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**PUERTO RICO SALES TAX FINANCING CORPORATION**

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**FIRST SUPPLEMENTAL SALES TAX REVENUE BOND  
RESOLUTION**

**authorizing**

**SALES TAX REVENUE BONDS  
SERIES 2007A**

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Adopted on July 13, 2007

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## TABLE OF CONTENTS

Page

### ARTICLE I

#### DEFINITIONS AND STATUTORY AUTHORITY

SECTION 1.1.	Supplemental Resolution.....	1
SECTION 1.2.	Definitions.....	1
SECTION 1.3.	Interpretation.....	5
SECTION 1.4.	Authority for this Series Resolution.....	5

### ARTICLE II

#### AUTHORIZATION OF SERIES 2007A BONDS

SECTION 2.1.	Principal Amount, Designation and Series.....	6
SECTION 2.2.	Purposes.....	6
SECTION 2.3.	Details of Series 2007A Bonds.....	6
SECTION 2.4.	Redemption.....	7
SECTION 2.5.	Book-Entry Provisions.....	8
SECTION 2.6.	Form of Series 2007A Bonds.....	10
SECTION 2.7.	Insurance Provisions.....	10
SECTION 2.8.	Interest Rate Exchange Agreements.....	10

### ARTICLE III

#### DISPOSITION OF PROCEEDS OF SERIES 2007A BONDS AND OTHER FUNDS

SECTION 3.1.	Deposits to Accounts.....	11
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### ARTICLE IV

#### MISCELLANEOUS

SECTION 4.1.	Headings.....	12
SECTION 4.2.	Governing Law.....	12
SECTION 4.3.	Effective Date.....	12
SECTION 4.4.	No Representations of Trustee.....	12
SECTION 4.5.	Invalid Provisions.....	13
EXHIBIT A.	BOND FORMS.....	A-1
EXHIBIT B.	BOND INSURANCE POLICY PROVISIONS.....	

# FIRST SUPPLEMENTAL SALES TAX REVENUE BOND RESOLUTION

authorizing

## SALES TAX REVENUE BONDS SERIES 2007A

BE IT RESOLVED by the Puerto Rico Sales Tax Financing Corporation (the "Corporation"), as follows:

### ARTICLE I

#### DEFINITIONS AND STATUTORY AUTHORITY

SECTION 1.1. Supplemental Resolution. This Supplemental Sales Tax Revenue Bond Resolution (this "**Supplemental Resolution**") is supplemental to, and is adopted in accordance with, Article II and Article IX of the Puerto Rico Sales Tax Financing Corporation Sales Tax Revenue Bond Resolution adopted by the Corporation on July 13, 2007 (the "**General Resolution**"). The General Resolution and this Supplemental Resolution are hereinafter collectively referred to as the "**Resolution**".

SECTION 1.2. Definitions. (a) All terms which are defined in Section 101 of the General Resolution or Section 1.1 hereof, unless otherwise defined in subsection (b) of this Section, shall, for all purposes of this Supplemental Resolution, have the same meanings as such terms are given in Section 101 of the General Resolution or Section 1.1 hereof, respectively, unless the context shall clearly indicate some other meaning.

(b) The following terms shall, for all purposes of this Supplemental Resolution, have the following meanings, unless the context shall clearly indicate some other meaning:

"**Ambac**" means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company.

"**Ambac Insurance Policy**" means the financial guaranty insurance policy issued by Ambac insuring the payment when due of the principal of and interest on the Ambac Insured Bonds as provided therein.

"**Ambac Insured Bonds**" means the Series 2007A Bonds maturing on August 1 in the years 2047 and 2054.

"**Applicable Tax-Exempt Municipal Bond Rate**" means, for any Capital Appreciation Series 2007A Bond to be redeemed, the Comparable AAA General Obligations yield curve rate for the remaining weighted average maturity date of such Bond as published by Municipal Market Data (internet address: [www.tm3.com](http://www.tm3.com)). If no such yield curve rate is established for the applicable year, the Comparable AAA General Obligations yield curve rate for the two published maturities most closely corresponding to the applicable year will be

determined by the Corporation, and the Applicable Tax-Exempt Municipal Bond Rate will be interpolated or extrapolated by the Corporation from those yield curve rates on a straight-line basis. If Municipal Market Data no longer publishes the Comparable AAA General Obligations yield curve rate, the Applicable Tax-Exempt Municipal Bond Rate will equal the Consensus Scale yield curve rate for the applicable year made available by Municipal Market Advisors (internet address: [www.theconsensus.com](http://www.theconsensus.com)). If Municipal Market Advisors no longer publishes the Consensus Scale yield curve rate, the Applicable Tax-Exempt Municipal Bond Rate will be determined by Goldman, Sachs & Co. as the quotation agent (the "Calculation Agent"), based upon the rate per annum equal to the yield to maturity (based upon semiannual compounding on each August 1 and February 1) of those tax-exempt general obligation bonds rated in the highest rating category by Moody's Investors Service with a maturity date closest to the remaining weighted maturity date of the Capital Appreciation Series 2007A Bonds having characteristics (other than the ratings) most comparable to those of the Capital Appreciation Series 2007A Bonds in the judgment of the Calculation Agent. The Calculation Agent's determination of the Applicable Tax-Exempt Municipal Bond Rate in such circumstances will be final and binding in the absence of manifest error. The Corporation's written notice of redemption provided to the Trustee pursuant to Section 405 of the General Resolution shall include the Applicable Tax-Exempt Municipal Bond Rate and the Trustee shall have no responsibility with respect to the accuracy of its calculation or its compliance with the terms of this definition.

**"Beneficial Owner"** means, whenever used with respect to a Series 2007A Bond, the Person in whose name such Series 2007A Bond is recorded as the beneficial owner of such Series 2007A Bond by a Participant on the records of such Participant or such Person's subrogee.

**"Bond Insurance Policies"** means the financial guaranty insurance policies issued by (i) Financial Guaranty Insurance Company with respect to the Series 2007A Bonds maturing August 1, 2040, August 1, 2041 and August 1, 2042 (the "FGIC Policy"), (ii) MBIA Insurance Corporation with respect to the Series 2007A Bonds maturing August 1, 2043 through August 1, 2046 (the "MBIA Policy"), and (iii) Ambac Assurance Corporation with respect to the Series 2007A Bonds maturing August 1, 2047 and August 1, 2054 (the "Ambac Policy").

**"Capital Appreciation Series 2007A Bonds"** means the Series 2007A Bonds maturing August 1, 2040 through August 1, 2056 as to which interest is not paid on a current basis but is accrued and compounded as Compounded Amount.

**"Cede & Co."** means Cede & Co., the nominee of DTC, and any successor of DTC with respect to the Series 2007A Bonds.

**"Current Interest Adjustable Rate Series 2007A Bonds"** means the Series 2007A Bonds maturing August 1, 2057 bearing interest at the LIBOR-Based Interest Rate.

**"Current Interest Fixed Rate Series 2007A Bonds"** means the Series 2007A Bonds maturing August 1, 2057 bearing interest at the rate of 5.25% per annum.

**"Current Interest Series 2007 Bonds"** means the Current Interest Adjustable Rate Series 2007A Bonds and the Current Interest Fixed Rate Series 2007A Bonds.

**“Debt Service Reserve Requirement”** for purposes of the Series 2007A Bonds means the amount of zero (\$0).

**“FGIC”** means Financial Guaranty Insurance Company, a New York stock insurance company, or any successor thereto.

**“FGIC Insurance Policy”** means the municipal bond new issue insurance policy issued by FGIC that guarantees payment of principal of and interest on the FGIC Insured Bonds.

**“FGIC Insured Bonds”** means the Series 2007A Bonds maturing on August 1 in the years 2040 through 2042.

**“Interest Payment Date”** means, for Current Interest Fixed Rate Series 2007A Bonds, August 1 and February 1 in each year, commencing February 1, 2008, and for Current Interest Adjustable Rate Series 2007A Bonds, August 1, November 1, February 1 and May 1 in each year, commencing November 1, 2007; provided, that if any Interest Payment Date is a day (“Day X”) that is not a Business Day, interest accrued to Day X shall be paid on the next succeeding Business Day.

**“Interest Rate Exchange Agreements”** means (i) the ISDA Master Agreement and Schedule thereto, as affected by Confirmations, between the Corporation and Goldman Sachs Capital Markets LP and (ii) the ISDA Master Agreement and Schedule thereto, as affected by Confirmations, between the Corporation and Lehman Brothers Special Financing Inc., each with respect to a notional amount equal to \$218,000,000 aggregate principal amount of the Current Interest Adjustable Rate Series 2007A Bonds.

**“LIBOR Rate Determination Date”** means the day that is two (2) London Banking Days preceding each Interest Payment Date on the Current Interest Adjustable Rate Series 2007A Bonds.

**“LIBOR-Based Interest Accrual Period”** means the period beginning on an Interest Payment Date for the Current Interest Adjustable Rate Series 2007A Bonds (or the date of issuance thereof, for the period prior to the first Interest Payment Date) to but not including the following Interest Payment Date.

**“LIBOR-Based Interest Rate”** means a rate of interest equal to 67% of Three Month LIBOR plus 93 basis points (0.93%). All percentages resulting from any calculation of the interest rate on the Adjustable Rate Series 2007A Bonds shall be rounded to the nearest fifth decimal place (one-hundred thousandth of a percentage point), rounding upwards if the sixth decimal place is five or greater (e.g., 9.876555% (or .09876555) would be rounded up to 9.87656% (or .0987656) and 9.876554% (or .09876554) would be rounded down to 9.87655% (or .0987655)). All dollar amounts used in or resulting from such calculation on the Adjustable Rate Series 2007A Bonds will be rounded to the nearest cent (with one-half cent being rounded upward).

**“London Banking Day”** means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the City of London, United Kingdom.

**“Market Agent”** means initially, Goldman, Sachs & Co. or such other market agent as may be appointed by the Trustee, upon written direction from the Corporation, to identify Reference Banks and otherwise calculate Three-Month LIBOR, as set forth in the definition of “Three-Month LIBOR.”

**“Master Escrow Agent”** means The Bank of New York, as master escrow agent under the Master Escrow Agreement.

**“Master Escrow Agreement”** means the 2007 Master Refunding and Payment Trust Agreement, dated as of July 31, 2007, between the Puerto Rico Public Finance Corporation and The Bank of New York, as Master Escrow Agent.

**“MBIA”** means MBIA Insurance Corporation, its successors and assigns.

**“MBIA Policy”** means the financial guaranty insurance policy issued by MBIA with respect to the MBIA Insured Bonds.

**“MBIA Insured Bonds”** means the Series 2007A Bonds maturing on August 1 in the years 2043 through 2046.

**“Parity Hedge Series 2007A Obligations”** means the net amount, if any, owed by the Corporation under each Interest Rate Exchange Agreement after the netting of the regular floating rate payments to be made by the Qualified Hedge Provider against the fixed rate payments to be made by the Corporation.

**“Participants”** means those broker-dealers, banks and other financial institutions for which DTC holds Series 2007A Bonds as securities depository.

**“Record Date”** means, with respect to the payment of interest on Current Interest Series 2007A Bonds, the fifteenth calendar day (whether or not a Business Day) next preceding such Interest Payment Date.

**“Serial Bonds”** means (i) the Series 2007A Bonds maturing August 1, 2040 through August 1, 2047, (ii) the Current Interest Fixed Rate Series 2007A Bonds maturing August 1, 2057 and (iii) the Current Interest Adjustable Rate Series 2007A Bonds.

**“Series 2007A Bonds”** means the Corporation’s Sales Tax Revenue Bonds, Series 2007A, authorized by Article II of this Supplemental Resolution.

**“Term Bonds”** for purposes of the Series 2007A Bonds means the Series 2007A Bonds maturing August 1, 2054 and August 1, 2056.

**“Three Month LIBOR”** means, with respect to the Current Interest Adjustable Rate Series 2007A Bonds, the rate for deposits in U.S. dollars with a three-month maturity that appears on Reuters Screen LIBOR 01 Page (or such other page as may replace that page on that service, or such other service as may be nominated by the British Bankers Association, for the purpose of displaying London interbank offered rates for U.S. dollar deposits) as of 11:00 a.m., London time, on the LIBOR Rate Determination Date, except that, if such rate does not appear

on such page on the LIBOR Rate Determination Date, the Three-Month LIBOR Rate means a rate determined on the basis of the rates at which deposits in U.S. dollars for a three-month maturity and in a principal amount of at least U.S. \$1,000,000 are offered at approximately 11:00 a.m., London time, on the LIBOR Rate Determination Date, to prime banks in the London interbank market by four major banks in the London interbank market (herein referred to as the "Reference Banks") selected by the Market Agent. The Market Agent is to request the principal London office of each of such Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the Three-Month LIBOR Rate will be the arithmetic mean of such quotations. If fewer than two quotations are provided, the Three-Month LIBOR Rate will be the arithmetic mean of the rates quoted by three (if three quotations are not provided, two or one, as applicable) major banks in New York City, selected by the Market Agent, at approximately 11:00 a.m., New York City time, on the LIBOR Rate Determination Date for loans in U.S. dollars to leading European banks in a principal amount of at least U.S. \$1,000,000 having a three-month maturity. If none of the banks in New York City selected by the Market Agent is then quoting rates for such loans, then the Three-Month LIBOR Rate for the ensuing interest period will mean the Three-Month LIBOR Rate then in effect in the immediately preceding LIBOR-Based Interest Accrual Period.

SECTION 1.3. Interpretation. Unless the context clearly otherwise requires, this Series Resolution shall be interpreted in accordance with applicable provisions of the General Resolution.

SECTION 1.4. Authority for this Series Resolution. This Series Resolution is adopted pursuant to the provisions of the Act and the General Resolution.

**ARTICLE II**

**AUTHORIZATION OF SERIES 2007A BONDS**

SECTION 2.1. Principal Amount, Designation and Series. Pursuant to the provisions of the General Resolution, a Series of Bonds to be designated as "Sales Tax Revenue Bonds" which shall be entitled to the benefit, protection and security of such provisions is hereby authorized, further designated "Series 2007A" in the aggregate principal amount at issuance of \$2,667,603,572.60. All of such Bonds shall constitute "Senior Bonds" under the Resolution.

SECTION 2.2. Purposes. The Series 2007A Bonds are being issued for the purpose of providing the Corporation with funds (i) to provide for the Repayment Project, and (ii) to pay Financing Costs, including but not limited to Costs of Issuance.

SECTION 2.3. Details of Series 2007A Bonds. (a) The Series 2007A Bonds shall be dated as of, and shall bear interest (or accreted Compounded Amount) initially from, the initial date of delivery thereof and payment therefor, and shall mature on August 1 in the years and in the principal amounts, and (except for Capital Appreciation Series 2007A Bonds) bear interest payable on each Interest Payment Date at the interest rates per annum, as set forth below:

<u>Maturity Date (August 1)</u>	<u>Principal Amount at Issuance</u>	<u>Rate</u>	<u>CAB Value at Maturity</u>
2040	\$ 15,445,848.60	n/a	\$ 77,805,000
2041	114,697,901.80	n/a	610,810,000
2042	113,630,448.00	n/a	637,800,000
2043	112,132,508.00	n/a	665,870,000
2044	110,597,947.20	n/a	695,060,000
2045	109,430,361.25	n/a	725,425,000
2046	108,235,860.00	n/a	757,000,000
2047	107,014,744.15	n/a	789,835,000
2054	701,475,105.60	n/a	7,619,760,000
2056	175,057,848.00	n/a	2,315,580,000
2057	563,885,000.00	5.25%	
2057	436,000,000.00	LIBOR- Based Interest Rate	

(b) The Series 2007A Bonds maturing on August 1 in the years 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047 and 2057 (both Current Interest Fixed Rate Series 2007A Bonds and Current Interest Adjustable Rate Series 2007A Bonds) shall constitute Serial Bonds. The Series 2007A Bonds maturing on August 1, 2054 and August 1, 2056 shall constitute Term

Bonds. The Series 2007A Bonds maturing on or before August 1, 2056 shall constitute Capital Appreciation Bonds.

