



UNIVERSITY OF PUERTO RICO

University System Revenue Refunding Bonds, Series P

University System Revenue Bonds, Series Q

Investor Presentation

November 28, 2006

Government Development Bank

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University of Puerto Rico

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- UPR maintains a strong market position and academic leadership
- Commonwealth appropriations have been unwavering, even in fiscal crisis
- Strong legal provisions in Trust Indenture, including gross revenue pledge of first revenues collected, sum sufficient rate covenant and fully-funded reserve fund
- Debt service coverage from pledged revenues has been, and is expected to remain, very strong
- Operating performance is stable
- Ability and opportunity to increase revenue diversity
- Investment in infrastructure continues

Overview of the University



- As the only public institution of higher education in Puerto Rico, the University retains the dominant position in the student market in Puerto Rico.
- UPR's enrollment of over 64,000 represents 31% of the total post-secondary student population in Puerto Rico.
- UPR offers 494 academic programs throughout its eleven campuses, representing the largest array of programs in the Commonwealth, including many which are unique in Puerto Rico.
- The University is governed by a Board of Trustees, consisting of thirteen members: ten citizens of Puerto Rico appointed by the Governor to six-year terms with the advice and consent of the Puerto Rican Senate; two tenured professors, and one student elected by and among its University peers, for one-year terms. At least one of the citizens appointed must be an alumnus of the University.

UPR's Mission

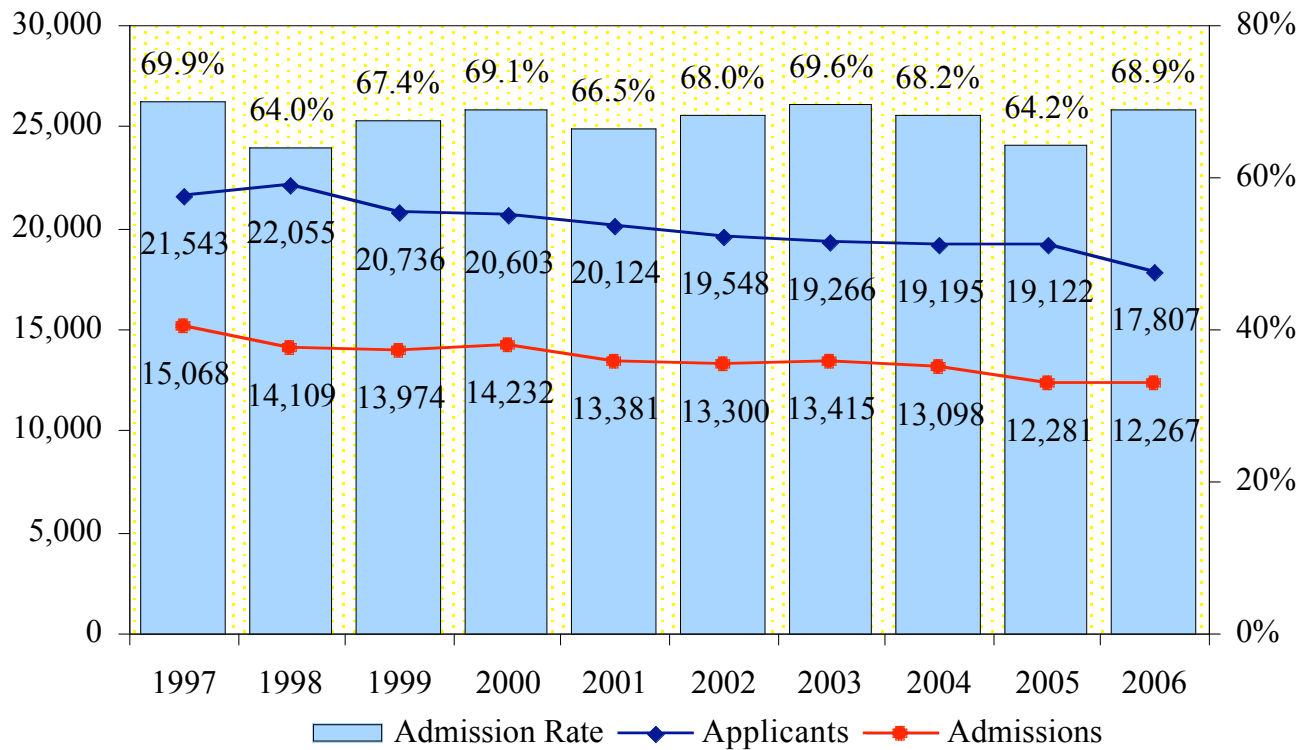
The University is essential to the economic, social and cultural development of Puerto Rico.

