Working Group for the Fiscal and Economic Recovery of Puerto Rico

Puerto Rico Fiscal and Economic Growth Plan

Update Presentation

January 18, 2016

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Working Group for the Fiscal and Economic Recovery of Puerto Rico

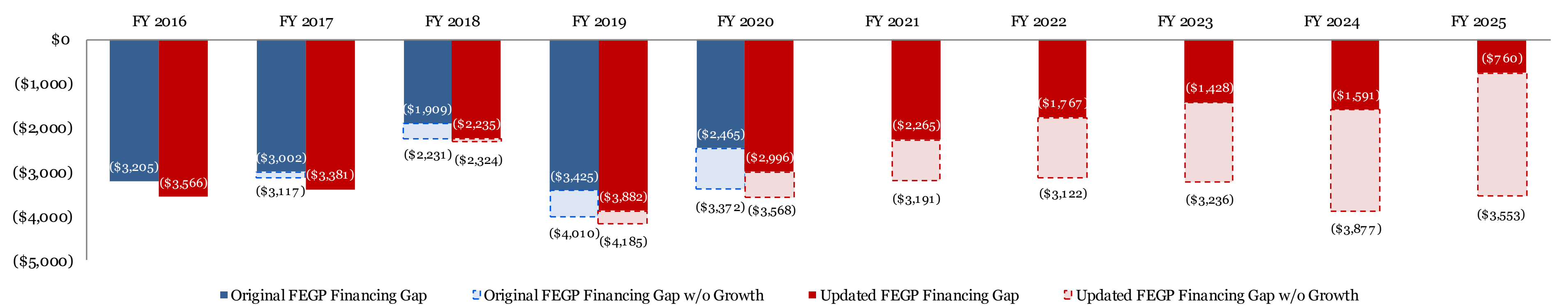
Executive Summary

Summary of Updated FEGP

The fiscal and humanitarian crisis facing Puerto Rico has been further exacerbated since the original Fiscal and Economic Growth Plan ("FEGP") was published on September 9, 2015, which is reflected in the larger estimated financing gaps in the updated FEGP projections summarized in this presentation

- The update to the original FEGP involves two primary components:
  1. Updating the projections from fiscal year ("FY") 2016 to FY 2020 to account for year-to-date ("YTD") actual results; and
  2. At the request of creditors, extending the updated FEGP projections by another five years to FY 2025
- The projected deficit over the first five years, inclusive of the estimated benefits of growth and implementation of the measures outlined in the original FEGP, has grown by approximately $2.1 billion since the release of the original FEGP
  - Puerto Rico's Treasury announced on December 14, 2015 that, based on revenues collected fiscal YTD, they were revising their full-year General Fund revenue projections significantly downward[1]
  - Consequently, the General Fund revenues included in the FEGP have decreased from a previous estimate of $9.46 billion for FY 2016 to $9.21 billion;[2] this decrease in projected revenues is the largest single driver of the increase in the projected deficit from the original FEGP
    - In order to confront this decrease in expected revenues, the Commonwealth has been forced to continue certain extraordinary liquidity measures in order to continue to provide essential services to the people of Puerto Rico and to comply with its constitutional obligations for the payment of its public debt

FEGP Financing Gap[3][4] – Original vs. Updated ($ millions)



Original FEGP 5-year Cumulative Financing Gap (FY '16 – FY '20): $14.0 billion | $15.9 billion ex. growth

Updated FEGP 5-year Cumulative Financing Gap (FY '16 – FY '20): $16.1 billion | $17.0 billion ex. growth

Updated FEGP 10-year Cumulative Financing Gap (FY '16 – FY '25): $23.9 billion | $34.0 billion ex. growth

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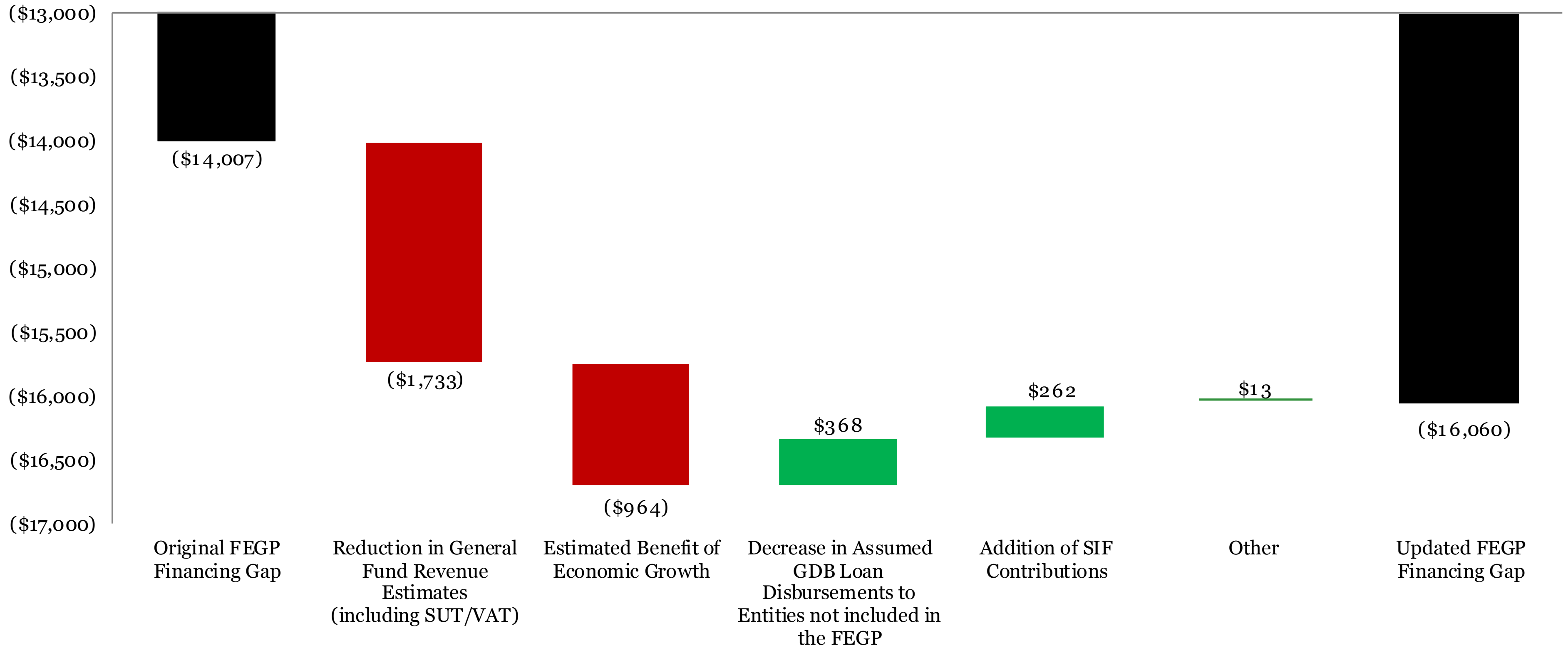
(1) See the press release from the Office of the Secretary of the Treasury of the Commonwealth of Puerto Rico dated December 14, 2015.
(2) Numbers are reported inclusive of the 4.5% increase in the Sales and Use Tax ("SUT") and the estimated benefit of the planned transition to a Value Added Tax ("VAT").
(3) For illustrative and comparative purposes only, the updated financing gaps shown on this slide (and only on this slide) use the same deposit replenishment assumption as those in the original FEGP, reflecting a build to $1.5 billion by FY 2017. The updated FEGP assumes deposit replenishments begin in FY 2017 and build to $1.5 billion evenly through FY 2020. This updated assumption is driven by the fact that the Commonwealth is unlikely, given its updated revenue projections and the time that will be required before a voluntary debt exchange can be executed, to be able to begin rebuilding its deposits in the Treasury Single Account until a later date than originally anticipated.
(4) For illustrative and comparative purposes only, the updated financing gaps shown on this slide (and only on this slide) use the same paydown of overdue accounts payable schedule as in the original FEGP. However, in the updated FEGP, paydown of overdue accounts payable is assumed on a more accelerated schedule compared to the original FEGP, to reduce pressure on local business activity, mitigate supply and service stoppages with respect to essential goods and services and avoid demands for COD. This acceleration of paydown is necessary to facilitate growth and private business activity.

Bridge to Updated FEGP

A summary of the key variances from the original FEGP to the updated FEGP projections over the first five years is provided below (additional detail is provided in the Appendix), which include:

- A reduction in revenue estimates based on YTD results; all future year projections beyond FY 2016 are grown from the FY2016 base, so lower FY 2016 revenues impact not only FY 2016, but all subsequent years as well (assuming similar growth rates)
- A delay in the assumed start of economic growth by one year as compared to the original FEGP, as the timing of any voluntary debt exchange and the implementation of the structural reforms required to promote growth are likely to take longer than originally anticipated by the team that developed the Krueger Report(1)
- A reduction in assumed loan disbursements by the Government Development Bank for Puerto Rico ("GDB") to entities not included in the FEGP
- The addition of assumed contributions from the State Insurance Fund ("SIF") beyond FY 2016 using historical averages(2)

Bridge to Updated FEGP Cumulative 5-year Financing Gap ($ millions)



(1) The "Krueger Report" refers to the report titled "*Puerto Rico - A Way Forward*" (as updated July 13, 2015), which was developed by a team of former International Monetary Fund ("IMF") economists.
(2) Represents historical average from FY 2010 to FY 2014, using the Commonwealth's unaudited and preliminary 2014 Comprehensive Annual Financial Report ("CAFR") and the published CAFR for 2010 to 2013. Transfers in FY 2016 are still assumed to be $105 million, as they were in the original FEGP.

Summary of Extended FEGP Projections

The updated FEGP projections beyond FY 2020 show that, even with economic growth and all of the measures outlined in the FEGP, the cumulative deficit, assuming current contractual debt service is paid, will continue to grow to approximately $23.9 billion over the ten-year projection period

- Key assumptions used in the extended FEGP, in addition to the measures outlined in the original FEGP, are:
  - By FY 2022 the Commonwealth economy reaches the long-term growth rate of the United States, as estimated by the Krueger Team(1)
    - This projection, while possible, is optimistic given the Commonwealth's real GNP growth has been below that of the United States since 2001(2)
  - The measures outlined in the original FEGP are assumed to continue, and the Act 66 expense freeze is assumed to end in FY 2020, after which point expenses are generally assumed to grow in line with inflation
- Note that the updated FEGP assumes the deposit replenishment schedule begins in FY 2017 (as opposed to FY 2016 in the original FEGP) and builds to $1.5 billion evenly by FY 2020, lowering the financing gap in FY 2016
- Furthermore, the updated FEGP assumes paydown of overdue accounts payable on a more accelerated schedule compared to the original FEGP, to reduce pressure on local business activity, mitigate supply and service stoppages with respect to essential goods and services, and avoid demands for COD. This acceleration of paydown is necessary to facilitate growth and private business activity
- See the Appendix for additional details on the assumptions supporting the extended FEGP projections

Projected FEGP Financing Gap over the 10-year Projection Period (FY 2016 – FY 2025) ($ millions)

