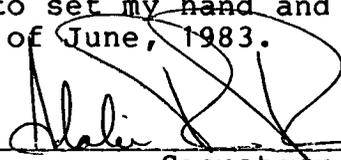


(4)

CERTIFICATE OF SECRETARY  
AS TO TRUST INDENTURE

I, Idalie Rivera Roig, Secretary of Puerto Rico Industrial Development Company, DO HEREBY CERTIFY that attached hereto is a true and correct copy of the Trust Indenture, dated as of July 1, 1964, by and between said Company and First National City Bank (now renamed Citibank, N.A.), Trustee.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of said Company this 15th day of June, 1983.

  
\_\_\_\_\_  
Secretary  
Puerto Rico Industrial  
Development Company

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**PUERTO RICO INDUSTRIAL DEVELOPMENT COMPANY**

**to**

**FIRST NATIONAL CITY BANK**  
**Trustee**

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**Trust Indenture**

---

**Dated as of July 1, 1964**

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**PUERTO RICO INDUSTRIAL DEVELOPMENT COMPANY**

**to**

**FIRST NATIONAL CITY BANK**

**Trustee**

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**Trust Indenture**

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**Dated as of July 1, 1964**

## TABLE OF CONTENTS

	PAGE
Parties .....	1
Recitals:	
Enabling Act .....	1
Powers of Company .....	1
Forms:	
Bonds .....	4
Trustee's Certificate of Authentication .....	10
Provisions for registration and reconversion .....	11
Coupons .....	12
Powers under Enabling Act .....	13
Compliance with law .....	13
Acceptance of trusts by Trustee .....	13
Agreement of parties .....	13
Pledge of Revenues .....	14

### ARTICLE I.

#### DEFINITIONS.

Sec. 101. Meaning of words and terms:	
"Amortization Requirement" .....	14
"fiscal year" .....	16
"fixed base rentals" .....	16
"gross revenues of the Trusteed Properties" .....	16
"Paying Agents" .....	16
"Principal and Interest Requirements" .....	16
"Redemption Fund income" .....	17
"serial bonds" .....	17
"Series" .....	18
"Series 1958 bonds" .....	18
"Trustee" .....	18
"Trusteed Properties" .....	18
"1958 Sinking Fund" .....	19
"1958 Trust Indenture" .....	19
Sec. 102. Miscellaneous definitions .....	19

### ARTICLE II.

#### FORM, EXECUTION, AUTHENTICATION, DELIVERY AND REGISTRATION OF BONDS.

Sec. 201. Limitation on issuance of bonds .....	20
Sec. 202. Form of bonds .....	20
Sec. 203. Details of bonds .....	20
Execution of bonds and coupons .....	20
Payment of principal and interest .....	21
Sec. 204. Authentication of bonds .....	22
Sec. 205. Registration of bonds .....	22
Transfer of registered bonds .....	23
Sec. 206. Ownership of registered bonds .....	23
Ownership of bearer bonds .....	24
Sec. 207. Reconversion of fully registered bonds .....	24
Sec. 208. Authorization of \$46,000,000 Refunding and General Purpose Revenue	
Bonds, Series 1964 .....	24
Conditions of authentication and delivery .....	26
Application of bond proceeds .....	29
Sec. 209. Issuance of additional bonds .....	30
Conditions of authentication and delivery .....	31
Disposition of bond proceeds .....	35

**TABLE OF CONTENTS — Continued**

		PAGE
SEC. 210.	Issuance of refunding bonds .....	35
	Conditions of authentication and delivery .....	36
	Disposition of bond proceeds .....	38
SEC. 211.	Deposit of accrued interest .....	39
SEC. 212.	Temporary bonds .....	39
SEC. 213.	Mutilated, destroyed or lost bonds .....	40

**ARTICLE III.**

**REDEMPTION OF BONDS.**

SEC. 301.	Redemption of bonds issued under Section 208 .....	41
	Redemption of bonds issued under Sections 209 or 210 .....	42
SEC. 302.	Redemption notice .....	42
SEC. 303.	Effect of calling for redemption .....	43
SEC. 304.	Matured coupons .....	43
SEC. 305.	Cancellation of bonds and coupons redeemed .....	43
SEC. 306.	Bonds called for redemption not deemed outstanding .....	43

**ARTICLE IV.**

**INCOME AND FUNDS.**

SEC. 401.	Covenant as to rental of Trusteed Properties .....	44
	Semi-annual report covering changes in rental status .....	45
SEC. 402.	Sinking Fund .....	45
	Bond Service Account .....	46
	Redemption Account .....	46
	Reserve Account .....	47
	Deposits of remaining balance .....	47
SEC. 403.	Application of moneys in Bond Service Account .....	47
SEC. 404.	Application of moneys in Redemption Account .....	48
	Purchase of bonds .....	48
	Redemption of bonds .....	48
	Order of purchase or redemption of bonds .....	49
SEC. 405.	Application of moneys in Reserve Account .....	50
	Company to make up deficiencies .....	51
SEC. 406.	Application and pledge of moneys in Sinking Fund .....	51
SEC. 407.	Moneys withdrawn from the Sinking Fund held in trust .....	51
	Disposition of moneys remaining unclaimed for six years after maturity of bonds or coupons .....	51
SEC. 408.	Cancellation of bonds and coupons upon payment .....	52

**ARTICLE V.**

**SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS.**

SEC. 501.	Deposits constitute trust funds .....	52
	Security for deposits .....	52
SEC. 502.	Investment of moneys .....	53

**ARTICLE VI.**

**PARTICULAR COVENANTS AND PROVISIONS.**

SEC. 601.	Payment of principal, interest and premium .....	55
	Pledge of gross revenues .....	55
	Bonds and coupons not debt of Commonwealth or subdivisions .....	55

**TABLE OF CONTENTS — Continued**

		PAGE
SEC. 602.	Covenants as to title to Trusteed Properties .....	55
	Covenant to keep properties in good repair .....	56
SEC. 603.	No prior lien or charge upon Trusteed Properties or gross revenues .....	56
	Payment of lawful charges .....	56
SEC. 604.	Insurance of Trusteed Properties .....	56
	Use and occupancy insurance .....	57
	Application of insurance proceeds .....	58
	Inspection of insurance policies .....	58
SEC. 605.	Rights of Trustee or bondholders not to be impaired .....	58
SEC. 606.	Further instruments and action .....	59
SEC. 607.	Separate and accurate records of Trusteed Properties .....	59
	Annual audits .....	59
	Additional reports or audits .....	59
SEC. 608.	Conditions under which Trusteed Properties may be sold; disposition of proceeds .....	60
	Disposition of moneys received for principal of mortgages or mortgage bonds .....	62
SEC. 609.	Control of other properties and revenues of Company .....	63
	Additions to Trusteed Properties .....	63
	Limitations on pledging other properties and revenues for borrowed money .....	63
	Certificate covering gross revenues of Trusteed Properties .....	64

**ARTICLE VII.**

**REMEDIES.**

SEC. 701.	Transferred, pledged or extended coupons .....	65
SEC. 702.	Events of default .....	65
SEC. 703.	Acceleration of maturities .....	67
SEC. 704.	Enforcement of remedies .....	68
SEC. 705.	Pro rata application of funds .....	69
SEC. 706.	Effect of discontinuance of proceedings .....	72
SEC. 707.	Majority of bondholders may control proceedings .....	72
SEC. 708.	Restrictions upon action by individual bondholder .....	72
SEC. 709.	Actions by Trustee .....	73
SEC. 710.	No remedy exclusive .....	73
SEC. 711.	No delay or omission construed to be a waiver .....	73
	Repeated exercise of powers and remedies .....	74
	Waiver of default .....	74
SEC. 712.	Notice of default .....	74

**ARTICLE VIII.**

**CONCERNING THE TRUSTEE.**

SEC. 801.	Acceptance of trusts .....	74
SEC. 802.	Trustee entitled to indemnity .....	75
	Trustee may act without indemnity .....	75
SEC. 803.	Limitation on obligations and responsibilities of Trustee .....	75
SEC. 804.	Trustee not liable for failure of Company to act .....	76
SEC. 805.	Compensation and indemnification of Trustee .....	76
SEC. 806.	Monthly statement from Trustee .....	76
SEC. 807.	Trustee may rely on certificates .....	77
	Limitations on liability of Trustee .....	77
SEC. 808.	Notice of default .....	78
SEC. 809.	Trustee may deal in bonds and take action as bondholder .....	78
SEC. 810.	Trustee not responsible for recitals .....	78
SEC. 811.	Trustee protected in relying on certain documents .....	79
SEC. 812.	Resignation of Trustee .....	79

**TABLE OF CONTENTS — Continued**

	PAGE
SEC. 813. Removal of Trustee .....	80
SEC. 814. Appointment of successor Trustee .....	80
SEC. 815. Vesting of trusts in successor Trustee .....	81
<b>ARTICLE IX.</b>	
<b>EXECUTION OF INSTRUMENTS BY BONDHOLDERS AND PROOF OF OWNERSHIP OF BONDS.</b>	
SEC. 901. Execution of instruments by bondholders .....	82
Proof of execution .....	82
Proof of holding of bonds .....	83
Other proof .....	83
Bondholders' actions bind future holders .....	84
<b>ARTICLE X.</b>	
<b>SUPPLEMENTAL INDENTURES.</b>	
SEC. 1001. Supplemental indentures or agreements by Company and Trustee .....	84
SEC. 1002. Modification of Indenture with consent of holders of $\frac{2}{3}$ rds of bonds .....	84
Restrictions on modifications .....	84
Notice of supplemental indenture .....	85
Consent of holders of $\frac{2}{3}$ rds of bonds binds all .....	86
SEC. 1003. Trustee joining in supplemental indenture .....	86
Supplemental indenture part of this Indenture .....	87
SEC. 1004. Responsibilities of Trustee under this Article .....	87
Trustee may rely on opinion of counsel .....	87
<b>ARTICLE XI.</b>	
<b>DEFEASANCE.</b>	
SEC. 1101. Release of Indenture .....	88
<b>ARTICLE XII.</b>	
<b>MISCELLANEOUS PROVISIONS.</b>	
SEC. 1201. Successorship of Company and Paying Agents .....	88
SEC. 1202. Disability of officers of Company; designation of new officers to sign documents .....	89
SEC. 1203. Manner of giving notice, etc. ....	89
SEC. 1204. Parties and bondholders alone have rights under Indenture .....	90
SEC. 1205. Suspension of newspaper publications; alternate method of giving notice...	90
SEC. 1206. Effect of partial invalidity .....	90
SEC. 1207. Effect of covenants, etc. ....	91
SEC. 1208. Multiple counterparts .....	91
SEC. 1209. Headings, etc. not part of Indenture .....	91
SEC. 1210. Filing of Statement of Assignment of Accounts Receivable .....	91
<b>EXECUTION.</b>	
Execution by Company .....	92
Execution by Trustee .....	92
<b>ACKNOWLEDGMENTS.</b>	
Acknowledgment by Company .....	93
Acknowledgment by Trustee .....	93

**This Indenture**, dated for convenience of reference as of the first day of July, 1964, by and between **Parties**

PUERTO RICO INDUSTRIAL DEVELOPMENT COMPANY,

a body corporate and politic constituting a public corporation and governmental instrumentality of the Commonwealth of Puerto Rico (hereinafter sometimes called the "Company"), and

FIRST NATIONAL CITY BANK,

a national banking association duly organized and existing under the laws of the United States of America and having its Head Office in the Borough of Manhattan, City and State of New York, which is authorized under such laws to exercise corporate trust powers and is subject to examination by federal authority, trustee (said banking association and any bank or trust company becoming successor trustee under this Indenture being hereinafter sometimes called the "Trustee"), WITNESSETH :

WHEREAS, by Act No. 188 of the Legislature of Puerto Rico, approved May 11, 1942, as amended (hereinafter sometimes called the "Enabling Act"), the members of the Council of Secretaries of Puerto Rico were created a body corporate and politic constituting a public corporation and governmental instrumentality of the Commonwealth of Puerto Rico by the name of Puerto Rico Industrial Development Company for the purpose of benefiting the inhabitants of Puerto Rico by discovering and developing to the fullest possible extent the human and economic resources of the Commonwealth; and **Enabling Act**

WHEREAS, by virtue of the Enabling Act, the Company has, among others, the power **Powers of Company**

- (i) to have perpetual existence as a company,
- (ii) to sue and be sued,
- (iii) to make contracts and to execute all instruments necessary or convenient in the exercise of any of its powers,

(iv) to borrow money and make and issue bonds and other obligations of the Company for any of its corporate purposes or for the purpose of funding, refunding, paying or discharging any of its outstanding or assumed bonds or obligations and to secure payment of its bonds and of any and all obligations by a pledge, or any other lien upon, all or any of its contracts, gross or net revenues, income or property, and

(v) to do all acts and things necessary or convenient to carry out the powers granted to it by the Enabling Act; and

WHEREAS, under the authority of the Enabling Act a Trust Indenture (herein called the "1958 Trust Indenture"), dated as of July 1, 1958, by and between the Company and The First National City Bank of New York (now First National City Bank) was duly executed and delivered; and

WHEREAS, pursuant to the provisions of Section 208 of the 1958 Trust Indenture the Company duly issued its General Purpose Revenue Bonds, Series 1958, in the principal amount of \$15,000,000, dated as of the 1st day of July, 1958, and stated to mature in numerical order, lowest numbers first, on July 1, 1959 and semi-annually thereafter on January 1 and July 1 in each of the years 1960 to 1978, inclusive, for the purpose of providing funds to pay certain outstanding temporary notes issued by the Company and for providing additional funds for use by the Company for other proper corporate purposes; and

WHEREAS, pursuant to the provisions of Section 209 of the 1958 Trust Indenture the Company duly issued its General Purpose Revenue Bonds, Series 1961, in the principal amount of \$15,000,000, dated as of the 1st day of July, 1961, and consisting of \$7,285,000 serial bonds stated to mature in semi-annual instalments, in numerical order, lowest numbers first, on January 1 and July 1 in each of the years 1963 to 1978, inclusive, and \$7,715,000 term bonds

stated to mature on July 1, 1982, for the purpose of providing funds to pay certain outstanding temporary notes issued by the Company and for providing additional funds for use by the Company for other proper corporate purposes ; and

WHEREAS, said General Purpose Revenue Bonds, Series 1958, at the time outstanding may be redeemed prior to their respective maturities in whole, at the option of the Company, on any date not earlier than July 1, 1968 at the principal amount of the bonds to be redeemed, together with the interest accrued thereon to the date fixed for redemption, plus a premium of 4% of such principal amount if so redeemed on or prior to January 1, 1971 and said General Purpose Revenue Bonds, Series 1961, at the time outstanding may be redeemed prior to their respective maturities in whole at the option of the Company on any date not earlier than July 1, 1971 at the principal amount of the bonds to be redeemed, together with the interest accrued thereon to the date fixed for redemption, plus a premium of 4% of such principal amount if so redeemed on or prior to June 30, 1974 ; and

WHEREAS, the Company has heretofore borrowed money and issued its temporary notes pursuant to a line of credit extended to the Company by First National City Bank (such notes as are outstanding and unpaid being hereinafter called the "Outstanding Notes") ; and

WHEREAS, the Company has determined that it is in its best interest to provide for the issuance at this time of revenue bonds of the Company for the purpose of refunding the outstanding General Purpose Revenue Bonds, Series 1958 and General Purpose Revenue Bonds, Series 1961, paying the Outstanding Notes and providing additional funds for use by the Company for other proper corporate purposes, and for such purpose the Company has by resolution duly authorized the issuance of bonds of the Company in the aggregate principal amount of Forty-six Million Dollars (\$46,000,000), designated "Refunding and General

Purpose Revenue Bonds, Series 1964", dated as of the 1st day of July, 1964, and numbered, bearing interest and maturing, subject to the right of prior redemption, as hereinafter set forth (said bonds and all additional bonds at any time issued under this Indenture being hereinafter sometimes called the "bonds"); and

WHEREAS, the Company has duly determined that the bonds initially issued hereunder and the interest coupons to be thereto attached, and the certificate of authentication by the Trustee and the provisions for registration and reconversion to be endorsed on such bonds, shall be, respectively, in substantially the following forms, with such variations, omissions and insertions as are required or permitted by this Indenture:

Bonds No. .... \$.....

UNITED STATES OF AMERICA  
COMMONWEALTH OF PUERTO RICO  
PUERTO RICO INDUSTRIAL  
DEVELOPMENT COMPANY  
REFUNDING AND GENERAL PURPOSE  
REVENUE BOND, SERIES 1964

The Puerto Rico Industrial Development Company (herein sometimes called the "Company"), a body corporate and politic constituting a public corporation and governmental instrumentality of the Commonwealth of Puerto Rico, for value received, hereby promises to pay to the bearer or, if this bond be registered, to the registered owner hereof, on the 1st day of ....., 19.... (or earlier as hereinafter referred to), the principal sum of

.....DOLLARS

and to pay interest thereon from the date hereof at the rate of ..... per centum (....%) per annum until payment of such principal sum, such interest

to the maturity hereof being payable semi-annually on the 1st days of January and July in each year. Both the principal of and the interest on this bond are payable in any coin or currency of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts. The principal of this bond, unless registered, and the interest hereon, unless this bond be registered as to both principal and interest, are payable at the Head Office of First National City Bank, in the Borough of Manhattan, City and State of New York, or, at the option of the holder, at First National City Bank, San Juan Branch, San Juan, Puerto Rico. Payment of the interest on this bond to the maturity hereof will be made only upon presentation and surrender of the coupons, if any, representing such interest as the same respectively fall due; or, if this bond be registered as to both principal and interest, payment of the interest on this bond on any interest payment date will be made to the person appearing on the bond registration books of the Company as the registered owner hereof, such interest to be paid by check or draft mailed to the registered owner at his address as it appears on such registration books. The principal of this bond if registered as to principal alone or as to both principal and interest is payable as the same falls due upon the presentation and surrender hereof at the Head Office of the Trustee (hereinafter mentioned).

This bond shall not be deemed to constitute a debt of the Commonwealth of Puerto Rico or of any of its municipalities or other political subdivisions, and neither the Commonwealth of Puerto Rico nor any such municipalities or other political subdivisions are liable thereon and this bond is not payable out of any funds other than those of the Company.

