Public-Private Partnerships Progress

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Today’s presentation includes certain statements that are not historical in nature. These statements are based on the Government of Puerto Rico’s current beliefs regarding future events, and are based upon a number of estimates and assumptions that are subject to significant uncertainties, many of which are outside the control of the Government of Puerto Rico, its agencies and instrumentalities. This presentation has been prepared solely for informational purposes, and should not be construed as a recommendation to buy or sell any security or to participate in any particular trading.
Remarkable progress in 22 months

**P3 Program Implementation**
- P3 legislation, regulations and governance
- Intra-Government and private sector partner
- Strong investor relations & market positioning

**Project Execution**
- Successful P3 Schools Program
- Inaugural Toll Roads Project in June-2011
- Innovative Airport P3 Project for 2011*

**Pipeline**
- Social Infrastructure: demographic trends
- Toll Roads and Transportation Projects
- Second phase inventory projects

* Subject to revision without notice.
Schools
P3 Update

P3s Working for Our Children
<table>
<thead>
<tr>
<th>Category</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schools under construction</td>
<td>49</td>
</tr>
<tr>
<td>Schools under evaluation</td>
<td>21</td>
</tr>
<tr>
<td>Schools pending for procurement</td>
<td>30</td>
</tr>
</tbody>
</table>

**Total 21st Century Schools:** 100 in 78 municipalities

*Data as of Mar-31-2011*
Project delivery is a reality...

Date and number of schools to be completed and delivered

Data as of Mar-31-2011

<table>
<thead>
<tr>
<th>Estimated Completion Date*</th>
<th># Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 2011:</td>
<td>2 schools</td>
</tr>
<tr>
<td>January 2012:</td>
<td>23</td>
</tr>
<tr>
<td>August 2012:</td>
<td>25</td>
</tr>
</tbody>
</table>

*Estimated date subject to change.
** Does not add to 100 schools due to the fact that not all the 100 schools have been granted and procured.
Risk transfer has accelerated investment

**Design**
- Consortium receives schematics to 20% and then delivers updates to 40%, 90% and 100%.

**Construction**
- Environmental improvements, Site infrastructure, Electrical/Telecomm, Structural Improvements, Architectural Improvements

**Additives**
- Group of 10 standard additives to further enhance schools.

**Infrastructure Conservation**
- Consortiums required to present a 5-year full building conservation plan.

New Platform to Transform and Deliver 21st Century Schools in PR
P3s are creating jobs...

Alfredo Dorrington School, Hormigueros

Luis Muñoz Rivera School, Utuado

Isidro A. Sánchez School, Luquillo

Dr. Pedro Albizu Campos School, Aguas Buenas
P3s are accelerating investment...

Basilio Milán Hernández School, Toa Baja

Rafael Cordero School, Cataño

Dr. Carlos González School, Aguada

Escuela Raúl Ibarra, Maricao
Transformation into 21st Century

Federico Degetau School, Aibonito
Transformation in 21st Century

Ralph W. Emerson School, Camuy
**Proposed Financing**

- Government of Puerto Rico will be issuing Qualified School Construction Bonds (QSCBs)
- QSCBs enjoys a direct subsidy under ARRA*.
- The direct subsidy has facilitated larger issuances and greater liquidity leading to increased interest from investors.
- 36% of the authorized $22 billion QSCBs has been issued.
- New York City TFA, the State of Connecticut and Los Angeles Unified School District have completed large QSCBs transactions.

### Top 10 QSCBs Allocations

<table>
<thead>
<tr>
<th>State</th>
<th>Allocation ($ in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>$1,547</td>
</tr>
<tr>
<td>Texas</td>
<td>$1,077</td>
</tr>
<tr>
<td>Puerto Rico</td>
<td>$756</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>$631</td>
</tr>
<tr>
<td>Michigan</td>
<td>$594</td>
</tr>
<tr>
<td>Ohio</td>
<td>$534</td>
</tr>
<tr>
<td>Illinois</td>
<td>$489</td>
</tr>
<tr>
<td>New Jersey</td>
<td>$447</td>
</tr>
<tr>
<td>Georgia</td>
<td>$402</td>
</tr>
<tr>
<td>New York</td>
<td>$384</td>
</tr>
</tbody>
</table>

