

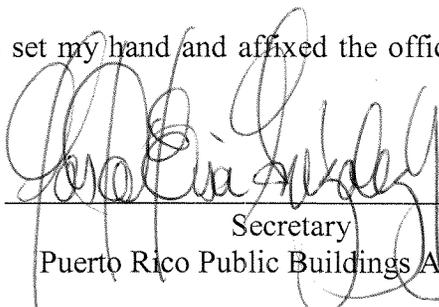
Puerto Rico Public Buildings Authority
\$562,850,000 Government Facilities Revenue Refunding Bonds, Series M
\$329,415,000 Government Facilities Revenue Bonds, Series N
\$3,025,000 Government Facilities Revenue Bonds, Series O
Guaranteed by the Commonwealth of Puerto Rico

CERTIFICATE AS TO SERIES RESOLUTION

I, MARTA ELISA GONZALEZ, Secretary of the Puerto Rico Public Buildings Authority (the "Authority"), DO HEREBY CERTIFY that attached hereto is a true, correct, and complete copy of Resolution No. 1280 adopted by the Board of Directors of the Authority on December 6, 2007 (the "Series Resolution"), authorizing the issuance of the above-referenced Bonds.

I FURTHER CERTIFY, that the attached Series Resolution is in full force and effect as of the date hereof and has not in any way been annulled, rescinded, revoked, modified or supplemented.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Authority as of the 20th day of December, 2007.


Secretary
Puerto Rico Public Buildings Authority



PUERTO RICO PUBLIC BUILDINGS AUTHORITY

RESOLUTION NO. 1280

Adopted December 6, 2007

Authorizing the Issuance of

Government Facilities Revenue Refunding Bonds, Series M
Government Facilities Revenue Bonds, Series N
Government Facilities Revenue Bonds, Series O

Guaranteed by the Commonwealth of Puerto Rico

RESOLUTION NO. 1280

A RESOLUTION AUTHORIZING THE ISSUANCE OF (i) \$562,850,000 PUBLIC BUILDINGS AUTHORITY GOVERNMENT FACILITIES REVENUE REFUNDING BONDS, SERIES M, GUARANTEED BY THE COMMONWEALTH OF PUERTO RICO, TO BE ISSUED IN THREE SEPARATE SUBSERIES BY PUERTO RICO PUBLIC BUILDINGS AUTHORITY PURSUANT TO THE PROVISIONS OF SECTION 209 OF RESOLUTION NO. 468 ADOPTED BY THE AUTHORITY ON JUNE 22, 1995, (ii) \$329,415,000 PUBLIC BUILDINGS AUTHORITY GOVERNMENT FACILITIES REVENUE BONDS, SERIES N, GUARANTEED BY THE COMMONWEALTH OF PUERTO RICO, TO BE ISSUED BY THE AUTHORITY PURSUANT TO THE PROVISIONS OF SECTION 208 OF SAID RESOLUTION NO. 468, AND (iii) \$3,025,000 PUBLIC BUILDINGS AUTHORITY GOVERNMENT FACILITIES REVENUE BONDS, SERIES O, GUARANTEED BY THE COMMONWEALTH OF PUERTO RICO, TO BE ISSUED BY THE AUTHORITY PURSUANT TO THE PROVISIONS OF SECTION 208 OF SAID RESOLUTION NO. 468; RATIFYING THE DISTRIBUTION OF THE PRELIMINARY OFFICIAL STATEMENT IN CONNECTION WITH SAID BONDS; APPROVING THE OFFICIAL STATEMENT IN CONNECTION WITH SAID BONDS; AWARDED SAID BONDS AND AUTHORIZING THE EXECUTION AND DELIVERY OF A CONTRACT OF PURCHASE IN CONNECTION THEREWITH; DIRECTING THE DELIVERY OF SAID BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF AN ESCROW DEPOSIT AGREEMENT IN CONNECTION WITH THE REFUNDING OF CERTAIN BONDS TO BE REFUNDED BY THE SERIES M BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF LEASE AGREEMENTS BY AND BETWEEN THE AUTHORITY AND CERTAIN AGENCIES, DEPARTMENTS AND INSTRUMENTALITIES OF THE COMMONWEALTH OF PUERTO RICO IN CONNECTION WITH THE SERIES N AND SERIES O BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A CONTINUING DISCLOSURE AGREEMENT; AND APPOINTING CERTAIN PARTIES, PROVIDING FOR BOND INSURANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF REMARKETING AGREEMENTS, TENDER AGENT AGREEMENTS, A LIQUIDITY FACILITY, A SWAP AGREEMENT AND INSURANCE AGREEMENTS IN CONNECTION WITH A PORTION OF THE SERIES M BONDS.

BE IT RESOLVED BY PUERTO RICO PUBLIC BUILDINGS AUTHORITY:

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

(a) Under the authority of Act No. 56 of the Legislature of Puerto Rico, approved June 19, 1958, as amended (the “Enabling Act”), the Authority on June 22, 1995 adopted Resolution No. 468 (the “Bond Resolution”) authorizing the issuance of revenue bonds of the Authority, guaranteed by the Commonwealth of Puerto Rico (the “Commonwealth”), for the purpose of providing funds for, among other things, paying all or any part of the cost to the Authority of any Additional Facilities or any Improvements or of any uncompleted part of the Initial Facilities or Additional Facilities or Improvements (as such terms are defined in the Bond Resolution) or for paying any notes or other obligations issued by the Authority, or repaying any advances made from any source, to finance temporarily such costs. Capitalized terms used herein without definitions have the meanings ascribed thereto in the Bond Resolution or in Appendix A hereto.

(b) The Bond Resolution also authorizes the issuance of revenue refunding bonds of the Authority, guaranteed by the Commonwealth, for the purpose of providing funds for refunding at or prior to their maturity or maturities all or any part of the outstanding bonds of any one or more series of bonds issued under the Bond Resolution.

(c) The Authority has previously issued and currently has outstanding under the Bond Resolution certain bonds that it desires to refund (as well as the interest component only due on July 1, 2008 – and not principal – of certain other bonds currently outstanding under the Bond Resolution) through the issuance of its revenue refunding bonds under the Bond Resolution, as more particularly described in Exhibit A hereto (collectively, the “Refunded Bonds”).

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

(e) Prior to the issuance of the revenue bonds described in Sections 3 and 4 hereof, the Authority will have borrowed certain amounts from Government Development Bank for Puerto Rico (“Development Bank”) evidenced by outstanding notes of the Authority (the “Notes”) for the purpose of providing funds to finance temporarily all or any part of the cost of certain Additional Facilities or uncompleted parts thereof or of Improvements, leased or to be leased to various departments, agencies or instrumentalities of the Commonwealth.

(f) The Authority has determined to issue its revenue refunding bonds hereinafter authorized by Section 2 hereof for the purpose of advance refunding or refunding on a current basis, as the case may be, the Refunded Bonds, as more particularly described in Section 2 hereof.

(g) The Authority has determined to issue its revenue bonds hereinafter authorized by Sections 3 and 4 hereof for the purpose of financing the cost of completion of construction of certain Additional Facilities previously undertaken by the Authority and paying up to \$169,225,256.89 principal amount of and accrued interest on the Notes. The Additional Facilities

to be or which have been constructed in whole or in part or that are to be completed with the proceeds of the bonds authorized by Sections 3 and 4 hereof or the Notes to be repaid by said bonds (the "Project") are described in brief and general terms in Exhibit B to this resolution.

(h) The Authority has received an offer from Lehman Brothers Inc., acting on behalf of itself and the other underwriters (herein called the "principal underwriters") referred to in the Contract of Purchase, dated December 7, 2007 (the "Contract of Purchase"), in the form of the Contract of Purchase presented at this meeting, to purchase the bonds described in Sections 2, 3 and 4 hereof at a purchase price equal to the aggregate purchase price to the public shown, or derived from information shown, on the inside cover of the Official Statement (as defined in the Contract of Purchase) less underwriters' discount of \$4,210,071.27.

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

(j) In connection with its issuance of the revenue refunding bonds authorized by Section 2 hereof and the refunding and defeasance of the Refunded Bonds, the Authority shall enter into an escrow deposit agreement, in the form thereof described below, with the Fiscal Agent under the Bond Resolution.

(k) In connection with its issuance of the bonds authorized by this resolution, the Authority (i) has entered or shall enter into lease agreements with certain agencies, departments and instrumentalities of the Commonwealth for the leasing of the Additional Facilities to be financed with the proceeds of the revenue bonds authorized by Sections 3 and 4 hereof, and (ii) shall enter into a continuing disclosure agreement in order to comply with the requirements of Rule 15c2-12, as amended, promulgated by the Securities and Exchange Commission.

(l) In connection with the issuance of the Series M-2 Bonds and the Series M-3 Bonds (as such terms are hereinafter defined), the Authority shall enter into remarketing agreements and tender agent agreements, in the forms thereof described below.

(m) In connection with the issuance of the Series M-3 Bonds, the Authority shall enter into a Standby Bond Purchase Agreement with JPMorgan Chase Bank, National Association, and U.S. Bank Trust National Association, as tender agent, in the form thereof described below, which Standby Bond Purchase Agreement shall constitute a Liquidity Facility (as defined in Appendix A).

(n) In connection with the issuance of the Series M-3 Bonds, the Executive Director of the Authority has determined, after consultation with representatives of Development Bank and Swap Financial Advisor, serving in the capacity of independent swap advisor to the Authority, that it is in the Authority's best interest to enter into an interest rate swap agreement in order to manage and minimize the interest rate risk to the Authority relating to the Series M-3 Bonds, all in accordance with the provisions of Act No. 39 of the Legislature of Puerto Rico, approved August 1, 2005, as amended, and the Master Swap Policy adopted by Development Bank in June 2007.

(o) Ambac Assurance Corporation ("Ambac") has committed to issue a financial guaranty insurance policy (the "Ambac Policy") insuring the payment when due of principal of

and interest on the Series M-2 Bonds maturing on July 1, 2035 (the “Ambac Insured Bonds”) as provided herein. MBIA Insurance Corporation (“MBIA”) has committed to issue a financial guaranty insurance policy (the “MBIA Policy”) insuring the payment when due of principal of and interest on the Series M-3 Bonds (the “MBIA Insured Bonds”) as provided herein.

Section 2. Series M Bonds.

(a) Authorization of Series M Bonds. For the purpose of providing funds to refund and defease the Refunded Bonds, revenue refunding bonds of the Authority in the aggregate principal amount of \$562,850,000 are hereby authorized to be issued under the authority of the Enabling Act and pursuant to the provisions of Section 209 of the Bond Resolution. Said bonds (the “Series M Bonds”) shall be designated “Public Buildings Authority Government Facilities Revenue Refunding Bonds, Series M, Guaranteed by the Commonwealth of Puerto Rico”, shall be issued in subseries with such designations and authorized denominations, shall be dated as of their date of delivery, shall be issued in the form of registered bonds without coupons, shall be numbered consecutively from R-1 upwards, shall be stated to mature, shall bear interest and shall have such other details, as set forth below.

(i) Series M-1 Bonds. \$283,550,000 principal amount of the Series M Bonds shall be issued as a subseries designated “Series M-1” (the “Series M-1 Bonds”), in denominations of \$5,000 and any multiple thereof, as follows:

\$217,300,000 aggregate principal amount of said bonds shall be serial bonds, which shall bear interest, payable semiannually to the maturity thereof on the 1st days of January and July in each year, beginning July 1, 2008, at the rates, and shall be stated to mature in annual installments on the 1st day of July in the years and in the amounts, respectively, as follows:

<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2009	\$ 7,480,000	5.25%	2017	\$ 20,260,000	5.75%
2010	10,950,000	5.50	2018	940,000	5.00
2011	11,550,000	5.50	2019	3,060,000	5.50
2012	12,180,000	5.50	2020	12,545,000	6.00
2013	16,235,000	5.50	2021	19,230,000	6.25
2014	17,130,000	5.75	2022	27,085,000	6.25
2015	18,115,000	5.75	2023	21,385,000	6.25
2016	19,155,000	5.75			

\$66,250,000 aggregate principal amount of said bonds shall be term bonds stated to mature July 1, 2031 (the “Series M-1 Term Bonds”) and shall bear interest, payable on the 1st days of January and July in each year, beginning July 1, 2008, at the rate of 6.25%.

The Amortization Requirements for the Series M-1 Term Bonds shall be the following amounts in the following fiscal years:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Amount</u>
2029	\$ 4,660,000
2030	31,775,000
2031	29,815,000

The Fiscal Agent shall retire, by purchase or redemption, on or before July 1 of each year, an amount of Series M-1 Term Bonds at least equal to the Amortization Requirements for such Series M-1 Term Bonds for the preceding fiscal year. If during any fiscal year the total principal amount of Series M-1 Term Bonds retired by purchase or redemption exceeds the Amortization Requirement for such Series M-1 Term Bonds for such year, the Amortization Requirements for such Series M-1 Term Bonds shall be reduced for subsequent fiscal years in amounts aggregating such excess as shall be determined by the Authority.

(ii) Series M-2 Bonds. \$129,300,000 principal amount of the Series M Bonds shall be term bonds stated to mature on July 1, 2034 (the “2034 Series M-2 Term Bonds”) and July 1, 2035 (the “2035 Series M-2 Term Bonds”) and shall be issued as a subseries designated “Series M-2” (the “Series M-2 Bonds”).

The Series M-2 Bonds shall initially be issued in denominations of \$5,000 and any multiple thereof and shall initially bear interest, payable on the 1st days of January and July in each year, beginning July 1, 2008, at the rate of 5.75% per annum, with respect to the 2034 Series M-2 Term Bonds, and 5.50% per annum, with respect to the 2035 Series M-2 Term Bonds, to and including June 30, 2017. The Series M-2 Bonds shall be subject to mandatory tender for purchase on July 1, 2017 in accordance with the provisions of Appendix A hereto. Thereafter, the interest rate on the Series M-2 Bonds shall, unless the Authority by written notice given to the Fiscal Agent and Tender Agent at least thirty (30) days prior to July 1, 2017 elects to convert the Series M-2 Bonds to one or more Interest Rate Periods as permitted and as set forth in Appendix A hereto, convert to the Weekly Interest Rate determined in accordance with Appendix A hereto. If the Series M-2 Bonds are not remarketed on July 1, 2017, the Series M-2 Bonds shall be returned to the owners thereof and shall bear interest from July 1, 2017 at the rate of 10% per annum until (but not including) the date such bonds are remarketed, on which date the Series M-2 Bonds shall again be subject to mandatory tender for purchase in accordance with the provisions of Appendix A hereto. In the event the Series M-2 Bonds are not remarketed on July 1, 2017, the Authority shall cause the Series M-2 Bonds to be converted to one or more Interest Rate Periods on the earliest Business Day after July 1, 2017 at which all of such Series M-2 Bonds may be remarketed.

The regularly scheduled payments of principal of and interest on the 2035 Series M-2 Term Bonds are insured by Ambac.

“Initial Term Rate Period” means the period beginning on the date of delivery of the Series M-2 Bonds through and including June 30, 2017, or if the Series M-2 Bonds are not remarketed on July 1, 2017, continuing until (but not including) such later date as the Series M-2 Bonds are successfully remarketed as described above.

After the Initial Term Rate Period, the Series M-2 Bonds shall be issued in denominations, shall bear interest at such rates, shall be subject to redemption and to mandatory tender for purchase, shall be payable on such dates and shall have such other terms and provisions as set forth in Appendix A hereto.

The Amortization Requirements for the 2034 Series M-2 Term Bonds shall be the following amounts in the following years:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Amount</u>
2031	\$ 85,000
2032	2,160,000
2033	2,145,000
2034	64,910,000

The Amortization Requirements for the 2035 Series M-2 Term Bonds shall be the following amounts in the following years:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Amount</u>
2034	\$26,620,000
2035	33,380,000

The Fiscal Agent shall retire, by purchase or redemption, on or before July 1 of each year, an amount of Series M-2 Bonds at least equal to the Amortization Requirements for such Series M-2 Bonds for the preceding fiscal year. If during any fiscal year the total principal amount of Series M-2 Bonds retired by purchase or redemption exceeds the Amortization Requirement for such Series M-2 Bonds for such year, the Amortization Requirements for such Series M-2 Bonds shall be reduced for subsequent fiscal years in amounts aggregating such excess as shall be determined by the Authority.

Notwithstanding the foregoing, when any Series M-2 Term Bonds to be redeemed are in an ARS Rate Period, if such July 1 is not an Interest Payment Date, such Series M-2 Term Bonds shall be redeemed on the Interest Payment Date immediately preceding such July 1.

(iii) Series M-3 Bonds. \$150,000,000 principal amount of the Series M Bonds shall be term bonds stated to mature on July 1, 2028 and issued as a subseries designated “Series M-3” (the “Series M-3 Bonds”).

The Series M-3 Bonds shall be issued in denominations, shall bear interest at such rates, shall be payable on such dates and shall have such other terms and provisions as set forth in Appendix A hereto. The initial Interest Rate Period for the Series M-3 Bonds shall be a Weekly

Interest Rate Period. The regularly scheduled payments of principal of and interest on the Series M-3 Bonds are insured by MBIA.

The Amortization Requirements for the Series M-3 Bonds shall be the following amounts in the following years:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Amount</u>
2023	\$11,645,000
2024	34,785,000
2025	29,750,000
2026	5,740,000
2027	32,295,000
2028	35,785,000

The Fiscal Agent shall retire, by purchase or redemption, on or before July 1 of each year, an amount of Series M-3 Bonds at least equal to the Amortization Requirements for such Series M-3 Bonds for the preceding fiscal year. If during any fiscal year the total principal amount of Series M-3 Bonds retired by purchase or redemption exceeds the Amortization Requirement for such Series M-3 Bonds for such year, the Amortization Requirements for such Series M-3 Bonds shall be reduced for subsequent fiscal years in amounts aggregating such excess as shall be determined by the Authority.

Notwithstanding the foregoing, when any Series M-3 Bonds to be redeemed are in an ARS Rate Period, if such July 1 is not an Interest Payment Date, such Series M-3 Bonds shall be redeemed on the Interest Payment Date immediately preceding such July 1.

(b) Redemption Provisions for the Series M Bonds.

(i) Series M-1 Bonds. The Series M-1 Bonds are not subject to redemption prior to maturity.

(ii) Series M-2 Bonds. During the Initial Term Rate Period, the Series M-2 Bonds shall be subject to redemption, at the option of the Authority, from any moneys that may be available for that purpose (other than moneys deposited in the Sinking Fund in respect of an Amortization Requirement), on July 1, 2017 or any date thereafter, in whole or in part, in the principal amount of the Series M-2 Bonds to be redeemed, together with the accrued interest thereon to the date fixed for redemption without premium. Any such redemption shall be made in the manner and under the terms and conditions provided in the Bond Resolution.

After the Initial Term Rate Period, the Series M-2 Bonds shall be subject to redemption as provided in Appendix A hereto.

(iii) Series M-3 Bonds. The Series M-3 Bonds shall be subject to redemption as provided in Appendix A hereto. Notwithstanding anything to the contrary in this Resolution or the Bond Resolution, no amount of Series M-3 Bonds may be redeemed (other than pursuant to a

sinking fund redemption in the amounts of the Amortization Requirements described in Section 2(a)(iii) hereof) unless a proportionate amount of the interest rate swap described in Section 13(e) hereof is terminated or reduced so that following such redemption the remaining notional amount of such interest rate swap is not greater than the remaining principal amount of the Series M-3 Bonds, unless MBIA waives the requirement for such reduction of the interest rate swap. The reduction in notional amount of the interest rate swap shall be accomplished without causing the Authority to be in violation of, or in default under, this Resolution or the Bond Resolution and the interest rate swap transaction documents.

(c) Form of Series M Bonds. The Series M Bonds, and the certificate of authentication to be endorsed thereon shall be substantially in the forms attached hereto as Exhibit C, shall be executed in the manner provided in the Bond Resolution and shall be deposited with the Fiscal Agent under the Bond Resolution for authentication and delivery pursuant to the provisions of Section 209 of the Bond Resolution.

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

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

(1) The sum of \$596,728,042.09 shall be deposited by the Fiscal Agent into the escrow deposit trust fund established under the Escrow Deposit Agreement (as defined herein), to be used, together with other available moneys described in the Escrow Deposit Agreement, for the refunding and defeasance of the Refunded Bonds.

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

Any balance of the sum deposited pursuant to paragraph (2) above remaining after the payment of such expenses and fees shall be deposited to the credit of the Bond Service Account.

Section 3. Series N Bonds.

(a) Authorization of Series N Bonds. For the purpose of providing funds to pay the cost of the Project and paying up to \$169,225,256.89 principal amount of and accrued interest on the Notes, revenue bonds of the Authority in the aggregate principal amount of \$329,415,000 are hereby authorized to be issued under the authority of the Enabling Act and pursuant to the provisions of Section 208 of the Bond Resolution. Said bonds (the "Series N Bonds") shall be designated "Public Buildings Authority Government Facilities Revenue Bonds, Series N, Guaranteed by the Commonwealth of Puerto Rico", shall be dated as of their date of delivery, shall be issued in the form of registered bonds without coupons in denominations of \$5,000 and any multiple thereof numbered consecutively from R-1 upwards, shall be stated to mature, shall bear interest and shall have such other details, as follows:

\$144,715,000 aggregate principal amount of said bonds shall be serial bonds, which shall bear interest, payable semiannually to the maturity thereof on the 1st days of January and July in each year, beginning July 1, 2008, at the rates, and shall be stated to mature in annual installments on the 1st day of July in the years and in the amounts, respectively, as follows:

<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2013	\$3,670,000	5.00%	2021	\$10,095,000	5.50%
2014	7,040,000	5.00	2022	10,650,000	5.50
2015	7,390,000	5.00	2023	11,235,000	5.50
2016	7,760,000	5.25	2024	11,855,000	5.50
2017	8,165,000	5.25	2025	12,505,000	5.50
2018	8,595,000	5.50	2026	13,195,000	5.50
2019	9,070,000	5.50	2027	13,920,000	5.50
2020	9,570,000	5.50			

\$81,145,000 aggregate principal amount of said bonds shall be term bonds stated to mature July 1, 2032 (the “2032 Series N Term Bonds”) and shall bear interest, payable on the 1st days of January and July in each year, beginning July 1, 2008, at the rate of 5.00%; and \$103,555,000 aggregate principal amount of said bonds shall be term bonds stated to mature July 1, 2037 (the “2037 Series N Term Bonds”) and shall bear interest, payable on the 1st days of January and July in each year, beginning July 1, 2008, at the rate of 5.00%. The 2032 Series N Term Bonds and the 2037 Series N Term Bonds are collectively referred to as the “Series N Term Bonds”.

The Amortization Requirements for the 2032 Series N Term Bonds shall be the following amounts in the following fiscal years:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2028	\$14,685,000
2029	15,420,000
2030	16,190,000
2031	17,000,000
2032	17,850,000

The Amortization Requirements for the 2037 Series N Term Bonds shall be the following amounts in the following fiscal years:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2033	\$18,740,000
2034	19,680,000

2035	20,660,000
2036	21,695,000
2037	22,780,000

The Fiscal Agent shall retire, by purchase or redemption, on or before July 1 of each year, an amount of Series N Term Bonds at least equal to the Amortization Requirements for such Series N Term Bonds for the preceding fiscal year. If during any fiscal year the total principal amount of Series N Term Bonds retired by purchase or redemption exceeds the Amortization Requirement for such Series N Term Bonds for such year, the Amortization Requirements for such Series N Term Bonds shall be reduced for subsequent fiscal years in amounts aggregating such excess as shall be determined by the Authority.

(b) Redemption Provisions for the Series N Bonds. The Series N Bonds maturing after July 1, 2017 at the time outstanding may be redeemed prior to their respective maturities, at the option of the Authority, from any moneys that may be made available for such purpose (other than moneys deposited in the Sinking Fund in respect of an Amortization Requirement), either (a) in whole on any date not earlier than July 1, 2017, or (b) in part, as directed by the Authority, on any date not earlier than July 1, 2017, at the principal amount of the Series N Bonds to be redeemed, together with the interest accrued thereon to the date fixed for redemption and without premium.

Any such redemption, either in whole or in part, shall be made in the manner and under the terms and conditions provided in the Bond Resolution.

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

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

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

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

(2) Up to \$166,672,196.82 shall be transferred to Development Bank for payment of principal of and accrued interest on Notes, with the exact amount to be so

transferred to be set forth in a certificate of the Executive Director delivered on or prior to the date of issuance of the Series N Bonds.

(3) \$47,940,023.93 shall be paid to the Authority for deposit to the credit of the Series N Bonds Capitalized Interest Account, which account is hereby created in the Construction Fund, to be used to pay capitalized interest on the Series N Bonds.

(4) The balance of said proceeds, being \$117,692,287.04, shall be paid to the Authority for deposit to the credit of the Construction Fund, to be used to pay costs of the Project.

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

Section 4. Series O Bonds.

(a) Authorization of Series O Bonds. For the purpose of providing funds to pay a portion of the accrued interest on the Notes being paid from the proceeds of the Series N Bonds, revenue bonds of the Authority in the aggregate principal amount of \$3,025,000 are hereby authorized to be issued under the authority of the Enabling Act and pursuant to the provisions of Section 208 of the Bond Resolution. Said bonds (the "Series O Bonds" and, together with the Series M Bonds and the Series N Bonds, the "Bonds") shall be designated "Public Buildings Authority Government Facilities Revenue Bonds, Series O, Guaranteed by the Commonwealth of Puerto Rico", shall consist of one serial bond in the principal amount of \$3,025,000, shall be dated as of their date of delivery, shall be issued in the form of registered bonds without coupons in denominations of \$5,000 and any multiple thereof numbered R-1, shall mature on July 1, 2013 and shall bear interest, payable semiannually to the maturity thereof on the 1st days of January and July in each year, beginning July 1, 2008, at the rate of 5.25%.

(b) Redemption Provisions for the Series O Bonds. The Series O Bonds are not subject to redemption prior to maturity.

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

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

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

(1) Such sum as shall be specified by the Executive Director in a certificate filed with the Fiscal Agent shall be deposited with Development Bank for payment of

expenses incident to the issuance of the Series O Bonds, including, without limitation, the fees and expenses of the Fiscal Agent for its services under Article II of the Bond Resolution.

(2) Up to \$2,553,060.07 shall be transferred to Development Bank in payment of accrued interest on the Notes being paid from the proceeds of the Series O Bonds, with the exact amount to be so transferred to be set forth in a certificate of the Executive Director delivered on or prior to the date of issuance of the Series O Bonds.

(3) \$446,171.44 shall be paid by the Authority for deposit to the credit of the Series O Bonds Capitalized Interest Account, which account is hereby created in the Construction Fund, to be used to pay capitalized interest on the Series O Bonds.

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

Section 5. Ratification of Preliminary Official Statement and Approval of Official Statement. The Preliminary Official Statement of the Authority, dated November 1, 2007, relating to the Bonds, in the form presented at this meeting is hereby approved, and the distribution of said Preliminary Official Statement to prospective purchasers and other investors by the principal underwriters is hereby in all respects ratified, confirmed and approved. The Official Statement, dated December 7, 2007, relating to said Bonds is hereby approved in the form presented at this meeting with such appropriate changes, insertions and omissions as may be approved by the Executive Director of the Authority, her signing of the Official Statement to be conclusive evidence of her approval of any such changes, insertions and omissions, and the principal underwriters are hereby authorized to use said Official Statement in connection with the public offering and sale of said Bonds.

Section 6. Award of Bonds. The offer submitted by the principal underwriters in the form of the Contract of Purchase, offering to purchase the Bonds at a purchase price equal to the aggregate purchase price to the public shown, or derived from information shown, on the inside cover of the Official Statement less underwriters' discount of \$4,210,071.27 and upon the terms and conditions set forth in the Contract of Purchase is hereby accepted, and the Bonds are hereby awarded to the principal underwriters. The Executive Director of the Authority is hereby authorized and directed to execute and deliver the Contract of Purchase in the form presented at this meeting, with such appropriate changes, insertions and omissions as may be approved by said Executive Director, her execution of the Contract of Purchase to be conclusive evidence of her approval of any such changes, insertions or omissions.

Section 7. Approval of Escrow Deposit Agreement; Investments; Authorization to Call Refunded Bonds for Redemption.

(a) In connection with the refunding and defeasance of the Refunded Bonds, there is hereby authorized and approved an Escrow Deposit Agreement (the "Escrow Deposit Agreement") by and between the Authority and U.S. Bank Trust National Association, as fiscal agent under the Bond Resolution. The Executive Director of the Authority is hereby authorized

and directed to execute and deliver the Escrow Deposit Agreement in the form presented at this meeting, with such appropriate changes, insertions and omissions as may be approved by said Executive Director, her execution of the Escrow Deposit Agreement to be conclusive evidence of her approval of any such changes, insertions or omissions.

(b) In connection with the refunding and defeasance of the Refunded Bonds, there is hereby authorized and approved the investment of the proceeds of the Series M Bonds, together with other available moneys of the Authority, in such investment obligations as specified by the Escrow Deposit Agreement. The Executive Director of the Authority, after consultation with Bond Counsel and representatives of Development Bank, is hereby authorized and directed to execute and deliver such agreements and/or subscription forms as may be necessary in connection with any such investments.

(c) The Escrow Agent is hereby authorized and directed to notify the owners of the Refunded Bonds and to take all other steps necessary for the redemption or payment at maturity of the Refunded Bonds on the dates and, to the extent being redeemed, at the redemption prices set forth in the Escrow Deposit Agreement, all as provided in and in accordance with the provisions of the Bond Resolution and the resolutions supplemental thereto authorizing the Refunded Bonds.

Section 8. Direction to Authenticate and Deliver Bonds. The Bonds, upon their execution in the form and manner provided in the Bond Resolution and this resolution, shall be delivered to the Fiscal Agent who is hereby authorized and directed to authenticate and deliver the Bonds to or upon the order of the principal underwriters in accordance with the provisions of Sections 208 and 209 of the Bond Resolution, as applicable.

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

“I HEREBY CERTIFY that the foregoing is a true and correct copy of the legal opinion upon the Bonds therein described which was manually signed by Squire, Sanders & Dempsey L.L.P., Miami, Florida, and was dated the date of delivery of and payment for said Bonds.

[Facsimile signature]
Executive Director of Puerto Rico Public
Buildings Authority.”

Section 10. Tax Covenant. The Authority shall comply with the requirements of the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations promulgated thereunder, to the extent permitted by the Constitution and laws of the Commonwealth, so that interest on the Series M Bonds and the Series N Bonds shall remain excludable from gross

income for federal income tax purposes of the recipients thereof to the same extent that such interest was excludable on the date of initial delivery of the Series M Bonds and the Series N Bonds. In furtherance of the foregoing covenant, the Authority agrees, to the extent permitted by the Constitution and laws of the Commonwealth, to take the actions required of it for the interest on the Series M Bonds and the Series N Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion.

The Fiscal Agent shall establish a special fund designated the “Yield Reduction Sinking Fund” under this resolution. The Fiscal Agent shall deposit into the Yield Reduction Sinking Fund all amounts required to be deposited therein by the Authority in order to comply with its covenant in this Section. All amounts at any time on deposit in the Yield Reduction Sinking Fund shall be held by the Fiscal Agent in trust for the payment of the principal of or interest on the Series M and the Series N Bonds, solely for the purpose of reducing the yield on certain proceeds of the Series M Bonds on deposit in a refunding escrow fund in order to satisfy the rules relating to the yield restriction of such proceeds under Section 148 of the Code and applicable Treasury Regulations. The investment and application of amounts on deposit in the Yield Reduction Sinking Fund, including investment earnings thereon, shall be governed by the provisions of the Tax Compliance Certificate and any written direction given by the Authority to the Fiscal Agent in order to carry out the purposes of the Tax Compliance Certificate and satisfy the provisions of Section 148 of the Code and the Treasury Regulations. The Fiscal Agent shall be deemed conclusively to have complied with this Section if it follows the directions of the Authority, and shall have no independent responsibility to, or liability resulting from its failure to, enforce compliance by the Authority with the requirements of this Section.

Section 11. Authorization of Leases. The Executive Director and the Secretary of the Authority are hereby authorized and directed to enter into Lease Agreements with such departments, agencies, instrumentalities and municipalities of the Commonwealth that shall not have previously executed Lease Agreements with the Authority as shall be required in connection with the financing of the Project, and such Lease Agreements shall be substantially in the form of the Lease Agreements previously executed and delivered by the Authority in connection with the issuance of revenue bonds under the Bond Resolution, with such changes, insertions and omissions as may be approved by the Executive Director and the Secretary of the Authority, their execution of such Lease Agreements to be conclusive evidence of any such approval.

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

Section 13. Appointment of Parties and Approval of Documents Relating to Series M-2 Bonds and Series M-3 Bonds. (a) Lehman Brothers Inc. is hereby appointed as the initial Remarketing Agent for the Series M-2 Bonds and the Series M-3 Bonds.

(b) U.S. Bank Trust National Association is hereby appointed as the initial Tender Agent for the Series M-2 Bonds and the Series M-3 Bonds.

(c) The execution and delivery by the Executive Director of the Authority of the Remarketing Agreements and the Tender Agent Agreements relating to the Series M-2 Bonds and the Series M-3 Bonds are hereby authorized, and each of said agreements shall be substantially in the respective forms thereof presented at this meeting with such appropriate changes, insertions and omissions as may be approved by said Executive Director, her execution of said agreements to be conclusive evidence of her approval of said agreements and of any such changes, insertions or omissions.

(d) The execution and delivery by the Executive Director of the Authority of the Standby Bond Purchase Agreement relating to the Series M-3 Bonds with the Tender Agent and JPMorgan Chase Bank, National Association (the "Initial Liquidity Facility"), are hereby authorized, and the Initial Liquidity Facility shall be substantially in the form presented at this meeting, with such appropriate changes, insertions and omissions as may be approved by said Executive Director, her execution of said agreement to be conclusive evidence of her approval of said agreement and of any such changes, insertions and omissions.

(e) The execution and delivery by the Executive Director of the Authority of the initial Confirmation in connection with the Swap agreement described below for the Series M-3 Bonds, with Royal Bank of Canada (collectively, the "RBC SWAP agreement") are hereby authorized, and the Confirmation shall be substantially in the form presented at this meeting, with such appropriate changes, insertions and omissions as may be approved by said Executive Director, her execution of said Confirmation to be conclusive evidence of her approval of said Confirmation and of any such changes, insertions or omissions.

<u>Counterparty</u>	<u>Notional Amount</u>	<u>Documentation</u>
Royal Bank of Canada	\$150,000,000	ISDA Master Agreement dated as of September 8, 2006 and related Schedule and Credit Support Annex.

In determining to enter into the RBC SWAP agreement, the Executive Director of the Authority has (i) consulted with representatives of Development Bank and Swap Financial Advisor, serving in the capacity of independent swap advisor, (ii) determined that the RBC SWAP agreement is consistent with the Master Swap Policy adopted by Development Bank in June 2007, and (iii) determined that the RBC SWAP agreement shall serve the best interests of the Authority.

Section 14. Covenants for Bond Insurers. The Authority hereby accepts the commitment of Ambac to insure the Ambac Insured Bonds and the commitment of MBIA to insure the MBIA Insured Bonds, in the form and substance of each such commitment as presented at this meeting. The Authority shall on the date of delivery of and payment for the

Bonds provide for the delivery to the Fiscal Agent of (i) with respect to the Ambac Insured Bonds, the Ambac Policy and (ii) with respect to the MBIA Insured Bonds, the MBIA Policy. In order to comply with the conditions precedent to the issuance by Ambac of the Ambac Policy as set forth in the Ambac commitment accepted by the Authority, the Executive Director, after consultation with Bond Counsel and representatives of Development Bank, is hereby authorized and directed to execute and deliver, on behalf of the Authority, an agreement regarding bond insurance between the Authority and the Fiscal Agent. In order to comply with the conditions precedent to the issuance by MBIA of the MBIA Policy as set forth in the MBIA commitment accepted by the Authority, the Executive Director, after consultation with Bond Counsel and representatives of Development Bank, is hereby authorized and directed to execute and deliver, on behalf of the Authority, (i) an agreement regarding bond insurance between the Authority and the Fiscal Agent, and (ii) an insurance and reimbursement agreement between the Authority and MBIA.

Section 15. Authorization to Act. The officers, agents and employees of the Authority and the Fiscal Agent are hereby authorized and directed to do all acts and things required of them by the provisions of the Bonds, the Bond Resolution (as supplemented by this resolution and the resolutions applicable to the Refunded Bonds), the Contract of Purchase, the Escrow Deposit Agreement, the Lease Agreements, the Disclosure Agreement, the Remarketing Agreements, the Tender Agent Agreements, the Initial Liquidity Facility and the RBC Swap agreement, and to execute all other documents contemplated hereby and thereby.