The University is committed to promoting and providing education of the highest quality and widest scope to predominantly Puerto Rican students, and to developing the ethical and aesthetic values of Puerto Rican culture.



Applicants and Admissions 1997-2006

- UPR has the highest selectivity index of all colleges and universities in Puerto Rico.
- UPR's average admission rate since 1997 has been 67.6%.
- UPR has maintained a matriculation rate of over 90% during the past five academic years.

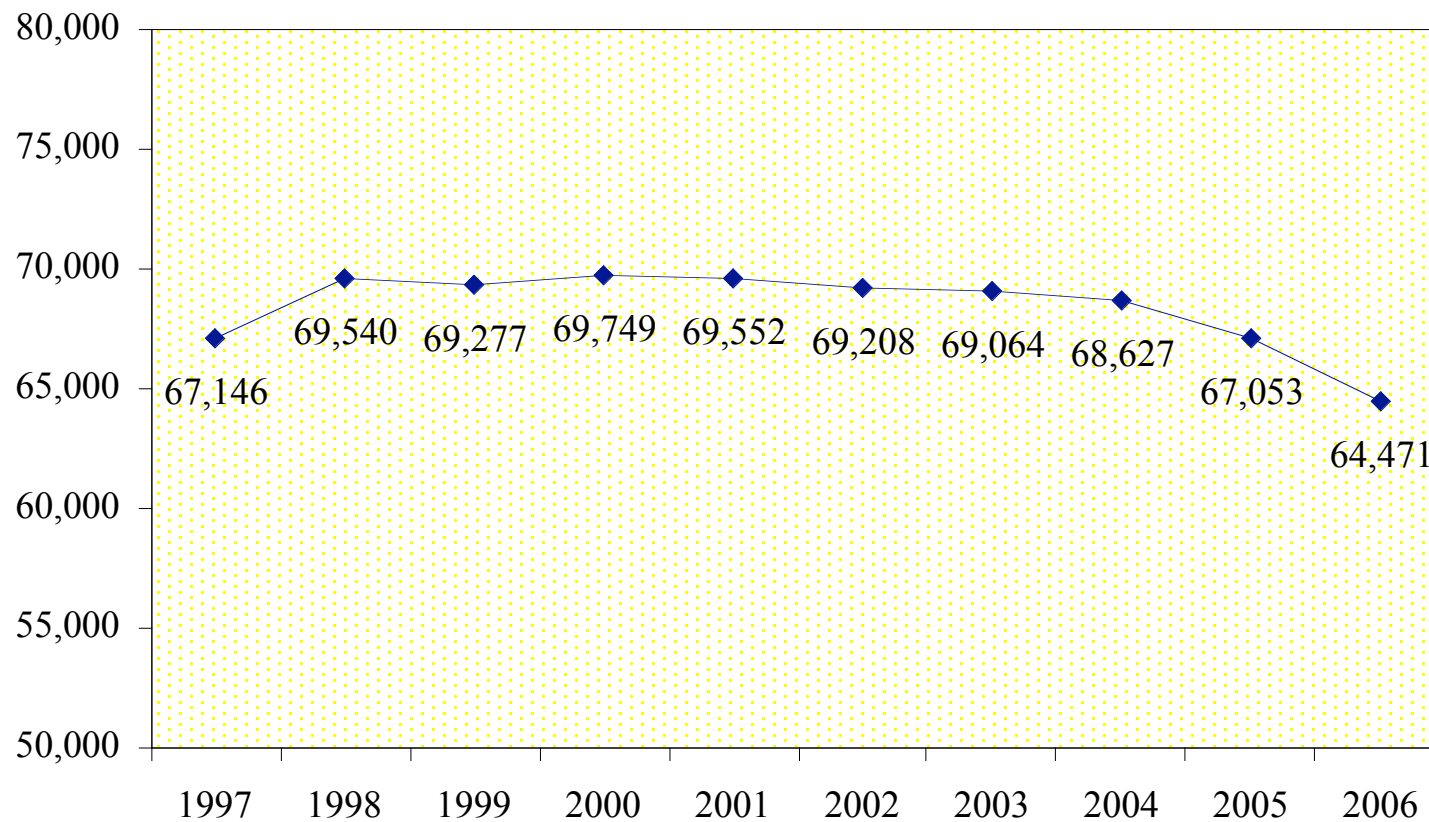


NOTE: 1997 = 1996-97 Academic Year



Enrollment at the University of Puerto Rico 1997-2006

- The University's total student enrollment will stabilize around 65,000.

