



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

THIS FILING RELATES TO A SINGLE BOND ISSUE:

Name of bond issue exactly as it appears on the cover of the Official Statement:

Nine-digit CUSIP* numbers if available, to which the information relates:

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

Issuer's Name: Puerto Rico Industrial Development Company ("PRIDCO")

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

Six-digit CUSIP* number(s): 745211

TYPE OF INFORMATION PROVIDED:

- A. Annual Financial Information and Operating Data pursuant to Rule 15c2-12

Fiscal Period Covered: 2018-19

- B. Audited Financial Statements or CAFR pursuant to Rule 15c2-12

Fiscal Period Covered: _____

- C. Notice of Failure to Provide Annual Financial Information as Required: _____

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

/s/ Julian M. Bayne Hernández

Julian M. Bayne Hernandez

Puerto Rico Fiscal Agency and Financial Advisory Authority,
as Fiscal Agent for PRIDCO

Dated: April 13, 2022

PUERTO RICO INDUSTRIAL DEVELOPMENT COMPANY

ANNUAL FINANCIAL INFORMATION Fiscal Year ended June 30, 2019

Introduction

In connection with the issuance by the Puerto Rico Industrial Development Company ("PRIDCO") of its General Purpose Revenue Bonds, Series 1997A, 1997B and 2003 (Base CUSIP No. 745211), and in compliance with Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission, as amended, PRIDCO has covenanted to file within 305 days after the end of each fiscal year, with the Municipal Securities Rulemaking Board (MSRB) through the Electronic Municipal Market Access System (EMMA):

- Core financial information and operating data for the prior fiscal year, including PRIDCO's audited financial statements, prepared in accordance with generally accepted accounting principles, and
- material historical quantitative data, including financial information and operating data on PRIDCO and its revenues, expenditures, financial operations, and indebtedness generally found in the Official Statements prepared in connection with the bond issues described above.

Appendix I

Included as Appendix I is PRIDCO's Annual Financial Information and Operating Data Report for fiscal year 2019 as prepared by PRIDCO. The report consists of material historical quantitative data, including financial information and operating data on PRIDCO.

The information should be read in conjunction with the Official Statement prepared in connection with the issuance of the bonds. The headings in this report are the same as the headings in the corresponding sections and subsections of the Official Statements. All terms not otherwise defined shall have the respective meanings given to them in said Official Statements.

Note

PRIDCO's audited financial statements for fiscal year ended June 30, 2019, were submitted to the MSRB on March 21, 2022 (Submission ID: P11197857).

APPENDIX I

PUERTO RICO INDUSTRIAL DEVELOPMENT COMPANY

ANNUAL FINANCIAL INFORMATION AND OPERATING DATA REPORT

PUERTO RICO INDUSTRIAL DEVELOPMENT COMPANY

ANNUAL FINANCIAL INFORMATION AND OPERATING DATA REPORT

Background and History

The Puerto Rico Industrial Development Company (PRIDCO, hereafter, the Company) is a government-owned corporation established in 1942 through Act No. 188 of May 11, 1942, as amended (the Act) with the mission to promote Puerto Rico as an investment destination for companies and industries worldwide. The Company was created primarily to develop industrial parks and buildings to attract manufacturing operations from U.S. companies.

Until 1997, PRIDCO's efforts in fostering Puerto Rico's economic development were complemented by the activities of the Economic Development Administration (EDA). The EDA was an investment promotion agency of the Commonwealth of Puerto Rico in charge of attracting new businesses within manufacturing and services sectors. These efforts transformed the Puerto Rican economy from an agricultural model to a manufacturing powerhouse. On January 1, 1998, in accordance with Act No. 203 of December 29, 1997, EDA was merged with and into PRIDCO and the latter became responsible for all the operations and activities which were previously conducted by the two separate entities. After the merger, PRIDCO remained a public corporation under the umbrella of the Department of Economic Development and Commerce in accordance to the Executive Reorganization Act of 1993 *Art. 1 Reorganization Plan Num. 4, June 22, 1994*.

To accomplish its mission, PRIDCO maintains a continuing infrastructure development program, which includes the leasing or sale of facilities to qualified private and public enterprises and the construction of industrial facilities for lease. In addition, PRIDCO disburses legislative appropriations in accordance with various special economic incentives programs to assist manufacturers in offsetting allowable start-up costs, expansion costs and the establishment of research and development activities.

As the official investment promotion agency, PRIDCO continues to attract investment within key sectors like pharmaceuticals, biotechnology, medical devices, information technology, aerospace and apparel among others. In order to accomplish this, PRIDCO's value adding offerings include unique tax and economic incentives for companies seeking to establish or expand operations on the Island, business intelligence, facility selection, project management support, assistance with regulatory and permitting processes by providing a one-stop customer service option, and a wide range of modern industrial parks and sites with relevant infrastructure.

Under the Act, PRIDCO has the power to make contracts, to acquire, own, sell and lease property, to borrow money and issue bonds or notes, to lend money, to acquire stock or securities, to acquire properties by eminent domain, to organize and control affiliated or subsidiary corporations, and to transfer or delegate any of its properties, powers or functions to such affiliates or subsidiaries.

