



COMMONWEALTH OF  
PUERTO RICO

Government Development Bank  
for Puerto Rico

PRESS RELEASE

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## **THE GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO MAKES ANNOUNCEMENT REGARDING JANUARY 1, 2016 DEBT SERVICE PAYMENTS**

*Scheduled Payments of Principal and Interest Will be Made in Full by the  
Commonwealth of Puerto Rico Pursuant to Constitutional Obligations*

*Certain Other Issuers Without Existing Deposits or Funds in Reserve  
Will Not be Paid*

San Juan, P.R. - The Government Development Bank for Puerto Rico ("GDB") today announced that all scheduled principal and interest payments due on January 1, 2016 on the "public debt" of the Commonwealth of Puerto Rico (*i.e.*, debt issued or guaranteed by the Commonwealth) will be made. Such payments amount to, after deductions for capitalized interest and certain federal subsidies, approximately \$434 million in the aggregate. The GDB also announced that all payments of principal of and interest on outstanding GDB notes due on January 1, 2016 will be made, amounting to a total aggregate amount of approximately \$10 million (including payments guaranteed by the Commonwealth).

The Commonwealth's ability to make payment in full of all amounts due on January 1 is in part due to the application to the payment of the public debt of certain "available revenues" that were redirected from affected governmental entities pursuant to Executive Order Nos. OE-2015-046 and -049 (collectively, the "Executive Orders"). As the GDB previously announced, the Executive Orders provide for the redirection of "available revenues" that support certain debt service obligations of, among other issuers, the Highways and Transportation Authority (HTA), the Puerto Rico Infrastructure Financing Authority (PRIFA), and the Convention Center District Authority (CCDA). To date, approximately \$164 million have been redirected pursuant to the Executive Orders. These funds will be applied, in accordance with the Commonwealth's Constitutional obligations and applicable law, entirely to the payment of amounts due on the public debt on January 1, 2016.

As a result of the redirection of these "available revenues," such funds are not available to pay debt service on obligations owed by HTA, PRIFA, and CCDA on January 1, 2016. Therefore, only those obligations for which funds sufficient to cover the January 1, 2016 payments are already held in reserve at, or otherwise deposited with, the bond trustee are expected to be paid in full on January 1, 2016. Those obligations are expected to include all bond indebtedness issued by HTA and CCDA as well as the Dedicated Tax Fund Revenue Bond Anticipation

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Notes, Series 2015 issued by PRIFA, for a total amount of approximately \$113 million that will be paid from funds held in reserve and not from governmental revenues. However, due to the lack of similar reserve requirements, PRIFA will not have sufficient funds to make a full payment on its special tax revenue bonds, Series 2005A-C and Series 2006, on January 1, 2016, for a total amount of approximately \$36 million that is not expected to be paid. Funds in reserve that are applied to the payment of debt service on January 1, 2016 are not expected to be replenished for so long as the Executive Orders remain in effect.

Finally, GDB officials expect that certain other Commonwealth issuers, such as the Puerto Rico Sales Tax Financing Corporation (COFINA), for which sufficient funds for the January 1, 2016 payments have already been deposited with the bond trustee, will likewise make principal and interest debt service payments as scheduled from existing deposits.

GDB President Melba Acosta Febo stated:

“Today’s decision reflects, yet again, the Commonwealth’s commitment to honoring its obligations in a manner consistent with the Puerto Rico Constitution and the provision of essential public services to the 3.5 million American citizens of Puerto Rico. The decision to prioritize the payment of amounts owed on the Commonwealth’s public debt on January 1, 2016, including over certain obligations of other issuers, reflects an extraordinary effort by the Commonwealth to honor its Constitutional obligations at this time, notwithstanding the dangerously fragile state of the Commonwealth’s finances, in order to create the best chance for the Commonwealth to be able to negotiate with its creditors in the coming months toward a consensual solution for the Commonwealth’s debt crisis. The payment of the Commonwealth’s public debt in full on January 1, 2016 sends a clear signal to all of the Commonwealth’s stakeholders, particularly our creditors, that the Commonwealth is committed to working together with its creditors and has marshaled its rapidly dwindling cash resources for this payment to make that possible.

“However, the use of over \$100 million in reserved funds to make debt service payments for several of the Commonwealth’s issuers should underscore that the Commonwealth is running out of options to pay its debt. Further sacrifices and extraordinary financial measures undertaken by the Commonwealth alone, without the participation of other stakeholders, will not be sufficient to avoid a default even on our public debt, let alone enable the economy to grow to the point where the Commonwealth’s creditors have a realistic chance to be repaid over the long run.

“Other Commonwealth officials and I have spoken time and again about the grave emergency facing the Commonwealth. It is unfortunate that Congressional leaders have postponed Congress’ decision to provide Puerto Rico with the assistance it needs, particularly broad restructuring authority to facilitate an orderly process to these imperative negotiations regarding its debts. The Commonwealth and its representatives intend to meet again in the

first week of January with advisers to the various creditor groups that have formed and expect to lay out the stark choices that lay ahead for all stakeholders.

“No amount of lobbying can change the math or the facts – there isn’t enough money to provide essential services to the people of Puerto Rico, repay our existing obligations and grow our economy, which is the only way the Commonwealth will ever be able repay our creditors. We expect to make a specific proposal to our creditors during the month of January and hope they will provide us the support we need to navigate through this crisis.

“Whether or not that support is forthcoming, with over 17 different issuers, thousands of different creditors, and embedded inter-creditor conflicts throughout the Puerto Rican debt complex, we know we will need Congress to provide us the tools we need to overcome this crisis as soon as they return from recess. The American citizens of Puerto Rico deserve nothing less than swift action.”

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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.

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