



FISCAL PLAN FOR COFINA

AS CERTIFIED BY THE FINANCIAL
OVERSIGHT AND MANAGEMENT BOARD
FOR PUERTO RICO | May 27, 2021

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- The effect of the Coronavirus Disease 2019 (COVID-19) on the health and well-being of the people of Puerto Rico.
- The short-term economic effects of COVID-19 on the global economy and the economies of the United States and Puerto Rico as they relate to Puerto Rico's tax revenue and budget.
- The longer-term economic ramifications of behavioral changes caused by COVID-19 (i.e., reduced travel, increased work from home, reduced activity in large gathering places, etc.).
- The amount of federal government aid provided to U.S. states and territories (including Puerto Rico) and the efficacy and speed of disbursement of such aid.
- The need to shift resources to create a more resilient structure to prevent or mitigate future pandemics.
- Any future actions taken or not taken by the United States federal government related to Medicaid.
- The amount and timing of receipt of any distributions from the Federal Emergency Management Agency (FEMA), U.S. Department of Housing and Urban Development (HUD)'s Community Development Block Grant-Disaster Recovery (CDBG-DR) Program and private insurance companies to repair damage caused by Hurricanes Irma and Maria and recent earthquakes in Puerto Rico.
- The amount and timing of receipt of any additional amounts appropriated by the United States federal 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 measures described herein on outmigration; and
- The timing and impact of the resolution of Puerto Rico's Title III cases and related litigation.

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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
MADS	Maximum Annual Debt Service
PSA	Plan Support Agreement
POA	Plan of Adjustment
PREPA	Puerto Rico Electric Power Authority
PROMESA	Puerto Rico Oversight, Management and Economic Stability Act
PSTBA	Pledged Sales Tax Base Amount
RSA	Restructuring Support Agreement
SUT	Sales and Use Tax

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EXECUTIVE SUMMARY

The Puerto Rico Sales Tax Financing Corporation (the “Corporation”) 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 also known by an acronym of its Spanish name — “COFINA.” 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 referenced below.

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 amount of Series 2019A-2 Bonds and \$45,570,000 aggregate principal amount of Series 2019B-2 Bonds and (ii) the amendments to the First Supplemental Indenture and the Second Supplemental Indenture became effective. **Exhibit 1** summarizes COFINA’s economic obligations and restructured governance, including fiscal and operational independence, as summarized below:

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.

The COFINA Fiscal Plan incorporates the macroeconomic forecast utilized in the 2021 Commonwealth Certified Fiscal Plan. The use of the macroeconomic forecast of the Commonwealth Certified Fiscal Plan in the COFINA Fiscal Plan is made in order to comply with Section 201 of PROMESA and does not imply any representation by COFINA as to the assumptions included in said forecast.

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, such as fuel, crude oil and petroleum products and vehicles, however, 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

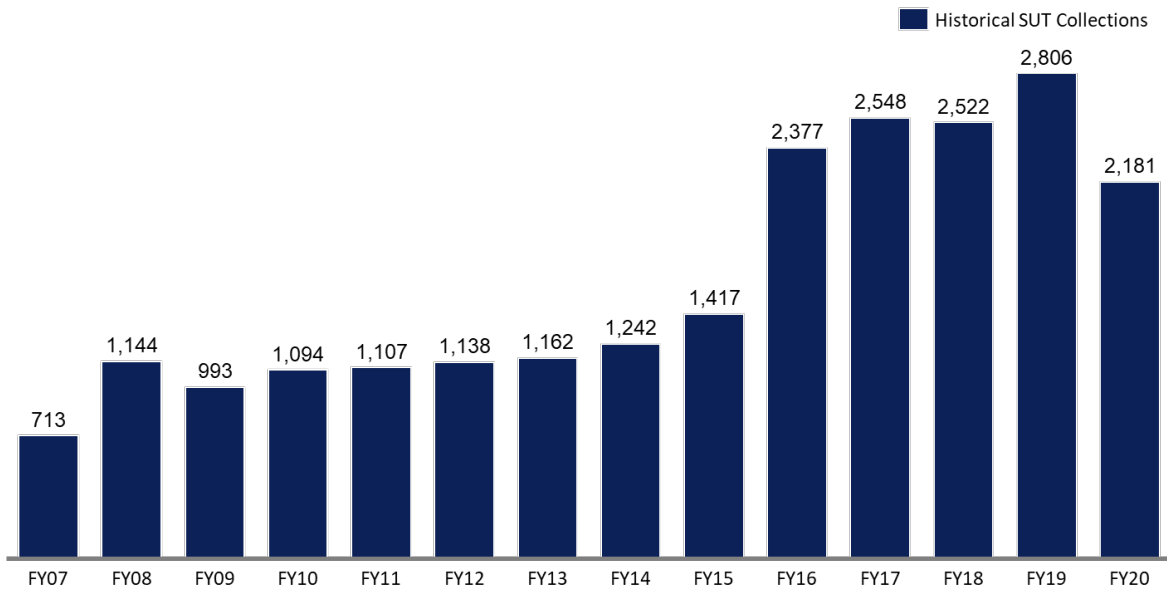
declaration and payment of the Commonwealth SUT on imported goods at the time of their entry into Puerto Rico.