(c) The Current Interest Adjustable Rate Series 2007A Bonds shall bear a rate of interest during each LIBOR-Based Interest Accrual Period equal to the LIBOR-Based Interest Rate. The Market Agent will calculate the LIBOR-Based Interest Rate applicable to each LIBOR-Based Interest Rate Period and will notify the Trustee and the Corporation of the LIBOR-Based Interest Rate so calculated in writing, or by electronic communication promptly confirmed in writing, by no later than close of business on the second Business Day preceding the Interest Payment Date relating to such LIBOR-Based Interest Rate Period. All calculations of the LIBOR-Based Interest Rate by the Market Agent will be final and conclusive and binding on the Trustee, the Owners of the Adjustable Rate Series 2007A Bonds and the Corporation, absent manifest error. If the Market Agent fails to provide a notice of the LIBOR-Based Interest Rate as described in this paragraph, then the Trustee will calculate the LIBOR-Based Interest Rate for such LIBOR-Based Interest Rate Period and notify the Corporation of the LIBOR-Based Interest Rate so calculated as if it were the Market Agent by no later than close of business on the first Business Day preceding the Interest Payment Date relating to such LIBOR-Based Interest Rate Period.

(d) Interest on the Current Interest Fixed Rate Series 2007A Bonds, and Compounded Amount on the Capital Appreciation Series 2007A Bonds shall be computed on the basis of a 360-day year of twelve 30-day months. Interest on the Current Interest Adjustable Rate Series 2007A Bonds shall be computed on the basis of actual days in a 365/366 day year.

(e) All of the Series 2007A Bonds, excluding the Series 2007A Bonds maturing August 1, 2056 and August 1, 2057, shall be the subject of the Bond Insurance Policies as described in the definition of "Bond Insurance Policies."

(f) The Series 2007A Bonds shall be issuable in denominations of \$5,000 (for Capital Appreciation Series 2007A Bonds, of maturity amount) or integral multiples thereof. Each Series 2007A Bond shall be lettered "2007AR" and shall be numbered consecutively from (1) upwards in order of authentication by the Trustee or otherwise in such manner as the Trustee in its discretion shall determine.

(g) *Except* as otherwise provided in Section 2.5, the principal of and premium, if any, and interest on the Series 2007A Bonds shall be payable at the Corporate Trust Office of the Trustee. *Except* as otherwise provided in Section 2.5, interest on the Series 2007A Bonds shall be paid by check or draft of the Trustee mailed to the Owners thereof as of the applicable Record Date at their respective addresses as shown on the registration books of the Corporation maintained by the Trustee, or, at the option of the Owner of \$1,000,000 or more in principal amount at maturity of the Series 2007A Bonds by written notice to the Trustee from such Owner at least fifteen (15) calendar days prior to the related payment date, by wire transfer.

SECTION 2.4. Redemption. (a) The Series 2007A Bonds due on August 1 in the years 2054 and 2056 shall be redeemed in part through application of Sinking Fund Installments as provided in Sections 403 and 508 of the General Resolution, in each case at a Redemption Price equal to the Compounded Amount of the respective Series 2007A Bond or portion thereof

to be redeemed. Subject to the provisions of Section 508 of the General Resolution permitting amounts to be credited toward part or all of any Sinking Fund Installment, with respect to the Series 2007A Bonds due on each of the dates specified above, there shall be due and the Corporation shall in any and all events be required to pay on each Sinking Fund Installment date set forth in the following respective table the amount set opposite such date, and said amount is hereby established and shall constitute a Sinking Fund Installment for the retirement of the respective Series 2007A Bonds (the principal amount set opposite the maturity date in said table shall be payable on such maturity date and shall not constitute a Sinking Fund Installment):

<u>2054 Maturity</u>		<u>2056 Maturity</u>	
<u>Sinking Fund</u> <u>Installment Date</u> <u>(August 1)</u>	<u>Amount</u>	<u>Sinking Fund</u> <u>Installment Date</u> <u>(August 1)</u>	<u>Amount</u>
2048	\$102,859,098.30	2055	\$88,021,458.00
2049	101,982,687.10	2056	87,036,390.00
2050	101,102,593.50		
2051	100,217,436.60		
2052	99,329,057.60		
2053	98,438,837.40		
2054	97,545,395.10		

(b) The Current Interest Fixed Rate Series 2007A Bonds and the Current Interest Adjustable Rate Series 2007A Bonds shall be subject to redemption at the option of the Corporation from any source, including without limitation the proceeds of refunding Bonds or other financing provided by the Corporation, in whole or in part in any order of maturity determined by the Corporation, at any time on and after August 1, 2017, at a Redemption Price equal to 100% of the principal amount thereof plus interest, if any, accrued to the redemption date.

(c) The Capital Appreciation Series 2007A Bonds shall be subject to redemption at the option of the Corporation from any source, including without limitation the proceeds of refunding Bonds or other financing provided by the Corporation, in whole or in part in any order of maturity determined by the Corporation, at any time on or after August 1, 2012, at a Redemption Price equal to the greater of (i) 100% of the Compounded Amount thereof, and (ii) the sum of the present values of the remaining scheduled payments of debt service on the Bonds to be redeemed, discounted, on a semi-annual basis (each August 1 and February 1), assuming a 360-day year consisting of twelve 30-day months, at the Applicable Tax-Exempt Municipal Bond Rate (calculated on the fifth Business Day preceding the date fixed for redemption).

SECTION 2.5. Book-Entry Provisions. (a) *Except* as provided in subsection (d) of this Section, the Owner of all of the Series 2007A Bonds shall be Cede & Co., as nominee for DTC, and the Series 2007A Bonds shall be registered in the name of Cede & Co., as nominee for

DTC. Payment of interest on any Series 2007A Bond registered in the name of Cede & Co. shall be made by wire transfer of Federal or equivalent same day funds to the account of Cede & Co. on the Interest Payment Date for the Series 2007A Bonds at the address indicated for Cede & Co. in the registration books of the Corporation maintained by the Trustee.

(b) The Series 2007A Bonds initially shall be issued in the form of separate single authenticated fully registered Bonds in the amount of each separate stated maturity and for each separate "CUSIP" number within a maturity of the Series 2007A Bonds. Upon initial issuance, the ownership of the Series 2007A Bonds shall be registered in the registration books of the Corporation maintained by the Trustee in the name of Cede & Co., as nominee of DTC. The Trustee and the Corporation may treat DTC (or its nominee) as the sole and exclusive Owner of the Series 2007A Bonds registered in its name for the purposes of payment of the principal or Redemption Price of or interest on the Series 2007A Bonds, selecting the Series 2007A Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Owners of the Series 2007A Bonds under the General Resolution or this Supplemental Resolution, registering the transfer of the Series 2007A Bonds, obtaining any consent or other action to be taken by Owners of the Series 2007A Bonds and for all other purposes whatsoever, and neither the Trustee nor the Corporation shall be affected by any notice to the contrary. The Trustee and the Corporation shall not have any responsibility or obligation to any Participant, any Person claiming a beneficial ownership interest in the Series 2007A Bonds under or through DTC or any Participant, or any other Person which is not shown on the registration books as being an Owner of the Series 2007A Bonds, with respect to the accuracy of any records maintained by DTC or any Participant; the payment of DTC or any Participant of any amount in respect of the principal or Redemption Price of or interest on the Series 2007A Bonds; any notice which is permitted or required to be given to Owners of the Series 2007A Bonds under the General Resolution or this Supplemental Resolution; the selection by DTC or any Participant of any Person to receive payment in the event of a partial redemption of the Series 2007A Bonds; or any consent given or other action taken by DTC as Owner of the Series 2007A Bonds.

(c) The Trustee shall pay all principal of, and premium, if any, and interest on the Series 2007A Bonds only to or "upon the order of" Cede & Co., as nominee for DTC (as that term is used in the Uniform Commercial Code as adopted in the Commonwealth), and all such payments shall be valid and effective to fully satisfy and discharge the Corporation's obligations with respect to the principal of, and premium, if any, and interest on the Series 2007A Bonds to the extent of the sum or sums so paid. No person other than DTC shall receive an authenticated Series 2007A Bond for each separate stated maturity or separate "CUSIP" number within a maturity evidencing the obligation of the Corporation to make payments of principal of and premium, if any, and interest on the Series 2007A Bonds pursuant to the General Resolution and this Supplemental Resolution. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to transfers, the word "Cede & Co." in this Supplemental Resolution shall refer to such new nominee of DTC.

(d) In the event the Corporation determines that it is in the best interest of the Beneficial Owners that they be able to obtain Series 2007A Bond certificates, the Corporation may notify DTC and the Trustee, whereupon DTC will notify the Participants, of the availability through DTC of the Series 2007A Bond certificates, subject to DTC procedures. In such event,

the Corporation shall issue, and the Trustee shall transfer and exchange, Series 2007A Bond certificates as requested by DTC and any other Series 2007A Bond owners in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Series 2007A Bonds at any time by giving notice to the Corporation and the Trustee and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the Corporation and the Trustee shall be obligated to deliver Series 2007A Bond certificates as described in the General Resolution. In the event Series 2007A Bond certificates are issued, the provisions of the General Resolution shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal and of and Redemption Price interest on such certificates. Whenever DTC requests the Corporation and the Trustee to do so, the Trustee and the Corporation will cooperate with DTC in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the Series 2007A Bonds to any DTC Participant having Series 2007A Bonds credited to its DTC account or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Series 2007A Bonds.

(e) Notwithstanding any other provision of the General Resolution or this Supplemental Resolution to the contrary, so long as any Series 2007A Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal of, and premium, if any, and interest on such Series 2007A Bond and all notices with respect to and surrender or delivery of such Series 2007A Bond shall be made and given, respectively, to or by DTC as provided by DTC's operating procedures. Bondholders shall have no lien or security interest in any rebate or refund paid by DTC to the Trustee which arises from the payment by the Trustee of principal of or interest on the Series 2007A Bonds in accordance with existing arrangements with DTC.

(f) In connection with any notice or other communication to be provided to Owners of Series 2007A Bonds pursuant to the General Resolution or this Supplemental Resolution by the Corporation or the Trustee with respect to any consent or other action to be taken by Owners of Series 2007A Bonds, the Corporation or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date to the extent possible. Notice to DTC shall be given only when DTC under this subsection (f) is the sole Owner of the Series 2007A Bonds.

**SECTION 2.6. Form of Series 2007A Bonds.** Subject to the provisions of the General Resolution, the Series 2007A Bonds shall be in substantially the form of Exhibit A, with necessary and appropriate variations, omissions and insertions as permitted by the General Resolution and this Supplemental Resolution.

**SECTION 2.7. Insurance Provisions.** Attached hereto as Exhibit B are special provisions relating to the Bond Insurance Policies.

**SECTION 2.8. Interest Rate Exchange Agreements.** The Current Interest Adjustable Rate Series 2007A Bonds shall be the subject of the Interest Rate Exchange Agreements. "Parity Obligations" under the Resolution shall include the Parity Hedge Series 2007A Obligations.

## ARTICLE III

### DISPOSITION OF PROCEEDS OF SERIES 2007A BONDS AND OTHER FUNDS

SECTION 3.1. Deposits to Accounts or Transfers. Upon receipt by the Corporation of the proceeds of sale of the Series 2007A Bonds, and receipt by the Corporation of the proceeds from liquidation of forward delivery agreements previously securing the Puerto Rico Public Finance Corporation's "QZAB" bonds issued under Trust Agreements dated December 12, 2001, May 18, 2004 and December 30, 2005 (in the amount of \$4,400,000), there shall be deposited by the Corporation in or transferred by the Corporation to:

1. Government Development Bank (account information: Citibank, N.A. ABA #021000089, for Government Development Bank (GDB) Account No. 36008661, for further credit to BGF-COFINA Acct. # 251-0034-3), the amount of \$4,807,120.82 for Costs of Issuance; provided, that bond insurance premiums shall be wired directly from net proceeds of the Series 2007A Bonds to the applicable bond insurers (\$9,284,905 with respect to the FGIC Policy, \$21,325,000 with respect to the MBIA Policy and \$39,719,277 with respect to the Ambac Policy) in payment of their fees in connection with the Bond Insurance Policies, and other amounts shall be wired to recipients thereof as directed to the Trustee in writing by Government Development Bank;
2. by wire, directly, to the account of Government Development Bank (same account information), (i) in the amount of \$202,994,351.42, for full repayment of the interim loan made by Government Development Bank to the Corporation for payment of FY 2008 debt service on bonds of the Public Finance Corporation pursuant to resolutions adopted by the Corporation on July 10, 2007, and (ii) in the amount of \$1,721,252,641, for repayment of extraconstitutional debt, outstanding as of June 30, 2006, owed to Government Development Bank;
3. the Capitalized Interest Account (Series 2007A Subaccount), the amount of \$2,491,695.58; and
4. the Trustee for credit to the Bond Proceeds Account, the balance of such proceeds, to be immediately transferred to the Master Escrow Agent to be applied in accordance with the terms of the Master Escrow Agreement.

## ARTICLE IV

### MISCELLANEOUS

SECTION 4.1. Headings. The section headings contained herein are for reference purposes only and will not affect in any way the meaning or interpretation of this Supplemental Resolution.

SECTION 4.2. Governing Law. This Supplemental Resolution shall be governed by, and construed and enforced in accordance with, the laws of the Commonwealth; provided, however, that to the maximum extent permitted by applicable law, the rights, duties, privileges and duties of the Trustee, any Paying Agent and Bond Trustee, shall be governed by the law of the jurisdiction in which its Corporate Trust Office is located.

SECTION 4.3. Effective Date. This Supplemental Resolution shall take effect upon the filing with the Trustee of a copy hereof, certified by an Authorized Officer of the Corporation.

SECTION 4.4. No Representations of Trustee. The recitals of fact herein and in the Series 2007A Bonds contained shall be taken as the statements of the Corporation and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of the General Resolution or this Supplemental Resolution or of any Bonds issued thereunder or as to the security afforded by the Resolution or this Supplemental Resolution, and the Trustee shall incur no liability in respect thereof. The Trustee shall, however, be responsible for its representation contained in its certificate of authentication on the Series 2007A Bonds.

SECTION 4.5. Notices. Except as otherwise provided herein, all notices, certificates or other communications hereunder shall be in writing and shall be deemed given upon receipt, by hand delivery, mail, overnight delivery, or telecopy, except in the case of notices or communications given to the Trustee, which shall be effective only upon actual receipt, addressed as follows:

To the Trustee:

The Bank of New York  
101 Barclay Street—7W  
New York, New York 10286  
Attention: Northern Municipals  
Phone: 212-815-6955  
Fax: 212-815-5595/5596

To the Corporation:

Puerto Rico Sales Tax Financing Corporation  
c/o Government Development Bank for Puerto Rico  
Roberto Sánchez Vilella Government Center  
De Diego Avenue, Stop 22  
Santurce, Puerto Rico 00940

Attention: Executive Director  
Phone: 787-722-2525  
Fax: 787-728-0975

SECTION 4.6. Parties Interested Herein. Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Corporation, the Trustee, the Bond Insurers, the Paying Agent, if any, and the registered owners of the Series 2007A Bonds, any right, remedy or claim under or by reason of this Resolution or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Resolution contained by and on behalf of the Corporation shall be for the sole and exclusive benefit of the Corporation, the Trustee, the Bond Insurers, the Paying Agent, if any, and the registered owners of the Series 2007A Bonds.

