

In the opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Series 2009A Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (ii) the Series 2009A Notes and the interest thereon are exempt from state, Commonwealth of Puerto Rico and local income taxation. Interest on the Series 2009A Notes may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. For a more complete discussion of the tax aspects, see "Tax Matters" herein.

\$887,675,000
COMMONWEALTH OF PUERTO RICO
Tax and Revenue Anticipation Notes, Series 2009A
(consisting of Subseries 2009A1 through 2009A4)

\$375,000,000 Subseries 2009A1 \$200,000,000 Subseries 2009A3
\$285,000,000 Subseries 2009A2 \$ 27,675,000 Subseries 2009A4

Dated: Date of Delivery **Due: July 30, 2009**

The Commonwealth of Puerto Rico Tax and Revenue Anticipation Notes, Series 2009A, in the aggregate principal amount of \$887,675,000 (the "Series 2009A Notes"), are being issued in four separate subseries, as more specifically described on the inside cover page hereof, and bear interest at the annual rates shown on such inside cover page. Interest on the Series 2009A Notes shall be computed on the basis of twelve 30-day months and a 360-day year. Principal of and interest on the Series 2009A Notes are payable in immediately available funds at maturity. The Series 2009A Notes are not subject to redemption prior to maturity. The Series 2009A Notes are issuable in fully registered form in denominations of \$5,000 and any integral multiple thereof.

Principal of and interest on each subseries of Series 2009A Notes are payable (i) from amounts drawn under a separate, irrevocable direct pay letter of credit (each, a "Letter of Credit" and collectively, the "Letters of Credit") issued by the bank identified on the inside cover page hereof (each, a "Letter of Credit Bank" and collectively, the "Letter of Credit Banks"), and (ii) in the event a Letter of Credit Bank fails to honor its obligation under its respective Letter of Credit, from the Special Fund for the Redemption of Tax and Revenue Anticipation Notes as further described herein (the "Note Fund"). Banco Popular de Puerto Rico, Trust Division, on behalf of the Commonwealth of Puerto Rico, is the Paying Agent and will make payment of the principal of and interest on the Series 2009A Notes at maturity from drawings under the Letters of Credit. The Note Fund is funded solely from taxes and revenues in the General Fund collected after July 1, 2008, and on or prior to June 30, 2009, as described herein. During the term of the Series 2009A Notes, the Commonwealth of Puerto Rico may also borrow funds pursuant to a Revolving Credit Agreement, as amended, as further described herein. Amounts in the Note Fund will be used to repay the Letter of Credit Banks for amounts drawn under the Letters of Credit as evidenced by the respective Letter of Credit Notes, the 2009 Line of Credit Note and the GDB Note, and the Series 2009A Notes to the extent a Letter of Credit Bank fails to honor its obligations under its respective Letter of Credit, as further described herein. See "Payment of and Security for the Series 2009A Notes" under *The Series 2009A Notes*.

The Series 2009A Notes do not constitute direct obligations of the Commonwealth of Puerto Rico for the payment of which the full faith, credit and taxing power of the Commonwealth of Puerto Rico, nor that of any of its political subdivisions, are pledged.

The Series 2009A Notes are offered when, as and if issued and accepted by the Underwriters, subject to the approval of legality by Squire, Sanders & Dempsey L.L.P., Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by Quiñones & Sánchez PSC, and for the Letter of Credit Banks by Chapman and Cutler LLP. It is expected that settlement for the Series 2009A Notes, in immediately available funds, will occur in Puerto Rico, on or about November 14, 2008.

WACHOVIA CAPITAL MARKETS, LLC	LOOP CAPITAL MARKETS, LLC	MERRILL LYNCH & CO.
Banc of America Securities LLC	Barclays Capital	BBVAPR MSD
DEPFA First Albany Securities LLC	J.P. Morgan	Morgan Stanley
Oppenheimer & Co. Inc.	Oriental Financial Services	Popular Securities
RBC Capital Markets	Samuel A. Ramírez & Co.	Santander Securities
Scotia Capital		UBS Financial Services Incorporated of Puerto Rico

MATURITY SCHEDULE

Subseries 2009A1

Maturity	Amount	Interest Rate	Yield	Letter of Credit Bank	CUSIP*
July 30, 2009	\$375,000,000	3.00%	1.65%	The Bank of Nova Scotia, acting through its Hato Rey Branch	74514LVP9

Subseries 2009A2

Maturity	Amount	Interest Rate	Yield	Letter of Credit Bank	CUSIP*
July 30, 2009	\$285,000,000	3.00%	1.65%	BNP Paribas, acting through its New York Branch	74514LVQ7

Subseries 2009A3

Maturity	Amount	Interest Rate	Yield	Letter of Credit Bank	CUSIP*
July 30, 2009	\$200,000,000	3.00%	1.65%	Banco Bilbao Vizcaya Argentaria S.A., acting through its New York Branch	74514LVR5

Subseries 2009A4

Maturity	Amount	Interest Rate	Yield	Letter of Credit Bank	CUSIP*
July 30, 2009	\$27,675,000	3.25%	2.40%	KBC Bank N.V., acting through its New York Branch	74514LVS3

* Copyright 2008, American Bankers Association. CUSIP data herein provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP data is included solely for the convenience of the owners of the Series 2009A Notes. The Commonwealth and the Underwriters assume no responsibility for the accuracy thereof.

Commonwealth of Puerto Rico

Governor

ANÍBAL ACEVEDO VILÁ

Members of the Cabinet

	JORGE P. SILVA-PURAS <i>Chief of Staff</i>	
FERNANDO J. BONILLA <i>Secretary of State</i>	ROBERTO J. SÁNCHEZ RAMOS <i>Secretary of Justice</i>	ANGEL ORTIZ GARCÍA <i>Secretary of the Treasury</i>
RAFAEL ARAGUNDE TORRES <i>Secretary of Education</i>	ROMÁN M. VELASCO GONZÁLEZ <i>Secretary of Labor and Human Resources</i>	JOHNNY V. RULLÁN <i>Secretary of Health</i>
GABRIEL FIGUEROA HERRERA <i>Secretary of Agriculture</i>	CARLOS GONZÁLEZ MIRANDA <i>Secretary of Transportation and Public Works</i>	BARTOLOMÉ GAMUNDI CESTERO <i>Secretary of Economic Development and Commerce</i>
FÉLIX MATOS RODRÍGUEZ <i>Secretary of Family Affairs</i>	JORGE RIVERA JIMÉNEZ <i>Secretary of Housing</i>	JAVIER VÉLEZ AROCHO <i>Secretary of Natural and Environmental Resources</i>
VÍCTOR A. SUÁREZ MELÉNDEZ <i>Secretary of Consumer Affairs</i>	LUZ M. MOLINARI GARCÍA <i>Secretary of Sports and Recreation</i>	MIGUEL A. PEREIRA CASTILLO <i>Secretary of Corrections and Rehabilitation</i>
Legislative Officers		Fiscal Officers
KENNETH D. MCCLINTOCK HERNÁNDEZ <i>President, Senate</i>		ARMANDO A. VALDEZ PRIETO <i>Director, Office of Management and Budget</i>
JOSÉ F. APONTE HERNÁNDEZ <i>Speaker, House of Representatives</i>		JORGE IRIZARRY HERRÁNS <i>President, Government Development Bank for Puerto Rico</i>

No dealer, broker, sales representative or other person has been authorized by the Commonwealth of Puerto Rico or the Underwriters to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the Commonwealth of Puerto Rico or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2009A Notes by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. The information set forth herein has been obtained from the Commonwealth of Puerto Rico and other official sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by any Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstance, create any implication that there has been no change in the affairs of the Commonwealth of Puerto Rico since the date hereof. This Official Statement is submitted in connection with the sale of the Series 2009A Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. Each of the Letter of Credit Banks has supplied the information relating to it and included in *Appendix III*. Neither the Commonwealth nor the Underwriters make any representation as to the accuracy or completeness of the information contained in *Appendix III*.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2009A NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CERTAIN STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT REFLECT NOT HISTORICAL FACTS BUT FORECASTS AND "FORWARD-LOOKING STATEMENTS." THESE STATEMENTS ARE BASED UPON A NUMBER OF ASSUMPTIONS AND ESTIMATES THAT ARE SUBJECT TO SIGNIFICANT UNCERTAINTIES, MANY OF WHICH ARE BEYOND THE CONTROL OF THE COMMONWEALTH OF PUERTO RICO. IN THIS RESPECT, THE WORDS "ESTIMATES," "PROJECTS," "ANTICIPATES," "EXPECTS," "INTENDS," "BELIEVES" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS, EXPRESSIONS OF OPINIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THIS CAUTIONARY STATEMENT: ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE EXPRESSED OR IMPLIED BY FORWARD-LOOKING STATEMENTS.

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\$887,675,000
COMMONWEALTH OF PUERTO RICO
Tax and Revenue Anticipation Notes, Series 2009A

\$375,000,000 Subseries 2009A1
\$285,000,000 Subseries 2009A2

\$200,000,000 Subseries 2009A3
\$ 27,675,000 Subseries 2009A4

INTRODUCTORY STATEMENT

This Official Statement sets forth certain information about the Commonwealth of Puerto Rico (the "Commonwealth" or "Puerto Rico") and the Tax and Revenue Anticipation Notes of the Commonwealth of Puerto Rico, Series 2009A, in the aggregate principal amount of \$887,675,000 (the "Series 2009A Notes"). The Series 2009A Notes are being issued in four separate subseries, to wit: \$375,000,000 principal amount of the Series 2009A Notes shall be issued as a subseries designated "2009A1" (the "Subseries 2009A1 Notes"); \$285,000,000 principal amount of the Series 2009A Notes shall be issued as a subseries designated "2009A2" (the "Subseries 2009A2 Notes"); \$200,000,000 principal amount of the Series 2009A Notes shall be issued as a subseries designated "2009A3" (the "Subseries 2009A3 Notes"); and \$27,675,000 principal amount of the Series 2009A Notes shall be issued as a subseries designated "2009A4" (the "Subseries 2009A4 Notes").

In order to cover temporary cash shortages during fiscal year 2009, the Secretary of the Treasury of Puerto Rico (the "Secretary of the Treasury") pursuant to Act No. 1 of June 26, 1987 of the Commonwealth, as amended by Act No. 139 of November 9, 2005 (as amended, the "Act"), and resolutions approved by the Secretary of the Treasury, obtained (i) a revolving line of credit (the "2009 Line of Credit") pursuant to a Revolving Credit Agreement dated as of June 26, 2008 (the "Original Revolving Credit Agreement"), by and among the Commonwealth, the banks listed therein (the "Revolving Credit Banks"), and The Bank of Nova Scotia, acting through its New York Agency, as Administrative Agent, in the amount of \$1.11 billion, which obligation is evidenced by a related note (the "2009 Line of Credit Note"), and (ii) a revolving line of credit (the "GDB Line of Credit") pursuant to a Loan Agreement dated as of June 30, 2008, by and between the Commonwealth and Government Development Bank for Puerto Rico ("Government Development Bank"), in the amount of \$390 million, which obligation is evidenced by a related note (the "GDB Note"). The aggregate principal amount of the 2009 Line of Credit Note and the GDB Note is \$1.5 billion, which amount does not exceed the maximum amount allowed under the Act (the "Maximum Note Amount"). See "Debt Limitation with Respect to Additional Parity Notes" under *The Series 2009A Notes* for a description of the Maximum Note Amount.

Contemporaneously with the issuance of the Series 2009A Notes, the Commonwealth, the Administrative Agent and the Revolving Credit Banks intend to amend and restate the Original Revolving Credit Agreement to, among other things, (i) allow the Commonwealth to repay portions of the 2009 Line of Credit borrowed from certain Revolving Credit Banks while a portion of the 2009 Line of Credit borrowed from other Revolving Credit Banks remain outstanding, and (ii) adjust the method of computing certain fees and/or rates under the Original Revolving Credit Agreement (as amended, the "Revolving Credit Agreement"). In connection with the amendment and restatement of the Revolving Credit Agreement, a substitute note will be issued to evidence the obligation of the Commonwealth under the Revolving Credit Agreement.

The Series 2009A Notes are being issued under the Act and pursuant to a resolution adopted by the Secretary of the Treasury and approved by the Governor of Puerto Rico on November 7, 2008 (the "Note Resolution"), for the purpose of: (i) repaying, together with other available monies of the Commonwealth, a portion of the amounts borrowed by the Commonwealth under the 2009 Line of Credit as evidenced by the Revolving Credit Agreement and related 2009 Line of Credit Note and (ii) paying certain of the costs of issuance of the Series 2009A Notes (including certain fees associated with the Letters of Credit (as defined below)). No portion of the Series 2009A Notes will be used to repay the GDB Line of Credit.

Without the issuance of the Series 2009A Notes, the 2009 Line of Credit Note and the GDB Note, the Commonwealth estimates that the General Fund would have incurred monthly cash deficits which would have reached a cumulative maximum deficit of approximately \$1.83 billion in August 2008. For a breakdown of the fiscal year 2009 General Fund cash flow projections, before and after taking into account the issuance of the Series 2009A Notes, see "General Fund Monthly Cash Flow for Fiscal Year 2008 and Fiscal Year 2009" under *The Series 2009A Notes*.

