STANDARD
&POOR'S

Global Credit Portal
RatingsDirect®

May 5, 2011

Guam; Appropriations; General Obligation

Primary Credit Analyst:
Paul Dyson, San Francisco (1) 415-371-5079; paul_dyson@standardandpoors.com

Secondary Contact:
Theodore Chapman, Dallas (1) 214-871-1401; theodore_chapman@standardandpoors.com

Table Of Contents

864885 | 300920538

Guam; Appropriations; General Obligation

Credit Profile		
Guam GO bnds ser 2007A		
Long Term Rating	B+/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services affirmed its 'B+' rating on the Government of Guam's general obligation (GO) bonds and its 'B' rating on the Government of Guam's series 2010A certificates of participation (COPs; John F. Kennedy High School Project). The outlook on both ratings is stable.

The 'B' rating on the COPs reflects our view of:

- The Department of Education of Guam's covenant to annually budget and appropriate lease payments throughout the term of the lease,
- Annual appropriation risk, and
- Guam's general credit characteristics.

The 'B+' GO rating is based on what we consider to be the government's highly speculative-grade credit factors, including:

- The government's continued very large general fund deficit position, long-term liabilities, and operating cash flow pressures, with the general fund deficit increasing further in unaudited fiscal 2010;
- The territory's mainly military- and tourism-based economy (with tourism primarily from Asia), which leaves it vulnerable to economic cycles; and
- The potential effect of severe weather events, such as the two major typhoons that devastated the island earlier this decade, on the economy.

Although Guam made some progress in fiscals 2008 and 2009 in reducing its large general fund deficit (although the improvement in fiscal 2009 was mainly due to the issuance of $271 million in deficit-financing GO bonds), the general fund deficit grew an additional $84 million in fiscal 2010, according to unaudited general fund financial statements. Projections for the biennium budget ending Sept. 30, 2013, indicate the general fund balance will remain in a deficit position of approximately $349 million. Longer-term general fund financial projections through fiscal 2017 provided to Standard & Poor's in July 2009 had indicated Guam's general fund would be in a deficit position through at least fiscal 2015 before turning positive in fiscal 2016. Those same projections also indicated a fiscal 2010 fund balance of negative $176 million, so the unaudited fiscal 2010 fund balance is a significant $173 million below this projection.

The government's financial position and performance improved in fiscals 2008 and 2009, after beginning to stabilize in fiscal 2007. These three years followed a decade-long negative trend that resulted in significant fund balance deterioration. Fiscal 2007 restated audited results showed an $11.3 million general fund surplus, which officials attributed primarily to general fund revenues that came in $19 million better than budgeted. This, in turn, was largely due to midyear budget revisions by former Governor Felix Camacho and the legislature. Further improvement occurred in audited fiscal 2008, when revenue exceeded budget by $23 million and expenditures were

$4.8 million lower than budget. The audited unreserved general fund balance for fiscal 2008 ended at what we consider a massive negative $526 million. However, the total fund balance deficit improved to a negative $416 million in fiscal 2008 from a negative $502 million in fiscal 2007, reflecting an $86 million surplus after transfers and one-time items. Further improvement of the unreserved fund balance in fiscal 2009 to a negative $265 million was largely due to deficit financing.

Although the general fund deficit worsened in fiscal 2010 by $84 million, the net change in fund balance in fiscal 2010 (when removing the impact of the GO bond proceeds in 2009) was a negative $66 million versus negative $93 million in 2009. Slight improvements did occur in fiscal 2010, including total revenue growth of 0.4%, tax revenue growth of 1%, and license, fee, and permit growth of 1.7%. Of the $84 million general fund deficit in fiscal 2010, $53.2 million, or almost two-thirds of the deficit, was due to operational (revenue) shortfalls, with $13 million due to unbudgeted expenditures. The balance is increased debt service requirements related to the series 2007 and 2009 GO bonds.