SECTION 4.7. Invalid Provisions. In case any provision in this Supplemental Resolution or the Series 2007A Bonds shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

EXHIBIT A

FORM OF CURRENT INTEREST FIXED RATE/ADJUSTABLE RATE SERIES  
2007A BONDS

No. 2007AR-\_\_\_\_\_

\$ \_\_\_\_\_

PUERTO RICO SALES TAX FINANCING CORPORATION  
SALES TAX REVENUE BOND  
SERIES 2007A

<u>DATED DATE</u>	<u>MATURITY DATE</u>	<u>[ADJUSTABLE] INTEREST RATE</u>	<u>CUSIP NO.</u>
		_____%	_____

REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT:

PUERTO RICO SALES TAX FINANCING CORPORATION (herein sometimes called the "Corporation"), an instrumentality of the Commonwealth of Puerto Rico (the "Commonwealth"), acknowledges itself indebted, and for value received, hereby promises to pay to the REGISTERED OWNER named above or registered assigns, upon presentation and surrender of this bond at the Corporate Trust Office (as defined in the General Resolution) of the Trustee hereinafter mentioned on the MATURITY DATE specified above (unless redeemed prior thereto as hereinafter provided), the PRINCIPAL AMOUNT specified above, and to pay interest thereon from the most recent interest payment date to which interest has been paid, or, if no interest has been paid, from the DATED DATE specified above, until the earlier of the maturity or redemption of this bond, at the per annum INTEREST RATE specified above, payable on [August 1 and February 1 of each year, commencing February 1, 2008][August 1, November 1, February 1 and May 1 of each year, commencing November 1, 2007]. Both the principal of and the interest on this bond are payable in any coin or currency of the United States of America which, on the respective dates of payment thereof, shall be legal tender for the payment of public and private debts. Payment of the interest on this bond on any interest payment date will be made to the person appearing on the registration books of the Corporation maintained by the Trustee as the registered owner hereof as of the fifteenth calendar day (whether or not a business day) next preceding such interest payment date, such interest to be paid by check or draft mailed to the registered owner at such registered owner's address or, at the option of a registered owner of at least \$1,000,000 in aggregate principal amount of the Series 2007A Bonds (hereinafter defined) who so requests the Trustee in writing at least 15 calendar days prior to such interest payment date, by wire transfer.

The Bonds are payable by the Corporation solely from the Pledged Property held under the Resolution. The Bonds do not constitute a debt, obligation or pledge of the full faith, credit and taxing power of the Commonwealth of Puerto Rico or any of its municipalities or

political subdivisions or of instrumentalities (other than the Corporation), and neither the Commonwealth of Puerto Rico nor any of its municipalities or political subdivisions or instrumentalities (other than the Corporation) shall be liable for the payment thereof.

The Series 2007A Bonds are subject to redemption prior to maturity as provided in the Resolution. Notice of redemption shall be given as provided in the Resolution.

This bond is one of the bonds of a duly authorized series of bonds in the aggregate principal amount at issuance of \$2,667,603,572.60 designated "Sales Tax Revenue Bonds, Series 2007A" authorized to be issued pursuant to Act No. 91 of the Legislative Assembly of Puerto Rico, approved May 13, 2006, as amended, and under and pursuant to a Puerto Rico Sales Tax Financing Corporation Sales Tax Revenue Bond Resolution adopted by the Corporation on July 13, 2007 (as amended, herein called the "General Resolution"), and a First Supplemental Sales Tax Revenue Bond Resolution adopted by the Corporation on July 13, 2007 (such supplemental resolution and the General Resolution are herein called, collectively, the "Resolution"), for the purposes set forth in the Resolution.

The Series 2007A Bonds are part of a duly authorized issue of bonds issued and to be issued under the Act and under and pursuant to the Resolution for the purposes described in the Resolution. The Series 2007A Bonds and any such additional bonds are herein referred to collectively as the "Bonds".

The Bonds are special obligations of the Corporation. There is pledged to the payment of the principal or redemption price, if any, of and interest on the Bonds in accordance with the provisions of the Resolution, the Pledged Property as defined and provided in the Resolution, subject only to the provisions of the Resolution permitting the use and application thereof for the purposes and on the conditions set forth in the Resolution. Such pledge and other obligations of the Corporation may be discharged, wholly or in part, at or prior to the maturity of the Bonds upon the making of provision for the payment of the principal thereof and the interest thereon on the terms and conditions set forth in the General Resolution.

Copies of the Resolution are on file at the office of the Corporation, and at the Corporate Trust Office of The Bank of New York, as trustee under the Resolution (including its successors, herein called the "Trustee"), and reference to the Resolution and any and all supplements thereto and amendments thereof and to the Act is made for a description of the pledges and covenants securing the Bonds, the nature, extent and manner of enforcement of such pledges and covenants, the terms and conditions upon which Bonds have been issued and additional Bonds may be issued, the rights and remedies of the registered owners of the Bonds with respect thereto, and to other terms and provisions of the Bonds. To the extent and in the manner permitted by the terms of the General Resolution, the provisions of the General Resolution or any resolution amendatory thereof or supplemental thereto may be modified or amended.

The registered owner of this bond shall have no right to enforce the provisions of the Resolution, to institute action to enforce the provisions of the Resolution or to institute, appear in or defend any suit or other proceeding with respect thereto, *except* as provided in the Resolution.

This bond is transferable, as provided in the Resolution, only upon the books of the Corporation maintained for that purpose at the Corporate Trust Office of the Trustee by the registered owner hereof in person or by his attorney duly authorized in writing, upon surrender of this bond together with a written instrument of transfer duly executed by the registered owner or such registered owner's attorney duly authorized in writing, and thereupon a new fully registered Series 2007A Bond or Bonds in the same aggregate principal amount, and of the same series, maturity and interest rate, shall be issued to the transferee in exchange therefor as provided in the General Resolution and upon the payment of the charges, if any, therein prescribed. The Corporation and the Trustee may treat and consider the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or redemption price, if any, hereof and interest due hereon and for all other purposes whatsoever.

This bond shall not be valid or obligatory for any purpose or be entitled to any security or benefit under the Resolution until the Certificate of Authentication hereon shall have been signed by the Trustee.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and statutes of the Commonwealth of Puerto Rico and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of this bond, exist, have happened and have been performed in due time, form and manner as required by law and that the issue of the Series 2007A Bonds, together with all other indebtedness of the Corporation, is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, the PUERTO RICO SALES TAX FINANCING CORPORATION has caused this bond to be executed in its name by the manual or facsimile signature of an authorized representative, as of the DATED DATE specified above.

PUERTO RICO SALES TAX FINANCING  
CORPORATION

By: \_\_\_\_\_  
Executive Director

[SEAL]

Attest:

\_\_\_\_\_  
Secretary or Assistant Secretary

CERTIFICATE OF AUTHENTICATION

This bond is one of the Series 2007A Bonds described in the within-mentioned Resolution.

THE BANK OF NEW YORK, as Trustee

By: \_\_\_\_\_  
Authorized Signatory

Date of Authentication:

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto

\_\_\_\_\_  
(please print or typewrite name and address of transferee)

\_\_\_\_\_  
(please insert social security or other identifying number of assignee)  
(For computer record only)

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ Attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed

\_\_\_\_\_  
By:

\_\_\_\_\_  
Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Trustee, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Trustee in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.



This bond is one of the bonds of a duly authorized series of bonds in the aggregate principal amount at issuance of \$2,667,603,572.60 designated "Sales Tax Revenue Bonds, Series 2007A" (herein called the "Series 2007A Bonds") authorized to be issued pursuant to Act No. 91 of the Legislative Assembly of Puerto Rico, approved May 13, 2006, as amended, and under and pursuant to a Puerto Rico Sales Tax Financing Corporation Sales Tax Revenue Bond Resolution adopted by the Corporation on July 13, 2007 (as amended, herein called the "General Resolution"), and a First Supplemental Sales Tax Revenue Bond Resolution adopted by the Corporation on July 13, 2007 (such supplemental resolution and the General Resolution are herein called, collectively, the "Resolution"), for the purposes set forth in the Resolution.

The Series 2007A Bonds are part of a duly authorized issue of bonds issued and to be issued under the Act and under and pursuant to the Resolution for the purposes described in the Resolution. The Series 2007A Bonds and any such additional bonds are herein referred to collectively as the "Bonds".

The Bonds are special obligations of the Corporation. There is pledged to the payment of the principal or redemption price, if any, of and interest on the Bonds in accordance with the provisions of the Resolution, the Pledged Property as defined and provided in the Resolution, subject only to the provisions of the Resolution permitting the use and application thereof for the purposes and on the conditions set forth in the Resolution. Such pledge and other obligations of the Corporation may be discharged, wholly or in part, at or prior to the maturity of the Bonds upon the making of provision for the payment of the principal thereof and the interest thereon on the terms and conditions set forth in the General Resolution.

Copies of the Resolution are on file at the office of the Corporation, and at the Corporate Trust Office of The Bank of New York, as trustee under the Resolution (including its successors, herein called the "Trustee"), and reference to the Resolution and any and all supplements thereto and amendments thereof and to the Act is made for a description of the pledges and covenants securing the Bonds, the nature, extent and manner of enforcement of such pledges and covenants, the terms and conditions upon which Bonds have been issued and additional Bonds may be issued, the rights and remedies of the registered owners of the Bonds with respect thereto, and to other terms and provisions of the Bonds. To the extent and in the manner permitted by the terms of the General Resolution, the provisions of the General Resolution or any resolution amendatory thereof or supplemental thereto may be modified or amended.

The registered owner of this bond shall have no right to enforce the provisions of the Resolution, to institute action to enforce the provisions of the Resolution or to institute, appear in or defend any suit or other proceeding with respect thereto, *except* as provided in the Resolution.

This bond is transferable, as provided in the Resolution, only upon the books of the Corporation maintained for that purpose at the Corporate Trust Office of the Trustee by the registered owner hereof in person or by his attorney duly authorized in writing, upon surrender of this bond together with a written instrument of transfer duly executed by the registered owner or such registered owner's attorney duly authorized in writing, and thereupon a new fully registered Series 2007A Bond or Bonds in the same aggregate principal amount, and of the same series,

maturity and interest rate, shall be issued to the transferee in exchange therefor as provided in the General Resolution and upon the payment of the charges, if any, therein prescribed. The Corporation and the Trustee may treat and consider the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or redemption price, if any, hereof and interest due hereon and for all other purposes whatsoever.

This bond shall not be valid or obligatory for any purpose or be entitled to any security or benefit under the Resolution until the Certificate of Authentication hereon shall have been signed by the Trustee.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and statutes of the Commonwealth of Puerto Rico and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of this bond, exist, have happened and have been performed in due time, form and manner as required by law and that the issue of the Series 2007A Bonds, together with all other indebtedness of the Corporation, is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, the PUERTO RICO SALES TAX FINANCING CORPORATION has caused this bond to be executed in its name by the manual or facsimile signature of an authorized representative, as of the DATED DATE specified above.

PUERTO RICO SALES TAX FINANCING  
CORPORATION

By: \_\_\_\_\_  
Executive Director

[SEAL]

Attest:

\_\_\_\_\_  
Secretary or Assistant Secretary

CERTIFICATE OF AUTHENTICATION

This bond is one of the Series 2007A Bonds described in the within-mentioned Resolution.

THE BANK OF NEW YORK, as Trustee

By: \_\_\_\_\_  
Authorized Signatory

Date of Authentication:

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto

\_\_\_\_\_  
(please print or typewrite name and address of transferee)

\_\_\_\_\_  
(please insert social security or other identifying number of assignee)  
(For computer record only)

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ Attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed

\_\_\_\_\_  
By:

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Trustee, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Trustee in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

**SPECIAL PROVISIONS RELATING TO BOND INSURANCE POLICIES**

**MBIA INSURANCE POLICY**

So long as the municipal bond insurance policy issued by MBIA shall be in full force and effect with respect to the MBIA Insured Bonds, the Corporation and the Trustee hereby agree to comply with the following provisions:

(i) In the event that, on the second business day, and again on the business day, prior to any interest payment date on the MBIA Insured Bonds, there shall not be sufficient moneys to pay all principal of and interest on the MBIA Insured Bonds due on such interest payment date, the Trustee shall immediately notify MBIA or its designee on the same business day by telephone or telegraph, confirmed in writing by registered or certified mail, of the amount of the deficiency.

(ii) If the deficiency is made up in whole or in part prior to or on such interest payment date, the Trustee shall so notify MBIA or its designee.

(iii) In addition, if the Trustee has notice that any owner of an MBIA Insured Bond has been required to disgorge payments of principal of or interest on such Bond to a trustee in bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes a voidable preference to such owner within the meaning of any applicable bankruptcy laws, then the Trustee shall notify MBIA or its designee of such fact by telephone or telegraph, confirmed in writing by registered or certified mail.

(iv) The Trustee is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for owners of the MBIA Insured Bonds as follows:

(1) If and to the extent there is a deficiency in amounts required to pay interest on the MBIA Insured Bonds, the Trustee shall (i) execute and deliver to State Street Bank and Trust Company, N.A., or its successors under the MBIA municipal bond insurance policy (the "MBIA Insurance Paying Agent"), in form satisfactory to the MBIA Insurance Paying Agent, an instrument appointing MBIA as agent for such owners in any legal proceeding related to the payment of such interest and an assignment to MBIA of the claims for interest to which such deficiency relates and which are paid by MBIA, (ii) receive as designee of the respective owners (and not as Trustee) in accordance with the tenor of the MBIA municipal bond insurance policy payment from the MBIA Insurance Paying Agent with respect to the claims for interest so assigned, and (iii) disburse the same to such respective owners; and

(2) if and to the extent there is a deficiency in amounts required to pay principal of the MBIA Insured Bonds, the Trustee

shall (i) execute and deliver to the MBIA Insurance Paying Agent in form satisfactory to the MBIA Insurance Paying Agent an instrument appointing MBIA as agent for the owners thereof in any legal proceeding relating to the payment of such principal and an assignment to MBIA of any of the MBIA Insured Bonds surrendered to the MBIA Insurance Paying Agent or so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Trustee and available for such payment (but such assignment shall be delivered only if payment from the MBIA Insurance Paying Agent is received), (ii) receive as designee of the respective owners (and not as Trustee) in accordance with the tenor of the MBIA municipal bond insurance policy payment therefor from the MBIA Insurance Paying Agent, and (iii) disburse the same to such owners.

(v) Payments with respect to claims for interest on and principal of the MBIA Insured Bonds disbursed by the Trustee from proceeds of the MBIA municipal bond insurance policy shall not be considered to discharge the obligation of the Corporation with respect to such Bonds, and MBIA shall become the owner of such unpaid MBIA Insured Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this paragraph or otherwise.

(vi) With respect to the MBIA Insured Bonds, MBIA shall have all rights to institute any suit, action, or proceeding at law or in equity, and make direction to the Trustee, under the same terms as an Owner of the MBIA Insured Bonds under the Resolution.

(vii) Other than the stated redemption provisions related to the MBIA Insured Bonds, acceleration of the principal of MBIA Insured Bonds upon an Event of Default under the Resolution must be subject to MBIA's prior written consent.

(viii) Irrespective of whether any such assignment is executed and delivered, the Corporation and the Trustee hereby agree for the benefit of MBIA that:

(1) they recognize that to the extent MBIA makes payments, directly or indirectly (as by paying through the Trustee), on account of principal of or interest on the MBIA Insured Bonds, MBIA will be subrogated to the rights of the owners of such Bonds to receive the amount of such principal and interest from the Corporation, and

(2) the Corporation will accordingly pay to MBIA the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the MBIA municipal bond insurance policy, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided herein and in the MBIA Insured Bonds, but only from the sources and in the manner provided herein for the payment of principal of and interest on the MBIA Insured Bonds to the owners thereof, and will otherwise treat MBIA as the owner of such rights to the amount of such principal and interest.