Personnel

As of June 30, 2019, PRIDCO had 148 permanent employees, 77 of which hold managerial positions, and 71 are members of the Puerto Rico Industrial Development Company Independent Employees Union. As of June 30, 2018, PRIDCO had 195 permanent employees, 119 of which hold managerial positions, and 76 are members of the Puerto Rico Industrial Development Company Independent Employees Union.

Organization Focus

During the past eleven years, PRIDCO has relied exclusively on a self-financed operational program based on annual strategic planning in order to adapt and compete within the global economy. New opportunities and challenges as well as cost reductions and efficiencies comprise the main objectives within its strategic plan.

Industrial Facilities

PRIDCO develops different types of facilities, from conventional structures, custom-made buildings to meet clients' needs, and industrial parks for lease and sale to public and private enterprises. As of June 30, 2019, PRIDCO owned 23,222,221 square feet of industrial space, of which 15,791,581 square feet were under lease agreements and 6,057,124 square feet were vacant. Of the total vacant space, 4,393,218 square feet were available for lease and 1,663,906 square feet were reserved for prospective tenants for future negotiations. The remaining 1,373,516 square feet of vacant space have restrictive conditions including environmental issues.

General-purpose factory buildings and special industrial buildings were built in sites with access to adequate transportation infrastructure, international & regional airports, public utilities and telecommunication services. Such buildings were constructed according to local and federal building codes and modern industrial standards. Tenants may readily install or construct, at their own cost, special feasible improvements, such as air conditioning and sprinkler systems, among other improvements.

The Company may perform a variety of real estate transactions, including leasing and selling of existing properties and construction of facilities with a pre-agreed, cost reimbursement or buy leaseback contract. For construction of a special purpose building, PRIDCO requires the tenant to execute a lease contract for a period which allows PRIDCO to recover its investment in full.

The useful life of PRIDCO’s buildings is stated at 50 years for accounting purposes, although PRIDCO renovates its facilities periodically to generate revenue while promoting local economic activity. PRIDCO’s Property Administration Office regularly inspects the industrial facilities to assess their condition and verify whether repair and maintenance work is necessary. PRIDCO has a team of full-time facility inspectors and engineers to carry out this task.

The following table shows PRIDCO’s construction of industrial facilities in square feet for the preceding fiscal year ended on June 30, 2019.

Table I - Construction of Industrial Facilities
Completed for Fiscal Years Ending June 30

<u>Year</u>	<u>Square Feet</u>
2019	-
Total	-

To establish rental rates of existing facilities, PRIDCO has divided the Island into five (5) industrial zones based on their level of economic activity. Lower rental rates apply to buildings located in less developed zones to promote economic activity. The prevailing rent scale for standard buildings ranges from \$2.00 per square foot for properties located in the Zone 5 region to \$8.45 per square foot for properties located in Zone 1 region.

PRIDCO offers tenants incentivized rents estimated to be below comparable rates in the private sector as a tool for economic development. Changes to the Company’s rent scales are subject to approval by the Board of Directors.

The following table presents, for the fiscal year ended on June 30, 2019, the amount of new leased space, the annual rental income during the life of the lease and the average annual rental rate per square foot including special rental agreements due to damages related to natural disasters:

Table II - New Leases Agreements

<u>Fiscal Year Ending June 30</u>	<u>Square Feet Leased</u>	<u>Annual Rent</u>	<u>Average Annual Rent Per Square Foot</u>
2019	1,023,402	\$1,839,936	\$0.56

Square feet leased consider all types of lease contracts except for those which grant early access permit to potential tenants. Early access permits are temporary contractual status granted to those potential tenants that need to occupy a property in advance for specific reasons and are on the final phase of the lease agreement approval.

Table III below shows that during fiscal year ended June 30, 2019, PRIDCO has received proceeds from property sales amounting to \$1.6 million and has realized total gains of \$1.2 million.

Table III – PRIDCO Sales of Properties
 PRIDCO SALES OF PROPERTIES
 (Dollars in thousands)

Fiscal Year	Selling Price			Cost			Gain		
	Land	Building	Total	Land	Building	Total	Land	Building	Total
2019	\$ -	\$ 1,634	\$ 1,634	\$ -	\$ 396	\$ 396	\$ -	\$ 1,238	\$ 1,238
Total	\$ -	\$ 1,634	\$ 1,634	\$ -	\$ 396	\$ 396	\$ -	\$ 1,238	\$ 1,238

PRIDCO has a strict property sales policy that oversees Trust Indenture compliance before comprising any property to its for-sale portfolio. PRIDCO’s rental revenue earned from Trustee Properties has maintained a debt coverage ratio of 1.75% in 2019.

Square feet leased consider all types of lease contracts except for those which grant early access permit to potential tenants. Early access permits are temporary contractual status granted to those potential tenants that need to occupy a property in advance for specific reasons and are on the final phase of the lease agreement approval.

The following table contains PRIDCO’s Top 50 industrial tenants. Most of these lessees are leading companies worldwide which export their goods mainly to the U.S. and other markets.

