COMMONWEALTH OF PUERTO RICO
Government Development Bank for Puerto Rico

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

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Public Disclosure Release

GOVERNMENT DEVELOPMENT BANK and PUERTO RICO FISCAL AGENCY AND FINANCIAL ADVISORY AUTHORITY

San Juan – The Government Development Bank for Puerto Rico ("GDB") and the Puerto Rico Fiscal Agency and Financial Advisory Authority ("AAFAF") announced today that they, along with the Commonwealth of Puerto Rico (the "Commonwealth"), had conducted discussions with certain holders and insurers of bond indebtedness (including certain holders of senior bond indebtedness issued by the Puerto Rico Sales Tax Financing Corporation ("COFINA"), certain holders of general obligation bonds issued by the Commonwealth, and a material holder of general obligation bonds and COFINA subordinated bonds) and their respective advisors, regarding a potential voluntary exchange transaction related to bond indebtedness issued by COFINA and the Commonwealth (the "Transaction"). The discussions were held on a non-public basis pursuant to confidentiality agreements entered into between GDB, AAFAF and the negotiating creditors. As part of the discussions, GDB, AAFAF and the Commonwealth presented a proposal (the "Proposal") regarding the Transaction to such parties and their respective advisors on June 14, 2016.

The presentation of the Proposal was followed by discussions among GDB, the Commonwealth, AAFAF, these creditors and their respective advisors. In response to the Proposal, certain holders of general obligation bonds issued by the Commonwealth and certain holders of senior bonds issued by COFINA each presented a separate counterproposal regarding bond indebtedness issued by the Commonwealth or COFINA, respectively. In response to the proposal received from certain holders of general obligation bonds, the Commonwealth presented a counterproposal regarding bond indebtedness issued by the Commonwealth. In response to this counterproposal, certain holders of general obligation bonds presented a second counterproposal. At this time, the parties have not reached an agreement on the terms of a Transaction for COFINA and general obligation bonds, and they are no longer continuing discussions on a non-public basis with respect to the Proposal or any counterproposals.

As part of the discussions regarding the Proposal and the counterproposals made by the Commonwealth and certain holders, certain confidential information was shared between the Commonwealth and the negotiating creditors. The information in this announcement, including the annexes hereto, is being disclosed publicly upon the expiration of the confidentiality agreements entered into between GDB and the negotiating creditors to comply with the obligation of GDB and AAFAF thereunder. Details of the Commonwealth's Proposal of June 14, 2016 are attached hereto as Annex A. A summary of the counterproposal from the Commonwealth of June 17, 2016 in response to the first counterproposal from certain holders of general obligation bonds is attached hereto as Annex B. Details of the most recent counterproposal from certain holders of general obligation bonds of June 20, 2016 are attached hereto as Annex C. Finally, a summary of the most recent counterproposal from certain holders of COFINA senior bonds of June 17, 2016 is attached hereto as Annex D.

* * *

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Annex A

The Commonwealth's Revised Proposal (June 14, 2016)

Puerto Rico Revised Restructuring Proposal

Prepared by the Puerto Rico Fiscal Agency and Financial Advisory Authority

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June 14, 2016

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Introduction

In spite of Puerto Rico's severely challenging economic circumstances, the Commonwealth has examined paths to provide additional consideration to creditors above and beyond that which was offered in its last proposal made public on April 11, 2016 (the "Prior CW Proposal") in hopes of expeditiously reaching a consensual deal

- As discussed in more detail in the following pages, the Commonwealth is prepared to provide approximately **$15.0 billion of incremental debt service** to the GO and Commonwealth Guaranteed ("CW-Guaranteed," and together with the GO, the "GO Holders"), COFINA Senior and COFINA Subordinated creditors via a revised proposal (the "Revised Proposal"), which contemplates the following:
  - GO Holders, COFINA Senior and COFINA Subordinated creditors receive new debt implying a recovery of approximately **81%**, **80%,** and **60%** of par plus estimated accrued interest (the "Accrued Claim"),(1) respectively, as of July 1, 2016(2)
  - An additional **$1.0 billion** of cash interest over the first four years, provided through both the increase in the face amount of cash pay debt *and* an increase in the cash interest rates
  - PIK interest for the differential between 5% and the cash interest rate paid during the first four years, for a total of 5% yield through the life of the bond
  - The removal of the CAB feature, and consequently, an improvement in final maturity for the majority of the GO and COFINA creditors
- The Revised Proposal discussed herein is intended to be part of a broader proposal to all credits in the FEGP(3) that would result in a sustainable capital structure for the Commonwealth going forward; the debt service profile targeted by the broader proposal is detailed further herein
- The Revised Proposal does not incorporate any new money nor does it specify the form the newly issued debt must take in a voluntary exchange; the Commonwealth is open to different legal structures for the newly issued debt
  - To the extent PROMESA is passed by U.S. Congress, the Revised Proposal would be expected to be implemented through either Title VI or Title III of the legislation
- Additionally, as part of this Revised Proposal, the Commonwealth requests that the COFINA creditors allow the Commonwealth to consensually access the COFINA revenues during the first half of the fiscal year in order to support the Commonwealth's liquidity needs and avoid a lengthy and costly litigation process

(1) The Accrued Claim is defined as par outstanding after adjusting for estimated principal payments to be made in July and August, plus estimated accretion on Capital Appreciation Bonds ("CABs") through July 1, 2016, and estimated accrued but unpaid interest through July 1, 2016 after adjusting for estimated interest payments that will be made out of existing reserves. Note that the offer consists of the face amount of new mandatorily payable debt and does not correspond to the exchange ratios shown herein. The exchange ratios may fluctuate depending on the timing of the exchange.
(2) The Accrued Claim for COFINA credits assumes the August 2016 debt service payment is made in full out of existing reserves.
(3) The FEGP, and therefore the Revised Proposal, excludes debt related to PREPA, PRASA, Children's Trust, HFA, MFA and entities that do not have bonded debt. Additionally, CW-Guaranteed debt held by other Commonwealth entities has been excluded for illustrative purposes as payments on that debt would flow to the Commonwealth. Depending on the structure that is used, this debt may be included in the ultimate exchange.