(ix) MBIA shall have the right to consent to all resolutions supplemental hereto to which owners of Bonds have the right to consent, and shall receive notice of any other supplemental resolutions. Copies of any resolutions supplemental hereto which have been consented to by MBIA shall be sent to Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

(x) The Corporation shall furnish to MBIA notice of the resignation or removal of the Trustee and the appointment of a successor thereto.

(xi) The Corporation shall furnish to MBIA copies of all notices required to be delivered to registered owners of the MBIA Insured Bonds and, on an annual basis, copies of the audited financial statements and annual budget of the Corporation. All notices required to be given to MBIA under this Resolution shall be in writing and shall be sent by registered or certified mail addressed to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504 Attention: Surveillance.

(xii) To effect the defeasance of any outstanding MBIA Insured Bonds, the Corporation shall be permitted to deposit in trust for the owners of such Bonds cash and any obligations permitted by law; provided, however, that without the consent of MBIA, such obligations shall be limited to the following:

(1) United States Treasury Certificates, Notes and Bonds (including State and Local Government Series - ("SLGS"));

(2) Direct obligations of the United States Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities;

(3) The interest component of Resolution Funding Corp. strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form;

(4) Pre-refunded municipal bonds rated "Aaa" by Moody's Investors Service and "AAA" by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. If, however, the issue is only rated by Standard & Poor's (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct United States or United States guaranteed obligations, or "AAA" rated pre-refunded municipals to satisfy this condition; and

(5) Obligations issued by the following, agencies which are backed by the full faith and credit of the United States:

a. United States Export-Import Bank (Eximbank)

Direct obligations or fully guaranteed certificates of beneficial ownership

b. Farmers Home Administration (FmHA)

Certificates of beneficial ownership

- c. Federal Financing Bank
- d. General Services Administration  
Participation Certificates
- e. United States Maritime Administration  
Guaranteed Title XI financing
- f. United States Department of Housing and Urban Development  
Project Notes  
Local Authority Bonds  
New Communities Debentures - United States government guaranteed debentures  
United States Public Housing Notes and Bonds - United States government guaranteed public housing notes and bonds

Defeasance of the MBIA Insured Bonds must be preceded by at least 15 days prior notice to MBIA of the accompanying redemption of MBIA Insured Bonds and must be accompanied by (i) an opinion of counsel acceptable to MBIA that the escrow agreement establishing defeasance escrows for the MBIA Insured Bonds operates to legally defease the MBIA Insured Bonds within the meaning of the Resolution and (ii) an accountant's report with respect to the sufficiency of the escrows to defease the MBIA Insured Bonds.

(xiii) "Investment Obligations" under the Resolution means and includes any of the following securities:

(A) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

(B) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

Farmers Home Administration (FmHA)  
Certificates of beneficial ownership

Federal Housing Administration Debentures (FHA)

General Services Administration  
Participation certificates

Government National Mortgage Association (GNMA or "Ginnie Mae")  
GNMA - guaranteed mortgage-backed bonds  
GNMA - guaranteed pass-through obligations

U.S. Maritime Administration  
Guaranteed Title XI financing

U.S. Department of Housing and Urban Development (HUD)  
Project Notes  
Local Authority Bonds  
New Communities Debentures - U.S. government guaranteed debentures  
US. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

(C) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

Federal Home Loan Bank System  
Senior debt obligations

Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")  
Participation Certificates  
Senior debt obligations

Federal National Mortgage Association (FNMA or "Fannie Mae")  
Mortgage-backed securities and senior debt obligations

Student Loan Marketing Association (SLMA or "Sallie Mae")  
Senior debt obligations

Resolution Funding Corp. (REFCORP) obligations

Farm Credit System  
Consolidated systemwide bonds and notes

(D) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AA-Am-G; AAA-m; or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2 (including funds for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from such funds for services rendered, (ii) the Trustee charges and collects fees for services rendered pursuant to this Indenture, which fees are separate from and may be in addition to the fees received from such funds, and (iii) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or its affiliates).

(E) Certificates of deposit secured at all times by collateral described in (A) and/or (B) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks rated "A" or higher by S&P. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

(F) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.

(G) Investment Agreements, including GIC's, Forward Purchase Agreements and Reserve Fund Put Agreements acceptable to MBIA.

(H) Commercial paper rated, at the time of purchase, "Prime-1" by Moody's and "A-1" or better by S&P.

(I) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.

(J) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P.

(K) Repurchase Agreements for 30 days or less must follow the following criteria. Repurchase Agreements which exceed 30 days must be acceptable to the Credit Provider. Repurchase agreements provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date.

Repos must be between the municipal entity and a dealer bank or securities firm

- (a) Primary dealers on the Federal Reserve reporting dealer list which are rated "A" or better by Standard & Poor's Corporation and Moody's Investor Services, or
- (b) Banks rated "A" or above by Standard & Poor's Corporation and Moody's Investor Services.

The written repo contract must include the following:

- (a) Securities which are acceptable for transfer are:
  - (i) Direct U.S. governments, or
  - (ii) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC)
- (b) The term of the repo may be up to 30 days

(c) The collateral must be delivered to the Trustee (if Trustee is not supplying the collateral) or third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).

(d) Valuation of Collateral

The securities must be valued weekly: marked-to-market at current market price plus accrued interest

The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

(e) Legal opinion which must be delivered to the Corporation and the Trustee.

Provided, however, that all Investment Securities must (A) have a predetermined fixed dollar amount of principal due at maturity that cannot vary or change, (B) if rated by S&P, not have an "r" highlighter affixed to their rating, (C) if such investments have a variable rate of interest, have an interest rate tied to a single interest rate index plus a fixed spread (if any) and must move proportionately with that index, and (D) not be subject to liquidation prior to their maturity.

(xiv) The form of the MBIA Insured Bonds shall include the following statement of insurance:

#### **STATEMENT OF INSURANCE FOR MBIA INSURED BONDS**

MBIA Insurance Corporation (the "Insurer") has issued a policy containing the following provisions, such policy being on file at The Bank of New York, New York, New York, as trustee and paying agent (the "Paying Agent").

The Insurer, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Corporation to the Paying Agent of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such

principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "MBIA Insured Amounts". "Obligations" shall mean:

\$440,396,676.45 (Original Principal Amount) and \$2,843,355,000 (Maturity Value)  
Puerto Rico Sales Tax Financing Corporation  
Sales Tax Revenue Bonds, Series 2007A Maturing  
August 1, 2043 through August 1, 2046

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the insurer from the Paying Agent or any owner of an Obligation the payment of an MBIA Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such MBIA Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the MBIA Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of MBIA Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank Trust Company, N.A. shall disburse to such owners or the Paying Agent payment of the MBIA Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such MBIA Insured Amounts and legally available therefor. This policy does not insure against loss of any redemption premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Corporation or any designee of the Corporation for such purpose. The term owner shall not include the Corporation or any party whose agreement with the Corporation constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancelable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

**AMBAC INSURANCE POLICY**

So long as the Ambac Policy shall be in full force and effect with respect to the Ambac Insured Bonds, the Corporation (sometimes referred to as the "Corporation") and the Trustee shall comply with the following provisions (Ambac Assurance Corporation is referred to below as "Ambac" or "Ambac Assurance"):

(a) Any provision of this Resolution expressly recognizing or granting rights in or to Ambac may not be amended in any manner which affects the rights of Ambac hereunder without the prior written consent of Ambac. Ambac reserves the right to charge the Corporation a fee for any consent or amendment to the Resolution while the Ambac Policy is outstanding.

(b) Unless otherwise provided in this Section, Ambac's consent shall be required in addition to bondholder consent, when required, for the following purposes: (i) adoption of any resolution supplemental to this Resolution; (ii) removal of the Trustee and selection and appointment of any successor Trustee; and (iii) initiation or approval of any action not described in (i) or (ii) above which requires bondholder consent.

(c) While the Ambac Policy is in effect, the Corporation shall furnish to Ambac (to the attention of the Surveillance Department, unless otherwise indicated):

- (i) as soon as practicable after the filing thereof, a copy of any financial statement of the Corporation and a copy of any audit and annual report of the Corporation at no cost to Ambac;
- (ii) a copy of any notice to be given to the registered owners of the Ambac Insured Bonds, including, without limitation, notice of any redemption of or defeasance of Ambac Insured Bonds, and any certificate rendered pursuant to this Resolution relating to the security for the Ambac Insured Bonds at no cost to Ambac;
- (iii) notifications required to be sent to Owners of Ambac Insured Bonds under the Master Continuing Disclosure Agreement; and
- (iv) such additional information it may reasonably request.

(d) The Trustee shall notify Ambac's General Counsel Office of any failure of the Corporation to provide notices, certificates or other communication to the Trustee. The Trustee agrees to this provision as a matter of courtesy and accommodation only and shall not be liable to any person for any failure to comply herewith.

(e) The Corporation will permit Ambac to discuss the affairs, finances and accounts of the Corporation or any information Ambac may reasonably request regarding the security for the Ambac Insured Bonds with appropriate officers of the Corporation. The Corporation will permit Ambac to have access to and to make copies of all books and records relating to the Ambac Insured Bonds at any reasonable time.

(f) Ambac shall have the right to direct an accounting at the Corporation's expense, and the Corporation shall comply with such direction within thirty (30) days after receipt of written notice of the direction from Ambac; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and is diligently pursued, but only if such extension would not materially adversely affect the interests of any beneficial owner of the Ambac Insured Bonds.

(g) Notwithstanding any other provision of this Resolution, the Trustee or the Corporation (as appropriate) shall immediately notify Ambac's General Counsel Office if at any time there are insufficient moneys to make any payments of principal or interest on the Ambac Insured Bonds as required. The Trustee agrees to this provision as a matter of courtesy and accommodation only and shall not be liable to any person for any failure to comply herewith.

(h) The Corporation shall provide Ambac with a copy of all reports and notices filed in accordance with this Resolution.

(i) Notwithstanding anything herein to the contrary, in the event that the principal and/or interest due on the Ambac Insured Bonds shall be paid by Ambac pursuant to the Ambac Policy, such Bonds shall remain Outstanding for all purposes of this Resolution, not be defeased or otherwise satisfied and not be considered paid by the Corporation, and the pledge and all covenants, agreements and other obligations of the Corporation to the registered owners shall continue to exist and shall run to the benefit of Ambac, and Ambac shall be subrogated to the rights of such registered owners.

(j) Upon the occurrence of an Event of Default under the Resolution, no Ambac Insured Bonds may have the principal thereof accelerated pursuant to the provisions of the Resolution without the prior written consent of Ambac, and Ambac shall have the right to consent to the annulment of any acceleration of the principal of the Ambac Insured Bonds/

(k) As long as the Ambac Policy shall be in full force and effect, the Corporation and the Trustee agree to comply with the following provisions:

(i) At least one (1) business day prior to each interest payment date, the Trustee will determine whether there will be sufficient funds to pay the principal or interest on the Ambac Insured Bonds on such interest payment date. If the Trustee determines that there will be insufficient funds, it shall so notify Ambac. Such notice shall specify the amount of the anticipated deficiency, the Ambac Insured Bonds to which such deficiency is applicable and whether such Bonds will be deficient as to principal or interest, or both. If the Trustee has not so notified Ambac at least one (1) business day prior to an interest payment date, Ambac will make payments of principal or interest due on the Ambac Insured Bonds on or before the first (1st) day next following the date on which Ambac shall have received notice of such nonpayment from the Trustee.

(ii) The Trustee shall, after giving notice to Ambac as provided in (i) above, make available to Ambac and, at Ambac's direction, to The Bank of New York, as insurance trustee for Ambac or any successor insurance trustee (the

“Ambac Insurance Trustee”), the registration books of the Corporation maintained by the Trustee, and all records relating to the funds and accounts maintained under this Resolution.

(iii) Upon request by Ambac the Trustee shall provide Ambac and the Ambac Insurance Trustee with a list of registered owners of Ambac Insured Bonds entitled to receive principal or interest payments from Ambac under the terms of the Ambac Policy, and shall make arrangements with the Ambac Insurance Trustee (I) to mail checks to the registered owners of Ambac Insured Bonds entitled to receive full or partial interest payments from Ambac and (II) to pay principal upon Ambac Insured Bonds surrendered to the Ambac Insurance Trustee by their registered owners entitled to receive full or partial principal payments from Ambac.

(iv) The Trustee shall, at the time it provides notice to Ambac pursuant to (i) above, notify registered owners of Ambac Insured Bonds entitled to receive the payment of principal or interest thereon from Ambac (I) as to the fact of such entitlement, (II) that Ambac will remit to them all or a part of the interest payments next coming due upon proof of Bondholder entitlement to interest payments and delivery to the Ambac Insurance Trustee, of an appropriate assignment of the registered owner’s right to payment, (III) that should they be entitled to receive full payment of principal from Ambac, they must surrender their Ambac Insured Bonds (along with an appropriate instrument of assignment to permit ownership of such Bonds to be registered in the name of Ambac) for payment to the Ambac Insurance Trustee, and not the Trustee, and (IV) that should they be entitled to receive partial payment of principal from Ambac, they must surrender their Ambac Insured Bonds for payment thereon first to the Trustee, who shall note on such Bonds the portion of the principal paid by the Trustee, and then, along with an appropriate instrument of assignment, to the Ambac Insurance Trustee, which will then pay the unpaid portion of principal.

(v) In the event that the Trustee has notice that any payment of principal of or interest on an Ambac Insured Bond which has become Due for Payment (as defined in the Ambac Policy) and which is made to a Bondholder by or on behalf of the Corporation has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time Ambac is notified pursuant to (i) above, notify all registered owners of Ambac Insured Bonds that in the event that any such registered owner’s payment is so recovered, such registered owner will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee shall furnish to Ambac its records evidencing the payments of principal of and interest on the Ambac Insured Bonds which have been made by the Trustee, and subsequently recovered from the registered owners thereof and the dates on which such payments were made.

(vi) In addition to those rights granted Ambac under this Resolution, Ambac shall, to the extent it makes payment of principal of or interest on Ambac

Insured Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Ambac Policy, and to evidence such subrogation (I) in the case of subrogation as to claims for past due interest, the Trustee shall note Ambac's rights as subrogee on the registration books of the Corporation maintained by the Trustee upon receipt from Ambac of proof of the payment of interest thereon to the registered owners of the Ambac Insured Bonds, and (II) in the case of subrogation as to claims for past due principal, the Trustee shall note Ambac's rights as subrogee on the registration books of the Corporation maintained by the Trustee upon surrender of the Ambac Insured Bonds by the registered owners thereof together with proof of the payment of principal thereof.

(l) To the extent that this Resolution confers upon or gives or grants to Ambac any right, remedy or claim under or by reason of this Resolution, Ambac is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

(m) The Corporation hereby covenants and agrees that it shall reimburse Ambac Assurance for any amounts paid under the Ambac Policy and all costs of collection thereof and enforcement of this Resolution and any other documents executed in connection with this Resolution, together with interest thereon, from the date paid or incurred by Ambac Assurance until payment thereof in full by the Corporation, payable at the Insurer Payment Rate (as hereinafter defined), including without limitation (to the extent permitted by applicable law) interest on claims paid by Ambac Assurance in respect of interest on the Ambac Insured Bonds. Such payment obligation shall be payable on demand and on a parity with, and from the same sources and secured by the same security as, regularly scheduled principal and interest payments in respect of the Ambac Insured Bonds. For purposes of the foregoing, "Insurer Payment Rate" shall mean the lesser of (a) the maximum rate permissible under applicable usury or similar laws limiting interest rates and (b) the greater of (i) the then applicable highest rate of interest on the Ambac Insured Bonds and (ii) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A. ("Chase") at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by Chase) plus 3 percent. The Insurer Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event that Chase ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as Ambac Assurance shall specify.