The government, under the administration of Governor Eddie Calvo, has put fiscal discipline at the forefront, with key fiscal policy objectives of deficit elimination, cost containment, and revenue generation. Governor Calvo's first executive order directed all department heads to identify and recommend cost-cutting measures, identify revenue enhancements, and make recommendations. Also noteworthy, the governor, early in his term, rescinded a previous executive order for across-the-board pay increases, known as the Hay Study, in an attempt to improve fiscal stability. By law, expenditures cannot exceed 98% of revenues until Guam's deficit is eliminated. To further reinforce the executive branch's expenditure controls, the government has implemented tighter interim monitoring of expenditures to control or delay disbursements and thus stay within budgeted levels. Also, the executive branch has implemented a new allotment reserve equal to 3% of revenues. This reserve is supplemental to the 98% expenditure limit already in place. The mandate also provides that if there is a 3% or greater variance between budgeted and actual revenues, the administration is required to submit a realignment plan to prevent overspending.

We believe the government's financial reporting has improved, albeit slightly, because fiscal 2007 marked the first financial audit with an unqualified opinion and the third consecutive audit completed on a timely basis. For fiscal 2010, Guam expects a fourth consecutive unqualified audit. The government projects fiscal 2011 revenues to exceed fiscal 2010 revenues by 9%, and projects cost control measures to reduce expenditures through the remainder of the fiscal year. However, cash flow has been weak, with several months during fiscal 2011 ending with negative cash balances. The 2013 biennium budget proposes the adoption of performance-based budgeting, in which expenditures are tied to results; the setting-aside of 2% of revenues each fiscal year for deficit reduction; and the issuance of bonds to pay all past-due tax refunds and to reduce the general fund deficit. Although on one hand the government expects this to help erase the general fund deficit, it may exacerbate Guam's already extremely high debt burden. Revenue growth of 3% annually is assumed for fiscals 2012 and 2013, and reflects military buildup projects approved for funding but not any net tax effects.

Standard & Poor's deems Guam's financial management practices "standard" under its Financial Management Assessment (FMA) methodology, indicating our view that Guam maintains adequate policies in most, but not all, key areas.

We continue to view Guam's economic base as highly concentrated in tourism and the military, and we consider most economic ratios, including income, well below average. We expect economic growth to accelerate over the next five to 10 years as the imminent military buildup continues to gain momentum. The government projects

864885 | 300920538

construction spending to grow, given several billion dollars in construction contracts awarded recently, but the ultimate timing of the relocation of 8,000 Marines and 9,000 dependents from Japan remains somewhat uncertain.

Based on the analytical factors we evaluate for U.S. States and Territories, on a four-point scale where '1' is the strongest, we have assigned Guam a composite score of '3.3'. Based on our criteria, an overall score of '3.3' is associated with a rating of 'BBB'. Our criteria also specify overriding factors that may result in a rating different from the indicative credit level. In the case of Guam, we view its system support score, liquidity, and debt burden, including unfunded pension and other postemployment benefit (OPEB) liabilities, as overriding factors that result in a rating that is five notches below its indicative credit level.

Outlook

The stable outlook reflects our expectation that economic growth is likely to occur throughout the term of the U.S. military buildup and beyond -- benefiting Guam and providing it with opportunities to improve its financial position -- despite the uncertainty of the actual timing. The stable outlook also reflects our assessment of Guam's increased political willingness under Governor Calvo to establish a long-term plan to improve its financial position, including addressing its history of annual budget imbalances and its significant long-term liabilities. We assume the government will maintain at least marginal cash flows that allow it to operate and maintain service levels. In addition, although our 'B+' GO rating is speculative grade and assumes additional financial volatility, we believe that Guam will still meet debt service payments.

