

**PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 11, 2008
SUBJECT TO COMPLETION AND AMENDMENT**

**NEW ISSUE
Book-Entry Only**

**Ratings
Moody's: Baa3
S&P: BBB-**

\$240,000,000*
PUERTO RICO MUNICIPAL FINANCE AGENCY
2008 Series A Bonds

The 2008 Series A Bonds (the "Bonds") are being issued to provide funds for the purchase by Puerto Rico Municipal Finance Agency ("Agency") of certain outstanding general obligation bonds and notes of various municipalities of the Commonwealth of Puerto Rico ("Commonwealth") currently held by Government Development Bank for Puerto Rico (the "Municipal Bonds").

The Bonds will be secured by and payable from the following:

- The payment of principal and interest on the Municipal Bonds that are being pledged by the Agency under the 2008 Indenture. The Municipal Bonds are secured by ad valorem taxation, without limitation as to rate or amount, on all taxable property within the issuing municipalities. The good faith, credit and unlimited taxing power of each issuing municipality are pledged for the payment of its Municipal Bonds.
- The moneys in a Reserve Account created under the 2008 Indenture. The Agency's Enabling Act provides that the Commonwealth shall annually apportion and pay to the Agency such sum as shall be necessary to maintain the Reserve Account in the required amount (as described herein). The payment of such sum by the Commonwealth is subject to appropriation by the Legislature of Puerto Rico, which appropriation is authorized but not legally required to be made.

The Bonds will have the following characteristics:

- The Bonds will be dated their date of delivery.
- The Bonds will be registered under The Depository Trust Company's book-entry only system. Purchasers of the Bonds will not receive definitive Bonds.
- The Bonds are subject to redemption prior to maturity as set forth herein, the earliest possible date of redemption being _____ 20__.
- Interest on the Bonds will be payable semi-annually to maturity (or earlier redemption) on the 1st days of February and August beginning _____, 20__.
- The inside cover page contains information concerning the maturity schedules, interest rates, and yields on the Bonds.
- In the opinion of Bond Counsel, under existing federal laws and regulations, interest on the Bonds will be exempt from federal income taxation and the Bonds and the interest thereon will be exempt from state, Commonwealth and local income taxation. However, see "TAX EXEMPTION" beginning on page 33 of this Official Statement for alternative minimum tax consequences with respect to interest on the Bonds, a description of certain rules that the Agency and each issuer of Municipal Bonds must comply with to preserve the federal tax exemption of such interest and other tax considerations.
- It is expected that settlement for the Bonds will occur on or about December __, 2008.

Neither the credit of the Commonwealth nor that of any of its government instrumentalities will be pledged for the payment of the Bonds. The Bonds are limited obligations of the Agency payable solely from principal and interest payments received by the Trustee from the Municipal Bonds pledged under the 2008 Indenture and from moneys held in the Reserve Account and certain other funds and accounts under the 2008 Indenture.

Merrill Lynch & Co.

Banc of America Securities LLC

Citi

Goldman Sachs & Co.

Morgan Stanley

Popular Securities

Ramirez & Co., Inc.

Barclays Capital Inc.

DEPFA First Albany Securities LLC

J.P. Morgan

Oppenheimer & Co. Inc.

Santander Securities

RBC Capital Markets

BBVAPR MSD

Eurobank MSD

Loop Capital Markets, LLC

Oriental Financial Services

Scotia Capital

UBS Financial Services Incorporated of Puerto Rico Wachovia Capital Markets LLC

December __, 2008

* Preliminary, subject to change.

The information contained in this Preliminary Official Statement is subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

\$240,000,000*
PUERTO RICO MUNICIPAL FINANCE AGENCY
2008 Series A Bonds

MATURITY SCHEDULE

\$117,400,000 Serial Bonds

<u>Maturity Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
08/01/2009	\$13,000,000		
08/01/2010	15,300,000		
08/01/2011	16,500,000		
08/01/2012	14,100,000		
08/01/2013	13,100,000		
08/01/2014	16,500,000		
08/01/2015	6,800,000		
08/01/2016	7,100,000		
08/01/2017	7,400,000		
08/01/2018	7,600,000		

\$122,600,000 Term Bonds

\$43,900,000	_____%	Term Bond due August 1, 2023	– yield	_____%
\$42,700,000	_____%	Term Bond due August 1, 2028	– yield	_____%
\$36,000,000	_____%	Term Bond due August 1, 2033	– yield	_____%

* Preliminary, subject to change.

No dealer, broker, sales representative or other person has been authorized by the Agency or the Underwriters to give any information or make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the Agency or any Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the Agency, Government Development Bank of Puerto Rico (“GDB”), the Commonwealth, the municipality of San Juan, Municipal Revenues Collection Center (“CRIM”) and various other agencies of the Commonwealth, and includes information obtained from other sources which are believed to be reliable. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency, GDB, the Commonwealth, San Juan or CRIM, since the date hereof. The Underwriters have provided the following sentence and the next paragraph for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

In connection with the offering of the Bonds, the Underwriters may over-allot or effect transactions which stabilize or maintain the market prices of such Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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\$240,000,000*
Puerto Rico Municipal Finance Agency
2008 Series A Bonds

INTRODUCTORY STATEMENT

This Official Statement of Puerto Rico Municipal Finance Agency (the “Agency”) is provided to furnish information with respect to its \$240,000,000* Puerto Rico Municipal Finance Agency 2008 Series A Bonds (the “Bonds”). The Bonds will be issued pursuant to a Trust Indenture, dated as of December __, 2008 (the “2008 Indenture”), between the Agency and Banco Popular de Puerto Rico, as trustee (the “Trustee”).

This Official Statement includes the cover page, its appendices and the following documents, which have been filed with each nationally recognized municipal securities information repository (“NRMSIR”) and are incorporated herein by reference:

- (1) The Commonwealth Financial and Operating Data Report, dated May 31, 2008 (the “Commonwealth Report”) prepared by Government Development Bank for Puerto Rico (“GDB”), which was attached as Appendix A to the Official Statement, dated September 5, 2008, for the offering of the Commonwealth’s Public Improvement Bonds of 2008, Series A, and the Comprehensive Annual Financial Report of the Commonwealth of Puerto Rico (The “Commonwealth”) for the fiscal year ended June 30, 2007 (the “Commonwealth Annual Financial Report”), which includes the general purpose financial statements of the Commonwealth for the fiscal year ended June 30, 2007, together with the independent auditor’s report thereon, dated June 15, 2008, of KPMG LLP, San Juan, Puerto Rico, certified public accountants. KPMG LLP did not audit the financial statements of the Public Buildings Authority capital project fund and The Children’s Trust special revenue fund (major funds) which represent 1% and 0%, respectively, of the assets and revenue of the government activities. It also did not audit the financial statements of several activities, funds, and component units separately identified in its report. Those financial statements were audited by other auditors whose reports thereon have been furnished to KPMG LLP, and its opinions, insofar as they relate to the amounts included for such activities, funds, and component units, are based on the reports of the other auditors;
- (2) The Continuing Disclosure Report of the Agency for the fiscal year ended June 30, 2007, which report includes the general purpose financial statements of the Agency for the fiscal year ended June 30, 2007, together with the independent auditor’s report, dated October 24, 2007, of RSM ROC & Company, San Juan, Puerto Rico, certified public accountants; and
- (3) The Continuing Disclosure Report of the Municipality of San Juan (“San Juan”) for the fiscal year ended June 30, 2007, which report includes the general purpose financial statements of San Juan for the fiscal year ended June 30, 2007, together with the independent auditor’s report, dated December 7, 2007 of Aquino, De Córdova, Alfaro & Co., LLP, San Juan, Puerto Rico, certified public accountants. Aquino, De Córdova, Alfaro & Co., LLP did not audit the financial statements of the Comunidad del Retiro, which represents five and two percent of the assets and revenues of the aggregate remaining fund information, respectively. Those financial statements were audited by other auditors whose report thereon has been furnished to Aquino, De Córdova, Alfaro & Co., LLP, and its opinion, insofar as it relates to the amounts included for Comunidad del Retiro, is based on the report of other auditors.

The Municipal Bonds of San Juan constitute 10% or more of the aggregate amount of Municipal Bonds securing the Bonds.

* Preliminary, subject to change.

Any appendix of an Official Statement of the Commonwealth or any appendix of an Official Statement of any instrumentality of the Commonwealth containing the same information as the Commonwealth Report or the Commonwealth Annual Financial Report, filed with each NRMSIR and the Municipal Securities Rulemaking Board (“MSRB”) after the date hereof and prior to the termination of any offering of the Bonds, shall be deemed to be incorporated by reference into this Official Statement and to be part of this Official Statement from the date of filing of such document. Any filing with each NRMSIR by the Agency or San Juan of a document generally containing the same information set forth in their respective Continuing Disclosure Reports, after the date hereof and prior to the termination of any offering of the Bonds, shall also be deemed to be incorporated by reference into this Official Statement and to be part of this Official Statement from the date of filing of such document. Any statement contained herein or in any of the above described documents incorporated herein by reference shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Agency will provide without charge to any person to whom this Official Statement is delivered, on the written or oral request of such person, a copy of any of the documents incorporated herein by reference. Requests for such documents should be directed to Director-New York Office, Government Development Bank for Puerto Rico, 135 West 50th Street, 22nd Floor, New York, New York, 10020, telephone number (212) 333-0364, telephone number (212) 422-6420.

A copy of the Commonwealth Report, the Commonwealth Annual Financial Report, the Agency’s Continuing Disclosure Report or the San Juan Continuing Disclosure Report, may be obtained by contacting a NRMSIR. The address of each NRMSIR is set forth in “CONTINUING DISCLOSURE” below. The address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, Virginia 22314, telephone number (703) 797-6600.

This Official Statement, including information incorporated in this Official Statement by reference, contains certain “forward-looking statements” concerning the Agency, San Juan, and the Commonwealth’s operations and financial condition. These statements are based upon a number of assumptions and estimates which are subject to significant uncertainties, many of which are beyond the control of the Agency, San Juan, and the Commonwealth. The words “may,” “would,” “could,” “will,” “expect,” “anticipate,” “believe,” “intend,” “plan,” “estimate” and similar expressions are meant to identify these forward looking statements. Actual results may differ materially from those expressed or implied by these forward-looking statements.

THE AGENCY

The Agency, a public corporation and governmental instrumentality of the Commonwealth, was created by Act No. 29 of the Legislature of Puerto Rico, approved June 30, 1972, as amended (the “Enabling Act”), to allow the municipalities of Puerto Rico to access the capital markets so that such municipalities might finance more effectively their public improvement programs.

The Agency is authorized to issue bonds for the following purposes: (i) purchasing bonds and notes of municipalities within the Commonwealth secured by *ad valorem* taxation, without limitation of rate or amount, on all taxable property within each such municipality and issued in accordance with applicable law, (ii) making payments into the Bond Service Account, the Operating Fund or the Reserve Account (each as described herein) of any trust indenture under which bonds of the Agency are issued, (iii) funding bond anticipation notes theretofore issued by the Agency to provide funds to purchase general obligation municipal bonds and notes, and (iv) refunding any outstanding bonds of the Agency.

The Agency is located in the Roberto Sánchez Vilella Government Center in San Juan, Puerto Rico. Its mailing address is P.O. Box 42001, San Juan, Puerto Rico 00940-2001, telephone (787) 722-2525.

Organization and Membership of the Agency

The Agency is governed by a Board of Directors which is composed of the President of GDB, an instrumentality and public corporation of the Commonwealth, the Commissioner of Municipal Affairs and three additional members appointed by the Governor of Puerto Rico, one of whom must be either the mayor or chief financial officer of a municipality. The Commissioner of Municipal Affairs, the President of GDB, and the municipal officer appointed by the Governor of Puerto Rico shall be members of the Board during the period of their respective incumbencies. The other two members shall be appointed for a period of five years. The President of GDB serves as the Chairman of the Board and President of the Agency.

The Board currently has one vacancy. The following individuals are the current members of the Board:

<u>Member</u>	<u>Occupation</u>
Jorge Irizarry Herráns, <i>Chairman of the Board and President</i>	President of GDB
Angel Castillo Rodríguez	Commissioner of Municipal Affairs
Sol Luis Fontánez	Mayor, Municipality of Barceloneta
Pedro Pérez Rodríguez, <i>Secretary</i>	Attorney at Law

Prior Bond Issues

As of November 1, 2008, the Agency had \$1,266,590,000 of bonds outstanding (collectively, the “Outstanding Bonds”). The Outstanding Bonds were authorized and issued pursuant to trust indentures separate from and unrelated to the 2008 Indenture.

PLAN OF FINANCING

The Bonds

The portion of the proceeds of the Bonds deposited to the credit of the Acquisition Fund will be used by the Trustee to purchase general obligation municipal bonds and notes of various Puerto Rico municipalities from GDB. See “SOURCES OF PAYMENT FOR THE BONDS - The Municipal Bonds” and “THE 2008 INDENTURE - Acquisition Fund.”

Sources and Uses of Funds

Sources:

Principal amount of the Bonds.....	\$
Original issue premium	
Accrued interest.....	
Total Sources.....	\$

Uses:

Deposit to the Acquisition Fund	\$
Deposit to the Reserve Account.....	
Deposit to the Bond Service Account.....	
Underwriting discount and legal, printing and financing expenses.....	
Total Uses.....	\$

The amount deposited to the credit of the Reserve Account under the 2008 Indenture from the proceeds of the Bonds will be equal to the Required Debt Service Reserve (as defined herein) and will be invested in accordance with the terms of the 2008 Indenture. See “SOURCES OF PAYMENT FOR THE BONDS - The Reserve Account.”

THE BONDS

General

The Bonds will be dated their date of delivery. Interest on the Bonds (at the respective rates set forth on page (i) of this Official Statement) will be payable semi-annually to maturity on the 1st days of February and August, beginning _____ 1, 200___. The Bonds are subject to redemption at the times and at the prices set forth in “Redemption” below.

Book-Entry Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies, DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of a Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners

of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the Bond documents. For example, Beneficial Owners may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of, redemption premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' account upon DTC's receipt of funds and corresponding detail information from the Agency or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premiums, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Agency or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, definitive Bonds are required to be printed and delivered.

The Agency may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, definitive Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Agency believes to be reliable, but the Agency, the Underwriters and the Trustee take no responsibility for the accuracy thereof.

Transfers

For every transfer and exchange of the Bonds, the Beneficial Owners may be charged a sum sufficient to cover any tax, fee or other charge that may be imposed in relation thereto.

Discontinuance of the Book-Entry Only System

In the event that such book-entry only system is discontinued, the following provisions will apply: principal of and redemption premium, if any, on the Bonds shall be payable in lawful money of the United States of America at

the corporate trust office of the Trustee at 153 Ponce de León Avenue, Eighth Floor, San Juan, Puerto Rico. Interest on the Bonds will be payable by check mailed to the respective addresses of the registered owners thereof as shown on the registration books of the Agency maintained by the Trustee as of the record date therefor (January 15 and July 15). The Bonds will be issued only as registered Bonds without coupons in denominations of \$5,000 or any integral multiple thereof. The transfer of the Bonds will be registrable and they may be exchanged at the corporate trust office of the Trustee in New York, New York, upon the payment of any taxes or other governmental charges required to be paid with respect to such transfer or exchange.

Redemption

Optional Redemption. The Bonds maturing after _____ 1, 20__ may be redeemed, at the option of the Agency, upon not less than 30 days' prior notice by mail to DTC or, if the book-entry system is discontinued, to the registered owners thereof from any available moneys (other than moneys deposited in the Sinking Fund in respect of an amortization requirement) either in whole or in part (and if in part, in such order of maturity as directed by the Agency), on any date not earlier than _____ 1, 20__, at a redemption price equal to the principal amount to be redeemed, together with accrued interest thereon, and without premium.

Mandatory Redemption. The term Bonds are subject to redemption to the extent of the respective amortization requirements therefor set forth below (less the amount applied to the purchase of any such Bonds and otherwise subject to adjustment as described below), upon not less than 30 days' prior notice by mail to DTC or, if the book-entry system is discontinued, to the registered owners thereof on _____ 1, 20__ and on _____ 1 in each year thereafter from moneys in the Redemption Account at a redemption price of par plus accrued interest to the date fixed for redemption:

Amortization Requirements for Term Bonds

Year

Amount (\$)

If the amount of the term Bonds of a particular maturity retired by purchase or redemption during any fiscal year exceeds the amount of the amortization requirement for such term Bonds for such fiscal year, the remaining amortization requirements for such term Bonds shall be decreased for such subsequent fiscal years and in such amounts aggregating the amount of such excess as the Agency shall determine.

Effect of Calling for Redemption. On the date so designated for redemption, notice having been given in the manner and under the conditions provided in the 2008 Indenture, the Bonds or portions of Bonds so called for redemption will become and be due and payable at the redemption price of such Bonds or portions thereof to be redeemed on such date, and, if sufficient moneys, or Government Obligations (as defined herein) the principal of and interest on which when due will provide sufficient moneys, for payment of the redemption price are held in separate accounts by the Trustee in trust for the holders of the Bonds or portions thereof to be redeemed, as provided in the 2008 Indenture, interest on the Bonds or portions thereof so called for redemption will cease to accrue, such Bonds or portions thereof will cease to be entitled to any benefit or security under the 2008 Indenture, and the registered owners of such Bonds or portions thereof will have no rights in respect thereof except to receive payment of the redemption price thereof and the accrued interest and, to the extent provided in the 2008 Indenture, to receive Bonds of the same maturity for any unredeemed portions of the Bonds.

Additional Bonds

No additional bonds may be issued under the 2008 Indenture except to refund any bonds issued under the 2008 Indenture (including the Bonds). All such refunding bonds will be issued on a parity with the Bonds and will be entitled

to the same benefit and security under the 2008 Indenture as the Bonds. In addition, the Agency may from time to time issue additional bonds and notes as authorized under the Enabling Act, which bonds and notes would be authorized and issued pursuant to trust indentures or authorizing resolutions separate from and unrelated to the 2008 Indenture and would be secured by Municipal Bonds other than those pledged or to be pledged, as applicable, to secure payment of the Bonds or any such refunding bonds.

