
PUERTO RICO PUBLIC BUILDINGS AUTHORITY

RESOLUTION NO. 1596

Adopted August 10, 2011

Authorizing the Issuance of

Government Facilities Revenue Bonds, Series R
(Qualified School Construction Bonds – Issuer Subsidy)

Guaranteed by the Commonwealth of Puerto Rico

RESOLUTION NO. 1596

A RESOLUTION AUTHORIZING THE ISSUANCE OF \$756,449,000 PUBLIC BUILDINGS AUTHORITY GOVERNMENT FACILITIES REVENUE BONDS, SERIES R, GUARANTEED BY THE COMMONWEALTH OF PUERTO RICO, TO BE ISSUED PURSUANT TO THE PROVISIONS OF SECTION 208 OF RESOLUTION NO. 468 ADOPTED BY THE AUTHORITY ON JULY 22, 1995, AS AMENDED AND SUPPLEMENTED; PROVIDING THAT SAID BONDS SHALL BE ISSUED AS QUALIFIED SCHOOL CONSTRUCTION BONDS UNDER THE UNITED STATES INTERNAL REVENUE CODE; PROVIDING FOR THE PAYMENT OF SAID BONDS; RATIFYING THE DISTRIBUTION OF THE PRELIMINARY OFFICIAL STATEMENT IN CONNECTION WITH SAID BONDS; APPROVING THE OFFICIAL STATEMENT IN CONNECTION WITH SAID BONDS; AWARDED SAID BONDS AND AUTHORIZING THE EXECUTION AND DELIVERY OF A CONTRACT OF PURCHASE IN CONNECTION THEREWITH; DIRECTING THE DELIVERY OF SAID BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A MASTER LEASE CONTRACT BETWEEN THE PUERTO RICO DEPARTMENT OF TRANSPORTATION AND PUBLIC WORKS, AS LESSOR, AND THE AUTHORITY, AS LESSEE, AND A MASTER SUBLEASE CONTRACT BETWEEN THE AUTHORITY, AS SUBLESSOR, AND THE PUERTO RICO DEPARTMENT OF EDUCATION, AS SUBLESSEE, IN RESPECT OF SAID BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF LEASE AGREEMENTS AND ANY LEASE AGREEMENT AMENDMENTS BETWEEN THE AUTHORITY AND CERTAIN AGENCIES, DEPARTMENTS AND INSTRUMENTALITIES OF THE COMMONWEALTH OF PUERTO RICO IN RESPECT OF SAID BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A CONTINUING DISCLOSURE AGREEMENT; AUTHORIZING A LOAN OF UP TO \$11,400,000 FROM GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO TO THE AUTHORITY FOR THE PURPOSE OF COVERING ANY SHORTAGE IN RENTAL PAYMENTS DUE TO FAILURE TO RECEIVE INTEREST SUBSIDY PAYMENTS IN ANY PARTICULAR FISCAL YEAR; AUTHORIZING AND DIRECTING THE EXECUTIVE DIRECTOR TO NEGOTIATE AND ENTER INTO ANY INVESTMENT AGREEMENTS AND

ANY INTEREST RATE EXCHANGE AGREEMENTS IN CONNECTION THEREOF FOR THE INVESTMENT THE PROCEEDS OF SAID BONDS OR THE FUNDS DEPOSITED IN CERTAIN ACCOUNTS ESTABLISHED UNDER THIS RESOLUTION; MAKING A TAX COVENANT; AND PROVIDING FOR CERTAIN OTHER MATTERS IN CONNECTION THEREWITH.

BE IT RESOLVED BY PUERTO RICO PUBLIC BUILDINGS AUTHORITY:

Section 1. Findings and Determinations of the Authority. Puerto Rico Public Buildings Authority (the "Authority") has found and determined and does hereby declare that:

(a) Under the authority of Act No. 56 of the Legislature of Puerto Rico, approved July 19, 1958, as amended (the "Enabling Act"), the Authority on July 22, 1995 adopted Resolution No. 468 (as amended and supplemented, the "Bond Resolution") authorizing the issuance of revenue bonds of the Authority, guaranteed by the Commonwealth of Puerto Rico (the "Commonwealth"), for the purpose of providing funds for, among other things, paying all or any part of the cost to the Authority of any Additional Facilities or any Improvements or of any uncompleted part of the Initial Facilities or Additional Facilities or Improvements (as such terms are defined in the Bond Resolution) or for paying any notes or other obligations issued by the Authority, or repaying any advances made from any source, to finance temporarily such costs. The Bond Resolution, as the same may be supplemented as therein provided, particularly as supplemented by this resolution, is hereinafter also referred to collectively as the "Resolution." Capitalized terms used herein without definitions have the meanings ascribed thereto in the Bond Resolution.

(b) The Authority has previously undertaken the construction of certain Additional Facilities and Improvements to be leased to various departments, agencies or instrumentalities of the Commonwealth.

(c) Prior to the issuance of the revenue bonds described in Section 2 hereof, the Authority borrowed certain amounts from Government Development Bank for Puerto Rico ("Development Bank") evidenced by outstanding notes of the Authority (the "Notes") for the purpose of providing funds to finance temporarily all or any part of the cost of certain Additional Facilities or Improvements or uncompleted parts thereof, leased or subleased or to be leased or subleased to various departments, agencies or instrumentalities of the Commonwealth.

