



FISCAL PLAN FOR COFINA

AS CERTIFIED BY THE FINANCIAL
OVERSIGHT AND MANAGEMENT BOARD FOR
PUERTO RICO | MAY 20, 2022

DISCLAIMER

The Financial Oversight and Management Board for Puerto Rico (the “FOMB,” or “Oversight Board”) has formulated this fiscal plan based on, among other things, information obtained from the Commonwealth of Puerto Rico (the “Commonwealth,” or the “Government”).

This document does not constitute an audit conducted in accordance with generally accepted auditing standards, an examination of internal controls or other attestation or review services in accordance with standards established by the American Institute of Certified Public Accountants or any other organization. Accordingly, the Oversight Board cannot express an opinion or any other form of assurance on the financial statements or any financial or other information or the internal controls of the Government and the information contained herein.

This fiscal plan is directed to the Governor and Legislature of Puerto Rico based on underlying data obtained from the Government. No representations or warranties, express or implied, are made by the Oversight Board with respect to such information.

This fiscal plan is not a Title III plan of adjustment. It does not specify classes of claims and treatments. It neither discharges debts nor extinguishes liens.

This fiscal plan may be amended from time to time, as appropriate in the sole discretion of the Oversight Board.

This fiscal plan is based on what the Oversight Board believes is the best information currently available to it. To the extent the Oversight Board becomes aware of additional information after it certifies this fiscal plan that the Oversight Board determines warrants a revision of this fiscal plan, the Oversight Board will so revise it.

For the avoidance of doubt, the Oversight Board does not consider and has not considered anything in this fiscal plan as a “recommendation” pursuant to Section 205(a). Nevertheless, to the extent that anything in this fiscal plan is ever deemed by the Governor or Legislature, or determined by a court having subject matter jurisdiction, to be a “recommendation” pursuant to Section 205(a), the Oversight Board hereby adopts it in this fiscal plan pursuant to PROMESA Section 201(b).

Any statements and assumptions contained in this document, whether forward-looking or historical, are not guarantees of future performance and involve certain risks, uncertainties, estimates and other assumptions made in this document. The economic and financial condition of the Government and its instrumentalities is affected by various legal, financial, social, economic, environmental, governmental and political factors. These factors can be very complex, may vary from one fiscal year to the next, and are frequently the result of actions taken or not taken, not only by the Government and the Oversight Board, but also by other third-party entities such as the government of the United States. Examples of these factors include, but are not limited to:

- 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

Because of the uncertainty and unpredictability of these factors, their impact cannot be included in the assumptions contained in this document. Future events and actual results may differ materially from any estimates, projections, or statements contained herein. Nothing in this document should be considered as an express or implied warranty of facts or future events; provided, however, that the Government is required to implement the measures in this fiscal plan and the Oversight Board reserves all its rights to compel compliance. Nothing in this document shall be considered a solicitation, recommendation or advice to any person to participate, pursue or support a course of action or transaction, to purchase or sell any security, or to make any investment decision.

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List of Acronyms and Key Terms

AAFAF	Puerto Rico Fiscal Agency and Financial Advisory Authority (Spanish acronym)
BNYM	Bank of New York Mellon
COFINA	Puerto Rico Sales Tax Financing Corporation (Spanish acronym)
COVID-19	Coronavirus Disease 2019
CW	Commonwealth of Puerto Rico
DSA	Debt Sustainability Analysis
FAM	Municipal Administration Fund (Spanish Acronym)
FEMA	Federal Emergency Management Agency
FY	Fiscal-Year
GASB	Governmental Accounting Standards Board
MADS	Maximum Annual Debt Service
Oversight Board	Financial Oversight & Management Board for Puerto Rico created under the Puerto Rico Oversight, Management and Economic stability Act of 2016
PSA	Plan Support Agreement
POA	Plan of Adjustment
PREPA	Puerto Rico Electric Power Authority
PROMESA	Puerto Rico Oversight, Management and Economic Stability Act of 2016
PSTBA	Pledged Sales Tax Base Amount
RSA	Restructuring Support Agreement
SUT	Sales and Use Tax
2021 CW Fiscal Pan	Fiscal Plan for Puerto Rico as certified by the Financial Oversight and Management Board on April 23, 2021
2022 CW Fiscal Pan	Fiscal Plan for Puerto Rico as certified by the Financial Oversight and Management Board on January 27, 2022

Other capitalized terms herein can be referenced in COFINA's Plan of Adjustment confirmed February 5, 2019, the Indenture dated February 12, 2019, and/or Act 241-2018 enacted Nov 15, 2018.

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EXECUTIVE SUMMARY

The Puerto Rico Sales Tax Financing Corporation (the “Corporation” or “COFINA” for its Spanish acronym) is a public corporation and instrumentality of the Commonwealth of Puerto Rico (the “Commonwealth”) created pursuant to Act No. 91-2006, as amended the “Puerto Rico Sales Tax Financing Corporation Act”¹. It is an independent and separate legal entity from the Commonwealth and any other government entity, and its business and affairs are governed by and under the direction of its board of directors. The Corporation is in compliance with its continuing disclosure obligations under that certain Continuing Disclosure Agreement dated as of February 12, 2019 (the “New CDA”). The New CDA was entered into by the Corporation in connection with the issuance of the COFINA bonds pursuant to the Plan of Adjustment.

In February 2019, the Corporation completed a debt restructuring pursuant to a certain Third Amended Title III Plan of Adjustment of Puerto Rico Sales Tax Financing Corporation [Case No. 13-3283, Docket No. 5053] (the “Plan of Adjustment”), confirmed under Title III of the Puerto Rico Oversight, Management and Economic Stability Act, Public Law 114 – 187 (“PROMESA”). The Plan of Adjustment reduced COFINA’s bond debt from approximately \$17.6 billion to \$12 billion through a bond exchange and resolved the allocation of Sales and Use Tax (SUT) revenues between the Commonwealth and COFINA.

In connection with the consummation and effectiveness of the Plan of Adjustment, the Corporation issued its Puerto Rico Sales Tax Financing Corporation Restructured Sales Tax Bonds, Series 2019 Bonds (the “COFINA Bonds”) under a certain Master Trust Indenture, dated as of February 12, 2019, as supplemented and amended (the “Indenture”). On August 1, 2019, (i) COFINA exchanged \$3,108,661,000 aggregate principal of the Series 2019A-2 Bonds and \$45,570,000 aggregate principal of the Series 2019B-2 Bonds and (ii) the amendments to the First Supplemental Indenture and the Second Supplemental Indenture became effective.

COFINA is reported as a blended component unit of the Commonwealth given the ‘substantively same governing body’ requirements by GASB and as such is reported in detail in the Commonwealth annual comprehensive financial report.

Exhibit 1 summarizes COFINA’s economic obligations and restructured governance, including fiscal and operational independence.

