



COMMONWEALTH OF
PUERTO RICO

Government Development Bank
for Puerto Rico

PRESS RELEASE

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GDB PRESIDENT COMMENTS ON STANDARD & POOR'S RATINGS SERVICES ACTION

San Juan, P.R. – Today, Government Development Bank for Puerto Rico (“GDB”) President Melba Acosta Febo commented on Standard & Poor’s Ratings Services’ (“S&P”) decision to downgrade outstanding bonds of the Commonwealth, the GDB and other related entities.

The tax reform proposed by Governor García Padilla serves to not only strengthen the security of the COFINA bonds but all General Fund related credits. Moreover, the proposed reform will increase revenues through a more equitable tax structure and effective tax collection mechanism. “We are disappointed that S&P has taken such action without evaluating the details and structure of the proposed tax reform.”

“COFINA bonds will continue to receive a pledged portion of the proposed VAT tax, while the structure, security and payment system remain unchanged pursuant to the fulfillment of COFINA obligations.” Notably, the revenue stream attached to COFINA bonds remains separate and apart from the Commonwealth and will only further increase under the proposed VAT tax with the expected increase in the tax base. “To that end, we will continue to operate in accordance with COFINA bond covenants while the bond trustee will continue to be provided with written confirmation that all pledged revenues for COFINA bonds have been satisfied pursuant to the bond covenants and guarantees. Moreover, we intend to provide third party legal opinions with respect to compliance with COFINA’s covenants under the bond documents.”

S&P also noted the recent District Court ruling that the Recovery Act is unconstitutional, or serves as an additional challenge for the Commonwealth. However, we view this ruling as a temporary setback in our goal of providing Puerto Rico with its right to adjust its debt pursuant to the federal Bankruptcy Code. We remain confident that the ruling will be overturned on appeal and the Recovery Act will continue to support our efforts to promote self-sufficiency at our public corporations. Our public corporations continue on their path to fiscal health with the support and guidance of the GDB.

“While we are disappointed with Standard & Poor’s decision, we remain committed to the implementation of our fiscal and economic development plans, and to addressing both near- and long-term challenges.”

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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.

