



GOVERNMENT OF PUERTO RICO

Puerto Rico Fiscal Agency and Financial Advisory Authority

Monday, May 14, 2018

Response to Joint Settlement Proposal from Commonwealth – COFINA Creditors

(San Juan, P.R) Today, a group of certain General Obligations (GO), COFINA bondholders, and monoline insurers published a Bondholder-Proposed Settlement to, among other things, (1) resolve the dispute over ownership of certain Sales and Use Taxes, and (2) terms for restructuring approximately \$35 billion in bonds and other claims. The Bondholder-Proposed Settlement was made within the mediation process overseen by a court appointed mediation panel in the pending PROMESA Title III cases for the Commonwealth of Puerto Rico and COFINA. The Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF) did not participate in the settlement discussions. We also understand that the Fiscal Oversight and Management Board (FOMB) did not take part in said discussions.

After having consulted with its advisors and counsel, as well as with the FOMB, AAFAF, on behalf of the Government of Puerto Rico, has determined that the Bondholder-Proposed Settlement terms are not acceptable. AAFAF's decision is based upon the conclusion that the Bondholder-Proposed Settlement debt service requirements are not sustainable in light of Puerto Rico's projected fiscal and economic situation as reflected and explained in the Commonwealth Fiscal Plan submitted to FOMB.

Although AAFAF did not participate in the discussions concerning the Bondholder-Proposed Settlement, it welcomes the efforts made by both the mediation panel and the settlement proponents to resolve inter-creditor disputes and explore the framework of a comprehensive debt restructuring.

"Notwithstanding that AAFAF has not accepted this latest bondholder settlement proposal, the Government remains ready and committed, together with the FOMB to pursue constructive dialogue and negotiations with Puerto Rico's bondholders and all other stakeholders that will lead to a fair and confirmable debt restructuring," explained Gerardo Portela Franco, AAFAF's Executive Director. In that regard, the Government firmly believes that

PRESS RELEASE



GOVERNMENT OF PUERTO RICO

Puerto Rico Fiscal Agency and Financial Advisory Authority

consensus and dialogue is the best and most efficient way for Puerto Rico to timely and successfully emerge from its fiscal and economic crisis.

###

PRESS RELEASE