NEW ISSUE - BOOK-ENTRY
See "Book-Entry Only System" under *The Bonds*

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 Bonds 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 Bonds and the interest thereon are exempt from state, Commonwealth of Puerto Rico and local income taxation. Interest on the Bonds 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 the discussion under "Tax Matters" herein.

$89,610,000
COMMONWEALTH OF PUERTO RICO
Public Improvement Refunding Bonds, Series 2003 A
(General Obligation Bonds)

Dated: Date of Delivery

Due: July 1, as shown below

The Bonds are issuable as registered bonds without coupons in denominations of $5,000 or any multiple thereof. Interest on the Bonds will be payable January 1, 2003 and each July 1 and January 1 thereafter. The Bonds are not subject to redemption prior to maturity. The Bonds will be insured by a policy issued by Financial Guaranty Insurance Company. See *The Bonds*.

The Bonds are general obligations of the Commonwealth. The good faith, credit and taxing power of the Commonwealth are irrevocably pledged for the prompt payment of the principal of and interest on the Bonds. The Constitution of Puerto Rico provides that public debt of the Commonwealth, including the Bonds, constitutes a first claim on available Commonwealth revenues.

Maturity	Amount	Interest Rate	Yield
2011	$11,080,000	5½%	3.68%
2012	11,690,000	5½	3.78
2013	12,330,000	5½	3.90
2014	13,010,000	5½	4.02
2015	13,730,000	5½	4.15
2016	13,515,000	5½	4.24
2017	14,255,000	5½	4.31

The Bonds are offered for delivery when, as and if issued and accepted by the Underwriters subject to the approval of legality by Squire, Sanders & Dempsey L.L.P., Miami, Florida, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by Pietrantoni Méndez & Alvarez LLP, San Juan, Puerto Rico. It is expected that settlement for the Bonds will occur in New York, New York, on or about August 8, 2002.

LEHMAN BROTHERS GOLDMAN, SACHS & CO. UBS PAINEWEBBER INC.

ABN AMRO FINANCIAL SERVICES, INC. BANC OF AMERICA SECURITIES LLC

BEAR, STEARNS & CO. INC. MERRILL LYNCH & CO. MORGAN STANLEY

SALOMON SMITH BARNEY WACHOVIA BANK, NATIONAL ASSOCIATION

August 1, 2002

Commonwealth of Puerto Rico

Governor

SILA M. CALDERÓN

Members of the Cabinet

CÉSAR MIRANDA
Chief of Staff

FERDINAND MERCADO
Secretary of State

ANABELLE RODRÍGUEZ
Secretary of Justice

JUAN A. FLORES GALARZA
Secretary of the Treasury

CÉSAR REY
Secretary of Education

VÍCTOR RIVERA HERNÁNDEZ
Secretary of Labor and Human Resources

JOHNNY RULLÁN
Secretary of Health

LUIS RIVERO CUBANO
Secretary of Agriculture

JOSÉ IZQUIERDO
Secretary of Transportation and Public Works

RAMÓN CANTERO-FRAU
Secretary of Economic Development and Commerce

YOLANDA ZAYAS
Secretary of Family Affairs

ILEANA ECHEGOYEN
Secretary of Housing

SALVADOR SALAS
Secretary of Natural and Environmental Resources

JAVIER ECHEVARRÍA VARGAS
Acting Secretary of Consumer Affairs

JORGE ROSARIO
Secretary of Sports and Recreation

VÍCTOR RIVERA GONZÁLEZ
Secretary of Corrections and Rehabilitation

Legislative Officers

ANTONIO FAS ALZAMORA
President, Senate

CARLOS VIZCARRONDO
Speaker, House of Representatives

Fiscal Officers

MELBA ACOSTA
Director, Office of Management and Budget

HÉCTOR MÉNDEZ
President, Government Development Bank for Puerto Rico

No dealer, broker, sales representative or other person has been authorized by the Commonwealth 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 or any Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds, 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 and other official sources that are believed to be reliable. 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 circumstances, create any implication that there has been no change in the affairs of the Commonwealth since the date hereof. 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.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AND THE COMMONWEALTH'S OUTSTANDING GENERAL OBLIGATION BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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$89,610,000
Commonwealth of Puerto Rico
Public Improvement Refunding Bonds, Series 2003 A
(General Obligation Bonds)

INTRODUCTORY STATEMENT

This Official Statement of the Commonwealth of Puerto Rico (the "Commonwealth" or "Puerto Rico") provides certain information in connection with the sale of $89,610,000 Commonwealth of Puerto Rico Public Improvement Refunding Bonds, Series 2003 A (the "Bonds"). Concurrently with the issuance of the Bonds, the Commonwealth is issuing its Commonwealth of Puerto Rico Public Improvement Bonds of 2003, Series A (the "2003 Public Improvement Bonds") in the principal amount of $460,000,000.

The Bonds are being issued under the provisions of Act No. 33 of the Legislature of Puerto Rico, approved December 7, 1942 ("the Act") and pursuant to a resolution authorizing the issuance of the Bonds (the "Resolution") adopted by the Secretary of the Treasury and approved by the Governor of Puerto Rico on August 1, 2002.

The Bonds will be insured by an insurance policy (the "Policy") issued by Financial Guaranty Insurance Company ("Financial Guaranty").

Under the Act, the good faith, credit and taxing power of the Commonwealth are irrevocably pledged for the prompt payment of the principal of and interest on the Bonds. The Constitution of Puerto Rico provides that public debt of the Commonwealth, including the Bonds, constitutes a first claim on available Commonwealth revenues.

This Official Statement includes the cover page, the inside cover page, the appendices, and the following documents incorporated herein by reference: (i) the Commonwealth's Financial Information and Operating Data Report dated May 10, 2002 (the "Commonwealth Report") which appears as Appendix I to the Official Statement of the Commonwealth, dated July 18, 2002 (the "Series 2003 Official Statement), relating to the sale of its 2003 Public Improvement Bonds and $95,295,000 Commonwealth of Puerto Rico Public Improvement Refunding Bonds, Series 2003 (the "Forward Delivery Refunding Bonds"); and (ii) the Comprehensive Annual Financial Report of the Commonwealth for the fiscal year ended June 30, 2001 prepared by the Department of the Treasury (the "Commonwealth's Annual Financial Report"), which includes the general purpose financial statements of the Commonwealth for the fiscal year ended June 30, 2001, together with the independent auditor's report thereon, dated January 21, 2002, of KPMG LLP, certified public accountants. KPMG LLP did not audit the financial statements of the pension trust funds, the public university funds, and certain activities and component units separately identified in their report. Those financial statements were audited by other auditors whose reports have been furnished to KPMG LLP, and their opinion on the general purpose financial statements, insofar as it relates to the amounts included in the general purpose financial statements pertaining to such activities and component units, is based solely on the reports of the other auditors.