The Series 2009A Notes are secured by and payable from four separate irrevocable direct pay letters of credit issued under a Reimbursement Agreement dated as of November 1, 2008, entered into by and among the Commonwealth, the banks named therein (each, a "Letter of Credit Bank" and collectively, the "Letter of Credit Banks"), and The Bank of Nova Scotia, as Administrative Agent, and BNP Paribas, acting through its New York Branch, as Agent. Specifically, (i) the Subseries 2009A1 Notes are secured by and payable from an irrevocable direct pay letter of credit issued by The Bank of Nova Scotia ("Scotiabank"), acting through its Hato Rey Branch (the "Subseries 2009A1 Letter of Credit"); (ii) the Subseries 2009A2 Notes are secured by and payable from an irrevocable direct pay letter of credit issued by BNP Paribas ("BNP"), acting through its New York Branch (the "Subseries 2009A2 Letter of Credit"); (iii) the Subseries 2009A3 Notes are secured by and payable from an irrevocable direct pay letter of credit issued by Banco Bilbao Vizcaya Argentaria S.A. ("BBVA"), acting through its New York Branch (the "Subseries 2009A3 Letter of Credit"); and (iv) the Subseries 2009A4 Notes are secured by and payable from an irrevocable direct pay letter of credit issued by KBC Bank N.V. ("KBC"), acting through its New York Branch (the "Subseries 2009A4 Letter of Credit" and, together with the Subseries 2009A1 Letter of Credit, the Subseries 2009A2 Letter of Credit, and the Subseries 2009A3 Letter of Credit, the "Letters of Credit"). The obligation of Scotiabank is limited to the original stated amount of the Subseries 2009A1 Letter of Credit. The obligation of BNP is limited to the original stated amount of the Subseries 2009A2 Letter of Credit. The obligation of BBVA is limited to the original stated amount of the Subseries 2009A3 Letter of Credit. The obligation of KBC is limited to the original stated amount of the Subseries 2009A4 Letter of Credit. For a discussion of the payment source and the security for the Series 2009A Notes, including the Letters of Credit and the Reimbursement Agreement, see "Payment of and Security for the Series 2009A Notes" under *The Series 2009A Notes*.

This Official Statement incorporates (i) the Commonwealth of Puerto Rico Financial Information and Operating Data Report dated as of May 31, 2008 (the "Commonwealth Report"), which was attached as *Appendix I* to the Official Statement dated September 5, 2008, for the offering of the Commonwealth's Public Improvement Bonds of 2008, Series A (the "2008 GO Official Statement") and is incorporated herein by this reference, (ii) the proposed Bond Counsel Opinion, attached hereto as *Appendix II*, (iii) a description of each of the Letter of Credit Banks, attached hereto as *Appendix III*, and (iv) the Commonwealth's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007, prepared by the Department of the Treasury of the Commonwealth (the "Commonwealth's Annual Financial Report"), which is incorporated herein by this reference. The Commonwealth's Annual Financial Report includes the basic financial statements of the Commonwealth as of and for the fiscal year ended June 30, 2007, which have been audited by KPMG LLP, independent auditors, as stated in their report dated June 15, 2008, accompanying such financial statements. KPMG LLP did not audit the financial statements of the Public Buildings Authority capital project fund or the Children's Trust special revenue funds (major funds), and certain activities, funds and component units separately identified in its report. Those financial statements were audited by other auditors whose reports have been furnished to KPMG LLP, and its opinions, insofar as they relate to the amounts included for activities, funds and component units, separately identified in its report, are based solely on the reports of the other auditors. The Commonwealth's Annual Financial Report has been filed by the Commonwealth with each nationally recognized municipal securities information repository ("NRMSIR") and as *Appendix II* to the 2008 GO Official Statement.

The Commonwealth Report includes important information about the Commonwealth, including information about its economy, historical revenues and expenditures of the Commonwealth's General Fund, the estimated year-end results for fiscal year 2008, the budgets for fiscal years 2008 and 2009, and the debt of the Commonwealth's public sector, and should be read in its entirety and in conjunction with the information contained under the caption *Recent Developments* herein. The Commonwealth Report was filed by the Commonwealth with each NRMSIR as an appendix to the 2008 GO Official Statement.

Any appendix of an Official Statement of the Commonwealth or of any instrumentality of the Commonwealth containing any revision to the Commonwealth Report, or to the Commonwealth's Annual Financial Report that is filed with each NRMSIR and the Municipal Securities Rulemaking Board ("MSRB"), or any new or revised Commonwealth Report or Commonwealth Annual Financial Report, or other document containing information that modifies or supersedes the information contained in the Commonwealth Report or in the Commonwealth's Annual Financial Report that is filed with each NRMSIR, in each case after the date hereof and prior to the termination of the offering of the Series 2009A Notes, shall be deemed to be incorporated by reference into this Official Statement and to be part of this Official Statement from the date of filing of such document. Any statement contained in the Commonwealth's Annual Financial Report or in the Commonwealth Report shall be

deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any such subsequently filed document modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Commonwealth will provide without charge to any person to whom this Official Statement is delivered, on the written or oral request of such person, a copy of the Commonwealth Report, the Commonwealth's Annual Financial Report, the Note Resolution and the Reimbursement Agreement. Requests should be directed to Government Development Bank for Puerto Rico, 135 West 50th Street, 22nd Floor, New York, New York, 10020, telephone number (212) 333-0364, or to Vice President -- General Obligations Division, Government Development Bank for Puerto Rico, P.O. Box 42001, San Juan, Puerto Rico 00940, telephone number (787) 722-7060.

A copy of the 2008 GO Official Statement, which contains the Commonwealth Report and the Commonwealth's Annual Financial Report, may also be obtained by contacting a NRMSIR. The address of each NRMSIR is set forth in *Continuing Disclosure* below. The Commonwealth expects that its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008, including its audited general purpose financial statements for such fiscal year, will be available to investors during the first quarter of calendar year 2009. Promptly after its release, said report will be filed with and available from each NRMSIR.

OVERVIEW

Puerto Rico is located approximately 1,600 miles southeast of New York City. According to the United States Census Bureau, its population was 3,808,610 in 2000. Puerto Rico's political status is that of a commonwealth. The United States and the Commonwealth share a common defense, market, currency and citizenship. The Commonwealth government exercises virtually the same control over its internal affairs as is exercised by the state governments of each of the fifty states over their respective internal affairs, with similar separation of powers among the executive, legislative and judicial branches. It differs from the states, however, in its relationship with the federal government. The people of Puerto Rico are citizens of the United States but do not vote in national elections. They are represented in Congress by a Resident Commissioner who has a voice in the House of Representatives but no vote. Most federal taxes, except those such as Social Security taxes, which are imposed by mutual consent, are not levied in Puerto Rico. No federal income tax is collected from Puerto Rico residents on income earned in Puerto Rico, except for certain federal employees who are subject to taxes on their salaries. The official languages of Puerto Rico are Spanish and English.

Puerto Rico has a diversified economy with manufacturing and services comprising its principal sectors. Puerto Rico's economy is closely linked to the United States economy. In fiscal year 2007 (which ended on June 30, 2007), the Commonwealth's gross product (preliminary, in current dollars) was \$58.712 billion, and personal income per capita (preliminary, in current dollars) was \$13,491.

The Constitution of Puerto Rico limits the amount of general obligation debt that the Commonwealth can issue. The Commonwealth's policy has been and continues to be to maintain the level of such debt within a prudent range below the constitutional limitation.

Fiscal responsibility for the Commonwealth is shared among the Department of the Treasury, the Office of Management and Budget ("OMB") and Government Development Bank. The Department of the Treasury is responsible for collecting most of the Commonwealth's revenues, overseeing preparation of its financial statements and contributing to the preparation of the budget. OMB prepares the Commonwealth's budget and is responsible for monitoring expenditures. Government Development Bank is the fiscal agent and financial advisor to the Commonwealth and its agencies, public corporations and municipalities and coordinates the management of public finances.

Additional information about the Commonwealth can be found in the Commonwealth Report including information about the economy, historical revenues and expenditures of the Commonwealth's General Fund, the year-end results of fiscal year 2007, the estimated year-end results for fiscal year 2008 and the approved budget for fiscal year 2009, and the debt of the Commonwealth's public sector. The Commonwealth Report should be read in its entirety.

RECENT DEVELOPMENTS

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

Fiscal Year 2008 Preliminary Revenues and Expenditures

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

Fiscal Year 2009 Projected Revenues and Expenditures

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

Preliminary General Fund revenues for fiscal year 2009 for the period July through September totaled \$1,713.1 million, which is \$56.6 million less than the Department of the Treasury's estimate for that period of \$1,769.7 million. This amount includes \$1,001.1 million in revenues from individual and corporate income taxes, \$223.5 million from non-resident withholding taxes, \$185.7 million from excise taxes, \$71.5 million from sales and use tax and \$231.3 million from other sources.

Indictment of Governor of Puerto Rico

In March 2008, the Governor of Puerto Rico and several other individuals were named in federal grand jury indictments relating to the use of political contributions and campaign funds during the period when the Governor was Resident Commissioner in Washington, D.C. In addition, on August 19, 2008, the Governor and other individuals were named in federal grand jury indictments relating to the use of political contributions and campaign funds during the Governor's campaign and after his election as Governor. The Governor has denied any wrongdoing

and intends to present his defense. It is not expected that such developments will have any impact on the fiscal affairs of the Commonwealth or on the payment of any obligations issued by the Commonwealth.

Planning Board Revised Economic Growth Estimates

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

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

Additional Commonwealth Debt

On September 18, 2008, the Commonwealth issued \$250,000,000 of Public Improvement Bonds of 2008, Series A (the "2008 GO Bonds") under the provisions of Act No. 243 of the Legislature of Puerto Rico (the "Legislature"), approved August 9, 2008, pursuant to a resolution authorizing the issuance of the 2008 GO Bonds, adopted in accordance with the GO Act by the Secretary of the Treasury of Puerto Rico and approved by the Governor of Puerto Rico on September 5, 2008.

November 2008 Gubernatorial Election

On November 4, 2008, Luis G. Fortuño, the current Resident Commissioner of the Commonwealth, was elected as the next governor of Puerto Rico. Mr. Fortuño is expected to assume his position as governor and commence his term on January 2, 2009.

THE SERIES 2009A NOTES

Set forth below is a narrative description of certain legislative and contractual provisions relating to the authorization of sources of payment and security for the Series 2009A Notes. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Note Resolution and the Reimbursement Agreement, copies of which are available to potential purchasers of the Series 2009A Notes. See "Introductory Statement" herein.

General

The Series 2009A Notes are dated their date of delivery, mature on July 30, 2009 and bear interest at the annual rates shown on the inside cover of this Official Statement. Interest is computed on the basis of twelve 30-day months and a 360-day year. The Series 2009A Notes are issuable in fully registered form in denominations of \$5,000 and any integral multiple thereof. The Series 2009A Notes are not subject to redemption prior to maturity. Principal of and interest on the Series 2009A Notes are payable in immediately available funds at maturity.

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York will act as securities depository for the Series 2009A Notes. The Series 2009A Notes will be issued in fully-registered form and registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC.

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

Purchases of the Series 2009A Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009A Notes on DTC's records. The ownership interest of each actual purchaser of a Series 2009A Note ("Beneficial Owner") will in turn be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2009A Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive definitive Series 2009A Notes, except in the event that use of the book-entry system for the Notes is discontinued as described below.

To facilitate subsequent transfers, all Series 2009A Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co, or such other nominee as may be requested by an authorized representative of DTC. The deposit of Series 2009A Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2009A Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2009A Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2009A Notes, such as redemptions, tenders, defaults, and proposed amendments to the note documents. For example, Beneficial Owners may wish to ascertain that the nominee holding the Series 2009A Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2009A Notes within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2009A Notes unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual

procedures, DTC mails an Omnibus Proxy to the Commonwealth as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on such record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and interest payments on the Series 2009A Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Commonwealth, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, its nominee, or the Commonwealth, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Commonwealth, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2009A Notes at any time by giving reasonable notice to the Commonwealth or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, definitive Series 2009A Notes will be printed and delivered.

The Commonwealth may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor depository). In that event, definitive Series 2009A Notes will be printed and delivered.

The information under this caption concerning DTC and DTC's book entry system has been obtained from sources that the Commonwealth believes to be reliable, but the Commonwealth takes no responsibility for the accuracy thereof.

Payments and Transfers

No assurance can be given by the Commonwealth that DTC will make prompt transfer of payments to the Participants or that Participants will make prompt transfer of payments to Beneficial Owners. The Commonwealth is not responsible or liable for payment by DTC or Participants or for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC or Participants.

For every transfer and exchange of the Series 2009A Notes, the Beneficial Owners may be charged a sum sufficient to cover any tax, fee or other charge that may be imposed in relation thereto.

