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**S&P Global**

Ratings

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**University Of The Sacred Heart,  
PR 'BB' Bond Rating Removed  
From CreditWatch Negative,  
Affirmed; Outlook Stable**

13-Feb-2018 16:55 EST

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SAN FRANCISCO (S&P Global Ratings) Feb. 13, 2018--S&P Global Ratings removed from CreditWatch negative and affirmed its 'BB' rating on the Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control Facilities Finance Authority's series 2012 higher education revenue bonds, issued for the University of the Sacred Heart (USH; Universidad del Sagrado Corazon). The outlook is stable.

"Removal of the rating from CreditWatch reflects S&P Global Ratings' receipt of information it requested from the university to maintain the ratings and S&P Global Ratings' assessment of the university's operations and finances," said S&P Global Ratings credit analyst Jamie Seman.

We assessed the university's enterprise profile as adequate, characterized by its history of declining enrollment. We assessed the university's financial profile as vulnerable based on full accrual deficits in both fiscal years 2015-2017, weak financial balance sheet metrics, high student fee dependence, and heavy reliance on Pell and similar grants for tuition revenue. We believe that these financial characteristics make it vulnerable to economic conditions beyond its control. We believe Puerto Rico's prolonged recession, structural deficits, recent natural disasters, and economic uncertainty will continue to constrain consumer budgets. As a result, we also believe enrollment pressures and weakened financial position at universities in Puerto Rico (including USH) will likely continue during the next two years due to depressed economic conditions.

The stable outlook reflects our expectation that, during the one-year outlook period, USH will continue to stabilize enrollment at or near current levels. We also expect operations to improve toward breakeven on a full accrual basis and its financial resources to improve beyond fiscal 2017. In addition, we do not expect USH to issue any new debt within the outlook period.

We could consider a negative rating action during the one-year outlook period if enrollment declines further, material full-accrual operating deficits continue, or financial resource ratios were to decrease to levels no longer consistent with the rating category.

We believe that a positive rating action is unlikely during the outlook period, due to financial resource ratios that are low for the rating category. We also believe Puerto Rico's depressed economic conditions will likely continue during the next year, limiting USH's ability to grow enrollment beyond current levels. We would view an improvement in enrollment and demand, positive operations, and growth in financial resources positively.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on the S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

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