(d) The Authority has determined to issue its revenue bonds hereinafter authorized by Section 2 hereof for the purpose of financing the cost of construction or completion of construction of certain Additional Facilities and Improvements previously undertaken by the Authority and paying up to \$721,600,000 principal amount on the Notes. The Additional Facilities and Improvements to be or which have been constructed in whole or in part or that are to be completed with the proceeds of the bonds authorized by Section 2 hereof or the Notes to be repaid by said bonds (the "Project") are described in brief and general terms in Exhibit A to this resolution.

(e) On February 17, 2009, the American Recovery and Reinvestment Act of 2009 (the "Recovery Act") was enacted to provide a stimulus to the economy including provisions for alternative forms of financing public school facilities.

(f) Section 1521 of the Recovery Act (the "QSCB Act," codified in Section 54A and 54F of the Internal Revenue Code of 1986, as amended (the "Code")), subject to the limitations and conditions imposed therein, authorizes the Commonwealth to issue "qualified school construction bonds" ("Qualified School Construction Bonds" or "QSCBs") for the construction, rehabilitation or repair of a public school facility, for the acquisition of land on which such a facility is to be constructed and for the cost of acquisition of equipment to be used in such facilities with the proceeds of such QSCBs.

(g) Under the QSCB Act the Commonwealth has been allocated authority to issue up to \$376,055,000 and \$380,394,000 aggregate principal amount of QSCBs in calendar years 2009 and 2010, respectively.

(h) The Commonwealth and the Puerto Rico Department of Education delegated the authorization to issue QSCBs to the Authority by means of Executive Order No. 2010-054 signed by the Governor of Puerto Rico on October 5, 2010 and a certificate of the Secretary of Education of Puerto Rico, respectively.

(i) The Code has been amended to, among other things, permit issuers of QSCBs to elect to issue current interest paying obligations and to receive direct federal subsidy payments pursuant to Section 6421 of the Code in lieu of the tax credits provided for QSCBs.

(j) The Authority has determined that it is in the best interest of the Authority to issue the bonds authorized by Section 2 hereof as QSCBs with direct federal subsidy payments pursuant to Section 6431 of the Code (the "Interest Subsidy Payments"), and to designate such bonds as QSCBs and to elect to receive the Interest Subsidy Payments pursuant to Section 6431(f) of the Code, as hereafter provided.

 (k) The Authority has received an offer from Popular Securities, Inc., acting on behalf of itself and the other underwriters (herein called the "principal underwriters") referred to in the Contract of Purchase, dated August 10, 2011 (the "Contract of Purchase"), in the form of the Contract of Purchase presented at this meeting, to purchase the bonds described in Section 2 hereof at a purchase price equal to the aggregate purchase price to the public shown, or derived from information shown, on the inside cover of the Official Statement (as defined in the Contract of Purchase) less underwriters' discount of \$7,587,632.

(l) The Authority has determined that it is in its best interest to accept the offer set forth in the Contract of Purchase.

(m) In connection with its issuance of the bonds authorized by this resolution, the Authority shall (i) enter into a Master Lease Contract between the Puerto Rico Department of Transportation and Public Works, as lessor, and the Authority, as lessee (the "Master Lease Contract"), a Master Sublease Contract between the Authority, as sublessor, and the Puerto Rico Department of Education, as sublessee (the "Master Sublease Contract"), and has entered or shall enter into lease agreements and lease agreement amendments with certain agencies, departments and instrumentalities of the Commonwealth for the leasing of the Additional Facilities or Improvements to be financed with the proceeds of the revenue bonds authorized by Section 2 hereof (said lease agreements, lease agreement amendments and the Master Sublease Contract are hereinafter referred to collectively as the "Lease Agreements" and shall constitute "Lease Agreements" as defined in the Bond Resolution), (ii) shall enter into a continuing disclosure agreement in order to comply with the requirements of Rule 15c2-12, as amended, promulgated

by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, and (iii) shall enter into a loan agreement with Development Bank in an amount up to \$11,400,000 for the purpose of covering any shortfall in rental payments due to a reduction or offset by the United States Internal Revenue Service of the Interest Subsidy Payments in a particular fiscal year, and (iv) may enter into an investment agreement and any interest rate exchange agreements in connection thereof for the investment of the proceeds of said bonds and/or the funds deposited in the certain accounts established under this resolution.

Section 2. Series R Bonds.

(a) Authorization of Series R Bonds. For the purpose of providing funds to pay the cost of the Project and paying up to \$721,600,000 principal amount on the Notes, revenue bonds of the Authority in the aggregate principal amount of \$756,449,000 are hereby authorized to be issued under the authority of the Enabling Act and pursuant to the provisions of Section 208 of the Bond Resolution. Said bonds (the "Series R Bonds") shall be designated "Public Buildings Authority Government Facilities Revenue Bonds, Series R (Qualified School Construction Bonds – Issuer Subsidy), Guaranteed by the Commonwealth of Puerto Rico," shall be issued with such designations and authorized denominations, shall be dated as of their date of delivery, shall be issued in the form of registered bonds without coupons, shall be numbered consecutively from RR-1 upwards, shall be serial bonds, shall be stated to mature, shall bear interest and shall have such other details, as set forth below.