Key Economic Terms Summary

Key Economic Terms – GO Holders

<table>
<tr><th></th><th>Prior CW Proposal</th><th>Revised Proposal</th></tr>
<tr><td>Mandatory Debt</td><td>All targeted issuers will be allocated two mandatory debt service instruments composed of:
1. A Base Bond with mandatorily payable principal and interest; total Base Bond face amount allocated to GO and CW-Guaranteed issuers equals 78% of the Accrued Claim[(1)]
2. A new CAB that will accrete, at 5.0%, to the difference between the Accrued Claim and the Base Bond allocated to each credit; the CAB will mature after all Base Bond has been repaid</td><td>▪ GO and CW-guaranteed credits will be allocated total Base Bond of $13.7 billion, which corresponds to approximately 81% of the Accrued Claim[(1)]
<table>
<tr><th></th><th>$ millions</th></tr>
<tr><td>Total Base Bond Offered</td><td>$13,675</td></tr>
<tr><td>Estimated Accrued Claim</td><td>$16,883</td></tr>
<tr><td>Base Bond as a % of Accrued Claim</td><td>81%</td></tr>
</table>
▪ Note that the offer consists of the face amount of new mandatorily payable debt and does not necessarily correspond to the exchange ratio shown above; the exchange ratio may fluctuate depending on the timing of the exchange</td></tr>
<tr><td>Principal</td><td>▪ Base Bond – scheduled amortization begins in FY 2021
▪ CAB – scheduled amortization begins in FY 2056, after the Base Bond is fully repaid</td><td>▪ Base Bond – scheduled amortization begins in FY 2021</td></tr>
<tr><td>Interest</td><td>▪ Base Bond interest will be paid in cash in the following amounts:
  ▪ FY 2017 : 1.1%
  ▪ FY 2018 : 3.0%
  ▪ FY 2019 : 3.3%
  ▪ FY 2020: 4.1%
  ▪ FY 2021+: 5.0%
▪ CAB accretes at 5.0% such that total payments equate to forgone par</td><td>▪ Base Bond interest will be paid in cash and in kind in the following amounts over the first four years, and cash only at 5% thereafter
<table>
<tr><th>Fiscal Year</th><th>PIK Interest</th><th>Cash Interest</th><th>Total Interest</th></tr>
<tr><td>2017</td><td>3.1%</td><td>1.9%</td><td>5.0%</td></tr>
<tr><td>2018</td><td>1.6%</td><td>3.4%</td><td>5.0%</td></tr>
<tr><td>2019</td><td>1.3%</td><td>3.7%</td><td>5.0%</td></tr>
<tr><td>2020</td><td>0.3%</td><td>4.7%</td><td>5.0%</td></tr>
<tr><td>2021+</td><td>–</td><td>5.0%</td><td>5.0%</td></tr>
</table></td></tr>
<tr><td>Final Maturity</td><td>▪ Final maturity of mandatorily payable debt in FY 2067</td><td>Final maturities of FY 2062</td></tr>
</table>

Note: For illustrative purposes, analysis assumes 100% participation in an exchange. The "No Local Opt-In" scenario from the Prior CW Proposal has been illustratively shown herein for comparative purposes.

(1) The Accrued Claim is defined as par outstanding after adjusting for estimated principal payments to be made in July and August, plus estimated accretion on Capital Appreciation Bonds ("CABs") through July 1, 2016, and estimated accrued but unpaid interest through July 1, 2016 after adjusting for estimated interest payments that will be made out of existing reserves. Note that the Accrued Claim for GOs assumes $145 million of interest is paid on July 1, 2016 (in addition to any capitalized interest reserves). Note also that the Accrued Claim amount has been adjusted to include PRIFA BANs. CW-Guaranteed debt held by other Commonwealth entities has been excluded for illustrative purposes as payments on that debt would flow to the Commonwealth. Depending on the structure that is used, this debt may be included in the ultimate exchange.

Key Economic Terms – COFINA Senior

	Prior CW Proposal	Revised Proposal
Mandatory Debt	All targeted issuers will be allocated two mandatory debt service instruments composed of: 1. A Base Bond with mandatorily payable principal and interest; total Base Bond face amount allocated to COFINA Senior issuers equals approximately **66%** of the Accrued Claim[(1)] 2. A new CAB that will accrete, at 5.0%, to the difference between Accrued Claim and the Base Bond allocated to each credit; the CAB will mature after all Base Bond has been repaid	▪ COFINA Senior credits will be allocated total Base Bond of **$6.1 billion**, which corresponds to approximately **80%** of the Accrued Claim[(1)] **$ millions** Total Base Bond Offered: $6,062 Estimated Accrued Claim: $7,574 Base Bond as a % of Accrued Claim: 80% ▪ Note that the offer consists of the face amount of new mandatorily payable debt and does not necessarily correspond to the exchange ratio shown above; the exchange ratio may fluctuate depending on the timing of the exchange
Principal	▪ Base Bond – scheduled amortization begins in FY 2021 ▪ CAB – scheduled amortization begins in FY 2056, after the Base Bond is fully repaid	▪ Base Bond – scheduled amortization begins in FY 2021

Interest	▪ Base Bond interest will be paid in cash in the following amounts:
	  ▪ FY 2017 : 1.1%
	  ▪ FY 2018 : 3.0%
	  ▪ FY 2019 : 3.3%
	  ▪ FY 2020: 4.1%
	  ▪ FY 2021+: 5.0%
	▪ CAB accretes at 5.0% such that total payments equate to forgone par
		▪ Base Bond interest will be paid in cash and in kind in the following amounts over the first four years, and cash only at 5% thereafter
		Fiscal Year / PIK Interest / Cash Interest / Total Interest
		2017: 3.1% / 1.9% / 5.0%
		2018: 1.6% / 3.4% / 5.0%
		2019: 1.3% / 3.7% / 5.0%
		2020: 0.3% / 4.7% / 5.0%
		2021+: – / 5.0% / 5.0%