SOURCES OF PAYMENT FOR THE BONDS

The Bonds are equally and ratably secured by and payable from (i) payments of principal of and interest on the Municipal Bonds held by the Trustee under the 2008 Indenture (see “The Municipal Bonds” below); and (ii) moneys in and investment income from the Sinking Fund (as defined herein) (including any moneys paid to the Agency by the Commonwealth) (see “MUNICIPAL BONDS - The Reserve Account”) and the Acquisition Fund (see “THE 2008 INDENTURE - Acquisition Fund”). Some or all of the Municipal Bonds may be released from the lien of the 2008 Indenture if certain requirements are met. See “THE 2008 INDENTURE - Release of Municipal Bonds.”

The principal amount of the Municipal Bonds issued by San Juan that are or will be included in the Municipal Bonds totals \$28,235,000 or 12.7% of the total \$222,190,000 in principal amount of Municipal Bonds to be pledged as security for the Bonds under the 2008 Indenture. For additional information on San Juan, please refer to Appendix A hereto and to the San Juan Continuing Disclosure Report, which has been incorporated by reference into this Official Statement.

The Trustee is required to collect the principal of and interest on all Municipal Bonds held by it on behalf of the Agency under the 2008 Indenture as such principal and interest become due and payable and deposit the moneys so received to the credit of the following Accounts within the Sinking Fund and to the Rebate Fund (as defined herein) created under the 2008 Indenture in the following order:

- (1) The Bond Service Account, such amount as may be required to make the total amount then in the Bond Service Account equal to the amount of interest then or to become within the next ensuing six months due and payable on all Bonds then outstanding and the amount of principal then or to become within the next ensuing twelve months due and payable on all serial Bonds then outstanding plus such additional amount applicable at the time of such deposit as shall be necessary to make the balance in the Bond Service Account immediately after each interest payment date equal to the ending balance specified in a certificate of the Agency filed with the Trustee prior to the delivery of and payment of all Bonds;
- (2) The Redemption Account, such amount as may be required to make the amount deposited in the Redemption Account in such fiscal year equal to the Amortization Requirements, if any, for such fiscal year for the term Bonds then outstanding;
- (3) The Reserve Account, such amount as may be required to make the amount then in the Reserve Account equal to the Required Debt Service Reserve; and
- (4) Any balance to the Rebate Fund.

Any amounts in the Reserve Account in excess of the Required Debt Service Reserve shall be transferred to the Bond Service Account.

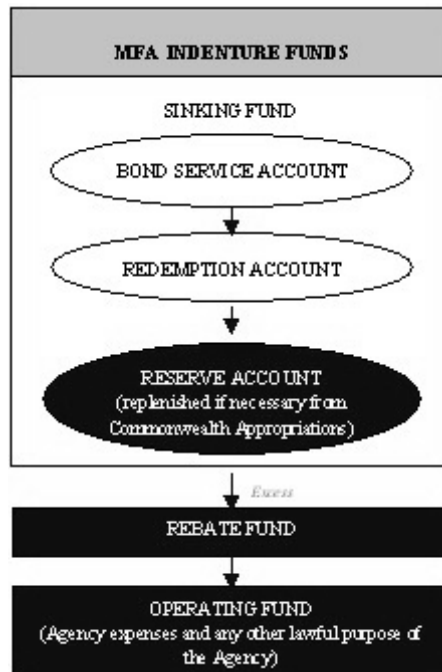
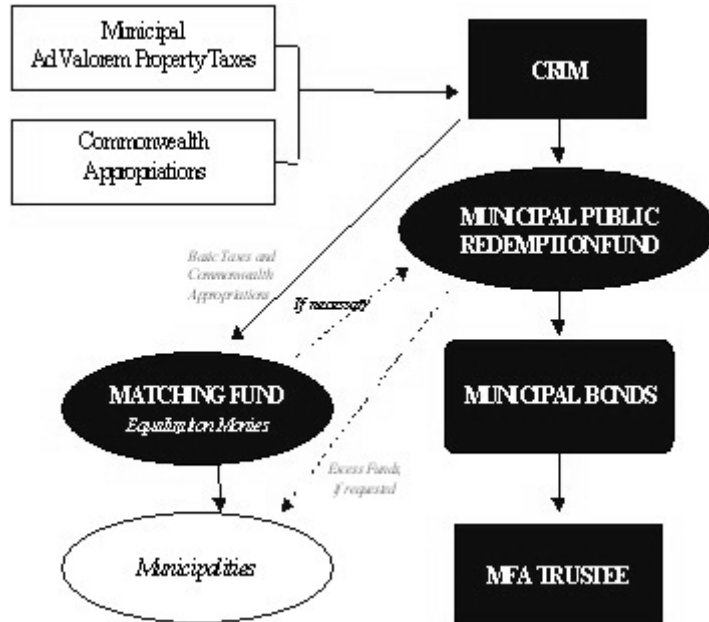
All moneys paid to the Agency by the Commonwealth pursuant to the Enabling Act for the purpose of restoring the Reserve Account to the Required Debt Service Reserve are to be paid to the Trustee for deposit to the credit of the Reserve Account.

Moneys in the Rebate Fund will be applied by the Agency to satisfy any rebate liability it may have with the United States Treasury in respect of any of the Agency's outstanding tax-exempt bonds, whether or not issued under and secured by the 2008 Indenture. Any balance in the Rebate Fund after satisfying any such rebate liability will be transferred by the Trustee to the Operating Fund as promptly as practicable. Moneys in the Rebate Fund and the Operating Fund are not part of the trust estate securing the Bonds.

Neither the credit of the Commonwealth nor that of any of its government instrumentalities will be pledged for the payment of the Bonds. The Bonds are limited obligations of the Agency payable solely from principal and interest payments under the pledged Municipal Bonds and from moneys held in the Reserve Account and other certain funds and accounts under the 2008 Indenture. The Reserve Account will be funded, when required, by the Commonwealth as provided in the Enabling Act. See *The Reserve Account*. The good faith, credit and unlimited taxing power of each issuer of Municipal Bonds (a "Municipal Issuer") will be pledged to the payment of each of its Municipal Bonds that is being pledged by the Agency to secure payment of the Bonds.

PRINCIPAL SOURCE OF PAYMENT FOR MUNICIPAL BONDS

The following diagrams demonstrate the principal source of payment for the Municipal Bonds of each Municipal Issuer and how payments on the Municipal Bonds are allocated to the above mentioned funds and accounts.



The Municipal Bonds

General. As required by the 2008 Indenture and the Enabling Act, the Municipal Bonds are general obligation bonds or notes of a Municipal Issuer secured by *ad valorem* taxation, without limitation as to rate or amount, on all taxable property within the boundaries of the applicable Municipal Issuer. The good faith, credit and unlimited taxing power of each Municipal Issuer are pledged to the payment of its Municipal Bonds. The Municipal Bonds have been issued pursuant to Act No. 64 of the Legislature of Puerto Rico, approved July 3, 1996, as amended (“Act No. 64”), which revised and incorporated into a single statute the provisions of Act No. 7 of October 28, 1954, and of several other laws relating to municipal finance and municipal taxes and made certain changes to such provisions to, among other things, expedite and streamline the procedures for the issuance of municipal obligations, including general obligation municipal bonds and notes.

Limitations on Ability of Municipalities to Issue General Obligation Debt. GDB is required by Act No. 64 to give its prior approval to all proposed issues of general obligation bonds and notes by the municipalities of Puerto Rico. Prior to approving any proposed issue of general obligation debt, GDB is required to verify that the municipality has Available Legal Margin and Payment Capacity (as such terms are defined below) to incur such additional general obligation debt.

As provided by the Commonwealth Constitution, the Legislature of Puerto Rico has fixed a limitation for the issuance of general obligation municipal bonds and notes for the payment of which the good faith, credit and taxing power of each municipality may be pledged. The principal amount outstanding of any such bonds and notes may not exceed 10% of the aggregate assessed valuation of the assessed property within such municipality (the “Legal Margin,” and the amount by which such municipality’s Legal Margin exceeds a municipality’s outstanding general obligation debt, the “Available Legal Margin”). Act No. 64 provides that in calculating the Available Legal Margin of a municipality, the amount of outstanding general obligation bonds and notes of such municipality is reduced by the amount of the excess, if any, of the funds deposited in such municipality’s Redemption Fund (as defined herein) with GDB over the amount of accrued but unpaid interest on such general obligation debt. For a discussion of the operation of the Redemption Fund see *Redemption Fund Deposits and Application* below.

Act No. 64 also requires that in order for a municipality to be able to issue additional general obligation bonds and notes such municipality must have sufficient payment capacity. Act No. 64 provides that a municipality has sufficient payment capacity to incur additional general obligation debt if the deposits in such municipality’s Redemption Fund and the annual amounts collected with respect to such municipality’s Special Additional Tax (as defined below), as projected by GDB, will be sufficient to service to maturity the municipality’s outstanding general obligation debt and the additional proposed general obligation debt (“Payment Capacity”).

Special Additional Tax. The principal source of payment for municipal general obligation bonds and notes is a special additional property tax (the “Special Additional Tax”), which as provided by Act No. 83 of August 30, 1991, as amended (“Act No. 83”), may be imposed by a municipality without limitation as to rate or amount. Under Act No. 64, each municipality is required to levy the Special Additional Tax in such amounts as shall be required for the payment of its outstanding general obligation municipal bonds and notes. The current Special Additional Tax rates for municipalities vary from 1.00% to 3.40% of applicable assessed valuation in the case of both real and personal property (other than exempted property). The Special Additional Tax is collected on behalf of the municipalities by the Municipal Revenues Collection Center, an independent governmental entity (by its Spanish acronym, “CRIM”). The Commonwealth has not conducted a real property reassessment since 1958. Therefore, all real property taxes collected by CRIM, including the Special Additional Tax, are based on the assessed valuation of real property in fiscal year 1957-58. The Special Additional Tax is available for the payment of debt service on general obligation debt of the municipalities, except for any Special Additional Tax collected on the real and personal property of the privatized Puerto Rico Telephone Company (“PRTC”) for those municipalities that elect not to deposit such PRTC property taxes in their Redemption Funds pursuant to Act No. 95 of the Legislature of Puerto Rico, approved June 24, 1998 (“Act No. 95”), and except that moneys in the Redemption Fund in excess of the next twelve months’ debt service on a municipality’s general obligation debt must be returned to such municipality, at its request, and is available first for the payment of such municipality’s statutory debts, and then, for any other obligation or activity that has a legitimate municipal purpose

pursuant to Act No. 64, see *Redemption Fund Deposits and Application* below. Pursuant to Act No. 95, which amended Act No. 83, each municipality has the option of either: (i) depositing the amounts collected by CRIM relating to the Special Additional Tax on the real and personal property of PRTC in that municipality's Redemption Fund; or (ii) using such amounts collected by CRIM for any other lawful purpose such as the payment of the municipality's operating expenses.

Redemption Fund Deposits and Application. CRIM is required to deposit into each municipality's Redemption Fund with GDB the amounts collected with respect to such municipality's Special Additional Tax (including the annual appropriations from the Commonwealth's General Fund to compensate each municipality for the exemption from the Special Additional Tax portion of the \$15,000 Real Property Exemption (as defined below) and the \$50,000 Personal Property Exemption (as defined below)) and any additional amount derived from such municipality's Basic Tax (as defined below) and other available revenues to the extent necessary to pay principal of and interest on all general obligation indebtedness of such municipality. It has never been necessary to transfer into any municipality's Redemption Fund moneys derived from such municipality's Basic Tax.

Act No. 64 provides that the Special Additional Tax and other amounts deposited in a municipality's Redemption Fund are to be utilized first for the payment of the principal of and premium, if any, and interest on its general obligation bonds and notes. To the extent that such funds exceed the amount necessary to cover twelve months' debt service on such municipality's then outstanding general obligation indebtedness, as determined by GDB, Act No. 64 requires GDB to disburse the excess to the municipality, at its request, once during each fiscal year.

Municipal Revenues. Revenues of the municipalities of Puerto Rico are principally derived from *ad valorem* property taxes, Commonwealth contributions, a municipal license tax, and a municipal sales and use tax.

Act No. 83 authorizes municipalities to impose the following property taxes: (i) the Special Additional Tax, without limitation as to rate or amount, which is available primarily for the payment of a municipality's general obligation debt; and (ii) a basic property tax to fund operating expenses up to a maximum amount of 6% of the assessed valuation on all real property within such municipality (other than exempted property) and up to a maximum amount of 4% of the assessed valuation on all personal property within such municipality (other than exempted property) (collectively, the "Basic Tax"). Act No. 83 also provides for a special property tax imposed by the Commonwealth of 1.03% of the assessed valuation of all real and personal property within the Commonwealth (other than exempted property) (the "Special Tax") for the exclusive purpose of servicing the Commonwealth's general obligation debt. A portion of the Basic Tax levied by a municipality may be transferred to other municipalities by virtue of the operation of the Matching Fund (as defined herein). See *Matching Fund and Equalization Moneys* below.

The current Basic Tax rates for municipalities vary from 5.72% to 6% of the assessed valuation in the case of real property, and from 3% to 4% of the assessed valuation in the case of personal property. In the aggregate, current property tax rates (including the Special Additional Tax and the Basic Tax) for the municipalities vary from 6.97% to 9.40% of the assessed valuation in the case of real property, and from 4.25% to 7.40% of the assessed valuation in the case of personal property. Interest is charged on delinquent taxes at the rate of 10%, with a penalty of up to 10% of the tax owed in the case of real property and up to 15% of the tax owed (or up to 40% if the delinquency also involves failure to file the required tax return) in the case of personal property.

As mentioned above, under Act No. 64, each municipality is required to levy the Special Additional Tax in such amounts as shall be required for the payment of its general obligation municipal bonds and notes. Principal of and interest on all general obligation municipal bonds and notes and on all municipal notes issued in anticipation of the issuance of general obligation bonds also constitute a first lien on the municipality's Basic Tax. Accordingly, the municipality's Basic Tax would be available to make debt service payments on general obligation municipal bonds and notes to the extent that the Special Additional Tax, together with moneys on deposit in the municipality's Redemption Fund, are not sufficient to cover such debt service. It has never been necessary to apply Basic Taxes to pay debt service on general obligation municipal bonds and notes.

Act No. 83 provides for an exemption from the Special Additional Tax and Basic Tax on the first \$15,000 of assessed valuation of primary personal residences of individuals (the “\$15,000 Real Property Exemption”) and an exemption from personal property taxes on the first \$50,000 of assessed valuation of property owned by businesses that have gross revenues of less than \$150,000 per annum (the “\$50,000 Personal Property Exemption”). Recognizing the importance of the real and personal property tax for the fiscal requirements of the municipalities, the Commonwealth makes annual appropriations to the municipalities from its General Fund as compensation for the amount of the revenues foregone owing to these exemptions. However, under Act No. 83 appropriations from the Commonwealth will not be provided to cover any amount of property taxes which any municipality elects to forgo for primary personal residences registered for the first time after January 1, 1992, and personal property of certain businesses registered for the first time after July 1, 1991.

Act No. 83 and Act No. 80 of August 30, 1991, as amended (“Act No. 80”), also provide for the following Commonwealth contributions to the municipalities: (i) 2.50% of the net internal revenues of the Commonwealth’s General Fund; (ii) 35% of the annual net revenues derived from the operation of the additional lottery system created by Act No. 10, approved by the Legislature of Puerto Rico, on May 24, 1989, as amended, subject to a \$26 million annual cap (the amounts in clauses (i) and (ii), the “Designated Commonwealth Contributions”); (iii) an annual amount from the Commonwealth’s General Fund to compensate the municipalities for the \$15,000 Real Property Exemption and the \$50,000 Personal Property Exemption; and (iv) an annual amount from the Commonwealth’s General Fund to compensate the municipalities for the exemption of 0.20% of the assessed valuation of all taxable property within the municipalities (the amounts in clauses (i) through (iv), with the exception of the annual contributions from the Commonwealth with respect to the compensation to the municipalities for the Special Additional Tax portion of the \$15,000 Real Property Exemption and the \$50,000 Personal Property Exemption, are defined as the “Commonwealth Contributions”).

The municipal revenues described above are collected or received by CRIM on behalf of the levying municipality and are deposited by CRIM into the Redemption Fund and the Matching Fund, with the exception of the Special Tax which is deposited into the Commonwealth’s debt redemption fund.

Matching Fund and Equalization Moneys. Act No. 80 also established the Municipal Matching Fund (the “Matching Fund”) into which CRIM is required to deposit with GDB the total amount collected on account of Basic Taxes and the Commonwealth Contributions. Certain moneys in the Matching Fund (the “Equalization Moneys”) are available to CRIM in order to guaranty that each municipality will receive revenues in an amount at least equivalent to that received from Equalization Moneys in the previous fiscal year. The Equalization Moneys are made up of: (i) the Designated Commonwealth Contributions; and (ii) a portion of the Basic Tax equal to 1% of the assessed value of personal property and 3% of the assessed value of real property collected by each municipality (the “Designated Basic Tax”).

All Equalization Moneys are allocated to the municipalities as follows: first, as may be required so that each municipality receives at least the same amount of aggregate revenues received during the previous fiscal year on account of Equalization Moneys, using first the Designated Commonwealth Contributions, and then, to the extent necessary, the Designated Basic Tax (it has never been necessary to use the Designated Basic Tax to perform such equalization); second, Designated Basic Taxes remaining in the Equalization Moneys are allocated to the municipalities in proportion to the amount by which revenues from their Basic Taxes in such fiscal year exceed their revenues from Basic Taxes in the previous fiscal year; and third, to all municipalities based on certain economic and demographic criteria specified in Act No. 80. The remaining Matching Fund moneys are returned to the municipalities whose Basic Tax levies gave rise to such remaining moneys, and are used, with their other revenues, to meet operating expenses.

CRIM. Pursuant to Act No. 80, CRIM is responsible for the appraisal, assessment, notice of imposition, and collection of all municipal property taxes and distribution of these taxes and other funds to the municipalities. All property taxes collected by CRIM are deposited at GDB, which acts as fiscal agent to the Commonwealth and its municipalities.

CRIM is governed by a board (the “CRIM Board”) composed of the President of GDB, the Commissioner of Municipal Affairs and seven mayors of municipalities of the Commonwealth. The mayors elected as members of the CRIM Board hold office for a term of four years (and not more than two consecutive terms) and until their successors have been appointed. The Executive Director of CRIM is Norman E. Foy, Esq., and CRIM’s principal offices are located at State Road 1, Km. 17.2, San Juan, Puerto Rico 00926. In addition, CRIM operates nine regional centers located in the municipalities of Aguadilla, Arecibo, Bayamón, Caguas, Carolina, Humacao, Mayagüez, Ponce, and San Juan.

