NEW ISSUE - Book-Entry Only

RATING: BBB- by S&P
(See "Rating" herein)

$26,355,000

PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL AND ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY (AFICA) TOURISM REVENUE REFUNDING BONDS, 2011 SERIES A

(TRUMP INTERNATIONAL GOLF CLUB PUERTO RICO PROJECT)

The bonds offered hereby (the "Bonds") have the following characteristics:

- Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority ("AFICA") will issue the Bonds and will lend the proceeds to Coco Beach Golf & Country Club, S.E. (the "Borrower").

- AFICA is required to pay the Bonds solely out of loan repayments by the Borrower under the Loan Agreement (as defined herein). The Bonds do not constitute a debt of the Commonwealth of Puerto Rico or any of its political subdivisions, other than AFICA.

- Puerto Rico Tourism Development Fund ("TDF") will issue an irrevocable transferable stand-by letter of credit securing the payment of principal and interest when due on the Bonds (the "TDF Letter of Credit"). The TDF Letter of Credit will have a term of 5 years, subject to automatic extension for 3 additional periods of 5 years each, followed by a final period ending on the maturity date of the Bonds.

- The Borrower will use the Bonds' proceeds to refinance the outstanding amounts under the following bonds (the "Refunded Bonds"): (i) AFICA's $18,000,000 Tourism Revenue Bonds, 2000 Series A (Coco Beach Golf & Country Club Project); and (ii) AFICA's $7,497,854.10 Tourism Revenue Bonds, 2004 Series A (Coco Beach Golf & Country Club Project); the proceeds of which were loaned to the Borrower to finance a portion of the construction of the Coco Beach Golf & Country Club, now known as the Trump International Golf Club Puerto Rico (the "Project" or the "Golf Club").

- The Bonds are further secured by a mortgage on the real property on which the Project was developed which is owned by the Borrower.

- Interest on the Bonds will accrue from their date of issuance and will be payable monthly on the 20th day of each month, commencing on April 20, 2011.

- The Bonds are subject to mandatory and optional redemption as described in this Official Statement. The Bonds are further subject to extraordinary mandatory redemption with a portion of the proceeds of the sale of certain residential units developed within the Resort (as defined herein), which may have the effect of significantly reducing the average life of the Bonds. Due to the uncertainty of timing of sale of residential units, investors seeking certainty in the average life or maturity of their investment may not find these Bonds to be a suitable investment.

- The Bonds are expected to be delivered through the facilities of The Depository Trust Company on or about March 30, 2011.

- All terms not otherwise defined in this Official Statement shall have the respective meanings ascribed to them in the documents being summarized.

- For further information regarding the Borrower and the Project, see Appendix A. The audited financial statements of the Borrower for the year ended December 31, 2009 are contained in Appendix B and the audited financial statements of TDF for the year ended June 30, 2010 are contained in Appendix C.

Interest on the Bonds will be exempt from Puerto Rico taxes and, under certain circumstances, United States taxes to residents of Puerto Rico. See "TAX MATTERS."

The Borrower and AFICA do not intend to apply for listing of the Bonds on a securities exchange. There will likely be a limited or no secondary public market for the Bonds.

Investing in the Bonds involves risks. See "BONDHOLDERS' RISKS" beginning on page 1 of this Official Statement.

This cover page, the back cover page and page (iv) contain certain information for convenience of reference only. Such information is not intended to be a summary of the security or of the terms of this bond issue. Investors are instructed to read the entire Official Statement, including the Appendices, to obtain information essential to the making of an informed investment decision.

POPULAR SECURITIES

March 24, 2011

$26,355,000

PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL AND ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY TOURISM REVENUE REFUNDING BONDS, 2011 SERIES A (TRUMP INTERNATIONAL GOLF CLUB PUERTO RICO PROJECT)

$15,670,000 Serial Bonds

Principal Amount	Interest Rate	Maturity Date	Price
$370,000	2.25%	December 20, 2011	100%
$380,000	2.25%	June 20, 2012	100%
$385,000	3.00%	December 20, 2012	100%
$395,000	3.00%	June 20, 2013	100%
$385,000	3.70%	December 20, 2013	100%
$400,000	3.70%	June 20, 2014	100%
$410,000	4.30%	December 20, 2014	100%
$415,000	4.30%	June 20, 2015	100%
$425,000	4.75%	December 20, 2015	100%
$440,000	4.75%	June 20, 2016	100%
$445,000	5.15%	December 20, 2016	100%
$460,000	5.15%	June 20, 2017	100%
$470,000	5.25%	December 20, 2017	100%
$485,000	5.25%	June 20, 2018	100%
$490,000	5.40%	December 20, 2018	100%
$510,000	5.40%	June 20, 2019	100%
$520,000	5.55%	December 20, 2019	100%
$545,000	5.55%	June 20, 2020	100%
$540,000	5.60%	December 20, 2020	100%
$570,000	5.60%	June 20, 2021	100%
$575,000	5.70%	December 20, 2021	100%
$600,000	5.70%	June 20, 2022	100%
$610,000	5.80%	December 20, 2022	100%
$635,000	5.80%	June 20, 2023	100%
$645,000	5.90%	December 20, 2023	100%
$680,000	5.90%	June 20, 2024	100%
$680,000	6.00%	December 20, 2024	100%
$715,000	6.00%	June 20, 2025	100%
$725,000	6.10%	December 20, 2025	100%
$765,000	6.10%	June 20, 2026	100%

$7,965,000 Term Bonds 6.50% due December 20, 2030, Price 100%

$2,720,000 Term Bonds 6.60% due December 20, 2034, Price 100%

Prospective investors may only rely on the information contained in this Official Statement. None of AFICA, the Borrower, TDF or the Popular Securities Inc. (the "Underwriter") has authorized anyone to provide prospective investors with information different from that contained in this Official Statement. 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 offer, solicitation or sale. The information contained in this Official Statement is correct only as of the date of this Official Statement, regardless of the time of delivery of this Official Statement or the sale of these securities. 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 or condition of AFICA, the Borrower or TDF since the date hereof.

TABLE OF CONTENTS

SUMMARY v
BONDHOLDERS' RISKS 1
If Borrower is unable to pay the Bonds, payment of the Bonds will depend on the financial condition of TDF 1
The Borrower has operated with significant losses 2
The Borrower has no committed sources of additional financing 2
A prepayment due to redemption or acceleration may adversely affect your return on the Bonds 2
There are financial and operational risks related to the Projec 4
The Borrower may need future capital funds for the maintenance and modernization of the Project 5
There is substantial competition in the resort and golf industry 5
If Borrower is unable to maintain adequate insurance, future losses may not be fully recovered 5
The Borrower will rely on the Club Manager to manage the Project 5
The Borrower is subject to various conflicts of interest 6
The Borrower's business is particularly sensitive to reductions in discretionary consumer spending as a result of downturns in the economy 6
Dependence on the adjacent hotels and Development Parcels exposes the Borrower to hotel and tourism risks and real estate risks 6
The Borrower will depend on the private utility company for the treatment of its waste-water and irrigation 7
The Borrower is subject to certain environmental risks 8
The enforcement of remedies against the Borrower may be limited by bankruptcy and other laws 8
Payments relating to Event of Taxability not covered by the TDF Letter of Credit 8
The future value of the Bonds may be affected by the absence of a secondary market for the Bonds or by a negative change in the rating of the Bonds 8
FORWARD-LOOKING STATEMENTS 9
THE BORROWER 10
PLAN OF FINANCING 10
SOURCES AND USES OF FUNDS 11
DESCRIPTION OF THE BONDS 12
General 12
Book-Entry Only System 12
Mandatory Redemption 14
Optional Redemption 15
Notice and Effect of Redemption; Partial Redemption 16
Sources of Payment and Security for the Bonds 17
SUMMARY OF THE LOAN AGREEMENT 18
Assignment by AFICA 19
Inspections; Reports 19
Maintenance and Operation of the Project 19
Covenant as to Existence, Consolidation, Merger or Sale, Conversion 19
Sale, Transfer or Encumbrance of the Project; Assignment of Loan Agreement 20
Covenant as to Maintenance of Source of Income 21
Indemnity 21
Limitation on Partners' Liability 21
Events of Default and Remedies 21
Successor Letter of Credit 22
Amendments 23
SUMMARY OF THE TRUST AGREEMENT 23
Bond Fund 24
Debt Service Reserve Fund 24
Investment of Funds 24
Events of Default 25
Acceleration of Maturities 26
Enforcement of Remedies 26
Holders of Majority in Principal Amount of Bonds May Control Proceedings 27
Restrictions Upon Action by Individual Bondholder 27
Issuance of Additional Bonds 28
Supplemental Trust Agreements 28
Amendments and Supplements to the Loan Agreement and the Security Agreements 29
Defeasance 30
The Trustee 31
TDF AND THE TDF LETTER OF CREDIT 31
TDF 31
The TDF Letter of Credit 32
SUMMARY OF THE REIMBURSEMENT AGREEMENT 33
AFICA 34
General 34
Governing Board 34
Outstanding Revenue Bonds and Notes of AFICA 35
GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO 36
TAXATION 36
LEGAL INVESTMENT 38
RATING 38
PLAN OF DISTRIBUTION 39
CONTINUING DISCLOSURE COVENANT 39
LEGAL MATTERS 42
MISCELLANEOUS 42
APPENDIX A 1
APPENDIX B 1
APPENDIX C 1
APPENDIX D 1

SUMMARY

This summary highlights information contained elsewhere in this Official Statement. You should read the entire Official Statement and the "BONDHOLDERS' RISKS" section beginning on page 1.

The Borrower

Coco Beach Golf & Country Club, S.E. (the "Borrower") is a partnership organized under the laws of Puerto Rico that has elected to be treated as a special partnership in accordance with the provisions of the Puerto Rico Internal Revenue Code of 1994, as amended, and continues to be treated as such under the Internal Revenue Code for a New Puerto Rico adopted on January 31, 2011. Pursuant to such election, the liability of the partners of the Borrower (the "Partners") is limited to their paid-in capital. On the date of issuance of the Bonds, the Partners are Coco Beach Development Corporation ("CBDC" or the "Managing Partner"), which owns a 90% partnership interest, and Mr. Arturo Díaz, Jr., who owns a 10% partnership interest. CBDC owns and is otherwise engaged, together with certain affiliates, in the development of the Coco Beach Resort and Community Development (the "Resort"). Neither the Partners, the Borrower's affiliates nor Trump Golf Coco Beach LLC (the "Club Manager") or its affiliates are liable with respect to any payments due to the holders of the Bonds. See "THE BORROWER" and "Appendix A."

The Project

The project consists of two 18-hole championship golf courses, a clubhouse and related facilities known as the Trump International Golf Club Puerto Rico (the "Project" or the "Golf Club"). The Project is located on approximately 532.3043 *cuerdas* of land in the Resort. The Project is owned by the Borrower and is managed by the Club Manager pursuant to the terms of a certain Facility Management Agreement (the "Facility Management Agreement"). The development and construction of the Project was completed in April 2005. The Project's first golf course and clubhouse opened to the public in March 2004. The Project is located within the larger 980 *cuerdas* of the Resort and is adjacent to the Gran Meliá Golf Resort Puerto Rico, a 486-room luxury beach hotel and resort (the "Gran Meliá Hotel"). The facilities of the Gran Meliá Hotel are available for use by Golf Club members pursuant to a Use and Access Agreement. See "Appendix A."

Plan of Financing

In September 2000, Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority ("AFICA") issued $18,000,000 AFICA bonds (the "2000 Bonds"), of which $16,150,000 are outstanding, and lent the proceeds thereof to the Borrower to partly finance the development and construction of the Project. In August 2004, AFICA issued $7,497,854.10 AFICA bonds (the "2004 Bonds" and together with the 2000 Bonds, the "Refunded Bonds"), of which $9,010,000 are outstanding, to finance a portion of the costs associated with the completion of construction of the second phase of the Project and certain related costs and expenses. The Bonds will be issued to refund the Refunded Bonds.

The Offering

Issuer	AFICA, an instrumentality of the Commonwealth of Puerto Rico.
Bonds are limited obligations of AFICA	AFICA is required to pay the Bonds solely out of payments of principal and interest made by the Borrower to AFICA under a loan agreement between them to be dated the date of the issuance of the Bonds (the "Loan Agreement"). AFICA acts as a pass-through entity so that, under most circumstances, interest on the Bonds will be tax-free to Puerto Rico residents. The Bonds do not constitute indebtedness of the Commonwealth of Puerto Rico or of any of its political subdivisions, other than AFICA.
Use of proceeds	AFICA will lend the proceeds from the issuance of the Bonds to the Borrower. The Borrower will use such proceeds, together with other funds, to: (i) refund $16,150,000 of outstanding 2000 Bonds; (ii) refund $9,010,000 of outstanding 2004 Bonds; (iii) pay the interest due on the Bonds during the first 3 interest payment dates after their issuance; and (iv) pay certain costs and expenses incurred in connection with the authorization, issuance and sale of the Bonds.
TDF Letter of Credit	TDF will issue its irrevocable transferable stand-by letter of credit to secure the payment of principal and interest on the Bonds (the "TDF Letter of Credit"). The Borrower may, subject to certain conditions, substitute the TDF Letter of Credit with a successor letter of credit.
Security for the Bonds........................	The Bonds will also be secured by: (i) a first mortgage on the Project's real property (the "Project Property Mortgage"); and (ii) a first priority security interest on certain personal property of the Borrower, including various agreements and accounts.
Interest on the Bonds..........................	Interest on the Bonds will be paid to you monthly on the 20th day of each month, commencing on April 20, 2011 and until maturity or redemption of the Bonds. Interest will be computed using a 360-day year of twelve 30-day months. Interest will accrue from the date of issuance of the Bonds.
Book-entry only system	The Bonds will be registered in the name of The Depository Trust Company's ("DTC") nominee under DTC's book-entry only system. This means that you will not receive a certificate for any Bonds you purchase.
Mandatory redemption of Bonds	The Bonds issued as term bonds will be periodically redeemed as part of the amortization requirements of the Bonds. For a schedule of such amortization requirements, see "DESCRIPTION OF THE BONDS - Mandatory Redemption." The Borrower may replace the TDF Letter of Credit with a letter of credit from a bank, other financial institution or

governmental instrumentality. All of the Bonds will be redeemed if the Borrower fails to extend, renew or replace such successor letter of credit upon its expiration. For a description of the terms, conditions and requirements of such successor letter or credit, see “SUMMARY OF THE LOAN AGREEMENT - Successor Letter of Credit.”

All or a portion of the Bonds may be redeemed if all or part of the Project is condemned, expropriated or damaged.

In addition, the Bonds are subject to extraordinary mandatory redemption with a portion of the proceeds of the sale of residential units developed by CBDC or its affiliates within the Resort, which may have the effect of significantly reducing the average life of the Bonds. Due to the uncertainty of timing of sale of residential units, investors seeking certainty in the average life or maturity of their investment may not find these Bonds to be a suitable investment.

Optional redemption of Bonds .... The Borrower has the right to redeem all or a portion of the Bonds on and after June 20, 2016, at the following prices, expressed as a percentage of the outstanding principal amount of the Bonds to be redeemed, plus interest to the redemption date:

Redemption Period	Price
June 20, 2016 to June 19, 2017	101%
June 20, 2017 to June 19, 2018	100.5%
June 20, 2018 and thereafter....................................	100%

Trustee.. Banco Popular de Puerto Rico (the “Trustee”).

Rating .... The Bonds are rated “BBB-” by Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. (“S&P” or “Rating Agency”), with the understanding that, upon delivery of the Bonds, the TDF Letter of Credit will be issued by TDF. There is no assurance that such rating will remain in effect for any given period of time or that it will not be revised downward or withdrawn entirely by such organization if, in its sole judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market prices of the Bonds. See “RATING.”

Tax Consequences

In the opinion of Pietrantoni Méndez & Alvarez LLP, Bond Counsel, under existing law (i) interest on and gain from the disposition of the Bonds are exempt from Puerto Rico income and alternative minimum taxes (subject to the qualifications described under “TAXATION”) and from the alternate basic tax; (ii) interest on the Bonds is exempt from municipal license taxes, and the Bonds are exempt from municipal personal property taxes; (iii) under certain circumstances, the Bonds are exempt from Puerto Rico gift and estate taxes; (iv) the Bonds will be considered an obligation of an instrumentality of Puerto Rico for purposes

of the non-recognition of gain rules applicable to certain involuntary conversions and the exemption from certain surtaxes available to corporations and partnerships that a have a certain percentage of their net income invested in obligations of instrumentalities of Puerto Rico; (v) under certain circumstances, the interest on the Bonds constitutes industrial development income under the Economic Incentives for the Development of Puerto Rico Act or under analogous provisions of similar prior acts; (vi) under certain circumstances, interest or original issue discount on the Bonds is not subject to United States federal income taxes when received by individuals who are bona fide residents of Puerto Rico during the entire taxable year in which such interest is received or by certain qualified Puerto Rico corporations and foreign corporations; and (vii) the interest on the Bonds is not excludable from the gross income of the recipients thereof for United States federal income tax purposes.

Available Information

The Underwriter will provide without charge during the offering period for the Bonds, to each person to whom copies of this Official Statement are delivered, a copy of the Trust Agreement (as defined herein), the Loan Agreement, the TDF Letter of Credit, the Reimbursement Agreement (as defined herein) and the other documents described herein upon the written or verbal request of such person. Requests for such information should be directed to the Underwriter at its principal office. After the date of issuance of the Bonds, executed copies of these documents will be available for inspection at the offices of the Trustee.

BONDHOLDERS' RISKS

Purchase of the Bonds involves certain risks. You should give careful consideration to the matters referred below as well as to other information set forth in this Official Statement before deciding to invest in the Bonds.

If Borrower is unable to pay the Bonds, payment of the Bonds will depend on the financial condition of TDF

Payment of the principal of and interest on the Bonds is secured by the TDF Letter of Credit issued by TDF. Payment of the Bonds will depend, to the extent the Borrower's financial condition does not permit it to pay the Bonds, upon the financial condition of TDF. There can be no assurance that TDF or any successor letter of credit issuer will maintain its financial condition during the life of the Bonds.

The ability of TDF to meet its obligations under the TDF Letter of Credit is directly related to its capital and allowances for losses on guarantees and letters of credit, supplemented by fees paid by the obligors under debt guaranteed by it, investment income, legislative appropriations, and losses incurred in other tourism projects. As of June 30, 2010, TDF had total unrestricted net assets (the difference between total assets and total liabilities) of approximately $171.0 million, and its allowances for losses on loans and on guarantees and letters of credit was amounted to approximately $77.0 million. As of September 30, 2010, TDF had outstanding direct loans in an aggregate principal amount of approximately $377 million and guarantees in the amount of $339 million.

TDF has made payments under its guarantees and letters of credit in the aggregate amount of approximately $323.1 million with respect to several projects, including repayment in full of the bonds which had been declared due and payable at the direction of TDF due to the failure by the borrowers of such projects to comply with their obligations under the related reimbursement agreements. Of this total, TDF has been able to recover $242.9 million from the borrowers.

Pursuant to the legislation under which TDF was created, as amended, each year, the Executive Director of TDF is required to certify to the Director of Puerto Rico Office of Management and Budget ("OMB"), on or before December 31 of each year, the net disbursement, including realized losses, if any, to be reimbursed to TDF for disbursements (excluding those made for the acquisition of investments) made during a calendar year, in excess of revenues collected during such year. For this purposes, disbursements made by TDF for (i) loans to third parties, (ii) the acquisition of loan participations, and (iii) the acceleration of maturities of loans, notes, bonds or other type of debt guaranteed by TDF, shall not be deemed made in the year in which such disbursements occurred but shall rather be deemed made in the year in which the Executive Director of TDF determines that a loss was incurred with respect to such disbursements (such determination being referred to as a "realized loss"). The Director of OMB will include the net disbursement subject to reimbursement in the Puerto Rico General Budget for the following fiscal year for the Legislature's consideration and approval. **The Legislature is not legally obligated to appropriate funds for TDF.** As of June 30, 2010, there were no outstanding claims for reimbursements. TDF does not expect to request reimbursements from OMB for fiscal year 2012.

On the date of issuance of the Bonds, TDF will allocate in its books a portion of its capital in an amount equal to the maximum annual principal and interest payable on the Bonds ($2,259,489.96) for payments that may be required under the TDF Letter of Credit. However, there is no legal or contractual restriction limiting TDF's use of such allocated funds for the payment of the Bonds. See "TDF AND THE TDF LETTER OF CREDIT" and Appendix C.

No assurance can be given that TDF will have sufficient capital, generate sufficient earnings or receive sufficient appropriations to meet its obligations under its existing letters of credit and guaranty agreements, including the TDF Letter of Credit securing the Bonds.

For information concerning the requirements of a successor letter of credit, see "SUMMARY OF THE LOAN AGREEMENT - Successor Letter of Credit."

The Borrower has operated with significant losses

Since the commencement of operations, the Borrower has incurred significant operating losses. For each of the fiscal years ended December 31, 2007, 2008 and 2009, the Borrower had incurred losses of $5,656,771, $6,253,355 and $7,210,917, respectively. For the fiscal year ended December 31, 2010, the Borrower has accumulated losses of $5,913,552.

The Borrower's cash flow and working capital deficiencies have been covered with contributions, loans, and other advances made by the Partners and their respective affiliates. As of December 31, 2010, the Partners and their affiliates have contributed, loaned and/or advanced to the Borrower approximately $32.0 million to cover the Borrower's cash flow and working capital deficiencies. As of December 31, 2010, the total amount due by the Borrower to the Partners and their affiliates, including accrued interest, was $32.8 million. The Partners and their affiliates are not legally obligated to contribute, loan and/or advance funds to the Borrower. No assurance can be given that the Partners and their affiliates will continue to fund the Borrower's cash flow and working capital deficiencies. In the event the Partners and their affiliates are unwilling or unable, or otherwise cease to make contributions, loans and/or advances to the Borrower, there can be no assurance that the Borrower will have sufficient capital, generate sufficient revenues or have access to other sources of funds to meet its obligations, including payment of the Bonds. If the Borrower is unable to pay the Bonds, TDF could direct the Trustee to accelerate the Bonds.

The Borrower has no committed sources of additional financing

In the event the operation of the Project does not generate sufficient cash flow (after taking into account reserves) to pay all expenses, including debt service on the Bonds and fees payable to the Club Manager, the Borrower has no committed sources of additional financing. The Reimbursement Agreement to be executed on the date of issuance of the Bonds by and between the Borrower and TDF (the "Reimbursement Agreement") restricts the Borrower's ability to borrow additional funds. If, despite these restrictions, the Borrower is able to borrow additional funds, such loans would have to be repaid, with interest, which may create further operating deficits for the Project.

The continued operations of the Borrower and the Project are dependant upon the ability of the Borrower and the Club Manager to generate additional revenues and control operating expenses. No assurance can be made that any current or future plans or programs will ultimately meet those objectives, or that these will achieve the levels of revenue and operating expenses required to provide the necessary cash flow for the Project's successful continued operation.

As previously stated, although the Partners and their affiliates have contributed, loaned and/or advanced funds to the Borrower to cover its cash flow and working capital deficiencies, there can be no assurance that the Partners and their affiliates will continue to fund such deficiencies.

A prepayment due to redemption or acceleration may adversely affect your return on the Bonds

The Bonds are subject to prepayment in advance of their stated maturity upon redemption and following an acceleration of their maturity or upon the failure of the Borrower to comply with certain covenants, and the resulting occurrence of an event of default, under the Loan Agreement, the Trust Agreement, or the Reimbursement Agreement. The Reimbursement Agreement contains a number of restrictive covenants, some of which may affect the ability of the Borrower to operate the Project. These include limitations on the incurrence of additional indebtedness, on the creation of liens, on the payment of dividends and on

transaction with affiliates. Violations of these covenants could result in the acceleration of the Bonds at the direction of TDF. See "DESCRIPTION OF THE BONDS - Mandatory Redemption" and "Optional Redemption" and "SUMMARY OF THE REIMBURSEMENT AGREEMENT" herein. In addition, the Bonds are subject to certain prepayment risks which are associated with the financial condition of the Borrower, the ownership of real estate, and the operation of the Project. See "SUMMARY OF THE LOAN AGREEMENT - Events of Default and Remedies," "SUMMARY OF THE TRUST AGREEMENT - Events of Default" and "Acceleration of Maturities" and "SUMMARY OF THE REIMBURSEMENT AGREEMENT" herein.

The ability of the Borrower to comply with these covenants depends in part on the factors described in this "BONDHOLDERS' RISKS" section. In addition, the Reimbursement Agreement requires that the Borrower deposit 25% of its annual excess cash flow, if any, at the time of distribution thereof to its partners into an excess cash flow reserve that can be applied to the optional redemption of Bonds. Furthermore, any successor letter of credit may not be subject to automatic extension and may be for a term that is shorter than: (i) the initial term of the TDF Letter of Credit; or (ii) the term of the Bonds. In such event, the Bonds will be subject to mandatory redemption prior to maturity if the Borrower is unable to extend, renew or replace such successor letter of credit prior to its expiration.

The Borrower, CBDC, R-3 Development, LLC ("R-3 Development") and Coco Beach Holdings, Inc. ("Holdings") (all affiliates of the Borrower), will enter into a certain prepayment agreement to be dated the date of issuance of the Bonds (the "Prepayment Agreement"), pursuant to the terms of which the affiliates of Borrower (whether existing or to be organized in the future) that develop residential projects in the Resort's undeveloped parcels will deposit with the Trustee the amount of $85,000 for each residential unit sold at the Resort. Initially, R-3 Development will be required to deposit with the Trustee $40,000 for each residential unit sold at the development known as the Trump Founders Residences (the "Founders Residences") until such time as it has repaid in full the construction loan for such project (the "Repayment Event"). Thereafter, R-3 Development will be required to deposit with the Trustee $85,000 for each residential unit sold at the Founders Residences plus, from any available cash after the payment of closing costs, commissions, license and other fees, $45,000 times the number of Founders Residences units sold prior to the Repayment Event. Pursuant to the Loan Agreement, such proceeds will be used to undertake extraordinary mandatory partial redemptions on a semiannual basis, on each principal payment date. All extraordinary mandatory prepayments will be applied to the redemption of the Bonds in their inverse order of maturity. The amounts so deposited with the Trustee will be used solely to pay principal on the Bonds subject to extraordinary mandatory partial redemption. If all the residential units currently developed or under development are sold, it is expected that approximately $4.76 million in sales proceeds would be received and applied to such extraordinary mandatory partial redemption. While the level of sales of residential units cannot be predicted at this time, such sales will have a direct impact on the average life of the Bonds generally, but more particularly in the average life of the Term Bonds.

It is projected that up to 700 residential units could ultimately be developed and sold in the Resort. If such units are developed and sold, extraordinary mandatory partial redemptions will exceed the projected $4.76 million in sales proceeds. The development of such units will depend upon many factors, such as the absorption rate for existing residential units, both at the Resort and in competing real estate developments, the level of interest rates available for real estate financing, permitting and other governmental approvals, cost of construction materials, economic conditions in the Commonwealth and other factors that affect the construction industry generally, among others. To the extent these factors create a positive environment for the development of residential units at the Resort, the pace of development, construction and sale of additional units may accelerate, thereby causing additional extraordinary mandatory partial redemptions. Accordingly, investors seeking certainty in the average life or maturity of their investment may not find these Bonds to be a suitable investment.

The Borrower may choose to, in the case of optional redemption, or must, in the case of mandatory redemption or acceleration, redeem or prepay some or all of the Bonds at times when prevailing interest rates may be relatively low. If this happens, you generally will not be able to reinvest the proceeds you receive in a comparable security at an effective interest rate as high as that of the Bonds.

There are financial and operational risks related to the Project

The Borrower was organized on December 30, 1999, has a limited operating history and will have no significant assets other than the Project. The ability of the Borrower to comply with its obligations under the Loan Agreement and the Reimbursement Agreement depends primarily upon the future operating revenues and expenses of the Project, which are subject to conditions that may change in the future to an extent that cannot be determined at this time.

Any adverse events such as hurricanes and other natural disasters, droughts and water shortages, labor strikes, wars and the like, which may affect Puerto Rico generally will adversely affect the Project. In addition, Puerto Rico is served by a small number of major airlines. Any adverse events in the airline industry as a whole, including airline strikes, increased fuel prices, accidents and acts of terrorism, could have a material adverse effect on the Borrower's business, financial condition and its ability to make payments on its obligations, including the Bonds.

The Borrower lacks asset diversification since the Project is the only property of the Borrower. The principal source of payment for the Bonds is the revenues expected to be derived from the operations of the Project. The Borrower's financial condition and its ability to make payments of principal and interest on the Bonds may be affected by factors such as:

- willingness and capacity of the Partners to continue to fund the Borrower's capital deficiencies;
- successful completion of residential and tourism developments at the Resort;
- competition from other resort properties and/or golf clubs;
- seasonality of the resort industry;
- weather conditions and other natural disasters, including hurricanes, floods and earthquakes;
- potential over-building in the resort industry;
- inflation, recession, and other economic conditions;
- the existence of favorable and economical air travel services;
- the cost and availability of labor;
- the cost and availability of utilities;
- the cost and availability of adequate insurance for risks such as property damage and general liability insurance; and
- other events beyond the Borrower's control, including changes in applicable laws and domestic and international political conditions.

Except for certain debt service reserves and the security for the Bonds which may be available to pay the Bonds at any given time as described herein, the Borrower will have no other assets or sources of revenue for the payment of the Bonds.

The Project's future operating revenues will also depend on the Borrower's obtaining and maintaining certain permits, licenses and endorsements by various agencies of the Government of Puerto Rico.

The Borrower may need future capital funds for the maintenance and modernization of the Project

Facilities such as the Project are capital intensive and, in order to remain attractive and competitive, must be maintained as well as periodically modernized and refurbished. This requires ongoing capital expenditures to maintain the golf courses in optimal conditions, to replace furniture and equipment and to upgrade the facilities of the Project. If capital expenditures exceed the Borrower's expectations, such additional costs could have an adverse effect on the Borrower's cash available for payment of the Bonds. The results of the Project will therefore be affected by the cost and availability of these funds. There can be no assurance that the Borrower will have sufficient reserves to meet such capital requirements or that the Borrower will have access to other sources of funds to meet such capital requirements.

There is substantial competition in the resort and golf industry

Both present and future resorts hotels in Puerto Rico and the Caribbean, which include golf facilities and other stand-alone golf facilities, may impact the profitability of the Project. Competition in Puerto Rico may increase in the future due to the development efforts in the hotel and tourism industry of the Government of Puerto Rico and the many tax and investment incentives being offered to attract such development. Future competition may also be affected by periodic overbuilding and changes in market conditions, or travel patterns and preferences.

If Borrower is unable to maintain adequate insurance, future losses may not be fully recovered

Certain types of losses, such as those resulting from hurricanes, floods and earthquakes, may not be economically insurable up to the Project's full economic value, and there can be no assurance that the Borrower will be able to maintain adequate insurance for all risks at reasonable costs and/or suitable terms and/or in such amounts and scope of coverage as may be required from time to time by TDF or any successor letter of credit issuer. As a result, there can be no assurance that, in the event of a catastrophic or substantial loss, the Project's insurance would be sufficient to pay the full current market value or current replacement cost of the Project.

The Borrower will rely on the Club Manager to manage the Project

On January 16, 2008, the Borrower and CBDC entered into the Facility Management Agreement with the Club Manager to manage the Golf Club for a term of 25 years, commencing on June 2008. In certain circumstances, the Borrower has the option of terminating the Facility Management Agreement before the expiration of its term. Pursuant to the Facility Management Agreement, the Project changed its name in February 2008 to "Trump International Golf Club Puerto Rico." Also, the Facility Management Agreement granted the Borrower the right to use the mark "Trump International Golf Club Puerto Rico" under the same terms and conditions set forth in a license agreement (the "License Agreement") executed on January 16, 2008, among CBDC, Holdings, R-3 Development and Trump Marks Puerto Rico I LLC, an affiliate of the Club Manager. However, the Borrower is not a party to the License Agreement. The Facility Management Agreement imposes certain operational and other requirements on the Borrower. Failure by the Borrower to comply with such requirements, or the termination of the License Agreement, could result in termination of the Facility Management Agreement and the loss of the license to use the name "Trump International Golf Club Puerto Rico." Currently, the day-to-day management of the Golf Club is being conducted by the Borrower in coordination with the Club Manager.

