



Puerto Rico Conference 2012 “Revitalizing Innovation”

Luis G. Fortuño, Governor of Puerto Rico

Conrad San Juan Condado Plaza Hotel

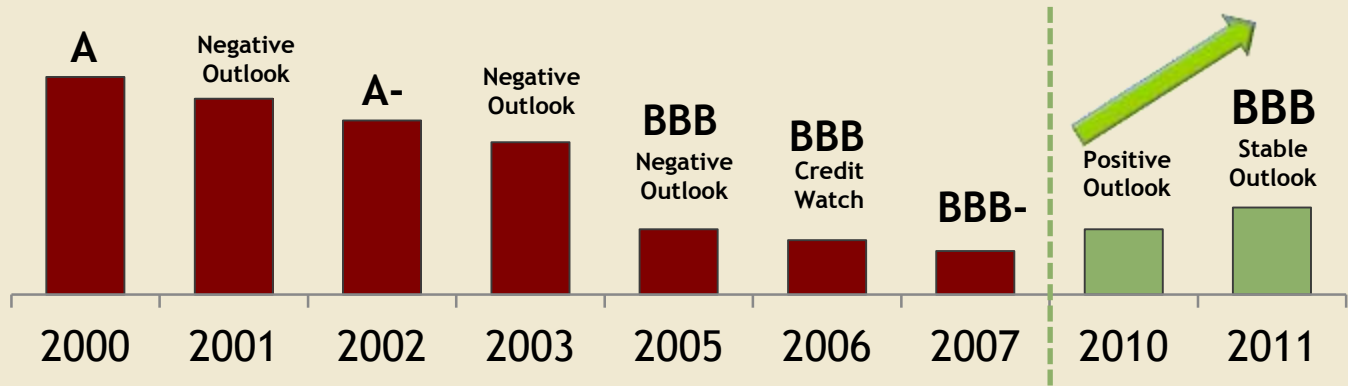
March 28, 2012

Fiscal Achievements (2009-2012)

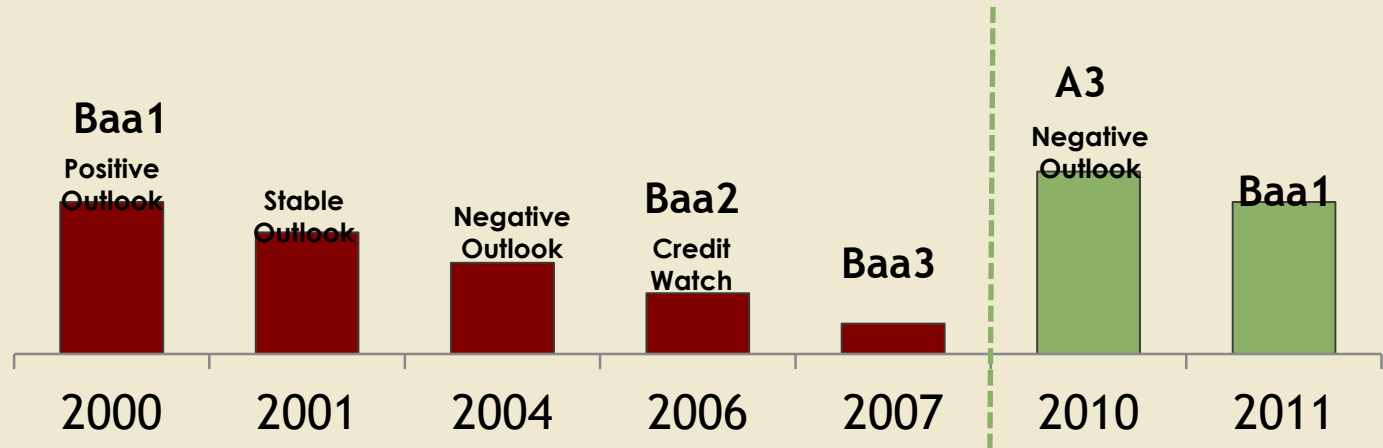
Goals	What we faced...	What we accomplished...
Implementation of the Fiscal Stabilization Plan	<ul style="list-style-type: none"> ▪ There was no money to pay our first payroll ▪ \$756 million in unpaid checks to suppliers ▪ Monumental deficit of \$ 3,306 million or 44% of revenues ▪ Lack of credibility and transparency with the investment community and rating agencies 	<ul style="list-style-type: none"> ▪ Full payment to suppliers ▪ Successful implementation of financing plan to fund the Government and reduce inherited deficits ▪ 15% reduction in government spending
Improve Puerto Rico's Credit Rating	<ul style="list-style-type: none"> ▪ Puerto Rico's credit was at its lowest level in history, just above junk status 	<p>Improvement in credit rating:</p> <ul style="list-style-type: none"> ▪ Moody's: from Baa3 to Baa1 (two notches) ▪ S&P: from BBB- to BBB (First credit rating upgrade by S&P in the US since 2009) ▪ Fitch: inaugural rating of BBB+
Save our Retirement	<ul style="list-style-type: none"> ▪ Our Retirement System has less than 8.5 cents per dollar obligation ▪ A system that was going to run out of liquid assets by 2014 	<ul style="list-style-type: none"> ▪ We have increased employer contribution from 9.275% to 20.525% by year 2021 ▪ Injected \$162.5 million on capital appreciation bonds with maturity value of over \$1.5 billion ▪ Additional measures have been taken to increase life of System past 2022 (i.e. reduction of personal loans to members)