Discontinuance of the Book-Entry Only System

In the event that the book-entry only system is discontinued, the following provisions will apply: principal of and redemption premium, if any, on the Series 2009A Notes shall be payable in lawful money of the United States of America at the principal office of the Paying Agent in Hato Rey, Puerto Rico. Interest on the Series 2009A Notes will be payable by check mailed to the respective addresses of the registered owners determined as of the 15th day of the month preceding the interest payment date as shown on the registration books of the Commonwealth maintained by the Paying Agent. The Series 2009A Notes will be issued only as registered notes without coupons in denominations of \$5,000 or any integral multiple thereof. The transfer of the Series 2009A Notes will be registrable and they may be exchanged at the corporate trust office of the Paying Agent in Hato Rey, Puerto Rico, upon the payment of any taxes or other governmental charges required to be paid with respect to such transfer or exchange.

Authorization of Series 2009A Notes

Section 2 of Article VI of the Constitution of Puerto Rico provides that the power of the Commonwealth to contract and to authorize the contracting of debts shall be exercised as determined by the Legislature. Pursuant to this power, the Legislature enacted the Act which authorizes the issuance of the Series 2009A Notes. The Series 2009A Notes are issued pursuant to the Act and the Note Resolution adopted by the Secretary of the Treasury and

approved by the Governor. As part of the authorization process for the Series 2009A Notes, Government Development Bank, as financial advisor and fiscal agent to the Commonwealth, has reviewed and made its favorable recommendations as to the Series 2009A Notes.

Purpose of the Series 2009A Notes

The Series 2009A Notes are being issued to (i) repay, together with other available monies of the Commonwealth, a portion of the amounts borrowed by the Commonwealth under the 2009 Line of Credit and related 2009 Line of Credit Note and (ii) pay certain of the costs of issuance of the Series 2009A Notes (including certain fees associated with the Letters of Credit).

Payment of and Security for the Series 2009A Notes

Letters of Credit

The Subseries 2009A1 Notes, the Subseries 2009A2 Notes, the Subseries 2009A3 Notes and the Subseries 2009A4 Notes are secured by and payable from the Subseries 2009A1 Letter of Credit, the Subseries 2009A2 Letter of Credit, the Subseries 2009A3 Letter of Credit and the Subseries 2009A4 Letter of Credit, respectively, in the amount of the principal of and interest due thereon at maturity, each such Letter of Credit to be issued pursuant to the Reimbursement Agreement. A form of Letter of Credit is attached as *Appendix I* hereto. A description of each of the Letter of Credit Banks is attached as *Appendix III* hereto. Each of the Letter of Credit Banks has supplied the information relating to it included in *Appendix III*. Neither the Commonwealth nor the Underwriters make any representation as to the accuracy or completeness of the information contained in *Appendix III*. The Letter of Credit Banks may not assign their obligations under the Reimbursement Agreement without (i) receipt of prior written confirmation from Moody's and S&P that the ratings on the Series 2009A Notes will not be suspended, withdrawn or lowered solely as a result of such assignment, (ii) the prior written consent of the Commonwealth, and (iii) twenty (20) days prior written notice provided by the Paying Agent to the Noteholders of said assignment.

The obligation of Scotiabank is limited to the original stated amount of the Subseries 2009A1 Letter of Credit. The obligation of BNP is limited to the original stated amount of the Subseries 2009A2 Letter of Credit. The obligation of BBVA is limited to the original stated amount of the Subseries 2009A3 Letter of Credit. The obligation of KBC is limited to the original stated amount of the Subseries 2009A4 Letter of Credit. The following table sets forth the name of each Letter of Credit Bank, the maximum amount of its payment obligation under its respective Letter of Credit and the corresponding amount of interest that will accrue on such amounts until its respective maturity date (based on an interest rate of 3.00% for the Subseries 2009A1 Notes, Subseries 2009A2 Notes and Subseries 2009A3 Notes, and 3.25% for the Subseries 2009A4 Notes, accruing over a period of 256 days):

Subseries	Name of Bank	Maximum Amount of Principal Secured	Interest to Accrue on Principal Secured	Maximum Amount of Principal and Interest Secured
Subseries 2009A1	THE BANK OF NOVA SCOTIA, acting through its Hato Rey Branch	\$375,000,000.00	\$8,000,000.00	\$383,000,000.00
Subseries 2009A2	BNP PARIBAS, acting through its New York Branch	285,000,000.00	6,080,000.00	291,080,000.00
Subseries 2009A3	BANCO BILBAO VIZCAYA ARGENTARIA S.A., acting through its New York Branch	200,000,000.00	4,266,666.67	204,266,666.67
Subseries 2009A4	KBC BANK N.V., acting through its New York Branch	27,675,000.00	639,600.00	28,314,600.00

Pursuant to each of the Subseries 2009A1 Letter of Credit, the Subseries 2009A2 Letter of Credit, the Subseries 2009A3 Letter of Credit and the Subseries 2009A4 Letter of Credit, the Paying Agent is authorized and expected to present a draw request thereunder on July 29, 2009, for payment on July 30, 2009, in an amount equal to the principal amount of the Subseries 2009A1 Notes, the Subseries 2009A2 Notes, the Subseries 2009A3 Notes and the Subseries 2009A4 Notes, respectively, together with any accrued and unpaid interest thereon (each, a "Drawing"), to be deposited in the separate payment accounts within the payment fund to be held by the Paying Agent solely for the benefit of the holders of each of the Subseries 2009A1 Notes, the Subseries 2009A2 Notes, the Subseries 2009A3 Notes and the Subseries 2009A4 Notes, respectively. Each Letter of Credit expires at 5:00 p.m., New York time, on the date which is the earliest of: (i) August 3, 2009, (ii) the date of payment of the Drawing to

the Paying Agent, (iii) receipt of a cancellation certificate by the respective Letter of Credit Bank signed by a duly authorized officer of the Paying Agent, or (iv) the date when the Paying Agent surrenders an original Letter of Credit to the respective Letter of Credit Bank, for cancellation.

Principal of and interest on the Subseries 2009A1 Notes, the Subseries 2009A2 Notes, the Subseries 2009A3 Notes and the Subseries 2009A4 Notes are payable (i) from amounts drawn under their respective Letters of Credit, and (ii) in the event a Letter of Credit Bank fails to honor its obligation under its respective Letter of Credit, from the Note Fund. The Commonwealth's payment obligations relating to each Drawing under the Subseries 2009A1 Letter of Credit, the Subseries 2009A2 Letter of Credit, the Subseries 2009A3 Letter of Credit and the Subseries 2009A4 Letter of Credit shall be evidenced by notes of the Commonwealth issued pursuant to the Act and designated "Tax and Revenue Anticipation Note of the Commonwealth of Puerto Rico (Letter of Credit), Subseries 2009A1," "Tax and Revenue Anticipation Note of the Commonwealth of Puerto Rico (Letter of Credit), Subseries 2009A2," "Tax and Revenue Anticipation Note of the Commonwealth of Puerto Rico (Letter of Credit), Subseries 2009A3," and Tax and Revenue Anticipation Note of the Commonwealth of Puerto Rico (Letter of Credit), Subseries 2009A4," respectively (collectively, the "Letter of Credit Notes"). The Letter of Credit Notes shall be issued to each applicable Letter of Credit Bank, under the Reimbursement Agreement on the date of issuance of the Series 2009A Notes, and shall mature on the Series 2009A Notes' maturity date. The Letter of Credit Notes, which are authorized by and shall be considered notes under the Act, will be replacement notes of the issued and outstanding Series 2009A Notes and not duplicates of such obligations.

Pursuant to the terms of the Original Revolving Credit Agreement, the Revolving Credit Banks advanced to the Commonwealth funds to cover cash requirements in anticipation of the issuance of the Series 2009A Notes evidenced by a note maturing on July 30, 2009. Contemporaneously with the issuance of the Series 2009A Notes, the Commonwealth, the Administrative Agent and the Revolving Credit Banks are expected to amend the Original Revolving Credit Agreement to, among other things, (i) allow the Commonwealth to repay portions of the 2009 Line of Credit borrowed from certain Revolving Credit Banks while a portion of the 2009 Line of Credit borrowed from other Revolving Credit Banks remain outstanding, and (ii) adjust the method of computing certain fees and/or rates under the Original Revolving Credit Agreement.

The Note Fund

The payment obligations under the Series 2009A Notes, the Letter of Credit Notes, the 2009 Line of Credit Note and the GDB Note are payable solely from the taxes and revenues in the General Fund collected by the Secretary of the Treasury after July 1, 2008 and on or prior to June 30, 2009 and deposited in the Note Fund as more fully described below. All moneys in the Note Fund required for such purpose shall be used on a *pari passu* basis to pay the amounts due under the Series 2009A Notes, the Letter of Credit Notes, the 2009 Line of Credit Note and the GDB Note, and shall be used for no other purpose; provided, however, that pursuant to certain constitutional and statutory authorizations, payments on general obligation bonds and notes of the Commonwealth and, on bonds and notes of its public corporations guaranteed by the Commonwealth, have a claim on Commonwealth taxes and revenues, including amounts on deposit in the Note Fund, prior to the claim thereon of the Series 2009A Notes, the Letter of Credit Notes, the 2009 Line of Credit Note and the GDB Note.

After any required transfers from the General Fund to the Special Fund for the Amortization of General Obligations Evidenced by Bonds and Promissory Notes (the "Redemption Fund"), the Secretary of the Treasury, beginning on April 1, 2009, will withdraw from the General Fund all taxes and revenues required to be deposited therein from April 1, 2009 through June 30, 2009, together with any taxes and revenues collected after the issuance of the Series 2009A Notes and then on deposit in the General Fund. Such taxes and revenues will be deposited in the Note Fund until the amount on deposit in the Note Fund by the last calendar day of the months indicated below equals the following percentages of the sum of (i) the principal of and interest on the Series 2009A Notes to be paid at maturity, (ii) the outstanding principal balance of the 2009 Line of Credit Note and accrued interest thereon to be paid from time to time as the same becomes due and payable and (iii) the outstanding principal balance of the GDB Note and accrued interest thereon to be paid from time to time as the same becomes due and payable (such sum being herein called the "Note Fund Requirement"):

<u>2009</u>	<u>Percentage of Note Fund Requirement</u>
April	33 $\frac{1}{3}$ %
May	66 $\frac{2}{3}$ %
June	100%

The Secretary of the Treasury covenants in the Note Resolution to compute on a cash basis on or before the tenth (10th) day of each month, commencing on December 10, 2008, projected taxes and revenues expected to be deposited in, expenditures from, and fund balances of the General Fund for each month remaining in fiscal year 2009. If, on the basis of such computations, the Secretary of the Treasury determines that the Note Fund Requirement less any amount then on deposit in the Note Fund equals or exceeds 85% of the sum of all taxes and revenues expected to be deposited in the General Fund from the later of the date of such determination and April 1, 2009 through June 30, 2009 after accounting for any required transfers from the General Fund to the Redemption Fund, the Secretary of the Treasury shall immediately withdraw sufficient amounts of taxes and revenues as received from the General Fund, shall make any required transfers to the Redemption Fund, and thereafter shall transfer to the Note Fund sufficient amounts of such taxes and revenues as received as will cause the amount on deposit in the Note Fund to equal the Note Fund Requirement.

Neither the full faith, credit and taxing power of the Commonwealth nor that of any of its political subdivisions are pledged for the payment of principal of or interest on the Series 2009A Notes, the Letter of Credit Notes, the 2009 Line of Credit Note or the GDB Note.

Provision for Prior Payment of Full Faith and Credit Obligations of the Commonwealth

The Constitution of Puerto Rico provides that public debt of the Commonwealth constitutes a first lien on available Commonwealth taxes and revenues. Public debt includes bonds and notes of the Commonwealth to which the full faith, credit and taxing power of the Commonwealth are pledged and, according to opinions heretofore rendered by the Secretary of Justice of Puerto Rico, any payments which are required to be made by the Commonwealth under its guarantees of bonds and notes issued by its public corporations.

The Series 2009A Notes do not constitute public debt.

Under the provisions of Act No. 39 of the Commonwealth, approved May 13, 1976, as amended, the Secretary of the Treasury is obligated to fund annual debt service on general obligation bonds and notes of the Commonwealth by monthly deposits into the Redemption Fund. As of October 10, 2008, the amount on deposit in the Redemption Fund was approximately \$53.8 million, which was the required amount. Fiscal year 2009 deposits from the General Fund to the Redemption Fund to fund the projected debt service through July 1, 2009, exclusive of debt service on any general obligation bonds that may be issued in fiscal year 2009, are expected to total \$288 million. In addition to moneys from the General Fund, the Redemption Fund receives a certain portion of moneys collected by the municipalities from property tax collections which portion for fiscal year 2009 is expected to total \$121.3 million.

Moneys in the Redemption Fund are not available to pay the Series 2009A Notes.