If the Facility Management Agreement is terminated by the Club Manager as a result of a default or other reason, if the Club Manager decides not to renew the Facility Management Agreement, or if the Borrower terminates the Facility Management Agreement before the expiration of its term, the Borrower would have to engage a new operator for the Project. There is no assurance that a new operator would be obtained or if obtained, that such new operator would agree to terms comparable or more favorable to the Borrower as those set forth in the Facility Management Agreement. In addition, under certain circumstances, the termination of the Facility Management Agreement would constitute a default under the Reimbursement Agreement and, under certain circumstances, TDF could direct the Trustee to accelerate the Bonds.

The Facility Management Agreement is subject to cross-default with the License Agreement and to any other agreement executed by the Borrower or its affiliates with the Club Manager or any of its affiliates. Therefore, the Facility Management Agreement and the Borrower's right to use the "Trump" mark may be terminated upon an event of default by the Borrower's affiliates under the License Agreement. The Borrower is not a party to the License Agreement and does not control any of its affiliates that are licensees under the License Agreement. The loss of the right to use the name "Trump International Golf Club Puerto Rico" and the associated name recognition, marketing and other management systems, could have a material adverse effect on the operations and the underlying value of the Project.

Neither the Club Manager nor any of its affiliates are liable with respect to the payment of principal of and interest on the Bonds. The Club Manager is not a partner of and holds no equity interest in the Borrower.

The Borrower is subject to various conflicts of interest

The Borrower is subject to various conflicts of interest arising out of its relationship with the Managing Partner, the Club Manager, and their respective affiliates which own development parcels comprising the Resort, and that own equity interests in the hotel projects that were constructed adjacent to the Project and that represent a principal source of customers for the Project. Such conflicts could result in certain actions or decisions that could have an adverse effect on the Borrower.

The Borrower's business is particularly sensitive to reductions in discretionary consumer spending as a result of downturns in the economy

Consumer demand for hotel/casino resorts and for the type of services and amenities that the Project offers is particularly sensitive to downturns in the economy which adversely impact discretionary spending on leisure activities. Changes in discretionary consumer spending or consumer preferences brought about by factors such as perceived or actual general economic conditions, the current housing crisis, the current credit crisis, bank failures and the potential for additional bank failures, perceived or actual changes in disposable consumer income and wealth, the current global and local economic recession and changes in consumer confidence could reduce customer demand for the luxury amenities and leisure activities the Project offers, and may have a significant negative impact on the Project's operating results. If these trends continue, the Borrower's financial condition, results of operations and cash flows will be further adversely affected.

Dependence on the adjacent hotels and Development Parcels exposes the Borrower to hotel and tourism risks and real estate risks

Currently, the principal source of customers for the Project is derived from local players, which account for approximately 85% of the customers of the Golf Club. It is anticipated that in the future a significant source of customers for the Project will be the Gran Meliá Hotel, the members of the Golf Club, and other future hotel and residential developments expected to be constructed within the Resort. The financing, construction and operation of such hotels and residential developments are independent of the financing, construction and operation of the Project. The Borrower has no control over this process and no assurance can be given that this process will be concluded on a satisfactory basis or that it will be concluded on a timely basis. Any failure or delay in the construction of, or inability to operate the hotel facilities as currently contemplated or the development and sale of residential units, could result in the Project lacking the expected source of customers, and therefore, materially and adversely affect the Project. Because of the expected dependence on adjacent resort hotels, it is expected that the Project's revenues will be affected by the seasonal fluctuations affecting the hotel industry and the other factors affecting such industry described above in this Official Statement.

CBDC, Holdings and R-3 Development are the owners of several development parcels (the "Development Parcels") located in the Resort premises. CBDC, Holdings and R-3 Development intend to either develop or sell the Development Parcels to independent third party developers who will be required to finance, construct and sell the Development Parcels under specific parameters to be determined by CBDC in

its sole discretion. Although CBDC, Holdings and R-3 Development may develop, retain participation in the development of, or sell the Development Parcels, the Borrower has no control over the development, construction and sale of the Development Parcels, and no assurance can be given that this process will be effected and concluded, which could ultimately result in the Project lacking the expected source of customers, and therefore materially and adversely affect the Project.

The purchasers of the housing units located at the Trump residences development and the purchasers of any units to be developed on the Development Parcels are and will be required to become members of the Golf Club, with a portion of each unit's sales price allocated to pay the purchaser's initiation fee. The sale of the units will depend on market conditions, marketability of the development project and customers' patterns and preferences. The Borrower has no control over these factors and no assurance can be given that the units will be developed or, if developed, that they will be sold at the expected prices, which could ultimately result in the Project lacking the expected source of revenue to repay the Bonds.

On September 28, 2000, the Borrower entered into a use and access agreement (the "Use and Access Agreement") with Desarrolladora del Norte, S. en C., S.E. ("Desarrolladora"), Operadora San Juan, S.E., the operator of the Gran Meliá Hotel, and PFP Golf Management, L.P., S.E., the then operator of the Golf Club, in order to permit guests staying at the Gran Meliá Hotel to have access to and use the Project's facilities and certain tee times for golf play, and to permit members of the Golf Club and their guests to have access to and use the Gran Meliá Hotel's facilities in accordance with the terms of the Use and Access Agreement. Also, pursuant to the Use and Access Agreement, if the Borrower does not operate and maintain the Golf Club in a first class manner, Desarrolladora, upon expiration of the applicable cure period, has the right to enter the Golf Club to remedy such default at Borrower's expense. The enforcement of such rights by Desarrolladora could have a material adverse effect on the Borrower.

The Borrower will depend on the private utility company for the treatment of its wastewater and irrigation

The Project will depend for the treatment of its wastewater and for the cost-effective irrigation of the golf courses on the operation of a wastewater treatment plant, which also provides services to the Gran Meliá Hotel and other Resort developments. These services are being provided by a private utility company (the "Utility Company") which is a subsidiary of Betteroads Asphalt Corporation ("Betteroads"), an affiliate and former managing partner of the Borrower that is wholly-owned by Arturo Díaz, Jr., also a partner of the Borrower, and his wife, Judith Irizarry. The operation of the wastewater treatment plant will depend on a variety of factors not directly or indirectly within the control of the Borrower, such as obtaining and maintaining permits and licenses and securing future capital funds for its maintenance and refurbishment.

Other than servicing the Resort, neither the Utility Company nor Betteroads has previous experience in the business of wastewater treatment. The Project has no current alternative source for wastewater treatment, and alternative sources of water for irrigation of the golf courses may be more expensive than water from the wastewater treatment plant. If for any reason the wastewater treatment plant is not operated as required for the adequate treatment and discharge of wastewater generated by the Project and irrigation of the golf courses, the Project may not be able to operate, or may not be able to do so on a timely or cost effective basis.

The revenues of the Utility Company are dependent on the rates it charges to its customers. The imposition and collection of the desired rates, fees and charges for the services provided by the Utility Company are contingent upon Puerto Rico Public Service Commission's ("PSC") approval of a rate structure proposed by the Utility Company. The Utility Company submitted its proposed rate structure before PSC on February 13, 2009, and is currently waiting for PSC to schedule a public hearing and make a final determination. The inability of or failure by the Utility Company to charge rates and collect sufficient revenues could result in the Utility Company being unable to operate adequately. No assurance can be given that the proposed rate structure will be approved by PSC, which may adversely affect the ability of the Utility Company to collect the rates and charges it believes are necessary to generate sufficient revenues to operate, and therefore, adversely affect the Project. Also, there can be no assurance that the proposed rate structure, if

approved by PSC, would generate sufficient revenues to operate the Utility Company, which could adversely affect the operation of the Project.

As of the date of this Official Statement, the operation of the Utility Company does not generate sufficient revenues to pay its operating expenses. As of December 31, 2010, the affiliates of the Utility Company have contributed, loaned and/or advanced to the Utility Company approximately $7.3 million to cover the Utility Company's operating expenses. The affiliates of the Utility Company are not legally obligated to fund its operating deficiencies. No assurance can be given that the Utility Company's affiliates will continue to fund such operating deficiencies which could adversely affect the operation of the Project.

The Borrower is subject to certain environmental risks

Under various United States federal and Puerto Rico environmental laws, ordinances and regulations, the Borrower may be liable for the costs of removal or remediation of hazardous or toxic substances within the Project site. Such laws often impose liability whether or not the Borrower knew of, or was responsible for, the presence of such hazardous or toxic substances. In addition, persons who arrange for the disposal or treatment of hazardous or toxic substances may also be liable for the costs of removal or remediation of such substances at the disposal or treatment facility, whether or not such facility is or ever was owned or operated by such person.

The enforcement of remedies against the Borrower may be limited by bankruptcy and other laws

If TDF or any successor letter of credit issuer fails to honor any claim made and presented pursuant to and in strict compliance with the letter of credit, the Trustee may proceed to enforce any remedies under the Trust Agreement, the Loan Agreement and the security agreements. The enforcement of such remedies may be limited or restricted by laws relating to bankruptcy and rights of creditors generally and by general principles of equity applicable to the availability of certain remedies and may be substantially delayed and subject to judicial discretion in the event of litigation or statutory remedy procedures. Furthermore, no assurance can be given that the proceeds of any sale of the Project and the assets of the Borrower upon foreclosure would be sufficient to pay the outstanding principal and interest on the Bonds. See "DESCRIPTION OF THE BONDS - Sources of Payment and Security for the Bonds." The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by reference to limitations imposed by bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting the rights of creditors and the availability of equitable remedies. Any such limitations, if imposed, may adversely affect the ability of the Trustee and the Bondholders to enforce their claims and assert their rights against the Borrower.

Payments relating to Event of Taxability not covered by the TDF Letter of Credit

The Borrower will covenant that during each taxable year it will conduct its business so that at all times interest payable on the Bonds will constitute income from sources within Puerto Rico for purposes of the United States Internal Revenue Code of 1986, as amended (the "US Code"), as in effect on the date of initial issuance and delivery of the Bonds (the "Source of Income Requirements"). Failure to comply with the Source of Income Requirements (an "Event of Taxability") could cause interest on the Bonds to be included in the gross income of certain recipients for federal income tax purposes. Any remedies that Bondholders may have for violation of the Source of Income Requirements would have to be pursued by Bondholders directly against the Borrower. The TDF Letter of Credit does not cover any amount which may be required to be paid by the Borrower to Bondholders as result of such an Event of Taxability.

The future value of the Bonds may be affected by the absence of a secondary market for the Bonds or by a negative change in the rating of the Bonds

The Borrower and AFICA do not intend to apply for a listing of the Bonds on a securities exchange. There is currently no secondary market for the Bonds, and there can be no assurance that a secondary market will develop, or if it does develop, that it will provide Bondholders with liquidity for their investment or that

it will continue for the life of the Bonds.

There is no assurance that the investment grade rating initially assigned to the Bonds will not be lowered or withdrawn, which could adversely affect the value of and market for the Bonds. See “RATING.”

FORWARD-LOOKING STATEMENTS

This Official Statement contains certain “forward-looking statements” concerning the Borrower’s operations, performance and financial condition, including its future economic performance, plans and objectives and the likelihood of success in developing and expanding its business. 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 Borrower. The words “may,” “would,” “could,” “will,” “expect,” “anticipate,” “believe,” “intend,” “plan,” “estimate” and similar expressions are meant to identify these forward-looking statements. Actual results may differ materially from those expressed or implied by these forward-looking statements.

The projections set forth in this Official Statement were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the Borrower’s management, were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of management’s knowledge and belief, the expected course of action and the expected future financial performance of the Borrower. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the prospective financial information. Neither the Borrower’s AFICA’s or TDF’s independent auditors, nor any other independent auditors, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability and disclaim any association with, the prospective financial information. Neither the Borrower’s, AFICA’s or the TDF’s independent auditors, nor any other independent auditors, have been consulted in connection with the preparation of the prospective financial information set forth in this Official Statement, which is solely the product of the Borrower, and the independent auditors assume no responsibility for its content.

THE BORROWER

The Borrower is a partnership organized under the laws of Puerto Rico that has elected to be treated as a special partnership in accordance with the provisions of the Puerto Rico Internal Revenue Code of 1994, as amended, and continues to be treated as such under the Internal Revenue Code for a New Puerto Rico. Pursuant to such election, the liability of the Partners is limited to their paid-in capital. On the date of issuance of the Bonds, the Partners are CBDC, which owns a 90% partnership interest, and Mr. Arturo Díaz, Jr., who owns a 10% partnership interest. CBDC owns and is otherwise engaged, together with certain subsidiaries, in the development of the Resort. For a more detailed description of the Borrower and its operations, see "Appendix A."

PLAN OF FINANCING

AFICA has determined to issue the Bonds and to lend the proceeds thereof to the Borrower for the purpose of providing funds, together with other available funds, to: (i) refund $16,150,000 of outstanding 2000 Bonds (including a reimbursement of any draw made under the outstanding letter of credit securing the 2000 Bonds to refund such bonds); (ii) refund $9,010,000 of outstanding 2004 Bonds (including a reimbursement of any draw made under the outstanding letter of credit securing the 2004 Bonds to refund such bonds); (iii) pay the interest due on the Bonds during the first 3 interest payment dates after their issuance; and (iv) pay certain costs and expenses incurred in connection with the authorization, issuance and sale of the Bonds.

The Refunded Bonds will be redeemed in full by the Trustee with funds drawn on the letter of credit issued by TDF to secure the Refunded Bonds (the "Existing TDF Letter of Credit"). The Refunded Bonds will be redeemed in full in the amounts and maturities identified in the table below:

2000 Bonds

Maturity Date	CUSIP No.	Principal Amount to be Redeemed	Interest Rate	Redemption Date	Redemption Price
June 20, 2011	74527RGW3	$190,000	6.800%	May 20, 2011	100%
December 20, 2011	74527RGX1	$195,000	6.800%	May 20, 2011	100%
December 20, 2018	74527RGB9	$3,600,000	7.000%	May 20, 2011	100%
December 20, 2028	74527RGY9	$9,370,000	7.125%	May 20, 2011	100%
December 20, 2030	74527RGC7	$2,795,000	7.125%	May 20, 2011	100%

2004 Bonds

Maturity Date	CUSIP No.	Principal Amount to be Redeemed	Interest Rate	Redemption Date	Redemption Price
December 20, 2034	74527RKW8	$9,010,000	6.000%	June 20, 2011	100%

On the date of issuance, the Trustee will make a draw under the Existing TDF Letter of Credit, which amount will be deposited in an escrow account pursuant to the terms and conditions of an Escrow Deposit Agreement dated the date of issuance of the Bonds (the "Escrow Agreement"). The monies deposited under the Escrow Agreement will be sufficient to redeem the Refunded Bonds on the applicable redemption dates, and to pay principal thereon due prior to such redemption date and interest thereon to such redemption date. Upon the deposit with the escrow agent of such moneys, the Refunded Bonds will cease to be entitled to any benefit or security under the trust agreement pursuant to which the Refunded Bonds were issued.

A portion of the net proceeds of the Bonds, together with other available moneys, will be used to reimburse TDF on the date of issuance of the Bonds for the draw made under the Existing TDF Letter of Credit to redeem the Refunded Bonds.

SOURCES AND USES OF FUNDS

Set forth below are the estimated sources and uses of the proceeds of the Bonds and certain other estimated sources and uses relating to the redemption of the outstanding 2000 Bonds and the outstanding 2004 Bonds.

Sources

Principal amount of Bonds	$ 26,355,000.00
Amounts on deposit in debt service reserve funds relating to 2000 and 2004 Bonds	$ 1,138,200.57
Amounts on deposit in bond funds relating to 2000 and 2004 Bonds	$ 239,970.00
Equity contribution*	$ 295,133.33
Total Sources	$ 28,028,303.90

Uses

Redemption of 2000 Bonds**	$ 16,340,822.70
Redemption of 2004 Bonds**	$ 9,280,300.00
Deposit to debt service reserve fund relating to the Bonds	$ 1,144,234.98
Initial Bond Fund deposit***	$ 334,908.88
Underwriter's discount, TDF fee, Trustee fee, legal and printing fees and expenses and other direct costs of issuance of the Bonds	$ 796,262.34
Administrative fee to AFICA	$ 131,775.00
Total Uses	$ 28,028,303.90

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* Represents moneys contributed by the Borrower to reimburse TDF for its escrow deposit in connection with the refunding of the Refunded Bonds. It is expected that the 2004 Bonds will be purchased by the Borrower and delivered for cancellation before the Redemption Date and that the Borrower will be able to recover approximately $114,126.67 of its equity contribution.

** The Bonds will be redeemed through a draw on the Existing TDF Letter of Credit. Bond proceeds deposited for the redemption of the 2000 Bonds and the 2004 Bonds, together with other amounts contributed by the Borrower, will be used to reimburse TDF for such draw.

*** Represents the interest due on the Bonds during the first 3 interest payment dates after their issuance.

DESCRIPTION OF THE BONDS

General

The Bonds are being issued pursuant to a Trust Agreement dated as of March 30, 2011, with the Trustee (the "Trust Agreement"). The Bonds will be dated the date of their issuance and will bear interest at such rates and will mature (subject to the rights of redemption described below) semiannually in such amounts on June 20 and December 20 of such years, as set forth on the inside front cover page of this Official Statement. Interest on the Bonds will be paid to you on the 20th day of each month commencing on April 20, 2011 until maturity or prior redemption. Additionally, interest will be paid to you at maturity or redemption. Interest will be computed using a 360-day year of twelve 30-day months.

The Bonds will be issued as fully registered bonds without coupons in denominations of $5,000 or any integral multiple thereof. The Bonds will be registered under the DTC book-entry only system described below. Therefore, you will not receive a certificate for any Bonds you purchase. The principal, premium, if any, and interest on the Bonds will be payable as described below under "Book-Entry Only System."

Book-Entry Only System

The following information concerning DTC and DTC's book-entry only system has been obtained from DTC. AFICA, the Borrower, TDF and the Underwriter do not assume 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, 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 (the "Exchange Act"). DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 120 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has the highest rating issued by S&P: "AAA." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission (the "SEC"). More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry only system for the Bonds is discontinued.

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds 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 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to AFICA 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 such record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from AFICA or the Trustee, on the payable dates 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, the Trustee or AFICA, 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 AFICA or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to Beneficial Owners will 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 AFICA or the Trustee, or DTC's services with respect to the Bonds may be discontinued or terminated at any time by AFICA, in its sole discretion, and without the consent of any other person. Under such circumstances, in the event that a successor securities depository is not obtained, definitive Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's Book-Entry System has been obtained from DTC. The Authority, the Trustee, the Borrower, TDF and the Underwriter take no responsibility

for the accuracy thereof. AFICA, the Trustee, the Borrower, TDF and the Underwriter shall have no responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner with respect to: (1) sending transaction statements; (2) maintaining, supervising or reviewing, or the accuracy of, any records maintained by DTC or any Direct Participant or Indirect Participant, as described above; (3) the payment or timeliness of payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal amount or redemption price of or interest on the Bonds; (4) the delivery or timeliness of delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Trust Agreement to be given to holders of the Bonds; (5) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or (6) any consent given or other action taken by DTC as holder of the Bonds.

Payments and Transfers

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

For every transfer and exchange of the 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 and the Beneficial Owners become registered owners of the Bonds, the following provisions will apply: The principal of the Bonds and premium, if any, thereon when due will be payable in lawful money of the United States of America upon presentation of the Bonds at the corporate trust office of the Trustee in San Juan, Puerto Rico, and interest on the Bonds will be paid by check mailed to the persons who were the registered owners as of the 15th day of the month immediately preceding the related interest payment date, as provided in the Trust Agreement. The Bonds will be issued only as registered bonds without coupons in denominations of $5,000 and integral multiples of $1,000 in excess thereof. The transfer of the Bonds will be registrable and they may be exchanged at the corporate trust office of the Trustee 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.

Mandatory Redemption

Amortization Requirements. Under the Trust Agreement, the Borrower is subject to certain amortization requirements which require it to redeem a specified principal amount of Term Bonds maturing on December 20, 2030 and December 20, 2034 each year commencing on December 20, 2026 and June 20, 2031, respectively, and on each June 20 and December 20 thereafter in amounts equal to the following amortization requirements:

Term Bonds due December 20, 2030

Principal Amount	Amortization Date
$765,000	December 20, 2026
$820,000	June 20, 2027
$810,000	December 20, 2027
$870,000	June 20, 2028
$870,000	December 20, 2028
$930,000	June 20, 2029
$925,000	December 20, 2029
$985,000	June 20, 2030
$990,000	December 20, 2030

Term Bonds due December 20, 2034

Principal Amount	Amortization Date
$275,000	June 20, 2031
$275,000	December 20, 2031
$295,000	June 20, 2032
$300,000	December 20, 2032
$320,000	June 20, 2033
$315,000	December 20, 2033
$340,000	June 20, 2034
$600,000	December 20, 2034

The Borrower, at its option, may direct the Trustee to credit against the Bonds of any maturity required to be redeemed, the principal amount of Bonds of the same maturity purchased by the Borrower and delivered to the Trustee for cancellation, or redeemed pursuant to the optional redemption provisions of the Trust Agreement.

Extraordinary Mandatory Redemption from Sale Proceeds of Residential Units. The Bonds will be subject to extraordinary mandatory redemption, in part, at a price equal to their principal amount plus accrued and unpaid interest up to the redemption date, without premium, with a portion of the proceeds of the sale of residential units developed by CBDC or its affiliates within the Resort. Pursuant to the Prepayment Agreement, CBDC, R-3 Development, Holdings, or the applicable developer of the relevant residential project must deposit with the Trustee $85,000 per each residential unit sold. Bonds subject to extraordinary mandatory redemption will be redeemed semiannually on each principal payment date, to the extent of sales proceeds of units deposited with the Trustee. All extraordinary mandatory redemptions will be applied in the inverse order of maturity of the Bonds.

Condemnation, Destruction of or Damage to the Project. The Bonds will be subject to mandatory redemption, in whole or in part, at a price equal to their principal amount plus accrued and unpaid interest up to the redemption date, without premium, to the extent of any condemnation, casualty or insurance proceeds received by the Trustee, upon the occurrence of an event of condemnation, destruction of, or damage to, the Project to the extent such proceeds are not used to restore the Project in accordance with the terms and conditions set forth in the pledge agreement referred to below. Such redemption will be made with a draw under the TDF Letter of Credit or successor letter of credit and will occur on the next interest payment date occurring not less than 45 days after receipt by the Trustee of the notice required to be delivered by the Borrower under the Loan Agreement and of the deposit with the Trustee of sufficient Eligible Moneys (as defined below) to effect such redemption.

Expiration of Successor Letter of Credit. In the event that the Borrower replaces the TDF Letter of Credit with a letter of credit from a bank, other financial institution or governmental instrumentality, the Bonds will be subject to mandatory redemption in whole upon the failure of the Borrower to extend, renew or replace any successor letter of credit on or prior to the 60th day preceding its expiration under the terms set forth in the Loan Agreement. Any such mandatory redemption will be effected on the interest payment date immediately preceding the expiration date of the then outstanding letter of credit.

Optional Redemption

The Bonds may be redeemed by the Borrower at its option, in whole or in part, at any time on or after June 20, 2016, on any interest payment date selected by the Borrower occurring not less than 45 days from the date the notice of redemption is received by the Trustee, at the redemption prices set forth below (expressed as percentages of the principal amount of such Bonds to be redeemed), plus accrued interest to the redemption date:

Redemption Period (All Dates Inclusive)	Redemption Price
June 20, 2016 to June 19, 2017	101%
June 20, 2017 to June 19, 2018	100.5%
June 20, 2018 and thereafter	100%

To exercise the foregoing optional redemption, the Borrower must: (i) deposit with the Trustee sufficient moneys to pay the redemption price (including premium, if any) of the Bonds at such time so that the moneys deposited constitute Eligible Moneys (as defined below) under the Trust Agreement on the date of such intended redemption; (ii) deliver to the Trustee the written consent of TDF to effect such redemption; and (iii) otherwise comply with the notice requirements set forth below.

Notice and Effect of Redemption; Partial Redemption

At least 30 days before any redemption date, notice thereof will be sent by the Trustee via first-class mail, postage prepaid, to DTC, or if the book-entry only system is discontinued as described above, by first-class mail, postage prepaid, to the registered owners of the Bonds to be redeemed. If less than all of the Bonds are called for redemption, the particular Bonds or portions thereof to be redeemed will be selected as provided below, except that so long as the book-entry only system shall remain in effect, in the event of any such partial redemption, DTC shall reduce the credit balances of the applicable DTC Participants in respect of the Bonds, and such Participants shall in turn select those Beneficial Owners whose ownership interests are to be extinguished by such partial redemption, each by such method as DTC or such Participants, as the case may be, in their sole discretion deem fair and appropriate.

Each notice of redemption shall set forth: (i) the redemption date; (ii) the redemption price; (iii) if fewer than all of the Bonds then outstanding shall be called for redemption, the distinctive numbers and letters, if any, of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed; (iv) that on the date fixed for redemption such redemption price will become due and payable upon each Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue on and after said redemption date; and (v) the place where such Bonds or portions thereof called for redemption are to be surrendered for payment of such redemption price. In case any Bond is to be redeemed in part only, the notice of redemption shall state also that on or after the redemption date, upon surrender of such Bond, a new Bond or Bonds in principal amount equal to the unredeemed portion of such Bonds will be issued. Failure to mail such notice to any holder of Bonds or any defect in any notice so mailed shall not affect the validity of the proceedings for the redemption of the Bonds of any other holders.

Except with respect to the mandatory redemption of the Bonds in accordance with the applicable amortization requirements, if less than all of the outstanding Bonds shall be called for redemption, such Bonds will be redeemed in inverse order of maturity unless otherwise requested by the Borrower and agreed to in writing by TDF or any issuer of a successor letter of credit.

If less than all Bonds of one maturity are to be redeemed, the Bonds, or portions thereof, to be redeemed will be selected by the Trustee by such method as it deems fair and appropriate in integral multiples of $5,000.

If notice of redemption is given and if sufficient funds are on deposit with the Trustee to provide for the payment of the principal of and premium, if any, and interest on the Bonds (or portions thereof) to be redeemed, then the Bonds (or portions thereof) so called for redemption will, on the redemption date, cease to bear interest and shall no longer be deemed outstanding or be entitled to any benefit or security under the Trust Agreement.

Sources of Payment and Security for the Bonds

Bonds Limited Obligations of AFICA. The Bonds are limited obligations of AFICA payable solely from moneys derived pursuant to the Loan Agreement, from funds drawn under the TDF Letter of Credit or any successor letter of credit, and from such other moneys as may be available for such purposes to the Trustee under the Trust Agreement. The Bonds will not constitute a charge against the general credit of AFICA and will not constitute an indebtedness of the Commonwealth of Puerto Rico or any of its political subdivisions other than AFICA.

The Loan Agreement. Under the Loan Agreement, the Borrower will agree to deposit with the Trustee in a bond fund established under the Trust Agreement amounts sufficient to pay, together with the amounts then on deposit therein, principal of and premium, if any, and interest on the Bonds. Such deposit must be made on the 94th day prior to the day on which the corresponding amounts of principal, premium, if any, and interest are due and payable. Pursuant to the Trust Agreement, AFICA will assign its interest in the Loan Agreement, except certain rights of AFICA to indemnification, exemption from liabilities, notices and the payment of costs and expenses, to the Trustee as security for the Bonds.

Debt Service Reserve Fund. On the date of issuance of the Bonds, the Borrower will make a deposit to the credit of a debt service reserve fund established under the Trust Agreement for the benefit of the holders of the Bonds. The Trust Agreement requires that cash and other securities on deposit to the credit of the debt service reserve fund be at all times in amount not less than the maximum debt service on the Bonds during any 6-month period. Eligible Moneys held to the credit of the debt service reserve fund shall be used for the purpose of paying the principal of and interest on the Bonds when due, whenever and to the extent that Eligible Moneys held to the credit of the bond fund shall be insufficient for such purposes. In accordance with the Loan Agreement, the Borrower has the obligation to replenish the debt service reserve fund within 1 business day of the existence of a deficiency in the debt service reserve fund caused by the withdrawal of funds from that fund. If the Borrower fails to deposit an amount sufficient in the debt service reserve fund to meet the debt service reserve fund requirement within such period of time, the Trustee shall make a draw under the TDF Letter of Credit or any successor letter of credit to pay the deficiency on the second business day immediately after such deficiency arises. In the case of TDF, such draw must be honored not later than the July 15 or December 26 immediately succeeding the date on which such draw is made.

The Borrower shall direct the Trustee to cause the moneys held in the debt service reserve fund to be invested in qualifying investment obligations under the Trust Agreement, of such long-term or short-term maturities as the Borrower elects; provided that such investment obligations deposited in the debt service reserve fund shall mature or be subject to redemption no later than the second business day preceding the payment date on which the funds may be needed to make payments on the Bonds. In the event of a reduction in the market value of the investment obligations held in the debt service reserve fund to an amount lower than the debt service reserve fund requirement, the Borrower will also be required to replenish the debt service reserve fund within 3 business days of receiving notice of any such deficiency. If the Borrower fails to deposit in the debt service reserve fund an amount sufficient to meet the requirement within such period of time, the Trustee shall make a draw under the TDF Letter of Credit or any successor letter of credit to pay the deficiency on the 4th business day immediately after the deficiency in the debt service reserve fund arises. In the case of TDF, such draw shall be honored not later than the July 15 or December 26 immediately succeeding the date on which such draw is made.

The Project Property Mortgage and Other Security Agreements. The Bonds will be secured also by a pledge of certain mortgage notes in an aggregate principal amount equal to not less than the aggregate principal amount of the Bonds. The mortgage notes will be secured by the Project Property Mortgage. The lien of the Project Property Mortgage will be subject to rights of way easements, restrictive covenants and other easements, and certain other real property rights which do not materially and adversely affect the operation of the Project.

There is no assurance that the value of the Project encumbered by the Project Property Mortgage will be equal to the total principal amount of the Bonds.

The mortgage notes will be pledged to AFICA and TDF pursuant to a pledge agreement as security for the obligations of the Borrower under the Loan Agreement and the Reimbursement Agreement, respectively. AFICA will assign its rights under the pledge agreement and the mortgage notes to the Trustee for the benefit of the holders of the Bonds.

A mortgagee title insurance policy insuring the Project Property Mortgage as a first priority lien on the Project Property, subject only to the encumbrances described above and certain permitted liens, will be delivered on the date of issuance of the Bonds in an amount equal to the aggregate principal amount of the Bonds.

The Project Property Mortgage and the pledge agreement contain covenants of the Borrower normally required of mortgagors with respect to properties similar to the Project and the related facilities, including covenants with respect to compliance with environmental laws and regulations and maintenance of insurance. The Borrower is required to maintain insurance on the Project of the types and in the amounts as are customary for similar recreational properties in Puerto Rico. Failure by the Borrower to comply with these covenants is an event of default under the Loan Agreement. The pledge agreement requires the Borrower to restore or replace the Project or the affected portions thereof in the event of any damage due to casualty or loss due to partial condemnation, and to apply any insurance or condemnation proceeds received as a result of such event to such restoration.

The obligations of the Borrower under the Loan Agreement and the obligations of the Borrower to reimburse TDF for draws made under the TDF Letter of Credit are additionally secured by other collateral and security agreements which create a first priority security interest in substantially all the personal property of the Borrower, including equipment and other tangible personal property, accounts receivable, contractual rights, leases, subleases, concessions and other agreements related to the operations of the Project.

