2020 Fiscal Plan for the Puerto Rico Industrial Development Company

Fiscal Years 2021 to 2025

As certified by the Financial Oversight and Management Board for Puerto Rico

June 29, 2020

COMMONWEALTH OF PUERTO RICO
PRIDCO
PUERTO RICO INDUSTRIAL DEVELOPMENT COMPANY

DISCLAIMER

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- Any future actions taken or not taken by the United States government related to Medicaid or the Affordable Care Act;
- The amount and timing of receipt of any distributions from the Federal Emergency Management Agency and private insurance companies to repair damage caused by Hurricanes María and Irma;
- The amount and timing of receipt of any amounts allocated to Puerto Rico and provided under the Community Disaster Loans Program;
- The amount and timing of any additional amounts appropriated by the United States government to address the impacts of the COVID-19 pandemic;
- The amount and timing of receipt of any additional amounts appropriated by the United States government to address the funding gap described herein;
- The timeline for completion of the work being done by the Puerto Rico Electric Power Authority ("PREPA") to repair PREPA's electric system and infrastructure and the impact of any future developments or issues related to PREPA's electric system and infrastructure on Puerto Rico's economic growth;
- The impact of the COVID-19 pandemic on the financial, social, economic, and demographic condition of Puerto Rico;
- The impact of the measures described herein on outmigration; and
- The impact of the resolution of any pending litigation in the Title III cases

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Acronyms and Key Terms

AAFAF	Puerto Rico Fiscal Agency and Financial Advisory Authority (Spanish acronym)
AFSCME	American Federation of State, County and Municipal Employees
CFP	Commonwealth Certified Fiscal Plan
Commonwealth	Commonwealth of Puerto Rico
DDEC	Puerto Rico Department of Economic Development Commerce (Spanish acronym)
EDA	Economic Development Administration
FEDE	Special Fund for Economic Development
Fiscal Plan	PRIDCO Fiscal Plan
FOMB	Financial Oversight and Management Board for Puerto Rico
GDB-DRA	GDB Debt Recovery Authority
Government	Government of Puerto Rico
Governor	Governor Wanda Vázquez Garced
MOU's	Memorandum of Understanding
Parties	AAFAF and the Government
PayGo	New pensions program by which agencies and instrumentalities are responsible for paying their pension obligations on an annual basis via a "PayGo Charge"
Ports	Puerto Rico Ports Authority
PRIDCO	Puerto Rico Industrial Development Company
PRIICO	Puerto Rico Industrial Investment Corporation
Rums Fund	Rums of Puerto Rico Fund
SIF	Special Incentives Fund
VTP	Voluntary Transition Program

TABLE OF CONTENTS

EXECUTIVE SUMMARY

The Puerto Rico Industrial Development Company ("PRIDCO"), a public corporation under the Puerto Rico Department of Economic Development and Commerce ("DDEC", for its Spanish acronym) umbrella, was created to foster economic development in Puerto Rico by attracting investment and job creation in a variety of industries, including manufacturing, information technology and life sciences, through a portfolio of buildings, facilities and properties.

PRIDCO is the beneficial owner of a large inventory of industrial properties, with 1,513 units and 648 undeveloped lots located throughout Puerto Rico. It is estimated that approximately 55 units are not able to be occupied without remediation and potentially should be demolished. The PRIDCO portfolio comprises industrial and commercial-use buildings and lots that companies may rent or, in limited cases, purchase. PRIDCO's current real estate portfolio includes 23.1 million square feet of buildings, of which 15.8 million is occupied, 5.9 million is vacant and the remaining 1.4 million is unavailable for rent and in need of structural repairs or remediation.

Act 141-2018 mandated the consolidation of related business development activities and back office staff functions within the DDEC. As part of that effort, PRIDCO was to transfer 143 employees to the DDEC. Of these employees, 40 business development employees were transferred to the DDEC in fiscal year 2019. The remaining 103 employees remain on the payroll of PRIDCO but were reassigned to DDEC to address various back-office functions.

In conformance with Act 141-2018 and Act 60-2019, PRIDCO is no longer directly responsible for economic development activities and will focus exclusively on its responsibilities as a manager of Puerto Rico's real estate holdings. These real estate activities will position PRIDCO as an asset owner/manager focused on: (i) servicing the needs of tenants; (ii) providing for the long-term capital needs of PRIDCO's properties to maintain occupancy; (iii) developing or re-developing sites to accommodate long-term demand for real estate; and (iv) increasing occupancy, revenue and surplus.

PRIDCO has historically underinvested in its real estate holdings, a circumstance stemming from the shifting of fiscal priorities away from long-term capital reserve planning and focus on current operating costs. This Fiscal Plan requires certain strategic initiatives for PRIDCO that include improving its capital expenditure funding plans, conducting a needs assessment relating to asset management information systems, and evaluating the feasibility of alternative operating models. In addition, this Fiscal Plan requires the adoption of measures to complete the transfer of back-office costs, implement revenue measures to drive increased occupancy at PRIDCO properties, and adopt measures from the 2020 Fiscal Plan for Puerto Rico ("CFP" or "2020 Commonwealth Fiscal Plan") relating to compensation, uniform healthcare and PayGo. The Fiscal Plan measures result in changing the 5-year deficit from approximately $5 million to a surplus of approximately $4 million.

PART I: PRIDCO Overview

Chapter 1. BACKGROUND

PRIDCO is a government-owned corporation established in 1942 through Act No. 188 of May 11, 1942 ("the Act"), as amended, with the mission to promote Puerto Rico as an investment destination for companies and industries worldwide. As part of Operation Bootstrap, the name given to a series of projects that transformed Puerto Rico into an industrial economy, PRIDCO was created primarily to develop industrial parks and buildings to encourage U.S. and foreign investors to establish and expand their business operations in Puerto Rico.

Until 1997, PRIDCO's efforts in fostering Puerto Rico's economic development were complemented by the activities of the Economic Development Administration ("EDA"). The EDA was an investment promotion agency, of the Government of Puerto Rico ("Government"), in charge of attracting new businesses within the manufacturing and services sectors. On January 1, 1998, in accordance with Act No. 203 of December 29, 1997, the powers and functions of the EDA were transferred to PRIDCO and the latter became responsible for all the operations and activities that were previously conducted by the two separate entities. After the merger, PRIDCO remained a public corporation under the umbrella of DDEC in accordance with the Executive Reorganization Act of 1993, Reorganization Plan Num. 4 of June 22, 1994.

DDEC was established to implement and monitor the execution of public policy regarding economic development in the industrial, commercial, services and tourism sectors. PRIDCO falls under the umbrella of DDEC along with the Tourism Company, Trade and Export Company, and other agencies that contribute to the economic development of Puerto Rico. PRIDCO's real estate activity complements DDEC's business offer to investors by providing access to a large inventory of industrial properties with affordable rental rates, and assistance with planning and permits matters. PRIDCO also can provide built-to-suit properties for strategic projects that primarily involve Fortune 500 companies.

Act 141-2018 created a reorganized DDEC, whereby PRIDCO remains under DDEC's purview. While PRIDCO has transferred business development to DDEC, PRIDCO has not yet formalized the transfer of back-office payroll covering 103 persons. This Fiscal Plan requires DDEC and PRIDCO to enter into a memorandum of understanding that will regulate the reimbursement by PRIDCO to DDEC of transferred back-office costs.

PRIDCO's powers are vested in and exercised by a Board of Directors. The Act provides that the Board of Directors shall consist of seven members. The Secretary of DDEC, the Secretary of the Treasury, the Executive Director of Puerto Rico Fiscal Agency and Financial Advisory Authority ("AAFAF", for its Spanish acronym), and the President of the Planning Board are each ex-officio members. The remaining three members are appointed by the Governor and confirmed by the Senate for terms of four years.

PRIDCO's inventory was affected by the impact of the Hurricanes in 2017. The earthquakes that struck Puerto Rico in 2019 and 2020 damaged an estimated 200 PRIDCO buildings and, in a few instances, displaced PRIDCO tenants. The continuation of aftershocks through May 2020 and the events of the COVID-19 pandemic further delayed the completion of property inspections, which are currently ongoing. Project worksheets have not been submitted as of yet.

Chapter 2. REAL ESTATE PORTFOLIO

PRIDCO owns the largest inventory of industrial properties in Puerto Rico, with 1,513 units and 648 undeveloped lots.[1] PRIDCO also owns the common areas located at industrial parks, such as street and utilities infrastructure, and is responsible for their maintenance. It is estimated that approximately 55 units are not able to be occupied without remediation and potentially should be demolished.