(n) *TRUSTEE-RELATED PROVISIONS*

1. The Trustee (or Paying Agent) may be removed at any time, at the request of Ambac Assurance, for any breach of the Resolution set forth herein.
2. Ambac Assurance shall receive prior written notice of any Trustee (or Paying Agent) resignation.
3. Every successor Trustee appointed pursuant to the Resolution and the provisions hereof shall be a trust company or bank in good standing located in or incorporated under the laws of the United States of America, Commonwealth or a national banking association,

duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$50,000,000 and acceptable to Ambac Assurance. Any successor Paying Agent, if applicable, shall not be appointed unless Ambac approves such successor in writing.

4. Notwithstanding any other provision of this Resolution, in determining whether the rights of the Holders will be adversely affected by any action taken pursuant to the terms and provisions of this Resolution, the Trustee (or Paying Agent) shall consider the effect on the Holders as if there were no Financial Guaranty Insurance Policy.
5. Notwithstanding any other provision of this Resolution, no removal, resignation or termination of the Trustee (or Paying Agent) shall take effect until a successor, acceptable to Ambac, shall be appointed.

(o) ***Permitted Investment Guidelines:  
Permitted Investments***

- A. Ambac Assurance will allow the following obligations to be used as Permitted Investments for all purposes, including defeasance investments in refunding escrow accounts.

(Ambac Assurance does not give a premium credit for the investment of accrued and/or capitalized interest).

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation),

(2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:

- U.S. treasury obligations
- All direct or fully guaranteed obligations
- Farmers Home Administration
- General Services Administration
- Guaranteed Title XI financing
- Government National Mortgage Association (GNMA)
- State and Local Government Series

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

- B. Ambac will allow the following Obligations to be used as Permitted Investments for all purposes other than defeasance investments in refunding escrow accounts.

(1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank
- Rural Economic Community Development Administration
- U.S. Maritime Administration
- Small Business Administration

- U.S. Department of Housing & Urban Development (PHAs)
- Federal Housing Administration
- Federal Financing Bank

(2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC).
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System
- Senior debt obligations of other Government Sponsored Agencies approved by Ambac

(3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(4) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;

(5) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;

(6) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the Corporation prior to maturity or as to which irrevocable instructions have been given by the Corporation to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

- (B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;
  - (7) Municipal Obligations rated "Aaa/AAA" or general obligations of states of the United States with a rating of "A2/A" or higher by both Moody's and S&P.
  - (8) Investment Agreements approved in writing by Ambac Assurance Corporation (supported by appropriate opinions of counsel); and
  - (9) other forms of investments (including repurchase agreements) approved in writing by Ambac.
- C. The value of the above investments shall be determined as follows:
- a) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Corporation shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Citigroup Global Markets Inc., Bear Stearns, or Lehman Brothers.
  - b) As to certificates of deposit and bankers' acceptances: the face amount thereof, plus accrued interest thereon; and
  - c) As to any investment not specified above: the value thereof established by prior agreement among the Corporation, the Trustee, and Ambac.

(p) *DEFEASANCE*

Notwithstanding anything herein to the contrary, in the event that the principal and/or interest due on the Ambac Insured Bonds shall be paid by Ambac Assurance pursuant to the Financial Guaranty Insurance Policy, the Ambac Insured Bonds shall remain "Outstanding" for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Corporation, and the assignment and pledge of the Pledged Property and all covenants, agreements and other obligations of the Corporation to the registered owners shall continue to exist and shall run to the benefit of Ambac Assurance, and Ambac Assurance shall be subrogated to the rights of such registered owners.

- (q) The form of the Ambac Insured Bonds shall include the following statement of insurance:

**[STATEMENT OF INSURANCE FOR AMBAC INSURED BONDS]**

Ambac Municipal Bond Insurance Policy No. 26827BE "Ambac Policy") with respect to payments due for principal of and interest on this bond has been issued by Ambac Assurance Corporation ("Ambac Assurance"). The Ambac Policy has been delivered to The Bank of New York, New York, as the Ambac Insurance Trustee under said Ambac Policy and will be held by such Ambac Insurance Trustee or any successor insurance trustee. The Ambac Policy is on file and available for inspection at the principal office of the Ambac Insurance Trustee and a copy thereof may be secured from Ambac Assurance or the Ambac Insurance Trustee. All payments required to be made under the Ambac Policy shall be made in accordance with the provisions thereof. The owner of this bond acknowledges and consents to the subrogation rights of Ambac Assurance as more fully set forth in the Ambac Policy.

**FGIC INSURANCE POLICY**

So long as the municipal bond insurance policy issued by FGIC shall be in full force and effect with respect to the FGIC Insured Bonds, the Corporation and the Trustee hereby agree to comply with the following provisions:

- (a) If, on the third day preceding any interest payment date for the FGIC Insured Bonds there is not on deposit with the Trustee sufficient moneys available to pay all principal of and interest on the FGIC Insured Bonds due on such date, the Trustee shall immediately notify Financial Guaranty and U.S. Bank Trust National Association, New York, New York or its successor as its Fiscal Agent (the "Fiscal Agent") of the amount of such deficiency. If, by said interest payment date, the Corporation has not provided the amount of such deficiency, the Trustee shall simultaneously make available to Financial Guaranty and to the Fiscal Agent the registration books for the FGIC Insured Bonds maintained by the Trustee. In addition:
  - (i) The Trustee shall provide Financial Guaranty with a list of the FGIC Insured Bondholders entitled to receive principal or interest payments from Financial Guaranty under the terms of the Bond Insurance Policy and shall make arrangements for Financial Guaranty and its Fiscal Agent (1) to mail checks or drafts to FGIC Insured Bondholders entitled to receive full or partial interest payments from Financial Guaranty and (2) to pay principal of the FGIC Insured Bonds surrendered to the Fiscal Agent by the FGIC Insured Bondholders entitled to receive full or partial principal payments from Financial Guaranty; and
  - (ii) The Trustee shall, at the time it makes the registration books available to Financial Guaranty pursuant to (i) above, notify FGIC Insured Bondholders entitled to receive the payment of principal of or interest on the FGIC Insured Bonds from Financial Guaranty (1) as to the fact of such entitlement, (2) that Financial Guaranty will remit to them all or part of the interest payments coming due

subject to the terms of the Bond Insurance Policy, (3) that, except as provided in paragraph (b) below, in the event that any FGIC Insured Bondholder is entitled to receive full payment of principal from Financial Guaranty, such FGIC Insured Bondholder must tender his FGIC Insured Bond with the instrument of transfer in the form provided on the FGIC Insured Bond executed in the name of Financial Guaranty, and (4) that, except as provided in paragraph (b) below, in the event that such FGIC Insured Bondholder is entitled to receive partial payment of principal from Financial Guaranty, such FGIC Insured Bondholder must tender his FGIC Insured Bond for payment first to the Trustee, which shall note on such FGIC Insured Bond the portion of principal paid by the Trustee, and then, with an acceptable form of assignment executed in the name of Financial Guaranty, to the Fiscal Agent, which will then pay the unpaid portion of principal to the FGIC Insured Bondholder subject to the terms of the Bond Insurance Policy.

- (b) In the event that the Trustee has notice that any payment of principal of or interest on a FGIC Insured Bond has been recovered from a FGIC Insured Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time it provides notice to Financial Guaranty, notify all FGIC Insured Bondholders that in the event that any FGIC Insured Bondholder's payment is so recovered, such FGIC Insured Bondholder will be entitled to payment from Financial Guaranty to the extent of such recovery, and the Trustee shall furnish to Financial Guaranty its records evidencing the payments of principal of and interest on the FGIC Insured Bonds which have been made by the Trustee and subsequently recovered from FGIC Insured Bondholders, and the dates on which such payments were made.
- (c) Financial Guaranty shall, to the extent it makes payment of principal of or interest on the FGIC Insured Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy and, to evidence such subrogation, (i) in the case of subrogation as to claims for past due interest, the Trustee shall note Financial Guaranty's rights as subrogee on the registration books maintained by the Trustee upon receipt from Financial Guaranty of proof of the payment of interest thereon to the FGIC Insured Bondholders of such FGIC Insured Bonds and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note Financial Guaranty's rights as subrogee on the registration books for the FGIC Insured Bonds maintained by the Trustee upon receipt of proof of the payment of principal thereof to the FGIC Insured Bondholders of such FGIC Insured Bonds. Notwithstanding anything in this authorizing document or the FGIC Insured Bonds to the contrary, the Trustee shall make payment of such past due interest and past due principal directly to Financial Guaranty to the extent that Financial Guaranty is a subrogee with respect thereto.

- (d) *Defeasance Provisions.* Only cash, direct non-callable obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, to which direct obligation or guarantee the full faith and credit of the United States of America has been pledged, Refcorp interest strips, CATS, TIGRS, STRPS, or defeased municipal bonds rated AAA by S&P or Aaa by Moody's (or any combination of the foregoing) shall be used to effect defeasance of the Bonds unless the Bond Insurer otherwise approves. In the event of an advance refunding, the Corporation shall cause to be delivered a verification report of an independent nationally recognized certified public accountant. If a forward supply contract is employed in connection with the refunding, (i) such verification report shall expressly state that the adequacy of the escrow to accomplish the refunding relies solely on the initial escrowed investments and the maturing principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract, and (ii) the applicable escrow agreement shall provide that in the event of any discrepancy or difference between the terms of the forward supply contract and the escrow agreement (or the authorizing document, if no separate escrow agreement is utilized), the terms of the escrow agreement or authorizing document, if applicable, shall be controlling.
- (e) *Reporting Requirements.* The Corporation shall provide FGIC provided with the following:
- (i) Notice of the redemption, other than mandatory sinking fund redemption, of any of the Bonds, or of any advance refunding of the Bonds, including the principal amount, maturities and CUSIP numbers thereof;
  - (ii) Notice of the downgrading by any rating agency of the Corporation's underlying public rating, or the underlying rating on the FGIC Insured Bonds or any parity obligations, to "non-investment grade";
  - (iii) Notice of any material events pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934, as amended; and
  - (iv) Such additional information as FGIC may reasonably request from time to time.

(f) *Permitted Investments*

Permitted Investments shall be valued by the Corporation as frequently as deemed necessary by FGIC, but not less often than annually, at the market value thereof, exclusive of accrued interest. Deficiencies in the amount on deposit in any fund or account resulting from a decline in market value shall be restored no later than the succeeding valuation date.

The following investments shall be permitted under the Resolution:

1. Direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America (“U.S. Government Securities”).
2. Direct obligations\* of the following federal agencies which are fully guaranteed by the full faith and credit of the United States of America:
  - (a) Export-Import Bank of the United States – Direct obligations and fully guaranteed certificates of beneficial interest
  - (b) Federal Housing Administration – debentures
  - (c) General Services Administration – participation certificates
  - (d) Government National Mortgage Association (“GNMAs”) – guaranteed mortgage-backed securities and guaranteed participation certificates
  - (e) Small Business Administration – guaranteed participation certificates and guaranteed pool certificates
  - (f) U.S. Department of Housing & Urban Development – local authority bonds
  - (g) U.S. Maritime Administration – guaranteed Title XI financings
  - (h) Washington Metropolitan Area Transit Authority – guaranteed transit bonds
3. Direct obligations\* of the following federal agencies which are not fully guaranteed by the faith and credit of the United States of America:
  - (a) Federal National Mortgage Association (“FNMA”) – senior debt obligations rated Aaa by Moody’s Investors Service (“Moody’s”) and AAA by Standard & Poor’s Ratings Services (“S&P”)
  - (b) Federal Home Loan Mortgage Corporation (“FHLMCs”) – participation certificates and senior debt obligations rated Aaa by Moody’s and AAA by S&P
  - (c) Federal Home Loan Banks – consolidated debt obligations
  - (d) Student Loan Marketing Association – debt obligations
  - (e) Resolution Funding Corporation – debt obligations
4. Direct, general obligations of any state of the United States of America or any subdivision or agency thereof whose uninsured and unguaranteed general obligation debt is rated, at the time of purchase, A2 or better by Moody’s and A or

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\* The following are explicitly excluded from the securities enumerated in 2 and 3:

- (i) All derivative obligations, including without limitation inverse floaters, residuals, interest-only, principal-only and range notes;
- (ii) Obligations that have a possibility of returning a zero or negative yield if held to maturity;
- (iii) Obligations that do not have a fixed par value or those whose terms do not promise a fixed dollar amount at maturity or call date; and
- (iv) Collateralized Mortgage-Backed Obligations (“CMOs”).

better by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose uninsured and unguaranteed general obligation debt is rated, at the time of purchase, A2 or better by Moody's and A or better by S&P.

5. Commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, P-1 by Moody's and A-1 or better by S&P.
6. Certificates of deposit, savings accounts, deposit accounts or money market deposits in amounts that are continuously and fully insured by the Federal Deposit Insurance Corporation ("FDIC"), including the Bank Insurance Fund and the Savings Association Insurance Fund.
7. Certificates of deposit, deposit accounts, federal funds or bankers' acceptances (in each case having maturities of not more than 365 days following the date of purchase) of any domestic commercial bank or United States branch office of a foreign bank, provided that such bank's short-term certificates of deposit are rated P-1 by Moody's and A-1 or better by S&P (not considering holding company ratings).
8. Investments in money-market funds rated AAAm or AAAm-G by S&P.
9. State-sponsored investment pools rated AA- or better by S&P.
10. Repurchase agreements that meet the following criteria:
  - (a) A master repurchase agreement or specific written repurchase agreement, substantially similar in form and substance to the Public Securities Association or Bond Market Association master repurchase agreement, governs the transaction.
  - (b) Acceptable providers shall consist of (i) registered broker/dealers subject to Securities Investors' Protection Corporation ("SIPC") jurisdiction or commercial banks insured by the FDIC, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed rating of A3/P-1 or better by Moody's and A-/A-1 or better by S&P, or (ii) domestic structured investment companies approved by Financial Guaranty and rated Aaa by Moody's and AAA by S&P.
  - (c) The repurchase agreement shall require termination thereof if the counterparty's ratings are suspended, withdrawn or fall below A3 or P-1 from Moody's, or A- or A-1 from S&P. Within ten (10) days, the counterparty shall repay the principal amount plus any accrued and unpaid interest on the investments.
  - (d) The repurchase agreement shall limit acceptable securities to U.S. Government Securities and to the obligations of GNMA, FNMA or FHLMC described in 2(d), 3(a) and 3(b) above. The fair market value of the securities in relation to the amount of the repurchase obligation,

including principal and accrued interest, is equal to a collateral level of at least 104% for U.S. Government Securities and 105% for GNMA's, FNMA's or FHLMC's. The repurchase agreement shall require (i) the Trustee or the Agent to value the collateral securities no less frequently than weekly, (ii) the delivery of additional securities if the fair market value of the securities is below the required level on any valuation date, and (iii) liquidation of the repurchase securities if any deficiency in the required percentage is not restored within two (2) business days of such valuation.

- (e) The repurchase securities shall be delivered free and clear of any lien to the bond trustee (herein, the "Trustee") or to an independent third party acting solely as agent ("Agent") for the Trustee, and such Agent is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the FDIC and which has combined capital, surplus and undivided profits or, if appropriate, a net worth, of not less than \$50 million, and the Trustee shall have received written confirmation from such third party that such third party holds such securities, free and clear of any lien, as agent for the Trustee.
- (f) A perfected first security interest in the repurchase securities shall be created for the benefit of the Trustee, and the corporation and the Trustee shall receive an opinion of counsel as to the perfection of the security interest in such repurchase securities and any proceeds thereof.
- (g) The repurchase agreement shall have a term of one year or less, or shall be due on demand.
- (h) The repurchase agreement shall establish the following as events of default, the occurrence of any of which shall require the immediate liquidation of the repurchase securities, unless Financial Guaranty directs otherwise:
  - (i) insolvency of the broker/dealer or commercial bank serving as the counterparty under the repurchase agreement;
  - (ii) failure by the counterparty to remedy any deficiency in the required collateral level or to satisfy the margin maintenance call under item 10(d) above; or
  - (iii) failure by the counterparty to repurchase the repurchase securities on the specified date for repurchase.