The pledge agreement and the other security agreements provide that TDF or the issuer of any successor letter of credit shall have exclusive control over the collateral and the exercise of remedies and the exclusive authority to effect amendments to the security agreements and grant releases of any portion of the collateral so long as it has not failed to honor any draws made and presented pursuant to and in strict compliance with the TDF Letter of Credit or any successor letter of credit. The Borrower and TDF or the issuer of any successor letter of credit may modify, change, release or otherwise amend the security agreements without the consent of AFICA, the Trustee or the holders of the Bonds, so long as after any such modification or release, AFICA (or the Trustee, for the benefit of the holders of the Bonds) continues to be a mortgagee of a first mortgage in the amount of the mortgage notes on substantially all of the land and buildings then used or proposed to be used for the operation of the Project.

The pledge agreement and the other security agreements provide that in the event that TDF or the issuer of any successor letter of credit fails to honor any such draw, the holders of the Bonds shall have control and access to such collateral, except to the extent of any outstanding reimbursement obligations under the Reimbursement Agreement or any successor reimbursement agreement. Accordingly, upon such failure by TDF or the issuer of any successor letter of credit, if sufficient moneys were otherwise not available in the bond fund and the debt service reserve fund for the payment of principal of and interest on the Bonds, the Trustee may institute proceedings to cause the enforcement of the Project Property Mortgage and the security interests under the security agreements, including the foreclosure of the pledge of the mortgage notes and the Project Property Mortgage. Upon such foreclosure, the Trustee would be entitled to sell the real estate and other property covered by the Project Property Mortgage and apply the proceeds of the sale to the payment of the Bonds.

SUMMARY OF THE LOAN AGREEMENT

The following briefly summarizes the material provisions of the Loan Agreement. This summary is not complete. You should read the more detailed provisions of the Loan Agreement for provisions that may be

important to you. A copy of the Loan Agreement may be obtained from the Underwriter during the offering period of the Bonds and, thereafter, from the Trustee.

Pursuant to the Loan Agreement, AFICA will loan the proceeds from the sale of the Bonds to the Borrower. The proceeds from the Bonds will be applied by the Borrower as provided under “Sources and Uses of Funds.” The Borrower will agree to make payments directly to the Trustee which, together with amounts then held in the bond fund established under the Trust Agreement, will be sufficient to make the payments of principal of and premium, if any, and interest on the Bonds as the same become due, at maturity, upon redemption or acceleration. Such deposit must be made on the 94th day immediately preceding the date on which the corresponding amounts of principal, premium, if any, and interest are due and payable. The Trustee may transfer Eligible Moneys from the debt service reserve fund to the bond fund in an amount sufficient to make payments due on the Bonds on any payment date if sufficient Eligible Moneys are not deposited to the credit of the bond fund on such date. The Borrower has agreed to replenish any amounts so transferred.

The obligations of the Borrower under the Loan Agreement are absolute and unconditional without right of set-off for any reason. Amounts paid by TDF or the issuer of any successor letter of credit under the TDF Letter of Credit or any successor letter of credit will satisfy the obligations of the Borrower under the Loan Agreement to make payments of principal of and interest on the Bonds and to cover any debt service reserve fund deficiency.

Assignment by AFICA

AFICA will assign all of its rights, title and interest in the Loan Agreement (except for certain reserved rights) and will pledge and assign to the Trustee any payments, receipts and revenues receivable by it (except as aforesaid) under or pursuant to the Loan Agreement and the income earned by the investment of funds held under the Trust Agreement, as security for payment of the principal of and premium, if any, and interest on the Bonds. Except as provided in the preceding sentence, AFICA will not sell, assign or otherwise dispose of its interest in the Loan Agreement.

Inspections; Reports

The Borrower will allow AFICA, the Trustee and TDF or any successor letter of credit issuer, through their respective officers, employees, consultants and other authorized representatives, to have access, during normal business hours and upon reasonable prior notice, to make an inspection of the Project and examine certain books and records of the Borrower for purposes of ascertaining whether the Borrower has complied with the agreements and obligations under the Loan Agreement.

Maintenance and Operation of the Project

The Borrower will cause the Project to be operated as an Industrial Facility (as defined in the Act) and to be maintained, preserved and kept in good repair, working order and condition and will from time to time cause to be made all reasonably necessary and proper repairs, replacements and renewals; provided, however, that the Borrower will have no obligation to cause to be maintained, preserved, repaired, replaced or renewed any element or unit of the Project, the maintenance, repair, replacement or renewal of which, in the opinion of the Borrower, becomes uneconomic to the Borrower because of damage or destruction or obsolescence, or change in economic or business conditions or change in government standards and regulations. The Borrower shall not permit, commit or suffer any waste of the whole or any major part of the Project and shall not use or permit the use of the Project, or any part thereof, for any unlawful purpose or permit any nuisance to exist thereon.

Covenant as to Existence, Consolidation, Merger or Sale, Conversion

The Borrower, so long as any of the Bonds are outstanding, will maintain its existence, will not dispose of all or substantially all of its assets, will not acquire, consolidate with or merge into another person, and

will not convert into another legal entity; provided, however, that the Borrower may acquire, consolidate with or merge into another person, transfer to another person all or substantially all of its assets and thereafter dissolve, or convert into another legal entity, if:

(1) TDF or the issuer of any successor letter of credit provides its prior written consent to the transaction if such consent is required under the Reimbursement Agreement or any successor reimbursement agreement;

(2) the successor or transferee in the case of an acquisition, consolidation or merger is solvent, and the successor, transferee or converted entity irrevocably and unconditionally assumes in writing all the obligations of the Borrower under the Loan Agreement and the Trust Agreement;

(3) the transaction does not cause a failure to comply with the Source of Income Requirements as discussed below under "Covenant as to Maintenance of Source of Income"; and

(4) immediately after a consolidation, merger or transfer, the Borrower or such successor or transferee (if other than the Borrower) shall not be in default in the performance or observance of any duties, obligations or covenants under the Loan Agreement.

Sale, Transfer or Encumbrance of the Project; Assignment of Loan Agreement

The Borrower may sell, lease or otherwise transfer or encumber the Project, in whole or in part, or it may assign its interest in the Loan Agreement, in whole or in part, without the consent of AFICA or the Trustee, but subject to the consent of TDF or the issuer of any successor letter of credit, if it meets the following requirements:

(1) prior to the proposed sale, lease or other transfer of the Project, as a whole or substantially as a whole, AFICA, TDF (or the issuer of any successor letter of credit) and the Trustee are provided with proof satisfactory to them by the Borrower that, as a result of such transfer or assignment or the terms thereof, interest payable on the Bonds will continue to constitute Puerto Rico source income under the US Code as in effect on the date of issuance of the Bonds; and

(2) the Borrower shall, within 10 days of such sale, lease, transfer or encumbrance of the Project, or such assignment of the Loan Agreement, notify AFICA, TDF (or the issuer of any successor letter of credit) and the Trustee.

Any authorized assignment of the Loan Agreement is subject to the following additional conditions:

(1) the assignee shall, in a certificate delivered to AFICA, TDF (or the issuer of any successor letter of credit) and the Trustee, which certificate shall be in a form reasonably satisfactory to each of them, expressly assume, and agree to pay and to perform, all of the obligations of the Borrower under the Loan Agreement assigned to it; and

(2) the assignee shall deliver to AFICA, TDF (or the issuer of any successor letter of credit) and the Trustee a certificate executed by its chief financial officer (or other executive officer performing similar functions) stating that none of the obligations, covenants and performances under the Loan Agreement and the Reimbursement Agreement (or any successor reimbursement agreement) assumed by it will conflict with or constitute on the part of such assignee a breach of, or default under, any indenture, mortgage, agreement or other instrument to which such assignee is a party or by which it is bound, or under any existing law, rule, regulation, judgment, order or decree to which such assignee is subject.

Notwithstanding any of the foregoing, no sale, lease or other transfer or encumbrance of the Project or assignment of the Loan Agreement shall: (i) relieve the Borrower of its obligation to make the payments required by the Loan Agreement, unless it obtains the prior written consent of AFICA, the Trustee and TDF (or the issuer of any successor letter of credit); (ii) relieve TDF (or the issuer of any successor letter of credit) from its obligations under the TDF Letter of Credit (or any successor letter of credit); or (iii) affect in any

way the validity or enforceability of the TDF Letter of Credit (or any successor letter of credit), the Project Property Mortgage or any other security agreement.

Covenant as to Maintenance of Source of Income

The Borrower will covenant under the Loan Agreement that during each taxable year while the Bonds are outstanding it will comply with the requirements of the US Code as in effect on the date of issuance of the Bonds so that all interest paid or payable on the Bonds will constitute income from sources within Puerto Rico under the general source of income rules of the US Code as in effect on the date of issuance of the Bonds.

Under the Loan Agreement, the Borrower will be required to cause its independent accountants to submit, no later than the 90th day after the close of each of its taxable years, a report stating whether in connection with their audit of the books and records of the Borrower, the Borrower failed to comply with any of the Source of Income Requirements during the taxable year just ended or such other applicable period. If the independent accountants' report should state that in the course of their audit the Borrower failed to comply with any of the Source of Income Requirements during the immediately preceding taxable year or such other applicable period or if the Borrower provides the Trustee with a certificate that indicates that the Borrower failed to comply with the Source of Income Requirements, the Trustee shall within 5 business days from the date of receipt of such independent accountants' report or certificate of the Borrower, send written notice thereof to the Borrower and each person who was a holder of Bonds during the preceding taxable year thereof.

Upon the occurrence of an Event of Taxability, the Borrower will pay an indemnity to each bondholder who demonstrates to the Borrower that solely as a consequence of the occurrence of the Event of Taxability, it has paid or is required to pay Federal taxes in respect of the interest paid or accrued on the Bonds, provided that such bondholder meets certain requirements of the US Code so that it would not otherwise have been subject to such Federal taxes.

Indemnity

Under the Loan Agreement, the Borrower will also agree to indemnify AFICA against certain claims or liabilities arising from the operation of the Project or its participation in this financing and certain other liabilities, and will agree to pay the fees and expenses of AFICA and the Trustee.

Limitation on Partners' Liability

The Partners and affiliates of the Borrower are not liable with respect to the payment of principal of and interest on the Bonds.

Events of Default and Remedies

Each of the following is an event of default under the Loan Agreement:

(1) failure by the Borrower to pay the principal of, premium, if any, and interest on the Bonds when the same shall become due and payable;

(2) failure by the Borrower to replenish the debt service reserve fund within one business day from the date of the existence of a debt service reserve fund deficiency; provided, however, that if such deficiency arises solely as a result of a decline in the market value of the investments held to the credit of the debt service reserve fund, the Borrower shall have three business days after receipt of notice of such deficiency from the Trustee to replenish the debt service reserve fund;

(3) failure by the Borrower to make any other payments (excluding the payments under (1) and (2) above) required under the Loan Agreement or the security agreements, if such failure shall continue for a

period of 30 days after written notice thereof, unless a written extension is granted by AFICA or the Trustee prior to its expiration;

(4) failure by the Borrower to comply in any material respect, with certain covenants related to the maintenance of its corporate existence and the disposition of all or substantially all of its assets;

(5) failure by the Borrower to observe or perform certain other covenants, conditions or agreements under the Loan Agreement, the Escrow Agreement, the pledge agreement (except the covenant to maintain insurance contained in the pledge agreement), the Project Property Mortgage, the mortgage notes and the other security agreements other than a default described in (1), (2), (3) or (4) above, and continuation of such failure for 30 days after written notice thereof, unless a written extension is granted by AFICA and the Trustee prior to the expiration of such 30-day period; provided, however, that if such failure may be cured but cannot be corrected within such 30-day period, such failure will not constitute an event of default if corrective action is commenced by the Borrower during such period and diligently pursued until such failure is corrected;

(6) certain events of bankruptcy, liquidation, receivership or similar proceedings involving the Borrower or TDF (or the issuer of any successor letter of credit); and

(7) (i) TDF (or the issuer of any successor letter of credit) shall fail to honor a draft under the TDF Letter of Credit (or any successor letter of credit) complying with the terms thereof; or (ii) the Trustee shall have received from TDF (or the issuer of any successor letter of credit) a notice to the effect that an event of default has occurred and is continuing under the Reimbursement Agreement (or any successor reimbursement agreement) and instructing the Trustee to accelerate the Bonds as a result of the occurrence and continuance of such event of default under the Reimbursement Agreement (or any successor reimbursement agreement) or a notice that the interest portion of the TDF Letter of Credit (or any successor letter of credit) will not be reinstated after a draw on such letter of credit; or (iii) the TDF Letter of Credit (or any successor letter of credit) shall at any time for any reason cease to be in full force and effect, or shall be declared to be null and void in whole or in part, or the validity or enforceability thereof shall be contested by TDF (or the issuer of any successor letter of credit), or TDF (or the issuer of any successor letter of credit) shall renounce the same or deny that it has any further liability thereunder.

If by reason of "Force Majeure" (as defined in the Loan Agreement), the Borrower is unable to perform any of its obligations described in clause (5) above, the Borrower will not be deemed to be in default during the continuance of such inability, including a reasonable time for the removal of the effect thereof.

AFICA has no power to waive any default under the Loan Agreement or extend the time for the correction of any default which could become an event of default without the consent of the Trustee and TDF (or the issuer of any successor letter of credit).

Upon the occurrence of an event of default, the Trustee, as assignee of AFICA's rights, may, subject to the consent of TDF (or the issuer of any successor letter of credit), except in the case of a default relating to TDF (or the issuer of any successor letter of credit), declare all unpaid amounts payable under the Loan Agreement in respect of the Bonds to be immediately due and payable and may take any action at law or equity necessary to enforce any obligation of the Borrower under the Loan Agreement or the security agreements and of TDF (or the issuer of any successor letter of credit) under the TDF Letter of Credit (or any successor letter of credit).

Successor Letter of Credit

The Loan Agreement provides that at any time on or prior to the 60th day preceding the expiration date of the then existing letter of credit, the Borrower may, at its option, provide for the delivery to the Trustee of a successor letter of credit issued by any bank, financial institution or governmental instrumentality. The Trustee will accept the successor letter of credit if such successor letter of credit shall have a term of at least one (1) year and if the Trustee shall have received:

(1) An opinion of counsel to the Borrower, acceptable to AFICA and the Trustee to the effect that: (i) acceptance by the Trustee of the successor letter of credit will not require registration of the Bonds, the obligations of the Borrower under the Loan Agreement or the successor letter of credit under the Securities Act of 1933, as amended, or the Puerto Rico Uniform Securities Act, as amended, nor the qualification of the Trust Agreement under the Trust Indenture Act of 1939; or (ii) any registration statement required to be filed thereunder with respect to the Bonds, the Borrower's obligations under the Loan Agreement or the successor letter of credit is effective, and the Trust Agreement has been duly qualified under such Trust Indenture Act;

(2) An opinion of counsel to the issuer of the successor letter of credit to the effect that the successor letter of credit is a legal, valid and binding obligation of such issuer (subject to customary bankruptcy, creditor's rights and general principles of equity exceptions);

(3) Written confirmation from the Rating Agency to the effect that the delivery of such successor letter of credit will not cause the then current rating on the Bonds to be lowered by the Rating Agency and, if the successor letter of credit is to be issued by an entity other than TDF, written confirmation that, after giving effect to the delivery of any such successor letter of credit, the Bonds will be rated by the Rating Agency not lower than the fourth highest rating category (without regards to gradations or numerical qualifiers within such category).

(4) A representation from the issuer of the successor letter of credit or an opinion from its legal counsel to the effect that the issuer of the successor letter of credit and the Borrower, as to each other, are not insiders or affiliates, as those terms are defined in the applicable statutory provisions of the United States Bankruptcy Code, as amended;

(5) An opinion of counsel to AFICA to the effect that: (i) all documents and opinions required to be delivered to the Trustee in connection with the delivery of the successor letter of credit comply with the requirements of the Loan Agreement and the Trust Agreement; and (ii) that the acceptance of the successor letter of credit by the Trustee does not adversely affect the tax treatment of the Bonds; and

(6) Such other documents and opinions as the Trustee may reasonably request.

Upon the fulfillment of such conditions, the Trustee shall return the letter of credit then in effect to its issuer.

The Bonds will be redeemed if the then outstanding letter of credit has not been extended or if a successor letter of credit is not delivered to the Trustee, in each case, on or prior to the 60th day preceding the expiration of the then outstanding letter of credit. In such case, the Trustee must draw under the then existing letter of credit an amount sufficient, together with any Eligible Moneys on deposit in the funds maintained under the Trust Agreement, to redeem the Bonds in whole.

Amendments

The Loan Agreement may not be amended, changed, modified, altered or terminated, except in accordance with the terms of the Trust Agreement, as described below under "SUMMARY OF THE TRUST AGREEMENT - Amendments and Supplements to the Loan Agreement and the Security Agreements."

SUMMARY OF THE TRUST AGREEMENT

The following briefly summarizes the material provisions of the Trust Agreement. This summary is not complete. You should read the more detailed provisions of the Trust Agreement for the provisions that may be important to you. A copy of the Trust Agreement may be obtained from the Underwriter during the offering period for the Bonds and, thereafter, from the Trustee.

Under the Trust Agreement, AFICA will assign to the Trustee for the benefit of the holders of the Bonds and the issuer of the letter of credit all of AFICA's right, title and interest in the Loan Agreement and the security agreements (except for certain rights of AFICA to indemnification, exemption from liability, notices and the payment of costs and expenses), in trust to provide for the payment of the principal of and premium, if any, and interest on the Bonds.

Bond Fund

The Borrower shall cause to be deposited to the credit of the bond fund all amounts required to be paid pursuant to the Loan Agreement with respect to principal of and interest on the Bonds, including payments with respect to optional and mandatory prepayments of the Bonds.

Debt Service Reserve Fund

On the date of issuance of the Bonds, the Borrower will make an additional deposit to the credit of a debt service reserve fund established under the Trust Agreement for the benefit of the holders of the Bonds. The Trust Agreement requires that cash and other securities on deposit to the credit of the debt service reserve fund be at all times in amount not less than the maximum debt service on the Bonds during any 6-month period. Eligible Moneys held to the credit of the debt service reserve fund shall be used for the purpose of paying the principal of and interest on the Bonds when due, whenever and to the extent that Eligible Moneys held to the credit of the bond fund shall be insufficient for such purposes.

The Loan Agreement provides that to the extent any amounts are disbursed from the debt service reserve fund, the Borrower will be obligated to replenish the amounts so disbursed within 1 business day after the occurrence of any debt service reserve fund deficiency. To the extent, however, that a debt service reserve fund deficiency arises from a reduction in the market value of the investments held in the debt service reserve fund, the Borrower will be obligated to replenish the debt service reserve fund within 3 business days of receiving notice of any such deficiency.

Investment of Funds

Moneys held for the credit of all funds and accounts under the Trust Agreement shall be invested in "Investment Obligations" in accordance with the instructions of the Borrower. Any such Investment Obligations shall mature not later than the respective dates when the money held for the credit of such funds or accounts will be required for the purposes intended.

Investment Obligations are defined as Government Obligations (as defined below) and obligations of any agency or instrumentality of the United States of America whose obligations are backed by the full faith and credit of the United States of America and, to the extent from time to time permitted by law,

(A) the obligations of the:

(1) Federal National Mortgage Association,

(2) Federal Home Loan Banks,

(3) Federal Farm Credit System,

(4) Federal Home Loan Mortgage Corporation,

(5) Government National Mortgage Association,

(6) Federal Housing Administration, and

(7) Farmers Home Administration;

provided, that any such obligations are rated by the Rating Agency if one of the four highest rating categories (without regard to any gradations within such categories);

(B) repurchase agreements with financial institutions that are members of the Federal Reserve System or primary dealers in the United States Treasury market the short-term obligations of which institutions or dealers are rated "A-1" or better by S&P, secured by any combination of the investments or securities referred to in clause (A) above; provided, that the market value of the margin amount required on the trade/settlement date shall always be a minimum of 102% of the purchase price and not less than 100% of the repurchase price thereafter during the remaining tenure of the agreement, the Trustee shall be given a first priority security interest, no independent third party shall have a lien, such obligations purchased must be transferred to the Trustee or an independent third party agent by physical delivery or by an entry made on the records of the issuer of such obligations, in either case, the entity should receive confirmation from the independent third party that those securities are being held in a safe-keeping account in the name of the entity and such repurchase agreement shall constitute a "repurchase agreement" within the meaning of Section 101 of the United States Bankruptcy Code, as amended (the trust or safe-keeping departments of broker-dealers or financial institutions selling investments or pledging collateral or underlying securities, or their custodial agents, are not considered independent third parties for the foregoing purposes), and any investment in a repurchase agreement shall be considered to mature on the date the bank, trust company or recognized securities dealer providing the repurchase agreement is obligated to repurchase the Investment Obligations;

(C) debt obligations and commercial paper rated "A-1" or better by S&P;

(D) investment agreements in the form of interest bearing time deposits, repurchase agreements or similar arrangements rated, or guaranteed by a letter of credit or guaranty from a financial institution rated, within the four highest rating categories (without regard to gradations within such categories) by the Rating Agency, in respect of money in the debt service reserve fund; and

(E) money market accounts of the Trustee or any state, Commonwealth of Puerto Rico or federally chartered bank, banking association, trust company or subsidiary trust company that is rated in one of the three highest long-term rating categories by the Rating Agency (without regard to gradations within such categories).

"Government Obligations" are defined as:

(1) direct obligations of, or obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by, the United States of America,

(2) obligations of Federal Home Loan Mortgage Corporation, Farm Credit System, Federal Home Loan Banks, Federal National Mortgage Association, Financing Corporation and Resolution Funding Corporation,

(3) stripped debt securities where the principal-only and interest-only strips of noncallable obligations are issued by the United States Treasury, and

(4) Resolution Funding Corporation Securities stripped by the Federal Reserve Bank of New York.

Events of Default

Each of the following events is an event of default under the Trust Agreement:

(1) payment of the principal or interest on the Bonds shall not be made when the same shall become due and payable;

(2) The Trustee shall have received a notice from TDF (or the issuer of any successor letter of credit) to the effect that an event of default has occurred and is continuing under the Reimbursement Agreement (or

any successor reimbursement agreement) and instructing the Trustee to accelerate the Bonds as a result of the occurrence and continuance of such event of default under the Reimbursement Agreement (or any successor reimbursement agreement) or a notice that the interest portion of the TDF Letter of Credit (or any successor letter of credit) will not be reinstated after a draw on such letter of credit;

(3) (i) TDF (or the issuer of any successor letter of credit) shall fail to honor a draft under the TDF Letter of Credit (or any successor letter of credit) complying with the terms thereof; or (ii) the TDF Letter of Credit (or any successor letter of credit) shall for any reason cease to be in full force and effect, or shall be declared to be null and void in whole or in part, or the validity or enforceability thereof shall be contested by TDF (or the issuer of any successor letter of credit), or TDF (or the issuer of any successor letter of credit) shall renounce the same or deny that it has any further liability thereunder;

(4) the occurrence of certain events of bankruptcy, liquidation, insolvency, receivership or similar proceedings involving any of the Borrower or TDF (or the issuer of any successor letter of credit); or

(5) any event of default under the Loan Agreement (other than those events described in (1), (2), (3) or (4) above) shall have occurred and such event of default shall not have been remedied or waived.

Acceleration of Maturities

Upon: (i) the happening and continuance of an event of default specified in paragraph (2) above, the Trustee shall; and upon (ii) the happening and continuance of any other event of default specified above, the Trustee may, and upon the written request of holders of not less than 25% in aggregate principal amount of bonds then outstanding shall, but only after receiving the written consent of TDF (or the issuer of any successor letter of credit) (except upon the occurrence and continuance of any of the events of default specified in paragraphs (3) or (4) above, to the extent that any such event relates to TDF (or the issuer of any successor letter of credit)), by notice in writing to AFICA and TDF (or the issuer of any successor letter of credit), declare the principal of all the Bonds then outstanding (if not due and payable) to be due and payable immediately, and upon such declaration the same shall become and be immediately due and payable, and interest on the amount of principal due and payable on such date shall cease to accrue.

If at any time after the principal of the Bonds shall have been declared to be due and payable, and before the entry of a final judgment or decree in any suit, action or proceeding instituted on account of such default, and before the completion of the enforcement of any other remedy under the Trust Agreement, and before TDF (or the issuer of any successor letter of credit) has deposited with the Trustee amounts sufficient to pay the principal of and interest on the Bonds, Eligible Moneys shall have accumulated in the bond fund or in the debt service reserve fund sufficient to pay the principal of all Bonds then outstanding (except the principal of any Bonds due and payable solely as a result of such acceleration and the interest accrued on such Bonds since the last interest payment date to which interest shall have been paid or duly provided for), interest on overdue installments of interest (to the extent permitted by law) at the rate or rates then borne by the Bonds, and the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee, and all other amounts then payable by AFICA under the Trust Agreement shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee, and every other default known to the Trustee in the observance or performance of any covenant, condition, agreement or provision contained in the bonds or in the Trust Agreement shall have been cured or waived, then and in every such case the Trustee may, and upon the written direction of the holders of not less than a majority in aggregate principal amount of the Bonds then outstanding shall, by a notice in writing to AFICA, TDF (or the issuer of any successor letter of credit) and the Borrower, rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

Enforcement of Remedies

Upon the happening and continuance of any event of default and the acceleration of the Bonds, then and in every such case the Trustee may, and upon the written direction of the holders of not less than 25% in aggregate principal amount of the bonds then outstanding under the Trust Agreement shall, with the consent

of TDF (or the issuer of any successor letter of credit) (so long as the event of default is not of the type described in paragraphs (3) or (4) above relating exclusively to TDF (or the issuer of any successor letter of credit)), proceed, subject to the provision of indemnification satisfactory to the Trustee, to protect and enforce its rights and the rights of the holders of the Bonds under applicable laws, under the Loan Agreement, the security agreements and the Trust Agreement by such suits, actions or special proceedings in equity or at law, as the Trustee, upon the advice of counsel, shall deem most effective to protect such rights.

In the enforcement of any remedy under the Trust Agreement, the Trustee in its own name and as Trustee of an express trust shall be entitled to sue for, enforce payment of and recover judgment for, any and all amounts then or after any default becoming, and at any time remaining, due from AFICA for principal, premium, if any, interest or otherwise under any of the provisions of the Trust Agreement or of the Bonds and unpaid, with interest on overdue payments of principal, premium, if any, and interest (to the extent permitted by law) at the rate or rates of interest specified in the Bonds, together with any and all costs and expenses of collection and of all proceedings, without prejudice to any other right or remedy of the Trustee or of the holders of the Bonds, and to recover and enforce any judgment or decree against AFICA, but solely as provided in the Trust Agreement and in the Bonds, for any portion of such amounts remaining unpaid and interest, costs and expenses as above provided, and to collect (but solely from moneys in the bond fund and any other moneys available for such purpose), in any manner provided by law, the moneys adjudged or decreed to be payable.

Holders of Majority in Principal Amount of Bonds May Control Proceedings

Subject to the provision of indemnification satisfactory to the Trustee and the rights of TDF (or the issuer of any successor letter of credit) described above under "Enforcement of Remedies," the holders of a majority in aggregate principal amount of the Bonds then outstanding shall have the right to direct the time, method and place of conducting all remedial proceedings to be taken by the Trustee under the Trust Agreement or exercising any trust or power conferred upon the Trustee, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Trust Agreement.

Restrictions Upon Action by Individual Bondholder

Except for claims arising from the breach by the Borrower of the Source of Income Requirements, and subject to the rights of TDF (or the issuer of any successor letter of credit) described above under "Enforcement of Remedies," no holder of Bonds will have any right to institute any suit, action or proceeding in equity or at law on any Bond or for the execution of any trust under the Trust Agreement, or for any other remedy under the Trust Agreement unless:

(1) such holder has previously given to the Trustee notice of the event of default on account of which such suit, action or proceeding is to be instituted;

(2) the holders of not less than 25% of the aggregate principal of Bonds then outstanding have requested of the Trustee, after the right to exercise such powers or right of action, as the case may be, has accrued, and have afforded the Trustee a reasonable opportunity, either to proceed to exercise such powers or to institute such action, suit or proceeding in its or their name;

(3) the Trustee has been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred (including, without limitation, indemnification for environmental liability); and

(4) the Trustee has refused or neglected to comply with such request within a reasonable time.

No one or more holders of Bonds will have any right, in any manner, to affect, disturb or prejudice any rights under the Trust Agreement, or to enforce any right thereunder, except in the manner therein provided. All suits, actions and proceedings at law or in equity must be instituted, had and maintained in the manner provided in the Trust Agreement and for the benefit of the holders of the Bonds. Any individual right of

action or other right given to one or more holders of Bonds by law is restricted by the Trust Agreement to the rights and remedies therein provided.

Notwithstanding any other provision of the Trust Agreement, a holder of Bonds will have the right to institute an action for the enforcement of the payment of principal of and premium, if any, and interest on such holder's Bond when due.

Issuance of Additional Bonds

Subject to the approval of AFICA and TDF (or the issuer of any successor letter of credit), the Trust Agreement permits the issuance of one or more series of additional bonds to provide funds to pay any one or more of the following:

(1) the costs of making at any time or from time to time such substitutions, additions, expansions, modifications and improvements to the Project deemed necessary or desirable by the Borrower;

(2) the cost of acquisition, construction and rehabilitation by the Borrower of other facilities permitted to be financed by AFICA's enabling statute;

(3) refunding, to the extent permitted by law, any bonds issued and outstanding under the Trust Agreement or otherwise issued and outstanding on behalf of the Borrower; or

(4) to the extent permitted by law, the cost of issuance of the additional bonds and other costs reasonably related to the financing as shall be agreed upon by the Borrower, TDF (or the issuer of any successor letter of credit) and AFICA.

Any such additional bonds will have such maturities, bear interest at such rates, be subject to redemption at such times and shall otherwise be subject to such terms and conditions as are set forth in the resolution of AFICA providing for the issuance of additional bonds.

As a condition precedent to the issuance of any additional bonds, the Rating Agency must confirm that the issuance of additional bonds will not result in a withdrawal, suspension or reduction of the then current rating on the Bonds then outstanding and that the Bonds then outstanding will not be rated lower than the fourth highest rating category. Any additional bonds issued will be entitled to the same benefits and security as the Bonds then outstanding.

Supplemental Trust Agreements

The Trust Agreement may be amended or supplemented without the consent of the holders of the Bonds:

(1) to cure any ambiguity or to make any other provisions with respect to matters or questions arising under the Trust Agreement which shall not be inconsistent with the provisions of the Trust Agreement; or

(2) to grant or confer upon the Trustee for the benefit of the holders of the Bonds or TDF (or the issuer of any successor letter of credit) any additional rights, remedies, powers, benefits, authority or security that may lawfully be so granted or conferred; or

(3) to add to the covenants of AFICA for the benefit of the holders of the Bonds or to surrender any right or power conferred upon AFICA under the Trust Agreement; or

(4) to permit the qualification of the Trust Agreement under the Trust Indenture Act of 1939, to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States, and to add to the Trust Agreement or any supplement or amendment thereto such other terms, conditions and provisions as may be required by the Trust Indenture Act of 1939 or any similar federal statute; or

(5) to permit the delivery to the Trustee of a successor letter of credit, or to permit the delivery by the Borrower, with the prior approval of the letter of credit issuer and the Rating Agency (if the Bonds are then rated), of a letter of credit or an insurance policy to fund the Trust Agreement's debt service reserve fund requirement; or

(6) to provide for the issuance of additional bonds in accordance with the Trust Agreement and to make such other changes as may be necessary to adjust the terms of the Trust Agreement to reflect the issuance of such additional bonds.

The Trust Agreement may be amended or supplemented with the consent of the holders of a majority in principal amount of the Bonds at the time outstanding. However, without the consent of each holder of Bonds affected, no amendment to the Trust Agreement may:

(1) extend the time for the payment of the principal of and premium, if any, or the interest on any Bond;

(2) reduce the principal of any Bond or the redemption premium, if any, or the rate of interest or yield thereon;

(3) create any lien or security interest with respect to the Loan Agreement or the payments thereunder, other than the lien created by the Trust Agreement;

(4) give a preference or priority to any Bond or Bonds over any other Bond or Bonds;

(5) modify the Trust Agreement in any way which adversely affects the rights of the holders of the Bonds under the TDF Letter of Credit (or any successor letter of credit); or

(6) reduce the aggregate principal of the Bonds required for consent to such supplement or amendment or any waiver thereunder.