Real property is assessed by CRIM and personal property is self-assessed. The current preliminary gross assessed valuation figures for real property and personal property taxes for all municipalities are approximately \$15.1 billion and \$12.9 billion, respectively. These assessment values have not been adjusted to reflect the various applicable real property and personal property exemptions, such as those described under *Municipal Revenues* above and other exemptions granted under Commonwealth tax incentives laws. As mentioned above, no real property reassessment has been made in the Commonwealth since 1958. All real property taxes are assessed on the basis of the replacement cost of the related real property in fiscal year 1957-58 values, regardless of when such property was constructed.

Municipal License Tax. Act No. 113 of July 10, 1974, as amended, known as the Municipal License Tax Act, authorizes municipalities to impose municipal license taxes on gross receipts of any business conducted therein. The maximum tax rate is 1.5% for financial businesses, and 0.5% for nonfinancial businesses. The minimum tax to be paid is set at \$25. However, businesses with annual volumes of gross receipts not in excess of \$5,000 are exempt from paying the tax. Various other statutory exemptions are provided. Municipalities are authorized to provide for lower municipal license tax rates and grant exemptions therefrom, as long as treatment is uniform for all businesses of the same nature within each industry or commercial sector. A foreign tax credit is provided in the case of financial businesses for taxes of the same nature paid on non-Puerto Rico source income subject to municipal license tax in Puerto Rico.

Municipal license taxes are self-assessed and payable in semiannual installments. The filing date of the return is five business days after April 15. The municipal license tax is due semi-annually, in advance, on July 15 and January 15. The tax is computed on the basis of volume of business during the accounting year ending within the calendar year preceding the filing of the return. If the municipal license tax is paid at the time of the filing of the return, a 5% discount is allowed. Certain businesses and entities are exempt from payment of the municipal license tax, including those located in foreign trade zones.

Municipal Sales and Use Tax. Since November 2006, a Commonwealth sales and use tax of 5.5% is imposed generally on the sale of tangible personal property, taxable services, admission rights and bundled transactions in Puerto Rico. In addition, a municipal sales and use tax of 1.5% (the “Municipal Sales and Use Tax”) is imposed uniformly in accordance with the same base, exemptions and limitations applicable to the Commonwealth sales and use tax, without the need of approving a municipal ordinance to such effect. Municipalities may approve municipal ordinances to impose the Municipal Sales and Use Tax on food and food ingredients (non-prepared foods).

In general, the Municipal Sales and Use Tax applies to the following items: (a) clothing and accessories, (b) furniture and appliances, (c) electronics, (d) any tangible good not otherwise exempted, (e) telecommunication and cable or satellite television services, (f) alcoholic beverages and tobacco, (g) prepared foods (including fast foods and other restaurants), (h) personal services, such as laundry, barber and beauty shops, and (i) all non-prescription medicines and nutritional supplements. Among other exemptions, the following items are exempt from the sales and use tax: (i) taxable items sold for use and consumption outside Puerto Rico, even if the sale occurs in Puerto Rico (i.e., exportation), (ii) “in transit” taxable items (i.e., brought to Puerto Rico in connection with productions of films, constructions, trade shows or other ends, which are re-exported from Puerto Rico), (iii) health care services and prescription medicines, (iv) real property, (v) crude oil and its derivatives, including gasoline, (vi) motor vehicles, (vii) services rendered to businesses, (viii) services provided by designated professionals, (ix) financial services, (x) services provided by the Commonwealth, including electricity and water, (xi) purchases of special items or devices for persons with certain disabilities, (xii) raw materials and machinery and equipment used for the manufacturing of finished goods or products, (xiii) items sold in duty free shops at airports and maritime ports to persons traveling outside the jurisdictional limits of Puerto Rico, (xiv) prepared foods served in hospitals and other healthcare facilities and in schools, (xv) admissions to athletic or other events sponsored by schools, universities or colleges, (xvi) foods or taxable

items purchased under the Nutritional Assistance Program or similar programs, and (xvii) rental of real property for commercial purposes, for student housing and by an individual for his or her main residence.

Merchants are required to collect the Municipal Sales and Use Tax from the consumer. Any person who carries out business in Puerto Rico as a merchant must request and receive a Merchant's Registration Certificate issued by the Secretary of Treasury of Puerto Rico ("Secretary of Treasury") designating the merchant as a Commonwealth and Municipal Sales and Use Tax collection agent. The Municipal Sales and Use Tax, as well as sales and use tax monthly return, are required to be filed with the Secretary of Treasury no later than the 20th day of the calendar month following the month in which the taxable transactions occurred. Merchants who have business volumes of \$500,000 or more are required to file their returns and make the corresponding payments electronically.

The Municipal Sales and Use Tax is jointly administered by the Puerto Rico Treasury Department (the "Puerto Rico Treasury") and the municipalities. The Puerto Rico Treasury administers 0.5% and each municipality administers the remaining 1%. However, 22 out of the 78 municipalities have entered into uniform collections agreements with Puerto Rico Treasury to allow the Secretary of Treasury to act as a central administrator and to collect the total sales and use tax of 7%.

The 0.5% of the Municipal Sales and Use Tax administered by Puerto Rico Treasury is deposited into the following special funds with GDB: 0.2% into the Municipal Development Fund, 0.2% into the Municipal Redemption Fund (which is separate from each municipality's public debt Redemption Fund with GDB) and 0.1% into the Municipal Improvements Fund. Moneys in the Municipal Development Fund are distributed to the municipalities on a monthly basis using formulas related to each municipality's total collections of the Municipal Sales and Use Tax of 1%, annual budget and population. Moneys in the Municipal Redemption Fund are used by GDB to provide loans to the municipalities for waste management and recycling programs, construction of public works and improvements, health and security. Moneys in the Municipal Improvements Fund are distributed, through legislation approved by the Puerto Rico Legislature, for municipal public works and improvements.

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MUNICIPAL TAX COLLECTIONS AND COMMONWEALTH CONTRIBUTIONS

The following table shows for each Municipal Issuer (i) the amount of property taxes collected from municipal taxpayers (excluding the Special Tax) and (ii) the amount of funds contributed by the Commonwealth to each Municipal

Issuer for each of the fiscal years indicated below:

Municipality	Fiscal Year Ended June 30, 2006			Fiscal Year Ended June 30, 2007			Fiscal Year Ended June 30, 2008 (preliminary, subject to final audit)		
	From Municipal Taxpayers	From Commonwealth Contributions	Total	From Municipal Taxpayers	From Commonwealth Contributions	Total	From Municipal Taxpayers	From Commonwealth Contributions	Total
	Adjuntas	\$871,385	\$4,541,437	\$5,412,822	\$823,352	\$4,735,331	\$5,558,683	\$847,652	\$4,732,005
Aguada	3,453,017	4,637,072	8,090,090	3,488,340	4,886,067	8,374,407	3,498,211	4,854,540	8,352,751
Aguadilla	9,720,884	4,667,224	14,388,107	10,833,214	4,551,351	15,384,565	9,747,227	4,617,279	14,364,507
Aguas Buenas	1,459,570	4,900,986	6,360,556	1,413,734	5,110,927	6,524,661	1,503,197	5,076,364	6,579,561
Aibonito	1,881,840	4,196,429	6,078,269	1,970,924	4,351,762	6,322,685	2,053,695	4,301,636	6,355,332
Añasco	2,535,040	3,738,654	6,273,695	2,584,090	3,849,958	6,434,048	3,108,419	3,762,182	6,870,601
Arecibo	12,321,116	5,039,220	17,360,336	12,302,629	5,237,316	17,539,945	11,182,577	5,114,393	16,296,970
Arroyo	1,239,060	4,364,301	5,603,360	1,271,440	4,530,798	5,802,237	1,290,354	4,523,046	5,813,400
Barceloneta	12,529,505	1,154,998	13,684,502	9,578,332	2,431,938	12,010,269	8,945,498	2,514,842	11,460,340
Barranquitas	1,523,518	5,368,490	6,892,007	1,392,716	5,614,848	7,007,565	1,300,122	5,629,734	6,929,855
Bayamón	55,408,781	15,041,601	70,450,382	55,773,108	15,653,391	71,426,498	54,616,380	15,299,344	69,915,724
Cabo Rojo	6,975,702	3,399,503	10,375,205	7,665,236	3,418,859	11,084,095	8,236,075	3,232,572	11,468,647
Caguas	41,295,693	8,380,519	49,676,212	45,461,869	8,120,013	53,581,882	44,964,074	7,811,793	52,775,867
Camuy	2,202,746	4,682,692	6,885,438	2,012,958	5,010,846	7,023,804	2,040,850	4,994,427	7,035,276
Canóvanas	5,363,316	3,896,404	9,259,720	5,971,570	3,774,522	9,746,091	6,023,150	3,852,919	9,876,068
Carolina	58,639,502	14,318,383	72,957,885	61,358,350	14,112,772	75,471,122	62,446,617	13,366,425	75,813,041
Cataño	20,507,806	4,030,367	24,538,173	19,575,186	4,273,314	23,848,500	18,218,722	4,570,790	22,789,512
Cayey	10,269,568	2,238,046	12,507,614	9,995,649	2,532,313	12,527,961	11,028,392	2,267,646	13,296,038
Ceiba	1,070,910	4,012,258	5,083,169	1,262,459	4,066,849	5,329,307	1,841,894	3,823,488	5,665,382
Ciales	922,383	4,054,681	4,977,064	1,004,771	4,186,790	5,191,561	1,023,761	4,176,370	5,200,131
Cidra	5,006,305	3,207,371	8,213,676	5,308,293	3,302,366	8,610,659	5,041,835	3,318,348	8,360,184
Coamo	2,355,671	4,630,936	6,986,607	2,407,441	4,774,666	7,182,107	2,669,550	4,664,794	7,334,344
Comerio	778,690	5,684,227	6,462,917	856,922	5,896,947	6,753,869	792,291	5,905,347	6,697,637
Corozal	1,484,357	5,333,694	6,818,052	1,572,597	5,545,781	7,118,377	1,901,713	5,445,991	7,347,704
Culebra	481,111	1,762,689	2,243,801	521,095	1,804,183	2,325,278	428,141	1,828,535	2,256,677
Dorado	10,013,782	1,862,243	11,876,025	12,541,076	1,357,512	13,898,588	11,819,028	1,663,694	13,482,722
Fajardo	9,086,388	2,967,619	12,054,007	9,439,872	3,174,101	12,613,972	9,968,758	3,116,888	13,085,646
Florida	512,887	4,188,364	4,701,251	592,511	4,340,184	4,932,696	448,519	4,383,866	4,832,385
Guánica	1,355,397	4,259,400	5,614,796	1,181,430	4,445,089	5,626,519	1,211,786	4,421,368	5,633,155
Guayama	7,085,892	2,486,982	9,572,874	7,350,093	2,556,040	9,906,133	7,179,779	2,656,631	9,836,411
Guayanilla	2,047,096	3,676,694	5,723,791	2,110,727	3,786,983	5,897,710	2,303,206	3,769,155	6,072,361
Guaynabo	63,415,114	7,540,905	70,956,020	62,475,804	9,217,224	71,693,028	65,818,253	8,531,151	74,349,404
Gurabo	5,811,296	2,958,029	8,769,325	6,430,637	3,069,004	9,499,641	6,923,617	2,930,787	9,854,405
Hatillo	7,032,983	2,600,010	9,632,993	6,604,662	2,875,511	9,480,173	6,124,210	2,948,060	9,072,270
Hormigueros	3,200,727	2,856,408	6,057,135	3,529,637	2,900,109	6,429,747	2,909,032	3,011,758	5,920,790
Humacao	14,973,236	2,707,875	17,681,111	16,170,799	2,812,351	18,983,150	16,067,563	2,518,497	18,586,061
Isabela	5,296,480	3,912,570	9,209,050	5,327,444	4,126,017	9,453,461	4,863,691	4,222,072	9,085,763
Jayuya	1,277,134	3,937,179	5,214,313	1,086,483	4,128,407	5,214,890	1,091,430	4,121,224	5,212,653
Juana Díaz	3,791,160	4,690,645	8,481,805	3,763,137	4,955,341	8,718,478	4,155,568	4,541,006	8,696,574
Juncos	5,095,640	3,989,666	9,085,306	5,363,874	4,122,553	9,486,427	7,360,445	3,813,789	11,174,235

Municipality	Fiscal Year Ended June 30, 2006			Fiscal Year Ended June 30, 2007			Fiscal Year Ended June 30, 2008 (preliminary, subject to final audit)		
	From Municipal Taxpayers	From Commonwealth Contributions	Total	From Municipal Taxpayers	From Commonwealth Contributions	Total	From Municipal Taxpayers	From Commonwealth Contributions	Total
	Lajas	2,363,697	3,746,420	6,110,117	2,330,059	3,926,093	6,256,152	2,371,271	3,903,945
Lares	1,597,618	5,299,989	6,897,607	1,718,121	5,483,398	7,201,519	2,070,310	5,335,232	7,405,542
Las Marías	531,930	4,052,407	4,584,338	532,987	4,198,317	4,731,304	557,896	4,198,264	4,756,160
Las Piedras	4,104,537	2,999,542	7,104,079	4,245,061	3,124,144	7,369,205	5,279,269	2,995,042	8,274,311
Loíza	1,249,451	5,742,740	6,992,191	1,872,474	5,743,841	7,616,315	1,638,180	5,812,610	7,450,789
Luquillo	3,211,680	2,916,657	6,128,337	3,447,026	3,022,096	6,469,122	3,398,916	3,023,684	6,422,600
Manatí	8,717,337	3,284,186	12,001,522	8,099,878	3,613,769	11,713,647	9,096,331	3,164,300	12,260,631
Maricao	609,746	3,221,486	3,831,232	548,626	3,317,466	3,866,092	485,196	3,333,432	3,818,628
Maunabo	603,400	4,498,040	5,101,440	799,026	4,624,593	5,423,619	890,220	4,606,972	5,497,192
Mayagüez	22,925,151	5,563,615	28,488,766	24,157,033	5,674,760	29,831,793	24,217,163	5,402,283	29,619,446
Moca	2,375,638	4,596,956	6,972,595	2,159,004	4,870,306	7,029,311	2,322,046	4,799,342	7,121,388
Morovis	1,257,744	5,453,053	6,710,797	1,298,638	5,667,669	6,966,306	1,451,404	5,597,693	7,049,097
Naguabo	1,619,884	4,065,373	5,685,257	1,803,186	4,153,428	5,956,614	2,242,198	4,069,852	6,312,050
Naranjito	1,874,315	5,317,197	7,191,512	1,770,366	5,588,428	7,358,794	1,849,969	5,567,588	7,417,556
Orocovis	994,528	5,672,599	6,667,127	1,080,165	5,876,164	6,956,328	1,006,143	5,904,857	6,911,000
Patillas	1,103,492	4,401,314	5,504,806	1,219,244	4,527,019	5,746,263	1,221,079	4,537,121	5,758,199
Peñuelas	4,529,109	3,065,880	7,594,990	4,599,906	3,204,055	7,803,961	4,797,340	3,139,302	7,936,642
Ponce	35,050,497	8,674,010	43,724,507	33,866,654	9,407,583	43,274,237	34,570,944	8,495,770	43,066,714
Quebradillas	2,098,390	4,161,679	6,260,069	1,755,485	4,479,479	6,234,964	1,816,607	4,456,030	6,272,636
Rincón	1,807,785	3,610,827	5,418,612	1,968,568	3,719,367	5,687,935	2,054,196	3,677,487	5,731,683
Río Grande	6,198,044	4,053,348	10,251,392	7,510,678	3,745,611	11,256,289	8,097,140	3,385,584	11,482,723
Sabana Grande	1,570,419	4,199,669	5,770,088	1,609,757	4,354,023	5,963,779	1,693,855	4,323,714	6,017,569
Salinas	2,295,774	4,349,474	6,645,249	2,481,907	4,409,017	6,890,924	2,217,022	4,504,233	6,721,255
San Germán	4,096,607	3,911,717	8,008,324	4,533,792	3,960,250	8,494,042	4,596,578	3,959,005	8,555,582
San Juan	180,441,518	28,060,928	208,502,445	183,081,629	28,267,650	211,349,279	187,632,935	26,527,464	214,160,399
San Lorenzo	2,990,889	4,940,249	7,931,137	3,569,547	5,087,528	8,657,075	3,800,127	5,012,557	8,812,684
San Sebastián	3,600,780	4,446,200	8,046,979	3,442,975	4,711,295	8,154,270	3,789,955	4,567,966	8,357,921
Santa Isabel	2,069,886	3,326,599	5,396,486	2,028,145	3,500,516	5,528,661	2,210,685	3,452,967	5,663,652
Toa Alta	3,615,628	5,204,209	8,819,837	4,627,011	5,110,497	9,737,509	5,103,974	4,657,226	9,761,201
Toa Baja	16,956,041	7,205,699	24,161,741	17,586,012	7,260,845	24,846,857	16,605,208	7,091,346	23,696,554
Trujillo Alto	7,435,947	6,062,335	13,498,282	8,394,323	6,120,286	14,514,608	9,023,395	5,737,568	14,760,963
Utuado	2,139,220	5,275,672	7,414,892	2,313,517	5,384,578	7,698,095	2,233,426	5,423,889	7,657,315
Vega Alta	5,459,484	3,274,549	8,734,033	6,008,267	3,247,676	9,255,944	5,641,461	3,325,536	8,966,997
Vega Baja	6,405,420	5,333,642	11,739,062	7,076,183	5,337,042	12,413,225	6,942,921	5,082,941	12,025,861
Vieques	1,144,987	3,111,936	4,256,924	1,029,037	3,249,103	4,278,141	1,065,920	3,241,690	4,307,610
Villalba	1,045,448	5,404,899	6,450,348	1,016,242	5,617,452	6,633,694	983,073	5,625,574	6,608,646
Yabucoa	2,794,874	4,517,200	7,312,074	2,517,711	4,739,879	7,257,590	2,570,440	4,697,122	7,267,562
Yauco	4,439,859	3,946,674	8,386,533	4,799,544	4,069,787	8,869,332	4,643,756	4,070,298	8,714,054
TOTAL	\$753,619,444	\$378,885,741	\$1,132,505,186	\$773,272,244	\$392,035,343	\$1,165,307,587	\$785,183,832	\$383,042,240	\$1,168,226,072
	66.54%	33.46%	100.00%	66.36%	33.64%	100.00%	67.21%	32.79%	100.00%

SPECIAL ADDITIONAL TAX COLLECTIONS

The following table presents the Special Additional Tax collections and debt service coverage ratio analysis based on preliminary collections and fund balances listed below for fiscal year ended June 30, 2008.

