



Intra-COFINA Allocation Proposal

June 18, 2018

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AGENT SETTLEMENT SUMMARY (\$MM)

COFINA bondholders receive cash at BNYM as of 6/30/18 and 53.65% of future PSTBA collections (beginning on 7/1/18)

COFINA Bondholder Recovery

	<u>Illustrative Discount Rate</u>	<u>NPV Amount</u>	<u>Recovery</u>
Cash at BNYM	-	\$1,196	6.3%
53.65% of the PSTBA	5.50%	11,007	57.8%
Total COFINA Recovery		\$12,204	64.0%
COFINA Claims (as of 9/30/18)		\$19,056	

Memo: 64.9% recovery against claims as of 6/30/2018 of \$18.8BN.

PROPOSAL

National, Ambac and a majority of the COFINA Senior Bondholders' Coalition make the following settlement proposal to COFINA subordinate bondholders and cross-holders:

STRUCTURE	<ul style="list-style-type: none"> ▪ Tax-Exempt Coupon: 5.50% ▪ Senior bondholders would agree to waive enforcement of strict priority ▪ Subordinate bondholders to receive same tranche of bonds as senior bondholders ▪ Cash at Bank of New York (net of fees, expenses and debt service reserve) to be used to reduce principal claims of senior bondholders 												
MARKET TEST COLLAR	<ul style="list-style-type: none"> ▪ Market Test Collar: 5.250% - 5.75% ▪ Market test based on yield to maturity ▪ Market test to begin on day 90 and performed until day 180 ▪ \$538MM face amount of bonds held back <ul style="list-style-type: none"> – \$266MM from senior bondholders – \$272MM from subordinate bondholders 												
POST-PETITION SENIOR RECOVERIES ⁽¹⁾	<ul style="list-style-type: none"> ▪ 92.8% on post-petition claims after dilution from fees and expenses (which equates to 100% of pre-petition claim of all Senior bonds) ▪ Available cash at Bank of New York Mellon <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td>Yield to Maturity</td> <td>5.25%</td> <td>5.50%</td> <td>5.75%</td> </tr> <tr> <td>Price</td> <td>104.1%</td> <td>100.0%</td> <td>96.1%</td> </tr> <tr> <td>Recovery⁽¹⁾</td> <td>92.8%</td> <td>92.8%</td> <td>92.8%</td> </tr> </table>	Yield to Maturity	5.25%	5.50%	5.75%	Price	104.1%	100.0%	96.1%	Recovery ⁽¹⁾	92.8%	92.8%	92.8%
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Recovery ⁽¹⁾	92.8%	92.8%	92.8%										
PRE-PETITION SUBORDINATE RECOVERIES ⁽²⁾	<table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td>Yield to Maturity</td> <td>5.25%</td> <td>5.50%</td> <td>5.75%</td> </tr> <tr> <td>Price</td> <td>104.1%</td> <td>100.0%</td> <td>96.1%</td> </tr> <tr> <td>Recovery⁽²⁾</td> <td>48.0%</td> <td>43.4%</td> <td>39.1%</td> </tr> </table>	Yield to Maturity	5.25%	5.50%	5.75%	Price	104.1%	100.0%	96.1%	Recovery ⁽²⁾	48.0%	43.4%	39.1%
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CALL PROTECTION	<ul style="list-style-type: none"> ▪ TBD 												
LITIGATION TRUST	<ul style="list-style-type: none"> ▪ To investigate and prosecute claims against third parties arising out of investments in COFINA. Terms to be negotiated among RSA supporting parties 												

(1) Assumes COFINA senior post-petition accrued claim of \$8,363 million as of September 30, 2018.

(2) Assumes COFINA pre-petition subordinate claim of \$9,877 million as of May 5, 2017.

PROPOSAL (CONT'D)

RSA STRUCTURE	<ul style="list-style-type: none">▪ Terms to be negotiated among RSA supporting parties<ul style="list-style-type: none">– Value concession provided by senior bondholders will not be given to subordinate bondholders who opt out of receiving pro rata share of settlement consideration▪ Parties to the deal would agree not to oppose the granting of tax relief or incentives to holders who are local tax payers with respect to losses incurred on their bonds
FEES AND EXPENSES	<ul style="list-style-type: none">▪ Transaction fees and expenses of RSA supporting parties related to the COFINA restructuring split ratably between senior and subordinate bondholders, up to an agreed upon cap

RECOVERY SENSITIVITIES (\$MM)

Subordinate Recoveries

Bond Price	YTM	Bond Face (Transferred) /	Subordinate Recoveries		
		Received	Value (\$)	Pre-Petition ⁽¹⁾	Post-Petition ⁽²⁾
104.1%	5.250%	\$266	\$4,746	48.0%	44.4%
102.0%	5.377%	132	4,512	45.7%	42.2%
100.0%	5.500%	-	4,292	43.4%	40.1%
98.0%	5.627%	(137)	4,071	41.2%	38.1%
96.1%	5.750%	(272)	3,863	39.1%	36.1%

(1) Assumes COFINA senior pre-petition claim of \$7,762 million and subordinate claim of \$9,877 million as of May 5, 2017.

(2) Assumes COFINA senior post-petition accrued claim of \$8,363 million and subordinate post-petition accrued claim of \$10,693 million as of September 30, 2018.