11. Investment agreements (also referred to as guaranteed investment contracts) that meet the following criteria:

- (a) A master agreement or specific written investment agreement governs the transaction.
- (b) Acceptable providers of uncollateralized investment agreements shall consist of (i) domestic FDIC-insured commercial banks, or U.S. branches

of foreign banks, rated at least Aa2 by Moody's and AA by S&P; (ii) domestic insurance companies rated Aaa by Moody's and AAA by S&P; and (iii) domestic structured investment companies approved by Financial Guaranty and rated Aaa by Moody's and AAA by S&P.

- (c) Acceptable providers of collateralized investment agreements shall consist of (i) registered broker/dealers subject to SIPC jurisdiction, if such broker/dealer has an uninsured, unsecured and unguaranteed rating of A1 or better by Moody's and A+ or better by S&P; (ii) domestic FDIC-insured commercial banks, or U.S. branches of foreign banks, rated at least A1 by Moody's and A+ by S&P; (iii) domestic insurance companies rated at least A1 by Moody's and A+ by S&P; and (iv) domestic structured investment companies approved by Financial Guaranty and rated Aaa by Moody's and AAA by S&P. Required collateral levels shall be as set forth in 11(f) below.
- (d) The investment agreement shall provide that if the provider's ratings fall below Aa3 by Moody's or AA- by S&P, the provider shall within ten (10) days either (i) repay the principal amount plus any accrued and interest on the investment; or (ii) deliver Permitted Collateral as provided below.
- (e) The investment agreement must provide for termination thereof if the provider's ratings are suspended, withdrawn or fall below A3 from Moody's or A- from S&P. Within ten (10) days, the provider shall repay the principal amount plus any accrued interest on the agreement, without penalty to the Corporation.
- (f) The investment agreement shall provide for the delivery of collateral described in (i) or (ii) below ("Permitted Collateral") which shall be maintained at the following collateralization levels at each valuation date:
  - (i) U.S. Government Securities at 104% of principal plus accrued interest; or
  - (ii) Obligations of GNMA, FNMA or FHLMC (described in 2(d), 3(a) and 3(b) above) at 105% of principal and accrued interest.
- (g) The investment agreement shall require the Trustee or Agent to determine the market value of the Permitted Collateral not less than weekly and notify the investment agreement provider on the valuation day of any deficiency. Permitted Collateral may be released by the Trustee to the provider only to the extent that there are excess amounts over the required levels. Market value, with respect to collateral, may be determined by any of the following methods:
  - (i) the last quoted "bid" price as shown in Bloomberg, Interactive Data Systems, Inc., The Wall Street Journal or Reuters;

- (ii) valuation as performed by a nationally recognized pricing service, whereby the valuation method is based on a composite average of various bid prices; or
  - (iii) the lower of two bid prices by nationally recognized dealers. Such dealers or their parent holding companies shall be rated investment grade and shall be market makers in the securities being valued.
- (h) Securities held as Permitted Collateral shall be free and clear of all liens and claims of third parties, held in a separate custodial account and registered in the name of the Trustee or the Agent.
- (i) The provider shall grant the Trustee or the Agent a perfected first security interest in any collateral delivered under an investment agreement. For investment agreements collateralized initially and in connection with the delivery of Permitted Collateral under 11(f) above, the Trustee and Financial Guaranty shall receive an opinion of counsel as to the perfection of the security interest in the collateral.
- (j) The investment agreement shall provide that moneys invested under the agreement must be payable and putable at par to the Trustee without condition, breakage fee or other penalty, upon not more than two (2) business days' notice, or immediately on demand for any reason for which the funds invested may be withdrawn from the applicable fund or account established under the authorizing document, as well as the following:
  - (i) In the event of a deficiency in the debt service account;
  - (ii) Upon acceleration after an event of default;
  - (iii) Upon refunding of the bonds in whole or in part;
  - (iv) Reduction of the debt service reserve requirement for the bonds; or
  - (v) If a determination is later made by a nationally recognized bond counsel that investments must be yield-restricted.

Notwithstanding the foregoing, the agreement may provide for a breakage fee or other penalty that is payable in arrears and not as a condition of a draw by the Trustee if the corporation's obligation to pay such fee or penalty is subordinate to its obligation to pay debt service on the bonds and to make deposits to the debt service reserve fund.

- (k) The investment agreement shall establish the following as events of default, the occurrence of any of which shall require the immediate liquidation of the investment securities:
  - (i) Failure of the provider or the guarantor (if any) to make a payment when due or to deliver Permitted Collateral of the character, at the times or in the amounts described above;
  - (ii) Insolvency of the provider or the guarantor (if any) under the investment agreement;

- (iii) Failure by the provider to remedy any deficiency with respect to required Permitted Collateral;
- (iv) Failure by the provider to make a payment or observe any covenant under the agreement;
- (v) The guaranty (if any) is terminated, repudiated or challenged; or
- (vi) Any representation of warranty furnished to the Trustee or the corporation in connection with the agreement is false or misleading.

- (l) The investment agreement must incorporate the following general criteria:
  - (i) "Cure periods" for payment default shall not exceed two (2) business days;
  - (ii) The agreement shall provide that the provider shall remain liable for any deficiency after application of the proceeds of the sale of any collateral, including costs and expenses incurred by the Trustee or Financial Guaranty;
  - (iii) Neither the agreement or guaranty agreement, if applicable, may be assigned (except to a provider that would otherwise be acceptable under these guidelines) or amended without the prior consent of Financial Guaranty;
  - (iv) If the investment agreement is for a debt service reserve fund, reinvestments of funds shall be required to bear interest at a rate at least equal to the original contract rate.
  - (v) The provider shall be required to immediately notify Financial Guaranty and the Trustee of any event of default or any suspension, withdrawal or downgrade of the provider's ratings;
  - (vi) The agreement shall be unconditional and shall expressly disclaim any right of set-off or counterclaim;
  - (vii) The agreement shall require the provider to submit information reasonably requested by Financial Guaranty, including balance invested with the provider, type and market value of collateral and other pertinent information.

12. Forward delivery agreements in which the securities delivered mature on or before each interest payment date (for debt service or debt service reserve funds) or draw down date (construction funds) that meet the following criteria:

- (a) A specific written investment agreement governs the transaction.
- (b) Acceptable providers shall be limited to (i) any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated A3/P-1 or better by Moody's and A-/A-1 or better by S&P; (ii) any commercial bank insured by the FDIC, if such bank has an uninsured, unsecured and unguaranteed obligation rated A3/P-1 or better by Moody's and A-/A-1 or better by S&P; and (iii) domestic structured

investment companies approved by Financial Guaranty and rated Aaa by Moody's and AAA by S&P.

- (c) The forward delivery agreement shall provide for termination or assignment (to a qualified provider hereunder) of the agreement if the provider's ratings are suspended, withdrawn or fall below A3 or P-1 from Moody's or A- or A-1 from S&P. Within ten (10) days, the provider shall fulfill any obligations it may have with respect to shortfalls in market value. There shall be no breakage fee payable to the provider in such event.
  - (d) Permitted securities shall include the investments listed in 1, 2 and 3 above.
  - (e) The forward delivery agreement shall include the following provisions:
    - (i) The permitted securities must mature at least one (1) business day before a debt service payment date or scheduled draw. The maturity amount of the permitted securities must equal or exceed the amount required to be in the applicable fund on the applicable valuation date.
    - (ii) The agreement shall include market standard termination provisions, including the right to terminate for the provider's failure to deliver qualifying securities or otherwise to perform under the agreement. There shall be no breakage fee or penalty payable to the provider in such event.
    - (iii) Any breakage fees shall be payable only on debt service payment dates and shall be subordinated to the payment of debt service and debt service reserve fund replenishments.
    - (iv) The provider must submit at closing a bankruptcy opinion to the effect that upon any bankruptcy, insolvency or receivership of the provider, the securities will not be considered to be a part of the provider's estate, and otherwise acceptable to Financial Guaranty.
    - (v) The agreement may not be assigned (except to a provider that would otherwise be acceptable under these guidelines) or amended without the prior written consent of Financial Guaranty.
13. Forward delivery agreements in which the securities delivered mature after the funds may be required but provide for the right of the corporation or the Trustee to put the securities back to the provider under a put, guaranty or other hedging arrangement, only with the prior written consent of Financial Guaranty.
14. Maturity of investments shall be governed by the following:

- (a) Investments of monies (other than reserve funds) shall be in securities and obligations maturing not later than the dates on which such monies will be needed to make payments.
  - (b) Investments shall be considered as maturing on the first date on which they are redeemable without penalty at the option of the holder or the date on which the Trustee may require their repurchase pursuant to repurchase agreements.
  - (c) Investments of monies in reserve funds not payable upon demand shall be restricted to maturities of five years or less.
- (f) *Redemption Notices.* Notice of any redemption of FGIC Insured Bonds shall either (i) explicitly state that the proposed redemption is conditioned on there being on deposit in the applicable fund or account on the redemption date sufficient money to pay the full redemption price of the FGIC Insured Bonds to be redeemed, or (ii) be sent only if sufficient money to pay the full redemption price of the FGIC Insured Bonds to be redeemed is on deposit in the applicable fund or account.
- (a) The applicable authorizing document provisions describing events of default shall specify that in determining whether a payment default has occurred or whether a payment on the FGIC Insured Bonds has been made under the authorizing document(s), no effect shall be given to payments made under the FGIC Policy.
  - (b) Any acceleration of the FGIC Insured Bonds or any annulment thereof shall be subject to the prior written consent of FGIC (if it has not failed to comply with its payment obligations under the FGIC Policy).
  - (c) FGIC shall receive immediate notice of any payment default and notice of any other default known to the Trustee or the Corporation within 30 days of the Trustee's knowledge thereof.
  - (d) For all purposes of the authorizing document provisions governing events of default and remedies, except the giving of notice of default to FGIC Insured Bondholders, FGIC shall be deemed to be the sole holder of the FGIC Insured Bonds it has insured for so long as it has not failed to comply with its payment obligations under the FGIC Policy.
  - (e) If the authorizing document permits the Trustee to waive any event of default, any such waiver shall be subject to the prior written consent of FGIC.
  - (f) FGIC shall be included as a party in interest and as a party entitled to (i) notify the Corporation, the Trustee, if any, or any applicable receiver of the occurrence of an event of default and (ii) request the Trustee or receiver to intervene in judicial proceedings that affect the Bonds or the security therefor. The Trustee or receiver shall be required to accept notice of default from FGIC.

- (g) *Amendments and Supplements.* Any amendment or supplement to the Resolution shall be subject to the prior written consent of FGIC. Any rating agency rating the FGIC Insured Bonds must receive notice of each amendment and a copy thereof at least 15 days in advance of its execution or adoption. FGIC shall be provided with a full transcript of all proceedings relating to the execution of any such amendment or supplement.
- (h) *Successor Trustees, Etc.* No resignation or removal of the Trustee, Paying Agent or Bond Registrar shall become effective until a successor has been appointed and has accepted the duties of Trustee, Paying Agent or Bond Registrar, as applicable. FGIC shall be furnished with written notice of the resignation or removal of the Trustee, Paying Agent or Bond Registrar and the appointment of any successor thereto.
- (i) *Reimbursement of Expenses.* The Corporation shall pay or reimburse FGIC for any and all charges, fees, costs, and expenses that FGIC may reasonably pay or incur in connection with the following: (i) the administration, enforcement, defense, or preservation of any rights or security hereunder or under any other transaction document; (ii) the pursuit of any remedies hereunder, under any other transaction document, or otherwise afforded by law or equity, (iii) any amendment, waiver, or other action with respect to or related to this agreement or any other transaction document whether or not executed or completed; (iv) the violation by the Corporation of any law, rule, or regulation or any judgment, order or decree applicable to it; (v) any advances or payments made by the Bond Insurer to cure defaults of the Corporation under the transaction documents; or (vi) any litigation or other dispute in connection with this agreement, any other transaction document, or the transactions contemplated hereby or thereby, other than amounts resulting from the failure of FGIC to honor its payment obligations under the FGIC Policy. FGIC reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver, or consent proposed in respect of this agreement or any other transaction document. The obligations of the Corporation to FGIC shall survive discharge and termination of this agreement.
- (j) *Notice Addresses.* The notice addresses for FGIC and the Fiscal Agent shall be as follows: Financial Guaranty Insurance Company, 125 Park Avenue, New York, New York 10017, Attention: Risk Management; and U.S. Bank Trust National Association, 100 Wall Street, 19<sup>th</sup> Floor, New York, New York 10005, Attention: Corporate Trust Department.



**Divider**

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**PUERTO RICO SALES TAX FINANCING CORPORATION**

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**SECOND SUPPLEMENTAL SALES TAX REVENUE BOND  
RESOLUTION**

**authorizing**

**SALES TAX REVENUE BONDS  
SERIES 2007B**

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Adopted on July 17, 2007

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**TABLE OF CONTENTS**

Page

**ARTICLE I**

**DEFINITIONS AND STATUTORY AUTHORITY**

SECTION 1.1.	Supplemental Resolution.....	1
SECTION 1.2.	Definitions.....	1
SECTION 1.3.	Interpretation.....	2
SECTION 1.4.	Authority for this Series Resolution.....	2

**ARTICLE II**

**AUTHORIZATION OF SERIES 2007B BONDS**

SECTION 2.1.	Principal Amount, Designation and Series.....	3
SECTION 2.2.	Purposes.....	3
SECTION 2.3.	Details of Series 2007B Bonds.....	3
SECTION 2.4.	Redemption.....	4
SECTION 2.5.	Book-Entry Provisions.....	5
SECTION 2.6.	Form of Series 2007B Bonds.....	7

**ARTICLE III**

**DISPOSITION OF PROCEEDS OF SERIES 2007B BONDS AND OTHER FUNDS**

SECTION 3.1.	Deposits to Accounts or Transfers.....	8
--------------	--	---

**ARTICLE IV**

**MISCELLANEOUS**

SECTION 4.1.	Headings.....	9
SECTION 4.2.	Governing Law.....	9
SECTION 4.3.	Effective Date.....	9
SECTION 4.4.	No Representations of Trustee.....	9
SECTION 4.5.	Notices.....	9
SECTION 4.6.	Invalid Provisions.....	10

EXHIBIT A.	BOND FORMS.....	A-1
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## SECOND SUPPLEMENTAL SALES TAX REVENUE BOND RESOLUTION

authorizing

### SALES TAX REVENUE BONDS SERIES 2007B

BE IT RESOLVED by the Puerto Rico Sales Tax Financing Corporation (the "Corporation"), as follows:

#### ARTICLE I

##### DEFINITIONS AND STATUTORY AUTHORITY

SECTION 1.1. Supplemental Resolution. This Supplemental Sales Tax Revenue Bond Resolution (this "**Supplemental Resolution**") is supplemental to, and is adopted in accordance with, Article II and Article IX of the Puerto Rico Sales Tax Financing Corporation Sales Tax Revenue Bond Resolution, as amended, adopted by the Corporation on July 13, 2007 (the "**General Resolution**"). The General Resolution and this Supplemental Resolution are hereinafter collectively referred to as the "**Resolution**".