Table V- Top Fifty Industrial Lessees

As of June 30, 2019

Rank	Rank and Company Name	Sum of Annual Rent	Total Sq. Feet	No. of Leases
1	MICROSOFT P.R., INC. *	\$5,849,093.52	98,298.89	3
2	COOPERVISION, INC. *	\$2,796,433.56	509,284.30	7
3	EATON CORPORATION	\$2,511,615.42	609,057.80	21
4	FENWAL INTERNATIONAL, INC. *	\$2,455,693.08	271,171.20	7
5	HONEYWELL MOCA	\$1,675,747.08	63,756.00	1
6	USSC PRODUCTS	\$1,442,350.95	311,052.40	8
7	PROPPER INTERNATIONAL, INC.	\$1,089,073.04	462,470.40	15
8	BAXTER INTERNATIONAL, INC. *	\$1,071,042.08	318,772.80	14
9	DEPARTAMENTO DE DESARROLLO ECONOMICO Y COMERCIO	\$1,038,481.52	40,442.75	4
10	EDWARDS LIFESCIENCES TECH.SARL	\$980,847.84	275,155.90	11
11	HONEYWELL AEROSPACE *	\$979,564.68	158,466.30	2
12	JOHNSON & JOHNSON	\$974,424.00	211,247.60	13
13	GENERAL ELECTRIC INDUSTRIAL SYSTEMS *	\$945,178.20	236,024.20	14
14	HAMILTON SUNDSTRAND, CORP. *	\$940,992.21	237,823.60	13
15	MEDTRONIC EUROPE SA	\$814,396.80	155,496.80	6
16	INGERSOLL-RAND CO.	\$740,219.40	175,853.80	9
17	STRYKER CORP.*	\$730,201.84	227,718.20	1
18	IRON MOUNTAIN RECORDS MGT (PR)	\$720,761.64	126,449.40	2
19	PRATT & WHITNEY	\$712,679.40	140,130.70	4
20	PUERTO RICO INDUSTRIAL DEVELOPMENT COMPANY	\$661,059.96	156,250.00	1
21	SIST. UNIV. ANA G. MENDEZ	\$648,074.78	139,233.90	9
22	NYPRO INTERNATIONAL	\$584,808.12	141,843.00	7
23	SEAMLESS PUERTO RICO, INC.	\$557,037.36	134,755.80	4
24	JOHN DEWEY COLLEGE	\$499,535.64	106,568.10	8
25	PALL NETHERLANDS	\$491,010.36	113,861.70	2
26	METROPOLITAN LUMBER & HARDWARE	\$474,920.64	151,987.40	12
27	ST. JUDE MEDICAL, INC.	\$406,250.52	65,905.35	3
28	SOFTEX PRODUCTS, INC. PR	\$328,666.44	131,773.70	8
29	ESSENTA PACKAGING PUERTO RICO	\$328,608.72	83,192.08	5
30	POSITRONICS INDUSTRIES, INC.	\$327,231.15	87,177.14	4
31	LIFESTYLE FOOTWEAR, INC.	\$317,427.78	107,237.30	4
32	FEDERAL EXPRESS CORP.	\$303,400.32	39,351.53	1
33	GENERAL SERVICE ADMINISTRATION	\$299,445.03	11,402.00	1
34	ATENTO TELESERVICIOS	\$298,877.16	54,582.58	4
35	AXON PUERTO RICO, INC.	\$290,501.40	68,817.22	3
36	THOMAS & BETTS CORPORATION	\$284,536.26	75,531.71	2
37	C-AXIS P.R., INC.	\$281,960.12	22,647.40	2
38	INCO BUSINESS FURNITURE, CORP.	\$281,937.36	43,711.23	4
39	ADVANCED MEDICAL OPTICS, INC.	\$270,900.90	74,636.59	3
40	CCL PUERTO RICO, INC.	\$270,614.12	96,076.00	2
41	GE INDUSTRIAL OF P.R., LLC ARECIBO 3	\$261,206.87	100,364.10	4
42	INDUSTRIAS FELICIANO ALUMINUM, INC.	\$257,045.28	65,074.76	1
43	AUTORIDAD DE ACUEDUCTOS Y ALCANTARILLADOS DE PR	\$244,326.97	42,673.72	2
44	ONE TO SEVEN, INC.	\$242,146.68	92,868.77	8
45	EAGLE INDUSTRIES UNLIMITED, INC.	\$237,540.96	101,105.90	5
46	UNIVERSIDAD INTERAMERICANA DE PUERTO RICO	\$237,331.20	67,808.91	2
47	CARIBE FREIGHT FOWARDING OF PR, INC.	\$237,189.68	42,011.45	4
48	AM WINDOW WAREHOUSE, INC.	\$235,437.15	68,244.70	2
49	DISTRIBUIDORA FERDOC, INC.	\$233,350.72	52,126.00	1
50	SNC TECHNICAL SERVICES LLC	\$232,427.76	124,500.40	8
Totals		\$39,093,603.67	7,291,993.48	281

* Tenant occupies property(ies) with lease contract(s) tied to construction-lease agreement(s) financed with private financial institution(s).

As shown in the table below, PRIDCO’s construction or acquisition of industrial buildings is below the pace of its sales or properties (measured both in square feet and investment).

