

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

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COFINA'S BOND SALE IN THE PUERTO RICO LOCAL MARKET REACHES \$1.3 BILLION, EXCEEDING EXPECTATIONS

The Government Development Bank for Puerto Rico (GDB), through the Puerto Rico Sales Tax Financing Corporation (known by its Spanish acronym COFINA), today announced the successful sale of \$1.337 billion in taxable bonds in the local financial market, exceeding initial expectations, it was announced today by Alfredo Salazar, Chairman of the GDB Board. The issue increases the first round of COFINA financing to a total of \$4 billion, including the issuance of \$2.667 billion in bonds sold last week in the U.S. tax exempt market, for paying off Puerto Rico's extra-constitutional debt.

“These transactions, which include the largest bond issue ever sold in the local market, cover most of the extra-constitutional debt,” Mr. Salazar said. “Almost half of the bonds sold in Puerto Rico, approximately \$600 million, were bought by individual buyers, evidencing the support of local investors for the Government of Puerto Rico. The bond issue's unprecedented acceptance went beyond original estimates of \$1 billion, benefiting from excellent credit ratings and attractive interest rates.”

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The bond issue registered a 6.27% all in total cost, for an average life of 31 years. “This is the first time that 50-year term bonds are sold in the Puerto Rico market, and we managed to place a total of \$200 million at that maturity,” said GDB Financing Vice President, Jorge Irizarry. He said that a 2012 COFINA refinancing issue for approximately \$900 million is expected to come to market in the near future in the U.S. municipal tax exempt market at a fixed level of 5% or less.

COFINA, an independent corporation ascribed to the 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, which amounted to \$6.847 billion as of June 30, 2006, using as source of repayment one percent of the sales and use tax. Together with the \$900 million issue that is expected to come to market in the near future, the bonds sold by COFINA will provide debt service of the extra-constitutional debt until 2015, providing important relief to the General Fund.

The local issue was managed by UBS Financial Services, with Popular Securities and Santander Securities as co-managers.

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