¹ On November 15, 2018, Act No. 241-2018 was enacted to amend and restate Act No. 91-2006, as amended, to establish the legal framework for the restructuring of the Corporation’s previously issued and outstanding bonds. To this end, Act No. 241-2018, among other things, (i) modified the Corporation’s corporate governance structure, (ii) authorized the issuance of the COFINA Bonds (as defined herein), (iii) confirmed the Corporation’s ownership of the COFINA Revenues (as defined herein), (iv) created a statutory lien to secure the COFINA Bonds, and (v) enacted the covenants to secure further the repayment of the COFINA Bonds.

EXHIBIT 1: COFINA’S ECONOMIC OBLIGATIONS AND RESTRUCTURED GOVERNANCE

Independent Corporate Governance Structure	<ul style="list-style-type: none"> ▪ COFINA is recognized as an independent and separate legal entity from the Commonwealth and any other instrumentality of the Commonwealth. ▪ COFINA shall be operated separately, and its business and affairs shall be governed by or under the direction of its independent Board of Directors.
Ownership of COFINA Revenues	<ul style="list-style-type: none"> ▪ Ownership interests and rights to the COFINA Revenues have been irrevocably transferred to COFINA. ▪ COFINA is the sole and exclusive owner of the COFINA Revenues. ▪ Absolute transfer of all legal and equitable right, title and interest, and not a pledge or other financing.
Establishment of Ownership Interest at Collection	<ul style="list-style-type: none"> ▪ Persons designated as withholding agents for purposes of the imposition and collection of the Sales Tax shall be deemed to collect any portion of the Sales Taxes in which COFINA has an ownership interest on behalf of the Corporation.
Statutory Lien	<ul style="list-style-type: none"> ▪ The COFINA Bonds are secured by a statutory first lien on all of the COFINA’s right, title and interest in and to the Pledged Taxes (5.5% of Sales and Use Tax), including any moneys, income, revenues, accounts, contract rights or general intangibles derived therefrom, in favor of the Trustee for the benefit of the bondholders.
Settles Constitutional Issue on Available Resources/Revenues	<ul style="list-style-type: none"> ▪ The COFINA Revenues do not constitute “available resources” or “available revenues” of the Commonwealth as used in Section 8 of Article VI of the Puerto Rico Constitution or as otherwise used in the Puerto Rico Constitution.

Chapter 1. SALES & USE TAX DESCRIPTION

The Commonwealth’s SUT was originally imposed in 2006 pursuant to Act 117-2006. The SUT in turn replaced the prior 5.0% (effective 6.6%) general excise tax on imported goods and the 3.6% general excise tax on goods manufactured in Puerto Rico.

The SUT is imposed on the sale, use, consumption, and storage of taxable items, which include tangible personal property, taxable services, admission rights and certain other types of transactions covering separable and identifiable taxable items which are sold for a single price, subject to certain exceptions and limitations. Certain items, however, such as fuel, crude oil and petroleum products and vehicles, remain subject to the excise tax previously applicable to such items, and are not subject to the Commonwealth SUT.

The Commonwealth SUT had an original tax rate of 5.5%. Act 117-2006 also authorized each municipal government to impose a SUT of 1.5% (the “Municipal SUT”), which generally has the same tax base, exemptions (except for unprocessed foods) and limitations as those provided for the Commonwealth SUT. Act 18-2014 lowered the portion of the Municipal SUT allocated to the municipalities to 1.0%, increased the Commonwealth SUT to 6% and allocated the 0.5% increase in the Commonwealth SUT to the Municipal Administration Fund (“FAM”), a fund created to provide funds to finance the debt, special projects, and to meet budgeted expenses of the municipalities. The Municipal SUT is not owned or pledged to COFINA.

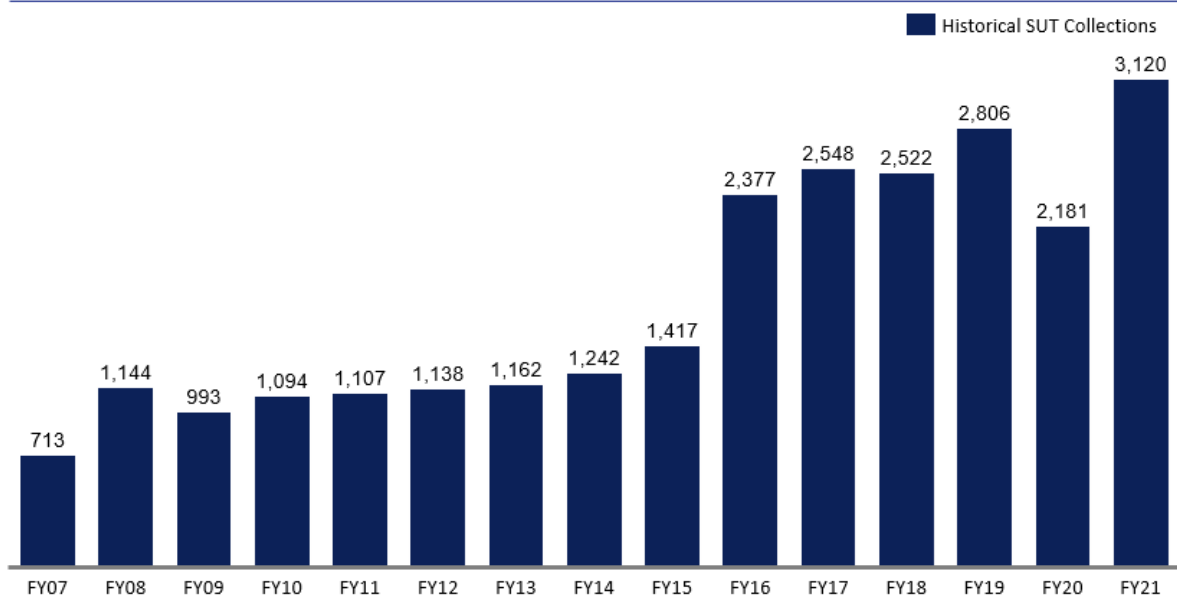
In 2013, Act 40-2013 eliminated various exemptions to the Commonwealth SUT, which broadened its base, Act 42-2013 broadened the scope under which a merchant may be deemed engaged in the business of selling taxable items in Puerto Rico via the Internet, and Act 46-2013 required the declaration and payment of the Commonwealth SUT on imported goods at the time of their entry into Puerto Rico.

On May 29, 2015, the Commonwealth enacted Act 72-2015 that, among other things, (i) increased the total Commonwealth SUT rate to 10.5% by adding a 4.5% surtax to the existing SUT, (ii) eliminated several exemptions and (iii) imposed a new special Commonwealth SUT of 4% on services rendered between businesses and designated professional services, which were previously exempt.