Fiscal Year Ended June 30, 2008
(preliminary, subject to final audit)

Municipality	Special Additional Tax Collection	Municipalities Redemption Fund	Matching Fund	Available for Payment of G.O. Debt	Debt Service Payments on G.O. Debt	Available for Payment of G.O. Debt	Redemption Fund
Notes	A	B (1)	C (2)	D = (B+C+E) (3)	E (4)	Debt Service Coverage Ratio based on	
						F = D/E (5)	G = (B+E)/E (6)
Adjuntas	\$ 216,892.54	\$ 171,079.87	\$ 5,362,764.18	\$ 5,824,101.38	\$ 290,257.34	20.07	1.59
Aguada	1,126,298.44	1,236,377.65	7,226,452.88	9,530,549.78	1,067,719.24	8.93	2.16
Aguadilla	3,216,520.74	3,491,759.71	11,147,985.82	18,106,877.11	3,467,131.58	5.22	2.01
Aguas Buenas	457,012.35	308,902.49	6,122,549.13	6,929,134.77	497,683.15	13.92	1.62
Aibonito	513,588.47	583,022.85	5,841,743.06	6,991,473.62	566,707.71	12.34	2.03
Añasco	731,307.56	1,233,403.26	6,139,293.23	7,984,960.13	612,263.64	13.04	3.01
Arecibo	3,360,210.43	3,252,212.49	12,936,759.97	20,126,295.30	3,937,322.84	5.11	1.83
Arroyo	416,172.21	366,633.75	5,397,227.79	6,167,118.89	403,257.34	15.29	1.91
Barceloneta	2,382,052.09	2,476,080.11	9,078,288.03	14,997,298.40	3,442,930.26	4.36	1.72
Barranquitas	280,187.89	1,066,063.85	6,649,667.40	8,122,403.34	406,672.09	19.97	3.62
Bayamón	17,939,194.57	6,290,126.94	51,976,529.69	75,366,769.61	17,100,112.98	4.41	1.37
Cabo Rojo	2,468,694.67	2,115,512.26	8,999,952.43	13,292,708.24	2,177,243.55	6.11	1.97
Caguas	16,812,881.78	5,805,410.41	35,962,984.85	53,691,165.06	11,922,769.80	4.50	1.49
Camuy	570,632.16	526,376.72	6,464,644.18	7,487,334.35	496,313.45	15.09	2.06
Canóvanas	1,823,982.04	1,584,066.18	8,052,086.26	11,016,895.06	1,380,742.62	7.98	2.15
Carolina	23,011,399.41	25,078,406.47	52,801,641.82	99,626,948.32	21,746,900.02	4.58	2.15
Cataño	5,706,379.53	3,698,585.20	17,083,132.04	26,429,904.76	5,648,187.52	4.68	1.65
Cayey	3,920,543.62	2,246,048.38	9,375,494.52	15,476,500.50	3,854,957.60	4.01	1.58
Ceiba	436,795.01	314,502.82	5,228,586.70	5,845,749.25	302,659.73	19.31	2.04
Ciales	264,232.03	157,973.54	4,935,899.32	5,418,388.53	324,515.67	16.70	1.49
Cidra	1,399,784.41	912,615.81	6,960,399.12	9,327,403.41	1,454,388.48	6.41	1.63
Coamo	697,664.63	1,104,584.55	6,636,679.68	8,329,474.09	588,209.86	14.16	2.88
Comerio	154,303.96	326,274.31	6,543,333.48	6,998,071.00	128,463.21	54.48	3.54
Corozal	379,037.38	1,028,741.76	6,968,666.78	8,352,174.72	354,766.18	23.54	3.90
Culebra	110,416.65	210,133.71	2,146,259.98	2,459,059.37	102,665.68	23.95	3.05
Dorado	3,477,100.86	2,349,170.85	10,005,620.79	15,929,348.71	3,574,557.07	4.46	1.66
Fajardo	3,233,791.57	7,168,209.18	9,851,854.26	19,200,929.50	2,180,866.05	8.80	4.29
Florida	105,046.54	110,062.10	4,727,338.80	4,931,630.39	94,229.50	52.34	2.17
Guánica	291,461.16	207,745.68	5,341,693.37	5,928,580.45	379,141.41	15.64	1.55
Guayama	1,958,569.90	1,348,524.04	7,877,840.68	11,867,540.12	2,641,175.40	4.49	1.51
Guayanilla	699,461.12	759,545.36	5,372,900.21	6,933,715.44	801,269.87	8.65	1.95
Guaynabo	24,339,912.79	10,425,057.03	50,009,491.44	75,560,616.90	15,126,068.43	5.00	1.69
Gurabo	2,021,457.03	5,056,953.63	7,832,947.55	14,357,837.09	1,467,935.91	9.78	4.44
Hatillo	1,456,817.19	469,673.08	7,615,453.15	9,524,901.01	1,439,774.78	6.62	1.33
Hormigueros	948,194.17	964,151.21	4,972,595.74	6,921,824.22	985,077.27	7.03	1.98
Humacao	4,760,104.33	8,570,530.27	13,825,956.42	26,717,108.71	4,320,622.01	6.18	2.98
Isabela	1,391,728.37	3,605,324.21	7,694,035.02	11,918,116.41	618,757.18	19.26	6.83

Municipality	Special Additional Tax Collection	Municipalities Redemption Fund	Matching Fund	Available for Payment of G.O. Debt	Debt Service Payments on G.O. Debt	Available for Payment of G.O. Debt	Redemption Fund		
								Debt Service Coverage Ratio based on	
								F = D/E	G = (B+E)/E
Notes	A	B	C	D = (B+C+E)	E	(5)	(6)		
	(1)	(2)	(3)	(4)	(5)	(6)	(6)		
Jayuya	278,709.96	102,014.22	4,933,943.42	5,428,422.84	392,465.20	13.83	1.26		
Juana Díaz	1,380,859.46	1,503,405.46	7,315,714.65	10,296,508.62	1,477,388.51	6.97	2.02		
Juncos	2,436,151.73	3,639,679.75	8,738,082.88	13,894,955.09	1,517,192.47	9.16	3.40		
Lajas	637,239.34	492,404.81	5,637,976.34	6,748,072.20	617,691.05	10.92	1.80		
Lares	625,399.13	739,985.57	6,780,143.35	7,774,157.05	254,028.13	30.60	3.91		
Las Marías	120,975.90	152,538.94	4,635,183.74	4,902,167.08	114,444.40	42.83	2.33		
Las Piedras	1,693,637.37	691,522.86	6,580,673.98	8,880,075.94	1,607,879.10	5.52	1.43		
Loíza	487,425.17	1,124,683.69	6,963,363.90	8,616,056.02	528,008.43	16.32	3.13		
Luquillo	945,790.41	1,475,647.85	5,476,810.00	7,960,806.83	1,008,348.97	7.89	2.46		
Manatí	2,185,642.21	1,020,708.05	10,074,988.84	13,612,335.30	2,516,638.41	5.41	1.41		
Maricao	84,125.13	237,688.51	3,734,502.63	4,020,761.92	48,570.78	82.78	5.89		
Maunabo	234,356.65	340,523.92	5,262,835.14	5,756,029.14	152,670.07	37.70	3.23		
Mayagüez	7,468,529.00	6,008,125.77	22,150,916.54	35,721,322.56	7,562,280.25	4.72	1.79		
Moca	633,520.25	407,592.86	6,487,868.19	7,680,381.30	784,920.25	9.78	1.52		
Morovis	408,716.38	507,114.30	6,640,380.36	7,601,568.06	454,073.40	16.74	2.12		
Naguabo	587,847.98	476,283.50	5,724,202.01	6,639,331.98	438,846.47	15.13	2.09		
Naranjito	329,096.90	551,006.90	7,088,459.56	8,124,277.58	484,811.12	16.76	2.14		
Orocovis	183,265.24	289,802.01	6,727,735.12	7,213,607.64	196,070.52	36.79	2.48		
Patillas	351,067.45	428,984.19	5,407,131.85	6,342,330.01	506,213.98	12.53	1.85		
Peñuelas	1,279,984.98	2,026,135.88	6,656,656.94	10,008,868.34	1,326,075.52	7.55	2.53		
Ponce	9,052,335.49	2,638,926.95	34,014,378.99	46,469,571.03	9,816,265.09	4.73	1.27		
Quebradillas	517,601.13	633,823.37	5,755,035.25	6,963,565.61	574,706.99	12.12	2.10		
Rincón	623,907.88	589,180.35	5,107,775.37	6,205,434.17	508,478.45	12.20	2.16		
Río Grande	2,332,537.29	1,548,726.77	9,150,186.17	12,417,338.96	1,718,426.02	7.23	1.90		
Sabana Grande	393,581.88	308,854.86	5,623,987.51	6,298,185.31	365,342.94	17.24	1.85		
Salinas	651,669.20	838,671.32	6,069,585.42	7,709,750.94	801,494.20	9.62	2.05		
San Germán	1,505,774.40	1,843,681.32	7,049,807.95	10,233,890.68	1,340,401.41	7.63	2.38		
San Juan	56,662,521.98	18,818,942.39	157,497,877.36	228,853,486.20	52,536,666.45	4.36	1.36		
San Lorenzo	1,600,348.53	2,056,439.86	7,212,335.17	10,313,590.54	1,044,815.51	9.87	2.97		
San Sebastián	995,398.12	1,117,950.17	7,362,522.71	9,675,448.25	1,194,975.37	8.10	1.94		
Santa Isabel	698,476.78	934,144.87	4,965,175.61	6,701,611.44	802,290.97	8.35	2.16		
Toa Alta	1,620,199.53	1,055,844.26	8,141,001.01	10,691,780.91	1,494,935.65	7.15	1.71		
Toa Baja	6,181,860.14	2,349,713.47	17,514,693.59	27,587,277.08	7,722,870.02	3.57	1.30		
Trujillo Alto	3,013,891.64	2,291,588.99	11,747,071.53	16,538,062.09	2,499,401.57	6.62	1.92		
Utua	635,780.37	869,760.68	7,021,534.36	8,634,583.85	743,288.81	11.62	2.17		
Vega Alta	1,543,028.22	4,291,342.72	7,423,968.46	13,548,768.25	1,833,457.07	7.39	3.34		
Vega Baja	2,660,066.45	2,126,961.85	9,365,794.93	14,162,546.01	2,669,789.24	5.30	1.80		
Vieques	276,202.65	516,753.83	4,031,406.98	4,842,369.82	294,209.01	16.46	2.76		
Villalba	256,138.85	75,580.88	6,352,507.45	6,795,056.29	366,967.96	18.52	1.21		
Yabucoa	765,279.94	725,173.76	6,502,281.99	8,145,843.87	918,388.12	8.87	1.79		
Yauco	1,424,700.38	993,947.30	7,289,353.95	9,797,279.85	1,513,978.60	6.47	1.66		
TOTAL	\$ 248,843,471.05	\$ 175,461,700.70	\$ 919,382,600.98	\$ 1,323,498,384.58	\$ 228,654,082.90	5.79	1.77		

Notes:

- (1) Funds on deposit or to be deposited in the Redemption Fund for Fiscal Year ended June 30, 2008 after (i) the remittance by CRIM of the Special Additional Tax Collection in connection with FY 2008 and (ii) the payment of General Obligation Debt due in January 1, 2008 and July 1, 2008.
- (2) Funds deposited in the Matching Fund during fiscal year ended June 30, 2008 (excludes Commonwealth Redemption Fund amounts).
- (3) Represents the sum of funds available in the Redemption Fund and Matching Fund during Fiscal Year 2008 for the payment of General Obligation Debt.
- (4) Represents debt service payments due on each Municipality's General Obligation Debt on January 1, and July 1, 2008.
- (5) Debt Service Coverage Ratio based on the amount of funds available in the Redemption Fund and the Matching Fund during Fiscal Year 2008 for the payment of General Obligation Debt of each Municipality.
- (6) Debt Service Coverage Ratio based on the amount of funds available in the Redemption Fund during fiscal year 2008 for the payment of General Obligation Debt of each Municipality.

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THE MUNICIPAL BONDS

The following table shows the Municipal Bonds that the Agency intends to purchase from GDB with the proceeds from the issuance and sale of the Bonds. The Municipal Bonds listed below may include more than one issue of a Municipal Issuer.

Municipal Bonds to be Purchased from GDB				
<u>Municipality</u>	<u>Principal Amount</u>	<u>Number of Municipal Bonds</u>	<u>Final Maturity of July 1,</u>	<u>% of Total</u>
Adjuntas	\$ 85,000	1	2014	0.04%
Aguada	\$ 2,735,000	5	2031	1.23%
Aguadilla	\$ 9,585,000	3	2032	4.31%
Aguas Buenas	\$ 2,890,000	3	2031	1.30%
Aibonito	\$ 1,325,000	3	2032	0.60%
Añasco				
Arecibo				
Arroyo	\$ 1,210,000	1	2031	0.54%
Barceloneta	\$ 8,540,000	5	2032	3.84%
Barranquitas	\$ 180,000	1	2014	0.08%
Bayamon	\$ 14,890,000	4	2032	6.70%
Cabo Rojo	\$ 2,520,000	3	2014	1.13%
Caguas				
Camuy				
Canóvanas				
Carolina				
Cataño				
Cayey	\$ 3,640,000	6	2032	1.64%
Ceiba	\$ 155,000	1	2013	0.07%
Ciales	\$ 230,000	1	2013	0.10%
Cidra	\$ 7,410,000	5	2031	3.33%
Coamo	\$ 3,280,000	4	2032	1.48%
Comerio				
Corozal				
Culebra	\$ 135,000	1	2012	0.06%
Dorado	\$ 6,520,000	5	2032	2.93%
Fajardo				
Florida	\$ 265,000	2	2013	0.12%
Guanica	\$ 915,000	2	2032	0.41%
Guayama				
Guayanilla	\$ 295,000	2	2031	0.13%
Guaynabo	\$ 19,970,000	7	2032	8.99%
Gurabo	\$ 18,905,000	8	2033	8.51%
Hatillo	\$ 3,835,000	2	2029	1.73%
Hormigueros	\$ 1,635,000	3	2031	0.74%
Humacao	\$ 1,820,000	1	2014	0.82%
Isabela				
Jayuya	\$ 970,000	5	2032	0.44%
Juana Díaz	\$ 4,220,000	3	2032	1.90%
Juncos	\$ 11,220,000	6	2033	5.05%
Lajas	\$ 1,915,000	1	2030	0.86%
Lares	\$ 645,000	1	2031	0.29%
Las Marias	\$ 185,000	2	2014	0.08%
Las Piedras	\$ 880,000	1	2030	0.40%
Loíza				
Luquillo	\$ 3,475,000	2	2032	1.56%
Manati	\$ 6,840,000	8	2032	3.08%
Maricao				
Maunabo	\$ 1,530,000	2	2032	0.69%
Mayaguez				
Moca	\$ 1,735,000	3	2032	0.78%
Morovis	\$ 665,000	3	2014	0.30%

**Municipal Bonds
to be Purchased from GDB**

Municipality	Principal Amount	Number of Municipal Bonds	Final Maturity of July 1,	% of Total
Naguabo				
Naranjito	\$ 3,105,000	1	2031	1.40%
Orocovis	\$ 665,000	1	2031	0.30%
Patillas	\$ 490,000	2	2031	0.22%
Peñuelas	\$ 2,875,000	2	2032	1.29%
Ponce				
Quebradillas				
Rincon	\$ 910,000	2	2032	0.41%
Río Grande	\$ 1,925,000	2	2022	0.87%
Sabana Grande				
Salinas	\$ 570,000	1	2013	0.26%
San German				
San Juan	\$ 28,235,000	4	2026	12.71%
San Lorenzo	\$ 925,000	1	2012	0.42%
San Sebastian	\$ 1,625,000	2	2031	0.73%
Santa Isabel	\$ 160,000	1	2013	0.07%
Toa Alta	\$ 3,815,000	3	2031	1.72%
Toa Baja	\$ 12,975,000	11	2032	5.84%
Trujillo Alto	\$ 2,530,000	1	2032	1.14%
Utuado	\$ 2,190,000	3	2022	0.99%
Vega Alta	\$ 4,565,000	6	2032	2.05%
Vega Baja	\$ 3,605,000	2	2032	1.62%
Vieques	\$ 1,120,000	1	2032	0.50%
Villalba	\$ 935,000	7	2032	0.42%
Yabucoa	\$ 1,280,000	1	2032	0.58%
Yauco	\$ 440,000	2	2032	0.20%
TOTALS	222,190,000	172		100.00%

Additional Tests and Covenants Relating to the Municipal Issuers

In connection with the issuance of the Bonds, GDB and CRIM will enter into an agreement that will provide, among other things, as follows:

Additional general obligation bonds or notes of any municipality in Puerto Rico (a “Proposed Issue”) will be approved by GDB only if the following two tests are satisfied: (i) for each fiscal year that the current outstanding general obligation debt of said municipality and the Proposed Issue will be outstanding, the balance of the moneys in the municipality’s Redemption Fund as of the beginning of each such fiscal year plus the estimated Special Additional Tax collections for such fiscal year is not less than the sum of the principal and interest due on the municipality’s current outstanding general obligation debt and the Proposed Issue for the corresponding fiscal year; and (ii) as of June 30 of the fiscal year preceding the fiscal year in which the Proposed Issue will be issued, the ratio of the sum of the beginning balance of the municipality’s Redemption Fund for such preceding fiscal year and the municipality’s actual Special Additional Tax collections, actual Basic Tax collections, and Commonwealth Contributions for such preceding fiscal year to maximum annual debt service on all outstanding general obligation debt of the municipality (including the Proposed Issue) is not less than two times. For purposes of test (i) above, “estimated Special Additional Tax collections” for any fiscal year shall equal the average of the collections of the Special Additional Tax for the two fiscal years preceding the fiscal year in which the Proposed Issue is to be issued.

GDB will undertake the following monitoring tests: (i) as of the end of each fiscal year (June 30) for each municipality which has not issued general obligation debt during the twelve months ended on such June 30, GDB will determine the ratio of the sum of the beginning balance of the municipality’s Redemption Fund for such fiscal year and the municipality’s actual Special Additional Tax collections, actual Basic Tax collections and Commonwealth Contributions for such fiscal year to maximum debt service on such municipality’s general obligation debt; and (ii) not later than three months prior to any interest or principal payment date on general obligation debt of any municipality, it will determine the balance in the Redemption Fund for such municipality.