Major credit rating agencies have recognized our fiscal progress with positive ratings

**STANDARD
& POOR'S**



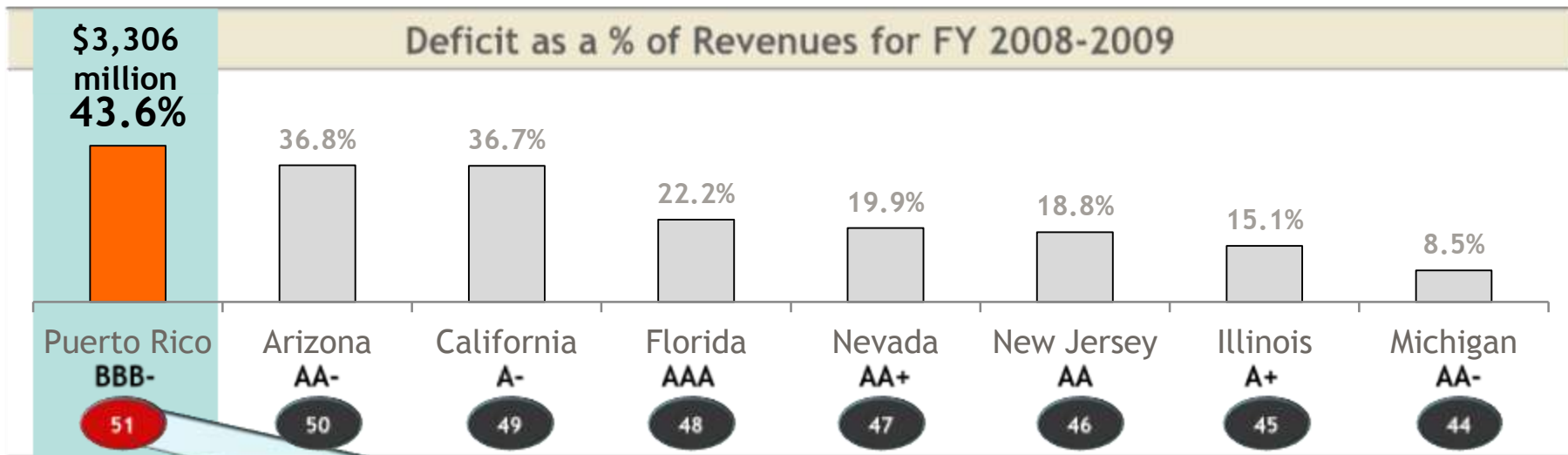
MOODY'S



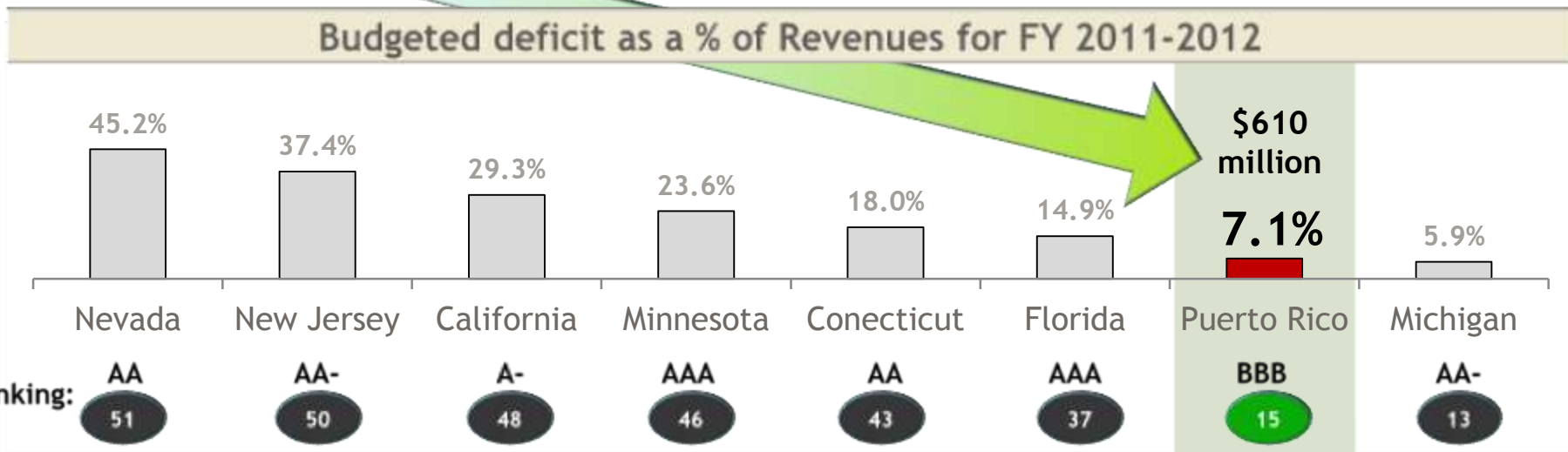
FitchRatings

Inaugural rating : **BBB+ Stable Outlook**

We have achieved unparalleled fiscal improvement, reducing our deficit dramatically



Ranking:



Ranking:

Development Achievements (2009-2012)