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 FY2020. **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%)

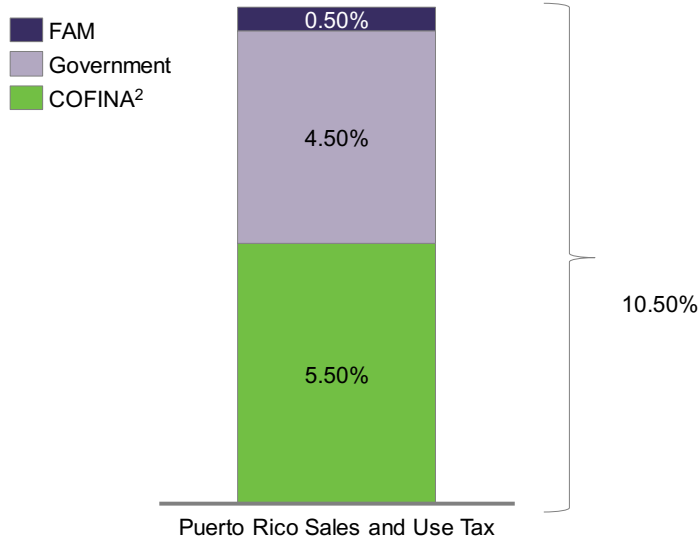
Historical SUT Revenues, \$M



² SUT historical collections source: COFINA Annual Financial Information and Operating Data Report Fiscal Year 2020 via Treasury

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	Additional Collections ^[2]	Total Sales and Use Tax
2010	1,094			1,094			1,094
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	2,598	208		2,806
2020	1,048	96	816	1,960	170	49	2,180
Total	\$13,121	\$670	\$4,932	\$18,724	\$820	\$49	\$19,593

[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] 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 transaction contemplated in 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 March 2, 2021, the United States Court of Appeals for the First Circuit affirmed Judge Laura Taylor Swain’s order confirming the COFINA Plan of Adjustment. As decided in a similar case on February 8, 2021, the Court again concluded that efforts to revoke the COFINA Plan of Adjustment were barred under the doctrine of equitable mootness because the plan had already been implemented.

Appellants have the right to file a petition for rehearing in the First Circuit and/or a petition for certiorari in the U.S Supreme Court. 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.

Chapter 3. COVID-19

Since the outbreak of Coronavirus Disease 2019 (“COVID-19”), an upper respiratory tract illness first identified in Wuhan, China, it has spread throughout the globe, including the U.S. and Puerto Rico. COVID-19 was declared a pandemic by the World Health Organization and resulted in a declaration of a national emergency by the Federal Government on March 13, 2020.

The COVID-19 pandemic brought Puerto Rico—and the rest of the world—to a standstill. The effects have been far reaching and devastating – both as a humanitarian crisis and economically. Overnight, the economy shut down except for the most critical activities as the Government took prudent steps to mitigate the risk of a catastrophic public health crisis. The Government has issued executive orders in response to COVID-19 to address, among other things, the homeless, school and private sector closures, acquisition of goods and services, use of the National Guard, prompt diagnosis of COVID-19, special leave for public employees affected by COVID-19, the creation of a task force to advise Governor Pierluisi, and the state of emergency due to the pandemic. Taken together, these measures intended to protect the physical, mental, and economic health of the people of Puerto Rico, while preserving the social fabric of the Island’s diverse communities.