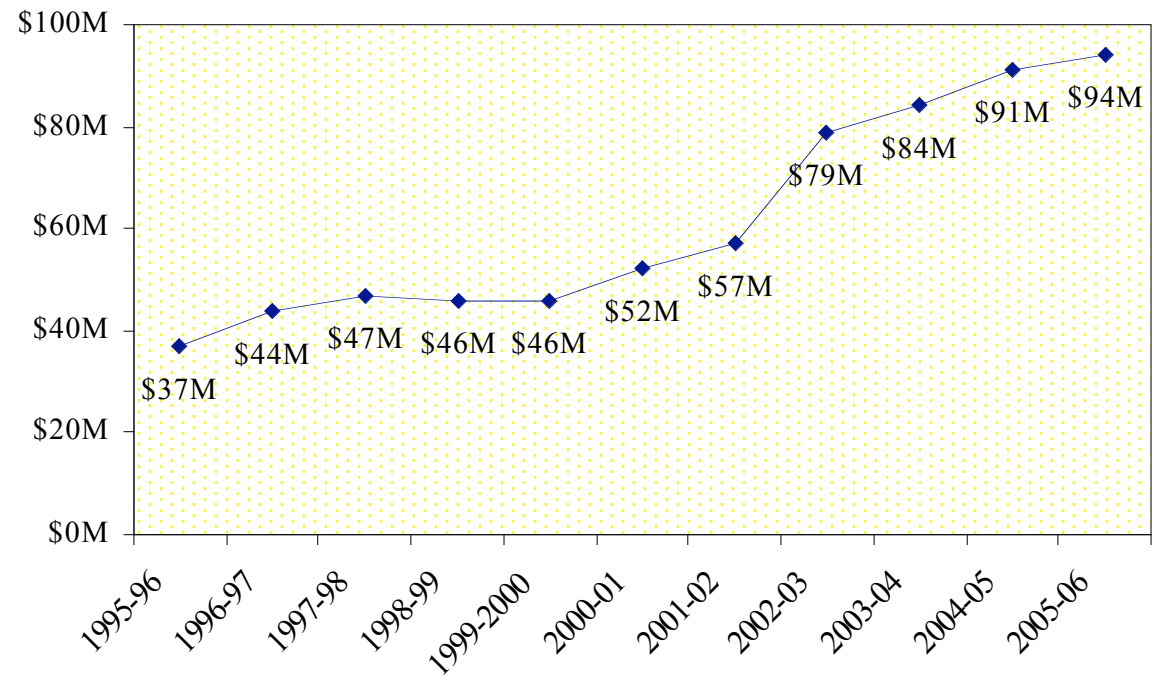


NOTE: 1997 = 1996-97 Academic Year

Leadership in Academic Research

- Research activity, measured in terms of external funds received, has grown by 154% since 1995-96, doubling in the last five years. In the last fiscal year, the UPR received over \$94 million for research:

External Research Funds Awarded to the UPR
for Research 1996-2006

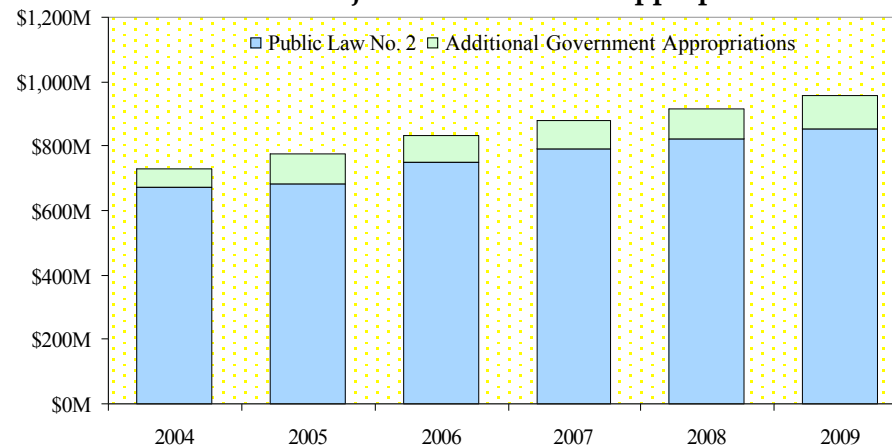


Consistent Commonwealth Support

- The Commonwealth's support of UPR has been strong and consistent, even during times of severe financial constraints. The Commonwealth is statutorily mandated to appropriate annually 9.6% of the average of the prior two fiscal years' of General Fund revenues (Public Law No. 2 – January 20, 1966).
- The Commonwealth has supported the University beyond statutory requirements, including during the FY2006 partial 10-day government shutdown. The University was one of the few agencies that kept operating during the month of May, primarily due to effective contingency measures.



**Commonwealth Support:
Historical and Projected Unrestricted Appropriations**

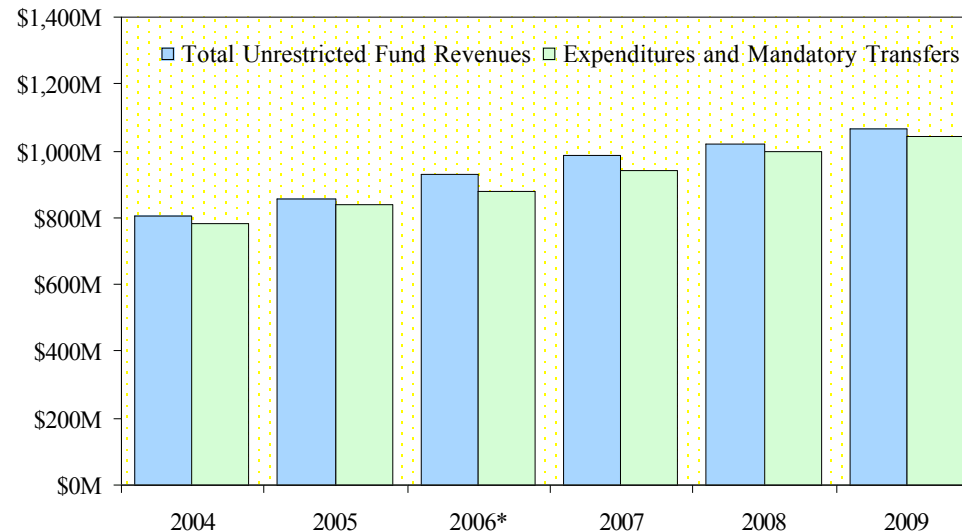


(\$ in millions)	Actual			Projected		
	2004	2005	2006	2007	2008	2009
Public Law No. 2	\$673	\$683	\$752	\$789	\$820	\$854
Additional Government Appropriations	\$56	\$95	\$83	\$89	\$95	\$102
Total	\$729	\$778	\$835	\$878	\$915	\$956



- The UPR has long maintained fiscal discipline and control of expenditures, resulting in satisfactory and balanced financial operations.

Historical and Projected Revenues and Expenditures



(\$ in millions)	<u>Actual</u>			<u>Projected</u>		
	2004	2005	2006*	2007	2008	2009
Unrestricted Fund Revenues						
Tuition and Fees	\$60.5	\$58.8	\$79.9	\$84.7	\$84.7	\$84.7
Commonwealth Appropriations	728.8	778.4	835.0	878.0	915.0	956.0
Investment Income and Other Sources	<u>18.0</u>	<u>18.3</u>	<u>15.4</u>	<u>21.0</u>	<u>21.8</u>	<u>22.6</u>
Total Unrestricted Fund Revenues	\$807.3	\$855.5	\$930.3	\$983.7	\$1,021.5	\$1,063.3
Expenditures and Mandatory Transfers	783.5	839.1	880.4	939.2	997.4	1040.9
Excess of Revenues Over Expenditures and Mandatory Transfers	\$23.8	\$16.4	\$49.9	\$44.5	\$24.1	\$22.4