Goals	What we faced...	What we accomplished...
Implementation of Public-Private Partnerships (P3)	<ul style="list-style-type: none"> ▪ Lack of sustainable plan for the development of infrastructure ▪ Limited lending capacity from the government to promote infrastructure projects 	<ul style="list-style-type: none"> ▪ "Schools for the XXI Century: 100 schools (at least 1 per municipality) ▪ PR-22 – Toll Road Concession – DONE (private investment of more than \$1.5 billion) ▪ Airport Concession - due 1st half of 2012
Promote entrepreneurship	<ul style="list-style-type: none"> ▪ Lack of direct guidance to aspiring entrepreneurs ▪ Lack of financing mechanisms to foster new businesses 	Municipal Entrepreneurship Initiative (DPP) <ul style="list-style-type: none"> ▪ Individual business counseling ▪ Partnership with the Economic Development Bank to facilitate credit to potential entrepreneurs ▪ Focus on municipalities with high unemployment ▪ 3,200 new jobs; \$5.9million in loans
Revamp sluggish housing sector	<ul style="list-style-type: none"> ▪ Unprecedented increase in housing inventory 	<ul style="list-style-type: none"> ▪ Successfully implemented Housing Stimulus Bill and approved extension until late 2012 ▪ Dramatically reduced housing inventories in both existing and new housing units ▪ 2011 vs. 2010 increase: <ul style="list-style-type: none"> ✓ New Homes Sales: 59.8% ✓ Existing Homes Sales : 26.5%

We jump-started investment through Public Private Partnerships that have garnered global praise

Important infrastructure projects

Concession of Toll Roads



\$1.5 billion investment

Modernization of 100 Schools



\$878 million investment

Concession of Airport



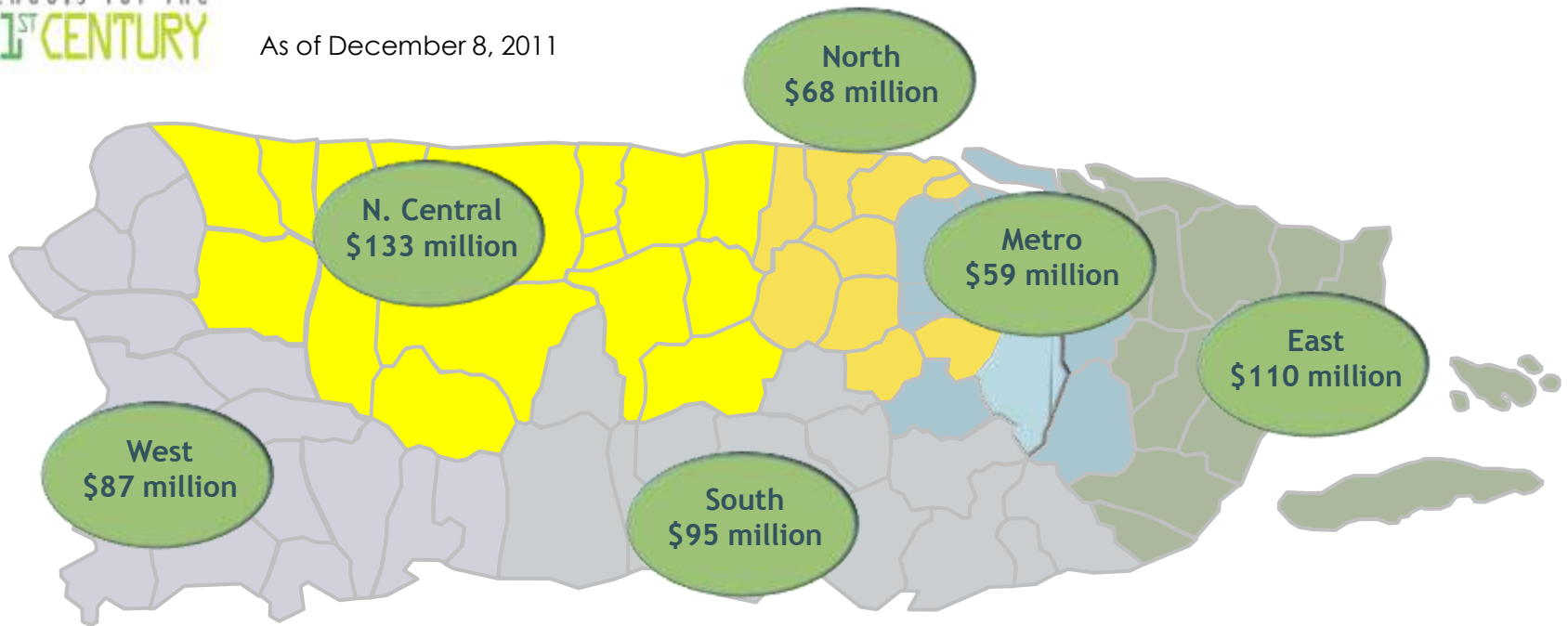
The first social infrastructure P3 project in Puerto Rico is underway with more than \$878 million available for investment and over \$552 million already deployed



71 schools under construction

(total investments by region)

As of December 8, 2011



Jobs and investment happening throughout the Island

We expect to continue to deploy our Municipal Entrepreneurship Initiative, in order to spur job growth in high-unemployment municipalities

GDB has partnered with the Economic Development Bank (EDB) to provide financing to aspiring entrepreneurs



1. 328 cases have been approved by EDB for a total investment of \$5,882,313.
2. Over 11,000 potential entrepreneurs have been served across 34 municipalities.
3. 3,200 jobs have been created since the program began on September 2010.

