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STANDARD
&POOR'S

OFC. DEL PRESIDENTE

55 Water Street, 38th Floor
New York, NY 10041-0003
tel 212 438-2066
reference no.: 1087376

October 13, 2009

Government Development Bank for Puerto Rico
Minillas Government Center
De Diego Avenue
P.O. Box 42001
Santurce, PR 00940-2001
Attention: Mr. Carlos Garcia, President and Chairman of the Board

Re: ***US$150,000,000 Puerto Rico Public Buildings Authority, Government Facilities Revenue Refunding Bonds, Series Q, dated: Date of Delivery, due: July 1, 2037***

Dear Mr. Garcia:

Pursuant to your request for a Standard & Poor's rating on the above-referenced obligations, we have reviewed the information submitted to us and, subject to the enclosed *Terms and Conditions,* have assigned a rating of "BBB-". Standard & Poor's views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer/obligor and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

To maintain the rating, Standard & Poor's must receive all relevant financial information as soon as such information is available. Placing us on a distribution list for this information would facilitate the process. You must promptly notify us of all material changes in the financial information and the documents. Standard & Poor's may change, suspend, withdraw, or place on CreditWatch the rating as a result of changes in, or unavailability of, such information. Standard & Poor's reserves the right to request additional information if necessary to maintain the rating.

Please send all information to:

Standard & Poor's Ratings Services
Public Finance Department
55 Water Street
New York, NY 10041-0003

Standard & Poor's is pleased to be of service to you. For more information on Standard & Poor's, please visit our website at www.standardandpoors.com. If we can be of help in any other way, please call or contact us at nypublicfinance@standardandpoors.com. Thank you for choosing Standard & Poor's and we look forward to working with you again.

Sincerely yours,

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Standard & Poor's Ratings Services
Terms and Conditions
Applicable To
U.S. Public Finance Ratings

Request for a rating. Standard & Poor's issues public finance ratings for a fee upon request from an issuer, or from an underwriter, financial advisor, investor, insurance company, or other entity, provided that the obligor and issuer (if different from the obligor) each has knowledge of the request. The term "issuer/obligor" in these Terms and Conditions means the issuer and the obligor if the obligor is different from the issuer.

Agreement to Accept Terms and Conditions. Standard & Poor's assigns Public Finance ratings subject to the terms and conditions stated herein and in the rating letter. The issuer/obligor's use of a Standard & Poor's public finance rating constitutes agreement to comply in all respects with the terms and conditions contained herein and in the rating letter and acknowledges the issuer/obligor's understanding of the scope and limitations of the Standard & Poor's rating as stated herein and in the rating letter.

Fees and expenses. In consideration of our analytic review and issuance of the rating, the issuer/obligor agrees to pay Standard & Poor's a rating fee. Payment of the fee is not conditioned on Standard & Poor's issuance of any particular rating. In most cases an annual surveillance fee will be charged for so long as we maintain the rating. The issuer/obligor will reimburse Standard & Poor's for reasonable travel and legal expenses if such expenses are not included in the fee. Should the rating not be issued, the issuer/obligor agrees to compensate Standard & Poor's based on the time, effort, and charges incurred through the date upon which it is determined that the rating will not be issued.

Scope of Rating. The issuer/obligor understands and agrees that (i) an issuer rating reflects Standard & Poor's current opinion of the issuer/obligor's overall financial capacity to pay its financial obligations as they come due, (ii) an issue rating reflects Standard & Poor's current opinion of the likelihood that the issuer/obligor will make payments of principal and interest on a timely basis in accordance with the terms of the obligation, (iii) a rating is an opinion and is not a verifiable statement of fact, (iv) ratings are based on information supplied to Standard & Poor's by the issuer/obligor or by its agents and upon other information obtained by Standard & Poor's from other sources it considers reliable, (v) Standard & Poor's does not perform an audit in connection with any rating and a rating does not represent an audit by Standard & Poor's, (vi) Standard & Poor's relies on the issuer/obligor, its accountants, counsel, and other experts for the accuracy and completeness of the information submitted in connection with the rating and surveillance process, (vii) Standard & Poor's undertakes no duty of due diligence or independent verification of any information, (viii) Standard & Poor's does not and cannot guarantee the accuracy, completeness, or timeliness of the information relied on in connection with a rating or the results obtained from the use of such information, (ix) Standard & Poor's may raise, lower, suspend, place on CreditWatch, or withdraw a rating at any time, in Standard & Poor's sole discretion, and (x) a rating is not a "market" rating nor a recommendation to buy, hold, or sell any financial obligation.