Debt Limitation with Respect to Full Faith and Credit Obligations

Section 2 of Article VI of the Constitution of Puerto Rico provides that direct obligations of the Commonwealth evidenced by full faith and credit bonds or notes shall not be issued if the amount of the principal of and interest on such bonds and notes and on all such bonds and notes theretofore issued which is payable in any fiscal year, together with any amount paid by the Commonwealth in the preceding fiscal year on account of bonds or notes guaranteed by the Commonwealth, exceeds 15% of the average annual revenues raised under the provisions of Commonwealth legislation and covered into the Treasury of Puerto Rico (hereinafter "internal revenues") in the two fiscal years preceding the then current fiscal year. Section 2 of Article VI does not limit the amount of debt that the Commonwealth may guarantee so long as the 15% limitation is not exceeded. Internal revenues consist principally of income taxes, property taxes and excise taxes. Certain revenues, such as federal excise taxes on offshore shipments of alcoholic beverages and tobacco products and customs duties, which are collected by the United States Government and returned to the Treasury of Puerto Rico and motor vehicle fuel taxes and license fees, which are allocated to the Puerto Rico Highway Authority, are not included as internal revenues for the purpose of calculating the debt limit, although some of these revenues may be available for the payment of debt service.

All or a portion of the proceeds of certain refunding bonds issued by the Commonwealth were invested in guaranteed investment contracts or federal agency securities (in each case rated in the highest rating category by

Moody's and S&P), none of which is eligible to be used for legal defeasance under Puerto Rico law ("non-eligible investments"). Since bonds refunded with proceeds invested in non-eligible investments are not legally defeased, such bonds are treated as outstanding for purposes of the 15% debt limitation.

Joint Resolution No. 2104 of September 30, 2004 ("Joint Resolution No. 2104"), authorized the Commonwealth to enter into interest rate exchange agreements with respect to the Commonwealth's \$447,875,000 Public Improvement Refunding Bonds, Series 2004 B (the "Series 2004 B Bonds"), which were issued as variable rate bonds. Joint Resolution No. 2104 allows the Commonwealth to calculate the constitutional debt limitation using (i) the fixed rate it is required to pay under any interest rate exchange agreement entered into by the Commonwealth in connection with the Series 2004 B Bonds, and (ii) the lesser of (A) the maximum interest rate allowed by law, and (B) the maximum interest rate set forth in the resolution approving the bonds, if any, in connection with the Commonwealth's \$279,240,000 Public Improvement Refunding Bonds, Series 2004 A (the "Series 2004 A Bonds") and any Series 2004 B Bonds for which no interest rate exchange agreement is executed. In November 2004, the Commonwealth entered into two interest rate exchange agreements with respect to the Series 2004 B Bonds.

Act No. 39 of 2005 authorizes the Commonwealth to enter into interest rate exchange agreements with respect to its general obligation bonds, subject to certain conditions, including that the agreements are entered into to reduce certain financial risks associated with issuing variable rate obligations. In August 2006, the Commonwealth issued its \$500,000,000 Public Improvement Bonds of 2006, Series A, a portion of which bonds bear interest at a rate that will change periodically based on changes in the United States consumer price index, and in connection with such consumer price index floating rate bonds (said portion, the "2006 CPI Bonds") entered into an interest rate exchange agreement, the effect of which will economically enable the Commonwealth to pay a fixed rate of interest in respect thereof. In August and September 2006, the Commonwealth entered into interest rate exchange agreements, the effect of which will economically enable the Commonwealth to pay a fixed rate of interest in respect of a portion of the Commonwealth's outstanding \$1,018,245,000 Public Improvement Refunding Bonds, Series 2003C (the "2003C Swap Bonds") and whose payments commenced on July 1, 2008, the end of an initial fixed rate period on the 2003C Swap Bonds. In October 2007, the Commonwealth issued its \$926,570,000 Public Improvement Refunding Bonds, Series 2007A, a portion of which bonds bear interest at a variable rate and, in connection with said bonds (said portion, the "2007 Swap Bonds") entered into an interest rate exchange agreement, the effect of which will economically enable the Commonwealth to pay a fixed rate of interest in respect thereof. In May 2008, the Commonwealth issued its \$173,975,000 Public Improvement Refunding Bonds, Series 2008B (the "2008 Swap Bonds"), which bear interest at a variable rate, for the purpose of refunding a portion of the Series 2004 B Bonds, and, in connection therewith, continued the swap related to such refunded Series 2004 B Bonds. Act No. 39 of 2005 allows the Commonwealth to calculate the constitutional debt limit in a manner identical to that utilized in Joint Resolution No. 2104. In addition, the Commonwealth has also executed under the authority granted in Act No. 39 of 2005, interest rate exchange agreements in which the Commonwealth is making payments (1) on \$1,698,370,000 notional amount of public improvement bonds based on a short-term interest rate index published by Securities Industry and Financial Markets Association ("SIFMA") and is receiving from its counterparties payments on the same notional amount based on the published three-month London Interbank Offered Rate index (the "basis swap") and (2) on \$850,000,000 notional amount of public improvement bonds based on the published short-term SIFMA municipal swap rate and is receiving from its counterparties payments on the same notional amount based on a published index of municipal bonds having a maturity of 10 years (the "constant maturity swap").

Future maximum annual debt service for the Commonwealth's outstanding general obligation debt is \$948,102,368 in the fiscal year ending June 30, 2016 (based on the assumption that (i) the bonds refunded with non-eligible investments are treated as being outstanding, (ii) the Series 2004 A Bonds bear interest at their actual rate per annum through July 1, 2012 and thereafter at 12% per annum, (iii) the outstanding Series 2004 B Bonds, the 2006 CPI Bonds, the 2007 Swap Bonds and the 2008 Swap Bonds, bear interest at 12% per annum and (iv) the public improvement bonds to which the basis swap and the constant maturity swap relate bear interest at their stated interest rates rather than the rates set forth in said swaps). This amount (\$948,102,368) is equal to 11.59% of \$8,178,090,500, which is the average of the adjusted internal revenues for the fiscal year ended June 30, 2007 and the currently estimated adjusted internal revenues for the fiscal year ended June 30, 2008. If the bonds refunded with non-eligible investments were treated as not being outstanding, and the interest on the outstanding Series 2004 B Bonds, the 2006 CPI Bonds, the 2007 Swap Bonds and the 2008 Swap Bonds is calculated using the fixed rate paid by the Commonwealth under the interest rate exchange agreements executed in connection with such bonds, the percentage referred to in the preceding sentence would be 9.60%.

Debt service for the Puerto Rico Aqueduct and Sewer Authority ("PRASA") guaranteed bonds of approximately \$30 million was paid by PRASA during the last two fiscal years and, thus, is not included in the calculation of the 15% debt limitation. See "Other Public Corporations – Aqueduct and Sewer Authority" under *Public Corporations* in *Appendix I*. In the event PRASA is unable to make any portion of the future debt service payments on its guaranteed bonds, the Commonwealth would be required to make such payments under its guarantee from the General Fund and such debt service would, to the extent paid by the Commonwealth, be included in the calculation of the 15% debt limitation.

The Series 2009A Notes are not subject to the above described constitutional debt limitation.

Estimated Note Revenues

The Commonwealth estimates that the taxes and revenues available for deposit in the Note Fund for fiscal year 2009 (consisting of taxes and revenues projected to be collected after the issuance of the Series 2009A Notes and prior to June 30, 2009, minus required deposits to the Redemption Fund) will be approximately \$6.886 billion. For fiscal year 2008, taxes and revenues which would have been available for deposit in the Note Fund were approximately \$5.778 billion.

Debt Limitation with Respect to Additional Parity Notes

The aggregate principal amount of notes issued under the Act with respect to any fiscal year and outstanding at any time, or the Maximum Note Amount, shall not exceed, at the date such notes are issued, the lesser of (i) \$1.5 billion and (ii) eighteen percent (18%) of the net revenues of the General Fund for the previous fiscal year. Preliminary net revenues at the time of issuance of the 2009 Line of Credit Note and the GDB Note for fiscal year 2008 amounted to \$8.671 billion, such that the aggregate principal amount of notes issued under the Act during fiscal year 2009 shall not exceed \$1.5 billion. The Act provides that any notes issued thereunder shall mature on such date or dates not exceeding thirty (30) days after the close of the fiscal year in which such notes are issued. The Commonwealth has issued notes under the Act for prior fiscal years, which notes have since matured and been paid in full. Under the Note Resolution, the Commonwealth covenants not to create or suffer to be created any lien or charge upon the revenues in the Note Fund ranking equally or prior to the Series 2009A Notes, the Letter of Credit Notes, the 2009 Line of Credit Note and the GDB Note. The aggregate principal amount of the Series 2009A Notes, the 2009 Line of Credit Note and GDB Note shall not exceed the maximum permitted under the Act.

Payment Record

The Commonwealth has never defaulted on the payment of principal of or interest on any of its debt.

General Fund Monthly Cash Flow for Fiscal Year 2008 and Fiscal Year 2009

The Secretary of the Treasury has custody of the funds of the Commonwealth's central government and is responsible for the accounting, disbursement and investment of such funds. The General Fund is the primary operating fund of the Commonwealth. General Fund revenues are broadly based and include revenues raised internally as well as those from non-Puerto Rico sources. Internal revenues consist principally of income taxes and Sales Taxes in substitution of certain excise taxes. Revenues from non-Puerto Rico sources are derived from federal excise taxes and customs duties returned to the Commonwealth. The primary expenditures of the Commonwealth through the General Fund are for grants and subsidies, and personal and other services. A detailed description of the Commonwealth's major sources of General Fund revenues and components of General Fund expenditures, along with a Summary and Management's Discussion of the General Fund Results for fiscal years 2005 through 2007, a discussion of the preliminary fiscal year 2008 results and a comparison of the fiscal year 2009 budget with the preliminary fiscal year 2008 results, appears under *Puerto Rico Taxes, Other Revenues, and Expenditures* in the Commonwealth Report.

The tables which follow set forth the actual monthly cash flow for the Commonwealth General Fund for fiscal year 2008 and the estimated monthly cash flow for fiscal year 2009. The monthly cash flow for fiscal 2008 is preliminary and does not take into account any audit adjustments.

The monthly cash flow estimates for fiscal year 2009 are based upon the constitutionally-mandated budget for fiscal year 2009 and upon historical experience as adjusted to reflect economic conditions, statutory and administrative changes and anticipated payment dates for grants and subsidies, personal and other services, materials and supplies, equipment, capital outlays, debt service and transfers. These estimates are based on present circumstances and currently available information and are believed to be reasonable. Such estimates may be affected by numerous factors, including the continuing validity of the assumptions underlying the estimates, and there can be no assurance that such estimates will be achieved.

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Commonwealth of Puerto Rico
Preliminary General Fund Cash Flows
Fiscal Year 2007-2008
(in thousands)
Privileged and Confidential

	July	August	September	October	November	December	January	February	March	April	May	June	Total
Beginning cash balance	\$ (506,261)	\$ 373,398	\$ 117,155	\$ 470,418	\$ 491,254	\$ 433,585	\$ 668,413	\$ 210,003	\$ (21,983)	\$ (374,113)	\$ (1,912)	\$ (304,877)	\$ (506,261)
Receipts:													
Income taxes	418,588	343,196	529,238	380,081	312,465	578,285	427,418	326,222	408,446	1,006,363	367,568	445,547	5,543,417
Commonwealth excise taxes	60,907	69,113	65,830	73,549	67,636	78,895	80,745	57,153	74,876	86,363	70,651	77,861	863,579
Inheritance and gift taxes	365	127	409	983	222	58	110	2,888	336	136	191	775	6,600
Sales and use tax	-	1,281	85,353	93,481	95,900	120,981	89,528	86,216	89,085	93,217	97,885	58,073	911,000
Licenses	4,353	4,759	10,197	27,110	5,236	6,094	5,450	3,846	3,395	10,166	2,914	4,111	87,631
Other internal sources	27,812	56,547	48,519	48,679	28,138	71,452	23,533	26,461	38,491	33,888	23,935	46,424	473,879
Non-Commonwealth sources	30,683	35,626	28,141	32,694	26,844	19,358	39,583	23,059	26,591	48,788	28,229	27,027	366,623
Subtotal receipts	542,708	510,649	767,687	656,577	536,441	875,123	666,367	525,845	641,220	1,278,921	591,373	659,818	8,252,729
Other sources	-	-	-	-	-	467	44,984	-	19,845	210	-	84,494	150,000 (a)
Other income (refunds) (b)	167,642	50,258	45,475	43,147	48,995	44,262	51,424	36,086	19,083	(24,044)	34,261	(348,484)	168,105
(Transfer) Refunding to Redemption Fund (c)	(18,392)	(18,392)	(18,392)	(18,392)	(18,392)	(18,392)	(18,392)	(18,392)	(18,392)	(18,392)	(18,392)	(18,390)	(220,702)
Proceeds of notes and other borrowings (d)	800,000	100,000	200,000	100,000	1,010,000	160,000	50,000	100,000	-	-	-	-	2,520,000
Repayment of notes and other borrowings (e)	(3,918)	(4,310)	(4,944)	(6,344)	(1,011,062)	(1,181)	(1,488)	(51,401)	(151,422)	(348,190)	(348,207)	(648,297)	(2,580,764)
Total available cash from operations	1,488,040	638,205	989,826	774,988	565,982	1,060,279	792,895	592,138	510,334	888,505	259,035	(270,859)	8,289,368
Disbursements:													
Grants and subsidies	219,379	480,306	185,911	351,785	190,124	108,338	693,930	212,655	236,253	169,249	185,796	237,199	3,270,925
Personal services	357,825	321,722	368,705	352,283	367,580	653,165	461,291	537,768	413,219	342,866	335,555	365,690	4,877,669
Other services	24,805	70,843	69,275	41,673	57,749	54,570	88,278	62,017	205,978	(6,823)	31,372	25,510	725,247
Materials and supplies	5,168	4,034	3,721	6,589	6,813	8,116	6,775	9,073	5,859	8,949	7,462	9,653	82,212
Equipment purchases	1,204	12,663	3,820	1,822	1,170	1,262	1,031	2,611	1,155	2,063	1,815	9,403	40,019
Other debt service and capital outlays	-	4,880	5,131	-	215	-	-	-	-	-	-	-	10,226
Total disbursements	608,381	894,448	636,563	754,152	623,651	825,451	1,251,305	824,124	862,464	516,304	562,000	647,455	9,006,298
Total available cash less transfers and disbursements	879,659	(256,243)	353,263	20,836	(57,669)	234,828	(458,410)	(231,986)	(352,130)	372,201	(302,965)	(918,314)	(716,930)
Ending Cash Balance	\$ 373,398	\$ 117,155	\$ 470,418	\$ 491,254	\$ 433,585	\$ 668,413	\$ 210,003	\$ (21,983)	\$ (374,113)	\$ (1,912)	\$ (304,877)	\$ (1,223,191)	\$ (1,223,191)