This bond is one of a duly authorized series of bonds of the Company designated "Refunding and General Purpose Revenue Bonds, Series 1964" issued under and pursuant to a trust indenture (said indenture, together with all inden-

tures supplemental thereto as therein permitted, being herein called the "Indenture"), dated as of July 1, 1964, by and between the Company and First National City Bank, Trustee (said banking association and any bank or trust company becoming successor trustee under the Indenture being herein called the "Trustee"), an executed counterpart of which Indenture is on file at the office of the Trustee. Reference is hereby made to the Indenture for the provisions, among others, with respect to the collection and disposition of revenues, the fund charged with and pledged to the payment of the interest on and the principal of the 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 Company and of the Trustee 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 Indenture.

The bonds of this series aggregate Forty-six Million Dollars (\$46,000,000) in principal amount and consist of bonds maturing in semi-annual instalments beginning on July 1, 1965 and ending on July 1, 1979 (herein called the "serial bonds") and of bonds maturing on July 1, 1988 (herein called the "term bonds"), all of like date and are issued for the purpose of providing funds (i) for refunding all of the outstanding General Purpose Revenue Bonds, Series 1958, dated July 1, 1958 and General Purpose Revenue Bonds, Series 1961, dated July 1, 1961 heretofore issued by the Company, (ii) for paying outstanding notes of the Company and (iii) for other proper corporate purposes of the Company. The Indenture provides for the issuance, from time to time, under the conditions, limitations and restrictions therein set forth, of additional bonds to provide funds for any proper corporate purpose of the Company and to refund any bonds issued by the Company under the provisions of the Indenture.

This bond is issued and the Indenture was made and entered into under and pursuant to the Puerto Rican Fed-

eral Relations Act and the Constitution and laws of the Commonwealth of Puerto Rico, particularly Act No. 188 of the Legislature of Puerto Rico, approved May 11, 1942, as amended, and under and pursuant to resolutions duly adopted by the Company. The Indenture provides for the creation of a special fund designated "Puerto Rico Industrial Development Company Interest and Sinking Fund" (hereinafter called the "Sinking Fund"), which special fund is pledged to and charged with the payment of the principal of and the interest on all bonds issued under the Indenture, and also provides for the deposit to the credit of said special fund of a sufficient amount of the gross revenues derived by the Company from certain properties of the Company (such properties being therein and herein called the "Trusted Properties") and certain other specified income to pay the principal of and the interest on all bonds issued under the provisions of the Indenture and then outstanding as the same shall become due and to create and maintain a reserve therefor.

The Indenture also provides that, in the event that at any time the amount in said special fund (including such reserve) is not sufficient to make any required payments for interest on or principal of the bonds, the Company shall deposit with the Trustee such amounts as are necessary to meet such requirements. Except as provided therein with respect to the Trusted Properties and the gross revenues therefrom and certain other specified income the Company's right to deal with and dispose of its properties and other funds is not restricted by the Indenture.

The holder of this bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of

all the bonds then outstanding may become or may be declared due and payable before the stated maturities thereof, together with the interest accrued thereon.

Modifications or alterations of the Indenture or of any indenture supplemental thereto may be made by the Company and the Trustee only to the extent and in the circumstances permitted by the Indenture.

The bonds of this series at the time outstanding may be redeemed prior to their respective maturities either

(a) the serial bonds in whole or the term bonds in whole or both the serial bonds and the term bonds in whole, at the option of the Company, on any date not earlier than July 1, 1973, from any moneys that may be made available for such purpose, at the principal amount of the bonds to be redeemed, together with the interest accrued thereon to the date fixed for redemption, plus a premium of 4% of such principal amount if redeemed on or prior to June 30, 1976, 3% if redeemed thereafter and on or prior to June 30, 1979, 2% if redeemed thereafter and on or prior to June 30, 1982, 1% if redeemed thereafter and on or prior to June 30, 1985, and without premium if redeemed thereafter, or

(b) in part, in the inverse order of their maturities, on any interest payment date, from moneys in the Sinking Fund at the principal amount of the bonds to be redeemed, together with the interest accrued thereon to the date fixed for redemption, plus a premium of 2½% of such principal amount if redeemed on or prior to January 1, 1969, 2% if redeemed thereafter and on or prior to January 1, 1971, 1½% if redeemed thereafter and on or prior to January 1, 1973, 1% if redeemed thereafter and on or prior to January 1, 1976, ½ of 1% if redeemed thereafter and on or prior to January 1, 1979, and without premium if redeemed thereafter.

If less than all of the serial bonds of any one maturity or less than all of the term bonds shall be called for redemp-

tion, the particular bonds to be redeemed shall be selected by lot as provided in the Indenture.

Any such redemption, either in whole or in part, shall be made upon at least thirty (30) days' prior notice by publication and otherwise as provided in the Indenture, and shall be made in the manner and under the terms and conditions provided in the Indenture. Bonds which have been duly called for redemption, or with respect to which irrevocable instructions to call for redemption at the earliest redemption date have been given to the Trustee, notice having been published and moneys for payment of the redemption price being held by the Trustee or by the paying agents, all as provided in the Indenture, shall become and be due and payable at the redemption price provided for redemption of such bonds on the date designated for redemption, interest on such bonds so called for redemption shall thereafter cease to accrue, the coupons for any such interest payable subsequent to the redemption date shall be void, and the holders or registered owners thereof shall have no rights in respect of such bonds so called for redemption except to receive payment of the redemption price thereof so held by the Trustee or by the paying agents.

This bond may be registered as to principal alone and also as to both principal and interest and, if registered as to both principal and interest, may be reconverted into a coupon bond, in accordance with the provisions endorsed hereon and subject to the terms and conditions set forth in the Indenture.

Subject to the provisions for registration endorsed hereon and contained in the Indenture, nothing contained in this bond or in the Indenture shall affect or impair the negotiability of this bond. As declared by said Act No. 188, as amended, this bond unless registered shall at all times be, and shall be understood to be, a negotiable instrument for all purposes.

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

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 Company 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.

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture until the certificate of authentication hereon shall have been signed by the Trustee.

IN WITNESS WHEREOF, the Puerto Rico Industrial Development Company has caused this bond to be signed with the facsimile signature of the President and General Manager of the Company and to be signed by the Secretary of the Company, and a facsimile of the official seal of the Company to be imprinted hereon, and the interest coupons hereto attached to be executed with the facsimile signature of said President and General Manager, all as of the 1st day of July, 1964.

.....  
President and General Manager

.....  
Secretary

(ENDORSEMENTS UPON BONDS)

**Trustee's Certificate  
of Authentication**

**TRUSTEE'S CERTIFICATE OF AUTHENTICATION**

This bond is one of the bonds, of the series designated therein, described in the within mentioned Indenture.

**FIRST NATIONAL CITY BANK,  
As Trustee**

By.....  
Authorized Officer

PROVISIONS FOR REGISTRATION  
AND RECONVERSION

Provisions for  
registration and  
reconversion

This bond may be registered as to principal alone on books of the Company kept by the Trustee under the within mentioned Indenture, as Bond Registrar, upon presentation hereof to the Bond Registrar at its Head Office which shall make notation of such registration in the registration blank below, and this bond may thereafter be transferred only upon an assignment duly executed by the registered owner or his attorney or legal representative in such form as shall be satisfactory to the Bond Registrar, such transfer to be made on such books and endorsed hereon by the Bond Registrar. Unless this bond be registered as to both principal and interest, such transfer may be to bearer and thereby transferability by delivery shall be restored, but this bond shall again be subject to successive registrations and transfers as before. The principal of this bond, if registered, unless registered to bearer, shall be payable only to the registered owner or his legal representative. Notwithstanding the registration of this bond as to principal alone, the coupons shall remain payable to bearer and shall continue to be transferable by delivery. This bond may be registered as to both principal and interest upon presentation hereof to the Bond Registrar at its Head Office which shall detach and retain in its custody all unmatured coupons and all matured coupons, if any, not theretofore paid or provided for and shall make notation of such registration as to both principal and interest in the registration blank below, and this bond may thereafter be transferred only upon an assignment duly executed by the registered owner or his attorney or legal representative in such form as shall be satisfactory to the Bond Registrar, such transfer to be made on such books and endorsed hereon by the Bond Registrar; after such registration both the principal of and the interest on this bond shall be payable only to the registered owner or his legal representative. This bond, if converted into a bond registered as to both principal and interest, may be reconverted into a coupon bond upon presentation hereof to the

Bond Registrar, accompanied by an instrument duly executed by the registered owner or his attorney or legal representative in such form as shall be satisfactory to the Bond Registrar; upon any such reconversion the Bond Registrar shall reattach hereto the coupons representing the interest to become due thereafter on this bond to the date of maturity and the interest, if any, not theretofore paid and shall make notation in the registration blank below whether this bond is registered as to principal alone or is payable to bearer.

Date of Registration	Name of Registered Owner	Manner of Registration	Signature of Bond Registrar
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....

(FORM OF COUPONS)

No. .... \$.....

**Coupons**

On ..... 1, 19...., the Puerto Rico Industrial Development Company will pay to bearer, unless the bond mentioned below shall previously have become payable as provided in the Indenture referred to in said bond and provision for payment thereof shall have been duly made, at the Head Office of First National City Bank, in the Borough of Manhattan, City and State of New York, or, at the option of the bearer, at First National City Bank, San Juan Branch, San Juan, Puerto Rico, upon the presentation and surrender hereof, the sum of ..... Dollars in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, as provided in and for the semi-annual interest then due

upon its Refunding and General Purpose Revenue Bond, Series 1964, dated as of July 1, 1964, No. ....

.....  
President and General Manager

and

WHEREAS, by virtue of the Enabling Act, the Company is authorized to issue its bonds as hereinafter provided, to enter into this Indenture and to do or cause to be done all acts and things herein provided or required to be done, and the execution and delivery of this Indenture have been duly authorized by resolution of the Company; and

**Powers under Enabling Act**

WHEREAS, all acts, conditions and things required by the Puerto Rican Federal Relations Act and by the Constitution and laws of the Commonwealth of Puerto Rico and the resolutions of the Company to happen, exist and be performed precedent to and in the execution and delivery of this Indenture, have happened, exist and have been performed as so required in order to make this Indenture a valid and binding trust indenture for the security of the bonds in accordance with its terms; and

**Compliance with law**

WHEREAS, the Trustee has accepted the trusts created by this Indenture and in evidence thereof has joined in the execution hereof;

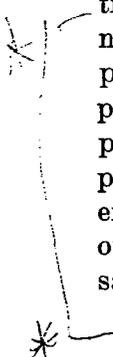
**Acceptance of trusts by Trustee**

Now, THEREFORE, THIS INDENTURE WITNESSETH, that in consideration of the premises, of the acceptance by the Trustee of the trusts hereby created, and of the purchase and acceptance of the bonds by the holders thereof, and also for and in consideration of the sum of One Dollar to the Company in hand paid by the Trustee at or before the execution and delivery of this Indenture, the receipt of which is hereby acknowledged, and for the purpose of fixing and declaring the terms and conditions upon which the bonds, with the coupons for interest, are to be issued, authenticated, deliv-

**Agreement of parties**

ered, secured and accepted by all persons who shall from time to time be or become holders thereof, and in order to secure the payment of all bonds at any time issued and outstanding hereunder, and the interest thereon, according to their tenor, purport and effect, and in order to secure the performance and observance of all of the covenants, agreements and conditions therein and herein contained, the Company has executed and delivered this Indenture and has pledged and does hereby pledge and assign to the Trustee the gross revenues of the Trusteed Properties (hereinafter defined) and other funds, to the extent provided in this Indenture as security for the payment of the bonds and the interest and any premium thereon and as security for the satisfaction of any other obligation assumed by it in connection with such bonds, and it is mutually agreed and covenanted by and between the parties hereto, for the equal and proportionate benefit and security of all and singular the present and future holders of the bonds and interest coupons issued and to be issued under this Indenture, without preference, priority or distinction as to lien or otherwise, except as otherwise hereinafter provided, of any one bond over any other bond, by reason of priority in the issuance, sale or negotiation thereof, or otherwise, as follows:

**Pledge of Revenues**



**ARTICLE I.  
DEFINITIONS.**

**Meaning of words and terms**

SECTION 101. In addition to words and terms elsewhere defined in this Indenture, the following words and terms as used in this Indenture shall have the following meanings, unless some other meaning is plainly intended:

**Amortization Requirement**

The term "Amortization Requirement" for each six months' period of July 1 to December 31 and January 1 to June 30 of any fiscal year shall mean the principal amount fixed or computed for such six months' period as hereinafter set forth for the retirement of term bonds by purchase or redemption.

The Amortization Requirements for the term bonds of each Series shall be initially the respective principal amounts (each of which shall be in a multiple of \$5,000)

for each such six months' period as fixed in the resolution of the Company authorizing the issuance of the bonds of such Series. The aggregate amount of such Amortization Requirements for the term bonds of each Series shall be equal to the principal amount of the term bonds of such Series and such Amortization Requirements shall begin in the six months' period of the fiscal year determined by the Authority and shall end not later than the six months' period immediately preceding the maturity of such bonds.

If at the time of the Trustee's computation referred to below on the 1st day of June in any fiscal year the total principal amount of the term bonds of any Series theretofore retired by purchase or redemption or theretofore called for redemption under the provisions of Section 404 of this Indenture shall be in excess of the total amount of the Amortization Requirements for the term bonds of such Series to and including such fiscal year, then the Amortization Requirements for the term bonds of such Series for the remaining six months' periods shall be eliminated or reduced accordingly in the inverse order of such six months' periods. If at such time the total principal amount of the term bonds of any Series retired by purchase or redemption, or called for redemption under the provisions of said Section 404 prior to the close of such fiscal year, shall be less than the total amount of the Amortization Requirements for the term bonds of such Series to and including such fiscal year, the amount of such deficiency shall, as provided in Section 402(b) of this Indenture, be added to the amount of the Amortization Requirement for the term bonds of such Series for the six months' period next succeeding for the purpose of determining the amounts to be deposited to the credit of the Redemption Account under said Section 402(b).

It shall be the duty of the Trustee, on the 1st day of June in each fiscal year, to compute the Amortization Requirements for each six months' period of the next

succeeding and all subsequent fiscal years for the term bonds of each Series then outstanding and to file a copy of such computation with the Secretary of the Company. The Amortization Requirement for each six months' period of the then current fiscal year shall continue to be applicable during the balance of such current fiscal year and no adjustment shall be made therein by reason of term bonds purchased or redeemed or called for redemption during such current fiscal year.

**Fiscal year**

The term "fiscal year" shall mean the period commencing on the first day of July of any year and ending on the last day of June of the following year.

**Fixed base rentals**

The term "fixed base rentals" shall mean those rentals which are payable in a specified amount regardless of earnings or other contingencies and the term "contingent rentals" shall mean all other rentals.

**Gross revenues of the Trusteed Properties**

The term "gross revenues of the Trusteed Properties" shall mean all of the cash income received by the Company, without deduction for any expenses or charges, on account of its ownership or operation of the Trusteed Properties, including any payments received by the Company on account of use and occupancy insurance covering loss of revenues of any of such Properties and any interest or other income received by the Company from any mortgages or mortgage bonds included as a part of the Trusteed Properties.

**Paying Agents**

The term "Paying Agents" shall mean the banks or trust companies at which the principal of and the interest on the bonds shall be payable.

**Principal and Interest Requirements**

The term "Principal and Interest Requirements" for any fiscal year, as applied to the bonds of any Series, shall mean the sum of:

(a) the amount required to pay the interest on all serial bonds of such Series then outstanding which is payable on January 1 in such fiscal year and on July 1 in the following fiscal year,

(b) the amount required to pay the principal of all

serial bonds of such Series then outstanding which is payable on January 1 in such fiscal year and on July 1 in the following fiscal year,

(c) the amount required to pay the interest on all term bonds of such Series then outstanding which is payable on January 1 in such fiscal year and on July 1 in the following fiscal year, and

(d) the Amortization Requirements for the term bonds of such Series for such fiscal year;

provided, however, that for the purpose of determining the maximum Principal and Interest Requirements under the provisions of Sections 209, 608, 609 and subparagraph (c) of Section 402 of this Indenture there shall be deducted from the Principal and Interest Requirements computed for any fiscal year the amount of any Redemption Fund income to be paid to the Trustee under this Indenture for such fiscal year. The Principal and Interest Requirements shall be determined, as required from time to time, by the Trustee. In computing the Principal and Interest Requirements for any fiscal year for the bonds of any Series, the Trustee shall assume that an amount of the term bonds of such Series equal to the Amortization Requirements for the term bonds of such Series for each six months' period of such fiscal year will be retired by purchase or redemption on the next succeeding interest payment date.

The term "Redemption Fund income" shall mean the interest derived from the deposit of the moneys to the credit of the Series 1958 and 1961 Bonds Redemption Fund referred to in clause (f) of Section 208 of this Indenture and the interest derived from the deposit or investment of the moneys to the credit of each redemption fund created pursuant to the provisions of Section 210 of this Indenture.

**Redemption Fund  
income**

The term "serial bonds", as applied to the bonds of a Series issued under the provisions of this Indenture, shall mean bonds of such Series which shall be stated to mature in semi-annual or annual instalments. The term

**Serial bonds**

“term bonds”, as applied to the bonds of a Series issued under the provisions of this Indenture, shall mean bonds of such Series all of which shall be stated to mature on one date which date shall not be earlier than one (1) year after the latest stated maturity of any serial bonds of such Series which are stated to mature prior thereto.

**Series**

The word “Series” as applied to the bonds issued under this Indenture shall mean either (a) the bonds issued under the provisions of Section 208 of this Indenture (including any bonds issued under the provisions of the first paragraph of Section 210 of this Indenture to refund any serial bonds of such Series) or (b) the bonds delivered at any one time under the provisions of Section 209 of this Indenture (including any bonds issued under the provisions of the first paragraph of said Section 210 to refund any serial bonds of such Series) or (c) the refunding bonds delivered at any one time under the provisions of the second paragraph of said Section 210.