RECOVERY SENSITIVITIES (\$MM) (CONT'D)

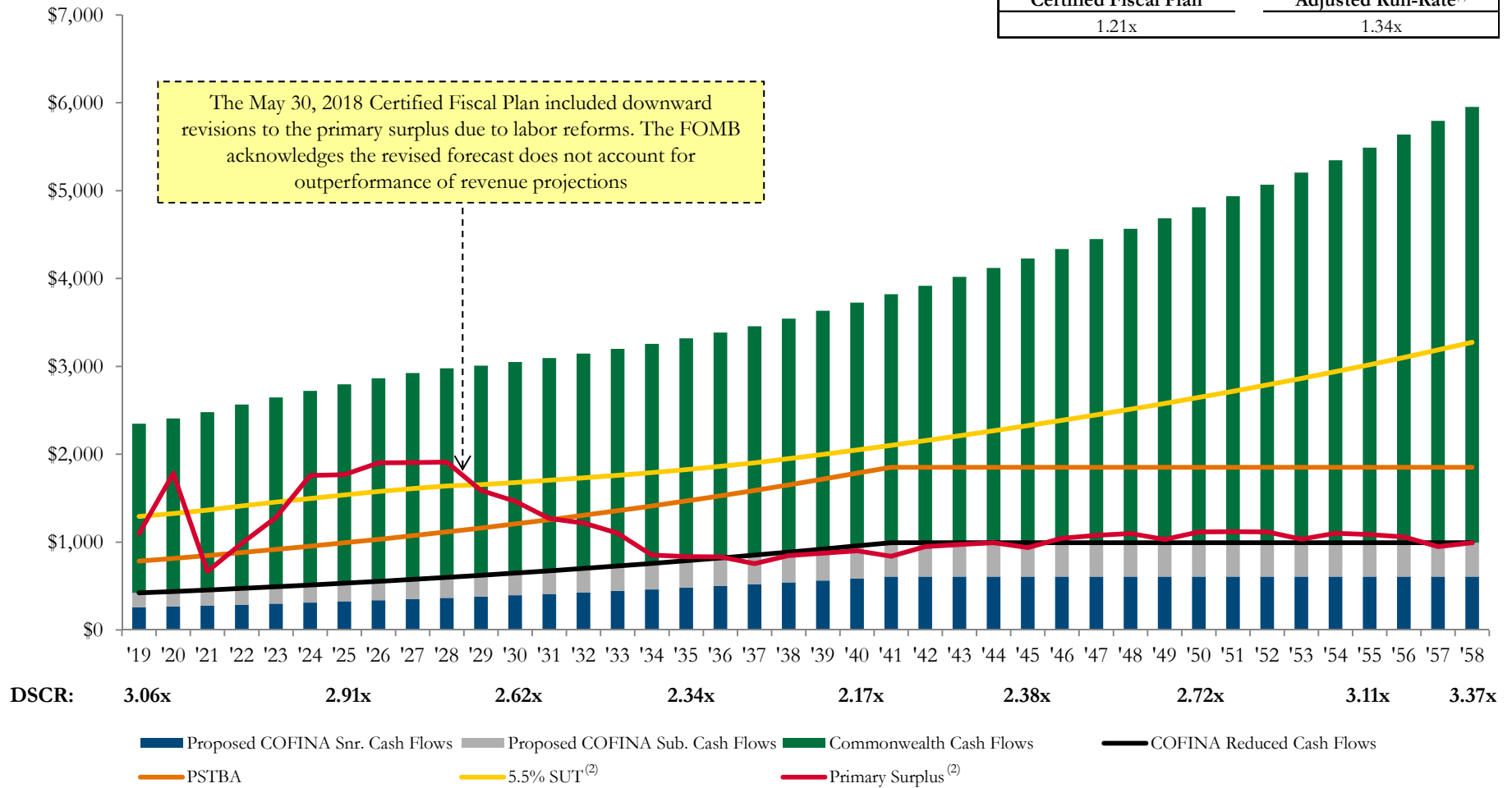
Senior Recoveries						
Bond Price		YTM	Bond Face	Value (\$)	Senior Recoveries	
			(Transferred) / Received		Pre-Petition ⁽¹⁾	Post-Petition ⁽²⁾
	104.1%	5.250%	(\$266)	\$7,762	100.0%	92.8%
	102.0%	5.377%	(132)	7,762	100.0%	92.8%
	100.0%	5.500%	-	7,762	100.0%	92.8%
	98.0%	5.627%	137	7,762	100.0%	92.8%
	96.1%	5.750%	272	7,762	100.0%	92.8%

(1) Assumes COFINA senior pre-petition claim of \$7,762 million and subordinate claim of \$9,877 million as of May 5, 2017.

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ANNUAL ALLOCATION (\$MM)

Fiscal Year 2018 MADS Coverage	
Certified Fiscal Plan	Adjusted Run-Rate ⁽¹⁾
1.21x	1.34x



(1) Represents 100% of FY2017 actual 5.5% SUT collections, given FY2018 year-to-date actuals, adjusted for government emergency measures, are in line with FY2017 collections.

(2) Per May 30, 2018 revised Commonwealth Certified Fiscal Plan.