Publication. Standard & Poor's reserves the right to publish, disseminate, or license others to publish or disseminate the rating and the rationale for the rating unless the issuer/obligor specifically requests that the rating be assigned and maintained on a confidential basis. If a confidential rating subsequently becomes public through disclosure by the issuer/obligor or a third party other than Standard & Poor's, Standard & Poor's reserves the right to publish it. Standard & Poor's may publish explanations of Standard & Poor's ratings criteria from time to time and nothing in this Agreement shall be construed as limiting Standard & Poor's ability to modify or refine Standard & Poor's criteria at any time as Standard & Poor's deems appropriate.

Information to be Provided by the Issuer/obligor. The issuer/obligor shall meet with Standard & Poor's for an analytic review at any reasonable time Standard & Poor's requests. The issuer/obligor also agrees to provide Standard & Poor's promptly with all information relevant to the rating and surveillance of the rating including information on material changes to information previously supplied to Standard & Poor's. The rating may be affected by Standard & Poor's opinion of the accuracy, completeness, timeliness, and reliability of information received from the issuer/obligor or its agents. Standard & Poor's undertakes no duty of due diligence or independent verification of information provided by the issuer/obligor or its agents. Standard & Poor's reserves the right to withdraw the rating if the issuer/obligor or its agents fails to provide Standard & Poor's with accurate, complete, timely, or reliable information.

Standard & Poor's Not an Advisor, Fiduciary, or Expert. The issuer/obligor understands and agrees that Standard & Poor's is not acting as an investment, financial, or other advisor to the issuer/obligor and that the issuer/obligor should not and cannot rely upon the rating or any other information provided by Standard & Poor's as investment or financial advice. Nothing in this Agreement is intended to or should be construed as creating a fiduciary relationship between Standard & Poor's and the issuer/obligor or between Standard & Poor's and recipients of the rating. The issuer/obligor understands and agrees that Standard & Poor's has not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the U.S. Securities Act of 1933.

Limitation on Damages. The issuer/obligor agrees that Standard & Poor's, its officers, directors, shareholders, and employees shall not be liable to the issuer/obligor or any other person for any actions, damages, claims, liabilities, costs, expenses, or losses in any way arising out of or relating to the rating or the related analytic services provided for in an aggregate amount in excess of the aggregate fees paid to Standard & Poor's for the rating, except for Standard & Poor's gross negligence or willful misconduct. In no event shall Standard & Poor's, its officers, directors, shareholders, or employees be liable for consequential, special, indirect, incidental, punitive or exemplary damages, costs, expenses, legal fees, or losses (including, without limitation, lost profits and opportunity costs). In furtherance and not in limitation of the foregoing, Standard & Poor's will not be liable in respect of any decisions made by the issuer/obligor or any other person as a result of the issuance of the rating or the related analytic services provided by Standard & Poor's hereunder or based on anything that appears to be advice or recommendations. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss, whether in contract, statute, tort (including, without limitation, negligence), or otherwise. The issuer/obligor acknowledges and agrees that Standard & Poor's does not waive any protections, privileges, or defenses it may have under law, including but not limited to, the First Amendment of the Constitution of the United States of America.

Term. This Agreement shall terminate when the ratings are withdrawn. Notwithstanding the foregoing, the paragraphs above, "Standard & Poor's Not an Advisor, Fiduciary, or Expert" and "Limitation on Damages", shall survive the termination of this Agreement or any withdrawal of a rating.

Third Parties. Nothing in this Agreement, or the rating when issued, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of the rating. No person is intended as a third party beneficiary to this Agreement or to the rating when issued.

Binding Effect. This Agreement shall be binding on, and inure to the benefit of, the parties hereto and their successors and assigns.

Severability. In the event that any term or provision of this Agreement shall be held to be invalid, void, or unenforceable, then the remainder of this Agreement shall not be affected, impaired, or invalidated, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

Complete Agreement. This Agreement constitutes the complete agreement between the parties with respect to its subject matter. This Agreement may not be modified except in a writing signed by authorized representatives of both parties.

Governing Law. This Agreement and the rating letter shall be governed by the internal laws of the State of New York. The parties agree that the state and federal courts of New York shall be the exclusive forums for any dispute arising out of this Agreement and the parties hereby consent to the personal jurisdiction of such courts.

STANDARD & POOR'S

PUBLIC FINANCE

Commonwealth of Puerto Rico

Puerto Rico Public Buildings Authority

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RatingsDirect
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Credit Profile		
US$150. mil Government Facilities Revenue Refunding Bonds, (Puerto Rico), Series Q, due 07/01/2037		
Long Term Rating	BBB- / Stable	New

Rationale

Standard & Poor's Ratings Services assigned its 'BBB-' rating to the Puerto Rico Public Buildings Authority's series Q guaranteed by the Commonwealth of Puerto Rico. The outlook on all of the commonwealth's general obligation (GO) and appropriation debt bonds is stable.