Final Maturity	▪ Final maturity of mandatorily payable debt in FY 2067	▪ Final maturity of FY 2062
Additional Terms	▪ Not specified	▪ COFINA creditors consent to a release of sales tax funds during the first half of the fiscal year, on terms to be agreed upon ▪ In the absence of a federal bonding authority or another structure that the COFINA Senior creditors deem preferable to the current COFINA structure, and subject to a satisfactory resolution of the cash flow timing issues presented by the current COFINA structure, the COFINA Senior creditors would retain a first lien on the COFINA revenues

Note: For illustrative purposes, analysis assumes 100% participation in an exchange. The "No Local Opt-In" scenario from the Prior CW Proposal has been illustratively shown herein for comparative purposes.
(1) The Accrued Claim is defined as par outstanding after adjusting for estimated principal payments to be made in July and August, plus estimated accretion on Capital Appreciation Bonds ("CABs") through July 1, 2016, and estimated accrued but unpaid interest through July 1, 2016 after adjusting for estimated interest payments that will be made out of existing reserves. Note that the Accrued Claim for COFINA credits assumes the August 2016 debt service payment is made in full. Note that the public version of the Prior CW Proposal did not show a specific allocation between COFINA Senior holders and subordinated holders. The recoveries shown herein are based on the Commonwealth's internal allocations between credits that were shared with creditor advisors.

Key Economic Terms – COFINA Subordinated

Mandatory Debt

Prior CW Proposal

All targeted issuers will be allocated two mandatory debt service instruments composed of:

1. A Base Bond with mandatorily payable principal and interest; total Base Bond face amount allocated to COFINA Subordinated holders equals approximately **47%** of the Accrued Claim(1)
2. A new CAB that will accrete, at 5.0%, to the difference between the Accrued Claim and the Base Bond allocated to each credit; the CAB will mature after all Base Bond has been repaid

Revised Proposal

- COFINA Subordinated credits will be allocated total Base Bond of **$5.8 billion**, which corresponds to approximately **60%** of the Accrued Claim(1)

	$ millions
Total Base Bond Offered	$5,823
Estimated Accrued Claim	$9,681
Base Bond as a % of Accrued Claim	60%

- Note that the offer consists of the face amount of new mandatorily payable debt and does not necessarily correspond to the exchange ratio shown above. The exchange ratio may fluctuate depending on the timing of the exchange

Principal

Prior CW Proposal

- Base Bond – scheduled amortization begins in FY 2049
- CAB – scheduled amortization begins in FY 2056, after the Base Bond is fully repaid

Revised Proposal

- Base Bond – scheduled amortization begins in FY 2063

Interest

Prior CW Proposal

- Base Bond interest will be paid in cash in the following amounts:
  - FY 2017 : 1.1%
  - FY 2018 : 3.0%
  - FY 2019 : 3.3%
  - FY 2020: 4.1%
  - FY 2021+: 5.0%
- CAB accretes at 5.0% such that total payments equate to forgone par

Revised Proposal

- Base Bond interest will be paid in cash and in kind in the following amounts over the first four years, and cash only at 5% thereafter

Fiscal Year	**PIK Interest**	**Cash Interest**	**Total Interest**
2017	3.1%	1.9%	5.0%
2018	1.6%	3.4%	5.0%
2019	1.3%	3.7%	5.0%
2020	0.3%	4.7%	5.0%
2021+	–	5.0%	5.0%

Final Maturity

Prior CW Proposal

- Final maturity of mandatorily payable debt in FY 2067

Revised Proposal

- Final maturity of FY 2067

Additional Terms

Prior CW Proposal

- Not specified

Revised Proposal

- COFINA creditors consent to a release of sales tax funds during the first half of the fiscal year, on terms to be agreed upon

Note: For illustrative purposes, analysis assumes 100% participation in an exchange. The "No Local Opt-In" scenario from the Prior CW Proposal has been illustratively shown herein for comparative purposes.

(1) The Accrued Claim is defined as par outstanding after adjusting for estimated principal payments to be made in July and August, plus estimated accretion on Capital Appreciation Bonds ("CABs") through July 1, 2016, and estimated accrued but unpaid interest through July 1, 2016 after adjusting for estimated interest payments that will be made out of existing reserves. Note that the Accrued Claim for COFINA credits assumes the August 2016 debt service payment is made in full. Note that the public version of the Prior CW Proposal did not show a specific allocation between COFINA Senior holders and Subordinated holders. The recoveries shown herein are based on the Commonwealth's internal allocations between credits that were shared with creditor advisors.

Key Economics

Revised Proposal Key Economics – GO Holders

The summary below provides a comparison of the key economics for the GO and CW-Guaranteed credits in the Revised Proposal as compared to the Prior CW Proposal

Key Economics Comparison – GO Holders ($ millions)

		Prior CW Proposal	Revised Proposal	*Difference*
Current Structure	Accrued Claim[1]	$17,009	$16,883	*($125)*
Base Bond	Base Bond Par	$13,285	$13,675	*$391*
	Base Bond Par as % of Accrued Claim	78%	81%	*3%*
	NPV at 5% Yield ($)	$12,260	$13,675	*$1,416*
	NPV at 5% Yield (%)[2]	72%	81%	*9%*
	Total Debt Service	$26,697	$37,493	*$10,796*
CAB	CAB Initial Value	$393	–	*($393)*
	NPV at 5% Yield ($)	$393	–	*($393)*
	NPV at 5% Yield (%)[2]	2%	–	*(2%)*
	CAB Maturity Value	$3,724	–	*($3,724)*
Total (Base Bond + CAB)	Total Initial Par	$13,678	$13,675	*($2)*
	Total Initial Par as % of Accrued Claim	80%	81%	*1%*
	NPV at 5% Yield ($)	$12,652	$13,675	*$1,023*
	NPV at 5% Yield (%)[2]	74%	81%	*7%*
	Total Debt Service	$30,421	$37,493	*$7,072*

Note: Analysis, with the exception of NPV calculations (which is shown for illustrative purposes), as provided by Citigroup. For illustrative purposes, analysis assumes 100% participation in an exchange. The "No Local Opt-In" scenario from the Prior CW Proposal has been illustratively shown herein for comparative purposes.