											Total	
	2016P	2017P	2018P	2019P	2020P	2021P	2022P	2023P	2024P	2025P	5 Yr	10 Yr
Total Revenues	$17,389	$17,358	$17,560	$17,710	$17,841	$17,954	$18,080	$18,219	$18,368	$18,517	$87,858	$178,995
Total Non-interest Expenditure	(17,091)	(17,113)	(17,331)	(18,031)	(18,214)	(18,495)	(18,741)	(19,000)	(19,331)	(19,606)	(87,780)	(182,955)
Total Additional Expenses (Current Policies)	–	–	(1,082)	(2,680)	(2,812)	(2,896)	(2,958)	(3,028)	(3,089)	(3,157)	(6,574)	(21,702)
Total Debt Service	(4,121)	(3,396)	(3,272)	(3,861)	(3,463)	(3,412)	(3,173)	(3,109)	(3,522)	(3,021)	(18,113)	(34,350)
Identified Financing Sources / (Uses)	448	(1,188)	(1,127)	(876)	(626)	–	–	–	–	–	(3,369)	(3,369)
Total Est. Financing Gap before Measures	**($3,376)**	**($4,339)**	**($5,252)**	**($7,738)**	**($7,274)**	**($6,850)**	**($6,793)**	**($6,918)**	**($7,574)**	**($7,268)**	**($27,979)**	**($63,381)**
Revenue Measures	$1,006	$1,202	$1,768	$2,329	$2,346	$2,359	$2,373	$2,386	$2,399	$2,413	$8,652	$20,582
Expense Measures	51	443	1,104	1,468	1,778	1,779	1,781	1,782	1,787	1,795	4,844	13,768
Incremental Cost of Measures	(262)	(549)	(570)	(619)	(543)	(481)	(482)	(486)	(489)	(493)	(2,542)	(4,973)
Incremental Revenues from Economic Growth	–	–	89	303	573	927	1,355	1,808	2,286	2,793	965	10,133
Total Est. Financing Gap after Measures	**($2,580)**	**($3,243)**	**($2,860)**	**($4,257)**	**($3,120)**	**($2,265)**	**($1,767)**	**($1,428)**	**($1,591)**	**($760)**	**($16,060)**	**($23,871)**
Memo: Debt Service as a % of:												
Adjusted Revenues (3) (Excluding Growth)	*36%*	*29%*	*28%*	*32%*	*29%*	*28%*	*26%*	*25%*	*29%*	*24%*	*31%*	*29%*
Adjusted Revenues (3) (Including Growth)	*36%*	*29%*	*27%*	*32%*	*27%*	*26%*	*23%*	*22%*	*24%*	*20%*	*30%*	*26%*

(1) See the report "Puerto Rico – A Way Forward," updated as of July 13, 2015.
(2) Source: St. Louis Federal Reserve Database (FRED) for the Untied States historical GNP growth rates, and the Government Development Bank for Puerto Rico ("GDB") for Puerto Rico's GNP growth rates.
(3) Adjusted revenues shown represent revenues as shown in the FEGP, excluding Federal Transfers and GDB net loan inflows, plus revenue measures (and in the case of "Including Growth," the projected benefits of growth).

Emergency Liquidity Measures - First Half FY 2016

The Commonwealth was only able to pay GO debt service in January because it took emergency liquidity measures above and beyond those described in the Conway Mackenzie ("CM") Liquidity Update, dated August 25, 2015 (the "Liquidity Update")

- The Liquidity Update described a number of emergency liquidity initiatives necessary to keep the government open until at least November 2015, including:
  - Borrowing $400 million in emergency loans from its proprietary state insurance companies and workers compensation funds[1]
  - Halting the payment of monthly GO set asides ($93 million per month)
  - Requiring its insolvent pension systems to pre-fund benefit payments to retirees through the remainder of FY 2016[2]
  - Deferring tax refunds for the 2014 tax year (originally due on or before July 2015) and past-due payments to suppliers
    - As of June 2015, A/P was already estimated at $1.7 billion and 99 days outstanding (during FY 2014 days outstanding were 47 days)
- For the period ended December 31, 2015, TSA inflows[3] were lower than projected in the Liquidity Update by approximately $347 million[4], requiring the Commonwealth to take even more extreme cash preservation measures to extend its liquidity runway post November:
  - Commonwealth further deferred payments on 2014 income tax refunds, projected to be paid by December 31, 2015, <u>by $101 million</u>
    - As of December 31, 2015, the balance of unpaid 2014 tax year refunds was approximately $330 million
  - Stretched projected payments to suppliers for services rendered <u>by an additional $163 million</u>
    - A/P is estimated to have increased to over $1.8 billion[5] as of December 31, 2015 and A/P days outstanding has increased significantly as a result
  - Withheld approximately <u>$309 million in appropriations</u> from governmental entities, including UPR, HTA/GDB, PBA and PRIDCO
  - Implemented constitutional "clawback" of revenues assigned to certain government entities for the payment of GO debt
    - $164 million of such "clawed-backed" funds were used to pay January 1 GO maturity
- GDB has also taken substantial steps to <u>preserve liquidity</u> during the first half of FY 2016
  - GDB has materially slowed disbursements under its outstanding loan commitments and is not approving any new loans

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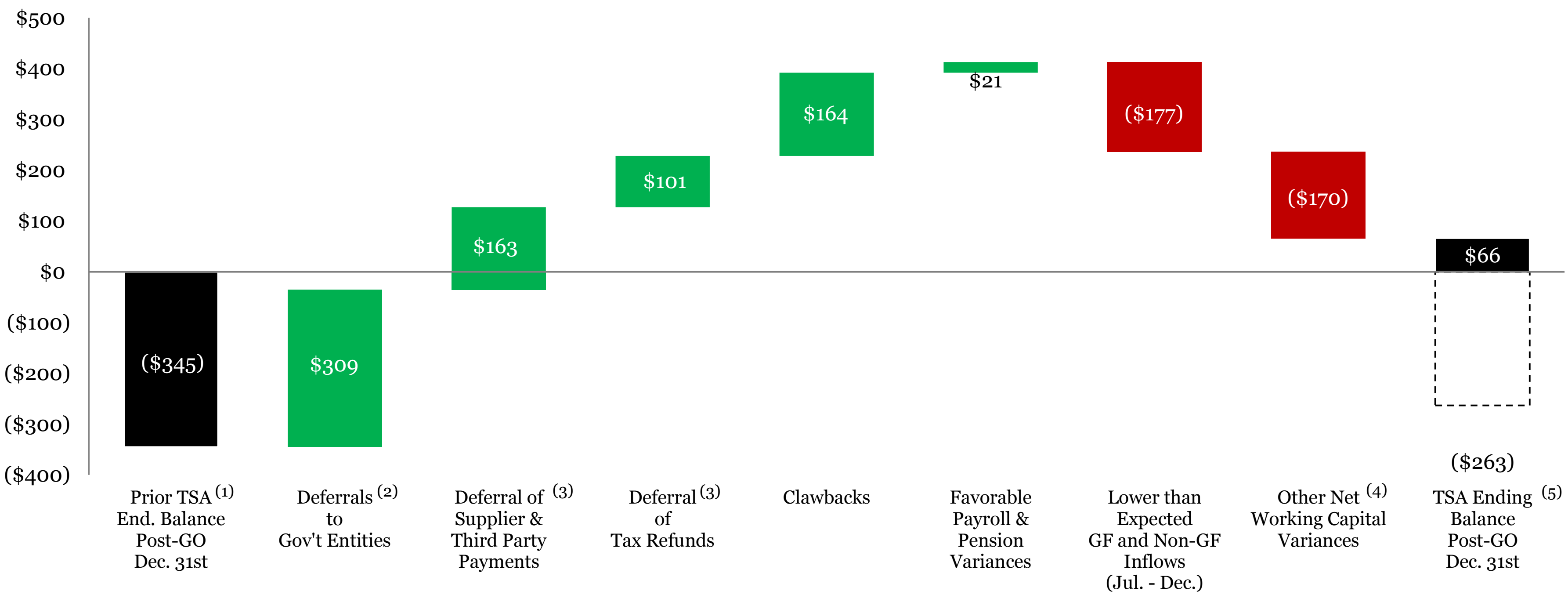
(1) Proprietary insurance companies include State Insurance Fund ("SIF"), Automobile Accidents Compensation Administration ("ACAA") and Temporary Non-Occupational Incapacity Insurance ("SINOT").
(2) Recent accelerations include a $400 million deposit made in December 2015 by the Employee Retirement System in the GDB to exclusively pre-fund pension benefit payments for FY 2016 and $180 million of TRS pension benefit payments which were pre-funded during November / December 2015. Pre-funded balances are drawdown periodically for the payment of pension benefit on a bi-weekly basis.
(3) TSA inflows include General Fund inflows, non-General Fund inflows, collections on behalf of component units, advances from net pension benefits, proceeds from net debt issuance, and other inflows.
(4) Reduced inflows primarily include General Fund inflows, non-General Fund inflows, GDB line of credit, federal funds, and Act 105 inflows. Explanation of inflows variance is outlined on the following page.
(5) Based on preliminary estimates subject to material revision; moreover, may not account for all payables as there is typically a substantial lag between the incurrence of an expense and that expense being recorded.

Bridge to December 31, 2015 TSA Cash Balance

A bridge from the TSA balance as of December 31, 2015 projected in the Liquidity Update, to the actual TSA balance on such date, is provided below:

Bridge to December 31, 2015 Bank Cash Balance ($ millions) – Post January Debt Service Payments



The TSA bank cash balance (net of January debt service payments) was $66 million as of December 31, 2015. Treasury needs to maintain a minimum cash balance in the TSA in order to honor outstanding checks, account for deposits in transit and fund essential services net of projected collections

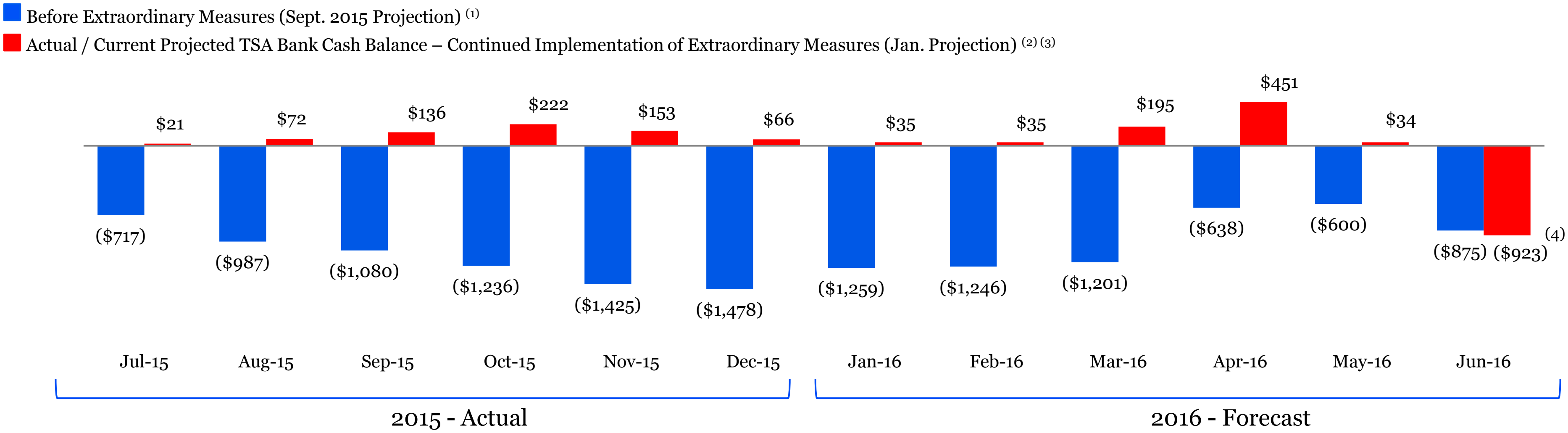
- As of December 31, 2015, the TSA's actual book cash balance was <u>negative $263 million after accounting for outstanding checks and deposits in transit</u>

(1) Represents projected ending cash balance of $205 million from the Liquidity Update, adjusted to exclude the benefit of pension system advances inherent in the projection.
(2) Government entities primarily include University of Puerto Rico, Puerto Rico Highway and Transportation Authority/Government Development Bank, Public Buildings Authority, and Puerto Rico Industrial Development Company.
(3) Deferrals are calculated based on CM's Liquidity Update dated August 25, 2015 as compared to the latest cash flow projection prepared by the Puerto Rico Treasury Department.
(4) Other net working capital variances include reduced availability of GDB line of credit ($300 million); partially offset by favorable inflows related to Federal Funds ($54 million); Act 105 inflows ($96 million) and other net working capital variances ($20 million).
(5) Cash balance has been adjusted to reflect disbursement for General Obligation debt service in January. $66 million represents the ending bank cash balance; after adjusting for deposits in transit and outstanding checks the book cash balance, was $263 million. Includes TSA operating account and investment account; does not include amounts advanced by the Commonwealth's pension systems, which by law are restricted for the payment of retiree benefits.

