



COMMONWEALTH OF
PUERTO RICO
P R E S S R E L E A S E

For immediate release

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GOVERNOR ALEJANDRO GARCÍA-PADILLA PRESENTS BILL FOR DEBT ENFORCEMENT AND RECOVERY OF PUBLIC CORPORATIONS

San Juan - The governor of Puerto Rico, Alejandro García Padilla, along with the president of the Board of Directors of the Government Development Bank for Puerto Rico ("GDB"), David H. Chafey, and Treasury Secretary, Melba Acosta Febo, announced today the filing before the Legislature of a bill entitled: The Puerto Rico Public Corporations Debt Enforcement and Recovery Act ("the Recovery Act") whose main purpose is to provide a clear legislative framework for certain public corporations that are experiencing severe financial stress to overcome their financial obstacles through an orderly, statutory process that allows them to handle their debts fairly and equitably, while ensuring the continuity of essential services to citizens and infrastructure upgrades.

"United States law provides a framework for the nation's companies and municipal entities to address their financial challenges while continuing their services. However, Puerto Rico's public corporations fall through the cracks of these laws. Therefore, the Recovery Act is created to provide a clear legislative framework that allows public corporations to address their financial difficulties without compromising any essential services provided by these corporations. It is worth noting that this law excludes the Commonwealth's debt and other entities explicitly excluded," said David Chafey.

Officials explained that the Recovery Act provides a controlled, orderly process through which a public corporation can become financially self-sufficient in order to ensure its continued ability to provide critical services to the people of Puerto Rico over the longer term. The Recovery Act includes two paths to a successful financial adjustment of a

corporation's debts – both of which are designed to ensure fair and equitable treatment for all stakeholders as well as a consistent level of service for consumers.

Treasury Secretary, Melba Acosta, stated that Chapter 2 of the Recovery Act specifically encourages the corporation and certain financial creditors to reach an agreement in a consensual manner. It is designed to get to a negotiated solution with minimum disruption to the business within a defined period of time. If an agreement is not reached, Chapter 3 of the Recovery Act provides for a process that is overseen by a Commonwealth court located in Puerto Rico.

“The main purpose of the law is to protect the interests of the people of Puerto Rico and to ensure that the gap in federal law does not jeopardize essential public services. The Recovery Act also protects Puerto Rico's GO debt by giving public corporations the opportunity to address their financial challenges once and for all and thereby no longer depend on the General Fund. Also, the law protects the interests of bondholders and creditors, along with other stakeholders, by giving corporations a way to negotiate with their primary stakeholders to ensure a fair and equitable allocation of resources and create a more promising future for their finances and for all the people who depend on them," they added.

As explained in the legislation, not all public corporations will be eligible for the Recovery Act. Among the governmental entities specifically excluded are: the Commonwealth, the seventy-eight municipalities of the Commonwealth, GDB and its subsidiaries, affiliates, and ascribed entities, the Children's Trust, the Employees Retirement System, the Judiciary Requirement System, the Municipal Finance Agency, the Municipal Finance Corporation, the Puerto Rico Industrial Development Company, the Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority, the Puerto Rico Infrastructure Financing Authority, Puerto Rico Sales Tax Financing Corporation, the Puerto Rico System of Annuities and Pensions for Teachers, and the University of Puerto Rico.

“Over the past year, the GDB has reiterated that the public debt of the Commonwealth should not be seen as a sum of debts to a single debtor, but rather as individual loans

supported by various sources of revenues and income, with certain priorities established by law or contract. Moreover, the GDB's message to the market has been consistent in the sense that neither the Commonwealth nor the GDB is in the position to subsidize or bail out public corporations and that they need to become self-sufficient."

"We will continue to support the efforts of public corporations to become financially self-sufficient. However, taking into account the current challenges, if public corporations defaulted on their obligations in a way that would allow creditors to exercise their remedies piecemeal or in a disorderly fashion, the absence of an orderly process would threaten the Puerto Rico government's capacity to safeguard the public and promote the general welfare of the people. For these reasons, the Recovery Act is urgently needed," said Chafey.

The Governor stated that, since January 2013, his Administration has implemented fast, decisive and multiple unprecedented measures to stabilize the fiscal situation of Puerto Rico, promote economic growth, and safeguard and reinforce Puerto Rico's credit. He added that they are close to having a balanced budget for the fiscal year of 2014-2015, and that the Government has approved a comprehensive reform of the Retirement System of the Employees Government and important measures to strengthen the public corporations of Puerto Rico.

"This Administration continues to demonstrate that it is prepared to make the difficult decisions that are needed to ensure the long-term sustainability of the Government of Puerto Rico. The Recovery Act is not related to the Commonwealth's general obligations to creditors. We will continue to honor our obligations to the Commonwealth's creditors. We are focused on assuring that Puerto Rico regains its economic growth, and we will stand by this promise," the Governor concluded.

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