Exhibit 2 shows Commonwealth SUT collections since inception of the tax to FY2021. **Exhibit 3** shows the allocation of the SUT between FAM, COFINA, and the Government. **Exhibit 4** shows actual collections of SUT over the past 10 years by each SUT component as reported by Treasury.

EXHIBIT 2: SALES AND USE TAX HISTORICAL COLLECTIONS² (10.5%)

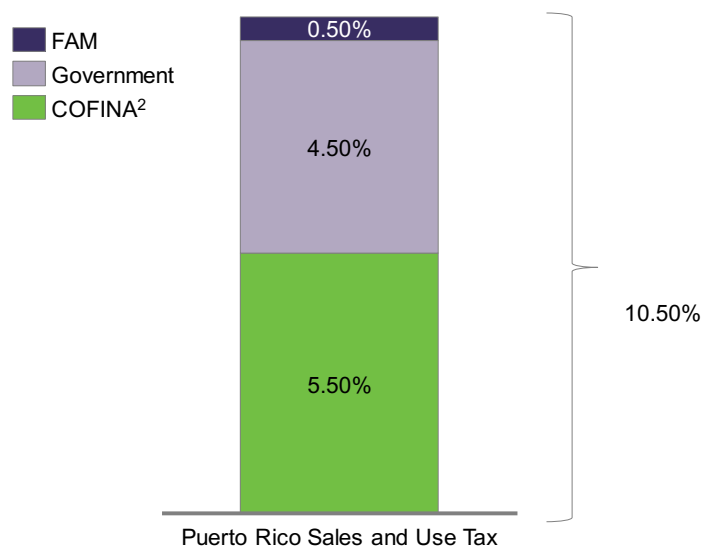
Historical SUT Revenues, \$M



² SUT historical collections source: COFINA Annual Financial Information and Operating Data Report Fiscal Year 2021 via Treasury. Gross amount which includes non-COFINA revenues.

EXHIBIT 3: ALLOCATION OF SALES AND USE TAX

Allocation of Sales and Use Tax¹



¹ \$3.2 million of SUT revenues flow to Puerto Rico Motion Picture Arts, Sciences and Industry Development Corporation (CINE) every year.

² Up to an annual cap of \$420 million in Fiscal Year 2019, which grows by 4.0% each year to a maximum of \$993 million.

EXHIBIT 4: ACTUAL SALES AND USE TAX COLLECTIONS (\$M)

Year Ended June 30,	Pledged Sales Taxes ⁽¹⁾ (5.5%)	FAM SUT ⁽¹⁾ (0.5%)	SUT Surcharge (4.5%)	Total Base SUT and SUT Surcharge (10.5%)	Special SUT ⁽²⁾	Additional Collections ⁽³⁾	Total Sales and Use Tax
2011	1,107	-	-	1,107	-	-	1,107
2012	1,138	-	-	1,138	-	-	1,138
2013	1,162	-	-	1,162	-	-	1,162
2014	1,242	-	-	1,242	-	-	1,242
2015	1,299	118	-	1,417	-	-	1,417
2016	1,197	109	979	2,285	92	-	2,377
2017	1,248	113	1,021	2,382	166	-	2,548
2018	1,225	111	1,003	2,339	183	-	2,522
2019	1,361	124	1,113	2,597	208	-	2,806
2020	1,048	96	816	1,960	170	49	2,180
2021	1,569	143	1,176	2,888	182	51	3,120
Total	\$13,596	\$814	\$6,108	\$20,517	\$1,001	\$100	\$21,619

(1) Beginning on fiscal year 2016, excludes collections from the Special SUT. Such collections are reported in certain Treasury reports as part of the Base SUT, but they are reported herein separately as they are not part of the Pledged Sales Taxes. Therefore, amounts shown herein may vary from those previously reported by Treasury.

(2) Special SUT is special tax at a rate of 4.0% applicable to designated professional services, certain business-to-business services and imported services.

(3) Additional collections include 1% Municipal SUT, Film Fund, and Penalties, Interest and Others.

Source: Department of Treasury of the Commonwealth of Puerto Rico ("[Treasury](#)")

Chapter 2. PLAN OF ADJUSTMENT AND THE NEW COFINA BONDS

2.1 Filing and confirmation of the Plan of Adjustment

Consistent with the terms outlined in the Plan Support Agreement (PSA), on October 19, 2018, COFINA filed the Plan of Adjustment with the Title III Court. On February 5, 2019, pursuant to the Confirmation Order, the Plan of Adjustment was confirmed in its entirety.

Pursuant to PROMESA, and in accordance with the Plan of Adjustment, the Settlement Order, the Findings and Conclusions and the Confirmation Order, the Title III Court made conclusive determinations that the new COFINA Bonds are legal, valid, binding and enforceable obligations of COFINA benefiting from protections, each of which is legal, valid, binding and enforceable against COFINA, the Commonwealth, and other persons and entities, as applicable, under Puerto Rico law and federal law.

Refer to the COFINA Plan of Adjustment, docket #5048, for the order and judgment confirming the third amended Title III Plan of Adjustment of Puerto Rico Sales Tax Financing Corporation. For any subsequent events or press releases, refer to the COFINA investor relations website: <https://cofina.pr.gov/cofina-pr/i6094>.

2.2 Effectiveness of the Plan of Adjustment and Issuance of the COFINA Bonds

On February 12, 2019, COFINA and the Oversight Board notified the Title III Court, creditors and parties of interest that the Plan of Adjustment was consummated and that COFINA had issued approximately \$12 billion of new sales tax revenue bonds (the “COFINA Bonds”). A summary of the new COFINA Bonds as of the Effective Date is set forth in **Appendix A, Exhibit 1**.

On February 8, 2021, the United States Court of Appeals for the First Circuit rejected various challenges to the COFINA Plan of Adjustment based on, among other things the doctrine of equitable mootness. On March 2, 2021, the United States Court of Appeals for the First Circuit rejected another challenge to the Title III Court’s order confirming the COFINA Plan of Adjustment based on the doctrine of equitable mootness.

On April 2, 2021, a certain group of Junior Bondholders filed a petition for a writ of certiorari seeking Supreme Court review of the U.S Court of Appeals for the First Circuit’s decision. On October 4, 2021, the U.S. Supreme Court denied the petition for a writ of certiorari filed by a certain group of Junior Bondholders.