Projected Near-Term TSA Liquidity

Absent the Commonwealth's extraordinary and unsustainable liquidity measures described on the previous pages, the TSA would have already exhausted its available cash

Projected TSA Liquidity – Ending Bank Cash Balance ($ millions)



- The measures taken in the first half of FY 2016 have significantly increased the economic burden on taxpayers and third-party suppliers; continued stretching of payables will further jeopardize the delivery of essential services
- The TSA cash flow above thus assumes that the Commonwealth begins catching up on payments to suppliers and taxpayers during the second half of the current fiscal year(5)
  - The Commonwealth makes payments to suppliers during the second half of FY 2016 so that the A/P balance as of June 30, 2016 is equal to the amount outstanding as of June 30, 2015 (approximately $1.7 billion)
  - The balance of income tax refunds related to the 2014 tax year ($330 million as of December 31, 2015) are paid by June 30, 2016
    - However, accrued but unpaid tax refunds for the 2015 tax year, due on or before July 30, 2016, are estimated to amount to $500 million by June 30, 2016, which will require payment during the first months of FY 2017 and continue to place a material strain on Commonwealth finances
  - Deferrals to government entities (primarily UPR, HTA/GDB, PBA, PRIDCO, budgetary stipends), totaling approximately $309 million as of December 31, 2015, decrease to $105 million by June 30, 2016
- Projection assumes pension payments to retirees of approximately $580 million that are due during the second half of FY 2016 are paid from outside the TSA from restricted funds advanced by ERS and TRS
- GDB cannot be a source of liquidity for the Commonwealth or the public corporations
  - As of January 10, 2016, GDB had $667 million of total net liquidity and has $535 million(6) in debt service payments during the next 6 months
  - GDB also needs to disburse material TSA and non-TSA deposits during the period in order to maintain essential government services

(1) Extraordinary measures include the Intragovernmental TRANs ($400 million), GDB line of credit ($300 million), suspension of GO sinking fund payments ($93 million per month), pension fund advances, deferral of income tax return refunds during fiscal 2016. As of December 31, 2015 the book cash balance was $329 million lower than the bank cash balance, which is expected to continue through FY 2016.
(2) January's projections have been adjusted to reflect disbursement for General Obligation debt service in December.
(3) Projection prepared by the Puerto Rico Treasury Department as of January 15th, 2016. Cash balance includes TSA operating account and investment account; excludes amounts in clawback account and pension fund advances. General Fund inflow assumptions do not account for the potential risk of a material negative impact (~$115 million in FY 2016) from the ongoing Walmart litigation.
(4) June outflows include General Obligation debt service and assume that $184 million accrued in the clawback account is used as payment for the GO debt service.
(5) Deferrals are calculated based on CM's Liquidity Update dated August 25, 2015 as compared to the latest cash flow projection.
(6) Includes $400 million of principal and $135 million of interest payments.

Key Takeaways

As in the original FEGP, the updated FEGP projections illustrate that the Commonwealth does not have a sufficient projected surplus to pay existing contractual debt service and a debt modification is necessary

- The baseline FEGP projections assumes 1.0% nominal growth per year (-1.0% real, 2.0% inflation) until FY 2018, at which point the Commonwealth experiences flat real economic growth (2.0% nominal), before gradually rising to a long-term nominal rate of 4.5% (2.5% real)
  - This long-term growth rate, while achievable and inline with the estimates in the Krueger Report for both long-term U.S. and Puerto Rico economic growth,(1) is optimistic given that Puerto Rico's real GNP growth has been below that of the U.S. every year since 2001(2)
- Even after assuming *all of the measures* outlined in the FEGP are implemented and the potential benefit of economic growth, the Commonwealth has only a $9.1 billion cumulative surplus over the ten-year projection period, as compared to ~$34.4 billion of remaining contractual debt service (including $1.4 billion already paid in FY 2016)
  - If one were to further assume that the U.S. government does not reduce its current level of programmatic support of Puerto Rico (which is to say, most importantly, assuming that Affordable Care Act ("ACA") funding is either renewed or the Commonwealth receives an equivalent amount of Federal Transfers starting in FY 2018), the Commonwealth would have a ~$22.7 billion cumulative surplus over the ten-year projection period, *which is still significantly below contractually required debt service*
- **Accordingly, a significant restructuring of the Commonwealth's debt is inevitable in order to avoid a disorderly default and allow the Commonwealth to implement the FEGP measures, so as to stop further erosion of business and consumer confidence and to optimize creditor recoveries**
  - The Obama Administration has already called upon Congress to provide Puerto Rico with equitable healthcare funding treatment and tax policy changes to reward work and support growth, as well as access to a broad debt restructuring regime(3)

Estimated Available Surplus/(Gap) before Debt Service ($ millions)

	2016P	2017P	2018P	2019P	2020P	2021P	2022P	2023P	2024P	2025P	Total 5 Yr	Total 10 Yr
Fin. Surplus/(Gap) including Measures, before Growth(4)	($2,580)	($3,243)	($2,950)	($4,560)	($3,693)	($3,191)	($3,122)	($3,236)	($3,877)	($3,553)	($17,025)	($34,004)
Plus: Removal of Remaining Debt Service(5)	2,724	3,396	3,272	3,861	3,463	3,412	3,173	3,109	3,522	3,021	16,716	32,953
Fin. Surplus/(Gap) (before Debt Service & Growth)	**144**	**154**	**322**	**(699)**	**(230)**	**220**	**52**	**(127)**	**(355)**	**(532)**	**(310)**	**(1,052)**
Plus: Estimated Benefit of Growth	–	–	89	303	573	927	1,355	1,808	2,286	2,793	965	10,133
Fin. Surplus/(Gap) (incl. Growth)	**144**	**154**	**411**	**(396)**	**343**	**1,147**	**1,406**	**1,680**	**1,931**	**2,261**	**655**	**9,082**
Plus: Replacement/Renewal of ACA Funds	–	–	544	1,605	1,737	1,821	1,883	1,953	2,014	2,082	3,887	13,640
Fin. Surplus/(Gap) (incl. ACA Replacement & Growth)	**$144**	**$154**	**$956**	**$1,209**	**$2,080**	**$2,968**	**$3,289**	**$3,633**	**$3,945**	**$4,343**	**$4,542**	**$22,721**
Memo: Total Debt Service	*4,121*	*3,396*	*3,272*	*3,861*	*3,463*	*3,412*	*3,173*	*3,109*	*3,522*	*3,021*	*18,113*	*34,350*

(1) See the report "*Puerto Rico – A Way Forward*," updated as of July 13, 2015. Note that the 2.5% projection is based on the Krueger Team's review of IMF estimates of potential growth in the United States in the previous decade (3%) and current projections of growth for the U.S. economy in the absence of needed structural reforms (2%). The projections going forward from FY 2021 are the midpoint (2.5%) of the aforementioned range.
(2) Source: St. Louis Federal Reserve Database (FRED) for the Untied States historical GNP growth rates, and the Government Development Bank for Puerto Rico ("GDB") for Puerto Rico's GNP growth rates.
(3) See "Addressing Puerto Rico's Economic and Fiscal Crisis and Creating a Path to Recovery: Roadmap for Congressional Action," released on October 21, 2015.
(4) This surplus/(gap) includes the updated deposit replenishment schedule, which assumes deposit replenishments begin in FY 2017 and build to $1.5 billion evenly through FY 2020. This also includes the accelerated paydown schedule for overdue accounts payable.
(5) FY 2016 only includes addback of debt service due after January 1, 2016, except for PRIFA Rum (inclusive of January 1, 2016 debt service withheld) and PFC (inclusive of debt service withheld since partial payment made on August 1, 2015). For all other years, total debt service is shown.

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Appendix

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Appendix - Updates to Original FEGP (FY 2016 – FY 2020)

Overview of Updates to Original FEGP

A review of the original FEGP projections in light of new data and developments available to the Working Group resulted in a number of changes to the projections, as summarized on the following pages

- The largest changes to the model that increased the size of the financing gap are:
  1. Updated General Fund revenue projection for FY 2016 based on data through December 2015[1] and diligence conducted by Conway MacKenzie; the largest variance is based on lower Sales and Use Tax, which has been averaging ~10% unfavorably to the prior estimates for the months of September through December (see appendix for additional details)
     - All subsequent General Fund revenue projections are grown based on the updated FY 2016 base
  2. Economic growth is assumed to begin one year later than previously estimated, as the timing of any debt restructuring and structural reforms will likely take more time than originally anticipated by the Krueger Team
- These negative impacts on the financing gap were partially offset by the assumed inflow of additional funds from SIF and revisions to projections for GDB
- Unlike the first page of the executive summary, the figures below (and in the rest of the presentation) include updated assumptions with regard to the deposit replenishments and paydown schedule of overdue accounts payable (both of which are discussed in more detail in the following pages)
- These changes, as well as several others that are described in more detail herein, have resulted in an increase to the cumulative financing gap over the five-year projection period from ~$14.0 billion to ~$16.1 billion

Summary of Updated FEGP Projections (FY 2016 – FY 2020) ($ millions)

	2016P	2017P	2018P	2019P	2020P	Total 5 Yr
Total Revenues	$17,389	$17,358	$17,560	$17,710	$17,841	$87,858
Total Non-interest Expenditure	(17,091)	(17,113)	(17,331)	(18,031)	(18,214)	(87,780)
Total Additional Expenses (Current Policies)	–	–	(1,082)	(2,680)	(2,812)	(6,574)
Total Debt Service	(4,121)	(3,396)	(3,272)	(3,861)	(3,463)	(18,113)
Identified Financing Sources / (Uses)	448	(1,188)	(1,127)	(876)	(626)	(3,369)
Total Est. Financing Gap before Measures	**($3,376)**	**($4,339)**	**($5,252)**	**($7,738)**	**($7,274)**	**($27,979)**
Original Estimated Financing Gap before Measures	*(4,075)*	*(4,386)*	*(4,670)*	*(7,437)*	*(7,217)*	*(27,786)*
Difference	*699*	*48*	*(582)*	*(301)*	*(57)*	*(193)*
Revenue Measures	$1,006	$1,202	$1,768	$2,329	$2,346	$8,652
Expense Measures	51	443	1,104	1,468	1,778	4,844
Incremental Cost of Measures	(262)	(549)	(570)	(619)	(543)	(2,542)
Incremental Revenues from Economic Growth	–	–	89	303	573	965
Total Est. Financing Gap after Measures	**($2,580)**	**($3,243)**	**($2,860)**	**($4,257)**	**($3,120)**	**($16,060)**
Original Estimated Financing Gap after Measures	*(3,205)*	*(3,002)*	*(1,909)*	*(3,425)*	*(2,465)*	*(14,007)*
Difference	*625*	*(241)*	*(952)*	*(832)*	*(655)*	*(2,053)*

(1) Preliminary actuals for month of December 2015.