The Series R Bonds shall be issued in authorized denominations of \$5,000 and any multiple of \$1,000 in excess thereof, shall bear interest payable on the 1st days of January, April, July and October in each year, beginning January 1, 2012 and shall be serial bonds maturing on July 1 of the year and principal amounts and bear interest at the rate or rates per annum as follows:

Year of Maturity	Principal Amount	Interest Rate
2028	\$606,449,000	5.650%
2028	150,000,000	5.700

(b) Redemption Provisions for the Series R Bonds.

(i) Extraordinary Optional Redemption. The Series R Bonds shall be subject to redemption, at the option of the Authority, prior to their maturity date, in whole or in part, on the date designated by the Authority, upon the occurrence of an Extraordinary Event (defined below), at a redemption price equal to the principal amount of the Series R Bonds to be redeemed, plus accrued interest thereon to the redemption date, without premium. An "Extraordinary Event" will have occurred if the Authority determines that (a) a material adverse change has occurred to Section 54F or 6431 of the Code or (b) any guidance has been published by the Internal Revenue Service or the United States Treasury with respect to such section or sections or (c) any legislation is enacted which impacts the receipt of the Interest Subsidy Payments or (d) any other determination is made by the Internal Revenue Service or the United States Treasury or any court of competent jurisdiction, which determination is not the result of any act or omission by the Authority to satisfy the requirements of the Code to receive the

Interest Subsidy Payments from the United States Treasury, pursuant to which the Interest Subsidy Payments from the United States Treasury are reduced or eliminated.

(ii) Extraordinary Mandatory Redemption. The Series R Bonds shall be subject to extraordinary mandatory redemption, in whole or in part, on, August 24, 2014, at a redemption price equal to the principal amount of the Series R Bonds called for redemption plus accrued interest thereon to the redemption date, without premium, in an amount equal to the unexpended proceeds of the sale of the Series R Bonds then held by the Authority, but only to the extent that the Authority fails to expend all of the proceeds of the Series R Bonds for certain qualified purposes as required by Section 54F of the Code within three years of issuance thereof and no extension of the period for expenditure has been granted by the Internal Revenue Service.

Any such redemption shall be made in the manner and under the terms and conditions provided in the Resolution.

(c) Series R Advance Deposit Account.

(i) Creation. A special fund is hereby created and designated "Puerto Rico Public Buildings Authority Government Facilities Revenue Bonds, Series R (Qualified School Construction Bonds – Issuer Subsidy) Advance Deposit Account" (herein sometimes called the "Series R Advance Deposit Account"). The moneys in the Series R Advance Deposit Account shall be held in trust under the Resolution by the Fiscal Agent and applied as hereinafter provided with regard to such Account and, pending such application, shall be subject to a lien and charge in favor of the holders of the Series R Bonds issued and outstanding under the Resolution and for the further security of such holders until paid out are transferred as provided in the Resolution.

(ii) Deposit of Series R Advance Deposit Amounts. The Authority covenants that all Series R Advance Deposit Amounts (as defined in paragraph (e) below) received under Lease Agreements relating to Authority Facilities financed by the issuance of the Series R Bonds will be collected by the Authority and immediately deposited with the Fiscal Agent to the credit of the Series R Advance Deposit Account.

(iii) Investment of Moneys in Series R Advance Deposit Account. Moneys held for the credit of the Series R Advance Deposit Account shall, as nearly as may be practicable, be continuously invested and reinvested by the Fiscal Agent at the direction of the Authority in Permitted Investments described in Exhibit C hereto (the "Permitted Investments") which shall mature, or which shall be subject to redemption at the option of the holder thereof, not later than the dates when the moneys held for the credit of such Account will be required for the purposes intended, and not later than the stated maturity date of the Series R Bonds. Any Permitted Investments so purchased as an investment of moneys in the Series R Advance Deposit Account shall be deemed at all times to be a part of such Account. The interest accruing thereon and any profit realized from such investment shall be credited to the Series R Advance Deposit Account and any loss resulting from such investment shall be charged against the Series R Advance Deposit Account. The Fiscal Agent and the Authority shall sell at the best price reasonably obtainable or present for payment or redemption any Permitted Investments so purchased whenever it shall be necessary in order to provide moneys to pay the principal of the Series R Bonds in accordance with the provisions of the Resolution, and the Fiscal Agent may, in

making such sales or presentations, deal with itself to the same extent it could if it were not the Fiscal Agent. Neither the Fiscal Agent nor the Authority or any officer or agent of either thereof shall be liable or responsible for any loss in the Series R Advance Deposit Account resulting from any such investment made in good faith or without gross negligence. All moneys deposited into the Series R Advance Deposit Account shall constitute trust funds and shall be secured in the manner provided in Section 601 of the Bond Resolution.

(iv) Application of Moneys in Series R Advance Deposit Account. Moneys held for the credit of the Series R Advance Deposit Account shall be applied to the purchase, redemption or retirement of Series R Bonds issued under the provisions of the Resolution as follows:

first, at the written direction of the Authority, the Fiscal Agent shall endeavor to purchase Series R Bonds secured by the Resolution and then outstanding, whether or not such Series R Bonds shall then be subject to redemption, at the most advantageous price obtainable with reasonable diligence, having regard to interest rate and price, such price not to exceed the principal amount of such bonds. The Fiscal Agent shall pay the interest accrued on such Series R Bonds to the date of delivery thereof from any moneys in the Bond Service Account or the Series R Interest Subsidy Account, as applicable, and the purchase price from the Series R Advance Deposit Account but no such purchase shall be contracted for within the period of forty-five (45) days next preceding the maturity date of the Series R Bonds;