(1) Represents the Accrued Claim, which is defined as par outstanding after adjusting for estimated principal payments to be made in July and August, plus estimated accretion on Capital Appreciation Bonds ("CABs") through July 1, 2016, and estimated accrued but unpaid interest through July 1, 2016 after adjusting for estimated interest payments that will be made out of existing reserves. Note that the Accrued Claim for GOs assumes $145 million of interest is paid on July 1, 2016 (in addition to any capitalized interest reserves). Note also that the Accrued Claim amount has been adjusted to include PRIFA BANs. CW-Guaranteed debt held by other Commonwealth entities has been excluded for illustrative purposes as payments on that debt would flow to the Commonwealth. Depending on the structure that is used, this debt may be included in the ultimate exchange.

(2) Calculated as a percentage of the Accrued Claim, as defined above.

Revised Proposal Key Economics – COFINA Senior

The summary below provides a comparison of the key economics for the COFINA Senior credits in the Revised Proposal, as compared to the Prior CW Proposal

- Note that the Prior CW Proposal numbers shown below are based on the Commonwealth's internal allocations to the COFINA Senior holders that was shared with creditor advisors but not included in the published version of the Prior CW Proposal

Key Economics Comparison – COFINA Senior ($ millions)

		Prior CW Proposal	Revised Proposal	*Difference*
Current Structure	Accrued Claim[1]	$7,543	$7,574	*$32*
Base Bond	Base Bond Par	$4,960	$6,062	*$1,102*
	Base Bond Par as % of Accrued Claim	66%	80%	*14%*
	NPV at 5% Yield ($)	$4,577	$6,062	*$1,485*
	NPV at 5% Yield (%)[2]	61%	80%	*19%*
	Total Debt Service	$9,981	$16,624	*$6,643*
CAB	CAB Initial Value	$272	–	*($272)*
	NPV at 5% Yield ($)	$272	–	*($272)*
	NPV at 5% Yield (%)[2]	4%	–	*(4%)*
	CAB Maturity Value	$2,583	–	*($2,583)*
Total (Base Bond + CAB)	Total Initial Par	$5,232	$6,062	*$830*
	Total Initial Par as % of Accrued Claim	69%	80%	*11%*
	NPV at 5% Yield ($)	$4,849	$6,062	*$1,213*
	NPV at 5% Yield (%)[2]	64%	80%	*16%*
	Total Debt Service	$12,564	$16,624	*$4,060*

Note: Analysis, with the exception of NPV calculations (which is shown for illustrative purposes), as provided by Citigroup. For illustrative purposes, analysis assumes 100% participation in an exchange. The "No Local Opt-In" scenario from the Prior CW Proposal has been illustratively shown herein for comparative purposes.

(1) Represents the Accrued Claim, which is defined as par outstanding after adjusting for estimated principal payments to be made in July and August, plus estimated accretion on Capital Appreciation Bonds ("CABs") through July 1, 2016, and estimated accrued but unpaid interest through July 1, 2016 after adjusting for estimated interest payments that will be made out of existing reserves. Note the Accrued Claim for COFINA credits assumes the August 2016 debt service payment is made in full.

(2) Calculated as a percentage of the Accrued Claim, as defined above.

Revised Proposal Key Economics – COFINA Subordinated

The summary below provides a comparison of the key economics for the COFINA Subordinated credits in the Revised Proposal, as compared to the Prior CW Proposal

- Note that the Prior CW Proposal numbers shown below are based on the Commonwealth's internal allocations to the COFINA Subordinated holders that was shared with creditor advisors but not included in the published version of the Prior CW Proposal

Key Economics Comparison – COFINA Subordinated ($ millions)

		Prior CW Proposal	Revised Proposal	*Difference*
Current Structure	Accrued Claim(1)	$9,655	$9,681	*$26*
Base Bond	Base Bond Par	$4,504	$5,823	*$1,319*
	Base Bond Par as % of Accrued Claim	47%	60%	*14%*
	NPV at 5% Yield ($)	$4,156	$5,823	*$1,667*
	NPV at 5% Yield (%)(2)	43%	60%	*17%*
	Total Debt Service	$11,917	$20,980	*$9,063*
CAB	CAB Initial Value	$543	–	*($543)*
	NPV at 5% Yield ($)	$543	–	*($543)*
	NPV at 5% Yield (%)(2)	6%	–	*(6%)*
	CAB Maturity Value	$5,151	–	*($5,151)*
Total (Base Bond + CAB)	Total Initial Par	$5,047	$5,823	*$776*
	Total Initial Par as % of Accrued Claim	52%	60%	*8%*
	NPV at 5% Yield ($)	$4,700	$5,823	*$1,123*
	NPV at 5% Yield (%)(2)	49%	60%	*11%*
	Total Debt Service	$17,068	$20,980	*$3,912*

Note: Analysis, with the exception of NPV calculations (which is shown for illustrative purposes), as provided by Citigroup. For illustrative purposes, analysis assumes 100% participation in an exchange. The "No Local Opt-In" scenario from the Prior CW Proposal has been illustratively shown herein for comparative purposes.

(1) Represents the Accrued Claim, which is defined as par outstanding after adjusting for estimated principal payments to be made in July and August, plus estimated accretion on Capital Appreciation Bonds ("CABs") through July 1, 2016, and estimated accrued but unpaid interest through July 1, 2016 after adjusting for estimated interest payments that will be made out of existing reserves. Note that the Accrued Claim for COFINA credits assumes the August 2016 debt service payment is made in full.

(2) Calculated as a percentage of the Accrued Claim, as defined above.