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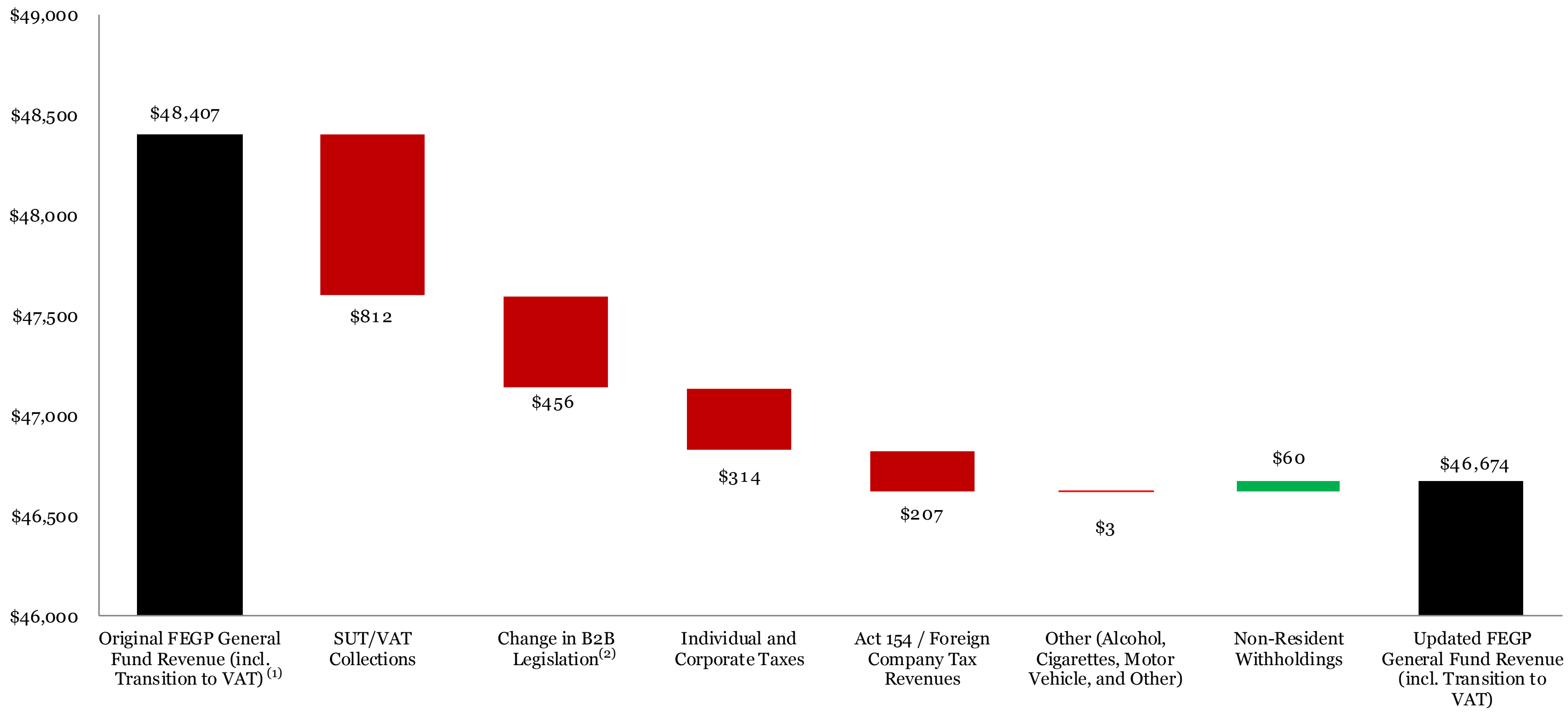
Bridge to Updated FEGP Revenue Projection

A summary of the original cumulative FEGP General Fund revenues from FY 2016 to FY 2020 and the total impact of the major adjustments in the updated FEGP projections are provided below

Bridge to Updated FEGP Cumulative 5-Year General Fund Revenues ($ millions)



(1) For comparative purposes, the original FEGP General Fund revenues shown here exclude CRIM and PRCCDA revenues.
(2) Business-to-Business ("B2B"); exemption imposed by Act 159-2015.

Detailed Bridge to Updated FEGP

The following provides additional detail on the bridge from the original FEGP projections to the updated FEGP projections over the same five-year projection period (FY 2016 – FY 2020)

$ millions	2016P	2017P	2018P	2019P	2020P	Comments
Original FEGP Fin. Gap after Measures	**($3,205)**	**($3,002)**	**($1,909)**	**($3,425)**	**($2,465)**	
General Fund Revenues incl. Transition to VAT	(255)	(365)	(368)	(371)	(374)	Revised forecast based on actual results through December 2015 (December is preliminary) and estimates for January through June as provided by Hacienda and Conway MacKenzie ("CM"). The revenue decline is primarily attributable to a reduction in SUT based on FYTD results, changes in Act 154 revenues, corporate/individual income taxes, and B2B exemptions imposed by Act 159-2015
General Fund Budget	–	71	(30)	304	427	Updated formula appropriations per revised General Fund revenue estimates. Also includes reduced healthcare appropriations that are offset by a larger deficit at ASES[1]
ASES Deficit (ex. ACA Loss)	7	(49)	73	(235)	(366)	See General Fund Budget change above. The reduction in General Fund Budget appropriations results in a corresponding increase in the financing gap at the component units
Affordable Care Act ("ACA") Loss	–	–	(18)	(7)	(8)	Based on revised ASES projections, driven by updated projection incorporating different Per-Member-Per-Month ("PMPM") rate from Triple-S/Metro North
SIF Contributions	–	65	65	66	66	Assumes SIF will continue to contribute to the General Fund at the average of FY 2010 - FY 2014 contribution level, grown at the Growth Factor[2]
Deposit Replenishment	986	139	(375)	(375)	(375)	Deposit replenishment build to $1.5bn spread evenly from FY 2017 to FY 2020, as a voluntary exchange is unlikely to take place much before the end of FY 2016 and the Commonwealth will need additional time to build funds; prior projections assumed the replenishment took place in FY 2016 and FY 2017
GDB Net Loan and Deposit Inflows/Outflows	(142)	6	161	165	178	Based on updated projections for GDB inflows and outflows. Assumes GDB makes no new loans to entities outside of the FEGP. Existing escrows will be disbursed to municipalities, after which they're assumed to solely rely on access to private credit (i.e. no new disbursements under existing credit facilities after full drawdown of current escrow balances)
AUC Risk from Other GF Entities	–	17	17	17	17	Update to pension calculations[3]
Estimated Benefit of Economic Growth	–	(115)	(233)	(282)	(334)	Estimated revenue benefit from economic growth reduced due to lower base revenues and the fact that a voluntary debt exchange and the structural reforms are likely to take longer than orginially anticipated, extending by one year from the original FEGP the period in which growth is expected to begin
Impact from Law 66	–	–	40	(70)	(81)	FY 2018 variance driven by payroll savings related to Collective Bargaining Agreement ("CBA") not modeled previously. Other variance due to update in General Fund revenues, which reduce formula appropriations and therefore the benefit of the expected extension of Act 66
Reduction of General Fund Expenses Associated with the Budgetary Reserve	40	–	–	–	–	Amount budgeted in FY 2016 that is not expected to be used in order to offset projected revenue shortfalls. Net of unused appropriations in prior years that may be spent in FY 2016
Expense Growth Assumption and Inflation Adjustment	(12)	(21)	(30)	(39)	(49)	Reflects update to grow non-General Fund governmental funds and non-major component unit deficits with inflation as opposed to with the Growth Factor. Additionally includes the impact of the change in inflation assumption for FY 2016 (also captured in variances above; numerous line items are impacted by a change in inflation)
AP Paydown	–	–	(251)	–	251	Overdue accounts payable are now assumed to be paid down on a more accelerated schedule (as compared to the original FEGP) to reduce pressure on local business activity, mitigate supply and service stoppages with respect to essential goods and services and avoid demands for COD. This acceleration of paydown is necessary to facilitate growth and private business activity
PRIFA BANs Debt Service	1	13	–	–	–	Updated for actual payments through December 2015
Earned Income Tax Credit	–	–	(1)	(3)	(4)	Grown at Growth Factor rather than held flat, as assumed in the original FEGP
CRIM Inflows	(2)	(2)	(2)	(2)	(2)	Revised FY 2016 estimate received from Hacienda (base from which future years are grown)
Total Variances in FEGP Estimates	$625	($241)	($952)	($832)	($655)	
Updated FEGP Fin. Gap after Measures	**($2,580)**	**($3,243)**	**($2,860)**	**($4,257)**	**($3,120)**	
Memo: General Fund Budget Variance Build[4]						
Formula Appropriations	*–*	*–*	*34*	*28*	*35*	
ASES Appropriations	*–*	*71*	*(64)*	*276*	*391*	
Total General Fund Budget Variance	*–*	*$71*	*($30)*	*$304*	*$427*	

Note that this page has been updated from a previous version posted to the GDB website. The changes made have no impact on the financing gap after measures shown above or on the description for each of the changes from the original FEGP.

(1) Puerto Rico Health Insurance Administration ("ASES" by its Spanish acronym).
(2) As defined later in the presentation.
(3) These projections are based on the current Additional Uniform Contributions ("AUC") letter provided by actuarial consultants in early 2015. An updated AUC letter is expected to be delivered on or before March 2016, and preliminary estimates point to an increase in AUC payments that may be material.
(4) Less than $1 million variance in PBA projections annually from FY 2017 to FY 2020.

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Layout Changes

Additionally, as a result of requests received following the publication of the original FEGP, a number of structural and organizational changes have been made to the layout of the FEGP projections, which did not have an impact on the estimated financing gaps

- For purposes of more clearly delineating revenues from expenditures, certain estimates that were previously shown on a net basis have been broken out
  - Puerto Rico Infrastructure Financing Authority ("PRIFA") petroleum revenues have been shown separately rather than being consolidated within GDB net operating revenue
  - In the revenue total, GDB projections have been updated to only reflect loan-related inflows from its portfolio, with net deposit outflows and loan outflows moved to the expenditure side
  - Puerto Rico Convention Center District Authority ("PRCCDA") revenues, as well as inflows from the Municipal Revenues Collection Center ("CRIM" by its Spanish acronym), are broken out separately in order to show General Fund revenues *without* other select revenues
  - Additionally, revenues from certain component units have also been broken out on the revenue side instead of being embedded with the net deficit of component units
    - Puerto Rico Industrial Development Company ("PRIDCO") revenues have been shown separately from expenses
    - Net revenues of component units that do not have bonded debt and that, after deducting expenses, historically result in positive earnings, have been shown as revenue inflows (net of expenses)
      - These component units were previously shown together with the component units that typically run a loss; as a result of this move to revenues, the component unit expenses shown for these other entities increase
    - SIF contributions in FY 2016 have been moved to component unit revenues (all projected future SIF contributions are also included in revenues)
  - University of Puerto Rico ("UPR") tuition and other revenues are now included in revenues and an offsetting expense is now shown as an outflow, which is based on the assumption that, following the cuts in UPR appropriations called for in the FEGP, UPR will not build a material positive cash balance (i.e. UPR revenues will be offset by expenses)
  - Federal Transfers (and offsetting Federal Programs) now include estimated UPR Federal and State grants and contracts, as well as the Federal Pell Grant Program

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Appendix - FEGP Model Extension (FY 2021 – FY 2025)

FEGP Extension Assumptions

The following assumptions have been made in order to extend the FEGP an additional five years

Revenues

- **General Fund ("GF") and SUT /VAT Revenues**
  - GF revenues (with the exception of Act 154 revenues, which are held flat) and SUT/VAT revenues are grown by the product of estimated inflation and the assumed Puerto Rico real GNP growth (the "Growth Factor")(1)
    - Assumed long-term inflation rates are based on discussions with the Commonwealth's economic consultants
    - In the "Base" projections before measures, the original FEGP assumed real GNP growth to be -1.0% per year; that assumption has been held constant in the updated FEGP (the result of this -1.0% and 2.0% inflation (after FY 2016) is the "Base Growth Factor")
    - To estimate the impact of growth, the prior model had assumed the Commonwealth economy experienced flat real GNP growth in FY 2017 and then ramped up to 2.0% by FY 2020 (the result of the higher growth rate and 2.0% inflation constituting the "High Growth Factor")
      - The new projections for the benefit of economic growth assume FY 2017 continues the -1.0% real GNP growth decline, flattens in FY 2018, and reaches 2.0% by FY 2021
      - Beyond FY 2021, the new projections assume real GNP growth to be equal to the long-term growth rate estimated in the Krueger Report, which in turn is based on the authors of that report's review of IMF estimates of potential growth in the United States in the previous decade (3%) and current projections of growth for the U.S. economy in the absence of needed structural reforms (2%). The projections going forward from FY 2021 are the midpoint (2.5%) of the aforementioned range

	2016P	2017P	2018P	2019P	2020P	2021P	2022P	2023P	2024P	2025P
Original FEGP Projections										
Estimated Inflation	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Real GNP Growth Rate										
Base Case	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)
High Case	(1.0%)	–	1.0%	1.5%	2.0%	2.5%	2.5%	2.5%	2.5%	2.5%
Nominal GNP Growth Rate										
Base Case	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
High Case	1.0%	2.0%	3.0%	3.5%	4.0%	4.5%	4.5%	4.5%	4.5%	4.5%
Revised FEGP Projections										
Estimated Inflation	1.1%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Real GNP Growth Rate										
Base Case	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)
High Case	(1.0%)	(1.0%)	–	1.0%	1.5%	2.0%	2.5%	2.5%	2.5%	2.5%
Nominal GNP Growth Rate										
Base Case	0.1%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
High Case	0.1%	1.0%	2.0%	3.0%	3.5%	4.0%	4.5%	4.5%	4.5%	4.5%

(1) Note that the GF revenue assumptions do not account for the potential risk of a material negative impact from the ongoing Walmart litigation. The preliminary estimated negative impact related to an unsuccessful outcome is approximately $115 million for FY 2016 and ~$1.3 billion over the ten-year projection period.