The Series 2003 Official Statement, which includes the Commonwealth Report, has been filed with the Municipal Securities Rulemaking Board (the "MSRB") and with each nationally recognized municipal securities information repository ("NRMSIR"). The Commonwealth's Annual Financial Report has been filed by the Commonwealth with each NRMSIR. Any appendix of an Official Statement of the Commonwealth or of any instrumentality of the Commonwealth containing the Commonwealth Report or the Commonwealth's Annual Financial Report filed with each NRMSIR and the MSRB or any other document containing the Commonwealth Report or the Commonwealth's Annual Financial Report filed with each NRMSIR after the date hereof and prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference into this Official Statement and to be part of this Official Statement from the date of filing of such document. Any statement contained in the Commonwealth Report or the Commonwealth's Annual Financial Report incorporated herein by reference shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document modifies or supersedes such statement. Any statement contained herein shall also be deemed to be modified or superseded to the extent that a statement contained in any 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 or the Commonwealth's Annual Financial Report incorporated herein by reference. Requests should be directed to Director-New York Office, Government Development Bank for Puerto Rico, 140 Broadway, 38th Floor, New York, NY 10005, telephone number (212) 422-6420 or to Director-General Obligations Division, Government Development Bank for Puerto Rico, P.O. Box 42001, San Juan, PR 00940, telephone number (787) 722-7060.

A copy of the Commonwealth Report or the Commonwealth's Annual Financial Report may be obtained by contacting a NRMSIR. The address of each NRMSIR is set forth in *Continuing Disclosure* below.

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

OVERVIEW

The following is a summary of certain information regarding the Commonwealth contained in the Commonwealth Report incorporated herein by reference. This summary does not purport to be complete and is qualified in its entirety by reference to more detailed information appearing in the Commonwealth Report, which should be read in its entirety.

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.

Economic Trends

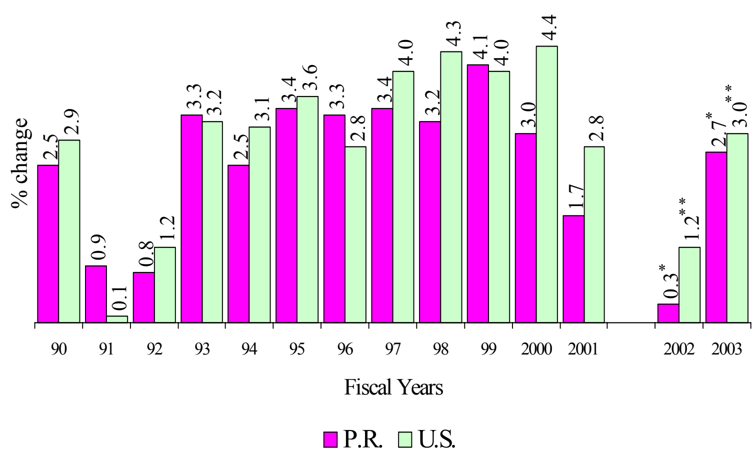
Puerto Rico has enjoyed almost two decades of uninterrupted economic expansion. Almost every sector of the economy has participated in this expansion and record levels of employment have been achieved. Factors contributing to this expansion include government-sponsored economic development programs, periodic declines in the exchange value of the United States dollar, increases in the level of federal transfers, the relatively low cost of borrowing and low oil prices.

Gross product increased from $32.3 billion in fiscal 1997 ($31.4 billion in 1996 prices) to $44.2 billion in fiscal 2001 ($35.3 billion in 1996 prices). This represents an increase of 36.7% from fiscal 1997 to 2001 (12.6% in 1996 prices). Since fiscal 1985, personal income, both aggregate and per capita, has increased consistently each fiscal year. In fiscal 2001, aggregate personal income was $41.5 billion ($37.2 billion in 1996 prices)[1] and personal income per capita was $10,816 ($9,713 in 1996 prices).

According to the Labor Department's Household Employment Survey, average employment increased from 1,128,300 in fiscal 1997, to 1,157,850 in fiscal 2001. Average unemployment decreased from 13.1% in fiscal 1997 to 10.5% in fiscal 2001. During the first ten months of fiscal 2002, total monthly employment averaged 1,167,100 compared to 1,161,500 in the same period of fiscal 2001, representing an increase of 0.5%. As a result of an increase in the labor participation rate which offset a small increase in average monthly employment, there was an increase in the unemployment rate from 10.2% during the first ten months of fiscal 2001 to 11.9% during the first ten months of fiscal 2002. The seasonally adjusted unemployment rate for April 2002 was 12.5%.

The Planning Board's gross product forecast for fiscal 2002 and fiscal 2003, made in March 2002, projected an increase of 0.3% for fiscal 2002 and 2.7% for fiscal 2003. The performance of the economy during fiscal 2002 was affected primarily by the performance of the United States economy, the amount of transfer payments, the level of oil prices and interest rates. In the past, Puerto Rico has been heavily dependent on oil imports for its energy needs. As a result of the construction of two cogeneration plants, however, one of which burns liquified natural gas and is now operational, and the other of which will burn coal and is expected to become operational during 2002, Puerto Rico's dependence on oil imports for its energy needs is expected to be reduced by approximately 30%. See "Other Public Corporations - Electric Power Authority" under *Public Corporations* in the Commonwealth Report.

Real GNP Growth Rate



* Puerto Rico Planning Board Baseline Projection.

** DRI Forecast 05/02.

Puerto Rico has a diversified economy with manufacturing and services comprising its principal sectors. Manufacturing is the largest sector in terms of gross domestic product. According to the Planning Board's figures, manufacturing generated $27.1 billion, or 39.9%, of gross domestic product and accounted for 13.7% of total

[1] Different price deflators are used for gross product and personal income statistics.

employment in fiscal 2001, as compared with fiscal 2000, when it generated $23.4 billion, or 38.3%, of gross domestic product and accounted for 14.0% of total employment. See "Economic Performance by Sector" under *The Economy* in *Appendix I*. Manufacturing in Puerto Rico is now more diversified than during the earlier phases of its industrial development and includes several industries less prone to business cycles. In the last three decades, industrial development has tended to be more capital intensive and more dependent on skilled labor. This gradual shift in emphasis is best exemplified by the heavy investment in the pharmaceutical, scientific instruments, computers and electrical products industries in Puerto Rico over the last decade. One of the factors assisting the development of the manufacturing sector has been the tax incentives offered by the federal and Puerto Rico governments. Federal legislation enacted in 1996, however, which amended Section 936 of the Internal Revenue Code of 1986, phases out the federal tax incentives during a ten-year period. See "Tax Incentives - Incentives Under the Code" under *The Economy* in the Commonwealth Report.