Table VI – PRIDCO Sales and Construction
 Analysis of Industrial Buildings
 (Excluding undeveloped land)
 Square Feet Sold v. Square Feet Constructed
 (Dollars in thousands)

Fiscal Year	Sq. Ft. Sold	Proceeds from Property Sales	Sq. Ft. Constructed	Investment
2019	25,904	\$ 1,634	-	\$ -
Total	25,904	\$ 1,634	-	\$ -

Industrial Parks

PRIDCO has nearly 189 industrial parks, of which 103 are medium and large sized parks with over four lots of an average size of 84,612 square feet. PRIDCO’s industrial parks provide the necessary infrastructure (water, sanitary, electrical, power, telephone, access, etc.) for light and medium industrial operations, thus simplifying the process of establishing new businesses. Most industrial parks are located at strategically selected sites in coordination with the Puerto Rico Planning Board, General Permits Office (OGPe), infrastructure agencies, state and federal regulatory agencies, and other pertinent entities. Accessibility to main highways and expressways, seaports and airports are key aspects for site selection. Clients are assured, for operational purposes, of a full infrastructure conditioned property before taking possession.

PRIDCO also assists private entities in the development of private industrial projects contributing with technical and advisory assistance. PRIDCO’s Capital Improvements Program considers the acquisition and development of land for future industrial demand.

PRIDCO is currently in negotiation for the expansion of companies such as CCL and Terrumo.

Foreign-Trade Zone

PRIDCO is the grantee of Foreign-Trade Zone No. 7 (FTZ No. 7) since 1960. It is one of three licensed foreign-trade zone projects on the Island. PRIDCO's FTZ project is comprised of 136 PRIDCO owned industrial parks and five privately own industrial parks, totaling 4,550 acres of FTZ designated land in 78 municipalities. Activities performed in the zone are those permitted in CFR 19 § 81(c), which include manufacturing, warehousing, and distribution of goods with foreign-sourced material, allowing the operator to defer the payment of duties while in the zone. Other savings are those contemplated in local legislations such as property tax and municipal license tax.

General Purpose Zones. During fiscal year 2018-2019, PRIDCO's general purpose zone served 27 distribution and manufacturing firms on a continuous basis retaining 4,028 full-time employees and generating direct annual payrolls of \$120,067,504. Operators received merchandise amounting to \$1,062,032,777 and shipped out a total of \$854,524,574.

Activities performed included warehousing and distribution of vehicles, veterinarian products, chemicals, contact lenses, clothing, electronics, hardware products, wood, domestic appliances, tires, inner tubes and batteries, and contract manufacturing of pharmaceutical products.

Subzones. FTZ No. 7 served 12 manufacturing subzone firms during fiscal year 2018-2019. All of them used the subzones on a continuous basis, retaining 4,465 full-time employees and generating direct annual payrolls totaling \$228,439,257. Subzone's operators received \$8,467,587,439 in merchandise and shipped out \$12,689,351,546 in merchandise.

Activities performed were warehousing and distribution of petroleum derivatives, manufacturing of pharmaceutical products, herbicide products, biotechnology products, and contract- manufacturing of pharmaceutical products.

PRIDCO charges an annual fee to those companies operating within its zone grant. The fee is not related to the regular lease agreement obligations (PRIDCO's core business). Current rates are \$10,000 for GPZ operators and \$25,000 for sub-zone operators. Annual billing for fiscal year 2018- 2019 amounted \$550,000.

TAX AND OTHER INCENTIVES

The manufacturing sector in Puerto Rico has historically benefited from tax incentives, mostly through the Industrial Tax Incentives Program.

Industrial Incentives Program

Since 1948, the Puerto Rico Legislature has enacted several industrial incentives laws designed to stimulate industrial investment. Under these laws, companies engaged in manufacturing and other designated activities are eligible to receive full or partial exemption from income, property, and municipal taxes.

On May 28, 2008, the Government of Puerto Rico approved Act No. 73 also known as the Economic Incentive for the Development of Puerto (Act 73), with the purpose of providing (i) an adequate environment and opportunities for the continued development of our local industry, and (ii) an attractive tax proposal that appeals to foreign direct investments and fosters the economic development and social advancement in Puerto Rico.

The economic incentive benefits provided by Act 73 are substantially more competitive than those provided by previous tax incentive laws such as Act 135 of 1998. The activities eligible to benefit from tax incentives under the Act 73 include manufacturing and scientific and industrial research and development among others.

Act 73 provides an adequate regulation environment and facility development opportunities for the continued development of our local industry. Furthermore, it provides an attractive tax proposal that appeals to foreign direct investments and fosters the economic development and social betterment in Puerto Rico. In general terms, any industrial unit that is established for production of a manufactured product on a commercial scale and any bona fide office, business or establishment with the capability and skills necessary to render a service on a commercial scale are eligible businesses. The companies must meet the characteristics established in Act 73 to be considered an eligible business and are subject to evaluation before a grant is issued.

Act 73 empowers PRIDCO to administer the Special Fund for the Economic Development (FEDE, as its Spanish acronym) to assist in the promotion of industrial and economic development, and for the social betterment in Puerto Rico. The funds are appropriated by the Commonwealth's Legislature. Upon receipt of funds from the Commonwealth, PRIDCO deposits such funds in a special account over which PRIDCO only has administrative responsibilities. The fund is audited on a separate basis, apart from PRIDCO and its other components.

The following list includes some of the economic incentives available to applicant businesses under Act 73.