FEGP Extension Assumptions (cont'd)

Revenues (continued)

- **PRIFA Petroleum Revenues**
  - Petroleum revenues through FY 2025 were based on projections by a Puerto Rico economist (Dr. Jorge Freyre); the law governing these revenues resets the tax amount to target $325 million per year starting in FY 2018, and therefore, PRIFA revenues do not follow either Growth Factor
- **COFINA**
  - The SUT and VAT are based on an estimate of the dollar-per-point collection beginning with the FY 2016 projection and grown by the Base Growth Factor and, to estimate the benefit of economic growth, the High Growth Factor
    - The amounts shown for COFINA correspond to the Pledged Sales Tax Base Amount (the "PSTBA") due each year, as that term is defined in the COFINA bond resolutions and offering statements
- **PRIDCO Revenues**
  - PRIDCO revenues are grown at the Base Growth Factor
- **HTA Revenues**
  - Projections through FY 2020 are based on a report developed by FTI Consulting ("FTI")
  - Post-FY 2020 revenues are grown at the Growth Factor, with the exception of certain pledged tax revenues which are held flat year-over-year due to limits on the amounts that can be collected[(1)]
- **UPR Revenues**
  - Based on CM projections, which incorporate inflows from tuition, slot revenues, gifts, investment income, and other sources
- **PRCCDA**
  - Grown at the Base Growth Factor
- **GDB Loan Inflows**
  - Extended projections as provided by GDB; the projections assume that no new loans are made by GDB to entities outside of the FEGP, but disbursements related to existing loans are still made
  - GDB loan inflows (which include repayment of outstanding loans, including those from entities outside of the FEGP) are implicitly assumed to be reinvested in entities within the FEGP by the GDB
- **Component Units with Positive Net Revenues including Interest and Investment Earnings**
  - Revenues from component units that historically have a positive operating budget are grown at the Base Growth Factor and expenses are grown at inflation; the resulting net inflows are shown as a revenue line item
  - Includes SIF projections through FY 2025, which are grown at the Base Growth Factor

(1) Cigarette taxes and petroleum products taxes pledged to HTA are capped per year, as required under Act 31.

FEGP Extension Assumptions (cont'd)

Non-Interest Expenses

- **General Fund Budget**
  - Projections through FY 2025 were provided by the Office of Management and Budget ("OMB") using a model developed in conjunction with CM; post-FY 2020, the net effects of the measures and payroll payments are assumed to grow at inflation
- **GDB Loan and Net Deposit Outflows**
  - Based on updated estimates of GDB outflows assuming no new loans are made to entities outside the model – this assumption results in positive net inflows as existing loans are repaid over time
- **Additional Uniform Contribution and Catch-Up ("AUC")**
  - Employees Retirement System ("ERS") and Teachers Retirement System ("TRS") are projected through FY 2025 based on actuarial work completed by Milliman
  - Judicial Retirement System ("JRS") continues to be projected on a pay-as-you-go basis
  - The current projections assume the AUCs are paid in full based on the latest AUC letter provided by actuarial consultants in early 2015. An updated AUC letter is expected to be delivered on or before March 2016, and preliminary estimates point to an increase in AUC payments that may be material
- **Net Operating Deficit of Non-GF Governmental Funds**
  - The deficits of the "non-budgeted funds" are projected to grow at inflation from FY 2016 through FY 2025
- **Component Units**
  - CM diligence and reports formed the basis for many of the largest component units included in the model
  - The original PRIDCO and PRCCDA expenses were based on projections provided by those agencies; the expenses of these agencies are projected to grow at inflation
  - UPR expenses post-FY 2020 are projected to evenly offset incremental UPR revenues
  - Other component units are projected to grow at inflation through FY 2025
- **Capital Expenditures ("CapEx")**
  - CapEx projections through FY 2020 were developed with the assistance of the Puerto Rico Public-Private Partnerships Authority and PRIFA
  - From FY 2021 to FY 2025, CapEx is projected based on the average of the prior five years (with the exception of certain "Extraordinary Maintenance and Repairs," which are based on the FY 2020 total) and grown at inflation
- **HTA Expenditures**
  - Projections through FY 2020 were based on the work of FTI; from FY 2021 on, expenses were assumed to grow at the rate of inflation

FEGP Extension Assumptions (cont'd)

Additional Expenses Based on Current Policies

- **Loss of ACA Funding**
  - The loss of ACA funding is estimated based on CM's extended ASES projections
- **Act 154/Foreign Company Tax Losses**
  - The estimates of the potential loss were developed based on a review of past Act 154-related tax receipts and diligence sessions with PRIDCO
    - The loss was estimated based on a review of income that would result from a modified source rule and the potential loss of businesses if the tax is no longer creditable
    - These losses were held flat in the extended projection period as the benefits of the tax are not projected to grow on the revenue side

Debt Service

- As previously scheduled

Identified Financing Sources

- **Change in Stock of Payables**
  - Non-tax refund related payables are projected to reach 35 days payable outstanding ("DPO") by FY 2020
  - There are no additional costs related with a pay down thereafter
  - The account balance of past-due accounts payable may differ from that estimated to the extent that certain payables have not been entered into the Commonwealth's systems. To the extent the balance of past-due accounts payable is larger than estimated, the required repayment of these payables may be larger, and may take longer, than estimated herein
  - In addition, to the extent the payable balance is built in FY 2016, it is possible that the "deficit" in FY 2016 could be reduced, but future years would require high payable repayment
- **Net Deposit Draw/Replenishment**
  - The Treasury Single Account ("TSA") deposit base is assumed to grow to $1.5 billion by FY 2020, after which it is held constant
- **Reserve Account Draws**
  - The updated FEGP continues to assume no debt service reserve draws; there is potential upside to the cash flows if any amounts in the existing debt service reserves are released as part of an exchange transaction and/or if the requirement to refill the reserves are waived
  - In practice, certain debt service reserve accounts will continue to be drawn following the January 1, 2016 debt service payment assuming the clawbacks are extended. Under the current governing debt documents, these reserves would have to be refilled and therefore, over time (assuming the clawbacks eventually come to an end), it would not be expected to have a net impact on the cumulative financing gap

FEGP Extension Assumptions (cont'd)

Revenue Measures

- **Complete Transition to VAT**
  - Dollar-per-point of tax projections continue to grow at the Base Growth Factor in the extended projection period; to estimate the impact of growth the High Growth Factor is used and then the differential from the Base Growth Factor is calculated
- **Stabilize Corporate Tax Revenue Base**
  - This is projected to match the estimated loss from not extending Act 154
- **Improve Tax Administration and Enforcement**
  - This source of additional revenue is projected to grow at the Base Growth Factor

Expense Measures

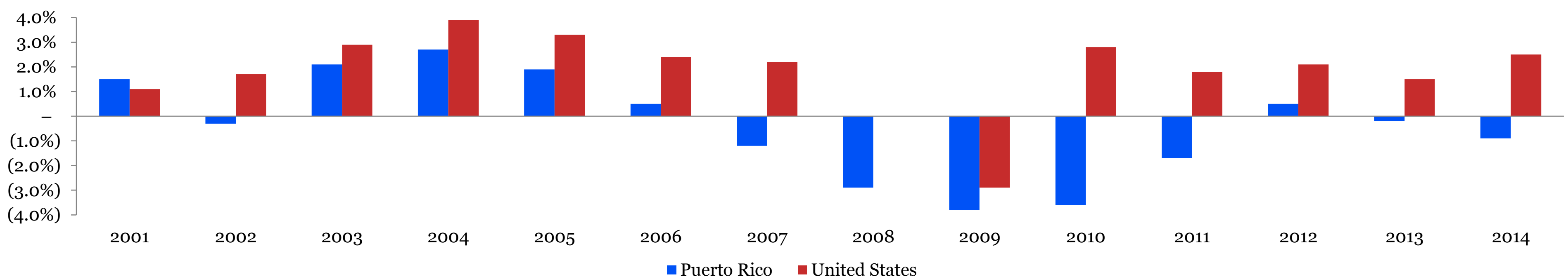
- **Reduce Operating Costs and Cuts in Governmental Subsidies**
  - Beyond FY 2020, the expenses subject to Act 66 and the reduction in government subsidies are generally assumed to grow, from the *net amount* after the impacts of Act 66 and cuts in subsidies in FY 2020, by inflation
    - The impact of Act 66 on water utility expenses is not projected to continue past FY 2017. General Fund water utility expenses are projected to grow at 4.5% (as projected in PRASA's business plan)
- **Right-Size Department of Education**
  - This expense measure is grown at projected inflation
- **Control Health Care Costs**
  - This expense measure is grown at projected inflation

FEGP Extension Assumptions (cont’d)

Expense Measures (continued)

- **Incremental Cost of Measures**
  - The growth of the incremental cost of projected measures vary
    - The Earned Income Tax Credit (“EITC”) costs are assumed to continue to grow at the Base Growth Factor and, when estimating the benefits of economic growth, at the High Growth Factor
    - Growth CapEx is grown by projected inflation starting from a base of 50% of the average from FY 2016 to FY 2020
    - Incremental pension costs are as projected, on a preliminary basis, by Milliman
- **Economic Growth**
  - Economic growth is measured by the difference between GF revenue (and certain other revenues) grown at the Base Growth Factor and at the High Growth Factor
    - The new projections for the benefit of economic growth assume FY 2017 continues the 1.0% real GNP growth decline, flattens in FY 2018, and reaches 2.0% by FY 2021
    - Beyond FY 2021, the new projections assume real GNP growth to be equal to the long-term growth rate estimated in the Krueger Report, which in turn is based on the authors of that report's review of IMF estimates of potential growth in the United States in the previous decade (3%) and current projections of growth for the U.S. economy in the absence of needed structural reforms (2%). The projections going forward from FY 2021 are the midpoint (2.5%) of the aforementioned range
  - The long-term growth assumptions in the FEGP may be achievable but cannot be guaranteed with any certainty given that Puerto Rico’s real GNP growth rate has been below that of the United States every year since 2001, as shown below

Real GNP Growth Rates – Puerto Rico vs. United States[1]



(1) Sources: St. Louis Federal Reserve database (FRED) for United States historical GNP growth rates and the Government Development Bank for Puerto Rico for Puerto Rico’s GNP growth rates. Puerto Rico GNP reported on its fiscal year basis, while United States GNP reported on a calendar year basis.