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

EXHIBIT A

REFUNDED BONDS

SUMMARY OF BONDS REFUNDED

Puerto Rico Public Buildings Authority
Series M

Bond	Maturity Date	Interest Rate	Par Amount	Value on Dec 20, 2007	Value at Redemption	Call Date	Call Price
Series A - Govt Fac Rev Bonds, GOV_A: Serials, SERIAL	07/01/2008	6.250%	5,730,000.00	5,730,000.00			
Series B - Govt Rev Fac Bonds, GOV_B: Serials - MBIA (Primary), SERIAL_M	07/01/2008	4.800%	13,995,000.00	13,995,000.00	13,995,000.00	01/22/2008	101.500
	07/01/2009	5.000%	14,670,000.00	14,670,000.00	14,670,000.00	01/22/2008	101.500
	07/01/2010	5.100%	15,405,000.00	15,405,000.00	15,405,000.00	01/22/2008	101.500
	07/01/2011	5.000%	16,190,000.00	16,190,000.00	16,190,000.00	01/22/2008	101.500
	07/01/2012	5.000%	16,995,000.00	16,995,000.00	16,995,000.00	01/22/2008	101.500
	07/01/2013	5.000%	17,845,000.00	17,845,000.00	17,845,000.00	01/22/2008	101.500
	07/01/2014	5.000%	18,740,000.00	18,740,000.00	18,740,000.00	01/22/2008	101.500
	07/01/2015	5.000%	19,675,000.00	19,675,000.00	19,675,000.00	01/22/2008	101.500
	07/01/2016	5.000%	20,660,000.00	20,660,000.00	20,660,000.00	01/22/2008	101.500
	07/01/2017	5.125%	21,695,000.00	21,695,000.00	21,695,000.00	01/22/2008	101.500
			175,870,000.00	175,870,000.00	175,870,000.00		
Series C - Govt Fac Rev Rfdg Bonds - AR, GOV_CRA: Serials, SERIAL	07/01/2008	5.250%	9,710,000.00	9,710,000.00			
Series D - Govt Fac Rev Bonds - AR, GOV_DA: Serials, SERIAL	07/01/2022	5.125%	6,615,000.00	6,615,000.00	6,615,000.00	07/01/2012	100.000
Term maturing in 2024, TERM_24	07/01/2023	5.125%	5,715,000.00	5,715,000.00	5,715,000.00	07/01/2012	100.000
	07/01/2024	5.125%	6,010,000.00	6,010,000.00	6,010,000.00	07/01/2012	100.000
Convertible CABs - Ambac (Primary), CONcab_A	07/01/2030	5.450%	18,322,460.10	25,147,902.15	32,085,000.00	07/01/2017	100.000
	07/01/2031	5.450%	17,114,668.20	23,490,186.30	29,970,000.00	07/01/2017	100.000
			53,777,128.30	66,978,088.45	80,395,000.00		
Series G - Govt Fac Rev Bonds, GOV_G: Serials, SERIAL	07/01/2008	4.000%	500,000.00	500,000.00			
Serials - CIFG (Secondary), SERIAL2C	07/01/2008	4.000%	760,000.00	760,000.00			
			1,260,000.00	1,260,000.00			
Series I - Govt Fac Rev Bonds, GOV_I: Serials, SERIAL	07/01/2019	5.500%	2,075,000.00	2,075,000.00	2,075,000.00	07/01/2014	100.000
	07/01/2020	5.500%	11,505,000.00	11,505,000.00	11,505,000.00	07/01/2014	100.000
	07/01/2021	5.500%	18,070,000.00	18,070,000.00	18,070,000.00	07/01/2014	100.000
	07/01/2022	5.500%	19,100,000.00	19,100,000.00	19,100,000.00	07/01/2014	100.000
	07/01/2023	5.500%	25,640,000.00	25,640,000.00	25,640,000.00	07/01/2014	100.000

SUMMARY OF BONDS REFUNDED

Puerto Rico Public Buildings Authority
Series M

Bond	Maturity Date	Interest Rate	Par Amount	Value on Dec 20, 2007	Value at Redemption	Call Date	Call Price
Series I - Govt Fac Rev Bonds, GOV_I:							
Serials, SERIAL	07/01/2024	5.500%	27,040,000.00	27,040,000.00	27,040,000.00	07/01/2014	100.000
	07/01/2025	5.500%	28,535,000.00	28,535,000.00	28,535,000.00	07/01/2014	100.000
Term maturing in 2029, TERM_29	07/01/2026	5.250%	5,000,000.00	5,000,000.00	5,000,000.00	07/01/2014	100.000
	07/01/2027	5.250%	31,605,000.00	31,605,000.00	31,605,000.00	07/01/2014	100.000
	07/01/2028	5.250%	35,570,000.00	35,570,000.00	35,570,000.00	07/01/2014	100.000
	07/01/2029	5.250%	5,000,000.00	5,000,000.00	5,000,000.00	07/01/2014	100.000
Term maturing in 2033, TERM_33	07/01/2032	5.250%	2,000,000.00	2,000,000.00	2,000,000.00	07/01/2014	100.000
	07/01/2033	5.250%	2,000,000.00	2,000,000.00	2,000,000.00	07/01/2014	100.000
Term maturing in 2034, TERM_34	07/01/2034	5.375%	91,405,000.00	91,405,000.00	91,405,000.00	07/01/2014	100.000
			304,545,000.00	304,545,000.00	304,545,000.00		
			550,892,128.30	564,093,088.45	560,810,000.00		

Bond	Maturity Date	Interest Rate	Interest Only Refunded Amount	Begin Date	End Date
Series A - Govt Fac Rev Bonds, GOV_A:					
Serials, SERIAL	07/01/2009	6.250%	6,090,000.00	02/01/2008	07/01/2008
	07/01/2010	6.250%	6,470,000.00	02/01/2008	07/01/2008
	07/01/2011	6.250%	6,875,000.00	02/01/2008	07/01/2008
	07/01/2012	6.250%	7,305,000.00	02/01/2008	07/01/2008
			26,740,000.00		
Series C - Govt Fac Rev Rfdg Bonds - AR, GOV_CRA:					
Serials - MBIA (Secondary), SERIAL2M	07/01/2013	5.500%	3,300,000.00	02/01/2008	07/01/2008
	07/01/2015	5.500%	3,695,000.00	02/01/2008	07/01/2008
Serials - XL (Secondary), SERIAL2X	07/01/2010	5.500%	220,000.00	02/01/2008	07/01/2008
	07/01/2013	5.500%	2,710,000.00	02/01/2008	07/01/2008
	07/01/2014	5.500%	1,325,000.00	02/01/2008	07/01/2008
			11,250,000.00		
Series G - Govt Fac Rev Bonds, GOV_G:					
Term maturing in 2026, TERM_26	07/01/2026	5.000%	2,000,000.00	02/01/2008	07/01/2008
Term maturing in 2032, TERM_32	07/01/2027	4.750%	2,605,000.00	02/01/2008	07/01/2008
	07/01/2028	4.750%	2,725,000.00	02/01/2008	07/01/2008
	07/01/2029	4.750%	2,855,000.00	02/01/2008	07/01/2008

SUMMARY OF BONDS REFUNDED

Puerto Rico Public Buildings Authority
Series M

Bond	Maturity Date	Interest Rate	Interest Only Refunded Amount	Begin Date	End Date
Series G - Govt Fac Rev Bonds, GOV_G:					
Term maturing in 2032, TERM_32	07/01/2030	4.750%	2,995,000.00	02/01/2008	07/01/2008
	07/01/2031	4.750%	3,135,000.00	02/01/2008	07/01/2008
	07/01/2032	4.750%	3,280,000.00	02/01/2008	07/01/2008
Term in 2032 - CIFG (Secondary), TERM322C	07/01/2027	4.750%	510,000.00	02/01/2008	07/01/2008
	07/01/2028	4.750%	535,000.00	02/01/2008	07/01/2008
	07/01/2029	4.750%	560,000.00	02/01/2008	07/01/2008
	07/01/2030	4.750%	585,000.00	02/01/2008	07/01/2008
	07/01/2031	4.750%	615,000.00	02/01/2008	07/01/2008
	07/01/2032	4.750%	645,000.00	02/01/2008	07/01/2008
			<u>23,045,000.00</u>		
Series I - Govt Fac Rev Bonds, GOV_I:					
Term maturing in 2036, TERM_36	07/01/2035	5.000%	95,500,000.00	02/01/2008	07/01/2008
	07/01/2036	5.000%	100,275,000.00	02/01/2008	07/01/2008
			<u>195,775,000.00</u>		
			<u>256,810,000.00</u>		

EXHIBIT B
THE PROJECT

BANCO GUBERNAMENTAL DE FOMENTO PARA PUERTO RICO
LINEA DE CREDITO DE LA AUTORIDAD DE EDIFICIOS PUBLICOS POR \$247,247,351.93

NUM. PROY.	PROYECTO	MUNICIPIO	COSTO ADICIONAL PROYECTADO	TOTAL DESEMBOLSA-DO	CANTIDAD SIN DESEMBOLSAR	Incremento	NUEVO BALANCE DISPONIBLE
Sección A							
6360	Parque de Bombas	Jayuya	99,946.86	1,500.00	98,446.86	65,085.91	163,532.77
8091	Escuela Elemental Jesús M. Rivera	Barceloneta	212,794.67	212,794.67	-	991,048.60	991,048.60
8167	Ampl. Escuela Superior Adolfinia Irizarry	Toa Baja	118,689.39	111,329.64	7,359.75	52,484.06	59,843.81
8268	Ampl. Esc. Elemental Berta Zalduondo Cruz	Fajardo	116,773.78	8,750.00	108,023.78	5,000.00	113,023.78
8513	Ampliación Escuela Sup. Juan J. Maunez	Naguabo	243,499.65	243,499.65	-	162,658.94	162,658.94
8568	Escuela Superior El Tuque	Ponce	828,196.90	828,196.90	-	289,526.53	289,526.53
8752	Ampl. Escuela Elem. E Int. Marcos Sanchez	Yabucoa	281,411.01	132,460.83	148,950.18	51,637.39	200,587.57
8882	Ampl. Esc. Elemental Antera Rosado	Rio Grande	46,554.76	44,582.44	1,972.32	40,082.42	42,054.74
7570	Obras Extramuros Sanitarias Correccional del Sur	Ponce	159,638.63	65,847.54	93,791.09	127,607.64	221,398.73
8623	Escuela Intermedia Urb. Julio Victor Guzmán	San Germán	449,363.33	448,605.33	758.00	686,163.82	686,921.82
2081	Mejoras A.D.A. Centros Oficinas	Arroyo	13,787.96	3,120.00	10,667.96	38,818.35	49,486.31
2491	Mejoras A.D.A. Centro de Oficinas	Moca	14,530.21	18,796.74	(4,266.53)	13,996.73	9,730.20
2612	Mejoras A.D.A Centro de Oficinas	Salinas	68,229.20	1,000.00	67,229.20	1,275.70	68,504.90
4262	Mejoras A.D.A. Tribunal de Distrito	Fajardo	19,300.16	11,384.44	7,915.72	-	7,915.72
4613	Mejoras A.D.A. Tribunal de Distrito	Salinas	28,328.75	-	28,328.75	5,718.93	34,047.68
8420	Mejoras A.D.A.Esc. Elem. April Garden	Las Piedras	502.69	-	502.69	7,026.83	7,529.52
8610	Escuela Superior Stella Marquez	Salinas	303,591.05	72,764.00	230,827.05	1,000.00	231,827.05
4122	Mejoras A.D.A. Tribunal	Cabo Rojo	17,611.85	-	17,611.85	11,490.00	29,101.85
8241	Escuela Elemental Urbana	Culebra	3,086,919.01	3,086,919.01	-	841,632.90	841,632.90
8740	EscuelaTécnico Vocacional y de Agricultura	Villalba	813,577.91	813,577.91	-	609,099.94	609,099.94
2231	Mejoras A.D.A.Centro de Gobierno	Corozal	47,563.52	1,774.61	45,788.91	14,895.28	60,684.19
4112	Mejoras A.D.A. Centro Judicial	Bayamón	353,132.93	46,591.96	306,540.97	68,008.78	374,549.75
4731	Mejoras A.D.A.Tribunal de Distrito	Vieques	686.92	-	686.92	15,727.50	16,414.42
8092	Escuela Intermedia Urbana	Barceloneta	2,046,435.17	1,484,821.37	561,613.80	50,000.00	611,613.80
8110	Mej. A.D.A. Esc.Int. y Sup.Rexville	Bayamón	8,618.78	2,515.30	6,103.48	18,847.46	24,950.94
8297	MEJORAS ADA ESCUELA INTERMEDI	Guaynabo	21,579.20	2,474.30	19,104.90	18,557.41	37,662.31
8930	Mejoras A.D.A. Esc. Elelm. Bairoa I	Caguas	13,427.33	12,939.39	487.94	-	487.94
8512	Esc. S.U. Fermín Delgado	Naguabo	5,753,871.39	486,516.04	5,267,355.35	156,273.41	5,423,628.76
8793	Escuela Superior Vocacional Dr. Pedro Perea Fajardo Fase I	Mayaguez	1,918,465.28	1,918,465.28	-	3,369,808.87	3,369,808.87
8693	Escuela Elemental Juan J. Osuna	Trujillo Alto	2,869,502.56	1,334,616.09	1,534,886.47	991,102.10	2,525,988.57
3073	Est. Patr. de Trans. y Dep. de Vehic. Hurtados	Arecibo	222,824.64	38,308.22	184,516.42	83,019.25	267,535.67
8940	Mej. A.D.A. Esc. Elem.Villa Fontana	Carolina	27,650.92	-	27,650.92	19,131.07	46,781.99
8586	Ampliación y Mejoras Esc. Sup. Urbana Manuel Garcia	Rincón	127,335.24	101,479.10	25,856.14	54,027.40	79,883.54
4212	Mejoras A.D.A. Tribunal de Distrito	Coamo	9,946.73	3,920.00	6,026.73	36,662.13	42,688.86
6614	Parque de Bombas	Salinas	110,462.15	45,135.68	65,326.47	87,825.31	153,151.78

8789	Mejoras A.D.A.Esc. Elemental Bo. Campanillas	Toa Baja	7,183.18	-	7,183.18	8,131.63	15,314.81
2662	Nuevo Centro de Gobierno	Santa Isabel	681,205.23	681,176.45	28.78	293,813.29	293,842.07
4541	Mejoras A.D.A. Tribunal de Distrito	Patillas	18,435.62	13,858.32	4,577.30	36,709.47	41,286.77
8944	Mejoras A.D.A.Esc. Sup. Valle Arriba Heights	Carolina	20,844.13	-	20,844.13	15,071.87	35,916.00
6621	Parque de Bombas	San Germán	193,277.97	61,767.54	131,510.43	69,294.93	200,805.36
8535	Ampliación y Mejoras A.D.A. Esc. Sup. Isabel Flores	Juncos	383,632.21	383,632.21	-	87,725.79	87,725.79
8931	Ampl. Esc. Elemental José Mercado	Caguas	148,942.95	148,942.93	0.02	139,625.86	139,625.88
4012	Mejoras A.D.A. Tribunal de Distrito	Adjuntas	31,198.11	-	31,198.11	18,396.65	49,594.76
8626	Escuela Superior Vocacional	San Lorenzo	1,954,027.68	1,396,276.93	557,750.75	803,058.07	1,360,808.82
2050	Centro de Gobierno	Aibonito	2,875,058.43	1,768,378.29	1,106,680.14	436,860.53	1,543,540.67
2381	Mejoras A.D.A. Centro de Oficinas	Juncos	27,333.00	25,808.94	1,524.06	-	1,524.06
8338	Mej.A.D.A. Esc.Elem.e Int.Verde Mar	Humacao	2,528.66	-	2,528.66	16,918.31	19,446.97
8670	Ampliación y Mejoras Esc. Int. Jesús Sanchez Erazo	Bayamón	461,212.73	433,130.87	28,081.86	91,004.09	119,085.95
8811	Mejoras A.D.A. Escuela Luis Muñoz Marín	Yauco	14,782.62	-	14,782.62	18,437.72	33,220.34
8283	Escuela Sup. Vocacional con Educ. Especial	Guayama	8,791,948.19	4,224,668.04	4,567,280.15	1,708,568.89	6,275,849.04
6760	Parque de Bombas	Yauco	200,272.17	86,148.36	114,123.81	49,143.18	163,266.99
8776	Escuela Superior Urbana Dra. Maria Cadilla	Arecibo	3,690,193.02	1,960,233.26	1,729,959.76	606,503.84	2,336,463.60
8817	Mej.A.D.A.Esc.Elem.Jacinto Martinez	Dorado	68,749.79	27,094.66	41,655.13	25,469.50	67,124.63
2441	Mejoras A.D.A. Centro Gubernamental	Luquillo	48,136.21	39,616.11	8,520.10	19,718.98	28,239.08
2661	Mejoras A.D.A. Centro de Oficinas	Santa Isabel	145,188.28	110,118.78	35,069.50	33,801.85	68,871.35
2041	Mejoras A.D.A Centro de Oficinas	Aguas Buenas	141,229.23	1,550.79	139,678.44	27,579.76	167,258.20
4592	Mejoras A.D.A. Tribunal de Distrito	Río Grande	56,475.41	-	56,475.41	9,394.33	65,869.74
8220	Escuela Vocacional de Cursos Rotativos	Comerio	3,429,196.51	1,764,251.99	1,664,944.52	843,373.94	2,508,318.46
58	Balance Sección A		43,845,801.86	24,711,340.91	19,134,460.95	14,343,843.14	33,478,304.09
Sección B							
6050	Parque de Bombas	Aibonito	386,308.36	358,123.50	28,184.86	67,754.33	95,939.19
8139	Esc. Libre de Música Antonio Paoli	Caguas	2,623,627.69	212,619.19	2,411,008.50	123,047.84	2,534,056.34
8864	Mej.A.D.A.Esc.Elem.Santiago Iglesias	San Juan	55,699.22	37,800.00	17,899.22	14,407.62	32,306.84
8366	Esc. Int. Urb. Carmen Salas Torrado	Jayuya	9,206,035.11	4,423,839.06	4,782,196.05	1,301,528.03	6,083,724.08
8791	Escuela Superior Urb. Eugenio María de Hostos	Mayaguez	8,724,819.02	3,237,909.78	5,486,909.24	767,658.69	6,254,567.93
8839	Mej.A.D.A.Esc.Elem.Villas de Loiza	Loiza	85,946.59	38,158.20	47,788.39	13,574.75	61,363.14
8987	Mejoras A.D.A. Esc. Elem. e Int.Las Cuevas	Trujillo Alto	130,442.26	75,600.00	54,842.26	16,128.16	70,970.42
8405	Escuela Intermedia Piletas	Lares	7,458,690.84	3,198,240.65	4,260,450.19	453,105.63	4,713,555.82
8869	Escuela Nueva Superior University Gardens (Demolición) Co	San Juan	10,082,065.44	5,115,039.63	4,967,025.81	877,345.15	5,844,370.96
8165	Ampl. Esc. Sup. Francisco Oller	Cataño	5,627,833.70	2,604,251.00	3,023,582.70	540,281.66	3,563,864.36
8988	Mej.A.D.A.Esc.Int.Andres Valcarcel	Trujillo Alto	273,301.03	5,730.00	267,571.03	29,669.61	297,240.64
3563	Comandancia de Area de la Policia	Ponce	8,291,820.99	184,321.35	8,107,499.64	739,038.60	8,846,538.24
8620	Mejora A.D.A. y Techado Cancha Esc. S.U. Laura Mercado Es	San Germán	263,737.50	170,917.21	92,820.29	33,698.50	126,518.79
8500	Escuela Superior Jaime A. Collazo del Río	Morovis	9,713,728.99	2,493,390.04	7,220,338.95	746,859.65	7,967,198.60
2741	Mejoras A.D.A. Centro de Oficinas	Villalba	366,701.08	-	366,701.08	7,097.96	373,799.04
15	Balance Sección B		63,290,757.82	22,155,939.61	41,134,818.21	5,731,196.18	46,866,014.39

Total Secciones A y B			107,136,559.68	46,867,280.52	60,269,279.16	20,075,039.32	80,344,318.48
Sección C							
2471	Mejoras A.D.A.Centro de Oficinas	Maunabo	141,511.54	-	141,511.54	10,566.30	152,077.84
8389	Escuela Elemental Angel González	Juncos	8,714,742.80	3,859,232.05	4,855,510.75	601,386.96	5,456,897.71
8125	Escuela S. Unidad Puerto Real	Cabo Rojo	7,141,984.05	1,612,727.45	5,529,256.60	721,586.17	6,250,842.77
3135	Nueva Comandancia	Caguas	11,614,349.90	4,838,623.59	6,775,726.31	778,351.54	7,554,077.85
8200	Escuela Elemental Nueva	Cidra	12,366,232.28	3,576,490.88	8,789,741.40	586,748.93	9,376,490.33
2371	Mejoras A.D.A. Centro de Oficinas	Juana Diaz	134,409.83	-	134,409.83	5,066.84	139,476.67
8238	Escuela Elemental Bo. Ceiba	Cidra	8,315,542.21	2,511,251.28	5,804,290.93	383,409.14	6,187,700.07
3566	Unidad Maritima	Ponce	3,090,028.52	761,220.50	2,328,808.02	96,863.56	2,425,671.58
2211	Mejoras A.D.A.Centro de Oficinas	Coamo	197,903.85	-	197,903.85	4,504.79	202,408.64
8016	Escuela Elemental Hector I. Rivera	Adjuntas	10,842,440.65	691,914.80	10,150,525.85	13,616.16	10,164,142.01
8093	Escuela Elemental Bo. Magueyes (Francisco Vázquez)	Barceloneta	11,607,903.82	1,957,861.05	9,650,042.77	165,278.66	9,815,321.43
8246	Escuela Superior Vocacional	Loiza	20,580,554.13	2,247,946.17	18,332,607.96	76,258.71	18,408,866.67
8319	Ampl. Esc. Elemental Margarita Janer Fase II	Gurabo	3,366,863.45	208,938.51	3,157,924.94	21,177.23	3,179,102.17
8719	Puente Peatonal Escuela Superior Maestro Ladi	Vega Alta	1,498,490.41	474,625.18	1,023,865.23	30,905.64	1,054,770.87
2062	Mejoras A.D.A Centro Gubernamental	Añasco	212,853.53	-	212,853.53	2,982.41	215,835.94
2121	Mejoras A.D.A. Centros Oficinas	Cabo Rojo	209,816.52	-	209,816.52	-	209,816.52
2271	Mejoras A.D.A. Centro de Oficinas	Guánica	188,593.07	-	188,593.07	1,654.50	190,247.57
2343	Mejoras A.D.A. Centro Gubernamental	Humacao	67,302.90	-	67,302.90	-	67,302.90
2601	Mejoras A.D.A.Centro Gubernamental	Sabana Grande	392,232.14	-	392,232.14	1,654.50	393,886.64
2621	Mejoras A.D.A.Centro Gubernamental	San Germán	436,778.78	-	436,778.78	1,932.97	438,711.75
20	Balance Sección C		101,120,534.38	22,740,831.46	78,379,702.92	3,503,945.01	81,883,647.93
93	Total Secciones A, B y C		208,257,094.06	69,608,111.98	138,648,982.08	23,578,984.33	162,227,966.41
Sección D							
2481	Mejoras de A.D.A.Centro Gubernamental	Mayagüez				4,862.00	4,862.00
2511	Mejoras de A.D.A.Centro de Oficinas	Naguabo				13,500.00	13,500.00
3132	Mejoras de A.D.A.Comandancia de Policia	Caguas				22,597.80	22,597.80
3156	Mejoras de A.D.A. Estac. Pol. Ciudad Deportiva	Carolina				17,068.70	17,068.70
3344	Comandancia Nueva	Humacao				529,825.61	529,825.61
3568	Cuartel División de Drogas y Narcóticos	Ponce				138,915.84	138,915.84
3771	Mejoras A.D.A. Caballeriza Montada	Loíza				13,097.00	13,097.00
3884	Estación de Policía de Hato Rey Oeste	San Juan				223,553.21	223,553.21
4062	Mejoras A.D.A. Tribunal de Distrito	Añasco				11,791.45	11,791.45
6625	Parque de Bombas	San Lorenzo				5,000.00	5,000.00
6850	Parque de Bombas	Sabana Grande				1,000.00	1,000.00
8050	Rest. Y Mej. Esc. Superior Dr. José N. Gándara	Aibonito				26,680.54	26,680.54
8059	Mej. Esc. Int. Rafael Pont Flores	Aibonito				106,542.62	106,542.62
8087	Esc. Sup. Carmen Bozello de Huyke	Arroyo				5,571,231.35	5,571,231.35
8130	Ampl. Esc. Sup. Eloisa Pascual	Caguas				34,973.90	34,973.90
8133	Ampl. Esc. Elem. Pepita Arenas	Caguas				92,959.20	92,959.20

8134	Mejoras Esc. Migna Fuentes	Caguas				148,273.50	148,273.50
8149	Esc. S. U. Ramón Baldorioty de Castro	Camuy				20,000.00	20,000.00
8160	Mejoras A.D.A. Esc. Aup. Bo. Palmas	Cataño				16,152.00	16,152.00
8168	Remod. Esc. Adolfina Irizarry	Toa Baja				30,146.26	30,146.26
8173	Ampl. Esc. Int. Emeterio Betances	Cayey				35,065.66	35,065.66
8189	Remod. Esc. Int. René Marqués	Carolina				12,000.00	12,000.00
8206	Esc. Elemental Santa Clara	Cidra				347,022.25	347,022.25
8303	Esc. Superior Vocacional de Area	Guaynabo				75,000.00	75,000.00
8321	Esc. Sup. Voc. Luis Meléndez	Hatillo				407,755.94	407,755.94
8337	Esc. Int. Carlos Rivera Ufret	Humacao				17,056.26	17,056.26
8380	Ampl. Esc. José A. López	Juncos				5,825.00	5,825.00
8395	Esc. Elemental Urbana	Lajas				729,774.69	729,774.69
8400	Mej. Esc. Las Americas	Lares				44,149.40	44,149.40
8401	Ampl. Esc. Ramón de Jesús Sierra	Lares				167,153.13	167,153.13
8442	Ampl. Esc. Superior Isidro A. Sanchez	Luquillo				4,000.00	4,000.00
8449	Esc. S.U. Clara Maldonado de Aramburu	Juncos				73,670.92	73,670.92
8567	Esc. Educ. Esp. Ramón Marín	Ponce				11,500.00	11,500.00
8592	Esc. Intermedia Palmer	Rio Grande				56,848.74	56,848.74
8600	Esc. Superior Vocacional	Sabana Grande				162,140.03	162,140.03
8636	Esc. Elemental Rafael López Sicardó	San Juan				49,994.94	49,994.94
8648	Esc. Elem. Bo. Espino	San Lorenzo				150,541.70	150,541.70
8650	Esc. Elemental Julio Cancel Facundo	San Sebastián				272,012.69	272,012.69
8678	Esc. Intermedia Bo. Piñas	Toa Alta				1,000.00	1,000.00
8704	Esc. Elemental Angeles	Utua				5,000.00	5,000.00
8710	Esc. Elemental Sabana Hoyos	Vega Alta				312,989.77	312,989.77
8742	Esc. Superior Urbana	Villalba				186,924.89	186,924.89
8744	Esc. S.U. Julio Olivieri	Villalba				80,000.00	80,000.00
8745	Ampl. Esc. S.U. Hatillo	Villalba				33,593.04	33,593.04
8763	Esc. Superior Urbana	Yauco				682,225.34	682,225.34
8774	Ampl. Esc. S.U. Enrique de Jesús Borrás	Arecibo				75,841.68	75,841.68
8794	Esc. Bellas Artes Ernesto Ramos Antonini	Mayaguez				103,116.86	103,116.86
8837	Esc. Elemental Jesusa Vizcarrondo	Mayaguez				780,949.36	780,949.36
8860	Ampl. Esc. Int. y Sup. Amalia Marín	San Juan				94,738.97	94,738.97
8897	Esc. Sup. Vocacional Luis Muñoz Rivera	Utua				3,207,454.00	3,207,454.00
8900	Ampl. Instituto Tecnológico de PR	Ponce				5,000.00	5,000.00
8913	Remod. Esc. Int. Pablo Casals	Bayamón				14,594.14	14,594.14
8925	Ampl. Esc. Int. Rexville	Bayamón				5,000.00	5,000.00
8979	Ampl. Esc. Elem. Angela Cordero Bernar	Ponce				5,705.09	5,705.09
2012	Mejoras Centro de Oficinas	Adjuntas				5,122.37	5,122.37
2021	Mejoras Centro de Oficinas	Adjuntas				21,069.49	21,069.49
3037	Mejoras Comandancia Policía	Aguadilla				21,860.06	21,860.06
2141	Mejoras Centro de Oficinas	Camuy				17,061.71	17,061.71
2351	Mejoras Centro de Oficinas	Isabela				26,000.00	26,000.00

4401	Mejoras Tribunal de Distrito	Lares				20,500.00	20,500.00	
2831	Mejoras Centro de Oficinas	Loíza				5,914.00	5,914.00	
3471	Mejoras Cuartel de Policía	Maunabo				8,444.44	8,444.44	
8527	Mejoras Esc. Superior (Guadiana)	Naranjito				21,320.52	21,320.52	
4652	Mejoras Tribunal de Distrito	San Sebastián				19,500.00	19,500.00	
64	Total Sección D					15,410,608.06	15,410,608.06	
157	Total Secciones A, B, C y D							177,638,574.47

Balance			
Autorizado LC	223,654,351.93		223,654,351.93
Res. BGF 8530	107,136,559.68		107,136,559.68
Res. BGF 8548	<u>101,120,534.38</u>		<u>101,120,534.38</u>
	208,257,094.06		208,257,094.06
Balance disponible	<u>15,397,257.87</u>		15,397,257.87
Res. BGF 8590 Incremento			<u>23,593,000.00</u>
Balance Total Línea de crédito			247,247,351.93
Total de Desembolsos al 28 de marzo de 2007			<u>69,608,111.98</u>
Balance Disponible al 28 de marzo de 2007			<u>177,639,239.95</u>
			<u>177,638,574.47</u>
			665.48

EXHIBIT C

**FORM OF
SERIES M-1, N AND O BONDS**

No. R- _____ \$ _____

United States of America

Commonwealth of Puerto Rico

PUBLIC BUILDINGS AUTHORITY

Government Facilities

Revenue [Refunding] Bonds, Series [M-1][N][O]

Guaranteed by the Commonwealth of Puerto Rico

Interest Rate

Maturity Date

CUSIP

Principal Amount: _____ Dollars

Registered Owner:

The Public Buildings Authority (herein sometimes called the "Authority"), a body corporate and politic constituting an instrumentality of the Commonwealth of Puerto Rico, for value received, hereby promises to pay, solely from the special fund provided therefor as hereinafter set forth, to the Registered Owner mentioned above, or registered assigns or legal representative, on the Maturity Date set forth above (or earlier as hereinafter referred to), upon the presentation and surrender hereof at the designated corporate trust office of U.S. Bank Trust National Association, Fiscal Agent, in New York, New York, the Principal Amount set forth above, in any coin or currency of the United States of America which, at the date of payment thereof, is legal tender for the payment of public and private debts, and to pay, solely from said special fund, to the person in whose name this bond (or one or more predecessor bonds, as defined in the Resolution hereinafter mentioned) is registered at the close of business on the June 15 or December 15 next preceding an interest payment date, by check mailed to such person at his address as it appears on the registration books of the Authority, interest on said Principal Amount from the date hereof or from the January 1 or July 1 next preceding the date of authentication hereof to which interest shall have been paid, unless such date of authentication is a January 1 or July 1 to which interest shall have been paid, in which case from such date, semi-annually on January 1 and July 1, in each year, commencing July 1, 2008, in like coin or currency at the Interest Rate per annum set forth above until payment of said Principal Amount.

This bond is one of a duly authorized series of bonds of the Authority designated “Public Buildings Authority Government Facilities Revenue [Refunding] Bonds, Series [M][N][O], Guaranteed by the Commonwealth of Puerto Rico”, issued [in multiple subseries] under and pursuant to Resolution No. 468, duly adopted by the Authority on June 22, 1995, as supplemented (said Resolution No. 468, as the same may be supplemented as therein permitted, being herein called the “Resolution”), to which Resolution reference is hereby made for the provisions, among others, with respect to the custody and application of the proceeds of bonds issued under the Resolution, the creation and disposition of revenues, the fund charged with and pledged to the payment of the interest on and the principal of such bonds, the nature and extent of the security, the terms and conditions on which bonds of each series are or may be issued thereunder, the rights, duties and obligations of the Authority and of the Fiscal Agent under the Resolution and the rights of the holders of the bonds, and, by the acceptance of this bond, the holder hereof assents to all of the provisions of the Resolution. [This bond is part of the subseries of bonds of the above series of bonds designated “Series M-1.”]

The bonds of this [series] [subseries] aggregate _____ Dollars (\$_____) in principal amount and consist of \$_____ serial bonds maturing in annual installments on July 1 in each of the years ____ to ____, inclusive, and of \$_____ term bonds maturing on July 1, ____ and \$_____ term bonds maturing on July 1, ____, all of like date and are issued for the purpose of [providing funds for paying all or part of the cost of constructing certain governmental facilities and improvements of governmental facilities, including, without limitation, paying certain amounts borrowed by the Authority as interim funding for a portion of such costs] [refunding certain outstanding bonds of the Authority]. **[FOR SERIES M-1 BONDS:** The bonds of this subseries are part of the Authority’s \$562,850,000 aggregate principal amount of Government Facilities Revenue Refunding Bonds, Series M, Guaranteed by the Commonwealth of Puerto Rico, being issued in three separate subseries.] The Resolution provides for the issuance, from time to time, under the conditions, limitations and restrictions therein set forth, of additional bonds to provide funds for paying the cost of acquiring and constructing governmental facilities and improvements of governmental facilities and refunding any bonds issued by the Authority under the provisions of the Resolution, Resolution No. 77, adopted by the Authority on November 16, 1970, as amended, or Resolution No. 158, adopted by the Authority on February 14, 1978, as amended.

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

with any department of the Commonwealth and to the making of advances to the Authority of any unpaid portion of rentals payable to the Authority by any agency or instrumentality of the Commonwealth under such lease agreement.

The bonds of the series of which this is one have been specified by the Authority to be covered by the guaranty of the Commonwealth of Puerto Rico under Act No. 17 of the Legislature of Puerto Rico, approved April 11, 1968, as amended, and the Commonwealth of Puerto Rico is accordingly obligated to pay the principal of such bonds and the interest thereon to the extent that the revenues and other moneys of the Authority pledged to the payment of such principal and interest are not sufficient for that purpose.

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

The bonds of this [series] [subseries] [are not subject to redemption prior to maturity] [maturing after July 1, ____ at the time outstanding may be redeemed prior to their respective maturities, at the option of the Authority, from any moneys that may be made available for such purpose (other than moneys deposited in the Sinking Fund in respect of an Amortization Requirement), either (a) in whole on any date not earlier than July 1, ____, or (b) in part, as directed by the Authority, on any date not earlier than July 1, ____, at the principal amount of the bonds to be redeemed, together with the interest accrued thereon to the date fixed for redemption and without premium; provided, however, that the term bonds maturing July 1, ____ and July 1, ____ shall be redeemed in part on July 1, ____ and July 1, ____, respectively, and on July 1 in each year thereafter, in the principal amount equal to the respective Amortization Requirements therefor for the fiscal year immediately preceding such July 1, as defined in the Resolution (less the principal amount of any such bonds retired by purchase), from moneys in the Sinking Fund at par plus accrued interest without premium.]

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

The bonds of this [series][subseries] are issuable as registered bonds without coupons in denominations of \$5,000 and any multiple thereof (except as provided in the authorizing resolution). At the corporate trust office of the Fiscal Agent in the manner and subject to the

limitations, conditions and restrictions provided in the Resolution and upon payment of any taxes, fees or other governmental charges provided in the Resolution, bonds may be exchanged for an equal aggregate principal amount of bonds of the same [series][subseries] and maturity, of authorized denominations and bearing interest at the same rate.

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

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

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

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

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

IN WITNESS WHEREOF, the Public Buildings Authority has caused this bond to be signed with the facsimile signatures of its Executive Director and its Secretary, and a facsimile of the official seal of the Authority to be imprinted hereon, all as of the ___ day of December, 2007.

PUBLIC BUILDINGS AUTHORITY

Executive Director

Secretary

(Seal)

CERTIFICATE OF AUTHENTICATION

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

U.S. Bank Trust National Association,
Fiscal Agent

By: _____
Authorized Signatory

Date of authentication: _____

ASSIGNMENT

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

[please print or type name and address of Transferee]

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

Signature: _____

Dated: _____

Guaranteed by: _____

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

FORM OF
SERIES M-2 BONDS

No. R-

\$ _____

United States of America

Commonwealth of Puerto Rico

PUBLIC BUILDINGS AUTHORITY
Government Facilities
Revenue Refunding Bonds, Series M-2

Guaranteed by the Commonwealth of Puerto Rico

Interest Rate

Maturity Date

CUSIP

Principal Amount:

Dollars

Registered Owner:

The Public Buildings Authority (herein sometimes called the "Authority"), a body corporate and politic constituting an instrumentality of the Commonwealth of Puerto Rico, for value received, hereby promises to pay, solely from the special fund provided therefor as hereinafter set forth, to the Registered Owner mentioned above, or registered assigns or legal representative, on the Maturity Date set forth above (or earlier as hereinafter referred to), upon the presentation and surrender hereof at the designated corporate trust office of U.S. Bank Trust National Association, Fiscal Agent, in New York, New York, the Principal Amount set forth above, in any coin or currency of the United States of America which, at the date of payment thereof, is legal tender for the payment of public and private debts, and to pay, solely from said special fund, to the person in whose name this bond (or one or more predecessor bonds, as defined in the Resolution hereinafter mentioned) is registered at the close of business on the June 15 or December 15 next preceding an interest payment date, by check mailed to such person at his address as it appears on the registration books of the Authority, interest on said Principal Amount from the date hereof or from the January 1 or July 1 next preceding the date of authentication hereof to which interest shall have been paid, unless such date of authentication is a January 1 or July 1 to which interest shall have been paid, in which case from such date, on the 1st days of January and July in each year, beginning July 1, 2008, in like coin or currency at the Interest Rate per annum set forth above to and including June 30, 2017 and thereafter this bond shall bear interest as provided in the Resolution and described below, all in accordance with the provisions of the Resolution hereinafter mentioned.