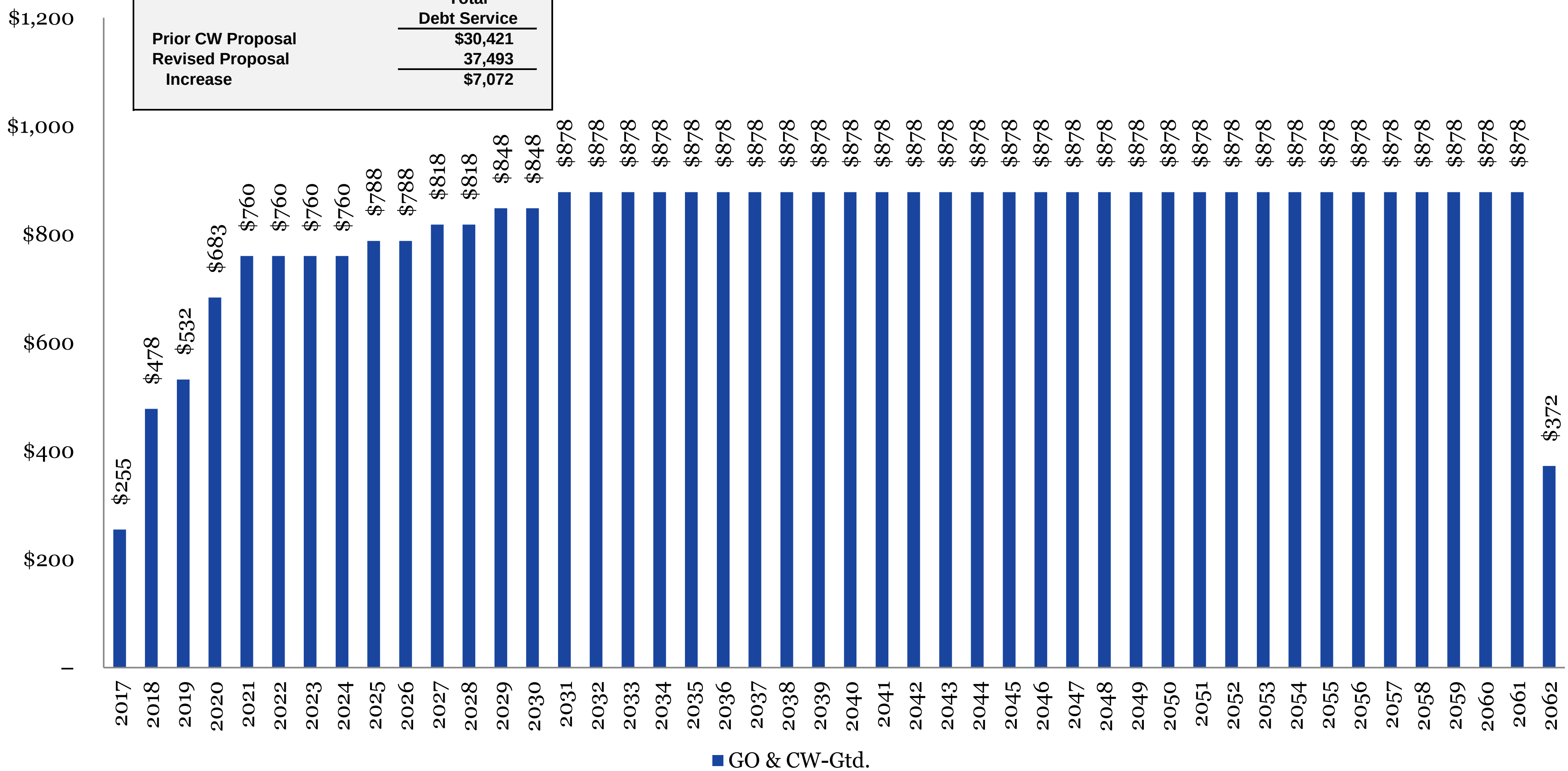
Pro Forma Debt Service Profile

Revised Proposal Debt Service Details – GO Holders

The charts below provide debt service details for the GO and CW-Guaranteed credits under the Revised Proposal

Pro Forma Debt Service Profile – GO Holders ($ millions)

	Total Debt Service
Prior CW Proposal	$30,421
Revised Proposal	37,493
Increase	$7,072



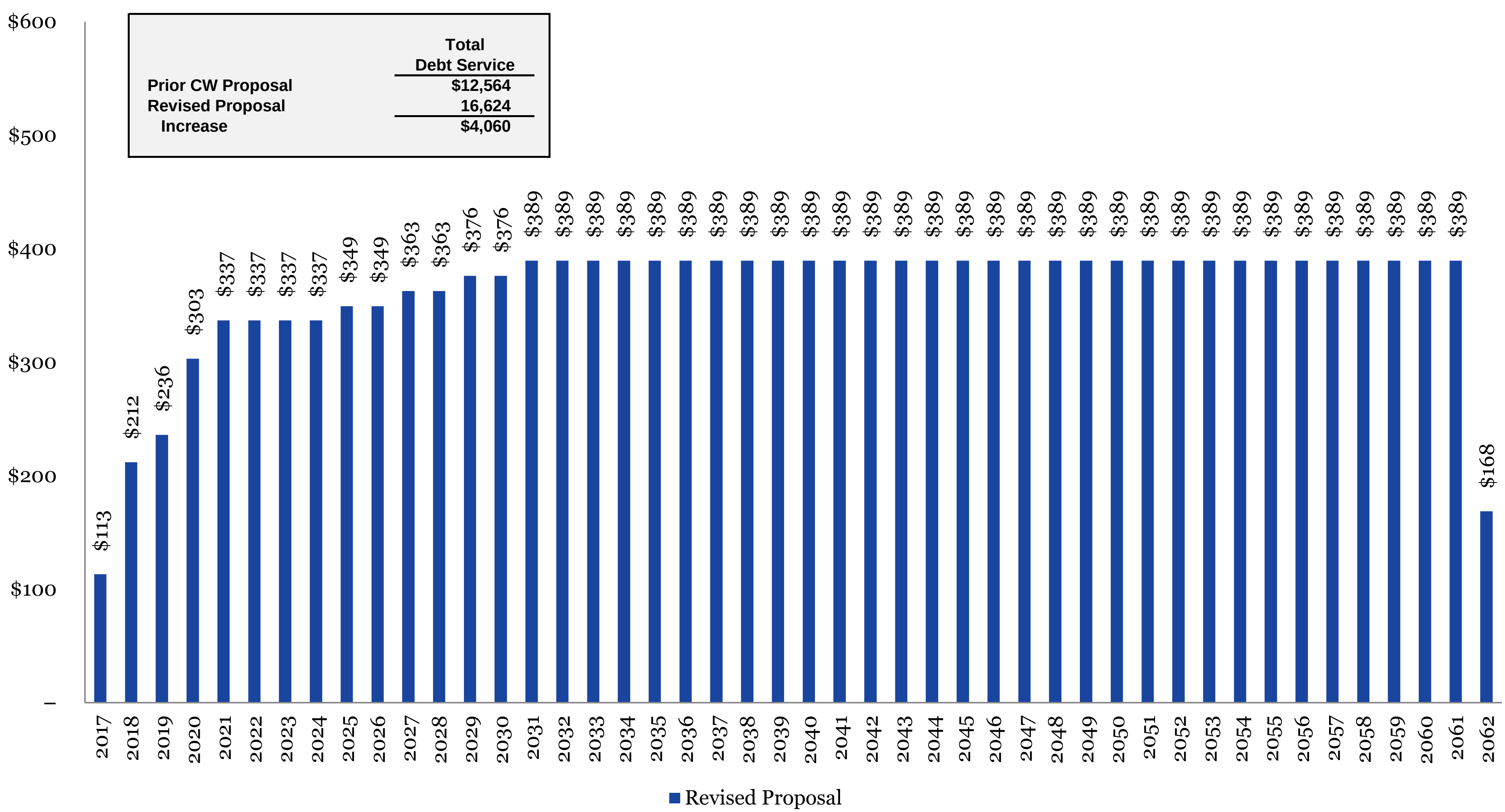
Note: The Accrued Claim amount for GO Holders has been adjusted to include PRIFA BANs. CW-Guaranteed debt held by other Commonwealth entities has been excluded for illustrative purposes as payments on that debt would flow to the Commonwealth. Depending on the structure that is used, this debt may be included in the ultimate exchange. Analysis as provided by Citigroup. For illustrative purposes, analysis assumes 100% participation in an exchange. The "No Local Opt-In" scenario from the Prior CW Proposal has been illustratively shown herein for comparative purposes.

