



## Financial Oversight and Management Board for Puerto Rico

### PRESS RELEASE

For Immediate Release

#### **OVERSIGHT BOARD CERTIFIES COFINA TITLE III FILING**

*The Puerto Rico Sales Tax Financing Corporation now protected under Title III; Board seeks voluntary negotiations for consensual agreements to continue*

(San Juan, PR – May 5, 2017) – The Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), created by Congress under the bipartisan Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”), announced today that it approved and certified the filing in the United States District Court for the District of Puerto Rico of a voluntary petition under Title III of PROMESA for the Puerto Rico Sales Tax Financing Corporation, better known as “COFINA”.

Chairman José Carrión explained that further to a request from the Government of Puerto Rico, the Oversight Board determined it is necessary and appropriate for COFINA to file a voluntary petition under Title III of PROMESA to protect the residents of Puerto Rico, COFINA and the interests of its creditors, in view of the expiration Monday night of the stay against litigation provided under PROMESA.

Carrión emphasized that, as was the case with the Commonwealth Title III filing last Wednesday, this COFINA Title III filing should not preclude efforts to continue voluntary debt restructuring negotiations and seek consensual agreements with creditors. “The Oversight Board continues to believe that consensual negotiations are preferable to the extent possible and will pursue them with all creditor groups willing to do so,” said Carrión.

The Oversight Board Chairman explained how the certified Government of Puerto Rico Fiscal Plan, in addition to structural reforms aimed at increasing labor force participation and fostering economic growth, already contains substantial expenditure cuts and revenue increases in an effort to structurally balance the budget and maximize funds available for debt

service. But the Government's liquidity and solvency problems are massive and Title III has now become necessary to protect the people of Puerto Rico and avoid further negative impact on the economy from a flurry of litigation and continued uncertainty.

Under PROMESA, the Government of Puerto Rico, with the Oversight Board's support, has pursued voluntary negotiations and mediation in an effort to arrive at consensual agreements with its creditors. But the expiration Monday night of the stay against litigation provided by PROMESA makes COFINA vulnerable to lawsuits by its creditors. The voluntary filing under Title III would preclude those lawsuits while allowing the possibility of consensual negotiations to continue.

In its resolution approving and certifying the COFINA Title III filing, the Oversight Board specifies how it complies with the PROMESA requirements for such filing, including the Oversight Board's determination that COFINA had made good-faith efforts to reach a consensual restructuring with creditors, had adopted procedures necessary to deliver timely audited financial statements and made public draft financial statements and other information sufficient for any interested person to make an informed decision with respect to a possible restructuring, among other determinations.

"The Oversight Board takes these actions solely in order to fulfill its purpose as stated in PROMESA to provide a method for the Commonwealth and its instrumentalities to achieve fiscal responsibility and access to the capital markets," Carrión concluded.

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Contact:

José Luis Cedeño

787-400-9245

[jcedeno@forculuspr.com](mailto:jcedeno@forculuspr.com)

[info@forculuspr.com](mailto:info@forculuspr.com)

Board's Contact Information:

*E-mail:* [comments@oversightboard.pr.gov](mailto:comments@oversightboard.pr.gov)

*Website:* [www.oversightboard.pr.gov](http://www.oversightboard.pr.gov)