Chapter 3. COVID-19

The COVID-19 pandemic created economic dislocation around the world. For Puerto Rico, the economic shock from COVID-19 came on top of multiple prior shocks in the last four years. Hurricanes Irma and Maria struck with devastating impact in September 2017, and the southern part of the Island was hit by the strongest earthquakes that the Island had seen in decades at the end of 2019. With the onset of the

pandemic, the economy of Puerto Rico virtually ground to a halt as the public health imperative for people to stay at home left all but the most essential workers unable to travel to their places of business. The economy responded to the vast amount of local and federal stimulus funding, and an economic recovery is now underway, though there is still significant uncertainty about the future of the global, U.S. mainland, and Puerto Rican economies. See the Commonwealth Fiscal Plan certified by the Oversight Board on January 27, 2022, for further commentary on the impact of COVID-19 on Puerto Rico

3.1.1 Impact of COVID-19 on the Corporation

As was previously announced, on October 15, 2021, The Bank of New York Mellon (“BNYM”), as Trustee for the COFINA Bonds, had received SUT totaling \$472,651,346, which equals the amount of the COFINA Revenues for fiscal year 2022. Consistent with the Plan of Adjustment, upon BNYM’s receipt of the COFINA Revenues for fiscal year 2022, the Government is entitled to receive all collections from the Pledged Sales Taxes until the end of fiscal year 2022 (June 30, 2022). On July 1st, 2022, BNYM will begin to receive collections from the Pledged Sales Taxes until it receives all COFINA Revenues for fiscal year 2023, which amount to \$491,557,399.

Because of the evolving nature of the COVID-19 pandemic and the federal and local responses thereto, the Puerto Rico Sales Tax Financing Corporation cannot predict the extent or duration of the outbreak or what impact it may have, if any, on the receipt of SUT collections for fiscal year 2023. While the effects of COVID-19 may be temporary, we cannot predict the change in the behavior of businesses and people and how those changes may impact the global, national and local economies, including the collection of SUT.

Chapter 4. FINANCIAL PROJECTIONS

4.1 COFINA Revenues

COFINA Revenues are made up of the COFINA Pledged Taxes and all rights thereto, including the right to receive the COFINA Pledged Taxes pursuant to the First Dollars Funding, in an amount up to 53.65% of the Pledged Sales Tax Base Amount (“PSTBA”) in any given fiscal year until the COFINA Bonds and COFINA Parity Bonds have been paid or satisfied in full in accordance with their terms. The PSTBA represents the annual dollar amount determined for each fiscal year of the Commonwealth in accordance with Section 3 of Act No. 91-2006 of the Commonwealth, as amended. COFINA Pledged Taxes represent the present and future revenues and collections generated by the portion of the Sales Tax that corresponds to a tax rate of 5.5%. COFINA revenues for the next 40 years are as follows:

EXHIBIT 5: COFINA REVENUES

Fiscal Year	COFINA Revenues	Fiscal Year	COFINA Revenues
2019	\$420,185,325	2039	\$920,677,791
2020	436,992,738	2040	957,504,902
2021	454,472,448	2041	992,525,000
2022	472,651,346	2042	992,525,000
2023	491,557,399	2043	992,525,000
2024	511,219,696	2044	992,525,000
2025	531,668,483	2045	992,525,000
2026	552,935,223	2046	992,525,000
2027	575,052,631	2047	992,525,000
2028	598,054,737	2048	992,525,000
2029	621,976,926	2049	992,525,000
2030	646,856,003	2050	992,525,000
2031	672,730,244	2051	992,525,000
2032	699,639,453	2052	992,525,000
2033	727,625,032	2053	992,525,000
2034	756,730,033	2054	992,525,000
2035	786,999,234	2055	992,525,000
2036	818,479,203	2056	992,525,000
2037	851,218,371	2057	992,525,000
2038	885,267,106	2058	992,525,000

Between the time SUT is deposited into the COFINA account and when COFINA pays its debt service, the amount deposited within the COFINA account accrues interest which is used to fund operating expenses for COFINA. During fiscal years 2020, 2021, and YTD March 2022, the Corporation received interest earnings of \$3.0 million, \$0.05 million, and \$0.02 million, respectively. For FY22 and FY23, interest is assumed to accrue at the mean of the DIRXX 1-month return and average 1-year return over the last three years (from 2019-2021). For FY24 onward, the average of the DIRXX 1-year return over the last three years (2019 to 2021) is utilized.³

In addition to these funds, there are amounts on deposit in the SUT clearing and aggregation account, which is jointly owned by COFINA and the Commonwealth, that are allocated and distributed to COFINA and the Commonwealth upon receipt of taxpayers' returns. Accrued interest on this account with respect to the portion corresponding to COFINA is allocated and distributed to COFINA. Interest on this account is assumed to accrue at a lower interest rate than at the COFINA account (approximately 0.4% lower than the DIRXX 3-year average annual return) starting in fiscal year 2024. Interest is not assumed to accrue on this account for fiscal years 2022 – 2023 given the forecasted lower interest rate environment.

In the event that the amount of investment interest earned on the SUT deposits is insufficient to fund the Corporation's annual operating expenditures, prior year surplus shall be used to cover the shortfall.

On January 18, 2022, the plan of adjustment for the Commonwealth was confirmed by the Title III court ("CW POA"). The CW POA included certain contingent value instruments ("CW CVI") payable based on outperformance of SUT collections. The CW CVI terms do not have an impact on COFINA Revenues, as defined by the COFINA Indenture.

³ April 30, 2022 report: <https://im.bnymellon.com/us/en/documents/compliancedocs/factsheet/monthly/0761.pdf>

4.2 Sales & Use Tax forecast

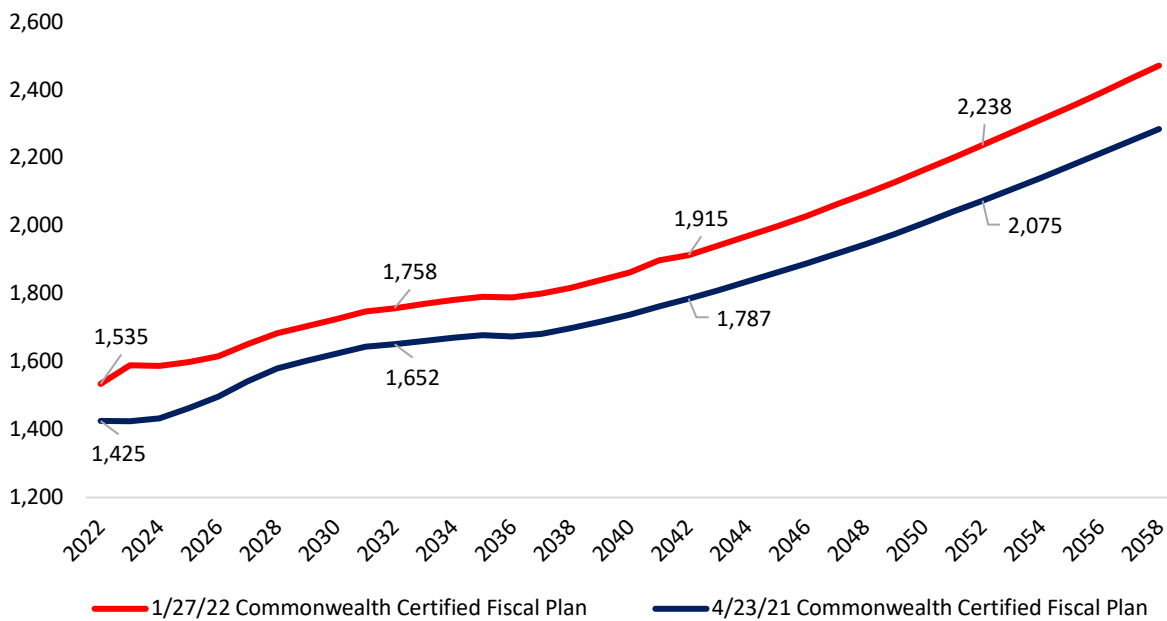
This fiscal plan incorporates the macroeconomic forecast utilized in the 2022 CW Fiscal Plan. The 2022 CW Fiscal Plan forecasts all Commonwealth related revenues and provides an explanation of trends and assumptions. As such, the following paragraph is an excerpt from the 2022 CW Fiscal Plan.

