

September 14, 2015

Legal Update

Puerto Rico Announces its "Fiscal and Economic Growth Plan"

On September 9, 2015, the Working Group for the Fiscal and Economic Recovery of Puerto Rico issued the Fiscal and Economic Growth Plan ("FEGP"), which sets forth the measures recommended by the Working Group to reduce the Commonwealth's projected financing gaps.

According to the FEGP, the Commonwealth's cumulative financing gap for the next 5 years (FY 2016 to FY 2020) is projected to be \$27.8 billion, absent corrective action. The Working Group believes that this financing gap could be reduced by over \$11.9 billion within the next 5 years through a combination of revenue increase and spending cut measures. Additionally, the Puerto Rico Treasury's single cash account and the Government Development Bank for Puerto Rico are each expected to exhaust their liquidity before the end of calendar year 2015.

In order to address this precarious fiscal situation, and to ensure compliance with the FEGP measures, the Working Group proposes the implementation of a control board and new budgetary regulations. Additionally, the Working Group believes that meaningful changes to US federal policies are necessary for the Commonwealth to meet its debt service obligations while providing essential services to its residents, particularly in the areas of health care.

The FEGP insists in the need for an orderly process to restructure the Commonwealth's liabilities. Given that public debt is no longer sustainable, the Working Group recommends that the Commonwealth advisors begin working on a voluntary exchange offer to be made to its creditors as part of the implementation of the FEGP.

The complete Puerto Rico Fiscal and Economic Growth Plan can be accessed at <http://www.bgfpr.com/documents/PuertoRicoFiscalandEconomicGrowthPlan9.9.15.pdf>

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