EXHIBIT 1: PRIDCO PROPERTY PORTFOLIO

Real Estate	Unit Count	Sq. Ft.	Land	Count	Sq. Meters
Single Building	1,174	21,533,785	Lots	648	16,127,078
Multi Building	339	1,591,616			

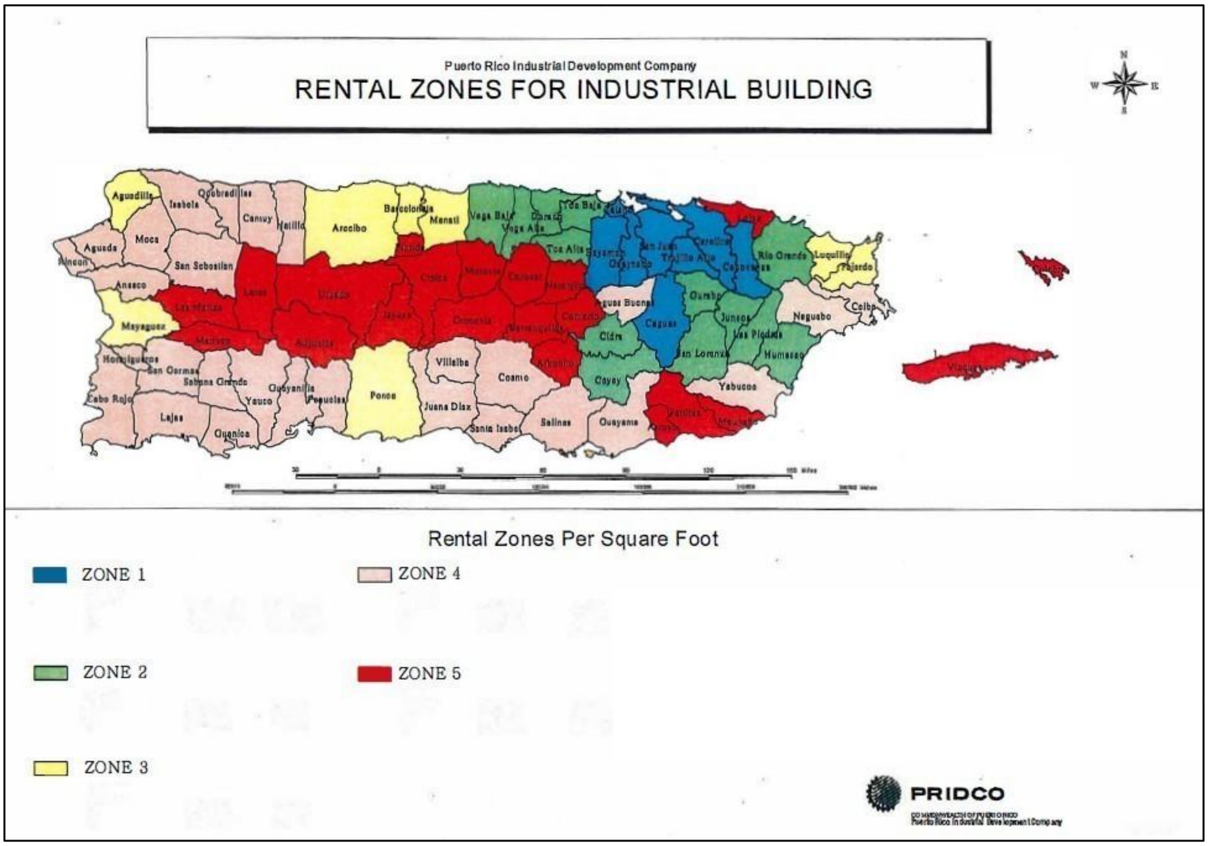
Source: PRIDCO "PRODIS" report as of September 2019 and PRIDCO Property List as of June 2019; subject to change

PRIDCO's current real estate portfolio includes 23.1 million square feet of buildings, of which 15.8 million is occupied, 5.9 million is vacant and the remaining 1.4 million is unavailable for rent and in need of structural repairs or remediation. The PRIDCO portfolio is considered quite diverse, with over 525 tenants with rental agreements ranging from $100 per month to $100,000 per month. The top 40th percentile consists of 31 tenants with an average rent of over $600,000 per year and lowest rent of over $285,000 per year. The next 20th percentile is concentrated among 52 tenants that have an average annual rent of $192,000 per year. The bottom 40th percentile is significantly more diverse, with 442 tenants representing approximately $20 million in total annual revenue. Out of $62 million of gross rents including PRIICO as of June 2019, $60.7 million is generated from 415 private sector tenants while $1.3 million is generated from 27 public sector tenants (e.g. 12 central government agencies or municipalities and 15 municipalities).

Rental rate within PRIDCO's portfolio is determined by the industrial zone in which a property's respective municipality lies. There are 5 zones in total (ranked based on the rental rate per square foot, with Zone 1 having the highest demand and Zone 5 the lowest), as illustrated in Exhibit 2.

[1] As of June 2020, occupancy across all properties was 73.3 percent.

EXHIBIT 2: MAP OF PRIDCO RENTAL ZONES



The zone categorizations mostly consider economic factors based on a 2003 economic study performed for the issuance of the Series 2003 General Purpose Revenue Bonds. Zone 1 consists of the seven municipalities that make up the metropolitan area where real estate is considered to be highly desirable due to stable infrastructure, proximity to ports and concentration of economic activity. Zone 5 municipalities are considered to be the least desirable real estate due to their distance from the metropolitan area and limited development potential. Due to the economic hardship that Puerto Rico suffers since 2006, rental rates have not been increased.

The portion of PRIDCO's portfolio that is currently under lease agreements (approximately 73 percent) is subject to a variety of terms and conditions resulting from different arrangements with tenants. Terms and conditions vary from full leases to triple net rent arrangements. The most common lease contract among PRIDCO's portfolio makes PRIDCO responsible for all maintenance expense except for roof repairs.

PRIDCO's assets can be separated into three broad categories: Trusteed Properties, Non-Trusteed Properties, and PRIICO Properties.

Trusteed Properties: The Trusteed Properties are those whose revenues are purportedly pledged to the holders of revenue bonds.[2] The Trusteed Properties represent 1,343 units (69 percent occupied) with over 18 million square feet of space and 63 lots with over 1 million square meters of land.[3] The Trusteed Properties generated over $37 million of revenue in fiscal year 2019, and will do so again in fiscal year 2020.

Non-Trusteed Properties: The Non-Trusteed Properties are those properties owned by PRIDCO that are neither Trusteed Properties nor PRIICO Properties. The Non-Trusteed Properties represent approximately 158 units (70 percent occupied) with over 4 million square feet of space[4] and over 585 lots with 15 million square meters of land. The Non-Trusteed Properties generated $13 million of revenue in fiscal year 2019 and are anticipated to generate $13 million in fiscal year 2020. The proceeds of certain Non-Trusteed Properties, if and when sold, are purportedly collateral under a $25 million (excluding accrued, unpaid interest) note payable to the GDB-DRA. The GDB-DRA loan is not secured by mortgages over any PRIDCO properties but is purportedly secured by a lien on any net proceeds of the sale or disposition of 27 Non-Trusteed Properties that comprise over 8 million square meters of industrial, beachfront and natural reserve lands.

PRIICO Properties: On several occasions, PRIDCO constructed highly customized facilities that required significant capital investment to attract high-caliber tenants to Puerto Rico. PRIDCO established PRIICO, a separate entity, as a conduit used to borrow construction funds to develop these facilities. PRIICO borrowed the funds required to construct the special facilities from a commercial bank and lent the funds to PRIDCO to build the facilities. These six facilities, totaling approximately 894,000 square feet, are leased by PRIDCO to the tenant with the rent therefrom assigned to the lender as security for the loan to PRIICO, together with a mortgage over the facility. These mortgages remain current, as the properties are 100 percent occupied with rent collected directly by the lender in a lock-box arrangement.

There are currently 12 PRIICO units with tenants such as Microsoft, Coopervision, Honeywell, and Fenwal. These properties generated revenue of $13 million during fiscal year 2019 and covered mortgage payments of $13 million.

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[2] Pursuant to the Trust Indenture dated July 1, 1964, the term "Trusteed Properties" means: (i) those PRIDCO properties that constituted the Trusteed Properties under the 1958 Trust Indenture on the date of its release, including all machinery and other equipment owned by the Company (as defined in the Trust Indenture) and located on or used in connection with such properties, (ii) any other properties of the Company, including any such machinery and other equipment owned by the Company and any first mortgages on real property held by the Company as mortgagee or first mortgage bonds, which become "Trusteed Properties" by the terms of the 1964 Trust Indenture, and (iii) all improvements of and additions to the properties referred to in clauses (i) and (ii) of this paragraph which are acquired or constructed by or on behalf of the Company.