“SUT outperformed relative to GNP in FY2018 and FY2019, likely boosted by the increased economic activity resulting from the post-disaster reconstruction process (including through the replacement of lost inventory, higher SUT compliance by larger firms less impacted by natural disasters and changes in consumption patterns caused by COVID-19 lockdowns and federal support). The 2022 CW Fiscal Plan incorporates incremental tax collections as disaster relief continues in future years.”

SUT collections during fiscal year 2020 were affected by several factors. In October 2019, the SUT rate over prepared food sales was reduced from 11.5% to 7%, through the elimination of the SUT Surcharge on those items. At the end of December 2019 and the first weeks of January 2020, Puerto Rico experienced a series of earthquakes which led to an emergency declaration by the Governor and administrative determinations by Treasury that provided certain temporary exemptions over the SUT imposed on prepared foods and certain other drink and confectioned food products that were in effect until February 29, 2020. In March 2020, the outbreak and onset of the COVID-19 led to the issuance of several executive orders implementing significant social and economic restrictions and administrative determinations by Treasury that provided certain Sales and Use Tax exemptions and provided for the deferral of certain SUT payments until June 30, 2020.

Exhibit 6 compares the SUT forecast from 2021 CW Fiscal Plan to the 2022 CW Fiscal Plan. Please refer to 2022 CW Fiscal Plan for a detailed discussion on the macroeconomic, demographic, and SUT forecasts.

EXHIBIT 6: PROJECTED SUT FORECAST COMPARISON (\$M)



4.3 COFINA Recurring Operating Expenses

Under the direction of its independent Board of Directors, COFINA has established a new and effective operational structure that enables the corporation to carry out its statutory mandate and contractual obligations of receiving and remitting COFINA Revenues to the Bond Trustee pursuant to its Plan of Adjustment. As of today, COFINA is leveraging AFFAF’s financial reporting systems as part of the shared service MOU. However, COFINA has the authority, and reserves the right to, operate independently. Operating expenses are composed of the following categories:

1. Director & Officers (D&O) Insurance
2. Board of Director Fees
3. Operating Expense
4. Professional Services
5. Trustee Fees
6. Financial Services Implementation
7. Other miscellaneous operating expenses

This fiscal plan projects \$1.4 million of operating expenses for FY2023 (see Exhibit 7 below). The final detailed budget allocation for FY2023 will be completed as part of the FY2023 budget process, in accordance with PROMESA section 202. COFINA expenditures cannot exceed the authorized budget spending amounts, as certified by the Oversight Board. The appropriations in the certified budget may only be reprogrammed with the prior approval of the Oversight Board in accordance with PROMESA.

EXHIBIT 7: COFINA PROJECTED DEFICIT/SURPLUS⁴

Projected Deficit/ Surplus (\$ in millions)						
	FY22	FY23	FY24	FY25	FY26	FY27
COFINA revenues	\$472.7	\$491.6	\$511.2	\$531.7	\$552.9	\$575.1
Investment Earnings	0.0	0.6	1.4	1.5	1.6	1.7
Total Revenues	472.7	492.2	512.6	533.2	554.5	576.8
Operating Expenses	-1.4	-1.4	-1.4	-1.4	-1.4	-1.4
Debt Service¹	-465.7	-484.6	-504.3	-524.7	-546.0	-568.1
Total Expenses	-467.1	-486.0	-505.7	-526.1	-547.4	-569.6
Excess Revs. to CW²	-6.9	-6.9	-6.9	-6.9	-6.9	-6.9
Use of Prior Year Surplus³	1.4	0.8	0.0	0.0	0.0	0.0
Surplus/Deficit	0.0	0.0	0.0	0.1	0.2	0.3

Exhibit Notes

¹ Figures represent debt service post August 2019 Tax Exchange

² Pursuant to the Indenture, Amounts deposited in the Remainder Fund shall be free and clear of the Statutory Lien and shall promptly be paid to the Commonwealth of Puerto Rico

³ To keep surplus neutral, prior year surplus will be used

⁴ Pursuant to the Indenture, amounts deposited in the Remainder Fund shall be free and clear of the Statutory Lien and shall promptly be paid to the Commonwealth of Puerto Rico.

COFINA should make every effort to manage the public resources at COFINA efficiently and responsibly. COFINA management shall ensure that expenditure decisions are informed by comprehensive due diligence and financial analyses. Fiscally responsible planning includes long-term forecasting to ensure available resources are sufficient to fund future expenditures. This fiscal plan ensures sufficient resources are allocated to COFINA to complete its mandates.

As of the Effective Date, COFINA received \$15 million, available for its operating expenses. An additional \$7.25 million was remaining in COFINA accounts prior to closing. The cumulative balance for FY2021 per the Fiscal Year 2021 Audited Financials was \$21.79 million and the balance as of March 31, 2022 was \$20.6 million. The cash balance is expected to be replenished to \$15 million at the end of each fiscal year as required by the Indenture.

In addition to the funds described above, operating expenses will be covered by investment earnings derived from interest income generated by funds deposited in the COFINA bond trustee accounts held for the benefit of COFINA at BNYM prior to distribution. Pursuant to Section 5.10 of the Indenture, at the request of the Secretary of the Treasury, \$8.5 million was transferred from the Trustee to the Secretary of the Treasury in November 2022 and \$5.3 million was transferred in July 2021.

COFINA is required to comply with the reporting requirements set forth in Section 203 of PROMESA which requires the Corporation, not later than 15 days after the last day of each quarter, to submit to the Oversight Board the actual revenues, expenditures, and cash flows for the preceding quarter as compared to the projected revenues, expenditures, and cash flows contained in the certified budget as well as any cash balances as requested by the Oversight Board. COFINA must use the reporting template provided by the Oversight Board to assist in this reporting requirement.

Chapter 5. LONG-TERM PROJECTION AND DEBT SUSTAINABILITY ANALYSIS (DSA)

The DSA provides a framework to assess COFINA’s long-term debt capacity and a framework for future market access.

