



GOVERNMENT OF PUERTO RICO

Puerto Rico Fiscal Agency and Financial
Advisory Authority

Municipal Secondary Market Disclosure Information Cover Sheet Municipal Securities Rulemaking Board (MSRB) Electronic Municipal Market Access System (EMMA)

Additional / Voluntary Event-Based Disclosure

THIS FILING RELATES TO ALL OR SEVERAL SECURITIES ISSUED BY THE ISSUER, OR ALL OR SEVERAL SECURITIES OF A SPECIFIC CREDITOR:

Issuer's Name: Puerto Rico Highways and Transportation Authority

Other Obligated Person's Name (if any): _____

Six-digit CUSIP number(s): 745181, 745185 and 745190

TYPE OF INFORMATION PROVIDED:

- A. Amendment to Continuing Disclosure Undertaking
- B. Change in Obligated Person
- C. Notice to Investor Pursuant to Bond Documents
- D. Communication from the Internal Revenue Service
- E. Bid for Auction Rate and Other Securities
- F. Capital or Other Financing Plan
- G. Litigation / Enforcement Action
- H. Change of Tender Agent. Remarketing Agent or Other On-going Party
- I. Derivative or Other Similar Transaction
- J. Other Event-Based Disclosures: Government of Puerto Rico proposal under Title VI of PROMESA

I represent that I am authorized by the issuer, obligor or its agent to distribute this information publicly.

/s/ Sebastián M. Torres Rodríguez

Sebastián M. Torres Rodríguez
Puerto Rico Fiscal Agency and Financial Advisory Authority,
as Fiscal Agent for the Commonwealth

Dated: April 28, 2017





GOVERNMENT OF PUERTO RICO
Puerto Rico Fiscal Agency and Financial
Advisory Authority



CONFIDENTIAL

ADVISORS EYES ONLY SUBJECT TO NDA

PREPARED AT REQUEST OF COUNSEL FOR SETTLEMENT PURPOSES - FRE 408



GO / COFINA

Project Estado

April 24, 2017

Strictly confidential

Proposal

1 The Cash Flow Available for Debt Service in the certified Fiscal Plan shall form the basis of a comprehensive settlement

2 To attract maximum consensus, Puerto Rico will issue three types of settlement currency:

Senior Bonds

- Up to \$16.75 billion
- Constitution priority debt
- Tax-exempt¹
- Capable of attracting a rating

Cash Flow Bonds

- Turbo structure and designed to be tradeable
 - Senior Tranche: Up to \$8.0 billion
 - Junior Tranche: Up to \$2.0 billion
- Senior Tranche possibly tax-exempt; Junior Tranche likely taxable
- Payment only upon performance in excess of certified Fiscal Plan
- Intended to capture favorable variances from Fiscal Plan, including from outperformance of macroeconomic assumptions and results of fiscal measures

Short Term Notes

- Consideration from the sale of assets in COFINA reserve accounts to Puerto Rico

3 GO Bonds and GO Guaranteed claims will receive pro rata distribution of [\$9.8bn] of Senior Bonds

4 COFINA creditors will receive a choice of treatment:

- If they consent to the plan of adjustment, COFINA creditors will receive pro rata share of [\$6.9bn] of Senior Bonds
 - COFINA Senior and COFINA Junior claims to be treated pari passu
- If they reject the plan of adjustment, COFINA Senior creditors will receive [\$450m] of short-term notes and COFINA Junior creditors will receive no distribution due to contractual subordination

5 Senior Cash Flow Bonds distributed pro rata to GO Bonds, GO Guaranteed claims and COFINA claims (if accepting the plan) on account of any allowed deficiency claims

6 Junior Cash Flow Bonds distributed pro rata to Claw Back Entity creditors

7 Convenience class established to provide 100% recovery to creditors with total claims below a minimum threshold TBD

Note

¹ A portion of Senior Bonds may be taxable. Final allocations TBD



Illustrative creditor treatment

Illustrative creditor treatment (\$m)