[3] Based on PRIDCO Property List as of June 2019, preliminary and subject to change.

[4] Unit occupancy by property type as of May 2018.

PART II: PRIDCO Fiscal Plan

Chapter 3. BASELINE PROJECTIONS

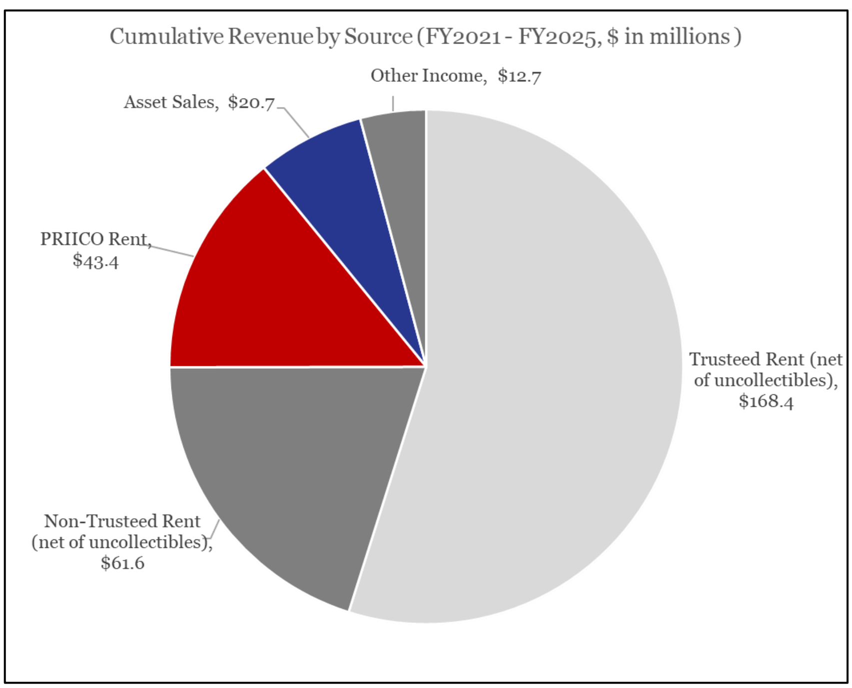
The PRIDCO Fiscal Plan incorporates the macroeconomic forecast utilized in the certified Commonwealth 2020 Fiscal Plan (CFP). The use of the macroeconomic forecast of the CFP in the PRIDCO Fiscal Plan is made in order to comply with Section 201 of PROMESA.

Chapter 1: “Long-term economic trends in Puerto Rico” and Chapter 4: “Macroeconomic and demographic trajectory” of the CFP are hereby incorporated by reference.

3.1 Baseline projections

A financial forecast was developed for PRIDCO to determine the viability of the operational measures and estimate operating cash flows. PRIDCO’s baseline revenues and expenditures are primarily associated with real estate management and forecasted using the fiscal year 2020 budget as the starting point. The forecasted revenue is driven by rental rates and assumes each occupied property will renew its lease upon maturity, with rates reflecting potential rent increases at lease expiration as per typical escalation clauses. Baseline forecast assumes operations per PRIDCO’s existing infrastructure and does *not* include outsourcing to a third-party asset manager.

EXHIBIT 3: CUMULATIVE REVENUE BY SOURCE – FISCAL PLAN

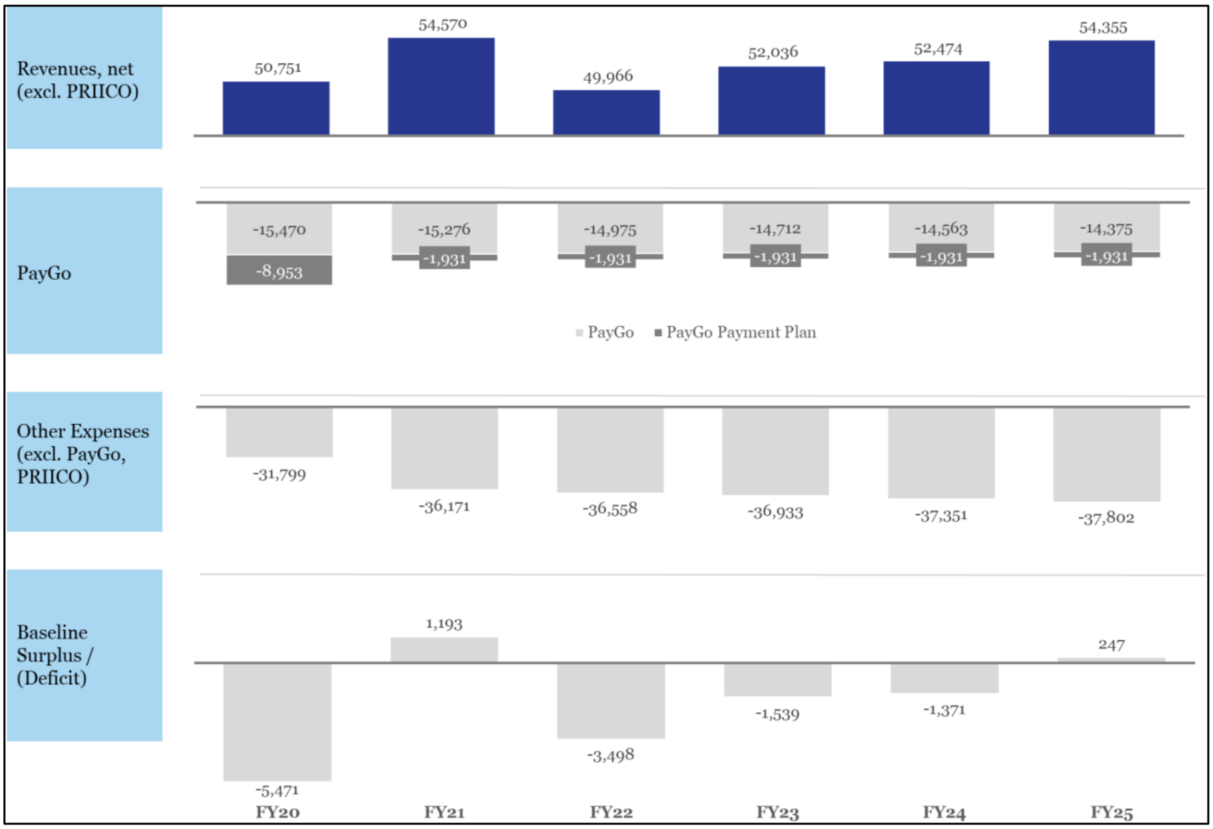


PRIDCO’s baseline performance expectations are outlined in Exhibit 4. The revenue forecast is based on active leases within PRIDCO’s property portfolio net of anticipated uncollectible accounts (adjusted to COVID-19 impact).

Employee payroll and related expenses are projected to be approximately $12 million per year based on the fiscal year 2020 budget and grow annually by inflation. Other expenses (excluding PayGo and payroll related expenditures) are forecasted to be $20 million per year and grow annually by inflation.

PRIICO Properties are not anticipated to generate a surplus to PRIDCO in the near term after the payment of the PRIICO loans secured by such properties as existing leases expire concurrently with the repayment of the underlying mortgages. Lease renewals after the mortgages expire, if any, are to be accretive to PRIDCO's surplus, but at substantially lower rental income levels.

EXHIBIT 4: BASELINE PROJECTIONS[5]



An itemized breakdown of revenue and expense items is presented in Appendix 1.

[5] Asset sale revenues are $5.3 million, $10.0 million, $2.3 million, $2.3 million, $2.3 million, and 3.7 million in fiscal years 2020, 2021, 2022, 2023, 2024, and 2025, respectively.

3.2 COVID-19 pandemic

Prior to the onset of the COVID-19 pandemic, PRIDCO's management team did not expect any significant change in occupancies or rent collections. However, as a result of the pandemic, PRIDCO has experienced a spike in rent delinquencies to 9 percent in March 2020 and 25 percent in April. Delinquencies were expected to remain over 20 percent in May 2020.