Sales tax bonds are evaluated on the basis of taxable base and pledge, the legal structure of the proposed financing and financial metrics of the revenue pledge.

EXHIBIT 8: CREDIT STRENGTH OF SUT

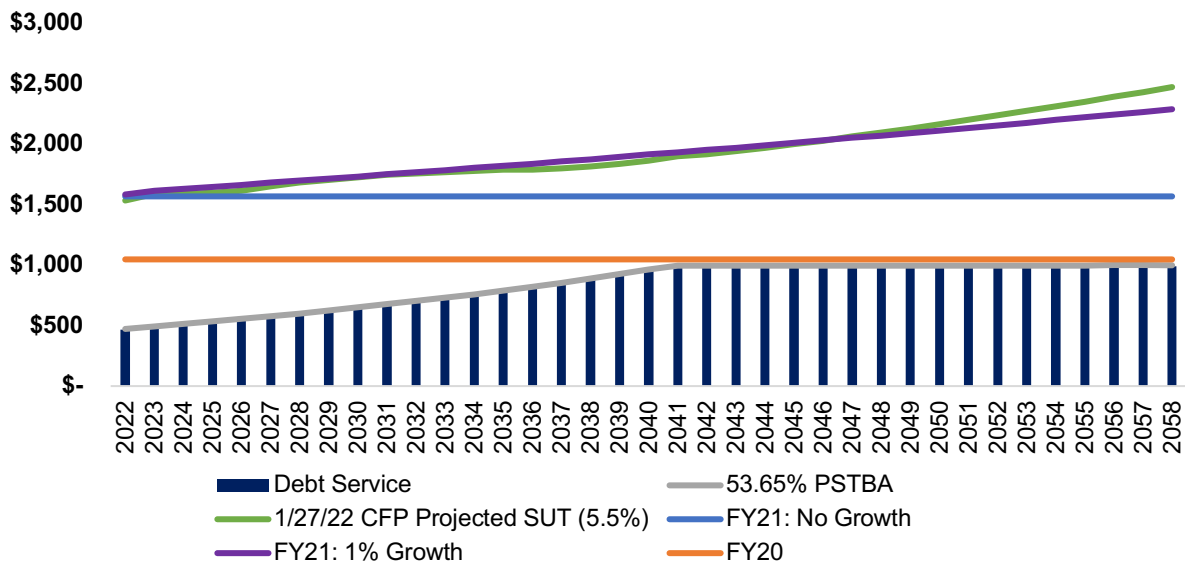
<u>Credit Strengths of SUT</u>	
1	Puerto Rico’s economy is reasonably diverse.
2	SUT is very broad with minimal exceptions.
3	Senior bonds benefit from a closed lien.
4	First (annual/quarterly) dollar flow of funds is stronger than usual monthly equal collection for various tax backed credits.
5	Strong revenue trend and minimal revenue volatility.

EXHIBIT 9: CHALLENGES OF THE SUT CREDIT

Challenges of the SUT Credit	
1	Puerto Rico’s per capita income and median household income are significantly below national medians.
2	Impact of long-term demographic and economic projections on discretionary expenses and personal consumption.

The Settlement Order grants COFINA an ownership interest in 53.65% of the PSTBA, which will be used to fund debt service payments on the new COFINA Bonds that were issued pursuant to the Plan of Adjustment. COFINA also receives “first dollars” collected from the Pledged SUT until it has received an amount equal to 53.65% of the PSTBA (unless certain conditions are satisfied on a quarterly basis after 2024). **Exhibit 10** illustrates the debt service on the COFINA Bonds in conjunction with the 53.65% of the PSTBA that COFINA bondholders will be entitled to per the terms of the Plan of Adjustment. The chart illustrates that debt service fits within the 53.65% of the PSTBA throughout the forecast period and final maturity of the bonds. It also includes this fiscal plan’s projected SUT compared to the FY20 and FY21 assuming no growth and compared to FY21 SUT figures assuming 1.0% growth.

EXHIBIT 10: DEBT SERVICE COVERAGE AND SUT REVENUES (\$M)



Using FY21 SUT collections as the base⁵, **Exhibit 11** shows debt service coverage under three scenarios: Case 1 assuming the 2022 CW Fiscal Plan projected Pledged SUT; Case 2 showing no growth in SUT; and, Case 3 showing 1% growth rate of SUT. Under a no growth scenario, COFINA’s MADS coverage ranges from 3.37x in 2022 to 1.58x in 2058.

⁵ Fiscal Year 2021 revenues reflect actual collections excluding B2B revenues as COFINA has no rights to the B2B revenues.

As the COFINA Indenture states, COFINA may issue Subordinated Lien Bonds if it meets coverage requirement of: 1) Projected Pledged Sales Taxes equal or exceed one and one-half times (1.5x), in any succeeding Fiscal Year, the annual aggregate debt service due on the Bonds and Subordinated Lien Bonds to remain outstanding after the issuance of such Subordinated Lien Bonds (including the Subordinated Lien Bonds to be issued); and 2) the preceding Fiscal Year's collections from the Pledged Sales Taxes is equal to or greater than one and one-tenth times (1.10x) coverage of the maximum annual aggregate debt service due in any succeeding Fiscal Year on all Bonds and Subordinated Lien Bonds to remain outstanding after the issuance of such Subordinated Lien Bonds (including the Subordinated Lien Bonds to be issued).

From time to time, COFINA may evaluate refinancing opportunities of all or a portion of its long-term debt. However, the size, timing and structure of potential transactions, if any, are subject to several factors both within and outside the discretion of COFINA, including, but not limited to, market conditions, and obtaining the customary and necessary approvals.