*ARRA = American Recovery and Reinvestment Act.*
Toll Roads
P3 Update

P3s for Better Mobility
## Procurement Status

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final Meetings with Proponents:</td>
<td>April 11-12</td>
</tr>
<tr>
<td>Proposal Submission Deadline:</td>
<td>May 18</td>
</tr>
<tr>
<td>Bidder Selection:</td>
<td>Early June</td>
</tr>
<tr>
<td>Expected Commercial Close:</td>
<td>Summer</td>
</tr>
</tbody>
</table>
## Favorable timeline progress

### Comparable Toll Road brownfield transactions in the U.S.

<table>
<thead>
<tr>
<th>Location</th>
<th>Transaction Closing</th>
<th>Transaction length*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PR-22 &amp; PR-5</strong> Puerto Rico</td>
<td>Summer-2011*</td>
<td>+12 months</td>
</tr>
<tr>
<td><strong>Northwest Parkway</strong> Colorado</td>
<td>Nov-2007</td>
<td>13 months</td>
</tr>
<tr>
<td><strong>I-895 / Pocahontas Pkwy</strong> Virginia</td>
<td>June-2006</td>
<td>20 months</td>
</tr>
</tbody>
</table>

* Date subject to change.
** Estimated lengths of time since Request for Qualifications.
Toll Road P3 for economic growth

**Jobs & Investment**
- Capital improvements
- Operating Standards that ensure a world class highway
- Enhance technological and service features

**Government Control & Quality of Asset**
- Performance and compliance enforced by Government
- Additional tax revenues
- Government retains ownership of the asset

**Fiscal & Credit Benefits**
- Reduction in public debt concerning PRHTA
- Financial risk of CIP transferred
- Facilitate further investments in infrastructure
Airport P3 Update

P3s for Better Global Connectivity
Significant Progress Up-to-Date

Dec-09
Submittal and Approval for Pre-Application for the FAA Pilot Program

May-10
Completed Desirability & Convenience Study (May 2010)

Aug-10
Constructed stand alone financial statements for LMM

Started Sep-10
Engaged in reaching a MOU* with LMM carriers

Apr/May 2011
Finalize MOU with LMM carriers
## Benefits for all stakeholders

<table>
<thead>
<tr>
<th>Puerto Rico</th>
<th>The Traveling Public</th>
<th>The Airlines</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Re-position Puerto Rico as a preferred destination in the Caribbean</td>
<td>• Provide safe, efficient, and high-quality access for business and leisure travelers to and from PR</td>
<td>• Potentially lower net airport charges</td>
</tr>
<tr>
<td>• Increase passengers and carriers</td>
<td>• Best in class operations are expected to attract top airlines</td>
<td>• Greater visibility, transparency, and predictability of charges</td>
</tr>
<tr>
<td>• Reduction of operating expenses a potential upfront proceeds</td>
<td></td>
<td>• Improved service quality and infrastructure</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• World class operator will deliver global best practices</td>
</tr>
</tbody>
</table>
Expected Transaction Structure

**Concession Term**
- P3 authority allowed to offer up to 50-year concession

**Revenues**
- Aeronautical rates will be defined by MOU currently under discussion
- MOU terms to be represented in formal New Use Agreement
- Access to all non-aeronautical revenue streams
- Continued access to PFCs and AIP grants

**CAPEX**
- Defined projects to be completed by operator within a time frame
- Additional capital improvements will be subject to MII approval
- Operator free to fund and execute non-approved projects without inclusion in airline rate base

**Other**
- No phantom changes
- Well-defined operating standards
Next Steps

**MOU**
- Complete MOU in April-May 2011
- Will define the structure of the deal
  - Airline Rates and Charges
  - Operating Standards
  - Capital expenditures required

**RFQ**
- Will be distributed immediately after MOU approved
- Approved respondents move on to the RFP phase

**RFP**
- Information memorandum
- Data room access
- Draft of Concession Agreement
- Guided tour of LMM and presentations
- Technical and legal meetings
- Bidder selection

**Award of Concession**

**Final Approval from FAA**

*Date subject to change.*
P3s for a Better Future
Concluding Remarks

1. P3 Program has accomplished remarkable progress in less than 2 years.

2. Successful P3 School Project is already creating jobs and accelerating investment.

3. Focused on toll roads inaugural brownfield P3 that will add jobs and investment as well as Airport P3 transaction.

Visit:  www.p3.gov.pr