second, at the written direction of the Authority, the Fiscal Agent shall call for redemption on each day on which Series R Bonds are subject to redemption from moneys which are in the Bond Service Account, the Series R Subsidy Account and the Series R Advance Deposit Account on the forty-fifth day prior to such redemption date such amount of Series R Bonds then subject to redemption as will exhaust the Series R Advance Deposit Account as nearly as possible. Such redemption shall be made in accordance with the provisions of Article III of the Bond Resolution. Not less than thirty (30) days before the redemption date the Fiscal Agent shall withdraw from the Bond Service Account and the Series R Interest Service Account, as applicable, and from the Series R Advance Deposit Account and set aside in separate accounts the respective amounts required for paying the principal of and interest on the Series R Bonds so called for redemption; and

third, on the stated maturity date of the Series R Bonds, the Fiscal Agent shall transfer the balance remaining on deposit in the Series R Advance Deposit Account to the Bond Service Account, for application to the payment of principal of Series R Bonds maturing on such date.

(v) Pledge of Moneys in Series R Advance Deposit Account. Subject to the terms and conditions set forth in the Resolution, moneys held for the credit of the Series R Advance Deposit Account shall be held in trust and disbursed by the Fiscal Agent for (a) the payment of the principal of the Series R Bonds on their stated maturity date or (b) the payment of the purchase or redemption price of Series R Bonds before maturity, and such moneys are hereby pledged to and charged with such payments.

(d) Covenant to Require Lessees to Pay Series R Advance Deposit Amounts. The Authority covenants that all Lease Agreements which it enters into for the leasing of any

Authority Facilities financed by the Series R Bonds will, subject to the provisions of Section 702 of the Bond Resolution, require the lessee or sublessee or lessees or sublessees of such facilities to pay (i) rentals which in the aggregate will be sufficient to provide the sums needed from time to time to pay the principal of and interest on all Series R Bonds as the same shall become due and payable, (ii) additional amounts constituting an allocable portion of the Series R Advance Deposit Amounts, and (iii) as provided in Section 701 of the Bond Resolution.

(e) Series R Advance Deposit Amounts. Notwithstanding that the Series R Bonds are not subject to mandatory sinking fund redemption prior to their stated date of maturity and no Amortization Requirements have been established with respect to the Series R Bonds, the Authority shall make annual deposits into the Series R Advance Deposit Account, from amounts received by the Authority under the Lease Agreements relating to the Authority Facilities financed by the Series R Bonds, in the years and in the amounts as may be approved by the Executive Director in consultation with Development Bank (the "Series R Advance Deposit Amounts").

(f) Disbursement of Series R Bond Proceeds from Construction Fund; GDB Approval Required. The proceeds of the Series R Bonds on deposit in the Construction Fund shall not be disbursed without the prior written approval of the Development Bank.

(g) Form of Series R Bonds. The Series R Bonds, and the certificate of authentication to be endorsed thereon shall be substantially in the forms attached hereto as Exhibit B, shall be executed in the manner provided in the Bond Resolution and shall be deposited with the Fiscal Agent under the Bond Resolution for authentication and delivery pursuant to the provisions of Section 208 of the Bond Resolution.

(h) Series R Bonds to Have Benefit of Commonwealth Guaranty. The Series R Bonds are hereby specified to be covered by the guaranty of the Commonwealth under Act No. 17 of the Legislature of Puerto Rico, approved April 11, 1968, as amended.

(i) Application of Proceeds of Series R Bonds. The proceeds of the Series R Bonds shall be applied by the Fiscal Agent as follows:

(1) Such sum as shall be specified by the Executive Director in a certificate filed with the Fiscal Agent shall be deposited with Development Bank for payment of expenses incident to the issuance of the Series R Bonds, including, without limitation, the fees and expenses of the Fiscal Agent for its services under Article II of the Bond Resolution.

(2) Up to \$721,600,000 shall be transferred to the Development Bank for payment of principal on Notes, with the exact amount to be so transferred to be set forth in a certificate of the Executive Director delivered on or prior to the date of issuance of the Series R Bonds.

(3) The balance of said proceeds, being \$748,156,868, shall be paid to the Authority for deposit to the credit of the Construction Fund, to be used to pay costs of the Project.

Any balance of the sum deposited pursuant to paragraph (1) above remaining after the payment of such expenses and fees shall be deposited to the credit of the Bond Service Account or, if directed by the Executive Director, to the credit of the Construction Fund.

Section 3. Qualified School Construction Bonds. The following provisions shall apply to the Series R Bonds:

(j) Designation. The Authority hereby designates the Series R Bonds as qualified school construction bonds for purposes of Section 54F(a)(3) of the Code.

(k) Election to Receive Interest Subsidy Payments. Pursuant to Section 6431(f)(3)(B) of the Code, the Authority hereby makes an irrevocable election to have Section 6431 of the Code apply to the Series R Bonds and to receive the applicable credit under Section 6431(b) of the Code as determined in accordance with Section 6431(f)(1)(C) of the Code.

(l) Application of Interest Subsidy Payments. The Authority covenants and agrees to deposit the Interest Subsidy Payments immediately upon receipt into the Series R Interest Subsidy Account for application as provided in the Resolution. "Interest Subsidy Payments" means each of the payments of refundable tax credits relating to the Series R Bonds actually received by the Authority, or the Fiscal Agent on behalf of the Authority, from the United States Department of Treasury pursuant to Section 6431(f) of the Code.