- Income Tax Rates incentives include two basic scenarios: the General Scenario of 4% (12% tax withholding on royalties), and the Alternative scenario, with the approval of the Secretary of Economic Development, of 8% (2% tax withholding on royalties).
- Tax Credits are available for purchases of products manufactured in Puerto Rico, for products made from recycled materials, and job created.

- Other tax exemptions available for Exempted businesses that hold a grant under Act 73 include a 90% exemption from municipal and Commonwealth property taxes; a 60% exemption from municipal licenses, municipal excises and other municipal taxes imposed by any Municipal Ordinance; and certain Commonwealth Excise Tax and Sales and Use Tax exemptions.
- Special Deductions are available for certain Net Operating Losses and for Investment in Building, Structures, Machinery and Equipment.

Act 73 requires the Secretary of the Treasury to establish the special fund (FEDE) to initially allocate 7.5% percent of the income tax revenues paid by exempted businesses and attributable to their industrial development income and payments of withholding tax on royalty of said exempted businesses. The share of the tax revenues to the FEDE increased to 10% on July 1, 2016.

PRIDCO is in charge of the administration of the FEDE to spur investment promotion and the creation of jobs. Since FEDE special fund is on the books of the Department of the Treasury, it is not presented in PRIDCO's basic financial statements.

DEBT AND CAPITAL ACCOUNTS

PRIDCO obtains funds for capital improvements from self-generated funds, loans, and government contributions. During August 2003, PRIDCO issued General Purpose Revenue and Refunding Bonds (the Bonds) amounting to \$162.2 million. The proceeds of this issuance were used mainly to (i) refund the Series 1991 Bonds then outstanding in the amount of \$25.6 million; (ii) pay notes payable to Government Development Bank for Puerto Rico in the amount of \$78.7 million; (iii) provide \$52.1 million for the construction of industrial facilities; and (iv) pay \$4.7 million for the issuance costs and deposit in the debt service reserve account.

The following table sets forth PRIDCO's Debt and Net Assets during the fiscal year 2019.

Table VII – Debt and Net Assets
(Fiscal Year ending June 30)
(Dollars in thousands)

	<u>2019</u>
<u>DEBT</u>	
Bonds	\$149,820
<u>Other</u>	<u>522,023</u>
Total Debt	<u><u>\$671,843</u></u>
<u>NET ASSETS</u>	
Invested in Capital Assets	\$383,024
Restricted	4,034
Unrestricted	<u>(373,938)</u>
Total Net Assets	<u><u>\$ 13,120</u></u>
TOTAL DEBT AND NET ASSETS	<u><u>\$684,963</u></u>

Includes debt incurred by PRIDCO subsidiaries or guaranteed by PRIDCO.

Total Assets

As of June 30, 2019, PRIDCO's total assets were approximately \$674 million. Net Property and Equipment amounted to approximately \$605 million, including land, land held for improvement, construction in progress, industrial buildings and improvements, administration buildings and improvements, machineries, equipment, furniture, and vehicles.

PRIDCO's fixed assets are stated at cost, with property and equipment depreciated over their estimated useful lives. It is PRIDCO's opinion that market value of property and land are higher than their respective book value.

On August 1, 2016 PRIDCO failed to transfer payment of principal and interest when due on the Bonds. As result, payments of principal and interest due were paid out of reserve funds held by the Trustee until June 2, 1018.

As of June 30, 2019, the balance in the Sinking Fund Reserve Account was \$2.4 million, which is under the minimum required balance of \$15.9 million.

As of June 30, 2019, PRIDCO holds \$2.4 million in money market deposited in a sinking fund reserve account with U.S. Bank Trust National Association (the Trustee), that will be used

for the payment of Bond debt service and sinking fund requirements. PRIDCO suspended their deposits in the sinking fund accounts, consequently, repayments of the Bonds have not been honored from the required sinking fund reserve account during fiscal year 2019. Refer to the subsequent events below for further information on the current status of debt service payments under the Standstill Agreement (defined below).

OPERATING RESULTS AND RATIOS

Trusteed Properties are those whose gross rents are pledged to the payment of the Bonds as per the companies Trust Indenture. Eligible Properties are those which PRIDCO may at any time, and under certain circumstances, classify as Trusteed Properties.

The following table shows historical gross revenues of the Trusteed Properties and Eligible Properties, Principal and Interest Requirements on the Bonds, and of such gross revenues to Principal and Interest Requirements for the fiscal year ending June 30, 2019.

The historical debt coverage ratios in the table below include gross rental revenues from Eligible Properties and are shown for illustrative purposes only. The only revenues pledged to the payment of the Bonds are gross revenues of the Trusteed Properties. In addition, the table provides information regarding certain proceeds derived from the sale of PRIDCO properties and interest derived from the Reserve Account, both of which are considered for purpose of compliance with the additional bond tests contained in the Trust Indenture.

During fiscal year 2019, the debt coverage ratio was 1.75.