Government Framework

For the first time, Guam has moved to a two-year biennium budget in an attempt to focus its efforts on the planning for the military buildup and beyond. Guam law requires the executive branch of the government to submit a balanced budget, as the Government Claims Act, or GCA -- 5 GCA § 4107(a) -- mandates the governor to recommend to the legislature a program and financial plan that contains revenue measures to support the budget. In terms of balanced budget adoption by the legislature, the GCA (2 GCA § 9101) mandates that all expenditures identify a specific funding source. In terms of maintaining a balanced budget once adopted, the government has implemented supplemental budget fixes in a historically insufficient attempt to maintain budget balance during a given fiscal year. The GCA -- 5 GCA, Chapter 4, § 4109(f) -- requires the governor to submit a fiscal realignment plan to address underperforming revenues if actual revenues are 3% or more below budget, and government code also provides that in the release of monthly or quarterly allotments by the Bureau of Budget and Management Research from appropriation acts, "the director thereof shall base such allotments on anticipated cash receipts so that the obligations incurred pursuant to such release of periodic allotments shall have sufficient cash for their payment, provided that sufficient cash shall always be released to the Department of Education to provide an adequate public education to every public school student." Although by policy budget balance provisions are strong, in practice these mechanisms have been insufficient to prevent the accumulation of a large deficit position of almost $350 million (a negative 72% of revenues). In addition, as indicated above, reduction of spending for education is limited.

Guam has the full powers and ability to raise revenues as necessary, subject to the simple majority approval of the Guam Legislature and Governor of Guam. Guam has demonstrated this ability historically, such as through tax rate increases. Guam's legislature is unicameral, which helps to facilitate approval of tax and other revenue-related

864885 | 300920538

issues. Upon the governor vetoing a law, a two-thirds vote of the legislature is required to override it. Examples of revenues adjusted in the past include the gross receipts tax, hotel occupancy tax, and various fees such as business license fees or income tax service fees.

Guam also has significant flexibility in adjusting disbursements, but has limited ability on a practical basis to make reductions in some areas such as education. The governor can issue an executive order to cut spending midyear or at any time for executive branch operations. As mentioned above, Governor Calvo, early in his term, mandated all agencies to submit measures to cut costs and rescinded previous pay increases. Although Guam may have broad disbursement flexibility, cost overruns have occurred frequently over the past few years, contributing to the government's growing general fund deficit position. Voter initiatives have at times been placed onto the ballot, but none of these in our view has had a significant impact on the budget.

Guam has no legal requirement that makes GO debt a top-priority payment, payable before all other disbursements, but the government reports that as a policy matter it treats GO debt as such. GO bonds in an amount over $25 million require voter approval, but in some instances voter approval is waived. Guam's debt also may not exceed 10% of total assessed valuation. The government is permitted to and has historically issued GO deficit bonds. When GO debt is authorized, the government must identify revenues that will support such debt. Guam has no formal debt management plan or policies in place, but is developing a plan. The use of credit enhancement or derivatives must be expressly authorized by law, as Guam's GO and limited obligation debt do not authorize the use of derivatives.

Guam's system support assessment includes our analysis of the predictability of the public finance system in a federal context, and incorporates the predictability, transparency and accountability, and system support aspects of the institutional framework as detailed in our criteria for rating international local and regional governments (see "Related Criteria and Research" section). Guam is governed by its constitution, known as the Organic Act, and we view the government as stable and mature with a limited number of reforms. Guam is governed by a popularly elected governor and a unicameral 15-member legislature, and Guam elects one non-voting delegate to the U.S. House of Representatives. U.S. citizens in Guam vote in a straw poll for their choice in the U.S. Presidential general election, but because Guam has no electoral votes, the poll has no significant impact. In sending delegates to the Republican and Democratic national conventions, Guam has some influence in national presidential races, but convention delegates are elected by local party conventions, not by voters in primaries. Guam has sufficient autonomy with its revenue flexibility to manage its own finances, but at times such tools may be delayed or insufficient. Appropriations from the U.S. government, such as Section 30 compact impact revenues, are predictable and timely. However, the fiscal policy framework is, in our view, weak, with persistent budget imbalances and increasing liabilities. The delineation of roles and responsibilities between elected officials (who set priorities) and managers (who implement them) is relatively clear, but one-time events and relatively aggressive budgets frequently make budget management difficult. Guam, per the Organic Act, is required to submit to U.S. Congress and the Secretary of the Interior a comprehensive annual financial report in accordance with the standards of the National Council on Governmental Accounting, although interim financing reporting is, in our view, adequate, and audits are generally timely. The U.S. Government has provided Guam with certain grants to compensate for higher infrastructure needs due to factors that are unique to Guam's location and status as a U.S. territory, including compact impact funds and military spending. Other support includes financial support in the form of small business grants, federal stimulus funding, and extraordinary support such as Federal Emergency Management Agency grants and Disaster Assistance Loans in response to events such as typhoons.