This bond shall be subject to mandatory tender for purchase on July 1, 2017 in accordance with the provisions of the Resolution. Thereafter, the interest rate on this bond shall, unless the Authority by written notice given to the Fiscal Agent and Tender Agent at least thirty (30) days prior to July 1, 2017 elects to convert this bond to one or more Interest Rate Periods as permitted and as set forth in the Resolution, convert to the Weekly Interest Rate determined in accordance with the Resolution. If this bond is not remarketed on July 1, 2017, this bond shall be returned to the owners thereof and shall bear interest from July 1, 2017 at the rate of 10% per annum until (but not including) the date this bond is remarketed pursuant to the terms of the Resolution, on which date this bond shall again be subject to mandatory tender for purchase. In the event this bond is not remarketed on July 1, 2017, the Authority shall cause this bond to be converted to one or more Interest Rate Periods on the earliest Business Day after July 1, 2017 at which this bond may be remarketed. As provided in and subject to the terms of the Resolution, after the end of the Initial Term Rate Period, this bond will be a Variable Rate Bond and from time to time may be converted to pay interest at a Daily Interest Rate, Weekly Interest Rate, Indexed Put Rate, Long-Term Interest Rate, Bond Interest Term Rates or Auction Period Rate. Determinations of interest rates, adjustments between interest rates, and conversions of Interest Rate Periods and ARS modes shall be as provided in the Resolution.

Unless otherwise defined herein, all terms herein shall have the same meanings given them in the Resolution, including specifically Appendix A to Resolution No. _____, duly adopted by the Authority on December 6, 2007.

Except for bonds bearing interest at a Long-Term Interest Rate, Auction Period Rate or Indexed Put Rate, interest on the Variable Rate Bonds shall accrue on the basis of the actual number of days elapsed during the Interest Rate Period and a year of 365 days (366 days in a leap year). Interest on the bonds bearing interest at a Long-Term Interest Rate shall accrue on the basis of a 360-day year based on twelve 30-day months. Interest on bonds bearing interest at the Auction Period Rate shall be computed on the basis of actual days over 365 days (366 days in a leap year) if the ARS are in an Auction Period of 180 days or less; if the bonds are in an Auction Period which is greater than 180 days, interest shall be computed on the basis of a 360 day year of twelve 30 day months. Interest accrual and payment provisions for Indexed Put Bonds shall be as set forth in the Resolution.

This bond is one of a duly authorized series of bonds of the Authority designated "Public Buildings Authority Government Facilities Revenue Refunding Bonds, Series M, Guaranteed by the Commonwealth of Puerto Rico", issued in multiple subseries in the aggregate principal amount of \$562,850,000 under and pursuant to Resolution No. 468, duly adopted by the Authority on June 22, 1995, as supplemented (said Resolution No. 468, as the same may be supplemented as therein permitted, being herein called the "Resolution"), to which Resolution reference is hereby made for the provisions, among others, with respect to the custody and application of the proceeds of bonds issued under the Resolution, the creation and disposition of revenues, the fund charged with and pledged to the payment of the interest on and the principal of such bonds, the nature and extent of the security, the terms and conditions on which bonds of each series are or may be issued thereunder, the rights, duties and obligations of the Authority and of the Fiscal Agent under the Resolution and the rights of the holders of the bonds, and, by the acceptance of this bond, the holder hereof assents to all of the provisions of the Resolution. This bond is part of the subseries of bonds of the above series of bonds designated "Series M-2."

The bonds of this subseries aggregate _____ Dollars (\$ _____) in principal amount and consist of \$ _____ term bonds maturing on July 1, _____ and \$ _____ term bonds maturing on July 1, _____, all of like date and are issued for the purpose of refunding certain outstanding bonds of the Authority. The Resolution provides for the issuance, from time to time, under the conditions, limitations and restrictions therein set forth, of additional bonds to provide funds for paying the cost of acquiring and constructing governmental facilities and improvements of governmental facilities and refunding any bonds issued by the Authority under the provisions of the Resolution, Resolution No. 77, adopted by the Authority on November 16, 1970, as amended, or Resolution No. 158, adopted by the Authority on February 14, 1978, as amended.

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

The bonds of the series of which this is one have been specified by the Authority to be covered by the guaranty of the Commonwealth of Puerto Rico under Act No. 17 of the Legislature of Puerto Rico, approved April 11, 1968, as amended, and the Commonwealth of Puerto Rico is accordingly obligated to pay the principal of such bonds and the interest thereon to the extent that the revenues and other moneys of the Authority pledged to the payment of such principal and interest are not sufficient for that purpose.

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

The bonds, during the Initial Term Rate Period, shall be subject to redemption, at the option of the Authority, from any moneys that may be available for that purpose (other than moneys deposited in the Sinking Fund in respect of an Amortization Requirement), on the last day of the Initial Term Rate Period, in whole, in the principal amount of the bonds to be redeemed, together with the accrued interest thereon to the date fixed for redemption without premium. Any such redemption shall be made in the manner and under the terms and conditions provided in the Resolution.

The term bonds maturing July 1, ____ and July 1, ____ shall be redeemed in part on July 1, ____ and July 1, ____, respectively, and on July 1 in each year thereafter, in the principal amount equal to the respective Amortization Requirements therefor for the fiscal year immediately preceding such July 1, as defined in the Resolution (less the principal amount of any such bonds retired by purchase), from moneys in the Sinking Fund at par plus accrued interest without premium.

Notwithstanding the foregoing, when any bonds to be redeemed are in an ARS Rate Period, if such July 1 is not an Interest Payment Date, such bonds shall be redeemed on the Interest Payment Date immediately preceding such July 1.

Bonds bearing interest at a Daily Interest Rate or a Weekly Interest Rate shall be subject to redemption prior to their maturity, at the option of the Authority, in whole or in part, at a redemption price of 100% of the principal amount thereof at any time.

Bonds bearing interest at Bond Interest Term Rates shall be subject to redemption prior to their maturity, at the option of the Authority, at a redemption price of 100% of the principal amount thereof on the day succeeding the last day of any Bond Interest Term.

During a Long-Term Interest Rate Period, the bonds shall be subject to redemption prior to their maturity, at the option of the Authority, (1) on the first day of such Long-Term Interest Rate Period, in whole or in part, at a redemption price of 100% of the principal amount thereof, and (2) thereafter, during the periods specified below in whole at any time or in part from time to time on any Interest Payment Date, at the redemption prices (expressed as a percentage of principal amount) specified below plus accrued interest, if any, to the redemption date:

Length of Long-Term Interest Rate Period (expressed in years)	<u>Redemption Prices</u>
greater than 11	after 10 years at 101%, declining by 1% every year to 100%
Less than or equal to 11 and greater than 8	after 7 years at 101%, declining by 1% every year to 100%
Less than or equal to 8 and greater than 5	after 5 years at 101%, declining by 1% every year to 100%
Less than or equal to 5	Non-callable

In the event that the date on which the bonds are adjusted to a Long-Term Interest Rate is a date other than a day which would be an Interest Payment Date during such Long-Term Interest Rate Period, then the date on which such bonds shall first be subject to redemption pursuant to the foregoing table (after the first day of such Long-Term Interest Rate Period) shall be the first Interest Payment Date next succeeding the date on which such bonds otherwise would be subject

to redemption, and the redemption price shall be adjusted on each anniversary of that Interest Payment Date as provided in such table.

The Authority may redeem Bank Bonds, at its option, at any time, upon one Business Day's notice of redemption to the Liquidity Facility Provider and the Fiscal Agent, unless a longer notice period is required by the Liquidity Facility, at a redemption price of 100% of the principal amount of the Bank Bonds to be redeemed plus accrued interest, if any, to the redemption date.

The ARS are subject to redemption prior to their maturity, at the option of the Authority, on the Interest Payment Date immediately following an Auction Period, as a whole or in part in an Authorized Denomination, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued but unpaid interest to the redemption date, without premium, provided that after any optional redemption there shall remain not less than \$10,000,000 in aggregate principal amount of each subseries of bonds bearing interest at an Auction Period Rate unless otherwise consented to by the Broker-Dealer.

The Indexed Put Bonds are subject to redemption prior to their maturity, at the option of the Authority, at any time, at the written direction of the Authority, in whole or in part, at a redemption price of 100% of the principal amount thereof on any Interest Payment Date.

Bank Bonds shall be redeemed in part in accordance with the provisions of the Liquidity Facility.

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

If any ARS are to be redeemed and those ARS are held by the Securities Depository, the Fiscal Agent shall include in the notice of the call for redemption delivered to the Securities Depository: (i) under an item entitled "Publication Date for Securities Depository Purposes", the Securities Depository lottery publication date applicable to such ARS, which date shall be two (2) Business Days after the second Auction Date that immediately precedes the date specified in such notice as the date fixed for the redemption or defeasance of such ARS (the "Redemption/Defeasance Date") (three (3) Business Days immediately preceding such Redemption/Defeasance Date in the case of ARS in the daily Auction Period). Prior to the

giving of such notice of redemption or defeasance to the Securities Depository, the Fiscal Agent shall confirm the lottery publication date with the Auction Agent. The Fiscal Agent shall, at least two (2) Business Days prior to the Redemption/Defeasance Date specified in any such notice of redemption or defeasance of such ARS, as the case may be, request the Securities Depository to disclose to the Auction Agent the Participant number of each Securities Depository's participant in whose account at the Securities Depository any of such ARS have been called for redemption or defeasance (and the principal amount of the ARS held in the account that have been so called) and, at least one (1) Business Day prior to such Business Day the Auction Agent shall request each Broker-Dealer to disclose on a best efforts basis to the Auction Agent (upon selection by such participant of the Existing Owner or Existing Owners whose ARS are to be so redeemed or defeased and the principal amount of each thereof to be so redeemed or defeased) the aggregate principal amount of such ARS of each such Existing Owner, if any, to be redeemed or defeased. The Auction Agent shall forward to the applicable Broker-Dealer by Electronic Means any notice received by the Auction Agent pursuant to this paragraph by the close of business on the day received by the Auction Agent.

Variable Rate Bonds are subject to optional or mandatory tender for purchase at a purchase price equal to the Tender Price as follows:

(a) during any Weekly Interest Rate Period, bonds shall be subject to optional tender for purchase on any Business Day upon delivery by the Participant to the Tender Agent, the Fiscal Agent and the Remarketing Agent of an irrevocable notice by Electronic Means, executed by the Participant, which states the principal amount of such bonds (or interest therein), the principal amount to be purchased and the date on which the same shall be purchased;

(b) during any Daily Interest Rate Period, bonds shall be subject to optional tender for purchase on any Business Day upon delivery by the Participant to the Tender Agent, the Fiscal Agent and the Remarketing Agent of an irrevocable notice by Electronic Means, executed by the Participant, which states the principal amount of such bonds (or interest therein), the principal amount to be purchased and the date on which the same shall be purchased;

(c) on the first day following the last day of each Bond Interest Term or the Initial Term Rate Period, unless such day is the first day of a new Interest Rate Period (in which case subparagraph (d) below shall apply), bonds shall be subject to mandatory tender for purchase upon surrender of such bonds to the Tender Agent accompanied by an instrument of transfer satisfactory to the Tender Agent;

(d) on the first day of each Interest Rate Period (or on the day which would have been the first day of an Interest Rate Period had one of the events not occurred which resulted in the interest rate on bonds not being converted) such bonds shall be subject to mandatory tender for purchase upon delivery to the Tender Agent; provided, however, that in the case of a failed Conversion of ARS, no mandatory purchase shall apply;

(e) if at any time the Fiscal Agent gives notice that the Tender Price on bonds tendered for purchase shall cease to be subject to purchase pursuant to the Liquidity Facility then in effect as a result of (i) the termination, replacement or expiration of the term, as extended, of that Liquidity Facility, or (ii) the occurrence of a Mandatory Standby Tender, then such bonds shall be purchased (1) on the fifth Business Day preceding any such termination, replacement or expiration of such Liquidity Facility without replacement by an Alternate Liquidity Facility or upon any termination thereof as a result of a Mandatory Standby Tender and (2) on the date of the replacement of a Liquidity Facility, in any case where an Alternate Liquidity Facility has been delivered to the Tender Agent pursuant to the Resolution;

(f) if at any time the Fiscal Agent receives notice in accordance with the Resolution that a substitute bond insurance policy will be delivered, then each bond shall be purchased or deemed purchased at the Tender Price. Any purchase of such bonds pursuant to this subsection (f) shall occur on the Business Day preceding the delivery of a substitute bond insurance policy; and

(g) if the bonds are Indexed Put Bonds, (i) on each Indexed Put Date, Annual Indexed Put Date or Extraordinary Put Date or (ii) on each Conversion Date.

In connection with any mandatory tender for purchase of bonds pursuant to (d) above, the Fiscal Agent shall give notice by first-class mail to the holders of the bonds not less than 30 days prior to the applicable Tender Date.

The bonds of this subseries are issuable as registered bonds without coupons in Authorized Denominations. At the corporate trust office of the Fiscal Agent in the manner and subject to the limitations, conditions and restrictions provided in the Resolution and upon payment of any taxes, fees or other governmental charges provided in the Resolution, bonds may be exchanged for an equal aggregate principal amount of bonds of the same subseries and maturity, of authorized denominations and bearing interest at the same rate.

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

Subject to the provisions for registration contained in the Resolution, nothing contained in this bond or in the Resolution shall affect or impair the negotiability of this bond. As declared

by said Act No. 56, as amended, this bond shall be negotiable in accordance with the meaning and for all intents and purposes of the negotiable instruments law of Puerto Rico.

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

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

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

IN WITNESS WHEREOF, the Public Buildings Authority has caused this bond to be signed with the facsimile signatures of its Executive Director and its Secretary, and a facsimile of the official seal of the Authority to be imprinted hereon, all as of the ___ day of December, 2007.

PUBLIC BUILDINGS AUTHORITY

Executive Director

Secretary

(Seal)

CERTIFICATE OF AUTHENTICATION

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

U.S. Bank Trust National Association,
Fiscal Agent

By: _____
Authorized Signatory

Date of authentication: _____

[STATEMENT OF INSURANCE]

ASSIGNMENT

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

[please print or type name and address of Transferee]

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

Signature: _____

Dated: _____

Guaranteed by: _____

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

**FORM OF
SERIES M-3 BONDS**

No. R-

\$ _____

United States of America

Commonwealth of Puerto Rico

PUBLIC BUILDINGS AUTHORITY
Government Facilities
Revenue Refunding Bonds, Series M-3

Guaranteed by the Commonwealth of Puerto Rico

Interest Rate Period

Maturity Date

CUSIP

Principal Amount:

Dollars

Registered Owner:

The Public Buildings Authority (herein sometimes called the "Authority"), a body corporate and politic constituting an instrumentality of the Commonwealth of Puerto Rico, for value received, hereby promises to pay, solely from the special fund provided therefor as hereinafter set forth, to the Registered Owner mentioned above, or registered assigns or legal representative, on the Maturity Date set forth above (or earlier as hereinafter referred to), upon the presentation and surrender hereof at the designated corporate trust office of U.S. Bank Trust National Association, Fiscal Agent, in New York, New York, the Principal Amount set forth above, in any coin or currency of the United States of America which, at the date of payment thereof, is legal tender for the payment of public and private debts, and to pay, solely from said special fund, interest on said Principal Amount, until payment of said Principal Amount, from the date hereof or from the Interest Payment Date next preceding the date of authentication hereof to which interest shall have been paid, unless such date of authentication is an Interest Payment Date to which interest shall have been paid, in which case from such date, in like coin or currency, at the interest rate per annum for the Interest Rate Period specified above, until converted to another Interest Rate Period, all in accordance with the provisions of the Resolution hereinafter mentioned.

Unless otherwise defined herein, all terms herein shall have the same meanings given them in the Resolution, including specifically Appendix A to Resolution No. _____, duly adopted by the Authority on December 6, 2007.

Interest shall be payable (i) in the case of bonds other than bonds bearing interest at a Long-Term Interest Rate, by wire transfer of immediately available funds to the respective Holders thereof on the applicable Record Date to an account specified by the Holder thereof in a writing delivered to the Fiscal Agent, and (ii) in the case of bonds bearing interest at the Long-Term Interest Rate, by check mailed by the Fiscal Agent to the respective Holders thereof on the applicable Record Date at their addresses as they appear as of the close of business on the applicable Record Date in the books kept by the Fiscal Agent, except that in the case of such a Holder of \$1,000,000 or more in aggregate principal amount of such bonds, upon the written request of such Holder to the Fiscal Agent, specifying the account or accounts to which such payment shall be made, such payments shall be made by wire transfer of immediately available funds on the applicable Interest Payment Date following such Record Date.

This bond is initially issued to bear interest at a _____ Interest Rate for a _____ Interest Rate Period as provided in the Resolution. As provided in and subject to the terms of the Resolution, the Variable Rate Bonds from time to time may be converted to pay interest at a Daily Interest Rate, Weekly Interest Rate, Indexed Put Rate, Long-Term Interest Rate, Bond Interest Term Rates or Auction Period Rate. Determinations of interest rates, adjustments between interest rates, and conversions of Interest Rate Periods and ARS modes shall be as provided in the Resolution.

Except for bonds bearing interest at a Long-Term Interest Rate, Auction Period Rate or Indexed Put Rate, interest on the Variable Rate Bonds shall accrue on the basis of the actual number of days elapsed during the Interest Rate Period and a year of 365 days (366 days in a leap year). Interest on the bonds bearing interest at a Long-Term Interest Rate shall accrue on the basis of a 360-day year based on twelve 30-day months. Interest on bonds bearing interest at the Auction Period Rate shall be computed on the basis of actual days over 365 days (366 days in a leap year) if the ARS are in an Auction Period of 180 days or less; if the bonds are in an Auction Period which is greater than 180 days, interest shall be computed on the basis of a 360 day year of twelve 30 day months. Interest accrual and payment provisions for Indexed Put Bonds shall be as set forth in the Resolution.

This bond is one of a duly authorized series of bonds of the Authority designated "Public Buildings Authority Government Facilities Revenue Refunding Bonds, Series M, Guaranteed by the Commonwealth of Puerto Rico", issued in multiple subseries in the aggregate principal amount of \$562,850,000 under and pursuant to Resolution No. 468, duly adopted by the Authority on June 22, 1995, as supplemented (said Resolution No. 468, as the same may be supplemented as therein permitted, being herein called the "Resolution"), to which Resolution reference is hereby made for the provisions, among others, with respect to the custody and application of the proceeds of bonds issued under the Resolution, the creation and disposition of revenues, the fund charged with and pledged to the payment of the interest on and the principal of such bonds, the nature and extent of the security, the terms and conditions on which bonds of each series are or may be issued thereunder, the rights, duties and obligations of the Authority and of the Fiscal Agent under the Resolution and the rights of the holders of the bonds, and, by the acceptance of this bond, the holder hereof assents to all of the provisions of the Resolution. This bond is part of the subseries of bonds of the above series of bonds designated "Series M-3."

The bonds of this subseries aggregate _____ Dollars (\$ _____) in principal amount and consist of a \$ _____ term bond maturing on July 1, ____, all of like date and are issued for the purpose of refunding certain outstanding bonds of the Authority. The Resolution provides for the issuance, from time to time, under the conditions, limitations and restrictions therein set forth, of additional bonds to provide funds for paying the cost of acquiring and constructing governmental facilities and improvements of governmental facilities and refunding any bonds issued by the Authority under the provisions of the Resolution, Resolution No. 77, adopted by the Authority on November 16, 1970, as amended, or Resolution No. 158, adopted by the Authority on February 14, 1978, as amended.

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

The bonds of the series of which this is one have been specified by the Authority to be covered by the guaranty of the Commonwealth of Puerto Rico under Act No. 17 of the Legislature of Puerto Rico, approved April 11, 1968, as amended, and the Commonwealth of Puerto Rico is accordingly obligated to pay the principal of such bonds and the interest thereon to the extent that the revenues and other moneys of the Authority pledged to the payment of such principal and interest are not sufficient for that purpose.

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

The term bonds maturing July 1, ____ shall be redeemed in part on July 1, ____ and on July 1 in each year thereafter, in the principal amount equal to the respective Amortization Requirements therefor for the fiscal year immediately preceding such July 1, as defined in the Resolution (less the principal amount of any such bonds retired by purchase), from moneys in the Sinking Fund at par plus accrued interest without premium.

Notwithstanding the foregoing, when any bonds to be redeemed are in an ARS Rate Period, if such July 1 is not an Interest Payment Date, such bonds shall be redeemed on the Interest Payment Date immediately preceding such July 1.

Bonds bearing interest at a Daily Interest Rate or a Weekly Interest Rate shall be subject to redemption prior to their maturity, at the option of the Authority, in whole or in part, at a redemption price of 100% of the principal amount thereof at any time.

Bonds bearing interest at Bond Interest Term Rates shall be subject to redemption prior to their maturity, at the option of the Authority, at a redemption price of 100% of the principal amount thereof on the day succeeding the last day of any Bond Interest Term.

During a Long-Term Interest Rate Period, the bonds shall be subject to redemption prior to their maturity, at the option of the Authority, (1) on the first day of such Long-Term Interest Rate Period, in whole or in part, at a redemption price of 100% of the principal amount thereof, and (2) thereafter, during the periods specified below in whole at any time or in part from time to time on any Interest Payment Date, at the redemption prices (expressed as a percentage of principal amount) specified below plus accrued interest, if any, to the redemption date:

Length of Long-Term Interest Rate Period (<u>expressed in years</u>)	<u>Redemption Prices</u>
greater than 11	after 10 years at 101%, declining by 1% every year to 100%
Less than or equal to 11 and greater than 8	after 7 years at 101%, declining by 1% every year to 100%
Less than or equal to 8 and greater than 5	after 5 years at 101%, declining by 1% every year to 100%
Less than or equal to 5	Non-callable

In the event that the date on which the bonds are adjusted to a Long-Term Interest Rate is a date other than a day which would be an Interest Payment Date during such Long-Term Interest Rate Period, then the date on which such bonds shall first be subject to redemption pursuant to the foregoing table (after the first day of such Long-Term Interest Rate Period) shall be the first Interest Payment Date next succeeding the date on which such bonds otherwise would be subject to redemption, and the redemption price shall be adjusted on each anniversary of that Interest Payment Date as provided in such table.

The Authority may redeem Bank Bonds, at its option, at any time, upon one Business Day's notice of redemption to the Liquidity Facility Provider and the Fiscal Agent, unless a longer notice period is required by the Liquidity Facility, at a redemption price of 100% of the principal amount of the Bank Bonds to be redeemed plus accrued interest, if any, to the redemption date.

The ARS are subject to redemption prior to their maturity, at the option of the Authority, on the Interest Payment Date immediately following an Auction Period, as a whole or in part in an Authorized Denomination, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued but unpaid interest to the redemption date, without premium, provided that after any optional redemption there shall remain not less than \$10,000,000 in aggregate principal amount of each subseries of bonds bearing interest at an Auction Period Rate unless otherwise consented to by the Broker-Dealer.

The Indexed Put Bonds are subject to redemption prior to their maturity, at the option of the Authority, at any time, at the written direction of the Authority, in whole or in part, at a redemption price of 100% of the principal amount thereof on any Interest Payment Date.

Bank Bonds shall be redeemed in part in accordance with the provisions of the Liquidity Facility.

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

If any ARS are to be redeemed and those ARS are held by the Securities Depository, the Fiscal Agent shall include in the notice of the call for redemption delivered to the Securities Depository: (i) under an item entitled "Publication Date for Securities Depository Purposes", the Securities Depository lottery publication date applicable to such ARS, which date shall be two (2) Business Days after the second Auction Date that immediately precedes the date specified in such notice as the date fixed for the redemption or defeasance of such ARS (the "Redemption/Defeasance Date") (three (3) Business Days immediately preceding such Redemption/Defeasance Date in the case of ARS in the daily Auction Period). Prior to the giving of such notice of redemption or defeasance to the Securities Depository, the Fiscal Agent shall confirm the lottery publication date with the Auction Agent. The Fiscal Agent shall, at least two (2) Business Days prior to the Redemption/Defeasance Date specified in any such notice of redemption or defeasance of such ARS, as the case may be, request the Securities Depository to disclose to the Auction Agent the Participant number of each Securities Depository's participant in whose account at the Securities Depository any of such ARS have been called for redemption or defeasance (and the principal amount of the ARS held in the account that have been so called) and, at least one (1) Business Day prior to such Business Day the Auction Agent shall request each Broker-Dealer to disclose on a best efforts basis to the

Auction Agent (upon selection by such participant of the Existing Owner or Existing Owners whose ARS are to be so redeemed or defeased and the principal amount of each thereof to be so redeemed or defeased) the aggregate principal amount of such ARS of each such Existing Owner, if any, to be redeemed or defeased. The Auction Agent shall forward to the applicable Broker-Dealer by Electronic Means any notice received by the Auction Agent pursuant to this paragraph by the close of business on the day received by the Auction Agent.

Variable Rate Bonds are subject to optional or mandatory tender for purchase at a purchase price equal to the Tender Price as follows:

(a) during any Weekly Interest Rate Period, bonds shall be subject to optional tender for purchase on any Business Day upon delivery by the Participant to the Tender Agent, the Fiscal Agent and the Remarketing Agent of an irrevocable notice by Electronic Means, executed by the Participant, which states the principal amount of such bonds (or interest therein), the principal amount to be purchased and the date on which the same shall be purchased;

(b) during any Daily Interest Rate Period, bonds shall be subject to optional tender for purchase on any Business Day upon delivery by the Participant to the Tender Agent, the Fiscal Agent and the Remarketing Agent of an irrevocable notice by Electronic Means, executed by the Participant, which states the principal amount of such bonds (or interest therein), the principal amount to be purchased and the date on which the same shall be purchased;

(c) on the first day following the last day of each Bond Interest Term unless such day is the first day of a new Interest Rate Period (in which case subparagraph (d) below shall apply), bonds shall be subject to mandatory tender for purchase upon surrender of such bonds to the Tender Agent accompanied by an instrument of transfer satisfactory to the Tender Agent;

(d) on the first day of each Interest Rate Period (or on the day which would have been the first day of an Interest Rate Period had one of the events not occurred which resulted in the interest rate on bonds not being converted) such bonds shall be subject to mandatory tender for purchase upon delivery to the Tender Agent; provided, however, that in the case of a failed Conversion of ARS, no mandatory purchase shall apply;

(e) if at any time the Fiscal Agent gives notice that the Tender Price on bonds tendered for purchase shall cease to be subject to purchase pursuant to the Liquidity Facility then in effect as a result of (i) the termination, replacement or expiration of the term, as extended, of that Liquidity Facility, or (ii) the occurrence of a Mandatory Standby Tender, then such bonds shall be purchased (1) on the fifth Business Day preceding any such termination, replacement or expiration of such Liquidity Facility without replacement by an Alternate Liquidity Facility or upon any termination thereof as a result of a Mandatory Standby Tender and (2) on the date of the replacement of a Liquidity Facility, in any case where an Alternate Liquidity Facility has been delivered to the Tender Agent pursuant to the Resolution;

(f) if at any time the Fiscal Agent receives notice in accordance with the Resolution that a substitute bond insurance policy will be delivered, then each bond shall be purchased or deemed purchased at the Tender Price. Any purchase of such bonds pursuant to this subsection (f) shall occur on the Business Day preceding the delivery of a substitute bond insurance policy; and

(g) if the bonds are Indexed Put Bonds, (i) on each Indexed Put Date, Annual Indexed Put Date or Extraordinary Put Date or (ii) on each Conversion Date.

In connection with any mandatory tender for purchase of bonds pursuant to (d) above, the Fiscal Agent shall give notice by first-class mail to the holders of the bonds not less than 30 days prior to the applicable Tender Date.

The bonds of this subseries are issuable as registered bonds without coupons in Authorized Denominations. At the corporate trust office of the Fiscal Agent in the manner and subject to the limitations, conditions and restrictions provided in the Resolution and upon payment of any taxes, fees or other governmental charges provided in the Resolution, bonds may be exchanged for an equal aggregate principal amount of bonds of the same subseries and maturity, of authorized denominations and bearing interest at the same rate.

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

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

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

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

All acts, conditions and things required by the Puerto Rican Federal Relations Act and the Constitution and laws of the Commonwealth of Puerto Rico and the resolutions of the

Authority to happen, exist and be performed precedent to and in the issuance of this bond have happened, exist and have been performed as so required.

IN WITNESS WHEREOF, the Public Buildings Authority has caused this bond to be signed with the facsimile signatures of its Executive Director and its Secretary, and a facsimile of the official seal of the Authority to be imprinted hereon, all as of the ___ day of December, 2007.

PUBLIC BUILDINGS AUTHORITY

Executive Director

Secretary

(Seal)

CERTIFICATE OF AUTHENTICATION

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

U.S. Bank Trust National Association,
Fiscal Agent

By: _____
Authorized Signatory

Date of authentication: _____

[STATEMENT OF INSURANCE]

ASSIGNMENT

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

[please print or type name and address of Transferee]

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

Signature: _____

Dated: _____

Guaranteed by: _____

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

APPENDIX A

MULTI-MODAL PROVISIONS

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MULTI-MODAL PROVISIONS

SECTION 1. Definitions. Capitalized words and terms defined in this Section, unless a different meaning clearly appears from the context, for all purposes of this Appendix and any appendix supplemental hereto, shall have the respective meanings specified in this Section. Words and terms used in this Appendix and not otherwise defined in this Section shall have the respective meanings given to such words and terms in the Resolution (hereinafter defined).

“Alternate Liquidity Facility” means any letter of credit, standby bond purchase agreement, line of credit, loan, guaranty or similar agreement issued to provide liquidity support to pay the Tender Price of Variable Rate Bonds or a subseries of Variable Rate Bonds (other than ARS or Indexed Put Bonds) tendered for purchase in accordance with the provisions of this Appendix, delivered pursuant to Section 31 of this Appendix, with terms that are not inconsistent with the terms of this Appendix and which shall be acceptable to the Bond Insurer.

“Appendix” means this Appendix A.

“Applicable Spread” means (i) initially, with respect to Indexed Put Bonds, an amount equal to + 100 basis points; provided, however, that if the long-term rating assigned to the Indexed Put Bonds is reduced below BBB-/Baa3 by S&P or Moody’s, respectively, or any of the ratings is withdrawn or suspended for any reason, +200 basis points, and (ii) after a remarketing of Indexed Put Bonds as described in Section 17 hereof, a spread determined by the Remarketing Agent to be added to or subtracted from the Index.

“ARS” means, on any date, any subseries of Variable Rate Bonds when bearing interest as auction rate securities as provided in Exhibit 1 hereto.

“ARS Rate Period” has the meaning set forth in Exhibit 1 hereto.

“Auction” has the meaning set forth in Exhibit 1 hereto.

“Auction Agent” has the meaning set forth in Exhibit 1 hereto.

“Auction Agreement” has the meaning set forth in Exhibit 1 hereto.

“Auction Date” has the meaning set forth in Exhibit 1 hereto.

“Auction Period” has the meaning set forth in Exhibit 1 hereto.

“Auction Period Rate” has the meaning set forth in Exhibit 1 hereto.

“Auction Rate” has the meaning set forth in Exhibit 1 hereto.

“Authority Bonds” means the Variable Rate Bonds or a subseries of Variable Rate Bonds held by the Tender Agent for and on behalf of the Authority or any nominee for (or any Person who owns such Variable Rate Bonds or a subseries of Variable Rate Bonds for the sole benefit of) the Authority pursuant to Section 38(c) hereof.

“Authority Purchase Account” means each account with that name established within the Bond Purchase Fund pursuant to Section 42(c) hereof.

“Authorized Denominations” means (a) with respect to Variable Rate Bonds which are ARS, \$25,000 or any integral multiple thereof while the ARS are in any Auction Period, (b) with respect to other Variable Rate Bonds (other than Variable Rate Bonds in a Long-Term Interest Rate Period), \$100,000 or any integral multiple of \$5,000 in excess thereof, and (c) with respect to Variable Rate Bonds in a Long-Term Interest Rate Period, \$5,000 or any integral multiple thereof.

“Bank Bonds” means Variable Rate Bonds or a subseries of Variable Rate Bonds purchased by the Liquidity Facility Provider and held by the Liquidity Facility Provider or its assignee pursuant to a Liquidity Facility.

“Bank Bond Rate” means the rate set forth in or determined by a Liquidity Facility; provided however, the Bank Bond Rate shall never exceed the Maximum Bank Bond Interest Rate.

“Bond Counsel” means Squire, Sanders & Dempsey L.L.P. or any other attorney at law or firm of attorneys selected by the Authority of nationally recognized standing in matters pertaining to the validity of and the tax-exempt nature of interest on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

“Bondholder”, “Holder”, “Holder of Bonds” or “Owner” or any similar term, when used with reference to a Variable Rate Bond, means any person who shall be the registered owner thereof.

“Bond Interest Term” means, with respect to any Variable Rate Bond or subseries of Variable Rate Bonds, each period established in accordance with Section 4(g) hereof during which that Variable Rate Bond bears interest at a Bond Interest Term Rate.

“Bond Insurer” means (i) with respect to the Series M-2 Bonds maturing July 1, 2035, AMBAC Assurance Corporation and (ii) with respect to the Series M-3 Bonds, MBIA Insurance Corporation; and in either case any other bond insurer insuring the payment of principal of and interest on such Series M-2 Bonds or Series M-3 Bonds, as applicable. Any reference to a Bond Insurer in connection with a required notice, approval or consent, or with respect to any other action proposed or required to be taken or omitted relating to a series or subseries of Bonds shall be deemed to refer to and include only the Bond Insurer for the specific series or subseries of Bonds in question.

“Bond Interest Term Rate” means, with respect to each Variable Rate Bond or subseries of Variable Rate Bonds, a non-variable interest rate on such Variable Rate Bond or subseries of Variable Rate Bonds established periodically in accordance with Section 4(g) hereof.

“Bond Purchase Fund” means the fund established pursuant to Section 42 hereof.

“Broker-Dealer” has the meaning set forth in Exhibit 1 hereto.

“Broker-Dealer Agreement” has the meaning set forth in Exhibit 1 hereto.

“Business Day” when used in connection with any particular Variable Rate Bond means (i) any day other than a Saturday, Sunday or other day on which the New York Stock Exchange is closed or on which banks are authorized or required to be closed in the City of New York, New York, or any other municipalities in which the designated office of the Fiscal Agent or the Auction Agent is located and (ii) any day on which a draw on a Liquidity Facility, if any, can be made, provided, however, that “Business Day” shall have the meaning set forth in Exhibit 1 hereto with respect to any Variable Rate Bonds that are ARS.

“Conversion” means a conversion of the Variable Rate Bonds or subseries of Variable Rate Bonds from one Interest Rate Period or, in the case of the Series M-2 Bonds, from the Initial Term Rate Period (as provided in Section 2(ii) of the Series Resolution), to another Interest Rate Period (including the establishment of a new interest period within the Long-Term Interest Rate Period) as provided in Sections 4(d)(ii), 4(e)(ii), 4(f)(ii), 4(g)(ii), Exhibit 1 hereto or Section 20 (including a conversion of Indexed Put Bonds to a new Indexed Put Interest Rate Period).

“Conversion Date” means the effective date of a Conversion of any Variable Rate Bonds or subseries of Variable Rate Bonds.

“Counsel” means an attorney or a firm of attorneys admitted to practice law in the highest court of any state in the United States of America.

“Daily Interest Rate” means a variable interest rate for the Variable Rate Bonds or any subseries of Variable Rate Bonds established in accordance with Section 4(e) hereof.

“Daily Interest Rate Period” means each period during which a Daily Interest Rate is in effect for the Variable Rate Bonds or any subseries of Variable Rate Bonds.

“DTC” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, in its capacity as securities repository for the Variable Rate Bonds, or any successor repository for any Variable Rate Bonds.

“Electronic Means” has the meaning set forth in Exhibit 1 hereto.

“Expiration Date” means the termination date of a Liquidity Facility or an Alternate Liquidity Facility, as extended from time to time.

“Favorable Opinion of Bond Counsel” means, with respect to any action relating to any Variable Rate Bonds, the occurrence of which requires such an opinion, a written legal opinion of Bond Counsel addressed to the Fiscal Agent, the Bond Insurer, the Authority and the Remarketing Agent or the Broker-Dealers, as applicable, to the effect that such action is permitted under this Appendix and will not in and of itself impair the exclusion of interest on the Variable Rate Bonds from gross income for purposes of federal income taxation (subject to customary exceptions).

“Index” (a) with respect to ARS, shall have the meaning set forth in Exhibit 1 hereto, and (b) with respect to Variable Rate Bonds bearing interest at a Daily Interest Rate, Weekly Interest Rate or Indexed Put Rate, means on any date 110% of a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Securities Industry and Financial Markets Association (“SIFMA”) or any person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the applicable Remarketing Agent and Bond Insurer and effective from the date of publication. If the rate is unavailable, the Index shall be an index or rate determined by the Remarketing Agent and consented to by the Authority and the Bond Insurer.

“Indexed Put Bonds” means, on any date, any subseries of Variable Rate Bonds when bearing interest at an Indexed Put Rate as provided in Sections 12 through 21 hereof. The Series M-2 Bonds are not being initially issued as Indexed Put Bonds nor can such Series M-2 Bonds be converted to Indexed Put Bonds until after the expiration of the Initial Term Rate Period.

“Indexed Put Rate” means a variable interest rate for any subseries of Variable Rate Bonds established in accordance with Section 12 hereof.

“Indexed Put Interest Rate Period” means each period during which an Indexed Put Rate is in effect for any subseries of Variable Rate Bonds.

“Initial Indexed Put Date” has the meaning set forth in Section 13 hereof.

“Initial Period” has the meaning set forth in Exhibit 1 hereto.

“Initial Term Rate Period” has the meaning set forth in Section 2(ii) of the Series Resolution.