The Trustee is not obligated to execute any proposed supplement or amendment if its rights, obligations and interests would be affected thereby.

Any amendment or supplement to the Trust Agreement will not become effective without the consent of the Borrower and TDF (or the issuer of any successor letter of credit).

Amendments and Supplements to the Loan Agreement and the Security Agreements

The Loan Agreement and the security agreements may be amended or supplemented without the consent of the holders of the Bonds:

(1) to identify more precisely the Project being financed;

(2) to cure any ambiguity or formal defect or omission therein or in any supplement thereto;

(3) to grant to or confer upon AFICA or the Trustee for the benefit of the holders of the Bonds any additional rights, remedies, powers, benefits, authority or security that may lawfully be granted to or conferred upon AFICA, the Trustee or the holders of the Bonds;

(4) to add to the covenants of the Borrower or TDF (or the issuer of any successor letter of credit) for the benefit of the holders of the Bonds or to surrender any right or power therein conferred upon the Borrower or TDF (or the issuer of any successor letter of credit);

(5) in connection with any other change which, in the judgment of the Trustee, will not restrict, limit or reduce the obligation of the Borrower to make the payments under the Loan Agreement required to pay the principal of and premium, if any, and the interest on the Bonds or otherwise impair the security of the holders

of the Bonds under the Trust Agreement, provided such action shall not materially adversely affect the interests of the holders of the Bonds;

(6) to permit the delivery to the Trustee of a successor letter of credit or to comply with any requirement of the issuer of a successor letter of credit, or to permit the delivery by the Borrower, with the prior approval of the letter of credit issuer and the Rating Agency (if the Bonds are then rated), of a letter of credit or an insurance policy to fund the Trust Agreement's debt service reserve fund requirement;

(7) to provide for the issuance of additional bonds in accordance with the Trust Agreement; or

(8) so long as TDF (or the issuer of any successor letter of credit) is in compliance with its obligations under the TDF Letter of Credit (or any successor letter of credit), to make any changes to the security agreements requested by TDF (or the issuer of any successor letter of credit), including the release of any collateral securing the Bonds, provided AFICA (or the Trustee, for the benefit of the holders of the Bonds) continues to be a mortgagee of a first mortgage in the aggregate amount of the mortgage notes on substantially all of the land and buildings then used or proposed to be used for the operation of the Project. A certificate from TDF (or the issuer of any successor letter of credit) concluding that after the proposed amendment AFICA will continue to have the benefit of a first priority mortgage in the amount of the mortgage notes on substantially all the land and buildings then used or proposed to be used for the operation of the Project shall be conclusive.

Other than for the purposes of the above paragraph, the Loan Agreement or the security agreements may be amended or supplemented with the approval of the holders of not less than a majority of the principal of the Bonds at the time outstanding. No amendment or supplement to the Loan Agreement will become effective without the consent of the Trustee and TDF (or the issuer of any successor letter of credit).

Defeasance

Any Bond will be deemed paid and no longer entitled to any security under the Trust Agreement upon satisfaction of certain conditions and the deposit with the Trustee of sufficient Eligible Moneys (as defined below), or Defeasance Obligations (as defined below), the principal of and the interest on which, when due, without any reinvestment thereof, will provide moneys which will be sufficient to pay when due the principal of and premium, if any, and interest due and to become due on such Bond. If any Bond is not to be redeemed or does not mature within 60 days after such deposit, the Borrower must give irrevocable instructions to the Trustee to give notice, in the same manner as notice of redemption, that such deposit has been made. The Bonds shall not be deemed paid unless the Trustee shall have received an opinion of counsel experienced in bankruptcy matters to the effect that payment to the holders of the Bonds would not constitute a voidable preference under the provisions of the United States Bankruptcy Code, an opinion of counsel experienced in tax matters under the US Code to the effect that, assuming continued compliance by the Borrower with the Source of Income Requirements, the deposit of said obligations or moneys would not adversely affect the interest received by the holders of the Bonds as income from sources within Puerto Rico and all outstanding obligations under the Reimbursement Agreement (or any successor reimbursement agreement) shall have been paid in full.

"Eligible Moneys" means with respect to any date on which any payment of principal, premium, if any, and interest is required to be made on the Bonds: (i) all amounts drawn by the Trustee under the TDF Letter of Credit or any successor letter of credit and deposited to the credit of the bond fund or the debt service reserve fund established under the Trust Agreement; (ii) all amounts in respect of accrued interest, if any, deposited to the credit of the bond fund from the proceeds of the initial sale of the Bonds; (iii) all amounts in respect of capitalized interest deposited to the credit of the bond fund from the proceeds of the initial sale of the Bonds, if any; (iv) all other amounts on deposit in the bond fund or the debt service reserve fund prior to the termination of the TDF Letter of Credit or any successor letter of credit: (a) to the extent such amounts constitute proceeds of the Bonds deposited with the Trustee contemporaneously with the issuance and sale of the Bonds, or investment income generated by the funds described in (i) to (iii) above or this clause (iv), deposited in the debt service reserve fund, or which have been on deposit with the Trustee in such separate

and segregated accounts or sub-accounts in which no other moneys are held for a period of 94 consecutive days prior to the applicable payment date without the occurrence of an intervening Act of Bankruptcy (as defined in the Trust Agreement), or (b) as to which the Trustee has received an opinion of counsel experienced in bankruptcy matters to the effect that payment to the holders of the Bonds of such monies would not constitute a transfer that may be voided as a preference under any provision of the United States Bankruptcy Code in the event of an Act of Bankruptcy; and (v) after expiration of the TDF Letter of Credit or any successor letter of credit, the Bonds still being outstanding, all amounts on deposit in any fund under the Trust Agreement from whatever source.

"Defeasance Obligations" means: (i) noncallable Government Obligations; and (ii) obligations of state, territory or local government issuers which are rated in the highest rating category by the Rating Agency; provision for the payment of the principal of and interest on which shall have been made by deposit with the Trustee or escrow agent of noncallable Government Obligations, the maturing principal of and interest on such Government Obligations, when due and payable, shall provide sufficient money to pay the principal of and redemption premium, if any, and interest on such obligations of state, territory or local government issuers.

The Trustee

Banco Popular de Puerto Rico will be the Trustee under the Trust Agreement. The Trustee may have other banking relationships with the Borrower or any of its affiliates in the ordinary course of business.

In the case an event of default shall occur (and shall not be cured), the Trustee will be required to use the degree of care of a prudent person in the conduct of its own affairs in the exercise of its powers.

TDF AND THE TDF LETTER OF CREDIT

TDF

TDF is a wholly-owned subsidiary of Government Development Bank for Puerto Rico ("GDB") and an instrumentality of the Government of Puerto Rico. TDF was created on November 17, 1993, pursuant to Resolution No. 6275, adopted by the Board of Directors of GDB. TDF was created for the purpose of promoting the hotel and tourism industry of Puerto Rico by making capital investments in, or by providing financing directly or indirectly to, entities that contribute or could contribute to the development of said industry. Under its enabling resolution, TDF is specifically authorized to issue, execute and deliver guarantees and letters of credit to secure the payment of bonds, and to make direct loans. In accordance with the law pursuant to which it was created, the Board of Directors of TDF is composed of the President of GDB, the Executive Director of the Puerto Rico Tourism Company and the Secretary of the Treasury of Puerto Rico, and two members of the Board of Directors of GDB selected by the Board of Directors of GDB.

As of June 30, 2010, TDF had total assets of approximately $586.2 million, total liabilities of approximately $415.2 million, and total unrestricted net assets (the difference between total assets and total liabilities) of approximately $171.0 million, and its allowances for losses on loans and on guarantees and letters of credit was amounted to approximately $77.0 million. TDF's revenues consist principally of fees it charges for its guarantees and letters of credit, interest income on its loans to tourism related projects, and investment income. For more information on the financial condition and results of operations of TDF, see TDF's audited financial statements for the fiscal year ended June 30, 2010, included as Appendix C hereto.

Since its organization, TDF has provided direct financing through loans and credit enhancement to third party financings through guarantees and letters of credit in the aggregate of approximately $1.368 billion to finance the development of 21 tourism projects representing 4,744 new hotel rooms and a total investment of approximately $2.135 billion. Substantially all of these financings have been secured by mortgages on the real estate and security interests on the personal property of the project.

As of September 30, 2010, TDF had outstanding direct loans in an aggregate principal amount of $377 million and guarantees in the amount of $339 million.

Pursuant to the legislation under which TDF was created, as amended, the Executive Director of TDF is required to certify to the Director of OMB, on or before December 31 of each year, the net disbursement, including realized losses, if any, to be reimbursed to TDF for disbursements (excluding those made for the acquisition of investments) made during the calendar year in excess of certain revenues. For this purposes, disbursements made by TDF for (i) loans to third parties, (ii) the acquisition of loan participations, and (iii) the acceleration of maturities of loans, notes, bonds or other type of debt guaranteed by TDF, shall not be deemed made in the year in which such disbursements occurred but shall rather be deemed made in the year in which the Executive Director of TDF determine that a loss was incurred with respect to such disbursements (such determination being referred to as a "realized loss"). The Director of OMB is required to include the amount so certified in the proposed budget of the General Fund submitted by the Governor to the Puerto Rico Legislature for the following fiscal year. The certificates issued by TDF's Executive Director must be based on an evaluation of the net disbursements made, the earnings realized and the obligations of TDF for the coming year and shall be final. The payment of the amount so certified shall be subject to the consideration of the Puerto Rico Legislature. The Puerto Rico Legislature is not legally obligated to include this amount in the budget approved by the Legislature, or otherwise to appropriate funds for TDF. If the Puerto Rico Legislature were not to appropriate sufficient funds to reimburse TDF for all disbursements made by it in excess of TDF's earnings, TDF could be required to use its capital to pay future draws under its guarantees and letters of credit, which could be insufficient for such purposes.

In 2003, the Executive Director of TDF submitted a certification to the Director of OMB requesting that $21.5 million be reimbursed to TDF with respect to disbursements made by TDF during 2000 and 2002 on account of losses incurred in connection with two projects. The $21.5 million certified by TDF was not included in the budget approved by the Legislature for the 2004-2005 fiscal year, but was included in the budget approved by the Governor of Puerto Rico for the 2005-2006 fiscal year, and paid during such fiscal year.

Although TDF has never defaulted in the payment of any letter of credit or guarantee issued by it, no assurance can be given that TDF will have sufficient capital, generate sufficient earnings or receive sufficient appropriations to meet its obligations under its existing letters of credit and guaranty agreements, including the TDF Letter of Credit securing the Bonds.

The TDF Letter of Credit

The TDF Letter of Credit is an irrevocable transferable stand-by obligation of TDF to pay to the Trustee, upon request and in accordance with the terms thereof, an aggregate amount sufficient to pay when due (whether at maturity or upon acceleration or redemption) the principal amount of the Bonds outstanding and up to 195 days of accrued interest thereon.

The Trust Agreement provides that 2 business days prior to each payment date, the Trustee is required to make drawings under the TDF Letter of Credit (or any successor letter of credit) to the extent that sufficient Eligible Moneys are not otherwise available therefor in the bond fund or the debt service reserve fund to pay the principal amount of, and interest on the Bonds due on such payment date. The Trust Agreement further provides that whenever there is a deficiency in the debt service reserve fund, the Trustee shall make a draw on the TDF Letter of Credit (or any successor letter of credit) to eliminate such deficiency, to the extent that funds have not been provided by the Borrower, on the second business day immediately following the date such deficiency shall arise if such deficiency was caused by a withdrawal of funds, or on the fourth business day immediately following the date such deficiency arises if such deficiency was caused by a loss resulting from a decline in the value of the Investment Obligations held to the credit of the debt service reserve fund.

The TDF Letter of Credit does not provide for payment of any redemption premium or for payment of any other amounts in connection with any other indemnity that may be required to be paid with respect to the Bonds.

Draws made under the TDF Letter of Credit relating to the payment of principal and interest on the Bonds must be honored by TDF on the business day next succeeding the date on which a draw is made, provided such draw is made in accordance with the terms of the TDF Letter of Credit on or before 11:30 a.m. San Juan, Puerto Rico time on a business day that is not later than any day an interest or principal payment on the Bonds is due. Draws made under the TDF Letter of Credit relating to a debt service reserve fund deficiency must be honored by TDF not later than the July 15 or December 26 immediately succeeding the date on which such draws are made, provided such draw is made in accordance with the terms of the TDF Letter of Credit on or before 11:30 a.m. San Juan, Puerto Rico time on a business day that is not later than 2 business days immediately preceding such July 15 or December 26. If such day is not a business day, the payment will occur on the immediately succeeding business day.

The obligations of TDF under the TDF Letter of Credit will be reduced to the extent of any payments made by the Borrower and any drawing thereunder, subject to automatic reinstatement and adjustment of amounts available to be drawn with respect to the payment of interest on the Bonds or a debt service reserve fund deficiency. The Trustee is required, upon receipt from TDF of such notice of non-reinstatement and of an amount sufficient, together with Eligible Moneys on deposit with the Trustee, to pay the outstanding principal amount of and interest on the Bonds, to declare the Bonds immediately due and payable (without prior notice to the holders of the Bonds).

Upon the occurrence and continuance of certain events of default under the Reimbursement Agreement, TDF may notify the Trustee of any such event and give a notice of termination with respect to the TDF Letter of Credit, provided TDF deposits with the Trustee an amount sufficient to pay the Bonds. The Trustee is required, upon receipt from TDF of such notice of termination and of an amount sufficient, together with Eligible Moneys on deposit with the Trustee, to pay the outstanding principal amount of and interest on the Bonds, to declare the Bonds immediately due and payable (without prior notice to the holders of the Bonds).

The TDF Letter of Credit is for an initial term of 5 years, subject to earlier termination upon the occurrence and continuance of certain events of default under the Reimbursement Agreement. The TDF Letter of Credit will be automatically extended beyond its expiration date for 3 additional periods of 5 years each and a final period ending on the final maturity date of the Bonds.

SUMMARY OF THE REIMBURSEMENT AGREEMENT

The TDF Letter of Credit will be issued pursuant to the Reimbursement Agreement. The following is a summary of certain provisions of the Reimbursement Agreement. This summary does not purport to be comprehensive or definitive and is qualified by reference to and is subject to the provisions of the Reimbursement Agreement, copies of which may be obtained during the offering period of the Bonds from the Underwriter and thereafter from the Trustee.

Under the Reimbursement Agreement, the Borrower will agree to reimburse TDF for all amounts that are drawn under the TDF Letter of Credit, together with interest, if any, on all such amounts. The Borrower will also agree to pay to TDF a fee and all other reasonable expenses incurred in enforcing its rights under the Reimbursement Agreement. The Borrower has also made certain covenants to TDF, including compliance with applicable laws, the maintenance of adequate insurance on the Project, periodic submission of financial, collateral and other information, maintenance of reserves and maintenance of TDF's liens. The Reimbursement Agreement will also establish certain limitations upon the Borrower regarding the incurrence of additional indebtedness, the payment of dividends, the sale of assets, creation of liens and transactions with affiliates of the Borrower.

The Reimbursement Agreement provides that the occurrence and continuance of certain acts and omissions will constitute events of default. Among these are: (a) the failure of the Borrower to pay when due any amounts payable under the Reimbursement Agreement (including fees of TDF and amounts advanced under any drawing under the TDF Letter of Credit); (b) the failure by the Borrower to perform, within applicable grace periods, any covenants contained in the Reimbursement Agreement, the Loan Agreement

and certain other documents executed and delivered in connection with the Project and the issuance of the Bonds; (c) certain events of bankruptcy, liquidation or similar proceedings involving the Borrower; (d) the occurrence of certain events that have a material adverse effect on the Borrower; (e) the default by the Borrower in the payment of any indebtedness or any other default with respect to such indebtedness; and (f) certain changes in the ownership of the Borrower.

If an event of default under the Reimbursement Agreement occurs and continues, TDF may, among other things, declare all amounts payable under the Reimbursement Agreement to be due; give notice of termination of the TDF Letter of Credit and instruct the Trustee to declare the principal of and interest on the Bonds to be immediately due and payable; and/or exercise all other rights and remedies existing at law or in equity.

Pursuant to the Reimbursement Agreement, the Borrower will be obligated to pay to TDF an annual fee equal to 1.50% of the outstanding principal amount of the Bonds, payable monthly on each interest payment date.

The monthly fee shall be payable by the Borrower in advance, in immediately available funds. On the date of issuance, the Borrower will pay TDF the portion of the monthly fee due for the period from the date of issuance to April 20, 2011.

AFICA

General

AFICA is a body corporate and politic constituting a public corporation and governmental instrumentality of Puerto Rico. The Legislature of Puerto Rico determined that the development and expansion of commerce, industry, and health and educational services within Puerto Rico are essential to the economic growth of Puerto Rico and to attain full employment and preserve the health, welfare, safety and prosperity of all its citizens. The Legislature of Puerto Rico also determined that new methods of financing capital investments were required to promote industry in Puerto Rico. Accordingly, AFICA was created under Act No. 121 of the Legislature of Puerto Rico, approved June 27, 1977, as amended (the “Act”), for the purpose of promoting the economic development, health, welfare and safety of the citizens of Puerto Rico. AFICA is authorized to borrow money through the issuance of revenue bonds and to loan the proceeds thereof to finance the acquisition, construction and equipping of industrial, tourist, educational, medical, pollution control and solid waste disposal facilities. AFICA has no taxing power. AFICA’s offices are located at Roberto Sánchez Vilella Government Center, De Diego Avenue, Stop 22, San Juan, Puerto Rico 00911. AFICA’s telephone number is (787) 722-8443.

Governing Board

The Act provides that the Governing Board of AFICA shall consist of seven members. The President of GDB, the Executive Director of Puerto Rico Industrial Development Company, the Executive Director of Puerto Rico Infrastructure Financing Authority, the President of the Puerto Rico Environmental Quality Board and the Executive Director of the Puerto Rico Tourism Company are each *ex officio* members of the Governing Board of AFICA. The remaining two members of the Governing Board of AFICA are appointed by the Governor of Puerto Rico for terms of four years.

The following individuals are the current members of the Governing Board:

Name	Position	Term	Occupation
Juan Carlos Batlle	Chairperson	Indefinite	President, Government Development Bank for Puerto Rico
Mario González Lafuente	Member	Indefinite	Executive Director, Puerto Rico Tourism Company
Manuel A. Bermúdez Pagán	Member	Indefinite	Acting Executive Director, Puerto Rico Infrastructure Financing Authority
Pedro J. Nieves Miranda, Esq.	Member	Indefinite	President, Puerto Rico Environmental Quality Board
José R. Pérez Riera, Esq.	Member	Indefinite	Executive Director, Puerto Rico Industrial Development Company
Juan E. Rodríguez Díaz, Esq.	Member	June 29, 2014	Senior and Managing Partner, Totti & Rodríguez Díaz, San Juan, Puerto Rico
Agnes B. Suárez, CPA	Member	June 29, 2014	Vice President – Head of Financial & Specialty Lines, Carrión, Laffitte & Casellas, Inc., San Juan, Puerto Rico

The Act provides that the affirmative vote of four members is sufficient for any action taken by the Governing Board.

The following individuals are currently officers of AFICA:

José R. Otero-Freiría, Executive Director of the Authority, is also the Executive Vice President of Financing of GDB. He was appointed to these positions in March 2011. Before being named Executive Vice President of GDB, he served in the Office of the Governor as Advisor to the Governor for Economic Development and Finance and Deputy Chief of Staff for Public Policy. From 2005 to 2008, Mr. Otero Freiría served as Director of Institutional Investment Consulting Services at UBS Financial Services Incorporated of Puerto Rico. From 2001 to 2005, Mr. Otero Freiría served as Finance Manager for Guidant Corporation (now Boston Scientific) in Santa Clara, California and from 1996 to 1999 served as Manager in the Finance Department at Procter & Gamble in San Juan, Puerto Rico. Mr. Otero Freiría holds a Masters in Business Administration (MBA) degree from the Stanford University Graduate School of Business and a bachelor’s degree in economics, with a concentration in finance and accounting, from the Wharton School of Business at the University of Pennsylvania. He is also a Certified Public Accountant (CPA).

Javier Ramos, Assistant Executive Director of AFICA, is also a Senior Vice President of GDB. He has been associated with GDB since February 1997. Mr. Ramos received a Master of Business Administration degree from Atlanta University in 1990 and Bachelor of Science degree in Business Administration from Bryant College in 1988. Prior to joining GDB, he worked in the investment banking field in Puerto Rico.

Rubén Méndez Benabe, Secretary and General Counsel of AFICA, is also Secretary of the Board of Directors and General Counsel of GDB since December 1, 2010. Before being named General Counsel of GDB, Mr. Méndez Benabe was Advisor to the President of GDB. Mr. Méndez Benabe’s experience also includes being Executive Advisor and Legal Counsel to the Commissioner of Financial Institutions. Mr. Méndez Benabe has extensive experience in regulation of financial institutions and holds a Juris Doctor degree from the University of Puerto Rico School of Law and a bachelor’s degree from the University of Puerto Rico.

Outstanding Revenue Bonds and Notes of AFICA

As of December 31, 2010, AFICA had revenue bonds and notes issued and outstanding in the principal amount of approximately $1.4 billion. All such bond and note issues have been authorized and issued

paragraph (b) of Section 1022 of the repealed Puerto Rico Internal Revenue Code of 1994, which is the equivalent of Section 1031.02(a)(3) of the PR Code. Members of the Puerto Rico Treasury Department staff have indicated to Bond Counsel that they expect the error to be corrected through technical amendments to the PR Code by the Puerto Rico Legislature, to clarify the intention of exempting from AMT interest from obligations of the Government of Puerto Rico, its agencies or political subdivisions. Thus, for purposes of the opinion in paragraph 2(b) above, we assume that the AMT exemption provided in Section 1022.04(b)(2) of the PR Code applies to interest from an obligation described in Section 1031.02(a)(3) of the PR Code. To the extent the clerical error is not corrected as expected, interest on the Bonds may not be exempt from Puerto Rico alternative minimum taxes.

3. The Bonds are exempt from Puerto Rico personal property tax pursuant to Section 3.11 of the Puerto Rico Municipal Property Tax Act of 1991, as amended, and Section 3 of the Puerto Rican Federal Relations Act.

4. The Bonds are exempt from Puerto Rico (i) gift tax with respect to donors who are residents of Puerto Rico at the time the gift is made and (ii) estate tax with respect to estates of decedents who are residents of Puerto Rico at the time of death and who acquired their United States citizenship solely by reason of birth or residence in Puerto Rico.

5. The Bonds will be considered an obligation of an instrumentality of Puerto Rico for purposes of (i) the non-recognition of gain rules under Section 1034.04(f)(2)(A) of the PR Code applicable to certain involuntary conversions; and (ii) the exemption from the surtax imposed by Section 1022.05(g) of the PR Code available to corporations and partnerships that have a certain percentage of their net income invested in obligations of instrumentalities of Puerto Rico and certain other investments.

6. Interest on the Bonds constitutes industrial development income under Section 2(j) of the Economic Incentives for the Development of Puerto Rico Act, or under analogous provisions of similar prior acts (collectively referred to as the "Acts"), when received by a holder of a grant of tax exemption issued under any of the Acts that acquired the Bonds with eligible funds, as such term is defined in the Acts.

7. Interest on the Bonds is not excluded from the gross income of the recipient thereof for United States federal income tax purposes under Section 103(a) of the US Code.

The PR Code does not contain any provisions regarding the treatment of the excess of a Bond's redemption price at maturity over its initial issue price (original issue discount). However, under the administrative practice followed by the Puerto Rico Treasury Department with respect to the repealed Puerto Rico Internal Revenue Code of 1994, original issue discount is treated as interest.

Prospective owners of the Bonds should be aware that, pursuant to Section 1033.17(a)(10) of the PR Code, ownership of the Bonds may, under certain circumstances, result in a disallowance, for Puerto Rico income tax purposes, of interest expense related to an investment in the Bonds.

IRS Circular 230 Disclosure: The following U.S. tax discussion is general in nature and is not intended to be a tax opinion or tax advice. The U.S. tax discussion was prepared to support the promotion and marketing of the Bonds. No taxpayer can rely on the U.S. tax discussion to avoid penalties that may be imposed on the taxpayer by the U.S. Internal Revenue Service. Each prospective purchaser should seek advice from an independent tax advisor about the tax consequences under its own particular circumstances of investing in the Bonds.

Based upon the provisions of the US Code, now in force and the rules and regulations thereunder, and provided that: (i) the Borrower is engaged in trade or business in Puerto Rico and is not engaged in trade or business in the United States or elsewhere outside of Puerto Rico nor receives income that is treated as effectively connected with the conduct of a United States trade or business and will not be so engaged nor derive any such income while the Bonds are outstanding; (ii) for each of the three taxable years of the Borrower that began before January 1, 2011 (or for such part of such period as may be applicable) Borrower

pursuant to trust agreements or resolutions separate from and unrelated to the trust agreement relating to the Bonds and are payable from sources other than the payments under the loan agreement.

Under the Act, AFICA may issue additional bonds and notes from time to time to finance industrial, tourist, educational, medical, pollution control or solid waste facilities. However, any such bonds and notes would be authorized and issued pursuant to other trust agreements or resolutions separate from and unrelated to the trust agreement relating to the Bonds and would be payable from sources other than the payments under the loan agreement with the Borrower.

GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO

As required by Act No. 272 of the Legislature of Puerto Rico, approved May 15, 1945, as amended, GDB has acted as a financial advisor to AFICA in connection with the issuance and sale of the Bonds.

GDB is a public corporation with varied governmental financial functions. Its principal functions are to act as financial advisor to and fiscal agent for Puerto Rico, its municipalities and its public corporations in connection with the issuance of bonds and notes, to make advances to public corporations and to make loans to private enterprises that will aid in the economic development of Puerto Rico. The Underwriter has been selected by GDB to act from time to time as underwriter of their obligations and the obligations of Puerto Rico, its instrumentalities and public corporations. The Underwriter or its affiliates also participate in other financial transactions with GDB.

TAXATION

This section is not to be construed as a substitute for careful tax planning. Prospective investors are urged to consult their own tax advisors with specific reference to their own tax situations, including the application and effect of other tax laws and any possible changes in the tax laws after the date of this official statement.

In the opinion of Pietrantoni Méndez & Alvarez LLP, Bond Counsel, under the provisions of the Acts of Congress and the laws of Puerto Rico in force as of the date of issuance of the Bonds:

1. The Bonds, a transfer of the bonds, and the income resulting therefrom, including gain realized upon a sale of the Bonds, are exempt from income taxes imposed by Puerto Rico under Article 8(b) of the Act.

2. Interest on the Bonds is:

(a) exempt from Puerto Rico income taxes under Section 1031.02(a)(3)(B) of the Internal Revenue Code for a New Puerto Rico (the "PR Code") and Article 8(b) of the Act;

(b) exempt from Puerto Rico alternative minimum taxes under Section 1022.04(b)(2) of the PR Code;

(c) exempt from the Puerto Rico alternate basic tax under Section 1021.02(a)(2) of the PR Code; and

(d) exempt from Puerto Rico municipal license taxes under Section 9(25) of the Puerto Rico Municipal License Tax Act of 1974, as amended.

In connection with the opinion in paragraph 2(b) above, we note that Section 1022.04(b)(2) of the PR Code contains a clerical error because it exempts from the alternative minimum tax ("AMT") interest from obligations described in Section 1031.02(b)(4) of the PR Code, which does not exist in the PR Code, instead of interest from obligations described in Section 1031.02(a)(3) of the PR Code. It appears that the intent of Section 1022.04(b)(2) of the PR Code was to exempt from Puerto Rico AMT interest from obligations of the Government of Puerto Rico, its agencies or political subdivisions, as was provided in subparagraph (4) of

either: (A) derived more than 20% of its gross income from sources within Puerto Rico or (B) derived more than 20% of its gross income from the active conduct of a trade or business in Puerto Rico, both determinations to be made under Section 861(c)(1)(B) of the US Code; and (iii) for the three year period ending with the close of the Borrower's taxable year immediately preceding the payment of interest (or for such part of such period as may be applicable), 80% or more of the Borrower's gross income was or will be derived from sources within Puerto Rico or effectively connected with the conduct of a trade or business in Puerto Rico and 50% or more of the Borrower's gross income was or will be derived from the active conduct of a trade or business in Puerto Rico, and the Borrower expects this situation to continue during each taxable year during which interest on the Bonds is paid, in the opinion of Pietrantoni Méndez & Alvarez LLP:

1. Interest or original issue discount on the Bonds is excludable from the gross income of the recipient thereof for United States federal income tax purposes under Section 933 of the US Code if the recipient is a bona fide resident of Puerto Rico during the entire taxable year in which such interest is derived

2. Interest or original issue discount on the Bonds derived by a corporation organized under the laws of Puerto Rico or by any foreign corporation for purposes of the US Code is not subject to United States federal income tax under the US Code if: (a) such interest is not, and is not treated as, income effectively connected with, or attributable to, the conduct of a trade or business in the United States by such corporation under the US Code; (b) such corporation is not a controlled foreign corporation or a passive foreign investment company under the US Code; and (c) such corporation is not treated as a domestic corporation for purposes of the US Code.

3. United States taxpayers, other than individuals who comply with the requirements set forth below, may be subject to federal income tax on any gain realized upon sale of the Bonds. Pursuant to Notice 89-40, issued by the United States Internal Revenue Service on March 27, 1989, and the regulations issued under Section 937 of the US Code, the gain from the sale of the Bonds by an individual who is a bona fide resident of Puerto Rico will constitute Puerto Rico source income, and therefore will qualify for exclusion from gross income under Section 933 of the US Code, provided (i) said Bonds do not constitute inventory in the hands of such seller, (ii) such gain is not attributable to an office or fixed place of business of the seller and (iii) the individual has been a resident of Puerto Rico for the shorter of (1) the full period during which the individual has owned the Bonds or (2) the ten year period preceding the year of the sale. In the case the individual is a bona fide resident of Puerto Rico for the tax year for which the source of income must be determined and the individual was a United States citizen or resident (other than a bona fide resident of Puerto Rico) for any of the ten years preceding said year, the individual may elect to treat as gain from sources within Puerto Rico the portion of the gain attributable to the individual's holding period in Puerto Rico.

Bond Counsel's opinion is limited to the above, and Bond Counsel has not expressed any other opinion regarding the Puerto Rico or United States federal tax consequences arising from ownership or disposition of the Bonds. Such opinion is based upon Bond Counsel's reliance upon the continued accuracy of the representations, warranties and covenants made by the Borrower and AFICA in the Loan Agreement.

Prospective owners of the Bonds should consult their tax advisors with respect to the precise determination of the Puerto Rico and United States federal tax consequences arising from ownership or disposition of the Bonds.

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.

RATING

The Bonds are rated "BBB-" by S&P with the understanding that, upon delivery of the Bonds, the TDF Letter of Credit will be executed and delivered by TDF. The rating reflects only the views of such

organization and an explanation of the significance of such rating may be obtained from Standard & Poor's Rating Services, 25 Broadway, New York, New York 10004, telephone number (212) 208-8000.

There is no assurance that such expected rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in the judgment of such rating agency, circumstances so warrant. Neither AFICA nor the Underwriter undertakes any responsibility either to bring to the attention of the Bondholders the downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

PLAN OF DISTRIBUTION

Subject to the terms and conditions of a bond purchase agreement among AFICA, the Borrower and the underwriter named on the cover page of this Official Statement (the "bond purchase agreement"), AFICA has agreed to sell to the Underwriter, and the Underwriter has agreed to purchase from AFICA, the aggregate principal amount of Bonds.

The Underwriter will purchase the Bonds at an aggregate discount of $448,031.25 from the initial public offering prices of the Bonds set forth or derived from information set forth on the inside cover page hereof.

The Bonds are a new issue of securities with no established trading market. The Underwriter has advised the Borrower that they presently intend to make a market as permitted by applicable laws and regulations. The Underwriter is not obligated, however, to make a market in the Bonds and any such market making may be discontinued at any time at the sole discretion of the Underwriter. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Bonds.

