PRESS RELEASE

Contact : María S. Rosario
Tel: (787) 728-9200 / (787) 722-2525 exts. 2013 / 2014
Cel. (939) 644-4606 / www .gdb-pur.com

GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO
COMMONWEALTH OF PUERTO RICO

July 11, 2007

HISTORIC PUERTO RICO $2.6 BILLION BOND ISSUE PLACED SUCCESSFULLY BY COFINA IN U.S. MUNICIPAL BOND MARKET

San Juan, Puerto Rico -- The Government Development Bank for Puerto Rico (GDB), through the Puerto Rico Sales Tax Financing Corporation, placed today more than $2.6 billion in bonds in the U.S. tax-exempt market to begin paying off the appropriation debt (or extra-constitutional debt) in the largest bond issue taken to the municipal bond market this week, it was announced today by Alfredo Salazar, Chairman of the GDB Board of Directors.

"Today we take the first step to begin paying off an obligation that was incurred over the years, mostly authorized by law, which had no identified source of repayment until the creation of the Dedicated Sales Tax Fund. With this first bond issue we cancel half of the extra-constitutional debt, which totals $6.8 million. This new financial structure will allow us to continue reducing the financial pressures and meet the fiscal challenges by relieving the General Fund from the burden of repaying this debt," Salazar declared.

"This transaction received over $6 billion in orders, representing unprecedented demand among traditional investors and also interest from new buyers," Salazar said, noting the broad acceptance the principal bond sale of the week had in the U.S. municipal bond market. "Once again Puerto Rico, through this first COFINA bond issue, has demonstrated the confidence investors have in its bonds," he added.

The second part of the bond issue of $1 billion is expected to be placed in the local Puerto Rico market by the end of this week.

The tax exempt issue carried yields fluctuating between 4.96% for the shortest maturity (2042) of the insured zero coupon bonds and 5.14% for the longest maturity (2054), achieving a 5.45% all in TIC for an average maturity of 40 years. Also, uninsured current interest bonds with maturities of 50 years were sold with a 4.90% yield. "Getting a cost lower than 5% for a 50 year maturity is an extraordinary achievement for Puerto Rico's finances," said GDB's Financing Executive Vice President, Jorge Irizarry.

This first COFINA issue was placed after the principal rating agencies assigned it the highest ratings a Puerto Rico bond issue has received in 30 years—Standard & Poor's, A+; Moody's, A1; and Fitch, A+. The three agencies assigned a stable perspective to the bonds.

COFINA, an independent corporation ascribed to GDB, was created for the purpose of issuing bonds or using other financing mechanisms to pay the extra-constitutional debt of the Commonwealth of Puerto Rico existing as of June 30, 2006, and its interest, by using as a source of funds the one percent of the sales and use tax, enacted and signed into law last year, which is deposited in a Dedicated Sales Tax Fund.

This is the first Sales Tax Revenue Bond issue sold by Puerto Rico. The creation of the Dedicated Sales Tax Fund will allow the extra-constitutional debt, which amounted to $6.847 billion as of June 30, 2006, to be paid off within the next few years. In this regard, Salazar said that the protection that the Dedicated Sales Tax Fund provides these bonds allowed "investors to react with great enthusiasm to the bond issue, which translated into a two-fold oversubscription."

The bond issue was managed by Goldman Sachs and Lehman Brothers.

***