Revised Proposal Debt Service Details – COFINA Senior

The chart below illustrates the debt service profile for COFINA Senior credits under the Revised Proposal

Pro Forma Debt Service Profile – COFINA Senior ($ millions)

	Total Debt Service
Prior CW Proposal	$12,564
Revised Proposal	16,624
Increase	$4,060



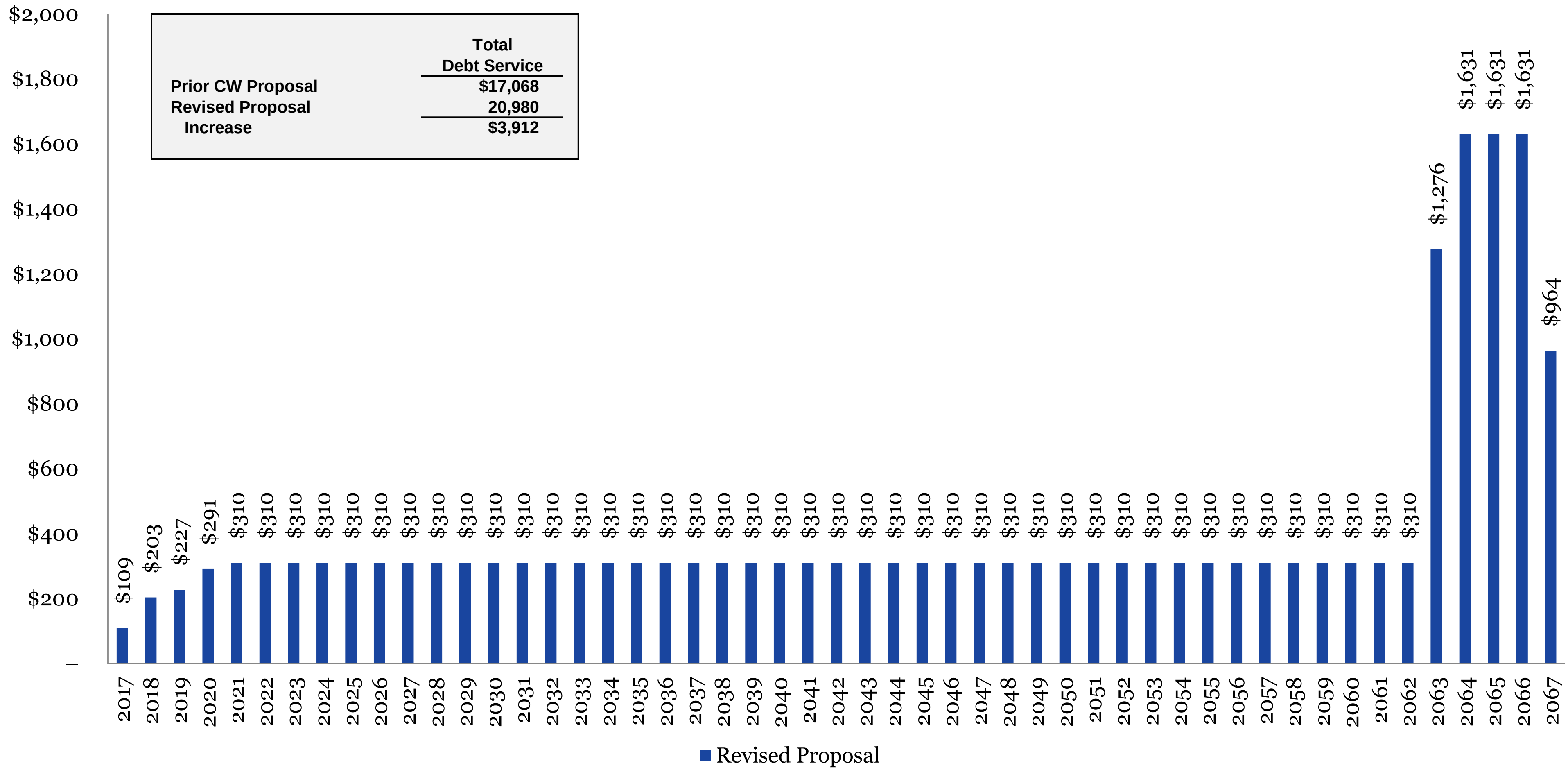
Note: Analysis as provided by Citigroup. For illustrative purposes, analysis assumes 100% participation in an exchange. The "No Local Opt-In" scenario from the Prior CW Proposal has been illustratively shown herein for comparative purposes.