Unemployment skyrocketed as many businesses were forced to close. In response, both the Federal Government and Puerto Rico Government launched major relief packages to contain and mitigate the spread of the pandemic, support residents and frontline workers, and help the Island’s economy rebound. COVID relief/stimulus to Puerto Rico from the different federal and local initiatives is estimated at \$45 billion, including the recently approved America Rescue Plan Act. Key relief programs include stimulus checks, increased unemployment insurance, small business support (PPP and EIDL loans), state and local aid, COVID-19 testing and education funding.

Many initial projections indicated that the economic shock due to COVID-19 would be worse than that of the Great Recession. Fortunately, the combined economic impact of the federal and local fiscal stimulus measures and the gradual reopening of the national and local economies mitigated the negative shock.

The pathway to economic recovery remains highly dependent on the overall public health response, including the rate at which the population is vaccinated and the Federal Government’s ability to continue to provide economic support for those whose livelihoods are at risk. But more transmissible and potentially deadlier variants of COVID-19 are continuing to develop and spread, just as the rollout of vaccines had raised hopes for a broad-based economic recovery.

These new variants pose two threats to economic recovery. First, restrictions on activity could be extended or further tightened to counteract the higher risk of infection until a sufficient percentage of the population have been vaccinated, pushing some economies back into recession. Second, one or more of the new variants may become resistant to the immunity conferred by existing vaccines and past infections, potentially triggering a new cycle of restrictions and a new round of vaccinations. Much better infrastructure is needed to mitigate the ongoing COVID-19 threat, including: (i) more widespread genomic surveillance for dangerous variants; (ii) the capacity to quickly update and administer vaccines to the entire population; and (iii) widely available rapid testing to contain outbreaks.

3.1.1 Impact of COVID-19 on the Corporation

As was previously announced, on October 19, 2021, The Bank of New York Mellon (“BNYM”), as Trustee for the COFINA Bonds, had received SUT totaling \$454,472,448, which equals the amount of the COFINA Revenues for fiscal year 2021. Consistent with the Plan of Adjustment, upon BNYM’s receipt of the COFINA Revenues for fiscal year 2021, the Government is entitled to receive all collections from the Pledged Sales Taxes until the end of fiscal year 2021 (June 30, 2021). As a result, the above-described temporary measures have not had any effect on the Corporation’s receipt of SUT collections for fiscal year 2021. On July 1st, 2021, BNYM will begin to receive collections from the Pledged Sales Taxes until it receives all COFINA Revenues for fiscal year 2022, which amount to \$472,651,346

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 2022. 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. During fiscal year 2020 and 2021 through March, the Corporation received \$2.95M and \$0.05M, respectively, in interest earnings. Interest is assumed to accrue at the latest reported DIRXX monthly yield of 0.01% in fiscal year 2021 and 2022, 0.63% (the average of the DIRXX monthly yield

and the DIRXX 3-year annual average return) in fiscal year 2023, and the DIRXX 3-year average annual return of 1.25% for the rest of the forecast period³.

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 1.0% 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 2021 – 2023 given the forecasted lower interest rate environment.

In the event that there is insufficient investment interest earned on the SUT deposits to pay for all the Corporation's operating expenditures, prior year surplus will be used to cover the shortfall.

4.2 Sales & Use Tax forecast

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), as well as higher SUT compliance by those larger firms less impacted by the storm. The 2021 Fiscal Plan incorporates this incremental tax collection as disaster recovery continues in future years.

SUT Tax 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.