Table VIII – Historical Debt Coverage Ratios
(Fiscal Year ending June 30)
(Dollars in thousands)

	2019
Rental Revenue Collected – Trustee Properties	\$ 31,733
Certain Proceeds from Sale of Properties ¹	327
Interest on Reserve Account	(159)
Total	\$ 31,901
Rental Revenues Collected – Eligible Properties	43,355
Adjusted Total	\$ 75,256
Maximum Principal and Interest Requirements	\$ 18,150
<u>Debt Coverage Ratios</u>	
Trustee Properties	1.75%
Trustee and Eligible Properties	4.14%
Trustee Properties, Certain Proceeds from Sale of Properties, and Interest on Reserve Account	1.76%
Trustee and Eligible Properties, Certain Proceeds from Sale of Properties, and Interest on Reserve Account	4.15%

¹ Included up to a maximum of 20% of the sales of property and the sum of the contingent rentals and fixed based rentals by PRIDCO from the Trustee Properties, and the amount of any cash income received by PRIDCO from any mortgages or mortgage bonds included in the Trustee Properties.

The following Consolidated Statement of Operations illustrates selected financial data for the fiscal year ending on June 30, 2019. This data is derived from PRIDCO’s consolidated financial statements, which have been audited by independent public accountants.

The following table summarizes PRIDCO’s consolidated statement of operations. It should also be noted that rental income in the following table represents all rent amount due or billed during the indicated period, while gross revenue available for Principal and Interest Requirements consists of actual collections of rentals of Trustee and Eligible Properties.

Table IX – Historical Consolidated Statement of Operations
(Fiscal Years ending June 30)
(Dollars in thousands)

	2019
REVENUES	
Rental income from Trustee and Eligible Properties	\$ 57,165
Recovery of Custodial Credit Loss	2,066
Net Gain on Sale of Property & Insurance	1,238
Net Investment Income	573
Interest Income	96
Other Revenues	2,089
Total Revenues	63,227
EXPENSES	
Salaries and Wages	9,457
Pension Expense	131,031
Other Post-employment Benefits	256
Administrative and General	20,797
Depreciation and Amortization	18,716
Maintenance and Repairs	4,738
Custodial Credit Risk loss on deposit with GDB	-
Impairment Loss on Investments and Capital Assets	-
Sub Total Expenses	184,995
Expenses Capitalized	-
Total Expenses	184,995
FINANCE CHARGES	
Interest Expenses	15,371
Payment to Commonwealth	-
Amortization of Debt Issue Costs	-
Total Finance Charges	15,371
Total Expenses	200,366
TOTAL INCOME (LOSS) BEFORE CONTRIBUTIONS	(137,139)
Contributions from U.S. Government Agencies	3,259
Capital Contributions	23,031
NET INCOME (LOSS)	\$ (110,849)
Net Assets (Deficit) beginning of year as restated	\$ 123,969
Net Assets (Deficit) end of year	\$ 13,120

* Revised.

As of June 30, 2019, net assets of \$13.1 million are composed of \$383 million invested in capital assets, net of related debt, and a deficit of \$373.9 million.

The following table disclosed the net change in the net position at beginning of year as previously reported in the financial statements. The beginning balance has been restated as follows:

<u>Description</u>	<u>Net Position</u>
Net position at July 1, 2018, as previously reported	\$ 167,688
Overstatement of Due from Commonwealth	(41,653)
Overstatement of Private Sector Accounts Receivable	(116)
Overstatement of Capital Assets	<u>(1,950)</u>
Net position at July 1, 2018, as restated	<u>\$ 123,969</u>

Overstatement of Due from Commonwealth amounting to \$41.7 million is related to appropriations that were not received in prior years from the Commonwealth for the payment of the line of credit owed to the DRA. Since, the Commonwealth filed Title III in May 2017, management concluded that such appropriations were uncollectible in prior years.

Overstatement of capital assets amounting to \$2 million is the net effect of: the capitalization of the Foreign Trade Zone Corporation (“Corporation”) capital assets when the Corporation was dissolved in 1968, and identified improvements related to various building roof sealing that were accounted for in construction in progress in prior years that were completed prior to fiscal year 2018.

Overstatement of accounts receivable from private sector amounting to \$116,000 from a company that was closed prior to fiscal year ended 2018.

PRIDCO reported a negative change in net position of approximately \$110 million, a decrease of \$46.3 million with respect to prior year’s change in net position. This decrease is primarily due to the effect of the adoption of Governmental Accounting Standard Board 73- Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, which resulted in a pension expense amounting to \$131 million.

Industrial Rentals and Collections

The following table presents PRIDCO's industrial space rentals billed and collections for the fiscal year ended on June 30, 2019:

Table X - Industrial Rentals Billed and Collections
(In thousands)

Fiscal Year Ending June 30,	Square Feet Billed	Rentals Billed	Rentals Collected	Collection Rate
2019	14,177	\$62,500	\$58,110	93%

For the purpose of Table XI Rental Collected from (i) early termination penalties of contract cancellation agreements, (ii) repairs and maintenance charges to former tenants, (iii) administrative fees to tenants and other revenues have been excluded and hereby referred to as One Time Collections. The Adjusted Rentals Collected includes revenues from current fiscal year and One Time Revenues transactions as shown below:

Table XI - Rental Collections Details
(In thousands)

Fiscal Year Ending June 30,	Rentals Collected
2019	\$58,110

PRIDCO has a collection and eviction program that includes close monitoring of delinquent accounts and aggressive collection efforts. Under this Collection Program, clients are sent monthly bills 15 days before payment is due. The bills are due on the 1st day of the month. Clients that have not paid their rent by the 10th day of each month are sent a reminder letter. Clients that have not paid their rent by the 20th day are sent a second reminder.