The primary driver of the higher rent delinquencies during the COVID-19 pandemic has been business interruption experienced by most PRIDCO tenants as a result of the implementation of strict lockdown measures since March 15, 2020. As of May 2020, PRIDCO has over 75 clients requesting moratoriums on their rent payments, representing approximately $620,000 in monthly rental payments. PRIDCO management has indicated it is working to address these requests on a case-by-case basis.

The forecasted short-term impact of COVID-19 on delinquencies is based on recent experience, tenant requests and expected collection trends provided by PRIDCO management. The Government assumes PRIDCO operations will not fully recover from the impact of COVID-19 until fiscal year 2023.[6] The delinquency assumptions for fiscal year 2021 through fiscal year 2022 are based on a gradual improvement of expected collections as lockdown measures are eased and tenants are able to restart their operations. Note that after Hurricane Maria delinquencies spiked to approximately 40 percent and it took over 6 months to recover to normal levels. PRIDCO's management is not forecasting the recovery of missed rents during this time.

PRIDCO management currently expects reduced rent collections to primarily impact the fourth quarter of fiscal year 2020 and first quarter of fiscal year 2021 with approximately $2.5 million estimated total impact in fiscal year 2020 and approximately $3.5 million total impact in fiscal year 2021. Ultimately, management believes the assets will return to generating typical rent streams by fiscal year 2023. PRIDCO management is still assessing the impact of COVID-19 on its tenants and the assumptions included herein may be revised as more information becomes available.

Chapter 4. FISCAL PLAN MEASURES

The operational measures presented in this Fiscal Plan clearly define the responsibilities of economic development and property management between DDEC and PRIDCO, resulting in a more efficient and effective government structure.[7]

4.1 Back-office memorandum of understanding ("Back-Office MOU")

DDEC and its subsidiary organizations have customarily relied on memorandums of understanding ("MOU's") to facilitate the transfer of costs. Under an MOU, the transferee receiving the costs would be paid revenue, referred to by DDEC and PRIDCO as the DDEC management fee, by the transferor. The DDEC management fee would serve as a revenue source in the transferee's budget to afford the transferred cost. Frequently the MOU's are

[6] Second Revised Fiscal Plan (proposed) of PRIDCO, dated June 9, 2020.

[7] The Commonwealth Certified Fiscal Plan specifies that certain business development staff performing as real estate agents on behalf of PRIDCO would be transferred again to Invest Puerto Rico ("IPR").

drafted with ambiguity and without arm's length terms or transparency to the underlying transferred costs. The Oversight Board is not opposed to the use of MOU's provided they conform to best practices and are structured to improve fiscal performance.

Of the 145 employees as of June 30, 2019, PRIDCO has already reassigned 103 back-office personnel to DDEC, leaving 42 core personnel at PRIDCO responsible for asset management ("PRIDCO front office"). To formalize the transfer of the underlying cost, PRIDCO and DDEC must enter into a Back-Office MOU that regulates reimbursement by PRIDCO of back-office costs incurred by DDEC in providing services back to PRIDCO.

For fiscal year 2021, the estimated cost of the transferred back-office will be approximately $10.6 million, comprised of approximately $6.6 million of personnel costs and approximately $4.0 million of non-personnel costs. These costs must be reduced by 41 percent and 30 percent, respectively, no later than fiscal year 2025.

EXHIBIT 5: BACK-OFFICE MOU CAPS ($ IN THOUSANDS)

Item	FY2021	FY2022	FY2023	FY2024	FY2025
Personnel Costs	$6,587	$5,975	$5,355	$4,732	$4,106
Non-Personnel Costs	$4,071	$3,809	$3,543	$3,278	$3,012
Total Caps	**$10,659**	**$9,785**	**$8,918**	**$8,010**	**$7,118**

This Fiscal Plan does not contemplate right-sizing of the PRIDCO front office personnel costs. A rightsizing to PRIDCO's front office payroll (e.g. in conjunction with the implementation of asset management agreement) may be necessary. Historically, the government has pursued early retirement strategies, such as a Voluntary Transition Plan ("VTP"), to reduce payroll costs. If such a strategy is desired, however, it may only be implemented if the terms of the VTP are no longer than six-months, the VTP is targeted, and the cost is consistent with the CFP. If implemented without care, the VTP could lead to adverse outcomes. When the Puerto Rico Police Department offered a VTP, for instance, it ultimately led to a shortage of field officers and increased overtime spend. To avoid a similar outcome, and to achieve personnel reductions in a manner that does not compromise short-term or long-term operational capabilities, PRIDCO must analyze its personnel base and develop a targeted plan for what payroll is duplicative.

4.2 Enhancing capital expenditures

PRIDCO has a history of underinvesting in its capital stock, leading to deferred capital expenditures and the deterioration of its facilities. As a consequence, PRIDCO faces numerous funding shortfalls relating to past, current, and future capital expenditure projects including:

- Urgent backlogged projects
- Restoration of earthquake affected building damage
- Reserve funding for future maintenance and greenfield/brownfield developments
- Demolition and environmental remediation

To provide examples of the type of deferred capital investment PRIDCO believes it needs, Exhibit 6 presents summary descriptions of three recent capital expenditure project reapportionments requested in fiscal year 2020. The lack of a pre-funded reserve causes the government to fund these types of projects through reapportionments or on a pay-as-you-go basis.

EXHIBIT 6: EXAMPLES OF DEFERRED CAPITAL EXPENDITURE PROJECTS

Description	Project 1	Project 2	Project 3
Name	Modernization of industrial parks	Repair damaged roofing systems	Re-development of buildings
Scope	Three industrial parks (Bayamón, Guaynabo *(*)* and Ponce)	Fund four auctions which were completed and are ready for execution	Demolish 15 structures to bare concrete and provide basic infrastructure (power, water and telecom)
Justification	Improve conditions such as access road and security for existing tenants to retain current business and attract new business	Improve conditions for existing tenants and retain current business	These are identified properties in multiple municipalities, many of which were severely damaged by recent earthquakes, or have been structurally/environmentally compromised for a while; once ready, these buildings will be marketable
Cost	$8 million	$0.8 million	$8 million
Implementation	Collaborative Agreements with Municipalities	Private contractors (supervised by PRIDCO)	Collaborative Agreements with Municipalities

(*) CCE Owned

To remedy this history of underinvestment with adequate funding amounts and facilitate the well-being of PRIDCO's tenants and, stabilize revenue and tenant occupancy, PRIDCO must increase its near-term capital spending. To meet these spending levels in the near term, PRIDCO will draw from a new capital expenditure reserve fund ("Capex Reserve Fund") that will be funded with a) a one-time contribution of $8.4 million to address urgent demolition needs and b) increased annual contribution levels consistent with the reserve contribution benchmark shown in Exhibit 7.

EXHIBIT 7: CAPITAL EXPENDITURES BENCHMARK COMPARISON

	National Warehouse Sector *(*)*	
	Q1 2019	Q1 2020
High	$0.35	$0.35
Average	$0.15	$0.15
Low	$0.05	$0.05
	PRIDCO	
	FY2020 Certified Budget	Fiscal Plan Post-Measures
PRIDCO	$0.18	$0.28

FY2020 Certified Budget ($ in millions)	$4.3
FY2021 Recurring Capex ($ in millions)	$6.6
Total Useable Square Feet (in millions)	21.7

(*) PWC Q1 2020 industry report titled - "Amenities and Concessions are Top Draws for Tenants - PwC Real Estate Investor Survey"

In comparison to benchmark reserve contributions of $0.15 per square foot per year for national warehouse sector[8], the Fiscal Plan increases funding to $0.28 per square foot, closer to the high end of the survey range.

PRIDCO will be able to access the Capex Reserve Fund to pay for backlogged projects, demolitions, or remediations upon completing a reserve study ("Reserve Study Milestone"). Thereafter, access to the Capex Reserve Fund must be renewed upon the fulfillment of ongoing milestones relating to the principles of capital reserve funding:

- Updating of the reserve study annually
- Maintaining the Capex Reserve Fund balance at a level consistent with the funding plan recommended by an updated reserve study
- Completing capex projects that are consistent with the scope of projects described in an updated reserve study

In addition to these ongoing milestones, PRIDCO must meet specific milestones that demonstrate that realization of backlogged expenditures is improving the performance of the properties:

- Improved occupancy and revenue generation
- Demonstrable tenant satisfaction and tenant experience (e.g. through higher tenant retention and greater realization of gross rents)
- Lower repair costs
- In the case of demolition projects, that the demolition is warranted according to documented inspection

Once the respective milestones are achieved, PRIDCO must provide a formal notice and submit supporting data corroborating such achievement for the Oversight Board's review.