Section 4. Series R Interest Subsidy Account.

(a) Creation. A special fund is hereby created and designated "Puerto Rico Public Buildings Authority Government Facilities Revenue Bonds, Series R (Qualified School Construction Bonds – Issuer Subsidy) Interest Subsidy Account" (herein sometimes called the "Series R Interest Subsidy Account"). The moneys in the Series R Interest Subsidy Account shall be held in trust under the Resolution by the Fiscal Agent and applied as hereinafter provided with regard to such Account and, pending such application, shall be subject to a lien and charge in favor of the holders of the Series R Bonds issued and outstanding under the Resolution and for the further security of such holders until paid out are transferred as provided in the Resolution.

(b) Deposit of Interest Subsidy Payments. The Authority covenants that all Interest Subsidy Payments will be immediately deposited upon receipt with the Fiscal Agent to the credit of the Series R Interest Subsidy Account.

(c) Investment of Moneys in Series R Interest Subsidy Account. Moneys held for the credit of the Series R Interest Subsidy Account shall, as nearly as may be practicable, be continuously invested and reinvested by the Fiscal Agent at the direction of the Authority in Investment Obligations which shall mature, or which shall be subject to redemption at the option of the holder thereof, not later than the next date on which interest on the Series R Bonds shall become due and payable. Any Investment Obligations so purchased as an investment of moneys in the Series R Interest Subsidy Account shall be deemed at all times to be a part of such Account. The interest accruing thereon and any profit realized from such investment shall be credited to the Series R Interest Subsidy Account and any loss resulting from such investment shall be charged against the Series R Interest Subsidy Account. The Fiscal Agent and the Authority shall sell at the best price reasonably obtainable or present for payment or redemption any Investment Obligations so purchased whenever it shall be necessary in order to provide

moneys to pay the interest of the Series R Bonds in accordance with the provisions of the Resolution, and the Fiscal Agent may, in making such sales or presentations, deal with itself to the same extent it could if it were not the Fiscal Agent. Neither the Fiscal Agent nor the Authority or any officer or agent of either thereof shall be liable or responsible for any loss in the Series R Interest Subsidy Account resulting from any such investment made in good faith or without gross negligence. All moneys deposited into the Series R Interest Subsidy Account shall constitute trust funds and shall be secured in the manner provided in Section 601 of the Resolution.

(d) Application of Moneys in Series R Interest Subsidy Account. Moneys held for the credit of the Series R Interest Subsidy Account shall be applied to pay interest on the Series R Bonds on the next succeeding interest payment date on which interest shall be due and payable on the Series R Bonds.

(e) Pledge of Moneys in Series R Interest Subsidy Account. Subject to the terms and conditions set forth in the Resolution, moneys held for the credit of the Series R Interest Subsidy Account shall be held in trust and disbursed by the Fiscal Agent for the payment of interest on the Series R Bonds as the same shall become due and payable, and such moneys are hereby pledged to and charged with such payments.

Section 5. Additional Representations, Warranties and Covenants Related to Qualified School Construction Bonds.

(a) The Authority represents and warrants that (i) pursuant to the provisions of the Recovery Act, the Authority has been duly delegated the authority to issue up to \$376,055,000 and \$380,394,000 aggregate principal amount of QSCBs in calendar years 2009 and 2010, respectively and (ii) it reasonably expects that 100% or more of the available project proceeds (as defined in Section 54A of the Code) will be spent for one or more qualified purposes (as defined in Section 54A of the Code) within the three-year period beginning on the date of issuance of the Series R Bonds and a binding commitment with a third party to spend at least 10% of the available project proceeds will be incurred within the six-month period beginning on the date of issuance of the Series R Bonds.

(b) The Authority covenants that (i) no more than 2% of the sale proceeds of the Series R Bonds shall be expended for costs of issuance of the Series R Bonds; (ii) no reimbursement for expenditures shall be made later than 18 months after the date the original expenditure is made, (iii) no reimbursement of expenditures from proceeds of the Series R Bonds shall be made after the end of the three-year period beginning on the date of issuance of the Series R Bonds (as such period may be extended pursuant to Section 54(d)(2)(B) of the Code), (iv) it will submit reports required by Section 54A(d)(3) of the Code, and (v) it will comply with special rules relating to arbitrage in accordance with Section 54A(d)(4) of the Code.

(c) The Authority hereby certifies that the applicable Commonwealth and local law requirements governing conflicts of interest have been satisfied.

(d) The Authority hereby agrees to file Form 8038-CP (or any successor or similar form required under the Code) no earlier than the 90th day and no later than the 45th day preceding each interest payment date identifying the amount of the interest to be paid on the interest payment date.

(e) The Authority covenants that it will not take or fail to take any action including, without limitation, any substitution of all or part of the Project, which could result in the loss of Qualified School Construction Bond status or which would otherwise affect its right to receive the Interest Subsidy Payments.