*Unaudited

Pledged Revenues & Debt Service Coverage

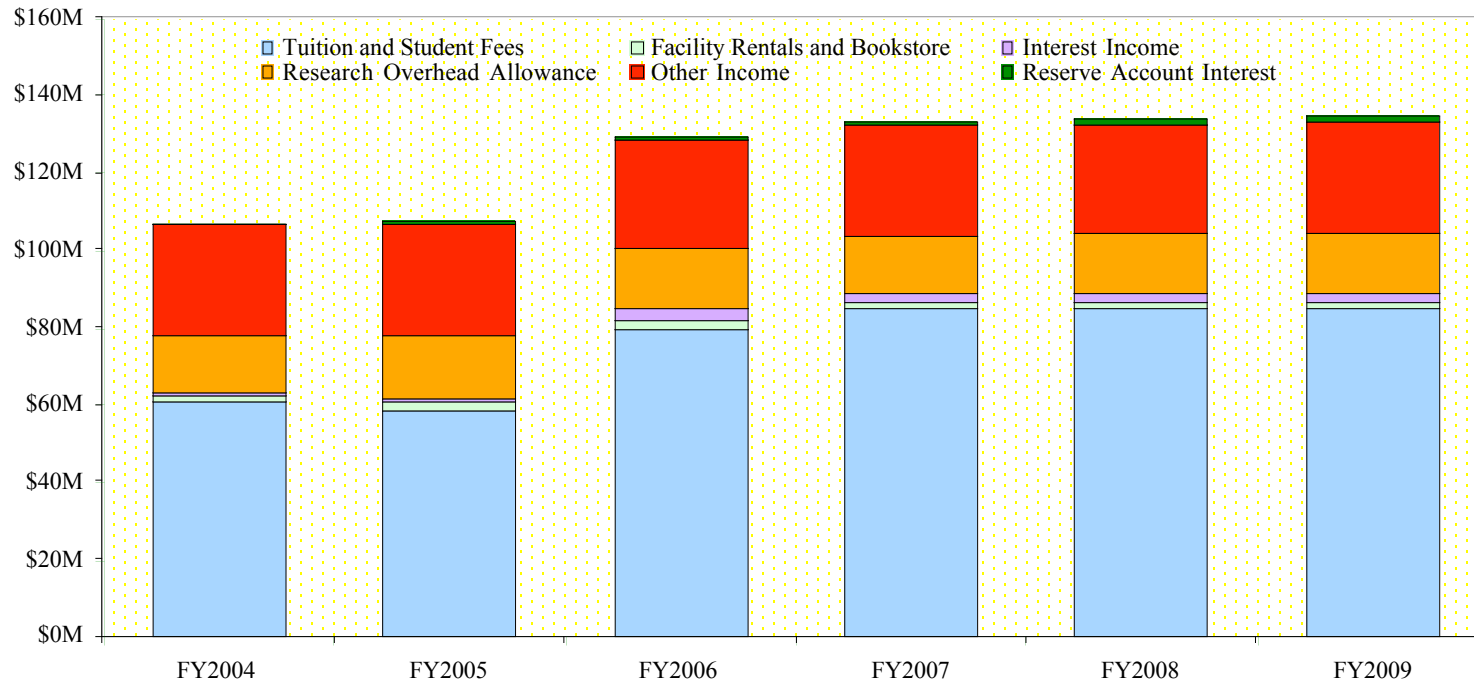
Gross Revenue Pledge with First Priority Claim to Pledged Revenues



- UPR bonds are secured under a Trust Agreement by a **gross** pledge of all revenues generated directly by the University, except certain Federal revenues (the “Pledged Revenues”). The Trust Agreement requires Pledged Revenues to be collected by the University and deposited when received **first** with the Trustee until interest due in the next 6 months and principal due in the next 12 months is accumulated (prior to the payment of the operating expenses of the University).
- The University covenants to set fees and charges sufficient at all times to make all required debt service payments.
- In the event that Pledged Revenues are insufficient, the University is obligated to provide from other funds available, including the appropriations from the Commonwealth, moneys as required for debt service.
- Bonds are also secured with a reserve fully funded to its requirement of MADS.