We have developed four new legislative measures that will drive additional economic development in Puerto Rico

- New legislative measures aim to continue diversifying our economy, raising our legal standards to the requirements of the 21st century in order to integrate ourselves fully into the global economy

Export Services

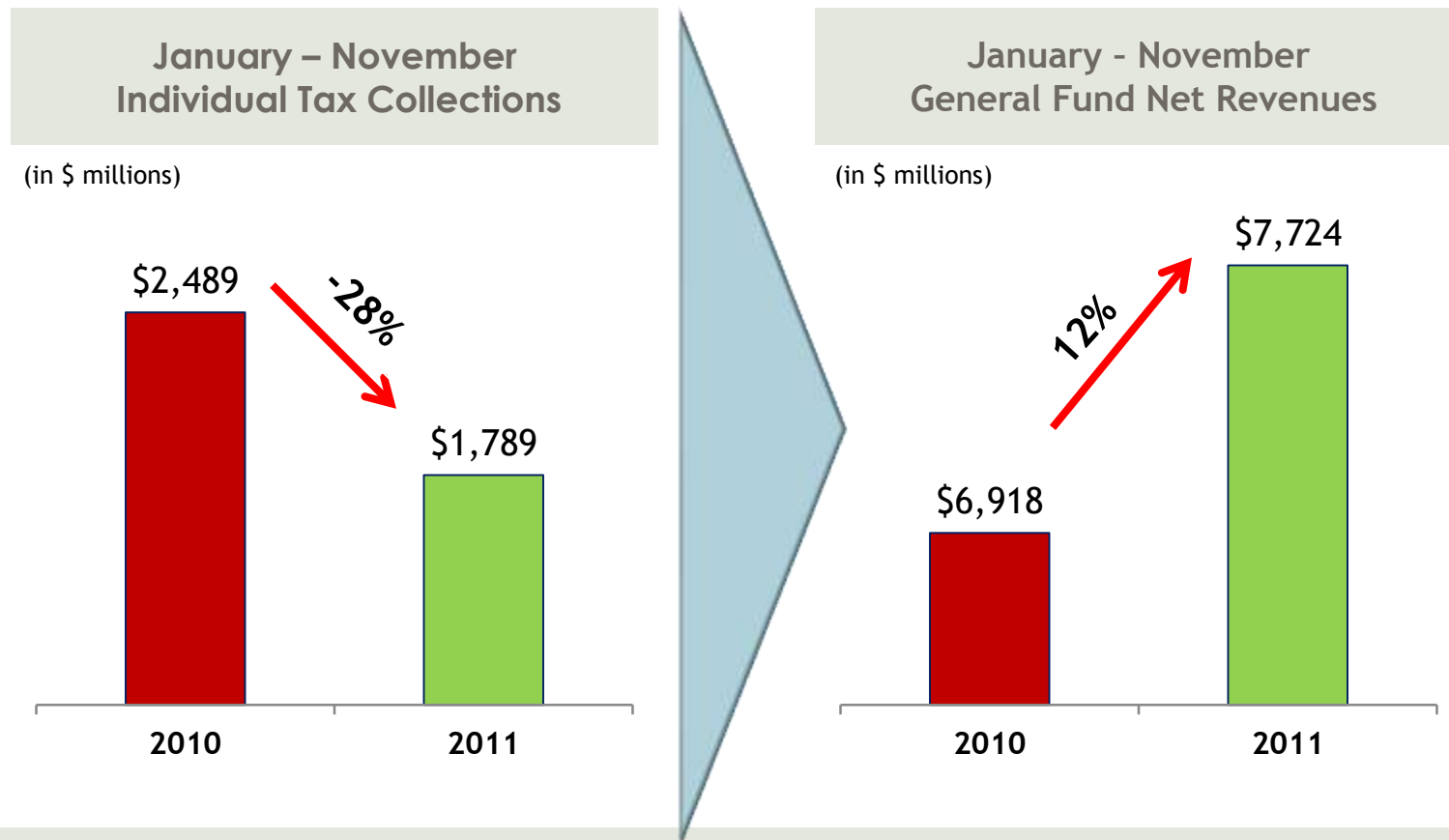
- Provide an attractive environment and create adequate opportunities to develop Puerto Rico as an international service center, promote residency and attract local professionals and foreign capital
- Provide a 4% income tax rate during a 20 year period within a special Tax Decree



Foreign Investors

- Mobilize investments (mutual funds, stocks, bonds) that are outside Puerto Rico in order to reinvest back to the Island through the transfer of individuals (individual Resident Investors: IRI)
- Provide exemptions on Puerto Rico tax payments on interest and dividends as well as reductions on capital gain taxes

The most comprehensive tax reform in Puerto Rico's history is generating the intended results



In spite of decreased Individual Tax Collections, General Fund Net Revenues increased during the first 11 months of CY 2011, mainly due to the “Positive Revenue” effects of the Tax Reform

We continue to promote the tourism sector and secure investments in strategic tourism projects

Hyatt Place Bayamón

Investment: **\$50 MM**
Rooms: **156**
Jobs: **234**



Hyatt Place Manatí

Investment: **\$38 MM**
Rooms: **104**
Jobs: **156**



Wyndham Barceloneta

Investment: **\$65 MM**
Rooms: **125**
Jobs: **188**



JW Marriott Coco Beach

Investment: **\$244 MM**
Rooms: **335**
Jobs: **503**



Dorado Ritz Reserve (2nd Phase)