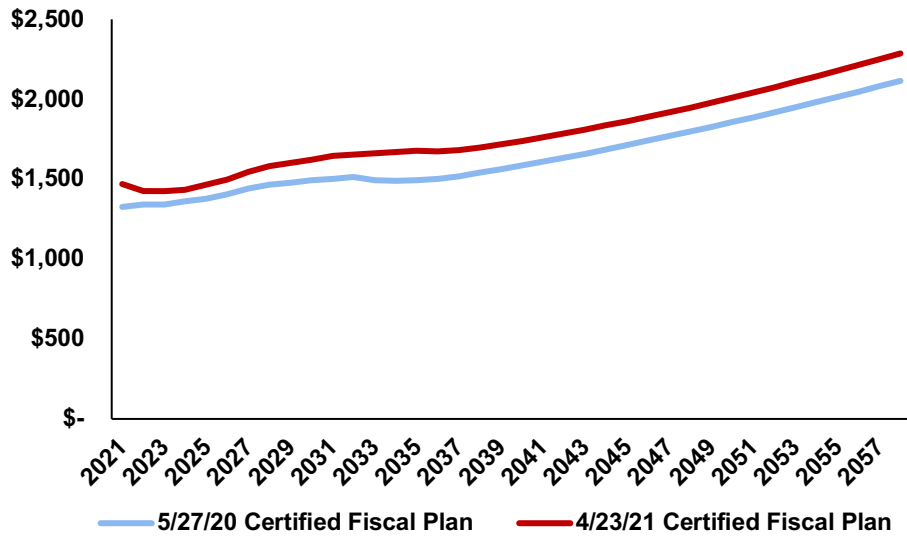
Near-term SUT collections consider performance year to date in FY2021 as well as the impacts of COVID-19 related adjustments and continued disaster recovery spend. The long-term sales and use forecast is aligned with year-over-year changes in Puerto Rico nominal GNP. On average, sales and use taxes from FY2022-FY2039 reflect 3.9% of nominal GNP, which is slightly above the 4-year historical average of 3.6%. This difference relative to historical percentages is consistent with developing trends, given that the hurricanes resulted in a supply side shift in the informal/formal economies. Smaller retailers, which tend to be less tax compliant, are more negatively impacted by the storms, and therefore are more prone to closure as a result of the catastrophe. This pushes consumers to the formal economy where retailers are more SUT compliant.

Additionally, the first seven months of fiscal year 2021 reflect an increase in Sales and Use Tax collections partly attributable to the gradual loosening of the restrictions on economic activity imposed to address the COVID-19 pandemic, the expiration of the various temporary exemptions and deferrals and the impact of the different federal programs put in place to mitigate the negative effects of COVID-19.

Exhibit 6 shows the SUT forecast from the May 27, 2020 Certified Fiscal Plan compared to the Government Fiscal Plan presented on March 26, 2021. Please refer to the Government Fiscal Plan presented on March 26, 2021 for a detailed discussion on the macroeconomic, demographic, and SUT forecasts.

³ Mar 31, 2021 report: <https://im.bnymellon.com/us/en/documents/compliancedocs/factsheet/monthly/0761.pdf>

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. However, as of today COFINA like other public corporations, is still leveraging AFAAF’s ERP as part of the share service MOU. Operating expenses are composed of the following categories:

1. Board of Director Fees
2. Operating Expense
3. Professional Services
4. Trustee Fees
5. Financial Services Implementation
6. Other miscellaneous operating expenses

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 FY2020 per the Fiscal Year 2020 Audited Financials was \$21.72 million and the current balance as of March 31st, 2021 was \$20.2 million.

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 Master trust Indenture, on 11/30/20, at the request of the Secretary of the Treasury, \$8.48M was transferred from the Trustee to the Secretary of the Treasury.

EXHIBIT 7: COFINA PROJECTED DEFICIT/SURPLUS⁴



1 Figures represent debt service post August 2019 Tax Exchange
 2 Transfer of excess COFINA Revenue, which is the difference between the COFINA Revenues and Debt Service.
 3 To keep surplus neutral, prior year surplus available will be used.

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

Credit Strengths of SUT	
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.

