

New Issue: MOODY'S ASSIGNS LETTER OF CREDIT BACKED Baa1 RATINGS TO THE PUERTO RICO INFRASTRUCTURE FINANCING AUTHORITY REVENUE BONDS (PORTS AUTHORITY PROJECT), SERIES 2011A, 2011B AND 2011C

Global Credit Research - 28 Nov 2011

\$550 MILLION OF DEBT AFFECTED. LETTERS OF CREDIT PROVIDED BY GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO

Puerto Rico Ports Authority
Fully Supported
PR

Moody's Rating

ISSUE **RATING**

Ser. 2011A Baa1

Sale Amount \$260,000,000

Expected Sale Date 12/15/11

Rating Description Direct pay letter of credit

Ser. 2011B Baa1

Sale Amount \$160,000,000

Expected Sale Date 12/15/11

Rating Description Direct pay letter of credit

Ser. 2011C Baa1

Sale Amount \$130,000,000

Expected Sale Date 12/15/11

Rating Description Direct pay letter of credit

Opinion

NEW YORK, Nov 28, 2011 -- SUMMARY RATINGS RATIONALE

Moody's assigns the rating of Baa1 to the Puerto Rico Infrastructure Financing Authority Revenue Bonds (Ports Authority Project) Series 2011A, 2011B and 2011C (the "Bonds"). The ratings are based upon the letters of credit provided by the Government Development Bank for Puerto Rico (the "GDB"); the structure and legal protections of the transaction, which ensure timely payment of debt service and purchase price to bondholders; and Moody's evaluation of the credit quality of the provider of the letter of credit (LOC).

Moody's currently rates the GDB's Senior Notes Baa1.

DETAILED CREDIT DISCUSSION

Interest Rate Modes and Payment

The Series A and Series B Bonds will bear interest at a fixed rate and pay interest on each June 15th and December 15th. The Series C Bonds will initially bear interest at a term rate which initial term rate period is expected to end on December 14, 2014. At the end of the initial term rate period the Series C Bonds may be converted, in whole, to a fixed rate mode or be reset into another term rate period. The Series C Bonds are subject to mandatory tender upon conversion to a fixed rate.

Additional Bonds

The Trust and Loan Agreement does not permit the issuance of additional bonds.

Flow of Funds

There is one letter of credit which supports the Series A and Series B Bonds and a separate letter of credit which supports the Series C Bonds. The trustee is instructed to draw under the applicable letter of credit for principal and interest on the business day prior to each interest payment date, redemption date or maturity date. The trustee is instructed to draw under the Series C letter of credit, on each purchase date, for purchase price, to the extent remarketing proceeds received are insufficient. Bonds which are purchased by the GDB due to a failed remarketing shall be held by the trustee and not released until the trustee has received written confirmation from the GDB stating that the letter of credit has been reinstated in the amount of the purchase price drawn for such Bonds.

Letters of Credit

The letters of credit are each sized for full principal of the Bonds plus 180 days of interest at the applicable interest rate on the Bonds.

Draws on the Letters of Credit

Conforming draws for principal or interest presented to the GDB at or before 10:00 a.m., Atlantic Standard Time, on a business day, will be honored by the GDB on or before 10:00 a.m. on the next business day. Conforming draws for purchase price on the Series C Bonds presented to the GDB at or before 10:00 a.m., Atlantic Standard Time, on a business day, will be honored by the GDB on or before 2:00 p.m. on the same business day.

Reinstatement of Interest Draws

Draws made under the letters of credit for interest shall be automatically reinstated on the date of such interest drawing.

Reimbursement Agreement Defaults

In the event of a default under the reimbursement agreement the Bonds will remain outstanding supported by the LOCs. The reimbursement agreement does not give the GDB authority to direct any action with respect to the Bonds following an event of default.

Expiration/ Termination of the Letters of Credit

The Series A and Series B LOC expires upon the earlier to occur of: (i) the final maturity date of the Series A and Series B Bonds, expected to be December 15, 2026 (the stated expiration date); and (ii) following receipt by GDB of notice from the trustee stating that no Bonds remain outstanding. The Series C LOC expires upon the earlier to occur of: (i) the second business day after the end of the initial Term Rate Period, expected to be December 16, 2014 (the stated expiration date); and (ii) following receipt by GDB of notice from the trustee stating that no Bonds remain outstanding.

Substitution

Substitution of the existing letters of credit is prohibited pursuant to the Bond document.

Optional Tenders

The bondholders do not have the ability to optionally tender the Bonds.

Mandatory Tenders

The Series A and Series B Bonds are not subject to any mandatory tenders. The Series C Bonds are subject to mandatory tender on the following dates: (i) upon conversion of the interest rate mode to the fixed rate; and (ii) the business day following the end of the term rate period.

Mandatory Redemptions

The Series C Bonds will be subject to sinking fund redemptions.

WHAT COULD CHANGE THE RATING-UP

Long-Term: The long-term rating on the Bonds could be raised if the long-term rating on the GDB is upgraded.

Short-Term: Not applicable.

WHAT COULD CHANGE THE RATING-DOWN

Long-Term: The long-term rating on the Bonds could be lowered if the long-term rating on the GDB is downgraded.

Short-Term: Not applicable.

PRINCIPAL METHODOLOGY USED

The principal methodology used in this rating was Moody's Methodology for Rating U.S. Public Finance Transactions Based on the Credit Substitution Approach published in August 2009. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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