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PRESS RELEASE

Governor signs law establishing a mechanism to pay "extraconstitutional" debt

San Juan, Puerto Rico— Governor Aníbal Acevedo-Vilá signed legislation to create the Puerto Rico Sales Tax Financing Corporation (COFINA, by its Spanish acronym) with authority to issue debt and use other financing mechanisms to pay off the existing extraconstitutional debt.

"By signing these amendments to the Dedicated Sales Tax Fund act, we enable the sale of a bond issue that has already been classified by the credit rating agencies as a milestone in the history of our fiscal and economic development. The proposed issue received the highest credit rating in the last 30 years and serves as an indicator that our economic course is back on track," the Governor said.

"COFINA was created for the purpose of issuing bonds and may use other financing mechanisms to pay or refinance, directly or indirectly, all or part of the extraconstitutional debt [appropriations debt] of the Commonwealth of Puerto Rico that existed as of June 30, 2006, and the interest thereof, using as a source of repayment the portion of the tax deposited in the Dedicated Sales Tax Fund under the provisions of Article 3(a) of this Act," states the piece of legislation signed by the Governor.

The legislation also states that COFINA will be an independent corporation ascribed to the Government Development Bank for Puerto Rico (GDB). As such, COFINA will have same powers, rights and faculties that GDB has under its Constitutional Charter. COFINA's Board of Directors will be the same as the GDB's. The Dedicated Sales Tax Fund will be funded each fiscal year by 1% of the funds received from the Sales and Use Tax.

The law creates a special fund called Dedicated Sales Tax Fund (in Spanish, FIA, Fondo de Interés Apremiante), which will be managed by the GDB and the Secretary of the Treasury of the Commonwealth of Puerto Rico. The FIA and all the funds deposited in it on the effective date of this act, and all future funds that must be deposited in the FIA by the provisions of this act, are hereby transferred to, and shall be property of COFINA. This transfer is made in exchange for and in consideration of COFINA's commitment to pay or establish payment mechanisms for all or part of the extraconstitutional debt existing as of June 30, 2006 and the interest thereof from the net proceeds of the bond issues, funds and resources available to COFINA," the law states.

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