



September 29, 2015

**GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO FILES A WRIT OF MANDAMUS
SEEKING AN ORDER REQUIRING THE MUNICIPAL REVENUE COLLECTIONS CENTER TO DEPOSIT
PROPERTY TAX COLLECTIONS AT THE GDB PURSUANT TO THE APPLICABLE LAW**

SAN JUAN, P.R. - Today, Government Development Bank for Puerto Rico (“GDB”) Chief Operating Officer Karolee García Figueroa stated that the GDB filed a writ of mandamus before the Court of First Instance, San Juan Superior Court, seeking an order that would require the Municipal Revenue Collections Center (“CRIM”, by its Spanish acronym) to follow the applicable law and resume making deposits and deposit transfers of the property tax collections at the GDB.

García Figueroa explained that as of June 30, 2015 the Board of Directors of the CRIM suspended all deposits of property tax collections at the GDB. On August 19, 2015, the GDB, through its President, sent a letter to the Executive Director of the CRIM stating that that the decision to suspend deposits and deposit transfers of the collections is illegal and demanding that the CRIM annul said decision, yet the CRIM has refused to comply with the Law. On September 16, 2015, the CRIM reaffirmed its decision to suspend deposits and deposit transfers, and has admitted to withholding approximately \$400 million in the revenues that should have been deposited at the GDB pursuant to the Law.

According to the Official, the Municipal Property Tax Act, Law No. 83 of August 30, 1991, authorizes the Commonwealth’s municipalities (townships) to impose a basic tax on the appraisal value of all personal and real property in Puerto Rico, as appraised by the CRIM, and provides that the CRIM collect the tax on behalf of the municipalities (townships). Said law also authorizes the CRIM to collect a special tax and a special surtax on the appraisal value of all non-exempt personal and real properties, to be used for the amortization and redemption of general obligation [bonds] issued by the Commonwealth and the municipalities, which would also be collected by the CRIM on behalf of these municipalities. The CRIM’s enabling act, Law No. 80 of August 30, 1991, also provides for the creation of a trust with the GDB in which all the collections from the basic tax, the special tax, the special surtax, as well as other revenues from the Traditional Lottery System and the percentage of net internal revenues from the General Fund of the Commonwealth corresponding to the municipalities, will be deposited.

“It is important to clarify that the Trust created by Law No. 80 was formalized in 1997 through a Trust Agreement executed by the GDB, the CRIM and the Puerto Rico Treasury Department. The funds for paying the debts of the municipalities have always been separate from all other Commonwealth government funds, and have always been distributed pursuant to the Law. Moreover, while the CRIM filed a complaint against the GDB, the CRIM has never

alleged that the GDB is breaching its fiduciary duties in connection with the funds deposited with the GDB on behalf of the municipalities or their creditors, or the terms of the Trust Agreement,” García Figueroa pointed out.

Through the Writ of Mandamus, the GDB is seeking a court order requiring the CRIM to comply with its enabling act, the Municipal Property Tax Act, and the Municipal Financing Act with regard to the collection, deposit and transfer of revenues from the basic property tax, the special tax, and the special surtax. Through this judicial remedy, the GDB is seeking the annulment of the CRIM’s decision to not deposit the collections from the above taxes at the GDB.

The Official also indicated that by not depositing these funds at the GDB, the CRIM is not only violating the law, but could also be causing each of the municipalities (townships) to breach their loan agreements with the GDB and with private banks. In addition, not making these deposits at the GDB could be considered a breach of the trust agreement with bondholders of the Municipal Finance Agency. “Through this illegal action, the CRIM is putting the finances of all municipalities in danger and likely exposing them to claims from their creditors by failing to deposit the funds to repay those loans pursuant to the law,” she added.

“The GDB, as fiscal agent for the municipalities and trustee of property tax funds, is responsible for ensuring compliance with the Law,” García Figueroa concluded.

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