The services sector, which includes hotel and related services and currently accounts for approximately 48.2% of total employment, generated $26.8 billion, or 39.4%, of Puerto Rico's gross domestic product in fiscal 2001, as compared with $24.8 billion, or 40.6%, of gross domestic product in fiscal 2000.

Growth in construction has also contributed to increased economic activity from fiscal 1997 through fiscal 2000. During that period, construction investment increased 44.9%, and in fiscal 2001 it remained at $6.8 billion.

Tourism continues to make a significant contribution to economic activity. More than 4.9 million visitors spent $2.7 billion in Puerto Rico in fiscal 2000. San Juan has become the largest home port for cruise ships in the Caribbean and the fourth largest home port for cruise ships in the world. Twenty-six U.S. and international airlines offer scheduled service to and from San Juan, and a major airline uses San Juan as a hub for its intra-Caribbean operations. This reflects the importance of Puerto Rico as a tourist destination and as a transportation hub in the Caribbean.

Recent Events

Revenues and Expenditures for Fiscal Year 2002. For the first eleven months of fiscal year 2002 (July 2001 through May 2002), General Fund revenues were $6,375.7 million, which is $339.6 million or 5.6% higher than General Fund revenues during the first eleven months of fiscal year 2001, but $199.5 million or 3.0% less than budgeted revenues for this period. The Commonwealth government has identified other revenues and other funding sources to cover the estimated revenue shortfall, including certain excess reserves, the sale of certain receivables to Government Development Bank for Puerto Rico ("Government Development Bank"), and additional excise tax revenues from recently enacted legislation.

Expenditures for the full 2002 fiscal year, on the other hand, are projected to be $7,597.1 million, which is $131.4 million or 1.8% higher than the $7,465.7 million budgeted for the full fiscal year. The principal reasons for the higher expenditures are (i) health reform costs that are projected to be approximately $125 million higher than the amount budgeted; (ii) payroll and other costs of education that are projected to be approximately $64.9 million higher than the amount budgeted; (iii) public safety costs that are projected to be approximately $66.5 million higher than the amount budgeted; and (iv) lower projected expenditures in other areas of approximately $125 million, which partially offset the higher health, education and public safety expenditures. The Government expects to cover these additional expenditures with $111 million of reserve funds from the Commonwealth's Budgetary Fund and with $20.5 million of unused funds from certain agencies that have operating surpluses.

Approved Budget for Fiscal Year 2003. The approved budget for fiscal year 2003 (which commenced on July 1, 2002) includes General Fund expenditures of $7,839 million, or 5.0% higher than the $7,465.7 million budgeted for fiscal year 2002. The major changes in General Fund expenditures from fiscal year 2002 to fiscal year 2003 are the following: (i) an increase of $120.3 million or 5.2% in education; (ii) an increase of $119.6 million or 9.2% in public safety and protection; (iii) an increase of $88.4 million or 7.4% in health; (iv) an increase of $31.8 million or 45.8% in special pension contributions; (v) an increase of $16.2 million or 4.2% in welfare; (vi) a decrease of $15.1 million or

2.0% in general government expenses; and (vii) an increase of $10.7 million or 3.1% in contributions to the municipalities.

General Fund revenues for fiscal year 2003 are projected to be $7,836 million, which is $371 million or 5% higher than the $7,465 million in General Fund revenues budgeted for fiscal year 2002. In addition, the proposed budget includes $3 million of other funding sources, for a total of $7,839 million. The major changes from fiscal year 2002 to fiscal year 2003 are expected to be: (i) a projected increase in individual income taxes of $311 million; (ii) a projected increase in corporate income taxes of $111 million; (iii) a projected increase in Commonwealth excise taxes of $296 million; (iv) a projected decrease in miscellaneous revenues of $295 million; and (v) a projected decrease in income taxes withheld from non-residents of $109 million.

The projected General Fund revenues for fiscal year 2003 assume a 6.8% nominal, 2.7% real growth in gross national product, and additional revenues of $596 million from new legislative measures, most of which have already been enacted. Projected revenues do not take into consideration the result of a lawsuit filed by one of the eight air cargo carriers that service Puerto Rico. In the lawsuit, this air cargo carrier seeks to prevent the Treasury Department from implementing a local regulation that precludes the carrier from delivering goods brought into the island prior to the consignee evidencing the payment of the excise tax on such goods. The United States District Court for the District of Puerto Rico entered a permanent injunction in favor of the carrier. The Secretary of the Treasury appealed and moved for a stay pending the appeal. On July 18, 2002, the United States Court of Appeals granted the Secretary's motion and ordered the stay of the injunction while expediting the appeal. An oral hearing is scheduled for September 6, 2002. The total amount of excise taxes collected annually in recent years by the eight air cargo carriers that service Puerto Rico has been approximately $53 million.

Contracts with Health Reform Insurance Companies. The Government has entered into new contracts with the insurance companies providing coverage to health reform beneficiaries, which are for three-year terms commencing on July 1, 2002. Under the new contracts, and based on certain assumptions relating to the number of beneficiaries and other matters, the cost of the health insurance program for fiscal year 2003 is expected to exceed the amount in the approved budget for such fiscal year by approximately $75 million. However, the Government expects to reduce the insurance cost through audits of the health reform lists of eligible beneficiaries and from rebates on medications from pharmaceutical companies. Any remaining excess of expenditures over budgeted amounts would be covered from the Health Reform Stabilization Fund, which will be funded from certain excise taxes. The insurance cost for fiscal years 2004 and 2005 will be negotiated with the insurance companies before the commencement of each such fiscal year.

Standard & Poor's Lowers Commonwealth's Debt Rating to "A-." On May 30, 2002, Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc. ("Standard & Poor's") lowered the Commonwealth's debt rating from "A" to "A-". Standard & Poor's stated that the downgrade "reflects five years of deficit operations and the use of deficit financing and back loading of debt to eliminate a large accumulated operating deficit." According to Standard & Poor's, "the downgrade also reflects the use of onetime revenues to balance general fund operations. . . , ongoing expenditure pressure in areas like health care, education and public safety that, despite substantial management improvements, have not been brought in line with recurring revenues; limited revenues and expenditure flexibility; and an unfunded pension liability of $7.4 billion." Standard & Poor's also stated that the Commonwealth's credit outlook was stable "based on expectations of balanced operations in fiscal 2003, the strong commitment by management to continue its ongoing efforts to reduce expenditure pressures in targeted areas, and gradual economic recovery."