“Interest Accrual Date” with respect to any subseries of Variable Rate Bonds other than ARS means:

(a) for any Weekly Interest Rate Period, the first day thereof and, thereafter, the first Business Day of each calendar month during such Weekly Interest Rate Period;

(b) for any Daily Interest Rate Period, the first day thereof and, thereafter, the first day of each month;

(c) for any Long-Term Interest Rate Period, the first day thereof and, thereafter, each Interest Payment Date during that Long-Term Interest Rate Period, other than the last such Interest Payment Date;

(d) for each Bond Interest Term within a Short-Term Interest Rate Period, the first day thereof; and

(e) for each Indexed Put Interest Rate Period, the first day thereof and, thereafter, the first Thursday of each calendar month during such Indexed Put Interest Rate Period.

“Interest Payment Date” means:

- (a) with respect to any subseries of Variable Rate Bonds other than ARS,
 - (i) for any Weekly Interest Rate Period, the first Business Day of each calendar month;
 - (ii) for any Daily Interest Rate Period, the first Business Day of each calendar month;
 - (iii) for any Long-Term Interest Rate Period, each January 1, April 1, July 1 and October 1;
 - (iv) for any Bond Interest Term, the day next succeeding the last day of that Bond Interest Term;
 - (v) for each Interest Rate Period that is different than the immediately preceding Interest Rate Period, the first day of the new Interest Rate Period with respect to interest accruing during the immediately preceding Interest Rate Period;
 - (vi) for Bank Bonds, the first Business Day of each month, and any day on which Bank Bonds are remarketed;
 - (vii) for any Indexed Put Interest Rate Period, the first Thursday of each calendar month, or, if the first Thursday is not a Business Day, the next succeeding Business Day; and
- (b) with respect to any subseries of Variable Rate Bonds which are ARS, as set forth in Exhibit 1 hereto.

“Interest Rate Period” means each Daily Interest Rate Period, Weekly Interest Rate Period, Short-Term Interest Rate Period, Long-Term Interest Rate Period, ARS Rate Period or Indexed Put Interest Rate Period. All bonds of the same subseries of Variable Rate Bonds shall bear interest under the same Interest Rate Period.

“Liquidity Facility” means (a) with respect to the Series M-3 Bonds, the Initial Liquidity Facility, (b) any letter of credit, standby bond purchase agreement, line of credit, loan, guaranty or other similar agreement issued to provide liquidity support to pay the Tender Price of Variable Rate Bonds or a subseries of Variable Rate Bonds (other than ARS or Indexed Put Bonds) tendered for purchase in accordance with the provisions of this Appendix, with terms that are not inconsistent with the terms of this Appendix and which shall be acceptable to the Bond Insurer, and (c) any Alternate Liquidity Facility.

“Liquidity Facility Provider” means (a) initially, with respect to the Series M-3 Bonds, JPMorgan Chase Bank, National Association, and (b) thereafter, with respect to the Variable Rate Bonds or any subseries of Variable Rate Bonds, the provider of any Liquidity Facility, which shall be acceptable to the Bond Insurer, and its successors and permitted assigns. If any other Liquidity Facility is issued by more than one bank, financial institution or other Person,

notices required to be given to a Liquidity Facility Provider may be given to the bank, financial institution or other Person under such other Liquidity Facility appointed to act as agent for all such banks, financial institutions or other Persons. Any reference to a Liquidity Facility Provider in connection with a required notice, approval or consent, or with respect to any other action proposed or required to be taken or omitted relating to a series or subseries of Variable Rate Bonds shall be deemed to refer to and include only the Liquidity Facility Provider for the specific series or subseries of Variable Rate Bonds in question.

“Liquidity Facility Purchase Account” means each account with that same name established within the Bond Purchase Fund pursuant to Section 42(b) hereof.

“Long-Term Interest Rate” means a term, non-variable interest rate established in accordance with Section 4(f) hereof.

“Long-Term Interest Rate Period” means each period during which a Long-Term Interest Rate is in effect.

“Mandatory Standby Tender” means the mandatory tender of the applicable subseries of the Variable Rate Bonds pursuant to Section 27(e) upon receipt by the Fiscal Agent of written notice from the Liquidity Facility Provider that an event with respect to the Liquidity Facility has occurred which gives the Liquidity Facility Provider the option to terminate such Liquidity Facility upon notice. Mandatory Standby Tender shall not include circumstances where the Liquidity Facility Provider’s obligation to purchase Variable Rate Bonds under the Liquidity Facility is suspended or terminated without notice, in which case there will be no mandatory tender.

“Maximum Bank Bond Interest Rate” means the Maximum Lawful Rate.

“Maximum Bond Interest Rate” means (a) with respect to the Variable Rate Bonds other than ARS, the Maximum Lawful Rate and (b) with respect to ARS, the Maximum Rate set forth in Exhibit 1 hereto as the “Maximum Rate”.

“Maximum Lawful Rate” means 12% per annum.

“Moody’s” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority by notice to the Bond Insurer, the Fiscal Agent and the Remarketing Agent, if any and acceptable to the Bond Insurer.

“Participant” means, with respect to DTC or another Securities Depository, a member or participant in DTC or such other Securities Depository, respectively.

“Policy” means the financial guaranty insurance policy issued by the Bond Insurer insuring the payment when due of principal of and interest on the Variable Rate Bonds.

“Rating Agency” means, as of any date, Moody’s, S&P and any other nationally recognized securities rating service which has assigned a rating to the Variable Rate Bonds at the request of the Authority, or their respective successors and assigns.

“Record Date” (a) with respect to the Variable Rate Bonds other than ARS, means (i) with respect to any Interest Payment Date in respect to any Daily Interest Rate Period, the last Business Day of each calendar month or, in the case of the last Interest Payment Date in respect to a Daily Interest Rate Period, the Business Day immediately preceding such Interest Payment Date, (ii) with respect to any Interest Payment Date in respect to any Weekly Interest Rate Period, any Short-Term Interest Rate Period or any Indexed Put Interest Rate Period, the Business Day immediately preceding such Interest Payment Date, and (iii) with respect to any Interest Payment Date in respect to any Long-Term Interest Rate Period, the fifteenth day immediately preceding that Interest Payment Date or, in the event that an Interest Payment Date shall occur less than 15 days after the first day of a Long-Term Interest Rate Period, that first day, and (b) with respect to any Variable Rate Bonds which are ARS, shall have the meaning set forth in Exhibit 1 hereto.

“Remarketing Account” means each account with that name established within the Bond Purchase Fund pursuant to Section 42(a) hereof.

“Remarketing Agent” means (a) initially, Lehman Brothers Inc. and (b) thereafter, each Person qualified under Section 35(a) to act as Remarketing Agent for a subseries of the Variable Rate Bonds (including, without limitation, the Series M-2 Bonds in connection with the expiration of the Initial Term Rate Period and the conversion of the interest rate thereon to an Interest Rate Period as provided in Section 2(ii) of the Series Resolution) other than ARS and appointed by the Authority with the consent of the Bond Insurer from time to time.

“Remarketing Agreement” means a Remarketing Agreement, as amended or supplemented from time to time, between the Authority and the Remarketing Agent whereby the Remarketing Agent undertakes to perform the duties of the Remarketing Agent under this Appendix, with respect to a subseries of Variable Rate Bonds (including, without limitation, the Series M-2 Bonds in connection with the expiration of the Initial Term Rate Period and the conversion of the interest rate thereon to an Interest Rate Period as provided in Section 2(ii) of the Series Resolution), and which agreement is acceptable to the Bond Insurer.

“Request” means a request by the Tender Agent under a Liquidity Facility or an Alternate Liquidity Facility for the payment of the Tender Price of Variable Rate Bonds in accordance with the terms of this Appendix.

“Resolution” means the Bond Resolution, as supplemented by the Series Resolution.

“Securities Act” means the Securities Act of 1933, as amended, and any successor thereto.

“Securities Depository” means DTC or, if applicable, any successor Securities Depository appointed by the Authority.

“Securities Exchange Act” means the Securities and Exchange Act of 1934, as amended, and any successor thereto.

“Series M-2 Bonds” means the Puerto Rico Public Buildings Authority Government Facilities Revenue Refunding Bonds, Series M-2, Guaranteed by the Commonwealth of Puerto Rico.

“Series M-3 Bonds” means the Puerto Rico Public Buildings Authority Government Facilities Revenue Refunding Bonds, Series M-3, Guaranteed by the Commonwealth of Puerto Rico.

“Series Resolution” means Resolution No. 1280 adopted by the Authority on December 6, 2007, to which this Appendix is attached.

“Short-Term Interest Rate Period” means each period, consisting of Bond Interest Terms, during which the Variable Rate Bonds or any subseries of Variable Rate Bonds bear interest at one or more Bond Interest Term Rates.

“S&P” means Standard and Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority by notice to the Fiscal Agent, the Bond Insurer and the Remarketing Agent, if any.

“Tender Agent” means (a) initially, U.S. Bank Trust National Association and (b) thereafter, each Person qualified under Section 35(b) to act as Tender Agent with respect to any subseries of Variable Rate Bonds (including, without limitation, the Series M-2 Bonds in connection with the expiration of the Initial Term Rate Period and the conversion of the interest rate thereon to an Interest Rate Period as provided in Section 2(ii) of the Series Resolution) other than ARS and so appointed by the Authority, and so acting from time to time, and their successors.

“Tender Agent Agreement” means an agreement, as amended or supplemented from time to time, among the Authority, a Remarketing Agent, the Fiscal Agent and a Tender Agent whereby such Tender Agent undertakes to perform the duties of the Tender Agent under this Appendix with respect to applicable subseries of Variable Rate Bonds (including, without limitation, the Series M-2 Bonds in connection with the expiration of the Initial Term Rate Period and the conversion of the interest rate thereon to an Interest Rate Period as provided in Section 2(ii) of the Series Resolution).

“Tender Date” means (i) the date on which any subseries of Variable Rate Bonds (including, without limitation, the Series M-2 Bonds upon the expiration of the Initial Term Rate Period and the conversion of the interest rate thereon to an Interest Rate Period as provided in Section 2(ii) of the Series Resolution) is required to be purchased pursuant to Section 27 hereof, and (ii) the Initial Indexed Put Date and the Annual Indexed Put Date as set forth in Section 13 hereof.

“Tender Price” means the purchase price to be paid to the Holders of Variable Rate Bonds or any subseries of Variable Rate Bonds (including, without limitation, the Series M-2 Bonds in connection with the expiration of the Initial Term Rate Period and the conversion of the

interest rate thereon to an Interest Rate Period as provided in Section 2(ii) of the Series Resolution) purchased pursuant to paragraphs (a), (b), (c), (d) and (e) of Section 27 hereof or Section 13 hereof, which shall be equal to the principal amount thereof tendered for purchase, without premium, plus accrued interest from the immediately preceding Interest Accrual Date to, but not including, the Tender Date (if the Tender Date is not an Interest Payment Date); provided, however, that in the case of a Conversion or attempted Conversion from a Long-Term Interest Rate Period on a date on which the Variable Rate Bonds or any subseries of Variable Rate Bonds being converted would otherwise be subject to optional redemption pursuant to Section 22(b) if such Conversion did not occur, the Tender Price shall also include the optional redemption premium, if any, provided for such date under Section 22(b)(iii).

“Trust Indenture Act” means the Trust Indenture Act of 1939, as amended, and any successor thereto.

“Undelivered Bond” means a Variable Rate Bond which constitutes an Undelivered Bond under the provisions of Section 27(h)(ii) hereof.

“Variable Rate Bonds” means (i) after the Initial Term Rate Period, the Series M-2 Bonds and (ii) at all times, the Series M-3 Bonds.

“Weekly Interest Rate” means the rate at which a Variable Rate Bond bears interest during a Weekly Interest Rate Period, as established in accordance with Section 4(d) hereof.

“Weekly Interest Rate Period” means a period commencing on a Conversion Date or any Thursday and extending to and including the next succeeding Wednesday.

SECTION 2. Interpretation. (a) Words of the masculine gender are deemed and construed to include correlative words of the feminine and neuter genders. “Person” shall mean any individual, partnership, association, corporation, joint venture, joint-stock company, unincorporated organization or government or any agency or political subdivision thereof. Words importing the singular number include the plural and vice versa.

(b) The terms “herein”, “hereunder”, “hereby”, “hereto”, “hereof” and any similar terms refer to this Appendix; and the term “heretofore” means before, and the term “hereafter” means after, the effective date of this Appendix.

(c) Sections and subsections mentioned by number and letter only are the respective Sections and subsections of this Appendix so numbered or lettered.

(d) Whenever any time of day or particular hour is specified herein, such time or hour shall be determined on the basis of Eastern Standard Time or Eastern Daylight Savings Time, whichever is then in effect in New York, New York.

SECTION 3. Certain Matters Concerning the Variable Rate Bonds. While the Variable Rate Bonds are ARS and except as otherwise specifically provided herein, the provisions of Sections 7 through 11 and Exhibit 1 hereto shall govern the interest rates per annum and the payment terms of such Variable Rate Bonds. While the Variable Rate Bonds are Indexed Put Rate Bonds and except as otherwise specifically provided herein, the provisions of

Sections 12 through 21 shall govern the interest rates per annum and the payment terms of such Variable Rate Bonds. The provisions of Section 4 shall govern the interest rates per annum and payment terms of Variable Rate Bonds (including, without limitation, the Series M-2 Bonds in connection with the expiration of the Initial Term Rate Period and the conversion of the interest rate thereon to an Interest Rate Period as provided in Section 2(ii) of the Series Resolution) other than Indexed Put Rate Bonds and ARS. Each subseries of Variable Rate Bonds may bear interest in a different interest rate mode and be in a different Interest Rate Period permitted under this Appendix, provided that all bonds of the same subseries of Variable Rate Bonds shall be in the same Interest Rate Period. References to “Variable Rate Bonds,” “Bond Insurer,” “Policy,” “Liquidity Facility Provider,” “Liquidity Facility,” “Remarketing Agent,” “Broker-Dealer,” and any other similar party or instrument shall mean the subseries of Variable Rate Bonds in question and the Bond Insurer, Policy, Liquidity Facility Provider, Liquidity Facility, Remarketing Agent, Broker-Dealer and/or other similar party or instrument related to such subseries of Variable Rate Bonds, as provided in the definitions contained in Section 1 of this Appendix and Article I of Exhibit 1 hereto.

For all purposes of this Appendix, the Variable Rate Bonds include the Series M-2 Bonds after the Initial Term Rate Period.

In addition to the subseries specified in the Series Resolution, at any time after the delivery of the Variable Rate Bonds, the Authority by a certificate delivered to the Fiscal Agent, the Tender Agent and each affected Remarketing Agent, the Bond Insurer and the Liquidity Facility Provider, and with the written consent of the Bond Insurer if any such consolidation or division would affect the Amortization Requirements of such Variable Rate Bonds or otherwise materially affect the rights of such Bond Insurer, may establish one or more other subseries and thereafter may consolidate into one subseries all or any portion of two or more subseries of the Variable Rate Bonds or divide all or a portion of a subseries so created or created upon a prior consolidation into two or more subseries. Variable Rate Bonds that mature on different dates shall not be consolidated into the same subseries, and Variable Rate Bonds that are insured by a Bond Insurer shall not be consolidated into a subseries containing any Variable Rate Bonds not so insured.

The Variable Rate Bonds to be redeemed in accordance with their respective Amortization Requirements shall, if prior thereto such Variable Rate Bonds have been divided into two or more subseries, be allocated to each such subseries pro rata as nearly as practicable based upon the principal amount of Variable Rate Bonds of each such subseries and maturity outstanding on the date on which such Variable Rate Bonds are subject to redemption, after giving effect to any consolidation or division of Variable Rate Bonds of or among subseries.

Prior to any such creation, consolidation or division, the Authority shall deliver to the Fiscal Agent, the Tender Agent and each affected Remarketing Agent, Bond Insurer and Liquidity Facility Provider, if any, a certificate setting forth for each Variable Rate Bond of a subseries, the CUSIP number, the aggregate principal amount thereof and the name of the Broker-Dealer, if any, therefor. If, as a consequence of any consolidation or division, there is a change in the Liquidity Facility for the Variable Rate Bonds of the subseries related thereto, such change shall be considered to be a substitution of a Liquidity Facility with respect to such Variable Rate Bonds for purposes of the mandatory tender provisions of this Appendix. Upon

any such consolidation, the Variable Rate Bonds of the subseries so consolidated shall constitute a single subseries for all purposes of this Appendix.

SECTION 4. Interest on Variable Rate Bonds Other than ARS and Indexed Put Bonds.

(a) General. Except as provided in (i) Exhibit 1 hereto with respect to the ARS, (ii) Sections 12 through 21 hereof with respect to Indexed Put Bonds, and (iii) Section 4(i) with respect to Bank Bonds, the interest rate and Interest Rate Period on and for the Variable Rate Bonds may be adjusted as set forth in this Section 4 hereof. All Variable Rate Bonds of a subseries shall bear interest at the same interest rate. Provisions set forth in this Section 4 hereof relate to interest rate and Interest Rate Period adjustments and may be applied to all Variable Rate Bonds or all Variable Rate Bonds of a particular subseries, whether or not so stated herein (including, without limitation, the Series M-2 Bonds in connection with the expiration of the Initial Term Rate Period and the conversion of the interest rate thereon to an Interest Rate Period as provided in Section 2(ii) of the Series Resolution).

No Variable Rate Bonds shall, at any time, bear interest in excess of the Maximum Bond Interest Rate, except that, as provided in Section 4(i) hereof, the interest rate paid by the Authority on Bank Bonds pursuant to any Liquidity Facility or agreement providing for a Liquidity Facility shall not exceed the Maximum Bank Bond Interest Rate.

(b) Payment of Interest. Interest on the Variable Rate Bonds shall be paid on each Interest Payment Date, any redemption date and on the date of maturity thereof.

(c) Interest Accrual and Payment. Except for Variable Rate Bonds bearing interest at a Long-Term Interest Rate, Auction Period Rate or Indexed Put Rate, interest on the Variable Rate Bonds shall accrue on the basis of the actual number of days elapsed during the Interest Rate Period and a year of 365 days (366 days in a leap year). Interest on the Variable Rate Bonds bearing interest at a Long-Term Interest Rate shall accrue on the basis of a 360-day year based on twelve 30-day months. Interest on Variable Rate Bonds bearing interest at the Auction Period Rate shall be computed on the basis of actual days over 365 days (366 days in a leap year) if the ARS are in an Auction Period of 180 days or less; if the ARS are in an Auction Period which is greater than 180 days, interest shall be computed on the basis of a 360 day year of twelve 30-day months. Interest accrual and payment provisions for Indexed Put Bonds shall be as set forth in Sections 12 through 21 hereof.

Interest shall be paid on the Variable Rate Bonds on each Interest Payment Date. Each Variable Rate Bond shall bear interest from and including the Interest Accrual Date immediately preceding the date of authentication thereof or, if such date of authentication is an Interest Accrual Date to which interest on such Variable Rate Bond has been paid in full or duly provided for, from such date of authentication or, if it is the first payment of interest on such Variable Rate Bond, the date thereof, to and including the day next preceding the Interest Payment Date as herein provided. However, if, as shown by the records of the Fiscal Agent, interest on the Variable Rate Bonds is in default, Variable Rate Bonds issued in exchange for Variable Rate Bonds surrendered for registration of transfer or exchange shall bear interest from the date to which interest has been paid in full on the Variable Rate Bonds so surrendered or, if no interest has been paid on such Variable Rate Bonds, from the date thereof.

For any Daily Interest Rate Period, interest on the Variable Rate Bonds shall be payable on each Interest Payment Date for the period commencing on the Interest Accrual Date preceding the prior Interest Payment Date and ending on the last day of such month.

For any Weekly Interest Rate Period, interest on the Variable Rate Bonds shall be payable on each Interest Payment Date for the period commencing on the immediately preceding Interest Accrual Date (or, if any Interest Payment Date is not a Thursday, commencing on and including the second preceding Interest Accrual Date) and ending on and including the Wednesday immediately preceding the Interest Payment Date (or, if sooner, the last day of the Weekly Interest Rate Period.)

For any Indexed Put Interest Rate Period, interest on the Variable Rate Bonds shall be payable on each Interest Payment Date for the period commencing on the immediately preceding Interest Accrual Date (or, if any Interest Payment Date is not a Thursday, commencing on and including the second preceding Interest Accrual Date) and ending on and including the Wednesday immediately preceding the Interest Payment Date (or, if sooner, the last day of the Indexed Put Interest Rate Period, as applicable.)

For any Short-Term Interest Rate Period or Long-Term Interest Rate Period, interest on the Variable Rate Bonds shall be payable on each Interest Payment Date for the period commencing on the immediately preceding Interest Accrual Date and ending on the day immediately preceding such Interest Payment Date.

In any event, interest on the Variable Rate Bonds shall be payable for the final Interest Rate Period to the date on which the Variable Rate Bonds have been paid in full.

Except when the Variable Rate Bonds are ARS, the terms of the Variable Rate Bonds shall be divided into consecutive Interest Rate Periods during each of which the Variable Rate Bonds shall bear interest at the Daily Interest Rate, Weekly Interest Rate, Bond Interest Term Rates, Long-Term Interest Rate or Indexed Put Rate. At any given time, all Variable Rate Bonds of a subseries shall bear interest at the same interest rate mode.

(d) Weekly Interest Rate and Weekly Interest Rate Period.

(i) *Determination of Weekly Interest Rate.* During each Weekly Interest Rate Period, Variable Rate Bonds shall bear interest at the Weekly Interest Rate, which shall be determined by the Remarketing Agent by 5:00 p.m. on Wednesday of each week during the Weekly Interest Rate Period, or if such day is not a Business Day, then on the next succeeding Business Day. The first Weekly Interest Rate for each Weekly Interest Rate Period shall be determined on or prior to the first day of such Weekly Interest Rate Period and shall apply to the period commencing on the first day of such Weekly Interest Rate Period and ending on and including the next succeeding Wednesday. Thereafter, each Weekly Interest Rate shall apply to the period commencing on and including Thursday and ending on and including the next succeeding Wednesday, unless such Weekly Interest Rate Period ends on a day other than Wednesday, in which event the last Weekly Interest Rate for such Weekly Interest Rate Period shall apply to the period commencing on and including the Thursday preceding the last day of such Weekly

Interest Rate Period and ending on and including the last day of such Weekly Interest Rate Period.

Each Weekly Interest Rate with respect to the Variable Rate Bonds shall be the rate of interest per annum determined by the Remarketing Agent (based on an examination of tax-exempt obligations comparable, in the judgment of the Remarketing Agent, to such Variable Rate Bonds and known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) to be the minimum interest rate which, if borne by such Variable Rate Bonds, would enable the Remarketing Agent to sell all of such Variable Rate Bonds on the effective date of that rate at a price (without regard to accrued interest) equal to the principal amount thereof.

If the Remarketing Agent fails to establish a Weekly Interest Rate for any week with respect to the Variable Rate Bonds bearing interest at such rate, then the Weekly Interest Rate for such week with respect to such Variable Rate Bonds shall be equal to the Index.

(ii) *Conversion to Weekly Interest Rate.* Subject to Section 5 hereof, the Authority may, from time to time, by written direction to the Fiscal Agent, the Tender Agent (if any), the Liquidity Facility Provider (if any), the Remarketing Agent (if any), the Auction Agent (if any), the Bond Insurer and the Broker-Dealers (if any), elect that Variable Rate Bonds shall bear interest at a Weekly Interest Rate. The direction of the Authority shall specify (A) the proposed effective date of the Conversion to a Weekly Interest Rate, which shall be (1) in each case (other than in connection with the designation of the first Interest Rate Period for the Series M-2 Bonds upon expiration of the Initial Term Rate Period), a Business Day not earlier than the 30th day following the second Business Day after receipt by the Fiscal Agent of such direction (and, in connection with the first Interest Rate Period for the Series M-2 Bonds upon expiration of the Initial Term Rate Period, if such first Interest Rate Period is to be a Weekly Interest Rate Period, July 1, 2017 or, if later, the day immediately following the last day of the Initial Term Rate Period), (2) in the case of a Conversion from a Long-Term Interest Rate Period, the day immediately following the last day of the then-current Long-Term Interest Rate Period or a day on which the Variable Rate Bonds would otherwise be subject to optional redemption pursuant to Section 22(b) if such Conversion did not occur, (3) in the case of a Conversion from a Short-Term Interest Rate Period, the day immediately following the last day of the Short-Term Interest Rate Period determined in accordance with Section 4(g)(iv) and (4) in the case of a Conversion from an ARS Rate Period, an Interest Payment Date immediately following an Auction Period, and (B) the Tender Date for the Variable Rate Bonds to be purchased, which shall be the proposed effective date of the Conversion to a Weekly Interest Rate. In addition, the direction of the Authority shall be accompanied by a form of notice to be mailed to the Holders of such Variable Rate Bonds by the Fiscal Agent as provided in Section 4(d)(iii). During each Weekly Interest Rate Period for the Variable Rate Bonds commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Interest Rate Period, the interest rate borne by such Variable Rate Bonds shall be a Weekly Interest Rate.

(iii) *Notice of Conversion to Weekly Interest Rate.* The Fiscal Agent shall give notice by first-class mail of a Conversion to a Weekly Interest Rate Period to the Holders of the Variable Rate Bonds being converted not less than 30 days (25 days, in the case of a Conversion of the Series M-2 Bonds to a Weekly Interest Rate Period upon expiration of the Initial Term Rate Period) prior to the proposed effective date of such Weekly Interest Rate Period. Such notice shall state (A) that the interest rate shall be converted to a Weekly Interest Rate unless the Authority rescinds its election to convert the interest rate to a Weekly Interest Rate as provided in Section 5(b); (B) the proposed effective date of the Weekly Interest Rate Period; (C) that such Variable Rate Bonds are subject to mandatory tender for purchase on the proposed effective date of the Weekly Interest Rate Period and setting forth the Tender Price and the place of delivery for purchase of the Variable Rate Bonds; and (D) the information set forth in Section 27(g).

(e) Daily Interest Rate and Daily Interest Rate Period.

(i) *Determination of Daily Interest Rate.* During each Daily Interest Rate Period, Variable Rate Bonds shall bear interest at the Daily Interest Rate, which shall be determined by the Remarketing Agent on each Business Day for such Business Day.

The Daily Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent (based on an examination of tax-exempt obligations comparable, in the judgment of the Remarketing Agent, to such Variable Rate Bonds and known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) on or before 10:30 a.m. on a Business Day to be the minimum interest rate which, if borne by such Variable Rate Bonds, would enable the Remarketing Agent to sell all of such Variable Rate Bonds on such Business Day at a price (without regard to accrued interest) equal to the principal amount thereof. The Daily Interest Rate for any day which is not a Business Day shall be the same as the Daily Interest Rate for the immediately preceding Business Day.

If for any reason a Daily Interest Rate for the Variable Rate Bonds is not so established for any Business Day by the Remarketing Agent, the Daily Interest Rate for such Business Day shall be equal to the Index.

(ii) *Conversion to Daily Interest Rate.* Subject to Section 5 hereof, the Authority may, from time to time, by written direction to the Bond Insurer, the Fiscal Agent, the Tender Agent (if any), the Liquidity Facility Provider (if any), the Remarketing Agent (if any), the Auction Agent (if any) and the Broker-Dealer (if any), elect that Variable Rate Bonds shall bear interest at a Daily Interest Rate. The direction of the Authority shall specify (A) the proposed effective date of such Conversion to a Daily Interest Rate, which shall be (1) in each case (other than in connection with the designation of the first Interest Rate Period for the Series M-2 Bonds upon expiration of the Initial Term Rate Period), a Business Day not earlier than the 30th day following the second Business Day after receipt by the Fiscal Agent of such direction (and, in connection with the first Interest Rate Period for the Series M-2 Bonds upon expiration of the Initial Term Rate Period, if such first Interest Rate Period is to be a Daily Interest Rate Period, July 1, 2017 or, if later, the day immediately following the last day of the

Initial Term Rate Period), (2) in the case of a Conversion from a Long-Term Interest Rate Period, the day immediately following the last day of the then-current Long-Term Interest Rate Period or a day on which the Variable Rate Bonds would otherwise be subject to optional redemption pursuant to Section 22(b) if such Conversion did not occur, (3) in the case of a Conversion from a Short-Term Interest Rate Period, the day immediately following the last day of the Short-Term Interest Rate Period determined in accordance with Section 4(g)(iv) and (4) in the case of a Conversion from an ARS Rate Period, an Interest Payment Date immediately following an Auction Period and (B) the Tender Date for the Variable Rate Bonds to be purchased, which shall be the proposed effective date of the Conversion to a Daily Interest Rate. In addition, the direction of the Authority shall be accompanied by a form of notice to be mailed to the Holders of the Variable Rate Bonds by the Fiscal Agent as provided in Section 4(e)(iii). During each Daily Interest Rate Period for the Variable Rate Bonds commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Interest Rate Period, the interest rate borne by such Variable Rate Bonds or any of Variable Rate Bonds shall be a Daily Interest Rate.

(iii) *Notice of Conversion to Daily Interest Rate.* The Fiscal Agent shall give notice by first-class mail of a Conversion to a Daily Interest Rate Period to the Holders of Variable Rate Bonds not less than 30 days (25 days, in the case of a Conversion of the Series M-2 Bonds to a Daily Interest Rate Period upon expiration of the Initial Term Rate Period) prior to the proposed effective date of such Daily Interest Rate Period. Such notice shall state (A) that the interest rate shall be converted to a Daily Interest Rate unless the Authority rescinds its election to convert the interest rate to a Daily Interest Rate as provided in Section 5(b); (B) the proposed effective date of the Daily Interest Rate Period; (C) that the Variable Rate Bonds are subject to mandatory tender for purchase on the proposed effective date of the Daily Interest Rate Period and setting forth the Tender Price and the place of delivery for purchase of such Variable Rate Bonds and (D) the information set forth in Section 27(g).

(f) Long-Term Interest Rate and Long-Term Interest Rate Period.

(i) *Determination of Long-Term Interest Rate.* During each Long-Term Interest Rate Period, Variable Rate Bonds shall bear interest at a Long-Term Interest Rate. The Long-Term Interest Rate for each Long-Term Interest Period shall be determined by the Remarketing Agent on a Business Day no later than the effective date of such Long-Term Interest Rate Period.

The Long-Term Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent (based on an examination of tax-exempt obligations comparable, in the judgment of the Remarketing Agent, to such Variable Rate Bonds and known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate at which the Remarketing Agent will agree to purchase such Variable Rate Bonds on such effective date for resale at a price (without regard to accrued interest) equal to the principal amount thereof.

(ii) *Conversion to Long-Term Interest Rate.*

(A) Subject to Section 5 hereof, at any time, the Authority, with the prior consent of the Bond Insurer, by written direction to the Fiscal Agent, the Tender Agent, the Liquidity Facility Provider (if any), the Remarketing Agent (if any), the Auction Agent (if any) and the Broker-Dealer (if any), may elect that Variable Rate Bonds shall bear, or continue to bear, interest at a Long-Term Interest Rate. The direction of the Authority (1) shall specify the duration of the Long-Term Interest Rate Period; (2) shall specify the proposed effective date of the Long-Term Interest Rate Period, which date shall be (x) in each case (other than in connection with the designation of the first Interest Rate Period for the Series M-2 Bonds upon expiration of the Initial Term Rate Period), a Business Day not earlier than the 30th day following the second Business Day after receipt by the Fiscal Agent of such direction (and, in connection with the first Interest Rate Period for the Series M-2 Bonds upon expiration of the Initial Term Rate Period, if such first Interest Rate Period is to be a Long-Term Interest Rate Period, July 1, 2017 or, if later, the day immediately following the last day of the Initial Term Rate Period), (y) in the case of a Conversion from a Short-Term Interest Rate Period, the day immediately following the last day of the Short-Term Interest Rate Period determined in accordance with Section 4(g)(iv) and (z) in the case of a Conversion from an ARS Rate Period, an Interest Payment Date immediately following an Auction Period; (3) shall specify the last day of the Long-Term Interest Rate Period (which last day shall be either the day immediately prior to the maturity date of said Variable Rate Bonds, or a day which both immediately precedes a Business Day and is at least 181 days after the effective date thereof); and (4) shall specify a Tender Date on which Holders of the Variable Rate Bonds in a Long-Term Rate Mode are required to deliver their Variable Rate Bonds to be purchased.

(B) The direction of the Authority described in Section 4(f)(ii)(A) shall be accompanied by a form of the notice to be mailed by the Fiscal Agent to the Holders of the Variable Rate Bonds to be converted as provided in Section 4(f)(iii). During the Long-Term Interest Rate Period, the interest rate on the Variable Rate Bonds shall be a Long-Term Interest Rate.

(C) If, by the second Business Day preceding the 29th day prior to the last day of any Long-Term Interest Rate Period with respect to the Variable Rate Bonds, the Fiscal Agent has not received notice of the Authority's election that, during the next succeeding Interest Rate Period, such Variable Rate Bonds shall bear interest at a Weekly Interest Rate, a Daily Interest Rate, the Auction Period Rate, an Indexed Put Rate or another Long-Term Interest Rate or at Bond Interest Term Rates, the next succeeding Interest Rate Period shall be a Weekly Interest Rate Period until such time as the interest rate shall be adjusted to a Daily Interest Rate or Long-Term Interest Rate or Bond Interest Term Rates or the Auction Period Rate or Indexed Put Rate as provided in this Section 4, Exhibit 1 hereto or Section 20, and such Variable Rate Bonds shall be subject to mandatory purchase

as provided in Section 27(d) hereof on the first day of such Weekly Interest Rate Period.

(iii) *Notice of Conversion to or Continuation of Long-Term Interest Rate.* The Fiscal Agent shall give notice by first-class mail of a Conversion to a (or the establishment of another) Long-Term Interest Rate Period to the Holders of the Variable Rate Bonds to be converted not less than 30 days (25 days, in the case of a Conversion of the Series M-2 Bonds to a Long-Term Interest Rate Period upon expiration of the Initial Term Rate Period) prior to the effective date of the Long-Term Interest Rate Period. Such notice shall state (A) that the interest rate shall be converted to, or continue to be, a Long-Term Interest Rate unless (1) the Authority rescinds its election to convert the interest rate to a Long-Term Interest Rate as provided in Section 5(b) or (2) all such Variable Rate Bonds are not remarketed at a Long-Term Interest Rate; (B) the proposed effective date, duration and last day of the Long-Term Interest Rate Period; (C) that such Variable Rate Bonds are subject to mandatory tender for purchase on such proposed effective date and setting forth the Tender Price and the place of delivery for purchase of the Variable Rate Bonds; and (D) the information set forth in Section 27(g).

(iv) *Conversion from Long-Term Interest Rate Period.* The Authority may elect, by written direction to the Fiscal Agent, the Bond Insurer, the Tender Agent (if any), the Liquidity Facility Provider (if any) and the Remarketing Agent (if any), subject to Section 5 hereof, that, on the day immediately following the last day of a Long-Term Interest Rate Period or a day on which the Variable Rate Bonds would otherwise be subject to optional redemption pursuant to Section 22(b), Variable Rate Bonds shall no longer bear interest at the current Long-Term Interest Rate and shall instead bear interest at a Weekly Interest Rate, a Daily Interest Rate, Bond Interest Term Rates, the Auction Period Rate, the Indexed Put Rate or a new Long-Term Interest Rate, as specified in such election. In the notice of such election, the Authority shall also specify the effective date of the new Interest Rate Period, which date (1) shall be a Business Day no earlier than the 30th day after the second Business Day following the date of receipt by the Fiscal Agent of the notice of election from the Authority or, in the case of adjustment to a new Long-Term Interest Rate Period, the 30th day after the second Business Day following the date of receipt by the Fiscal Agent of such notice and (2) shall be the day immediately following the last day of the Long-Term Interest Rate Period currently in effect or a day on which such Variable Rate Bonds would otherwise be subject to optional redemption pursuant to Section 22(b) if such Conversion did not occur. Such Variable Rate Bonds shall be subject to mandatory tender for purchase on the effective date of the new Interest Rate Period, in accordance with Section 27(d).

(g) Bond Interest Term Rates and Short-Term Interest Rate Periods.

(i) *Determination of Bond Interest Terms and Bond Interest Term Rates.* During each Short-Term Interest Rate Period, Variable Rate Bonds shall bear interest during each Bond Interest Term at the Bond Interest Term Rate for such Variable Rate Bonds. The Bond Interest Term and the Bond Interest Term Rate for such Variable Rate Bonds need not be the same for any two subseries of Variable Rate Bonds, even if determined on the same date. Each Bond Interest Term and Bond Interest Term Rate

shall be determined by the Remarketing Agent no later than the first day of each Bond Interest Term. Except for any Variable Rate Bonds purchased on behalf of the Authority and remaining unsold by the Remarketing Agent at the close of business on the first day of the Bond Interest Term, each Bond Interest Term shall be for a period of days within the range or ranges announced by the Remarketing Agent as possible Bond Interest Terms no later than 10:00 a.m. on the first day of each Bond Interest Term. Each Bond Interest Term shall be a period of not more than 180 days, determined by the Remarketing Agent in its reasonable judgment to be the period which, together with all other Bond Interest Terms for all Variable Rate Bonds bearing interest at Bond Interest Term Rates then outstanding, will result in the lowest overall interest expense on such Variable Rate Bonds. Any Variable Rate Bonds in a Short-Term Rate Mode purchased on behalf of the Authority and remaining unsold by the Remarketing Agent as of the close of business on the first day of the Bond Interest Term for such Variable Rate Bonds shall have a Bond Interest Term of one day or, if that Bond Interest Term would not end on a day immediately preceding a Business Day, a Bond Interest Term ending on the day immediately preceding the next Business Day. Each Bond Interest Term shall end either on a day which immediately precedes a Business Day or on a day immediately preceding the maturity date for such Variable Rate Bonds. If for any reason a Bond Interest Term for any Variable Rate Bonds bearing interest at Bond Interest Term Rates cannot be determined by the Remarketing Agent, or if the determination of such Bond Interest Term is held by a court of law to be invalid or unenforceable, then such Bond Interest Term shall be 30 days, but if the day so determined is not a day immediately preceding a Business Day, that Bond Interest Term shall end on the first day immediately preceding the Business Day next succeeding such last day, or if such last day would be after the day immediately preceding the maturity date for said Variable Rate Bonds, the Bond Interest Term shall end on the day immediately preceding such maturity date. In determining the number of days in each Bond Interest Term, the Remarketing Agent shall take into account the following factors: (1) existing short-term tax-exempt market rates and indices of such short-term rates, (2) the existing market supply and demand for short-term tax-exempt securities, (3) existing yield curves for short-term and long-term tax-exempt securities for obligations of credit quality and other characteristics comparable to the Variable Rate Bonds bearing interest at Bond Interest Term Rates, (4) general economic conditions, (5) industry, economic and financial conditions that may affect or be relevant to the Variable Rate Bonds, and (6) such other facts, circumstances and conditions pertaining to financial markets as the Remarketing Agent in its sole discretion shall determine to be relevant; provided, however, that the number of days in any Bond Interest Term shall not exceed the number of days of interest coverage provided under the applicable Liquidity Facility less five days and no Bond Interest Term shall end after the date which is five Business Days prior to the expiration date of the Liquidity Facility.

