

***P* R E S S R E L E A S E**

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November 30, 2006

UPR SELLS A BOND ISSUE OF OVER \$540 MILLION WITH GREAT ACCEPTANCE BY INVESTORS

The University of Puerto Rico (UPR) yesterday successfully placed \$546 million in bonds in the U.S. tax-exempt market, at a favorable average rate of 4.17%, generating \$259 million in new money to further the capital improvements plan of the academic institution, announced the Chairman of the Government Development Bank (GDB), Alfredo Salazar.

The issue also enables UPR to refinance \$286 million of its existing debt for an interim credit line with the GDB, saving more than \$22 million in future interest payments. Lehman Brothers was the leading manager for this 2006 transaction. The UPR has not accessed the bond market since August 2000, when it sold a \$200 million bond issue.

The issue was sold after Moody's reaffirmed a Baa2 rating for the UPR bonds, a rating one notch above the central Commonwealth debt rating. Moody's also removed the UPR bonds from its watch list. Standard & Poor's rated the bond issue BBB, the same rating it assigns to the Commonwealth bonds.

"The issue was well accepted by investors who placed orders for \$1.43 billion, almost three times the offer," said GDB Executive Vice President for Financing Jorge Irizarry. "We also benefited from excellent market conditions and the expectations for the UPR's return to the market. With these conditions, we attained one of the lowest

interest rates that any Puerto Rico obligation has attained in the U.S. municipal market. The total interest cost was 4.48%.”

“From June 2006 to this date, we have injected more than \$1 billion of new money generated by bond issues into our economy, which is expected to contribute considerably to increased public investment,” Mr. Salazar said. “With the UPR transaction, we conclude the bond issues scheduled for calendar year 2006 and move on to get ready to begin 2007, returning to the market with a Puerto Rico Aqueduct and Sewer Authority (PRASA) bond issue and with the General Obligation bonds issue for fiscal year 2007.

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