Section 6. Ratification of Preliminary Official Statement and Approval of Official Statement. The Preliminary Official Statement of the Authority, dated August 1, 2011, relating to the Series R Bonds, in the form presented at this meeting is hereby approved, and the distribution of said Preliminary Official Statement to prospective purchasers and other investors by the principal underwriters is hereby in all respects ratified, confirmed and approved. The Preliminary Official Statement was deemed final by the Authority as of the date thereof in accordance with paragraph (b)(1) of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), except for the information not required to be included therein under Rule 15c2-12. The Official Statement, dated August 10, 2011, relating to the Series R Bonds is hereby approved in the form presented at this meeting with such appropriate changes, insertions and omissions as may be approved by the Executive Director of the Authority, his signing of the Official Statement to be conclusive evidence of his approval of any such changes, insertions and omissions, and the principal underwriters are hereby authorized to use said Official Statement in connection with the public offering and sale of the Series R Bonds.

Section 7. Award of Series R Bonds. The offer submitted by the principal underwriters in the form of the Contract of Purchase, offering to purchase the Series R Bonds at a purchase price equal to the aggregate purchase price to the public shown, or derived from information shown, on the inside cover of the Official Statement less underwriters' discount of \$7,587,632 and upon the terms and conditions set forth in the Contract of Purchase is hereby accepted, and the Series R Bonds are hereby awarded to the principal underwriters. The Executive Director of the Authority is hereby authorized and directed to execute and deliver the Contract of Purchase in the form presented at this meeting, with such appropriate changes, insertions and omissions as may be approved by said Executive Director, his execution of the Contract of Purchase to be conclusive evidence of his approval of any such changes, insertions or omissions.

Section 8. Direction to Authenticate and Deliver Series R Bonds. The Series R Bonds, upon their execution in the form and manner provided in the Bond Resolution and this resolution, shall be delivered to the Fiscal Agent who is hereby authorized and directed to authenticate and deliver the Series R Bonds to or upon the order of the principal underwriters in accordance with the provisions of Section 208 of the Bond Resolution.

Section 9. Printing of Legal Opinion on Series R Bonds. In the event that the Series R Bonds shall no longer be held by a securities depository, there may be printed on the reverse of each Series R Bond the legal opinion of Foley & Lardner LLP, Bond Counsel to the Authority, respecting the validity of the Series R Bonds; and there may also be printed on the reverse of each Series R Bond, immediately following such legal opinion, a certificate, signed with the facsimile signature of the Executive Director of the Authority, substantially as follows:

"I HEREBY CERTIFY that the foregoing is a true and correct copy of the legal opinion upon the Bonds therein described which

was manually signed by Foley & Lardner LLP, Miami, Florida,
and was dated the date of delivery of and payment for said Bonds.

[Facsimile signature]

Executive Director of Puerto Rico Public
Buildings Authority.”

Section 10. Authorization of Leases and Master Lease Contract. The Executive Director and the Secretary of the Authority are hereby authorized and directed to enter into the Master Lease Contract and into Lease Agreements with such departments, agencies, instrumentalities and municipalities of the Commonwealth that shall not have previously executed Lease Agreements with the Authority as shall be required in connection with the financing of the Project, and such Master Lease Contract and such Lease Agreements shall be substantially in the form of the Lease Agreements previously executed and delivered by the Authority in connection with the issuance of revenue bonds under the Resolution, with such changes, insertions and omissions as may be approved by the Executive Director and the Secretary of the Authority, their execution of such Master Lease Contract and Lease Agreements to be conclusive evidence of any such approval.

Section 11. Filing of Financing Statements. The Executive Director is hereby authorized and directed, in the name and on behalf of the Authority, to execute and file with the appropriate office such financing statements as the person signing such statements determines (with the advice of counsel) are necessary to preserve under applicable Puerto Rico law the lien on and pledge of rentals under the Lease Agreements for the benefit of the holders of the Bonds and of any outstanding bond issued under and secured by the Bond Resolution.

Section 12. Continuing Disclosure. The form of a continuing disclosure agreement relating to the Series R Bonds, executed by the Authority and the Secretary of the Treasury of the Commonwealth (the “Disclosure Agreement”), presented to this meeting is hereby approved, and the Executive Director of the Authority is hereby authorized and directed, in the name and on behalf of the Authority, to execute and deliver the Disclosure Agreement substantially in such form, with such appropriate changes, insertions and omissions as may be approved by the Executive Director, his execution of the Disclosure Agreement to be conclusive evidence of his approval of any such changes, insertions and omissions.

Section 13. Loan Agreement with Development Bank. The Executive Director and the Secretary of the Authority are hereby authorized and directed to enter into a loan agreement with the Development Bank in the amount of up to \$11,400,000, the proceeds of which shall be used to cover any shortfall in rental payments due to a reduction or offset by the Internal Revenue Code of the Interest Subsidy Payments in a particular fiscal year. The Loan shall be due and payable no later than July 1, 2028 and shall bear interest per annum equal to the Prime Rate (as determined and announced by the Development Bank from time to time), as such rate shall change from time to time, plus 150 basis points, such rate to be adjusted from time to time effective as of each change in the Prime Rate but in no event shall such rate be less than 6% per annum nor greater than 12% per annum. The Loan Agreement and the note or notes required to

evidence such Loan shall be substantially in the form of the Loan Agreements previously executed and delivered by the Authority and Development Bank, with such changes, insertions and omissions as may be approved by the Executive Director and the Secretary of the Authority, their execution of such Loan Agreement to be conclusive evidence of any such approval.