The Underwriter proposes initially to offer the Bonds to the public, when, as and if issued by AFICA and accepted by the Underwriter, at the initial public offering prices set forth or derived from information shown on the inside front cover page of this Official Statement. The initial offering prices may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the initial public offering prices stated or derived from information shown on the inside front cover page hereof.

In connection with this offering, the Underwriter may over-allot or engage in transactions that stabilize, maintain or otherwise affect the market price of the Bonds, including stabilizing, syndicate short covering and penalty bid transactions. Such stabilizing, if commenced, may be discontinued at any time.

The bond purchase agreement will provide that the obligations of the Underwriter thereunder are subject to approval of certain legal matters by counsel and to various other conditions. Under the terms of the bond purchase agreement, the Underwriter is committed to purchase all of the Bonds if any are purchased.

The Borrower has agreed to reimburse the Underwriter for its out of pocket expenses (including fees of their counsel) in connection with the sale of the Bonds. The Borrower has agreed to indemnify the Underwriter and AFICA against certain civil liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments that the Underwriter and AFICA may be required to make in respect thereof. The Borrower has also agreed to indemnify the Underwriter, AFICA and TDF against any liabilities or expenses that may arise out of their participation in the issuance of the Bonds.

The Underwriter has from time to time engaged in transactions with, or performed services for, GDB and TDF in the ordinary course of business. The Underwriter may continue to do so in the future.

CONTINUING DISCLOSURE COVENANT

In accordance with the requirements of Rule 15c2-12, promulgated by the SEC, as amended, the Borrower and TDF will enter into a continuing disclosure agreement with the Trustee wherein the Borrower

and TDF will covenant for the benefit of the holders and the Beneficial Owners of the Bonds to to file within 120 days, in the case of the Borrower, and within 305 days, in the case of TDF, after the end of each of their respective fiscal years with the Municipal Securities Rulemaking Board ("MSRB"), through the MSRB's Electronic Municipal Market Access ("EMMA") system, core financial information and operating data for such fiscal year, including: (i) audited financial statements for the Borrower and TDF 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) and information as to revenues, expenditures, financial operations and indebtedness generally found or incorporated by reference in this Official Statement;

The Borrower will also covenant to the following:

(1) to file with the MSRB through EMMA notice of the occurrence of any of the following events with respect to the Bonds within 10 business days of the event's occurrence, if, in the judgment of the Borrower, such event is material:

(a) non-payment related defaults:
(b) modifications to rights of holders of the Bonds;
(c) Bond calls;
(d) release, substitution, or sale of property securing repayment of the Bonds;
(e) the consummation of a merger, consolidation, or acquisition or the sale of all or substantially all of the assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and
(f) appointment of a successor or additional trustee, or the change of name of a trustee; and

(2) to file with the MSRB through EMMA notice of the occurrence of any of the following events with respect to the Bonds within 10 business days of the event's occurrence:

(a) principal and interest payment delinquencies;
(b) unscheduled draws on debt service reserves reflecting financial difficulties;
(c) unscheduled draws on credit enhancements reflecting financial difficulties;
(d) substitution of credit or liquidity providers, or their failure to perform;
(e) defeasances;
(f) rating changes;
(g) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the securities, or other material events affecting the tax status of the securities;
(h) tender offers; and
(i) bankruptcy, insolvency, receivership or similar event of the obligated person.

In addition, the Borrower and TDF will covenant to file in a timely manner with the MSRB through EMMA, notice of a failure by the Borrower or TDF, respectively, to provide the required annual financial information on or before the specified period.

These covenants have been made in order to assist the Underwriter in complying with paragraph (b)(5) of Rule 15c2-12 of the SEC.

Neither the Borrower nor TDF undertake to provide the above-described event notice of a scheduled redemption, not otherwise contingent upon the occurrence of an event, if the terms, dates and amounts of redemption are set forth in detail in this Official Statement under "DESCRIPTION OF THE BONDS - Mandatory Redemption."

The Borrower and TDF expect to provide the core financial information and operating data described above by delivering their respective audited financial statements prepared in accordance with generally accepted accounting principles for the applicable fiscal year and a supplemental report containing other information to the extent necessary to provide the required core financial information and operating data by the deadline.

The Borrower entered into a similar continuing disclosure agreement in connection with the issuance of the Refunded Bonds and has filed the required annual financial information. Due to delays in the preparation of the audited financial statements by its independent auditor, the Borrower did not file, within the agreed 120 days, the required annual financial information for the fiscal years ended December 31, 2005, 2007 and 2008 with the nationally recognized municipal securities information repositories (the "NRMSIRs") and for the fiscal year ended December 31, 2009 with MSRB, through EMMA. The Borrower, nevertheless, did file the required information and has put in place internal mechanisms that it believes will facilitate compliance with its continuing disclosure obligations in the future.

The Borrower's undertaking under the continuing disclosure agreements relating to the Refunded Bonds was limited to providing operating data of the type presented in the respective official statements pertaining to the Refunded Bonds. Because the Borrower was a start-up entity that had no operating data at the time of the issuance of the Refunded Bonds as the Project was then under development and construction, the Borrower did not include any operating data in the official statements relating to the Refunded Bonds and did not file any operating data with the NRMSIRs for the years ended December 31, 2005, 2006, 2007 and 2008, or with the MSRB, through EMMA, for the year ended December 31, 2009. The Borrower has incorporated operating data for the past five fiscal years to Appendix A to this Official Statement, which operating data will be filed with the MSRB, through EMMA, concurrently with the distribution of this Official Statement.

On February 22, 2011, the Borrower filed with the MSRB, through EMMA, notice relating to an unscheduled draw of funds from the debt service reserve fund of the Refunded Bonds in the amount of $89,411.32 to pay the interest payments due on January 20, 2011, and of its failure to replenish the amounts so drawn within the required one-day period. The debt service reserve fund was replenished on February 10, 2011 with moneys provided by the Borrower. On March 28, 2011, the Borrower filed with the MSRB, through EMMA, notice relating to unscheduled draws from the debt service reserve fund of the Refunded Bonds to make interest payments due in the amount of $90,459.59 on February 22, 2011, and $90,789.31 on March 21, 2011. The Borrower failed to provide notice for the February 20, 2011 unscheduled draw within the required period. The Borrower had deposited such amounts with the Trustee of the Refunded Bonds prior to each draw. The Trustee of the Refunded Bonds made the interest payments with draws from the debt service reserve fund to comply with bankruptcy proofing requirements under the trust agreement for the Refunded Bonds. The Borrower has agreed to take any and all actions necessary to insure compliance with its continuing disclosure obligations in the future.

TDF entered into similar continuing disclosure agreements in connection with the issuance of other bonds guaranteed or supported by letters of credit issued by TDF and has timely filed the required annual financial information for the five fiscal years ended June 30, 2010.

The Borrower 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 Borrower, such other events are material with respect to the Bonds, but the Borrower does not undertake to provide any such notice of the occurrence of any material event except those events listed above.

No Bondholder may institute any suit, action or proceeding at law or in equity ("Proceeding") for the enforcement of the foregoing covenants or for any remedy for breach thereof, unless such bondholder shall have filed with the Borrower and TDF written notice of any request to cure such breach, and the Borrower or TDF shall have refused to comply within a reasonable time. All Proceedings shall be instituted only as specified in such Continuing Disclosure Agreement in any federal or Puerto Rico court located in the Municipality of San Juan, and for the equal benefit of all Bondholders of the outstanding Bonds benefited by the same or a substantially similar covenant, and no remedy shall be sought or granted other than specific

performance by the Borrower or TDF of the covenant at issue. Notwithstanding the foregoing, no challenge to the adequacy of the information provided in accordance with the filings mentioned above may be prosecuted by any bondholder except in compliance with the remedial and enforcement provisions contained in the Trust Agreement. See "SUMMARY OF THE TRUST AGREEMENT - Enforcement of Remedies."

The above covenants may only be amended or waived if:

(1) the amendment or waiver 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 Borrower or TDF, the covenants, as amended, or the provision as waived, would have complied with the requirements of Rule 15c2-12 at the time of award of the Bonds, after taking into account any amendments or change in circumstance as evidenced by the receipt of an opinion of counsel experienced in federal securities laws acceptable to the Trustee, the Borrower and TDF; and the amendment or waiver does not materially impair the interests of the Bondholders, as determined by the Trustee or by counsel experienced in federal securities laws acceptable to the Trustee, the Borrower and TDF; and

(2) all or any part of Rule 15c2-12, as interpreted by the staff of the SEC at the date of the adoption of such interpretation, ceases to be in effect for any reason, and the Borrower elects that the above covenants shall be deemed amended accordingly.

The Borrower has agreed that the annual financial information containing any amended operating data or financial information will explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the unqualified approving opinion of Pietrantoni Méndez & Alvarez LLP, San Juan, Puerto Rico, Bond Counsel. Certain legal matters will be passed upon for the Borrower by McConnell Valdés, San Juan, Puerto Rico, and for the Underwriter by Cancio Covas & Santiago, LLP, San Juan, Puerto Rico. Certain legal matters will be passed upon for TDF by O'Neill & Borges, San Juan, Puerto Rico.

MISCELLANEOUS

Appended to this Official Statement is information concerning the Borrower and the Project, the financial statements of the Borrower as of and for the year ended December 31, 2009, the financial statements of TDF as of and for the year ended June 30, 2010, and the form of opinion of Pietrantoni Méndez & Álvarez LLP, bond counsel. The financial statements of the Borrower as of and for the year ended December 31, 2009, contained in Appendix B, have been audited by Parissi P.S.C., independent auditors, as stated in their report appearing therein. The financial statements of TDF as of and for the year ended June 30, 2010, contained in Appendix C, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report appearing therein. The information set forth in this Official Statement in Appendix A and all other information herein relating to the Borrower and the Project was obtained from the Borrower. The Borrower has reviewed the information contained herein which relates to it and the Project and has approved the use of all such information in this Official Statement.

The financial statements of the Borrower as of and for the periods ended December 31, 2005, 2006, 2007 and 2008 have been filed with each NRMSIR, and for the period ended December 31, 2009 have been filed with the MSRB, through EMMA.

PUERTO RICO INDUSTRIAL, TOURIST, EDUCATIONAL, MEDICAL AND ENVIRONMENTAL CONTROL FACILITIES FINANCING AUTHORITY

By: ________________________________
Javier A. Ramos
Assistant Executive Director

APPROVED:

COCO BEACH GOLF & COUNTRY CLUB, S.E.

By: Coco Beach Development Corporation,
its Managing Partner

By: ____________________________
Arturo Díaz, Jr.
President

APPENDIX A

THE BORROWER AND THE GOLF CLUB

TABLE OF CONTENTS

Page

GENERAL BACKGROUND, THE RESORT AND THE GOLF CLUB 1
- The Resort 1
- The Golf Club 1

AGREEMENTS RELATED TO THE GOLF CLUB 2
- The Management Agreement 2
- The Management Agreement Attornment and Non-Disturbance Agreement 4
- The Land Contribution Agreement 4
- The Tournament Facilities Agreement 4
- The Use and Access Agreement 5
- The Coco Beach License Agreement 5

ENCUMBRANCES ON THE GOLF PARCEL 5
- The Golf Use Restrictions 5
- The Restrictive Covenants 6

THE PARTNERS OF THE BORROWER AND MANAGEMENT 6
- The Partners 6
  - Coco Beach Development Corporation 7
  - Arturo Díaz, Jr. 7
- Management and Control of the Borrower 7

BUSINESS OF THE BORROWER 8
- The Golf Club 8
- Additional Financing 12
  - Loans by Partners and Affiliates 12
  - Outstanding Long Term Debt 12
  - Revolving Line of Credit and Golf Carts Lease 13
  - Prepayment Agreement 13
- Market Area and Competition 14
- Seasonal Effects 14
- Labor 14
- Litigation 14
- Licenses and Permits 14
- Environmental 15

FINANCIAL INFORMATION 16
- Comparison of the Years Ended December 31, 2010 and 2009 17
- Comparison of the Years Ended December 31, 2009 and 2008 18

GENERAL BACKGROUND, THE RESORT AND THE GOLF CLUB

Coco Beach Golf & Country Club, S.E. (the "Borrower") is a civil partnership organized under the Puerto Rico Civil Code on December 30, 1999, that has elected to be treated as a special partnership pursuant to the Puerto Rico Internal Revenue Code of 1994, as amended, and continues to be treated as such pursuant to Section 6091.01(b)(2) of the Puerto Rico Internal Revenue Code of 2011. The Borrower was created for the purpose of building, developing and owning the Coco Beach Golf & Country Club, now known as the *Trump International Golf Club Puerto Rico*, which consists of two 18-hole championship golf courses, a clubhouse and related facilities (the "Golf Club"). The partners of the Borrower are Coco Beach Development Corporation, a Puerto Rico corporation ("CBDC"), and Mr. Arturo Díaz, Jr.

The Resort

The Coco Beach Resort (the "Resort") is located in the Municipality of Río Grande, on the northeast coast of Puerto Rico, approximately 21 miles east of the Luis Muñoz Marín International Airport. Its primary access routes from the San Juan metropolitan area are Puerto Rico Highway No. 3, a four-lane divided highway, and Puerto Rico Highway 66. The Resort is a resort community being developed in accordance with a master plan (the "Master Plan") that provides for the development of two hotels, two golf courses, timeshare units and residential properties on approximately 980 *cuerdas* (a "cuerda" equals approximately 0.97 of an acre) of a peninsula known as *Punta Miquillos* and a portion of land south of the peninsula. The Gran Meliá Hotel, a 486-room luxury beach hotel and resort (the "Hotel") developed by Desarrolladora del Norte S. en C. (S.E.) ("Desarrolladora"), opened to the public in March 2004 and is located next to the Golf Club. An affiliate of Desarrolladora, Segunda Fase Corp. ("Segunda"), has also developed 128 additional rooms and/or timeshare units (the "Vacation Club") for a total of over 614 rooms and/or timeshare units at the Gran Meliá Hotel and Vacation Club. In addition to the Hotel, R-3 Development, LLC ("R-3 Development"), a wholly owned subsidiary of CBDC, completed a 56-unit condohotel project adjacent to the Golf Club known as the Trump Founders Residences (the "Trump Residences") in August 2009.

The Golf Club

The Golf Club consists of two 18-hole championship golf courses, a clubhouse and related facilities. The Golf Club is located on approximately 532.3043 *cuerdas* of land in the Resort. The development and construction of the Golf Club commenced in 2000 and was completed in April 2005. The Golf Club's first golf course and clubhouse opened to the public in March 2004.

The golf courses provide four different playing experiences with the 36 holes: mountains, ocean-sides, wetlands and lakesides. The first 18-hole golf course is known as the Championship Course and features wide fairways, big greens and lakes. It is the course used for the Puerto Rico Open, an official PGA Tour event. The second 18-hole golf course is known as the International Course and features vegetation, wildlife and elevation changes. In addition, these two courses have several holes located next to the mangroves of the Espiritu Santo River and offer panoramic views of the Atlantic Ocean, Comezon Bay (East of the peninsula) and *Punta Miquillos*. All 36-holes of championship golf were designed by PGA Tour Professional Tom Kite.

The Golf Club also includes a full service, first-class 46,000 square foot clubhouse located on the eastern part of the *Punta Miquillos* peninsula and elevated to take advantage of the scenic ocean views. The clubhouse was designed and furnished in a traditional Spanish pallet, featuring Puerto Rican artwork and decoration. It includes a restaurant, known as the *Paradise Bay Grille Room*, with a 125-seat capacity, and an adjacent private lounge with sitting for 62 additional people. The *Grille Room's* design

is consistent with the traditional Spanish architecture of the clubhouse. The clubhouse also features a 3,000 square foot ballroom with a seating capacity of 200 persons and state-of-the-art technology enhancements designed for high performance meetings.

Additional facilities include a full service golf shop, full practice facility, indoor cart storage, golf bag storage area and administrative offices. Both the men's and women's locker rooms feature Jacuzzi hot tubs, steam rooms, full showers and sanitary facilities along with an assortment of full size lockers.

AGREEMENTS RELATED TO THE GOLF CLUB

The Management Agreement

On January 16, 2008, the Borrower and CBDC entered into that certain Facility Management Agreement (the "Management Agreement") with Trump Golf Coco Beach LLC, a Delaware limited liability company (the "Club Manager") for the management of the Golf Club in exchange for the payment of a management fee equal to 4.5% of the annual operating revenue and 12.5% of the annual net profits of the Golf Club. In addition to the management fee, the Management Agreement provides that the Borrower reimburse the Club Manager for costs incurred in performing its obligations thereunder, which are approved and qualify as reimbursable expenses under the Management Agreement. Currently, the day-to-day management is being conducted by the Borrower in coordination with the Club Manager. The Management Agreement requires that the Golf Club and its facilities be operated and maintained at all times in accordance with the highest five star luxury standards. The original term of the Management Agreement is 25 years, which commenced on June 3, 2008.

Pursuant to the Management Agreement, the Golf Club changed its name to *Trump International Golf Club Puerto Rico* (the "Trump Mark"). The Management Agreement also gave the Borrower a non-exclusive, non-assignable, non-transferrable right, without the right to grant sublicenses, to use the Trump Mark in the form approved by the Club Manager for the sole purpose of operating, advertising, marketing and promoting the Golf Club. The Borrower's right to use the Trump Mark is further subject to the same restrictions upon the use of the name *Trump* set forth in that certain license agreement (the "License Agreement"), dated January 16, 2008, by and among CBDC, Coco Beach Holdings, Inc. ("Holdings"), and R-3 Development, all affiliates of the Borrower, and Trump Marks Puerto Rico I LLC (the "Licensor"), an affiliate of the Club Manager. Also, pursuant to the License Agreement, the Licensor must approve any changes to the design, layout or location of the golf courses of the Golf Club other than changes required by the Professional Golf Association.

The Club Manager may terminate the Management Agreement if the License Agreement is terminated or any of the licensees defaults on its respective obligations under the License Agreement or any other agreement with the Club Manager or any of its affiliates.

The Borrower is not a party to the License Agreement and does not control any of the licensees parties to the License Agreement. Therefore, the Club Manager may terminate the Management Agreement and the right to use the Trump Mark for reasons not attributable to the Borrower and that are beyond its control.

The Club Manager may terminate the Management Agreement if the Borrower (and Licensor may terminate the License Agreement if any of the licensees thereunder): (a) commences a case or other proceeding under any bankruptcy, reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction; (b) has commenced against it any such case or proceeding that is not dismissed within one hundred twenty (120) days after commencement; (c) is adjudicated insolvent or bankrupt or any order of relief or other order approving any such case or

proceeding is entered; (d) suffers the appointment of any custodian or the like for it or any substantial part of its property that is not discharged or stayed within one hundred twenty (120) days of the appointment; (e) makes a general assignment for the benefit of creditors; (f) fails to pay, or states that it is unable to pay or is unable to pay, its debts generally as they become due; (g) calls a meeting of its creditors with a view to arranging a composition, adjustment or restructuring of its debts; or (h) by any act or failure to act that expressly indicates its consent to, approval of or acquiescence in any of the foregoing or takes any corporate or other action for the purpose of effecting any of the foregoing.

The Club Manager may also terminate the Management Agreement if: (a) Arturo Díaz, Jr., Jorge L. Díaz or Arturo F. Díaz (the "Principals") cease to collectively own a majority of the direct or indirect interests in the Borrower and to control the day to day activities of the Borrower; (b) the Trump Mark or any marks similar thereto are used by the Borrower in a manner not expressly permitted by the terms of the Management Agreement; (c) the Borrower or any Principal is convicted of a felony in a non-appealable decision of a state or federal court in the United States or the Commonwealth of Puerto Rico or pleads *nolo contendere*; (d) the Borrower or any Principal becomes an object of public scorn or ridicule such that there is a material and adverse effect on the Golf Club or the value thereof, the Golf Club's revenues or the value of the Trump Mark or the Club Manager's interests under the Management Agreement; (e) the Club Manager determines that the Borrower is not complying with the standards for the operation of the Golf Club established by the Management Agreement or the License Agreement; or (f) the Borrower breaches any other provision of the Management Agreement.

The Licensor may terminate the License Agreement if: (a) the Principals cease to collectively own a majority of the direct or indirect interests in the licensees and to control the day to day activities of the licensees; (b) the licensees do not meet certain development milestones for the development of branded residential components of the Resort; (c) the mark licensed thereunder or any marks similar thereto are used by the licensees in a manner not expressly permitted by the terms of the License Agreement; (d) the licensees or any Principal is convicted of a felony in a non-appealable decision of a state or federal court in the United States or the Commonwealth of Puerto Rico or pleads *nolo contendere*; (e) the licensees or any Principal becomes an object of public scorn or ridicule such that there is a material and adverse affect on the Resort or the value thereof, the sale of branded real estate units at the Resort or the value of the licensed mark or the Licensor's interests under the Management Agreement; (f) the licensees do not complete certain improvements to the Golf Club and certain other common areas and facilities of the Resort set forth in the License Agreement; (g) a branded residential component, as built, does not comply with the standards for the development and operation established by the License Agreement; or (h) a licensee breaches any other provision of the License Agreement.

The Borrower may terminate the Management Agreement if the Club Manager: (a) commences a case or other proceeding under any bankruptcy, reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction; (b) has commenced against it any such case or proceeding that is not dismissed within one hundred twenty (120) days after commencement; (c) is adjudicated insolvent or bankrupt or any order of relief or other order approving any such case or proceeding is entered; (d) suffers the appointment of any custodian or the like for it or any substantial part of its property that is not discharged or stayed within one hundred twenty (120) days of the appointment; (e) makes a general assignment for the benefit of creditors; (f) fails to pay, or states that it is unable to pay or is unable to pay, its debts generally as they become due; (g) calls a meeting of its creditors with a view to arranging a composition, adjustment or restructuring of its debts; or (h) by any act or failure to act that expressly indicates its consent to, approval of or acquiescence in any of the foregoing or takes any corporate or other action for the purpose of effecting any of the foregoing.

The Borrower may also terminate the Management Agreement if: (a) Donald J. Trump, his spouse or his descendants, in the aggregate, cease to own a majority of the direct or indirect interests in

the Club Manager and to control the day to day activities of the Club Manager; (b) the Club Manager, Donald J. Trump or, at a time when employed by The Trump Organization, Donald Trump, Jr., Eric Trump or Ivanka Trump, are convicted of a felony in a non-appealable decision of a state or federal court in the United States or the Commonwealth of Puerto Rico or plead *nolo contendere*; (c) the Club Manager, Donald J. Trump or, at a time when employed by The Trump Organization, Donald Trump, Jr., Eric Trump or Ivanka Trump, become an object of public scorn or ridicule, such that there is a material and adverse affect on the Golf Club or the value thereof, the revenue derived from the Golf Club, the value of the Trump Mark and certain other related marks, or the Borrower's interests under the Management Agreement; and, (d) subject to a notice and cure period, the Club Manager fails to perform or observe any of its other obligations under the Management Agreement and such default has a material adverse effect on the revenue generated by the Golf Club.

The Management Agreement Attornment and Non-Disturbance Agreement

Pursuant to the Management Agreement Attornment and Non-Disturbance Agreement (the "NDA") by and among the Borrower, CBDC, the Club Manager and the Puerto Rico Tourism Development Fund ("TDF"), a subsidiary of the Government Development Bank for Puerto Rico, the Club Manager will agree to subordinate its rights under the Management Agreement to the lien of the security documents to be executed in connection with the Bonds, and TDF will agree that, except as otherwise provided in the NDA, it will not terminate the Management Agreement or interfere with the Club Manager's rights thereunder.

The Land Contribution Agreement

Pursuant to an Amended and Restated Land Contribution Agreement executed on September 28, 2000 (the "Land Contribution Agreement") by and among Betteroads Asphalt Corporation ("Betteroads"), CBDC, CBM Investment Corporation, Meliá Inversiones Americanas, N.V., a Netherlands company, and Desarrolladora, the Borrower, as CBDC's designee, is required to maintain the Golf Club at a standard equal to the standard for the maintenance of the Hotel. If the Borrower fails to maintain the Golf Club in accordance with the foregoing standard and Desarrolladora provides the Borrower with written notice thereof, the Borrower will have 45 days to cure such default. If the Borrower is diligently pursuing the curing of such default and such default is not capable of being cured within the 45-day period, such period will be extended for as long as it is necessary for the Borrower to cure the default. If the Borrower fails to cure the default within such period, as it may be extended, Desarrolladora shall have all remedies available to it at law or in equity, including, without limitation, the right to enter the parcel of land on which the Golf Club is located (the "Golf Parcel") and cure such default at Borrower's expense.

The Land Contribution Agreement also grants Desarrolladora the right of first offer to purchase the Golf Club if the Borrower decides to sell or convey the Golf Club to a third party other than an affiliate or partner of the Borrower, or receives a bona fide purchase offer from a third party. If Desarrolladora does not exercise its right of first offer, then the Borrower may offer to sell the Golf Club to any third-party purchaser or accept the purchase offer from a third-party.

The Tournament Facilities Agreement

The Borrower entered into a tournament facilities agreement on January 24, 2007 with Puerto Rico Golf Foundation, Inc. ("PRGF") and PGA Tour, Inc. to perform a PGA Tour event in Puerto Rico named *Puerto Rico Open*, a four day, 72-hole competition during 2008, 2009 and 2010. The Borrower obtained an extension to host the event through 2012. Under the tournament facilities agreement, the Borrower has the exclusive right to produce, market, and retain all gross revenues derived from the sale of

merchandise bearing the Golf Club's logo, and PRGF has the right to produce, market and sell merchandise bearing the event logo at locations other than the Golf Club. The rental fee for the use of the Golf Club by the PRGF is a flat fee of $40,000 per tournament, payable on or before the conclusion of the event. PRGF provides, at its sole expense, commercial general liability insurance coverage.

The Use and Access Agreement

On September 28, 2000, the Borrower, Desarrolladora, Operadora San Juan, S.E., and PFP Golf Management, L.P., S.E., the then operator of the Golf Club, entered into a Use and Access Agreement (the "Use and Access Agreement") granting the Hotel's guests the right to access and use the Golf Club and to certain tee times on the golf courses subject to rules regarding such access and use as are deemed advisable from time to time by the Borrower. The Use and Access Agreement grants the Hotel's guests priority over Golf Club members, guests of other hotels at the Resort, residents of the Resort and the public at large in reserving (with 48-hours advanced reservation) 20% of the tee times for the period from 7:00 a.m. to 12:00 p.m. and from 12:00 p.m. to 3:00 p.m. It also grants the Golf Club's members the right to access and use the Hotel's facilities, subject to availability of such facilities, after satisfying the needs of Hotel guests and to the payment of such fees or charges imposed by Desarrolladora from time to time for the use of such facilities by non-guests of the Hotel.

Furthermore, under the Use and Access Agreement, the Borrower shall provide the Hotel's guests with a 5% discount off the rack rates applicable to the general public in effect on the date each round is played. In consideration for such discount, the Borrower has the right, free of charge, to place brochures and other advertising material in rooms at the Hotel and to advertise the golf courses in the areas of the Hotel designated by Desarrolladora for advertising by concessionaires and others providing services to the Hotel's guests. All such advertising materials are subject to Desarrolladora's approval.

The Use and Access Agreement has an initial term of 10 years from March, 2004, and is automatically renewed for successive one year terms unless either party notifies its decision to not renew in writing 90 days prior to the end of the applicable term.

The Borrower and Desarrolladora constituted a reciprocal non-exclusive real easement upon the Golf Parcel and the parcel of land upon which Desarrolladora developed the Hotel (the "Hotel Parcel") in order to record in the Registry of the Property the terms and conditions contained in the Use and Access Agreement.

On April 22, 2004, the Use and Access Agreement was amended to include the Vacation Club and its facilities developed by Segunda.

The Coco Beach License Agreement

The Borrower has entered into a license agreement (the "License Agreement") with CBDC pursuant to which CBDC granted the Borrower, at no cost or expense, the non-exclusive right to use the name *Coco Beach* and the logos, trademarks and trade names associated with such name in connection with the operation of the Golf Club.

ENCUMBRANCES ON THE GOLF PARCEL

The Golf Use Restrictions

The Borrower constituted certain use restrictions (the "Use Restrictions") upon the Golf Parcel in favor of the Hotel Parcel and Betteroads, which provide that the Golf Parcel will only be used for the

development of two golf courses and related facilities, including a clubhouse, and that such use shall not be changed without the express written consent of CBDC and the owner of the Hotel Parcel. The Use Restrictions exists as an encumbrance upon the Golf Parcel in perpetuity and run with the land and bind all parties acquiring the Golf Parcel or having any right, title or interest over the Golf Parcel, whether by purchase, lease, gift, foreclosure of mortgage, purchase at judicial or public sale or otherwise.

The Use Restrictions also require that the golf courses be maintained at a standard equal to that for the maintenance of the Resort, that, pursuant to the restrictive covenants must be equal to the standard generally prevailing throughout the Resort to be established by Coco Beach Maintenance, Inc. and consistent with a first class resort community of the type contemplated in the Master Plan. If the Borrower fails to maintain the Golf Club in accordance with the foregoing standard and Desarrolladora provides the Borrower with written notice thereof, the Borrower will have 45 days to cure such default. If the Borrower is diligently pursuing the curing of such default and such default is not capable of being cured within the 45-day period, such period will be extended for as long as it is necessary for Borrower to cure the default. If the Borrower fails to cure the default within such period, as it may be extended, Desarrolladora shall have all remedies available to it at law or in equity, including, without limitation, the right to enter the Golf Parcel and cure such default at Borrower's expense.

The Restrictive Covenants

The Golf Parcel is subject to restrictive covenants that provide, among other things, that all roads within the Resort will remain private and never be dedicated to public use unless so required by a governmental agency or municipality; that all developments in the Resort be residential developments (as contemplated in the Master Plan) or an "eligible business" (as defined in the Puerto Rico Tourism Development Act of 1993, as amended, and consistent with the Master Plan); and that all owners of land in the Resort, including the Golf Parcel, contribute proportionally to the cost of security, repair and maintenance of the Resort's common areas.

Pursuant to the restrictive covenants, the Borrower is responsible for the annual payment of assessments in the amount of $13,415 and, as of December 31, 2010, owes $103,827 with respect to such assessments. Proposed future developments within the Resort will not impact the percentage of the Resort assessments for which the Borrower is responsible.

THE PARTNERS OF THE BORROWER AND MANAGEMENT

The Partners

The partners of the Borrower are CBDC and Arturo Díaz, Jr. The partnership interests of the partners are expressed as a percentage that represents the aggregate cash capital contributions of the partner relative to the aggregate cash capital contributions of all partners to the Borrower, and are as follows:

Coco Beach Development Corporation	90%
Arturo Díaz, Jr.	10%

The Partnership Agreement does not obligate the partners to fund capital contributions to the Borrower. CBDC may determine from time to time whether the Borrower needs additional capital and whether the partners will meet such needs by contributing additional capital or lending the money to the Borrower or a combination thereof. If a partner does not fully fund its proportionate share of a request for additional capital, then the other partner may elect to fund such deficiency by contributing additional

capital or lending the money to the Borrower or a combination thereof. If the partner elects to fund the deficiency by contributing additional capital the percentage partnership interests will be recalculated to reflect such contributions and dilute the partner that did not contribute its share of the request. Any loans provided by a partner to fund a request for additional capital will bear interest at a rate equal to 2% over the prime rate.

Pursuant to the Partnership Agreement, CBDC will distribute available cash flow (after the payment of all operating expenses and debt service), first, to pay the partners' tax liability by virtue of their ownership of the partnership interests; second, to repay any loans made by the partners to the Borrower pro rata; third, to repay any additional capital contributions of partners pro rata; and fourth, to pay 90% of the remaining funds to CBDC and 10% to Arturo Díaz, Jr.

Coco Beach Development Corporation

CBDC is a privately-held Puerto Rico corporation organized by Mr. Arturo Díaz, Jr. in 1998 for the purpose of developing the Resort. CBDC is a wholly-owned subsidiary of Betteroads, which is owned by Arturo Díaz, Jr. and his wife, Judith Irizarry.

