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GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO
GDB
COMMONWEALTH OF PUERTO RICO

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CONVENTION CENTER DISTRICT AUTHORITY TO ISSUE $450 MILLION IN BONDS THANKS TO THE SUSTAINED GROWTH OF THE TOURISM INDUSTRY

The Chairman of the Board of Directors and Acting President of the Government Development Bank for Puerto Rico (GDB), Alfredo Salazar, announced today that the Convention Center District Authority (CCDA) is planning to issue $450 million in bonds at the end of March after receiving a BBB+ rating with stable outlook from Standard & Poor's and of Baa2 from Moody's Investors Service.

"The sustained growth of the tourism industry and the positive outlook that that industry has shown during the past 10 years will allow us to do this transaction," Salazar said. S&P assigned the CCDA a rating higher than that it assigned to the central government bonds because they offer the bond buyer a greater protection since the debt service will be covered by the hotel occupancy tax (HOT) revenues, which is directly collected by the Puerto Rico Tourism Company and deposited in a redemption fund at GDB. Since the income collected from this tax does not enter the state treasury accounts, S&P considers that the bond buyer is protected and the debt services is guaranteed.

In its opinion, Moody's sustains that the assignment of a Baa2 rating on watch-list for a possible downgrade for CCDA reflects the rating of the Commonwealth's general obligation bonds. "If not for the unavoidable credit linkage to the Commonwealth's G.O. bonds, the HOT bond rating could be somewhat higher than Baa2, based on the performance of the Puerto Rico tourism sector, relatively strong HOT debt service coverage expectations, and otherwise good legal features of the bonds, " says Moody's analyst Timothy Blake in the opinion.

To cover the debt service, for the first time the hotel occupancy tax revenues—which generated over $53 million in 2005 with a total of 2.1 million reservations—will be used. "By assigning this revenues to the bond debt service we guarantee the investor a source of repayment that is not dependent on the General Fund, proving more security and confidence," Salazar added.

This is the first bond issue by the CCDA, which product will be used to repay a line of credit approved by the GDB during the construction of the recently inaugurated Convention Center.

"This transaction culminates a strategy we implemented since early in 2005 when we decided only to place bond issues of public corporations with fiscal independence, i.e., not directly related to the general fund", Salazar said adding that "we have placed issues for the Electric Power Authority, the Highways and Transportation Authority, the Infrastructure Financing Authority, and the Municipal Finance Agency, in the U.S. market, and GDB Notes in the local market, for a total of $5.4 billion. We hope to end this fiscal year placing an additional GDB Notes issue of $650 million in the U.S. municipal market.