Fiscal Management

Fiscal responsibility for the Commonwealth is shared among the Department of the Treasury, the Office of Management and Budget 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. The Office of Management and Budget 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.

Section 7 of Article VI of the Constitution of Puerto Rico provides that: "The appropriations made for any fiscal year shall not exceed the total revenues, including available surplus, estimated for said fiscal year unless the imposition of taxes sufficient to cover said appropriations is provided by law."

The financial statements of the Commonwealth for fiscal 2001 were audited by KPMG LLP, independent auditors whose report thereon is dated January 21, 2002. For a summary of the Commonwealth's significant accounting policies, see Note 1 to the Commonwealth's general purpose financial statements included in the Commonwealth's Annual Financial Report. Preparation of the audited financial statements of the Commonwealth involves the collection and combination of audited financial statements from 50 separate reporting entities. KPMG LLP did not audit the financial statements of the pension trust funds, the public university funds, and certain activities and component units separately identified in their report. Those financial statements were audited by other auditors whose reports have been furnished to KPMG LLP, and their opinion on the general purpose financial statements, insofar as it relates to the amounts included in the general purpose financial statements pertaining to such activities and component units, is based solely on the reports of the other auditors.

Debt Management

The Constitution of Puerto Rico limits the amount of general obligation debt that can be issued. 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. See "Debt Limitation" under *The Bonds*.

Historically, the Commonwealth has maintained a fiscal policy which provides for a prudent relationship between the growth of public sector debt and the growth of the economic base required to service that debt. During fiscal 1996, 1997 and 1998, however, public sector debt increased at a rate greater than the growth of gross product due to an increase in the amount of debt incurred to finance certain key infrastructure projects, which are important to the development of the economy and are expected to produce long term economic benefits, and to refinance outstanding debt, enabling the Commonwealth to benefit from historically low levels of interest rates and realize debt service savings. During fiscal 1999 and 2000, growth of public sector debt was below the growth of gross product. Public sector debt increased by 12.1% during fiscal 2001, compared to a 6.7% increase in gross product for the same fiscal year. The increase in the rate of growth of public sector debt during fiscal 2001 is in part due to the issuance during such fiscal year of $1,092,550,000 of bonds of the Infrastructure Financing Authority and $397,005,000 of bonds of the Children's Trust Fund, both of which are payable from sources other than Commonwealth appropriations or taxes or revenues of public corporations derived from services or products. Excluding these bond issues, the rate of growth of public sector debt for fiscal 2001 was 5.9%. See "Trends of Public Sector Debt" under *Debt* and "Economic Performance by Sector - Construction" under *The Economy* in the Commonwealth Report.

PLAN OF FINANCING

The Bonds are being issued for the purpose of refunding the following general obligation bonds of the Commonwealth (the "Refunded Bonds"):

Refunded Bonds	Principal Amount to be Refunded	Interest Rate	Maturity Date July 1,	Redemption Date July 1,	Redemption Price (% of Par)
Public Improvement Bonds of 1996	$29,570,000	5½ %	2017	2006	101.5
Public Improvement Bonds of 2000	11,870,000	5⅛	2011	2010	100
Public Improvement Bonds of 2000	12,480,000	5¼	2012	2010	100
Public Improvement Bonds of 2000	13,135,000	5¼	2013	2010	100
Public Improvement Bonds of 2000	13,825,000	5⅜	2014	2010	100
Public Improvement Bonds of 2000	14,570,000	5.40	2015	2010	100

The Secretary of the Treasury will deposit the net proceeds of the Bonds and certain other available moneys into an escrow fund (the "Escrow Fund") with Banco Popular de Puerto Rico (the "Escrow Agent"). The net proceeds of the Bonds and such other available moneys will be invested in certain federal agency securities, the principal of and interest on which will be sufficient to pay the principal of and premium on the Refunded Bonds on the redemption date mentioned above, which redemption date will be irrevocably designated by the Secretary of the Treasury, and to pay the interest thereon to such redemption date.

The sufficiency of the amount so deposited, with investment earnings thereon, to accomplish the refunding of the Refunded Bonds referred to above, will be verified by Samuel Klein and Company (the "Verification Agent"). Since the Refunded Bonds are being refunded with investment securities that will not result in a legal defeasance under Puerto Rico law, the Refunded Bonds will continue to be outstanding for the purpose of applying the debt limitation under Section 2 of Article VI of the Constitution of Puerto Rico.

Sources and Uses of Funds

Sources:		
Principal amount of the Bonds	$	89,610,000
Net original issue premium		12,167,558
Moneys from Redemption Fund		425,779
Total sources	$	102,203,337
Uses:		
Deposit into the Escrow Fund for Refunded Bonds	$	100,154,500
Underwriting discount, bond insurance premium and legal, printing, and other financing expenses		2,048,837
Total uses	$	102,203,337

THE BONDS

General

The Bonds will be dated, bear interest at such rates, be payable at such times, and mature on the dates and in the principal amounts set forth on the cover of this Official Statement. The Bonds are not subject to redemption prior to maturity. Banco Popular de Puerto Rico will serve as paying agent and registrar (the "Registrar") for the Bonds.

Book-Entry Only System

The following information concerning The Depository Trust Company ("DTC"), New York, New York and DTC's book-entry system has been obtained from DTC. Neither the Commonwealth nor the Underwriters take any responsibility for the accuracy thereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other nominee as may be requested by an authorized representative of DTC. One fully registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (the "Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants" and, together with the Direct Participants, the "Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

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

To facilitate subsequent transfers all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds. 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC or to such other nominee as may be requested by DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Commonwealth, or the Registrar, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest on the Bonds to DTC is the responsibility of the Commonwealth or the Registrar, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

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

Discontinuance of the Book-Entry Only System

In the event that the book-entry only system is discontinued, the following provisions will apply: principal of the Bonds shall be payable in lawful money of the United States of America at the principal office of the Registrar in San Juan, Puerto Rico. Interest on the Bonds will be payable by check mailed to the respective addresses of the registered owners determined as of the record date thereof provided in the Resolution as shown on the registration books of the Commonwealth maintained by the Registrar. The Bonds will be issued only as registered Bonds without coupons in denominations of $5,000 or any multiple thereof. The transfer of the Bonds will be registrable and they may be exchanged at the corporate trust office of the Registrar in San Juan, Puerto Rico, upon the payment of any taxes or other governmental charges required to be paid with respect to such transfer or exchange.

Authorization

Section 2 of Article VI of the Constitution of the Commonwealth 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 authorize the issuance of the Bonds.