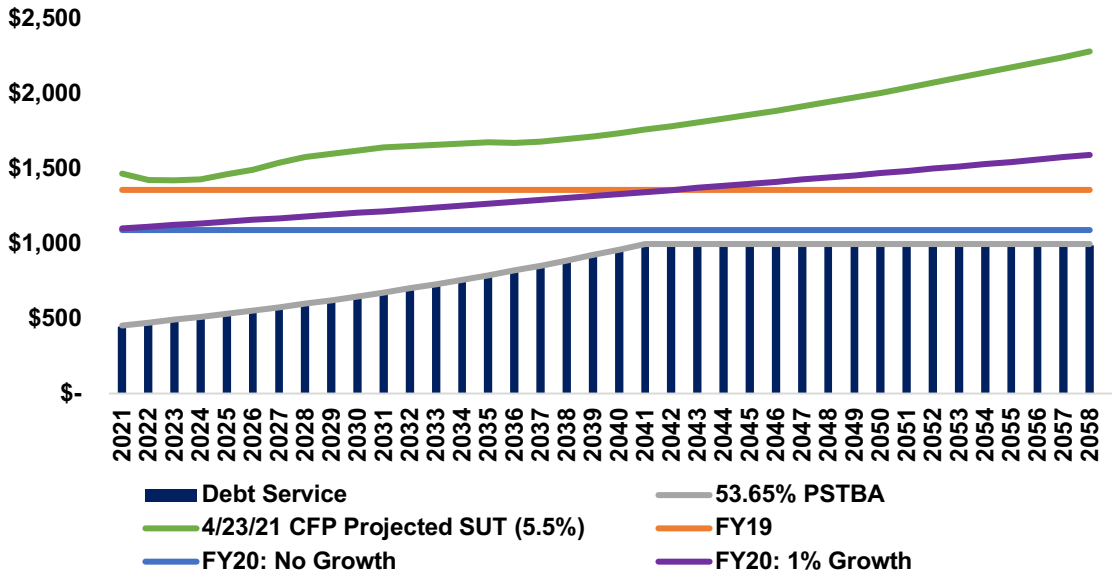
⁴ Pursuant to the Indenture, Amounts deposited in the Remainder Fund shall be free and clear of the Statutory Lien and shall promptly be paid to the Commonwealth of Puerto Rico.

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 the FY2021 COFINA Fiscal Plan projected SUT compared to the FY19 and FY20 SUT figures assuming no growth and compared to FY20 SUT figures assuming 1.0% growth.

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



Using FY20 SUT collections as the base⁵, **Exhibit 11** shows debt service coverage under three scenarios: Case 1 assuming the 2021 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 2.44x in 2021 to 1.10x in 2058.

⁵ Fiscal Year 2020 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), 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).