Notes:

- (a) Includes \$150 million related to sale of properties.
- (b) Consists of net revenue from General Fund's non-budgetary funds plus a reserve for future tax refunds reduced by actual and estimated tax refunds.
- (c) Consists of amounts to pay principal and interest on general obligation bonds of the Commonwealth. Does not include amounts directly to the Redemption Fund from non-General Fund revenues.
- (d) Consists of proceeds of borrowing from the private bank syndicate and proceeds from Commonwealth's Tax and Revenue Anticipation Notes, Series 2009A.
- (e) Consists of amounts of repayments of borrowing from the private bank syndicate and repayments of Commonwealth's Tax and Revenue Anticipation Notes, Series 2009A.

Commonwealth of Puerto Rico
Estimated General Fund Cash Flows
 Fiscal Year 2008-2009
 (in thousand)
 Privileged and Confidential

	July	August	September	October	November	December	January	February	March	April	May	June	Total
Beginning cash balance	\$ (1,223,191)	\$ (173,995)	\$ (336,042)	\$ (65,009)	\$ (158,472)	\$ (169,655)	\$ (11,593)	\$ (124,856)	\$ (255,591)	\$ 144,631	\$ (8,236)	\$ (601,532)	\$ (1,223,191)
Receipts (a):													
Income taxes	420,295	367,922	457,694	372,600	334,600	580,900	417,500	303,500	413,900	969,796	387,296	601,997	5,628,000
Commonwealth excise taxes	60,064	64,558	61,086	76,800	79,100	85,500	72,900	67,900	83,200	96,831	76,331	97,732	922,002
Inheritance and gift taxes	603	1,194	355	400	400	500	400	400	400	149	149	50	5,000
Sales and use tax	-	-	71,523	99,300	102,900	128,600	95,500	90,800	95,700	101,392	102,592	88,693	977,000
Licenses	4,690	3,828	12,299	27,700	7,500	6,100	5,400	5,300	5,600	4,894	5,794	6,895	96,000
Other internal sources	24,090	46,388	49,190	31,300	35,700	69,400	29,800	26,400	52,800	21,977	30,577	65,377	482,999
Non-Commonwealth sources	24,300	29,528	13,517	28,900	28,200	45,400	46,700	27,900	23,700	29,918	40,218	38,718	376,999
Subtotal receipts	534,042	513,418	665,664	637,000	588,400	916,400	668,200	522,200	675,300	1,224,957	642,957	899,462	8,488,000
Other sources (b)	-	-	300,000	-	200,000	-	-	-	495,792	-	-	-	995,792
Other income (refunds) (c)	45,500	45,500	45,500	45,500	45,500	45,500	45,500	35,555	16,860	(52,245)	36,771	(355,441)	0
(Transfer) Refunding to Redemption Fund (d)	(24,000)	(24,000)	(24,000)	(24,000)	(24,000)	(24,000)	(24,000)	(24,000)	(24,000)	(24,000)	(24,000)	(24,000)	(288,000)
Proceeds of notes and other borrowings (e)	1,350,000	150,000	-	-	887,675	-	-	-	-	-	-	-	2,387,675
Repayment of notes and other borrowings (f)	(3,761)	(3,756)	(4,164)	(5,320)	(890,198)	(2,225)	(2,225)	(2,225)	(2,225)	(508,904)	(508,579)	(508,266)	(2,441,848)
Total available cash from operations	1,901,781	681,162	983,000	653,180	807,377	935,675	687,475	531,530	1,161,727	639,808	147,149	11,755	9,141,619
Disbursements:													
Grants and subsidies	442,876	392,279	262,841	305,829	312,130	293,499	228,728	149,721	230,565	213,708	230,410	177,269	3,239,855
Personal services	380,964	380,635	390,404	395,842	461,198	443,899	480,397	461,126	466,173	513,888	456,416	446,922	5,277,864
Other services	23,091	55,694	45,538	38,188	28,675	29,605	52,224	32,138	26,486	25,214	35,067	29,467	421,386
Materials and supplies	3,345	4,334	5,746	5,295	5,349	4,557	12,357	14,977	13,487	14,285	16,537	6,371	106,641
Equipment purchases	2,309	6,829	3,302	1,469	4,995	1,259	4,179	3,763	5,043	2,428	1,932	7,615	45,123
Other debt service and capital outlays	-	3,438	4,137	19	6,214	4,794	22,854	540	19,751	23,152	83	19,943	104,924
Total disbursements	852,585	843,208	711,968	746,642	818,560	777,613	800,738	662,265	761,504	792,675	740,445	687,587	9,195,792
Total available cash less transfers and disbursements	1,049,196	(162,046)	271,032	(93,462)	(11,183)	158,062	(113,263)	(130,735)	400,223	(152,867)	(593,296)	(675,832)	(54,173)
Ending Cash Balance	\$ (173,995)	\$ (336,042)	\$ (65,009)	\$ (158,472)	\$ (169,655)	\$ (11,593)	\$ (124,856)	\$ (255,591)	\$ 144,631	\$ (8,236)	\$ (601,532)	\$ (1,277,364)	\$ (1,277,364)
Ending cash balance without considering TRANS (g)	\$ (1,520,234)	\$ (1,828,525)	\$ (1,553,328)	\$ (1,641,471)	\$ (1,650,131)	\$ (1,489,844)	\$ (1,600,882)	\$ (1,729,392)	\$ (1,326,945)	\$ (970,908)	\$ (1,055,625)	\$ (1,223,191)	

(a) Represent General Fund internal sources revenue projections, as presented for 2009 budget.

(b) Represents collections related to the acceleration of delinquent tax accounts.

(c) Consists of net revenue from General Fund's non budgetary funds plus a reserve for future tax refunds reduced by estimated tax refunds.

(d) Consists of amounts to pay principal of and interest on general obligation bonds of the Commonwealth. Does not include amounts transferred directly to the Redemption Fund from non-General Fund revenues.

(e) Consists of proceeds of borrowing from the private bank syndicate, GDB Line of Credit and proceeds from the Series 2009A Notes.

(f) Consists of repayments of borrowing from the private bank syndicate, GDB and repayments of the Series 2009A Notes.

(g) Amount is net of cost of issuance.

Approved Budget \$ 9,483,792

Inter-Fund Borrowings

The Commonwealth historically has used inter-fund borrowings to meet temporary imbalances of receipts and disbursements in the General Fund. Act No. 147 of the Commonwealth, approved on June 18, 1980, provides that in any fiscal year where revenues of the General Fund are not sufficient to meet approved appropriations for such year, the Governor may authorize the Secretary of the Treasury to borrow funds from Government Development Bank and, if necessary, from any funds of the Commonwealth under his custody, on such terms and conditions as the Secretary of the Treasury deems advisable. Funds available for this purpose do not include public pension funds and funds of public employees' associations. No moneys are currently borrowed from Government Development Bank under Act 147. Moneys so borrowed must be repaid as soon as there is sufficient money in the General Fund to do so. Moneys borrowed and repaid by the General Fund are accounted for as "Operating Transfers In" and "Operating Transfers Out," respectively, in the financial statements of the Commonwealth and included in certain revenue and expenditure line items in the table entitled "General Fund Revenues, Expenditures, and Changes in Cash Balance" in "Summary and Management's Discussion of General Fund Results" under *Puerto Rico Taxes, Other Revenues, and Expenditures* in the Commonwealth Report.

As of October 10, 2008, funds aggregating approximately \$168.5 million under the custody of the Secretary of the Treasury were available for inter-fund borrowings, if necessary.

TAX MATTERS

In the opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, under existing law: (i) interest on the Series 2009A Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; and (ii) the Series 2009A Notes and the interest thereon are exempt from state, Commonwealth and local income taxation. Bond Counsel expresses no opinion as to any other tax consequences regarding the Series 2009A Notes.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the Commonwealth contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Series 2009A Notes are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of the Commonwealth's certifications and representations or the continuing compliance with the Commonwealth's covenants.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Series 2009A Notes from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the Commonwealth may cause the loss of such status and result in the interest on the Series 2009A Notes being included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2009A Notes. The Commonwealth has covenanted, to the extent permitted by the Constitution and the laws of the Commonwealth, to take the actions required of it for the interest on the Series 2009A Notes 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. After the date of issuance of the Series 2009A Notes, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2009A Notes or the market value of the Series

2009A Notes. Bond Counsel is not aware of any provision of the Constitution or laws of the Commonwealth that would prevent the Commonwealth from complying with the requirements of the Code.

A portion of the interest on the Series 2009A Notes earned by certain corporations may be subject to a federal corporate alternative minimum tax. In addition, interest on the Series 2009A Notes may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations.

Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Series 2009A Notes. Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Series 2009A Notes, are generally subject to IRS Form 1099-INT information reporting requirements. If a Series 2009A Note owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Ownership of tax-exempt obligations, including the Notes, may also result in collateral income tax consequences under Puerto Rico law to financial institutions doing business in Puerto Rico.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress. Court proceedings may also be filed the outcome of which could modify the tax treatment of obligations such as the Series 2009A Notes. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Series 2009A Notes, will not have an adverse effect on the tax status of interest on the Series 2009A Notes or the market value of the Series 2009A Notes.

Prospective purchasers of the Series 2009A Notes should consult their own tax advisers regarding pending or proposed federal tax legislation and court proceedings, and prospective purchasers of the Series 2009A Notes at other than their original issuance at the price indicated on the cover of this Official Statement should also consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Bond Counsel's engagement with respect to the Series 2009A Notes ends with the issuance of the Series 2009A Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the Commonwealth or the owners of the Series 2009A Notes regarding the tax status of interest on the Series 2009A Notes in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Series 2009A Notes, under current IRS procedures, the IRS will treat the Commonwealth as the taxpayer and the beneficial owners of the Series 2009A Notes will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Series 2009A Notes for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Series 2009A Notes.

Original Issue Premium

The Series 2009A Notes are being offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Note, based on the yield to maturity of that Note, compounded semiannually. No portion of that bond premium is deductible by the owner of a Note. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Note, the owner's tax basis in the Note is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from

the sale or other disposition of a Note for an amount equal to or less than the amount paid by the owner for that Note. A purchaser of a Note in the initial public offering at the price for that Note stated on the cover of this Official Statement who holds that Note to maturity will realize no gain or loss upon the retirement of that Note.

Owners of Series 2009A Notes should consult their own tax advisers as to the determination for federal income tax purposes of the amount of bond premium properly amortizable in any period with respect to the Series 2009A Notes and as to other federal tax consequences and the treatment of bond premium for purposes of state, Commonwealth and local taxes on, or based on, income.

LEGAL MATTERS

The proposed form of opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, is set forth in *Appendix II* to this Official Statement. Certain legal matters will be passed upon for the Underwriters by Quiñones & Sánchez PSC, San Juan, Puerto Rico. Certain legal matters will be passed on for the Letter of Credit Banks by Chapman and Cutler LLP, Chicago, Illinois.

LEGAL INVESTMENT

The Series 2009A Notes will be eligible for deposit by banks in Puerto Rico to secure public funds and will be approved investments for insurance companies to qualify them to do business in Puerto Rico, as required by law.

UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the Series 2009A Notes from the Commonwealth at an aggregate discount of \$1,794,194.58, from the initial offering price of the Series 2009A Notes. The obligations of the Underwriters are subject to certain conditions precedent, and the Underwriters will be obligated to purchase all the Series 2009A Notes, if any Series 2009A Notes are purchased. The Underwriters may offer to sell the Series 2009A Notes to certain dealers (including dealers depositing the Series 2009A Notes into unit investment trusts, certain of which may be sponsored or managed by the Underwriters) and others at prices lower than the initial public offering prices, and such offering price may be changed, from time to time, by the Underwriters.