SECTION 1.2. Definitions. (a) All terms which are defined in Section 101 of the General Resolution or Section 1.1 hereof, unless otherwise defined in subsection (b) of this Section, shall, for all purposes of this Supplemental Resolution, have the same meanings as such terms are given in Section 101 of the General Resolution or Section 1.1 hereof, respectively, unless the context shall clearly indicate some other meaning.

(b) The following terms shall, for all purposes of this Supplemental Resolution, have the following meanings, unless the context shall clearly indicate some other meaning:

"**Beneficial Owner**" means, whenever used with respect to a Series 2007B Bond, the Person in whose name such Series 2007B Bond is recorded as the beneficial owner of such Series 2007B Bond by a Participant on the records of such Participant or such Person's subrogee.

"**Capital Appreciation Series 2007B Bonds**" means the Series 2007B Bonds maturing August 1, 2027 through August 1, 2032 as to which interest is not paid on a current basis but is accrued and compounded as Compounded Amount.

"**Cede & Co.**" means Cede & Co., the nominee of DTC, and any successor of DTC with respect to the Series 2007B Bonds.

"**Current Interest Series 2007B Bonds**" for purposes of the Series 2007B Bonds, means the Series 2007B Bonds maturing August 1, 2036, August 1, 2037, August 1, 2038, July 1, 2039, August 1, 2039, May 1, 2057, June 1, 2057, July 1, 2057 and August 1, 2057.

**“Debt Service Reserve Requirement”** for purposes of the Series 2007B Bonds means the amount of zero (\$0).

**“Interest Payment Date”** means for Current Interest Series 2007B Bonds, the first day of each month, commencing September 1, 2007; provided, that if any Interest Payment Date is a day (“Day X”) that is not a Business Day, interest accrued to Day X shall be paid on the next succeeding Business Day.

**“Master Escrow Agent”** means The Bank of New York, as master escrow agent under the Master Escrow Agreement.

**“Master Escrow Agreement”** means the 2007 Master Refunding and Payment Trust Agreement, dated as of July 31, 2007, between the Puerto Rico Public Finance Corporation and The Bank of New York, as Master Escrow Agent.

**“Participants”** means those broker-dealers, banks and other financial institutions for which DTC holds Series 2007B Bonds as securities depository.

**“Record Date”** means, with respect to the payment of interest on Current Interest Series 2007B Bonds, the fifteenth calendar day (whether or not a Business Day) next preceding such Interest Payment Date.

**“Serial Bonds”** for purposes of the Series 2007B Bonds means the Series 2007B Bonds other than the Series 2007B Bonds maturing August 1, 2036.

**“Series 2007B Bonds”** means the Corporation’s Sales Tax Revenue Bonds, Series 2007B, authorized by Article II of this Supplemental Resolution.

**“Term Bonds”** for purposes of the Series 2007B Bonds means the Series 2007B Bonds maturing August 1, 2036.

SECTION 1.3. Interpretation. Unless the context clearly otherwise requires, this Series Resolution shall be interpreted in accordance with applicable provisions of the General Resolution.

SECTION 1.4. Authority for this Series Resolution. This Series Resolution is adopted pursuant to the provisions of the Act and the General Resolution.

## ARTICLE II

### AUTHORIZATION OF SERIES 2007B BONDS

SECTION 2.1. Principal Amount, Designation and Series. Pursuant to the provisions of the General Resolution, a Series of Bonds to be designated as "Sales Tax Revenue Bonds" which shall be entitled to the benefit, protection and security of such provisions is hereby authorized, further designated "Series 2007B" in the aggregate principal amount at issuance of \$1,333,101,779.90. All of such Bonds shall constitute "Senior Bonds" under the Resolution.

SECTION 2.2. Purposes. The Series 2007B Bonds are being issued for the purpose of providing the Corporation with funds (i) to provide for the Repayment Project, (ii) to fund a deposit to the Debt Service Account, and (iii) to pay Financing Costs, including but not limited to Costs of Issuance.

SECTION 2.3. Details of Series 2007B Bonds. (a) The Series 2007B Bonds shall be dated as of, and shall bear interest (or accreted Compounded Amount) initially from, the initial date of delivery thereof and payment therefor, and shall mature in the years and in the principal amounts, and (except for Capital Appreciation Series 2007B Bonds) bear interest payable on each Interest Payment Date at the interest rates per annum, as set forth below:

<u>Maturity Date</u>	<u>Principal Amount at Issuance</u>	<u>Rate</u>	<u>CABs Value at Maturity</u>
August 1, 2027	\$12,007,513.60	n/a	\$40,720,000.00
August 1, 2028	30,000,504.45	n/a	108,145,000.00
August 1, 2029	26,798,324.85	n/a	103,785,000.00
August 1, 2030	29,298,676.00	n/a	120,670,000.00
August 1, 2031	14,497,685.00	n/a	63,500,000.00
August 1, 2032	34,499,076.00	n/a	160,700,000.00
August 1, 2036	575,000,000.00	6.050%	n/a
August 1, 2037	167,780,000.00	6.050%	n/a
August 1, 2038	167,710,000.00	6.050%	n/a
July 1, 2039	37,755,000.00	6.050%	n/a
August 1, 2039	37,755,000.00	6.050%	n/a
May 1, 2057	50,000,000.00	6.350%	n/a
June 1, 2057	50,000,000.00	6.350%	n/a
July 1, 2057	50,000,000.00	6.350%	n/a
August 1, 2057	50,000,000.00	6.350%	n/a

(b) The Series 2007B Bonds other than the Series 2007B Bonds maturing August 1, 2036 shall constitute Serial Bonds. The Series 2007B Bonds maturing on August 1, 2036 shall constitute Term Bonds. The Series 2007B Bonds maturing from August 1, 2027 through August 1, 2032 shall constitute Capital Appreciation Bonds.

(c) Interest on the Current Interest Series 2007B Bonds, and Compounded Amount on the Capital Appreciation Series 2007B Bonds, shall be computed on the basis of a 360-day year of twelve 30-day months. Interest on the Current Interest Series 2007B Bonds shall be payable on the first day of each month, commencing September 1, 2007. Compounded Amount on the Capital Appreciation Series 2007B Bonds shall be computed each August 1 and February 1 commencing February 1, 2008.

(d) The Series 2007B Bonds shall be issuable in denominations of \$5,000 (for Capital Appreciation Series 2007B Bonds, of maturity amount) or integral multiples thereof. Each Series 2007B Bond shall be lettered "2007BR" and shall be numbered consecutively from (1) upwards in order of authentication by the Trustee or otherwise in such manner as the Trustee in its discretion shall determine.

(e) The provisions of Section 7.09 of the Bond Resolution shall not apply to the Series 2007B Bonds, which shall be issued with the intention that interest thereon is included in gross income for federal income tax purposes.

(f) *Except* as otherwise provided in Section 2.5, the principal of and premium, if any, and interest on the Series 2007B Bonds shall be payable at the Corporate Trust Office of the Trustee. *Except* as otherwise provided in Section 2.5, interest on the Series 2007B Bonds shall be paid by check or draft of the Trustee mailed to the Owners thereof as of the applicable Record Date at their respective addresses as shown on the registration books of the Corporation maintained by the Trustee, or, at the option of the Owner of \$1,000,000 or more in principal amount at maturity of the Series 2007B Bonds, by written notice to the Trustee from such Owner at least fifteen (15) calendar days prior to the related payment date, by wire transfer.

SECTION 2.4. Redemption. (a) The Series 2007B Bonds due on August 1, 2036 shall be redeemed in part through application of Sinking Fund Installments as provided in Sections 403 and 508 of the General Resolution, in each case at a Redemption Price equal to the principal amount of the respective Series 2007B Bond or portion thereof to be redeemed together with interest accrued to the date fixed for redemption. Subject to the provisions of Section 508 of the General Resolution permitting amounts to be credited toward part or all of any Sinking Fund Installment, with respect to the Series 2007B Bonds due on each of the dates specified above, there shall be due and the Corporation shall in any and all events be required to pay on each Sinking Fund Installment date set forth in the following respective table the amount set opposite such date, and said amount is hereby established and shall constitute a Sinking Fund Installment for the retirement of the respective Series 2007B Bonds (the principal amount set opposite the maturity date in said table shall be payable on such maturity date and shall not constitute a Sinking Fund Installment):

<u>2036 Maturity</u>	
<u>Sinking Fund Installment Date (August 1)</u>	<u>Amount</u>
2033	\$105,430,000

2034	129,270,000
2035	156,030,000
2036	184,270,000

(b) The Current Interest Series 2007B Bonds shall be subject to redemption at the option of the Corporation from any source, including without limitation the proceeds of refunding Bonds or other financing provided by the Corporation, in whole or in part in any order of maturity determined by the Corporation, at any time on and after August 1, 2017, at a Redemption Price equal to 100% of the principal amount thereof plus interest, if any, accrued to the redemption date, and without premium.

(c) The Capital Appreciation Series 2007B Bonds shall be subject to redemption at the option of the Corporation from any source, including without limitation the proceeds of refunding Bonds or other financing provided by the Corporation, in whole or in part in any order of maturity determined by the Corporation, at any time on and after August 1, 2017, at a Redemption Price equal to 100% of the Compounded Amount thereof, and without premium.

SECTION 2.5. Book-Entry Provisions. (a) *Except* as provided in subsection (d) of this Section, the Owner of all of the Series 2007B Bonds shall be Cede & Co., as nominee for DTC, and the Series 2007B Bonds shall be registered in the name of Cede & Co., as nominee for DTC. Payment of interest on any Series 2007B Bond registered in the name of Cede & Co. shall be made by wire transfer of Federal or equivalent same day funds to the account of Cede & Co. on the Interest Payment Date for the Series 2007B Bonds at the address indicated for Cede & Co. in the registration books of the Corporation maintained by the Trustee.

(b) The Series 2007B Bonds initially shall be issued in the form of separate single authenticated fully registered Bonds in the amount of each separate stated maturity and for each separate "CUSIP" number within a maturity of the Series 2007B Bonds. Upon initial issuance, the ownership of the Series 2007B Bonds shall be registered in the registration books of the Corporation maintained by the Trustee in the name of Cede & Co., as nominee of DTC. The Trustee and the Corporation may treat DTC (or its nominee) as the sole and exclusive Owner of the Series 2007B Bonds registered in its name for the purposes of payment of the principal or Redemption Price of or interest on the Series 2007B Bonds, selecting the Series 2007B Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Owners of the Series 2007B Bonds under the General Resolution or this Supplemental Resolution, registering the transfer of the Series 2007B Bonds, obtaining any consent or other action to be taken by Owners of the Series 2007B Bonds and for all other purposes whatsoever, and neither the Trustee nor the Corporation shall be affected by any notice to the contrary. The Trustee and the Corporation shall not have any responsibility or obligation to any Participant, any Person claiming a beneficial ownership interest in the Series 2007B Bonds under or through DTC or any Participant, or any other Person which is not shown on the registration books as being an Owner of the Series 2007B Bonds, with respect to the accuracy of any records maintained by DTC or any Participant; the payment of DTC or any Participant of any amount in respect of the principal or Redemption Price of or interest on the Series 2007B Bonds; any notice which is permitted or required to be given to Owners of the Series 2007B Bonds under the General Resolution or this Supplemental Resolution; the selection by DTC or any Participant of

any Person to receive payment in the event of a partial redemption of the Series 2007B Bonds; or any consent given or other action taken by DTC as Owner of the Series 2007B Bonds.

(c) The Trustee shall pay all principal of, and premium, if any, and interest on the Series 2007B Bonds only to or "upon the order of" Cede & Co., as nominee for DTC (as that term is used in the Uniform Commercial Code as adopted in the Commonwealth), and all such payments shall be valid and effective to fully satisfy and discharge the Corporation's obligations with respect to the principal of, and premium, if any, and interest on the Series 2007B Bonds to the extent of the sum or sums so paid. No person other than DTC shall receive an authenticated Series 2007B Bond for each separate stated maturity or separate "CUSIP" number within a maturity evidencing the obligation of the Corporation to make payments of principal of and premium, if any, and interest on the Series 2007B Bonds pursuant to the General Resolution and this Supplemental Resolution. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to transfers, the word "Cede & Co." in this Supplemental Resolution shall refer to such new nominee of DTC.

(d) In the event the Corporation determines that it is in the best interest of the Beneficial Owners that they be able to obtain Series 2007B Bond certificates, the Corporation may notify DTC and the Trustee, whereupon DTC will notify the Participants, of the availability through DTC of the Series 2007B Bond certificates, subject to DTC procedures. In such event, the Corporation shall issue, and the Trustee shall transfer and exchange, Series 2007B Bond certificates as requested by DTC and any other Series 2007B Bond owners in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Series 2007B Bonds at any time by giving notice to the Corporation and the Trustee and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the Corporation and the Trustee shall be obligated to deliver Series 2007B Bond certificates as described in the General Resolution. In the event Series 2007B Bond certificates are issued, the provisions of the General Resolution shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal and of and Redemption Price interest on such certificates. Whenever DTC requests the Corporation and the Trustee to do so, the Trustee and the Corporation will cooperate with DTC in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the Series 2007B Bonds to any DTC Participant having Series 2007B Bonds credited to its DTC account or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Series 2007B Bonds.

(e) Notwithstanding any other provision of the General Resolution or this Supplemental Resolution to the contrary, so long as any Series 2007B Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal of, and premium, if any, and interest on such Series 2007B Bond and all notices with respect to and surrender or delivery of such Series 2007B Bond shall be made and given, respectively, to or by DTC as provided by DTC's operating procedures. Bondholders shall have no lien or security interest in any rebate or refund paid by DTC to the Trustee which arises from the payment by the Trustee of principal of or interest on the Series 2007B Bonds in accordance with existing arrangements with DTC.

(f) In connection with any notice or other communication to be provided to Owners of Series 2007B Bonds pursuant to the General Resolution or this Supplemental Resolution by the Corporation or the Trustee with respect to any consent or other action to be taken by Owners of Series 2007B Bonds, the Corporation or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date to the extent possible. Notice to DTC shall be given only when DTC under this subsection (f) is the sole Owner of the Series 2007B Bonds.

SECTION 2.6. Form of Series 2007B Bonds. Subject to the provisions of the General Resolution, the Series 2007B Bonds shall be in substantially the form of Exhibit A, with necessary and appropriate variations, omissions and insertions as permitted by the General Resolution and this Supplemental Resolution.

## ARTICLE III

### DISPOSITION OF PROCEEDS OF SERIES 2007B BONDS AND OTHER FUNDS

SECTION 3.1. Deposits to Accounts or Transfers. Upon receipt by the Corporation of the proceeds of sale of the Series 2007B Bonds, and other amounts, including a drawing on the funds in the FIA Fund (as defined in the Act) in the amount of \$9,793,824.85, which drawing is hereby authorized, there shall be deposited by the Corporation in or transferred by the Corporation to:

1. Government Development Bank (account information: Citibank, N.A. ABA #021000089, for Government Development Bank (GDB) Account No. 36008661, for further credit to BGF-COFINA Acct. # 251-0034-3), the amount of \$2,528,807.30 for Costs of Issuance; provided, that amounts shall be wired to recipients thereof as directed to the Trustee in writing by Government Development Bank;
2. by wire, directly, to the account of Government Development Bank (same account information), (i) in the amount of \$109,767,717.87, for full repayment of the interim loan made by Government Development Bank to the Corporation for payment of FY 2008 debt service on bonds of the Public Finance Corporation pursuant to resolutions adopted by the Corporation on July 10, 2007, and (ii) in the amount of \$275,700,030, for payment of interest on extraconstitutional debt outstanding as of June 30, 2006 and owed to Government Development Bank;
3. the Debt Service Account (Senior Taxable) in the amount of \$18,289,230.56, allocated entirely to the Interest Subaccount (Senior Taxable); and
4. the Trustee for credit to the Bond Proceeds Account, the balance of such proceeds, to be immediately transferred to the Master Escrow Agent to be applied in accordance with the terms of the Master Escrow Agreement.