Security

Provision for Payment of Public Debt

The Act provides that the good faith, credit and taxing power of the Commonwealth are irrevocably pledged for the prompt payment of the principal of and interest on the Bonds issued under the provisions of the Act. The Secretary of the Treasury is authorized and directed under the Act to pay the principal of and interest on the Bonds as the same become due and payable from any funds available for such purpose with the Department of the Treasury in the fiscal year in which such payment is due. The Act provides that the provisions contained therein with respect to the payment of the principal of and interest on the Bonds shall be considered to be a continuous appropriation for the Secretary of the Treasury to make such payments, even though no specific appropriations are made for such purposes. Such payments are required to be made pursuant to the provisions of the laws of the Commonwealth that regulate the disbursement of public funds.

The Constitution of Puerto Rico provides that public debt of the Commonwealth will constitute a first claim on available Commonwealth revenues. Public debt includes general obligation bonds and notes of the Commonwealth and any payments required to be made by the Commonwealth under its guarantees of bonds and notes issued by its public instrumentalities.

The Commonwealth has allocated certain motor vehicle fuel taxes, crude oil and derivative products excise taxes and license fees to Puerto Rico Highway and Transportation Authority (the "Highway Authority"). The amounts so allocated, however, are subject to first being applied to payment of the principal of and interest on the Commonwealth public debt, but only if and to the extent that all other available revenues of the Commonwealth are insufficient for that purpose. The Commonwealth has never applied such amounts to the payment of its public debt.

Since fiscal 1989, the Commonwealth has pledged to Puerto Rico Infrastructure Financing Authority certain federal excise taxes imposed on alcoholic beverages and tobacco products produced in Puerto Rico and sold in the United States, which taxes are returned to the Commonwealth. The amounts so pledged, however, are subject to first being applied to payment of the principal of and interest on the Commonwealth public debt, but only if and to the extent that all other available revenues of the Commonwealth are insufficient for that purpose. The Commonwealth has never applied such amounts to the payment of its public debt.

The Constitution expressly empowers a holder of bonds and notes evidencing public debt to bring suit against the Secretary of the Treasury to require application of available revenues, including surplus, to the payment of principal of and interest on public debt when due.

Special Fund for General Obligation Debt Service

Act No. 83 of the Legislature of Puerto Rico, approved August 30, 1991, as amended, provides for the levy of an annual special tax of 1.03% of the assessed value of all real and personal property not exempt from taxation. The proceeds of said tax are credited to the Special Fund for the Amortization and Redemption of General Obligations Evidenced by Bonds and Promissory Notes (the "Redemption Fund"), for application to the payment of general obligation bonds and notes of the Commonwealth.

Act No. 39 of the Legislature of Puerto Rico, approved May 13, 1976, as amended ("Act No. 39"), requires the Secretary of the Treasury to transfer each month from available funds of the Commonwealth to the Redemption Fund such amounts which together with certain funds otherwise deposited therein will be equal to the sum of one-sixth of the interest to be paid in the next six months and one-twelfth of the principal to be paid or required to be amortized within the next twelve months on all bonds and notes of the Commonwealth for which its full faith and credit are pledged as the same become due and all bonds and notes of the Commonwealth for which the guaranty of the Commonwealth has been exercised. Moneys in the Redemption Fund are held in trust by Government Development Bank. Act No. 39 provides that the obligation of the Secretary of the Treasury to make the above transfers is cumulative, and the amount of any deficiency in any month shall be added to the amount of transfers required in future months until such deficiency has been fully paid. On June 30, 2002, the amount on deposit in the Redemption Fund was $236,689,383, which was the required amount.

Act No. 39 expressly relates to direct obligations of the Commonwealth. It may also apply to the payment of Commonwealth guaranteed obligations of public corporations outstanding prior to the date of its adoption but not to the payment of bonds and other obligations of such public corporations guaranteed by the Commonwealth issued after the date of its adoption.

Payment Record

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

Debt Limitation

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 Highway Authority, are not included as internal revenues for the purpose of calculating the debt limit, although they may be available for the payment of debt service.

On December 21, 1995, Puerto Rico Aqueduct and Sewer Authority ("PRASA") issued $400,340,000 Puerto Rico Aqueduct and Sewer Authority Refunding Bonds, guaranteed by the Commonwealth (the "PRASA Guaranteed Bonds"). On January 1, 1997, the Commonwealth began to make payments of debt service on the PRASA Guaranteed Bonds under the full faith and credit guarantee of the Commonwealth. The amount paid by the Commonwealth under the PRASA Guaranteed Bonds will be taken into account for purposes of computing the above described 15% constitutional debt limitation.

A portion of the proceeds of the Commonwealth's Public Improvement Refunding Bonds, Series 2001, all of the proceeds of the Commonwealth's Public Improvement Refunding Bonds, Series 2002 A and, upon their issuance in April 2003, all of the proceeds of the Forward Delivery Refunding Bonds were invested or will be invested (in the case of the Forward Delivery Refunding Bonds) in guaranteed investment contracts instead of investment securities that would result in a legal defeasance under Puerto Rico law. Similarly, the proceeds of the Bonds will be invested in securities not eligible to be used for legal defeasance ("non-eligible securities"). Since the bonds being refunded with proceeds invested in guaranteed investment contracts or non-eligible securities are not legally defeased, such bonds are treated (or will be treated, in the case of the bonds (the "Forward Refunded Bonds") being refunded with the Forward Delivery Refunding Bonds) as outstanding for purposes of the 15% debt limitation.

After giving effect to the issuance of the 2003 Public Improvement Bonds and the Bonds, future maximum annual debt service for the Commonwealth's outstanding general obligation debt is $645,522,327 in the fiscal year ending June 30, 2003. Debt service for the PRASA Guaranteed Bonds paid by the Commonwealth during fiscal 2002 (including for this purpose debt service payments due July 1, 2002) was $33,541,577. The sum of those amounts ($679,063,904) is equal to 9.63% of $7,050,545,000, which is the average of the adjusted internal revenues for the two fiscal years ended June 30, 2001 and June 30, 2002. If the bonds refunded by the Commonwealth's Public Improvement

Refunding Bonds, Series 2001, the Commonwealth's Public Improvement Refunding Bonds, Series 2002 A and the Bonds were treated as not being outstanding (they will be treated as outstanding because they were refunded with proceeds invested in guaranteed investment contracts and non-eligible securities) the percentage referred to in the preceding sentence would be 7.86%.

Upon the issuance of the Forward Delivery Refunding Bonds in April 2003, the percentage referred to in the last sentence of the preceding paragraph will be 9.65%. If the Forward Refunded Bonds were deemed not to be outstanding, such percentage would be 7.86%.