EXHIBIT 11: DEBT SERVICE COVERAGE

Case 1: Projected FP SUT				Case 2: No SUT Growth				Case 3: Assume 1% Growth			
FY21 Pledged SUT		1,569.2		FY21 Pledged SUT		1,569.2		FY21 Pledged SUT		1,569.2	
Growth Rate		FP		Growth Rate		0.000%		Growth Rate		1.000%	
(\$ millions)				(\$ millions)				(\$ millions)			
	FY21 Pledged SUT	Debt Service ¹	Coverage		FY20 Pledged SUT	Debt Service ¹	Coverage		FY20 Pledged SUT	Debt Service ¹	Coverage
2022	1,535.0	465.7	3.30x	2022	1,569.2	465.7	3.37x	2022	1,584.9	465.7	3.40x
2023	1,589.3	484.6	3.28x	2023	1,569.2	484.6	3.24x	2023	1,616.7	484.6	3.34x
2024	1,588.4	504.3	3.15x	2024	1,569.2	504.3	3.11x	2024	1,632.9	504.3	3.24x
2025	1,599.5	524.7	3.05x	2025	1,569.2	524.7	2.99x	2025	1,649.2	524.7	3.14x
2026	1,616.5	546.0	2.96x	2026	1,569.2	546.0	2.87x	2026	1,665.7	546.0	3.05x
2027	1,653.0	568.1	2.91x	2027	1,569.2	568.1	2.76x	2027	1,682.4	568.1	2.96x
2028	1,684.4	591.1	2.85x	2028	1,569.2	591.1	2.65x	2028	1,699.2	591.1	2.87x
2029	1,706.0	615.0	2.77x	2029	1,569.2	615.0	2.55x	2029	1,716.2	615.0	2.79x
2030	1,725.6	639.9	2.70x	2030	1,569.2	639.9	2.45x	2030	1,733.4	639.9	2.71x
2031	1,749.0	665.8	2.63x	2031	1,569.2	665.8	2.36x	2031	1,750.7	665.8	2.63x
2032	1,758.5	692.7	2.54x	2032	1,569.2	692.7	2.27x	2032	1,768.2	692.7	2.55x
2033	1,770.9	720.7	2.46x	2033	1,569.2	720.7	2.18x	2033	1,785.9	720.7	2.48x
2034	1,781.8	749.8	2.38x	2034	1,569.2	749.8	2.09x	2034	1,803.8	749.8	2.41x
2035	1,792.7	780.1	2.30x	2035	1,569.2	780.1	2.01x	2035	1,821.8	780.1	2.34x
2036	1,789.8	812.2	2.20x	2036	1,569.2	812.2	1.93x	2036	1,840.0	812.2	2.27x
2037	1,800.5	845.6	2.13x	2037	1,569.2	845.6	1.86x	2037	1,858.4	845.6	2.20x
2038	1,818.7	880.5	2.07x	2038	1,569.2	880.5	1.78x	2038	1,877.0	880.5	2.13x
2039	1,840.5	916.8	2.01x	2039	1,569.2	916.8	1.71x	2039	1,895.8	916.8	2.07x
2040	1,864.5	954.6	1.95x	2040	1,569.2	954.6	1.64x	2040	1,914.7	954.6	2.01x
2041	1,900.0	990.8	1.92x	2041	1,569.2	990.8	1.58x	2041	1,933.9	990.8	1.95x
2042	1,915.2	990.8	1.93x	2042	1,569.2	990.8	1.58x	2042	1,953.2	990.8	1.97x
2043	1,942.8	990.8	1.96x	2043	1,569.2	990.8	1.58x	2043	1,972.7	990.8	1.99x
2044	1,970.9	990.8	1.99x	2044	1,569.2	990.8	1.58x	2044	1,992.5	990.8	2.01x
2045	2,000.2	990.8	2.02x	2045	1,569.2	990.8	1.58x	2045	2,012.4	990.8	2.03x
2046	2,030.2	990.8	2.05x	2046	1,569.2	990.8	1.58x	2046	2,032.5	990.8	2.05x
2047	2,063.8	990.8	2.08x	2047	1,569.2	990.8	1.58x	2047	2,052.8	990.8	2.07x
2048	2,096.2	990.8	2.12x	2048	1,569.2	990.8	1.58x	2048	2,073.4	990.8	2.09x
2049	2,129.8	990.8	2.15x	2049	1,569.2	990.8	1.58x	2049	2,094.1	990.8	2.11x
2050	2,165.1	990.8	2.19x	2050	1,569.2	990.8	1.58x	2050	2,115.0	990.8	2.13x
2051	2,201.5	990.8	2.22x	2051	1,569.2	990.8	1.58x	2051	2,136.2	990.8	2.16x
2052	2,238.5	990.8	2.26x	2052	1,569.2	990.8	1.58x	2052	2,157.6	990.8	2.18x
2053	2,276.1	990.8	2.30x	2053	1,569.2	990.8	1.58x	2053	2,179.1	990.8	2.20x
2054	2,314.3	990.9	2.34x	2054	1,569.2	990.9	1.58x	2054	2,200.9	990.9	2.22x
2055	2,353.1	991.2	2.37x	2055	1,569.2	991.2	1.58x	2055	2,222.9	991.2	2.24x
2056	2,392.6	991.5	2.41x	2056	1,569.2	991.5	1.58x	2056	2,245.2	991.5	2.26x
2057	2,432.8	991.8	2.45x	2057	1,569.2	991.8	1.58x	2057	2,267.6	991.8	2.29x
2058	2,473.6	992.2	2.49x	2058	1,569.2	992.2	1.58x	2058	2,290.3	992.2	2.31x

1. Figures represent debt service post August 2019 Tax Exchange

APPENDIX A: SUMMARY OF COFINA BONDS

EXHIBIT 13: SUMMARY OF THE COFINA BONDS AS OF THE EFFECTIVE DATE

Series	Tax Status	CUSIP	Maturity Value	Initial Value	Interest Rate	Coupon/Accretion Rate	Maturity	Initial Price
2019A-1	TE	74529JPU3	370,347,000.00	370,347,000.00	4.500%	4.500%	7/1/2034	100.000
2019A-1	TE	74529JPV1	187,553,000.00	187,553,000.00	4.550%	4.550%	7/1/2040	100.000
2019A-1	TE	74529JPW9	1,375,772,000.00	1,375,772,000.00	4.750%	4.750%	7/1/2053	100.000
2019A-1	TE	74529JPX7	3,479,051,000.00	3,479,051,000.00	5.000%	5.000%	7/1/2058	100.000
2019A-2	TX	74529JQY4	865,919,000.00	865,919,000.00	4.550%	4.550%	7/1/2040	100.000
2019A-2	TX	74529JPY5	1,905,085,000.00	1,905,085,000.00	4.550%	4.550%	7/1/2040	100.000
2019A-2	TX	74529JPZ2	57,021,000.00	57,021,000.00	4.750%	4.750%	7/1/2053	100.000
2019A-2	TX	74529JQA6	763,784,000.00	763,784,000.00	5.000%	5.000%	7/1/2058	100.000
2019A-1	TE	74529JQB4	211,244,000.00	164,709,059.24	0.000%	4.250%	7/1/2024	77.971
2019A-1	TE	74529JQC2	357,783,000.00	243,231,616.89	0.000%	4.375%	7/1/2027	67.983
2019A-1	TE	74529JQD0	348,709,000.00	217,406,113.14	0.000%	4.375%	7/1/2029	62.346
2019A-1	TE	74529JQE8	449,395,000.00	252,923,999.95	0.000%	4.500%	7/1/2031	56.281
2019A-1	TE	74529JQF5	505,783,000.00	260,417,551.04	0.000%	4.500%	7/1/2033	51.488
2019A-1	TE	74529JQG3	4,813,682,000.00	1,094,968,244.54	0.000%	5.375%	7/1/2046	22.747
2019A-1	TE	74529JQH1	3,921,460,000.00	631,551,133.00	0.000%	5.625%	7/1/2051	16.105
2019B-1	TE	74529JQJ7	4,743,000.00	4,743,000.00	4.500%	4.500%	7/1/2034	100.000
2019B-1	TE	74529JQK4	2,402,000.00	2,402,000.00	4.550%	4.550%	7/1/2040	100.000
2019B-1	TE	74529JQL2	17,619,000.00	17,619,000.00	4.750%	4.750%	7/1/2053	100.000
2019B-1	TE	74529JQM0	44,554,000.00	44,554,000.00	5.000%	5.000%	7/1/2058	100.000
2019B-2	TX	74529JQN8	35,156,000.00	35,156,000.00	4.550%	4.550%	7/1/2040	100.000
2019B-2	TX	74529JQP3	723,000.00	723,000.00	4.750%	4.750%	7/1/2053	100.000
2019B-2	TX	74529JQQ1	9,691,000.00	9,691,000.00	5.000%	5.000%	7/1/2058	100.000
2019B-1	TE	74529JQR9	2,706,000.00	2,109,895.26	0.000%	4.250%	7/1/2024	77.971
2019B-1	TE	74529JQS7	4,582,000.00	3,114,981.06	0.000%	4.375%	7/1/2027	67.983
2019B-1	TE	74529JQT5	4,466,000.00	2,784,372.36	0.000%	4.375%	7/1/2029	62.346
2019B-1	TE	74529JQU2	5,755,000.00	3,238,971.55	0.000%	4.500%	7/1/2031	56.281
2019B-1	TE	74529JQV0	6,477,000.00	3,334,877.76	0.000%	4.500%	7/1/2033	51.488
2019B-1	TE	74529JQW8	61,648,000.00	14,023,070.56	0.000%	5.375%	7/1/2046	22.747
2019B-1	TE	74529JQX6	50,220,000.00	8,087,931.00	0.000%	5.625%	7/1/2051	16.105
2019A			19,612,588,000	11,869,739,718				
2019B			250,742,000	151,582,100				
Total			19,863,330,000	12,021,321,817				