Investment: **\$55 MM**
Rooms: **32**
Jobs: **27**



Condado Palm Best Western

Investment: **\$20 MM**
Rooms: **154**
Jobs: **131**



POTENTIAL PROJECTS

Hyatt Place Convention Center

Investment: **\$25 MM**
Rooms: **156**
Jobs: **234**



Hyatt Summerfield Suites CC

Investment: **\$22 MM**
Rooms: **99**
Jobs: **149**



Four Seasons Cayo Largo

Investment: **\$277 MM**
Rooms: **159**
Jobs: **239**



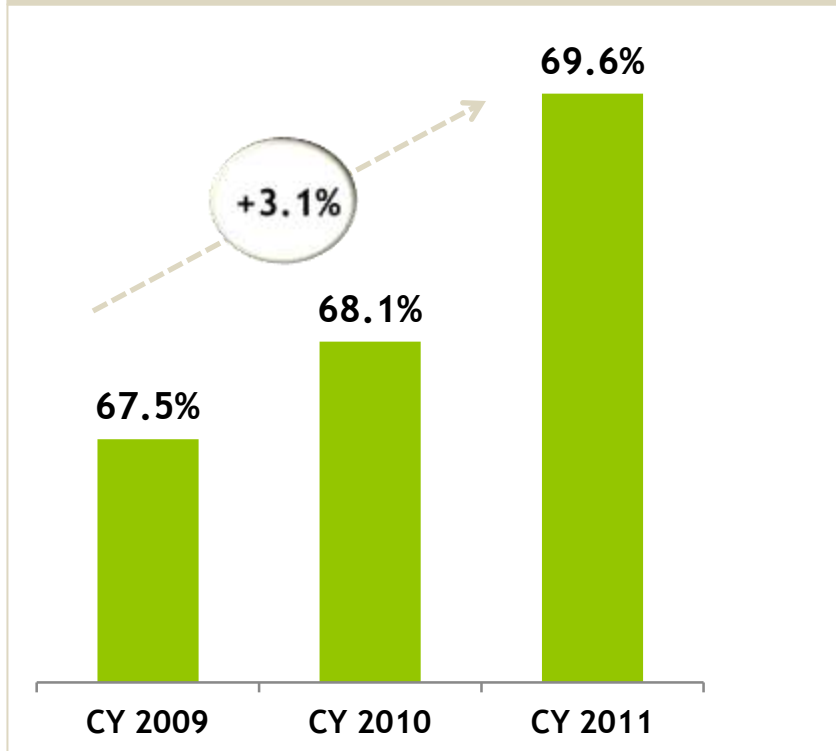
Dorado – Cerromar Re-Development

Investment: **\$214 MM**
Rooms: **400**
Jobs: **480**

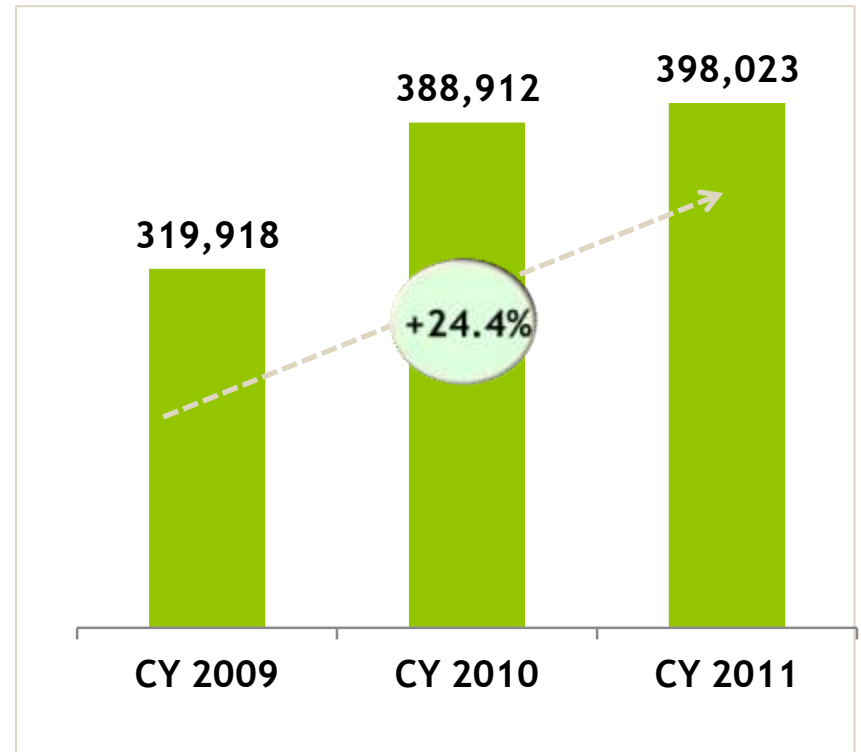
In 2011, we experienced one of the highest hotel occupancies on record, and a significant increase in cruise ship passenger arrivals

Puerto Rico sold more than 3,079,117 hotel room nights in 2011

Hotel Occupancy Rate



Cruise Ship Passengers (Homeport)