4.3 Certified Commonwealth Fiscal Plan measures applied to PRIDCO

PayGo has been forecasted using baseline actuarial assumptions consistent with the certified Commonwealth 2020 Fiscal Plan. The Fiscal Plan is aligned with the pension reduction agreed to with the Committee of Retirees and the System 2000 settlement agreed to with American Federation of State, County and Municipal Employees ("AFSCME").

The Uniform Healthcare Contribution has been set to $125 per employee per month starting in fiscal year 2021. The surplus benefit relating to this measure has been forecasted as an adjustment to baseline payroll expenditures but giving effect to the payroll reductions of the right-sizing.

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[8] PWC Q1 2020 industry report titled - "Amenities and Concessions are Top Draws for Tenants - PwC Real Estate Investor Survey"

The payroll freeze has been forecasted as implemented and continuing through fiscal year 2023 as an adjustment to baseline payroll expenditures but giving effect to the payroll reductions of the right-sizing.

Chapter 13: "Agency Efficiency Reform" and Chapter 19: Pension Reform" of the CFP are hereby incorporated by reference.

4.4 Implement inter-government real estate representation

PRIDCO must expand its reach to solicit tenants or buyer for its properties by entering into non-exclusive MOU's with other government entities that have close relationships with targeted business communities. These MOU's will enable PRIDCO to, for instance, retain DDEC, all 78 municipalities and Invest Puerto Rico as real estate agents ("Real Estate Representatives") for PRIDCO.[9]

Each Real Estate Representative must have access to the asset management system described in Chapter 6 under specific parameters to be established by PRIDCO and in a manner consistent with DDEC's reorganization processes under Act 141-2018. Each Real Estate Representative must also be incentivized by PRIDCO to present leasing or sales opportunities to prospective economic development targets or investors to facilitate a transaction.

While additional revenue under this measure is not included in the Fiscal Plan projections, a hypothetical increase in surplus is presented in Exhibit 8. If every municipality in which PRIDCO has buildings referred one new tenant at an average annual revenue of $50,000 for a lease term overlapping 2.5 years over the Fiscal Plan period, PRIDCO could earn additional revenues of $8.8 million.

EXHIBIT 8: ILLUSTRATIVE SURPLUS CONTRIBUTION

Item	Amount
Average Annual Rent	$50,000
Upfront One-Time Cost	$12,500
Period	2.5 years
Municipalities	78
Surplus Contribution Margin	90%
Surplus Contribution	**$7,825,000**

[9] The CFP describes this arrangement as a "broker right".

The implementation of these inter-government partnerships must be completed promptly and follow the schedule presented in Exhibit 9:

EXHIBIT 9: LEASING REPRESENTATIVE PARTNERSHIPS

Action item	Owner	Deadline
▪ Present workplan for deliberations with PRIDCO and various parties to implement Real Estate Representation MOUs	▪ PRIDCO and various parties	▪ July 31, 2020
▪ Hold planning meeting with PRIDCO and Real Estate Representative (task force representatives in the case of municipalities)	▪ PRIDCO and various parties	▪ August 31, 2020
▪ Execute MOU among PRIDCO and Real Estate Representative	▪ PRIDCO and various parties	▪ September 30, 2020
▪ Attract potential tenants / third parties in coordination with Real Estate Representatives	▪ PRIDCO and various parties	▪ October 31, 2020 (ongoing)
▪ Facilitate property lease agreement and transaction to third party interested in leasing the property	▪ PRIDCO and various parties	▪ February 28, 2021 (ongoing)

Chapter 5. PROJECTIONS POST-MEASURES

PRIDCO's post-measures projections replicate many forecasted items present in the baseline projections. The similarities are in: (1) both operating and non-operating revenue; (2) operating expenses such as maintenance, professional services, insurance, general and administrative and other expenses; (3) non-operating expenses such as PRIICO debt service and PayGo Liability Payment Plan.

The variance between PRIDCO's post-measures and baseline projections is driven by the following fiscal measures (1) the completion of the transfer of back-office costs to DDEC, substitution of those costs for a reimbursement fee payable to DDEC and reduced during the fiscal plan period as DDEC right-sizes in accordance with the CFP; (2) application of CFP measures (e.g. , pension measures and compensation measures); (3) including a one-time demolition capex funding of $8.4 million in fiscal year 2021; and (4) increasing the capital expenditure reserve contributions by 50 percent from the baseline projections. PRIDCO will continue to receive back-office support from the transferred employees. Though the municipal partnership has been included in the Fiscal Plan as a revenue measure, no specific tenants, buildings, or rent terms have been identified to include in the Fiscal Plan. As discussed in Chapter 4, municipality originated leases could illustratively add approximately $7.8 million the PRIDCO surplus.

EXHIBIT 10: BRIDGE ANALYSIS

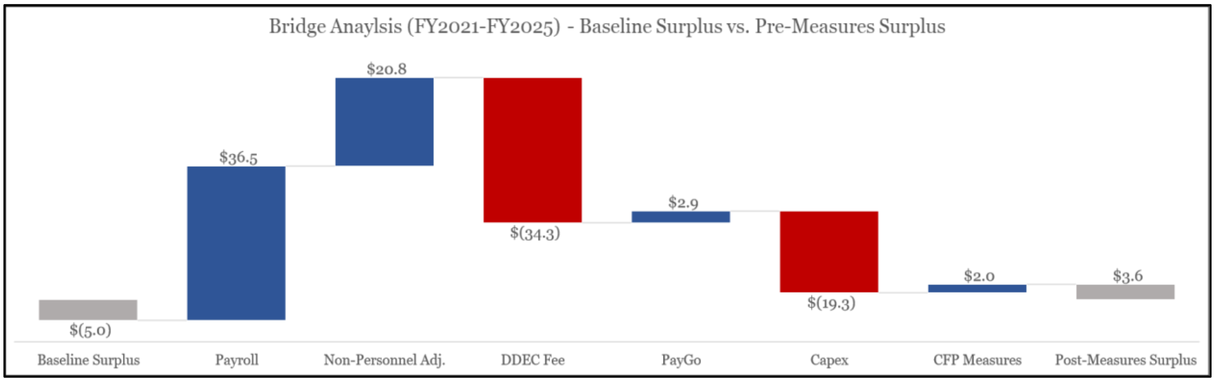
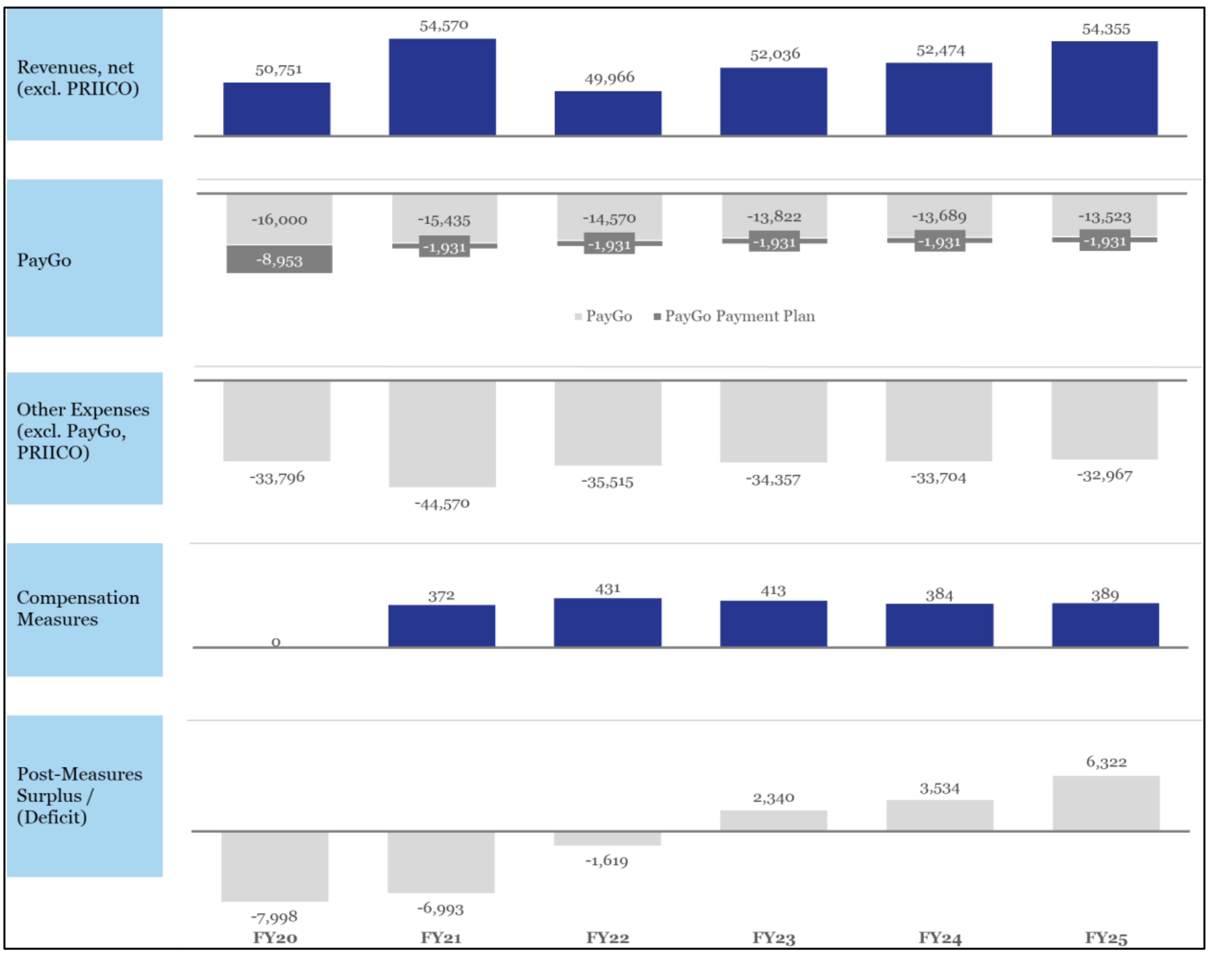