EXHIBIT 14: COFINA BONDS AS OF AUGUST 1,2019 (POST-TAX EXCHANGE)

Series	Tax Status	CUSIP	Maturity Value	Initial Value	Interest Rate	Coupon/Amortization Rate	Maturity	Initial Price
2019A-1	TE	74529JPU3	370,347,000.00	370,347,000.00	4.500%	4.500%	7/1/2034	100.000
2019A-1	TE	74529JPV1	187,553,000.00	187,553,000.00	4.550%	4.550%	7/1/2040	100.000
2019A-1	TE	74529JPW9	1,375,772,000.00	1,375,772,000.00	4.750%	4.750%	7/1/2053	100.000
2019A-1	TE	74529JPX7	3,479,051,000.00	3,479,051,000.00	5.000%	5.000%	7/1/2058	100.000
2019A-2	TX	74529JQY4	409,357,000.00	409,357,000.00	4.550%	4.550%	7/1/2040	100.000
2019A-2	TX	74529JPY5	53,291,000.00	53,291,000.00	4.550%	4.550%	7/1/2040	100.000
2019A-2	TX	74529JPZ2	827,000.00	827,000.00	4.750%	4.750%	7/1/2053	100.000
2019A-2	TX	74529JQA6	19,673,000.00	19,673,000.00	5.000%	5.000%	7/1/2058	100.000
2019A-2	TE	74529JRJ6	456,562,000.00	456,562,000.00	4.329%	4.329%	7/1/2040	100.000
2019A-2	TE	74529JRH0	1,851,794,000.00	1,851,794,000.00	4.329%	4.329%	7/1/2040	100.000
2019A-2	TE	74529JRK3	56,194,000.00	56,194,000.00	4.536%	4.536%	7/1/2053	100.000
2019A-2	TE	74529JRL1	744,111,000.00	744,111,000.00	4.784%	4.784%	7/1/2058	100.000
2019A-1	TE	74529JQB4	211,244,000.00	164,709,059.24	0.000%	4.250%	7/1/2024	77.971
2019A-1	TE	74529JQC2	357,783,000.00	243,231,616.89	0.000%	4.375%	7/1/2027	67.983
2019A-1	TE	74529JQD0	348,709,000.00	217,406,113.14	0.000%	4.375%	7/1/2029	62.346
2019A-1	TE	74529JQE8	449,395,000.00	252,923,999.95	0.000%	4.500%	7/1/2031	56.281
2019A-1	TE	74529JQF5	505,783,000.00	260,417,551.04	0.000%	4.500%	7/1/2033	51.488
2019A-1	TE	74529JQG3	4,813,682,000.00	1,094,968,244.54	0.000%	5.375%	7/1/2046	22.747
2019A-1	TE	74529JQH1	3,921,460,000.00	631,551,133.00	0.000%	5.625%	7/1/2051	16.105
2019B-1	TE	74529JQJ7	4,743,000.00	4,743,000.00	4.500%	4.500%	7/1/2034	100.000
2019B-1	TE	74529JQK4	2,402,000.00	2,402,000.00	4.550%	4.550%	7/1/2040	100.000
2019B-1	TE	74529JQL2	17,619,000.00	17,619,000.00	4.750%	4.750%	7/1/2053	100.000
2019B-1	TE	74529JQM0	44,554,000.00	44,554,000.00	5.000%	5.000%	7/1/2058	100.000
2019B-2	TE	74529JRM9	35,156,000.00	35,156,000.00	4.329%	4.329%	7/1/2040	100.000
2019B-2	TE	74529JRN7	723,000.00	723,000.00	4.536%	4.536%	7/1/2053	100.000
2019B-2	TE	74529JRP2	9,691,000.00	9,691,000.00	4.784%	4.784%	7/1/2058	100.000
2019B-1	TE	74529JQR9	2,706,000.00	2,109,895.26	0.000%	4.250%	7/1/2024	77.971
2019B-1	TE	74529JQS7	4,582,000.00	3,114,981.06	0.000%	4.375%	7/1/2027	67.983
2019B-1	TE	74529JQT5	4,466,000.00	2,784,372.36	0.000%	4.375%	7/1/2029	62.346
2019B-1	TE	74529JQU2	5,755,000.00	3,238,971.55	0.000%	4.500%	7/1/2031	56.281
2019B-1	TE	74529JQV0	6,477,000.00	3,334,877.76	0.000%	4.500%	7/1/2033	51.488
2019B-1	TE	74529JQW8	61,648,000.00	14,023,070.56	0.000%	5.375%	7/1/2046	22.747
2019B-1	TE	74529JQX6	50,220,000.00	8,087,931.00	0.000%	5.625%	7/1/2051	16.105
2019A			19,612,588,000	11,869,739,718	-	-	-	-
2019B			250,742,000	151,582,100	-	-	-	-
Total			19,863,330,000	12,021,321,817	-	-	-	-