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

BBVAPR División de Valores Municipales ("BBVAPR MSD") and RBC Capital Markets Corporation ("RBC"), have entered into an agreement under which the parties provide services and advice to each other to assist the Commonwealth and its issuers in the structuring and execution of their municipal securities offerings. As part of the agreement, BBVAPR MSD and RBC share in the risk from the underwriting of the Series 2009A Notes as part of the consideration for their professional services.

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

Oppenheimer & Co. Inc. ("Oppenheimer") and Eurobank Municipal Securities Dealer ("Eurobank MSD") have entered into an agreement to jointly pursue municipal securities underwriting opportunities with the Commonwealth, its agencies, municipalities and governmental conduit issuers in the Commonwealth. Under the agreement Oppenheimer and Eurobank MSD will be entitled to receive a portion of each other's revenues from the underwriting of the Series 2009A Notes in consideration for their professional services.

Oriental Financial Services Corporation and Bear, Stearns & Co. Inc. (an affiliate of JP Morgan Securities Inc.) have entered into a joint venture agreement under which the parties shall provide services and advice to each other and take risk related to the structuring and execution of certain municipal finance transactions with governmental entities located in the Commonwealth. Pursuant to the terms of such joint venture agreement and in compliance with applicable rules, the parties will be entitled to receive a portion of each other's net profits (including those of JP Morgan Securities Inc.) from the underwriting of the Series 2009A Notes as consideration for their professional services.

Popular Securities, Inc. ("Popular") has entered into a joint venture agreement (the "JV Agreement") with Morgan Stanley & Co. Incorporated ("Morgan Stanley"), under which the parties shall provide services and advice to each other related to the structuring and execution of certain municipal finance transactions in the U.S. capital markets with governmental entities located in the Commonwealth. Pursuant to the terms of the JV Agreement and in compliance with applicable rules, the parties will be entitled to receive a portion of each other's net profits from the underwriting of the Series 2009A Notes as consideration for their professional services.

Santander Securities Corporation ("SSC") and Banc of America Securities LLC ("BAS") have entered into an agreement to jointly pursue municipal securities underwriting opportunities with the Commonwealth, its agencies, municipalities and governmental conduit issuers in the Commonwealth. Under the agreement SSC and BAS will be entitled to receive a portion of each other's revenues from the underwriting of the Series 2009A Notes in consideration for their professional services.

GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO

As required by Act No. 272 of May 15, 1945 of the Commonwealth, as amended, Government Development Bank has acted as financial advisor to the Commonwealth in connection with the Series 2009A Notes.

As financial advisor, Government Development Bank participated in the selection of the Underwriters of the Series 2009A Notes. The Underwriters have been selected by Government Development Bank to serve from time to time as underwriters of its obligations and the obligations of the Commonwealth, its instrumentalities and public corporations. Certain of the Underwriters or their affiliates participate in other financial transactions with Government Development Bank.

RATINGS

Moody's and S&P have given the Series 2009A Notes ratings of MIG 1 and SP-1+, respectively, after taking into account the security provided by the Letters of Credit. The ratings reflect only the respective views of the rating agencies and an explanation of the significance of each rating may be obtained only from the respective rating agency. Such rating agencies were provided with materials relating to the Commonwealth and the Series 2009A Notes and other relevant information, and no application has been made to any other rating agency for the purpose of obtaining a rating on the Series 2009A Notes.

There is no assurance that such ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating agencies, if in the judgment of either or both, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Series 2009A Notes.

CONTINUING DISCLOSURE

In accordance with the requirements of Rule 15c2-12, as amended (the "Rule"), promulgated by the U.S. Securities and Exchange Commission, the Commonwealth has covenanted for the benefit of the Underwriters and beneficial owners (generally the tax owners of the Series 2009A Notes as follows):

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

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse opinions or events affecting the tax-exempt status of Series 2009A Notes;
- (g) modifications to rights of the holders (including beneficial owners) of the Series 2009A Notes;
- (h) Series 2009A Note calls;
- (i) defeasances;
- (j) release, substitution, or sale of property securing repayment of the Series 2009A Notes; and
- (k) rating changes.

Events (c), (d) and (e) are included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers, dated September 19, 1995. Event (c) may not be applicable, since the terms of the Series 2009A Notes do not provide for "debt service reserves." Events (h) and (i) are not applicable since the terms of the Series 2009A Notes and the Note Resolution do not contain any "call" or "defeasance" provisions. In addition, with respect to the following events:

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

Event (f). For information on the tax status of the Series 2009A Notes, see *Tax Matters*.

The Commonwealth may from time to time choose to provide notice of the occurrence of certain other events in addition to those listed above if, in the judgment of the Commonwealth, such other events are material with respect to the Series 2009A Notes, but the Commonwealth does not undertake to provide any such notice of the occurrence of any material event except those events listed above.

The Commonwealth has made similar continuing disclosure covenants in connection with prior issuances, and has complied with all such covenants, except as hereinafter noted. The Commonwealth's audited financial statements for the fiscal year ended June 30, 2002 were filed after the Commonwealth's filing deadline of May 1, 2003 because of delays in finalizing such financial statements resulting from the implementation of GASB Statement No. 34 ("GASB 34"). The Commonwealth's audited financial statements for the fiscal year ended June 30, 2003 were also filed after the Commonwealth's filing deadline of April 30, 2004, because of delays in finalizing the financial statements of certain of the Commonwealth's reporting units due to the implementation of GASB 34. The Commonwealth's audited financial statements for the fiscal years ended June 30, 2004, 2006 and 2007 were also filed after the Commonwealth's respective filing deadlines of May 1, 2005, 2007 and 2008, because various governmental agencies did not submit their audited financial statements to the central government's external auditors on time, thereby delaying submission of the Commonwealth's audited financial statements.

As of the date of this Official Statement, there is no Commonwealth SID, and the NRMSIRs are: Bloomberg Municipal Repository, 100 Business Park Drive, Skillman, New Jersey 08558; Standard & Poor's Securities Evaluations, Inc., 55 Water Street, 45th Floor, New York, New York 10041; Interactive Data Pricing and

Reference Data, Inc., Attn: NRMSIR, 100 William Street, 15th Floor, New York, New York 10038; and DPC Data Inc., One Executive Drive, Fort Lee, New Jersey 07024.

The Commonwealth may from time to time choose to provide notice of the occurrence of certain other events in addition to those listed above if, in the judgment of the Commonwealth, such other events are material with respect to the Series 2009A Notes, but the Commonwealth does not undertake to provide any such notice of the occurrence of any material event except those events listed above.

The Commonwealth acknowledges that its undertaking pursuant to the Rule described above is intended to be for the benefit of the Beneficial Owners of the Series 2009A Notes, and shall be enforceable by any such Beneficial Owners; provided that the right to enforce the provisions of its undertaking shall be limited to a right to obtain specific enforcement of the Commonwealth's obligations thereunder.

No Beneficial Owner may institute any suit, action or proceeding at law or in equity ("Proceeding") for the enforcement of the foregoing covenants (the "Covenants") or for any remedy for breach thereof, unless such Beneficial Owner shall have filed with the Commonwealth written notice of any request to cure such breach, and the Commonwealth shall have refused to comply within a reasonable time. All Proceedings shall be instituted only in a Commonwealth court located in the Municipality of San Juan, Puerto Rico for the equal benefit of all Beneficial Owners of the outstanding Series 2009A Notes benefited by the Covenants, and no remedy shall be sought or granted other than specific performance of any of the Covenants at issue. Moreover, Proceedings filed by Beneficial Owners against the Commonwealth may be subject to the sovereign immunity provisions of Section 2 and 2A of Act No. 104, approved June 29, 1955, as amended, which governs the scope of legal actions against the Commonwealth, substantially limits the amount of monetary damages that may be awarded against the Commonwealth and provides certain notice provisions, the failure to comply with which may further limit any recovery.

The Covenants may only be amended if:

(1) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Commonwealth, or type of business conducted; the Covenants, as amended, would have complied with the requirements of the Rule at the time of award of the Series 2009A Notes, after taking into account any amendments or change in circumstances; and the amendment does not materially impair the interest of Beneficial Owners, as determined by persons unaffiliated with the Commonwealth; or

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

The Commonwealth has further agreed that the annual financial information containing any amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. Any assertion of beneficial ownership must be filed, with full documentary support, as part of the written request described above.

MISCELLANEOUS

The foregoing summaries of or references to the various acts, the Series 2009A Notes, the Note Resolution, the Letters of Credit, the Revolving Credit Agreement, the Reimbursement Agreement, the Commonwealth Report, the Commonwealth's Annual Financial Report and the summaries of or references to the various acts and provisions contained in such documents are made subject to all the detailed provisions thereof to which reference is hereby made for further information and do not purport to be complete statements of any or all of such provisions.

Appended to and constituting a part of this Official Statement is the form of Letters of Credit (*Appendix I*), the proposed form of opinion of Bond Counsel (*Appendix II*) and Descriptions of the Letter of Credit Banks (*Appendix III*).

The information included in this Official Statement and incorporated herein by reference, except for information pertaining to DTC, the information appearing in Underwriting and the descriptions of the Letter of Credit Banks, was supplied by certain officials of the Commonwealth or certain of its agencies or instrumentalities, in their respective official capacities, or was obtained from publications of the Commonwealth or certain of its agencies or instrumentalities, and is included or incorporated by reference in this Official Statement on the authority of such officials or the authority of such publications as public official documents. The information pertaining to DTC was supplied by DTC.

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

COMMONWEALTH OF PUERTO RICO

By: /s/ Angel Ortiz García
Secretary of the Treasury
Commonwealth of Puerto Rico

IRREVOCABLE DIRECT-PAY LETTER OF CREDIT

November 14, 2008

Banco Popular
de Puerto Rico,
as Paying Agent
Trust Division
153 Ponce de Leon Avenue, Suite 800
Hato Rey, Puerto Rico 00918

Attention: Corporate Trust Department

Ladies and Gentlemen:

1. At the request of the Commonwealth of Puerto Rico (the "*Commonwealth*"), _____ (the "*Bank*") hereby establishes in favor of Banco Popular de Puerto Rico, as paying agent (together with its successors and assigns, the "*Paying Agent*"), its Irrevocable Direct-Pay Letter of Credit No. _____ (this "*Subseries 2009A_ Letter of Credit*") issued pursuant to that certain Reimbursement Agreement dated as of November 1, 2008 (the "*Reimbursement Agreement*"), by and among the Commonwealth, the banks listed on the signature pages thereof, The Bank of Nova Scotia, acting through its New York Agency, as Lead Arranger and Administrative Agent (referred to in such capacity as the "*Administrative Agent*"), and BNP Paribas, acting through its New York Branch ("*BNP Paribas*"), as Agent, in the initial stated amount of \$_____ in Dollars (as defined in the Reimbursement Agreement) (said initial stated amount equal to the principal amount of the Subseries 2009A_ Notes (as defined herein) on the Effective Date (as defined in the Reimbursement Agreement), plus interest thereon at an assumed rate of ___% per annum for a period of 256 days based upon a year of 360 days as such amount may be reduced from time to time as herein provided, herein referred to as the "*Stated Amount*"), which may be drawn upon by the Paying Agent to pay the principal of the Commonwealth's Tax and Revenue Anticipation Notes, Subseries 2009A_ (the "*Subseries 2009A_ Notes*") on the stated maturity thereof together with accrued and unpaid interest thereon.

2. This Subseries 2009A_ Letter of Credit shall expire at 5:00 p.m., New York City time, on the date (the "*Termination Date*") which is the earliest of: (i) August 3, 2009 (the "*Stated Expiration Date*"), (ii) the date of payment of the Drawing by the Administrative Agent, on behalf of the Bank, to the Paying Agent, (iii) the Administrative Agent's, on behalf of the Bank, receipt of a certificate signed by your duly authorized officer in the form of Annex B attached hereto appropriately completed, or (iv) the date when you surrender the original of this Subseries 2009A_ Letter of Credit to the Administrative Agent, on behalf of the Bank, for cancellation. You agree to surrender the original of this Subseries 2009A_ Letter of Credit to the Administrative Agent, on behalf of the Bank, after the Termination Date.

3. Funds under this Subseries 2009A_ Letter of Credit are available to you against your presentation of a drawing certificate in the form of Annex A attached hereto (the "*Drawing*") to the Administrative Agent, on behalf of the Bank, at The Bank of Nova Scotia, New York Agency, c/o The Bank of Nova Scotia, WBO Loan Operations, 720 King Street West, 3rd Floor, Toronto, Ontario M5V 2T3, Attention: NYA Loan Operations,

Telephone: (212) 225-5706, Telecopy: (212) 225-5708, or at such other address and/or number which may be designated by the Administrative Agent by written notice delivered to the Paying Agent. Drafts may be presented to us by facsimile transmission to facsimile number (212) 225-5708. Such facsimile transmission shall be deemed the sole and exclusive presentation of the original documents provided that you simultaneously advise us by telephone, attention: NYA Loan Operations at (212) 225-5706 and that the Manager of the Standby Letter of Credit Department confirms to you at the same time the good receipt of your facsimile transmission. Without limiting the obligation of the Bank under this Subseries 2009A_ Letter of Credit, the Administrative Agent, on behalf of the Bank, shall receive the Drawing request hereunder, determine whether it complies with the terms and conditions hereof and promptly notify the Bank of the Drawing request. The Drawing request so presented shall have all blanks appropriately filled in and shall be signed by a person who purports to be an authorized officer of the Paying Agent and shall be in the form of a letter on the letterhead of the Paying Agent delivered or telecopied to the Administrative Agent, on behalf of the Bank.