GDB will also undertake that: (i) in the event the ratio calculated in clause (i) of the preceding paragraph or clause (ii) of the second preceding paragraph is less than two times, it will immediately notify Moody’s Investors Service (as defined below), Standard & Poor’s Ratings Service (as defined below) and the Trustee, and (ii) in the event that the determination in clause (ii) of the preceding paragraph shows that the balance in a municipality’s Redemption Fund will not be sufficient to pay the principal of and interest on general obligation debt on the next interest or principal payment date, GDB will immediately notify CRIM and the Trustee in writing of such deficiency, and request CRIM, as provided in Act No. 64, to transfer to GDB any available moneys from Basic Taxes (which are subject to a first lien to cover general obligation debt of municipalities) and other available and unencumbered moneys in the Matching Fund sufficient to cover said deficiency. CRIM will covenant that it will make such transfer not later than five business days prior to the applicable interest or principal payment date.

The Reserve Account

The Agency will cause to be deposited in the Reserve Account under the 2008 Indenture from the proceeds of the Bonds an amount equal to 50% of the maximum principal and interest payments requirement for any fiscal year on the Bonds. The Agency is required to maintain in the Reserve Account an amount equal to the higher of (a) 50% of the maximum principal and interest payments requirement for any fiscal year on all bonds then outstanding under the 2008 Indenture and (b) the largest amount of the maximum principal and interest payments requirement for any fiscal year on the Municipal Bonds of any Municipal Issuer (the “Required Debt Service Reserve”).

Moneys in the Reserve Account shall be applied, first, to the payment of interest on the Bonds and maturing principal of all serial Bonds whenever moneys in the Bond Service Account are insufficient for such purpose, and then for the purpose of making the required deposits to the Redemption Account established thereunder whenever moneys received by the Trustee from the payments of principal of and interest on the Municipal Bonds are insufficient for such purpose. Whenever moneys in the Reserve Account exceed the Required Debt Service Reserve, such excess shall be transferred to the Bond Service Account.

The Enabling Act provides that, in order to assure the maintenance of the Reserve Account in an amount equal to the Required Debt Service Reserve, there shall be annually apportioned and paid to the Agency by the Commonwealth for deposit in the Reserve Account such sum, if any, as shall be certified by the President of the Agency to the Secretary of the Treasury as necessary to restore the Reserve Account to the amount of the Required Debt Service Reserve. The President of the Agency shall in each year, on or before December 1, deliver to the Secretary of the Treasury his certificate stating the sum, if any, required to restore the Reserve Account to the Required Debt Service Reserve, and the sum so certified shall be apportioned and paid to the Agency from any available or uncommitted funds in the General Fund of Puerto Rico during the then current fiscal year of the Commonwealth. If there are no such available funds, the Secretary of Treasury shall request the amount so certified from the Director of the Office of Management and Budget of the Commonwealth, who shall include it in the General Budget of the Commonwealth for the coming fiscal year. The certificate of the President shall be based upon an evaluation of the money in the Reserve Account, which evaluation shall be conclusive.

DEBT SERVICE REQUIREMENTS FOR THE BONDS

The following table presents debt service requirements for the Bonds. Debt service requirements for each fiscal year, as shown in the following table, include principal and interest due on _____ 1 and _____ 1 of such fiscal year.

Debt Service Requirements

<u>Fiscal year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u> <u>on the Bonds</u>
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TOTAL	=====	=====	=====
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RECENT DEVELOPMENTS RELATING TO THE COMMONWEALTH OF PUERTO RICO AND THE MUNICIPALITY OF SAN JUAN

This section supplements the information appearing in the Commonwealth Report and in Appendix A hereto and should be read in conjunction therewith.

Fiscal Year 2008 Preliminary Revenues and Expenditures

As discussed in greater detail in the Commonwealth Report, the budgeted General Fund expenses for fiscal year 2008 were \$9.227 billion. Preliminary actual expenditures during fiscal year 2008 were \$9.057 billion. Preliminary General Fund revenues for fiscal year 2008 totaled \$8.253 billion, which is \$418 million less than the Department of the Treasury's revised estimate for that period of \$8.671 billion. This amount includes \$4.359 billion in revenues from individual and corporate income taxes, \$1.088 billion from non-resident withholding taxes, \$864 million from excise taxes and \$911 million of sales tax revenues. The foregoing difference between the preliminary General Fund revenues and preliminary actual expenses for fiscal year 2008 was covered by a recovery of approximately \$287 million more in federal funds than had been budgeted, \$150 million from the pending sale of certain government properties, cash flow savings resulting from restructuring of certain outstanding debt, and certain cash management procedures, which include delaying payments to certain vendors for a short period of time (carrying them over into the next fiscal year). The federal funds recovery represented reimbursement of amounts advanced by the Commonwealth's Department of Education during fiscal years 2006 and 2007.

Fiscal Year 2009 Projected Revenues and Expenditures

On July 20, 2008, the Governor signed into law the General Fund budget for fiscal year 2009 of \$9.484 billion, or approximately \$257 million more than budgeted expenditures for fiscal year 2008 of \$9.227 billion. The increase in budgeted expenditures over fiscal year 2008 is mainly due to \$105 million from University of Puerto Rico, judiciary and municipal increases based on the legislated formulas and salary increases mandated by law or collective bargaining agreements. An additional \$41.2 million is budgeted for the State Elections Commission. The General Fund revenue projection for fiscal year 2009 is \$8.488 billion, an increase of \$235 million, or 2.9%, from preliminary net revenues for fiscal year 2008 of \$8.253 billion. The Commonwealth's budgeted expenditures for fiscal year 2009 of \$9.484 billion exceed projected revenues of \$8.488 by approximately \$1 billion. The Commonwealth's economic team is working to enforce spending control measures that have been established to attempt to minimize the budget risk. In connection with the budget approval and in order to cover the approximately \$1 billion difference between approved expenditures and projected revenues, legislation was approved and signed by the Governor authorizing the Commonwealth (i) to sell and or transfer delinquent tax receivables up to \$1 billion, and (ii) as an exception to the general prohibition against borrowings to balance the budget, to issue limited special obligations of the Commonwealth payable from and collateralized with tax receivables up to the \$1 billion limitation. On September 9, 2008, GDB authorized its purchase of up to \$500,000,000 in bonds to be issued by the Commonwealth secured by such receivables, and the Commonwealth has issued \$400,000,000 of Tax Receivable Anticipation Bonds, Series 2008A to GDB. There is no guarantee that the Commonwealth will be able to issue such limited special obligations in amounts sufficient to cover the expected revenue shortfall in a timely manner, and, if that is the case, other funding sources, such as possible support from GDB, will have to be secured.

Preliminary General Fund revenues for fiscal year 2009 for the period July through September totaled \$1,713.1 million, which is \$56.6 million less than the Department of the Treasury's estimate for that period of \$1,769.7 million. This amount includes \$1,001.1 million in revenues from individual and corporate income taxes, \$223.5 million from non-resident withholding taxes, \$185.7 million from excise taxes and \$231.3 million from other sources.

Indictment of Governor of Puerto Rico

In March 2008, the Governor of Puerto Rico and several other individuals were named in federal grand jury indictments relating to the use of political contributions and campaign funds during the period when the Governor was Resident Commissioner in Washington, D.C. In addition, on August 19, 2008, the Governor and other individuals were

named in federal grand jury indictments relating to the use of political contributions and campaign funds during the Governor's campaign and after his election as Governor. The Governor has denied any wrongdoing and intends to present his defense. It is not expected that such developments will have any impact on the fiscal affairs of the Commonwealth or on the payment of any obligations issued by the Commonwealth.

Revised Economic Growth Estimates

On February 21, 2008, the Planning Board, as part of its final review of fiscal year 2007 economic statistics indicated that it expected to reduce the 2007 economic growth rate to -1.8% from -1.4% and that the forecast for fiscal years 2008 and 2009 will be lowered on account of the projected length of the current recession. The factors that influenced the Board's fiscal year 2007 indication included private investment (especially in the construction sector) and government investment. Price increases in certain key areas such as energy and raw materials contributed to the Board's numbers as well.

During March 2008, the Planning Board confirmed its reduction of the fiscal year 2007 economic growth rate to -1.8% from -1.4%, and projected that the economic growth rate for the fiscal year ending June 30, 2008 will be -2.1% and the economic growth rate for the fiscal year ending June 30, 2009 will be 2.1%. It is likely, given the continuing economic weakness in certain key economic variables, that the Planning Board will lower its prediction of economic growth for the fiscal year ending June 30, 2009. Lower economic growth could lead to lower revenues and an increase in the deficit during such fiscal year.

Additional Commonwealth Debt

On September 18, 2008, the Commonwealth issued \$250,000,000 of Public Improvement Bonds of 2008, Series A (the "2008 GO Bonds") under the provisions of Act No. 243 of the Legislature of Puerto Rico (the "Legislature"), approved August 9, 2008 (the "GO Act"), pursuant to a resolution authorizing the issuance of the 2008 GO Bonds, adopted in accordance with the GO Act by the Secretary of the Treasury of Puerto Rico and approved by the Governor of Puerto Rico on September 5, 2008. The proceeds of the 2008 GO Bonds will be used to defray the cost of various public works. On November 11, 2008, the Commonwealth issued \$887,675,000 of Tax Revenue Anticipation Notes pursuant to Act No. 1 of June 26, 1987 of the Commonwealth, as amended, for the purpose of: (i) repaying a portion of the amounts borrowed by the Commonwealth to cover temporary cash shortages during the current fiscal year 2009 under a line of credit with certain private banks and (ii) paying certain costs of issuance for such notes.

November 2008 Gubernatorial Election

On November 4, 2008, Luis G. Fortuño, the current Resident Commissioner of the Commonwealth, was elected as the next governor of Puerto Rico. Mr. Fortuño will assume his position as governor and commence his term on January 1, 2009.

San Juan Finances During Fiscal Year 2004 to 2007

On September 22, 2008, the Office of the Comptroller of the Commonwealth issued Audit Report M-09-31 for the Municipality of San Juan (the "Report"; the full report is available at www.ocpr.gov.pr). The Report states that San Juan operated from July 1, 2003, to June 30, 2007 with a budgetary deficit of close to \$26 million for fiscal year 2004, which increased for fiscal year 2007 to \$30 million. According to the Report, San Juan also made expenditures in excess of budgeted amounts totaling \$68 million in fiscal year 2005, \$57 million in fiscal year 2006 and approximately \$49 million in fiscal year 2007. The Office of the Comptroller referred the Report to the Secretary of Justice and the Commissioner of Municipal Affairs and recommended the Mayor to take the proper administrative steps to develop a plan that eliminates the budgetary deficit.

THE 2008 INDENTURE

The following is a summary of certain provisions of the 2008 Indenture. References in this summary to Bonds include the Bonds to which this Official Statement relates and any bonds issued under the 2008 Indenture to refund, as described below, outstanding bonds previously issued under the 2008 Indenture. This summary does not purport to be complete, and reference is made to the 2008 Indenture for its complete terms. See “MISCELLANEOUS.”

Funds and Accounts

A special fund is created under the 2008 Indenture to be held by the Trustee and designated “Puerto Rico Municipal Finance Agency Series 2008 Bonds Interest and Sinking Fund” (the “Sinking Fund”). The Sinking Fund is composed of three separate accounts: the Bond Service Account, the Redemption Account and the Reserve Account. The Trustee is required to deposit moneys received from payments on the Municipal Bonds in such accounts as described above under “SOURCES OF PAYMENT FOR THE BONDS.”

Moneys in the Bond Service Account will be applied to the payment of the interest on all the outstanding Bonds and the principal of all serial Bonds.

Moneys in the Redemption Account will be applied to the purchase or redemption of all term Bonds, including the retirement of term Bonds to the extent of the Amortization Requirements under the 2008 Indenture.

The Agency will cause to be deposited, from the proceeds of the Bonds, to the credit of the Reserve Account, an amount equal to the Required Debt Service Reserve. Thereafter, the Agency will cause to be deposited to the credit of the Reserve Account to the extent of any deficiency therein (i) all moneys paid to the Agency pursuant to the Enabling Act for the purpose of restoring the Reserve Account to the required amount (see “SOURCES OF PAYMENT FOR THE BONDS - The Reserve Account” above) and (ii) any other moneys which may be made available to the Agency for the purposes of the Reserve Account from any other source. Moneys in the Reserve Account will be applied first, to the payment of interest on the Bonds and maturing principal of the serial Bonds whenever and to the extent moneys in the Bond Service Account are insufficient for such purpose, and then for the purpose of making the required deposits to the Redemption Account whenever and to the extent moneys received by the Trustee from the payments of principal of and interest on the Municipal Bonds are insufficient for such purpose. The Agency may at any time deliver to the Trustee for deposit to the credit of the Reserve Account, in lieu of cash or Investment Obligations (as defined below), a qualifying insurance policy or a letter of credit, the issuer of whose policy or letter of credit results in the rating of municipal obligations secured by such policy or letter of credit, at the time of deposit in the Reserve Account, in any of the three highest rating categories (without regard to any gradations within any such category) by both Moody’s Investors Service and Standard & Poor’s Ratings Service as provided in the 2008 Indenture.

Another special fund is created under the 2008 Indenture to be held by the Trustee and designated “Puerto Rico Municipal Finance Agency Series 2008 Bonds Rebate Fund” (the “Rebate Fund”). Moneys in the Rebate Fund shall be held by the Trustee in trust and paid from time to time to the United States Treasury to the extent required to satisfy the Agency’s rebate liability in respect of any of its tax exempt bonds (whether or not issued under the 2008 Indenture) and will not be subject to any lien or charge in favor of the holders of the Bonds. Any balance remaining in the Rebate Fund after the making of each such payment by the Trustee shall be transferred by the Trustee from the Rebate Fund to the Operating Fund as promptly as practicable.

An additional special fund is created under the 2008 Indenture to be held by the Trustee and designated “Puerto Rico Municipal Finance Agency Series 2008 Bonds Operating Fund” (the “Operating Fund”). Moneys held for the credit of the Operating Fund may be used for, among other purposes, the payment of the fees and expenses of the Trustee, administrative expenses of the Agency and GDB in relation to its monitoring of the Agency and the Municipal Bonds, the fees, expenses and other obligations of the Agency in respect of any credit facility held in the Reserve Account, and financing costs incurred with respect to the Bonds and for such other lawful purposes of the Agency as the President of the Agency shall direct.

Acquisition Fund

The proceeds of the Bonds remaining after the required deposit to the Reserve Account and after the payment of financing expenses will be deposited in the Acquisition Fund. The Trustee shall apply moneys in the Acquisition Fund to acquire the Municipal Bonds from GDB and certain commercial banks only upon proper requisition by the Agency. Moneys in the Acquisition Fund may also be used to pay maturing principal of and interest on the Bonds (whether at maturity or by redemption) whenever moneys in the Sinking Fund are insufficient for such purpose.

Release of Municipal Bonds

The Agency may direct the Trustee to release from the lien and charge under the 2008 Indenture all or any of the Municipal Bonds then held by the Trustee in trust thereunder provided that the following requirements have been met:

(1) The following shall have been filed with the Trustee:

(a) A certificate signed by the President of the Agency setting forth (i) the name of each Municipal Issuer whose Municipal Bonds are to be released and a brief description of such Municipal Bonds containing, among other things, the dated date, the aggregate principal amount, the maturity date or dates and the interest rate or rates corresponding thereto; (ii) for each fiscal year after the fiscal year in which such release is to occur the sum of moneys to be received by the Trustee in such fiscal year from the payments of principal of and interest on the Municipal Bonds to be held by the Trustee after said release and any other available moneys under the 2008 Indenture; and (iii) the amount of the principal and interest requirements for each such fiscal year on account of all Bonds then outstanding under the 2008 Indenture; and

(b) An opinion of bond counsel to the Agency, in form and substance satisfactory to the Trustee, to the effect that such release will not cause interest on the Bonds then outstanding under the 2008 Indenture to be includable in the gross income of the recipients thereof for federal income tax purposes to the extent that such interest was not so includable on the respective dates of issuance of said Bonds; and

(2) In each fiscal year after the fiscal year in which such release is to occur the amount shown in item (iii) of the certificate mentioned in clause (1)(a) above shall not be greater than the amount shown in item (ii) of said certificate.

Investment of Funds

Any moneys in the Bond Service Account, the Redemption Account, the Reserve Account, the Acquisition Fund, the Rebate Fund, and the Operating Fund will as nearly as may be practicable (except as provided in the 2008 Indenture with respect to defeasance and with respect to Bonds issued thereunder to refund any outstanding Bonds), be invested and reinvested by the Trustee, at the direction of the Agency in Investment Obligations listed in clauses (i), (ii), (iii), (iv), (ix), and (xi) below or any other Investment Obligations listed below permitted in writing by Moody's Investors Service and Standard & Poor's Rating Service (the eligible provider of any investment agreement listed in said clause (ix) being limited to those whose unsecured long-term debt obligations are rated in the highest rating category by Moody's Investors Service and Standard & Poor's Rating Service or which investment agreement is collateralized at all times in a manner sufficient to result in such agreement being rated in the highest such rating category by such rating services), which mature, or which are subject to redemption at the option of the holder thereof, not later than the respective dates when the moneys held for the credit of such Funds and Accounts will be required for the purposes intended. Investment Obligations so purchased with moneys in any Account or Fund will be deemed at all times to be part of such Account or Fund, and the interest accrued thereon and any profit or loss resulting from such investment will be credited to or charged against such Account or Fund.

"Investment Obligations" for purposes of the 2008 Indenture include:

(i) Direct obligations of, or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by, the United States Government;

(ii) Direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, any of the following agencies or instrumentalities of the United States Government: Banks for Cooperatives, Federal Farm Credit Banks, Federal Home Loan Banks, Export-Import Bank of the United States, Federal Financing Bank, Government National Mortgage Association, Federal National Mortgage Association, Farmer's Home Administration, Federal Home Loan Mortgage Corporation, or Federal Housing Administration;

(iii) Obligations issued or unconditionally guaranteed as to principal and interest by an agency or instrumentality controlled or supervised by and acting as an instrumentality of the United States Government pursuant to authority granted by the Congress (the obligations referred to in clauses (i) through (iii) and receipts evidencing the ownership of payments of principal of or interest on any such obligations being called "Government Obligations");

(iv) Time deposits, certificates of deposit or similar arrangements with, or banker's acceptances issued by, any bank, banking association or trust company, including the Trustee, which is a member of the Federal Deposit Insurance Corporation having a combined capital and surplus aggregating not less than \$150,000,000 and reported deposits of not less than \$250,000,000.