Arturo Díaz, Jr.

Mr. Díaz is the President, principal stockholder and founder of Betteroads. He is also the founder of Arturo Díaz Construction Corporation, San Juan Dredging, Best Contracting Corporation, San Juan Cement Company, CBDC and Betterecycling Corporation. Through these and other companies, Mr. Díaz has played a prominent role in the development of major construction and infrastructure projects in Puerto Rico. Mr. Díaz was involved in the construction of the 65th Infantry Highway, the Baldorioty de Castro Expressway and the Trujillo Alto Expressway, and the dredging of San Juan Bay.

Mr. Díaz has served as President, Chairman and Director of several business and trade associations, including the Puerto Rico Manufacturers Association, the American Road Builders Association, and the Portland Cement Association for the Caribbean. He has also served as Chairman of the Board of Directors of the Puerto Rico Water Resources Authority, the Governor's Advisory Committee for Industrial Affairs, and the Advisory Committee to the Economic Development Administration of Puerto Rico. Mr. Díaz also served as Director of Popular, Inc.

Management and Control of the Borrower

Pursuant to the Partnership Agreement, CBDC may make all decisions with respect to the business, management and control of the Borrower, both as the managing partner and the owner of a majority of the partnership interests. The management functions of CBDC with respect to the Golf Club include:

- administering the properties of the Borrower;
- arranging for loans to achieve the purpose of the Borrower;
- authorizing expenditures of the Borrower's funds in accordance with the approved budget;
- granting easements as may be necessary with respect to the Borrower's properties;
- collecting and receiving all sums of money owing to the Borrower;
- employing and discharging employees;
- paying taxes and assessments levied on the properties of the Borrower;
- maintaining insurance policies;
- carrying out and performing all of the Borrower's obligations;

- ordering and supervising all repairs and maintenance of the Borrower's properties; and
- taking any and all actions as may be necessary to carry out the objectives of the Borrower.

The following persons are the directors and principal executive officers of CBDC, each of whom has been elected or appointed to serve until his or her successor is duly elected and qualified:

Name	Position
Arturo Díaz. Jr.	President and Chairman of the Board of Directors
Jorge Luis Díaz Irizarry	Executive Vice President, Treasurer and Director
Arturo F. Díaz Irizarry	Executive Vice President, Assistant Treasurer and Director
Judith Irizarry Morales	Secretary and Director
Arturo Ocasio Martínez	Director
Frances O. Massó	Assistant Secretary

Mssrs. Jorge Luis Díaz Irizarry and Arturo F. Díaz Irizarry have served as officers and directors of CBDC since its founding.

Mr. Jorge Luis Díaz Irizarry is Executive Vice President of Empresas Díaz, Inc. and all of its subsidiaries, including Betteroads and CBDC. He serves as director of Empresas Díaz, Inc., and its subsidiaries, Betteroads, Betterecycling Corporation and CBDC. Mr. Díaz Irizarry also serves as director of First Bancorp and as the Chairman of its Credit Committee, and as director of Baldwin School of P.R., Ritz Carlton Hotel Club Membership and the Celebrity Cancer Golf Classic. He is also a member of the Chamber of Commerce, the Puerto Rico Manufacturers Association, the Puerto Rico and United States Associations of General Contractors, the Asphalt Recycling and Reclaiming Association, the National Asphalt Pavement Association, the Puerto Rico Convention Bureau, and the Puerto Rico Hotel & Tourism Association. He has previously served as a director of Destilería Serrallés, Ponce Candy Industries, San Juan Cement Company and the Puerto Rico Museum of Contemporary Art.

Mr. Arturo F. Díaz Irizarry is Executive Vice President of Betteroads Asphalt Corporation and has over 30 years of experience in the asphalt and construction industries. Mr. Diaz Irizarry has a Bachelors Degree in Finance from the World University and a Juris Doctor from the Inter-American University School of Law. Mr. Diaz Irizarry has served as a director of the Puerto Rico Telephone Company and as a member of the central government advisory committee. Also, Mr. Diaz Irizarry was Vice President of the Puerto Rico Manufacturers Association, Vice President of the American Concrete Institute and President of the Concrete Manufacturers Association.

Mr. John Wilson has been the General Manager of the Golf Club since 2004 and has over 20 years of experience in the hospitality industry. He is a member of the Puerto Rico Convention Bureau, the Puerto Rico Hotel Association, Puerto Rico Golf Association and United States Golf Manager Association. He previously worked for the Wyndham Hotels as Associate Director of Group Sales.

BUSINESS OF THE BORROWER

The Golf Club

The Golf Club, which operates under the name Trump International Golf Puerto Rico, is a golf club that serves as the principal amenity to the Resort. The Golf Club's income is derived from tournament and event fees, membership dues, and the sale of rounds of golf, food and beverage and golf

sporting retail goods. The Borrower has no other source of income and does not foresee developing new sources of income in the near future.

The Golf Club also offers memberships upon application and payment of a one-time refundable membership deposit and membership dues, the amounts of which are determined by the Borrower from time to time. Members of the Golf Club have privileges with respect to tee times at the golf courses and the use of the facilities of the Golf Club. Purchasers of units at the Trump Residences are required to become members of the Golf Club, and a portion of the initial purchase price for a unit is applied to the payment of the membership deposit. In any subsequent sale of the unit, membership in the Golf Club is transferred with title to the unit. As of December 31, 2010, the Golf Club had 66 members, 3 of which are unit owners at Trump Residences. Membership deposits are refundable no later than 30 years from the date of the member's admission to the Golf Club and, accordingly, have been presented as deposits in the audited financial statements attached hereto. Future hotel developments planned for the Resort should increase revenues of the Borrower by increasing the use of the Golf Club and sales to tourists. Future residential developments should increase the number of Golf Club members and the use of the Golf Club.

As of December 31, 2010, approximately 85% of the total client mix of the Golf Club represents local players and approximately 15% represents tourists, including Hotel guests. The Borrower does not expect this distribution to vary significantly in the near future.

The following table summarizes the revenues of the Borrower for the last five fiscal years by the various categories and their respective percentages of the total revenues.

Table I - Summary of Total Revenue
For the Fiscal Years Ended December 31

	2006		2007		2008		2009		2010 (unaudited)	
	$	%	$	%	$	%	$	%	$	%
Golf	$ 2,074,609	65.5	$ 1,837,860	63.4	$ 1,586,932	58.5	$ 1,365,719	56.0	$ 1,629,739	57.8
Food and beverage	756,479	23.9	749,640	25.9	739,459	27.3	773,857	31.8	869,099	30.8
Pro shop	336,037	10.6	310,623	10.7	386,762	14.3	298,129	12.2	322,829	11.4
TOTAL	$ 3,167,125	100.0	$ 2,898,123	100.0	$ 2,713,153	100.0	$ 2,437,705	100.0	$ 2,821,667	100.0

The main sources of golf revenue of the Golf Club are the membership dues, the fees charged for playing golf and tournament and event fees ("Golf Revenues"). Golfers usually play one round of eighteen holes (a "Round"). Since 2006, the average fee for playing a Round has been $68.48. Since 2006, Golf Revenues have decreased steadily, reaching a low of $1,365,719 for 2009, but increased in 2010 to $1,629,739 because of an increase in the sale of Rounds. The reasons for the decline were the deterioration of the Puerto Rico economy, and a decrease in the sale of Rounds.

As to the other Golf Club revenue sources, revenues from the sale of food and beverage remained stable since 2006 in spite of the decrease in the Rounds sold, and increased to $869,099 in 2010 as a result of the increase in the sale of Rounds and the attraction of more tournament events. This has mainly been due to an increase in the usage of banquet space at the Golf Club's clubhouse. As to the sales in the pro shop, which include sales of golf equipment and clothing and equipment rental, revenues have fluctuated from $310,623 with a peak of $386,762 in 2008, a decrease to $298,129 in 2009, and another increase to $322,829 in 2010. This fluctuation has mainly been due to the fluctuations in the sale of Rounds.

During the *Puerto Rico Open*, the Golf Club had total revenues from of $270,488 in 2008, $247,330 in 2009, and $246,479 in 2010, which include pro shop sales, food and beverage sales, and the $40,000 annual facility fee.

The following table shows the Rounds sold at the Golf Club broken down by type of players, and the number of Golf Club Members, on an annual basis since 2006.

Table II – Rounds Summary & Membership

	Fiscal Year ended December 31				
Type of Round	**2006**	**2007**	**2008**	**2009**	**2010**
Member	2,930	2,192	1,299	1,514	1,780
Member Guest	2,733	2,018	2,758	3,228	4,540
Local	6,048	5,264	2,761	3,693	3,798
Tournament	6,900	7,424	6,285	4,519	6,130
Outside Hotel	1,182	1,160	727	613	685
Gran Melia Hotel	4,487	3,411	2,265	1,460	2,058
Other	1,652	1,190	237	213	190
Total Rounds	25,932	22,659	16,332	15,240	19,181
Membership	55	51	50	51	66

The number of Rounds sold have been steadily declining since 2006. From 2006 to 2007, the number of Rounds sold decreased by 12.6% and significantly decreased from 2007 to 2008 by 27.9% as a result of a decrease in the sale of Rounds to Puerto Rico golfers and Golf Club members. The principal reason for such decline was the deterioration of the Puerto Rico economy. In 2010, there was a substantial increase in all types of Rounds that were sold.

The following table illustrates the total operating expenses of the Borrower for the last five fiscal years.

Table III – Historical Direct and Operating Expenses
For the Fiscal Years Ended December 31,

	2006	2007	2008	2009	2010**
Golf	$ 1,851,734	$ 2,192,384	$ 2,758,076	$ 2,547,816	$ 2,397,292
Food and beverage	707,978	655,215	799,508	745,869	737,336
Pro shop	188,590	178,102	242,957	191,136	193,852
Total direct expenses	$ 2,748,302	$ 3,025,701	$ 3,800,541	$ 3,484,821	$ 3,328,479
Selling, general, and administrative	2,121,008	2,224,799	1,965,051	2,366,361	2,270,580
Management fees	110,925	101,514	117,260	109,731	126,982
Depreciation and amortization*				1,793,307	1,684,539
Total operating expenses	$ 2,231,933	$ 2,326,313	$ 2,082,311	$ 4,269,399	$ 4,082,102
TOTAL	$ 4,980,235	$ 5,352,014	$ 5,882,852	$ 7,754,220	$ 7,410,581

* As a result of a change in the independent auditors used by the Borrower for the year ended 2009, depreciation and amortization on property and equipment was treated as an operating expense instead of as a fixed charge in the audited financial statements for the year ended 2009.

** The financial information included with respect to 2010 is unaudited.

Total expenses of the Golf Club, excluding depreciation and amortization expenses, have steadily increased since the commencement of operations until 2008 with an increase of 7.5% between 2006 and 2007, 9.9% between 2007 and 2008. Such expenses decreased in 2009 and 2010.

Golf expenses steadily increased between 2006 and 2008, and have consistently decreased since then. The largest increase in golf expenses of 25.8% and in total direct expenses of 25.6% from 2007 to 2008 was due an increase in the federal minimum wage, an increase in the costs of electricity, and heightened maintenance standards imposed by the Club Manager and the PGA Tour, which required a substantial increase in maintenance staff and treatments for the golf courses.

Selling, administrative and operating expenses have fluctuated during the past five years. These decreased between 2007 and 2008 by 11.7% due to a retroactive adjustment to accrued property taxes. In 2009, these expenses increased again to the highest levels since the commencement of operations due to an increase in the minimum wage and costs related to maintaining the golf course to PGA's standards. For 2010, these expenses decreased because of management's cost reduction efforts.

The following table sets forth the net losses of the Borrower for the past five fiscal years.

Table IV – Net Losses
For the Fiscal Years Ended December 31

	2006	2007	2008	2009*	2010*
Net loss before interest and other income and fixed charges	$ 1,813,110	$ 2,453,891	$ 3,169,699	$ 5,316,515	$ 4,588,914
Interest and other income	(89,384)	(88,292)	(280,188)		
Fixed charges	3,207,688	3,291,172	3,363,844	1,894,402	1,324,638
NET LOSS	$ 4,931,414	$ 5,656,771	$ 6,253,355	$ 7,210,917	$ 5,913,552

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* As a result of a change in the independent auditors used by the Borrower for the year ended 2009, depreciation and amortization on property and equipment was treated as an operating expense instead of as a fixed charge in the audited financial statements for the year ended 2009. Likewise, interest and other income were not included in total fixed charges in the audited financial statements for the year ended 2008, whereas such amounts were included in total fixed charges for the year ended 2009. The unaudited financial statements for the year ended 2010 were prepared in the same method as the audited financial statements for the year ended 2009.

The Golf Club's net losses increased steadily from 2006 until 2009. The 14.7% increase between 2006 and 2007 was mainly caused by a decrease in Golf Revenues and an increase in payroll due to minimum wage increase. The 10.6% increase between 2007 and 2008 was due to a significant decrease in the sale of Rounds and, consequently, in Golf Revenues, another increase in minimum wage and the hiring of additional staff in anticipation of the *Puerto Rico Open*. The 15.3% increase between 2008 and 2009 was caused by a decrease in Golf Revenues, another payroll increase due to the increase of minimum wage and the cost related to maintaining the golf courses to the highest standards. In 2010, it is estimated that the net losses decreased by 18.0%. The Borrower's net losses during the past five fiscal years have been covered by loans from its partners and affiliates. As of December 31, 2010, such loans and other amounts due to affiliates of the Borrower totaled $32,798,681. From 2006 until 2008, fixed charges were relatively stable. In 2009, these decreased due to a change in the accounting methodology. See footnote under Table IV. For 2010, fixed charges are estimated at 1,324,638, a decrease of 30.1% over the same period in 2009.

Additional Financing

Loans by Partners and Affiliates

As of December 31, 2010, loans and other amounts due by the Borrower to its partners and affiliates, other than the CBDC Note (defined below), totaled $31,224,784. Neither the partners nor other affiliates of the Borrower have any legal obligation to make capital contributions or extend credit to or on behalf of the Borrower, and therefore may cease to do so at any time. Pursuant to the Partnership Agreement, loans granted by the partners bear interest at 2% over the U.S. prime rate and are repaid from available cash flow prior to any distributions to the partners on account of their relative percentage partnership interests. The Borrower currently does not have any available cash flow for the repayment of the loans made by its partners.

Outstanding Long Term Debt

On September 28, 2000, the Borrower entered into a loan agreement with the Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority ("AFICA") for $18,000,000, which loan agreement was supplemented on September 10, 2004 to increase

the principal amount loaned thereunder by $7,497,854.10 to finance the construction of the Project. In connection with the loan agreement, AFICA issued the Tourism Revenue Bonds, 2000 Series A and 2004 Series A (collectively, the "Refunded Bonds"). The Refunded Bonds are payable solely from revenues derived by AFICA under the loan agreement with the Borrower and from other monies pledged for payment under the trust agreement dated September 28, 2000, and supplemented on September 10, 2004, between AFICA and Banco Popular de Puerto Rico, as trustee (the "Trustee"). The Refunded Bonds are secured by an irrevocable, transferable standby letter of credit (as amended, the "Existing TDF Letter of Credit") issued by TDF under a Letter of Credit and Reimbursement Agreement dated September 28, 2000 between the Borrower and TDF, as amended (the "Reimbursement Agreement"). The Refunded Bonds will be paid off in full with a draw against the Existing TDF Letter of Credit, which will be fully reimbursed to TDF from the proceeds of the sale of the Bonds.

Revolving Line of Credit and Golf Carts Lease

As of December 31, 2010, the Borrower had a line of credit with CBDC secured by a note payable to CBDC (the "CBDC Note"). The CBDC Note has a maturity date of December 31, 2015, and bears interest at 2% over the U.S. prime rate. CBDC originally authorized a line of credit in the amount of $1 million and subsequently authorized an increase in the available line of credit for operational purposes. As of December 31, 2010, the outstanding principal balance under the line of credit amounted to $1,573,897. The CBDC Note is subordinated to the Borrower's obligations under the loan agreement with AFICA and to the Borrower's obligations to TDF under the Reimbursement Agreement.

The Borrower also has a capital lease with Popular Auto in the original principal amount of $710,000. The loan has a maturity date of March 1, 2012, and bears interest at an annual rate of 8.5%. The proceeds of such lease were used to purchase golf carts for the Golf Club. As of December 31, 2010, the lease had an outstanding principal amount of $327,525.

Prepayment Agreement

Pursuant to that certain Prepayment Agreement and Amendment Number 3 to the Letter of Credit and Reimbursement Agreement (the "Existing Prepayment Agreement") by and among CBDC, the Borrower, R-3 Development, Holdings and TDF, within 30 days of the closing of the sale of any unit developed by an affiliate of the Borrower at the Resort, such affiliate is required to deposit $85,000 with the trustee for the redemption of the Bonds, except that in the case of the closing of the sale of a unit in the Trump Residences, R-3 Development may defer depositing with the trustee $45,000 with respect to each unit until the repayment of the construction facility for the Trump Residences. After the repayment of the construction facility, R-3 Development must apply any excess cash flow after the payment of certain closing costs and other fees to the payment of such deferred amounts. As of December 31, 2010, R-3 Development had sold six units at the Trump Residences. R-3 Development has deposited $240,000 with the Trustee in accordance with the terms of the Existing Prepayment Agreement.

The Borrower, CBDC, R-3 Development, Holdings, TDF and the Authority have entered into a new Prepayment Agreement (the "Prepayment Agreement") under substantially the same terms and conditions as the Existing Prepayment Agreement. Any funds deposited with the Trustee as per the Prepayment Agreement will be applied towards the mandatory redemption of the Bonds semi-annually on each principal payment date of the Bonds.

These amounts may represent a major source for the payment of the Bonds.

Market Area and Competition

The Resort's and the Golf Club's main competitors in the Municipality of Río Grande are the Río Mar Resort located directly east of the Resort and the St. Regis Bahía Beach Resort located directly west of the Resort, both of which have at least one golf course as an amenity. The Resort also competes with various other resort and golf communities located throughout Puerto Rico, including the Conquistador Resort in Fajardo, the Palmas del Mar Golf Club in Humacao, and the Dorado Beach Plantation Resort in Dorado.

Although there are several competing golf courses and resorts in Puerto Rico, the Golf Club has the only golf courses in Puerto Rico that meet the PGA Tour's standards for hosting its events, which includes superior drainage capacity to permit its operation during times of greater rainfall. The Golf Club's golf courses have been recognized by *Golf Week* as among the best golf courses in the Caribbean and Mexico, with the International golf course being recognized among the top ten. The International golf course has also been recognized as the "Best Golf Course of Puerto Rico" by the American Academy of Hospitality Services.

The Borrower believes it will capture a greater share of the Puerto Rico market for golf tournaments and events because of the superior quality of its golf courses.

Seasonal Effects

Historically, the Borrower has experienced seasonal variations in revenues due to an increase in visits by tourists during the high season, generally commencing on December 15th and ending on May 15th of each year. The Borrower expects that such seasonal variations will continue in substantially the same pattern or become more pronounced in the future.

Labor

The Borrower currently employs 82 full-time and 5 part-time employees. These employees consist primarily of management, operations and maintenance. The Borrower outsources security to third parties. The Borrower believes that relations with its employees are satisfactory.

The Borrower's employees are participants in a pension plan established in June 2007. Each participant's share in the plan is based on his or her salary.

Litigation

The Borrower has filed a lawsuit against the Municipal Revenue Collection Center (known by its Spanish acronym as "CRIM") and its Executive Director with respect to certain real property taxes that have been assessed, and appraisals that have been issued, with respect to the Golf Parcel. The Borrower does not anticipate that an adverse judgment will have a materially adverse impact on its expenses.

The Borrower is not currently involved in any other lawsuits, or administrative or arbitration proceedings.

Licenses and Permits

The Borrower is subject to the licensing requirements of a number of government agencies and, to the best of its knowledge, is in material compliance with such requirements.

Environmental

The Borrower, to the best of its knowledge, has no environmental compliance problems.

FINANCIAL INFORMATION

The financial statements of the Borrower appearing in Appendix B hereto for the fiscal year ended December 31, 2009 were audited by Parissi P.S.C., independent auditors, and the financial statements for the fiscal year ended December 31, 2008 were audited by KPMG LLP, independent auditors. The following tables set forth the audited balance sheets as of December 31, 2009 and 2008 and the audited income statements for the fiscal years ended December 31, 2009 and 2008. In addition, the following tables set forth the unaudited balance sheet as of December 31, 2010 and the unaudited income statement for the year ended December 31, 2010. The results expressed below are not necessarily indicative of the results that may be expected for the full fiscal year or any other interim period.

Coco Beach Golf & Country Club, S.E.
Balance Sheet Data

	Fiscal Year ended December 31		
	2008	**2009**	**2010**
ASSETS			(unaudited)
CURRENT ASSETS:			
Cash	$ 230,024	$ 246,152	$ 131,013
Accounts and other receivable	150,274	174,145	538,391
Inventory	245,194	233,760	153,410
Interest – bearing deposit held in trust -restricted	1,226,001	1,561,198	1,356,065
Prepaid Expenses	128,346	106,976	117,714
Total current assets	1,979,839	2,322,231	2,296,593
PROPERTY AND EQUIPMENT, NET	54,255,457	52,932,589	51,363,377
DEBT ISSUED COSTS	1,028,444	960,608	894,026
OTHER ASSETS	12,500	12,500	12,500
Total assets	$ 57,276,240	$ 56,227,928	$ 54,566,495
LIABILITIES AND PARTNERS' CAPITAL			
CURRENT LIABILITIES:			
Current portion of obligations under capital leases	$ 131,294	$ 150,108	$ 168,923
Current portion of loan payable	495,000	525,000	560,000
Accounts payable	956,875	765,774	790,742
Accrued expenses	343,609	383,886	465,653
Accrued interest on note payable to partner	802,212	727,217	809,848
Due to affiliates	1,208,527	2,757,843	4,128,473
Loan interest payable	38,734	38,734	38,734
Total current liabilities	3,976,251	5,348,562	6,962,373
OBLIGATIONS UNDER CAPITAL LEASES, EXCLUDING CURRENT PORTION	477,634	327,526	158,602
DUE TO PARTNERS	17,497,278	22,966,270	26,286,463
NOTE PAYABLE TO PARTNER	1,620,203	1,573,897	1,573,897
LOAN PAYABLE, EXCLUDING CURRENT PORTION	25,401,540	24,898,506	24,360,047
MEMBERSHIP DEPOSITS	369,062	389,812	415,312
Total liabilities	49,341,968	55,504,573	59,756,694
PARTNERS' CAPITAL	7,934,272	723,355	(5,190,199)
Total liabilities and partners' capital	$ 57,276,240	$ 56,227,928	$ 54,566,495

Coco Beach Golf & Country Club, S.E.
Statement of Income Data

	Fiscal Year ended December 31		
	2008	**2009**	**2010**
REVENUES:			(unaudited)
Golf	$ 1,586,932	$ 1,365,719	$ 1,629,739
Food and beverage	739,459	773,857	869,099
Pro shop	386,762	298,129	322,829
Total revenue	2,713,153	2,437,705	2,821,667
DIRECT COSTS AND EXPENSES:			
Golf	2,758,076	2,547,816	2,397,292
Food and beverage	799,508	745,869	737,336
Pro shop	242,957	191,136	193,852
Total direct costs and expenses	3,800,541	3,484,821	3,328,479
Gross loss	(1,087,388)	(1,047,116)	(506,812)
OPERATING EXPENSES:			
Selling, general, and administrative	1,965,051	2,366,361	2,270,580
Management fees	117,260	109,731	126,982
Depreciation and amortization on property and equipment*		1,793,307	1,684,539
Total operating expenses	2,082,311	4,269,399	4,082,102
Loss before other income, interest income and fixed charges	(3,169,699)	(5,316,515)	(4,588,914)
OTHER INCOME (EXPENSE):			
Interest income	78,922	61,798	58,085
Other income	201,266	13,333	533,000
Fixed charges:			
Depreciation and amortization on property and equipment*	(1,349,295)		
Interest expense	(2,014,549)	(1,969,533)	(1,915,723)
Total fixed charges*	(3,363,844)	(1,894,402)	(1,324,638)
NET LOSS	$ (6,253,355)	$ (7,210,917)	$ (5,913,552)

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* Depreciation and amortization on property and equipment was treated as a fixed charge in the audited financial statements for the year ended December 31, 2008 but as an operating expense for the year ended 2009 because of a change in the independent auditors of the Borrower. Likewise, interest and other income were not included in total fixed charges in the audited financial statements for the year ended December 31, 2008, whereas such amounts were included in total fixed charges for the year ended 2009. The unaudited financial statements for the year ended December 31, 2010 were prepared in the same method as the audited financial statements for the year ended 2009.

Comparison of the Years Ended December 31, 2010 and 2009

Total assets of the Borrower decreased 3.0% from $56.2 million at the end of 2009 to $54.6 million at the end of 2010, mainly due to a decrease in the value of the property and equipment net from $52.9 million to $51.4 million. Total liabilities increased 7.7% from $55.5 million at the end of 2009 to $59.8 at the end of 2010 due to increases in current liabilities (due to affiliates) from $2.8 million to $4.1 million and in long-term liabilities (due to partners) from $23.0 million to $26.3 million.

The Borrower had estimated net losses of $5.9 million in the year ended December 31, 2010, compared to $7.2 million in the year ended December 31, 2009. The decrease in net losses was mainly due to an increase of $519,667 in other income and an increase of $383,962 in total revenues.

Comparison of the Years Ended December 31, 2009 and 2008

Total assets of the Borrower decreased 1.8% from $57.2 million at the end of 2008 to $56.2 million at the end of 2009, mainly due to a decrease in the value of the property and equipment net from $54.2 million to $52.9 million. Total liabilities increased 12.5% from $49.3 million at the end of 2008 to $55.5 million at the end of 2009 due to increases in current liabilities (due to affiliates) from $1.2 million to $2.8 million and in long-term liabilities (due to partners) from $17.5 million to $23.0 million.

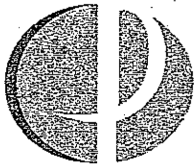
The Borrower had net losses of $7.2 million in the year ended December 31, 2009, compared to $6.2 million for the year ended December 31, 2008. The increase in net losses was mainly due to (i) a decrease in revenues from $2.7 million to $2.4 million, which in turn was primarily due to decreases of $221,213 in Golf Revenues and $88,633 in pro shop sales, and (ii) increases of $398,310 in selling, general and administrative expenses due to an increase in the minimum wage, the cost of utilities and a decrease in the sale of Rounds; and increase of $444,012 in depreciation and amortization expenses caused by capitalized improvements.

APPENDIX B

Borrower's audited financial statements for the year ended December 31, 2009

Coco Beach Golf & Country Club, S.E.

Financial Statements for the Years Ended December 31, 2009 and 2008 and Independent Auditors' Report



Independent Auditors' Report

The Partners of
Coco Beach Golf & Country Club, S.E.

We have audited the accompanying balance sheet of Coco Beach Golf & Country Club, S.E (the Partnership) as of December, 31, 2009, and the related statement of operations, partners' capital, and cash flows for the year then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Partnership as of December 31, 2008, were audited by other auditors whose report dated May 26, 2009, expressed an unqualified opinion on those statements.

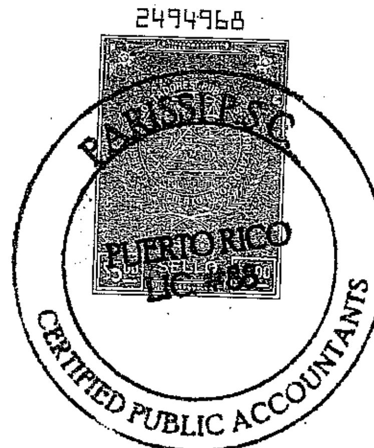
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2009 financial statements referred to above present fairly, in all material respects, the financial position of Coco Beach Golf & Country Club, S.E. as of December 31, 2009, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Parissi, PSC

April 23, 2010

Stamp No. 2494968 was affixed
to original of this report.
License No. 88 Exp. December 1, 2011



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Coco Beach Golf & Country Club, S.E.

Balance Sheets
December 31, 2009 and 2008

		2009	2008
Assets			
Current assets:			
Cash	$	246,152	230,024
Accounts and other receivable		174,145	150,274
Inventory		233,760	245,194
Interest - bearing deposit held in trust - restricted		1,561,198	1,226,001
Prepaid expenses		106,976	128,346
Total current assets		2,322,231	1,979,839
Property and equipment, net		52,932,589	54,255,457
Debt issued costs		960,608	1,028,444
Other assets		12,500	12,500
Total assets	$	56,227,928	57,276,240
Liabilities and Partners' Capital			
Current liabilities:			
Current portion of obligations under capital leases	$	150,108	131,294
Current portion of loan payable		525,000	495,000
Accounts payable		765,774	956,875
Accrued expenses		383,886	343,609
Accrued interest on note payable to partner		727,217	802,212
Due to affiliates		2,757,843	1,208,527
Loan interest payable		38,734	38,734
Total current liabilities		5,348,562	3,976,251
Obligations under capital leases, excluding current portion		327,526	477,634
Due to partners		22,966,270	17,497,278
Note payable to partner		1,573,897	1,620,203
Loan payable, excluding current portion		24,898,506	25,401,540
Deposits		389,812	369,062
Total liabilities		55,504,573	49,341,968
Partners' capital		723,355	7,934,272
Total liabilities and partners' capital	$	56,227,928	57,276,240

See notes to financial statements.

Coco Beach Golf & Country Club, S.E.

Statements of Operations
Years Ended December 31, 2009 and 2008

	2009	2008
Revenues:		
Golf	$ 1,365,719	1,586,932
Food and beverage	773,857	739,459
Pro shop	298,129	386,762
Total revenue	2,437,705	2,713,153
Direct costs and expenses:		
Golf	2,547,816	2,758,076
Food and beverage	745,869	799,508
Pro shop	191,136	242,957
Total direct costs and expenses	3,484,821	3,800,541
Gross loss	(1,047,116)	(1,087,388)
Operating expenses:		
Selling, general, and administrative	2,366,361	1,965,051
Management fees	109,731	117,260
Depreciation and amortization on property and equipment	1,793,307	1,349,295
Total operating expenses	4,269,399	3,431,606
Loss before other income, interest income and fixed charges	(5,316,515)	(4,518,994)
Other income (expense):		
Interest income	61,798	78,922
Other income	13,333	201,266
Interest expense	(1,969,533)	(2,014,549)
Total fixed charges	(1,894,402)	(1,734,361)
Net loss	$ (7,210,917)	(6,253,355)

See notes to financial statements.

Coco Beach Golf & Country Club, S.E.

Statements of Partners' Capital
Years Ended December 31, 2009 and 2008

	Coco Beach Development Corporation	Arturo Díaz, Jr.	Total
Partners' capital, December 31, 2008	$ 13,051,682	1,135,945	14,187,627
Net loss	(5,628,020)	(625,335)	(6,253,355)
Partners' capital, December 31, 2008	7,423,662	510,610	7,934,272
Net loss	(6,489,825)	(721,092)	(7,210,917)
Partners' capital, December 31, 2009	$ 933,837	(210,482)	723,355

See notes to financial statements.

Coco Beach Golf & Country Club, S.E.