The Bond Interest Term Rate for each Bond Interest Term for Variable Rate Bonds in a Short-Term Interest Rate Period shall be the rate of interest per annum determined by the Remarketing Agent (based on an examination of tax-exempt obligations comparable, in the reasonable judgment of such Remarketing Agent, to such Variable Rate Bonds and known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by such Variable Rate Bonds for such Bond Interest Term, would enable the Remarketing

Agent to sell such Variable Rate Bonds on the effective date of such Bond Interest Term at a price equal to the principal amount thereof.

If for any reason a Bond Interest Term Rate for any Variable Rate Bonds in a Short-Term Interest Rate Period (other than a Bank Bond) is not established by the Remarketing Agent for any Bond Interest Term, or the determination of such Bond Interest Term Rate is held by a court of law to be invalid or unenforceable, then the Bond Interest Term Rate for such Bond Interest Term, as determined by the Remarketing Agent, shall be the rate per annum equal to 95% of the interest rate on high-grade unsecured commercial paper notes sold through dealers by major corporations as reported in The Wall Street Journal as reported on the first day of such Bond Interest Term and which maturity most nearly equals the Bond Interest Term for which a Bond Interest Term Rate is being calculated.

(ii) *Conversion to Bond Interest Term Rates.* Subject to Section 5 hereof, the Authority may, from time to time, by written direction to the Bond Insurer, the Fiscal Agent, the Tender Agent (if any), the Liquidity Facility Provider (if any), the Remarketing Agent (if any), the Auction Agent (if any) and the Broker-Dealers (if any), elect that Variable Rate Bonds shall bear interest at Bond Interest Term Rates. The direction of the Authority shall specify (A) the proposed effective date of the Short-Term Interest Rate Period (during which such Variable Rate Bonds shall bear interest at Bond Interest Term Rates), which shall be (1) in each case (other than in connection with the designation of the first Interest Rate Period for the Series M-2 Bonds upon expiration of the Initial Term Rate Period), a Business Day not earlier than the 30th day following the second Business Day after receipt by the Fiscal Agent of such direction (and, in connection with the first Interest Rate Period for the Series M-2 Bonds upon expiration of the Initial Term Rate Period, if such first Interest Rate Period is to be a Short-Term Interest Rate Period, July 1, 2017 or, if later, the day immediately following the last day of the Initial Term Rate Period), (2) in the case of a Conversion from a Long-Term Interest Rate Period, the day immediately following the last day of such Long-Term Interest Rate Period or a day on which such Variable Rate Bonds would otherwise be subject to optional redemption pursuant to Section 22(b) if such Conversion did not occur and (3) in the case of a Conversion from an ARS Rate Period, an Interest Payment Date immediately following an Auction Period, and (B) the Tender Date for such Variable Rate Bonds to be purchased, which shall be the proposed effective date of the Short-Term Interest Rate Period. In addition, the direction of the Authority shall be accompanied by a form of the notice to be mailed by the Fiscal Agent to the Holders of such Variable Rate Bonds as provided in Section 4(g)(iii). During each Short-Term Interest Rate Period commencing on the date specified and ending on the day immediately preceding the effective date of the next succeeding Interest Rate Period, the Variable Rate Bonds in a Short-Term Interest Rate Mode shall bear interest at a Bond Interest Term Rate during each Bond Interest Term for such Variable Rate Bonds.

(iii) *Notice of Conversion to Bond Interest Term Rates.* The Fiscal Agent shall give notice by first-class mail of a Conversion to a Short-Term Interest Rate Period to the Holders of the Variable Rate Bonds to be converted not less than 30 days (25 days, in the case of a Conversion of the Series M-2 Bonds to a Short-Term Interest Rate Period upon

expiration of the Initial Term Rate Period) prior to the proposed effective date of such Short-Term Interest Rate Period. Such notice shall state (A) that the such Variable Rate Bonds shall bear interest at Bond Interest Term Rates unless the Authority rescinds its election to convert the interest rate to Bond Interest Term Rates as provided in Section 5(b); (B) the proposed effective date of the Short-Term Interest Rate Period; (C) that such Variable Rate Bonds are subject to mandatory tender for purchase on the proposed effective date of the Short-Term Interest Rate Period and setting forth the applicable Tender Price and the place of delivery for purchase of such Variable Rate Bonds; and (D) the information set forth in Section 27(g).

(iv) *Conversion from Short-Term Interest Rate Period.* Subject to Section 5 hereof, at any time during a Short-Term Interest Rate Period, the Authority may elect, pursuant to Sections 4(d)(ii), 4(e)(ii), 4(f)(ii), Exhibit 1 hereto or Section 20 that Variable Rate Bonds shall no longer bear interest at Bond Interest Term Rates and shall bear interest at a Weekly Interest Rate, a Daily Interest Rate, a Long-Term Interest Rate, the Auction Period Rate, or the Indexed Put Rate as specified in such election.

The date on which all Bond Interest Terms determined for the Variable Rate Bonds in a Short-Term Rate Bond shall end shall be the last day of the current Short-Term Interest Rate Period with respect thereto and the day next succeeding such date shall be the maturity date for said Variable Rate Bonds or the effective date of the Daily Interest Rate Period, Weekly Interest Rate Period, Long-Term Interest Rate Period, ARS Rate Period or Indexed Put Interest Rate Period elected by the Authority for such Variable Rate Bonds.

(h) Determinations of Remarketing Agent and Fiscal Agent Binding. The determination for the Variable Rate Bonds of the Daily Interest Rate, Weekly Interest Rate and Long-Term Interest Rate and each Bond Interest Term and Bond Interest Term Rate by the Remarketing Agent and, for Variable Rate Bonds bearing interest at the Indexed Put Rate, the determination by the Fiscal Agent of the applicable Index and of the Applicable Spread, shall be conclusive and binding upon the Authority, the Fiscal Agent, the Tender Agent, the Remarketing Agent, the Liquidity Facility Provider and the Bondholders, as applicable.

(i) Bank Bonds. Notwithstanding anything in this Appendix to the contrary, the Bank Bonds shall bear interest at the Bank Bond Rate for the period commencing from the date that the Liquidity Facility Provider shall have purchased such Variable Rate Bonds and, subject to Section 40, continuing until the Liquidity Facility Provider (or a purchaser from the Liquidity Facility Provider other than a purchaser which purchased such Variable Rate Bonds through the Remarketing Agent) shall no longer be the owner of such Variable Rate Bonds; and such interest shall accrue and be payable on any Interest Payment Date for Bank Bonds.

(j) Series M-2 Bonds. During the Initial Term Rate Period, the Series M-2 Bonds shall not be Variable Rate Bonds and shall be issued in denominations, shall bear interest at such rates, shall be payable on such dates and shall have other terms and provisions as set forth in Section 2(ii) of the Series Resolution. After the end of the Initial Term Rate Period, the Series M-2 Bonds shall be Variable Rate Bonds and shall bear interest at such rates, shall be payable on

such dates and shall have such other terms and provisions as set forth or provided for in this Appendix.

SECTION 5. Conversion of Interest Rate Periods. At the direction of the Authority, with the consent of the Bond Insurer, from time to time, a subseries of Variable Rate Bonds may be converted, in whole, from an Interest Rate Period to another Interest Rate Period as provided in Sections 4(d)(ii), 4(e)(ii), 4(f)(ii), 4(g)(ii), Exhibit 1 hereto or Section 20. Additional provisions relating to conversion of Indexed Put Bonds from an Indexed Put Interest Rate Period to another Interest Rate Period are set forth in Section 17 hereof. In the event that the Authority is in default under any of its obligations relating to a subseries of Variable Rate Bonds, the Bond Insurer for such subseries shall succeed to any rights of the Authority to direct a conversion of the interest rate on such Variable Rate Bonds.

(a) Notice Upon Converting Interest Rate. If the Authority elects to convert the interest rate of Variable Rate Bonds to a Weekly Interest Rate, a Daily Interest Rate, a Long-Term Interest Rate, Bond Interest Term Rates, the Auction Period Rate or the Indexed Put Rate as provided in Sections 4(d)(ii), 4(e)(ii), 4(f)(ii), 4(g)(ii), Exhibit 1 hereto or Section 20, respectively, the written direction furnished by the Authority to the Fiscal Agent, the Tender Agent (if any), the Liquidity Facility Provider (if any), the Remarketing Agent (if any), the Auction Agent (if any), the Bond Insurer and the Broker-Dealer (if any) as required by those Sections shall be made by registered or certified mail, or by telecopy confirmed by registered or certified mail. That direction shall specify whether the Variable Rate Bonds are to bear interest at the Weekly Interest Rate, Daily Interest Rate, Long-Term Interest Rate, Bond Interest Term Rates, Auction Period Rate or Indexed Put Rate and shall be accompanied by (a) a copy of the notice required to be given by the Fiscal Agent pursuant to Sections 4(d)(iii), 4(e)(iii), 4(f)(iii), 4(g)(iii), Exhibit 1 hereto or Section 20, as the case may be, and (b) a Favorable Opinion of Bond Counsel.

(b) Rescission of Election. Notwithstanding anything in Section 4, Exhibit 1 hereto, Section 20 or this Section 5, in connection with any Conversion of the Interest Rate Period for Variable Rate Bonds, the Authority shall have the right to deliver to the Fiscal Agent, the Bond Insurer, the Remarketing Agent (if any), the Tender Agent (if any), the Liquidity Facility Provider (if any), the Auction Agent (if any) and the Broker-Dealer (if any) on or prior to 11:00 a.m. on the second Business Day preceding the effective date of any such Conversion a notice to the effect that the Authority elects to rescind its election to make such Conversion; provided however, that if the proposed Conversion is from an Indexed Put Interest Rate Period, such notice of rescission shall be delivered no later than the 10th Business Day preceding the effective date of such Conversion. If the Authority rescinds its election to make such Conversion, then the Variable Rate Bonds to which such rescission relates shall bear interest at a Weekly Interest Rate commencing on the date which would have been the effective date of the Conversion; provided, however, that (i) if the Variable Rate Bonds were in a Daily Interest Rate Period immediately prior to such proposed Conversion, then the Variable Rate Bonds shall continue to bear interest at the Daily Interest Rate as in effect immediately prior to such proposed Conversion, (ii) if the Variable Rate Bonds were ARS immediately prior to such proposed Conversion, then the Variable Rate Bonds shall continue to bear interest at the Auction Period as provided in Exhibit 1 hereto and (iii) if the Variable Rate Bonds were Indexed Put Bonds immediately prior to such proposed Conversion, then the Variable Rate Bonds shall continue to bear interest at the Indexed

Put Rate as in effect immediately prior to such proposed Conversion. In any event, if notice of a Conversion has been mailed to the Holders of such Variable Rate Bonds as provided in Section 4, Exhibit 1 hereto or Section 20 and the Authority rescinds its election to make such Conversion, then the Variable Rate Bonds (except ARS and Indexed Put Bonds) shall continue to be subject to mandatory tender for purchase on the date which would have been the effective date of the Conversion as provided in Section 27(d).

(c) Certain Additional Conditions. No Conversion from one Interest Rate Period or, in the case of the Series M-2 Bonds from the Initial Term Rate Period, to another Interest Rate Period shall take effect under this Appendix unless each of the following conditions, to the extent applicable, shall have first been satisfied.

(i) With respect to the new Interest Rate Period, there shall be in effect a Liquidity Facility if and as required under Section 30, and with the number of days and other coverage required by the Rating Agency.

(ii) The Fiscal Agent shall have received a Favorable Opinion of Bond Counsel with respect to such Conversion dated the effective date of such Conversion.

(iii) In the case of any Conversion with respect to which there shall be no Liquidity Facility in effect to provide funds for the purchase of Variable Rate Bonds on the Conversion Date, the remarketing proceeds available on the Conversion Date shall not be less than the amount required to purchase all of the Variable Rate Bonds at the Tender Price (not including any premium).

(iv) In the case of any Conversion of Variable Rate Bonds from any ARS Rate Period to any other Interest Rate Period (except a Long-Term Interest Rate Period effective to the maturity date of said Variable Rate Bonds or to an Indexed Put Interest Rate Period), prior to the Conversion Date the Authority shall have appointed a Tender Agent, a Remarketing Agent and a Liquidity Facility Provider (if the Authority has elected to provide a Liquidity Facility in the Long-Term Interest Rate Period) and there shall have been executed and delivered a Tender Agent Agreement, a Remarketing Agreement and a Liquidity Facility (if the Authority has elected to provide a Liquidity Facility in the Long-Term Interest Rate Period). In the event that such Liquidity Facility is not an Alternate Liquidity Facility as defined in this Appendix, such Liquidity Facility nonetheless shall meet all the requirements of an Alternate Liquidity Facility set forth in Section 31 as well as those provided in Section 30(b).

(v) In the case of any Conversion of Variable Rate Bonds from any Weekly Interest Rate Period, Daily Interest Rate Period, Long-Term Interest Rate Period, Short-Term Interest Rate Period or Indexed Put Interest Rate Period, or in the case of the Series M-2 Bonds from the Initial Term Rate Period, to an ARS Rate Period, prior to the Conversion Date the Authority shall have appointed an Auction Agent, and one or more Broker-Dealers and there shall have been executed and delivered an Auction Agreement and one or more Broker-Dealer Agreements.

(vi) In the case of any Conversion of Variable Rate Bonds to any Indexed Put Interest Rate Period, prior to the Conversion Date, the Authority shall have appointed a Tender Agent and a Remarketing Agent.

(d) Failure to Meet Conditions. In the event that any condition to the Conversion of the Variable Rate Bonds shall not have been satisfied as provided in this Section 5 or otherwise under this Appendix, then (i) the Variable Rate Bonds shall bear interest at a Weekly Interest Rate commencing on the date which would have been the effective date of the Conversion; provided, however, that (A) if the Variable Rate Bonds were ARS immediately prior to such proposed Conversion, then the Variable Rate Bonds shall remain ARS and shall bear interest and be in an Auction Period as provided in Exhibit 1 hereto, (B) if the Variable Rate Bonds were Indexed Put Bonds immediately prior to such proposed Conversion, then such Variable Rate Bonds shall bear interest as provided in Section 21 hereof and (C) if the Variable Rate Bonds were Series M-2 Bonds in the Initial Term Rate Period, then such Series M-2 Bonds shall remain in the Initial Term Rate Period but shall bear interest at the rate per annum of ten (10%) percent until such Series M-2 Bonds are successfully remarketed to a new Interest Rate Period, and (ii) the Variable Rate Bonds (except ARS, Indexed Put Bonds or Series M-2 Bonds upon expiration of the Initial Term Rate Period) shall continue to be subject to mandatory tender for purchase on the date which would have been the effective date of the Conversion as provided in Section 27(d).

SECTION 6. Method and Place of Payment. Principal of and premium, if any, on the Variable Rate Bonds, other than Indexed Put Bonds which shall be paid as provided in Section 12(c) hereof, shall be paid upon presentation and surrender thereof at the designated corporate trust office of the Fiscal Agent. Interest on the Variable Rate Bonds, other than Indexed Put Bonds which shall be paid as provided in Section 12(c) hereof, shall be paid by the Fiscal Agent on the applicable payment dates (i) in the case of Variable Rate Bonds other than Variable Rate Bonds bearing interest at a Long-Term Interest Rate, by wire transfer of immediately available funds to the respective Holders thereof on the applicable Record Date to an account specified by the Holder thereof in a writing delivered to the Fiscal Agent, and (ii) in the case of Variable Rate Bonds bearing interest at the Long-Term Interest Rate, by check mailed by the Fiscal Agent to the respective Holders thereof on the applicable Record Date at their addresses as they appear as of the close of business on the applicable Record Date in the books kept by the Fiscal Agent, except that in the case of a Holder of \$1,000,000 or more in aggregate principal amount of such Variable Rate Bonds, upon the written request of such Holder to the Fiscal Agent, specifying the account or accounts to which such payment shall be made, such payments shall be made by wire transfer of immediately available funds on the applicable payment date following such Record Date. Any request referred to in clause (ii) of the preceding sentence shall remain in effect until revoked or revised by such Holder by an instrument in writing delivered to the Fiscal Agent.

SECTION 7. Auction Procedures. While Variable Rate Bonds bear interest at an Auction Period Rate, the Auction Rate shall be determined as set forth in Exhibit 1 hereto.

Upon its receipt of notice of the Auction Rate from the Auction Agent in accordance with the terms of Section 2.06(c) of Exhibit 1 hereto, the Fiscal Agent shall calculate and notify the Authority of the amount payable on the Variable Rate Bonds on each Interest Payment Date.

SECTION 8. Broker-Dealers.

(a) Each Broker-Dealer shall be appointed by the Authority pursuant to a Broker-Dealer Agreement to perform the duties of a Broker-Dealer described herein. A Broker-Dealer shall act as such under its Broker-Dealer Agreement.

(b) A Broker-Dealer may at any time resign and be discharged of the duties and obligations created by this Appendix as set forth in its Broker-Dealer Agreement. A Broker-Dealer may suspend its efforts as set forth in its Broker-Dealer Agreement. The Auction Agent upon the written direction of the Authority, may terminate the Broker-Dealer Agreement at any time on five Business Days' notice to the other parties thereto; and provided that the Broker-Dealer Agreement shall terminate upon the resignation or removal of the Broker-Dealer. Any successor Broker-Dealer shall be selected by the Authority, and shall be a member of the National Association of Securities Dealers, Inc., shall have a capitalization of at least fifteen million dollars (\$15,000,000) and shall be authorized by law to perform all the duties set forth in this Appendix. The Authority's delivery to the Fiscal Agent of a certificate setting forth the effective date of the appointment of a successor or additional Broker-Dealer and the name of such successor or additional Broker-Dealer shall be conclusive evidence that: (i) if applicable, the predecessor Broker-Dealer has been removed in accordance with the provisions of this Appendix; and (ii) such successor or additional Broker-Dealer has been appointed and is qualified to act as Broker-Dealer under the terms this Appendix.

(c) If a Broker-Dealer consolidates with, merges or converts into, transfers all or substantially all of its assets (or, in the case of a bank, national banking association or trust company, its corporate assets) to, another corporation, or transfers its broker-dealer business unit to another Person, the resulting or transferee corporation without any further act shall be the successor Broker-Dealer.

SECTION 9. Auction Agent.

(a) The Auction Agent shall be appointed by the Fiscal Agent at the written direction of the Authority with the consent of the Bond Insurer, to perform the functions specified herein. The Auction Agent shall signify its acceptance of the duties and obligations imposed upon it hereunder by the execution and delivery of the Auction Agreement.

(b) Subject to any applicable governmental restrictions, the Auction Agent may be or become the owner of or trade in the Variable Rate Bonds with the same rights as if such entity were not the Auction Agent.

SECTION 10. Qualifications of Auction Agent; Resignation; Removal. The Auction Agent shall be (a) a bank or trust company organized under the laws of the United States or any state or territory thereof having a combined capital stock, surplus and undivided profits of at least \$30,000,000, or (b) a member of NASD having a capitalization of at least \$30,000,000 and, in either case, authorized by law to perform all the duties imposed upon it by this Appendix and a member of or a participant in, the Securities Depository. The Auction Agent may at any time resign and be discharged of the duties and obligations created by this Appendix or may be removed as provided in the Auction Agreement. Upon any such resignation or removal, the

Fiscal Agent, at the direction of the Authority, shall appoint a successor Auction Agent meeting the requirements of this section. In the event of the resignation or removal of the Auction Agent, the Auction Agent shall pay over, assign and deliver any moneys and Variable Rate Bonds held by it in such capacity to its successor. The Auction Agent shall continue to perform its duties until its successor has been appointed by the Fiscal Agent; provided, however, that if a successor Auction Agent has not been appointed within 45 days of the giving of such notice of resignation or removal of the Auction Agent, the Auction Agent may petition a court of competent jurisdiction to appoint a substitute Auction Agent. In the event that the Auction Agent has not been compensated for its services, the Auction Agent may resign by giving forty-five (45) days notice to the Authority, the Bond Insurer and the Fiscal Agent even if a successor Auction Agent has not been appointed.

SECTION 11. Conversions to and from ARS Rate Periods.

(a) Conversions to ARS Rate Periods. At the option of the Authority, (x) Variable Rate Bonds (in an amount which is an Authorized Denomination for the new Interest Rate Period) may be converted from a Daily Interest Rate Period, a Weekly Interest Rate Period, a Short-Term Interest Rate Period, a Long-Term Interest Rate Period or an Indexed Put Interest Rate Period, and (y) Series M-2 Bonds upon the expiration of the Initial Term Rate Period may be converted from the interest rates borne by such Series M-2 Bonds during such Initial Term Rate Period, to an ARS Rate Period. Any such conversion shall be made as follows:

(i) In any such conversion from a Daily Interest Rate Period or a Weekly Interest Rate Period the ARS Conversion Date shall be a regularly scheduled Interest Payment Date on which interest is payable for the Interest Rate Period from which the conversion is to be made; provided, however, that if the conversion is from a Short-Term Interest Rate Period, the ARS Conversion Date shall be a regularly scheduled Interest Payment Date on which a new Bond Interest Term would otherwise have commenced, and in any such conversion from an Indexed Put Interest Rate Period, the ARS Conversion Date shall be the last regularly scheduled Interest Payment Date on which interest is payable for any Interest Period theretofore established for the Variable Rate Bonds to be converted.

(ii) The Authority shall give written notice of any such conversion to the Remarketing Agent, the Fiscal Agent, the Bond Insurer, the Auction Agent, the Broker-Dealer and the Liquidity Facility Provider not less than seven (7) Business Days prior to the date on which the Fiscal Agent is required to notify the registered owners of the conversion pursuant to subparagraph (iii) below. Such notice shall specify the Variable Rate Bonds to be converted, the ARS Conversion Date, the length of the Initial Period, the first Auction Date, the first Interest Payment Date following the ARS Conversion Date and the initial Auction Period. Together with such notice, the Authority shall file with the Fiscal Agent a Favorable Opinion of Bond Counsel to the effect that the conversion of the Variable Rate Bonds to an ARS Rate Period shall not adversely affect the validity of the Variable Rate Bonds or any exclusion from gross income for federal income tax purposes to which interest on the Variable Rate Bonds would otherwise be entitled. No such change to an ARS Rate Period shall become effective unless the Authority shall also file, with the Fiscal Agent, a Favorable Opinion of Bond Counsel to

the same effect dated the ARS Conversion Date nor unless the Authority shall obtain the consent of the Bond Insurer.

(iii) Not less than fifteen (15) days prior to the ARS Conversion Date, the Fiscal Agent shall mail a written notice of the conversion to the registered owners of all Variable Rate Bonds to be converted setting forth the same information contained in subparagraph (ii) above and stating that the Variable Rate Bonds shall be subject to mandatory tender at a purchase price equal to 100% of the principal amount thereof plus accrued interest on the ARS Conversion Date; provided, however, that the Fiscal Agent shall not mail such written notice if converting from a Short-Term Interest Rate Period until it has received a written confirmation from the Remarketing Agent that no Bond Interest Term for the Variable Rate Bonds extends beyond the ARS Conversion Date.

(iv) The Broker-Dealer shall establish the Initial Period Rate and give notice thereof as provided in the Broker-Dealer Agreement.

(v) The Authority may revoke its election to effect a conversion of the interest rate on any Variable Rate Bonds to an Auction Rate by giving written notice of such revocation to the Fiscal Agent, the Remarketing Agent, the Liquidity Facility Provider, the Bond Insurer, the Auction Agent and the Broker-Dealer at any time prior to the setting of the Auction Rate by the Broker-Dealer.

(vi) No Variable Rate Bonds may be converted to the Auction Period Rate when the Variable Rate Bonds are not held by a depository in book-entry form.

(vii) Any conversion to the Auction Period Rate or from one Auction Period to another Auction Period shall be conditioned upon receipt of a firm underwriting commitment or contract of purchase from an investment bank or other purchaser acceptable to the Bond Insurer.

(viii) In the event that Conversion fails for any reason, the Variable Rate Bonds (other than Series M-2 Bonds upon the expiration of the Initial Term Rate Period) (i) should remain in the interest mode or Auction Period from which the conversion was attempted if such Interest Rate Period is a Daily Interest Rate Period, an ARS Rate Period a Weekly Interest Rate Period, a Short-Term Interest Rate Period or an Indexed Put Interest Rate Period or (ii) should automatically be converted to a Daily Interest Rate Period, a Weekly Interest Rate Period, a Short-Term Interest Rate Period or an Indexed Put Interest Rate Period. In the event that upon expiration of the Initial Term Rate Period the Series M-2 Bonds are to be converted to an ARS Rate Period and such Conversion fails, the Series M-2 Bonds shall remain in the Initial Term Rate Period but shall bear interest at the rate per annum of ten (10%) percent until such Series M-2 Bonds are successfully remarketed to a new Interest Rate Period.

(b) Conversions from ARS Rate Periods. At the option of the Authority, all of a subseries of the Variable Rate Bonds (in an amount which is an Authorized Denomination for the new Interest Rate Period) may be converted from an ARS Rate Period to a Daily Interest Rate Period, a Weekly Interest Rate Period, a Short-Term Interest Rate Period, a Long-Term

Interest Rate Period or an Indexed Put Interest Rate Period. Any such conversion shall be made as follows:

(i) The Conversion Date from an ARS Rate Period shall be the Interest Payment Date following the final Auction Period.

(ii) The Authority shall give written notice of any such conversion to the Fiscal Agent, the Remarketing Agent, if any, the Bond Insurer, the Auction Agent and the Broker-Dealer not less than seven (7) Business Days prior to the date on which the Fiscal Agent is required to notify the registered owners of the conversion pursuant to subparagraph (iii) below. Such notice shall specify the ARS to be converted, the Conversion Date and the new Interest Rate Period to which the conversion shall be made. Together with such notice, the Authority shall file with the Fiscal Agent a Favorable Opinion of Bond Counsel to the effect that the conversion of the Variable Rate Bonds to be converted shall not adversely affect the validity of the Variable Rate Bonds or any exclusion from gross income for federal income tax purposes to which interest on the Variable Rate Bonds would otherwise be entitled. No change to a Daily Interest Rate Period, a Weekly Interest Rate Period, a Short-Term Interest Rate Period, a Long-Term Interest Rate Period or an Indexed Put Interest Rate Period shall become effective unless the Authority shall also file, with the Fiscal Agent, a Favorable Opinion of Bond Counsel to the same effect dated the Conversion Date.

(iii) Not less than twenty (20) days prior to the Conversion Date, the Fiscal Agent shall mail a written notice of the conversion to the registered owners of all Variable Rate Bonds to be converted, specifying the Conversion Date.

(iv) At anytime prior to 10:00 a.m. time on the Business Day immediately preceding the Conversion Date the Authority may withdraw its notice of conversion and the auction for such Variable Rate Bonds shall be held on such Auction Date as if no conversion notice had ever been given. If on a Conversion Date the conversion notice has not been withdrawn as set forth in the preceding sentence and any condition precedent to such conversion has not been satisfied, the Fiscal Agent shall give notice by Electronic Means as soon as practicable and in any event not later than the next succeeding Business Day to the registered owner of the Variable Rate Bonds to have been converted, the Auction Agent, the Broker-Dealer and the Bond Insurer that such conversion has not occurred, that the Variable Rate Bonds shall not be purchased on the failed Conversion Date, that the Auction Agent shall continue to implement the auction procedures on the Auction Dates with respect to such Variable Rate Bonds which otherwise would have been converted excluding however, the Auction Date falling on the Business Day next preceding the failed Conversion Date, and that the interest rate shall continue to be the Auction Period Rate; provided, however, that the interest rate borne by the Variable Rate Bonds which otherwise would have been converted during the Auction Period commencing on such failed Conversion Date shall be the Maximum Interest Rate, and the Auction Period shall be the seven-day Auction Period.

(v) Except in the case of a conversion to a Long-Term Interest Rate Period, a Liquidity Facility meeting the requirements of Section 30 hereof shall be in effect on the Conversion Date.

On the Conversion Date applicable to the Variable Rate Bonds to be converted, the Variable Rate Bonds to be converted shall be subject to mandatory tender at a purchase price equal to 100% of the principal amount thereof, plus accrued interest. The principal portion of the purchase price of the Variable Rate Bonds so tendered shall be payable solely from the proceeds of the remarketing of such Variable Rate Bonds. In the event that the conditions of a conversion are not satisfied, including the failure to remarket all applicable Variable Rate Bonds on a mandatory tender date, the Variable Rate Bonds shall not be subject to mandatory tender, shall be returned to their owners, shall automatically convert to a seven-day Auction Period and shall bear interest at the Maximum Interest Rate.

SECTION 12. Calculation of Indexed Put Rate; Payments with Respect to Indexed Put Bonds.

(a) Calculation of Indexed Put Rate. The Indexed Put Rate shall be adjusted each Thursday and shall be equal to the Index on such day plus the Applicable Spread. If the Index is no longer published, then the Indexed Put Rate, as determined by the Remarketing Agent, shall be 85% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in The Wall Street Journal on the day such Indexed Put Rate would otherwise be determined as provided herein for such Indexed Put Interest Rate Period, plus the Applicable Spread. Interest on the Indexed Put Bonds shall accrue on the basis of the actual number of days elapsed during the Indexed Put Interest Rate Period and a year of 365 days (366 days in a leap year).

On any Tender Date, if the Remarketing Agent has adjusted the Applicable Spread pursuant to Section 17 hereof, then the Indexed Put Rate shall be determined by the Fiscal Agent using the Index and the new Applicable Spread.

The Indexed Put Rate from the Conversion Date (if such date is not a Thursday,) to but not including the next succeeding Thursday shall be based on the Index as of the preceding Thursday. The Indexed Put Rate shall apply to the period commencing on and including Thursday and ending on and including the next succeeding Wednesday, unless such Indexed Put Interest Rate Period ends on a day other than Wednesday, in which event the last Indexed Put Rate for such Indexed Put Interest Rate Period shall apply to the period commencing on and including the Thursday preceding the last day of such Indexed Put Interest Rate Period and ending on and including the last day of such Indexed Rate Interest Rate Period.

(b) Notice of Rates. The Fiscal Agent shall determine the Indexed Put Rate for Variable Rate Bonds during each Indexed Put Interest Rate Period as provided above and shall furnish to the Remarketing Agent and the Authority no later than the Business Day next succeeding the date of determination the Indexed Put Rate by telephone or telecopy, promptly confirmed in writing. No later than the 3rd Business Day preceding each Interest Payment Date, the Fiscal Agent shall notify the Remarketing Agent and the Authority in writing of the total amount of interest payable on Indexed Put Bonds on such Interest Payment Date. In lieu of the

notifications provided in the preceding sentences, the Fiscal Agent may make such information available by readily accessible electronic means.

(c) Payment of Indexed Put Bonds.

(i) The interest on the Indexed Put Bonds shall be payable by check mailed on the date due to the registered owner thereof on the Record Date at the address of such registered owner as it appears on the registration books maintained by the Fiscal Agent.

(ii) Interest payable on any Interest Payment Date to a registered owner of Indexed Put Bonds in the aggregate principal amount of \$1,000,000 or more may, upon written request by such registered owner received by the Fiscal Agent prior to the Record Date preceding such Interest Payment Date, be paid by wire transfer on the date due to a designated account in the United States. Such written request shall remain in effect until rescinded in writing by such registered owner. The principal of each Indexed Put Bond at maturity or upon redemption will be paid upon presentation and surrender thereof at the designated corporate trust office of the Fiscal Agent.

(iii) Unless otherwise requested by the Securities Depository, payments of the principal of Indexed Put Bonds, at maturity or upon redemption, and payments of interest on Indexed Put Bonds made by wire transfer, shall be made by the Fiscal Agent in immediately available funds, provided, however, that such method of payment may be modified by written agreement between the Fiscal Agent and the Securities Depository.

SECTION 13. Mandatory Purchase of Indexed Put Bonds on Indexed Put Dates.

(a) Variable Rate Bonds bearing interest at an Indexed Put Rate are subject to mandatory purchase on the Initial Indexed Put Date and each Annual Indexed Put Date. The “Initial Indexed Put Date” shall be the date established pursuant to Section 20(b). The “Annual Indexed Put Date” shall be the date that is one year after the Initial Indexed Put Date and thereafter the date in each year that is one year after the previous Annual Indexed Put Date. The “Indexed Put Date” shall refer to the Initial Indexed Put Date or any Annual Indexed Put Date, as applicable. In any case where an Indexed Put Date is not a Business Day, then such Indexed Put Date shall be deemed to be the next preceding Business Day.

(b) For payment of the Tender Price on the Tender Date, the Indexed Put Bonds must be delivered at or prior to 11:00 a.m. on the Tender Date to the Tender Agent at its principal office for delivery of Variable Rate Bonds accompanied by an instrument of transfer, in form satisfactory to the Tender Agent executed in blank by the Bondholder or its duly-authorized attorney, with such signature guaranteed by a commercial bank, trust company, member firm of the New York Stock Exchange or other eligible guarantor.

(c) Except with respect to the Initial Indexed Put Date, no later than 30 days prior to an Indexed Put Date, the Authority may furnish written direction to the Fiscal Agent, the Remarketing Agent and the Tender Agent stating that the Indexed Put Bonds are to be remarketed to the next Indexed Put Date pursuant to Section 17(a). Such direction (the “Rollover Notice”) shall be made by registered or certified mail, or by telecopy confirmed by registered or certified mail or by electronic communication which is acknowledged by a

confirming electronic communication. Indexed Put Bonds to be remarketed pursuant to a Rollover Notice may only be remarketed in whole.

(d) If the Authority does not elect to send a Rollover Notice or in connection with the Initial Indexed Put Date, the Authority may furnish written direction to the Fiscal Agent, the Remarketing Agent and the Tender Agent stating that (i) the Indexed Put Bonds are to be converted to a different Interest Rate Period in accordance with Section 5 hereof or (ii) the Indexed Put Bonds are to be converted to a new Indexed Put Interest Rate Period in accordance with Sections 5 and 20. Such direction shall be made by registered or certified mail, or by telecopy confirmed by registered or certified mail and shall be furnished at the times set forth in Sections 5 and 20, as applicable. Indexed Put Bonds may only be converted in whole.

SECTION 14. Reserved.

SECTION 15. Purchase of Indexed Put Bonds; Sources and Deposits of Tender Price. Indexed Put Bonds tendered for purchase in accordance with Sections 12 through 21 hereof shall be purchased from the Holders thereof, on the Tender Date and at the Tender Price. The Remarketing Agent shall offer for sale and use its best efforts to sell such Indexed Put Bonds on the Tender Date at a price equal to par plus accrued interest. Funds for the payment of the Tender Price shall be received by the Tender Agent from the following sources and used in the order of priority indicated:

(a) proceeds of the sale of Indexed Put Bonds furnished by the Remarketing Agent to the Tender Agent for deposit into the Remarketing Account of the Bond Purchase Fund;

(b) moneys furnished by the Authority to the Tender Agent for deposit into the Authority Purchase Account of the Bond Purchase Fund for the purchase of Indexed Put Bonds.

The proceeds of the sale of any Indexed Put Bonds shall be delivered to the Tender Agent for deposit into the Remarketing Account of the Bond Purchase Fund as provided in the Remarketing Agreement.

No Liquidity Facility shall be provided for the purchase of Indexed Put Bonds.

To the extent not addressed or contemplated by Sections 12 through 21, Indexed Put Bonds shall be tendered and remarketed pursuant to the applicable provisions of this Appendix and the Remarketing Agreement.

SECTION 16. Irrevocable Notice Deemed to be Tender of Indexed Put Bonds; Undelivered Bonds.

(a) The giving of notice by a holder of Indexed Put Bonds as provided in Sections 12 through 21 hereof shall constitute the irrevocable tender for purchase of each Indexed Put Bond with respect to which such notice is given regardless of whether that Indexed Put Bond is delivered to the Tender Agent for purchase on the relevant Tender Date and such Indexed Put Bond shall be a "Deemed Tendered Bond." A holder of a Deemed Tendered Bond shall be treated for all purposes as though such holder actually delivered a notice and such Deemed

Tendered Bond will be considered irrevocably tendered regardless of whether that Indexed Put Bond is delivered to the Tender Agent for purchase on the relevant Tender Date.