(v) Repurchase agreements with banks mentioned in (iv) above or with primary government dealers having a capital and surplus in excess of \$150,000,000 with respect to any of the securities mentioned in (i), (ii) and (iii) above, provided such securities are on deposit with the Trustee and such agreements are structured as sale-purchase agreements rather than secured loans;

(vi) Obligations issued by the Commonwealth or any state or territory of the United States, which are rated in one of the three highest rating categories (without regard to any gradations within such categories) by both Moody's Investors Service and Standard & Poor's Ratings Service;

(vii) Municipal obligations, the payment of the principal of and the interest on which is insured, which are rated in one of the three highest rating categories (without regard to any gradations within such categories) by both Moody's Investors Service and Standard & Poor's Ratings Service;

(viii) Commercial paper rated, or backed by a letter of credit or line of credit the provider of which is rated, in the highest rating category (without regard to any gradations within such category) by both Moody's Investors Service and Standard & Poor's Ratings Service;

(ix) An agreement for the investment of moneys entered into by the Trustee with (A) the Federal National Mortgage Association or any bank, trust company or national banking association or a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956, as amended, or any government securities dealer, insurance company or other financial institution whose unsecured obligations or uncollateralized long-term debt obligations, or obligations guaranteed by its parent entity, are rated in one of the three highest rating categories (without regard to any gradations within such categories) by both Moody's Investors Service and Standard & Poor's Rating Service or which has issued a letter of credit, contract or agreement in support of debt obligations which at all times shall be so rated, or (B) such other person if the agreement with such person is collateralized at all times by such obligations as are described in clauses (i) through (iii) above, having a market value at least equal to the principal amount of such agreement, as to which collateral the Trustee has a perfected first priority security interest and which collateral is held by the Trustee or its agent, free and clear of claims by third parties;

(x) Units of beneficial interest in any non-arbitrage investment program pools created by GDB or any of its subsidiaries or affiliates;

(xi) Certain highly rated taxable or tax-exempt money-market funds;

(xii) Any other obligations permitted under the laws of the Commonwealth which are rated in any of the three highest rating categories (without regard to any gradations within such category) by both Moody's Investors Service and Standard & Poor's Ratings Service; and

(xiii) Any securities otherwise permitted as eligible collateral under Act No. 69 of the Legislature of Puerto Rico, approved August 14, 1991, as amended.

Refunding Bonds

The Agency may issue Bonds under the 2008 Indenture for the purpose of providing funds, together with any other available funds, to pay at or redeem prior to their maturity or maturities all or any part of the Bonds outstanding under the 2008 Indenture, including the payment of any redemption premium thereon, the interest thereon to the date fixed for their payment or redemption and any expenses incurred in connection with such refunding.

The Trustee shall not authenticate and deliver such refunding Bonds unless it receives evidence that, among other things, the payments to be received by the Trustee in each fiscal year on the Municipal Bonds, together with any available moneys specified for such purpose by the Agency, will be at least equal to the principal and interest requirements in such fiscal year for all Bonds outstanding under the 2008 Indenture.

Enforcement of Municipal Bonds

The Agency has agreed to take any and all actions available to it under the laws of the Commonwealth to assure that payment of the principal of and interest on the Municipal Bonds held by the Trustee will be timely paid, and that if payment of such principal and interest is not made when the same becomes due and payable, the Agency has agreed to take any and all actions available to it under the laws of the Commonwealth to enforce such payment.

Additional Indebtedness

The Agency has agreed not to incur any additional indebtedness secured by a lien on the Municipal Bonds and payments in respect thereof or which indebtedness will be payable from the Sinking Fund or the Acquisition Fund; provided, however, that additional series of refunding bonds may be issued from time to time as permitted under "THE 2008 INDENTURE - Refunding Bonds" on a parity with the Bonds.

Accounting

The Agency has covenanted that it will keep accurate records and accounts of the moneys collected and of the application of such moneys. Such records and accounts will be available at all reasonable times for inspection by the Bondholders and their agents and representatives.

The Agency has further covenanted that promptly after the close of each fiscal year an audit of its books and accounts for such fiscal year will be performed by an independent firm of certified public accountants of recognized ability and standing to be chosen by the Agency.

Events of Default; Remedies

The 2008 Indenture provides for each of the following events to be declared an "event of default":

- (a) Payment of principal of and redemption premium, if any, or any installment of interest on the Bonds was not made when the same became due and payable (whether at maturity or upon redemption);
- (b) There was a failure to retire Bonds by purchase or redemption in any fiscal year in a principal amount at least equal to the applicable amortization requirement under the 2008 Indenture for such fiscal year;
- (c) The amount on deposit to the credit of the Reserve Account was less than the Required Debt Service Reserve, and the President of the Agency failed or refused to comply with the provisions of the Enabling Act which require him to certify the amount of such deficiency to the Secretary of Treasury, or the Commonwealth failed to apportion and

pay to the Agency for deposit in the Reserve Account such amount as certified by the President of the Agency pursuant to such provisions of the Enabling Act;

(d) The Agency was, for any reason, rendered incapable of fulfilling its obligations under the 2008 Indenture;
or

(e) The Agency defaulted in the due and punctual performance of any of its other covenants, conditions, agreements and provisions contained in the Bonds or the 2008 Indenture to be performed and such default continued for thirty days after written notice to the Agency by the holders of not less than 10% in the aggregate principal amount of the Bonds then outstanding.

Upon the happening and the continuance of any event of default under the 2008 Indenture, the Trustee may, and upon the request of the holders of 25% in the aggregate principal amount of the Bonds then outstanding must, proceed to protect and enforce its rights and the rights of the Bondholders by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained in the 2008 Indenture or in aid or execution of any power granted in the 2008 Indenture or for the enforcement of any proper legal or equitable remedy, as the Trustee deems most effectual to protect and enforce such rights.

No holder of any of the Bonds has any right to institute any suit, action or proceeding in equity or at law on any Bond or for the execution of any trust under the 2008 Indenture or for any other remedy under the 2008 Indenture unless (i) such holder has given to the Trustee written notice of such event of default on account of which suit, action or proceeding is to be instituted, (ii) the holders of not less than 25% in the aggregate principal amount of the Bonds then outstanding have made written request of the Trustee after the right to exercise such power or right of action accrued, and have afforded the Trustee a reasonable opportunity either to proceed to exercise such powers or to institute such suit, action or proceeding, and (iii) there has been offered to the Trustee reasonable security and indemnity against the cost and liabilities to be incurred therein or thereby, and the Trustee refused or neglected to comply with such request within 60 days after receipt of the notice referred to in (i) above. The 2008 Indenture provides, however, that notwithstanding any other provision therein, the owner of any Bond has the absolute and unconditional right to receive payment of the principal of and the premium, if any, and the interest on such Bond when due and to institute suit for the enforcement of any such payment, and such right may not be impaired without the consent of such owner.

Defeasance

Any outstanding Bond will be deemed to have been paid within the meaning of the 2008 Indenture when the whole amount of the principal of and interest on such Bond has been paid or duly provided for and the conditions set forth in clause (c) below have been satisfied or when, among other things, (a) such Bond has been duly called for redemption or irrevocable instructions to call such Bond for redemption have been given to the Trustee, (b) there have been deposited with the Trustee either moneys in an amount which will be sufficient, or Government Obligations, which do not contain provisions permitting redemption at the option of the issuer, the principal of and interest on which when due, and without reinvestment, will provide moneys which, together with the moneys, if any, deposited with or held by the Trustee available therefor, will be sufficient to pay when due the principal of and premium, if any, and interest due and to become due on such Bond on or prior to the redemption date thereof, and (c) in the event such Bond does not mature and is not to be redeemed within the next succeeding 60 days, the Agency has given the Trustee irrevocable instructions to give, as soon as practicable, a notice to the holder of such Bond stating that the deposit of moneys or Government Obligations described above has been made with the Trustee and that such Bond is deemed to have been paid in accordance with the 2008 Indenture and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of and premium, if any, and interest on such Bond.

Supplemental Indentures

The Agency and the Trustee, without the consent of the holders of the Bonds, may enter into supplemental indentures to (i) cure any ambiguity, correct or supplement any provision in the 2008 Indenture which may be inconsistent

with any other provision in the 2008 Indenture, or to make any other provisions with respect to matters or questions arising under the 2008 Indenture which shall not be inconsistent with the provisions of the 2008 Indenture; (ii) grant 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; (iii) add to the conditions, limitations and restrictions on the issuance of Bonds under the provisions of the 2008 Indenture, other conditions, limitations and restrictions thereafter to be observed; or (iv) add to the covenants and agreements of the Agency in the 2008 Indenture other covenants and agreements thereafter to be observed by the Agency, or to surrender any right or power conferred upon the Agency in the 2008 Indenture.

All other supplemental indentures require the written consent of the holders of not less than a majority in aggregate principal amount of the Bonds at the time outstanding; provided, however, that no such supplement shall permit (a) an extension of the time for payment of the principal of or interest on any Bond, 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 funds other than the lien and pledge created by the 2008 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 supplement or any waiver under the 2008 Indenture.

UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the Bonds from the Agency at an aggregate discount of \$_____, from the initial public offering prices of the Bonds. The obligations of the Underwriters are subject to certain conditions precedent under a bond purchase agreement with the Agency, and the Underwriters will be obligated to purchase all the Bonds, if any Bonds are purchased. The bond purchase contract provides for indemnification of the Underwriters by the Agency, to the extent permitted by law against certain liabilities. The Underwriters may offer to sell the Bonds to certain dealers (including dealers depositing the Bonds into unit investment trusts, certain of which may be sponsored or managed by the Underwriters) and others at prices lower than the initial public offering prices, and such offering prices may be changed, from time to time, by the Underwriters.

On October 3, 2008 Wachovia Corporation announced that Wells Fargo & Company and Wachovia Corporation signed a definitive agreement to merge in a transaction in which Wells Fargo & Company will acquire Wachovia Corporation in its entirety. On October 9, 2008 Wachovia Corporation issued a joint press release with Wells Fargo & Company confirming that the definitive agreement first announced on October 3, 2008 will proceed as planned.

BBVAPR MSD (“BBVAPR”) and RBC Capital Markets Corporation (“RBC”), have entered into an agreement under which the parties provide services and advice to each other to assist the Commonwealth and its issuers in the structuring and execution of their municipal securities offerings. As part of the agreement, BBVA and RBC share in the risk from the underwriting of the Bonds as part of the consideration for their professional services.

J.P. Morgan Securities Inc. (“JPMSI”) and Scotia Capital (USA) Inc. (“SCUSA”) have entered into an agreement to assist the Commonwealth, its public corporations, agencies, instrumentalities, and municipalities in structuring and facilitating the issuance of their municipal securities. For each issuance of municipal securities for which both parties act as co-senior manager or co-manager, any sales commissions or takedowns shall be allocated based on actual sales of municipal securities by JPMSI or SCUSA.

Oppenheimer & Co. Inc. (“Oppenheimer”) and Eurobank Municipal Securities Dealer (“Eurobank MSD”) have entered into an agreement to jointly pursue municipal securities underwriting opportunities with the Commonwealth, its agencies, municipalities and governmental conduit issuers in the Commonwealth. Under the agreement Oppenheimer and Eurobank MSD will be entitled to receive a portion of each other's revenues from the underwriting of the Bonds in consideration for their professional services.

Oriental Financial Services Corporation and Bear, Stearns & Co. Inc. (an affiliate of JP Morgan Securities Inc.) have entered into a joint venture agreement under which the parties shall provide services and advice to each other and take

risk related to the structuring and execution of certain municipal finance transactions with governmental entities located in the Commonwealth. Pursuant to the terms of such joint venture agreement and in compliance with applicable rules, the parties will be entitled to receive a portion of each other's net profits (including those of JP Morgan Securities Inc.) from the underwriting of the Bonds as consideration for their professional services.

Popular Securities, Inc. ("Popular") has entered into a joint venture agreement (the "JV Agreement") with Morgan Stanley & Co. Incorporated ("Morgan Stanley"), under which the parties shall provide services and advice to each other related to the structuring and execution of certain municipal finance transactions in the U.S. capital markets with governmental entities located in the Commonwealth. Pursuant to the terms of the JV Agreement and in compliance with applicable rules, the parties will be entitled to receive a portion of each other's net profits from the underwriting of the Bonds as consideration for their professional services.

Santander Securities Corporation ("SSC") and Banc of America Securities LLC ("BAS") have entered into an agreement to jointly pursue municipal securities underwriting opportunities with the Commonwealth, its agencies, municipalities and governmental conduit issuers in the Commonwealth. Under the agreement SSC and BAS will be entitled to receive a portion of each other's revenues from the underwriting of the Bonds in consideration for their professional services.

TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements regarding the use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the Treasury of the United States, which the Agency and each Municipal Issuer must continue to meet after the issuance of the Bonds in order that interest on the Bonds is not included in gross income for federal income tax purposes. The failure to meet these requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes, retroactive to their date of issuance. The Agency and each Municipal Issuer have covenanted to comply, to the extent permitted by the Constitution and the laws of the Commonwealth, with the requirements of the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds. Bond Counsel is not aware of any provision of the Constitution or laws of the Commonwealth, which would prevent the Agency and/or any Municipal Issuer from complying with the requirements of the Code.

In the opinion of Bond Counsel, subject to continuing compliance by the Agency and each Municipal Issuer with the tax covenant referred to above, under the provisions of the Acts of Congress now in force and under existing regulations, rulings and court decisions, interest on the Bonds will not be includable in gross income for federal income tax purposes. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Bonds will be includable in the computation of the alternative minimum tax on corporations imposed by the Code. No opinion is expressed as to the effect of any change to any document pertaining to the Bonds or of any action taken or not taken where such change is made or action is taken or not taken without the approval of Bond Counsel or in reliance upon the advice of counsel other than Bond Counsel with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes. Bond Counsel is further of the opinion that, under the provisions of the Acts of Congress now in force, the Bonds and the interest thereon are exempt from state, Commonwealth and local income taxation.

Ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations, certain corporations with excess passive income, individual recipients of Social Security or Railroad Retirements benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, and taxpayers who may be eligible for the earned income tax credit. Ownership of tax-exempt obligations may also result in collateral income tax consequences under Puerto Rico law to financial institutions doing business in Puerto Rico. Prospective purchasers of the Bonds should consult their tax advisors as to applicability and impact of any collateral consequences.

Discount Bonds

The excess, if any, of the amount payable at maturity of any maturity of the Bonds over the issue price thereof constitutes original issue discount. The amount of original issue discount that has accrued and is properly allocable to an owner of any maturity of the Bonds with original issue discount (a "Discount Bond") will be excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. In general, the issue price of a maturity of the Bonds is the first price at which a substantial amount of Bonds of that maturity was sold (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers) and the amount of original issue discount accrues in accordance with a constant yield method based on the compounding of interest. A purchaser's adjusted basis in a Discount Bond will be increased by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale, redemption or other disposition of such Discount Bond for federal income tax purposes.

A portion of the original issue discount that accrues in each year to an owner of a Discount Bond that is a corporation will be included in the calculation of the corporation's federal alternative minimum tax liability. In addition, original issue discount that accrues in each year to an owner of a Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed herein. Consequently, an owner of a Discount Bond should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences although the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

The accrual of original issue discount and its effect on the redemption, sale or other disposition of any maturity of a Discount Bond that is not purchased in the initial offering at the first price at which a substantial amount of Discount Bonds of that maturity is sold to the public may be determined according to rules that differ from those described above. An owner of a Discount Bond should consult his tax advisor with respect to the determination for federal income tax purposes of the amount of original issue discount with respect to such Discount Bond and with respect to state, Commonwealth and local tax consequences of owning and disposing of such Discount Bond.

Premium Bonds

The excess, if any, of the tax basis of a Bond to a purchaser (other than a purchaser who holds such Bond as inventory, stock in trade, or for sale to customers in the ordinary course of business) who purchases such Bond as part of the initial offering and at the initial offering price as set forth on the inside cover page over the amount payable at maturity of such Bond is "Bond Premium." Bond Premium is amortized over the term of such Bond for federal income tax purposes (or in the case of a bond with Bond Premium callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of a call date that results in the lowest yield on such bond). No deduction is allowed for such amortization of Bond Premium; however, United States Treasury regulations provide that Bond Premium is treated as an offset to qualified stated interest received on the Bond. An owner of such Bond is required to decrease his adjusted basis in such Bond by the amount of amortizable Bond Premium attributable to each taxable year such Bond is held. An owner of such Bond should consult his tax advisor with respect to the precise determination for federal income tax purposes of the treatment of Bond Premium upon sale, redemption or other disposition of such Bond and with respect to the state, Commonwealth and local tax consequences of owning and disposing of such Bond.

Information Reporting and Backup Withholding

Interest paid on tax-exempt obligations is subject to information reporting in a manner similar to interest paid on taxable obligations. While this reporting requirement does not, by itself, affect the excludability of interest from gross income for federal income tax purposes, the reporting requirement causes the payment of interest on the Bonds to be subject to backup withholding if such interest is paid to beneficial owners that (a) are not "exempt recipients," and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the Internal Revenue Service (the "IRS") as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas

corporations and certain other entities are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner are allowed as a refund or credit against such beneficial owner's federal income tax liability so long as the required information is furnished to the IRS.

Future Developments

Future legislative proposals, if enacted into law, regulations, rulings or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to State, Commonwealth or local income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. Prospective purchasers of the Bonds should consult their tax advisors regarding any pending or proposed federal, State, Commonwealth or local tax legislation, regulations, rulings or litigation as to which Bond Counsel expresses no opinion.

LEGAL MATTERS

The authorization and issuance of the Bonds are subject to the approval of legality by Sidley Austin LLP, New York, New York, Bond Counsel, whose proposed form of opinion is set forth in Appendix B hereto. Certain legal matters will be passed upon for the Underwriters by their counsel, McConnell Valdés LLC, San Juan, Puerto Rico.

LEGAL INVESTMENT

The Bonds will be eligible for deposit by banks in Puerto Rico to secure public funds and will be approved investments for insurance companies to qualify them to do business in Puerto Rico as required by law.

GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO

As required by Act No. 272 of the Legislature of Puerto Rico, approved May 15, 1945, as amended, GDB has acted as financial advisor to the Agency in connection with the Bonds offered hereby. As financial advisor, GDB participated in the selection of the Underwriters of the Bonds. Certain of the Underwriters have been selected by GDB to serve from time to time as underwriters of its obligations and the obligations of the Commonwealth, its instrumentalities and public corporations. Certain of the Underwriters or their affiliates participate in other financial transactions with GDB.

RATINGS

Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. ("S&P") and Moody's Investors Service ("Moody's") have given the Bonds ratings of BBB- and Baa3, respectively. Such ratings reflect only the respective views of such organizations and the explanation of the significance of such ratings may be obtained only from the rating agency furnishing the same. There is no assurance that such ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating agencies if, in the judgment of either or both, circumstances so warrant. Any such downward revision or withdrawal of such rating or ratings may have an adverse effect on the market prices of the Bonds.

CONTINUING DISCLOSURE

In accordance with the requirements of Rule 15c2-12, as amended (the "Rule"), promulgated by the Securities and Exchange Commission (the "SEC"):

(a) The Commonwealth has covenanted for the benefit of the Beneficial Owners of the Bonds (generally, the tax owners of the Bonds): (i) to file, within 305 days after the end of each fiscal year of the Commonwealth,

commencing with the fiscal year ending June 30, 2008, annual financial statements, prepared in accordance with U.S. generally accepted accounting principles, and operating data generally consistent with the Commonwealth Report and the Commonwealth Annual Financial Report, which have been both incorporated by reference herein, with each NRMSIR and with any Commonwealth state information depository ("SID"), and (ii) to file, in a timely manner, with each NRMSIR or with the MSRB, and with any Commonwealth SID, notice of a failure by the Commonwealth to provide the financial statements and operating data described in clause (i) on or before the date specified above;

(b) The Municipality of San Juan has covenanted for the benefit of the Beneficial Owners of the Bonds: (i) to file, within 305 days after the end of each fiscal year commencing with the fiscal year ended June 30, 2008, annual financial statements prepared in accordance with U.S. generally accepted accounting principles and operating data generally containing the information set forth in its respective continuing disclosure report, which has been incorporated by reference herein, and the other information included in Appendix A to this Official Statement, with each NRMSIR and with any Commonwealth SID, and (ii) to file, in a timely manner, with each NRMSIR or with the MSRB, and with any Commonwealth SID, notice of a failure to provide the financial statements and operating data described in clause (i) on or before the date specified above; and

(c) The Agency has covenanted for the benefit of the Beneficial Owners of the Bonds:

(i) To file, within 305 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2008, with each NRMSIR and with any Commonwealth SID, a report setting forth with respect to such fiscal year the following information: (1) the amount of all deposits to the credit of, and the amount of the withdrawals from, each fund or account created under the provisions of the 2008 Indenture; (2) a brief description of the bonds issued, paid, purchased or redeemed under the 2008 Indenture during such fiscal year and the outstanding principal amount of the bonds under the 2008 Indenture; (3) a brief description of the Municipal Bonds held by the Trustee under the 2008 Indenture and the outstanding principal amount of the Municipal Bonds so held; and (4) a balance sheet as of the end of such fiscal year for each fund or account created under the provisions of the 2008 Indenture, which balance sheet shall set forth the amount held for the credit of each such fund or account at the end of such fiscal year;

(ii) To file, within 305 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2008, with each NRMSIR and with any Commonwealth SID, a report updating the information contained in the tables found on pages 15 through 19 of this Official Statement;

(iii) To file with each NRMSIR and with any Commonwealth SID, within 305 days after the end of each fiscal year commencing with the fiscal year ending June 30, 2008, in the event that at the end of any such fiscal year Municipal Bonds issued by any one Municipal Issuer (other than San Juan) come to represent 10% or more of the aggregate outstanding principal amount of the Municipal Bonds under the 2008 Indenture, annual financial statements for such Municipal Issuer, prepared in accordance with U.S. generally accepted accounting principles, for the most recently ended fiscal year of such Municipal Issuer and each fiscal year thereafter until such time that at the end of any such fiscal year Municipal Bonds issued by such Municipal Issuer come to represent less than 10% of the aggregate outstanding principal amount of the Municipal Bonds under the 2008 Indenture;

(iv) To file, in a timely manner, with each NRMSIR or with the MSRB, and with any Commonwealth SID, notice of a failure by the Agency to provide any of the information required in clauses (i), (ii) or (iii) on or before the date specified above; and

(v) To file, in a timely manner, with each NRMSIR or with the MSRB, and with any Commonwealth SID, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- a. principal and interest payment delinquencies;
- b. non-payment related defaults;
- c. unscheduled draws on debt service reserves reflecting financial difficulties;
- d. unscheduled draws on credit enhancements reflecting financial difficulties;
- e. substitution of credit or liquidity providers, or their failure to perform;

- f. adverse opinions or events affecting the tax exempt status of the Bonds;
- g. modifications to rights of the holders (including Beneficial Owners) of the Bonds;
- h. Bond calls;
- i. defeasances;
- j. release, substitution, or sale of property securing repayment of the Bonds; and
- k. rating changes.

With respect to the following events:

Events d. and e. The Agency does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Bonds, unless the Agency applies for or participates in obtaining the enhancement.

Event f. For information on the tax status of the Bonds, see "TAX EXEMPTION."

Event h. The Agency does not undertake to provide notice of a mandatory scheduled redemption, not otherwise contingent upon the occurrence of an event, if the terms, dates and amounts of redemption are set forth in detail in this Official Statement under "THE BONDS - Redemption," the only open issue is which Bonds will be redeemed in the case of a partial redemption, notice of redemption is given to the Bondholders as required under the terms of the Bonds and the 2008 Indenture, and public notice of redemption is given pursuant to Securities Exchange Act of 1934 Release No. 34-23856 of the SEC, even if the originally scheduled amounts are reduced by prior optional redemptions or bond purchases.

As of the date of this Official Statement, there was no Commonwealth SID, and the name and address of each NRMSIR is: Bloomberg Financial Markets, Bloomberg Business Park, 100 Business Park Drive, Skillman, New Jersey 08558; Standard & Poor's Securities Evaluations, Inc., Repository Service, 55 Water Street, 45th Floor, New York, New York 10041; Interactive Data Pricing and Reference Data, Inc., Attn.: NRMSIR, 100 William Street, 15th Floor, New York, New York 10038; and DPC Data Inc., One Executive Drive, Fort Lee, New Jersey 07024.

The Commonwealth expects to provide the information described in (a)(i) above by delivering the first bond official statement of the Commonwealth or of any instrumentality of the Commonwealth that includes its financial statements for the preceding fiscal year and operating data generally containing the information set forth in the Commonwealth Report or, if no official statement is issued by the 305-day deadline, by delivering such report and the Commonwealth Annual Financial Report by such deadline.

The Commonwealth has made similar continuing disclosure covenants in connection with prior bond issuances, and has complied with all such covenants, except as hereinafter noted. The Commonwealth's audited financial statements for the fiscal year ended June 30, 2003 were filed after the Commonwealth's filing deadline of April 30, 2004, because of delays in finalizing the financial statements of certain of the Commonwealth's reporting units due to the implementation of Governmental Accounting Standards Board Statement No. 34 ("GASB 34") GASB 34. Its audited financial statements for the fiscal years ended June 30, 2004, 2006, and 2007, were also filed after the Commonwealth's respective filing deadlines of May 1, 2005, 2007, and 2008, because various governmental agencies did not submit their audited financial statements to the central government's external auditors on time, thereby delaying the submission of the Commonwealth's audited financial statements.

The Agency may from time to time choose to provide notice of the occurrence of certain other events in addition to those listed above if, in the judgment of the Agency, such other events are material and with respect to the Bonds, but the Agency does not undertake to provide any such notice of the occurrence of any material event except those listed above.

The Commonwealth, San Juan and the Agency acknowledge that their undertakings described above are intended to be for the benefit of the Beneficial Owners of the Bonds, and shall be enforceable by any such Beneficial Owner, provided that the right to enforce the provisions of their respective undertakings shall be limited to a right to obtain specific performance of such provisions.

No Beneficial Owner may institute any suit, action or proceeding at law or in equity (“Proceeding”) for the enforcement of the foregoing covenants (the “Covenants”) or for any remedy for breach thereof, unless such Beneficial Owner shall have filed with the Commonwealth, San Juan or the Agency, as applicable, written notice of any request to cure such breach, and the Commonwealth, San Juan or the Agency, as the case may be, shall have refused to comply within a reasonable time. All Proceedings shall be instituted only in a Commonwealth court located in San Juan, for the equal benefit of all Beneficial Owners of the outstanding Bonds benefitted by the Covenants, and no remedy shall be sought or granted other than specific performance of the Covenant at issue. Moreover, Proceedings filed by Beneficial Owners against the Commonwealth are subject to the sovereign immunity provisions of Section 2 of Act No. 104, approved June 29, 1955, as amended (32 L.P.R.A. §§ 3077 and 3077a), which governs the scope of legal actions against the Commonwealth, and provides certain notice provisions, the failure to comply with which may further limit any recovery.

The Covenants may only be amended if:

(1) The amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Commonwealth, San Juan or the Agency, as the case may be, or type of business conducted; the Covenants, as amended, would have complied with the requirements of the Rule at the time of award of the Bonds, after taking into account any amendments or change in circumstances; and the amendment does not materially impair the interest of Beneficial Owners, as determined by parties unaffiliated with the Commonwealth, San Juan or the Agency, as the case may be; or

(2) All or any part of the Rule, as interpreted by the staff of the SEC at the date of the adoption of such Rule, ceases to be in effect for any reason, and the Commonwealth, San Juan or the Agency, as the case may be, elects that the Covenants shall be deemed amended accordingly.

The Commonwealth, San Juan and the Agency have further agreed that the annual financial information containing any amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

Any assertion of beneficial ownership must be filed, with full documentary support, as part of the written request described above.

These Covenants have been made in order to assist the Underwriters in complying with the Rule.

MISCELLANEOUS

The foregoing references to and summaries of certain provisions of the 2008 Indenture, the various acts and the Bonds do not purport to be complete statements of any or all of such provisions and are made subject to all the detailed provisions thereof, to which reference is hereby made for further information. Copies of the foregoing documents are available from GDB, upon written request directed to: Government Development Bank for Puerto Rico, 135 West 50th Street, 22nd Floor, New York, New York, 10020, Attention: Director-New York Office or Government Development Bank for Puerto Rico, P.O. Box 42001, San Juan, Puerto Rico 00940-2001, Attention: Public and Private Finance Director. Appended to and constituting a part of this Official Statement are certain information on San Juan (Appendix A), and the proposed form of opinion of Sidley Austin LLP, Bond Counsel (Appendix B). The information set forth in, or incorporated by reference into, this Official Statement, except for information pertaining to DTC, was supplied by certain officials of the Agency, CRIM, San Juan, the Commonwealth or certain of the Commonwealth’s other agencies or instrumentalities, in their respective official capacities, or was obtained from publications of the Commonwealth or the Commonwealth’s other agencies or instrumentalities, and is included in this Official Statement on the authority of such officials or the authority of such publications as public official documents. The information pertaining to DTC was supplied by DTC.

This Official Statement will be filed with each NRMSIR and with the MSRB.

This Official Statement has been duly authorized, executed and delivered by the Agency.

PUERTO RICO MUNICIPAL FINANCE AGENCY

By: _____
Jorge Irizarry
Chairman of the Board and President

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THE MUNICIPALITY OF SAN JUAN

General

The Municipality of San Juan (“San Juan”), founded in 1521, is the capital city of the Commonwealth of Puerto Rico (the “Commonwealth” or “Puerto Rico”) and is by population the largest of the seventy-eight municipalities of Puerto Rico. San Juan’s boundaries encompass an area of approximately 47.8 square miles. San Juan is bound on the north by the Atlantic Ocean and San Juan Bay, on the south by the Municipalities of Caguas and Trujillo Alto, on the east, by the Municipalities of Carolina and Trujillo Alto, and on the west by the Municipality of Guaynabo.

Form of Government and Services Offered by San Juan

San Juan’s municipal government consists of its Mayor and a seventeen-member Municipal Legislature, all of which are elected by the residents of San Juan every four years. The Mayor is responsible, among other matters, for: (i) establishing and carrying out the policies and the ordinances of the Municipal Legislature, (ii) overseeing the day-to-day operations of the municipal government, and (iii) appointing the heads of the various municipal departments. The Municipal Legislature is responsible, among other matters, for (i) adopting municipal ordinances and resolutions, (ii) adopting the budget for each fiscal year, and (iii) approving the appointment by the Mayor of the heads of the various municipal departments.

San Juan provides a full range of services to its residents including, among others: (i) public health facilities including the Municipal Hospital and nine diagnostic and treatment centers; (ii) public safety; (iii) street and road maintenance; (iv) human services for children, the elderly and the homeless; (v) parks, recreational facilities, and cultural programs and facilities; (vi) garbage and solid waste collection and disposal; (vii) business licenses; (viii) building inspection and code enforcement; and (ix) economic development support.

Population, Income and Employment

According to figures published by the U.S. Census Bureau, San Juan has maintained a lower than average population growth compared to that of Puerto Rico for the period from 1970 to 2007. The table below shows the total population numbers and population percentage changes of San Juan and Puerto Rico for the period from 1970 to 2007.

POPULATION

Year	San Juan	Total % Change	Puerto Rico	Total Change
1970	463,242	---	2,712,033	---
1980	434,849	(6.1%)	3,196,520	17.9%
1990	437,745	0.7%	3,522,037	10.2%
2000	434,374	(0.8%)	3,808,610	8.1%
2007	429,743*	(1.1%)	3,942,375	3.5%

Source: U.S. Census Bureau

* Estimate provided by San Juan

The average family income of families in San Juan has been one of the highest of any of the municipalities of Puerto Rico, and during the period from 1970 to 2007 the growth rate for average family income in San Juan was

comparable to that of Puerto Rico as a whole. The table below shows average family income figures of San Juan and Puerto Rico for the period from 1970 to 2007.

AVERAGE FAMILY INCOME

Census	San Juan	Total % Increase	Puerto Rico	Total Increase
1970	\$6,464	---	\$3,063	---
1980	\$11,608	79.6%	\$5,923	87.5%
1990	\$20,481	76.4%	\$9,988	79.7%
2000	\$37,078	81.0%	\$16,543	78.7%
2007	\$43,126	16.3%	\$20,900	26.3%

Source: Puerto Rico Planning Board

San Juan has one of the lowest unemployment rates of any of the municipalities in Puerto Rico. The tables below provide comparable average employment figures for San Juan and Puerto Rico for fiscal years 2006, 2007 and 2008.

SAN JUAN

Year	Labor Force	Employed	Unemployed	Percentage Unemployment
2006	178,200	164,500	13,700	7.7%
2007	177,200	164,100	13,100	7.4%
2008	171,200	157,400	13,700	8.0%

Source: Puerto Rico Department of Labor and Human Resources

PUERTO RICO

Year	Labor Force	Employed	Unemployed	Percentage Unemployment
2006	1,407,000	1,261,000	146,000	10.4%
2007	1,394,000	1,241,000	152,000	10.9%
2008	1,366,000	1,194,000	172,000	12.6%

Source: Puerto Rico Department of Labor and Human Resources

Education

Elementary and secondary education in San Juan is mostly provided by the public school system of the Commonwealth's Department of Education and various private schools. There are currently 128 public schools in San Juan.

San Juan also operates two schools: (i) the *School of San Juan*, which offers classes from pre-kinder to second grade students and intends to add up a grade each year; and (ii) the *Sports School*, which is geared toward developing students with extraordinary potential in sports. San Juan intends to establish 4 new municipal schools during the next two fiscal years.

Protection

San Juan is served by a Municipal Police Department and by the Police Department of the Commonwealth. The Municipal Police Department operates out of 12 police stations, of which 2 are mobile police stations, and is staffed by approximately 964 municipal police officers and supervisory personnel. The Commonwealth Police Department in conjunction with the Municipal Police Department coordinate crime prevention and law enforcement activities within San Juan.

San Juan also has a Municipal Management and Administration of Emergencies and Disasters Office, which works in conjunction with the Commonwealth Civil Defense Agency in implementing emergency management programs and the handling of emergencies involving life and property within San Juan.

The Commonwealth Fire Department provides service to San Juan through truck and ladder companies located in San Juan and in adjoining municipalities.

Health

The San Juan Health Department provides primary, secondary and tertiary health services to the residents of San Juan at the Municipal Hospital and 9 health centers located throughout the municipality. It also operates a skilled nursing facility as well as a home care unit for patients with chronic or disabling conditions. The San Juan Health Department is responsible for establishing and developing strategies and programs designed to promote health, prevent diseases, promote early detection and diagnosis of health problems, and promote adequate treatment of health problems and rehabilitation services.

San Juan is included in the Commonwealth's Health Reform program. The program consists of providing comprehensive health insurance coverage for qualifying low income residents of Puerto Rico through a managed care system. Under the program, the Commonwealth Health Department selects, through a bidding system, one private health insurance company in each of several designated regions of Puerto Rico and pays the insurance premiums for each eligible beneficiary within such region. The municipalities pay the Commonwealth Government an amount mandated by law to cover part of the insurance premium paid by the Commonwealth Government. San Juan participates in this program as a health provider, through its facilities, and as an independent provider association sharing with insurers the health insurance risk.

Recreation and Parks

Through its Recreation and Sports Department and its Urban Department, San Juan administers and maintains, among other things, approximately 50 baseball and softball parks, 130 basketball and volleyball courts, 45 tennis courts, 10 boxing training centers, 12 multi-sport complexes, 202 recreational parks, 6 community centers, 1 natatorium, 1 equestrian center and 1 golf academy.

Cultural

Through its Cultural Department, San Juan develops and promotes a variety of cultural activities and projects that contribute to the development in all sectors of the population of San Juan of an appreciation for, among other things: (i) history of San Juan and Puerto Rico, (ii) the arts, (iii) literature, (iv) cinema, (v) folklore and (vi) other cultural areas.

Environmental Control and Public Works

San Juan's Environmental and Public Works Department is responsible for coordinating, among other things, garbage collection, cleaning and maintenance of municipal parks, streets, canals, streams, flood pumps and roads and other services relating to the construction, renovation and maintenance of the municipality's infrastructure.

Summary of Results of Operation for Fiscal Years 2006, 2007 and 2008

The following tables present a schedule of Revenues and Expenditures of San Juan's Governmental Funds (the General Fund, Debt Service Fund, Loan Guarantee Fund and Other Governmental Funds) for fiscal years 2006, 2007 and 2008. The figures for fiscal years 2006 and 2007 are based on audited results and fiscal year 2008 are based on preliminary (unaudited) results. The schedules were prepared in conformity with Governmental Accounting Standard Board's Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments ("GASB 34").