Section 14. Investment Agreement and Interest Rate Exchange Agreement. In connection with the issuance of the Series R Bonds, the Executive Director of the Authority, after consultation with Bond Counsel and representatives of Development Bank, is hereby authorized and directed to execute and deliver any investment agreements and interest rate exchange agreements (collectively, the "Investment Agreement") regarding the investment of the bond proceeds and or moneys in the accounts created under this Resolution, substantially in such respective forms, with such appropriate changes, insertions and omissions as may be approved by the Executive Director, his execution thereof in the manner therein set forth to be conclusive evidence of his approval of any such changes, insertions and omissions.

Section 15. Authorization to Act. The officers, agents and employees of the Authority and the Fiscal Agent are hereby authorized and directed to do all acts and things required of them by the provisions of the Series R Bonds, the Resolution (particularly including this resolution), the Contract of Purchase, the Lease Agreements, Master Lease Contract, the Disclosure Agreement, the Loan Agreement, the Investment Agreement and the tax certificate relating to the Series R Bonds, and to execute all other documents contemplated hereby and thereby.

Section 16. Effective Date. The provisions of this resolution shall become effective immediately upon its adoption.

EXHIBIT A
THE PROJECT

EW

EXHIBIT B
FORM OF SERIES R BONDS

No. RR -

\$ _____

UNITED STATES OF AMERICA
COMMONWEALTH OF PUERTO RICO

PUBLIC BUILDINGS AUTHORITY

GOVERNMENT FACILITIES REVENUE BONDS, SERIES R
(QUALIFIED SCHOOL CONSTRUCTION BONDS – ISSUER SUBSIDY)

GUARANTEED BY THE COMMONWEALTH OF PUERTO RICO

Interest Rate

Maturity Date

CUSIP No.

July 1, 2028

Registered Owner:

Principal Amount: _____ Dollars

The Public Buildings Authority (herein sometimes called the “Authority”), a body corporate and politic constituting an instrumentality of the Commonwealth of Puerto Rico, for value received, hereby promises to pay, solely from the special fund provided therefor as hereinafter set forth, to the Registered Owner mentioned above, or registered assigns or legal representative, on the Maturity Date set forth above (or earlier as hereinafter referred to) upon the presentation and surrender hereof at the designated corporate trust office of U.S. Bank Trust National Association, Fiscal Agent, in New York, New York, the Principal Amount set forth above, in any coin or currency of the United States of America which, at the date of payment thereof, is legal tender for the payment of public and private debts, and to pay, solely from said special fund, to the person in whose name this bond (or one or more predecessor bonds, as defined in the Resolution hereinafter mentioned) is registered at the close of business on the June 15, September 15, December 15 or March 15 next preceding an interest payment date, by check mailed to such person at his address as it appears on the registration books of the Authority, interest on said Principal Amount from the date hereof or from the January 1, April 1, July 1 or October 1 next preceding the date of authentication hereof to which interest shall have been paid, unless such date of authentication is a January 1, April 1, July 1 or October 1 to which interest shall have been paid, in which case from such date, quarterly on January 1, April 1, July 1 and October 1, in each year, commencing January 1, 2012, in like coin or currency at the Interest Rate per annum set forth above until payment of said Principal Amount.

This bond is one of a duly authorized series of bonds of the Authority designated “Public Buildings Authority Government Facilities Revenue Bonds, Series R (Qualified School Construction Bonds – Issuer Subsidy) Guaranteed by the Commonwealth of Puerto Rico,” issued

under and pursuant to Resolution No. 468, duly adopted by the Authority on July 22, 1995, as supplemented (said Resolution No. 468, as the same may be supplemented as therein permitted, being herein called the "Resolution"), to which Resolution reference is hereby made for the provisions, among others, with respect to the custody and application of the proceeds of bonds issued under the Resolution, the creation and disposition of revenues, the fund charged with and pledged to the payment of the interest on and the principal of such bonds, the nature and extent of the security, the terms and conditions on which bonds of each series are or may be issued thereunder, the rights, duties and obligations of the Authority and of the Fiscal Agent under the Resolution and the rights of the holders of the bonds, and, by the acceptance of this bond, the holder hereof assents to all of the provisions of the Resolution.

The bonds of this series aggregate Seven Hundred Fifty Six Million Four Hundred Forty Nine Thousand Dollars (\$756,449,000) in principal amount and consist of serial bonds maturing on July 1, 2028, all of like date and are issued for the purpose of providing funds for paying all or part of the cost of construction or completion of construction of certain governmental facilities and improvements of governmental facilities, including, without limitation, paying certain amounts borrowed by the Authority as interim funding for a portion of such costs. The Resolution provides for the issuance, from time to time, under the conditions, limitations and restrictions therein set forth, of additional bonds to provide funds for paying the cost of acquiring and constructing governmental facilities and improvements of governmental facilities and refunding any bonds issued by the Authority under the provisions of the Resolution, Resolution No. 77, adopted by the Authority on November 16, 1970, as amended or Resolution No. 158, adopted by the Authority on February 14, 1978, as amended.