Statements of Cash Flows
Years Ended December 31, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Net loss	$ (7,210,917)	(6,253,355)
Adjustments to reconcile net loss to nét cash used in operating activities:		
Depreciation and amortization on property and equipment	1,793,307	1,349,291
Gain on sale of equipment	(12,000)	—
Amortization of debt issue costs	67,836	68,442
Amortization of loan discount	21,965	22,305
Net capital appreciation of loan payable	—	278,258
Decrease (increase) in assets:		
Receivables	(20,871)	9,193
Inventory	11,434	(54,025)
Prepaid expenses	21,370	(65,701)
Increase (decrease) in liabilities:		
Accounts payable	(191,101)	(346,444)
Accrued expenses	40,277	(545,583)
Accrued interest on note payable to partner	(74,995)	114,830
Deposits	20,750	(37,688)
Net cash used in operating activities	(5,532,945)	(5,460,477)
Cash flows from investing activities:		
Income earned (reinvestment) of deposits held in trust	—	228,728
Investment in certificates of deposit for bond fund	(335,197)	—
Proceeds from sale of equipment	9,000	225,000
Additions of property and equipment	(470,439)	(1,665,689)
Net cash used in investing activities	(796,636)	(1,211,961)
Cash flows from financing activities:		
Principal payments under capital leases	(131,294)	(253,889)
Advances from partners	5,468,992	7,183,398
Advances from affiliates	1,549,316	231,219
Principal payments on notes payable	(46,306)	—
Loan principal payments	(494,999)	(390,500)
Net cash provided by financing activities	6,345,709	6,770,228
Net increase in cash	16,128	97,790
Cash, beginning of year	230,024	132,234
Cash, end of year	$ 246,152	230,024
Supplemental disclosure of cash flow information:		
Interest paid	$ 1,796,563	1,541,700
Supplemental information of noncash items:		
Equipment acquired under capital lease	—	710,000
Property and equipment contributed by partner, at cost	—	5,154,120
Account receivable generated from sale of equipment	3,000	—

See notes to financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Coco Beach Golf & Country Club, SE (the Partnership) is a special partnership organized on December 30, 1999 under the laws of the Commonwealth of Puerto Rico to acquire, develop, construct, own, use, sell, lease, operate, and manage two 18 hole championship golf courses, a clubhouse, and related facilities in the municipality of Rio Grande, Puerto Rico, formerly known as Coco Beach Golf & Country Club (the Club). During February 2008, the Club changed its name to the Trump International Golf Club Puerto Rico. The property was developed in two phases, the first entailed the construction of the first 18 hole championship golf course, a clubhouse for the two golf courses, and the installation of the land and irrigation system for the second golf course. This phase was completed during 2004. The second phase, which was completed in April 2005, consisted of the construction of the second 18 hole golf course. Up until March 2008, the partners of the Partnership were Coco Beach Development Corporation (CBDC or the Managing Partner), Mr. Arturo Díaz, Jr. (Diaz), owner of CBDC, and PFP Coco Beach, LP (PFP), a Delaware limited partnership. Effective March 25, 2008, PFP transferred its ownership interest to CBDC.

The following is a summary of significant accounting policies followed by the Partnership:

Basis of Presentation

During current year the Company adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The ASC does not alter current Generally Accepted Accounting Principles (GAAP), but rather integrates existing accounting standards with other authoritative guidance.

The ASC provides a single source of authoritative GAAP for non-governmental entities and supersedes all other previously issued non-Security and Exchange Commission (SEC) accounting and reporting guidance. The adoption of the ASC did not have any effect on the Company's results of operations or financial position. All prior references to GAAP have been revised to conform to the ASC. Updates to the ASC are issued in the form of Accounting Standards Updates (ASU).

Use of Estimates

The preparation of the financial statements requires the Partnership to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment and inventories. Actual results could differ from those estimates.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined principally using the first in, first out (FIFO) method.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Equipment under capital leases is initially recorded at the present value of minimum lease payments. Depreciation and amortization on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets as follows:

	Estimated useful lives (in years)
Buildings and structures	30 - 40 years
Land improvements	15 years
Furniture, fixtures, and equipment	4 - 10 years

Equipment under capital leases is amortized on the straight-line method over the shorter of the lease term or estimated useful life of the asset.

Maintenance and repair costs are recorded as expenses as incurred while improvements and renewals to the property are capitalized.

Income Taxes

The Partnership has elected special partnership status and operates under Subchapter K of the Puerto Rico Internal Revenue Code of 1994, as amended. As a special partnership, the Partnership is not subject to income taxes, but rather, the income or loss of the Partnership is reportable by the partners in their tax returns, so long as the Partnership complies with certain provisions of Subchapter K. Management of the Partnership believes the Partnership complied with the provisions of the Subchapter K. Accordingly, no provision for Puerto Rico income taxes has been made in the accompanying financial statements.

Discount and Debt Issue Costs

Discount on loan and debt issue costs related to the Puerto Rico Industrial, Tourist, Educational, Medical, and Environmental Control Facilities Financing Authority (AFICA) loan payable has been deferred and is being amortized over the terms of the debt using a method, which approximates the interest method. Amortization of discount and debt issue costs were capitalized as financing costs during the construction period. Subsequent to the construction period, such amortization is recognized as interest expense in the accompanying statements of operations. The accumulated amortization of discount and debt issue cost at December 31, 2009 and 2008 amounted to $714,164 and $624,363, respectively.

Impairment of Long-Lived Assets

Long-lived assets, consisting of property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimate undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Membership Deposits

Any person who wishes to become a member of the Club will be required to pay a one-time membership deposit, the amount of which will be determined by the Partnership from time to time at its sole discretion. Membership deposits will be refunded no later than 30 years from the date of the member's admission to the Club and, accordingly, have been presented as deposits in the accompanying balance sheets.

Revenue Recognition

Golf revenue is recognized when the rounds are played. Food and beverage and pro shop revenue is recognized when the services are performed or at the point of sale.

New accounting pronouncements

FASB ASC 855-10-50-1 incorporates existing guidance into the accounting literature for the accounting and disclosure of events that occur after the balance sheet date but before financial statements are issued. The adoption did not have a material effect on the Company's financial statements.

Subsequent events

The Company has evaluated the impact of subsequent events through April 23, 2010, which is the date these financial statements were issued.

2. OPERATIONS

The Partnership's financial statements for the years ended December 31, 2009 and 2008 have been prepared on a going concern basis, which contemplates the realization of assets and liabilities and commitments in the normal course of business. The Partnership has incurred losses of $7,210,917 and $6,253,355 and negative working capital of $3,026,331 and $1,996,412 for the years ended December 31, 2009 and 2008, respectively.

The continued operations of the Partnership are dependant upon the ability of the Club to attract customers and control operating expenses. Trump International Co. (Club Manager) has developed a plan to achieve and maintain positive operating cash flows sufficient to allow the Partnership to continue as a going concern. In particular, the Club Manager has developed programs to attract

members and use the Club, while containing operating costs. Should the operations of the Partnership fail to generate sufficient cash flows, the Managing Partner has committed, intends, and has the ability to fund, to the extent required, any cash flow deficiency or to provide any direct or indirect financial assistance to the Partnership.

The success of management's plans described above cannot be assured, as it is dependent upon future events and circumstances whose outcome cannot be anticipated.

3. OPERATING AGREEMENTS

(a) *Tournament Facilities Agreement*

The Partnership entered into a tournament facilities agreement on January 24, 2007 with Puerto Rico Golf Foundation, Inc. (the Host Organization) and PGA Tour, Inc. to perform a PGA tour event in Puerto Rico named Puerto Rico Open, a four day, 72 hole competition during 2008 and 2009, the Partnership is currently seeking an extension to host the event through 2012. Under the tournament facilities agreement, the Partnership shall have the exclusive right to produce, market, and retain all gross revenues derived from the sale of merchandise bearing the Golf facility logo. Notwithstanding, the Host Organization shall have the right to produce, market, and sell merchandise bearing the event logo at locations other, than golf facilities and agreed to pay the Partnership a royalty at the rate of (10%) of the wholesale price of each item sold. The rental fee for use by the Host Organization of the golf facility and the member clubhouse shall be a flat fee of $40,000 for each year to be paid on or before the conclusion of the event. The Host Organization shall provide, at its sole expense, commercial general liability insurance coverage for the injury or damage.

(b) *Service Agreement*

The Partnership entered into a service agreement with Betteroads, Parent Company of CBDC, for certain predevelopment and development services, including among others, the negotiation of certain agreements, applying for permits, and authorizations for the construction of the Club, arranging for an AFICA loan, receiving and approving all requisitions to be submitted by the construction manager, monitoring the construction manager's compliance with its obligations, and maintaining records of the Club. On the date of the issuance of the AFICA loan, the Partnership paid Betteroads $150,000 as consideration for the AFICA loan services presented as debt issue costs and a fee of $50,000 as consideration for other development services included in property and equipment. No commitment is outstanding under the service agreement except for reimbursement of expenses to be incurred by Betteroads in performing its obligation thereunder.

(c) *Club Management Agreement*

Up until February 2008, the Partnership had a management agreement with PFP Golf Management L.P., S. E, to manage the Club, including the development, design, marketing, and administration of a membership program at the Club. Effective February 2008, the Club entered into a new management agreement with Trump International Co. (Club Manager). Under the new agreement, the Partnership shall pay a management fee equal to 4.5% of the annual gross revenue (as defined in the agreement). Management fees amounted to $109,731 and $117,260 for the

years ended December 31, 2009 and 2008, respectively. In addition to the management fee, the Partnership shall reimburse the Club Manager for costs incurred in performing its obligation thereunder, which are approved and qualify as reimbursable expenses under the agreement. Reimbursable expenses amounted to $4,771 for the years ended December 31, 2008. No expenses were reimbursed during the year ended December 31, 2009.

(d) Use and Access Agreement

The Partnership and its Club Manager entered into a use and access agreement with the owner and the manager Gran Meliá Hotel, formerly known as Paradisus Puerto Rico Hotel (the Hotel) in order to permit guests staying at the Hotel to have access to the Club facilities and certain tee times for golf play, and to permit members of the Club and their guests to have access to the Hotel facilities in accordance with the terms of the agreement.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2009 and 2008:

	2009	2008
Land	$ 28,728,977	28,728,977
Land improvements	9,561,128	5,122,537
Building and structures	16,201,983	16,160,640
Furniture, fixtures, and equipment	5,158,075	5,109,627
Construction in progress	—	4,080,382
	59,650,163	59,202,163
Less accumulated depreciation and amortization	(6,717,574)	(4,946,706)
	$ 52,932,589	54,255,457

During the year ended December 31, 2009, the Partnership transferred $4,080,382 from construction in progress to land improvements.

During the year ended December 31, 2009, the Partnership sold for $12,000 fully depreciated equipment with a cost of $22,439.

In 2008, the Partnership received a property and equipment contribution of approximately $5.1 million from CBDC. As the transaction was among related parties, such in-kind contribution was recorded at the property's carrying value of the partner.

5. INTEREST – BEARING DEPOSIT HELD IN TRUST – RESTRICTED

At December 31, 2009 and 2008, trust funds amounting to $1,561,198 and $1,226,001, respectively, were held in interest-bearing deposits to satisfy debt service reserve fund and bond fund Requirements. The type, rate, and outstanding amount of such interest-bearing deposits are as follows:

Type	Rate		December 31, 2009	2008
Debt service reserve fund	6.90	$	1,141,869	1,141,869
Bond fund	2.73		419,329	84,132
		$	1,561,198	1,226,001

6. NOTE PAYABLE TO PARTNER

The note payable to partner, as amended on July 2005, consists of a $1 million revolving line-of-credit agreement entered by the Partnership with CBDC on December 30, 1999, as amended bearing interest at 2% over the U.S. prime rate and with a maturity date of December 31, 2010. This note is subordinated to the Puerto Rico Tourism Development Fund (TDF), and the interest under this note may only be paid from excess cash flow, as defined in the guaranty and reimbursement agreement. Interest is payable on the last day of each month for the actual number of days elapsed. U.S. prime rate at December 31, 2009 and 2008 was 3.25%. Interest incurred as of December 31, 2009 and 2008 amounted to $1,186,489 and $1,207,809, respectively.

During 2006, the Partnership obtained authorization from CBDC to increase the amount of cash advances for operational purposes. As a result, the outstanding principal balance of the note exceeded the $1 million previously agreed under the terms and conditions of the agreement. The balance of the note payable as of December 31, 2009 and 2008 amounted to $1,573,897 and $1,620,203, respectively.

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7. LOAN PAYABLE

The Partnership entered into an $18 million loan agreement with AFICA to finance a portion of the Club. In connection with the loan agreement, AFICA issued the same principal amount in Tourism. Revenue Bonds, 2000 Series A. The bonds were purchased by the underwriters with an aggregate original discount of $437,430 and are payable solely from revenue derived by AFICA under the loan agreement with the Partnership and from other moneys pledged for payment under the indenture of trust. The AFICA bonds are secured by an irrevocable and unconditional letter of credit of TDF, a subsidiary of the Government Development Bank for Puerto Rico (an instrumentality of the Commonwealth of Puerto Rico). During 2004, the Partnership amended the loan agreement with AFICA to provide for an additional issuance of Tourism Revenue Bonds, 2004 Series A. The bonds were purchased by the underwriters with an aggregate original discount of $56,234. The additional bonds issue will be entitled to the same benefits and security as the other bonds then outstanding under the trust agreement. The bond type, interest rate yield, original maturity, outstanding amount, and unamortized original issue discount are as follows:

Bond type	Interest rate/yield (%)	Original maturity	Outstanding amount at December 31, 2009
Serial	6.500 - 6.800	June 20, 2005 - December 20, 2011	$ 745,000
Term	7.000 - 7.125	December 20, 2018 - December 20, 2030	15,765,000
Serial	6.000	December 20, 2008 - December 20, 2034	9,175,000
			25,685,000
		Unamortized original issued discount	(261,494)
			$ 25,423,506

The aggregate maturities of the loans payable for the next five years and thereafter are as follows:

Year Ending December 31,	Amount
2010	$ 525,000
2011	560,000
2012	600,000
2013	640,000
2014	685,000
Thereafter	22,675,000
Total	$ 25,685,000

Under the loan agreement, the Partnership is required to maintain construction, bond, and debt service reserve funds. The funds deposited with a trustee are restricted and will be used to pay construction costs and debt service (principal and interest). The trustee has deposited the proceeds of the issuance in several interest-bearing accounts with the Government Development Bank for Puerto Rico and a commercial bank in Puerto Rico. The Partnership has not required collateral or other security to support the deposits, nor are these guaranteed or insured by any authority, agency, or instrumentality of the United States or the Commonwealth of Puerto Rico, except for deposits under $250,000 held by the commercial bank, which are insured by the Federal Deposit Insurance Corporation. Accordingly, in the event of insolvency, receivership, or conservatorship, the Partnership may not be able to access the funds.

Concurrent with the loan agreement, the Partnership entered into a guaranty and reimbursement agreement with TDF, which provides that the Partnership will reimburse TDF for any amounts funded by them pursuant to the above-mentioned agreement. This agreement is secured by liens on substantially all the assets of the Partnership, including a pledge of a mortgage note for $18 million (the amount equal to the principal amount of the 2000 bonds). The mortgage note is secured by a first mortgage on substantially all the personal property of the Partnership and a first priority security interest on substantially all the personal property of the Partnership, including the Partnership's rights under various agreements and funds held in various accounts. The same assets also secure the 2004 bonds. Such security will be shared pro rata by the holders of the 2004 bonds and the holders of the 2000 bonds TDF amended and restated the guaranty and reimbursement agreement to also secure the payment of principal and interest on the 2004 bonds.

In consideration of the aforementioned guaranty and reimbursement agreement, the Partnership agreed to pay to TDF, on each interest payment date, a letter-of-credit fee of: (a) one-twelfth of 1.5%, with respect to the period commencing on the date of issuance and ending on September 19, 2007 (provided the Partnership complies with debt coverage ratio requirements); (b) one-twelfth of 2.0% with respect to the period commencing on September 20, 2007 and ending September 19, 2015; (c) one-twelfth of 2.5%, with respect to the period commencing on September 20, 2015 and ending on September 19, 2020; (d) one-twelfth of 3%, with respect to the period commencing on September 20, 2020 and ending on September 19, 2025; and (e) one-twelfth of 3.5%, with respect to the period commencing on September 20, 2025 and ending on December 30, 2034, of the sum of the product of the aggregate principal amount of the bonds outstanding on such interest payment date, plus interest on such principal, less the average daily amounts that which have been on deposit in the debt service reserve, the operating deficit reserve, the excess cash flow reserve, or the bond fund reserve since the immediately preceding interest payment date.

In addition, the Partnership shall pay to TDF an amount equal to $3,000 for each interest, principal, or reserve fund deficiency drawing made by the trustee under the guaranty and reimbursement agreement. The Partnership has agreed, under the loan agreement that during each of its taxable years while the bonds are outstanding it will comply with certain source of income requirements. Should the Partnership fail to comply with any of these requirements, it will be required to pay additional interest, subject to certain limitations, to each qualifying bondholder. Management believes that the Partnership has complied with such source of income requirements.

The bonds are subject to redemption, at the option of the Partnership, in whole or in part, as directed by the Partnership, at any time on or after June 20, 2008, at the redemption price plus declining premiums as set forth herein:

Redemption period	Premiums
Through June 10, 2009	2%
June 20, 2009 to June 19, 2010	1%

To exercise the foregoing optional redemption, the Partnership will be required to deposit with the trustee moneys necessary to effect such redemption not later than the 94th day immediately preceding the date on which the corresponding redemption price is due and payable. The written consent of TDF issuer shall be required for any optional redemption in whole or in part, if there exists an event of default or an event has occurred, which if' not cured would constitute an event of default under the guaranty and reimbursement agreement. The guaranty and reimbursement agreement does not cover any premium payable in connection with any such optional redemption.

8. PARTNERSHIP ALLOCATIONS AND DISTRIBUTIONS

Pursuant to the amendment and restatement of the Partnership agreement dated March 25, 2008, the interest of the partners in the Partnership is as follows: CBDC - 90% and Diaz - 10% Previous to that date, the interest of the partners in the Partnership was as follows: CBDC - 83%, Díaz -10%, and PFP - 7%. The Partnership agreement does not provide for the allocation of book net profit or loss. The allocation for the years ended December 31, 2009 and 2008 in the accompanying financial statements has been made in accordance with the percentage of interest of each partner.

For income tax purposes, each partner shall include in its gross income, for each taxable year, its distribution share in the net income of the Partnership. All losses generated by the Partnership shall be allocated to CBDC.

All tax credits generated pursuant to the tax concession issued under the Tourism Development Act of 1993, as amended, shall be allocated between Díaz and CBDC; such allocation shall be made in the following proportions: 19% for Diaz and 81% for CBDC.

The Partnership shall distribute, from time to time, in such amounts as partners representing the majority of the Partnership interest agree, any available cash flow (as defined in the Partnership agreement) to the partners according to their respective Partnership interest from time to time in the following priority: (a) to pay the Puerto Rico income tax liability of CBDC and Diaz arising solely by reason of its Partnership interests; (b) to repay the partners on a pro rata basis any contribution loan made by them in accordance with the provisions of the partners' agreement; (c) to repay the partners on a pro rata basis any additional capital contributions (as defined in the partnership agreement) made by them in accordance with the provisions of Partnership agreement; (d) 90% to CBDC and 10% to Diaz, provided that distribution of available cash flow to CBDC under the first item mentioned above shall be set off' against these distributions to be made. Additionally, the Partnership agreement provides for certain put and call rights among the partners.

The above represents a summary of the most significant provisions of the Partnership agreement (as amended; therefore, such agreement should be referred to for a more complete description of allocations and distributions.

9. LEASES

The Partnership is obligated under capital leases covering certain golf carts that expire in April 2012. The gross amount of equipment under capital leases amounts to $710,000 at December 31, 2009 and 2008, and related accumulated amortization amounts to $310,695 and $101,072 at December 31, 2009 and 2008, respectively. Amortization of assets held under capital leases is included in depreciation and amortization expense.

Future minimum lease payments under future minimum capital lease payments as of December 31, 2009 are:

Year ending December 31:	
2010	$ 183,819
2011	183,819
2012	159,385
Total minimum lease payments	527,023
Less amount representing interest (at rate of 8.5% per annum)	49,389
Present value of net minimum capital lease payments	477,634
Less current installments of obligations under capital leases	150,108
Obligations under capital leases, excluding current installments	$ 327,526

10. TAX CONCESSION

The Puerto Rico Tourism Company has granted the Partnership a tax concession for a period of 10 years commencing in the year in which the Partnership commences its exempted tourism activity with respect to income generated from the golfers who come from the Hotel as follows:

	Exemption rate
Municipal, personal, and real property taxes	90%
Income taxes expenses	90%
License fees, excise taxes, and other municipal taxes	100%
Municipal construction excise taxes	100%
Excise tax assessed on articles for use and consumption	100%

The tax concession requires the Partnership to comply with the provisions of, and the regulations issued pursuant to, the Tourism Development Act, the Puerto Rico Internal Revenue Code (the Code) the terms of the tax concession granted to the Partnership, and certain filing requirements provided by the Code Failure of the Partnership to comply with these requirements could result in the revocation of the tax concession and the elimination of all the exemptions provided by the Tourism Development Act.

During 2009 the Partnership did not complied with the tax concession's minimum employment requirement of 101 employees. However, since the Company's average annual employment for 2009 of approximately 98 employees was below the required number by less than 10%, no revocation of the tax concession was deemed imminent. During 2008, the Partnership complied with the tax concession's minimum employment requirement. The Partnership has requested an amendment to the tax concession to decrease the employment requirement for the following years. No response has been received from the authorities but management believes that the amendment will be considered favorably.

* * * * *

April 9, 2010

Parissi, PSC
650 Muñoz Rivera Ave Suite 502
San Juan, P.R. 00918-4149

Dear Sirs:

We are providing this letter in connection with your audit of the balance sheet of Coco Beach Golf & Country Club, S.E. (the Partnership) as of December 31, 2009, and the related statements of operations, partner's capital and cash flows for the year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of Beach Golf & Country Club, S.E. in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of April 9, 2010, the following representations made to you during your audit.

1) The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles.

2) We have made available to you all—
   a) Financial records and related data.
   b) Minutes of the meetings of stockholders, directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.

3) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in financial reporting practices.

4) There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

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5) We believe that the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

6) We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.

7) We have no knowledge of any fraud or suspected fraud affecting the Partnership involving:
   a) Management,
   b) Employees who have significant roles in internal control, or
   c) Others where the fraud could have a material effect on the financial statements.

8) We have no knowledge of any allegations of fraud or suspected fraud affecting the Partnership received in communications from employees, former employees, regulators, or others.

9) The Partnership has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

10) The following have been properly recorded or disclosed in the financial statements:
   a) Related party transactions and related accounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees.
   b) Guarantees, whether written or oral, under which the Partnership is contingently liable.

11) There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that near term means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the Partnership vulnerable to the risk of a near-term severe impact that have not been properly disclosed in the financial statements.

12) There are no:
   a) Violations or possible violations of laws or regulations whose effect should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
   b) Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5.
   c) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by *Statement of Financial Accounting Standards No. 5.*

13) The Partnership has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

14) We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

15) The Partnership's financial statements for the years ended December 31, 2009 and 2008 have been prepared on a going concern basis which contemplates the realization of assets and liabilities and commitments in the normal course of business. The Partnership has incurred losses of $7,210,917 and $6,253,355 for the years ended December 31, 2009 and 2008, respectively.

16) The continued operations of the Partnership are dependant upon the ability of the Club to attract customers and control operating expenses. Trump International Co. (Club Manager) has developed a plan to achieve and maintain positive operating cash flows sufficient to allow the Partnership to continue as a going concern. In particular, the Club Manager has developed programs to attract members to the Club while containing operating costs. Should the operations of the Partnership fail to generate sufficient cash flows, the Managing Partner has committed, intends, and has the ability to fund, to the extend required, any cash flow deficiency or to provide any direct or indirect financial assistance to the Partnership.

17) There are no restrictive covenants under which the Partnership is non-compliant.

18) The Puerto Rico Tourism Company has granted the Partnership a tax concession for a period of 10 years commencing in the year in which the Partnership commences its exempted tourism activity with respect to income generated from the golfers who come from the Hotel. The tax concession requires the Partnership to comply with the provisions of, and the regulations issued pursuant to, the Tourism Development Act, the Puerto Rico Internal Revenue Code (the Code) the terms of the tax concession granted to the Partnership, and certain filing requirements provided by the Code Failure of the Partnership to comply with these requirements could result in the revocation of the tax concession and the elimination of all the exemptions provided by the Tourism Development Act.

    During 2009 the Partnership did not comply with the tax concession's minimum employment requirement of 101 employees. However, since the Company's average annual employment for 2009 of approximately 98 employees was below the required number by less than 10%, no revocation of the tax concession was deemed imminent. During 2008, the Partnership complied with the tax concession's minimum employment requirement. During 2009 the Partnership requested an amendment of the tax concession to decrease the number of employment requirements. No response has been received from the authorities, but Management believes that the amendment will be considered favorably.

No events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.

Very truly yours,

Coco Beach Golf & Country Club, S.E.

Arturo Díaz, Jr.
President of Coco Beach Dev. Corp.,
Managing Partner

Marisel Rivera
Vice-president of Coco Beach Dev. Corp.
Managing Partner

David Rivera
Comptroller of Coco Beach Dev. Corp.,
Managing Partner

Sergio Méndez
Comptroller of Coco Beach Golf & Country Club, SE

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APPENDIX C

TDF's audited financial statements for the year ended June 30, 2010

Puerto Rico Tourism Development Fund

(A Component Unit of Government Development Bank for Puerto Rico)

Basic Financial Statements and Required Supplementary Information as of and for the Year Ended June 30, 2010, and Independent Auditors' Report

PUERTO RICO TOURISM DEVELOPMENT FUND
(A Component Unit of Government Development Bank for Puerto Rico)

TABLE OF CONTENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

	Page
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2–4
BASIC FINANCIAL STATEMENTS:	
Balance Sheet	5
Statement of Revenues, Expenses, and Changes in Net Assets	6
Statement of Cash Flows	7–8
Notes to Basic Financial Statements	9–18

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INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Directors of
Puerto Rico Tourism Development Fund

We have audited the accompanying balance sheet of Puerto Rico Tourism Development Fund (the "Tourism Fund"), a component unit of Government Development Bank for Puerto Rico, as of June 30, 2010, and the related statements of revenues, expenses, and changes in net assets, and of cash flows for the year then ended. These financial statements are the responsibility of the Tourism Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Tourism Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Tourism Fund as of June 30, 2010, and its changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in notes 1 and 8 to the financial statements, the Tourism Fund is a component unit of Government Development Bank for Puerto Rico (the "Bank"). The Tourism Fund has material transactions with the Bank to finance its operations.

The management's discussion and analysis on pages 2 to 4 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of Puerto Rico Tourism Fund's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Deloitte & Touche LLP

November 5, 2010

Stamp No. 2574625
affixed to original.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

As financial management of the Puerto Rico Tourism Development Fund (the "Tourism Fund"), we offer readers of the Tourism Fund's financial statements this narrative overview and analysis of the Tourism Fund's financial performance during the fiscal year ended June 30, 2010. We encourage readers to read the information presented here in conjunction with the basic financial statements, which follow this section.

Financial Highlights

- Total assets and net assets amounted to approximately $586 million and $171 million, respectively, at June 30, 2010, increasing from approximately $382 million and $101 million at June 30, 2009.

- The year ended with a change in net assets of approximately $70.3 million, an increase of $119.6 million or 242.8% from the change in net assets of fiscal year 2009, mainly because of the contributions of $15 million from the Commonwealth of Puerto Rico ("Commonwealth") and of $72 million from Government Development Bank for Puerto Rico Capital Fund ("Puerto Rico Capital Fund"), a component unit of Government Development Bank for Puerto Rico.

- Operating revenues decreased by approximately $497 thousand or 4.6% as a result of a decrease in guarantee fees earned.

- At June 30, 2010, outstanding guarantees and letter of credit commitments stood at approximately $140 million from approximately $117 million at June 30, 2009.

Overview of the Financial Statements

This report includes this management's discussion and analysis section, the independent auditors' report, and the basic financial statements of the Tourism Fund. The basic financial statements also include notes that explain in more detail some of the information in the basic financial statements.

Required Financial Statements

The financial statements of the Tourism Fund report information using accounting methods similar to those used by private sector enterprises. The balance sheet provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of the Tourism Fund and assessing its liquidity and financial flexibility.

Revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net assets. This statement measures the success of the Tourism Fund's operations over the past year and can be used to determine whether the Tourism Fund has successfully recovered its costs from the revenues it generates.

The final required financial statement is the statement of cash flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and capital and noncapital financing activities, and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Financial Analysis of the Tourism Fund

The balance sheet and the statement of revenues, expenses, and changes in net assets report information about the Tourism Fund's activities in a way that will help determine whether the Tourism Fund as a whole is better or worse financially as a result of this year's activities. These two statements report the net assets of the Tourism Fund and the changes in them. One can think of the Tourism Fund's net assets — the difference between assets and liabilities — as one way to measure financial health or financial position. Over time, increases or decreases in the Tourism Fund's net assets are one indicator of whether its financial health is improving or deteriorating. However, it is important to consider other nonfinancial factors such as changes in economic conditions particularly in the tourism industry, and new or changed government legislation.

Condensed financial information on assets, liabilities and net assets is presented below (in thousands):

	June 30,		Change	
	2010	2009	Amount	Percent
Current assets	$ 142,263	$ 116,293	$ 25,970	22.3 %
Noncurrent assets	443,927	265,840	178,087	67.0 %
Total assets	$ 586,190	$ 382,133	$ 204,057	53.4 %
Current liabilities	$ 16,036	$ 10,296	$ 5,740	55.7 %
Noncurrent liabilities	399,135	271,159	127,976	47.2 %
Total liabilities	415,171	281,455	133,716	47.5 %
Net assets	171,019	100,678	70,341	69.9 %
Total liabilities and net assets	$ 586,190	$ 382,133	$ 204,057	53.4 %

Total assets increased by $204 million or 53.4% during the year basically because of the net increase in cash, investments and loans. During 2010, gross loans increased by approximately $73 million. The increase in cash of $12 million is mainly due to the contribution received from Commonwealth, while the increase in investments is due to the contribution of $72 million in assets from Puerto Rico Capital Fund. Total liabilities also increased almost proportionately to gross loans because of the financing obtained from Government Development Bank for Puerto Rico (the "Bank") to fund loan disbursements (See Note 7). Additionally, the allowance for possible losses in guarantees and letters of credit increased by $14 million in fiscal year 2010.

Condensed financial information on revenues, expenses, and changes in net assets is presented below (in thousands):

	For the Years Ended June 30,		Change	
	2010	2009	Amount	Percent
Operating revenues:				
Guarantee fees and other	$ 1,968	$ 3,342	$ (1,374)	(41.1)%
Interest income on loans	8,403	7,526	877	11.7 %
Total operating revenues	10,371	10,868	(497)	(4.6)%
Total operating expenses	28,410	63,284	(34,874)	(55.1)%
Operating loss	(18,039)	(52,416)	34,377	65.6 %
Nonoperating revenues	1,314	3,159	(1,845)	(58.4)%
Loss before contributions from others	(16,725)	(49,257)	32,532	66.0 %
Contribution from the Commonwealth	15,000	-	15,000	100.0%
Contribution from Puerto Rico Capital Fund	72,066	-	72,066	100.0%
Change in net assets	70,341	(49,257)	119,598	242.8 %
Net assets — beginning of year	100,678	149,935	(49,257)	32.9 %
Net assets — end of year	$ 171,019	$ 100,678	$ 70,341	69.9 %

The change in net assets for the fiscal year 2010 resulted in a net assets of $70.3 million, which is $119.6 million or 242.8% more than fiscal year 2009. The increase is mainly the result of the contributions received from Commonwealth and the Puerto Rico Capital Fund.

Contacting the Tourism Fund's Financial Management

This financial report is designed to provide a general overview of the Tourism Fund's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Puerto Rico Tourism Development Fund, PO Box 42001, San Juan, Puerto Rico, 00940-2001.