Extended FEGP Projections (FY 2021 – FY 2025)

Based on the assumptions outlined previously, the following presents a summary of the extended FEGP projections through FY 2025

- As demonstrated below, the estimated cumulative financing gap over the 10-year projection period before measures and growth is ~$63.4 billion, and when including measures and growth, totals ~$23.9 billion (assuming all debt service is paid)
- See the Appendix for additional details

Projected FEGP Financing Gap over the 10-year Projection Period (FY 2016 – FY 2025) ($ millions)

	2016P	2017P	2018P	2019P	2020P	2021P	2022P	2023P	2024P	2025P	Total 5 Yr	Total 10 Yr
Total Revenues	$17,389	$17,358	$17,560	$17,710	$17,841	$17,954	$18,080	$18,219	$18,368	$18,517	$87,858	$178,995
Total Non-interest Expenditure	(17,091)	(17,113)	(17,331)	(18,031)	(18,214)	(18,495)	(18,741)	(19,000)	(19,331)	(19,606)	(87,780)	(182,955)
Total Additional Expenses (Current Policies)	–	–	(1,082)	(2,680)	(2,812)	(2,896)	(2,958)	(3,028)	(3,089)	(3,157)	(6,574)	(21,702)
Total Debt Service	(4,121)	(3,396)	(3,272)	(3,861)	(3,463)	(3,412)	(3,173)	(3,109)	(3,522)	(3,021)	(18,113)	(34,350)
Identified Financing Sources / (Uses)	448	(1,188)	(1,127)	(876)	(626)	–	–	–	–	–	(3,369)	(3,369)
Total Est. Financing Gap before Measures	**($3,376)**	**($4,339)**	**($5,252)**	**($7,738)**	**($7,274)**	**($6,850)**	**($6,793)**	**($6,918)**	**($7,574)**	**($7,268)**	**($27,979)**	**($63,381)**
Revenue Measures	$1,006	$1,202	$1,768	$2,329	$2,346	$2,359	$2,373	$2,386	$2,399	$2,413	$8,652	$20,582
Expense Measures	51	443	1,104	1,468	1,778	1,779	1,781	1,782	1,787	1,795	4,844	13,768
Incremental Cost of Measures	(262)	(549)	(570)	(619)	(543)	(481)	(482)	(486)	(489)	(493)	(2,542)	(4,973)
Incremental Revenues from Economic Growth	–	–	89	303	573	927	1,355	1,808	2,286	2,793	965	10,133
Total Est. Financing Gap after Measures	**($2,580)**	**($3,243)**	**($2,860)**	**($4,257)**	**($3,120)**	**($2,265)**	**($1,767)**	**($1,428)**	**($1,591)**	**($760)**	**($16,060)**	**($23,871)**
Memo: Debt Service as a % of:												
Adjusted Revenues (Excluding Growth)	*36%*	*29%*	*28%*	*32%*	*29%*	*28%*	*26%*	*25%*	*29%*	*24%*	*31%*	*29%*
Adjusted Revenues (Including Growth)	*36%*	*29%*	*27%*	*32%*	*27%*	*26%*	*23%*	*22%*	*24%*	*20%*	*30%*	*26%*

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Appendix - Illustrative Surplus/(Gap) Before Debt Service

Illustrative Surplus/(Gap) Before Debt Service

Based on the updated and extended FEGP projections previously outlined, the following presents a summary of the financing surpluses/(gaps) before debt service based on various different assumptions related to healthcare funding and economic growth, two of the critical variables impacting the projected financing gaps

- In the updated FEGP projections, assuming Congress does not take action to provide Puerto Rico with a similar level of funding as it provides today, the cumulative deficit increases by an estimated \$13.6 billion over the ten-year projection period, making healthcare funding one of the biggest drivers of the deficit in addition to existing debt service (and the potential for no meaningful economic growth)
- The scenarios shown below assume various levels of replacements for existing ACA funding, which could be accomplished through Congressional action or by the Commonwealth drastically reducing the healthcare benefits it provides to its citizens, with the latter approach *negatively* impacting the Commonwealth economy and its citizens
  - The Obama administration has already called upon Congress to provide Puerto Rico with more equitable healthcare funding

Available Surplus/(Gap) with No Benefits of Economic Growth and No Replacement of ACA Funds (\$ millions)

- The table below illustrates the cash flows available *before debt service,* assuming the loss of ACA funds and no economic growth
- The cumulative financing gap over the ten-year projection period under these assumptions, even after removing debt service, is projected to be ~\$1.1 billion, illustrating the need for equitable healthcare funding and the necessity of economic growth

	2016P	2017P	2018P	2019P	2020P	2021P	2022P	2023P	2024P	2025P	Total 5 Yr	Total 10 Yr
Financing Surplus/(Gap) before Growth	(\$2,580)	(\$3,243)	(\$2,950)	(\$4,560)	(\$3,693)	(\$3,191)	(\$3,122)	(\$3,236)	(\$3,877)	(\$3,553)	(\$17,025)	(\$34,004)
Plus: Removal of Remaining Debt Serv.[1]	2,724	3,396	3,272	3,861	3,463	3,412	3,173	3,109	3,522	3,021	16,716	32,953
Fin. Surplus/(Gap) (before Debt Serv. & Growth)	**\$144**	**\$154**	**\$322**	**(\$699)**	**(\$230)**	**\$220**	**\$52**	**(\$127)**	**(\$355)**	**(\$532)**	**(\$310)**	**(\$1,052)**
Memo: Fin. Surplus/(Gap) as % of Adj. Rev. Without Growth	*1.2%*	*1.3%*	*2.7%*	*(5.9%)*	*(1.9%)*	*1.8%*	*0.4%*	*(1.0%)*	*(2.9%)*	*(4.3%)*	*(0.5%)*	*(0.9%)*
Memo: Full Debt Service	*4,121*	*3,396*	*3,272*	*3,861*	*3,463*	*3,412*	*3,173*	*3,109*	*3,522*	*3,021*	*18,113*	*34,350*

Available Surplus/(Gap) with No Benefits of Economic Growth and Full Replacement of ACA Funds (\$ millions)

- If the full estimated loss of ACA funds were replaced, whether by Congress or otherwise, ~\$12.6 billion of cumulative surplus over the ten-year period could be realized, *before* current debt service (which totals ~\$34.4 billion over the period, excluding \$1.4 billion already paid in FY 2016)

	2016P	2017P	2018P	2019P	2020P	2021P	2022P	2023P	2024P	2025P	Total 5 Yr	Total 10 Yr
Financing Surplus/(Gap) before Growth	(\$2,580)	(\$3,243)	(\$2,950)	(\$4,560)	(\$3,693)	(\$3,191)	(\$3,122)	(\$3,236)	(\$3,877)	(\$3,553)	(\$17,025)	(\$34,004)
Plus: Removal of Remaining Debt Serv.[1]	2,724	3,396	3,272	3,861	3,463	3,412	3,173	3,109	3,522	3,021	16,716	32,953
Plus: Replacement/Renewal of ACA Funds	–	–	544	1,605	1,737	1,821	1,883	1,953	2,014	2,082	3,887	13,640
Fin. Surplus/(Gap) (Incl. ACA Loss Addback)	**\$144**	**\$154**	**\$866**	**\$906**	**\$1,507**	**\$2,042**	**\$1,935**	**\$1,826**	**\$1,659**	**\$1,551**	**\$3,577**	**\$12,588**
Memo: Fin. Surplus/(Gap) as % of Adj. Rev. Without Growth	*1.2%*	*1.3%*	*7.3%*	*7.6%*	*12.5%*	*16.9%*	*15.9%*	*14.9%*	*13.4%*	*12.5%*	*6.1%*	*10.5%*
Memo: Full Debt Service	*4,121*	*3,396*	*3,272*	*3,861*	*3,463*	*3,412*	*3,173*	*3,109*	*3,522*	*3,021*	*18,113*	*34,350*

Note: The cash flows above do not include certain expenses, such as banker and advisor fees, that could be owed in the event of a voluntary exchange or new capital raise.

(1) FY 2016 only includes addback of debt service due after January 1, 2016, except for PRIFA Rum (inclusive of January 1, 2016 debt service withheld) and PFC (inclusive of debt service withheld since partial payment made on August 1, 2015). For all other years, total debt service is shown.

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Illustrative Surplus Before Debt Service (cont'd)

Available Surplus/(Gap) Assuming Various Real GNP Growth Rates and No Replacement of ACA Funds

- The table below summarizes the available surplus/(gap) assuming no replacement of ACA funds but various levels of real GNP growth rates beginning in FY 2018
  - Real GNP stays at -1.0% for FY 2016 and FY 2017, while inflation remains at 1.1% for FY 2016 and 2.0% thereafter

Financing Surplus/(Gap) before Debt Service ($ millions)

											Total	
Real GNP Growth	**2016P**	**2017P**	**2018P**	**2019P**	**2020P**	**2021P**	**2022P**	**2023P**	**2024P**	**2025P**	**5 Yr**	**10 Yr**
(1.0%)	$144	$154	$322	($699)	($230)	$220	$52	($127)	($355)	($532)	($310)	($1,052)
0.0%	144	154	411	(517)	47	602	541	473	360	301	238	2,514
1.0%	144	154	530	(273)	423	1,124	1,218	1,312	1,370	1,491	977	7,493
2.0%	144	154	620	(87)	713	1,534	1,756	1,987	2,191	2,470	1,544	11,482
FEGP[1]	144	154	411	(396)	343	1,147	1,406	1,680	1,931	2,261	655	9,082
Memo: Total Debt Serv.	*4,121*	*3,396*	*3,272*	*3,861*	*3,463*	*3,412*	*3,173*	*3,109*	*3,522*	*3,021*	*18,113*	*34,350*

Available Surplus with Full Benefits of Economic Growth and Full Replacement of ACA Funds ($ millions)

- If the Commonwealth were to benefit from both 100% of the projected economic growth and Congress were to maintain its current level of support for the Commonwealth healthcare system, then by FY 2025 it would have nearly $4.3 billion of annual surplus before debt service
  - While not enough to pay cumulative debt service over the projection period, by FY 2022 the annual surplus would be enough to cover the *current contractual* debt service payments *for that year*
- This scenario, however, comes with substantial risks, as economic growth, as well as all of the measures outlined in the FEGP, would be necessary to reach the projected $4.3 billion annual surplus in FY 2025

											Total	
	2016P	**2017P**	**2018P**	**2019P**	**2020P**	**2021P**	**2022P**	**2023P**	**2024P**	**2025P**	**5 Yr**	**10 Yr**
Financing Surplus/(Gap) before Growth	($2,580)	($3,243)	($2,950)	($4,560)	($3,693)	($3,191)	($3,122)	($3,236)	($3,877)	($3,553)	($17,025)	($34,004)
Plus: Removal of Remaining Debt Serv.[2]	2,724	3,396	3,272	3,861	3,463	3,412	3,173	3,109	3,522	3,021	16,716	32,953
Plus: Replacement/Renewal of ACA Funds	–	–	544	1,605	1,737	1,821	1,883	1,953	2,014	2,082	3,887	13,640
Plus: Estimated Benefit of Growth	–	–	89	303	573	927	1,355	1,808	2,286	2,793	965	10,133
Fin. Surplus/(Gap) (Incl. ACA Loss Addback & Growth)	**$144**	**$154**	**$956**	**$1,209**	**$2,080**	**$2,968**	**$3,289**	**$3,633**	**$3,945**	**$4,343**	**$4,542**	**$22,721**
Memo: Fin. Surplus/(Gap) as % of Adj. Rev. With Growth	*1.2%*	*1.3%*	*8.0%*	*9.9%*	*16.5%*	*22.8%*	*24.3%*	*25.8%*	*26.9%*	*28.5%*	*7.7%*	*18.9%*
Memo: Full Debt Service	*4,121*	*3,396*	*3,272*	*3,861*	*3,463*	*3,412*	*3,173*	*3,109*	*3,522*	*3,021*	*18,113*	*34,350*

(1) Assumes ramp up to projected real GDP growth for the United States by FY 2022 as estimated by the Krueger Team.
(2) FY 2016 only includes addback of debt service due after January 1, 2016, except for PRIFA Rum (inclusive of January 1, 2016 debt service withheld) and PFC (inclusive of debt service withheld since partial payment made on August 1, 2015). For all other years, total debt service is shown.

