> For the avoidance of doubt, to the extent the Supplemental Cover Over is extended, payments to annual Conservation Trust will be calculated as set forth in section 1(l) above.

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## Pension Reserve Trust

### Definitions:

1.119 **Base Contribution:** One Hundred Seventy-Five Million Dollars (\$175,000,000.00), the amount the Commonwealth shall contribute, or cause to be contributed, to the Pension Reserve in accordance with the terms and provisions of Section 83.2 of the Plan; provided, however, that, in the event that, for any of (a) the FY in which the Effective Date occurs and (b) the following nine (9) FYs, the Projected Fiscal Plan Surplus is equal to or greater than One Billion Seven Hundred Fifty Million Dollars (\$1,750,000,000.00), such contribution amount shall increase to an amount equal to fifty percent (50%) of the Projected Fiscal Plan Surplus.

1.413 **Projected Fiscal Plan Surplus :** The projected primary unrestricted Fiscal Plan Surplus as set forth in the Fiscal Plan as in effect as of the Effective Date minus the sum of (a) projected CVI payments for such FY and (b) the positive difference, if any, of projected Non-Own Source Revenues minus actual Non-Own Source Revenues for such FY; provided, however, that in the event of (i) a federally-declared natural disaster, or (ii) a federally –declared pandemic other than the current Covid-19 pandemic in any FY, “Projected Fiscal Plan Surplus” shall be reduced by the amount of any actual reduction in revenues for such FY as compared to projected revenues for such FY as set forth in the Fiscal Plan in effect on the Effective Date, provided that the council acting on behalf of the Pension Reserve Trust agrees, which agreement shall not be unreasonably withheld, and the Title III Court determines the amount of such reduction is directly attributable to such natural disaster or pandemic.

83.2 **Funding of the Pension Reserve Trust:** On the Effective Date, the Commonwealth shall contribute, or cause to be contributed, to the Pension Reserve Five Million Dollars (\$5,000,000.00) to fund the initial administrative fees, costs and expenses of the Pension Reserve Trust. From and after the FY in which the Effective Date occurs up to and including the conclusion of the ninth (9<sup>th</sup>) FY following the FY in which the Effective Date occurs, the Reorganized Commonwealth shall make, or cause to be made, annual (but in no event later than October 1<sup>st</sup> following the conclusion of each FY) contributions to the Pension Reserve Trust in an amount equal to (a) the Base Contribution, (b) such additional amount calculated as the lower of the actual unrestricted primary surplus minus the actual CVI payments for such FY and the Projected Fiscal Plan Surplus for such FY, minus the sum of (i) the Base Contribution for such FY, plus (ii) the Commonwealth debt service obligation pursuant to the plan for such FY, plus (iii) Two Hundred Million Dollars (\$200,000,000.00); provided, however, that, in all instances, such additional amount cannot be lower than zero dollars (\$0.00), and (c) subject to applicable laws, including, without limitation, Titles I and II of PROMESA, such additional amounts as the Reorganized Commonwealth, in its discretion, elects to deposit into the Pension Reserve Trust. The Pension Reserve Trust will be managed by an independent entity whose members shall meet the independence, professionalism,



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experience and qualification standards set forth in the Pension Reserve Deed of Trust and shall be subject to all Commonwealth contracting, ethics and conflicts of interest laws and regulations.

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## Union Agreements

Below is a summary of proposed indicative terms for AFT, AMPR and AMPR-LS Upside Fiscal Plan Surplus Sharing Agreement.

<b>Definitions</b>	
<b>Fiscal Plan Surplus Sharing Agreement</b>	Agreement with AMPR and AMPR member participants (expressly including participants with transitory status in the same status as other participants (the “Transitory Participants”)) for each fiscal year of the AFT Operative CBA to provide participation of AMPR in sharing of any excess surplus above and beyond the Certified Fiscal Plan in effect as of the effective date for the Plan of Adjustment for the Commonwealth.
<b>Unions</b>	AFT, AMPR and AMPR-LS (“Union”)
<b>Union Member Participants</b>	All active Union members and employees in union represented bargaining units on record at the beginning of the fiscal year with continued employment and active status at the time of payment.
<b>Independent Agent</b>	Certified Public Accounting firm licensed to provide accounting services.
<b>Cash Basis</b>	Fiscal Plan surplus calculation will use recorded income and expenses as received or paid.
<b>Excess Cash Surplus Formula</b>	<p>Excess Cash Surplus is defined as excess cash surplus above and beyond the projected Fiscal Plan surplus contained in the Certified Fiscal Plan in effect as of the Effective Date for the Plan of Adjustment for the Commonwealth.</p> <p>If the Excess Cash Surplus is lower than One Hundred Million Dollars (\$100,000,000.00), no amounts will be distributed. If the Excess Cash Surplus is equal to or greater than One Hundred Million Dollars (\$100,000,000.00) twenty-five percent (25%) of such Excess Cash Surplus will be allocated to the Upside Participation Bonus pool.</p>

<b>Timing</b>	
<b>Implementation</b>	To be aligned with the implementation of the AFT Operative CBA, currently targeted for implementation with the Effective Date of the Plan of Adjustment.