Municipality of San Juan General Governmental
Revenues by Source
(In Thousands)
Fiscal year ended June 30

	2006		2007		2008
Property taxes	\$ 206,395	\$	217,513	\$	217,728
Municipal license taxes	131,369		145,599		149,947
Sales tax	0		41,362		54,799
License, permits and other local taxes	23,859		29,630		48,307
Charges for services	48,908		42,574		46,205
Fines and forfeitures	4,223		5,011		4,388
Interest	5,933		7,769		6,651
Intergovernmental					
Federal	112,243		107,605		119,617
Local	39,597		28,746		28,871
Other	3,261		35,122		4,496
Total*	<u>\$ 575,788</u>		<u>\$ 660,930</u>		<u>\$ 681,010</u>

Expenditures by Function
(In Thousands)
Fiscal Year ended June 30

	2006		2007		2008
General government	\$ 95,055	\$	170,590	\$	144,352
Public safety	50,080		52,507		52,076
Public works	57,716		67,557		71,842
Culture and recreation	12,655		11,447		13,358
Health and welfare	247,214		239,081		247,441
Urban development	49,013		55,009		46,068
Economic development	21,214		21,741		19,563
Education	9,165		11,106		12,242
Capital outlays	32,130		34,783		31,502
Debt service					
Principal	35,157		40,385		43,284
Interest and other surcharges	28,140		33,611		28,109
Total*	<u>\$ 637,540</u>		<u>\$ 737,816</u>		<u>\$ 709,838</u>

* Totals may not add up due to rounding.

Source: Municipality of San Juan

Preliminary Revenues and Expenditures for Fiscal Year 2008 Compared to Fiscal Year 2007. Total revenues for fiscal year 2008 increased \$20 million or 3% from fiscal year 2007 due principally to an increase of \$13.4 million in sales tax (since the sales tax commenced to be collected 4.5 months into fiscal year 2007); an increase of \$18.6 million or 63% in license, permits and other taxes from \$29.7 million to \$48.3 million which was mainly due to an increase in construction excise taxes and aggressive collection efforts of a Municipality's task force established in July 2005 for such purposes; and an increase of \$12.3 million or 11.1% in federal grants and contributions from \$107.7 million to \$120.0 million. A decrease of \$30.7 million or 872% in other revenues from \$35.2 million to \$4.5 million was due to the cumulative effect of federal funds not claimed in prior years and recorded in fiscal year 2007.

Total expenditures for fiscal year 2008 decreased \$28 million or 3.8% from fiscal year 2007 principally as a result of a decrease of \$26.3 million or 15.4% in general government expenditures due to a significant reduction on the bad debts expenditures for uncollectible accounts from the Municipal Revenues Collection Center ("CRIM") and a reduction of approximately \$8 million in the pension plan cost.

Fiscal Year 2007 Compared to Fiscal Year 2006. Total revenues for fiscal year 2007 were \$660.9 million, an increase of \$85.2 million or 14.7% from fiscal year 2006. The major changes were an increase of \$11.2 million or 5.4% in property taxes; an increase of \$14.2 million or 10.8% in municipal license taxes; an increase of \$5.8 million or 24.2% in license, permits and other local taxes, an increase of \$31.9 million or 977% in other revenues, and the implementation of the municipal sales and use tax. Increases in municipal license taxes, and license, permits and other local taxes were mainly due to aggressive collection efforts by San Juan, a strategic plan to reduce tax evasion and better equipment and personnel. The increase in other revenues was due to the cumulative effect of federal funds not claimed in prior years and recorded in fiscal year 2007.

Total expenditures for fiscal year 2007 were \$737.8 million, an increase of \$100.3 million or 15.7% from fiscal year 2006. The major changes were: an increase of \$75.5 million or 79.4% in general government, which was mainly due to the pension cost of the early retirement plan; an increase of \$9.8 million or 17% in public works; an increase of \$6 million or 12.2% in urban development; and an increase of \$10.7 million or 17% in debt service.

Sources of Revenue

The principal sources of revenue for San Juan, as is the case with the other municipalities of Puerto Rico, are ad valorem property taxes, municipal license tax, municipal sales and use taxes, federal grants and intergovernmental revenues.

Property Tax. San Juan's current property tax rates (including the Special Additional Tax, the Special Tax and the Basic Tax) are 9.03% in the case of real property and 7.03% in the case of personal property, allocated as follows: the current Special Additional Tax rate is 2% in the case of both real and personal property; the current Special Tax rate is 1.03% in the case of both real and personal property; and the Basic Tax rates are 6% in the case of real property and 4% in the case of personal property. There are no current plans to increase these tax rates.

Municipal License Tax. San Juan imposes a volume of business or municipal license tax pursuant to Act No. 113 of July 10, 1974, as amended ("Act No. 113"), on all business entities that operate within San Juan and that are not exempt from the tax pursuant to the Commonwealth's tax incentives laws. The municipal license taxes are collected directly by San Juan. The municipal license tax is applied to gross revenues, as defined in Act No. 113, computed at the rate of 1.50% for financial institutions, 0.20% for non-financial entities with gross revenues under \$1,000,000 and 0.50% for non-financial entities with gross revenues in excess of \$1,000,000. There are no current plans to increase these tax rates.

Municipal Sales and Use Tax. San Juan imposes a sales and use tax of 1.5% as part of the Commonwealth sales and use tax of 7%. The municipal sales and use tax is administered directly by San Juan.

Federal Grants. Federal agency contributions are an important additional source of revenues for San Juan. San Juan receives assistance from the federal government in the form of grants or entitlements. The most important federal grants and entitlements received by San Juan are under programs operated by the U.S. Department of Health and Human Services, U.S. Department of Housing and Urban Development, U.S. Department of Education, U.S. Department of Labor, U.S. Department of Agriculture, U.S. Department of Justice and U.S. Department of Transportation. In addition, San Juan receives payments in lieu of taxes from Puerto Rico Electric Power Authority.

Other. San Juan is also the beneficiary of various contributions that are made by the Commonwealth to all of the municipalities. See “SOURCES OF PAYMENT FOR THE BONDS - The Municipal Bonds” for a general description of these Commonwealth contributions.

Budgeting Process

The Mayor is responsible for preparing and submitting a draft balanced general budget resolution to the San Juan Municipal Legislature no later than May 31 of each year. The draft budget resolution must include a budget message and a financing plan, as required by law. The budget message must include a summary of the principal budget aspects and justification for the principal budget requests. The financial plan must provide, among other things, a summary of municipal expenditures by categories such as salaries, wages, materials, services and permanent works for the upcoming fiscal year, a detailed estimate of resources to cover expenditures, a comparative statement of proposed appropriations and information with respect to each program and its objectives.

The Mayor is required to include in the draft general budget resolution, and in order of priority, the following items:

- (1) interest and amortization payments on public municipal debt;
- (2) other statutory obligations or expenses;
- (3) payment of judgments;
- (4) amounts necessary to cover any prior year deficit;
- (5) amounts required to be paid by the municipality under established contractual commitments;
- (6) expenses and obligations required to be included by law; and
- (7) other operating expenses.

The Municipal Legislature may amend the budget resolution, but it may not eliminate or reduce the items set forth in items 1 through 5 above. The Municipal Legislature is required to approve and submit the budget to the Mayor no later than June 13 of each year, and the Mayor has six days to approve it or return it to the Municipal Legislature for amendments.

San Juan’s annual budget is prepared in accordance with the budgetary basis of accounting, which is not in accordance with the accounting principles generally accepted in the United States of America (“GAAP”). For budgetary purposes, encumbrance accounting is used. The encumbrances (*i.e.*, purchase orders and contracts, among others) are considered expenditures when incurred. For GAAP reporting purposes, encumbrances outstanding at year-end are reported as reservation of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. The unencumbered balance of any appropriation at the end of the fiscal year will lapse at the end of such fiscal year. Other appropriations, mainly capital project appropriations, are continuing accounts for which the Municipal Legislature has authorized that an unspent balance from the prior year be carried forward and made available for current spending.

Described in the table below are the projected revenues and expenditures in the original budget for San Juan's General Fund only for fiscal years 2008 and 2009 approved by the San Juan Municipal Assembly, together with the actual unaudited preliminary results for fiscal year 2008.

Sources	Budget*	Actual	Budget*
	2007-08	2007-08(P)	2008-09
Property taxes	\$155,945,095	\$ 156,416,068	\$ 156,662,490
Municipal license taxes	145,000,000	148,555,527	149,000,000
Sales tax	51,500,000	49,708,337	53,600,000
License, permits and other local taxes	21,034,000	42,868,084	24,874,000
Charges for services	43,504,945	43,667,825	39,249,846
Fines and forfeitures	5,325,000	4,388,393	5,225,000
Interest	6,000,000	6,449,326	6,500,000
Intergovernmental	26,963,515	27,201,989	30,406,164
Other	9,087,445	7,766,801	13,682,500
Total(S)	<u>\$464,360,000</u>	<u>\$ 487,022,350</u>	<u>\$ 479,200,000</u>

Expenditures	Budget*	Actual	Budget*
	2007-08	2007-08(P)	2008-09
General government	\$ 122,040,131	\$ 112,160,648	\$ 133,974,339
Public safety	47,334,622	50,083,730	49,669,791
Public works	62,008,134	67,595,151	69,370,399
Culture and recreation	10,777,027	11,133,209	11,555,318
Health and welfare	198,149,425	199,613,678	194,589,230
Urban development	6,334,512	5,761,780	3,568,304
Economic development	10,510,692	10,581,860	9,191,350
Education	7,205,457	6,599,532	7,281,269
Total(S)	<u>\$ 464,360,000</u>	<u>\$ 463,529,588</u>	<u>\$ 479,200,000</u>

* Not prepared in conformity with GASB 34.

(P) Unaudited preliminary

Source: Municipality of San Juan.

The major difference between fiscal year 2008 budget and actual results in San Juan's General Fund was the increase of \$21.7 million in license, permits and other local taxes, which was mainly due to a significant increase in construction excise taxes and aggressive collection efforts of a municipality's task force established for such purposes.

For fiscal year 2009 budget, the Municipality took into consideration a reserve for salaries and fringe benefits expenditures of approximately \$20 million that will be covered with general operating revenues. The decrease in budgeted revenues for fiscal year 2009 is mainly due to an expected decrease in the license, permits and other local taxes due to an expected decrease in the construction excise taxes as their collection returns to the normal \$20-25 million level.

The variance in other revenues between fiscal year 2008 and budget 2009 reflects revenues for municipal capital assets that are expected to be sold during fiscal year 2009. These are not recurring revenues.

General Obligation Debt and Sources for Debt Service

The Puerto Rico Legislature has fixed a limitation for the issuance of general obligation municipal bonds and notes for the payment of which the good faith, credit and taxing power of each municipality may be pledged.

See “Limitations on Ability of Municipalities to Issue General Obligation Debt - THE MUNICIPAL BONDS” for a general description of such limitations.

Based on the current total net assessed valuation of real and personal property in San Juan provided by CRIM of approximately \$4.2 billion, the Legal Margin of San Juan as of December 31, 2007 was \$425.2 million. San Juan’s Available Legal Margin as of July 1, 2008 was \$54.3 million (after subtracting from the Legal Margin the amount of \$389.7 million in outstanding general obligation debt as of July 1, 2008, and adding to the Legal Margin the amount in its Redemption Fund in excess of the amount needed for the next 12 months of debt service, or \$18.8 million).



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_____, 2008

PUERTO RICO MUNICIPAL FINANCE AGENCY
San Juan, Puerto Rico

Gentlemen:

As bond counsel to Puerto Rico Municipal Finance Agency (the "Agency"), a body corporate and politic constituting a public corporation and governmental instrumentality of the Commonwealth of Puerto Rico (the "Commonwealth"), we have examined Act No. 29 of the Legislature of Puerto Rico, approved June 30, 1972, as amended (the "Act"), creating the Agency.

We have also examined certified copies of the proceedings of the Board of Directors of the Agency authorizing the execution and delivery of a Trust Indenture, dated as of _____, 2008 (the "Trust Indenture"), by and between the Agency and JPMorgan Chase Bank, N.A., trustee (the "Trustee"), and other proofs submitted relative to the authorization, issuance and sale of the following described bonds (the "2008 Bonds")

\$ _____

PUERTO RICO MUNICIPAL FINANCE AGENCY

2008 SERIES A BONDS

Dated: _____, 2008.

Maturing in such principal amounts and subject to redemption, all as set forth in the Trust Indenture, and bearing interest at the rates set forth in the resolution of the Agency awarding the 2008 Bonds.

The proceeds of the 2008 Bonds are to be used to acquire municipal bonds of various municipalities of the Commonwealth and to make a deposit to the Reserve Account established under the Trust Indenture in an amount (with other moneys deposited therein) equal to the Required Debt Service Reserve (as defined in the Trust Indenture).

Pursuant to the Trust Indenture, the Agency is authorized to issue additional series of bonds from time to time upon the terms and conditions set forth therein, and any such bonds will be on a parity with the 2008 Bonds and all other bonds issued

under the Trust Indenture (all such additional series of bonds together with the 2008 Bonds being herein collectively called the “Bonds”).

The principal of and the interest on the 2008 Bonds and all other bonds issued by the Agency under the Trust Indenture are payable from payments of principal of and interest on the municipal bonds held by and pledged to the Trustee and other funds of the Agency available therefor, all as provided in the Trust Indenture.

We have also examined one of the 2008 Bonds as executed and authenticated.

From such examination we are of the opinion that:

1. The Act is valid.
2. Said proceedings have been validly and legally taken.
3. As authorized by the Act and by said proceedings, the Trust Indenture has been duly executed and delivered and contains reasonable and sufficient covenants and provisions in accordance with law with respect to the payments of principal of and interest on the municipal bonds acquired by the Trustee, the conservation and application of all funds, the safeguarding of moneys on hand or on deposit and the rights and remedies of the Trustee and the holders of the Bonds.
4. The 2008 Bonds have been duly authorized and issued, among other things, to provide funds for the purchase of municipal bonds and to make a deposit to the Reserve Account.
5. The 2008 Bonds are valid and binding obligations of the Agency, payable from funds of the Agency, including, but without limitation, (i) payments of principal of and interest on municipal bonds acquired and held by the Trustee, (ii) moneys in and investment income on the Reserve Account established under the Trust Indenture held by the Trustee, (iii) the proceeds of the sale of any such municipal bonds and (iv) any moneys appropriated or transferred to the Agency by the Commonwealth pursuant to the Act. The Trust Indenture provides for the creation of a special fund designated “Puerto Rico Municipal Finance Agency Series 2008 Interest and Sinking Fund” (herein called the “Sinking Fund”) and for the payment into said special fund of a sufficient amount of the payments of principal of and interest on municipal bonds held by the Trustee on behalf of the Agency and moneys available in the Reserve Account in the Sinking Fund to pay the principal of and interest on all Bonds issued under the Trust Indenture as the same become due and payable, which fund is pledged to and charged with the payment of the principal of and interest on all Bonds issued under the Trust Indenture.

6. The Bonds are additionally secured by a pledge and assignment of all municipal bonds acquired and held by the Trustee pursuant to the Trust Indenture and all payments of principal and interest made in respect of any municipal bonds so held.

7. The Agency in the Trust Indenture has validly covenanted and will be legally obligated diligently to enforce and take all reasonable steps, actions and proceedings for the enforcement of the terms, covenants and conditions of all municipal bonds acquired and held by the Trustee on behalf of the Agency, including the prompt collection, and the giving of notice to the Secretary of the Treasury of the Commonwealth (the “Secretary”) of any failure or default of any municipality in the payment, of the principal of and the interest on such municipal bonds.

8. The Agency is authorized and under the Trust Indenture has covenanted to cause to be made by its President and delivered to the Secretary annually, on or before December 1, his certificate as provided for by the Act, stating the sum, if any, required to restore the Reserve Account to an amount equal to the Required Debt Service Reserve. The sum or sums so certified are required to be apportioned and paid to the Agency from any available or uncommitted funds in the General Fund of the Commonwealth during the then current fiscal year of the Commonwealth. Such apportionment does not require legislative action. If there are no such available or uncommitted funds, the Secretary is required to request the amount so certified from the Director of the Office of Management and Budget, who shall include it in the General Budget of the Commonwealth for the next fiscal year. The Legislature of Puerto Rico is authorized but not legally required to appropriate such sum.

9. The Bonds do not constitute a debt of the Commonwealth or of any of its municipalities or other political subdivisions, other than the Agency, and neither the Commonwealth nor any of such municipalities or other political subdivisions, other than the Agency, shall be liable thereon. The good faith, credit and unlimited taxing power of each municipality are, however, pledged to the payment of its municipal bonds which secure the Bonds.

10. Under the provisions of the Acts of Congress now in force and under existing regulations, rulings and court decisions, (i) subject to compliance with the covenant referred to below and requirements of the Internal Revenue Code of 1986, as amended (the “Code”), regarding use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the Treasury of the United States, if required, interest on the 2008 Bonds is not includable in gross income for federal income tax purposes, and (ii) the 2008 Bonds and the interest thereon are exempt from state, Commonwealth and local income taxation.

Interest on the 2008 Bonds is not an item of tax preference for the purpose of the federal alternative minimum tax imposed on individuals and corporations by the Code. Such interest will, however, be includable in the computation of the alternative minimum tax on corporations imposed by the Code. The Code contains other provisions that could result in tax consequences,

upon which we express no opinion, as a result of (a) ownership of the 2008 Bonds or (b) the inclusion in certain computations (including, without limitation, those related to the corporate alternative minimum tax) of interest that is not included in gross income. We express no opinion as to the effect of any change to any document pertaining to the Bonds or of any action taken or not taken where such change is made or action is taken or not taken without our approval or in reliance upon the advice of counsel other than ourselves with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes.

The Agency and the issuers of the municipal bonds purchased and held by the Trustee have covenanted to comply to the extent permitted by the Constitution and laws of the Commonwealth, with the requirements of the Code, so that interest on the 2008 Bonds will remain exempt from federal income taxes to which it is not subject on the date of issuance of the 2008 Bonds. We are not aware of any provision of the Constitution or laws of the Commonwealth which would prevent the Agency and said issuers from complying with the requirements of the Code.

Respectfully submitted,

[To Be Signed, "Sidley Austin LLP"]

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