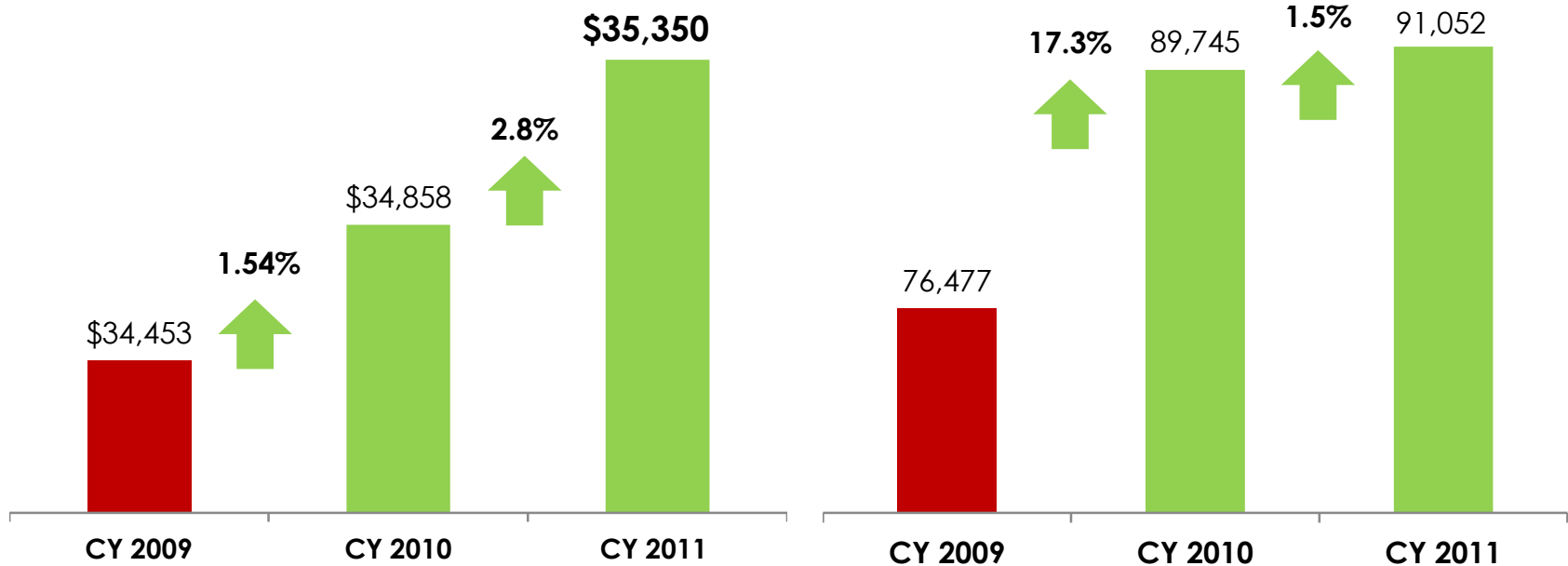
Source: Puerto Rico Tourism Company and Puerto Rico Ports Authority

Consumer confidence levels are on the upswing

Increase in Retail and Auto Sales

Retail
(in millions of \$)

Auto Sales
(in units)

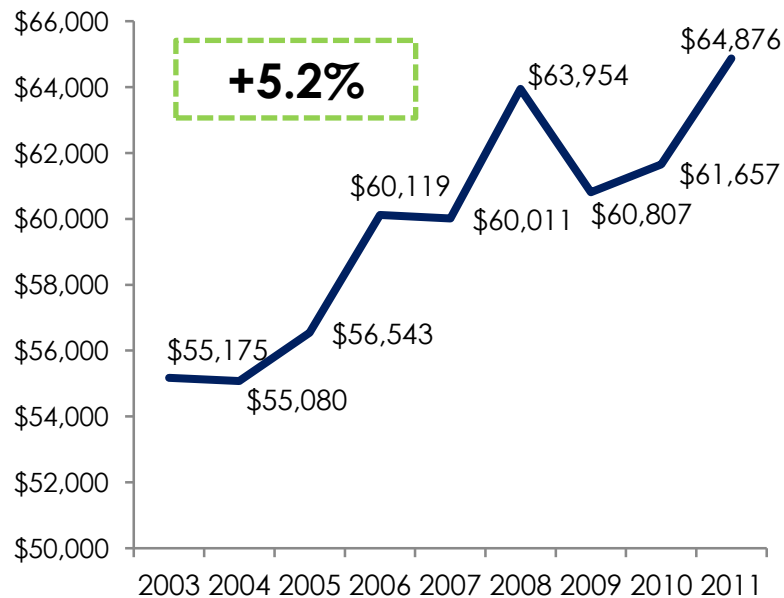


Source: Puerto Rico Trade and Export Company

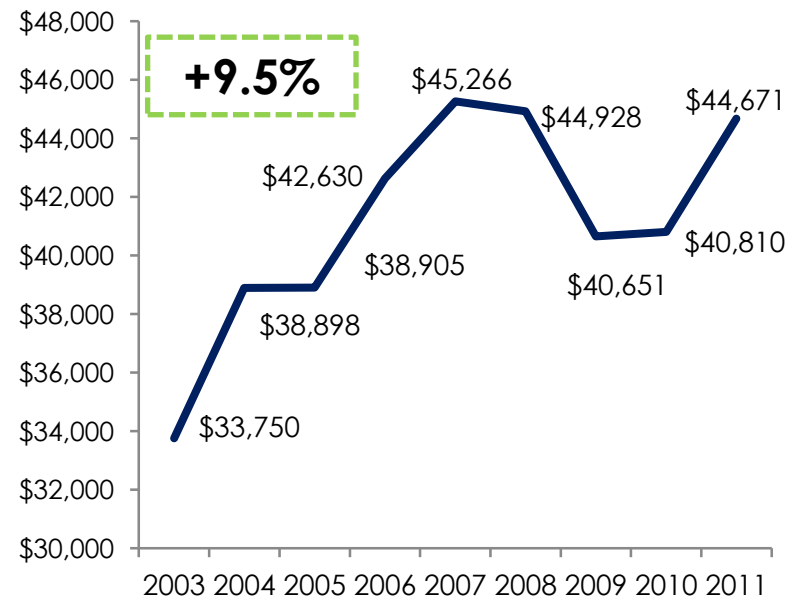
Recent export data shows robust improvement since 2009