Clients that have rent overdue for more than 60 days are sent an initial warning letter requesting payment within 15 days. After another 15 days grace period, a second warning collection letter is sent requesting immediate payment within 5 days. After these 5 days, a third letter is sent by the Legal Department. Consequently, after two warning letters without acknowledgment from the tenant, the client is referred to PRIDCO's Legal Department and sued for eviction and collection of monies. The Legal Department is responsible for obtaining the eviction judgment and the Treasurer's Office for its execution.

CAPITAL IMPROVEMENTS PROGRAM

Historical Background

During the fiscal year 2019, all of PRIDCO's capital expenditures were used for the development and maintenance of industrial facilities, including buildings, land acquisition, and land development (mostly, site improvements). The following table summarizes the capital expenditures of PRIDCO and sources of funds for such expenditures during the fiscal year on June 30, 2019. Please note there were not capital expenditures for improvement during the fiscal year 2019.

Table XII - Historical Capital Improvements Program
(Fiscal Year ending June 30)
(Dollars in thousands)

	<u>2019</u>
<u>Capital Improvements</u>	
Industrial Buildings Construction	\$ -
Industrial Land Development	-
Land Acquisition	-
Property Improvements and Other	<u>916</u>
Total	\$ 916
 <u>Sources of Funds</u>	
Internally Generated Funds	\$ 916
Government Contributions - Federa	<u>-</u>
Total	<u>\$ 916</u>

ENVIRONMENTAL MATTERS

The nature of PRIDCO tenants' manufacturing operations is highly susceptible to pollution obligations. PRIDCO, as owner, has the financial responsibility for cleanup costs and pollution remediation process in case of tenants' default. Pollution remediation obligations, which include contamination, are obligations incurred to address the current or potential detrimental effects of existing pollution by participating in remediation activities such as site assessments and cleanups but excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset. At June 30, 2019, PRIDCO's liability for pollution remediation amount to \$19.9 million. Pollution remediation is a process that can last several years and involves different stages. PRIDCO has called former or current tenants to make them accountable for cleanup or pollution remediation costs; otherwise PRIDCO has assumed the responsibility.

Notwithstanding, PRIDCO has been considered a responsible party in a lawsuit, at initial stage, and in several claims, at the regulating agencies level, related to pollution remediation obligations. Federal Environmental Protection Agency (EPA), the Puerto Rico Department of Environment and Natural Resources (DENR) and the Puerto Rico Environmental Quality Board (EQB) have the oversight and the enforcement responsibility in cases of pollution.

Federal claims are covered pursuant the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA, or commonly known as Superfund), which provides broad Federal authority to respond directly to releases or threatened releases of hazardous substances that may endanger public health or the environment, and the Resource Conservation Recovery Act (RCRA) of 1976, which provides for proper disposal of solid waste and hazardous waste.

Agencies are authorized by law to identify parties responsible for the pollution of sites and compel the parties to remediate it.

Experience has shown that uncertainties associated with environmental remediation contingencies are pervasive and often result in wide ranges of outcomes. Estimates developed in the early stages of remediation can vary significantly. A definite estimate of costs does not normally become fixed and determinable at a specific time. Rather, the costs associated with environmental remediation become estimable over a series of events and activities that help to frame and define a liability.

Estimates of the amount and timing of future costs of environmental remediation requirements are by their nature imprecise because of the continuing evolution of environmental laws and regulatory requirements, the availability and application of technology, the identification of presently unknown remediation sites, and the allocation of costs among the potentially responsible parties. Based upon information presently available, such future costs are not expected to have a material effect on PRIDCO's financial position. However, such costs could be material to the results of operations in a future year.

SUBSEQUENT EVENTS

Treasury Department - (PAY GO)

On August 15, 2019, PRIDCO issued a payment to the Treasury Department amounting to \$7.3 million related to fiscal year 2018 pay go invoices issued by the Employee Retirement System of the Commonwealth of Puerto Rico ("ERS").

In addition, a payment plan covering seventy-two (72) monthly payments amounting to \$161,000 was agreed to with the ERS for the amount owed for by PRIDCO (totaling \$11.6 million for fiscal year ended on June 30, 2019).

Specific Conditions – Federal Fiscal Year 2019

PRIDCO approved a lease rent moratorium amounting to \$1.1 million to due to COVID-19 pandemic.

Earthquake

On January 7, 2020, Puerto Rico was struck by a 6.4 magnitude earthquake causing devastating damages to the infrastructure, an island-wide power outage, water shortages and threatening the lives of its people. In order to safeguard the health and public safety of its citizens, the Governor issued Executive Orders (EO) 2020-01 and (EO) 2020-02 declaring a state of emergency to activate the emergency purchasing protocol allowing emergency management agencies to acquire the necessary supplies and essential services to provide a timely and effective response and activating the National Guard to provide support during the emergency management. In addition, the Oversight Board authorized the utilization of Emergency Reserve funds from fiscal years 2019 and 2020 as needed by the Commonwealth without prior approval of reapportionments through January 31, 2020. Former President Trump also approved an emergency declaration allowing direct federal assistance for emergency measures to protect lives, property and public health after the series of earthquakes. On January 11, 2020, the Governor issued executive order EO 2020 07 authorizing the appropriation of \$12 million from the Emergency Fund to be distributed equally between the municipalities of Guánica, Guayanilla, Peñuelas, Ponce, Utuado and Yauco to be used exclusively for damages and mitigation related to the emergency.