EXHIBIT 11: DEBT SERVICE COVERAGE

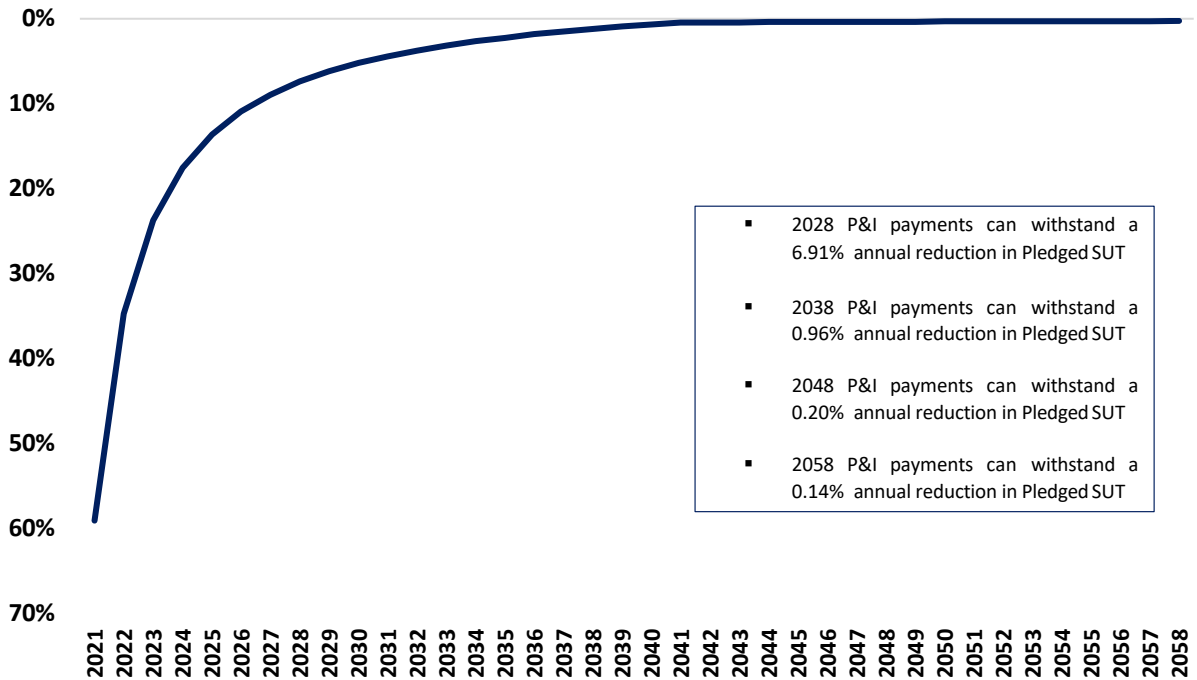
Case 1: Projected FP SUT				Case 2: No SUT Growth				Case 3: Assume 1% Growth			
FY20 Pledged SUT		1,092.6		FY20 Pledged SUT		1,092.6		FY20 Pledged SUT		1,092.6	
Growth Rate		FP		Growth Rate		0.000%		Growth Rate		1.000%	
(\$ millions)				(\$ millions)				(\$ millions)			
	FY20 Pledged SUT	Debt Service ¹	Coverage		FY20 Pledged SUT	Debt Service ¹	Coverage		FY20 Pledged SUT	Debt Service ¹	Coverage
2021	1,469.4	447.5	3.28x	2021	1,092.6	447.5	2.44x	2021	1,103.5	447.5	2.47x
2022	1,425.5	465.7	3.06x	2022	1,092.6	465.7	2.35x	2022	1,114.6	465.7	2.39x
2023	1,425.0	484.6	2.94x	2023	1,092.6	484.6	2.25x	2023	1,125.7	484.6	2.32x
2024	1,433.1	504.3	2.84x	2024	1,092.6	504.3	2.17x	2024	1,137.0	504.3	2.25x
2025	1,464.4	524.7	2.79x	2025	1,092.6	524.7	2.08x	2025	1,148.3	524.7	2.19x
2026	1,496.7	546.0	2.74x	2026	1,092.6	546.0	2.00x	2026	1,159.8	546.0	2.12x
2027	1,543.7	568.1	2.72x	2027	1,092.6	568.1	1.92x	2027	1,171.4	568.1	2.06x
2028	1,579.9	591.1	2.67x	2028	1,092.6	591.1	1.85x	2028	1,183.1	591.1	2.00x
2029	1,603.2	615.0	2.61x	2029	1,092.6	615.0	1.78x	2029	1,195.0	615.0	1.94x
2030	1,623.2	639.9	2.54x	2030	1,092.6	639.9	1.71x	2030	1,206.9	639.9	1.89x
2031	1,644.8	665.8	2.47x	2031	1,092.6	665.8	1.64x	2031	1,219.0	665.8	1.83x
2032	1,651.9	692.7	2.38x	2032	1,092.6	692.7	1.58x	2032	1,231.2	692.7	1.78x
2033	1,662.1	720.7	2.31x	2033	1,092.6	720.7	1.52x	2033	1,243.5	720.7	1.73x
2034	1,670.8	749.8	2.23x	2034	1,092.6	749.8	1.46x	2034	1,255.9	749.8	1.68x
2035	1,679.5	780.1	2.15x	2035	1,092.6	780.1	1.40x	2035	1,268.5	780.1	1.63x
2036	1,674.6	812.2	2.06x	2036	1,092.6	812.2	1.35x	2036	1,281.2	812.2	1.58x
2037	1,683.1	845.6	1.99x	2037	1,092.6	845.6	1.29x	2037	1,294.0	845.6	1.53x
2038	1,698.7	880.5	1.93x	2038	1,092.6	880.5	1.24x	2038	1,306.9	880.5	1.48x
2039	1,718.0	916.8	1.87x	2039	1,092.6	916.8	1.19x	2039	1,320.0	916.8	1.44x
2040	1,739.3	954.6	1.82x	2040	1,092.6	954.6	1.14x	2040	1,333.2	954.6	1.40x
2041	1,762.7	990.8	1.78x	2041	1,092.6	990.8	1.10x	2041	1,346.5	990.8	1.36x
2042	1,786.5	990.8	1.80x	2042	1,092.6	990.8	1.10x	2042	1,360.0	990.8	1.37x
2043	1,811.3	990.8	1.83x	2043	1,092.6	990.8	1.10x	2043	1,373.6	990.8	1.39x
2044	1,836.6	990.8	1.85x	2044	1,092.6	990.8	1.10x	2044	1,387.3	990.8	1.40x
2045	1,862.9	990.8	1.88x	2045	1,092.6	990.8	1.10x	2045	1,401.2	990.8	1.41x
2046	1,890.0	990.8	1.91x	2046	1,092.6	990.8	1.10x	2046	1,415.2	990.8	1.43x
2047	1,918.4	990.8	1.94x	2047	1,092.6	990.8	1.10x	2047	1,429.4	990.8	1.44x
2048	1,947.5	990.8	1.97x	2048	1,092.6	990.8	1.10x	2048	1,443.7	990.8	1.46x
2049	1,977.7	990.8	2.00x	2049	1,092.6	990.8	1.10x	2049	1,458.1	990.8	1.47x
2050	2,009.4	990.8	2.03x	2050	1,092.6	990.8	1.10x	2050	1,472.7	990.8	1.49x
2051	2,042.2	990.8	2.06x	2051	1,092.6	990.8	1.10x	2051	1,487.4	990.8	1.50x
2052	2,075.4	990.8	2.09x	2052	1,092.6	990.8	1.10x	2052	1,502.3	990.8	1.52x
2053	2,109.2	990.8	2.13x	2053	1,092.6	990.8	1.10x	2053	1,517.3	990.8	1.53x
2054	2,143.5	990.9	2.16x	2054	1,092.6	990.9	1.10x	2054	1,532.5	990.9	1.55x
2055	2,178.4	991.2	2.20x	2055	1,092.6	991.2	1.10x	2055	1,547.8	991.2	1.56x
2056	2,213.9	991.5	2.23x	2056	1,092.6	991.5	1.10x	2056	1,563.3	991.5	1.58x
2057	2,249.9	991.8	2.27x	2057	1,092.6	991.8	1.10x	2057	1,578.9	991.8	1.59x
2058	2,286.5	992.2	2.30x	2058	1,092.6	992.2	1.10x	2058	1,594.7	992.2	1.61x