Guam's government is highly centralized, with no overlapping governments, so Guam is responsible for a high level

of intergovernmental assistance, including most key areas of spending, such as education and public safety (which are shared costs in other states). Real property taxes are used for education operating expenses, and other taxes such as gross receipts taxes support other major categories of spending. On a practical basis, limited flexibility exists, an example being a constitutional provision that prohibits cuts in education spending that is necessary to provide every student with an adequate public education. In addition, Guam cannot make cuts to the judicial branch per local law.

On a four-point scale where '1' is strongest, we have assigned a '3.0' score to Guam's governmental framework.

Financial Management

Financial Management Assessment: 'Standard'

We characterize Guam's financial management practices as "standard" under our Financial Management Assessment (FMA) methodology. An FMA of "standard" indicates our view that management maintains adequate policies in some, but not all, key areas. Revenue and expenditure assumptions tend to be somewhat aggressive and not entirely based on reality, but projections for 2012 and 2013 seem relatively more conservative. There is some use of outside consultants. The Office of Management and Budget (OMB) staff updates revenues and expenditures monthly and is adept at revising revenue projections. As part of its fiscal recovery plan, Guam now includes a contingency reserve in each budget and has created a 10-year financial plan for the general fund. A long-term capital improvement plan exists, but not all funding sources are identified. Guam has a statutorily established permitted investments policy, and tracks investments and returns monthly. No formal debt management plan exists, and a framework for establishing and replenishing reserves is inconsistent and not functioning.

Budget management framework

We consider Guam's budget management framework weak. Although the government has some latitude to adjust revenues and expenditures, adjustments have not been timely and have been insufficient to prevent persistent budget deficits. In addition, adjustments and gap-closing solutions frequently rely on nonrecurring revenue or spending actions.

On a four-point scale where '1' is strongest, Standard & Poor's has assigned a '3.5' score to Guam's financial management.

Economy

Guam (population 180,865) is the westernmost territory of the U.S., and the island encompasses 212 square miles. Tourism revenues and military spending are the main contributors to the island's economic base. In our opinion, Guam's economy has performed relatively well recently, with civilian employment rising every year since 2005 except for 2009, with 3.4% growth in 2010 to 62,200 workers. Unemployment as of September 2009 (the most recent period for which information is available) was 9.3%, versus the national rate of 9.8%, and is up from 8.3% in September 2008 and 7.4% in September 2007. Construction was among the fastest-growing sectors in 2008, rising 18%, contrary to the trends in most U.S. states, but also contributes to some employment concentration. In addition, a high 25.3% of the employment base is governmental and there is also concentration within the services sector.

Annual visitor volume fell 7% in 2008 and 8% in 2009, reflecting the weakness not only in the local and national economies, but also internationally. According to government officials, the number of visitors rose 13.6% in

calendar 2010, suggesting that the trend may be reversing. Guam remains highly dependent on Japan, despite that new markets such as South Korea and Taiwan are showing strong growth. Plus, the government expects the Guam Visa Waiver program to continue to boost visits from China, Russia, and the Marianas. New airline services have been announced from Taiwan, Hong Kong, the Philippines, South Korea, and Japan. According to Guam, the events in Japan that started March 11, which include earthquakes, tsunamis, and an ongoing nuclear crisis, should have only a short-term (three- to four-month) impact on tourism. As an example, although Japanese visitors declined 7.5% in March 2011, overall visitors for the month fell by only 1% on the year. Guam has even received some anecdotal evidence from officials at Narita Airport in Japan and ANA Airlines that most Japanese visitors are maintaining trips to Guam as scheduled, and that the events have even led to some new bookings by Japanese visitors seeking vacations.

