

BLOOMBERG REPORT: **Guam Rally on Fiscal Gains Defies Puerto Rico Cuts: Muni Credit – February 27, 2014**

Upon reading the Bloomberg report, Governor Calvo had the following statement. "This is yet another validation that our fiscal policies are working, but by no means is this the end of our efforts. We're going to keep moving in this direction until we get AAA+ rated bonds with a sustained surplus, a Rainy Day Fund, strong cash flow, and containment of our pension fund liabilities."

Guam received worldwide recognition from Bloomberg the leader in global business and financial information today. The article stated that Guam's General Obligation (GOB's) bonds are trading significantly better than Puerto Rico's GOB's despite Puerto Rico GOB's having a higher S&P rating, a clear sign that investors understand and recognize all of the improvements the Calvo Administration has made. While S&P dropped Puerto Rico on Feb. 4 to BB+, one step below investment grade, the New York-based company raised Guam four months ago to BB-, the highest since 2003.

Investor's quotes include:

"The amount of debt is small enough and the problems in Puerto Rico are distinct enough" that investors haven't fled territory debt broadly" - Guy Davidson, who manages \$30 billion of local bonds as director of munis at AllianceBernstein Holding LP in New York. According to Guam Economic Development Authority's (GEDA) records AllianceBernstein holds Guam General Obligation Bonds, Guam's Business Privilege Tax Bonds, Guam's Section 30 Bonds, Guam Waterworks Revenue Bonds and Guam Power Authority Revenue Bonds. "This level of diversity in Guam's bonds is truly indicative of the faith the investor community has in Guam and in Guam's future" according to Henry Taitano, GEDA's Administrator

"Guam and the Virgin Islands are rated lower, yet in some cases we have seen paper from those other U.S. territories trading well through Puerto Rico." - Chad Farrington, head of muni research in Boston at Columbia Management Investment Advisors. "Similar to AllianceBernstein, Columbia Management also holds several Guam credits which include Guam's Business Privilege Tax Bonds, Guam Power Authority Revenue Bonds and Guam's Section 30 Bonds" according to Mr. Taitano.

The article also quoted:

The island's CAFR earned it a "Certificate of Achievement for Excellence in Financial Reporting" from the Government Finance Officers Association, said Jeffrey Esser, the group's executive director in Chicago.

"It shows increased professionalism in a case like Guam," - Government Finance Officers

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Association Jeffrey Esser, the group's executive director in Chicago

"It shows that the financial information they produced is high-quality, and it can be relied on. It's really hard work, especially for the first time." - Government Finance Officers Association
Jeffrey Esser, the group's executive director in Chicago

"The similarities between Guam and Puerto Rico end with the fact that they're both territories."
"Guam isn't just automatically lumped in with Puerto Rico. We have stable and positive outlook trends." stated Lester Carlson, Public Finance Manager for the Guam Economic Development Authority which oversees all Guam debt issuance. According to the Bloomberg article "Debt from Guam's power, waterworks, airport and education- financing authorities carry investment grades from S&P. The island's highest-rated bonds are backed by revenue from taxing goods, services and property sales. The debt is ranked A by S&P, sixth-highest. That's the same level as California's general-obligation bonds."

Pacific Premium

A portion of the Guam tax-backed bonds maturing in January 2042 traded yesterday at an average of 101.2 cents on the dollar to yield 4.94 percent, Bloomberg data show. That's about 1.06 percentage points above benchmark munis.

By comparison, Puerto Rico Cofina sales-tax debt due in August 2042 graded one step higher than the Guam securities by S&P traded yesterday at about 78 cents to yield 7.96 percent.

"As a businessman first and foremost, the timely receipt of financials is a must in order to gauge the pulse of any economy" stated E.J. Calvo, GEDA's Chairman of the Board. "The transparency and timeliness of disseminating our achievements catapults Guam into new horizons from which we can seek interest and investment worldwide thus expanding our economic base and increasing the quality of life for our residents," concluded Chairman Calvo.

"The telling of the 'Guam story' does result in lower yields and cost savings when we do enter the market." according to Mr. Carlson.

You can view the article by clicking the link below:

<http://www.bloomberg.com/news/print/2014-02-26/guam-rally-on-fiscal-gains-defies-puerto-rico-cuts-muni-credit.html>

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