The series Q bonds will refund a portion of the authority's debt outstanding, including the repayment of approximately $94.5 million in a credit line obtained by the authority from the Government Development Bank for Puerto Rico (GDB).

The 'BBB-' ratings are based on Puerto Rico's full faith and credit pledge and reflect our opinion of the commonwealth's:

- Chronic budget deficits—In the past 10 years, the commonwealth's structural budget deficit ballooned to an estimated $3.2 billion in fiscal 2009 (42% of general fund revenues). While Governor Luis Fortuño's fiscal stabilization plan has received broad support from the legislature, we do not anticipate structurally balanced budgets until fiscal 2013, which in our opinion poses a significant implementation risk, particularly given the challenging economic environment.
- High debt levels, with GO, appropriation, and sales tax revenue debt currently at about $21.8 billion or 35.9% of gross national product (GNP) and $5,477 per capita—when about $31 billion in debt from public corporations, agencies, and municipalities is included, the commonwealth's total public sector debt is a very high 83% of GNP; and
- Protracted economic recession, as evidenced by the GNP contraction of 1.9% in fiscal 2007, 2.5% in fiscal 2008, and an estimated 3.4% in fiscal 2009.

Factors that continue to support the ratings include our opinion of the commonwealth's:

- Strong ties to the U.S. economy, resulting in a significant flow of trade investment income and income transfers, which according to commonwealth officials account for as much as 22% of GNP; and
- Support from the GDB, which provides a stabilizing financial and management influence, as well as a source of liquidity and market access for the commonwealth.

In our opinion, Puerto Rico continues to face significant fiscal and economic challenges. However, in the nine months since his inauguration, the administration of Gov. Fortuño has made fiscal stability a priority. With broad support from the legislature, Gov. Fortuño implemented a fiscal reconstruction plan designed to regain budgetary structural balance by fiscal 2013. On Sept. 25, 2009, commonwealth officials announced the second and final round of layoffs the current administration implemented as part of its fiscal stabilization plan (Law 7 of 2009) to address a $3.2 billion structural deficit. The announcement of a net reduction of 13,774 permanent positions increased the total positions cut during the current calendar year to approximately 18,575 (about 12% of total central government employees). Commonwealth officials estimate that the most recent round of layoffs will bring the total budget cuts to approximately $1.2 billion or 60% of the required $2 billion in expenditure reductions required under Law 7. Commonwealth officials plan to achieve the remaining required savings through the consolidation and reduction of government agencies, savings in the commonwealth's share of Medicaid ("health card"), and a 15% reduction in all government service contracts.

The fiscal measures adopted by the Fortuño administration, represent, in our opinion, a factor that lends near-term stability to the credit of the commonwealth. However, we expect that Gov. Fortuño's fiscal reconstruction program will remain challenged by a potential further decline in economic growth, and the potential growing political pressure to delay or modify the scope of the identified payroll and expenditure costs.

Gov. Fortuño's proposed fiscal 2010 budget assumes flat revenue growth relative to actual fiscal 2008 recurring revenues, and general fund expenditures of $7.6 billion. However, the proposed fiscal 2010 budget includes $2.5 billion in the Stabilization Fund, which commonwealth officials expect to establish with the proceeds from the sale of Puerto Rico Sales Tax Financing Corporation (COFINA) subordinate lien bonds. The Stabilization Fund will be used primarily to pay for the costs associated with the payroll reductions and buyout plans included in the commonwealth's fiscal reconstruction plan. When the expenditures associated with the stabilization fund are included, the commonwealth's structural deficit for fiscal 2010 would reach $2.6 billion, or a high 34.5% of general fund recurring revenues. Commonwealth officials expect that the majority of the expenditures being funded through the stabilization fund will be nonrecurring in subsequent fiscal years, gradually closing the structural deficit by fiscal 2013.

Standard & Poor's deems Puerto Rico's financial management practices "standard" under its Financial Management Assessment (FMA) methodology, indicating the commonwealth's finance department maintains adequate policies in most, but not all, key areas.

Overall debt levels remain high compared with the debt of other state and local governments and similarly rated sovereigns. The commonwealth's GO debt reached $9.7 billion, or approximately127% of general fund recurring revenues at year-end fiscal 2008. In addition, the commonwealth has $2.66 billion in appropriation debt, $1.4 billion in GDB loans outstanding, and $5.2 billion in senior lien sales tax revenue bonds. Debt service expenditures on the debt supported by the general fund reached $392.9 million in fiscal 2009, or approximately 5.1% of general fund recurring revenues.