Pledged Revenues



Fiscal Year Ending June 30	Actual			Projected		
	2004	2005	2006*	2007	2008	2009
Tuition and Student Fees	\$60,540	\$58,815	\$79,929	\$84,702	\$84,702	\$84,702
Facility Rentals and Bookstore	\$1,665	1,862	2,332	2,000	2,000	2,000
Interest Income	\$812	957	2,794	2,000	2,060	2,122
Research Overhead Allowance	\$15,317	16,733	15,272	15,000	15,500	16,000
Other Income	\$28,502	28,606	28,235	28,600	28,650	28,700
Reserve Account Interest	\$377	847	1,239	1,050	1,100	1,150
Total	\$107,213	\$107,821	\$129,801	\$133,352	\$134,012	\$134,674

* Unaudited



Debt Service Coverage

(\$000s) Fiscal Year Ending June 30	Actual			Projected*		
	2004	2005	2006	2007	2008	2009
Total Pledged Revenues plus Interest	\$107,213	\$107,820	\$129,801	\$133,352	\$134,012	\$134,674
Principal and Interest Requirements:						
Senior Lien Bonds:						
Outstanding Debt Service	43,183	38,070	38,064	33,696	49,646	49,650
Senior Lien Coverage	2.48x	2.83x	3.41x	3.96x	2.70x	2.71x
Subordinate Lien Bonds:						
Subordinate Lien Net Debt Service	5,701	5,701	5,702	5,701	5,702	5,699
Aggregate Debt Service	48,884	43,771	43,766	41,876	55,092	55,108
Total Coverage	2.19x	2.46x	2.97x	3.18x	2.43x	2.44x

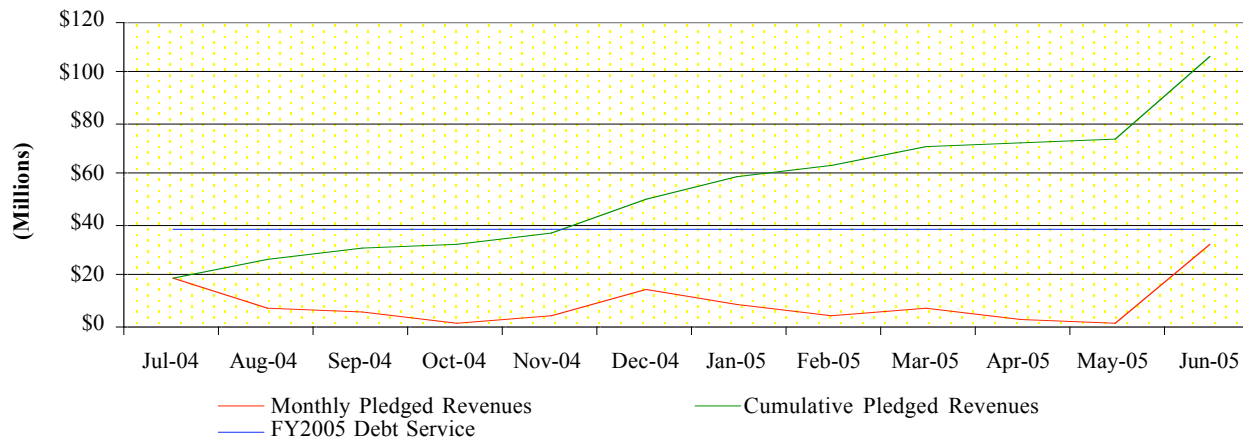
* Projected Principal and Interest includes increased debt service associated with the proposed issuance of up to \$260 million of new money bonds. Interest is capitalized for the new money during FY 2007. Refunding savings were taken into account based on market rates as of November 22, 2006.



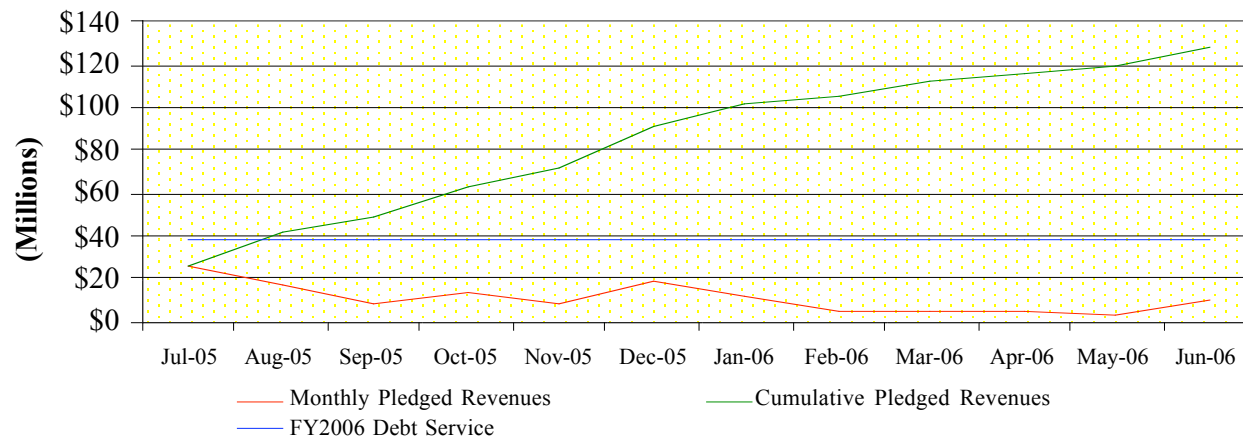
Monthly Receipts of Gross Pledged Revenues