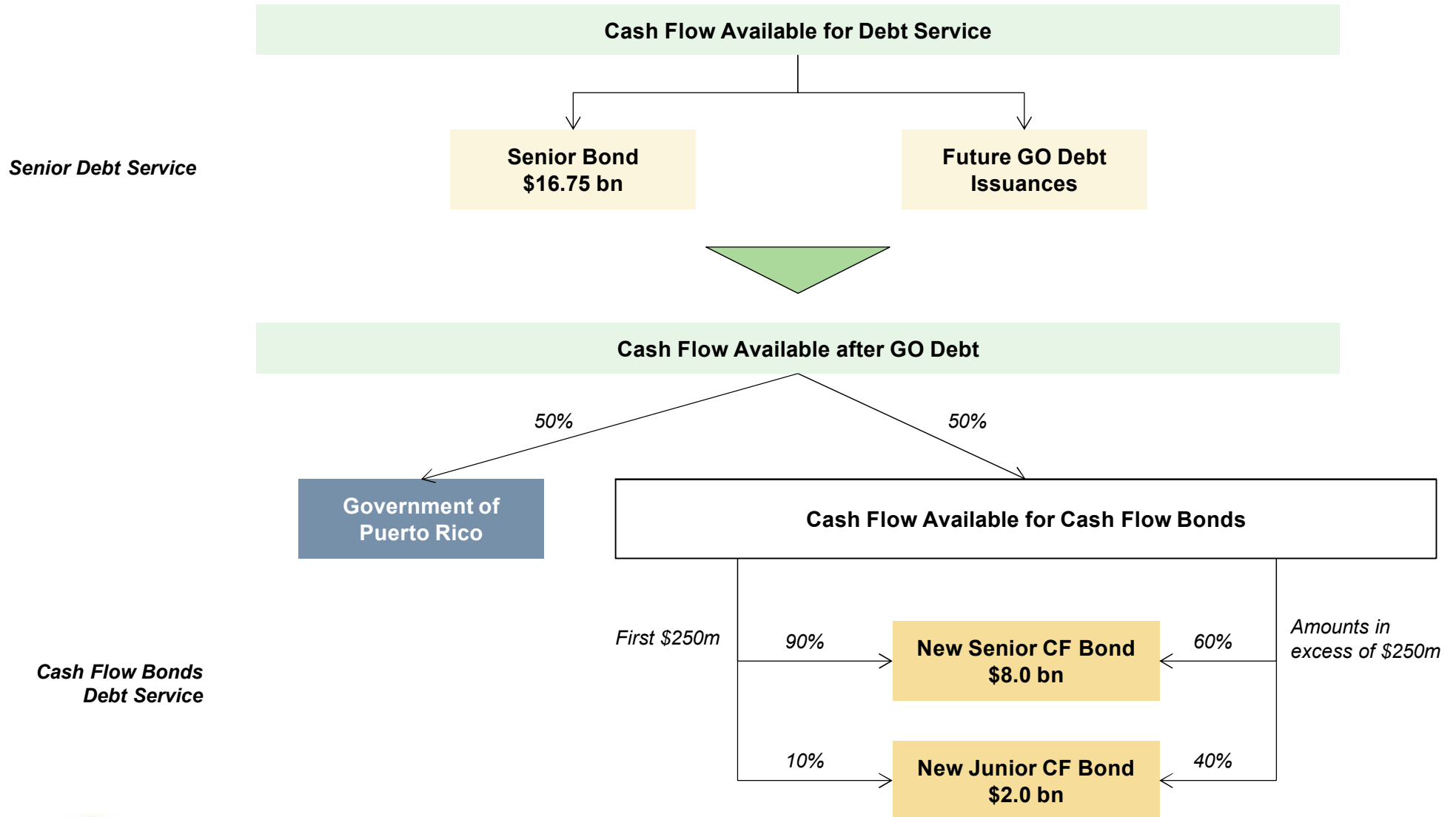
	Illustr. Claim	Proposed Treatment		
		Senior Bond	Cash Flow Bond	
			Senior Tranche	Junior Tranche
GO + COFINA				
GO Bonds	\$13,243	\$6,935	\$3,312	--
GO Guarantee	5,559	2,911	1,390	--
Subtotal	18,802	9,846	4,702	--
COFINA - Sr	7,666	3,011	1,438	--
COFINA - Jr	9,914	3,894	1,860	--
Total COFINA	17,580	6,904	3,298	--
Convenience Class	[]	[]	--	--
Total GO + COFINA	36,382	16,750	8,000	--
Claw Back Entities				
HTA	4,124	--	--	1,223
PRCCDA	386	--	--	115
PRIFA	2,207	--	--	654
MBA	28	--	--	8
Total	6,746	--	--	2,000
Overall Total	\$43,128	\$16,750	\$8,000	\$2,000

