

Puerto Rico Sales Tax Financing Corp. Sales Tax Revenue Bonds Rated 'A+'; On CreditWatch Neg

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DALLAS (Standard & Poor's) June 24, 2008--Standard & Poor's Ratings Services assigned its 'A+' standard long-term rating to Puerto Rico Sales Tax Financing Corp. (COFINA) \$733 million series 2008A sales tax revenue bonds and placed the rating on CreditWatch with negative implications. All of Standard & Poor's other ratings on COFINA's sales tax revenue bonds remain on CreditWatch with negative implications, where they were placed on Feb. 7, 2008.

The CreditWatch action was based on the recent proposal by Gov. Anibal Acevedo Vilá to suspend the 4.5% sales and use tax, which is currently pledged to COFINA's bonds.

While Gov. Acevedo's proposal requires legislative action to become law, the CreditWatch action reflects the uncertainty associated with what could be a significant change in the structure and revenue flows securing COFINA's bonds.

"While key legislators have voiced their opposition to the governor's proposal and other substantial changes to the sales and use tax, Standard & Poor's remains concerned that ongoing discussions regarding the proposed fiscal 2009 budget, which has not been approved, could reignite the discussion of potential changes to the sales and use tax legislation," said Standard & Poor's credit analyst Horacio Aldrete-Sanchez.

Sales tax revenues for the eight months that the 5.5% sales tax was collected in fiscal 2007 reached \$582.5 million. In fiscal 2008, collections through April 2008 were \$940 million. The base amount of COFINA revenues pledged for debt service on the bonds was covered in the first three months of fiscal 2008. Revenues from the entire 5.5% commonwealth sales tax, annualized based on actual collections through October 2007, provide 7.8x debt service coverage (DSC) in fiscal 2008. Furthermore, a very conservative zero-growth assumption of annualized actual year-to-date 5.5% sales tax collections provides 1x DSC payments through maturity in 2057.

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