Outlook

The stable outlook reflects our expectation that the administration and legislature will remain committed to the goals outlined in the fiscal reconstruction plan, allowing the commonwealth to gradually achieve structurally balanced budgets. In addition, the stable outlook reflects the assumption of continued liquidity, financial, and management support from GDB. However, in our view, the stabilizing effect of GDB on the commonwealth's rating has its limitations. The rating may be pressured if Puerto Rico's reliance on GDB to fund the deficit increases materially or if the government does not continue to implement measures in the near term to reduce the structural deficit. In our view, the commonwealth's ability to use GDB only as a temporary source of flexibility to implement meaningful measures to narrow the budget deficit and not as a long-term source of deficit financing may affect the commonwealth's credit stability.

Related Research

- USPF Criteria: "GO Debt," Oct. 12, 2006
- USPF Criteria: "Appropriation-Backed Obligations," June 13, 2007

Ratings Detail (As Of 16-Oct-2009)		
Outstanding Public Improvement and Refunding Bonds, Series 2000, 2003 C-4, C-5 and Sub-Series C-7		
Unenhanced Rating	BBB- (SPUR) / Stable	Affirmed
Outstanding Public Improvement Refunding Bonds, Series 2007A, Sub-Series A-6 thru A-9		
Long Term Rating	AA+ / A-1+	Affirmed
Unenhanced Rating	BBB- (SPUR) / Stable	Affirmed
Outstanding Public Improvement Refunding Variable Rate Bonds, Series 2008 B		
Long Term Rating	AA+ / A-1+	Affirmed, Removed from CreditWatch
Unenhanced Rating	BBB- (SPUR) / Stable	Affirmed
Outstanding General Obligation Bonds, Various Series		
Long Term Rating	BBB- / Stable	Affirmed
Outstanding General Obligation Bonds, Series 1989 A		
Long Term Rating	BBB- / Stable	Affirmed
Outstanding General Obligation Bonds, Series 1999, 2002 A & B, 2005 A		
Long Term Rating	BBB- / Stable	Affirmed
Outstanding Public Improvement General Obligation Bonds, Series A & B		
Long Term Rating	BBB- / Stable	Affirmed
Outstanding Public Improvement Variable Rate Demand Bonds, Series 2004 B-1 thru Series B-4		
Long Term Rating	AAA / A-1 / Negative	Affirmed
Unenhanced Rating	BBB- (SPUR) / Stable	Affirmed
Outstanding Public Improvement Refunding Bonds, Series 2003 C-4 and Series C-5		
Long Term Rating	AAA / A-1 / Negative	Affirmed
Unenhanced Rating	BBB- (SPUR) / Stable	Affirmed

Ratings Detail (As Of 16-Oct-2009) (cont.'d)		
Outstanding Public Improvement Refunding Bonds, Series 2007 A		
Unenhanced Rating	BBB- (SPUR) / Stable	Affirmed
Outstanding Public Improvement and Refunding Bonds, Series A & B and 2003 A		
Unenhanced Rating	BBB- (SPUR) / Stable	Affirmed
Outstanding Public Improvement and Refunding Bonds, Series 2002 A & B		
Unenhanced Rating	BBB- (SPUR) / Stable	Affirmed
Outstanding Public Improvement Refunding Bonds, Series 2003C-4 and Series 2003 C-5 and Sub-Series 2003 C-7		
Unenhanced Rating	BBB- (SPUR) / Stable	Affirmed
Outstanding Public Improvement and Refunding Bonds, Various Series		
Unenhanced Rating	BBB- (SPUR) / Stable	Affirmed
Outstanding General Obligation Bonds, Various Series		
Unenhanced Rating	BBB- (SPUR) / Stable	Affirmed
Outstanding Public Improvement Refunding Variable Rate Demand Bonds, Series 2007 A, Sub-Series A-2		
Unenhanced Rating	BBB- (SPUR) / Stable	Affirmed
Long Term Rating	AAA / A-1+ / Negative	Affirmed
Outstanding Public Improvement Refunding Variable Rate Demand Bonds, Series 2007 A, Sub-Series A-3		
Unenhanced Rating	BBB- (SPUR) / Stable	Affirmed
Long Term Rating	AAA / A-1 / Negative	Affirmed
Outstanding Public Improvement Refunding Variable Rate Demand Bonds, Series 2007 A, Sub-Series A -4		
Unenhanced Rating	BBB- (SPUR) / Stable	Affirmed
Long Term Rating	AAA / A-1+ / Negative	Affirmed
Outstanding Government Facilities Revenue and Refunding Bonds, (Puerto Rico), Series I & J, K & L and Q		
Long Term Rating	BBB- / Stable	Affirmed
Outstanding Government Facilities Revenue Refunding Bonds, (Puerto Rico), Series I & J		
Unenhanced Rating	BBB- (SPUR) / Stable	Affirmed
Outstanding Government Facilities Revenue and Refunding Bonds, (Puerto Rico), Series K & L		
Unenhanced Rating	BBB- (SPUR) / Stable	Affirmed

Many issues are enhanced by bond insurance.