**Series 1958 bonds**

The term “Series 1958 bonds” shall mean the General Purpose Revenue Bonds, Series 1958, which were issued under the provisions of Section 208 of the 1958 Trust Indenture and the term “Series 1961 bonds” shall mean the General Purpose Revenue Bonds, Series 1961, which were issued under the provisions of Section 209 of the 1958 Trust Indenture and the term “Series 1958 and 1961 bonds” shall mean the bonds of both of such Series.

**Trustee**

The word “Trustee” shall mean the Trustee for the time being, whether original or successor.

**Trusted Properties**

The term “Trusted Properties” shall mean such of the following properties as shall not have been disposed of as permitted by this Indenture: (i) those properties of the Company which constituted the Trusted Properties under the 1958 Trust Indenture on the date of its release, including all machinery and other equipment owned by the Company and located on or used in or in connection

with such properties, (ii) any other properties of the Company, including any such machinery and other equipment owned by the Company and any first mortgages on real property held by the Company as mortgagee or first mortgage bonds, which become "Trusteed Properties" by the terms of this Indenture, and (iii) all improvements of and additions to the properties referred to in clauses (i) and (ii) of this paragraph which are acquired or constructed by or on behalf of the Company.

The term "1958 Sinking Fund" shall mean the special fund created by Section 402 of the 1958 Trust Indenture and designated "Puerto Rico Industrial Development Company Interest and Sinking Fund", there being three separate Accounts in said Fund designated "Bond Service Account", "Redemption Account" and "Reserve Account", respectively.

**1958 Sinking Fund**

The term "1958 Trust Indenture" shall mean the trust indenture dated as of July 1, 1958, by and between the Company and The First National City Bank of New York (now First National City Bank), as Trustee.

**1958 Trust Indenture**

SECTION 102. The words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. The words "bond", "coupon", "owner", "holder" and "person" shall include the plural as well as the singular number unless the context shall otherwise indicate. The word "person" shall include corporations and associations, including public bodies, as well as natural persons, unless the context shall otherwise indicate. The word "bond" or "bonds" shall mean any bond or bonds or all of the bonds, as the case may be, issued under the provisions of this Indenture. The word "holder" or "bondholder" when used herein with respect to bonds issued hereunder shall mean, unless the context otherwise indicates, the holder or registered owner, as the case may be, of bonds at the time issued and outstanding hereunder. The word "Indenture" shall include this Indenture and each indenture supplemental hereto.

**Miscellaneous  
definitions**

## ARTICLE II.

FORM, EXECUTION, AUTHENTICATION, DELIVERY AND  
REGISTRATION OF BONDS.**Limitation on  
issuance of bonds**

SECTION 201. No bonds may be issued under the provisions of this Indenture except in accordance with the provisions of this Article.

**Form of bonds**

SECTION 202. The bonds issued under the provisions of Section 208 of this Article shall be substantially in the form hereinabove set forth, with such appropriate variations, omissions or insertions as are permitted or required by this Indenture, and may have endorsed thereon such legends or text as may be necessary or appropriate to conform to the rules and regulations of any governmental authority or any usage or requirement of law with respect thereto. The bonds issued under the provisions of any other Section of this Article shall be substantially in the form hereinabove set forth, with such additional changes as may be necessary or appropriate to conform to the provisions of the resolution or resolutions authorizing the issuance of such bonds.

**Details of bonds**

SECTION 203. The definitive bonds of each Series issued under the provisions of this Indenture shall be in the denomination of One Thousand Dollars (\$1,000) each, unless it shall be determined in the manner provided by the Company by resolution that all such bonds shall be in the denomination of Five Thousand Dollars (\$5,000) each, shall be numbered consecutively from 1 upwards, shall be dated, shall be stated to mature, shall bear interest from their date until their payment, such interest to the maturity thereof being payable semi-annually on the 1st days of January and July in each year, and shall be subject to the right of prior redemption, all as hereinafter provided.

**Execution of bonds  
and coupons**

The bonds shall bear the facsimile signature of the President and General Manager of the Company and shall be signed by the Secretary of the Company, and a facsimile of the official seal of the Company shall be imprinted on the

bonds. The coupons attached to the bonds shall be substantially in the form hereinabove set forth and shall be executed with the facsimile signature of the President and General Manager. In case any officer whose signature or a facsimile of whose signature shall appear on any bonds or coupons shall cease to be such officer before the delivery of such bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes the same as if he had remained in office until such delivery, and also any bond may bear the facsimile signature of, or may be signed by, such persons as at the actual time of the execution of such bond shall be the proper officers to sign such bond although at the date of such bond such persons may not have been such officers.

Both the principal of and the interest on the bonds shall be payable in any coin or currency of the United States of America which, at the respective dates of payment thereof, is legal tender for the payment of public and private debts. The principal of the bonds, unless registered, and the interest on bonds not registered as to both principal and interest, shall be payable at the Head Office of First National City Bank, in the Borough of Manhattan, City and State of New York, or, at the option of the holder, at First National City Bank, San Juan Branch, San Juan, Puerto Rico (herein sometimes called the "Paying Agents"). Payment of the interest on the bonds to the maturity thereof shall be made only upon presentation and surrender of the coupons, if any, representing such interest as the same respectively fall due; or, if any bond shall be registered as to both principal and interest, payment of such interest on any interest payment date shall be made to the person appearing on the bond registration books of the Company hereinafter provided for as the registered owner thereof, such interest to be paid by check or draft mailed to the registered owner at his address as it appears on such registration books. The principal of any bond registered as to principal alone or as to both principal and interest shall be payable as the same falls due upon the presentation and surrender thereof at the Head Office of the Trustee.

**Payment of  
principal and  
interest**

**Authentication  
of bonds**

SECTION 204. Only such of the bonds as shall have endorsed thereon a certificate of authentication substantially in the form hereinabove set forth, duly executed by the Trustee, shall be entitled to any right or benefit under this Indenture. No bond and no coupon appertaining thereto shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Trustee, and such certificate of the Trustee upon any such bond shall be conclusive evidence that such bond has been duly authenticated and delivered under this Indenture. The Trustee's certificate of authentication on any bond shall be deemed to have been duly executed if signed by an authorized officer of the Trustee, but it shall not be necessary that the same officer sign the certificate of authentication on all of the bonds that may be issued hereunder at any one time. Before authenticating or delivering any bonds the Trustee shall detach and cancel all matured coupons, if any, appertaining thereto and such cancelled coupons shall be cremated by the Trustee in the manner provided in Section 408 of this Indenture.

**Registration  
of bonds**

SECTION 205. Title to any bond, unless such bond is registered in the manner hereinafter provided, and to any interest coupon shall pass by delivery in the same manner as a negotiable instrument payable to bearer. The Company shall cause books for the registration and for the transfer of the bonds as provided in this Indenture to be kept by the Trustee as Bond Registrar. At the option of the bearer, any bond (but not any temporary bond unless the Company shall so provide) may be registered as to principal alone on such books upon presentation thereof to the Bond Registrar which shall make notation of such registration thereon. Any bond (but not any temporary bond unless the Company shall so provide) may be registered as to both principal and interest upon presentation thereof to the Bond Registrar, accompanied by all unmatured coupons and all matured coupons, if any, not theretofore paid or provided for, and the Bond Registrar shall make notation of such registration thereon and detach therefrom and retain in its custody all

such coupons. Any bond registered as to principal alone or as to both principal and interest may thereafter be transferred only upon an assignment duly executed by the registered owner or his attorney or legal representative in such form as shall be satisfactory to the Bond Registrar, such transfer to be made on such books and endorsed on the bond by the Bond Registrar. Unless such bond shall be registered as to both principal and interest, such transfer may be to bearer and thereby transferability by delivery shall be restored, subject, however, to successive registrations and transfers as before. The principal of any bond registered as to principal alone, unless registered to bearer, and the principal of any bond registered as to both principal and interest shall be payable only to the registered owner or his legal representative, but the coupons appertaining to any bond registered as to principal alone shall remain payable to bearer notwithstanding such registration. No charge shall be made to any bondholder for the privilege of registration and transfer hereinabove granted, but any bondholder requesting any such registration or transfer shall pay any tax or other governmental charge required to be paid with respect thereto. The Bond Registrar shall not be required to transfer any bond registered as to both principal and interest during the period of fifteen (15) days next preceding any interest payment date of such bond nor after such bond has been selected for redemption. No bond registered as to both principal and interest shall thereafter be discharged from registration except as provided in Section 207 of this Article.

**Transfer of  
registered bonds**

SECTION 206. As to any bond registered as to principal alone or as to both principal and interest, the person in whose name the same shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal of any such bond shall be made only to the registered owner thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such

**Ownership of  
registered bonds**

**Ownership of  
bearer bonds**

bond to the extent of the sum or sums so paid. The Company, the Trustee, the Bond Registrar and the Paying Agents may deem and treat the bearer of any bond which shall not at the time be registered as to principal, and the bearer of any coupon appertaining to any bond whether such bond shall be registered as to principal or not, as the absolute owner of such bond or coupon, as the case may be, whether such bond or coupon shall be overdue or not, for the purpose of receiving payment thereof and for all other purposes whatsoever, and neither the Company, the Trustee, the Bond Registrar nor the Paying Agents shall be affected by any notice to the contrary.

**Reconversion of  
fully registered  
bonds**

SECTION 207. Any bond registered as to both principal and interest may be reconverted into a coupon bond upon presentation thereof to the Bond Registrar, together with an instrument requesting such reconversion duly executed by the registered owner or his attorney or legal representative and in such form as shall be satisfactory to the Bond Registrar. Upon any such presentation the Bond Registrar shall reattach thereto the coupons representing the interest to become due thereafter on the bond to the date of maturity and interest then due and unpaid, if any, and shall make notation thereon whether the bond is registered as to principal alone or is payable to bearer.

No charge shall be made to any bondholder for any such reconversion except that the Bond Registrar shall require the payment by such bondholder of any tax or governmental charge required to be paid with respect to such reconversion. The Bond Registrar shall not be required to reconvert any bond under the provisions of this Section during the period of fifteen (15) days next preceding any interest payment date of such bond nor after such bond has been selected for redemption.

**Authorization  
\$46,000,000  
Refunding and  
General Purpose  
Revenue Bonds,  
Series 1964**

SECTION 208. There shall be initially issued under and secured by this Indenture bonds of the Company in the aggregate principal amount of Forty-six Million Dollars (\$46,000,000) for the purpose of providing funds (i) for

paying the principal of and redemption premium on the outstanding Series 1958 and 1961 bonds and the interest which will accrue on said bonds to their earliest redemption dates or maturity dates occurring on or prior thereto, (ii) paying the Outstanding Notes, and (iii) for other corporate purposes of the Company. Said bonds shall be designated "Refunding and General Purpose Revenue Bonds, Series 1964", shall be dated as of the 1st day of July, 1964, shall bear interest from their date until their payment at a rate or rates not exceeding six per centum (6%) per annum, and shall be stated to mature, subject to the right of prior redemption as hereinafter set forth, as follows:

\$26,100,000 of said bonds shall be serial bonds and shall be stated to mature (in numerical order, lowest numbers first) on July 1, 1965 and on the 1st days of January and July in each year thereafter as follows:

Maturity	Principal Amount	Maturity	Principal Amount
July 1, 1965	\$1,120,000	January 1, 1973	\$725,000
January 1, 1966	1,130,000	July 1, 1973	735,000
July 1, 1966	1,130,000	January 1, 1974	750,000
January 1, 1967	1,115,000	July 1, 1974	760,000
July 1, 1967	1,100,000	January 1, 1975	780,000
January 1, 1968	1,100,000	July 1, 1975	785,000
July 1, 1968	1,090,000	January 1, 1976	800,000
January 1, 1969	910,000	July 1, 1976	825,000
July 1, 1969	900,000	January 1, 1977	850,000
January 1, 1970	915,000	July 1, 1977	840,000
July 1, 1970	915,000	January 1, 1978	870,000
January 1, 1971	930,000	July 1, 1978	880,000
July 1, 1971	925,000	January 1, 1979	900,000
January 1, 1972	700,000	July 1, 1979	920,000
July 1, 1972	700,000		

The remaining \$19,900,000 bonds shall be term bonds and shall be stated to mature on the 1st day of July, 1988, and the Amortization Requirements for such term bonds shall be fixed by the resolution of the Company authorizing the issuance of the bonds and the execution and delivery of this Indenture.

**Conditions of  
authentication  
and delivery**

Each of said bonds shall be executed substantially in the form and manner hereinabove set forth and delivered to the Trustee for authentication, and said bonds shall be authenticated and delivered by the Trustee upon the filing with it of the following:

(a) a copy, certified by the Secretary of the Company, of the resolution of the Company authorizing the issuance of the bonds and the execution and delivery of this Indenture and awarding such bonds, specifying the interest rate of each such bond and directing the authentication and delivery of such bonds to or upon the order of the purchasers therein named or their representatives upon payment of the purchase price therein set forth;

(b) a written opinion of the General Counsel of the Company stating that in his opinion the Company has good and marketable title to all of the properties which constituted the Truusted Properties on the date of the release of the 1958 Trust Indenture, subject to no lien, charge or encumbrance thereon or affecting the title thereto except (i) the agreements pursuant to which any of such Properties are leased by the Company, (ii) the right of the U. S. Navy Department in times of national emergency to the free and unlimited use of the land on which the Caribe Hilton Hotel is constructed, and (iii) liens, charges, encumbrances or other defects of title which do not have a materially adverse effect upon the Company's right to use or to lease such Properties for the purposes for which such Properties are on such date used or intended to be used and that there are no liens, charges or encumbrances on the gross revenues derived or to be derived by the Company from such Properties; and

(c) a written opinion of the General Counsel of the Company stating that in his opinion the issuance of the bonds and the execution of this Indenture have been duly authorized by the Company and by all governmental authorities the consent of which is required, that all conditions precedent to the issuance of the bonds under the

provisions of this Indenture have been fulfilled, that upon the issuance thereof the bonds will be valid and binding obligations of the Company entitled to the benefits and security of this Indenture, that the requirements of any tax law applicable to the execution of the Indenture or the issuance of the bonds have been complied with or to the effect that there are no such requirements, that the gross revenues of the Trusteed Properties and the Redemption Fund income have been validly pledged, subject to no prior liens, as security for the bonds, that the Indenture and any other instruments specified in said opinion constitute the only instruments necessary for the creation of such pledge, that all instruments required by law to be recorded or filed in order to make such pledge effective have been duly recorded or filed and that each of the Trusteed Properties referred to in clause (b) of this Section is subject to a validly executed and legally effective lease;

(d) a copy, certified by the Secretary of the Company, of a resolution of the Company

(i) providing for the redemption on July 1, 1968 of all of the outstanding Series 1958 bonds which are callable in whole on July 1, 1968 and for the redemption on July 1, 1971 of all of the outstanding Series 1961 bonds which are callable in whole on July 1, 1971,

(ii) fixing the forms of the notices calling said bonds for redemption and irrevocably instructing the 1958 Trustee to sign in the name of the Company such notices calling said bonds for redemption and, promptly after the date of delivery of the bonds and in the month of May of the year 1968 with respect to the outstanding Series 1958 bonds and the year 1971 with respect to the outstanding Series 1961 bonds, to cause such notices to be published in a daily newspaper of general circulation published in San Juan, Puerto Rico, and in a daily newspaper of general circulation or a financial journal published in the

Borough of Manhattan, City and State of New York, and at least thirty (30) days before the redemption date of each such Series of bonds, to cause such respective notices to be filed with the Paying Agents of said bonds and to be mailed, postage prepaid, to all registered owners of said bonds at their addresses as they appear on the registration books provided therefor, and

(iii) irrevocably instructing the 1958 Trustee to pay from the Series 1958 and 1961 Bonds Redemption Fund the principal of the outstanding Series 1958 and 1961 bonds which mature serially on or prior to said respective redemption dates and the interest which will accrue on said bonds to their respective maturities, as such principal and interest become due;

(e) a copy of a letter addressed to the 1958 Trustee and signed by the President and General Manager of the Company directing the 1958 Trustee upon receipt of a certified copy of the resolution referred to in clause (d) above of this Section and the sum mentioned in paragraph (I) below of this Section to:

(i) execute and deliver to the Trustee under this Indenture a document evidencing the release of the 1958 Trust Indenture,

(ii) transfer all moneys and investment obligations then held for the credit of the Bond Service Account under the 1958 Trust Indenture to the credit of a special account with the 1958 Trustee to be held in trust and applied to the payment of the principal of and the interest on the Series 1958 and 1961 bonds which will become due and payable on January 1, 1965, and to deposit any excess of such moneys and the proceeds of such investment obligations not needed to make such payment to the credit of the Bond Service Account under this Indenture to the extent needed to pay the January 1, 1965 instalment of interest on the bonds and to deposit the balance of such excess to the credit of the Reserve Account under this Indenture, and

(iii) withdraw all moneys and investment obligations then held for the credit of the Redemption Account and the Reserve Account under the 1958 Trust Indenture and to deposit such moneys and obligations with the Trustee under this Indenture to the credit of the Redemption Account and the Reserve Account, respectively, in the Sinking Fund created under Article IV of this Indenture, and

(f) a letter addressed to the Company and signed by an authorized officer of the 1958 Trustee and approved by the President and General Manager of the Company, agreeing to hold the moneys deposited to the credit of the Series 1958 and 1961 Bonds Redemption Fund as hereinafter provided in paragraph (I) of this Section as a time deposit bearing interest and subject to the terms specified in such letter, and to pay all of the income derived from such deposit (herein called the "Redemption Fund income") to the Trustee for deposit to the credit of the Bond Service Account in the Sinking Fund under the provisions of Section 402 of this Indenture.

When the documents mentioned in clauses (a) to (f), inclusive, of this Section shall have been filed with the Trustee and when said Refunding and General Purpose Revenue Bonds, Series 1964, shall have been executed and authenticated as required by this Indenture, the Trustee shall deliver said bonds at one time to or upon the order of the purchasers named in the resolution mentioned in said clause (a) or their representatives, but only upon payment to the Trustee of the purchase price of said bonds, the simultaneous receipt by the Trustee of the release of the 1958 Trust Indenture mentioned in clause (e) above of this Section, and the application of the proceeds of said bonds as hereinafter set forth. The Trustee shall be entitled to rely upon such resolution as to the names of the purchasers or their representatives and the amount of such purchase price.