This bond is issued and the Resolution was adopted under and pursuant to the Puerto Rican Federal Relations Act and the Constitution and laws of the Commonwealth of Puerto Rico, particularly Act No. 56 of the Legislature of Puerto Rico, approved July 19, 1958, as amended, and under and pursuant to resolutions duly adopted by the Authority. The Resolution provides for the creation of a special fund designated "Puerto Rico Public Buildings Authority Government Facilities Revenue Bonds Sinking Fund" (hereinafter called the "Sinking Fund"), which special fund is pledged to and charged with the payment of the principal of and the redemption premium, if any, and the interest on all bonds issued under the provisions of the Resolution, and also provides for the deposit to the credit of said special fund of a sufficient amount of the rentals received by the Authority from the leasing of governmental facilities financed or refinanced by the Authority under the provisions of the Resolution to pay such principal, redemption premium, if any, and interest as the same shall become due. Said Act No. 56, as amended, provides that the good faith and credit of the Commonwealth of Puerto Rico are pledged for the payment of the rentals under any lease agreement executed pursuant to said Act with any department of the Commonwealth and to the making of advances to the Authority of any unpaid portion of rentals payable to the Authority by any agency or instrumentality of the Commonwealth under such lease agreement.

The bonds of the series of which this is one have been specified by the Authority to be covered by the guaranty of the Commonwealth of Puerto Rico under Act No. 17 of the Legislature of Puerto Rico, approved April 11, 1968, as amended, and the Commonwealth of Puerto Rico is accordingly obligated to pay the principal of such bonds and the interest thereon

to the extent that the revenues and other moneys of the Authority pledged to the payment of such principal and interest are not sufficient for that purpose.

Modifications or alterations of the Resolution or of any resolution supplemental thereto may be made by the Authority only to the extent and in the circumstances permitted by the Resolution.

The bonds of this series are subject to extraordinary optional redemption and extraordinary mandatory redemption prior to the Maturity Date as provided in the Resolution.

Any such redemption, either in whole or in part, shall be made upon at least thirty (30) days' prior notice by mail and under the terms and conditions provided in the Resolution. Bonds or portions thereof which have been duly called for redemption, or with respect to which irrevocable instructions to call for redemption have been given to the Fiscal Agent, notice having been given as provided in the Resolution, shall become and be due and payable at the redemption price provided for redemption of such bonds or such portions thereof on the date designated for redemption, and if sufficient moneys, or Government Obligations (as defined in the Resolution), for payment of the redemption price are being held by the Fiscal Agent as provided in the Resolution, interest on such bonds or such portions thereof so called for redemption shall cease to accrue from and after the redemption date, and the owners thereof shall have no rights in respect of such bonds or such portions thereof so called for redemption except to receive payment of the redemption price thereof so held by the Fiscal Agent and the accrued interest, if any, and in the manner provided in the Resolution, to receive bonds for any unredeemed portion thereof.

The bonds of this series are issuable as registered bonds without coupons in denominations of \$5,000 and any multiple of \$1,000 in excess thereof (except as provided in the authorizing resolution). At the corporate trust office of the Fiscal Agent in the manner and subject to the limitations, conditions and restrictions provided in the Resolution and upon payment of any taxes, fees or other governmental charges provided in the Resolution, bonds may be exchanged for an equal aggregate principal amount of bonds of the same series and maturity, of authorized denominations and bearing interest at the same rate.

 The transfer of this bond is registerable by the registered owner hereof in person or by his attorney or legal representative at the corporate trust office of the Fiscal Agent but only in the manner and subject to the limitations and conditions provided in the Resolution and upon surrender and cancellation of this bond. Upon any such registration of transfer the Authority shall execute and the Fiscal Agent shall authenticate and deliver in exchange for this bond a new bond or bonds registered in the name of the transferee, of authorized denominations, in aggregate principal amount equal to the principal amount of this bond, of the same series and maturity and bearing interest at the same rate. No fee or service charge shall be made to any bondholder for any such exchange or registration of transfer, but the Authority or Fiscal Agent may make a reasonable fee or service charge to such Bondholder for every such exchange or registration sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or registration of transfer.

Subject to the provisions for registration contained in the Resolution, nothing contained in this bond or in the Resolution shall affect or impair the negotiability of this bond. As declared by said Act No. 56, as amended, this bond shall be negotiable in accordance with the meaning and for all intents and purposes of the negotiable instruments law of Puerto Rico.

This bond is issued with the intent that the laws of the Commonwealth of Puerto Rico shall govern its construction.

This bond shall not be valid or become obligatory for any purpose or be entitled to any benefit under the Resolution until this bond shall have been authenticated by the execution by the Fiscal Agent of the certificate of authentication endorsed hereon.

All acts, conditions and things required by the Puerto Rican Federal Relations Act and the Constitution and laws of the Commonwealth of Puerto Rico and the resolutions of the Authority to happen, exist and be performed precedent to and in the issuance of this bond have happened, exist and have been performed as so required.

IN WITNESS WHEREOF, the Public Buildings Authority has caused this bond to be signed with the facsimile signatures of its Executive Director and its Secretary, and a facsimile of the official seal of the Authority to be imprinted hereon, all as of the 10th day of August, 2011.

PUBLIC BUILDINGS AUTHORITY



Executive Director

Secretary

CERTIFICATE OF AUTHENTICATION

This is one of the bonds of the series designated therein and issued under the provisions of the Resolution mentioned therein.

U.S. Bank Trust National Association,
Fiscal Agent

By: _____

Authorized Signatory

Date of authentication: _____



ASSIGNMENT

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

[please print or type name and address of Transferee]

the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints attorney to register the transfer of the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Signature: _____

Dated:

Guaranteed by: _____

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever and must be guaranteed.

EXHIBIT C

PERMITTED INVESTMENTS FOR SERIES R ADVANCE DEPOSIT ACCOUNT

Shall be Investment Obligations as defined in the Bond Resolution