(b) The Tender Agent may refuse to accept delivery of any Indexed Put Bonds for which a proper instrument of transfer has not been provided. However, such refusal shall not affect the validity of the purchase of such Indexed Put Bonds as described in this Appendix. If (i) any Holder of an Indexed Put Bond subject to mandatory purchase pursuant to Section 13 hereof, (ii) any Holder of an Indexed Put Bond who has given notice of tender of purchase pursuant to Sections 12 through 21 or (iii) any Holder of a Deemed Tendered Bond, shall fail to deliver that Indexed Put Bond to the Tender Agent at the place and on the Tender Date and at the time specified, or shall fail to deliver that Indexed Put Bond properly endorsed, that Indexed Put Bond shall constitute an Undelivered Bond. If funds in the amount of the purchase price of the Undelivered Bond are available for payment to the Holder thereof on the Tender Date and at the time specified, then from and after the Tender Date and time of that required delivery (A) the Undelivered Bond shall be deemed to be purchased and shall no longer be deemed to be Outstanding under this Appendix; (B) interest shall no longer accrue on the Undelivered Bond; and (C) funds in the amount of the Tender Price of the Undelivered Bond shall be held uninvested by the Fiscal Agent for the benefit of the Holder thereof (provided that the Holder shall have no right to any investment proceeds derived from such funds), to be paid on delivery (and proper endorsement) of the Undelivered Bond to the Tender Agent at its principal office.

SECTION 17. Remarketing of Indexed Put Bonds.

(a) Following receipt of a notice under Section 13(c), the Remarketing Agent may adjust the numerical spread (expressed in basis points) in the definition of Applicable Spread, which may be added to or subtracted from the Index, and shall offer for sale and use its best efforts to sell such Indexed Put Bonds at the minimum interest rate which would enable the Remarketing Agent to sell all of such Indexed Put Bonds at a price (without regard to accrued interest) equal to the principal amount thereof. The Remarketing Agent shall promptly notify the Fiscal Agent and the Authority of any such adjustment. Any such adjustment will take effect on the Indexed Put Date immediately following receipt of the Rollover Notice.

(b) Following receipt of a direction under Section 20 stating that the Variable Rate Bonds will be converted to an Indexed Put Rate or that Indexed Put Bonds will be converted to a new Indexed Put Interest Rate Period, the Remarketing Agent shall establish the Applicable Spread and the Initial Indexed Put Date in accordance with Section 20(b) and shall offer for sale and use its best efforts to sell such Indexed Put Bonds at the minimum interest rate which would enable the Remarketing Agent to sell all of such Indexed Put Bonds at a price (without regard to accrued interest) equal to the principal amount thereof. The Remarketing Agent shall promptly notify the Fiscal Agent and the Authority of the Applicable Spread for the Indexed Put Bonds and the Initial Indexed Put Date, to the extent applicable.

SECTION 18. Delivery of Indexed Put Bonds.

(a) Indexed Put Bonds purchased with money described in Section 15(a) shall be made available by the Tender Agent for delivery to the purchasers thereof against payment therefor.

(b) Indexed Put Bonds purchased with money described in Section 15(b) shall be held in escrow by the Tender Agent for the account of the Authority until the Tender Agent receives further instructions from the Authority regarding disposition of those Authority Bonds. Notwithstanding the foregoing, any such Indexed Put Bonds purchased with money described in Section 15(b) shall not be remarketed.

(c) Indexed Put Bonds delivered as provided in this Section 18 shall be registered in the manner directed by the recipient thereof.

(d) If a Indexed Put Bond purchased as provided in this Section 18 is not presented to the Tender Agent, the Tender Agent shall segregate and hold uninvested the money for the Tender Price of such Tender Bond in trust for the benefit of the former Holder of such Indexed Put Bond, who shall, except as provided in the following sentences of this paragraph, thereafter be restricted exclusively to such money for the satisfaction of any claim for the Tender Price. Any money which the Tender Agent segregates and holds in trust for the payment of the Tender Price of any Indexed Put Bonds which remains unclaimed for two years after the date of purchase shall be paid to the Authority. After the payment of such unclaimed money to the Authority, the former Holder of such Indexed Put Bonds shall look only to the Authority for the payment thereof. The Authority shall not be liable for any interest on unclaimed money and shall not be regarded as a Fiscal Agent of such money.

SECTION 19. Failure to Pay Tender Price. Notwithstanding anything to the contrary in this Appendix, if, on any Tender Date, there shall be insufficient funds to pay the Tender Price of Indexed Put Bonds which have been tendered for purchase under Sections 12 through 21, then from the Tender Date on which such Indexed Put Bonds would have been purchased until the actual payment, such Indexed Put Bonds shall bear interest at a rate equal to the Index plus the Applicable Spread.

SECTION 20. Conversion of Variable Rate Bonds to Indexed Put Rate.

(a) Conversion to Indexed Put Rate. Subject to Sections 5 and 17 hereof and to paragraph (b) of this Section, the Authority may, from time to time, with the consent of the Bond Insurer, by written direction to the Fiscal Agent, the Tender Agent (if any), the Liquidity Facility Provider (if any), the Remarketing Agent (if any), the Auction Agent (if any) and each Broker-Dealer (if any), elect that the Variable Rate Bonds (including the Series M-2 Bonds upon expiration of the Initial Term Rate Period) shall bear interest at the Indexed Put Rate. The direction of the Authority shall specify (i) the proposed Conversion Date, which shall be (A) in each case (other than in connection with the designation of the first Interest Rate Period for the Series M-2 Bonds upon expiration of the Initial Term Rate Period), a Business Day not earlier than the 30th day following the second Business Day after receipt by the Fiscal Agent of such direction (and, in connection with the first Interest Rate Period for the Series M-2 Bonds upon expiration of the Initial Term Rate Period, if such first Interest Rate Period is to be an Indexed Put Interest Rate Period, July 1, 2017 or, if later, the day immediately following the last day of the Initial Term Rate Period), (B) in the case of a Conversion from a Long-Term Interest Rate Period, the day immediately following the last day of the then-current Long Term Interest Rate Period or a day on which the Variable Rate Bonds would otherwise be subject to optional redemption pursuant to Section 22(b) if such Conversion did not occur, (C) in the case of a

Conversion from a Short-Term Interest Rate Period, the day immediately following the last day of the Short-Term Interest Rate Period and (D) in the case of a Conversion from an ARS Rate Period, an Interest Payment Date and (E) in the case of a Conversion of a subseries of Variable Rate Bonds from one Indexed Put Interest Rate Period to a new Indexed Put Interest Rate Period, an Interest Payment Date and (ii) the Tender Date for the Variable Rate Bonds to be purchased, which shall be the proposed effective date of the Conversion to the Indexed Put Rate or Conversion Date to a new Indexed Put Interest Rate Period. The direction of the Authority shall be (i) made by registered or certified mail, or by telecopy confirmed by registered or certified mail and (ii) accompanied by a form of notice to be mailed to the Holders of the Variable Rate Bonds by the Fiscal Agent as provided in Section 20(c) and to the extent applicable, a Favorable Bond Counsel Opinion. During each Indexed Put Interest Rate Period for the Variable Rate Bonds commencing on a date so specified and ending on the earlier of the maturity of the Variable Rate Bonds and the Conversion Date, the interest rate borne by the Variable Rate Bonds shall be the Indexed Put Rate.

(b) Applicable Spread and Initial Indexed Put Date. If the Remarketing Agent has received the written direction of the Authority pursuant to 20(a) above, the Remarketing Agent shall determine the initial Applicable Spread and the numerical spread (expressed in basis points) in the definition of Applicable Spread, which may be added to or subtracted from the Index. The Applicable Spread will take effect on the Conversion Date. The Initial Indexed Put Date shall be (i) a date established by the Remarketing Agent as the date which would enable the Remarketing Agent to sell all of such Variable Rate Bonds at a price (without regard to accrued interest) equal to the principal amount thereof or (ii) if no such date is established, the date that is one year after the Conversion Date. The Remarketing Agent shall promptly notify the Fiscal Agent, and the Authority of the Applicable Spread and Initial Indexed Put Date for Indexed Put Bonds. The Indexed Put Bonds will be remarketed by the Remarketing Agent in the manner provided in Section 17.

(c) Notice of Conversion to Indexed Put Rate. The Fiscal Agent shall give notice by first-class mail of a Conversion to an Indexed Put Interest Rate Period to the Holders of the Variable Rate Bonds not less than 30 days (25 days, in the case of a Conversion of the Series M-2 Bonds to an Indexed Put Interest Rate Period upon expiration of the Initial Term Rate Period) prior to the proposed effective date of such Indexed Put Interest Rate Period. Such notice shall state (i) that the interest rate shall be converted to the Indexed Put Rate, or to a new Indexed Put Interest Rate Period, if the Authority has elected to convert Indexed Put Bonds to a new Indexed Put Interest Rate Period, unless the Authority rescinds its election to convert the interest rate to the Indexed Put Rate as provided in Section 5(b); (ii) the proposed Conversion Date to the Indexed Put Interest Rate Period and to the extent applicable, (A) the Initial Indexed Put Date and (B) the Applicable Spread; (iii) that the Variable Rate Bonds are subject to mandatory tender for purchase on the proposed Conversion Date and setting forth the Tender Price and the place of delivery for purchase of the Variable Rate Bonds (or the Series M-2 Bonds, as applicable); and (iv) the information set forth in Section 27(g).

SECTION 21. Failure to Meet Conditions on Conversion from Indexed Put Interest Rate Period. In the event that any condition to Conversion from an Indexed Put Interest Rate Period shall not have been satisfied as provided in Section 20 or otherwise under this Appendix, including failing to meet the applicable conditions set forth in Section 5(c) of this Appendix,

Indexed Put Bonds shall continue to be registered in the name of the Bondholder prior to the failure to meet the conditions on Conversion from an Indexed Put Interest Rate Period; and shall bear interest at a rate equal to the Index plus the Applicable Spread.

SECTION 22. Redemption of Variable Rate Bonds. The Variable Rate Bonds are subject to redemption prior to maturity as follows:

(a) Mandatory Redemption. The Variable Rate Bonds are subject to mandatory redemption prior to maturity to the extent of the respective Amortization Requirements therefor, at a redemption price equal to 100% of the outstanding principal amount thereof, together with accrued interest to the date fixed for redemption, as set forth in the Series Resolution.

(b) Optional Redemption.

(i) *Weekly Interest Rate Period, Daily Interest Rate Period and Short-Term Interest Rate Period.*

(A) Variable Rate Bonds bearing interest at a Daily Interest Rate or a Weekly Interest Rate shall be subject to redemption prior to their maturity, at the option of the Authority, in whole or in part (and if in part, in such order of maturity and subseries as the Authority shall determine), at a redemption price of 100% of the principal amount thereof at any time.

(B) Variable Rate Bonds bearing interest at Bond Interest Term Rates shall be subject to redemption prior to their maturity, at the option of the Authority, at a redemption price of 100% of the principal amount thereof on the day succeeding the last day of any Bond Interest Term.

(ii) *Long-Term Interest Rate Period.* During a Long-Term Interest Rate Period, the Variable Rate Bonds shall be subject to redemption prior to their maturity, at the option of the Authority, (1) on the first day of such Long-Term Interest Rate Period, in whole or in part, at a redemption price of 100% of the principal amount thereof, and (2) thereafter, during the periods specified below in whole at any time or in part from time to time on any Interest Payment Date, at the redemption prices (expressed as a percentage of principal amount) specified below plus accrued interest, if any, to the redemption date:

<u>Length of Long-Term Interest Rate Period (expressed in years)</u>	<u>Redemption Prices</u>
greater than 11	after 10 years at 101%, declining by 1% every year to 100%
less than or equal to 11 and greater than 8	after 7 years at 101%, declining by 1% every year to 100%
less than or equal to 8 and greater than 5	after 5 years at 101%, declining by 1% every year to 100%
less than or equal to 5	Non-callable

In the event that the date on which the Variable Rate Bonds are adjusted to a Long-Term Interest Rate is a date other than a day which would be an Interest Payment Date during such Long-Term Interest Rate Period, then the date on which such Variable Rate Bonds shall first be subject to redemption pursuant to the foregoing table (after the first day of such Long-Term Interest Rate Period) shall be the first Interest Payment Date next succeeding the date on which such Variable Rate Bonds otherwise would be subject to redemption, and the redemption price shall be adjusted on each anniversary of that Interest Payment Date as provided in such table.

The above table may be amended prior to a conversion to a Long-Term Interest Rate Period upon delivery of a Favorable Opinion of Bond Counsel.

(iii) *Bank Bonds.* Notwithstanding anything to the contrary in this Appendix, the Authority may redeem Bank Bonds, at its option, at any time, upon one Business Day's notice of redemption to the Liquidity Facility Provider and the Fiscal Agent, unless a longer notice period is required by the Liquidity Facility, at a redemption price of 100% of the principal amount of the Bank Bonds to be redeemed plus accrued interest, if any, to the redemption date.

(iv) *ARS Rate Period.* The ARS are subject to redemption prior to their maturity, at the option of the Authority, on the Interest Payment Date immediately following an Auction Period, as a whole or in part (and if in part, in such order of maturity and subseries as the Authority shall determine) in an Authorized Denomination, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued but unpaid interest to the redemption date, without premium, provided that after any optional redemption in part there shall remain not less than \$10,000,000 in aggregate principal amount of each subseries of Variable Rate Bonds bearing interest at an Auction Period Rate unless otherwise consented to by the Broker-Dealer.

(v) *Indexed Put Bonds.* The Indexed Put Bonds are subject to redemption prior to their maturity, at the option of the Authority, at any time, at the written direction of the Authority, in whole or in part, at a redemption price of 100% of the principal amount thereof on any Interest Payment Date.

(c) Redemption of Bank Bonds. Notwithstanding anything to the contrary in this Appendix, Bank Bonds shall be redeemed in accordance with the provisions of the Liquidity Facility.

SECTION 23. Conditional Notice of Redemption. If at the time of mailing of notice of an optional redemption of Variable Rate Bonds, the Authority shall not have deposited with the Fiscal Agent moneys sufficient to redeem all the Variable Rate Bonds called for redemption, such notice shall state that it is subject to the deposit of the redemption moneys with the Fiscal Agent not later than the opening of business on the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

SECTION 24. Procedure for Redemption of ARS. If any ARS are to be redeemed and those ARS are held by the Securities Depository, the Fiscal Agent shall include in the notice of the call for redemption delivered to the Securities Depository: (i) under an item entitled "Publication Date for Securities Depository Purposes", the Securities Depository lottery publication date applicable to such ARS, which date shall be two (2) Business Days after the second Auction Date that immediately precedes the date specified in such notice as the date fixed for the redemption or defeasance of such ARS (the "Redemption/Defeasance Date") (three (3) Business Days immediately preceding such Redemption/Defeasance Date in the case of ARS in the daily Auction Period). Prior to the giving of such notice of redemption or defeasance to the Securities Depository, the Fiscal Agent shall confirm the lottery publication date with the Auction Agent. The Fiscal Agent shall, at least two (2) Business Days prior to the Redemption/Defeasance Date specified in any such notice of redemption or defeasance of such ARS, as the case may be, request the Securities Depository to disclose to the Auction Agent the Participant number of each Securities Depository's participant in whose account at the Securities Depository any of such ARS have been called for redemption or defeasance (and the principal amount of the ARS held in the account that have been so called) and, at least one (1) Business Day prior to such Business Day the Auction Agent shall request each Broker-Dealer to disclose on a best efforts basis to the Auction Agent (upon selection by such participant of the Existing Owner or Existing Owners whose ARS are to be so redeemed or defeased and the principal amount of each thereof to be so redeemed or defeased) the aggregate principal amount of such ARS of each such Existing Owner, if any, to be redeemed or defeased. The Auction Agent shall forward to the applicable Broker-Dealer by Electronic Means any notice received by the Auction Agent pursuant to this paragraph by the close of business on the day received by the Auction Agent.

SECTION 25. Partial Redemption and Bank Bonds. If less than all of the Variable Rate Bonds of a subseries (if any) and maturity and bearing interest in the same rate and for the same Interest Rate Period shall be called for redemption, the Fiscal Agent shall select for redemption, using such method of selection as it deems proper in its discretion, Bank Bonds of such subseries, maturity, interest rate and Interest Rate Period before selecting any other Variable Rate Bonds of such subseries, maturity, interest rate and Interest Rate Period for redemption.

SECTION 26. Reserved.

SECTION 27. Purchase of Variable Rate Bonds.

(a) During Weekly Interest Rate Period. During any Weekly Interest Rate Period, any Variable Rate Bonds (other than a Bank Bond) bearing interest at a Weekly Interest Rate shall be purchased in an Authorized Denomination (provided that the amount of any such Variable Rate Bonds not to be purchased shall also be in an Authorized Denomination) from its Bondholder at the option of the Bondholder on any Business Day at a purchase price equal to the Tender Price, payable in immediately available funds, upon delivery to the Tender Agent at its principal office for delivery of Variable Rate Bonds, to the Fiscal Agent at its corporate trust office and to the Remarketing Agent of an irrevocable notice by Electronic Means which states the principal amount of such Variable Rate Bonds, the principal amount thereof to be purchased and the date on which the same shall be purchased, which date shall be a Business Day not prior to the seventh day after the date of the delivery of such notice to the Tender Agent. Any notice delivered to the Tender Agent after 5:00 p.m. shall be deemed to have been received on the next succeeding Business Day. Bank Bonds may not be tendered for purchase at the option of the Holder thereof. For payment of the Tender Price on the Tender Date, such Variable Rate Bonds must be delivered at or prior to 11:00 a.m. on the Tender Date to the Tender Agent at its principal office for delivery of Variable Rate Bonds accompanied by an instrument of transfer, in form satisfactory to the Tender Agent executed in blank by the Bondholder or its duly-authorized attorney, with such signature guaranteed by a commercial bank, trust company, member firm of the New York Stock Exchange or other eligible guarantor.

During any Weekly Interest Rate Period for which the book-entry-only system described in Section 3(c) is in effect, any Variable Rate Bonds bearing interest at the Weekly Interest Rate or portion thereof (provided that the principal amount of such Variable Rate Bonds to be purchased and the principal amount to be retained shall each be an Authorized Denomination) shall be purchased on the date specified in the notice referred to below at the Tender Price. The irrevocable notice by Electronic Means by the Participant, shall be delivered on any Business Day by the Participant for such Variable Rate Bonds to the Tender Agent at its principal office for the delivery of such Variable Rate Bonds, to the Fiscal Agent at its corporate trust office and to the Remarketing Agent. That notice shall state the principal amount of such Variable Rate Bonds (or interest therein), the portion thereof to be purchased and the date on which the same shall be purchased, which date shall be a Business Day at least seven days after the date of delivery of such notice to the Fiscal Agent. Upon confirmation by the Securities Depository to the Fiscal Agent that such Participant has an ownership interest in the Variable Rate Bonds at least equal to the amount of Variable Rate Bonds specified in such irrevocable written notice, payment of the Tender Price of such Variable Rate Bonds shall be made by 4:00 p.m., or as soon as practicably possible thereafter, upon the receipt by the Tender Agent of the Tender Price as set forth in Section 36(b) on the Business Day specified in the notice upon the transfer on the registration books of the Securities Depository of the beneficial ownership interest in such Variable Rate Bonds tendered for purchase to the account of the Tender Agent, or a Participant acting on behalf of such Tender Agent, at or prior to 11:00 a.m., on the date specified in such notice.

(b) During Daily Interest Rate Period. During any Daily Interest Rate Period, any Variable Rate Bonds (other than a Bank Bond) bearing interest at a Daily Interest Rate shall be purchased in an Authorized Denomination (provided that the amount of any such Variable Rate

Bonds not to be purchased shall also be in an Authorized Denomination) from its Bondholder at the option of the Bondholder on any Business Day at a purchase price equal to the Tender Price, payable in immediately available funds, upon delivery to the Tender Agent at its principal office for delivery of Variable Rate Bonds, to the Fiscal Agent at its corporate trust office and to the Remarketing Agent, by no later than 10:00 a.m. on such Business Day, of an irrevocable notice by Electronic Means, which states the principal amount of such Variable Rate Bonds to be purchased and the date of purchase. For payment of such purchase price on the date specified in such notice, such Variable Rate Bonds must be delivered, at or prior to 10:00 a.m., on such Business Day, to the Tender Agent at its principal office for delivery of Variable Rate Bonds, accompanied by an instrument of transfer thereof, in form satisfactory to such Tender Agent, executed in blank by the Bondholder thereof or its duly-authorized attorney, with such signature guaranteed by a commercial bank, trust company, member firm of the New York Stock Exchange or other eligible guarantor.

During any Daily Interest Rate Period for which the book-entry-only system described in Section 3(c) is in effect, any Variable Rate Bonds bearing interest at the Daily Interest Rate or portion thereof (provided that the principal amount of such Bonds to be purchased and the principal amount to be retained shall each be an Authorized Denomination) shall be purchased on the date specified in the notice referred to below at the Tender Price. The irrevocable notice by Electronic Means by the Participant, shall be delivered on any Business Day by the Participant for such Variable Rate Bonds to the Tender Agent at its principal office for the delivery of such Variable Rate Bonds, to the Fiscal Agent at its corporate trust office and to the Remarketing Agent prior to 10:00 a.m. That notice shall state the principal amount of such Variable Rate Bonds (or interest therein), the portion thereof to be purchased and the date on which the same shall be purchased. Upon confirmation by the Securities Depository to the Fiscal Agent that such Participant has an ownership interest in the Variable Rate Bonds at least equal to the amount of Variable Rate Bonds specified in such irrevocable written notice, payment of the Tender Price of such Variable Rate Bonds shall be made by 4:00 p.m., or as soon as practicably possible thereafter, upon the receipt by the Fiscal Agent of the Tender Price as set forth in Section 36(b) on the Business Day specified in the notice upon the transfer on the registration books of the Securities Depository of the beneficial ownership interest in such Variable Rate Bonds tendered for purchase to the account of the Tender Agent, or a Participant acting on behalf of such Tender Agent, at or prior to 2:30 p.m. on the date specified in such notice.

(c) Mandatory Tender for Purchase on Day Next Succeeding Last Day of Each Bond Interest Term. On the first day following the last day of each Bond Interest Term, unless such day is the first day of a new Interest Rate Period (in which case Variable Rate Bonds shall be subject to mandatory purchase pursuant to Section 27(d)), Variable Rate Bonds shall be subject to mandatory tender for purchase at the Tender Price, payable by wire transfer in immediately available funds, if such Variable Rate Bonds are delivered to the Tender Agent on or prior to 12:00 noon on the Tender Date, or if delivered after 12:00 noon, on the next succeeding Business Day. Interest shall cease to accrue on such Variable Rate Bonds on the last day of each Bond Interest Term. The Tender Price shall be payable only upon surrender of such Variable Rate Bonds to the Tender Agent at its principal office for delivery of Variable Rate Bonds, accompanied by an instrument of transfer, in form satisfactory to the Tender Agent, executed in blank by the Bondholder or its duly-authorized attorney, with such signature guaranteed by a

commercial bank, trust company, member firm of the New York Stock Exchange or other eligible guarantor.

(d) Mandatory Tender for Purchase on First Day of Each Interest Rate Period; Series M-2 Bonds. The Variable Rate Bonds (including, without limitation, the Series M-2 Bonds upon expiration of the Initial Term Rate Period) shall be subject to mandatory tender for purchase on the first day of each Interest Rate Period (or on the day which would have been the first day of an Interest Rate Period had one of the events specified in Section 5(b) or 5(d) hereof not occurred which resulted in the interest rate on such Variable Rate Bonds not being converted) at the Tender Price, payable in immediately available funds; provided, however, that in the case of any failed Conversion of ARS or of the Series M-2 Bonds upon expiration of the Initial Term Rate Period, no mandatory purchase shall apply. If there is a failed Conversion of the Series M-2 Bonds on July 1, 2017, the Series M-2 Bonds shall remain in the Initial Term Rate Period but shall bear interest at the rate per annum of ten (10%) percent until such Series M-2 Bonds are successfully remarketed to a new Interest Rate Period. For payment of the Tender Price on the Tender Date, Variable Rate Bonds (including Series M-2 Bonds upon expiration of the Initial Term Rate Period) must be delivered at or prior to 11:00 a.m. on the Tender Date. If delivered after that time, the Tender Price shall be paid on the next succeeding Business Day.

(e) Mandatory Tender for Purchase upon Termination, Replacement or Expiration of Liquidity Facility or on Bond Insurance Substitution Date; Mandatory Standby Tender. If at any time the Fiscal Agent gives notice, in accordance with Section 33 hereof, that the Tender Price on the Variable Rate Bonds tendered for purchase shall, on the date specified in such notice, cease to be subject to purchase pursuant to the Liquidity Facility then in effect as a result of (i) the termination, replacement or expiration of the term, as extended, of that Liquidity Facility, including but not limited to termination at the option of the Authority in accordance with the terms of such Liquidity Facility, or (ii) the occurrence of a Mandatory Standby Tender, then each such Variable Rate Bond shall be purchased or deemed purchased at the Tender Price. Any purchase of such Variable Rate Bonds pursuant to this subsection (e) shall occur: (1) on the fifth Business Day preceding any such termination, replacement or expiration of such Liquidity Facility without replacement by an Alternate Liquidity Facility or upon any termination thereof as a result of a Mandatory Standby Tender, and (2) on the date of the replacement of a Liquidity Facility, in any case where an Alternate Liquidity Facility has been delivered to the Tender Agent pursuant to Section 31(a). In the case of any replacement, the existing Liquidity Facility will be drawn to pay the Tender Price, if necessary, rather than the Alternate Liquidity Facility. No such mandatory tender will be effected upon the replacement of a Liquidity Facility in the case where the Liquidity Facility is failing to honor conforming draws.

If at any time the Fiscal Agent receives notice, in accordance with Section 41 hereof, that a substitute bond insurance policy will be delivered, then each Variable Rate Bond shall be purchased or deemed purchased at the Tender Price. Any purchase of such Variable Rate Bonds pursuant to this subsection (e) shall occur on the Business Day preceding the delivery of a substitute bond insurance policy.

Payment of the Tender Price of any such Variable Rate Bonds shall be made in immediately available funds by 4:00 p.m. on the Tender Date upon delivery of such Variable Rate Bonds to the Tender Agent at its principal office for delivery of Variable Rate Bonds,

accompanied by an instrument of transfer, in form satisfactory to the Tender Agent, executed in blank by the Bondholder with the signature of such Bondholder guaranteed by a commercial bank, trust company, member firm of the New York Stock Exchange or other eligible guarantor, at or prior to 12:00 noon on the Tender Date. If, as a result of any such Mandatory Standby Tender, expiration, termination with notice or replacement of such a Liquidity Facility, any Variable Rate Bonds are no longer subject to purchase pursuant to a Liquidity Facility, the Tender Agent (upon receipt from the Holder thereof in exchange for payment of the Tender Price thereof) shall present such Variable Rate Bonds to the Fiscal Agent for notation of such fact thereon.

(f) Consent. The Authority may not enter into any agreement or consent to or participate in any arrangement pursuant to which Variable Rate Bonds are tendered or purchased for any purpose other than the redemption and cancellation of such Variable Rate Bonds without the prior written consent of the Bond Insurer.

(g) Notice of Mandatory Tender for Purchase. In connection with any mandatory tender for purchase of Variable Rate Bonds (including, without limitation, the Series M-2 Bonds upon expiration of the Initial Term Rate Period) in accordance with Section 27(d) or 27(e) hereof, the Fiscal Agent shall give the notice required by this Section 27(g) as a part of the notice given pursuant to Section 4(d)(iii), 4(e)(iii), 4(f)(iii), 4(g)(iii), 20(c), 33 or Exhibit 1. Such notice shall state (i) in the case of a mandatory tender for purchase pursuant to Section 27(d) hereof, the type of Interest Rate Period to commence on such mandatory purchase date; (ii) in the case of a mandatory tender for purchase pursuant to Section 27(e) hereof, that the Liquidity Facility will expire, terminate or be replaced and that the Variable Rate Bonds will no longer be payable from the Liquidity Facility then in effect and that any rating applicable to such Variable Rate Bonds may be reduced or withdrawn; (iii) that the Tender Price of any Variable Rate Bonds (including, without limitation, the Series M-2 Bonds upon expiration of the Initial Term Rate Period) subject to mandatory tender for purchase shall be payable only upon surrender of that Variable Rate Bond or Variable Rate Bonds to the Tender Agent at its principal office for delivery of Variable Rate Bonds, accompanied by an instrument of transfer, in form satisfactory to the Tender Agent, executed in blank by the Bondholder or its duly-authorized attorney, with such signature guaranteed by a commercial bank, trust company, member firm of the New York Stock Exchange or other eligible guarantor; (iv) that, provided that moneys sufficient to effect such purchase shall have been provided through the remarketing of such Variable Rate Bonds by the Remarketing Agent, through the Liquidity Facility or funds provided by the Authority, all Variable Rate Bonds subject to mandatory tender for purchase shall be purchased on the mandatory Tender Date; and (v) that if any Holder of a Variable Rate Bond (including, without limitation, the Series M-2 Bonds upon expiration of the Initial Term Rate Period) subject to mandatory tender for purchase does not surrender that Variable Rate Bond to the Tender Agent for purchase on the mandatory Tender Date, then that Variable Rate Bond shall be deemed to be an Undelivered Bond, that no interest shall accrue on that Variable Rate Bond on and after the mandatory Tender Date and that the Holder shall have no rights under the Resolution other than to receive payment of the Tender Price.

(h) Irrevocable Notice Deemed to be Tender of Variable Rate Bonds; Undelivered Bonds.

(i) The giving of notice by a Holder of Variable Rate Bonds as provided in Section 27(a) or 27(b) hereof shall constitute the irrevocable tender for purchase of each Variable Rate Bond with respect to which such notice is given regardless of whether that Variable Rate Bond is delivered to the Tender Agent for purchase on the relevant Tender Date.

(ii) The Tender Agent may refuse to accept delivery of any Variable Rate Bonds for which a proper instrument of transfer has not been provided. However, such refusal shall not affect the validity of the purchase of such Variable Rate Bonds as described in this Appendix. If any Holder of a Variable Rate Bond who has given notice of tender of purchase pursuant to Section 27(a) or 27(b) hereof or any Holder of a Variable Rate Bond (including, without limitation, the Series M-2 Bonds upon expiration of the Initial Term Rate Period) subject to mandatory tender for purchase pursuant to Section 27(c), 27(d) or 27(e) hereof, shall fail to deliver that Variable Rate Bond to the Tender Agent at the place and on the Tender Date and at the time specified, or shall fail to deliver that Variable Rate Bond properly endorsed, that Variable Rate Bond shall constitute an Undelivered Bond. If funds in the amount of the purchase price of the Undelivered Bond are available for payment to the Holder thereof on the Tender Date and at the time specified, then from and after the Tender Date and time of that required delivery (A) the Undelivered Bond shall be deemed to be purchased and shall no longer be deemed to be Outstanding under the Resolution; (B) interest shall no longer accrue on the Undelivered Bond; and (C) funds in the amount of the Tender Price of the Undelivered Bond shall be held uninvested by the Fiscal Agent for the benefit of the Holder thereof (provided that the Holder shall have no right to any investment proceeds derived from such funds), to be paid on delivery (and proper endorsement) of the Undelivered Bond to the Tender Agent at its principal office for delivery of Variable Rate Bonds.

(i) Payment of Tender Price by Authority. If all or a portion of the Variable Rate Bonds tendered for purchase cannot be remarketed and the Liquidity Facility Provider fails to purchase all or any part of the unremarketed portion of such tendered Variable Rate Bonds in accordance with the Liquidity Facility on a Tender Date, the Authority may at its option, but shall not be obligated to, pay to the Tender Agent as soon as practicable on a Tender Date immediately available funds (together with any remarketing proceeds and any funds provided under the Liquidity Facility) sufficient to pay the Tender Price on the Variable Rate Bonds tendered for purchase. The Tender Agent shall deposit the amount paid by the Authority, if any, in the Authority Purchase Account of the Bond Purchase Fund pending application of the money to the payment of the Tender Price as set forth in Section 36(b)(iii) hereof. Upon purchase of Variable Rate Bonds by the Authority, such bonds shall be cancelled.

(j) Purchase of Indexed Put Bonds. Indexed Put Bonds shall be subject to purchase as provided in Sections 12 through 21 hereof.

(k) Notices related to Remarketing and Draws. The terms of the Tender Agent Agreement relating to notices, remarketing, draws and payment of Variable Rate Bonds (including, without limitation, the Series M-2 Bonds upon expiration of the Initial Term Rate Period) are incorporated hereunder.

SECTION 28. Reserved.

SECTION 29. Reserved.

SECTION 30. Liquidity Facility. A Liquidity Facility, in an amount equal to the sum of outstanding principal and interest calculated at the Maximum Bond Interest Rate for 34 days, or such other amount as may be approved by the Rating Agencies then rating the Variable Rate Bonds and the Bond Insurer, shall be maintained by the Authority for Variable Rate Bonds bearing interest at the Weekly Interest Rate, the Daily Interest Rate or Bond Interest Term Rates and, if and to the extent that the Authority shall elect, for Variable Rate Bonds bearing interest at the Long-Term Interest Rate.

(a) Requests to Pay Tender Price. If there is not a sufficient amount of money available to pay the Tender Price pursuant to the Tender Agent Agreement and Section 36(b)(i) hereof on a Tender Date on which Variable Rate Bonds are required to be purchased pursuant to Section 27, the Tender Agent shall make a Request or Requests under the Liquidity Facility in accordance with its terms, at the times and in the manner required by the Tender Agent Agreement to receive immediately available funds on the Tender Date sufficient to pay the balance of the Tender Price. The Tender Agent agrees to deposit the proceeds of such Requests in the Liquidity Facility Purchase Account pursuant to Section 36(b)(ii) hereof and the Tender Agent Agreement pending application of that money to the payment of the Tender Price. In determining the amount of the Tender Price then due, the Tender Agent shall not take into consideration any Bank Bonds or Authority Bonds. No Requests shall be made under a Liquidity Facility to pay the Tender Price of Bank Bonds or of Variable Rate Bonds which are registered in the name of the Authority or, to the best knowledge of the Tender Agent, any nominees for (or any Person who owns such Variable Rate Bonds for the sole benefit of) any of the foregoing. Bank Bonds and Authority Bonds may not be tendered for purchase at the option of the Liquidity Facility Provider or the Authority, respectively.

(b) Surrender of Liquidity Facility. If an Alternate Liquidity Facility is delivered to the Tender Agent pursuant to Section 31 hereof with the documents required by Section 31, then the Tender Agent shall accept the Alternate Liquidity Facility and surrender the Liquidity Facility previously held for cancellation, provided that no Liquidity Facility shall be surrendered until after the date on which Variable Rate Bonds required to be purchased pursuant to Section 27(e) have been purchased or deemed purchased in accordance with Section 27(e). If a Liquidity Facility automatically terminates or is no longer required to be maintained hereunder, the Tender Agent shall surrender such Liquidity Facility to the issuer thereof for cancellation in accordance with the terms of the Liquidity Facility. Upon the defeasance of the Variable Rate Bonds pursuant to the Resolution and if, at such time, the Variable Rate Bonds are no longer subject to tender for purchase, the Tender Agent shall surrender the Liquidity Facility, if any, to the Liquidity Facility Provider for cancellation in accordance with the terms of that Liquidity Facility. The Tender Agent shall comply with the procedures set forth in each Liquidity Facility

relating to the termination thereof and shall deliver any certificates reducing the stated amount of the Liquidity Facility in accordance with the provisions thereof.

(c) Notice by Fiscal Agent. In connection with a Mandatory Standby Tender resulting in a mandatory purchase of Variable Rate Bonds as provided in Section 27(e) hereof, the Fiscal Agent shall give the notice of mandatory tender for purchase of such Variable Rate Bonds as provided in Sections 27(g) and 33 hereof.

(d) Notices from Authority and Fiscal Agent.

(i) *Notices from Authority.* The Authority shall give notice to the Fiscal Agent, the Remarketing Agent, the Bond Insurer, the Tender Agent and the Liquidity Facility Provider promptly upon the occurrence of any of the following events with respect to Variable Rate Bonds (and with respect to the Series M-2 Bonds while in the Initial Term Rate Period with respect to any event described in clause (C) below, if applicable):

(A) the extension of the Expiration Date;

(B) the execution of an Alternate Liquidity Facility; and

(C) the appointment of a successor to any of the Liquidity Facility Provider, the Remarketing Agent or the Tender Agent.

(ii) *Notices from Fiscal Agent to Holders of Variable Rate Bonds.* The Fiscal Agent shall, promptly upon receipt of notice from: (A) the Authority of the occurrence of any of the events listed in subparagraph (i) above, give notice to the Holders of outstanding Variable Rate Bonds (and to Holders of the Series M-2 Bonds while in the Initial Term Rate Period, if applicable) of the occurrence of that event, and (B) the Liquidity Facility Provider of notice of a Mandatory Standby Tender, give notice to the Authority, the Tender Agent, the Remarketing Agent and the Holders of outstanding Variable Rate Bonds of the occurrence of the Mandatory Standby Tender with the information set forth in Section 33.

SECTION 31. Alternate Liquidity Facility.

(a) Delivery by Authority.

(i) Not later than 15 days prior to the expiration or termination of a Liquidity Facility relating to the Variable Rate Bonds, in accordance with the terms of that Liquidity Facility, the Authority may provide for the delivery to the Tender Agent of an Alternate Liquidity Facility which has a term of at least 364 days. Any Alternate Liquidity Facility delivered to the Tender Agent pursuant to this Section 31(a)(i) shall contain administrative provisions reasonably acceptable to the Tender Agent, the Remarketing Agent and the Bond Insurer. On or prior to the date of the delivery of the Alternate Liquidity Facility to the Tender Agent, the Authority shall furnish to the Tender Agent (A) if the Alternate Liquidity Facility is issued by a Liquidity Facility Provider other than a domestic commercial bank, an opinion of Counsel reasonably satisfactory to

the Authority, the Bond Insurer, the Tender Agent and the Remarketing Agent (if any) that no registration of the Alternate Liquidity Facility is required under the Securities Act, and no qualification of this Appendix is required under the Trust Indenture Act, or that all applicable registration or qualification requirements have been fulfilled and (B) an opinion of Counsel satisfactory to the Authority, the Tender Agent, the Bond Insurer and the Remarketing Agent to the effect that such Alternate Liquidity Facility is a valid and enforceable obligation of the issuer thereof.