Simultaneously with the delivery of said Refunding and General Purpose Revenue Refunding Bonds, Series 1964, the Trustee shall apply the proceeds of said bonds (excluding accrued interest) as follows:

**Application of  
bond proceeds**

(I) Such sum as is required to pay the principal of and the redemption premium on all of the outstanding Series 1958 and 1961 bonds which mature after January 1, 1965 and the interest which will accrue on said bonds from January 1, 1965 to their respective redemption dates or maturity dates occurring on or prior thereto shall be deposited with the 1958 Trustee to the credit of the Series 1958 and 1961 Bonds Redemption Fund to be held in trust for the payment of such principal, redemption premium and interest as the same become payable.

(II) Such sum as is required for the purpose shall be applied to the payment of the Outstanding Notes upon the cancellation of said Notes and the delivery thereof to the Company.

(III) Such sum as is required, together with the moneys and investment obligations to be deposited to the credit of the Reserve Account pursuant to clause (e) above of this Section, to make the amount to the credit of the Reserve Account equal to the maximum requirements of clause (c) of Section 402 of this Indenture shall be deposited with the Trustee to the credit of said Reserve Account.

(IV) The balance of such proceeds shall be paid to the Company. The Company may use such moneys for any proper corporate purpose.

**Issuance of  
additional bonds**

SECTION 209. In addition to the bonds issued under the provisions of Section 208 of this Article and refunding bonds issued under the provisions of Section 210 of this Article, bonds of the Company may be issued under and secured by this Indenture, subject to the conditions hereinafter provided in this Section, at any time or times, for any proper corporate purpose of the Company.

Before any bonds shall be issued under the provisions of this Section, the Company shall adopt a resolution authorizing the issuance of such bonds, and fixing the amount and the details thereof. The bonds of each Series issued under the provisions of this Section shall be designated "General Purpose Revenue Bonds, Series 19 . . .", shall be dated, shall be stated to mature on January 1 or July 1 as to term bonds or on July 1 as to serial bonds maturing in annual instalments and on January 1 and July 1 as to serial bonds maturing in semi-annual instalments, at such time or times, not later than twenty-five (25) years from their date, and may be made redeemable at such times and prices (subject to the provisions of Article III of this Indenture), all as may be provided by the resolution authorizing the issuance of such bonds. Such resolution shall also fix the Amortization Requirements for any term bonds of such Series.

Such bonds shall be executed substantially in the form and manner hereinabove set forth, with such changes as may be necessary or appropriate to conform to the provisions of the resolution authorizing the issuance of such bonds, and shall be delivered to the Trustee for authentication, and such bonds shall be authenticated and delivered by the Trustee upon the filing with it of the following:

**Conditions of  
authentication  
and delivery**

(a) a copy, certified by the Secretary of the Company, of the resolution mentioned above;

(b) a copy, certified by the Secretary of the Company, of the resolution of the Company awarding such bonds, specifying the interest rate of each such bond and directing the authentication and delivery of such bonds to or upon the order of the purchasers therein named or their representatives upon payment of the purchase price therein set forth;

(c) a certificate, signed by the President and General Manager and by the Controller of the Company

not earlier than thirty (30) days prior to the delivery date of such bonds, and approved by an independent and nationally recognized firm of certified public accountants satisfactory to the Trustee, setting forth:

(i) the lesser of the amount of one-third ( $\frac{1}{3}$ ) of the contingent rentals received by the Company in the thirty-six (36) months immediately preceding the month in which such certificate is signed from the properties which then constitute the Trusteed Properties (whether or not such properties constituted Trusteed Properties for the entire thirty-six (36) months), or the amount of the contingent rentals received from such properties in the twelve (12) months immediately preceding the month in which such certificate is signed, but excluding from both such amounts any contingent rentals received by the Company under lease agreements which are not in effect on the date on which such certificate is signed,

(ii) the amount of the fixed base rentals received by the Company from the Trusteed Properties in the twelve (12) months immediately preceding the month in which such certificate is signed, excluding therefrom any rentals received under lease agreements which were not in effect on the date on which such certificate is signed or which were renewed at a different rate, but including any such fixed base rentals which would have been received under new lease agreements of Trusteed Properties, including any agreements which were renewed at different rates, entered into during such twelve (12) months' period if they had been in effect throughout such twelve (12) months' period,

(iii) the amount of any interest received by the Company in cash in the twelve (12) months immedi-

ately preceding the month in which such certificate is signed from any mortgages or mortgage bonds included in the Trusteed Properties, excluding therefrom any such income which has ceased to accrue to the Company prior to the date on which such certificate is signed, but including any income which would have been received by the Company from mortgages or mortgage bonds included in the Trusteed Properties acquired by the Company during such twelve (12) months' period if they had been owned by the Company throughout such twelve (12) months' period, and

(iv) the amount of the maximum Principal and Interest Requirements for any fiscal year thereafter on account of all bonds theretofore issued under the provisions of this Indenture and then outstanding and the bonds then requested to be authenticated and delivered;

(d) a certificate, signed by the President and General Manager of the Company on the date of delivery of the bonds of such Series, stating that the Company is not then and upon the issuance of the bonds then requested to be authenticated and delivered will not be in default in the performance of any of the covenants, conditions, agreements or provisions contained in this Indenture; and

(e) a written opinion of the General Counsel of the Company stating that in his opinion the issuance of such bonds has been duly authorized by the Company and by all governmental authorities the consent of which is required, that all conditions precedent to the issuance of the bonds under the provisions of this Indenture have been fulfilled, that upon the issuance thereof the bonds will be valid and binding obligations

of the Company entitled to the benefits and security of this Indenture, that the requirements of any tax law applicable to the issuance of the bonds have been complied with or to the effect that there are no such requirements, that the gross revenues of the Trusteed Properties have been validly pledged, subject to no prior liens, as security for the bonds and the Indenture and any other instruments specified in said opinion constitute the only instruments necessary for the creation of such pledge, that all instruments required by law to be recorded or filed in order to make such pledge effective have been duly recorded or filed and that each of the properties which then constitute the Trusteed Properties is subject to a validly executed and legally effective lease, and an opinion in the form required by clause (b) of Section 208 of this Indenture as to the title in the Company of the Trusteed Properties including those acquired or constructed by the Company since the date of the opinion furnished by the General Counsel pursuant to said clause (b) of Section 208.

When the documents mentioned above in clauses (a) to (e), inclusive, of this Section shall have been filed with the Trustee and when the bonds described in the resolutions mentioned in clauses (a) and (b) of this Section shall have been executed and authenticated as required by this Indenture, the Trustee shall deliver such bonds at one time to or upon the order of the purchasers named in the resolution mentioned in said clause (b) or to their representatives, but only upon payment to the Trustee of the purchase price of such bonds. The Trustee shall be entitled to rely upon such resolution as to the names of the purchasers or their representatives and the amount of such purchase price. But the Trustee shall not authenticate and deliver such bonds unless the percentage derived by dividing the sum of the amounts shown in items (i), (ii) and (iii) of the certificate mentioned in said clause (c) by the amount shown in item (iv) of such certificate shall be not less than one hundred fifty per centum (150%).

The proceeds (excluding accrued interest) of all bonds of each Series issued under the provisions of this Section shall be applied by the Trustee as follows:

**Disposition of  
bond proceeds**

(1) If, under the provisions of the resolution mentioned in clause (a) of this Section, any amount of the proceeds of the bonds is to be applied to the payment of any outstanding notes of the Company, the Trustee shall make such application in accordance with the provisions of such resolution.

(2) The balance of such proceeds shall be paid to the Company. The Company may use such moneys for any proper corporate purpose.

SECTION 210. Refunding bonds of the Company may be issued under and secured by this Indenture, subject to the conditions hereinafter provided in this Section, for the purpose of providing funds for refunding at their maturity all or part of the serial bonds of any Series which will mature within three (3) months thereafter. Before any bonds shall be issued under the provisions of this paragraph the Company shall adopt a resolution authorizing the issuance of such bonds, fixing the amount and the details thereof, and describing the bonds to be refunded. Such refunding bonds shall be deemed to constitute a part of the term bonds of such Series, shall mature at the same time and shall be subject to redemption at the same times and prices as such term bonds or, in case all outstanding bonds of such Series shall be serial bonds, such refunding bonds shall be stated to mature on July 1 in a year not earlier than one year after the last maturing instalment of such serial bonds and not later than twenty-five (25) years from their date. Such refunding bonds shall be dated, shall be designated and may be made redeemable at such times and prices (subject to the provisions of Article III of this Indenture), all as may be provided by the resolution authorizing the issuance of such bonds. Such resolution shall also fix the Amortization Requirement for such term bonds.

**Issuance of  
refunding bonds**

Refunding bonds of the Company may be issued under and secured by this Indenture, subject to the conditions hereinafter provided in this Section, at any time or times, for the purpose of providing funds for refunding at or prior to their maturity or maturities all of the outstanding serial bonds of any Series, or all of the outstanding term bonds of any Series or all of such serial bonds and term bonds of any Series, including the payment of any redemption premium thereon and interest which will accrue on such bonds to their earliest redemption date or maturity date or dates occurring prior thereto. Before any bonds shall be issued under the provisions of this paragraph the Company shall adopt a resolution authorizing the issuance of such bonds, fixing the amount and the details thereof, and describing the bonds to be refunded. Such refunding bonds shall be designated, shall be dated, shall be stated to mature on January 1 or July 1 as to term bonds or on July 1 as to serial bonds maturing in annual instalments and on January 1 and July 1 as to serial bonds maturing in semi-annual instalments, at such time or times, not later than twenty-five (25) years from their date, and may be made redeemable at such times and prices (subject to the provisions of Article III of this Indenture), all as may be provided by the resolution authorizing the issuance of such bonds. Such resolution shall also fix the Amortization Requirements for any term bonds of such Series.

**Conditions of  
authentication  
and delivery**

Such refunding bonds shall be executed substantially in the form and manner hereinabove set forth with such changes as may be necessary to conform to the resolution authorizing the issuance of such bonds, and shall be delivered to the Trustee for authentication, and such bonds shall be authenticated and delivered by the Trustee, upon the filing with it of the following:

- (a) a copy, certified by the Secretary of the Company, of the resolution authorizing the issuance of such bonds;
- (b) a copy, certified by the Secretary of the Company, of the resolution adopted by the Company award-

ing such bonds, specifying the interest rate of each such bond and directing the authentication and delivery of such bonds to or upon the order of the purchasers therein named upon payment of the purchase price therein set forth;

(c) a written opinion of the General Counsel of the Company stating that in his opinion the issuance of such bonds has been duly authorized by the Company and by all governmental authorities the consent of which is required, that all conditions precedent to the issuance of the bonds under the provisions of this Indenture have been fulfilled, that upon the issuance thereof the bonds will be valid and binding obligations of the Company entitled to the benefits and security of this Indenture, that the requirements of any tax law applicable to the issuance of the bonds have been complied with or to the effect that there are no such requirements and that the gross revenues of the Trusteed Properties have been validly pledged, subject to no prior liens, as security for the bonds and the Indenture and any other instruments specified in said opinion constitute the only instruments necessary for the creation of such pledge, that all instruments required by law to be recorded or filed in order to make such pledge effective have been duly recorded or filed and that each of the properties which then constitute the Trusteed Properties is subject to a validly executed and legally effective lease;

(d) in case such bonds are to be issued for the purpose of refunding bonds of any Series at or prior to their stated maturity or maturities pursuant to the second paragraph of this Section, such documents as shall be required by the Trustee to show that provision has been duly made in accordance with the provisions of this Indenture for the redemption of all of the bonds to be refunded prior to their stated maturity or maturities.

When the documents mentioned above shall have been filed with the Trustee and when the bonds described in the

resolutions mentioned in clauses (a) and (b) of this Section shall have been executed and authenticated as required by this Indenture, the Trustee shall deliver such bonds at one time to or upon the order of the purchasers named in the resolution mentioned in said clause (b) or their representatives, but only upon payment to the Trustee of the purchase price of such bonds. The Trustee shall be entitled to rely upon such resolution as to the names of the purchasers or their representatives and the amount of such purchase price. But the Trustee shall not authenticate and deliver such bonds unless

(I) the proceeds (excluding accrued interest but including any premium) of such refunding bonds plus any moneys to be withdrawn from the Sinking Fund by the Trustee for such purpose as hereinafter provided, shall be not less than an amount sufficient to pay the principal of and the redemption premium, if any, on the bonds to be refunded and the interest which will accrue thereon to the redemption date or maturity dates occurring prior thereto, and

(II) in case such bonds are to be issued for the purpose of redeeming the bonds of any Series at or prior to their stated maturity or maturities pursuant to the second paragraph of this Section, the maximum amount of the Principal and Interest Requirements for any fiscal year thereafter on account of all bonds to be outstanding after the issuance of such refunding bonds and the redemption of the bonds to be refunded, shall be less than the maximum amount of the Principal and Interest Requirements for any fiscal year thereafter on account of all the bonds outstanding prior to the issuance of such refunding bonds and the redemption of the bonds to be refunded.

**Disposition of  
bond proceeds**

Simultaneously with the delivery of such refunding bonds the Trustee shall withdraw from the Sinking Fund an amount sufficient, together with any excess of the proceeds (excluding accrued interest but including any pre-

mium) of such refunding bonds over the amount required for paying the principal of and the redemption premium, if any, on the bonds to be refunded, to pay the interest on the bonds to be refunded which will become payable on or prior to their maturity or the date of their redemption. The amount so withdrawn and the proceeds of such refunding bonds (excluding accrued interest but including any premium) shall be held by the Trustee for the credit of a special redemption fund appropriately designated to be held in trust for the sole and exclusive purpose of paying such principal, redemption premium and interest. Moneys held for the credit of such redemption fund shall, as nearly as may be practicable and reasonable, be invested and reinvested by the Trustee in direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States Government which shall mature, or which shall be subject to redemption by the holder thereof at the option of such holder, not later than the respective dates when the moneys held for the credit of such redemption fund will be required for the purposes intended. In lieu of such investments, interest bearing time deposits or other similar arrangements, if then permitted by law and subject to the approval of the President and General Manager of the Company, may be made by the Trustee with respect to any moneys held for the credit of such redemption fund; provided, however, that each such time deposit or other similar arrangement shall permit the moneys so placed to be available for use not later than the respective dates when the moneys held for the credit of such redemption fund will be required for the purposes intended.

SECTION 211. All moneys received as accrued interest on bonds issued under the provisions of this Indenture shall be deposited with the Trustee to the credit of the special account hereinafter created in the Sinking Fund and designated "Bond Service Account".

**Deposit of  
accrued interest**

SECTION 212. Until the definitive bonds of any Series are ready for delivery, there may be executed, and upon request of the President and General Manager of the Com-

**Temporary bonds**

pany the Trustee shall authenticate and deliver, in lieu of definitive bonds and subject to the same limitations and conditions except as to identifying numbers, temporary printed, engraved, lithographed or typewritten bonds in the denomination of One Thousand Dollars (\$1,000) or any multiple thereof, substantially of the tenor hereinabove set forth, with or without coupons, and with or without the privilege of registration as to principal or as to both principal and interest as the Company may provide, and with appropriate omissions, insertions and variations as may be required. The Company shall cause the definitive bonds to be prepared and to be executed and delivered to the Trustee, and the Trustee, upon presentation to it of any temporary bond accompanied by all unmatured coupons, if any, shall cancel the same and authenticate and deliver, in exchange therefor, at its Head Office, without expense to the holder, a definitive bond or bonds of the same Series and in the same aggregate principal amount, maturing on the same date and bearing interest at the same rate as the temporary bond surrendered. Upon any such exchange, all coupons appertaining to the definitive bonds and representing interest theretofore paid shall be detached and cancelled by the Trustee. Until so exchanged, the temporary bonds shall in all respects, including the privilege of registration if so provided, be entitled to the same benefit of this Indenture as the definitive bonds to be issued and authenticated hereunder, and interest on such temporary bonds, when payable, if the definitive bonds with interest coupons shall not be ready for exchange, shall be paid on presentation of such temporary bonds and notation of such payment shall be endorsed thereon, or such interest shall be paid upon the surrender of the appropriate coupons if coupons representing such interest shall be attached to such temporary bonds.

Mutilated,  
destroyed or  
lost bonds

SECTION 213. In case any bond issued hereunder shall become mutilated or be destroyed or lost, the Company shall cause to be executed, and the Trustee shall authenticate and deliver, a new bond of like date, maturity and tenor

in exchange and substitution for and upon the cancellation of such mutilated bond and its interest coupons, if any, or in lieu of and in substitution for such bond and its coupons, if any, destroyed or lost, upon the holder's paying the reasonable expenses and charges of the Company and the Trustee in connection therewith and, in the case of a bond destroyed or lost, his filing with the Trustee evidence satisfactory to it and to the Company that such bond and coupons, if any, were destroyed or lost, and of his ownership thereof, and furnishing the Company and the Trustee with indemnity satisfactory to them.

### ARTICLE III.

#### REDEMPTION OF BONDS.

SECTION 301. The bonds issued under the provisions of Section 208 of this Indenture at the time outstanding may be redeemed prior to their respective maturities either

Redemption of  
bonds issued under  
Section 208

(a) the serial bonds in whole or the term bonds in whole or both the serial bonds and the term bonds in whole, at the option of the Company, on any date not earlier than July 1, 1973, from any moneys that may be made available for such purpose, at the principal amount of the bonds to be redeemed, together with the interest accrued thereon to the date fixed for redemption, plus a premium of 4% of such principal amount if redeemed on or prior to June 30, 1976, 3% if redeemed thereafter and on or prior to June 30, 1979, 2% if redeemed thereafter and on or prior to June 30, 1982, 1% if redeemed thereafter and on or prior to June 30, 1985, and without premium if redeemed thereafter, or

\* define

(b) in part, in the inverse order of their maturities, on any interest payment date, from moneys in the Sinking Fund at the principal amount of the bonds to be redeemed, together with the interest accrued thereon to the date fixed for redemption, plus a premium of 2½% of such principal amount if redeemed on or prior to January 1, 1969, 2% if redeemed thereafter and on or prior to January 1, 1971, 1½% if redeemed thereafter and on or prior to January 1, 1973, 1% if redeemed

thereafter and on or prior to January 1, 1976, ½ of 1% if redeemed thereafter and on or prior to January 1, 1979, and without premium if redeemed thereafter.