1 Figures represent debt service post August 2019 Tax Exchange

Sensitivity Analysis

Using FY20 SUT actual collections as the base, we look at the constant annual rate of reduction in sales tax collections such that debt service is still fully covered by the 5.5% SUT pledge. Based on the debt service schedule provided, sales tax would need to decrease by more than 0.14% a year for SUT collections to be insufficient to cover debt service obligations. A sensitivity analysis is provided in **Exhibit 12**.

EXHIBIT 12: THE COFINA DEBT SENSITIVITY ANALYSIS



APPENDIX A: SUMMARY OF COFINA BONDS

EXHIBIT 1: 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 2: Summary of the COFINA Bonds as of August 1, 2019 (Post-Tax Exchange)

Series	Tax Status	CUSIP	Maturity Value	Initial Value	Interest Rate	Coupon/Accretion Rate	Maturity	Initial Price
2019A-1	TE	74529IPU3	370,347,000.00	370,347,000.00	4.500%	4.500%	7/1/2034	100.000
2019A-1	TE	74529IPV1	187,553,000.00	187,553,000.00	4.550%	4.550%	7/1/2040	100.000
2019A-1	TE	74529IPW9	1,375,772,000.00	1,375,772,000.00	4.750%	4.750%	7/1/2053	100.000
2019A-1	TE	74529IPX7	3,479,051,000.00	3,479,051,000.00	5.000%	5.000%	7/1/2058	100.000
2019A-2	TX	74529IQY4	409,357,000.00	409,357,000.00	4.550%	4.550%	7/1/2040	100.000
2019A-2	TX	74529IPY5	53,291,000.00	53,291,000.00	4.550%	4.550%	7/1/2040	100.000
2019A-2	TX	74529IPZ2	827,000.00	827,000.00	4.750%	4.750%	7/1/2053	100.000
2019A-2	TX	74529QA6	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		-	-	