Maturity Limitation

The Constitution provides that no bonds or notes of the Commonwealth shall mature later than 30 years from their date of issue, except bonds or notes for housing facilities, which shall mature in no more than 40 years.

Bond Insurance

Concurrently with the issuance of the Bonds, Financial Guaranty will issue its Policy covering the Bonds. The Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the issuer of the Bonds (the "Issuer"). Financial Guaranty will make such payments to State Street Bank and Trust Company, N.A., or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal or interest (as applicable) is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of Bonds or the Paying Agent of the nonpayment of such amount by the Issuer. The Fiscal Agent will disburse such amount due on any Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal or interest (as applicable) due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal or interest (as applicable) shall be vested in Financial Guaranty. The term "nonpayment" in respect of a Bond includes any payment of principal, or interest (as applicable) made to an owner of a Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Bonds. The Policy covers failure to pay principal of the Bonds on their respective stated maturity dates and not on any other date on which the Bonds may have been accelerated or advanced in maturity, and covers the failure to pay an installment of interest on the stated date for its payment.

This Official Statement contains a section regarding the ratings assigned to the Bonds and reference should be made to such section for a discussion of such ratings and the basis for their assignment to the Bonds. Reference should be made to the description of the Issuer for a discussion of the ratings, if any, assigned to such entity's outstanding parity debt that is not secured by credit enhancement.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of March 31, 2002, the total capital and surplus of Financial Guaranty was approximately $1.03 billion. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 125 Park Avenue, New York, New York 10017, Attention: Communications Department (telephone number: 212-312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: 212-480-5187).

PUBLIC SECTOR DEBT OF THE COMMONWEALTH

Pro Forma Public Sector Debt

The following table presents a summary of the public sector debt of the Commonwealth as of April 30, 2002, as adjusted for the issuance of the 2003 Public Improvement Bonds and the Bonds and the refunding of the Refunded Bonds, and as further adjusted for the issuance of the Forward Delivery Refunding Bonds and the refunding of the Forward Refunded Bonds. The table should be read in conjunction with the information set forth in "Debt" in the Commonwealth Report.

Commonwealth of Puerto Rico
Public Sector Debt *
(in thousands)

	April 30, 2002	As Adjusted by the Issuance of the 2003 Public Improvement Bonds and the Bonds (2)	As Adjusted by the Issuance of the 2003 Public Improvement Bonds, the Bonds and the Forward Delivery Refunding Bonds (3)
Puerto Rico direct debt (1)	$ 6,801,254	$ 7,255,414	$ 7,249,964
Municipal debt	1,751,896	1,751,896	1,751,896
Public corporations debt			
Puerto Rico guaranteed debt	610,903	610,903	610,903
Debt supported by Puerto Rico appropriations or taxes	13,813,673	13,813,673	13,813,673
Other non-guaranteed debt	6,979,457	6,979,457	6,979,457
Total public corporations debt	$ 21,404,033	$ 21,404,033	$ 21,404,033
Total public sector debt	$ 29,957,183	$ 30,411,343	$ 30,405,893

* For a complete recital of all notes to this table, see "Public Sector Debt" under "Debt" in the Commonwealth Report.

(1) This amount excludes any Commonwealth general obligation bonds that have been refunded with proceeds that were invested in guaranteed investment contracts or non-eligible securities, even though such bonds will be considered outstanding under their authorizing resolution and for purposes of calculating the Commonwealth's debt limitation. The principal amount of Puerto Rico direct debt, as of July 1, 2002, was $6,642,109,000. The amount of Puerto Rico direct debt listed in this table includes $800,000,000 of tax and revenue anticipation notes which were paid on July 30, 2002.

(2) Adjusted to exclude the Refunded Bonds even though such bonds are being refunded with proceeds invested in non-eligible securities and, therefore, will be considered to be outstanding for purposes of calculating the Commonwealth's debt limitation.

(3) Adjusted to exclude the Forward Refunded Bonds even though such bonds are being refunded with proceeds that will be invested in a guaranteed investment contract and, therefore, will be considered to be outstanding for purposes of calculating the Commonwealth's debt limitation.

Source: Government Development Bank

Debt Service Requirements for Commonwealth General Obligation Bonds and Certain Guaranteed Debt

The following table presents the debt service requirements for (i) Commonwealth general obligation bonds and PRASA bonds for which debt service payments are being made under the Commonwealth guaranty, in each case outstanding on April 30, 2002 (adjusted to exclude debt service on the Refunded Bonds and the Forward Refunded Bonds); (ii) debt service on the 2003 Public Improvement Bonds; (iii) debt service on the Bonds; and (iv) total debt service adjusted for the issuance of the 2003 Public Improvement Bonds, the issuance of the Bonds, the issuance of the Forward Delivery Refunding Bonds and the refunding of the Refunded Bonds and the Forward Refunded Bonds. The table excludes debt service on Commonwealth general obligation bonds that have been or will be refunded with the proceeds of refunding bonds invested in non-eligible securities or guaranteed investment contracts, notwithstanding that such bonds will be considered to be outstanding for purposes of calculating the Commonwealth's debt limitation. With respect to other debt of PRASA, see "Public Corporations" in the Commonwealth Report. Debt service requirements for each fiscal year, as shown in the following table, include principal and interest due on July 1 immediately following the close of such fiscal year.

Commonwealth of Puerto Rico
Debt Service Requirements*
(in thousands)

Fiscal Year Ending June 30	Outstanding Bonds Total Debt Service[1]	Outstanding PRASA Bonds Debt Service	2003 Public Improvement Bonds	Bonds	Forward Delivery Refunding Bonds	Grand Total[2]
2003	$ 448,696	$ 32,745	$ 21,369	$ 4,422	$ 1,296	$ 508,528
2004	446,735	30,125	23,817	4,929	5,241	510,847
2005	446,734	30,127	23,817	4,929	5,241	510,848
2006	446,738	30,121	23,817	4,929	5,241	510,845
2007	446,732	30,126	23,817	4,929	5,241	510,845
2008	446,726	30,131	33,072	4,929	5,241	520,098
2009	446,717	30,123	33,071	4,929	5,241	520,081
2010	446,856	29,984	33,070	4,929	5,241	520,079
2011	397,646	29,928	33,073	16,009	40,921	517,576
2012	397,455	30,127	33,069	16,009	40,909	517,569
2013	415,169	30,128	33,071	16,006	23,194	517,567
2014	440,387	30,125	33,071	16,008	0	519,591
2015	440,383	30,126	33,071	16,013	0	519,593
2016	441,358	30,121	33,073	15,042	0	519,594
2017	441,358	30,122	33,070	15,039	0	519,588
2018	457,368	30,126	33,069	0	0	520,563
2019	457,377	30,125	33,069	0	0	520,570
2020	487,493	0	33,072	0	0	520,565
2021	335,691	0	33,070	0	0	368,761
2022	255,034	0	33,071	0	0	288,106
2023	210,962	0	33,072	0	0	244,034
2024	187,455	0	33,071	0	0	220,526
2025	187,449	0	33,069	0	0	220,518
2026	178,692	0	33,069	0	0	211,761
2027	178,691	0	33,068	0	0	211,760
2028	178,692	0	33,069	0	0	211,761
2029	178,693	0	33,072	0	0	211,765
2030	178,693	0	33,071	0	0	211,764
2031	178,691	0	33,071	0	0	211,762
2032	0	0	33,070	0	0	33,070
Total	$10,200,673	$514,410	$943,398	$149,048	$143,009	$11,950,537

* Totals may not add due to rounding.