Redemption of  
bonds issued under  
Sections 209 or 210

The bonds of any Series issued under the provisions of Sections 209 or 210 of this Indenture may be made subject to redemption, either in whole or in part and at such times and prices, as may be provided in the resolution authorizing the issuance of such bonds; provided, however, that any premium to be paid on the redemption of any such bonds shall not exceed five per centum (5%) of the principal amount of the bonds to be redeemed, and provided further, that any redemption in part shall be made only on an interest payment date, except as to bonds to be redeemed from the proceeds of any insurance on, or the sale of, any Trusteed Properties.

A redemption of any part of the bonds issued under the provisions of this Indenture and then outstanding less than the whole thereof shall be either (i) a redemption from the proceeds of refunding bonds issued under the provisions of Section 210 of this Indenture or from any moneys otherwise made available for the purpose, or (ii) a redemption subject to the conditions set forth in paragraph (c) of Section 404 of this Indenture.

If less than all of the serial bonds of a Series of any one maturity or less than all of the term bonds of a Series shall be called for redemption, the particular bonds to be redeemed shall be selected by lot by the Trustee in such manner as the Trustee in its discretion may determine.

Redemption  
notice

SECTION 302. At least thirty (30) days before the redemption date, the Trustee shall cause a notice of any such redemption, either in whole or in part, signed in the name of the Company by the Trustee, (a) to be published once in a daily newspaper of general circulation published in San Juan, Puerto Rico, and in a daily newspaper of general circulation or a financial journal published in the Borough of Manhattan, City and State of New York, (b) to be filed with the Paying Agents, and (c) to be mailed, postage prepaid, to all registered owners of bonds to be redeemed at their addresses as they appear on the registration books hereinabove

provided for, but failure so to mail any such notice shall not affect the validity of the proceedings for such redemption. Each such notice shall set forth the date fixed for redemption, the place or places at which payment will be made, the redemption price to be paid and, if less than all of the bonds of a Series then outstanding shall be called for redemption, the maturities and numbers of such bonds.

SECTION 303. On the date so designated for redemption, notice having been published and filed in the manner and under the conditions hereinabove provided and moneys for payment of the redemption price being held in separate accounts by the Trustee or by the Paying Agents in trust for the holders of the bonds to be redeemed, all as provided in this Indenture, the bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such bonds on such date, interest on the bonds so called for redemption shall cease to accrue, the coupons for interest thereon payable subsequent to the redemption date shall be void, and the holders or registered owners of such bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

**Effect of calling  
for redemption**

SECTION 304. All unpaid interest coupons which appertain to bonds so called for redemption and which shall have become payable on or prior to the date of redemption designated in such notice shall continue to be payable to the bearers severally and respectively upon the presentation and surrender of such coupons.

**Matured coupons**

SECTION 305. Bonds so called for redemption and all unmatured coupons appertaining thereto shall be cancelled upon the surrender thereof.

**Cancellation of  
bonds and coupons  
redeemed**

SECTION 306. In the event that sufficient moneys are held in separate accounts by the Trustee or by the Paying Agents in trust for the payment of (i) the principal, any redemption premium and interest to accrue to the redemption date of all bonds of any Series which have been duly

**Bonds called  
for redemption  
not deemed  
outstanding**

called for redemption under the provisions of this Article or with respect to which irrevocable instructions to call for redemption have been given to the Trustee in form satisfactory to it, and (ii) the principal of all serial bonds, if any, of a Series refunded under this Indenture which mature prior to the earliest redemption date of the bonds of such Series subject to redemption, and the interest to accrue on such serial bonds to the maturity date or dates thereof, such bonds so called or to be called for redemption and any such serial bonds shall not thereafter be deemed to be outstanding under the provisions of this Indenture and shall cease to be entitled to any lien, benefit or security under this Indenture, other than the right to receive payment from such moneys.

#### ARTICLE IV.

##### INCOME AND FUNDS.

**Covenant as to  
rental of Trusteed  
Properties**

SECTION 401. The Company covenants that it will use its best efforts to keep the buildings and the machinery and equipment included in the Trusteed Properties rented at all times and that, subject to the terms of the leases of such Properties in effect on the date of execution of this Indenture, the rent to be charged for each property included in the Trusteed Properties will be fixed at such amount as the Company determines to be the maximum obtainable in the circumstances. Nothing contained in this Indenture shall be deemed to prevent the Company from renegotiating the terms of or cancelling or replacing any leases of Trusteed Properties when it determines such action to be in the best interests of the Company and the bondholders.

The Company further covenants that it will take all reasonable action which may be necessary to collect all of the rents and other income which it is entitled to receive from the Trusteed Properties.

Within fifteen (15) days after January 1 and July 1 of each year the President and General Manager of the Company shall file with the Trustee and shall mail to each bond-

holder who shall have filed his name and address with the Secretary of the Company for such purpose, a report in respect of the preceding six (6) months' period setting forth in sufficient detail any change in the rental status of any of the Trusteed Properties and listing any of the Trusteed Properties which were disposed of by the Company and any properties which were added to the Trusteed Properties during such period and the rental received or to be received therefrom.

**Semi-annual  
report covering  
changes in  
rental status**

SECTION 402. A special fund is hereby created and designated "Puerto Rico Industrial Development Company Interest and Sinking Fund" (herein sometimes called the "Sinking Fund"). There are hereby created three separate accounts in the Sinking Fund designated "Bond Service Account", "Redemption Account", and "Reserve Account", respectively. The moneys in each of said Accounts shall be held in trust and applied as hereinafter provided and, pending such application, shall be subject to a lien and charge in favor of the holders of the bonds issued and outstanding under this Indenture and for the further security of such holders until paid out or transferred as herein provided.

**Sinking Fund**

The Company covenants that all of the gross revenues of the Trusteed Properties collected by the Company on and after the date of delivery of the bonds under the provisions of Section 208 of this Indenture will be deposited as received with the Trustee without deduction for any expenses or charges. All of the Redemption Fund income shall be deposited with the Trustee and the Trustee shall deposit such income as received to the credit of the Bond Service Account. The Trustee shall, from such gross revenues received by it during any six (6) months' period of July 1 to December 31 or January 1 to June 30 of each fiscal year, promptly make deposits to the credit of the following Accounts in the amounts specified and in the following order:

**Bond Service  
Account**

(a) to the credit of the Bond Service Account such amount as may be required, with the amount of the Redemption Fund income, if any, to be deposited to the credit of said Account on the January 1 or the July 1, as the case may be, following such six (6) months' period, to make the amount then to the credit of the Bond Service Account equal to the total of (i) the interest which will become payable on the next interest payment date on all bonds of each Series then outstanding, (ii) the principal of all serial bonds of each Series which mature in semi-annual installments, if any, which will become payable within the next ensuing six (6) months, and (iii) an amount in the case of a six (6) months' period of July 1 to December 31, equal to fifty per centum (50%) and, in the case of a six (6) months' period of January 1 to June 30 equal to one hundred per centum (100%) of the principal of all serial bonds of each Series which mature in annual installments, if any, which will become payable within the next ensuing twelve (12) months;

**Redemption  
Account**

(b) to the credit of the Redemption Account such amount as may be required to make the amount deposited during the then current six (6) months' period of July 1 to December 31 or January 1 to June 30 in each fiscal year to the credit of the Redemption Account equal to the Amortization Requirement of such six (6) months' period for the term bonds of each Series then outstanding, plus the premium, if any, which would be payable in the next ensuing six (6) months' period on a like principal amount of bonds if such principal amounts of bonds should be redeemed prior to their maturity from moneys in the Sinking Fund; provided, however, that if the amounts so deposited to the credit of said Account or to the credit of the Bond Service Account in any such six (6) months' period shall be less than the required amounts, the requirements therefor shall nevertheless be cumulative and the amounts of any deficiencies in any such six (6) months' period shall be

added to the amounts otherwise required to be deposited in each such six (6) months' period in each fiscal year thereafter until such time as such deficiencies shall have been made up; and provided, further, that the requirements of this clause (b) shall be in addition to any other requirements of this Indenture for deposits to the credit of the Redemption Account; and

(c) to the credit of the Reserve Account, such amount as may be required to make the amount then to the credit of the Reserve Account equal to the maximum amount of the Principal and Interest Requirements for the then current or any fiscal year thereafter on account of all bonds then outstanding.

**Reserve Account**

Any balance of such gross revenues and Redemption Fund income remaining after making the full deposits under clauses (a), (b) and (c) above shall be deposited by the Trustee in the name of the Company in a separate account in the commercial banking department of the Trustee. The Company may use such balance for any proper corporate purpose of the Company.

**Deposits of  
remaining  
balance**

SECTION 403. The Trustee shall, from time to time, withdraw from the Bond Service Account and (1) remit by mail to each registered owner of bonds registered as to both principal and interest the amounts required for paying interest upon such bonds as such interest becomes due, (2) deposit in trust with the Paying Agents sufficient moneys for paying the interest on the remaining bonds as such interest becomes due, (3) set aside in trust an amount equal to the amount of, and for the sole and exclusive purpose of paying, the principal of all serial bonds registered as to principal alone or as to both principal and interest as such principal becomes due, and (4) deposit in trust with the Paying Agents sufficient moneys for paying the principal of serial bonds not registered as to principal alone or as to both principal and interest as such principal becomes due.

**Application of  
moneys in Bond  
Service Account**

**Application of  
moneys in  
Redemption  
Account**

SECTION 404. Moneys held for the credit of the Redemption Account shall be applied to the retirement of bonds issued under the provisions of this Indenture as follows:

**Purchase of bonds**

(a) Subject to the provisions of paragraph (c) of this Section, the Trustee shall endeavor to purchase bonds secured hereby and then outstanding, whether or not such 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 of such bonds plus the amount of the premium, if any, which would be payable on the next redemption date to the holders of such bonds if such bonds should be called for redemption on such date from moneys in the Sinking Fund. The Trustee shall pay the interest accrued on such bonds to the date of delivery thereof from the Bond Service Account and the purchase price from the Redemption Account but no such purchase shall be contracted for within the period of forty-five (45) days next preceding any interest payment date on which bonds are subject to call for redemption under the provisions of this Indenture. The Company shall pay from its own funds all expenses in connection with such purchase.

**Redemption of  
bonds**

(b) Subject to the provisions of Article III of this Indenture and paragraph (c) of this Section, the Trustee shall call for redemption on each date on which bonds are subject to redemption from moneys in the Sinking Fund such amount of bonds then subject to redemption as, with the redemption premium, if any, will exhaust the Redemption Account as nearly as may be; provided, however, that, if at any time any proceeds of insurance on, or of the sale of, any Trusteed Properties shall be on deposit to the credit of the Redemption Account, the Trustee, before calling bonds for redemption through the application of such proceeds, shall, for such period as it deems to be practicable, endeavor to apply the same to the purchase of bonds under the pro-

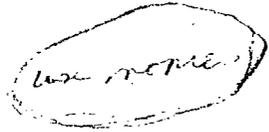
visions of paragraph (a) above, without regard to the limitations on the time of purchase contained in said paragraph (a); provided, further, that not less than Fifty Thousand Dollars (\$50,000) principal amount of bonds shall be called for redemption at any one time. Not less than thirty (30) days before the redemption date the Trustee shall withdraw from the Bond Service Account and from the Redemption Account and set aside in separate accounts or deposit with the Paying Agents the respective amounts required for paying the interest on, and the principal and redemption premium of, the bonds so called for redemption. The Company shall pay from its own funds all expenses in connection with such redemption.

(c) Moneys in the Redemption Account shall be applied to the purchase or redemption of bonds in the following order:

**Order of purchase  
or redemption  
of bonds**

*first*, term bonds issued under the provisions of Section 208 of this Indenture (including any bonds issued under the provisions of the first paragraph of Section 210 of this Indenture and deemed to be a part of the term bonds of such Series), to the extent of the Amortization Requirement, if any, of the then current fiscal year for such term bonds and any deficiency in preceding fiscal years in the purchase or redemption of such term bonds under the provisions of this subdivision;

*second*, term bonds of each Series, if any, issued under the provisions of Section 209 of this Indenture (including any bonds issued under the provisions of the first paragraph of Section 210 and deemed to be a part of the term bonds of such Series) and term bonds of each Series, if any, issued under the provisions of the second paragraph of Section 210 of this Indenture, in the order of their issuance, to the extent of the Amortization Requirement, if any, of the then current fiscal year for such term bonds and any deficiency in preceding fiscal years in the purchase or



redemption of such term bonds under the provisions of this subdivision;

*third*, any balance then remaining shall be applied to the purchase or redemption of term bonds of each such Series in proportion (as nearly as practicable) to the aggregate principal amount of the term bonds of each such Series originally issued; and

*fourth*, after the retirement of all outstanding term bonds, serial bonds issued under any provisions of this Indenture in the inverse order of their maturities, and to the extent that serial bonds of different Series mature on the same date, in proportion (as nearly as practicable) to the principal amount of bonds of each Series maturing on said date.

**Application of  
moneys in  
Reserve Account**

SECTION 405. Moneys held for the credit of the Reserve Account shall first be used for the purpose of paying interest on the bonds and maturing principal of serial bonds whenever and to the extent that the moneys held for the credit of the Bond Service Account shall be insufficient for such purpose, and thereafter for the purpose of making the deposits to the credit of the Redemption Account pursuant to the requirements of clause (b) of Section 402 of this Article at the end of each of the six (6) months' periods specified therein whenever and to the extent that the gross revenues of the Trusteed Properties collected by the Company and the Redemption Fund income are insufficient for such purpose. If at any time the moneys held for the credit of the Reserve Account shall exceed the maximum requirement for the Reserve Account under the provisions of clause (c) of Section 402 of this Article, such excess shall be applied by the Trustee to making up any deficiency in the deposits required to be made to the credit of the Bond Service Account and the Redemption Account and the balance, if any, remaining shall be paid to the Company. The Company may use such balance for any proper corporate purpose of the Company.

In the event that at any time the gross revenues of the Trusteed Properties and the Redemption Fund income together with the amount on deposit to the credit of the Reserve Account are not sufficient to permit the withdrawals and application of moneys in the Bond Service Account in the full amounts required by the provisions of Section 403 of this Article or to make the full deposits to the credit of the Redemption Account pursuant to the requirements of clause (b) of Section 402 of this Article by the end of any of the six (6) months' periods specified in said clause (b), the Company shall deposit with the Trustee such amounts as are necessary to meet such requirements.

**Company to make up deficiencies**

SECTION 406. Subject to the terms and conditions set forth in this Indenture, moneys to the credit of the Bond Service Account, the Reserve Account and the Redemption Account shall be held in trust and disbursed by the Trustee for (a) the payment of the interest upon the bonds issued hereunder as such interest falls due or (b) the payment of the principal of such bonds at their respective maturities or (c) the payment of the purchase or redemption price of such bonds before maturity, and such moneys are hereby pledged to and charged with the payments mentioned in this Section.

**Application and pledge of moneys in Sinking Fund**

SECTION 407. All moneys which the Trustee shall have withdrawn from the Sinking Fund or shall have received from any other source and deposited with the Paying Agents for the purpose of paying any of the bonds hereby secured, either at the maturity thereof or upon call for redemption, or for the purpose of paying any maturing coupons appertaining to any of the bonds hereby secured, shall be held in trust for the respective holders of such bonds or coupons. But any moneys which shall be so deposited by the Trustee and which shall remain unclaimed by the holders of such bonds or of such coupons for the period of six years after the date on which such bonds or such coupons shall have become payable shall upon request in writing be paid to the Company or to such officer, board

**Moneys withdrawn from the Sinking Fund held in trust**

**Disposition of moneys remaining unclaimed for six years after maturity of bonds or coupons**

or body as may then be entitled by law to receive the same, and thereafter the holders of such bonds or coupons shall look only to the Company or to such officer, board or body, as the case may be, for payment and then only to the extent of the amounts so received without any interest thereon, and the Trustee and the Paying Agents shall have no responsibility with respect to such moneys.

**Cancellation of  
bonds and coupons  
upon payment**

SECTION 408. All bonds paid, redeemed or purchased, either at or before maturity, shall be delivered to the Trustee when such payment, redemption or purchase is made, together with all unmatured coupons, if any, appertaining thereto, and such bonds and coupons shall thereupon be cancelled. All interest coupons shall be cancelled upon their payment and delivered to the Trustee. All cancelled bonds and coupons shall be cremated by the Trustee which shall execute a certificate of cremation in duplicate describing the bonds and coupons so cremated, and one executed certificate shall be filed with the Secretary of the Company and the other executed certificate shall be retained by the Trustee.

## ARTICLE V.

### SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS.

**Deposits constitute  
trust funds**

**Security for  
deposits**

SECTION 501. All moneys deposited with the Trustee hereunder shall be continuously secured, for the benefit of the Company and the holders of the bonds, either (a) by lodging with a bank or trust company approved by the Company as custodian, as collateral security, direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States Government, or other marketable securities eligible as security for the deposit of trust funds under regulations of the Comptroller of the Currency of the United States of America, having a market value (exclusive of accrued interest) not less than the amount of such deposit, or (b), if the furnishing of security as provided in clause

(a) above is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable Commonwealth or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds; provided, however, that it shall not be necessary for the Paying Agents to give security for the deposit of any moneys with them for the payment of the principal of or the redemption premium or the interest on any bond issued hereunder, or for the Trustee to give security for any moneys which shall be represented by obligations purchased under the provisions of this Article as an investment of such moneys.

SECTION 502. Moneys held for the credit of the Bond Service Account and the Redemption Account in the Sinking Fund shall, as nearly as may be practicable and reasonable, be invested and reinvested by the Trustee in direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States Government which shall mature, or which shall be subject to redemption by the holder thereof at the option of such holder, not later than the respective dates when the moneys held for the credit of said accounts will be required for the purposes intended.

**Investment of  
moneys**

Moneys held for the credit of the Reserve Account in the Sinking Fund shall be invested by the Trustee upon receipt of an order signed by the President and General Manager of the Company stating the amount to be invested and directing such investment, in direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States Government having such maturities as are specified in such order. Such obligations shall be sold by the Trustee upon receipt of an order signed by the President and General Manager of the Company directing the sale thereof.