In addition, because of its location as a forward base in Asia, Guam serves as a strategic military installation for the Andersen Air Force Base and Naval Base Guam, which occupy about one-third of the island's area. Despite a proposed reduction of 100 military and civilian personnel stemming from the 2005 Base Realignment and Closure process, we understand Guam stands to gain as many as 9,182 U.S. Marines and 9,000 dependents from Okinawa, Japan, by 2014; the U.S. and Japanese governments have made a $10.27 billion commitment to this end. The beginning stages to this buildup have begun, with Congress approving $2 billion for military construction during fiscal 2008-2010 and with both Japan and the U.S. transferring a combined $1.2 billion to finance utility facilities and infrastructure improvements.

Although population growth has far outpaced that of the U.S. during 2000-2010, with Guam's growing 16.8% versus 9.7% for the U.S., most other key economic metrics are weak. Guam's GDP per capita was just $22,991 in 2007 (the most recent period for which data is available), or 55% of the U.S.'s $42,031. In addition, GDP growth has periodically been weaker than that of the U.S., and per capita income levels are just 33% of U.S. levels. Although we believe the ongoing military buildup presents Guam with favorable growth prospects, we also recognize it could lead to an even more concentrated economic base.

On a four-point scale where '1' is strongest, Standard & Poor's has assigned a '2.9' score to Guam's economy.

Budgetary Performance

Management projected it would make further progress in fiscal 2009 with another $12 million surplus, but expected the surplus to be closer to $20 million because of the 95% expenditure limit. These projections did not include the impact of the $261 million series 2009A GO bonds, or any impact from federal stimulus funding. Including various one-time financing sources, Guam projected that the general fund balance deficit would decrease substantially to negative $178 million at fiscal year-end 2009, a $238 million improvement. Actual fiscal 2009 audited financials indicate Guam's total fund balance deficit improved by $150 million to a negative $265 million. As such, results were $88 million worse than officials had projected (on a cash basis). The unreserved fund balance improved by $129 million to negative $397 million in fiscal 2009, equal to negative 80% of expenditures. The majority of the improvement in fund balances in fiscal 2009 related to the issuance of $271 million in GO bonds to fund various long-term liabilities and capital projects. Absent the impact of these bond proceeds, the general fund deficit would have grown by an additional $120 million.

Fiscal 2009's results were below management's expectations on a generally accepted accounting principles basis by approximately $93 million for several factors, in our view: revenues coming in below budget by 4.2% (or $21

million), $46 million in nonrecurring expenditures, and $26 million in revenue deferrals and auditor adjustments (also nonrecurring). Big-ticket nonrecurring items include $18 million in interest on cost-of-living judgment payments and $16 million in deferred revenue related to the "Making Work Pay" tax credit. Management attributes the decline in revenues to a decrease in tax revenues due to continued weak economic conditions. Before transfers, expenditures exceeded revenues by $41 million. Net of $70 million in net transfers out, the net deficiency was $111 million ($261 million in bond proceeds less this $111 million deficiency equals the $150 million improvement in total fund balance). Net of $18 million of expenses paid by deficit bond proceeds, the net deficiency was $93 million. On a net asset basis for the primary government as a whole (not just the general fund), Guam's total net assets decreased by $140 million (or 826%) to a net asset deficiency of $157 million in 2009 from a net asset deficiency of $17 million in the prior year.

The two major sources of general fund revenues are tax revenues and federal contributions, and tax revenues include income taxes (50% of general fund revenues) and business privilege taxes (38%). Property taxes flow into an outside fund, but money in the fund must be used to reimburse the general fund for GO debt service. The two leading general fund expenditures are education (41%) and police and fire (16%).

For fiscal 2010, Guam's had projected a $13.2 million general fund surplus on revenues of $518 million and expenditures of $505 million, but it expects a $16 million deficit when including the $29.2 million impact from the "Making Work Pay" tax credit revenue deferral. Unaudited results now indicate an $84 million deficit.