(1) Debt service requirements on all general obligation bonds outstanding on April 30, 2002, excluding debt service on any general obligation bonds, including the Refunded Bonds and the Forward Refunded Bonds, refunded or to be refunded with proceeds invested in non-eligible securities or guaranteed investment contracts and, therefore, considered to be outstanding for purposes of calculating the Commonwealth's debt limitation.

(2) Debt service requirements on all general obligation bonds outstanding, adjusted as discussed in footnote 1 above and further adjusted to include the issuance of the 2003 Public Improvement Bonds, the Bonds and the Forward Delivery Refunding Bonds.

Sources: Government Development Bank and Department of the Treasury

TAX MATTERS

In the opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, under existing law (i) interest on the Bonds 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 Bonds and the interest thereon are exempt from state, Commonwealth and local income taxation. Bond Counsel will express no opinion as to any other tax consequences regarding the Bonds.

The opinion on federal 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 to be contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Bonds 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 those certifications and representations.

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 in order for the interest to be and to continue to be so excluded from the date of issuance. Noncompliance with these requirements by the Commonwealth may cause the interest on the Bonds to be included in gross income for federal income tax purposes and thus to be subject to federal income tax retroactively to the date of issuance of the Bonds. 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 Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. 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.

Under Code provisions applicable only to certain corporations, a portion of the excess of adjusted current earnings (which includes interest on all tax-exempt obligations, including the Bonds) over other alternative minimum taxable income may be subject to a corporate alternative minimum tax. In addition, interest on the Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and to a 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 or other tax consequences will depend upon the particular tax status or other tax items of the owner of the Bonds. Bond Counsel will express no opinion regarding those consequences.

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

Purchasers of the Bonds at other than their original issuance at the respective prices indicated on the inside cover of this Official Statement should consult their own tax advisors regarding other tax considerations, such as the consequences of market discount.

Original Issue Premium

Certain of the Bonds ("Premium Bonds") as indicated on the cover page of this Official Statement may be 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 Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining an owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond 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 Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond at its issue price in the initial offering who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, to its earlier call date that results in the lowest yield on that Premium Bond) will realize no gain or loss upon the retirement of that Premium Bond.

Owners of Premium Bonds should consult their own tax advisors as to the determination for federal income tax purposes of the amount of bond premium properly accruable in any period with respect to the Premium Bonds and as to other federal tax consequences and the treatment of bond premium for purposes of state and local taxes on, or based on, income.

LEGAL MATTERS

The proposed form of opinion of Squire, Sanders & Dempsey L.L.P., Miami, Florida, Bond Counsel, is set forth in *Appendix I* to this Official Statement. Certain legal matters will be passed upon for the Underwriters by Pietrantoni Méndez & Alvarez LLP, San Juan, Puerto Rico.

LEGAL INVESTMENT

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

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The Verification Agent will verify, from the information provided to them, the mathematical accuracy as of the date of the closing of the Bonds of the computations contained in the provided schedules to determine that the anticipated receipts from the securities listed in such schedules, to be held in escrow, will be sufficient to pay, when due, the principal, interest and call premium payment requirements of the Refunded Bonds (see *Plan of Financing*). The Verification Agent will express no opinion on the assumptions provided to them, nor as to the exclusion from gross income for Federal income tax purposes of the interest on the Bonds.

UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the Bonds from the Commonwealth at an aggregate discount of $502,356 from the initial offering prices of such bonds. The obligation of the Underwriters to purchase the Bonds is subject to certain conditions precedent, and they will be obligated to purchase all the Bonds, if any such bonds are purchased. The Underwriters may offer to sell the Bonds to certain dealers and others at prices lower than the initial public offering prices. The offering prices may be changed, from time to time, by the Underwriters.

Lehman Brothers Inc. , a managing underwriter, has entered into a written agreement with Santander Securities Corporation, pursuant to which Santander Securities Corporation has agreed to provide investment banking services to Lehman Brothers in connection with Lehman Brothers' provision of underwriting and investment banking services to the Commonwealth with respect to the Bonds. Pursuant to this agreement, the existence of which has been disclosed to the Commonwealth and Government Development Bank, Santander Securities Corporation will be entitled to receive a portion of Lehman Brothers' actual net profits, if any, in connection with the underwriting of the Bonds. Other similar agreements with respect to the sharing of underwriting net profits have been entered into and disclosed to the Commonwealth and Government Development Bank by the following Underwriters: Goldman, Sachs & Co. and Firstbank Puerto Rico; ABN Amro Financial Services, Inc. and Prudential Securities Corporation; Banc of America Securities LLC and Oriental Financial Services Corporation; Morgan Stanley & Co. Incorporated and Popular Securities, Inc; and Wachovia Bank, National Association and Doral Securities, Inc.

GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO

As required by Act No. 272 of the Legislature of Puerto Rico, approved May 15, 1945, as amended, Government Development Bank has acted as financial advisor to the Commonwealth in connection with the Bonds offered hereby. As financial advisor, Government Development Bank participated in the selection of the Underwriters of the Bonds. Certain of 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 Standard & Poor's have given the Bonds ratings of "Baa1" and "A-" , respectively. These ratings do not reflect the Policy. Moody's and Standard & Poor's are expected to give the Bonds ratings of "Aaa" and "AAA", respectively, based on the expected issuance by Financial Guaranty of the Policy covering the Bonds. 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 Bonds and other relevant information, and no application has been made to any other rating agency for the purpose of obtaining a rating on the Bonds.

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 prices of the Bonds.