In lieu of the investments above provided to be made, interest bearing time deposits or other similar arrangements (hereinafter called "time deposits"), if then per-

mitted by law, may be made by the Company with the Trustee with respect to moneys held for the credit of any or all of said Accounts; provided, however, that each such time deposit shall permit the moneys so placed to be available for use at the times provided above with respect to the investment of such moneys.

Obligations so purchased as an investment of moneys in the Bond Service Account and the Redemption Account, and any time deposits made with respect to such moneys, shall be deemed at all times to be a part of such respective Accounts. The interest received on obligations so purchased as an investment of moneys in either of such Accounts, or on such time deposits, and any profit realized from such investment, shall be credited to the Reserve Account in the Sinking Fund and any loss resulting from such investment shall be charged to the Reserve Account in the Sinking Fund. Obligations so purchased as an investment of moneys in the Reserve Account, and any time deposits made with respect to any such moneys, shall be deemed at all times to be a part of said Account and the interest accruing thereon and any profit realized from such investment shall be credited to said Account and any loss resulting from such investment shall be charged to said Account; provided, however, that if the total market value of any such obligations and the total amount of any such time deposits shall on the first day of any month be less than the total purchase price paid therefor, the Company shall deposit such amount of its own funds with the Trustee to the credit of said Account as is necessary to make up any such loss in the market value of such obligations. The Trustee shall sell at the best price obtainable or present for redemption any obligations so purchased whenever it shall be necessary so to do in order to provide moneys to meet any payment or transfer from any such Account. The Trustee shall not be liable or responsible for any loss in any such Account resulting from any such investment.

## ARTICLE VI.

## PARTICULAR COVENANTS AND PROVISIONS.

SECTION 601. The Company covenants that it will promptly pay the principal of and the interest on every bond issued under the provisions of this Indenture at the places, on the dates and in the manner provided herein and in said bonds and in the coupons thereto appertaining, and any premium required for the retirement of said bonds, according to the true intent and meaning thereof. The gross revenues of the Trusteed Properties and the Redemption Fund income are hereby pledged to making such payment in the manner and to the extent hereinabove particularly specified. The bonds and the interest thereon will not constitute a debt of the Commonwealth of Puerto Rico or of any of its municipalities or other political subdivisions, and neither the Commonwealth of Puerto Rico nor any such municipalities or other political subdivisions will be liable thereon and such bonds and interest are not payable out of any funds other than those of the Company.

**Payment of  
principal, interest  
and premium**

**Pledge of gross  
revenues**

**Bonds and coupons  
not debt of  
Commonwealth  
or subdivisions**

SECTION 602. The Company covenants that it has good and marketable title to the Trusteed Properties referred to in Section 208(b) of this Indenture, subject to no lien, charge or encumbrance thereon or affecting the title thereto except (i) the agreements pursuant to which any of such Properties are leased by the Company, (ii) the right of the U.S. Navy Department in times of national emergency to the free and unlimited use of the land on which the Caribe Hilton Hotel is constructed, and (iii) liens, charges, encumbrances or other defects of title which do not have a materially adverse effect upon the Company's right to use or to lease such Properties for the purposes for which such Properties are used or are intended to be used and that there are no liens, charges or encumbrances on the gross revenues derived or to be derived by the Company from such Properties, that it is duly authorized to pledge the gross revenues of the Trusteed Properties and the Re-

**Covenants as to  
title to Trusteed  
Properties**

demption Fund income as security for the bonds as herein provided, and that it will do all things necessary to maintain and preserve the lien of this Indenture on the gross revenues of the Trusteed Properties and the Redemption Fund income pledged hereunder.

**Covenant to keep properties in good repair**

The Company further covenants that it will at all times maintain or cause to be maintained the Trusteed Properties in good repair and in sound operating condition and will make or cause to be made all necessary repairs, renewals and replacements, and that it will comply with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body applicable to the Trusteed Properties.

**No prior lien or charge upon Trusteed Properties or gross revenues**

SECTION 603. The Company covenants that it will not create or suffer to be created any lien or charge (other than the lien or charge of this Indenture) upon the Trusteed Properties or any part thereof or upon the gross revenues of the Trusteed Properties or the Redemption Fund income and that it will pay or cause to be discharged, or will make adequate provision to satisfy and discharge, within sixty (60) days after the same shall accrue, all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon such Trusteed Properties or any part thereof or upon such gross revenues or Redemption Fund income; provided, however, that nothing in this Section contained shall require the Company to pay or cause to be discharged, or make provision for, any such lien or charge so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings.

**Payment of lawful charges**

**Insurance of Trusteed Properties**

SECTION 604. The Company covenants that it will at all times carry or cause to be carried in a responsible insurance company or companies qualified to assume the risks thereof:

- (i) all risk insurance covering all buildings and machinery and equipment included in the Trusteed Prop-

erties, including fire insurance in an amount not less than eighty per centum (80%) of the insurable value of such buildings, machinery and equipment and hurricane and earthquake insurance in an amount not less than fifty per centum (50%) of such insurable value; and

(ii) use and occupancy insurance covering loss of revenues to the Company from the Caribe Hilton Hotel as a result of causes usually insured against in an aggregate amount not less than One Million Five Hundred Thousand Dollars (\$1,500,000) and similar use and occupancy insurance covering any other unit of real property hereafter included in the Trusteed Properties from which the Company had derived gross income of at least One Million Dollars (\$1,000,000) in the preceding twelve (12) months' period or from which the Company had derived an income of at least Two Hundred Fifty Thousand Dollars (\$250,000) in the preceding twelve (12) months' period from contingent rentals, in an aggregate amount of not less than the actual amount of such gross income or contingent rental income, as the case may be, received by the Company in such period;

**Use and occupancy  
insurance**

provided, however, that if at any time the Company shall be unable to obtain such insurance to the extent above required, either as to amount of such insurance or as to the risks covered thereby, it will not constitute an event of default under the provisions of this Indenture if the Company shall carry such insurance to the extent reasonably obtainable; and provided, further, that as to any of the Trusteed Properties which have been leased by the Company under agreements entered into prior to the date of delivery of the Series 1958 bonds and which agreements require the lessee to carry insurance covering the risks referred to in clause (i) above, whether or not in the amounts specified in said clause (i), the Company shall not be required to carry or cause to be carried any insurance referred to in said clause (i) other than as is required by such agreements until the termination of such agreements.

**Application of  
insurance proceeds**

The proceeds of use and occupancy insurance shall be applied as other gross revenues of the Trusteed Properties as provided in Section 402 of this Indenture. Except as hereinafter provided in this Section, the proceeds of all other insurance shall be deposited with the Trustee in a special account to be applied to the repair, replacement or reconstruction of the damaged or destroyed property and shall be disbursed by the Trustee upon requisitions signed by the President and General Manager and by the Controller of the Company specifying the payee and the amount and purpose of each payment. If such proceeds are more than sufficient for such purposes the balance thereof remaining shall be applied in the same manner as the gross revenues of the Trusteed Properties under said Section 402. If such proceeds shall be insufficient for such purpose, the deficiency shall be supplied by the Company from its own funds. At the option of the Company the proceeds of such insurance (other than use and occupancy insurance) may be

(a) deposited to the credit of the Redemption Account, or

(b) used by the Company for the acquisition or construction of (i) any real property for revenue producing purposes, (ii) any machinery or other equipment owned by the Company, and located in buildings constituting a part of the Trusteed Properties, from which the Company will derive revenues, and (iii) any first mortgages on real property or any first mortgage bonds; any such properties so acquired or constructed will constitute a part of the Trusteed Properties.

**Inspection of  
insurance policies**

All insurance policies shall be open to the inspection of the Trustee and the bondholders and their representatives at all reasonable times.

**Rights of Trustee  
or bondholders  
not to be impaired**

SECTION 605. The Company covenants and agrees that none of the gross revenues of or the proceeds of insurance on any of the Trusteed Properties or Redemption Fund

income will be used for any purpose other than as provided in this Indenture and no contract or contracts will be entered into or any action taken by which the rights of the Trustee or of the bondholders might be impaired or diminished. The Company further covenants that it will fulfill all of the obligations imposed upon it by any of the lease agreements covering any of the Trusteed Properties.

SECTION 606. The Company covenants that it will, from time to time, execute and deliver such further instruments and take such further action as may be required to carry out the purposes of this Indenture.

**Further instruments  
and action**

SECTION 607. The Company covenants that it will keep separate and accurate records and accounts of the Trusteed Properties and of the gross revenues of the Trusteed Properties. The Company further covenants that in the first ninety (90) days of each fiscal year it will cause an audit covering the preceding fiscal year to be made of its books and accounts pertaining to all of the properties of the Company, including the Trusteed Properties with the gross revenues therefrom separately stated, by an independent and nationally recognized firm of certified public accountants satisfactory to the Trustee. Promptly after the completion of such audit, reports of such audit shall be filed with the Company and the Trustee, and copies of such reports shall be mailed to each bondholder who shall have filed his name and address with the Secretary of the Company for such purpose. The Company further covenants that it will cause any additional reports or audits relating to its properties to be made as required by law, and that from time to time and as often as may be requested it will furnish to the Trustee and to the holder of any bonds issued hereunder such other information concerning the Trusteed Properties or the operation thereof as they may reasonably request.

**Separate and  
accurate records  
of Trusteed  
Properties**

**Annual audits**

**Additional reports  
or audits**

All records and files of the Company shall be open at all reasonable times to the inspection of the Trustee and its agents and representatives.

Conditions under  
which Trusteed  
Properties may be  
sold; disposition  
of proceeds

SECTION 608. The Company covenants that, except as in this Section otherwise permitted, it will not sell or otherwise dispose of or encumber (other than leasing as provided for in Section 401 of this Indenture) the Trusteed Properties or any part thereof.

The Company may sell any of the Trusteed Properties at any time

(a) upon the filing with the Trustee of a certificate signed by the President and General Manager and by the Controller of the Company, setting forth

(i) the gross revenues of the Trusteed Properties received by the Company during the twelve (12) months immediately preceding the month in which such certificate is signed, excluding therefrom the revenues received from that portion of the Trusteed Properties which the Company proposes to sell and excluding any other of such gross revenues which have ceased to accrue to the Company prior to the date on which such certificate is signed, but including any revenues (other than contingent rentals) which would have been received by the Company from any Trusteed Properties under new or renewal lease agreements entered into by the Company during such twelve (12) months' period if such lease agreements had been in effect throughout such twelve (12) months' period,

(ii) the amount of the maximum Principal and Interest Requirements for any fiscal year thereafter on account of all bonds theretofore issued under the provisions of this Indenture and then outstanding less such principal amount of outstanding bonds as can be retired at the then current redemption price from such part of the proceeds of the sale of such portion of the Trusteed Properties which is to be deposited with the Trustee to the credit of the Redemption Account as hereinafter in this Section required or permitted, and

(iii) the gross revenues received by the Company during the twelve (12) months immediately preceding the month in which such certificate is signed on account of that portion of the Trusteed Properties which the Company proposes to sell,

and it appearing that the percentage derived by dividing the amount shown in item (i) of such certificate by the amount shown in item (ii) thereof is at least one hundred fifty per centum (150%); provided, however, that if the amount shown in item (iii) of such certificate is more than twenty per centum (20%) of all of the gross revenues of the Trusteed Properties received by the Company during such preceding twelve (12) months the certificate referred to in this clause (a) shall have been approved by an independent and nationally recognized firm of certified public accountants satisfactory to the Trustee, and the Company shall have agreed, to the satisfaction of the Trustee, to deposit with the Trustee to the credit of the Redemption Account a sum in cash at least equal to that percentage of the total sales price of such Properties which the sum set forth in said item (iii) of such certificate bears to all of the gross revenues of the Trusteed Properties received by the Company during such preceding twelve (12) months; and provided, further, that the Company may at its option, without restriction, deposit a sum in cash equal to any portion of the sales price of any of such Properties with the Trustee to the credit of the Redemption Account; or

(b) if the consideration to be received by the Company for such Trusteed Properties is cash or property of the type included in the definition of Trusteed Properties and if the Company shall have agreed with the Trustee, to deposit with the Trustee to the credit of the Redemption Account the total amount of any cash so received and shall have filed with the Trustee a certificate signed by the President and General Manager of the Company designating such property to be so received as "Trusteed Properties" under this Indenture and shall deliver to the Trustee a written

opinion of the General Counsel of the Company in the form required by Section 208 of this Indenture as to the title in the Company of such property and the validity of the pledge of the revenues therefrom.

The sale of any Trusteed Properties under the provisions of clause (a) of this Section shall be consummated by the Company not later than sixty (60) days after the date on which the certificate referred to in said clause is signed.

The Company may, to the extent permitted by law, mortgage or otherwise encumber the Trusteed Properties or any part thereof for the sole benefit and security of the holders of all bonds issued and to be issued under the provisions of this Indenture.

**Disposition of  
moneys received  
for principal of  
mortgages or  
mortgage bonds**

The Company covenants that any amounts which it receives on account of the payment of principal of any mortgages or mortgage bonds included in the Trusteed Properties, other than from the sale thereof, will be deposited with the Trustee to the credit of the Redemption Account to the extent, if any, necessary to reduce the principal amount of outstanding bonds so that the gross revenues of the Trusteed Properties received by the Company during the twelve (12) months immediately preceding the month in which such payment is received will be at least equal to one hundred fifty per centum (150%) of the maximum Principal and Interest Requirements for any fiscal year thereafter on account of all bonds then outstanding less such principal amount of outstanding bonds which can be retired at the then current redemption price from the amount of such payments so deposited to the credit of the Redemption Account.

Except as otherwise provided in this Section the proceeds derived from the sale of any of the Trusteed Properties and payments received on account of principal of any mortgages or mortgage bonds, shall be retained by the Company for use for any proper corporate purpose.

SECTION 609. (a) Except as provided in subdivision (b) of this Section any properties, other than the Trusteed Properties, which are now owned or are hereafter acquired or constructed by the Company and any and all revenues derived by the Company therefrom, shall remain the property of the Company subject to operation, control and disposition by it and shall not be subject to the lien of this Indenture; provided however, that the Company may at any time at its option add to the Trusteed Properties (i) any of its real property which it has acquired or constructed for revenue producing purposes, (ii) any machinery or other equipment owned by the Company, and located in buildings constituting a part of the Trusteed Properties, from which the Company is deriving revenues, and (iii) any first mortgages on real property which the Company holds as mortgagee or any first mortgage bonds, whereupon such property, including such mortgages and mortgage bonds, will become a part of the Trusteed Properties and be subject to the provisions of this Indenture. The addition of any such property to the Trusteed Properties shall become effective upon the filing of a certificate signed by the President and General Manager of the Company with the Trustee describing such property and certifying to its qualifications under this Section, or delivering the mortgage documents or mortgage bonds to the Trustee, and designating such property as "Trusteed Properties" under this Indenture and the delivery to the Trustee of a written opinion of the General Counsel of the Company in the form required by Section 208 of this Indenture as to the title in the Company of such property and the validity of the pledge of the revenues therefrom.

**Control of other  
properties and  
revenues of  
Company**

**Additions to  
Trusteed  
Properties**

*permanently  
additions to  
T.P.s*

(b) The Company shall not hereafter incur, assume, or suffer to be outstanding or otherwise become liable, directly or indirectly, for any indebtedness for borrowed money other than the bonds issued under the provisions of this Indenture and bank loans made in the ordinary course for its current operations, unless it is expressly provided in the documents evidencing such indebtedness that if at any time the Company is required to deposit any of its funds with the

**Limitations on  
pledging other  
properties and  
revenues for  
borrowed money**

Trustee pursuant to the provisions of the second paragraph of Section 405 of this Indenture, the Company will first apply its available funds to making the deposits in the full amount required by said paragraph before making any further payments on account of the principal of or the interest on such indebtedness.

Certificate covering  
gross revenues  
of Truſteed  
Properties

(c) On or before the tenth (10th) day of the twelfth (12th) month after the delivery of the bonds authorized by Section 208 of this Indenture, and on or before the tenth (10th) day of each month thereafter, the Company shall file with the Trustee, and shall mail to each bondholder who shall have filed his name and address with the Secretary of the Company for such purpose, a certificate signed by the President and General Manager and by the Controller of the Company setting forth (i) the gross revenues of the Truſteed Properties received by the Company during the twelve (12) months immediately preceding the month in which such certificate is signed, and (ii) the amount of the maximum Principal and Interest Requirements for any fiscal year thereafter on account of all bonds theretofore issued under the provisions of this Indenture and then outstanding; provided, however, that as to any Series of bonds issued under the provisions of Sections 209 or 210 of this Indenture, if the proceedings authorizing the issuance of such bonds provide for the designation of a principal underwriter or other representative of the holders of the bonds of such Series, the Company shall mail such certificate to such principal underwriter or representative and shall not be obligated to mail such certificate to any individual holder of the bonds of such Series. If it shall appear that the percentage derived by dividing the amount shown in item (i) of such certificate by the amount shown in item (ii) thereof is less than one hundred fifty per centum (150%), the Company shall immediately designate as Truſteed Properties such other of its revenue-producing real properties, machinery or other equipment or first mortgages on real property which it holds as mortgagee or first mortgage bonds, which have not been encumbered by the Com-

add'l 15%  
revenues not sufficient

pany, as may be necessary in order that the gross revenues of the Trusteed Properties to be derived in the next succeeding twelve (12) months' period shall be at least equal to one hundred fifty per centum (150%) of such maximum Principal and Interest Requirements.

## ARTICLE VII.

### REMEDIES.

SECTION 701. In case the time for the payment of any coupon or the interest on any bond registered as to both principal and interest shall be extended, whether or not such extension be by or with the consent of the Company, such coupon or such interest so extended shall not be entitled in case of default hereunder to the benefit or security of this Indenture except subject to the prior payment in full of the principal of all bonds then outstanding and of all coupons and interest the time for the payment of which shall not have been extended.