(ii) In lieu of the opinion of Counsel required by clause (A) of subparagraph (i) above, there may be delivered an opinion of Counsel reasonably satisfactory to the Authority, the Bond Insurer, the Remarketing Agent and the Tender Agent to the effect that either (A) at all times during the term of the Alternate Liquidity Facility, the Variable Rate Bonds will be offered, sold and held by Holders in transactions not constituting a public offering of the Variable Rate Bonds or the Alternate Liquidity Facility under the Securities Act, and accordingly no registration under the Securities Act, nor qualification of the Resolution under the Trust Indenture Act, will be required in connection with the issuance and delivery of the Alternate Liquidity Facility or the remarketing of the Variable Rate Bonds with the benefits thereof, or (B) the offering and sale of the Variable Rate Bonds, to the extent evidencing the Alternate Liquidity Facility, has been registered under the Securities Act and any resolution required to be qualified with respect thereto under the Trust Indenture Act has been so qualified. If the opinion described in clause (A) of this subparagraph (ii) is given, the Variable Rate Bonds and any transfer records relating to the Variable Rate Bonds shall be noted indicating the restrictions on sale and transferability described in clause (A).

(b) Delivery upon Rating Downgrade or Request for Increased Costs. In the event that the Liquidity Facility Provider is downgraded below the top two short-term ratings by S&P or the highest short-term rating by Moody's (to the extent such rating agency is then rating the Liquidity Facility Provider) or upon any request by the Liquidity Facility Provider for the payment of increased costs of providing the Liquidity Facility, the Authority may, and at the direction of the Bond Insurer, shall provide for delivery of an Alternate Liquidity Facility. Any Alternate Liquidity Facility delivered to the Tender Agent pursuant to this subparagraph shall contain administrative provisions reasonably acceptable to the Tender Agent and the Remarketing Agent.

(c) Acceptance by Tender Agent. If at any time there is delivered to the Tender Agent (i) an Alternate Liquidity Facility covering all of the Variable Rate Bonds, (ii) the information, opinions and data required by Section 31(a), and (iii) all information required to give the notice of mandatory tender for purchase of the Variable Rate Bonds, then the Tender Agent shall accept such Alternate Liquidity Facility and, after the date of the mandatory tender for purchase established pursuant to Section 27(e), promptly surrender the Liquidity Facility then in effect to the issuer thereof for cancellation in accordance with its terms or deliver any document necessary to reduce the coverage of such Liquidity Facility due to the delivery of such Alternate Liquidity Facility.

(d) Notice of Termination. The Fiscal Agent shall give notice to the Tender Agent, the Remarketing Agent, the Bond Insurer and the Holders of the Variable Rate Bonds of the

termination or expiration of any Liquidity Facility in accordance with its terms as provided in Section 33.

SECTION 32. Rights and Duties under Liquidity Facility. The Tender Agent, by accepting its appointment as such, agrees without further direction, to make Requests under each Liquidity Facility then in effect, if any, for the payment or purchase of Variable Rate Bonds in accordance with the terms and conditions set forth in this Appendix and that Liquidity Facility at the times, in the manner and for the purposes set forth herein and therein.

SECTION 33. Notice of Termination, Event of Default or Other Change in Liquidity Facility. The Fiscal Agent shall give notice by mail to the Holders of the Variable Rate Bonds secured by a Liquidity Facility (i) on or before the 30th day preceding the replacement, termination or expiration of such Liquidity Facility (except in the case of a termination resulting from an event referred to in the following paragraph) in accordance with its terms, or (ii) in the case of any Mandatory Standby Tender under such Liquidity Facility, as soon as reasonably possible, but no later than the Business Day following the receipt by the Fiscal Agent of notice of the Mandatory Standby Tender. The notice shall be accompanied by directions for the purchase of the Variable Rate Bonds pursuant to Section 27(e) hereof. The notice shall (A) state the date of such replacement, termination or expiration and the date of the proposed substitution of an Alternate Liquidity Facility (if any), (B) state that the Variable Rate Bonds will be purchased pursuant to Section 27(e) hereof on the fifth Business Day preceding such replacement, termination or expiration, including any termination as a result of a Mandatory Standby Tender, and (C) provide any other information required in the notice to the Holders of the Variable Rate Bonds by Section 27(g) hereof. The Authority shall provide the Fiscal Agent with written notice of any information required to enable the Fiscal Agent to give the foregoing notice.

If there should occur any event resulting in the immediate termination or suspension of the obligation of the Liquidity Facility Provider to purchase Variable Rate Bonds under the terms of any Liquidity Facility, then the Fiscal Agent shall as soon as practicably possible thereafter notify the Remarketing Agent and the Holders of all the Variable Rate Bonds then outstanding that: (i) the Liquidity Facility has been terminated or suspended, as the case may be; (ii) the Tender Agent will no longer be able to purchase Variable Rate Bonds with moneys available under the Liquidity Facility; and (iii) the Liquidity Facility Provider is under no obligation to purchase Variable Rate Bonds or to otherwise advance moneys to fund the purchase of Variable Rate Bonds.

SECTION 34. Remarketing Agent and Tender Agent.

(a) Remarketing Agent. Each Remarketing Agent appointed by the Authority shall designate its principal office in the Remarketing Agreement. The Remarketing Agent shall signify its acceptance of the duties and obligations imposed upon it under this Appendix by a written instrument of acceptance (which may be the Remarketing Agreement) delivered to the Authority, the Fiscal Agent, the Tender Agent, the Bond Insurer and the Liquidity Facility Provider, under which the Remarketing Agent shall agree, particularly, to keep such books and records related to the remarketing of the subseries of Variable Rate Bonds (and the Series M-2 Bonds upon expiration of the Initial Term Rate Period) as shall be consistent with prudent industry practice and to make such books and records related to the remarketing of the subseries

of Variable Rate Bonds (and the Series M-2 Bonds upon expiration of the Initial Term Rate Period) available for inspection by the Authority, the Bond Insurer, the Fiscal Agent and the Tender Agent at all reasonable times and upon reasonable notice.

(b) Tender Agent. Each Tender Agent appointed by the Authority shall designate its principal office for delivery of notices and delivery of Variable Rate Bonds (and the Series M-2 Bonds upon expiration of the Initial Term Rate Period) in the Tender Agent Agreement and signify its acceptance of the duties and obligations imposed upon it under this Appendix by a written instrument of acceptance (which may be the Tender Agent Agreement) delivered to the Authority, the Fiscal Agent, the Liquidity Facility Provider, the Bond Insurer and the Remarketing Agent. By acceptance of its appointment under this Appendix, the Tender Agent agrees:

(i) to hold all Variable Rate Bonds (including, without limitation, the Series M-2 Bonds upon expiration of the Initial Term Rate Period) delivered to it pursuant to Section 38 as agent and bailee of, and in escrow for the benefit of, the respective Holders which have delivered such Variable Rate Bonds until money representing the purchase price of such Variable Rate Bonds shall have been delivered to or for the account of or to the order of such Holders;

(ii) to hold all Variable Rate Bonds registered in the name of the new Holders thereof which have been delivered to it by the Fiscal Agent for delivery to the Remarketing Agent in accordance with the Tender Agent Agreement;

(iii) to hold Variable Rate Bonds for the account of the Authority as stated in Section 38(c) and Bank Bonds for the account of the Liquidity Facility Provider as stated in Section 38(b); and

(iv) to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Authority, the Fiscal Agent, the Bond Insurer, the Liquidity Facility Provider and the Remarketing Agent at all reasonable times.

SECTION 35. Qualifications of Remarketing Agent and Tender Agent; Resignation and Removal of Remarketing Agent and Tender Agent.

(a) Remarketing Agent. Each Remarketing Agent shall be a member of the National Association of Securities Dealers, having a combined capital stock, surplus and undivided profits of at least \$50,000,000 and authorized by law to perform all the duties imposed upon it by this Appendix and the Remarketing Agreement. A Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Appendix as provided in the Remarketing Agreement. Such resignation shall take effect on the 30th day after the receipt by the Authority of the notice of resignation. A Remarketing Agent may be removed at any time as provided in the Remarketing Agreement. Notwithstanding the provisions of this paragraph, such removal shall not take effect prior to the date that a successor Remarketing Agent has been appointed by the Authority and has accepted such appointment. Each agreement with a Remarketing Agent shall provide that (i) such agreement may be terminated at the direction of

the Bond Insurer at any time upon thirty (30) days' notice to the Authority, the Fiscal Agent, the Tender Agent, the Liquidity Facility Provider and the Remarketing Agent and (ii) the Bond Insurer shall be a third party beneficiary of each such agreement for purposes of enforcement of this right.

(b) Tender Agent. Each Tender Agent shall be a commercial bank with trust powers or a trust company duly organized under the laws of the United States or any state or territory thereof having a combined capital stock, surplus and undivided profits of at least \$50,000,000 and authorized by law to perform all the duties imposed upon it by this Appendix and the Tender Agent Agreement. A Tender Agent may at any time resign and be discharged of the duties and obligations created by this Appendix by giving at least 60 days' notice to the Authority, the Fiscal Agent, the Liquidity Facility Provider and the Remarketing Agent. A Tender Agent may be removed at any time by an instrument signed by the Authority and filed with the Fiscal Agent. However, such resignation or removal shall not take effect prior to the date that a successor Tender Agent has been appointed by the Authority and has accepted such appointment, such appointment has been approved by the Liquidity Facility Provider and the Liquidity Facility, if any, has been transferred, in accordance with its terms, to that successor.

Upon the effective date of resignation or removal of a Tender Agent, such Tender Agent shall deliver any Variable Rate Bonds and money held by it in such capacity to its successor.

SECTION 36. Notice of Variable Rate Bonds Delivered for Purchase; Sources and Deposits of Tender Price.

(a) Determination by Tender Agent; Notice of Tender. For purposes of Section 27 hereof, the Tender Agent shall determine timely and proper delivery of Variable Rate Bonds (including, without limitation, the Series M-2 Bonds upon expiration of the Initial Term Rate Period) pursuant to this Appendix and the proper endorsement of Variable Rate Bonds delivered. That determination shall be binding on the Holders of those Variable Rate Bonds, the Authority, the Liquidity Facility Provider and the Remarketing Agent, absent manifest error.

In accordance with the provisions of the Tender Agent Agreement, the Tender Agent shall give notice by Electronic Means to the Fiscal Agent, the Authority, the Remarketing Agent and the Liquidity Facility Provider specifying the principal amount of Variable Rate Bonds as to which it receives notice of tender for purchase in accordance with Section 27(a) or 27(b) hereof.

(b) Sources and Deposits of Tender Price for Purchase of Variable Rate Bonds. Variable Rate Bonds (including, without limitation, the Series M-2 Bonds upon expiration of the Initial Term Rate Period) required to be purchased in accordance with Section 27 hereof shall be purchased from the Holders thereof, on the Tender Date and at the Tender Price. Funds for the payment of the Tender Price shall be received by the Tender Agent from the following sources and used in the order of priority indicated:

(i) proceeds of the sale of Variable Rate Bonds (including, without limitation, the Series M-2 Bonds upon expiration of the Initial Term Rate Period) remarketed pursuant to Section 37 and the Remarketing Agreement and furnished to the Tender Agent by the Remarketing Agent for deposit into the Remarketing Account;

(ii) money furnished by the Liquidity Facility Provider to the Tender Agent for deposit into the Liquidity Facility Purchase Account of the Bond Purchase Fund from Requests on the Liquidity Facility, if any (provided that moneys from Requests on the Liquidity Facility shall not be used to purchase Bank Bonds or Variable Rate Bonds from the Authority); and

(iii) money, if any, furnished by the Authority at its option to the Tender Agent for deposit into the Authority Purchase Account for the purchase of Variable Rate Bonds by the Authority.

Money held in the Bond Purchase Fund shall be held uninvested by the Tender Agent.

(c) Undelivered Bonds; Tender Price. If a Variable Rate Bond (including, without limitation, the Series M-2 Bonds upon expiration of the Initial Term Rate Period) purchased as provided in this Section 36 is not presented to the Tender Agent, the Tender Agent shall segregate and hold uninvested the money for the Tender Price of such Variable Rate Bond in trust for the benefit of the former Holder of such Variable Rate Bond, who shall, except as provided in the following sentences of this paragraph, thereafter be restricted exclusively to such money for the satisfaction of any claim for the Tender Price. Any money which the Tender Agent segregates and holds in trust for the payment of the Tender Price of any Variable Rate Bonds (including, without limitation, the Series M-2 Bonds upon expiration of the Initial Term Rate Period) which remains unclaimed for five years after the date of purchase shall be paid to the Authority. After the payment of such unclaimed money to the Authority, the former Holder of such Variable Rate Bonds shall look only to the Authority for the payment thereof. The Authority shall not be liable for any interest on unclaimed money and shall not be regarded as a Fiscal Agent of such money.

SECTION 37. Remarketing of Variable Rate Bonds; Notice of Interest Rates.

(a) Remarketing. Upon a mandatory tender (other than a Mandatory Standby Tender or a tender due to the termination or expiration of a Liquidity Facility which is not replaced with an Alternate Liquidity Facility) or notice of tender for purchase of Variable Rate Bonds (including, without limitation, the Series M-2 Bonds upon expiration of the Initial Term Rate Period), the Remarketing Agent shall offer for sale and use its best efforts to sell such Variable Rate Bonds (including Bank Bonds so long as a Liquidity Facility remains in effect) on the same date designated for purchase thereof in accordance with Section 27 hereof and, if not remarketed on such date, thereafter until sold, at a price equal to par plus accrued interest, with such interest component of the sales price being determined by the Remarketing Agent, with consent of the Tender Agent, in order to best facilitate remarketing; provided, however, that if the Series M-2 Bonds are not remarketed on July 1, 2017, the Series M-2 Bonds shall remain in the Initial Term Rate Period but shall bear interest at the rate per annum of ten (10%) percent until such Series M-2 Bonds are successfully remarketed to a new Interest Rate Period. Variable Rate Bonds subject to a Mandatory Standby Tender shall not be remarketed unless such Variable Rate Bonds are converted to a Long-Term Interest Rate Period to their maturity date or to ARS, unless an Alternate Liquidity Facility is in full force and effect or unless the Liquidity Facility Provider has reinstated the Liquidity Facility with respect to which such Mandatory Standby Tender was

declared and such Liquidity Facility is in full force and effect. Variable Rate Bonds shall not be remarketed to the Authority.

(b) Notice of Rates and Terms. The Remarketing Agent shall determine the rate of interest for Variable Rate Bonds during each Interest Rate Period and each Bond Interest Term relating thereto and the Bond Interest Terms for Variable Rate Bonds during each Short-Term Interest Rate Period relating thereto as provided in Section 4 hereof and shall furnish to the Fiscal Agent and the Authority no later than the Business Day next succeeding the date of determination each rate of interest and Bond Interest Term so determined by Electronic Means, provided that during a Daily Interest Rate Period such information need be provided only once a week or upon the request of the Fiscal Agent.

(c) Notice of Purchase and Remarketing. The Remarketing Agent shall give notice by Electronic Means, to the extent permitted by law, during any period in which the Variable Rate Bonds (including, without limitation, the Series M-2 Bonds upon expiration of the Initial Term Rate Period) are not in book-entry form, to the Fiscal Agent and the Tender Agent on each date on which Variable Rate Bonds have been purchased pursuant to Section 36(b)(i) specifying the principal amount of such Variable Rate Bonds, if any, sold by it pursuant to Section 37(a) along with a list of the purchasers showing the names and denominations in which such Variable Rate Bonds shall be registered, and the addresses and social security or taxpayer identification numbers of such purchasers.

(d) Remarketing and Delivery of Indexed Put Bonds. Indexed Put Bonds shall be remarketed and delivered as provided in Sections 12 through 21 hereof.

SECTION 38. Delivery of Variable Rate Bonds.

(a) Variable Rate Bonds (including, without limitation, the Series M-2 Bonds upon expiration of the Initial Term Rate Period) purchased with money described in Section 36(b)(i) shall be made available by the Tender Agent to the Remarketing Agent for delivery to the purchasers thereof against payment therefor in accordance with the Tender Agent Agreement.

(b) Variable Rate Bonds purchased with money described in Section 36(b)(ii) shall be registered in the name of, or as otherwise directed by, the Liquidity Facility Provider and delivered in certificated form to or upon the order of the Liquidity Facility Provider as soon as practical following their purchase or held by the Tender Agent as agent for the Liquidity Facility Provider, all as directed by the Liquidity Facility Provider.

(c) Variable Rate Bonds purchased with money described in Section 36(b)(iii) shall be held in escrow by the Tender Agent for the account of the Authority until the Tender Agent receives further instructions from the Authority regarding disposition of those Authority Bonds. Notwithstanding the foregoing, any such Variable Rate Bonds purchased with money described in Section 36(b)(iii) shall not be remarketed.

(d) Variable Rate Bonds (including, without limitation, the Series M-2 Bonds upon expiration of the Initial Term Rate Period) delivered as provided in this Section 38 shall be registered in the manner directed by the recipient thereof.

(e) When any Bank Bonds are remarketed, the Tender Agent shall not release Variable Rate Bonds so remarketed to the Remarketing Agent until the Tender Agent has received and forwarded to the Liquidity Facility Provider the proceeds of such remarketing and (unless the Liquidity Facility is no longer to remain in effect) the Liquidity Facility has been reinstated.

SECTION 39. Delivery of Proceeds of Sale. The proceeds of the sale by the Remarketing Agent of any Variable Rate Bonds (including, without limitation, the Series M-2 Bonds upon expiration of the Initial Term Rate Period) shall be delivered to the Tender Agent for deposit into the Remarketing Account of the Bond Purchase Fund as provided in the Remarketing Agreement.

SECTION 40. Election Not to Sell Bank Bonds. The Liquidity Facility Provider (or any subsequent owner of a Bank Bond) shall have the right, by written notice or by telephonic notice, promptly confirmed in writing to the Remarketing Agent, the Fiscal Agent and the Tender Agent, to elect not to sell the Bank Bonds or any portion thereof. From and after any sale by the Remarketing Agent and receipt by the Tender Agent on behalf of the Liquidity Facility Provider (or any subsequent owner of the Bank Bonds) of the purchase price therefor (including accrued interest to the date of delivery), or any such election not to sell the Bank Bonds, such Variable Rate Bonds shall cease to be Bank Bonds and shall bear interest as provided herein for Variable Rate Bonds other than Bank Bonds.

SECTION 41. Substitution of Bond Insurance Policy. While the Variable Rate Bonds bear interest at a Daily Interest Rate, Weekly Interest Rate or Bond Interest Term Rates, if the rating of the Bond Insurer shall be lowered by Moody's and S&P below the two top rating categories assigned by such rating agency (without giving effect to numeric or other qualifiers), then the Authority may, at its option, but only with the prior written consent of the Liquidity Facility Provider, which consent shall not be unreasonably withheld, and shall, upon receipt of a request from the Liquidity Facility Provider, obtain a substitute bond insurance policy. At least seven (7) Business Days prior to the date of the delivery of the substitute bond insurance policy, the Authority shall furnish to the Fiscal Agent and the Liquidity Facility Provider (i) a Favorable Opinion of Bond Counsel to the effect that the furnishing of such substitute bond insurance policy is authorized under this Appendix and complies with the terms hereof and will not cause the interest on the Variable Rate Bonds to be includable in gross income for federal income tax purposes, (ii) written evidence from each Rating Agency then rating the Variable Rate Bonds, to the effect that each such Rating Agency has reviewed the proposed substitute bond insurance policy, and that, taking into account the substitution of the proposed substitute bond insurance policy for the current Policy, the Variable Rate Bonds will be given a long-term rating which is not lower than the then-existing rating, and (iii) the prior written consent of the Liquidity Facility Provider (unless the Liquidity Facility Provider has directed the Authority to obtain a substitute bond insurance policy), which consent shall not be unreasonably withheld, unless the Authority also provides a substitute Liquidity Facility in accordance with the terms of this Appendix, effective on the date of delivery of the substitute bond insurance policy, in which case such substitution shall not be subject to the Liquidity Facility Provider's prior written consent. If the Liquidity Facility Provider has directed the Authority to obtain a substitute bond insurance policy, the Liquidity Facility Provider may require that the rating on the Variable Rate Bonds, taking into account the substitute bond insurance policy, be no lower than the top two rating

categories assigned by Moody's or S&P. The Fiscal Agent shall not consent to any surrender, cancellation, termination, amendment or modification of the Policy except in accordance with the provisions of this Section. Pursuant to Section 27(e), the Variable Rate Bonds will be subject to mandatory tender on the Business Day prior to the date on which a substitute bond insurance policy is issued. Promptly upon delivery of the substitute bond insurance policy, the Fiscal Agent shall surrender the previous Policy to the issuer thereof for cancellation.

SECTION 42. Bond Purchase Fund. While the Variable Rate Bonds are Indexed Put Bonds or at any time that any subseries of Variable Rate Bonds (including, without limitation, the Series M-2 Bonds upon expiration of the Initial Term Rate Period) are subject to an Interest Period other than an ARS Rate Period or a Long-Term Interest Rate Period ending on the day before the Variable Rate Bonds mature, there shall be established with and maintained by the Tender Agent a separate trust fund to be designated "Bond Purchase Fund." The Tender Agent shall further establish within the Bond Purchase Fund a separate trust account to be referred to herein as a "Remarketing Account," a separate trust account to be referred to herein as a "Liquidity Facility Purchase Account" and a separate trust account to be referred to herein as a "Authority Purchase Account".

(a) Remarketing Account. Upon receipt of the proceeds of a remarketing of Variable Rate Bonds (including, without limitation, the Series M-2 Bonds upon expiration of the Initial Term Rate Period) on a Tender Date pursuant to Section 15 or 39, the Tender Agent shall deposit such proceeds in the Remarketing Account of the Bond Purchase Fund for application to the Tender Price of such Variable Rate Bonds in accordance with Section 15(a) or 36(b)(i) and, if the Tender Agent is not a paying agent with respect to such Variable Rate Bonds, shall transmit such proceeds to the Fiscal Agent for such application. Notwithstanding the foregoing, upon receipt of the proceeds of a remarketing of Bank Bonds, the Tender Agent shall immediately pay such proceeds to the Liquidity Facility Provider.

(b) Liquidity Facility Purchase Account. Upon receipt from the Liquidity Facility Provider of the immediately available funds transferred to the Tender Agent pursuant to Section 30 hereof, the Tender Agent shall deposit such money in the Liquidity Facility Purchase Account of the Bond Purchase Fund for application to the Tender Price of the Variable Rate Bonds required to be purchased on a Tender Date in accordance with Section 36(b)(ii) to the extent that the money on deposit in the Remarketing Account of the Bond Purchase Fund shall not be sufficient. Any amounts deposited in the Liquidity Facility Purchase Account and not needed with respect to any Tender Date for the payment of the Tender Price for any Variable Rate Bonds shall be immediately returned to the Liquidity Facility Provider. Amounts on deposit in the Liquidity Facility Purchase Account shall not be commingled with any other funds held by the Tender Agent. The Authority shall not have any right, title or interest in any funds held on deposit in the Liquidity Facility Purchase Account.

(c) Authority Purchase Account. Upon receipt from the Authority under Section 27(i) or 15(b) of any funds for the purchase of tendered Variable Rate Bonds, the Tender Agent shall deposit such money, if any, in the Authority Purchase Account of the Bond Purchase Fund for application to the Tender Price of the Variable Rate Bonds required to be purchased on a Tender Date in accordance with Section 36(b)(iii) or 15(b) to the extent that the money on deposit in the Remarketing Account and the Liquidity Facility Purchase Account (if any) of the

Bond Purchase Fund shall not be sufficient. Any amounts deposited in the Authority Purchase Account and not needed with respect to any Tender Date for the payment of the Tender Price for any Variable Rate Bonds shall be immediately returned to the Authority.

SECTION 43. Payments Due on Non-Business Day. In any case where the date of any payment of the Variable Rate Bonds (including, without limitation, the Series M-2 Bonds upon expiration of the Initial Term Rate Period) shall not be a business day, then such payment need not be made on such date but may be made on the next succeeding business day with the same force and effect as if made on such date, and no interest on such payment shall accrue for the period after such date. The Authority shall not be required to take any action on any day which is a public holiday in the Authority but may take such action on the next day which is not a public holiday.

SECTION 44. Severability of Invalid Provisions. If any one or more of the provisions, covenants or agreements in this Appendix on the part of the Authority to be performed should be contrary to law, then such provision or provisions, covenant or covenants, agreement or agreements, shall be deemed separable from the remaining provisions, covenants and agreements, and shall in no way affect the validity of the other provisions of this Appendix or of the Variable Rate Bonds (including, without limitation, the Series M-2 Bonds upon expiration of the Initial Term Rate Period).

SECTION 45. Notices to the Rating Agencies. The Authority shall provide written notices to Moody's and S&P, at their respective addresses set forth below, as soon as practicable upon the occurrence of any of the following events:

- (a) the expiration, termination, substitution or extension of any Liquidity Facility or the substitution of the Policy;
- (b) the redemption, defeasance or mandatory tender of Variable Rate Bonds (including, without limitation, the Series M-2 Bonds upon expiration of the Initial Term Rate Period) that are not ARS;
- (c) the conversion of Variable Rate Bonds, other than ARS, from one Interest Rate Period to a different Interest Rate Period;
- (d) any amendment to this Appendix, the Liquidity Facilities, the Tender Agent Agreements or the Remarketing Agreements; or
- (e) the resignation or removal, and the appointment of any successor Fiscal Agent, Tender Agent or Remarketing Agent.

Notice address for Moody's:

Moody's Investors Service
MSPG Surveillance Team
7 World Trade Center at 250 Greenwich Street
Public Finance Group – 23rd Floor
New York, NY 10007

Fax: (212) 553-1066
MSPGSurveillance@Moody.com.

Notice address for S&P:

Standard & Poor's Ratings Services
5 Water Street, 38th Floor
New York, NY 10041
Phone: (212) 438-2000
Fax: (212) 438-2157
pubfin_structured@standardandpoors.com.

EXHIBIT 1 TO APPENDIX A

AUCTION PROCEDURES

AUCTION PROCEDURES

Any modification to the definitions in Article I and the Auction Procedures in Article II are set forth in Schedule I. In the event of any conflict between Article I or Article II and Schedule I, Schedule I shall prevail. Any reference herein to “Series” such as “a Series or Bonds” or “Bonds of a Series” shall not apply if there is only one Series of Bonds. UNLESS OTHERWISE NOTED IN THIS EXHIBIT 1, THE TERMS AND PROVISIONS OF EXHIBIT 1 SHALL BE DEEMED TO REFER AND APPLY SEPARATELY TO EACH ONE OR MORE SUBSERIES (REFERRED TO AS “SERIES”) OF THE VARIABLE RATE BONDS WHILE SUCH BONDS ARE IN AN ARS RATE PERIOD. As set forth in Schedule I to this Exhibit 1, Trustee shall refer to the Fiscal Agent and Issuer and Corporation shall refer to the Authority.

ARTICLE I

Definitions

The following words and terms as used in this Exhibit 1 (hereinafter “this Exhibit”) and elsewhere in the Series Resolution, including the Appendix, have the following meanings with respect to Bonds in an ARS Rate Period unless the context or use indicates another or different meaning or intent or the definition has been changed, modified or expanded in Schedule I.

“Agent Member” means a member of, or participant in, the Securities Depository who shall act on behalf of a Bidder.

“All Hold Rate” has the meaning set forth in Schedule I.

“ARS Conversion Date” means with respect to Bonds, the date on which the Bonds of such Series convert from an interest rate period other than an ARS Rate Period and begin to bear interest at the Auction Period Rate.

“ARS Rate Period” means, for each Series of Bonds, any period of time commencing on the day following the Initial Period and ending on the earlier of the Conversion Date or the day preceding the final maturity date of such Bonds.

“Auction” means each periodic implementation of the Auction Procedures.

“Auction Agent” means the Person appointed as Auction Agent in accordance with the Auction Agreement. The Auction Agent shall initially be the party named in Schedule I.

“Auction Agreement” means an agreement between the Auction Agent and the Trustee pursuant to which the Auction Agent agrees to follow the procedures specified in this Exhibit with respect to the Bonds while such Bonds bear interest at the Auction Period Rate, as such agreement may from time to time be amended or supplemented.

“Auction Date” means with respect to any Series of Bonds:

(a) Daily Auction Period. If the Bonds are in a daily Auction Period, each Business Day unless such day is the Business Day prior to the conversion from a daily Auction Period to another Auction Period,

(b) Flexible Auction Period. If the Bonds are in a Flexible Auction Period, the last Business Day of the Flexible Auction Period, and

(c) Other Auction Periods. If the Bonds are in any other Auction Period, the Business Day next preceding each Interest Payment Date for such Bonds (whether or not an Auction shall be conducted on such date);

provided, however, that the last Auction Date with respect to the Bonds in an Auction Period other than a daily Auction Period or Flexible Auction Period shall be the earlier of (i) the Business Day next preceding the Interest Payment Date next preceding the Conversion Date for the Bonds and (ii) the Business Day next preceding the Interest Payment Date next preceding the final maturity date for the Bonds; and

provided, further, that if the Bonds are in a daily Auction Period, the last Auction Date shall be the earlier of (x) the second Business Day next preceding the Conversion Date for the Bonds and (y) the Business Day next preceding the final maturity date for the Bonds. The last Business Day of a Flexible Auction Period shall be the Auction Date for the Auction Period which begins on the next succeeding Business Day, if any. On the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be an Auction for the last daily Auction Period. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be one Auction for the first Auction Period following the conversion.

The first Auction Date for each Series of Bonds is set forth in Schedule I.

“Auction Desk” means the business unit of a Broker-Dealer that fulfills the responsibilities of the Broker-Dealer under a Broker-Dealer Agreement, including soliciting Bids for the Bonds, and units of the Broker-Dealer which are not separated from such business unit by information controls appropriate to control, limit and monitor the inappropriate dissemination and use of information about Bids.

“Auction Period” means with respect to each Series of Bonds:

(a) *Flexible Auction Period.* A Flexible Auction Period;

(b) *Daily Auction Period.* With respect to a Series of Bonds in a daily Auction Period, a period beginning on each Business Day and extending to but not including the next succeeding Business Day unless such Business Day is the second Business Day preceding the conversion from a daily Auction Period to another Auction Period, in which case the daily Auction Period shall extend to, but not include, the next Interest Payment Date;

(c) *Seven-day Auction Period.* With respect to a Series of Bonds in a seven-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table below, a period of generally seven days beginning on the day of the week

specified in column B of the table below (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table below) and ending on the day of the week specified in column C of the table below in the next succeeding week (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day):

(A)	(B)	(C)
When Auctions Occur on this day	Auction Period Generally Begins this day	Auction Period Generally Ends this day
Friday	Monday	Sunday
Monday	Tuesday	Monday
Tuesday	Wednesday	Tuesday
Wednesday	Thursday	Wednesday
Thursday	Friday	Thursday

(d) *28-day Auction Period.* With respect to a Series of Bonds in a 28-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 28 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the same day of the week specified in column C of the table above four weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

(e) *35-day Auction Period.* With respect to a Series of Bonds in a 35-day Auction Period, if Auctions generally are conducted on the day of the week specified in column A of the table above, a period of generally 35 days beginning on the day of the week specified in column B of the table above (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on the day of the week specified in column C of the table above) and ending on the day of the week specified in column C of the table above five weeks later (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

(f) *Three-month Auction Period.* With respect to a Series of Bonds in a three-month Auction Period, a period of generally three months (or shorter period upon a conversion from another Auction Period or following an ARS Conversion Date) beginning on the day following the last day of the prior Auction Period and ending on the calendar day immediately preceding the first Business Day of the month that is the third calendar month following the beginning date of such Auction Period; and

(g) *Six-month Auction Period.* With respect to a Series of Bonds in a six-month Auction Period, a period of generally six months (or shorter period upon a conversion from another Auction Period or following an ARS Conversion Date) beginning on the day following the last day of the prior Auction Period and ending on the next succeeding date set forth in Schedule I.

Provided, however, that if there is a conversion of a Series of Bonds with Auctions generally conducted on the day of the week specified in column A of the table above, (i) from a daily Auction Period to a seven-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the next succeeding day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a 28-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and shall end of the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and (iii) from a daily Auction Period to a 35-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the Interest Payment Date for the prior Auction Period) and shall end on the day of the week specified in column C of the table above (unless such day is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but no more than 35 days from such date of conversion.

Notwithstanding the foregoing, if an Auction is for an Auction Period of more than seven days and the Auction Rate on such Auction Date is the Maximum Rate as the result of a lack of Sufficient Clearing Bids, the Auction Period shall automatically convert to a seven-day Auction Period. On the following Auction Date, the Auction shall be conducted for an Auction Period of the same length as the Auction Period prior to such automatic conversion. If such Auction is successful, the Auction Period shall revert to the length prior to the automatic conversion, and, if such Auction is not successful, the Auction Period shall be another seven-day period.

“Auction Period Rate” means the Auction Rate or any other rate of interest to be borne by the Bonds during each Auction Period determined in accordance with Section 2.04 of this Exhibit; provided, however, in no event may the Auction Period Rate exceed the Maximum Rate.

“Auction Procedures” means the procedures for conducting Auctions for Bonds during an ARS Rate Period set forth in this Exhibit.

“Auction Rate” means for each Series of Bonds for each Auction Period, (i) if Sufficient Clearing Bids exist, the Winning Bid Rate, provided, however, if all of the Bonds are the subject of Submitted Hold Orders, the All Hold Rate for such Series of Bonds, and (ii) if Sufficient Clearing Bids do not exist, the Maximum Rate for such Series of Bonds.

“Authorized Denominations” means \$25,000, or such other amount specified in Schedule I, and integral multiples thereof so long as the Bonds bear interest at the Auction Period Rate, notwithstanding anything else in the Authorizing Document to the contrary.

“Authority Certificate” means a certificate of the Executive Director of the Authority setting forth the details of Variable Rate Bonds bearing interest at an Auction Rate, which certificate shall be provided on the date of Conversion of such Variable Rate Bonds to an ARS Rate Period.

“Authorizing Document” has the meaning set forth in Schedule I.

“Available Bonds” means, for each Series of Bonds, on each Auction Date, the number of Units of Bonds that are not the subject of Submitted Hold Orders.

“Bid” has the meaning specified in subsection (a) of Section 2.01 of this Exhibit.

“Bidder” means each Existing Owner and Potential Owner who places an Order.

“Bonds” has the meaning set forth in Schedule I.

“Broker-Dealer” means any entity that is permitted by law to perform the function required of a Broker-Dealer described in this Exhibit, that is a member of, or a direct participant in, the Securities Depository, that has been selected by the Corporation and that is a party to a Broker-Dealer Agreement with the Auction Agent and the Corporation. The “Broker-Dealer of record” with respect to any Bond is the Broker-Dealer which placed the Order for such Bond or whom the Existing Owner of such Bond has designated as its Broker-Dealer with respect to such Bond, in each case as reflected in the records of the Auction Agent. The Broker-Dealer(s) shall initially be the party(ies) named in Schedule I.

“Broker-Dealer Agreement” means an agreement among the Auction Agent, the Corporation and a Broker-Dealer pursuant to which such Broker-Dealer agrees to follow the procedures described in this Exhibit, as such agreement may from time to time be amended or supplemented.

“Broker-Dealer Deadline” means, with respect to an Order, the internal deadline established by the Broker-Dealer through which the Order was placed after which it will not accept Orders or any change in any Order previously placed with such Broker-Dealer; provided, however, that nothing shall prevent the Broker-Dealer from correcting Clerical Errors by the Broker-Dealer with respect to Orders from Bidders after the Broker-Dealer Deadline pursuant to the provisions herein. Any Broker-Dealer may change the time or times of its Broker-Dealer Deadline as it relates to such Broker-Dealer by giving notice not less than two Business Days prior to the date such change is to take effect to Bidders who place Orders through such Broker-Dealer.

“Business Day” in addition to any other definition of “Business Day” included in the Authorizing Document, while Bonds bear interest at the Auction Period Rate, the term Business Day shall not include Saturdays, Sundays, days on which the New York Stock Exchange or its successor is not open for business, days on which the Federal Reserve Bank of New York is not open for business, days on which banking institutions or trust companies located in the state in which the operations of the Auction Agent are conducted are authorized or required to be closed by law, regulation or executive order of the state in which the Auction Agent conducts operations with respect to the Bonds.

“Clerical Error” means a clerical error in the processing of an Order, and includes, but is not limited to, the following: (i) a transmission error, including but not limited to, an Order sent to the wrong address or number, failure to transmit certain pages or illegible transmission, (ii) failure to transmit an Order received from one or more Existing Owners or Potential Owners

(including Orders from the Broker-Dealer which were not originated by the Auction Desk) prior to the Broker-Dealer Deadline or generated by the Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline or (iii) a typographical error. Determining whether an error is a "Clerical Error" is within the reasonable judgment of the Broker-Dealer, provided that the Broker-Dealer has a record of the correct Order that shows it was so received or so generated prior to the Broker-Dealer Deadline or the Submission Deadline, as applicable.

"Conversion Date" means the date on which any Series of the Bonds begin to bear interest at a rate which is determined other than by means of the Auction Procedures.