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Appendix – Additional Projection Details

Detailed Model Projections

Based on the assumptions previously outlined, the following presents a summary of the estimated annual financing gaps from FY 2016 through FY 2025

Central Government Outlook ($ millions)	**2016P**	**2017P**	**2018P**	**2019P**	**2020P**	**2021P**	**2022P**	**2023P**	**2024P**	**2025P**	**Total 5 Yr**	**Total 10 Yr**
Revenues												
General Fund Revenues[1]	$8,210	$8,174	$8,213	$8,252	$8,291	$8,329	$8,366	$8,403	$8,439	$8,474	$41,141	$83,152
PRIFA Petroleum Revenues[2]	272	270	320	343	344	326	312	308	311	315	1,550	3,122
COFINA Revenues[3]	696	724	753	783	815	847	881	916	953	991	3,771	8,359
PRIDCO Revenues[4]	97	95	98	101	103	104	105	106	107	108	494	1,024
HTA Revenues[5]	677	636	643	645	648	652	657	661	665	670	3,249	6,555
UPR Revenues[6]	230	229	230	231	232	234	237	239	242	244	1,151	2,347
PRCCDA Allocated Hotel Taxes[7]	38	38	38	40	42	43	43	44	44	45	197	416
GDB Loan Inflows[8]	250	250	260	248	237	222	217	213	211	206	1,245	2,315
CRIM Inflows[9]	112	113	115	116	117	118	119	120	121	123	573	1,175
Federal Transfers[10]	6,587	6,653	6,718	6,783	6,848	6,916	6,985	7,054	7,124	7,195	33,590	68,864
Component Units with Positive Net Revenues incl. Interest and Inv. Earnings[11]	218	174	171	168	165	162	158	154	151	147	897	1,669
Total Revenue	**17,389**	**17,358**	**17,560**	**17,710**	**17,841**	**17,954**	**18,080**	**18,219**	**18,368**	**18,517**	**87,858**	**178,995**
Noninterest Expenditure												
General Fund Budget (ex. Debt Service and Additional Uniform Contributions)[12]	(7,963)	(8,186)	(8,733)	(8,938)	(9,193)	(9,404)	(9,552)	(9,719)	(9,951)	(10,124)	(43,013)	(91,763)
GDB Loan and Net Deposit Outflows[13]	(761)	(535)	(171)	(119)	(134)	(113)	(113)	(113)	(113)	(113)	(1,720)	(2,286)
Additional Uniform Contribution and Catch-up[14]	(314)	(282)	(283)	(780)	(781)	(781)	(782)	(782)	(782)	(783)	(2,439)	(6,349)
Net Operating Deficit of Non-General Fund Governmental Funds[15]	(235)	(240)	(245)	(250)	(255)	(260)	(265)	(270)	(276)	(281)	(1,225)	(2,577)
CU Net Op. Deficit incl. Exp. from Entities with Pos. Net Rev. (ex. Capex and ACA Loss)[16]	(565)	(442)	(488)	(509)	(515)	(523)	(538)	(545)	(557)	(572)	(2,518)	(5,253)
Capital Expenditures[17]	(386)	(585)	(545)	(503)	(338)	(349)	(356)	(363)	(370)	(378)	(2,358)	(4,173)
Federal Programs[18]	(6,587)	(6,653)	(6,718)	(6,783)	(6,848)	(6,916)	(6,985)	(7,054)	(7,124)	(7,195)	(33,590)	(68,864)
HTA Expenditures (ex. Debt Service and Capex)[19]	(279)	(189)	(149)	(150)	(151)	(148)	(151)	(154)	(157)	(161)	(918)	(1,690)
Total Noninterest Expenditure	**(17,091)**	**(17,113)**	**(17,331)**	**(18,031)**	**(18,214)**	**(18,495)**	**(18,741)**	**(19,000)**	**(19,331)**	**(19,606)**	**(87,780)**	**(182,955)**
Additional Revenues (Expenses) Based on Current Policies												
Loss of Affordable Care Act ("ACA") Funding[20]	–	–	(544)	(1,605)	(1,737)	(1,821)	(1,883)	(1,953)	(2,014)	(2,082)	(3,887)	(13,640)
Act 154 / Foreign Company Tax Losses[21]	–	–	(538)	(1,075)	(1,075)	(1,075)	(1,075)	(1,075)	(1,075)	(1,075)	(2,688)	(8,063)
Total Additional Revenues (Expenses) Based on Current Policies	**–**	**–**	**(1,082)**	**(2,680)**	**(2,812)**	**(2,896)**	**(2,958)**	**(3,028)**	**(3,089)**	**(3,157)**	**(6,574)**	**(21,702)**
Debt Service												
Consolidated Interest[22]	(2,314)	(2,367)	(2,317)	(2,236)	(2,167)	(2,105)	(2,051)	(2,014)	(1,963)	(1,962)	(11,401)	(21,496)
Consolidated Principal[22]	(1,807)	(1,029)	(955)	(1,625)	(1,296)	(1,306)	(1,123)	(1,095)	(1,559)	(1,059)	(6,713)	(12,854)
Total Debt Service	**(4,121)**	**(3,396)**	**(3,272)**	**(3,861)**	**(3,463)**	**(3,412)**	**(3,173)**	**(3,109)**	**(3,522)**	**(3,021)**	**(18,113)**	**(34,350)**
Identified Financing Sources (Uses)												
Change in Stock of Payables[23]	–	(827)	(752)	(501)	(251)	–	–	–	–	–	(2,331)	(2,331)
Net Deposit Draw/(Replenishment)[24]	448	(361)	(375)	(375)	(375)	–	–	–	–	–	(1,038)	(1,038)
Reserve Account Draws[25]	–	–	–	–	–	–	–	–	–	–	–	–
Identified Financing Sources (Uses)	**448**	**(1,188)**	**(1,127)**	**(876)**	**(626)**	**–**	**–**	**–**	**–**	**–**	**(3,369)**	**(3,369)**
Total Estimated Financing Gap before Measures	**($3,376)**	**($4,339)**	**($5,252)**	**($7,738)**	**($7,274)**	**($6,850)**	**($6,793)**	**($6,918)**	**($7,574)**	**($7,268)**	**($27,979)**	**($63,381)**

Note: See Appendix for footnotes.

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Detailed Model Projections (cont'd)

Central Government Outlook ($ millions)	2016P	2017P	2018P	2019P	2020P	2021P	2022P	2023P	2024P	2025P	Total 5 Yr	Total 10 Yr
Total Estimated Financing Gap before Measures	**($3,376)**	**($4,339)**	**($5,252)**	**($7,738)**	**($7,274)**	**($6,850)**	**($6,793)**	**($6,918)**	**($7,574)**	**($7,268)**	**($27,979)**	**($63,381)**
Revenue Measures[26]												
Complete Transition to VAT	996	1,117	1,128	1,140	1,152	1,164	1,176	1,188	1,200	1,213	5,533	11,474
Stabilize Corporate Tax Revenue Base	–	–	538	1,075	1,075	1,075	1,075	1,075	1,075	1,075	2,688	8,063
Improve Tax Administration & Enforcement	10	85	103	115	119	120	122	123	124	125	432	1,046
Revenue Measures	1,006	1,202	1,768	2,329	2,346	2,359	2,373	2,386	2,399	2,413	8,652	20,582
Expense Measures[26]												
Reduce Operating Costs	3	165	590	771	898	1,392	1,385	1,379	1,376	1,375	2,426	9,334
Cut Governmental Subsidies	–	50	200	350	500	–	–	–	–	–	1,100	1,100
Right-Size Department of Education	12	78	135	193	249	254	259	264	269	275	666	1,987
Control Health Care Costs	(4)	151	179	155	131	134	136	139	142	145	612	1,307
Reduction of General Fund Expenses Associated with the Budgetary Reserve	40	–	–	–	–	–	–	–	–	–	40	40
Expense Measures	51	443	1,104	1,468	1,778	1,779	1,781	1,782	1,787	1,795	4,844	13,768
Incremental Cost of Measures[27]	(262)	(549)	(570)	(619)	(543)	(481)	(482)	(486)	(489)	(493)	(2,542)	(4,973)
Est. Incremental Revenue from Economic Development and Structural Reforms[28]	–	–	89	303	573	927	1,355	1,808	2,286	2,793	965	10,133
Measures incl. Economic Growth	795	1,096	2,392	3,481	4,154	4,585	5,026	5,490	5,983	6,508	11,919	39,510
Residual Est. Financing Gap after Measures (incl. All Debt Service)	**($2,580)**	**($3,243)**	**($2,860)**	**($4,257)**	**($3,120)**	**($2,265)**	**($1,767)**	**($1,428)**	**($1,591)**	**($760)**	**($16,060)**	**($23,871)**

Note: See Appendix for footnotes.

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Detailed Model Summary Footnotes

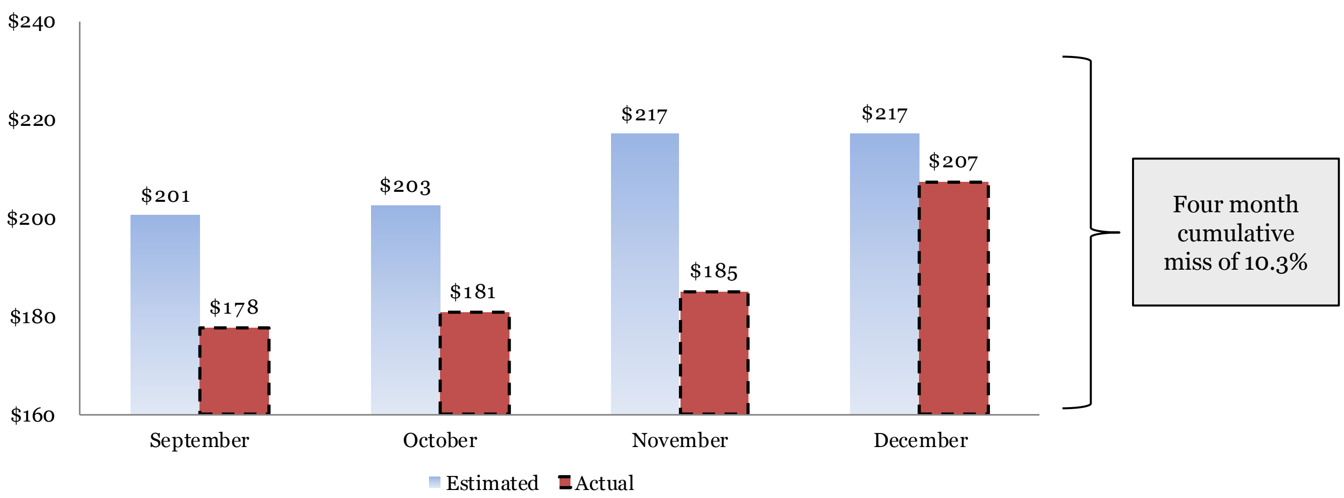
1. General Fund revenues estimates were updated to reflect greater knowledge of actual collections in 2016, as detailed previously.
2. PRIFA petroleum tax receipts are consistent with the FEGP but, unlike in the original FEGP, are shown separately from GDB loan portfolio performance.
3. COFINA revenues were estimated using a SUT waterfall based that allocates monies to COFINA and then other entities, including the General Fund. The revenues shown each year correspond to the Pledged Sales Tax Base Amount as defined in the COFINA bond documents.
4. PRIDCO revenues are consistent with the original FEGP but broken out separately.
5. HTA revenues include gas taxes, license fees, toll receipts, investments, petroleum taxes, cigarette taxes, Tren Urbano related receipts for FY2016, and other highway and operating receipts. The HTA projections assume the Tren Urbano is transferred to PRITA in FY 2017.
6. UPR revenues in excess of appropriations broken out assuming (consistent with the FEGP) that incremental revenues are offset evenly by additional expenses. Includes inflows related to tuition, slot, gifts, and investment income.
7. PRCCDA allocated hotel taxes are consistent with the original FEGP but broken out separately from General Fund revenues.
8. GDB loan inflows include cash flows from its loan portfolio to entities outside of the scope of the FEGP entities. Excludes deposit inflows, shown separately on a net basis with deposit outflows on the expense side. Assumes GDB makes no new loans to entities outside of the FEGP (but disbursements related to existing loans are still made).
9. CRIM inflows are broken out separately from General Fund revenues and otherwise consistent with the original FEGP.
10. Adjusted the FEGP Federal transfers to include UPR Federal and state grants (including the Federal Pell Grant program).
11. Component unit revenues are consistent with the original FEGP but broken out to show net revenues of entities with a surplus after expenses (inclusive of investment earnings and other revenues). Also includes State Insurance Fund contributions assuming that the SIF will continue to share profits with the General Fund as it has done so historically.
12. General Fund budget based on updated estimates of the budget from OMB. Excludes identified additional uniform contributions and debt service. Also adjusts appropriations to PBA and UPR to deduct debt service (which is then included in the principal and interest lines shown separately, consistent with the original FEGP.)
13. GDB loan and net deposit outflows include cash flows from its loan portfolio to entities outside of the scope of the FEGP entities, including deposits on a net basis. Assumes no new loans are made to entities outside of the FEGP (but disbursements related to existing loans are still made).
14. Calculated based on the current AUC letter and, as such, the calculated gap could change once the new AUC letter is submitted on or before March 2016. Consistent with the FEGP, reflects AUCs related to General Fund payments to fund the retirement systems and certain catch-up payments related to unpaid AUC amounts in FY 2014 and FY 2015. Also includes component units which have not budgeted for additional uniform contributions. Excludes $58 million annually of estimated AUCs required by municipalities which, if not funded, would further deplete assets in the retirement system.
15. Represents updated estimates of "non-budgeted funds." Excludes any losses from agencies with independent treasuries, which were included in the Krueger Report, based on further diligence and the inclusion of such outflows in other lines (namely, capex).
16. Component unit deficit estimates exclude estimated capital expenditures (which are included in the capital expenditure line) and other delineated expenses and risks, such as the loss of ACA funding. Additionally removes and breaks out separately net revenues of component units with a surplus after expenses and investment earnings.
17. Capital expenditures based on GDB forecast of recommended projects not available at the time of the Krueger Report and includes maintenance capex and capex related to regulatory compliance, construction in progress, judgements, emergencies, and extraordinary maintenance and repairs. Does not include municipal capital expenditures, which have historically been largely funded by the Commonwealth via bond issuances and GDB credit facilities.
18. Evenly offsets Federal transfers (including additional UPR grants), consistent with the original FEGP.
19. HTA expenditure includes highway and Tren Urbano disbursements, excluding capital expenditures and debt service and including the payment of past-due payables. Tren Urbano related disbursements after FY16 represent pay-down of past due payables, but not ongoing operating costs.
20. Per updated estimates based on further diligence done on ASES.
21. The currently estimated range of the impact of the loss of Act 154 is $650 million to $1,500 million. For illustrative purposes, the midpoint of this potential loss is included in the projections (with a half year impact assumed for FY 2018).
22. Included debt service payments related to GO, GDB, PBA, PFC, COFINA, PRIFA, UPR, PRCCDA, PRIDCO, GSA, PRIFA BANs, ERS, and HTA. PRIFA BANs include actuals through December 2015 and are on accelerated schedule with excess cash flow sweeps as estimated by GDB.
23. Accounts payable includes amounts owed to General Fund third parties, tax refunds, PRASA, PREPA, and police officer litigation. Excludes pay-downs by component units and HTA, which are embedded in the forecasts for those entities.
24. The required legal minimum reserve fluctuates based on the amount of demand deposits. For illustrative purposes, the minimum statutory liquidity requirement is held at $350 million and the Commonwealth will build to $1.5 billion in deposits evenly through FY 2020 beginning in FY 2017.
25. Assumes no draw on debt service reserve accounts.
26. See Fiscal and Economic Growth Plan for detail on various revenue and expense measures.
27. Incremental costs of the various measures consist of estimates of incremental capex necessary for the measures and growth, incremental pension contributions associated with the measures, cost of earned income tax credits, investment in a new accounting system and the implementation of a new Institute of Statistics plan.
28. Represents the difference between forecasted General Fund and other revenues in a high growth scenario relative to a baseline forecast. Assumes that the Commonwealth is able to institute reforms leading to economic growth.