Transferred,  
pledged or  
extended coupons

SECTION 702. Each of the following events is hereby declared an "event of default", that is to say: If

Events of default

(a) payment of the principal and premium, if any, of any of the bonds shall not be made when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

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(b) the Company shall fail to make any deposits with the Trustee which are required by the provisions of the second paragraph of Section 405 of this Indenture at the times and in the amounts so required by said paragraph; or

(c) payment of any installment of interest shall not be made within thirty (30) days after the same shall become due and payable; or

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(d) the Company shall fail to deposit any of the gross revenues of the Trusteed Properties with the Trustee within thirty (30) days after they have been collected by the Company; or

(e) the Company shall for any reason be rendered incapable of fulfilling its obligations hereunder; or

(f) except as otherwise provided by Section 604 of this Indenture, any part of the Trusteed Properties shall be destroyed or damaged to the extent of impairing the obligation of the lessees to pay full rent and shall not be promptly repaired, replaced or reconstructed; or

(g) final judgment for the payment of money shall be rendered against the Company as a result of the ownership or operation of the Trusteed Properties and any such judgment shall not be discharged within sixty (60) days from the entry thereof or an appeal shall not be taken therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, in such manner as to conclusively set aside or stay the execution of or levy under such judgment, order, decree or process or the enforcement thereof; or

(h) an order or decree shall be entered, with the consent or acquiescence of the Company, appointing a receiver or receivers of the Company or of any of the Trusteed Properties or of any of the revenues of the Company, or if such order or decree, having been entered without the consent or acquiescence of the Company, shall not be vacated or discharged or stayed on appeal within sixty (60) days after the entry thereof; or

(i) any proceeding shall be instituted, with the consent or acquiescence of the Company, for the purpose of effecting a composition between the Company and its creditors or for the purpose of adjusting the claims of such creditors, pursuant to any federal or Common-

wealth statute now or hereafter enacted, if the claims of such creditors are under any circumstances payable from the revenues of the Truſteed Properties; or

(j) the Company ſhall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the bonds or in this Indenture on the part of the Company to be performed, and ſuch default ſhall continue for thirty (30) days after written notice ſpecifying ſuch default and requiring ſame to be remedied ſhall have been given to the Company by the Truſtee, or to the Company and the Truſtee by the holders of not leſs than twenty per centum (20%) in principal amount of the bonds then outstanding.

SECTION 703. Upon the happening and continuance of any event of default ſpecified in Section 702 of this Article, then and in every ſuch caſe the Truſtee may, and upon the written requeſt of the holders of not leſs than twenty per centum (20%) in principal amount of the bonds then outstanding ſhall, by a notice in writing to the Company, declare the principal of all of the bonds then outstanding (if not then due and payable) to be due and payable immediately, and upon ſuch declaration the ſame ſhall become and be immediately due and payable, anything contained in the bonds or in this Indenture to the contrary notwithstanding; provided, however, that if at any time after the principal of the bonds ſhall have been ſo declared to be due and payable, and before the entry of final judgment or decree in any ſuit, action or proceeding inſtituted on account of ſuch default, or before the completion of the enforcement of any other remedy under this Indenture, moneys ſhall have accumulated in the Sinking Fund ſufficient to pay the principal of all matured bonds and all arrears of interest, if any, upon all the bonds then outstanding (except the principal of any bonds not then due by their terms and the interest accrued on ſuch bonds ſince the laſt interest payment date), and the charges, compensation,

Acceleration  
of maturities

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expenses, disbursements, advances and liabilities of the Trustee, and all other amounts then payable by the Company hereunder shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee, and every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the bonds or in this Indenture (other than a default in the payment of the principal of such bonds then due only because of a declaration under this Section) shall have been remedied to the satisfaction of the Trustee, then and in every such case the Trustee may, and upon the written request of the holders of not less than twenty per centum (20%) in principal amount of the bonds not then due by their terms and then outstanding shall, by written notice to the Company, rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

**Enforcement  
of remedies**

SECTION 704. Upon the happening and continuance of any event of default as provided in Section 702 of this Article, then and in every such case the Trustee may proceed, and upon the written request of the holders of twenty per centum (20%) in principal amount of the bonds then outstanding hereunder shall proceed, subject to the provisions of Section 802 of this Indenture, to protect and enforce its rights and the rights of the bondholders under this Indenture by a suit, action or special proceeding in equity or at law, or by a proceeding in the office of any board or officer having jurisdiction, either for the appointment of a receiver of the Trusteed Properties as authorized by the Enabling Act, or for the specific performance of any covenant or agreement contained herein or in aid or execution of any power herein granted or for the enforcement of any proper legal or equitable remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce the rights aforesaid.

In the enforcement of any remedy under this Indenture the Trustee shall be entitled to sue for, enforce payment of

and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Company for principal, interest or otherwise under any of the provisions of this Indenture or of the bonds and unpaid, together with any and all costs and expenses of collection and of all proceedings hereunder and under such bonds, without prejudice to any other right or remedy of the Trustee or of the bondholders, and to recover and enforce judgment or decree against the Company, but solely as provided herein and in such bonds, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable.

SECTION 705. Anything in this Indenture to the contrary notwithstanding, if at any time the moneys in the Sinking Fund shall not be sufficient to pay the principal of and the interest on the bonds as the same become due and payable (either by their terms or by acceleration of maturities under the provisions of Section 703 of this Article), such moneys, together with any moneys then available or thereafter becoming available for such purpose, whether through the exercise of the remedies in this Article provided for or otherwise, shall be applied as follows:

**Pro rata application  
of funds**

(a) Unless the principal of all of the bonds shall have become or shall have been declared due and payable, all such moneys shall be applied

*first*: to the payment to the persons entitled thereto of all installments of interest then due, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the bonds;

*second:* to the payment to the persons entitled thereto of the unpaid principal of any of the bonds which shall have become due (other than bonds called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), in the order of their due dates, with interest upon such bonds from the respective dates upon which they became due, and, if the amount available shall not be sufficient to pay in full the bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or preference; and

*third:* to the payment of the interest on and the principal of the bonds, to the purchase and retirement of bonds and to the redemption of bonds, all in accordance with the provisions of Article IV of this Indenture.

(b) If the principal of all of the bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the bonds, with interest thereon as aforesaid, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any bond over any other bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the bonds.

(c) If the principal of all of the bonds shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled under the provisions of Section 703 of this Article, then, subject to the provisions of paragraph (b) of this Section in the event that the principal of all the bonds shall later

become due or be declared due and payable, the moneys then remaining in and thereafter accruing to the Sinking Fund shall be applied in accordance with the provisions of paragraph (a) of this Section.

The provisions of this Section are in all respects subject to the provisions of Section 701 of this Article.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future; the deposit of such moneys with the Paying Agents, or otherwise setting aside such moneys, in trust for the proper purpose shall constitute proper application by the Trustee; and the Trustee shall incur no liability whatsoever to the Company, to any bondholder or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of this Indenture as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an interest payment date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date, and shall not be required to make payment to the holder of any unpaid coupon or any bond until such coupon or such bond and all unmatured coupons, if any, appertaining to such bonds shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

**Effect of  
discontinuance of  
proceedings**

SECTION 706. In case any proceeding taken by the Trustee on account of any default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, then and in every such case the Company, the Trustee and the bondholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

**Majority of  
bondholders  
may control  
proceedings**

SECTION 707. Anything in this Indenture to the contrary notwithstanding, the holders of a majority in principal amount of the bonds then outstanding hereunder shall have the right, subject to the provisions of Section 802 of this Indenture, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to bondholders not parties to such direction.

**Restrictions upon  
action by  
individual  
bondholder**

SECTION 708. No holder of any of the bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust hereunder or for any other remedy hereunder unless such holder previously shall have given to the Trustee written notice of the event of default or breach of trust or duty on account of which such suit, action or proceeding is to be taken, and unless the holders of not less than twenty per centum (20%) in principal amount of the bonds then outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers hereinabove granted or granted

by the laws of Puerto Rico, or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time, and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of this Indenture or for any other remedy hereunder. It is understood and intended that no one or more holders of the bonds hereby secured shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture, or to enforce any right hereunder except in the manner herein provided and that all proceedings at law or in equity hereunder shall be instituted, had and maintained in the manner herein provided and for the benefit of all holders of the outstanding bonds and coupons.

SECTION 709. All rights of action under this Indenture or under any of the bonds secured hereby, enforceable by the Trustee, may be enforced by it without the possession of any of the bonds or the coupons appertaining thereto or the production thereof on the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all the holders of such bonds and coupons, subject to the provisions of this Indenture.

**Actions by  
Trustee**

SECTION 710. No remedy herein conferred upon or reserved to the Trustee or to the holders of the bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder.

**No remedy  
exclusive**

SECTION 711. No delay or omission of the Trustee or of any holder of the bonds to exercise any right or power accruing upon any default shall impair any such right or

**No delay or  
omission  
construed to be  
a waiver**

**Repeated exercise  
of powers  
and remedies**

power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee and the holders of the bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

**Waiver of default**

The Trustee may, and upon the written request of the holders of not less than twenty per centum (20%) in principal amount of the bonds then outstanding shall, waive any default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of this Indenture or before the completion of the enforcement of any other remedy under this Indenture, but no such waiver shall extend to or affect any other existing or any subsequent default or defaults or impair any rights or remedies consequent thereon.

**Notice of default**

SECTION 712. The Trustee shall mail to all registered owners of bonds at their addresses as they appear on the registration books and all other bondholders who shall have filed their names and addresses with the Trustee for such purpose, written notice of the occurrence of any event of default set forth in Section 702 of this Article within thirty (30) days after the Trustee shall have notice that any such event of default has occurred. The Trustee shall not, however, be subject to any liability to any bondholder by reason of its failure to mail the notice required by this Section.

## ARTICLE VIII.

### CONCERNING THE TRUSTEE.

**Acceptance  
of trusts**

SECTION 801. The Trustee accepts and agrees to execute the trusts imposed upon it by this Indenture, but only upon the terms and conditions set forth in this Article and subject to the provisions of this Indenture, to all of which the parties hereto and the respective holders of the bonds agree.

SECTION 802. The duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee. The Trustee shall be under no obligation to institute any suit, or to take any remedial proceeding under this Indenture, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers hereunder, whether or not any such action is requested or directed by any of the bondholders, until it shall be indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements, and against all liability; the Trustee may, nevertheless, begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as such Trustee, without indemnity, and in any such case the Company shall reimburse the Trustee for all costs and expenses, outlays and counsel fees and other reasonable disbursements properly incurred in connection therewith.

**Trustee entitled to indemnity**

**Trustee may act without indemnity**

SECTION 803. The Trustee shall be under no obligation to effect or maintain insurance or to renew any policies of insurance or to inquire as to the sufficiency of any policies of insurance carried by the Company, or to report, or make or file claims or proof of loss for, any loss or damage insured against or which may occur, or to keep itself informed or advised as to the payment of any taxes or assessments, or to require any such payment to be made. The Trustee shall have no responsibility in respect of the validity or sufficiency of this Indenture or the due execution or acknowledgment thereof, or in respect of the validity of the bonds or of the coupons or the due execution thereof. Notwithstanding the provisions hereof which require the delivery upon original issue of bonds by and the payment of the purchase price therefor to the Trustee, the sole responsi-

**Limitation on obligations and responsibilities of Trustee**

bility of the Trustee in connection with delivery of and payment for the bonds shall be to tender the bonds for delivery to the persons named in a resolution of the Company as the purchasers thereof or the authorized representatives of such persons, similarly named, against receipt of payment in whatever form specified in such resolution and the Trustee shall have no liability as issuer of the bonds or by reason of the dishonor of any check or other order for payment of money received in payment of the purchase price.

**Trustee not liable  
for failure of  
Company to act**

SECTION 804. The Trustee shall not be liable or responsible because of the failure of the Company or of any of its employees or agents to make any collections or deposits or to perform any act herein required of them.

**Compensation  
and indemnification  
of Trustee**

SECTION 805. The Company shall pay to the Trustee reasonable compensation for all services performed by it hereunder and also all its reasonable expenses, charges and other disbursements and those of its attorneys, agents, and employees incurred in and about the acceptance, administration and execution of the trusts hereby created and the performance of its powers and duties hereunder, and shall indemnify and save the Trustee harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder.

**Monthly statement  
from Trustee**

SECTION 806. It shall be the duty of the Trustee, on or before the fifth (5th) day of each month after the issuance of the bonds under the provisions of Section 208 of this Indenture, to file with the Company a statement setting forth in respect of the preceding calendar month:

- (a) the amount deposited with it on account of each Account in the Sinking Fund,
- (b) the amount on deposit with it at the end of each month to the credit of each such Account,
- (c) a brief description of all obligations held by it as an investment of moneys in each such Account, and
- (d) the amount applied to the purchase or redemption of bonds under the provisions of Section 404 of

this Indenture and a description of the bonds so purchased or redeemed.

On or before the date of delivery of each Series of bonds under the provisions of this Indenture and within the first ten (10) days of each fiscal year thereafter, the Trustee shall compute the Principal and Interest Requirements for the bonds of each Series then outstanding and shall mail copies of such computation to the Company.

SECTION 807. In case at any time it shall be necessary or desirable for the Trustee to make any investigation respecting any fact preparatory to taking or not taking any action or doing or not doing anything as such Trustee, and in any case in which this Indenture provides for permitting or taking any action, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificate required or permitted to be filed with it under the provisions of this Indenture, and any such certificate shall protect the Trustee in any action that it may or may not take or in respect of anything it may or may not do, in good faith, in reliance thereon. Except as otherwise provided in this Indenture, any request, notice or other instrument from the Company to the Trustee shall be deemed to have been signed by the proper party or parties if signed by the President and General Manager and the Secretary of the Company, and the Trustee may accept a certificate signed by the Secretary of the Company as to any action taken by the Company.

**Trustee may rely  
on certificates**

The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

**Limitations on  
liability of Trustee**

The Trustee shall not be liable with respect to any action taken or omitted in good faith and believed by it to be authorized or within the discretion, rights or powers conferred on it by this Indenture, or taken or omitted in accordance with the directions of a majority in aggregate principal amount of the bonds at the time outstanding

relating to the time, place or method of conducting any proceeding for any remedy available to the Trustee, or to the exercising of any trust power conferred on the Trustee by this Indenture.

The Trustee may consult with counsel and any opinion of counsel shall be full and complete authorization and protection with respect to any action taken or suffered or omitted by the Trustee hereunder in good faith and in accordance with such opinion of counsel.

The Trustee shall be under no responsibility for the approval by it in good faith of any expert for the purposes expressed in this Indenture.

**Notice of default**

SECTION 808. Except upon the occurrence of an event of default under clauses (a), (b) or (c) of Section 702 of this Indenture, the Trustee shall not be obligated to take notice or be deemed to have notice of any event of default hereunder, unless specifically notified in writing of such event of default by the holders of not less than twenty per centum (20%) in principal amount of the bonds hereby secured and then outstanding and in the absence of such notice the Trustee may conclusively assume there is no event of default, except as aforesaid.

**Trustee may deal in bonds and take action as bondholder**

SECTION 809. The bank or trust company acting as Trustee under this Indenture, and its directors, officers, employees or agents, may in good faith buy, sell, own, hold and deal in any of the bonds or coupons issued under and secured by this Indenture, and may join in any action which any bondholder may be entitled to take with like effect as if such bank or trust company were not the Trustee under this Indenture.

**Trustee not responsible for recitals**

SECTION 810. The recitals, statements and representations contained herein and in the bonds (excluding the Trustee's certificate on the bonds) shall be taken and construed as made by and on the part of the Company and not by the Trustee, and the Trustee assumes and shall be under no

responsibility for the correctness of the same. The Trustee shall have no duty to examine into or pass upon the title of the Company to any of the Trusteed Properties or to discover the existence of any liens or encumbrances thereon and shall not be responsible for the validity or enforceability of any lease or other agreement pertaining to the Trusteed Properties or from which the gross revenues of the Trusteed Properties are derived and the Trustee makes no representation with respect to the security afforded by any thereof or by this Indenture. The Trustee shall be under no duty to make any presentment or demand, or give any notice or take any other action to preserve unimpaired or to enforce the obligation of any party primarily or secondarily liable under any of such leases or agreements or to ascertain or inquire as to the performance by the Company or any such party of any of the covenants or agreements contained therein.

SECTION 811. The Trustee shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of this Indenture, upon any resolution, order, notice, request, consent, waiver, certificate, statement, affidavit, requisition, bond or other paper or document which it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of this Indenture, or upon the written opinion of any attorney, engineer or accountant believed by the Trustee to be qualified in relation to the subject matter. The Trustee shall not be bound to recognize any person as a holder of any bond or coupon or to take any action at his request unless such bond or coupon shall be deposited with the Trustee.

**Trustee protected  
in relying on  
certain documents**

SECTION 812. The Trustee may resign and thereby become discharged from the trusts hereby created, by notice in writing to be given to the Company and published once in a daily newspaper of general circulation published in

**Resignation of  
Trustee**

San Juan, Puerto Rico, and in a daily newspaper of general circulation or a financial journal published in the Borough of Manhattan, City and State of New York, not less than sixty (60) days before such resignation is to take effect, but such resignation shall take effect immediately upon the appointment of a new Trustee hereunder, if such new Trustee shall be appointed before the time limited by such notice and shall then accept the trusts hereof.

**Removal  
of Trustee**

SECTION 813. The Trustee may be removed at any time by an instrument or concurrent instruments in writing, signed by the holders of not less than a majority in principal amount of the bonds hereby secured and then outstanding and filed with the Company. A photostatic copy of each such instrument shall be delivered promptly by the Company to the Trustee. The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of this Indenture with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the Company or the holders of not less than five per centum (5%) in principal amount of the bonds then outstanding hereunder.

**Appointment of  
successor Trustee**

SECTION 814. If at any time hereafter the Trustee shall resign, be removed, be dissolved or otherwise become incapable of acting, or the bank or trust company acting as Trustee shall be taken over by any governmental official, agency, department or board, the position of Trustee shall thereupon become vacant. If the position of Trustee shall become vacant for any of the foregoing reasons or for any other reason, the Company shall appoint a Trustee to fill such vacancy. The Company shall publish notice of any such appointment by it made once in each week for four (4) successive weeks in a daily newspaper of general circulation published in San Juan, Puerto Rico, and in a daily newspaper of general circulation or a financial journal pub-

lished in the Borough of Manhattan, City and State of New York.

