



December 20, 2013

Statement by the Government Development Bank for Puerto Rico Comment on Moody's Rating Action

Government Development Bank for Puerto Rico (GDB) Interim President José V. Pagán Beauchamp today released the following statement in response to Moody's announcement of ratings action with respect to the Puerto Rico Electric Power Authority's (PREPA) and the University of Puerto Rico:

"While Moody's has placed the PREPA Power Revenue Bonds and University of Puerto Rico's Revenue Bonds and 2000 Series A bonds on review, we are confident that our comprehensive economic plan to secure Puerto Rico's financial health will succeed in the long term and strengthen the credit profiles of the Commonwealth and Commonwealth-linked entities. We are committed to the execution of PREPA's fuel diversification and cost reduction strategy, previously cited by Moody's as a key factor in stabilizing its credit, with recent highlights including the placement of approximately \$673 million in bonds to fund PREPA's capital improvement plan for at least the next two years. Moody's has cited several of the Authority's strengths, including that it continues to operate as the dominant provider of an essential service, its historical independence from the Commonwealth's finances, the Board's full rate-setting authority and ability to automatically pass through higher fuel and energy costs to customers, sound bond covenants, and its diverse customer base.

"With regard to the University of Puerto Rico, we note that Moody's has acknowledged its very strong market position as the only public higher education institution in Puerto Rico and role as a primary driver of economic activity through its academic, medical and research programs. Moody's also highlighted that all University debt is fixed rate and amortizing, that there are no immediate plans to issue debt, and that in November 2013, the National Science Foundation lifted its suspension of research funding at the Central Administration and Mayagüez campus.

"Puerto Rico and the GDB are focused on driving sustainable economic growth through job creation and working towards a balanced budget in 2016. To support and accelerate progress towards these objectives, Governor Alejandro García Padilla called an extraordinary legislative session to address a number of important fiscal matters,

including a comprehensive reform of the teacher retirement system and amendments to key laws that will strengthen government-owned corporations. Additionally, we are moving forward with the implementation of our long-term strategic plan to convert high cost oil-based power generation to lower cost natural gas, which will enable PREPA to control rates and help spur economic growth on the island. As we continue to implement measures to improve the Commonwealth's economic outlook for the long run, we are maintaining an ongoing dialog with the investment community to promote a clear understanding of our plan, our progress and our improving prospects.”

###