A preliminary assessment of the damages caused by the earthquake and subsequent aftershocks (excluding the May 2, 2020, earthquake discussed below), calculated by the United States Geological Survey, estimated total economic damages at approximately \$836 million. Puerto Rico continues to experience aftershocks that are not expected to stop any time soon.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. As a result of the health threat and to contain the virus's spread across the island, then-Governor Vázquez-Garced issued executive order EO 2020-020 on March 12, 2020, declaring a state of emergency in Puerto Rico to concentrate all efforts and implement necessary measures to safeguard the health, wellbeing and public safety of the citizens of Puerto Rico. The executive order authorizes the Commonwealth's Secretary of the Treasury and the Executive Director of the Puerto Rico Office of Management and Budget to set up a special budget from any available funds, including the Emergency Fund, to cover all necessary costs for the containment of the virus throughout the island and the sharing of information with the municipalities. Subsequent executive orders, including the reopening of certain economic

areas, curfew directives and other protective measures have been issued in response to the COVID-19 spread. In addition, economic stabilization measures have been implemented by both the Government of Puerto Rico and the U.S. Government to provide support and stimulus to frontline workers, educators and students, hospitals, municipalities and small businesses, including individuals and businesses in Puerto Rico, in response to the economic distress caused by the COVID-19 pandemic.

As the Government observes and assesses the results of its measures to control the negative health and economic effects of COVID-19 on the people of Puerto Rico and Puerto Rico's economy, it will continually re-evaluate and further amend restrictions, if any, as necessary based on continued public health developments.

PRIDCO Fiscal Plan

On May 27, 2021, the Oversight Board certified its most recent fiscal plan for PRIDCO (the Oversight Board Fiscal Plan), which seek to support cost reductions and improve property management resulting in a more efficient and effective government structure including the following:

- Pay Go Measures
- Payroll Measures
- Shared Services Measures with DDEC
- Intergovernmental Real Estate Representations
- Delinquency Rate Improvement Measure
- Agency Efficiency Measures
- Expired Lease Measures
- Assessment of Real Estate Information System
- Occupancy Process Optimization
- CAPEX Reserve Fund
- Feasibility Study of Outsourcing of Asset Management
- Feasibility Study to Evaluate Privatization
- Divestment of non-rentable properties

There is no certainty that the Oversight Board Fiscal Plan (as currently certified or as subsequently amended and recertified) will be fully implemented, or if implemented will ultimately provide the intended results

Standstill Agreement

On June 13, 2019, AAFAF, on behalf of PRIDCO, entered into a restructuring support agreement (the "RSA") with GoldenTree Asset Management ("GoldenTree"), holder of over two-thirds of the Bonds. The RSA contemplated a financial restructuring of the Bonds through a Qualifying Modification (the "Qualifying Modification") under Title VI of PROMESA.

On April 16, 2021, PRIDCO received a Notice of termination of the RSA from Golden Tree and the RSA is no longer effective.

On May 6, 2021, GoldenTree commenced a legal action United States District Court for the District of Puerto Rico. This legal action sought to remedy PRIDCO's purported failure to abide by its obligation to holders of the Bonds by, among other things, not paying principal and interest on the Bonds. Thereafter, GoldenTree and PRIDCO entered the Standstill Agreement, which resulted in dismissal of the lawsuit. Under the Standstill Agreement, GoldenTree agrees to forbear from exercising any rights or remedies available with respect to the Bonds, including any further prosecution of the legal action. In exchange, PRIDCO committed to pay to the Trustee monthly interest payments on the Bonds, totaling \$672,354.38 per month. The Standstill Agreement has been extended multiple times and currently is scheduled to expire on April 30, 2022.

Extension of Single Audit Submission

As a result of COVID-19, the United States Office of Management and Budget issued a memorandum granting various disaster relief flexibilities to reduce the burden of obtaining financial assistance. One of these flexibilities was the extension for Single Audit submission. Awarding agencies, in their capacity as cognizant or oversight agencies for audit, should allow recipients and subrecipients that have not yet filed their single audits with the Federal Audit Clearinghouse as of the date of the issuance of this memorandum that have fiscal year-ends through June 30, 2021, to delay the completion and submission of the Single Audit reporting package, as required under Subpart F of 2 CFR § 200.501 to six months beyond the normal due date. No further action by awarding agencies is required to enact this extension. This extension does not require individual recipients and subrecipients to seek approval for the extension by the cognizant or oversight agency for audit; however, recipients and subrecipients should maintain documentation of the reason for the delayed filing. Recipients and subrecipients taking advantage of this extension would still qualify as a "low-risk auditee" under the criteria of 2 CFR § 200.520(a). (2 CFR § 200.501). For the PRDE, such flexibility extends the period for completion and submission from its original due date of March 31, 2021, to September 30, 2021. PRIDCO completed the single audit submission on April 8, 2022.