Exhibit 11 illustrates PRIDCO's financial projections post operating measures. The post-COVID-19 projections post-measures show PRIDCO operating with cash flow surplus averaging $3 million per year over the next five years.

EXHIBIT 11: POST MEASURES PROJECTIONS[10]



[10] Revenue projection is consistent with Baseline projection; FY2021 increase in Other Expenses is primarily driven by one-time $8.4 million capex deployment towards demolition.

An itemized breakdown of revenue and expense items is presented in Appendix 2.

Chapter 6. STRATEGIC INITIATIVES

To encourage businesses to locate in Puerto Rico, PRIDCO offers real estate locations throughout the Commonwealth to compliment the economic development incentives offered by DDEC. PRIDCO must continually invest in its portfolio to extend its useful life and value proposition to tenants. However, the combination of financial and economic distress, environmental disasters and public health crisis have left PRIDCO with limited resources to keep pace with investment needs. The financial distress of the Commonwealth and PRIDCO has therefore blunted an important economic development tool for Puerto Rico.

This Fiscal Plan requires several strategic initiatives necessary to reinvigorate PRIDCO's relevance in providing real estate solutions. Certain initiatives will encourage more accurate and disciplined long-term capital plans to increase the desirability of the available real estate. Other initiatives require PRIDCO to analyze alternative operating or ownership models that could maximize the value of PRIDCO to its stakeholders.

6.1 Needs assessment of real estate information systems

PRIDCO does not presently have a real estate asset management information system, limiting its ability to keep accurate records of the current and prospective financial needs of its properties. The lack of information has resulted in PRIDCO being reactive to the needs of current tenants and lacking the ability to forecast its capital expenditure needs. Furthermore, PRIDCO would be able to articulate its budget needs with greater credibility.

PRIDCO must conduct a needs assessment of its information systems to determine whether additional value can be obtained from utilizing its current system or whether a more robust functionality will improve decision making and ultimately long-term performance. Additionally, a needs assessment will be critical to determining the extent and cost of system upgrades, both important factors in determining the feasibility of retaining an asset manager or pursuing a privatization strategy. Accordingly, the systems assessment must be completed prior to finalizing these feasibility studies.

6.2 Occupancy process optimization

PRIDCO and DDEC management have indicated that the leasing process would be made incrementally more efficient by developing a standard lease template that would be required most tenants in most real estate configurations.

PRIDCO must continually identify and resolve process impediments to putting tenants into their properties, reducing the time between identifying a prospective tenant and converting the client to a complete occupancy. PRIDCO's management team must work with DDEC's management team to develop a standard lease template to shorten negotiation, reduce costs, and accelerate revenue.

EXHIBIT 12: OCCUPANCY PROCESS OPTIMIZATION

Action item	Owner	Deadline
▪ Present to the Oversight Board a workplan to analyze or retain an adviser to review the leasing process from prospect to closing to measure cycle times, identify inefficiencies, and compare to benchmarks	▪ PRIDCO	▪ July 31, 2020
▪ Present a proposed lease template for review by the Oversight Board	▪ PRIDCO	▪ September 30, 2020
▪ Present to the Oversight Board a status update on identified process improvements relating to the occupancy process and steps to remedy	▪ PRIDCO	▪ September 30, 2020 (monthly)

6.3 Establish a Capex Reserve Fund

PRIDCO has a history of underinvesting in its capital stock, leading to deferred capital expenditures and the deterioration of its facilities. As a consequence, PRIDCO faces numerous funding shortfalls relating to past, current, and future capital expenditure projects. PRIDCO must improve its internal funding strategy for ongoing capital investments into its portfolio. PRIDCO should not need to turn to the Commonwealth, which will have competing budgeting priorities, to finance its urgent capital projects. The mortgage programs made possible through PRIICO-sponsored projects will not apply to all maintenance and growth capital investment projects.[11] PRIDCO must establish a Capex Reserve Fund to provide for future investment needs. The priority expenditures that the Capex Reserve Fund must provide for are:

- **Maintenance Capex.** Investments in currently occupied or temporarily vacant buildings or units to maintain portfolio occupancy.
- **Growth Capex.** Investments to develop new sites (greenfield) or restore existing sites (brownfield) prior to the identification of anchor tenants.
- **Demolition and Remediation Spending.** Investments to set properties up for redevelopment or sale.

Maintenance Capex. PRIDCO must fund capital improvements to restore properties to, or maintain them in, a marketable status. The capital expenditure cycle consists of overlapping replacement periods extending over the life of a single building site covering parking structures, roofs, machinery, and plumbing fixtures. Some projects are necessary to meet tenant preference during and between tenancies while other projects are critical to structural integrity or climate control, lasting over many lease terms. Each property needs a reserve forecast that specifies how much PRIDCO will need to transfer from its budget each year to incrementally fund a reserve toward the long-term cumulative capital expenditure plan.

[11] The last large project was the Honeywell project by PRIICO, completed in 2015

Growth Capex. While a portion of the surplus from the rental portfolio is used to capitalize the reserve fund for maintenance capex, a portion of the surplus from asset sales could be used to fund a reserve for growth capex. In the absence of external financing to construct new facilities, PRIDCO must either sell a tenant-desired property at discounted value or liquidate other properties to redeploy capital towards developing the near-term revenue opportunity. In either case, PRIDCO would be putting capital towards the best use while securing a new economic development opportunity. Accumulated maintenance capex reserves must not be diverted to fund growth capex.

Demolition and Remediation Spending. Based on available information, PRIDCO has approximately 55 units that are potentially subject to demolition. These properties, if not able to be occupied, could expose PRIDCO to additional risk in various forms of liability (e.g. crime or loitering). PRIDCO must prepare a consolidated budget of one-time costs necessary to ready these properties for redevelopment or sale. In the interim, this Fiscal Plan sets aside approximately $8.4 million in one-time funds to the Capex Reserve Fund for the purpose of demolition on uninhabitable properties. This amount represents the midpoint for the national average of $4 to $8 per square foot for commercial demolition work. These funds will be made available upon achieving certain milestones.

The schedule to implement a Capex Reserve Fund is presented in Exhibit 13.

EXHIBIT 13: CAPEX RESERVE FUND

Action item	Owner	Deadline
▪ Submit an implementation plan for the analysis of long term maintenance capex needs and development of a long term funding plan	▪ PRIDCO	▪ July 31, 2020
▪ Present to Oversight Board selection of consultant and scope of work	▪ PRIDCO	▪ August 31, 2020
▪ Present reserve funding study	▪ PRIDCO	▪ November 30, 2020
▪ Establish the Capex Reserve Fund	▪ PRIDCO	▪ January 1, 2021

PRIDCO will be able to draw from the Capex Reserve Fund to fund needed projects that are backlogged or pending upon reaching and maintaining the milestones specified in subchapter 4.2.