CONTINUING DISCLOSURE

In accordance with the requirements of Rule 15c2-12, as amended (the "Rule"), promulgated by the Securities and Exchange Commission (the "SEC"), the Commonwealth has covenanted in the Resolution for the benefit of the Beneficial Owners (as defined in the Resolution and generally the tax owners of the Bonds):

1. to file within 305 days after the end of each fiscal year commencing with the fiscal year ending June 30, 2002, with each NRMSIR and with any Commonwealth state information depository ("SID"), core financial information and operating data for the prior fiscal year, including (i) the Commonwealth's audited financial statements, prepared in accordance with generally accepted accounting principles in effect from time to time, and (ii) material historical quantitative data (including financial information and operating data) on the Commonwealth and its revenues, expenditures, financial operations and indebtedness, in each case generally found in this Official Statement; and

2. to file, in a timely manner, with each NRMSIR or with the MSRB and with any Commonwealth SID, notice of any failure of the Commonwealth to comply with paragraph 1 above and of the occurrence of any of the following events with respect to the Bonds, if material:

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

Event (c) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers, dated September 19, 1995. However, event (c) may not be applicable, since the terms of the Bonds do not provide for "debt service reserves." For a description of the Bonds, see *The Bonds*. 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 Bonds, unless the Commonwealth applies for or participates in obtaining the enhancement.

Event (f). For information on the tax status of the Bonds, see *Tax Matters*.

The Commonwealth expects to provide the information described in paragraph 1(ii) above by filing its first bond official statement that includes such information for the preceding fiscal year or, if no such official statement is issued by the 305-day deadline, by filing the Commonwealth Report.

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 J.J. Kenny Repository, 55 Water Street, 45th Floor, New York, New York 10041; FT Interactive Data, Attn: NRMSIR, 100 William Street, 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 regardless of whether, in the judgment of the Commonwealth, such other events are material with respect to the Bonds, but the Commonwealth does not undertake to provide any such notice of the occurrence of any event except those material 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 Bonds, 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 Bonds benefitted 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 of Act No. 104, approved June 29, 1955, as amended (32 L.P.R.A.

§3077 and §3077a), which governs the scope of legal actions against the Commonwealth, s s an iall li i s e a n of monetary damages that may be awarded against the Commonwealth and provides cer ain pr isi ns e ail re 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 Bonds, after taking into account any amendments or change in circumstances; and the amendment does not materially impair the interest of Beneficial Owners, as determined by 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.

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

MISCELLANEOUS

The foregoing summaries of or references to the Act, the Bonds, the Resolution and the summaries of or references to the various acts contained in the Commonwealth Report, 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 are the proposed form of opinion of Bond Counsel *(Appendix I*), and a specimen of the Policy to be issued by Financial Guaranty *(Appendix II)*.

This Official Statement incorporates by reference the Commonwealth Report and the Commonwealth's Annual Financial Report.

The information set forth in this Official Statement and incorporated herein by reference, except for information pertaining to DTC, Financial Guaranty and the information appearing in *Underwriting*, 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. The information in "Bond Insurance" under *The Bonds* was supplied by Financial Guaranty.

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

COMMONWEALTH OF PUERTO RICO

By: /s/ Juan A. Flores Galarza

Secretary of the Treasury

FORM OF OPINION OF BOND COUNSEL

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

August __, 2002

Hon. Juan A. Flores Galarza
Secretary of the Treasury of Puerto Rico
San Juan, Puerto Rico

Dear Sir:

We have served as bond counsel in connection with the issuance by the Commonwealth of Puerto Rico of its $89,610,000 principal amount of Public Improvement Refunding Bonds, Series 2003A (the "Bonds"). The Bonds are dated, mature on July 1 of the years and in such principal amounts and bear interest at the rates, all as set forth in the Resolution referred to hereinbelow. The Bonds are issuable as fully registered Bonds without coupons, in authorized denominations of $5,000 and integral multiples thereof, in the manner and in accordance with the terms and conditions of the Resolution.

In our capacity as bond counsel, we have examined the transcript of the proceedings (the "Transcript") of the Commonwealth of Puerto Rico relating to the issuance of the Bonds, including, without limitation, Act No. 33 of the Legislature of Puerto Rico, approved December 7, 1942 (the "Act") and a resolution adopted on August 1, 2002 by the Secretary of the Treasury of Puerto Rico and approved by the Governor of Puerto Rico (the "Resolution"), and such other documents as we have deemed necessary to render this opinion.

We have also examined a copy of one of the Bonds as executed and authenticated. We assume that all other Bonds 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 Act and said proceedings show lawful authority for the issuance and sale of the Bonds, and the Bonds constitute valid and binding general obligations of the Commonwealth of Puerto Rico for the prompt payment of the principal of and the interest on which the good faith, credit and taxing power of the Commonwealth of Puerto Rico are pledged.

4. The interest on the Bonds 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 Bonds and the interest thereon are exempt from state, Commonwealth of Puerto Rico and local income taxation. We express no opinion as to any other tax consequences regarding the Bonds.

Under the Code, portions of the interest on the Bonds earned by certain corporations (as defined for federal income tax purposes) may be subject to a corporate alternative minimum tax and interest on the Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and to a 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 compliance with the Commonwealth of Puerto Rico's covenants and the accuracy, which we have not independently verified, of the representations and certifications of the Commonwealth of Puerto Rico contained in the Transcript. The accuracy of those representations and certifications, and the Commonwealth of Puerto Rico's compliance with those covenants, may be necessary for the interest on the Bonds 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 Bonds could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. The Commonwealth of Puerto Rico 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 of Puerto Rico that would prevent the Commonwealth of Puerto Rico 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 of Puerto Rico 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 Bonds and the enforceability of the Resolution and the Bonds 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,

[To be signed "Squire, Sanders & Dempsey L.L.P."]

Financial Guaranty Insurance Company
125 Park Avenue
New York, NY 10017
(212) 312-3000
(800) 352-0001

A GE Capital Company

FGIC

Municipal Bond
New Issue Insurance Policy

Issuer:	**Policy Number:**
	Control Number: 0010001
Bonds:	**Premium:**

SPECIMEN

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to State Street Bank and Trust Company, N.A., or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date

Financial Guaranty Insurance
Company
125 Park Avenue
New York, NY 10017
(212) 312-3000
(800) 352-0001

A GE Capital Company

FGIC

Municipal Bond
New Issue Insurance Policy

for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

SPECIMEN

Deborah M. Reif

President

Effective Date:

Authorized Representative

State Street Bank and Trust Company, N.A., acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

Authorized Officer

Financial Guaranty Insurance
Company
125 Park Avenue
New York, NY 10017
(212) 312-3000
(800) 352-0001

A GE Capital Company

FGIC

Endorsement
To Financial Guaranty Insurance Company Insurance Policy

Policy Number: **Control Number:** 0010001

It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date: **Authorized Representative**

Acknowledged as of the Effective Date written above:

Authorized Officer
State Street Bank and Trust Company, N.A., as Fiscal Agent