At any time within one year after any such vacancy shall have occurred, the holders of a majority in principal amount of the bonds hereby secured and then outstanding, by an instrument or concurrent instruments in writing, signed by such bondholders or their attorneys in fact thereunto duly authorized and filed with the Company, may appoint a successor Trustee, which shall supersede any Trustee theretofore appointed by the Company. Photostatic copies of each such instrument shall be delivered promptly by the Company to the predecessor Trustee and to the Trustee so appointed by the bondholders.

If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section, the holder of any bond outstanding hereunder or any retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Any Trustee hereafter appointed shall be a bank or trust company duly organized and doing business under the laws of the United States of America or the State of New York and having its principal office in the State of New York, authorized under such laws to exercise corporate trust powers and subject to examination by federal or state authority, of good standing, and having a combined capital and surplus aggregating not less than Ten Million Dollars (\$10,000,000).

SECTION 815. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor, and also to the Company, an instrument in writing accepting such appointment hereunder, and thereupon such successor Trustee, without any further act, shall become fully vested with all the rights, immunities, powers and

**Vesting of trusts  
in successor Trustee**

trusts, and subject to all the duties and obligations, of its predecessor; but such predecessor shall, nevertheless, on the written request of its successor or of the Company, and upon payment of the compensation, expenses, charges and other disbursements of such predecessor which are payable pursuant to the provisions of Section 805 of this Article, execute and deliver an instrument transferring to such successor Trustee all the rights, immunities, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all property and moneys held by it hereunder to its successor. Should any instrument in writing from the Company be required by any successor Trustee for more fully and certainly vesting in such Trustee the rights, immunities, powers and trusts hereby vested or intended to be vested in the predecessor Trustee, any such instrument in writing shall and will, on request, be executed, acknowledged and delivered by the Company.

Notwithstanding any of the foregoing provisions of this Article, any bank or trust company having power to perform the duties and execute the trusts of this Indenture and otherwise qualified to act as Trustee hereunder with or into which the bank or trust company acting as Trustee may be merged or consolidated, or to which the assets and business of such bank or trust company may be sold, shall be deemed the successor of the Trustee.

## ARTICLE IX.

### EXECUTION OF INSTRUMENTS BY BONDHOLDERS

#### AND PROOF OF OWNERSHIP OF BONDS.

SECTION 901. Any request, direction, consent or other instrument in writing required or permitted by this Indenture to be signed or executed by bondholders may be in any number of concurrent instruments of similar tenor and may be signed or executed by such bondholders in person or by agent appointed by an instrument in writing. Proof of the

Execution of  
instruments  
by bondholders

Proof of execution

execution of any such instrument and of the ownership of bonds shall be sufficient for any purpose of this Indenture, and shall be conclusive in favor of the Trustee with regard to any action taken by it under such instrument, if made in the following manner:

(a) The fact and date of the execution by any person of any such instrument may be proved by the verification of any officer in any jurisdiction who, by the laws thereof, has power to take affidavits within such jurisdiction, to the effect that such instrument was subscribed and sworn to before him, or by an affidavit of a witness to such execution.

(b) The fact of the holding of bonds hereunder by any bondholder and the amount and the numbers of such bonds and the date of his holding the same (unless such bonds be registered) may be proved by the affidavit of the person claiming to be such holder, if such affidavit shall be deemed by the Trustee to be satisfactory, or by a certificate executed by any trust company, bank, banker or any other depositary, wherever situated, if such certificate shall be deemed by the Trustee to be satisfactory, showing that at the date therein mentioned such person had on deposit with or exhibited to such trust company, bank, banker or other depositary the bonds described in such certificate. The Trustee may conclusively assume that such ownership continues until written notice to the contrary is served upon the Trustee. The ownership of registered bonds shall be proved by the registration books kept under the provisions of Section 205 of this Indenture.

**Proof of holding  
of bonds**

But nothing contained in this Article shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which to it may seem sufficient. Any request or consent of the holder of any bond shall bind every future holder of the same bond in respect of anything done by the Trustee in pursuance of such request or consent.

**Other proof**

**Bondholders'  
actions bind  
future holders**

Notwithstanding any of the foregoing provisions of this Section, the Trustee shall not be required to recognize any person as a holder of any bond or coupon or to take any action at his request unless such bond or coupon shall be deposited with it.

## ARTICLE X.

### SUPPLEMENTAL INDENTURES.

**Supplemental  
indentures or  
agreements  
by Company  
and Trustee**

SECTION 1001. The Company and the Trustee may, from time to time and at any time, enter into such indentures or agreements supplemental hereto as shall not be inconsistent with the terms and provisions hereof (which supplemental indentures or agreements shall thereafter form a part hereof),

(a) to cure any ambiguity or formal defect or omission in this Indenture or in any supplemental indenture, or

(b) to grant to or confer upon the Trustee for the benefit of the bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the bondholders or the Trustee.

**Modification  
of Indenture with  
consent of holders  
of 2/3rds of bonds**

SECTION 1002. Subject to the terms and provisions contained in this Section, and not otherwise, the holders of not less than two-thirds ( $\frac{2}{3}$ ) in aggregate principal amount of the bonds then outstanding shall have the right, from time to time, anything contained in this Indenture to the contrary notwithstanding, to consent to and approve the execution by the Company and the Trustee of such indenture or indentures supplemental hereto as shall be deemed necessary or desirable by the Company for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any supplemental indenture; provided, however, that nothing herein contained shall permit, or be construed

**Restrictions  
on modifications**

as permitting, (a) an extension of the maturity of the principal of or the interest on any bond issued hereunder, or (b) a reduction in the principal amount of any bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of gross revenues of the Trusteed Properties other than the lien or pledge created by this Indenture, or (d) a preference or priority of any bond or bonds over any other bond or bonds, or (e) a reduction in the aggregate principal amount of the bonds required for consent to such supplemental indenture. Nothing herein contained, however, shall be construed as making necessary the approval by bondholders of the execution of any supplemental indenture or agreement as authorized in Section 1001 of this Article.

If at any time the Company shall request the Trustee to enter into any supplemental indenture for any of the purposes of this Section, the Trustee shall, at the expense of the Company, cause notice of the proposed execution of such supplemental indenture to be published once in each week for four (4) successive weeks in a daily newspaper of general circulation published in San Juan, Puerto Rico, and in a daily newspaper of general circulation or a financial journal published in the Borough of Manhattan, City and State of New York; and, on or before the date of the first publication of such notice, the Trustee shall also cause a similar notice to be mailed, postage prepaid, to all registered owners of bonds then outstanding at their addresses as they appear on the registration books hereinabove provided for, and to all other bondholders who shall have filed their names and addresses with the Trustee for such purpose. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that a copy thereof is on file at the office of the Trustee for inspection by all bondholders. The Trustee shall not, however, be subject to any liability to any bondholder by reason of its failure to mail the notice required by this Section.

**Notice of  
supplemental  
indenture**

Whenever, at any time within one (1) year after the date of the first publication of such notice, the Company shall

deliver to the Trustee an instrument or instruments purporting to be executed by the holders of not less than two-thirds ( $\frac{2}{3}$ ) in aggregate principal amount of the bonds outstanding on the date of delivery of such instruments to the Trustee, which instrument or instruments shall refer to the proposed supplemental indenture described in such notice and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice as on file with the Trustee, thereupon, but not otherwise, the Trustee may execute such supplemental indenture in substantially such form, without liability or responsibility to any holder of any bond, whether or not such holder shall have consented thereto.

**Consent of holders  
of  $\frac{2}{3}$ ds of bonds  
binds all**

If the holders of not less than two-thirds ( $\frac{2}{3}$ ) in aggregate principal amount of the bonds outstanding at the time of the execution of such supplemental indenture shall have consented to and approved the execution thereof as herein provided, no holder of any bond shall have any right to object to the execution of such supplemental indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Company from executing the same or from taking any action pursuant to the provisions thereof.

Upon the execution of any supplemental indenture pursuant to the provisions of this Section, this Indenture shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Company, the Trustee and all holders of bonds then outstanding shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments.

**Trustee joining  
in supplemental  
indenture**

SECTION 1003. The Trustee is authorized to join with the Company in the execution of any such supplemental indenture and to make the further agreements and stipulations which may be contained therein, but the Trustee shall

not be obligated to enter into any such supplemental indenture which affects its rights, duties or immunities under this Indenture. Any supplemental indenture executed in accordance with the provisions of this Article shall thereafter form a part of this Indenture; and all the terms and conditions contained in any such supplemental indenture as to any provision authorized to be contained therein shall be and shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes. In case of the execution and delivery of any supplemental indenture, express reference may be made thereto in the text of any bonds issued thereafter, if deemed necessary or desirable by the Trustee.

**Supplemental  
indenture part of  
this Indenture**

SECTION 1004. In each and every case provided for in this Article, the Trustee shall be entitled to exercise its discretion in determining whether or not any proposed supplemental indenture, or any term or provision therein contained, is proper or desirable, having in view the purposes of such instrument, the needs of the Company, and the rights and interests of the bondholders, and the Trustee shall not be under any responsibility or liability to the Company or to any bondholder or to anyone whomsoever for its refusal in good faith to enter into any such supplemental indenture if such indenture is deemed by the Trustee to be contrary to the provisions of this Article. The Trustee shall be entitled to receive, and shall be fully protected in relying upon, the opinion of any counsel approved by it, who may be counsel for the Company, as conclusive evidence that any such proposed supplemental indenture does or does not comply with the provisions of this Indenture, and that it is or is not proper for the Trustee, under the provisions of this Article, to join in the execution of such supplemental indenture.

**Responsibilities  
of Trustee under  
this Article**

**Trustee may rely  
on opinion  
of counsel**

## ARTICLE XI.

## DEFEASANCE.

Release  
of Indenture

SECTION 1101. If, when the bonds secured hereby shall have become due and payable in accordance with their terms or shall have been duly called for redemption or irrevocable instructions to call the bonds for redemption shall have been given by the Company to the Trustee, the whole amount of the principal and the interest and the premium, if any, so due and payable upon all of the bonds and coupons then outstanding shall be paid or sufficient moneys shall be held by the Trustee or the Paying Agents for such purpose, and provision shall also be made for paying all other sums payable hereunder by the Company, then and in that case the right, title and interest of the Trustee shall thereupon cease, determine and become void, and the Trustee in such case, on demand of the Company, shall release this Indenture and shall execute such documents to evidence such release as may be reasonably required by the Company, and shall turn over to the Company or to such officer, board or body as may then be entitled by law to receive the same any surplus in any Account in the Sinking Fund; otherwise this Indenture shall be, continue and remain in full force and effect.

## ARTICLE XII.

## MISCELLANEOUS PROVISIONS.

Successorship of  
Company and  
Paying Agents

SECTION 1201. In the event of the dissolution of the Company all of the covenants, stipulations, obligations and agreements contained in this Indenture by or in behalf of or for the benefit of the Company shall bind or inure to the benefit of the successor or successors of the Company from time to time and any officer, board, commission, authority, agency or instrumentality to whom or to which any power or duty affecting such covenants, stipulations, obligations and agreements shall be transferred by or in accordance

with law, and the word "Company" as used in this Indenture shall include such successor or successors.

Any bank or trust company with or into which any Paying Agent may be merged or consolidated, or to which the assets and business of such Paying Agent may be sold, shall be deemed the successor of such Paying Agent for the purposes of this Indenture. If the position of any Paying Agent shall become vacant for any reason, the Company shall, within thirty (30) days thereafter, appoint a bank or trust company located in the Borough of Manhattan, City and State of New York, or in San Juan, Puerto Rico, as the case may be, as Paying Agent to fill such vacancy; provided, however, that if the Company shall fail to appoint such Paying Agent within said period, the Trustee shall make such appointment.

SECTION 1202. In the event that any of the officers of the Company designated by this Indenture to sign bonds, certificates or other instruments are at any time unable to do so by reason of absence or disability, such bonds, certificates or other instruments shall be signed by such other officer or officers of the Company as are designated in writing for such purpose by the Economic Development Administrator.

**Disability of officers of Company; designation of new officers to sign documents**

SECTION 1203. Any notice, demand, direction, request or other instrument authorized or required by this Indenture to be given to or filed with the Company or the Trustee shall be deemed to have been sufficiently given or filed for all purposes of this Indenture if and when sent by registered mail, return receipt requested:

**Manner of giving notice, etc.**

to the Company, if addressed to Puerto Rico Industrial Development Company, San Juan, Puerto Rico;

to the Trustee or to any successor Trustee, if addressed to it at its Head Office.

All documents received by the Trustee under the pro-

visions of this Indenture shall be retained in its possession, subject at all reasonable times to the inspection of the Company, any bondholder, and the agents and representatives thereof.

**Parties and bondholders alone have rights under Indenture**

SECTION 1204. Except as herein otherwise expressly provided, nothing in this Indenture expressed or implied is intended or shall be construed to confer upon any person, firm or corporation other than the parties hereto and the holders of the bonds issued under and secured by this Indenture any right, remedy or claim, legal or equitable, under or by reason of this Indenture or any provision hereof, this Indenture and all its provisions being intended to be and being for the sole and exclusive benefit of the parties hereto and the holders from time to time of the bonds issued hereunder.

**Suspension of newspaper publications; alternate method of giving notice**

SECTION 1205. If in any case, by reason of the temporary or permanent suspension of publication of any newspaper or financial journal, or for any other reason, the Trustee shall deem it impracticable with the use of reasonable diligence to publish in a newspaper or financial journal any notice hereby required to be so published, such notice may be given in such other manner as in the judgment of the Trustee shall in the circumstances most effectively approximate such publication thereof, and the giving of such notice in said manner shall for all purposes be deemed to be compliance with the requirement for the publication thereof.

**Effect of partial invalidity**

SECTION 1206. In case any one or more of the provisions of this Indenture or of the bonds or coupons issued hereunder shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Indenture or of said bonds or coupons, but this Indenture and said bonds and coupons shall be construed and enforced as if such illegal or invalid provision had not been contained therein. In case any

covenant, stipulation, obligation or agreement contained in the bonds or in this Indenture shall for any reason be held to be in violation of law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the Company to the full extent permitted by law.

SECTION 1207. All covenants, stipulations, obligations and agreements of the Company contained in this Indenture shall be deemed to be covenants, stipulations, obligations and agreements of the Company to the full extent authorized by the Enabling Act and permitted by the Constitution and laws of Puerto Rico. No covenant, stipulation, obligation or agreement contained herein shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, officer, agent or employee of the Company in his individual capacity, and neither the members of the Company nor any official executing the bonds shall be liable personally on the bonds or be subject to any personal liability or accountability by reason of the issuance thereof. This Indenture is executed with the intent that the laws of the Commonwealth of Puerto Rico shall govern its construction.

**Effect of  
covenants, etc.**

SECTION 1208. This Indenture may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original; and such counterparts shall constitute but one and the same instrument.

**Multiple  
counterparts**

SECTION 1209. Any headings preceding the texts of the several articles hereof, and any table of contents or marginal notes herein contained, shall be solely for convenience of reference and shall not constitute a part of this Indenture, nor shall they affect its meaning, construction or effect.

**Headings, etc. not  
part of Indenture**

SECTION 1210. On or before the date on which bonds authorized by Section 208 of this Indenture are delivered, there shall be filed in the Office of the Puerto Rico Registry

**Filing of Statement  
of Assignment  
of Accounts  
Receivable**

of Factor's Liens a Statement of Assignment of Accounts Receivable in the form and manner provided by Act No. 8 of the Legislature of Puerto Rico approved October 8, 1954 with regard to the revenues and other funds of the Company which are pledged by this Indenture. The Company and the Trustee shall sign and cause to be filed such renewal or additional statements or other instruments as may be necessary from time to time under the provisions of said Act No. 8 or any amendments thereof or under the provisions of any other law to preserve and maintain the lien of this Indenture as a first lien upon the revenues and funds pledged hereunder.

IN WITNESS WHEREOF, the Puerto Rico Industrial Development Company has caused this Indenture to be executed by its President and General Manager and its official seal to be impressed hereon and attested by its Secretary, and First National City Bank has caused this Indenture to be executed in its behalf by one of its Vice Presidents and its corporate seal to be impressed hereon and attested by its Cashier or an Assistant Cashier, all as of the day and year first above written.

Execution  
by Company

PUERTO RICO INDUSTRIAL DEVELOPMENT COMPANY

(SEAL)

By M. SANCHEZ RIVERA  
President and General Manager

Attest:

G. SILVA  
Secretary

Execution by Trustee

FIRST NATIONAL CITY BANK

(SEAL)

By S. L. SMITH  
Vice President

Attest:

JOHN J. LYNCH  
Assistant Cashier

STATE OF NEW YORK }  
 COUNTY OF NEW YORK } ss.:

On the 28th day of December, in the year 1964, before me personally came M. Sanchez Rivera, to me known, who, being by me duly sworn, did depose and say that he resides at 1805 Pacific Place, San Juan, Puerto Rico; that he is the President and General Manager of the Puerto Rico Industrial Development Company, the body corporate and politic described in and which executed the above instrument; that he knows the seal thereof; that the seal affixed to said instrument is the corporate seal of the Puerto Rico Industrial Development Company; that it was so affixed by order of said Company; and that he signed his name thereto by like order.

**Acknowledgment  
 by Company**

(SEAL) ANNA F. SCHREIBER  
 Notary Public, State of New York  
 No. 31-8848200  
 Qualified in New York County  
 Commission Expires March 30, 1966

STATE OF NEW YORK }  
 COUNTY OF NEW YORK } ss.:

On this 28th day of December, in the year 1964, before me personally came S. L. Smith, to me known, who, being by me duly sworn, did depose and say that he resides at 590 Ridgewood Avenue, Glen Ridge, New Jersey; that he is a Vice President of First National City Bank, the banking corporation described in and which executed the above instrument; that he knows the seal of said corporation; that the sealed affixed to said instrument is the corporate seal of said corporation; that it was so affixed by authority of the Board of Directors of said corporation; and that he has signed his name thereto by like authority.

**Acknowledgment  
 by Trustee**

(SEAL) JOHN L. GRIMMELBEIN  
 Notary Public, State of New York  
 No. 30-6675350  
 Qualified in Nassau County  
 Cert. Filed in N. Y. County  
 Term Expires March 30, 1966