



October 30, 2014

## COMMONWEALTH OF PUERTO PROVIDES UPDATE ON FISCAL AND ECONOMIC PROGRESS

San Juan, P.R. –The Government Development Bank for Puerto Rico (“GDB”) today hosted a webcast to provide the investment community with an update on its fiscal and economic development progress.

Today’s presenters were: David Chafey, Chairman of the Board of the GDB; Melba Acosta Febo, Former Secretary of Treasury and President of the GDB; José R. Coleman Tió, Executive Vice President and General Counsel of the GDB; Richard Barrios, Treasurer and Executive Vice President of the GDB; Natalia Guzmán, Advisor to the President and Senior Vice President of the GDB; Alberto Bacó, Secretary, Department of Economic Development and Commerce; Antonio Medina, Executive Director of the Puerto Rico Industrial Development Company; and Carlos Rivas, Former Director of the Office of Management and Budget.

The presentation covered the significant actions the GDB and the Commonwealth have taken to improve the Commonwealth’s liquidity and ensure the financial viability of its public corporations, an update on Puerto Rico’s Fiscal Year 2015 Budget, and the Commonwealth’s progress on reforming its tax code and growing the economy.

Topics discussed on the webcast included:

- The closing of a \$900 million GDB Notes transaction to fund the Commonwealth’s annual need for Tax and Revenue Anticipation Notes, which ensures sufficient working capital to meet General Fund cash flow needs.
  - A proposed Puerto Rico Infrastructure Financing Authority (“PRIFA”) transaction, which is expected to materially strengthen the GDB’s liquidity and balance sheet.
  - Puerto Rico’s plans to re-access the market, subject to market conditions, with a potential Puerto Rico Infrastructure Financing Authority (“PRIFA”) transaction, which is expected to materially strengthen the GDB’s liquidity and balance sheet.
  - Recently House Bill 2212, which seeks to place the Puerto Rico Highways and Transportation Authority (“HTA”) on a path to self-sufficiency without recourse to Act 71-2014, also known as the Recovery Act. House Bill 2212 is expected to materially strengthen HTA’s credit profile by deleveraging its balance sheet and ensuring sufficient revenues for debt service, operations and capex.
  - Update regarding the forbearance process with Puerto Rico Electric Power Authority (“PREPA”) creditors, which places the public corporation on a restructuring path based on a consensual, negotiated solution. PREPA has made substantive progress on the milestones set by the various Forbearance Agreements and the hiring of Lisa Donahue of AlixPartners as Chief Restructuring Officer will ensure transparency and expert guidance and execution.
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- Puerto Rico's plans to execute on the approved FY 2015 Budget. Q1 FY 2015 budgeted revenues have increased 4.4% year-over-year and are 2% below projections. In addition, Q1 FY 2015 budgeted expenses are 4% lower than projections due to the successful implementation of corrective expense measures, including budgetary reform at the Department of Education.
- Puerto Rico's tax reform agenda for Q3 FY 2015, which is aimed at reducing tax inefficiencies that act as a hindrance to economic growth and is expected to reduce marginal income tax rates, repeal the gross profit tax (*patente nacional*) and shift the tax system from taxing work towards taxing consumption. Tax reform is expected to drive an increase in General Fund tax revenues and has been designed to address projected increases in budgetary expenses during the 5-year forecast period.
- The Commonwealth's continued successful execution of its aggressive economic outreach plan.

Commenting on the update, Melba Acosta Febo, President of the GDB, stated "Puerto Rico has taken meaningful and aggressive steps to strengthen the Commonwealth's credit and encourage economic growth. In the near-term, we are working to enact tax code reform, strengthen liquidity and secure the financial stability of Puerto Rico's public corporations, while also focusing on the long-term goals of maintaining a balanced budget and supporting sustainable economic growth. We will continue to be focused and determined in our mission to successfully guide Puerto Rico on a path to fiscal health and stability."

The full presentation materials are available on the GDB's website: <http://www.gdb-pur.com>.

A replay of the webcast will be available shortly on the GDB's website.

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