COFINA claims offered choice of:

- Short-term notes for amount in the COFINA Pledge Account, or
- Pro rata Senior Bond & Senior Cash Flow Bond subject to 25% discount



Illustrative flow of funds



Term Sheet: New Senior Bond

Security

- Senior Bond with constitutional priority
 - Classified as Tax Exempt debt

Allocation

- Pro rata to allowed claims:
 - General Obligation Bonds
 - COFINA Bonds
 - GO Guarantee claims ⁽¹⁾

Amount

- \$16.75 billion initial principal amount

Coupon Rate

- Step coupon for 5 years reaching 4.50% at year 5
 - Payable semi-annually on January 1st and July 1st

Maturity

- 30 year term with final maturity on July 1, 2047
- No call for 10 years; callable at par thereafter

Amortization

- Annual principal amortization payable on July 1st subject to schedule
 - First amortization payment July 1, 2028 (1% of par)
 - Optional amortization (at issuer's discretion) sized based on Fiscal Plan forecast

Notes

(1) Allocation on account of GO Guarantee claims limited to deficiency claims after creditor recovery at issuer entity



Term Sheet: Senior Cash Flow Bond

Security

- Senior Cash Flow Bonds
 - Structured as Turbo Capital Appreciation Bond with 5.00% Accrual Rate
 - Subordinated in right of payment to the New Senior Bond
 - Provisions for new debt issuance

Allocation

- Senior Tranche issued to holders of allowed GO / COFINA claims on account of deficiency

Amount

- \$8.0 billion

Debt Service

- Annual partial redemption of Accreted Value based on Flow of Funds described below ⁽¹⁾

Flow of Funds

- For each fiscal year, all revenues available after (1) payment of GO Debt and (2) Government Expenditures will be allocated:
 - 50% for debt service to the Cash Flow Bonds
 - 50% to be retained by the Government for the General Fund
- Waterfall payments for Cash Flow debt service:
 - First \$250 million to be split 90% to the Senior CF Bond; 10% to the Junior CF Bond
 - Any amounts in excess of \$250 million to be split 60% to the Senior CF Bond; 40% to the Junior CF Bond

Mandatory Prepayment

- Mandatory prepayment from 10% of the proceeds of any new GO debt issuance
 - Split 75% / 25% between the Senior and Junior tranches respectively

Maturity

- Any remaining CF Bond balances automatically forgiven on the 40 year anniversary of issuance
- Callable at the accreted value after 5 year anniversary

Term Sheet: Junior Cash Flow Bond

Security

- Junior Cash Flow Bonds
 - Structured as Turbo Capital Appreciation Bond with 5.50% Accrual Rate
 - Subordinated to the New GO Bond and the Senior Cash Flow Bond
 - Provisions for new debt issuance

Allocation

- Junior tranche issued on account of allowed claims for the following entities:
 - HTA
 - PRIFA
 - PRCCDA
 - MBA

Amount

- \$2.0 billion

Debt Service

- Annual partial redemption of Accreted Value based on Flow of Funds as described in Senior Cash Flow Bond including waterfall provisions

Mandatory Prepayment

- Mandatory prepayment from 10% of the proceeds of any new GO debt issuance
 - Split 75% / 25% between the Senior and Junior tranches respectively

Maturity

- Any remaining CF Bond balances automatically forgiven on the 40 year anniversary of issuance
- Callable after 10 year anniversary at premium TBD