

Puerto Rico Infrastructure Financing Authority; Letter of Credit

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Credit Profile		
US\$260.0 mil rev bnds (Port Aut Proj) ser 2011A		
<i>Long Term Rating</i>	BBB	New
US\$160.0 mil rev bnds (Port Aut Proj) ser 2011B		
<i>Long Term Rating</i>	BBB	New
US\$130.0 mil rev bnds (Port Aut Proj) ser 2011C		
<i>Long Term Rating</i>	BBB	New

Rationale

Standard & Poor's Ratings Services assigned its 'BBB' rating to Puerto Rico Infrastructure Financing Authority's revenue bonds (Ports Authority Project) series 2011A, 2011B, and 2011C. The rating is based on the irrevocable direct-pay letters of credit (LOCs) provided by Government Development Bank for Puerto Rico (BBB) and reflects our opinion of the likelihood that bondholders will receive interest and principal payments. The LOCs fully support all bond payment obligations when the bonds are in the fixed-rate interest mode for series 2011A and 2011B and during the term-rate mode for the series 2011C. Therefore, our rating applies only during these covered modes. If the bonds are converted to a non-covered rate mode, we will likely withdraw our rating (see the Structural Analysis section for more information).

Transaction Highlights

The debt is fixed rate for series 2011A and 2011B and term rate for series 2011C with no tender options.

Structural Analysis

When evaluating the bonds, Standard & Poor's considers various risk factors, as described below.

LOC coverage for the covered mode(s)

The LOC covers 180 days of interest accruals at the current interest rate and the entire bond principal amount. We believe the LOC coverage is sufficient to pay interest and principal while the bonds are in the covered rate modes, even assuming maximum interest rate accruals (see table).

First interest payment date:	June 15, 2012
Covered mode(s) interest payment date(s):	Dec. 15, 2012; June 15, 2012
LOC interest reinstatement period:	Automatic reinstatement
Remedy for non-reinstatement:	Automatic reinstatement
Interest accrual for covered mode(s):	The accrual period begins on an interest payment date and continues up to, but excluding, the next interest payment date.

Interest rate mode changes

In addition to the covered modes, the transaction documents provide that the series 2011C bonds may be converted to another term or fixed-rate mode. While the bonds are in the uncovered modes, a put option is not available. Furthermore, we believe the LOC may not provide enough interest coverage to account for a higher interest that might be set in another mode. Despite these issues, we do not believe there is any mode conversion-related risk of interest shortfall to covered mode bondholders because the bonds are subject to a mandatory tender at par plus accrued interest before the rate mode can be changed.

The transaction terms does expressly provide for the bonds to operate in multiple modes concurrently.

LOC termination

The transaction structure is such that the LOC could only terminate after the series 2011A and 2011B bonds mature and the series 2011C bonds are converted to another term-rate mode. If the series 2011C bonds are converted to another term-rate mode or fixed-rate mode, the bond documents call for the trustee to declare a date to repay the bonds in full before the LOC terminates. Therefore, we believe LOC termination risk is addressed. The LOCs for series 2011B and 2011C are scheduled to expire on Dec. 15, 2026, and Dec. 16, 2014, respectively.

LOC provider replacement

The transaction documents provide that the obligor may not replace the LOC provider.

Additional bonds

The transaction terms do not expressly provide for additional bond issuances.

Ratings Sensitivity

In view of the bond structure, changes to our rating on the bonds in the covered modes can result from, among other things, changes to our rating on the LOC provider or amendments to the transaction's terms. We will maintain a rating on the bonds as long as they are in the covered modes and the LOC has not expired or otherwise terminated. If either of these conditions changes, we will likely withdraw our rating on the bonds.

Other Call Provisions

During the covered modes, bonds are subject to optional redemptions. In all cases, the redemption price will at least equal par plus accrued interest and the repayments are backed by the LOC provider.

Related Criteria And Research

Criteria: Methodology And Assumptions: Approach To Evaluating Letter Of Credit-Supported Debt, July 6, 2009

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