4. The Administrative Agent, on behalf of the Bank, hereby agrees that demand for payment made under and in strict compliance with the terms of this Subseries 2009A_ Letter of Credit will be duly honored upon receipt of the Drawing request as specified in paragraph 3 hereof and if presented at the aforesaid office on or before the Termination Date. If the Drawing request is received by the Administrative Agent, on behalf of the Bank, at or prior to 10:00 a.m., New York time, on July 29, 2009, and provided that the documents presented in connection therewith strictly conform to the terms and conditions hereof, payment shall be made of the amount specified in immediately available funds, on July 30, 2009, no later than 11:00 a.m. New York time. If the Drawing request is received by the Administrative Agent after 10:00 a.m., New York time, on July 29, 2009, but at or prior to 10:00 a.m., New York time, on July 30, 2009, and *provided* that the documents presented in connection therewith strictly conform to the terms and conditions hereof, payment shall be made of the amount specified in immediately available funds, no later than 11:00 a.m., New York time, on July 31, 2009. If the Drawing request is received hereunder after 10:00 a.m., New York time, on July 30, 2009, payment shall be made of the amount specified in immediately available funds, no later than 11:00 a.m., New York time, on the second Business Day immediately succeeding the date of such Drawing request. Payment under this Subseries 2009A_ Letter of Credit shall be made by the Bank by wire transfer of immediately available funds of the Bank to the Administrative Agent who shall remit such amounts to the Paying Agent in accordance with the instructions specified by the Paying Agent in the drawing certificate relating to the Drawing hereunder. Such account may be changed only by presentation to the Administrative Agent of a letter in form satisfactory to the Administrative Agent specifying a different account with the Paying Agent and executed by the Paying Agent. As used in this Subseries 2009A_ Letter of Credit, "Business Day" shall mean a day other than (i) a Saturday or Sunday, (ii) any other day on which banks located in New York, New York or the cities in which the principal office of the Administrative Agent and the Paying Agent are located are authorized by law to close or (iii) a day on which the New York Stock Exchange is closed. The Administrative Agent will promptly remit such amounts received from the Bank to the Paying Agent. The Administrative Agent shall not be liable for the failure of the Bank to perform its obligations under this Subseries 2009A_ Letter of Credit.

5. Only the Paying Agent may make the Drawing request under this Subseries 2009A_ Letter of Credit. Upon payment as provided in paragraph 4 of the amount specified in the Drawing request hereunder, the Bank shall be fully discharged of its obligation under this Subseries 2009A_ Letter of Credit with respect to such Drawing request.

6. This Subseries 2009A_ Letter of Credit is intended to apply only to the payment of the principal amount of the Subseries 2009A_ Notes through and including August 3, 2009 and accrued interest thereon through and including July 30, 2009.

7. To the extent not inconsistent with the express terms hereof, this Subseries 2009A_ Letter of Credit shall be governed by and construed in accordance with the Uniform Customs and Practices for Documentary Credits, International Chamber of Commerce Publication No. 600 (the "*Uniform Customs*"), except for the second sentence of Article 38(d) thereof and notwithstanding the provisions of the second sentence of Article 36 of the Uniform Customs, if this Subseries 2009A_ Letter of Credit expires during an interruption of business (as defined in Article 36 of the Uniform Customs), the Bank agrees to effect payment under this Subseries 2009A_ Letter of Credit if a drawing which strictly conforms to the terms and conditions of this Subseries 2009A_ Letter of Credit is made within 15 days after the resumption of business and, as to matters not governed by the Uniform Customs, this Subseries 2009A_ Letter of Credit shall be governed by the internal laws of the State of New York, including, without limitation, the Uniform Commercial Code as in effect in the State of New York. Communications with respect to this Subseries 2009A_ Letter of Credit shall be in writing and shall be addressed to the Administrative Agent at The Bank of Nova Scotia, New York Agency, c/o The Bank of Nova Scotia, WBO Loan Operations, 720 King Street West 3rd Floor, Toronto, Ontario M5V 2T3, Attention: NYA Loan Operations (or to such other address as the Administrative Agent, on behalf of the Bank, may specify to you in writing), specifically referring thereon to this Subseries 2009A_ Letter of Credit by its number.

8. You may transfer your rights under this Subseries 2009A_ Letter of Credit in their entirety (but not in part) to any transferee who has succeeded to you as Paying Agent under the Paying Agency Agreement (as defined in the Reimbursement Agreement) and such transferred rights may be successively transferred. Transfer of your rights under this Subseries 2009A_ Letter of Credit to any such transferee shall be effected upon the presentation to the Administrative Agent of this Subseries 2009A_ Letter of Credit accompanied by a transfer letter in the form attached hereto as Annex C. Notwithstanding the foregoing, this Subseries 2009A_ Letter of Credit may not be transferred to any person or entity with which U.S. persons or entities are prohibited from doing business under the U.S. Foreign Assets Control Regulations or other applicable U.S. laws and regulations.

9. This Subseries 2009A_ Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein (including, without limitation, the Subseries 2009A_ Notes), except only the certificates and letters referred to herein; and no such reference shall be deemed to incorporate herein by reference any document, instrument or agreement.

Very truly yours,

THE BANK OF NOVA SCOTIA, acting through its New
York Agency, as Administrative Agent

By _____

Name: James E. Cubbon

Title: Director

**ANNEX A TO
IRREVOCABLE DIRECT-PAY LETTER OF CREDIT**

The Bank of Nova Scotia
New York Agency,
as Lead Arranger and Administrative Agent
One Liberty Plaza
26th Floor
New York, New York 10006
Attention: Public Finance

Re: Drawing Certificate for Irrevocable Direct Pay
Letter of Credit No. _____

Ladies and Gentlemen:

Banco Popular de Puerto Rico (together with its successors and assigns, the "*Paying Agent*") hereby certifies to The Bank of Nova Scotia, acting through its New York Agency, as Lead Arranger and Administrative Agent (the "*Administrative Agent*"), with reference to Irrevocable Direct Pay Letter of Credit No. _____ (the "*Subseries 2009A_ Letter of Credit*") issued by _____ on November 14, 2008 (capitalized terms contained herein are used as defined in the Subseries 2009A_ Letter of Credit), that:

1. The Paying Agent is the Paying Agent under the Paying Agency Agreement and the Resolution (each as defined in the Reimbursement Agreement), and is acting as the agent for the owners of the Subseries 2009A_ Notes.

2. The Paying Agent hereby makes a demand on _____ for payment under the Subseries 2009A_ Letter of Credit in the amount of \$_____ to be used solely for the payment of principal of, and interest on, the Subseries 2009A_ Notes on _____, ____.

3. The amount hereby demanded does not exceed the amount available to be drawn under the Subseries 2009A_ Letter of Credit for this drawing.

4. The amount hereby demanded will not be applied to any payment in respect of Subseries 2009A_ Notes registered in the name of the Commonwealth.

5. Upon receipt by the Paying Agent of the amount demanded hereby, (a) the Paying Agent will apply the same directly to the payment when due of the appropriate amount owing on account of principal of and interest on the Subseries 2009A_ Notes pursuant to the Paying Agency Agreement, the Resolution and the Subseries 2009A_ Notes, (b) no portion of said amount shall be applied by the Paying Agent for any other purpose, and (c) no portion of said amount shall be commingled with other funds held by the Paying Agent, except amounts received pursuant to any contemporaneous demand hereunder.

6. Payment by the Administrative Agent pursuant to this drawing shall be made to _____,
ABA Number _____, Account Number _____, Attention: _____, Re: _____
– on _____, ____.

7. The Paying Agent has presented this Certificate to the Administrative Agent no later than the
Termination Date.

IN WITNESS WHEREOF, the Paying Agent has executed and delivered this Certificate as of the ____ day of
_____, ____.

Very truly yours,

BANCO POPULAR DE PUERTO RICO, as Paying Agent

By _____
Name: _____
Title: _____

**ANNEX B TO
IRREVOCABLE DIRECT-PAY LETTER OF CREDIT**

The Bank of Nova Scotia
New York Agency,
as Lead Arranger and Administrative Agent
One Liberty Plaza
26th Floor
New York, New York 10006
Attention: Public Finance

Re: Irrevocable Direct Pay Letter of Credit
No. _____

Gentlemen:

The undersigned, a duly authorized officer of Banco Popular de Puerto Rico, as Paying Agent (together with its successors and assigns, the "*Paying Agent*") under the Paying Agency Agreement dated as of November 14, 2008 (together with any amendments or supplements thereto, the "*Paying Agency Agreement*"), between the Commonwealth of Puerto Rico and the Paying Agent, hereby certifies to The Bank of Nova Scotia, acting through its New York Agency, as administrative agent (the "*Administrative Agent*"), with respect to the above-referenced Irrevocable Direct Pay Letter of Credit No. _____ (the "*Subseries 2009A_ Letter of Credit*") issued by _____ in favor of the Paying Agent, that prior to the date hereof, all of the outstanding Subseries 2009A_ Notes, as defined in the Subseries 2009A_ Letter of Credit, were paid in accordance with their terms and are no longer outstanding in accordance with the Resolution (as defined in the Reimbursement Agreement).

Pursuant to said Paying Agency Agreement, we are delivering herewith the Subseries 2009A_ Letter of Credit for cancellation.

IN WITNESS WHEREOF, the Paying Agent has executed and delivered this Certificate as of the ____ day of _____, ____.

Very truly yours,

BANCO POPULAR DE PUERTO RICO, as Paying Agent

By _____
Name: _____
Title: _____

**ANNEX C TO
IRREVOCABLE DIRECT-PAY LETTER OF CREDIT**

[Letterhead of Paying Agent]

[Date]

The Bank of Nova Scotia
New York Agency,
as Lead Arranger and Administrative Agent
One Liberty Plaza
26th Floor
New York, New York 10006
Attention: Public Finance

Re: Irrevocable Direct Pay Letter of Credit
No. _____ (the "*Subseries 2009A_ Letter of Credit*")

Ladies and Gentlemen:

For value received, the undersigned beneficiary hereby irrevocably transfers to:

(Name of Transferee)

(Address)

as successor Paying Agent under the Paying Agency Agreement dated as of November 14, 2008, between Banco Popular de Puerto Rico and the Commonwealth of Puerto Rico all rights of the undersigned beneficiary to draw under the Subseries 2009A_ Letter of Credit in its entirety.

By this transfer, all rights of the undersigned beneficiary in the Subseries 2009A_ Letter of Credit are transferred to the transferee and the transferee shall have the sole rights as beneficiary thereof, including sole rights relating to any amendments, whether increases or extensions, or other amendments and whether now existing or hereafter made. All amendments are to be advised directly to the transferee without necessity of any consent of or notice to the undersigned beneficiary.

The undersigned, a duly authorized officer or agent of the transferee, hereby certifies that the transferee is not a person or entity with which U.S. persons or entities are prohibited from doing business under the U.S. Foreign Assets Control Regulations or other applicable U.S. laws and regulations.

The original Subseries 2009A_ Letter of Credit (and any amendments thereto) is returned herewith, and we ask you to endorse the transfer on the reverse thereof, and forward it directly to the transferee with customary notice of transfer.

SIGNATURE AUTHENTICATED

Very truly yours,

(Bank)

(Signature of Beneficiary)

(Authorized Signature)

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Notes, Squire, Sanders & Dempsey L.L.P. is prepared to render its final opinion with respect to the Notes in substantially the following form:

November __, 2008

Honorable Angel Ortiz García
Secretary of the Treasury of Puerto Rico
San Juan, Puerto Rico

Re: \$887,675,000 Tax and Revenue Anticipation Notes of the Commonwealth of Puerto Rico, Series 2009A (consisting of Subseries 2009A1 through 2009A4)

Dear Sir:

We have served as bond counsel in connection with the issuance by the Commonwealth of Puerto Rico (the "Commonwealth") of its \$887,675,000 aggregate principal amount of Tax and Revenue Anticipation Notes of the Commonwealth of Puerto Rico, Series 2009A (the "Notes"), which Notes consist of four separate subseries, to wit: \$375,000,000 principal amount of Tax and Revenue Anticipation Notes of the Commonwealth of Puerto Rico, Subseries 2009A1, \$285,000,000 principal amount of Tax and Revenue Anticipation Notes of the Commonwealth of Puerto Rico, Subseries 2009A2, \$200,000,000 principal amount of Tax and Revenue Anticipation Notes of the Commonwealth of Puerto Rico, Subseries 2009A3 and \$27,675,000 principal amount of Tax and Revenue Anticipation Notes of the Commonwealth of Puerto Rico, Subseries 2009A4. The Notes are dated, mature on such date and in such principal amounts and bear interest at the rates, all as set forth in the Note Resolution referred to hereinbelow. The Notes are issuable as registered notes without coupons in denominations of \$5,000 or any multiple thereof, in the manner and in accordance with the terms and conditions of the Note Resolution. The Notes are not subject to redemption or acceleration prior to maturity.

