



COMMONWEALTH OF
PUERTO RICO

Government Development Bank
for Puerto Rico



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PUERTO RICO

Treasury Department



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PUERTO RICO'S FISCAL POSITION IS STRENGTHENED BY THE PASSAGE OF BILL AMENDING DEDICATED SALES TAX FUND ACT

Treasury Secretary and Interim GDB President Comment on Important COFINA Amendments

San Juan –Today, Treasury Secretary Melba Acosta Febo and Government Development Bank for Puerto Rico (GDB) Interim President José V. Pagán Beauchamp commented on the Legislative Assembly's approval of a bill to amend Act 91-2006, as amended, known as the "Dedicated Sales Tax Fund Act." This bill was signed into law by the Governor of the Commonwealth of Puerto Rico, Alejandro Garcia Padilla.

The amendments expand the capacity of the Sales Tax Fund Financing Corporation (COFINA, by its Spanish acronym) to issue bonds and will facilitate the execution of cost-effective financing for the Commonwealth. The amendments increase the Sales and Use Tax percentage allocated to COFINA from 2.75 percent to 3.50 percent, and allow the use of these funds for financings related to the FY 2011-12, FY 2012-13 and FY 2013-14 budgets.

"We are pleased that Governor Padilla has signed this important COFINA legislation into law, and commend the Senate and House of Representatives of Puerto Rico for their cooperation in further enhancing Puerto Rico's financial flexibility," said Acosta. "These amendments mark another step forward in our fiscal progress by establishing an additional source of cost-effective financing as the Commonwealth continues to strengthen its fiscal position and build a solid foundation for economic prosperity and development."

The Secretary added that the new structure increases COFINA's capacity to issue debt by up to approximately \$2 billion. Using COFINA will not have an impact on the General Fund, because sales tax receipts allocated to COFINA will be offset by an equivalent reduction in the debt service payable from the General Fund. Importantly, there will be no increase in the sales tax paid by consumers.

"The approved COFINA structure represents the most attractive source of financing at this time, enabling cost-effective access to capital while preserving the financial structure and health of GDB's existing credits, including its General Obligation bonds," said Pagán Beauchamp. "Moody's Investors Service recently affirmed its rating and outlook for Puerto Rico's General Obligation bonds following our announcement of the proposed additional COFINA financing."

The GDB's financing plan for the remainder of the current calendar year includes the issuance of between \$500 million and \$1.2 billion of debt, depending on market conditions, and the Commonwealth and the GDB have the financial flexibility to adjust such financing plan as necessary. Other than through COFINA, the Commonwealth has no current plans to issue bonds under any other credit during the rest of the calendar year.

The bonds to be issued by COFINA, if any, will be subordinated to current COFINA bondholders. In order to protect the interests of the current holders of COFINA bonds, COFINA expects to include a covenant in new issuances that it will not issue any additional Senior or First Subordinate Lien Bonds, other than for refunding purposes, to generate savings.

Barclays has been selected to act as book running senior manager, with RBC Capital Markets, LLC serving as co-lead manager, for any inaugural issuance of COFINA bonds that might result from this legislation. GDB will provide additional details regarding any proposed transaction at the appropriate time.

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