A clear, positive trend for Puerto Rico's economy

Exports
(in billions of \$)



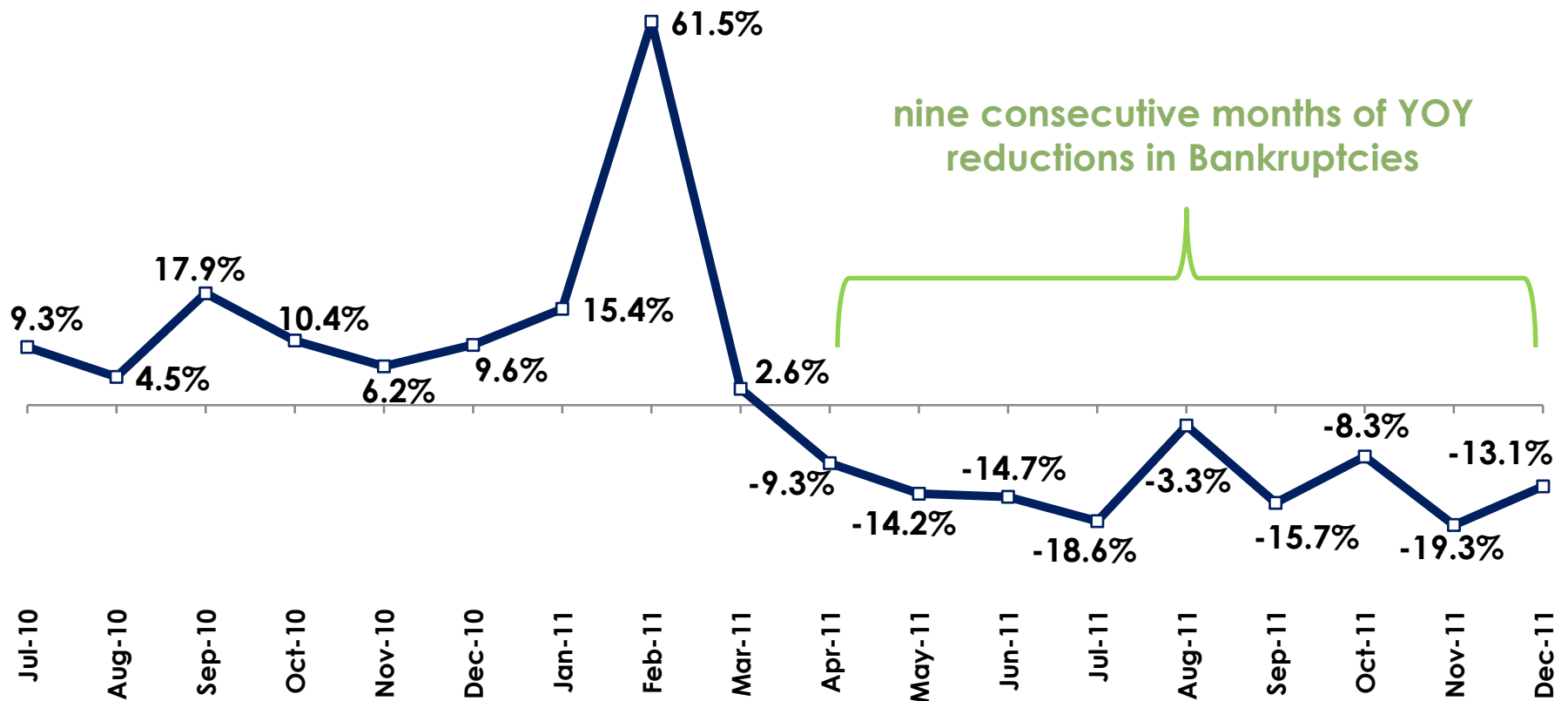
Imports
(in billions of \$)



During fiscal year 2011, exports increased by **5.2%** when compared to fiscal year 2010, while imports increased by **9.5%**

CY 2011 showed a 9% reduction in bankruptcy filings compared to 2010, the first decline since 2006