Revised Proposal Debt Service Details – COFINA Sub.

The charts below provide debt service details for the COFINA Subordinated credits under the Revised Proposal

Pro Forma Debt Service Profile – COFINA Subordinated ($ millions)

	Total Debt Service
Prior CW Proposal	**$17,068**
Revised Proposal	**20,980**
Increase	**$3,912**



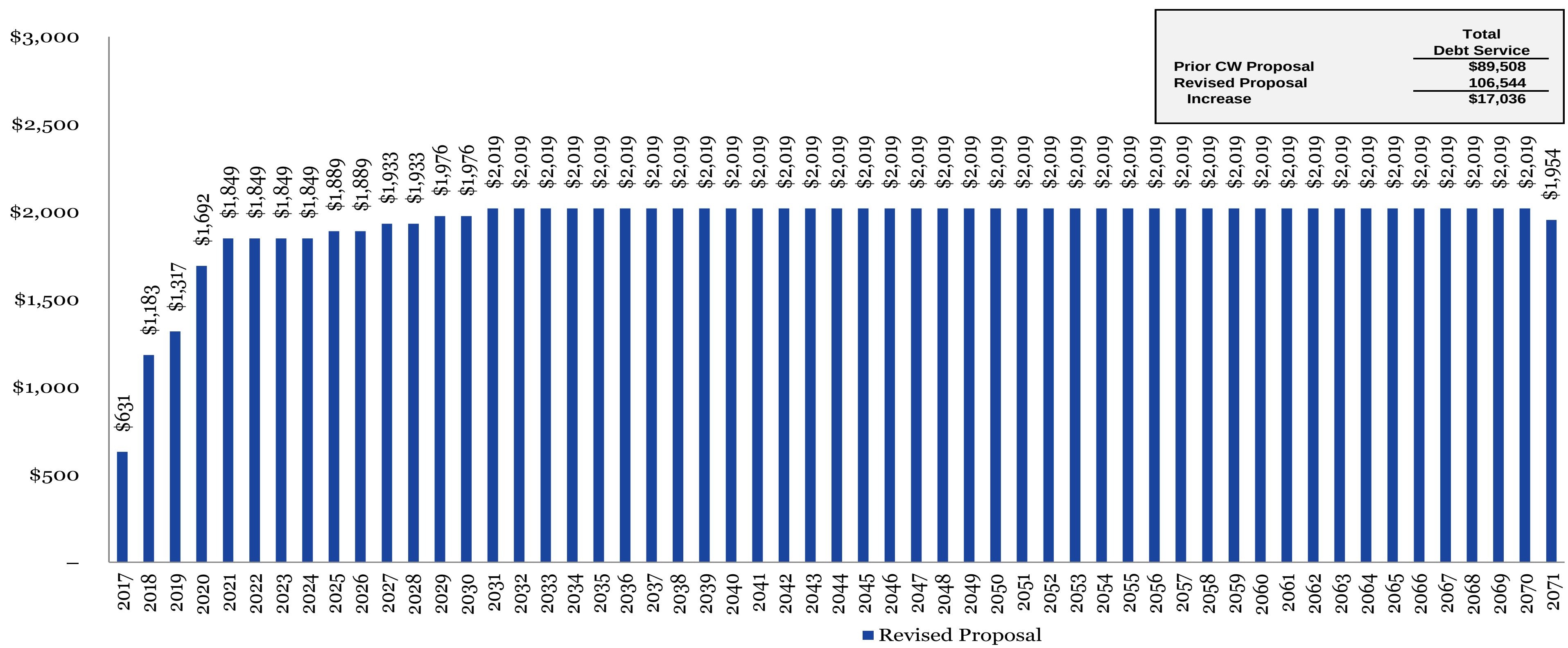
Note: Analysis as provided by Citigroup. For illustrative purposes, analysis assumes 100% participation in an exchange. The "No Local Opt-In" scenario from the Prior CW Proposal has been illustratively shown herein for comparative purposes.

Revised Proposal – Aggregate Debt Service Details

The chart below illustrates the debt service profile for all credits under the Revised Proposal

- The aggregate cash flows in the Revised Proposal are sized based on current expectations and to never exceed 18% of FY 2016 Adjusted Revenues(1) and 15% of Adjusted Revenues in any year, assuming 2.0% nominal growth in the Commonwealth economy
  - Note that the debt service shown below illustratively assumes recoveries for credits other than the GO, CW-Guaranteed, and COFINA that are approximately in line with those contemplated in the Prior CW Proposal, with the exception of GDB where recoveries are assumed to be in line with the term sheet agreed to with the ad hoc group of GDB creditors on May 2, 2016; terms for these credits remain subject to ongoing negotiations(2)

Aggregate Pro-Forma Debt Service Profile ($ millions)



	Total Debt Service
Prior CW Proposal	$89,508
Revised Proposal	106,544
Increase	$17,036

Note: Analysis as provided by Citigroup. For illustrative purposes, analysis assumes 100% participation in an exchange. The "No Local Opt-In" scenario from the Prior CW Proposal has been illustratively shown herein for comparative purposes.

(1) Items included in Adjusted Revenues consist of all of the items identified as revenues in the FEGP published January 18, 2016, with the exception of Federal Transfers and GDB loan inflows. Note that the revenues used in developing the Revised Proposal assume 2% nominal GNP growth and have been slightly adjusted from those included in the January 18, 2016 to reflect additional developments in the Commonwealth economy.

(2) Note that HTA debt held by GDB is excluded from the voluntary exchange, but may be included pending further diligence . Note that the terms of the new debt offered to these other credits have been updated to reflect the interest rate changes offered to the GO, CW-Guaranteed and COFINA holders, including the PIK component.