6.4 Conduct a feasibility study to evaluate outsourcing of asset management

The Government believes that a third-party asset manager, selected through a competitive RFP process, will bring industry best practices that will result in improved overall performance of the PRIDCO portfolio. The externalization of asset management functions could result in a transfer of risks to the asset manager who would be responsible for establishing and executing required capex investments and maintenance, determining best uses for properties (including potential sales), achieving operational efficiencies, improving collections (while reducing delinquency), and improving the overall tenant experience.

This Fiscal Plan does not preclude the outsourcing of asset management functions of PRIDCO. Such projects, however, must be undertaken after the completion of analysis that verifies that an outsourcing transaction is likely to result in a measurable increase in the long term projected surplus.

In order for PRIDCO to responsibly consider outsourcing asset management, a feasibility study must be conducted to show if tenant inflows would be enhanced, what specific costs would be eliminated or managed down, and how a long-term capital expenditure plan would be developed. In essence, the submission of a feasibility study and economic analysis must clearly show whether outsourcing is worthwhile, profitable, and economically reasonable. The report must be made public.

The implementation schedule for completing a feasibility study to outsource asset management is presented in Exhibit 14.

EXHIBIT 14: FEASIBILITY STUDY FOR OUTSTOURCING

Action item	Owner	Deadline
▪ Present to Oversight Board scope of options to evaluate in a feasibility study	▪ PRIDCO	▪ July 31, 2020
▪ Present to Oversight Board results of feasibility studies	▪ PRIDCO	▪ September 30, 2020

6.5 Conduct a feasibility study to evaluate privatization of the real estate operations

The Oversight Board is open to the possibility that the Commonwealth may no longer be an ideal sponsor of real estate focused economic development activities. To evaluate a hold versus sell decision, PRIDCO must undertake a feasibility study to determine if the privatization of all or some of PRIDCO is the preferred alternative from a financial standpoint. Related options include the outright sale of the PRIDCO portfolio, the sale of a partnership stake, a capital markets transaction, or other monetization alternatives.

The schedule for completing a feasibility study to evaluate monetization strategies for PRIDCO is presented in Exhibit 15.

EXHIBIT 15: FEASIBILITY STUDY FOR PRIVATIZATION

Action item	Owner	Deadline
▪ Present to Oversight Board scope of options to evaluate in a feasibility study	▪ PRIDCO	▪ August 31, 2020
▪ Present to Oversight Board results of feasibility studies	▪ PRIDCO	▪ October 31, 2020

6.6 Divestment of non-rentable properties

PRIDCO has approximately 1.4 million square feet of real estate in various status of disrepair, neglect or damage. These properties are understood to require either significant investment to restore them to rentable condition or ongoing expense to protect the property or the public from additional adversity.

Given the need to establish a Capex Reserve Fund that is likely to require significant capitalization immediately and the implied cost of the non-rentable asset, PRIDCO must develop a plan to divest itself of these assets. The proceeds of these asset sales must first be used for the Capex Reserve Fund until it is sufficiently compliant with a reserve funding plan. Secondarily, these asset sale proceeds will be generally available as additional surplus. Given the lack of visibility into the realizable value and timing of divestiture, these cash flows are presently excluded from the Fiscal Plan projections.

EXHIBIT 16: DIVESTMENT OF NON-RENTABLE PROPERTIES

Action item	Owner	Deadline
▪ Present to the Oversight Board a list of assets that are currently unsuitable for rent (building, size, location, last date of occupancy, details of ongoing carrying cost)	▪ PRIDCO	▪ July 31, 2020
▪ Present to the Oversight Board a determination of the time and cost estimated to be incurred prior to next occupancy ▪ Identify any unquantifiable risks in the continued ownership of property in current condition (e.g. crime, liability, depressed local value)	▪ PRIDCO	▪ August 31, 2020
▪ Retain sales agent to commence divestment process	▪ PRIDCO	▪ September 30, 2020
▪ Present to Oversight Board monthly status update on sales process (pipeline and non-rentable condition report)	▪ PRIDCO	▪ September 30, 2020 (ongoing)
▪ Present to the Oversight Board transaction target for fiscal year 2022 based on valuation inputs and sales process feedback	▪ PRIDCO	▪ January 1, 2021

6.7 Tenant charge-back of insurance

Resulting in part from hurricane claims experience broadly affecting real estate in Puerto Rico, PRIDCO experienced a 30 percent increase in premium cost for the policy year running from April 2020 through March 2021. PRIDCO management has related that in past years, tenants have generally been charged a share of property coverage amounting to at least 40 percent of gross premium.

Given the increasing costs of coverage, PRIDCO must continue to budget an acceptable reimbursement of insurance from tenants, starting with fiscal year 2021.

Chapter 7. DEBT SUSTAINABILITY ANALYSIS

During the Fiscal Plan period, PRIDCO will not generate significant surplus to materially address debt repayment. There is uncertainty in the surplus beyond the Fiscal Plan period hence it cannot be concluded that any surplus will be unrestricted and available for debt service.

The consolidated financial debt at PRIDCO, as of June 30, 2019, totals approximately $267 million, including

i. $150 million (excluding accrued, unpaid interest) of special revenue bonds issued by PRIDCO pursuant to the Trust Indenture, dated July 1, 1964, by and between PRIDCO and First National City Bank, as trustee
ii. $53 million (excluding accrued, unpaid interest) in loans with the Government Development Bank for Puerto Rico Debt Recovery Authority ("GDB-DRA"); and,
iii. $64 million in mortgages for Puerto Rico Industrial Investment Corporation ("PRIICO"), a not-for-profit corporation whose only member is PRIDCO.

Exhibit 17 calculates implied debt capacity based on a range of interest rates under an assumed illustrative 30-year term and level debt service. For purposes of this illustration, the implied debt capacity is calculated to 1.0x coverage to the assumed annual cash flows, however an appropriate level of coverage greater than 1.0x will be necessary for any debt service covered by revenues from PRIDCO.

EXHIBIT 17: IMPLIED DEBT CAPACITY ANALYSIS

Period		**Perpetual**		
Annual Cash Flow		$5.0	$7.5	$10.0
Interest Rate Range	5.0%	$76.9	$115.3	$153.7
	7.0%	62.1	93.1	124.1
	9.0%	51.4	77.1	102.7

Given the Fiscal Plan only covers a five-year period, the Implied Debt Capacity Analysis shall not be viewed as the debt issuable under the Fiscal Plan. Rather, the Implied Debt Capacity Analysis presents the following general considerations:

- The more cash flows available, the more debt that is issuable.
- The shorter or longer the period in which cash flows are available to repay debt, the less or more debt capacity there will be.

Appendices

APPENDIX 1: DETAILED FIVE-YEAR BASELINE PROJECTIONS

$ in millions	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2021-2025
Operating Revenue							
Trusteed Properties Rent	$ 37.0	$ 37.2	$ 37.3	$ 37.4	$ 37.5	$ 37.7	$ 187.1
Non-Trusteed Properties Rent	12.9	12.9	12.9	14.1	14.2	14.3	68.4
PRIICO Rent	12.3	12.3	12.3	6.6	6.6	5.5	43.4
Non-Collection / Delinquency	(7.0)	(8.0)	(5.2)	(4.4)	(4.1)	(3.9)	(25.6)
Net Rental Income	**$ 55.3**	**$ 54.4**	**$ 57.4**	**$ 53.7**	**$ 54.1**	**$ 53.6**	**$ 273.3**
Non - Operating Revenues							
Proceeds on Sale of Properties	5.3	10.0	2.4	2.4	2.4	3.7	20.7
Other (Interest Income/Other Funds)	2.5	2.5	2.5	2.5	2.6	2.6	12.7
Other Income	**$ 7.8**	**$ 12.5**	**$ 4.9**	**$ 4.9**	**$ 4.9**	**$ 6.3**	**$ 33.4**
Total Revenues (Net)	**$ 63.1**	**$ 66.9**	**$ 62.3**	**$ 58.6**	**$ 59.1**	**$ 59.9**	**$ 306.8**
Operating Expenses							
Payroll	(12.4)	(12.4)	(12.6)	(12.7)	(12.9)	(13.0)	(63.6)
PayGo	(15.5)	(15.3)	(15.0)	(14.7)	(14.6)	(14.4)	(73.9)
Maintenance	(3.1)	(3.2)	(3.2)	(3.2)	(3.3)	(3.3)	(16.1)
Professional services	(3.3)	(3.3)	(3.3)	(3.4)	(3.4)	(3.5)	(16.9)
Insurance	(1.7)	(5.0)	(5.1)	(5.1)	(5.2)	(5.2)	(25.5)
G&A	(2.1)	(2.2)	(2.2)	(2.2)	(2.2)	(2.3)	(11.0)
Other Expenses	(4.1)	(4.1)	(4.1)	(4.2)	(4.2)	(4.3)	(21.0)
DDEC Fee	(1.0)	(2.0)	(2.0)	(2.0)	(2.1)	(2.1)	(10.2)
Total Operating Expenses	**$ (43.3)**	**$ (47.4)**	**$ (47.5)**	**$ (47.6)**	**$ (47.8)**	**$ (48.0)**	**$ (238.3)**
Non-Operating Expenses							
CapEx	(4.0)	(4.0)	(4.0)	(4.1)	(4.1)	(4.2)	(20.5)
PRIICO Debt Service	(12.3)	(12.3)	(12.3)	(6.6)	(6.6)	(5.5)	(43.4)
PayGo Liability Payment Plan	(9.0)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(9.7)
Total Non-Operating Expenses	**$ (25.3)**	**$ (18.3)**	**$ (18.3)**	**$ (12.6)**	**$ (12.7)**	**$ (11.6)**	**$ (73.5)**
Total Expenses	**$ (68.5)**	**$ (65.7)**	**$ (65.8)**	**$ (60.2)**	**$ (60.4)**	**$ (59.6)**	**$ (311.7)**
Surplus (/Deficit)	**$ (5.5)**	**$ 1.2**	**$ (3.5)**	**$ (1.5)**	**$ (1.4)**	**$ 0.2**	**$ (5.0)**