Guam has a long history of structural imbalance and very large accumulated deficits that will likely take years to reduce, and our rating reflects our view of this risk. We continue to view Guam's balance sheet as under pressure, with what we consider substantial long-term liabilities, obligations to retirees, and to a lesser extent payables to other component units and accounts payable. In addition, the government did not achieve an operating surplus in either fiscal 2009 or fiscal 2010. The elimination of Guam's general fund deficit relies heavily on stronger budget management practices. The government, under the administration of Governor Calvo, has put fiscal discipline at the forefront, with key fiscal policy objectives of deficit elimination, cost containment, and revenue generation. Proposed cost reduction measures include repealing unfunded mandates, eliminating duplicate services, outsourcing of services and redeployment of staff, and savings through attrition. Revenue enhancement proposals include federal government reimbursement on 3% withholding on vendor/contractor payments and improving collections.

Liquidity

Although Guam monitors its cash daily and can tap other internal funds for liquidity, we view Guam's general fund liquidity as very weak, with unaudited fiscal 2010 cash balances of only $6 million, or 1.2% of revenues. Guam's amount due to other funds and for income tax refunds increased further in fiscal 2010, so although cash balances may be positive, the government's actual financial flexibility provided by such cash is very limited. Although Guam uses a forecast model and tracks revenues and expenditures on a cash basis, with some tools at its disposal to respond with accelerated collections or adjusted disbursements, it has historically not demonstrated prompt or sufficient reaction. In recent years, revenues and expenditures have varied significantly from expectations, and despite that Guam issued $271 million in deficit-financing GO bonds in 2009 and put in spending caps, neither liquidity nor general fund ending balances have significantly improved.

On a four-point scale where '1' is strongest, Standard & Poor's has assigned a '3.2' score to Guam's budgetary performance.

864885 | 300920538

Debt And Liability Profile

Guam last issued GO bonds in June 2009 ($271 million) as part of a bond package to fund various settlements, tax refund liabilities, and other past-due amounts. Also in 2009, Guam issued $202 million in limited-obligation bonds secured by Section 30 revenues, which include federal income taxes derived from military personnel and federal civil service employees who were either on Guam or who indicated Guam as their state of legal residence. In August 2010, Guam, on behalf of the Department of Education, issued about $70 million in certificates of participation to fund the JFK High School project. In April 2011, Guam issued $91 million in hotel occupancy tax revenue bonds, secured solely by a pledge of hotel occupancy taxes.

Guam's total GO and tax-supported debt is approximately $772 million, or $4,266 per capita, 33% of total personal income, and 19% of GDP. Approximately 28% of Guam's debt amortizes over the next 10 years, and Guam's pension liability is a very high $8,542 per capita or 65% of total personal income. We consider all of these ratios very high, in most cases 33% above those indicated, leading to a score of '4' per our criteria. Given this, we have adjusted the Guam rating by an additional notch below the indicative rating corresponding to the composite score of '3.3'. Guam has not funded its pension annual required contribution for more than three years and has no plans to fund its $1.44 billion OPEB liability.

On a four-point scale where '1' is strongest, Standard & Poor's has assigned a '4.0' score to Guam's debt and liability profile.

Related Criteria And Research

- USPF Criteria: State Ratings Methodology, Jan. 3, 2011
- USPF Criteria: Appropriation-Backed Obligations, June 13, 2007

Ratings Detail (As Of May 5, 2011)		
Guam certs of part (John F. Kennedy High Sch Proj)		
Long Term Rating	B/Stable	Affirmed
Guam GO bnds		
Long Term Rating	B+/Stable	Affirmed

Copyright © 2011 by Standard & Poors Financial Services LLC (S&P), a subsidiary of The McGraw-Hill Companies, Inc. All rights reserved.

No content (including ratings, credit-related analyses and data, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P. The Content shall not be used for any unlawful or unauthorized purposes. S&P, its affiliates, and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P's opinions and analyses do not address the suitability of any security. S&P does not act as a fiduciary or an investment advisor. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

The McGraw·Hill Companies