Annex B

The Commonwealth's Counterproposal to the Counterproposal by Certain GO Bondholders (June 17, 2016)

- **GO Bonds Discount**: 83.5% of principal in "base" bond; exchange bonds offered in "base" bond as well as some portion above 83.5% in "growth" bond consideration, with terms of growth bond to be determined

- **GO Bonds Coupon**: As proposed in Commonwealth Proposal of June 14, 2016

- **Structure**: Exchange bonds offered via general obligation bonds or a federal bonding authority under PROMESA

Annex C

Counterproposal by Certain GO Bondholders (June 20, 2016)

General Obligation Bondholders
of the Commonwealth of Puerto Rico

GO-ONLY COUNTERPROPOSAL

June 20, 2016

Subject to FRE 408 and all local law equivalents

New GO and New Guaranteed Bonds

Creditors Receiving New GO and New Guaranteed Bonds	▪ GO and Guaranteed Bonds
Principal	▪ 89% of accrued claim as of effective date ▪ Through the effective date, payment of interest as scheduled

Interest	▪ 5% *per annum* initially, stepping up to contractual rate according to the following schedule (but in no event to exceed 7% *per annum*):
	    ▪ FY 2019: +50 bps
	    ▪ FY 2020: +75 bps
	    ▪ FY 2021: +75 bps
	▪ Blended lifetime rate of 5.6%
	▪ Monthly deposits of interest

Amortization Schedule	▪ No principal payment for 5 years ▪ Principal payments beginning July 1, 2022 ▪ Maturities to be adjusted to mature serially in accordance with existing amortization schedule
Call Protection	▪ Callable at 110% of par beginning July 1, 2022 ▪ Scale down of call price to be agreed
Other Terms	▪ GO Exchange subject to a most favored nation provision
PROMESA Contingency	▪ None ▪ If PROMESA is enacted, the Commonwealth will support implementation of this agreement under either Title VI or Title III of the legislation and shall not propose any fiscal plan that is inconsistent with this agreement

Terms—New GO and New Guaranteed Bonds

Positive Covenants	▪ Resumption of deposits into GO escrow account (to be held in a NY bank) ▪ Monthly reporting
Negative Covenants	▪ No new issuance of Guaranteed Bonds (other than refunding) ▪ No new issuance of additional GO Bonds unless compliant with Constitutional test ▪ No additional sale, pledge or assignment of any tax; special revenue limitations TBD
Statutory Lien	▪ Further affirmation of first priority by enactment of statutory lien on General Fund revenues (akin to Rhode Island and California) to secure all outstanding GO and Guaranteed Bonds and New GO and New Guaranteed Bonds
Other Structural Provisions	▪ New York law and venue ▪ Waiver of sovereign immunity ▪ Maintain tax-exempt status ▪ GO Guaranteed Bonds will continue to receive primary source of repayment (*i.e.*, guarantee will not be triggered) ▪ Cross-defaults among New GO and New Guaranteed Bonds

Contingent Convertible Bonds

Creditors Receiving Contingent Convertible Bonds	▪ GO and Guaranteed Bonds
Principal	▪ 11% of accrued claim as of effective date ▪ Claim continues to accrue at contractual rate through effective date
Interest	▪ No interest until occurrence of a Trigger Event ▪ Following a Trigger Event, blended rate of 5.6% ▪ CUSIP reduction to optimize liquidity and smooth annual GO debt service post a Trigger Event

Amortization Schedule	▪ Until the occurrence of a Trigger Event, none
	▪ Following a Trigger Event, aggregate principal shall:
	  ▪ Convert to New GO or New Guaranteed Bonds
	  ▪ Be due on Contingent Convertible Bonds in accordance with the same schedule as the corresponding New GO or New Guaranteed Bond, delayed by the number of years equal to the difference between (a) the fiscal year in which the Trigger Event and (b) 2021
	▪ CUSIP reduction to optimize liquidity and smooth annual GO debt service post a Trigger Event

Trigger Event	▪ Any one of the following:
	  ▪ Attainment of investment grade rating by 2 of the 3 rating agencies (or 1 agency if less than 3 rate the Commonwealth)
	  ▪ Suspension or dissolution of the control board (if any)
	  ▪ Issuance of material debt
	  ▪ Default on the New GO or New Guaranteed Bonds
	  ▪ Annual revenues exceed FEGP projection by more than 10% (for years after 2025, the 2025 FEGP projection shall be the applicable metric)
	  ▪ Rolling 3 year GNP compound annual growth rate exceeds FEGP-projected Nominal GNP base case growth rate (1.0% per year) by 100 bps

Annex D

Counterproposal by Certain Holders of COFINA Senior Bonds (June 17, 2016)

- Accept certain concessions set forth in the Commonwealth Proposal of June 14, 2016:
  - Maintain COFINA structure and first lien on all COFINA revenues and assets
  - Smoothing of pledged sales and use tax base amount ("PSTBA") in order to grant the Commonwealth interim liquidity relief, subject to agreement on sufficient collateral cushion and mechanism
  - Amortization schedule, including 5-year principal holiday and maturity extensions
  - Partial PIK interest for first 4 years
- Openness to "growth bond" instrument on terms to be discussed
- **Counterproposal:**
  - 5% haircut – COFINA senior creditors receive base bond equal to 95% of the principal amount of bonds outstanding (accreted amount for CABs) at the time of the exchange
  - 5.17% coupon for tax-exempt bonds, ratcheting down to 5% upon BBB+ rating
  - To the extent that all new COFINA base bonds are unable to be issued with the same tax status, taxable bonds will be adjusted such that the value of the new taxable bonds post-exchange will be equivalent to the value of the new tax-exempt bonds post-exchange
  - MFN protection for haircut, coupon, and amortization schedule, and any other material features (other than recourse), provided to GOs
  - Maintain amortization schedule between COFINA seniors and subs as set forth in Commonwealth proposal (*i.e.*, subs do not begin amortizing until after full payment to seniors)
  - Implemented through PROMESA with validation under Title III or VI
  - Agreed-upon reduction in PSTBA with continued collateral coverage (same recourse)