- Monthly receipts of Pledged Revenues during the past two fiscal years illustrate that annual debt service was provided by the 5th month of the bond year (November) in FY2005 and by the second month of the bond year (August) in FY2006, providing exceptional bondholder protection.

Pledged Revenues (FY 2004-2005)



Pledged Revenues (FY 2005-2006)





Projected Capital Improvements

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Total</u>
Capital Improvements (1)					
Central Administration	\$ 20,577,078	\$ 4,656,035	\$ 4,400,000	\$ 3,848,338	\$ 33,481,451
Rio Piedras Campus	11,783,057	12,145,390	12,611,233	4,886,757	41,426,437
Mayaguez Campus	9,648,310	7,477,898	9,499,355	8,382,016	35,007,579
Medical Sciences Campus	7,350,875	12,415,346	5,945,285	5,160,460	30,871,966
University of Puerto Rico at					
Aguadilla	3,677,060	1,386,652	-	-	5,063,712
Arecibo	1,114,148	1,281,223	600,000	-	2,995,371
Bayamon	2,996,466	6,158,979	6,000,000	3,112,334	18,267,779
Carolina	1,315,015	1,062,156	1,209,713	-	3,586,884
Cayey	3,755,241	3,867,456	320,274	-	7,942,971
Humacao	2,373,835	845,000	-	-	3,218,835
Ponce	961,543	-	-	-	961,543
Utua	1,092,959	1,159,820	-	-	2,252,779
Total	\$ 66,645,587	\$ 52,455,955	\$ 40,585,860	\$ 25,389,905	\$ 185,077,307
Sources of Funds					
Internally Generated Funds (2)	\$ 3,585,849	\$ -	\$ -	\$ -	\$3,585,849
Grants:					
Commonwealth Grants (3)	3,439,627	3,626,851	1,900,000	1,900,000	10,866,478
Federal Grants	1,491,362	251,900	-	-	1,743,262
Insurance Proceeds	748,509	-	-	-	748,509
Private Funds	-	-	-	-	-
Borrowed Funds	57,380,240	48,577,204	38,685,860	23,489,905	168,133,209
Total	\$ 66,645,587	\$ 52,455,955	\$ 40,585,860	\$ 25,389,905	\$ 185,077,307

- (1) Excluding expenditures of current funds for the normal replacement of movable equipment and library books, as well as interest during construction, but including major repairs and extraordinary maintenance.
- (2) Used for major repairs and extraordinary maintenance.
- (3) Includes grants for Puerto Rico, municipalities and other governmental entities or instrumentalities of Puerto Rico



University System Revenue Refunding Bonds, Series P

The Series P Bonds will refund portions of outstanding Series M and Series O.

- Approximate issue size: \$290 million.
- Fixed rate issue.
- Insurance to be determined.

University System Revenue Bonds, Series Q

- The Series Q Bonds will repay UPR's outstanding line of credit with the GDB (approximately \$83 million) and fund UPR's capital improvement program (\$168 million).

- Approximate issue size: up to \$260 million.
 - Capitalized interest period anticipated through June 2007.
- Fixed rate issue.
- 30 year final maturity.
- Estimated annual debt service after capitalized interest period: approximately \$17.5 million.
- Insurance to be determined.

- Moody's and Standard & Poor's have affirmed ratings of "Baa2" and "BBB", respectively.



Series P and Series Q Financing Schedule

Financing Schedule:

Price

November 29, 2006

Sign BPA

November 30, 2006

Close

December 13, 2006