Detailed Model Projections – SUT Adjustment

The chart below provides an overview of actual SUT collections since the FEGP was published in September as compared to the projected SUT collections

- As the chart below illustrates, actual SUT collections from September to December (excluding B2B), at the increased rate of 10.5%,(1) have been running roughly 10% below projections
  - December actuals represent preliminary results

FY 2016 Estimated SUT Collections vs. Actuals ($ millions)



(1) Total SUT increased in July 2016 from 7% to 11.5%. Of the total increased SUT, 10.5% is imposed by Hacienda and the remainder goes to municipalities.

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Appendix – Debt Service Detail by Issuer

Debt Service Detail by Issuer

Total interest and principal payments by issuer included in the updated FEGP are presented below

($ millions)	2016P	2017P	2018P	2019P	2020P	2021P	2022P	2023P	2024P	2025P
Interest										
GO [1]	$700	$757	$739	$707	$680	$658	$641	$621	$597	$571
GDB [2]	188	161	140	123	79	55	46	43	18	16
PBA [3][4]	191	186	187	183	179	175	169	163	157	151
PFC	57	56	55	54	53	51	50	48	46	44
COFINA [5][6][7]	643	690	689	687	700	711	705	716	740	789
PRIFA [8]	84	82	80	77	75	72	69	65	61	57
UPR [9]	23	22	21	19	18	17	16	14	13	12
PRCCDA	19	19	18	17	17	16	15	15	14	13
PRIDCO	9	11	11	7	7	6	5	5	4	3
GSA [10]	1	1	1	0	0	–	–	–	–	–
PRIFA BANs [11]	12	1	–	–	–	–	–	–	–	–
HTA [12]	220	215	211	193	193	179	171	165	158	151
ERS	167	167	167	167	167	167	164	159	155	154
Consolidated Interest	**$2,314**	**$2,367**	**$2,317**	**$2,236**	**$2,167**	**$2,105**	**$2,051**	**$2,014**	**$1,963**	**$1,962**
Principal										
GO	$426	$371	$327	$383	$439	$334	$358	$378	$402	$428
GDB	876	269	277	848	432	434	143	47	541	–
PBA	86	91	66	70	74	101	106	96	103	107
PFC	36	29	30	32	33	34	36	37	39	41
COFINA [5]	38	19	48	80	99	120	159	182	194	183
PRIFA [8]	43	46	48	50	51	54	62	86	64	73
UPR [9]	20	21	22	23	24	25	27	28	30	31
PRCCDA	11	12	12	13	14	14	15	16	17	17
PRIDCO	17	7	7	11	11	12	13	13	14	15
GSA [10]	5	5	5	5	5	–	–	–	–	–
PRIFA BANs [11]	146	52	–	–	–	–	–	–	–	–
HTA [12]	103	107	112	111	113	128	135	130	136	143
ERS	–	–	–	–	–	50	70	80	19	22
Consolidated Principal	**$1,807**	**$1,029**	**$955**	**$1,625**	**$1,296**	**$1,306**	**$1,123**	**$1,095**	**$1,559**	**$1,059**

Note: See Appendix for footnotes.

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Debt Service Detail by Issuer (cont'd)

Total debt service by issuer included in the updated FEGP is presented below

($ millions)	2016P	2017P	2018P	2019P	2020P	2021P	2022P	2023P	2024P	2025P
Debt Service										
GO [1]	$1,126	$1,128	$1,066	$1,091	$1,119	$991	$999	$999	$999	$999
GDB [2]	1,064	430	417	971	512	488	189	91	559	16
PBA [3] [4]	277	277	253	253	253	276	275	259	260	258
PFC	94	86	86	86	85	85	85	85	85	85
COFINA [5] [6] [7]	682	709	737	767	799	831	864	899	934	972
PRIFA [8]	128	128	127	127	126	126	130	151	125	131
UPR [9]	43	43	43	43	43	43	43	43	43	43
PRCCDA	30	30	30	30	30	30	30	30	30	30
PRIDCO	26	18	18	18	18	18	18	18	18	18
GSA [10]	6	6	5	5	5	–	–	–	–	–
PRIFA BANs [11]	158	53	–	–	–	–	–	–	–	–
HTA [12]	323	323	323	304	306	307	306	295	294	294
ERS	167	167	167	167	167	217	234	239	174	176
Consolidated Debt Service	**$4,121**	**$3,396**	**$3,272**	**$3,861**	**$3,463**	**$3,412**	**$3,173**	**$3,109**	**$3,522**	**$3,021**

Note: See Appendix for footnotes.

Debt Service Detail by Issuer Footnotes

Note: All numbers contained herein (the "Information") are shown net of pre-funded capitalized interest accounts where applicable. Numbers represent only bonded debt service and do not include private bank lines. Numbers have been adjusted to treat capital appreciation bond accretion as interest rather than principal. The debt service payment schedule is based in part on publicly available information from the GDB website and Bloomberg as well as information provided by Hacienda and GDB.

Certain Information contained herein represents estimates of select future debt service by certain issuers. Consumers of the Information are urged to review all public disclosure to form their own opinions as to future debt service obligations. Moreover, certain bonds are beneficiaries of subsidies, including, for example, those related to the Build America Bonds program, and how such obligations may be treated may be subject to uncertainty. Consumers of the Information are urged to make their own judgments of the size and availability of these and other subsidies going forward. Certain issuers may also have capitalized interest accounts available to offset interest payments. The Working Group has not conducted an evaluation of these capitalized interest accounts and makes no representation or warranty as to the accuracy of the amounts shown herein.

The Information makes assumptions about forward-floating interest rates based on LIBOR and CPI. Such assumptions were derived from Bloomberg or other advisors at a historical point in time. Actual LIBOR and/or CPI may differ materially from these assumptions in the future. The Working Group takes no view as to the accuracy or reasonableness of these assumptions and undertakes no obligation to update them in the future. Due to the uncertain nature of these assumptions, consumers of Information are urged not to rely on the variable rate debt service projections embedded in the Information.

1. CPI-based bonds' interest rate determined using CPI projections derived by Dr. Freyre as provided by GDB.
2. Numbers shown net of Build America Bond subsidies for series 2010B and 2010D. Per bond counsel, subsidies are offset by a sequestration cut of 6.8% for 10/1/15 to 9/30/16. For illustrative purposes only, figures herein assume a 6.8% sequestration impact for FY16 and 7.0% thereafter.
3. Assumes interest rate on Series M-2 bonds increases to 10% after remarketing on 7/1/17.
4. Numbers shown net of subsidies for Series R Qualified School Construction Bonds and Series T Qualified Zone Academy Bonds. Per bond counsel, subsidies are offset by a sequestration cut of 6.8% for 10/1/15 to 9/30/16. For illustrative purposes only, figures herein assume a 6.8% sequestration impact for FY16 and 7.0% thereafter.
5. COFINA pays debt service primarily on a semi-annual basis (though it has a limited number of quarterly and monthly payers) with principal payments made on 8/1 and interest payments primarily on 2/1 and 8/1. Payments made on 8/1 are counted as debt service for the fiscal year ended 6/30, approximately one month prior to payment.
6. LIBOR swap rate is used for Series 2007A (consistent with GDB provided files and the original FEGP.
7. Numbers shown net of the Build America Bond subsidy for Series 2010D and Recovery Zone Economic Development Bond subsidies for Series 2010E. Per bond counsel, subsidies are offset by a sequestration cut of 6.8% for 10/1/15 to 9/30/16. For illustrative purposes only, figures herein assume a 6.8% sequestration impact for FY16 and 7.0% thereafter.
8. PRIFA includes outstanding rum bonds, Port Authority debt, and ASSMCA bonds.
9. UPR excludes AFICA bonds.
10. GSA debt schedule as provided by GDB.
11. RBC BANs debt service paid the first of each month. Debt service paid on 7/1 is assumed to be paid in the fiscal year ending 6/30, consistent with other issuers. Debt service also includes actual payments through December 2015 and accelerated repayments using proceeds of a cash flow sweep of assumed excess petroleum proceeds per a schedule provided by GDB.
12. HTA excludes the 1998 Variable Rate Bonds purchased by GDB and Moscoso Bridge bonds which are primarily an obligation of Autopistas de Puerto Rico, which purchased a concession to operate toll facilities on the bridge. Should Autopistas be unable to pay debt service on the bonds, HTA will assume the obligation.