## ARTICLE IV

### MISCELLANEOUS

SECTION 4.1. Headings. The section headings contained herein are for reference purposes only and will not affect in any way the meaning or interpretation of this Supplemental Resolution.

SECTION 4.2. Governing Law. This Supplemental Resolution shall be governed by, and construed and enforced in accordance with, the laws of the Commonwealth; provided, however, that to the maximum extent permitted by applicable law, the rights, duties, privileges and duties of the Trustee, any Paying Agent and Bond Trustee, shall be governed by the law of the jurisdiction in which its Corporate Trust Office is located.

SECTION 4.3. Effective Date. This Supplemental Resolution shall take effect upon the filing with the Trustee of a copy hereof, certified by an Authorized Officer of the Corporation.

SECTION 4.4. No Representations of Trustee. The recitals of fact herein and in the Series 2007B Bonds contained shall be taken as the statements of the Corporation and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of the General Resolution or this Supplemental Resolution or of any Bonds issued thereunder or as to the security afforded by the Resolution or this Supplemental Resolution, and the Trustee shall incur no liability in respect thereof. The Trustee shall, however, be responsible for its representation contained in its certificate of authentication on the Series 2007B Bonds.

SECTION 4.5. Notices. Except as otherwise provided herein, all notices, certificates or other communications hereunder shall be in writing and shall be deemed given upon receipt, by hand delivery, mail, overnight delivery, or telecopy, except in the case of notices or communications given to the Trustee, which shall be effective only upon actual receipt, addressed as follows:

To the Trustee:

The Bank of New York  
101 Barclay Street—7W  
New York, New York 10286  
Attention: Northern Municipals  
Phone: 212-815-6955  
Fax: 212-815-5595/5596

To the Corporation:

Puerto Rico Sales Tax Financing Corporation  
c/o Government Development Bank for Puerto Rico  
Roberto Sánchez Vilella Government Center  
De Diego Avenue, Stop 22  
Santurce, Puerto Rico 00940

Attention: Executive Director  
Phone: 787-722-2525

SECTION 4.6. Invalid Provisions. In case any provision in this Supplemental Resolution or the Series 2007B Bonds shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

**EXHIBIT A**

**FORM OF CURRENT INTEREST SERIES 2007B BONDS**

No. 2007BR-\_\_\_\_\_

\$ \_\_\_\_\_

**PUERTO RICO SALES TAX FINANCING CORPORATION  
SALES TAX REVENUE BOND  
SERIES 2007B**

<u>DATED DATE</u>	<u>MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>CUSIP NO.</u>
		_____%	_____

REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT:

PUERTO RICO SALES TAX FINANCING CORPORATION (herein sometimes called the "Corporation"), an instrumentality of the Commonwealth of Puerto Rico (the "Commonwealth"), acknowledges itself indebted, and for value received, hereby promises to pay to the REGISTERED OWNER named above or registered assigns, upon presentation and surrender of this bond at the Corporate Trust Office (as defined in the General Resolution) of the Trustee hereinafter mentioned on the MATURITY DATE specified above (unless redeemed prior thereto as hereinafter provided), the PRINCIPAL AMOUNT specified above, and to pay interest thereon from the most recent interest payment date to which interest has been paid, or, if no interest has been paid, from the DATED DATE specified above, until the earlier of the maturity or redemption of this bond, at the per annum INTEREST RATE specified above, payable on the first day of each month commencing September 1, 2007. Both the principal of and the interest on this bond are payable in any coin or currency of the United States of America which, on the respective dates of payment thereof, shall be legal tender for the payment of public and private debts. Payment of the interest on this bond on any interest payment date will be made to the person appearing on the registration books of the Corporation maintained by the Trustee as the registered owner hereof as of the fifteenth calendar day (whether or not a business day) next preceding such interest payment date, such interest to be paid by check or draft mailed to the registered owner at such registered owner's address or, at the option of a registered owner of at least \$1,000,000 in aggregate principal amount of the Series 2007B Bonds (hereinafter defined) who so requests the Trustee in writing at least 15 calendar days prior to such interest payment date, by wire transfer.

The Bonds are payable by the Corporation solely from the Pledged Property held under the Resolution. The Bonds do not constitute a debt, obligation or pledge of the full faith, credit and taxing power of the Commonwealth of Puerto Rico or any of its municipalities or political subdivisions or of instrumentalities (other than the Corporation), and neither the Commonwealth of Puerto Rico nor any of its municipalities or political subdivisions or instrumentalities (other than the Corporation) shall be liable for the payment thereof.

The Series 2007B Bonds are subject to redemption prior to maturity as provided in the Resolution. Notice of redemption shall be given as provided in the Resolution.

This bond is one of the bonds of a duly authorized series of bonds in the aggregate principal amount at issuance of \$1,333,101,779.90 designated "Sales Tax Revenue Bonds, Series 2007B" authorized to be issued pursuant to Act No. 91 of the Legislative Assembly of Puerto Rico, approved May 13, 2006, as amended, and under and pursuant to a Puerto Rico Sales Tax Financing Corporation Sales Tax Revenue Bond Resolution adopted by the Corporation on July 13, 2007 (as amended, herein called the "General Resolution"), and a Second Supplemental Sales Tax Revenue Bond Resolution adopted by the Corporation on July 17, 2007 (such supplemental resolution and the General Resolution are herein called, collectively, the "Resolution"), for the purposes set forth in the Resolution.

The Series 2007B Bonds are part of a duly authorized issue of bonds issued and to be issued under the Act and under and pursuant to the Resolution for the purposes described in the Resolution. The Series 2007B Bonds, all previously issued bonds and any additional bonds issued under the Resolution are herein referred to collectively as the "Bonds".

The Bonds are special obligations of the Corporation. There is pledged to the payment of the principal or redemption price, if any, of and interest on the Bonds in accordance with the provisions of the Resolution, the Pledged Property as defined and provided in the Resolution, subject only to the provisions of the Resolution permitting the use and application thereof for the purposes and on the conditions set forth in the Resolution. Such pledge and other obligations of the Corporation may be discharged, wholly or in part, at or prior to the maturity of the Bonds upon the making of provision for the payment of the principal thereof and the interest thereon on the terms and conditions set forth in the General Resolution.

Copies of the Resolution are on file at the office of the Corporation, and at the Corporate Trust Office of The Bank of New York, as trustee under the Resolution (including its successors, herein called the "Trustee"), and reference to the Resolution and any and all supplements thereto and amendments thereof and to the Act is made for a description of the pledges and covenants securing the Bonds, the nature, extent and manner of enforcement of such pledges and covenants, the terms and conditions upon which Bonds have been issued and additional Bonds may be issued, the rights and remedies of the registered owners of the Bonds with respect thereto, and to other terms and provisions of the Bonds. To the extent and in the manner permitted by the terms of the General Resolution, the provisions of the General Resolution or any resolution amendatory thereof or supplemental thereto may be modified or amended.

The registered owner of this bond shall have no right to enforce the provisions of the Resolution, to institute action to enforce the provisions of the Resolution or to institute, appear in or defend any suit or other proceeding with respect thereto, *except* as provided in the Resolution.

This bond is transferable, as provided in the Resolution, only upon the books of the Corporation maintained for that purpose at the Corporate Trust Office of the Trustee by the registered owner hereof in person or by his attorney duly authorized in writing, upon surrender of

this bond together with a written instrument of transfer duly executed by the registered owner or such registered owner's attorney duly authorized in writing, and thereupon a new fully registered Series 2007B Bond or Bonds in the same aggregate principal amount, and of the same series, maturity and interest rate, shall be issued to the transferee in exchange therefor as provided in the General Resolution and upon the payment of the charges, if any, therein prescribed. The Corporation and the Trustee may treat and consider the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or redemption price, if any, hereof and interest due hereon and for all other purposes whatsoever.

This bond shall not be valid or obligatory for any purpose or be entitled to any security or benefit under the Resolution until the Certificate of Authentication hereon shall have been signed by the Trustee.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and statutes of the Commonwealth of Puerto Rico and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of this bond, exist, have happened and have been performed in due time, form and manner as required by law and that the issue of the Series 2007B Bonds, together with all other indebtedness of the Corporation, is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, the PUERTO RICO SALES TAX FINANCING CORPORATION has caused this bond to be executed in its name by the manual or facsimile signature of an authorized representative, as of the DATED DATE specified above.

PUERTO RICO SALES TAX FINANCING  
CORPORATION

By: \_\_\_\_\_  
Executive Director

[SEAL]

Attest:

\_\_\_\_\_  
Secretary or Assistant Secretary

**CERTIFICATE OF AUTHENTICATION**

This bond is one of the Series 2007B Bonds described in the within-mentioned Resolution.

**THE BANK OF NEW YORK, as Trustee**

By: \_\_\_\_\_  
Authorized Signatory

Date of Authentication:

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto

\_\_\_\_\_  
(please print or typewrite name and address of transferee)

\_\_\_\_\_  
(please insert social security or other identifying number of assignee)  
(For computer record only)

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ Attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed

\_\_\_\_\_

By: \_\_\_\_\_

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Trustee, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Trustee in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

**FORM OF CAPITAL APPRECIATION SERIES 2007B BONDS**

No. 2007BR-\_\_\_\_

\$ \_\_\_\_\_

**PUERTO RICO SALES TAX FINANCING CORPORATION  
SALES TAX REVENUE BOND  
SERIES 2007B**

DATED DATE

MATURITY DATE

CUSIP NO.

REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT AT  
ISSUANCE

PRINCIPAL AMOUNT AT  
MATURITY

PUERTO RICO SALES TAX FINANCING CORPORATION (herein sometimes called the "Corporation"), an instrumentality of the Commonwealth of Puerto Rico (the "Commonwealth"), acknowledges itself indebted, and for value received, hereby promises to pay to the REGISTERED OWNER named above or registered assigns, upon presentation and surrender of this bond at the Corporate Trust Office (as defined in the General Resolution) of the Trustee hereinafter mentioned on the MATURITY DATE specified above (unless redeemed prior thereto as hereinafter provided), the PRINCIPAL AMOUNT AT MATURITY specified above. The principal (consisting of Compounded Amount) of this bond is payable in any coin or currency of the United States of America which, on the date of payment thereof, shall be legal tender for the payment of public and private debts. Interest on this bond shall not be payable on a current basis but shall be compounded, and added to principal, on each August 1 and February 1 commencing February 1, 2008 such that the PRINCIPAL AMOUNT AT ISSUANCE specified above shall accrete to equal the PRINCIPAL AMOUNT AT MATURITY specified above on the MATURITY DATE specified above.

The Bonds are payable by the Corporation solely from the Pledged Property held under the Resolution. The Bonds do not constitute a debt, obligation or pledge of the full faith, credit and taxing power of the Commonwealth of Puerto Rico or any of its municipalities or political subdivisions or of instrumentalities (other than the Corporation), and neither the Commonwealth of Puerto Rico nor any of its municipalities or political subdivisions nor instrumentalities (other than the Corporation) shall be liable for the payment thereof.

The Series 2007B Bonds are subject to redemption prior to maturity as provided in the Resolution. Notice of redemption shall be given as provided in the Resolution.

This bond is one of the bonds of a duly authorized series of bonds in the aggregate principal amount at issuance of \$1,333,101,779.90 designated "Sales Tax Revenue Bonds, Series 2007B" (herein called the "Series 2007B Bonds") authorized to be issued pursuant to Act No. 91 of the Legislative Assembly of Puerto Rico, approved May 13, 2006, as amended, and under and pursuant to a Puerto Rico Sales Tax Financing Corporation Sales Tax Revenue Bond Resolution adopted by the Corporation on July 13, 2007 (as amended, herein called the "General Resolution"), and a Second Supplemental Sales Tax Revenue Bond Resolution adopted by the Corporation on July 17, 2007 (such supplemental resolution and the General Resolution are herein called, collectively, the "Resolution"), for the purposes set forth in the Resolution.

The Series 2007B Bonds are part of a duly authorized issue of bonds issued and to be issued under the Act and under and pursuant to the Resolution for the purposes described in the Resolution. The Series 2007B Bonds, any previously issued bonds and any additional bonds issued under the Resolution are herein referred to collectively as the "Bonds".

The Bonds are special obligations of the Corporation. There is pledged to the payment of the principal or redemption price, if any, of and interest on the Bonds in accordance with the provisions of the Resolution, the Pledged Property as defined and provided in the Resolution, subject only to the provisions of the Resolution permitting the use and application thereof for the purposes and on the conditions set forth in the Resolution. Such pledge and other obligations of the Corporation may be discharged, wholly or in part, at or prior to the maturity of the Bonds upon the making of provision for the payment of the principal thereof and the interest thereon on the terms and conditions set forth in the General Resolution.

Copies of the Resolution are on file at the office of the Corporation, and at the Corporate Trust Office of The Bank of New York, as trustee under the Resolution (including its successors, herein called the "Trustee"), and reference to the Resolution and any and all supplements thereto and amendments thereof and to the Act is made for a description of the pledges and covenants securing the Bonds, the nature, extent and manner of enforcement of such pledges and covenants, the terms and conditions upon which Bonds have been issued and additional Bonds may be issued, the rights and remedies of the registered owners of the Bonds with respect thereto, and to other terms and provisions of the Bonds. To the extent and in the manner permitted by the terms of the General Resolution, the provisions of the General Resolution or any resolution amendatory thereof or supplemental thereto may be modified or amended.

The registered owner of this bond shall have no right to enforce the provisions of the Resolution, to institute action to enforce the provisions of the Resolution or to institute, appear in or defend any suit or other proceeding with respect thereto, *except* as provided in the Resolution.

This bond is transferable, as provided in the Resolution, only upon the books of the Corporation maintained for that purpose at the Corporate Trust Office of the Trustee by the registered owner hereof in person or by his attorney duly authorized in writing, upon surrender of this bond together with a written instrument of transfer duly executed by the registered owner or such registered owner's attorney duly authorized in writing, and thereupon a new fully registered Series 2007B Bond or Bonds in the same aggregate principal amount, and of the same series,

maturity and interest rate, shall be issued to the transferee in exchange therefor as provided in the General Resolution and upon the payment of the charges, if any, therein prescribed. The Corporation and the Trustee may treat and consider the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or redemption price, if any, hereof and interest due hereon and for all other purposes whatsoever.

This bond shall not be valid or obligatory for any purpose or be entitled to any security or benefit under the Resolution until the Certificate of Authentication hereon shall have been signed by the Trustee.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and statutes of the Commonwealth of Puerto Rico and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of this bond, exist, have happened and have been performed in due time, form and manner as required by law and that the issue of the Series 2007B Bonds, together with all other indebtedness of the Corporation, is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, the PUERTO RICO SALES TAX FINANCING CORPORATION has caused this bond to be executed in its name by the manual or facsimile signature of an authorized representative, as of the DATED DATE specified above.

PUERTO RICO SALES TAX FINANCING  
CORPORATION

By: \_\_\_\_\_  
Executive Director

[SEAL]

Attest:

\_\_\_\_\_  
Secretary or Assistant Secretary

**CERTIFICATE OF AUTHENTICATION**

This bond is one of the Series 2007B Bonds described in the within-mentioned Resolution.

**THE BANK OF NEW YORK, as Trustee**

By: \_\_\_\_\_  
Authorized Signatory

Date of Authentication:

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto

\_\_\_\_\_  
(please print or typewrite name and address of transferee)

\_\_\_\_\_  
(please insert social security or other identifying number of assignee)  
(For computer record only)

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ Attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

By:

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Trustee, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Trustee in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