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### Timing

<b>Annual Measurement</b>	Fiscal Plan surplus to be calculated on a cash basis no later than September 30 <sup>th</sup> of each fiscal year by an Independent Agent.
<b>Payment Period</b>	<b>For Upside Participation Bonus:</b> Payable December 1 <sup>st</sup> to Union represented participants, based upon calculations from the prior period and completed by the Annual Measurement date.

### Provisions of the proposal

<b>Upside Participation Bonus</b>	For the term of the AFT Operative CBA, if Excess Cash Surplus formula is met or exceeded, a distribution will be made to all Union represented participants (expressly including Transitory Participants) and all rank-and-file Commonwealth employees each year from the Upside Participation Bonus pool. All recipients of this Upside Participation Bonus will have the choice to allocate any portion of their Upside Participation Bonus, up to a 7.5% total Defined Contribution cap in total for the year, to their Defined Contribution account; any remainder will be distributed in cash. The 7.5% cap is a requirement to ensure participants maintain continued enrollment in Social Security.
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Below is a summary of proposed indicative terms for AFSCME Upside Fiscal Plan Surplus Sharing Agreement.

Definitions	
<b>Fiscal Plan Surplus Sharing Agreement</b>	Agreement with Unions and Union member participants for each fiscal year of this Agreement to provide participation of Unions on sharing of any excess surplus above and beyond the Certified Fiscal Plan in effect as of the effective date for the Plan of Adjustment for the Commonwealth.
<b>Unions</b>	AFSCME
<b>Union Member Participants</b>	All active Union members and employees in union represented bargaining units on record at the beginning of the fiscal year with continued employment and active status at the time of payment.
<b>Independent Agent</b>	Certified Public Accounting firm licensed to provide accounting services.
<b>Cash Basis</b>	Fiscal Plan surplus calculation will use recorded income and expenses as received or paid.
<b>Excess Cash Surplus Formula</b>	If the Excess Cash Surplus is lower than One Hundred Million Dollars (\$100,000,000.00), no amounts will be distributed. If the Excess Cash Surplus is equal to or greater than One Hundred Million Dollars (\$100,000,000.00) twenty-five percent (25%) of such Excess Cash Surplus will be allocated to the Upside Participation Bonus pool.

Timing	
<b>Implementation</b>	To be aligned with the implementation of proposed changes to CBAs, as well as the overall agreement with AFSCME, currently targeted for the Effective Date.
<b>Annual Measurement</b>	Fiscal Plan surplus to be calculated on a Cash basis no later than September 30 <sup>th</sup> of each fiscal year by an Independent Agent.
<b>Payment Period</b>	<p><b>For signing bonus:</b> Payable to Union represented participants upon the Effective Date of the Plan of Adjustment.</p> <p><b>For Upside Participation Bonus:</b> Payable December 1<sup>st</sup> to Union represented participants, based upon calculations from the prior period and completed by the Annual Measurement date.</p> <p><b>For Support Fee:</b> Payable to Union on the Effective Date of the Commonwealth Plan of Adjustment.</p> <p><b>For Additional Fee:</b> Payable to Union on the Effective Date of the Commonwealth Plan of Adjustment.</p>

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<b>Provisions of the proposal</b>	
<b>Signing Bonus (see Summary of bonuses)</b>	Upon the Effective Date, a one-time signing bonus of Five Hundred Dollars (\$500.00) to each of the Union represented participants.
<b>Upside Participation Bonus</b>	For the term of the CBA, if Excess Cash Surplus formula is met or exceeded, a distribution will be made to all Union represented participants and all other eligible Commonwealth employees designated by the Oversight Board each year from the Upside Participation Bonus pool. All recipients of this Upside Participation Bonus will have the choice to allocate any portion of their Upside Participation Bonus to their Defined Contribution account and any remainder will be distributed in cash.
<b>Support Fee</b>	One-time payment of Five Million Dollars (\$5,000,000.00) to the Union, as compensation for its efforts serving as the lead negotiator of and as a signatory to this Agreement.
<b>Additional Fee</b>	One-time payment of Five Million Dollars (\$5,000,000.00) to the Union, to be disbursed as a cash bonus to its represented participants. Accordingly, the bonuses that Union represented participants are receiving pursuant to this Agreement are a one-time \$1000 bonus (approximate) and any Upside Participation Bonus. In addition, to the extent that similarly situated Commonwealth employees lawfully receive a bonus, such as a Christmas bonus, such more beneficial economic terms shall be provided to AFSCME/SPU bargaining unit employees.
<b>Payment of Pre-petition Arbitration and Grievance Claims</b>	Any distributions under and pursuant to the Plan on account of claims for liquidated damage amounts resulting from the disposition of pre-petition actions brought pursuant to the grievance and arbitration procedures arising under the CBAs between the Commonwealth and AFSCME's local affiliate(s) in Puerto Rico shall be made by the Commonwealth to the claimant in each instance on such date that is the later of (i) 30 days after such disposition or (ii) 60 days after the Effective Date of the Plan.

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