In our capacity as bond counsel, we have examined the transcript of the proceedings (the "Transcript") of the Commonwealth relating to the issuance of the Notes, including, without limitation, Act No. 1 of the Legislature of Puerto Rico, approved June 26, 1987, as amended by Act No. 139 of the Legislature of Puerto Rico, approved on November 9, 2005 (collectively, the "Act"), and resolutions adopted on November 7, 2008 by the Secretary of the Treasury of Puerto Rico (the "Secretary of the Treasury") and approved by the Governor of Puerto Rico (the "Governor") (collectively, the "Note Resolution"), and such other documents as we have deemed necessary to render this opinion.

We have also examined a copy of a Note as executed and authenticated. We assume that all other Notes have been similarly executed and authenticated.

From such examination, we are of the opinion that:

1. The Act is valid.
2. Said proceedings have been validly and legally taken.
3. The Notes have been duly authorized and issued to fund a portion of the projected cash flow requirements of the Commonwealth's General Fund in fiscal 2009, which requirements result from timing differences between expected disbursements and receipts of taxes and revenues, through the repayment of a portion of certain amounts borrowed by the Commonwealth under a revolving line of credit (the "Line of Credit") obtained in advance of the issuance of the Notes. The Notes are valid and binding obligations of the Commonwealth and are

payable (i) first, from amounts drawn under separate irrevocable direct-pay letters of credit of even date herewith (each a "Letter of Credit" and collectively, the "Letters of Credit") issued pursuant to a Reimbursement Agreement dated as of November 1, 2008, by and among the Commonwealth, the banks listed therein (collectively, the "Banks"), and The Bank of Nova Scotia, acting through its New York Agency, as Lead Arranger and Administrative Agent, and (ii) in the event one or more Banks fail to honor their obligations under their respective Letters of Credit, from the special fund created by the Act designated "Special Fund for the Redemption of Tax and Revenue Anticipation Notes" (the "Note Fund"), to the credit of which Note Fund the Secretary of the Treasury is required by and in the manner set forth in the Note Resolution and that certain resolution adopted on June 25, 2008 by the Secretary of the Treasury and approved by the Governor to deposit all taxes and revenues required to be deposited in the General Fund of the Commonwealth received after March 31, 2009 and on or prior to June 30, 2009 plus any balance in the General Fund on April 1, 2009 in respect of taxes and revenues received by the General Fund after July 1, 2008 (and if certain coverage requirements are not met, taxes and revenues so deposited prior to April 1, 2009), subject to certain prior applications as specified in the Act. Each subseries of Notes is secured by a separate Letter of Credit as set forth in the Note Resolution. Amounts in the Note Fund shall also be applied to pay the Letter of Credit Notes, the Revolving Credit Note and the GDB Note (as such terms are defined in the Note Resolution) as provided in the Note Resolution. The full faith, credit and taxing power of the Commonwealth are not pledged to the payment of the Notes.

4. The interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The Notes and the interest thereon are exempt from state, Commonwealth and local income taxation. We express no opinion as to any other tax consequences regarding the Notes.

Under the Code, a portion of the interest on the Notes earned by certain corporations may be subject to a federal corporate alternative minimum tax and interest on the Notes may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations.

In giving the opinion set forth in numbered paragraph 4 hereof, we have relied upon, and assumed continuing compliance with, the Commonwealth's covenants and the accuracy, which we have not independently verified, of the representations and certifications of the Commonwealth contained in the Transcript. The accuracy of those representations and certifications, and the Commonwealth's continuing compliance with those covenants, may be necessary for the interest on the Notes to be and to remain excluded from gross income for federal income tax purposes. Failure to comply with certain of those covenants subsequent to issuance of the Notes may cause interest on the Notes to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Notes. The Commonwealth has covenanted to comply with the requirements of the Code to the extent permitted by the Constitution and laws of the Commonwealth. We are not aware of any provisions of the Constitution or laws of the Commonwealth that would prevent the Commonwealth from complying with the requirements of the Code.

In rendering the opinions set forth herein, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings. As to questions of fact material to our opinion, we have relied on representations of the Commonwealth furnished to us, without undertaking to verify such representations by independent investigation.

It is to be understood that the rights of the holders of the Notes and the enforceability of the Note Resolution and the Notes may be subject to judicial discretion and valid bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights generally, and subject to general principles of equity (regardless of whether considered in a proceeding in equity or at law).

Respectfully submitted,

DESCRIPTION OF THE LETTER OF CREDIT BANKS

The Bank of Nova Scotia ("Scotiabank" or the "Bank"), founded in 1832, is a Canadian chartered bank with its principal office located in Toronto, Ontario. Scotiabank is one of North America's premier financial institutions and Canada's most international bank. With 48,000 employees, Scotiabank and its affiliates serve over 10 million customers throughout the world.

Scotiabank provides a full range of personal, commercial, corporate and investment banking services through its network of branches located in all Canadian provinces and territories. Outside Canada, Scotiabank has branches and offices in over 50 countries and provides a wide range of banking and related financial services, both directly and through subsidiary and associated banks, trust companies and other financial firms.

For the fiscal year ended October 31, 2007, Scotiabank recorded total assets of CDN\$411.5 billion (US\$433.2 billion) and total deposits of CDN\$288.5 billion (US\$303.7 billion). Net income for the fiscal year ended October 31, 2007 equaled CDN\$4.045 billion (US\$4.258 billion), compared to CDN\$3.579 billion (US\$3.767 billion) for the prior fiscal year. Amounts above are shown in Canadian dollars and also reflect the United States dollar equivalent as of October 31, 2007 (1.0000 United States dollar equals 0.95 Canadian dollars).

For the quarter ended July 31, 2008, Scotiabank recorded total assets of CDN\$462.4 billion (US\$450.8 billion) and total deposits of CDN\$332.5 billion (US\$324.2 billion). Net income for the quarter ended July 31, 2008 equaled CDN\$978 million (US\$954 million), compared to CDN\$1.02 billion (US\$990 million) for the same period the prior year. Amounts above are shown in Canadian dollars and also reflect the United States dollar equivalent as of Thursday, July 31, 2008 (1.0000 United States Dollar equals 1.0257 Canadian dollars).

Scotiabank will provide to anyone, upon written request, a copy of its most recent annual report, as well as a copy of its most recent quarterly financial report. Requests should be directed to: The Bank of Nova Scotia, New York Agency, One Liberty Plaza, 26th Floor, New York, NY, 10006. Attention: Public Finance Department.

The information concerning the Bank contained herein is furnished solely to provide limited introductory information regarding the Bank and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents and financial statements referenced above.

The delivery of this disclosure information by the Bank shall not create any implication that there has been no change in the affairs of the Bank since the date hereof, or that the information contained or referred to in this disclosure information is correct as of any time subsequent to its date.



BNP PARIBAS

BANK DISCLOSURE STATEMENT

The BNP Paribas Group (the "Group") (of which BNP Paribas, a French corporation (*société anonyme*), is the parent company) is engaged in banking and financial services. It has approximately 163,000 employees, 127,000 of whom are based in Europe. The Group occupies positions in three fields of activity: Corporate and Investment Banking, Asset Management & Services and Retail Banking. It is present in 85 countries and has a presence in all the key financial centres. Present throughout Europe, in all its business lines, France and Italy are its two domestic markets in retail banking. BNP Paribas enjoys a presence in the United States, Asia and in emerging markets.

At 31 December 2007, the Group had consolidated assets of €1,694.5 billion (compared to €1,440.3 billion at 31 December 2006), consolidated loans and receivables due from customers of €445.1 billion (compared to €393.1 billion at 31 December 2006), consolidated items due to customers of €346.7 billion (compared to €298.7 billion at 31 December 2006) and shareholders' equity (Group share including income for 2007) of €53.8 billion (compared to €49.5 billion at 31 December 2006). Pre-tax net income for the year ended 31 December 2007 was €11.1 billion (compared to €10.6 billion for the year ended 31 December 2006). Net income, Group share, for the year ended 31 December 2007 was €7.8 billion (compared to €7.3 billion for the year ended 31 December 2006).

At 7 October 2008, the Group had long-term senior debt ratings of Aa1 with stable outlook from Moody's, AA+ with negative outlook from S&P and AA with stable outlook from Fitch.

The Group has three divisions: Retail Banking, Asset Management and Services and Corporate and Investment Banking, the latter two of which also constitute "core businesses." Operationally, the Retail Banking division is itself comprised of three core businesses: French Retail Banking, Italian Retail Banking (BNL bc) and International Retail Banking and Financial Services. The Group has additional activities, including those of its listed real estate subsidiary, Klépierre, which are conducted outside of its core businesses.

The information concerning BNP Paribas and the Group contained herein is furnished solely to provide limited introductory information regarding BNP Paribas and the Group and does not purport to be comprehensive.

The delivery of the information contained in this section shall not create any implication that there has been no change in the affairs of BNP Paribas or the Group since the date hereof, or that the information contained or referred to in this section is correct as of any time subsequent to its date.

BBVA

Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA") is a multinational financial services group. Its 7,909 branches and 112,621 employees provide banking and financial services solutions to a global customer base of 35 million customers in 32 countries. The financial services include corporate and consumer lending, credit card services, ATMs, telephone and Internet banking. Internationally, BBVA provides investment banking and brokerage services, venture capital, private banking and investment management.

As of the period ended September 30, 2008, BBVA's total assets were 528,795 million Euros and net attributed profit was 4,321 million Euros (excluding non-recurrent items).

The BBVA and its subsidiaries four business areas are:

Spain and Portugal: this includes Corporate Banking and Financial Services for individual customers, small companies and businesses in the domestic market, plus consumer finance provided by Finanzia and Uno-e, mutual and pension fund managers, the insurance business and BBVA Portugal.

Global Businesses: this area consists of SMEs, large companies and global institutions. Global Businesses covers the global customer unit, investment banking, treasury management, private banking and distribution. The area also services, business and real estate projects.

Mexico and the United States: this area includes the banking, insurance and pension businesses in Mexico and the United States (including Puerto Rico).

South America: this consists of banking, insurance and pension businesses in Argentina, Chile, Colombia, Panama, Paraguay, Peru, Uruguay and Venezuela.

For further information log on to www.bbva.com

KBC BANK N.V.

KBC Bank N.V., New York Branch ("KBC NYB") is an unincorporated branch of KBC Bank N.V., a naamloze vennootschap (public company of limited liability) organized under the laws of Belgium, whose principal office is located in Brussels, Belgium. KBC Bank N.V. conducts operations through additional offices and agencies in the United States and around the world. Created on June 4, 1998 through the combination of two predecessor Belgian banks, Kredietbank N.V. and CERA Bank C.V., KBC Bank N.V. is subject to regulation by the Belgium Banking Commission and to Belgian banking and accounting law. KBC Bank N.V. maintains its records and prepares its financial statements in accordance with accounting principles generally accepted in Belgium. Such records and financial statements are maintained and prepared in Euro currency (EUR).

One of the largest commercial banks in Belgium, KBC Bank N.V. operates as a universal bank, engaged in commercial and investment banking, and offers comprehensive financial services. In contrast with the two other major Belgian banks, KBC Bank N.V.'s branches in Belgium are located exclusively in Flanders and Brussels. KBC Bank N.V. is indirectly represented through CBC Banque S.A., a majority-owned subsidiary with branches in the Walloon region and Brussels.

KBC NYB was originally established in 1977 as a New York Branch of Kredietbank N.V., and has been relicensed by the Banking Department of the State of New York as a New York Branch of KBC Bank N.V. to provide a full range of services in New York. In addition to handling foreign exchange transactions, KBC NYB is active in international payment transactions and the clearing of commercial payments and professional transactions in U.S. Dollars. KBC NYB is also involved in providing financial services, particularly credit, for European (including Belgian) companies operating in the United States, as well as for United States corporations.

Selected Consolidated Financial Data of KBC Bank N.V.

Year Ended
December 31, 2007
(EUR Millions)

Total Assets	EUR	355,597
Amounts Owed to Customers		192,135
Loans and Advances to Customers		147,051
Total Equity		17,348
Net Income		3,281

Conversion Rate: As of December 31, 2007, EUR 0.679 = US\$1.00

KBC NYB will provide, upon written request and without charge, a copy of KBC Bank N.V.'s Annual Report for the year ended December 31, 2007. Written requests should be directed to: KBC Bank N.V., New York Branch, 1177 Avenue of the Americas, New York, New York 10036, Attention: Controller.

The delivery of this Official Statement shall not create any implication that there has been no change in the affairs of KBC Bank N.V. since December 31, 2007 or that information contained or referred to in this Appendix III is current as of any time subsequent to such date.



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