APPENDIX 2: POST-MEASURES PROJECTIONS

$ in millions	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2021-2025
Operating Revenue							
Trusteed Properties Rent	$ 37.0	$ 37.2	$ 37.3	$ 37.4	$ 37.5	$ 37.7	$ 187.1
Non-Trusteed Properties Rent	12.9	12.9	12.9	14.1	14.2	14.3	68.4
PRIICO Rent	12.3	12.3	12.3	6.6	6.6	5.5	43.4
Non-Collection / Delinquency	(7.0)	(8.0)	(5.2)	(4.4)	(4.1)	(3.9)	(25.6)
Net Rental Income	**$ 55.3**	**$ 54.4**	**$ 57.4**	**$ 53.7**	**$ 54.1**	**$ 53.6**	**$ 273.3**
Non - Operating Revenues							
Proceeds on Sale of Properties	5.3	10.0	2.4	2.4	2.4	3.7	20.7
Other (Interest Income/Other Funds)	2.5	2.5	2.5	2.5	2.6	2.6	12.7
Other Income	**$ 7.8**	**$ 12.5**	**$ 4.9**	**$ 4.9**	**$ 4.9**	**$ 6.3**	**$ 33.4**
Total Revenues (Net)	**$ 63.1**	**$ 66.9**	**$ 62.3**	**$ 58.6**	**$ 59.1**	**$ 59.9**	**$ 306.8**
Operating Expenses							
Payroll	(12.4)	(5.3)	(5.4)	(5.4)	(5.5)	(5.5)	(27.1)
PayGo	(16.0)	(15.4)	(14.6)	(13.8)	(13.7)	(13.5)	(71.0)
Maintenance	(3.1)	(2.5)	(2.6)	(2.6)	(2.6)	(2.7)	(13.0)
Professional services	(3.3)	(2.3)	(2.3)	(2.4)	(2.4)	(2.4)	(11.8)
Insurance	(1.7)	(5.0)	(5.1)	(5.1)	(5.2)	(5.2)	(25.5)
G&A	(2.1)	(1.8)	(1.8)	(1.8)	(1.9)	(1.9)	(9.3)
Other Expenses	(4.1)	(2.0)	(2.0)	(2.0)	(2.1)	(2.1)	(10.2)
DDEC Fee	(1.0)	(10.7)	(9.8)	(8.9)	(8.0)	(7.1)	(44.5)
Total Operating Expenses	**$ (43.8)**	**$ (45.1)**	**$ (43.5)**	**$ (42.1)**	**$ (41.3)**	**$ (40.5)**	**$ (212.4)**
Non-Operating Expenses							
CapEx	(6.0)	(15.0)	(6.6)	(6.1)	(6.1)	(6.0)	(39.8)
PRIICO Debt Service	(12.3)	(12.3)	(12.3)	(6.6)	(6.6)	(5.5)	(43.4)
PayGo Liability Payment Plan	(9.0)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(9.7)
Total Non-Operating Expenses	**$ (27.3)**	**$ (29.2)**	**$ (20.8)**	**$ (14.6)**	**$ (14.6)**	**$ (13.5)**	**$ (92.8)**
Total Expenses	**$ (71.1)**	**$ (74.3)**	**$ (64.3)**	**$ (56.7)**	**$ (55.9)**	**$ (53.9)**	**$ (305.2)**
CFP Measures							
Uniform Healthcare	-	0.4	0.4	0.4	0.4	0.4	1.9
Payroll Freeze	-	-	0.1	0.0	-	-	0.1
Total CFP Measures	**$ -**	**$ 0.4**	**$ 0.4**	**$ 0.4**	**$ 0.4**	**$ 0.4**	**$ 2.0**
Surplus (/Deficit)	**$ (8.0)**	**$ (7.0)**	**$ (1.6)**	**$ 2.3**	**$ 3.5**	**$ 6.3**	**$ 3.6**

APPENDIX 3: TOP 15 MUNICIPALITIES BY ANNUAL REVENUE[12]

	Revenue		Units	
Municipality	Annual Rent	Share of Total	Count	Share of Total
Aguadilla	$5,064,391	10.2%	50	3.3%
Ponce	4,097,248	8.3%	99	6.5%
Arecibo	3,092,734	6.2%	47	3.1%
Caguas	2,597,026	5.2%	51	3.4%
Mayaguez	2,212,869	4.5%	107	7.1%
Bayamon	1,834,481	3.7%	95	6.3%
Anasco	1,799,352	3.6%	29	1.9%
Humacao	1,442,393	2.9%	38	2.5%
Santa Isabel	1,061,047	2.1%	20	1.3%
Las Piedras	1,044,525	2.1%	9	0.6%
San Lorenzo	1,006,980	2.0%	30	2.0%
Carolina	927,352	1.9%	50	3.3%
Fajardo	911,142	1.8%	11	0.7%
Coamo	890,697	1.8%	28	1.8%
Canovanas	849,053	1.7%	43	2.8%
All Others	20,672,077	41.8%	807	53.3%
Total	**$49,503,368**	**100.0%**	**1,514**	**100.0%**

[12] AAFAF PRIDCO Update: Supplemental Information, May 31, 2018 – All Marketable Properties Summary, Values as of April 30, 2018.

APPENDIX 4: TOP 15 MUNICIPALITIES BY AVAILABLE SQUARE FOOTAGE[13]

	Available Sq Ft		Leased Sq Ft			Average	
Municipality	Area	Share of Total	Area	Share of Total	Units	Occupancy	Revenue per Sq Ft
Mayaguez	2,011,610	9.1%	668,807	4.6%	107	33.2%	$7.6
Ponce	1,583,623	7.1%	1,051,294	7.3%	99	66.4%	3.9
Aguadilla	1,289,724	5.8%	1,033,217	7.2%	50	80.1%	3.0
Arecibo	918,505	4.1%	810,032	5.6%	47	88.2%	3.2
Humacao	719,286	3.2%	455,396	3.2%	38	63.3%	4.9
San German	675,255	3.0%	249,187	1.7%	32	36.9%	7.4
Anasco	617,863	2.8%	542,877	3.8%	29	87.9%	3.3
Bayamon	541,361	2.4%	418,846	2.9%	95	77.4%	3.4
Caguas	514,647	2.3%	440,175	3.1%	51	85.5%	2.4
Cabo Rojo	499,694	2.2%	325,349	2.3%	17	65.1%	3.2
Vega Baja	454,118	2.0%	135,742	0.9%	29	29.9%	7.4
Canovanas	382,142	1.7%	241,874	1.7%	43	63.3%	3.8
Arroyo	379,398	1.7%	272,487	1.9%	21	71.8%	3.3
Coamo	367,326	1.7%	367,300	2.6%	28	100.0%	2.4
Rio Grande	343,441	1.5%	149,052	1.0%	19	43.4%	5.7
All Others	10,928,380	49.2%	7,229,320	50.2%	809	66.2%	2.9
Total	**22,226,371**	**100.0%**	**14,390,953**	**100.0%**	**1,514**		

[13] AAFAF PRIDCO Update: Supplemental Information, May 31, 2018 – All Marketable Properties Summary, Values as of April 30, 2018.