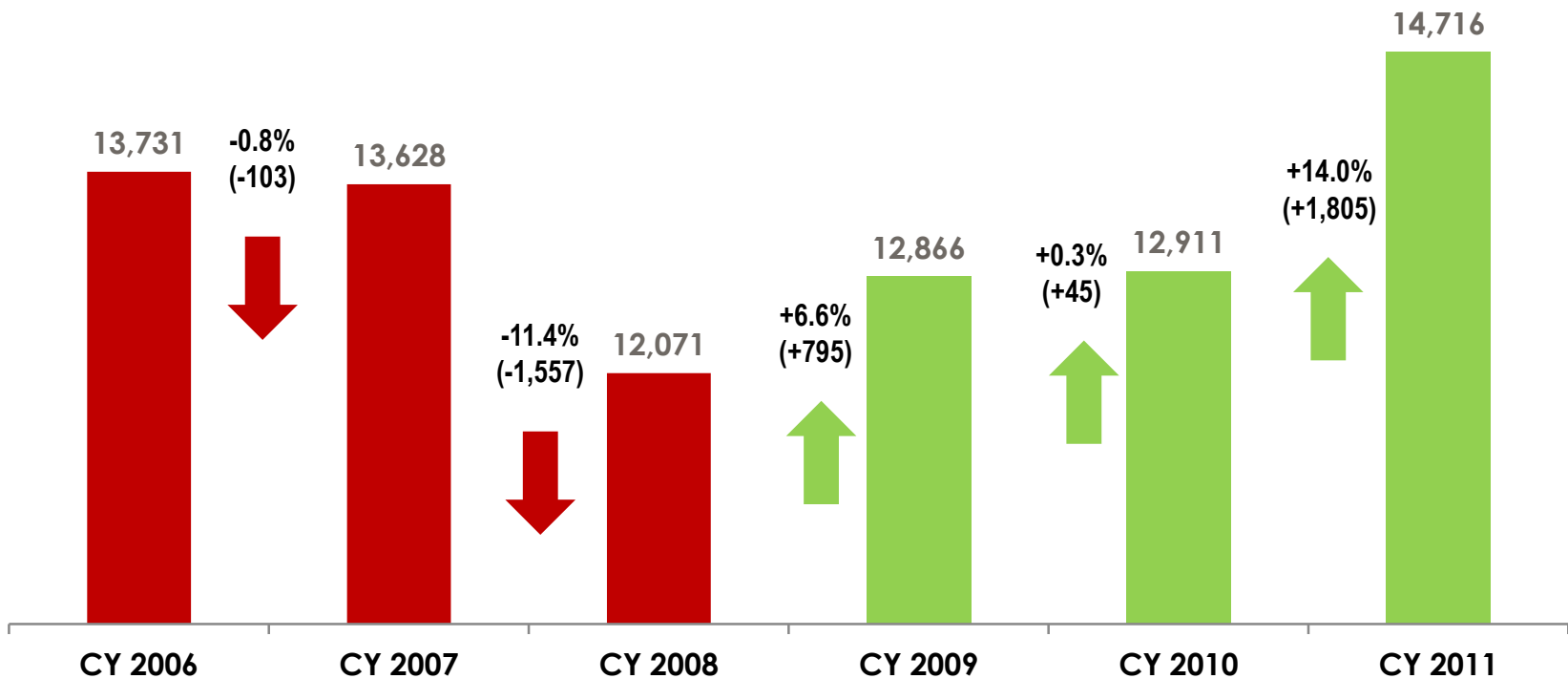
Bankruptcy filings (YOY Change)



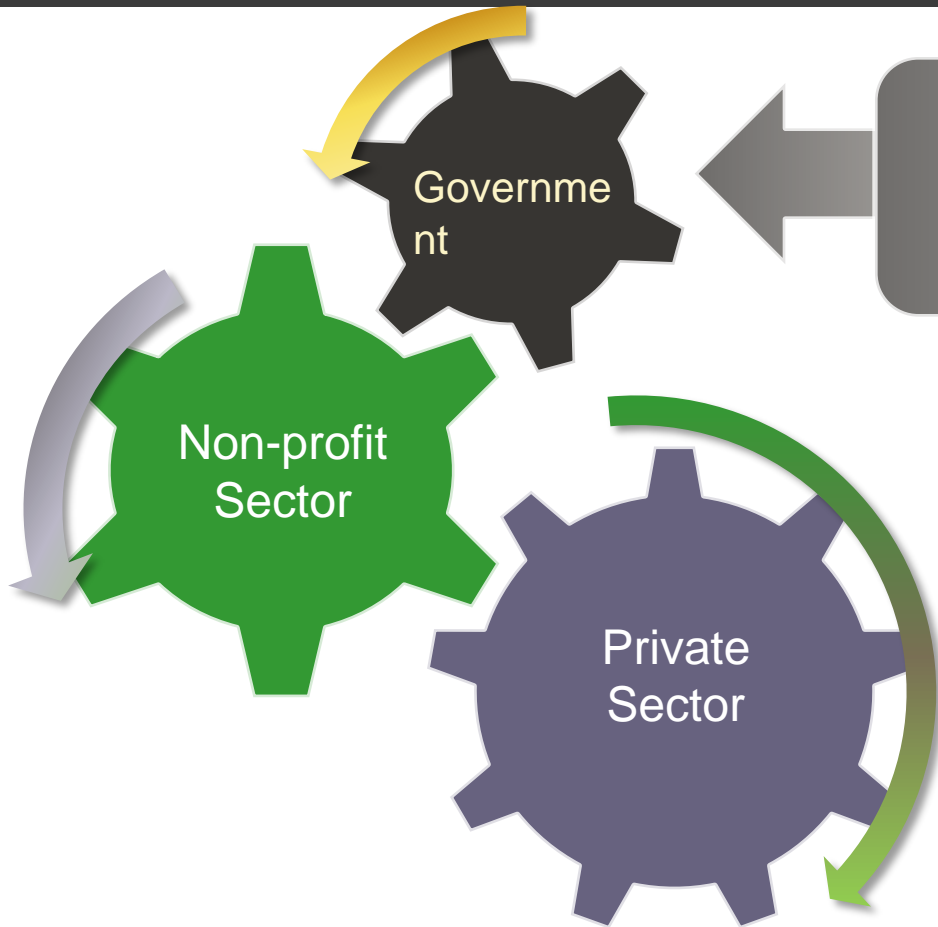
Source: U.S. Bankruptcy Court for the District of Puerto Rico

A total of 14,716 new corporations were created in calendar year 2011, reflecting a 14% increase compared to 2010

New Corporations



With the active participation of the private sector, Puerto Rico will forge ahead



Government is not the engine that drives our economy...

...but provides the tools for the private and non-profit sectors to become the focus of economic development

JOIN PUERTO RICO'S RECONSTRUCTION TODAY