COMMONWEALTH OF PUERTO RICO
Government Development Bank for Puerto Rico

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Treasury Department

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GDB CHAIRMAN AND TREASURY SECRETARY PROVIDE JOINT COMMENT ON RECENT STATEMENTS FROM RATINGS AGENCIES & REAFFIRM THE STRENGTH OF THE COFINA CREDIT

San Juan, P.R. – Today, Chairman of the Board of Directors of the Government Development Bank for Puerto Rico, David H. Chafey, Jr., and Treasury Secretary Melba Acosta Febo provided the following comments on recent actions by Fitch Ratings as a result of the enactment of the Puerto Rico Public Corporation Debt Enforcement and Recovery Act ("Recovery Act").

"We are disappointed by Fitch's erroneous interpretation that the recent passage of the Recovery Act suggests Puerto Rico may take actions in the future to the detriment of the COFINA credit. As Fitch has acknowledged, COFINA is explicitly insulated from the Recovery Act, which was created to provide a clear legislative framework that allows certain public corporations to address their financial difficulties without compromising the essential services these corporations provide.

"Fitch recognizes that COFINA's debt service coverage by pledged revenues is considerable, sales and use tax collections have remained resilient since its implementation in 2006, and total sales and use tax ("SUT") revenues are up 6.5% year-over-year through May 2014. Moreover, COFINA retains the senior claim on pledged SUT revenues to fully fund its annual debt service.

"All the steps taken since the beginning of this Administration have been consistent and aligned towards the same goal: to strengthen the General Fund and COFINA while ensuring the self-sufficiency of public corporations that provide essential services to island residents. Towards this objective, during the past 18 months this Administration has (i) increased the COFINA base rate from 2.75% to 3.50%, (ii) pledged an additional 0.50% of the SUT to COFINA, (iii) expanded the sales tax base in the fiscal year 2014 budget and (iv) for the fiscal year 2015 budget, and pledged to begin charging the SUT at the Commonwealth's ports. These measures have increased COFINA's debt capacity, improved coverage ratios and break-even growth rate scenarios, and resulted in unprecedented SUT growth rates during fiscal year 2014. We believe that these actions, coupled with the actions to protect General Fund finances, make the COFINA credit stronger than it was when this Administration came into office 18 months ago.

"The current administration has implemented critical and decisive measures to stabilize Puerto Rico's fiscal situation, promote economic growth, and safeguard and reinforce Puerto Rico's credit. This includes the first balanced budget in 22 years, a comprehensive reform of the Employees Retirement System, the passing of the Fiscal Sustainability Act, and important measures to strengthen the public corporations of Puerto Rico, including measures to materially reduce their operating costs. We will continue to proceed with determination and focus to successfully guide Puerto Rico on its path to fiscal health and stability."

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