"Corporation" has the meaning set forth in Schedule I.

"Electronic Means" means facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

"Error Correction Deadline" means one hour after the Auction Agent completes the dissemination of the results of the Auction to Broker-Dealers without regard to the time of receipt of such results by any Broker-Dealer; provided, however, in no event shall the Error Correction Deadline extend past 4:00 p.m., New York City time, unless the Auction Agent experiences technological failure or force majeure in disseminating the Auction results which causes a delay in dissemination past 3:00 p.m., New York City time.

"Existing Owner" means a Person who is the beneficial owner of Bonds; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as an Existing Owner.

"Flexible Auction Period" means with respect to a Series of Bonds,

(h) any period of 182 days or less which is divisible by seven and which begins on an Interest Payment Date and ends (i) in the case of a Series of Bonds with Auctions generally conducted on Fridays, on a Sunday unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (ii) in the case of a Series of Bonds with Auctions generally conducted on Mondays, on a Monday unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iii) in the case of a Series of Bonds with Auctions generally conducted on Tuesdays, on a Tuesday unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iv) in the case of a Series of Bonds with Auctions generally conducted on Wednesdays, on a Wednesday unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, and (v) in the case of a Series of Bonds with Auctions generally conducted on Thursdays, on a Thursday unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day or

(i) any period which is longer than 182 days which begins on an Interest Payment Date and ends not later than the final scheduled maturity date of such Series of Bonds.

“Hold Order” means an Order to hold the Bonds as provided in Section 2.01(a) of this Exhibit or such an Order deemed to have been submitted as provided in Section 2.01(c) of this Exhibit.

“Index” has the meaning set forth in Schedule I.

“Initial Period” has the meaning set forth in Schedule I.

“Initial Period Rate” has the meaning set forth in Schedule I.

“Interest Payment Date” with respect to Bonds of a Series bearing interest at Auction Period Rates, means, notwithstanding anything else in the Authorizing Document to the contrary, the first Interest Payment Date for such Series of Bonds as set forth in Schedule I and thereafter (unless changed by Schedule I) (a) when used with respect to any Auction Period other than a daily Auction Period or a Flexible Auction Period, the Business Day immediately following such Auction Period, (b) when used with respect to a daily Auction Period, the first Business Day of the month immediately succeeding the first day of such Auction Period, (c) when used with respect to a Flexible Auction Period of (i) seven or more but fewer than 183 days, the Business Day immediately following such Flexible Auction Period, or (ii) 183 or more days, each semiannual date on which interest on the Bonds would be payable if such Bonds bore interest at a fixed rate of interest and on the Business Day immediately following such Flexible Auction Period, and (d) the date when the final payment of principal of the Bonds of such Series becomes due and payable (whether at stated maturity, upon redemption or acceleration, or otherwise).

“Issuer” has the meaning set forth in Schedule I.

“Maximum Rate” has the meaning set forth in Schedule I.

“Order” means a Hold Order, Bid or Sell Order.

“Person” has the meaning set forth in Schedule I.

“Potential Owner” means any Person, including any Existing Owner, who may be interested in acquiring a beneficial interest in the Bonds in addition to the Bonds currently owned by such Person, if any; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as a Potential Owner.

“Record Date” means, notwithstanding anything else in the Authorizing Document, while the Bonds bear interest at the Auction Period Rate, the Business Day immediately preceding an Interest Payment Date.

“Schedule I” means Schedule I to this Exhibit.

“Securities Depository” means, notwithstanding anything else in the Authorizing Document to the contrary, The Depository Trust Company and its successors and assigns or any other securities depository selected by the Corporation.

“Sell Order” has the meaning specified in subsection (a) of Section 2.01 of this Exhibit.

“Submission Deadline” means, unless changed by Schedule I, 1:00 p.m., New York City time, on each Auction Date not in a daily Auction Period and 11:00 a.m., New York City time, on each Auction Date in a daily Auction Period, or such other time on such date as shall be specified from time to time by the Auction Agent if directed in writing by the Trustee or the Corporation pursuant to the Auction Agreement as the time by which Broker-Dealers are required to submit Orders to the Auction Agent. Notwithstanding the foregoing, the Auction Agent will follow the Securities Industry and Financial Markets Association’s Early Market Close Recommendations for shortened trading days for the bond markets (the “SIFMA Recommendation”) unless the Auction Agent is instructed otherwise in writing by the Trustee or the Corporation. In the event of a SIFMA Recommendation with respect to an Auction Date, the Submission Deadline will be 11:30 a.m., instead of 1:00 p.m., New York City time.

“Submitted Bid” has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

“Submitted Hold Order” has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

“Submitted Order” has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

“Submitted Sell Order” has the meaning specified in subsection (b) of Section 2.04 of this Exhibit.

“Sufficient Clearing Bids” means for each Series of Bonds, an Auction for which the number of Units of such Bonds that are the subject of Submitted Bids by Potential Owners specifying one or more rates not higher than the Maximum Rate is not less than the number of Units of such Bonds that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Owners specifying rates higher than the Maximum Rate.

“Units” has the meaning set forth in Section 2.02(a)(iii) of this Exhibit.

“Winning Bid Rate” means for each Series of Bonds, the lowest rate specified in any Submitted Bid of such Series which if calculated by the Auction Agent as the Auction Rate would cause the number of Units of such Bonds that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the number of Units of Available Bonds of such Series.

ARTICLE II

Auction Procedures

Section 1.02 Orders by Existing Owners and Potential Owners. (a) Prior to the Broker-Dealer Deadline for each Series of Bonds on each Auction Date:

(i) each Existing Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, one or more Orders as to:

(A) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner commits to continue to hold for the next succeeding Auction Period without regard to the Auction Rate for such Auction Period,

(B) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner commits to continue to hold for the next succeeding Auction Period if the Auction Rate for the next succeeding Auction Period is not less than the rate per annum specified in such Order (and if the Auction Rate is less than such specified rate, the effect of the Order shall be as set forth in paragraph (b)(i)(A) of this Section), and/or

(C) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner offers to sell on the first Business Day of the next succeeding Auction Period (or on the same day in the case of a daily Auction Period) without regard to the Auction Rate for the next succeeding Auction Period; and

(ii) each Potential Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, an Order as to the principal amount of Bonds, which each such Potential Owner offers to purchase if the Auction Rate for the next succeeding Auction Period is not less than the rate per annum then specified by such Potential Owner.

For the purposes of the Auction Procedures an Order containing the information referred to in clause (i)(A) above is referred to as a "Hold Order," an Order containing the information referred to in clause (i)(B) or (ii) above is referred to as a "Bid," and an Order containing the information referred to in clause (i)(C) above is referred to as a "Sell Order."

No Auction Desk of a Broker-Dealer shall accept as an Order a submission (whether received from an Existing Owner or a Potential Owner or generated by the Broker-Dealer for its own account) which does not conform to the requirements of the Auction Procedures, including, but not limited to, submissions which are not in Authorized Denominations, specify a rate which contains more than three figures to the right of the decimal point or specify an amount greater than the amount of Outstanding Bonds. No Auction Desk of a Broker-Dealer shall accept a Bid or Sell Order which is conditioned on being filled in whole or a Bid which does not specify a specific interest rate.

(b) (i) A Bid by an Existing Owner shall constitute an offer to sell on the first Business Day of the next succeeding Auction Period (or the same day in the case of a daily Auction Period):

(A) the principal amount of Bonds specified in such Bid if the Auction Rate for the next succeeding Auction Period shall be less than the rate specified in such Bid; or

(B) such principal amount or a lesser principal amount of Bonds to be determined as described in subsection (a)(v) of Section 2.05 hereof if the Auction Rate for the next succeeding Auction Period shall be equal to such specified rate; or

(C) a lesser principal amount of Bonds to be determined as described in subsection (b)(iv) of Section 2.05 hereof if such specified rate shall be higher than the Maximum Rate and Sufficient Clearing Bids do not exist.

(ii) A Sell Order by an Existing Owner shall constitute an offer to sell:

(A) the principal amount of Bonds specified in such Sell Order; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (b)(iv) of Section 2.05 hereof if Sufficient Clearing Bids do not exist.

(iii) A Bid by a Potential Owner shall constitute an offer to purchase:

(A) the principal amount of Bonds specified in such Bid if the Auction Rate for the next succeeding Auction Period shall be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (a)(vi) of Section 2.05 hereof if the Auction Rate for the next succeeding Auction Period shall be equal to such specified rate.

(c) Anything herein to the contrary notwithstanding:

(i) If an Order or Orders covering all of the Bonds of a particular Series held by an Existing Owner is not submitted to the Broker-Dealer of record for such Existing Owner prior to the Broker-Dealer Deadline, such Broker-Dealer shall deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds held by such Existing Owner and not subject to Orders submitted to such Broker-Dealer; provided, however, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted to such Broker-Dealer prior to the Broker-Dealer Deadline covering the aggregate principal amount of Bonds of a particular Series to be converted held by such Existing Owner, such Broker-Dealer shall deem a Sell Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds to be converted held by such Existing Owner not subject to Orders submitted to such Broker-Dealer.

(ii) for purposes of any Auction, any Order by any Existing Owner or Potential Owner shall be revocable until the Broker-Dealer Deadline, and after the

Broker-Dealer Deadline, all such Orders shall be irrevocable, except as provided in Sections 2.02(e)(ii) and 2.02(f); and

(iii) for purposes of any Auction other than during a daily Auction Period, any Bonds sold or purchased pursuant to subsection (b)(i), (ii) or (iii) above shall be sold or purchased at a price equal to 100% of the principal amount thereof; provided that, for purposes of any Auction during a daily Auction Period, such sale or purchase price shall be 100% of the principal amount thereof plus accrued interest to the date of sale or purchase.

Section 1.03 Submission of Orders by Broker-Dealers to Auction Agent.

(a) Each Broker-Dealer shall submit to the Auction Agent in writing, or by such Electronic Means as shall be reasonably acceptable to the Auction Agent, prior to the Submission Deadline on each Auction Date for Bonds of a Series, all Orders with respect to Bonds of such Series accepted by such Broker-Dealer in accordance with Section 2.01 above and specifying with respect to each Order or aggregation of Orders pursuant to Section 2.02(b) below:

(i) the name of the Broker-Dealer;

(ii) the number of Bidders placing Orders, if requested by the Auction Agent;

(iii) the aggregate number of Units of Bonds of such Series, if any, that are the subject of such Order, where each Unit is equal to the principal amount of the minimum Authorized Denomination of the Bonds;

(iv) to the extent that such Bidder is an Existing Owner:

(A) the number of Units of Bonds of such Series, if any, subject to any Hold Order placed by such Existing Owner;

(B) the number of Units of Bonds of such Series, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and

(C) the number of Units of Bonds of such Series, if any, subject to any Sell Order placed by such Existing Owner; and

(v) to the extent such Bidder is a Potential Owner, the rate specified in such Bid.

(b) If more than one Bid is submitted to a Broker-Dealer on behalf of any single Potential Owner, the Broker-Dealer shall aggregate each Bid on behalf of such Potential Owner submitted with the same rate and consider such Bids as a single Bid and shall consider each Bid submitted with a different rate a separate Bid with the rate and the number of Units of Bonds specified therein.

A Broker-Dealer may aggregate the Orders of different Potential Owners with those of other Potential Owners on whose behalf the Broker-Dealer is submitting Orders and may aggregate the Orders of different Existing Owners with other Existing Owners on whose behalf the Broker-Dealer is submitting Orders; provided, however, Bids may only be aggregated if the interest rates on the Bids are the same.

(c) None of the Issuer, the Corporation, the Trustee or the Auction Agent shall be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner.

(d) Nothing contained herein shall preclude a Broker-Dealer from placing an Order for some or all of the Bonds for its own account.

(e) Until the Submission Deadline, a Broker-Dealer may withdraw or modify any Order previously submitted to the Auction Agent (i) for any reason if the Order was generated by the Auction Desk of the Broker-Dealer for the account of the Broker-Dealer or (ii) to correct a Clerical Error on the part of the Broker-Dealer in the case of any other Order, including Orders from the Broker-Dealer which were not originated by the Auction Desk.

(f) After the Submission Deadline and prior to the Error Correction Deadline, a Broker-Dealer may:

(i) submit to the Auction Agent an Order received from an Existing Owner, Potential Owner or a Broker-Dealer which is not an Order originated by the Auction Desk, in each case prior to the Broker-Dealer Deadline, or an Order generated by the Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline (provided that in each case the Broker-Dealer has a record of such Order and the time when such Order was received or generated) and not submitted to the Auction Agent prior to the Submission Deadline as a result of (A) an event of force majeure or a technological failure which made delivery prior to the Submission Deadline impossible or, under the conditions then prevailing, impracticable or (B) a Clerical Error on the part of the Broker-Dealer; or

(ii) modify or withdraw an Order received from an Existing Owner or Potential Owner or generated by the Broker-Dealer (whether generated by the Broker-Dealer's Auction Desk or elsewhere within the Broker-Dealer) for its own account and submitted to the Auction Agent prior to the Submission Deadline or pursuant to clause (i) above, if the Broker-Dealer determines that such Order contained a Clerical Error on the part of the Broker-Dealer.

In the event a Broker-Dealer makes a submission, modification or withdrawal pursuant to this Section 2.02(f) and the Auction Agent has already run the Auction, the Auction Agent shall rerun the Auction, taking into account such submission, modification or withdrawal. Each submission, modification or withdrawal of an Order submitted pursuant to this Section 2.02(f) by a Broker-Dealer after the Submission Deadline and prior to the Error Correction Deadline shall constitute a representation by the Broker-Dealer that (A) in the case of a newly submitted Order or portion thereof or revised Order, the failure to submit such Order prior to the Submission

Deadline resulted from an event described in clause (i) above and such Order was received from an Existing Owner or Potential Owner or is an Order received from the Broker-Dealer that was not originated by the Auction Desk, in each case, prior to the Broker-Dealer Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline or (B) in the case of a modified or withdrawn Order, such Order was received from an Existing Owner, a Potential Owner or the Broker-Dealer which was not originated by the Auction Desk prior to the Broker-Dealer Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline and such Order as submitted to the Auction Agent contained a Clerical Error on the part of the Broker-Dealer and that such Order has been modified or withdrawn solely to effect a correction of such Clerical Error, and in the case of either (A) or (B), as applicable, the Broker-Dealer has a record of such Order and the time when such Order was received or generated. The Auction Agent shall be entitled to rely conclusively (and shall have no liability for relying) on such representation for any and all purposes of the Auction Procedures.

(g) If after the Auction Agent announces the results of an Auction, a Broker-Dealer becomes aware that an error was made by the Auction Agent, the Broker-Dealer shall communicate such awareness to the Auction Agent prior to 5:00 p.m. New York City time on the Auction Date (or 2:00 pm. New York City time in the case of Bonds in a daily Auction Period). If the Auction Agent determines there has been such an error (as a result of either a communication from a Broker-Dealer or its own discovery) prior to 3:00 p.m. New York City time on the first day of the Auction Period with respect to which such Auction was conducted, the Auction Agent shall correct the error and notify each Broker-Dealer that submitted Bids or held a position in Bonds in such Auction of the corrected results.

(h) Nothing contained herein shall preclude the Auction Agent from:

(i) advising a Broker-Dealer prior to the Submission Deadline that it has not received Sufficient Clearing Bids for the Bonds; provided, however, that if the Auction Agent so advises any Broker-Dealer, it shall so advise all Broker-Dealers; or

(ii) verifying the Orders of a Broker-Dealer prior to or after the Submission Deadline; provided, however, that if the Auction Agent verifies the Orders of any Broker-Dealer, it shall verify the Orders of all Broker-Dealers requesting such verification.

Section 1.04 Treatment of Orders by the Auction Agent. Anything herein to the contrary notwithstanding:

(a) If the Auction Agent receives an Order which does not conform to the requirements of the Auction Procedures, the Auction Agent may contact the Broker-Dealer submitting such Order until one hour after the Submission Deadline and inform such Broker-Dealer that it may resubmit such Order so that it conforms to the requirements of the Auction Procedures. Upon being so informed, such Broker-Dealer may correct and resubmit to the Auction Agent any such Order that, solely as a result of a Clerical Error on the part of such Broker-Dealer, did not conform to the requirements of the Auction Procedures when previously submitted to the Auction Agent. Any such resubmission by a Broker-Dealer shall constitute a representation by such Broker-Dealer that the failure of such Order to have so conformed was

solely as a result of a Clerical Error on the part of such Broker-Dealer. If the Auction Agent has not received a corrected conforming Order within one hour and fifteen minutes of the Submission Deadline, the Auction Agent shall, if and to the extent applicable, adjust or apply such Order, as the case may be, in conformity with the provisions of subsections (b), (c) or (d) of this Section 2.03 and, if the Auction Agent is unable to so adjust or apply such Order, the Auction Agent shall reject such Order.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth of one percent (0.001%).

(c) If one or more Orders covering in the aggregate more than the number of Units of Outstanding Bonds of a particular Series are submitted by a Broker-Dealer to the Auction Agent, such Orders shall be considered valid in the following order of priority:

(i) all Hold Orders shall be considered Hold Orders, but only up to and including in the aggregate the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record;

(ii) any Bid of a Broker-Dealer shall be considered valid as a Bid of an Existing Owner up to and including the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of the Bonds of such Series subject to Hold Orders referred to in clause (i) above;

(A) subject to clause (A) above, all Bids of a Broker-Dealer with the same rate shall be aggregated and considered a single Bid of an Existing Owner up to and including the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record subject to Hold Orders referred to in clause (i) above;

(B) subject to clause (A) above, if more than one Bid with different rates is submitted by a Broker-Dealer, such Bids shall be considered Bids of an Existing Owner in the ascending order of their respective rates up to the amount of the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record subject to Hold Orders referred to in clause (i) above; and

(C) the number of Units, if any, of such Bonds of such Series subject to Bids not considered to be Bids for which such Broker-Dealer is the Broker-Dealer of record under this clause (ii) shall be treated as the subject of a Bid by a Potential Owner;

(iii) all Sell Orders shall be considered Sell Orders, but only up to and including the number of Units of Bonds of such Series equal to the excess of the number of Units of Bonds of such Series for which such Broker-Dealer is the Broker-Dealer of record over the sum of the number of Units of the Bonds of such Series considered to be

subject to Hold Orders pursuant to clause (i) above and the number of Units of Bonds of such Series considered to be subject to Bids for which such Broker-Dealer is the Broker-Dealer of record pursuant to clause (ii) above.

(d) If any Order is for other than an integral number of Units, then the Auction Agent shall round the amount down to the nearest number of whole Units, and the Auction Agent shall conduct the Auction Procedures as if such Order had been submitted in such number of Units.

(e) For purposes of any Auction other than during a daily Auction Period, if an Auction Agent has been notified by the Trustee, Issuer or Corporation that any portion of an Order by a Broker-Dealer relates to a Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction, the Order shall be invalid with respect to such portion and the Auction Agent shall conduct the Auction Procedures as if such portion of such Order had not been submitted.

(f) For purposes of any Auction other than during a daily Auction Period, no portion of a Bond which the Auction Agent has been notified by the Trustee, Issuer or Corporation has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be included in the calculation of Available Bonds for such Auction.

(g) If an Order or Orders covering all of the Bonds of a particular Series is not submitted by a Broker-Dealer of record prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Broker-Dealer covering the number of Units of Bonds for which such Broker-Dealer is the Broker-Dealer of record and not subject to Orders submitted to the Auction Agent; provided, however, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted by such Broker-Dealer prior to the Submission Deadline covering the number of Units of Bonds of a particular Series to be converted for which such Broker-Dealer is the Broker-Dealer of record, the Auction Agent shall deem a Sell Order to have been submitted on behalf of such Broker-Dealer covering the number of Units of Bonds to be converted for which such Broker-Dealer is the Broker-Dealer of record not subject to Orders submitted by such Broker-Dealer.

(h) Any Bid specifying a rate higher than the Maximum Rate will (i) be treated as a Sell Order if submitted by an Existing Owner and (ii) not accepted if submitted by a Potential Owner.

Section 1.05 Determination of Auction Period Rate. (a) If requested by the Trustee or a Broker-Dealer, not later than 10:30 a.m., New York City time (or such other time as may be agreed to by the Auction Agent and all Broker-Dealers), on each Auction Date for each Series of Bonds, the Auction Agent shall advise such Broker-Dealer (and thereafter confirm to the Trustee, if requested) of the All Hold Rate, the Index and, if the Maximum Rate is not a fixed interest rate, the Maximum Rate. Such advice, and confirmation, shall be made by telephone or other Electronic Means acceptable to the Auction Agent.

(b) Promptly after the Submission Deadline for each Series of Bonds on each Auction Date, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a “Submitted Hold Order,” a “Submitted Bid” or a “Submitted Sell Order,” as the case may be, and collectively as a “Submitted Order”) and shall determine (i) the Available Bonds, (ii) whether there are Sufficient Clearing Bids, and (iii) the Auction Rate.

(c) In the event the Auction Agent shall fail to calculate or, for any reason, fails to provide the Auction Rate on the Auction Date, for any Auction Period (i) if the preceding Auction Period was a period of 35 days or less, (A) a new Auction Period shall be established for the same length of time as the preceding Auction Period, if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be the percentage of the Index set forth in Schedule I under “Determination of Auction Period Rate” if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Trustee, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension, and (ii) if the preceding Auction Period was a period of greater than 35 days, (A) a new Auction Period shall be established for a period that ends on the seventh day following the day that was the last day of the preceding Auction Period, (or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Auction Period Rate for the new Auction Period shall be the percentage of the Index set forth in Schedule I under “Determination of Auction Period Rate” if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Trustee, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Auction Period Rate for the period as so extended shall be the same as the Auction Period Rate for the Auction Period prior to the extension. In the event a new Auction Period is established as set forth in clause (ii) (A) above, an Auction shall be held on the last Business Day of the new Auction Period to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the new Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no new Auction Period or Auction Periods subsequent to the last Auction Period for which a Winning Bid Rate or an All Hold Rate had been determined. In the event an Auction Period is extended as set forth in clause (i) (B) or (ii) (B) above, an Auction shall be held on the last Business Day of the Auction Period as so extended to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the

extended Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no extension of the prior Auction Period.

Notwithstanding the foregoing, neither new nor extended Auction Periods shall total more than 35 days in the aggregate. If at the end of the 35 days the Auction Agent fails to calculate or provide the Auction Rate, or there is not at the time a duly appointed and acting Auction Agent or Broker-Dealer, the Auction Period Rate shall be the Maximum Rate.

(d) In the event of a failed conversion from an Auction Period to any other period or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the Auction Period Rate for the next Auction Period shall be the Maximum Rate and the Auction Period shall be a seven-day Auction Period.

(e) If the Bonds are no longer maintained in book-entry-only form by the Securities Depository, then the Auctions shall cease and the Auction Period Rate shall be the Maximum Rate.

Section 1.06 Allocation of Bonds.

(a) In the event of Sufficient Clearing Bids for a Series of Bonds, subject to the further provisions of subsections (c) and (d) below, Submitted Orders for each Series of Bonds shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Owner shall be accepted and the Submitted Bid of each Existing Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected, thus requiring each such Existing Owner to sell the Bonds that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Bid of each Potential Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(v) the Submitted Bid of each Existing Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid, but only up to and including the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Outstanding Bonds which are not the subject of Submitted Hold Orders described in clause (i) above or of Submitted Bids described in clauses (iii) or (iv) above by (B) a fraction the numerator of which shall be the number of Units of

Outstanding Bonds held by such Existing Owner subject to such Submitted Bid and the denominator of which shall be the aggregate number of Units of Outstanding Bonds subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid shall be rejected, thus requiring each such Existing Owner to sell any excess amount of Bonds;

(vi) the Submitted Bid of each Potential Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid, but only in an amount equal to the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Outstanding Bonds which are not the subject of Submitted Hold Orders described in clause (i) above or of Submitted Bids described in clauses (iii), (iv) or (v) above by (B) a fraction the numerator of which shall be the number of Units of Outstanding Bonds subject to such Submitted Bid and the denominator of which shall be the sum of the aggregate number of Units of Outstanding Bonds subject to such Submitted Bids made by all such Potential Owners that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid shall be rejected; and

(vii) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected.

(b) In the event there are not Sufficient Clearing Bids for a Series of Bonds, Submitted Orders for each Series of Bonds shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Owner specifying any rate that is not higher than the Maximum Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iii) the Submitted Bid of each Potential Owner specifying any rate that is not higher than the Maximum Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Owner shall be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Owner specifying any rate that is higher than the Maximum Rate shall be deemed to be and shall be accepted as Submitted Sell Orders, in both cases only up to and including the number of Units of Bonds obtained by multiplying (A) the aggregate number of Units of Bonds subject to Submitted Bids described in clause (iii) of this subsection (b) by (B) a fraction the numerator of which shall be the number of Units of Outstanding Bonds held by such Existing Owner subject to such Submitted Sell Order or such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which shall be the number of Units of Outstanding Bonds subject to all such Submitted Sell Orders and such Submitted Bids

deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid shall be deemed to be and shall be accepted as a Hold Order and each such Existing Owner shall be required to continue to hold such excess amount of Bonds; and

(v) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Maximum Rate shall be rejected.

(c) If, as a result of the undertakings described in Section 2.05(a) or (b) above, any Existing Owner or Potential Owner would be required to purchase or sell an aggregate principal amount of the Bonds that is not an integral multiple of an Authorized Denomination on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, round up or down the principal amount of the Bonds to be purchased or sold by any Existing Owner or Potential Owner on such Auction Date so that the aggregate principal amount of the Bonds purchased or sold by each Existing Owner or Potential Owner on such Auction Date shall be an integral multiple of such Authorized Denomination, even if such allocation results in one or more of such Existing Owners or Potential Owners not purchasing or selling any Bonds on such Auction Date.

(d) If, as a result of the undertakings described in Section 2.05(a) above, any Potential Owner would be required to purchase less than an Authorized Denomination in principal amount of the Bonds on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, allocate the Bonds for purchase among Potential Owners so that the principal amount of the Bonds purchased on such Auction Date by any Potential Owner shall be an integral multiple of such Authorized Denomination, even if such allocation results in one or more of such Potential Owners not purchasing the Bonds on such Auction Date.

Section 1.07 Notice of Auction Period Rate. (a) On each Auction Date, the Auction Agent shall notify each Broker-Dealer that participated in the Auction held on such Auction Date by Electronic Means acceptable to the Auction Agent and the applicable Broker-Dealer of the following, with respect to each Series of Bonds for which an Auction was held on such Auction Date:

(i) the Auction Period Rate determined on such Auction Date for the succeeding Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected and the number of Units of Bonds, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected and the number of Units of Bonds, if any, to be purchased by such Potential Owner;

(v) if the aggregate number of Units of the Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate number of Units of Bonds to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the number of Units of Bonds to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such Broker-Dealer submitted Bids;

(vi) the amount of dividend or interest payable per Unit on each Interest Payment Date with respect to such Auction Period; and

(vii) the immediately succeeding Auction Date.

(b) On each Auction Date, with respect to each Series of Bonds for which an Auction was held, on such Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall: (i) if requested by an Existing Owner or a Potential Owner, advise such Existing Owner or Potential Owner on whose behalf such Broker-Dealer submitted an Order as to (A) the Auction Period Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of such Owner was accepted or rejected and (C) the immediately succeeding Auction Date; (ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the number of Units of Bonds to be purchased pursuant to such Bid (including, with respect to the Bonds in a daily Auction Period, accrued interest if the purchase date is not an Interest Payment Date for such Bond) against receipt of such Bonds; and (iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the number of Units of Bonds to be sold pursuant to such Bid or Sell Order against payment therefor.

(c) The Auction Agent shall give notice of the Auction Rate to the Corporation, Issuer and Trustee by mutually acceptable Electronic Means and the Trustee shall promptly give notice of such Auction Rate to the Securities Depository.

Section 1.08 Index.

(a) If for any reason on any Auction Date the Index shall not be determined as provided in Schedule I, the Index shall be the Index for the prior Business Day.

(b) The determination of the Index as provided in Schedule I and herein shall be conclusive and binding upon the Issuer, the Corporation, the Trustee, the Broker-Dealers, the Auction Agent and the Owners of the Bonds.

Section 1.09 Miscellaneous Provisions Regarding Auctions.

(a) In this Exhibit, each reference to the purchase, sale or holding of Bonds shall refer to beneficial interests in Bonds, unless the context clearly requires otherwise.

(b) During an ARS Rate Period with respect to each Series of Bonds, the provisions of the Authorizing Document and the definitions contained therein and described in this Exhibit, including without limitation the definitions of All Hold Rate, Index, Interest Payment Date, Maximum Rate, Auction Period Rate and Auction Rate, may be amended pursuant to the Authorizing Document by obtaining the consent of the owners of all affected Outstanding Bonds bearing interest at the Auction Period Rate as follows. If on the first Auction Date occurring at least 20 days after the date on which the Trustee mailed notice of such proposed amendment to the registered owners of the affected Outstanding Bonds as required by the Authorizing Document, (i) the Auction Period Rate which is determined on such date is the Winning Bid Rate or the All Hold Rate and (ii) there is delivered to the Corporation and the Trustee an opinion of Bond Counsel to the effect that such amendment shall not adversely affect the validity of the Bonds or any exemption from federal income taxation to which the interest on the Bonds would otherwise be entitled, the proposed amendment shall be deemed to have been consented to by the registered owners of all affected Outstanding Bonds bearing interest at an Auction Period Rate.

(c) If the Securities Depository notifies the Issuer that it is unwilling or unable to continue as registered owner of the Bonds or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation and a successor to the Securities Depository is not appointed by the Issuer within 90 days after the Issuer receives notice or becomes aware of such condition, as the case may be, the Auctions shall cease and the Issuer shall execute and the Trustee shall authenticate and deliver certificates representing the Bonds. Such Bonds shall be registered in such names and Authorized Denominations as the Securities Depository, pursuant to instructions from the Agent Members or otherwise, shall instruct the Issuer and the Trustee.

During an ARS Rate Period, so long as the ownership of the Bonds is maintained in book-entry form by the Securities Depository, an Existing Owner or a beneficial owner may sell, transfer or otherwise dispose of a Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, provided that (i) in the case of all transfers other than pursuant to Auctions, such Existing Owner or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of Bonds from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the holder of such Bonds to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of this paragraph if such Broker-Dealer remains the Existing Owner of the Bonds so sold, transferred or disposed of immediately after such sale, transfer or disposition.

(d) Unless specifically provided otherwise in Schedule I, the Auction Agent shall continue to implement the Auction Procedures notwithstanding the occurrence of an Event of Default under the Authorizing Document.

Section 1.10 Changes in Auction Period or Auction Date.

(a) Changes in Auction Period.

(i) During any ARS Rate Period, the Corporation, may, from time to time on the Interest Payment Date immediately following the end of any Auction Period, change the length of the Auction Period with respect to all of the Bonds of a Series among daily, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by such Bonds. The Corporation shall initiate the change in the length of the Auction Period by giving written notice to the Issuer, the Trustee, the Auction Agent, the Broker-Dealers and the Securities Depository that the Auction Period shall change if the conditions described herein are satisfied and the proposed effective date of the change, at least 10 Business Days prior to the Auction Date for such Auction Period.

(ii) Any such changed Auction Period shall be for a period of one day, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period and shall be for all of the Bonds of such Series.

(iii) The change in length of the Auction Period shall take effect only if Sufficient Clearing Bids exist at the Auction on the Auction Date for such new Auction Period. For purposes of the Auction for such new Auction Period only, except to the extent any Existing Owner submits an Order with respect to such Bonds of any Series, each Existing Owner shall be deemed to have submitted Sell Orders with respect to all of its Bonds of such Series if the change is to a longer Auction Period and a Hold Order if the change is to a shorter Auction Period. If there are not Sufficient Clearing Bids for the first Auction Period, the Auction Rate for the new Auction Period shall be the Maximum Rate, and the Auction Period shall be a seven-day Auction Period.

(b) Changes in Auction Date. During any ARS Rate Period, the Auction Agent, at the direction of the Corporation, may specify an earlier or later Auction Date (but in no event more than five Business Days earlier or later) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne by the Bonds. The Auction Agent shall provide notice of the Corporation's direction to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Trustee, the Issuer, the Corporation and the Broker-Dealers with a copy to the Securities Depository. In the event the Auction Agent is instructed to specify an earlier or later Auction Date, the days of the week on which an Auction Period begins and ends, the day of the week on which an Auction Period ends and the Interest Payment Dates relating to such Auction Period shall be adjusted accordingly.

(c) Changes Resulting from Unscheduled Holidays. If, in the opinion of the Auction Agent and the Broker-Dealers, there is insufficient notice of an unscheduled holiday to

allow the efficient implementation of the Auction Procedures set forth herein, the Auction Agent and the Broker-Dealers may, as they deem appropriate, set a different Auction Date and adjust any Interest Payment Dates and Auction Periods affected by such unscheduled holiday. In the event there is not agreement among the Broker-Dealers, the Auction Agent shall set the different Auction Date and make such adjustments as directed by the Broker-Dealer for a majority of the outstanding Units (based on the number of Units for which a Broker-Dealer is listed as the Broker-Dealer in the Existing Owner Registry maintained by the Auction Agent pursuant to Section 2.2(a) of the Auction Agreement), and, if there is not a majority so directing, the Auction Date shall be moved to the next succeeding Business Day following the scheduled Auction Date, and the Interest Payment Date and the Auction Period shall be adjusted accordingly.

SCHEDULE I

to

AUCTION PROCEDURES

In the event of any conflict between this Schedule I and rest of Exhibit 1, this Schedule I shall prevail.

Definitions

"All Hold Rate" means, as of any Auction Date (i) if the interest on the Bonds is not includable in gross income of the beneficial owner of such Bond for federal income tax purposes, 80% of the Index in effect on such Auction Date for any Bond if the Auction Period is seven days, 90% of the Index on such Auction Date for any Bond if the Auction Period is 28 days or 35 days, and 70% of the Index on such Auction Date for any Bond if the Auction Period exceeds 35 days, and (ii) if the interest on the Bonds is includable in gross income of the beneficial owner of such Bond, 90% of the Index in effect on such Auction Date for any Bond; provided, however, that the All Hold Rate shall not exceed the Maximum Rate.

"Auction Agent" shall have the meaning set forth in the Authority Certificate.

"Auction Date" shall have the meaning set forth in the Authority Certificate.

"Authorized Denomination" means \$25,000 unless another amount is specified here.

"Authorizing Document" means the Bond Resolution, as supplemented by the Series Resolution.

"Bonds" shall have the meaning set forth in the Authority Certificate.

"Broker-Dealer" shall have the meaning set forth in the Authority Certificate.

"Closing Date" shall have the meaning set forth in the Authority Certificate.

"Corporation" means the Issuer.

"Index" means: (i) if the interest on the Bonds is not includable in gross income of the beneficial owner of such Bond for federal income tax purposes, on any Auction Date with respect to Bonds in any Auction Period of 35 days or less, the S&P Weekly Index and, with respect to Bonds in any Auction Period of more than 35 days, the rate on United States Treasury Securities having a maturity which most closely approximates the length of the Auction Period as last published in The Wall Street Journal or such other source as may be mutually agreed upon by the Issuer and the Broker-Dealers; and (ii) if the interest on the Bonds is includable in gross income of the beneficial owner of such Bond for federal income tax purposes, on any Auction Date with respect to Bonds in any Auction Period of 35 days or less, One-Month LIBOR and, and, with respect to Bonds in any Auction Period of more than 35 days, the rate on United States Treasury Securities having a maturity which most closely approximates the length of the Auction Period as last published in The Wall Street Journal or such other source as may be mutually agreed upon by the Issuer and the Broker-Dealers. If any of these rates is unavailable, the Index shall be an index or rate agreed to by all Broker-Dealers and consented to by the Issuer. For the purpose of this definition an Auction Period of 35 days or less means a 35-day Auction Period or shorter Auction Period, i.e., a 35-day Auction Period which is extended because of a holiday would still be considered an Auction Period of 35 days or less.

"Initial Period" shall have the meaning set forth in the Authority Certificate.

“Initial Period Rate” shall have the meaning set forth in the Authority Certificate.

“Interest Payment Date” shall have the meaning set forth in the Authority Certificate.

“Issuer” means the Puerto Rico Public Buildings Authority.

“Maximum Rate” shall have the meaning set forth in the Authority Certificate.

“One-Month LIBOR” shall mean the offered rate (rounded up to the next highest one one-thousandth of one percent (0.001%)) for deposits in U.S. dollars for a one-month period which appears on the Reuters Screen LIBOR01 Page at approximately 11:00 a.m., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London Interbank market, then on the next preceding day on which such dealings were transacted in such market.

“Person” means any individual, partnership, association, corporation, joint venture, joint-stock company, unincorporated organization or government or any agency or political subdivision thereof.

“S&P Weekly Index” means the Standard & Poor’s Weekly High Grade Index which is composed of thirty-four MIG-1 rated municipal tax-exempt notes that are not subject to alternative minimum taxes and the coupon of each issue is adjusted to price that component on par and track the high-grade weekly tax-exempt levels.

“Trustee” means U.S. Bank Trust National Association, in its capacity as Fiscal Agent under the Bond Resolution, and its successors and assigns.

Auction Procedures

Determination of Auction Period Rate. The percentage of the Index in Section 2.04(c) is 100% for any Bond the interest on which is not includable in gross income of the beneficial owner of such Bond for federal income tax purposes and 100% for any Bond the interest on which is includable in gross income of the beneficial owner of such Bond for federal income tax purposes.

Modification of Section 2.08(b). Clause (ii) of the last sentence of Section 2.08(b) is modified by adding “(A)” after the phrase “to the Corporation and the Trustee” and the phrase “and (B) the written consent of the Bond Insurer” prior to the phrase “the proposed amendment shall be deemed”.