



COMMONWEALTH OF  
PUERTO RICO

Government Development Bank  
for Puerto Rico



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PUERTO RICO

Treasury Department



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## **GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO PLACES \$3.5 BILLION GENERAL OBLIGATION BONDS**

San Juan – The Government Development Bank for Puerto Rico (GDB) today announced the successful sale of tax-exempt fixed rate General Obligation (GO) Bonds of the Commonwealth of Puerto Rico (the “Commonwealth”) in the aggregate principal amount of \$3.5 billion. The bonds mature in 2035 and were issued at an 8.00% coupon, and an 8.727% yield.

The Commonwealth will receive approximately \$3.2 billion in net proceeds from the offering, approximately \$900 million of which will be used to refinance short-term obligations and swap termination payments, and approximately \$400 million of which will be used to capitalize interest. The repayment of all outstanding variable rate debt of the Commonwealth (other than \$126 million in outstanding CPI bonds) greatly simplifies the Commonwealth’s capital structure and reduces market and credit risk.

Remaining net proceeds will be used to refinance certain obligations of the Commonwealth and of its instrumentalities with the GDB, resulting in a liquidity infusion to the GDB of approximately \$1.9 billion. GDB lines of credit repaid from bond proceeds were primarily used to finance General Fund deficits during the current and prior fiscal years.

The issue was upsized from \$3.0 billion to \$3.5 billion due to unprecedented demand; total orders, received from 270 different accounts, surpassed \$16 billion, which represents more than four and a half times the bonds available for sale. Notwithstanding the upsizing, the Commonwealth retains approximately \$900 million in GO bond capacity under the constitutional debt limit, capacity which should materially expand during fiscal year 2015 if fiscal year 2014 revenues come in line with forecasts.

GDB Interim President José V. Pagán Beauchamp said, “This liquidity infusion, larger than originally anticipated, strengthens the GDB’s credit profile and its role as provider of interim and long-term financing to the Commonwealth and its instrumentalities. With the Commonwealth’s near-term liquidity needs now substantially met and the GDB’s liquidity strengthened, we are committed to implementing our plan to achieve our stated goals and to prudently manage our resources as we continue to build a solid foundation for economic growth and development. We are also committed to continued transparency with our investor base and open and constructive engagement with our investors.”

GDB Chairman David H. Chafey stated, “The success of this issuance is due to the significant steps the García Padilla administration has taken since taking office in January 2013 to strengthen the Commonwealth’s credit profile, as well as the Governor’s commitment to balance the budget in

fiscal year 2015. This issuance will support the Commonwealth as we continue to implement our plan to make public corporations self-sufficient, create jobs, and encourage economic diversification.”

Treasury Secretary Melba Acosta Febo commented, “Puerto Rico is advancing on its path towards a balanced budget in fiscal year 2015, and will continue to address its fiscal challenges in order to drive long-term and sustainable economic growth. We will continue to execute our comprehensive plan to strengthen the Treasury Department’s fiscal oversight efforts so that we achieve our fiscal and economic goals.”

The bonds also have a 6-year call option at par, which will permit the Commonwealth to refinance the bonds in 2020 without premium as market conditions allow.

Barclays, Morgan Stanley and RBC Capital Markets served as joint lead managers for the bond offering, with Barclays acting as lead book-running manager.

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### *Forward-Looking Statements*

The information included in this statement contains certain forward-looking statements. These forward looking statements may relate to the fiscal and economic condition, economic performance, plans and objectives of the Commonwealth of Puerto Rico or its agencies or instrumentalities. All statements contained herein that are not clearly historical in nature are forward looking.

This statement is not a guarantee of future performance and involves certain risks, uncertainties, estimates, and assumptions by the Commonwealth and/or its agencies or instrumentalities that are difficult to predict. The economic and financial condition of the Commonwealth and its agencies or instrumentalities is affected by various financial, social, economic, environmental, and political factors. These factors can be very complex, may vary from one fiscal year to the next, and are frequently the result of actions taken or not taken, not only by the Commonwealth and/or its agencies or instrumentalities, but also by entities such as the government of the United States of America or other nations that are not under the control of the Commonwealth. Because of the uncertainty and unpredictability of these factors, their impact

cannot, as a practical matter, be included in the assumptions underlying the Commonwealth's or its agencies or instrumentalities' projections.