PUERTO RICO TOURISM DEVELOPMENT FUND
(A Component Unit of Government Development Bank for Puerto Rico)

BALANCE SHEET
AS OF JUNE 30, 2010

ASSETS

CURRENT ASSETS:	
Cash	$ 23,774,090
Deposits placed with bank	77,441,899
Investments	31,082,255
Loans receivable	8,400,000
Accrued interest receivable	1,320,370
Other assets	244,140
Total current assets	142,262,754
NONCURRENT ASSETS:	
Investments	132,478,355
Loans receivable — net	311,159,243
Other assets	289,786
Total noncurrent assets	443,927,384
TOTAL	$586,190,138

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Unearned guarantee fees	$ 709,511
Accrued interest payable	3,860,151
Loans payable to Government Development Bank for Puerto Rico	8,400,000
Allowance for losses on guarantees and letters of credit	2,529,919
Other liabilities	536,712
Total current liabilities	16,036,293
NONCURRENT LIABILITIES:	
Allowance for losses on guarantees and letters of credit	18,754,681
Participation agreement payable	26,000,000
Loans payable to Government Development Bank for Puerto Rico	354,380,208
Total noncurrent liabilities	399,134,889
Total liabilities	415,171,182
UNRESTRICTED NET ASSETS	171,018,956
TOTAL	$586,190,138

See notes to basic financial statements.

PUERTO RICO TOURISM DEVELOPMENT FUND
(A Component Unit of Government Development Bank for Puerto Rico)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2010

OPERATING REVENUES:	
Guarantee fees	$ 1,964,737
Interest income on loans	8,402,887
Other	3,013
Total operating revenues	10,370,637
OPERATING EXPENSES:	
Interest expense	10,404,383
Provision for loan losses	3,338,872
Provision for losses on guarantees and letters of credit	14,003,600
Professional fees	214,943
Management fees to Government Development Bank for Puerto Rico	337,291
Other	110,634
Total operating expenses	28,409,723
OPERATING LOSS	(18,039,086)
NONOPERATING REVENUES:	
Interest income on deposits placed with banks and investments	1,373,940
Net decrease in fair value of investments	(59,535)
Total nonoperating revenues	1,314,405
CONTRIBUTION FROM THE COMMONWEALTH OF PUERTO RICO	15,000,000
CONTRIBUTION FROM GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO CAPITAL FUND	72,065,647
CHANGE IN NET ASSETS	70,340,966
NET ASSETS — Beginning of year	100,677,990
NET ASSETS — End of year	$ 171,018,956

See notes to basic financial statements.

PUERTO RICO TOURISM DEVELOPMENT FUND
(A Component Unit of Government Development Bank for Puerto Rico)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:	
Guarantee fees and other operating revenues collected	$ 1,719,824
Management fees paid to Government Development Bank for Puerto Rico	(337,291)
Payments to service providers	(500,125)
Net cash provided by operating activities	882,408
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Interest paid	(1,693,003)
Proceeds from loans payable	119,419,845
Principal payments on loans payable	(8,240,024)
Contribution from the Commonwealth of Puerto Rico	15,000,000
Net cash provided by noncapital financing activities	124,486,818
CASH FLOWS FROM INVESTING ACTIVITIES:	
Net decrease in deposits placed with bank	14,698,998
Interest collected on deposits placed with bank and investments	1,297,668
Proceeds from redemptions and maturities of investments	16,315,419
Purchases of investments	(82,299,538)
Interest collected on loans	972,939
Principal collected on loans	8,780,000
Origination of loans	(72,809,515)
Net cash used in investing activities	(113,044,029)
NET INCREASE IN CASH	12,325,197
CASH — Beginning of year	11,448,893
CASH — End of year	$ 23,774,090

See notes to basic financial statements.

(Continued)

PUERTO RICO TOURISM DEVELOPMENT FUND
(A Component Unit of Government Development Bank for Puerto Rico)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	$ (18,039,086)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Provision for losses on guarantees and letters of credit	14,003,600
Provision for loan losses	3,338,872
Interest income on loans	(8,402,887)
Interest expense	10,404,383
Changes in operating assets and liabilities:	
Increase in other assets	(243,915)
Decrease in unearned guarantee fees	(4,011)
Decrease in other liabilities	(174,548)
Total adjustments	18,921,494
Net cash provided by operating activities	$ 882,408
NONCASH INVESTING AND NONCAPITAL FINANCING ACTIVITIES:	
Accretion of discount on investments	$ 3,584
Decrease in fair value of investments	$ (59,535)
Capitalized interest on loans	$ 6,835,394
Contribution of investments	$ 72,065,647
Capitalized interest on loan payable to Government Development Bank for Puerto Rico	$ 5,322,535

See notes to basic financial statements. (Concluded)

1. REPORTING ENTITY

Puerto Rico Tourism Development Fund (the "Tourism Fund") is a component unit of Government Development Bank for Puerto Rico (the "Bank"). The Bank is a component unit of the Commonwealth of Puerto Rico (the "Commonwealth").

The Tourism Fund was created by resolution of the Bank's board of directors in 1993 to promote the hotel and tourism industry of the Commonwealth by making capital investments in, or by providing financing directly or indirectly (through the use of letters of credit and guarantees) to entities that can contribute to the development of this industry. The Tourism Fund is exempt from taxation in Puerto Rico.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Tourism Fund conform to accounting principles generally accepted in the United States of America ("U.S. GAAP"), as applicable to governmental entities. The Tourism Fund follows Governmental Accounting Standards Board ("GASB") under the hierarchy established by Statement No. 55, *The Hierarchy of Generally Accepted Principles for the State and Local Governments*, in the preparation of its financial statements. The Tourism Fund has elected to apply all Financial Accounting Standards Board's pronouncements issued after November 30, 1989 to the extent they did not conflict with GASB pronouncements.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Following is a description of the Tourism Fund's most significant accounting policies:

Measurement Focus and Basis of Accounting — The Tourism Fund's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows.

Operating Revenues and Expenses — Operating revenues and expenses are distinguished from nonoperating items. The principal operating revenues of the Tourism Fund are interest earned on loans granted to developers of tourism projects and guarantee fees collected from developers of tourism projects. Operating expenses include the provisions for losses on guarantees and letters of credit and on loans, interest expense related to financings used to fund the origination of loans or to honor guarantee disbursements, and those expenses related to the administration of the entity. All other revenues and expenses not meeting these criteria are reported as nonoperating revenues and expenses.

Guarantee and Other Fees — Guarantee and other fees collected in advance are amortized over the life of the related guarantee using the straight-line method.

Investments and Investment Contracts — Investments and investment contracts are carried at fair value, except for money market instruments and participating investment contracts with a remaining maturity at the time of purchase of one year or less, and nonparticipating investment contracts (guaranteed investment contracts), which are carried at cost; and investment positions in 2a-7 like external investment pools, which are carried at the pools' share price. Fair value is determined based on quoted market prices and quotations received from independent broker/dealers or pricing service organizations. Realized gains and losses from the sale of investments and unrealized changes in the fair value of outstanding investments are included in net increase (decrease) in fair value of investments.

Investment in Special Partnership — Investment in special partnership is recorded at the Tourism Fund's share of the partnership's capital balances, increased/decreased by its share of the partnership's net income/loss.

Loans and Allowance for Loan Losses — Loans are presented at the outstanding unpaid principal balance reduced by any charge-offs and the allowance for loan losses. The accrual of interest on loans ceases when loans become past due over six months. Once a loan is placed in nonaccrual status, all accrued interest receivable is reversed from interest income. Interest income on nonaccrual loans is thereafter recognized as income only to the extent actually collected. Management reinstates a nonaccrual loan to accrual when the borrower has totally satisfied all amounts due.

The allowance for loan losses is established through provisions charged to operations. The allowance is based on management's evaluation of the risk characteristics of the loans, including such factors as the nature of individual credits outstanding, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and general economic conditions. Loan charge-offs are recorded against the allowance when management believes that the collectability of the principal is unlikely. Recoveries of amounts previously charged off are credited to the allowance for loan losses. Because of uncertainties inherent in the estimation process, management estimate of credit losses in the outstanding loans receivable portfolio and the related allowance may change in the near future.

Loans considered to be impaired are generally reduced to the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent, by allocating a portion of the allowance for loan losses to such loans. If these allocations cause increases to the allowance for loan losses, such increase is reported as provision for loan losses. Management, considering current information and events regarding the borrowers' ability to repay their obligations, considers a loan to be impaired when it is probable that the Tourism Fund will be unable to collect all amounts due according to the contractual terms of the loan agreement. Interest income and cash receipts on impaired loans are accounted predominantly in the same manner as nonaccrual loans.

Transfers of Receivable — Transfers of receivable are accounted and reported as a sale if the Tourism Fund's continuing involvement with the receivable is effectively terminated. This approach distinguishes transfers of receivables that are sales from transfers that are collateralized borrowings.

The Tourism Fund's continuing involvement is considered to be effectively terminated if all of the following criteria are met: (i) the transferee's ability to subsequently sell or pledge the receivables is not significantly limited by constraints imposed by the transferor, either in the transfer agreement or through other means, (ii) the transferor does not have the option or ability to unilaterally substitute for or reacquire specific accounts from among the receivables transferred, except in certain limited circumstances, (iii) the sale agreement is not cancelable by either party, including cancellation through payment of a lump sum or transfer of other assets or rights, and (iv) the receivables and the cash resulting from their collection have been isolated from the transferor.

Allowance for Losses on Guarantees and Letters of Credit — Management periodically evaluates the credit risk inherent in the guarantees and letters of credit on the same basis as loans are evaluated. The Tourism Fund charges as expense the amount required to cover estimated losses by establishing a specific allowance component for guarantees and letters of credit relating to loans in default, determined on the basis of the estimated future net cash outlays in connection with the related guarantees and letters of credit, and a general component for the risk inherent in the other guarantees and letters of credit outstanding, established as a percentage of the principal amount of the underlying loans, based on the Tourism Fund's loss experience on financial guarantees and letters of credit, and management's best judgment.

When a guarantee or letter of credit is honored, the Tourism Fund recognizes any disbursement as a nonperforming loan; therefore, no interest is accrued on the principal. After a specific analysis of the provision requirements, the related allowance included in the allowance for guarantees and letters of credit is reclassified to the allowance for loan losses. Any deficiency in the estimated allowance requirement is recorded as an additional provision to the allowance for loan losses.

The concentration of risk in the guarantees and letters of credit issued, predominantly those issued by the Tourism Fund (small number of large guarantees, geographical concentration in Puerto Rico, industry concentration in hotel and tourism), as well as the limited historical loss experience and other factors, compounds the uncertainty in management's estimate of the allowance for losses on guarantees and letters of credit. As a result, the aggregate losses on guarantees and letters of credit ultimately incurred by the Tourism Fund may differ from the allowance for losses as reflected in the accompanying basic financial statements, and such differences may be material.

Pursuant to the legislation under which the Tourism Fund was created, the executive director of the Tourism Fund is required to certify each year to the director of the OMB the amount, if any, that is necessary to reimburse the Tourism Fund for disbursements made in the previous year, in connection with obligations guaranteed in excess of fees and charges collected on such guarantees ("net disbursements"). On December 16, 2009, Act No. 173 was enacted, which amended the legislation that created the Tourism Fund, to modify the definition of net disbursements to include disbursements made by the Tourism Fund, for (i) loans to third parties, (ii) the acquisition of loan participations, and (iii) the acceleration of maturities of loans, notes, bonds or other type of debt guaranteed by the Tourism Fund. In addition, Act No. 173 provides that disbursements shall not be deemed made in the year in which the disbursement occurs but shall be deemed made in the year in which the executive director of the Tourism Fund determines that a loss was incurred with respect to a loan, note, bond or debt (such determination being referred to as a "realized loss"). The director of the OMB has to include the amount subject to reimbursement in the general budget of the Commonwealth for the following fiscal year for the Legislature's consideration and approval. The Legislature is not obligated to authorize such appropriations. As of June 30, 2010, there were no outstanding claims for reimbursements.

Future Adoption of Accounting Pronouncements — The GASB has issued the following Statements:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Type Fund Definitions*, which is effective for periods beginning after June 15, 2010.
- GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employers Plans*, which is effective for periods beginning after June 15, 2011.
- GASB Statement No. 59, *Financial Instruments Omnibus*, which is effective for periods beginning after June 15, 2010.

Management is evaluating the impact that these statements will have on the Tourism Fund's basic financial statements.

3. CASH

Custodial credit risk is the risk that, in the event of a financial institution failure, the Tourism Fund's may not be able to recover its deposits. The depository bank balance of $23,710,157 as of June 30, 2010 represents interest-bearing demand deposits with the Bank and was uninsured and uncollateralized. The Tourism Fund does not have a formal policy for custodial credit risk for deposits.

4. DEPOSITS PLACED WITH BANK

Deposits placed with bank represent time deposits with the Bank as of June 30, 2010. These time deposits of approximately $52.7 million and $24.7 million bear interest at 0.55% and 0.50%, respectively, and both mature in July 2010. This balance was uninsured and uncollateralized.

5. INVESTMENTS

The Bank's board of directors made extensive to the Tourism Fund the investment policies of the Bank. These investment policies allow management to purchase or enter into the following investment instruments:

- U.S. government and agencies obligations
- Certificates of deposit and time deposits
- Bankers' acceptances
- Obligations of the Commonwealth of Puerto Rico, its agencies, municipalities, public corporations, and instrumentalities
- Federal funds sold
- Securities purchased under agreements to resell
- World Bank securities
- Mortgage-backed and asset-backed securities
- Corporate debt, including investment contracts
- External investment pools
- Stock of corporations created under the laws of the United States of America or the Commonwealth of Puerto Rico
- Options, futures, and interest-rate swap agreements for hedging and risk control purposes, as well as for the creation of synthetic products which qualify under any of the foregoing investment categories
- Open-end mutual funds with acceptable underlying assets and rated AAA by Standard & Poor's or its equivalent by Moody's

The Tourism Fund's investment policies establish limitations and other guidelines on maturities and amounts to be invested in the aforementioned investment categories and by issuer/counterparty and on exposure by country. In addition, such policies provide guidelines on the institutions with which investment transactions can be entered into. In addition, the board of directors of the Tourism Fund will determine, from time to time, other transactions that the Tourism Fund may enter into.

The Tourism Fund's investment policies provide that investment transactions shall be entered into only with counterparties that are rated BBB+/A-1 or better by Standard & Poor's or equivalent rating by Moody's Investors Service or Fitch Ratings, depending on the type and maturity of the investment and the counterparty to the transaction. Any exceptions must be approved by the Tourism Fund's board of directors. The investment policies also provide that purchases and sales of investment securities shall be made using the delivery vs. payment procedures.

The Tourism Fund does not have a formal policy for interest rate risk management.

On May 31, 2010, the board of directors of Government Development Bank for Puerto Rico Capital Fund, a component unit of the Bank, authorized a transfer of investments, to the Tourism Fund, of approximately $72 million. Investments at the day of the transfer (June 30, 2010), consisted of the following:

- Participation in the Global Opportunities Capital Appreciation Fund, LLC, with a carrying value of $11.8 million, which is held in custody by a financial institution. This investment is an open-end fund that seeks to provide investors with long-term capital appreciation and achieves its objective by investing in the common stock of companies traded in the world's stock exchanges. The fund is administered by San Juan Asset Management, Inc. and is not rated.

- Participation in the Russell 1000 Growth Common Trust Fund (the "Russell Fund"), with a carrying value of approximately $35.2 million, which is held in custody by a financial institution. The Russell Fund emulates the Russell 1000 Growth Index and is administered by State Street Global Advisors. This investment is not rated. The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price to book ratios and higher forecasted growth values.

- Money market funds of $25 million with Dreyfus Cash Management Fund held in custody by a financial institution.

The following table summarizes the type and maturities of investments held by the Tourism Fund at June 30, 2010. Investments by type in any one issuer representing 5% or more of total investments have been separately disclosed. Expected maturities will differ from contractual maturities, because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Within one year	After one to five years	After five to ten years	After ten years	Total
U.S. sponsored agencies notes —					
Federal Home Loan Bank	$ -	$ 13,009,500	$ -	$ -	$ 13,009,500
Mortgage and asset-backed securities:					
Federal Home Loan Mortgage Corporation		10,241,942	1,194,440		11,436,382
Federal Farm Credit Bank		1,036,104			1,036,104
Federal National Mortgage Association			859,950		859,950
Other		953,988			953,988
Corporate debt:					
Goldman Sachs		3,034,860			3,034,860
General Electric	3,100,800	2,887,788			5,988,588
Walmart Stores		2,102,760			2,102,760
External investment pool — fixed income securities	27,981,455	-	-	-	27,981,455
Total	$ 31,082,255	$ 33,266,942	$ 2,054,390	$ -	66,403,587
External investment pool — Equity securities:					
Russell 1000 Growth Commont Trust Fund					11,828,849
Global Opportunities Capital Appreciation Fund					35,236,799
Desarrolladora del Norte, S. en C. — Class B preferred special interests					50,000,000
Flagship Resort Property, S.E.					91,375
					$ 163,560,610

Investments in fixed income external investment pools had an average maturity of approximately 60 days; accordingly, they were presented as investments with maturity of less than one year. These investments are with the Puerto Rico Government Investment Trust Fund, a government-sponsored pool, which is administered by the Bank. This pool is subject to regulatory oversight by the Commissioner of Financial Institutions of Puerto Rico. The fair value of the pool is the same as the value of the pool shares.

On December 23, 2010, the Tourism Fund invested $50 million in Class B preferred special interests of Desarrolladora del Norte, S. en C., ("Desarrolladora del Norte"), which is a partnership and owns and operates the Hotel Gran Meliá, Puerto Rico. This investment accrues dividends at an annual rate of 6.50%, which are cumulative and payable when declared by the managing partner and on the date of redemption, as indicated below. Undeclared and accrued dividends at June 30, 2010, amount to approximately $1.7 million. At the end of five years, Desarrolladora del Norte has the option to redeem the Class B special preferred interests, plus accrued and unpaid dividends, for cash or convert them into Class B special interests that shall represent an ownership interest in the partnership equal to 30 percent. Sol Meliá, S. A., the parent company of Desarrolladora del Norte, will pledge 5,000,000 of its common stock to the Tourism Fund in December 2010, and has provided a guarantee to the Tourism Fund to cover any shortfall between the fair value of the pledged common stock and the original investment of $50 million plus accrued and unpaid dividends. In case the conversion to Class B special interests takes place and in order to recover its original investment plus unpaid dividends, the Tourism Fund is entitled to sell the shares, subject to a limit of 40,000 shares per day or 15% of the previous day volume.

All of the investments at June 30, 2010 were rated from AAA to A- by Standard & Poor's in compliance with the Tourism Fund's policies for investments, except for the investments in external investment pool in equity securities and investments in partnerships, which are not rated.

On August 29, 2003, the Tourism Fund acquired a participation of 5% in Flagship Resort Property, S.E. as consideration for issuing its credit facilities for the rehabilitation of the resort. The carrying value of this investment at June 30, 2010 amounted to $91,375.

6. LOANS RECEIVABLE

As part of the credit facilities offered by the Tourism Fund, it has provided direct loans to tourism development projects. The intention is to provide (i) alternative financing to some projects in the Tourism Fund guarantee portfolio and (ii) interim financing to projects under construction.

Total loans receivable as of June 30, 2010 consist of approximately $319.6 million, net of an allowance for possible loan losses of approximately $55.8 million.

The Tourism Fund originated loans for approximately $72.8 million during the year ended June 30, 2010. Management considers these loans to have greater credit risk due to the dependency on income production or future development of the tourism project. These loans are principally collateralized by real estate property to minimize the credit risk.

The following is a summary of loans considered to be impaired as of June 30, 2010, and the related interest income for the year then ended (in thousands):

Recorded investment in impaired loans:	
Not requiring an allowance for loan losses	$ -
Requiring an allowance for loan losses	128,041
Total recorded investment in impaired loans	$ 128,041
Related allowance for loan losses	$ 55,763
Average recorded investment in impaired loans	126,520
Interest income recognized on impaired loans	-

The following is a summary of the activity in the allowance for loan losses for the year ended June 30, 2010:

Balance — beginning of year	$ 52,424,100
Provision for loan losses	3,338,872
Balance — end of year	$ 55,762,972

7. LOANS PAYABLE TO GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO

The Tourism Fund has obtained various lines of credit from the Bank in order to provide loans or invest in tourism projects. These lines of credit contain flexible terms with respect to maturity date and interest rate. They bear variable interest based on the London InterBank Offered Rate or fixed rates ranging from 1.85% to 6.25% at June 30, 2010, and maturing from June 2011 to June 2029. The source of payment of these lines of credit comes from cash flows from the operations of the Tourism Fund.

Activity of the various lines of credit during the year was as follows:8.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Lines of credit	$ 246,277,852	$ 124,742,380	$ 8,240,024	$ 362,780,208	$ 8,400,000

8. PARTICIPATION AGREEMENT PAYABLE

On April 10, 2006, the Tourism Fund entered into a debt restructuring agreement with Hotel Dorado, S.E. (the "Hotel") whereby the Tourism Fund, as guarantor of the Hotel's AFICA bonds, accelerated the AFICA bonds payment in exchange for a note receivable of $26 million (the "Note") from the Hotel. In addition, on April 10, 2006, the Tourism Fund entered into a participation agreement with a financial institution whereby the Tourism Fund transferred a 100% participation (the "Participation") in the Note.

The Participation is subject to recourse and the Tourism Fund is obligated to purchase the loan from the financial institution upon the occurrence and during the continuance of an event of default under the participation agreement. The participation agreement also stipulates that the financial institution cannot sell, pledge, transfer, assign or dispose of the Participation without the Tourism Fund's consent. Accordingly, the Tourism Fund has recorded the Note as part of loans receivable and has recorded a participation agreement payable (i.e. a collateralized borrowing) in the accompanying balance sheet.

The Participation bears a variable interest rate, based on the three-month LIBOR plus 2.50%, until maturity. Interest is payable on a quarterly basis. In August 2008, The Tourism Fund agreed to extend the maturity to July 1, 2018 and approved a conditional-commitment to provide a guarantee for a permanent loan to be provided by the financial institution upon completion of the construction of some amenities and subject to compliance with certain conditions. The outstanding principal balance of the Note and the corresponding participation agreement payable amounted to $26 million as of June 30, 2010.

9. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

In the normal course of business, the Tourism Fund is party to transactions involving financial instruments with off-balance-sheet risk, to meet the financing needs of its customers. These financial instruments include commitments to extend credit. These instruments involve, to varying degrees, elements of credit risk in excess of amounts recognized in the accompanying balance sheet. These off-balance-sheet risks are managed and monitored in manners similar to those used for on-balance-sheet risks. The Tourism Fund's exposure to credit losses for lending commitments is represented by the contractual amount of those transactions.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments might expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Tourism Fund evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained upon extension of credit is based on management's credit evaluation of the counterparty. Collateral held varies but may include property, plant, and equipment, and income-producing commercial properties. At June 30, 2010, commitments to extend credit amounted to approximately $55 million.

10. COMMITMENTS AND CONTINGENCIES

At June 30, 2010, the Tourism Fund had the following outstanding guarantees and letters of credit:

Description	Outstanding Commitment Amount	Expiration Date
Coco Beach Golf & Country Club	$ 25,425,000	December 2030
Palmas del Mar, Inc.	26,865,000	November 2010
Serrallés Hotel, Inc. (Ponce Hilton)	53,135,000	April 2033
Holiday Inn — Isla Verde	10,120,000	February 2011
Hilton Condado Lagoon	24,800,000	June 2020
Total	$ 140,345,000	

Typically, the Tourism Fund provides guarantee for the timely payment of principal and interest on the obligations issued to finance the tourism projects. It also provides other types of credit facilities such as (i) deficiency guarantees where the Tourism Fund guarantees the recovery of any deficiency the lender may realize on the final disposition of the collateral and (ii) direct loans.

On December 24, 2009, the Tourism Fund honored the letter of credit issued to Palmas del Mar, Inc. in connection with the $30 million Revenue Bonds 2000, Series A, issued by Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority. As of June 30, 2010, Tourism Fund had paid $2.5 million to cover the debt service of such bonds.

Following is the activity of the allowance for guarantees and letters of credit for fiscal year 2010:

	Beginning Balance	Provision	Recoveries	Charges	Ending Balance
Allowance for losses on guarantees and letters of credit	$ 7,281,000	$ 14,003,600	$ -	$ -	$ 21,284,600

11. LITIGATION

The Tourism Fund and certain of its component units are defendants in several lawsuits arising out of the normal course of business. Management, based on advice of legal counsel, is of the opinion that the ultimate liability, if any, resulting from these pending proceedings will not have a material adverse effect on the financial position and results of operations of the Tourism Fund.

12. NET ASSETS

The Tourism Fund had internally designated $15,556,587 of its net assets at June 30, 2010 in relation to guarantees and letters of credit, representing the maximum annual aggregate debt service payments on each of the debt guaranteed. Also, as of June 30, 2010, the Tourism Fund had designated $48,116,578 of its net assets in relation to its loan portfolio, and $15,800,000 are designated for projects under construction, which guarantee will become effective upon conversion to permanent loans.

13. MANAGEMENT FEES

The Bank provides certain management and administrative services to the Tourism Fund for which the Bank charged approximately $337,000 during the year ended June 30, 2010.

14. SUBSEQUENT EVENTS

Subsequent events were evaluated through November 5, 2010, the date the financial statements were available to be issued, to determine if any such events should either be recognized or disclosed in the financial statements.

Subsequent to year end, the Tourism Fund issued guarantees amounting to approximately $396,682,000, for four tourism projects.

* * * * * *

APPENDIX D

[FORM OF BOND COUNSEL OPINION]

March 30, 2011

Puerto Rico Industrial, Tourist, Educational,
Medical and Environmental Control Facilities
Financing Authority
San Juan, Puerto Rico

Ladies and Gentlemen:

We have examined Act No. 121 of the Legislature of Puerto Rico, approved June 27, 1977, as amended (the "Act"), creating Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority (the "Authority"), a body corporate and politic constituting a public corporation and governmental instrumentality of Puerto Rico.

We have also examined certified copies of the resolution of the Board of Directors of the Authority authorizing the execution and delivery of the Trust Agreement and the Loan Agreement hereinafter referred to, and certified copies of the proceedings and other proofs submitted relative to the authorization, issuance and sale of the following bonds (the "Bonds"):

$26,355,000
Puerto Rico Industrial, Tourist, Educational, Medical
and Environmental Control
Facilities Financing Authority
Tourism Revenue Refunding Bonds, 2011 Series A
(Trump International Golf Club Puerto Rico Project)

The Bonds are issued under and pursuant to a Deed of Trust Agreement dated March 30, 2011 (the "Trust Agreement"), by and between the Authority and Banco Popular de Puerto Rico, San Juan, Puerto Rico, as trustee (the "Trustee"). All capitalized words and terms used in this opinion letter and not otherwise defined herein will have the meanings ascribed to them in the Trust Agreement.

The Bonds are being issued for the purpose of providing funds to (i) refund all of the Authority's outstanding Tourism Revenue Bonds, 2000 Series A (Coco Beach Golf & Country Club Project) and Tourism Revenue Bonds, 2004 Series A (Coco Beach Golf & Country Club Project), (ii) pay the interest due on the Bonds during the first three interest payment dates after their issuance, and (iii) pay certain costs and expenses incurred in connection with the authorization, issuance and sale of the Bonds.

Pursuant to a Loan Agreement, dated March 30, 2011 (the "Loan Agreement"), with the Authority, Coco Beach Golf & Country Club, S.E. (the "Borrower") is obligated to make payments in installments sufficient to pay the principal of, premium, if any, and the interest on the Bonds as the same shall become

due and payable. The Loan Agreement and the Trust Agreement provide that the installments shall be paid directly to the Trustee and shall be deposited to the credit of a special fund created by the Trust Agreement (the "Bond Fund"), which special fund is charged with the payment of the principal of, premium, if any, and interest on the Bonds. The rights of the Authority under the Loan Agreement, except for certain reserved rights, have been pledged and assigned to the Trustee pursuant to the Trust Agreement.

In connection with the Borrower's obligation to make payments under the Loan Agreement, the Borrower has caused to be delivered to the Trustee an irrevocable and unconditional stand-by letter of credit (the "Letter of Credit") issued by Puerto Rico Tourism Development Fund (the "Initial Letter of Credit Issuer"), under which the Trustee is permitted to make draws for the amounts required to pay the principal of and interest on the Bonds as provided in the Trust Agreement. The Trust Agreement requires the Trustee to make a claim under the Letter of Credit upon a failure by the Borrower to make the required payments under the Loan Agreement. To secure its obligations to the Authority and the Initial Letter of Credit Issuer, the Borrower has executed and delivered certain Security Agreements (as defined in the Trust Agreement) for the benefit of the Authority and the Initial Letter of Credit Issuer.

Reference is made to the opinion of even date hereunder of McConnell Valdés, San Juan, Puerto Rico, counsel to the Borrower, with respect to, among other matters, the organization and good standing of the Borrower, the power of the Borrower to enter into and perform the Loan Agreement and the Security Agreements, the due authorization, execution and delivery of said agreements by the Borrower and as to the valid and binding nature and effect thereof with respect to the Borrower.

As to any questions of fact material to our opinion, we have relied upon representations of the Authority and the Borrower contained in the Trust Agreement and the Loan Agreement, the certified proceedings relative to the authorization, issuance and sale of the Bonds, and upon other certifications of the Authority and the Borrower (including certifications as to the use of Bond proceeds), without undertaking to verify the same by independent investigation. For purposes of this opinion, we assume that the Borrower will comply with all of its covenants in the Loan Agreement, particularly those dealing with source of income, and that the proceeds of the Bonds will be used in accordance with the provisions of the Trust Agreement and the Loan Agreement.

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

From such examination and based on the provision of the laws of Puerto Rico and the United States as now in force, we are of the opinion that:

1. The Act is valid.

2. The proceedings of the Authority required in connection with the authorization, issuance and sale of the Bonds and the authorization, execution and delivery of the Loan Agreement, the Trust Agreement and the Security Agreements (to which the Authority is a party) have been validly and legally taken.

3. The Trust Agreement, the Loan Agreement and the Security Agreements (to which the Authority is a party) have been duly authorized, executed and delivered by the Authority and assuming due authorization, execution and delivery by the other parties thereto, constitute the legal, valid, binding and enforceable obligations of the Authority in accordance with their terms, except to the extent such enforceability may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally, and subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

4. The Bonds have been duly authorized by the Authority and constitute legal, valid and binding obligations of the Authority, payable solely from the Bond Fund and entitled to the benefit of the Trust Agreement.

5. All right, title and interest of the Authority in and to the Loan Agreement (except certain rights of the Authority including its rights to payment of expenses and indemnity) and the Security Agreements have been validly assigned to the Trustee.

6. The Bonds do not constitute an indebtedness of either Puerto Rico or any of its political subdivisions, other than the Authority, and neither Puerto Rico nor any of such political subdivisions, other than the Authority, will be liable thereon.

7. The Bonds, a transfer of the Bonds, and the income resulting therefrom, including gain realized upon a sale of the Bonds, are exempt from income taxes imposed by Puerto Rico under Article 8(b) of the Act.

8. Interest on the Bonds is:

   (a) exempt from Puerto Rico income taxes under Section 1031.02(a)(3)(B) of the Internal Revenue Code for a New Puerto Rico, Act No. 1 of the Legislature of Puerto Rico, approved January 31, 2011 (the "PR Code"), and Article 8(b) of the Act;

   (b) exempt from Puerto Rico alternative minimum taxes under Section 1022.04(b)(2) of the PR Code;

   (c) exempt from the Puerto Rico alternate basic tax under Section 1021.02(a)(2) of the PR Code; and

   (d) exempt from Puerto Rico municipal license taxes under Section 9(25) of the Puerto Rico Municipal License Tax Act of 1974, as amended.

   In connection with the opinion in paragraph 8(b) above, we note that Section 1022.04(b)(2) of the PR Code contains a clerical error because it exempts from the alternative minimum tax ("AMT") interest from obligations described in Section 1031.02(b)(4) of the PR Code, which does not exist in the PR Code, instead of interest from obligations described in Section 1031.02(a)(3) of the PR Code. It appears that the intent of Section 1022.04(b)(2) of the PR Code was to exempt from Puerto Rico AMT interest from obligations of the Government of Puerto Rico, its agencies or political subdivisions, as was provided in subparagraph (4) of paragraph (b) of Section 1022 of the repealed Puerto Rico Internal Revenue Code of 1994, which is the equivalent of Section 1031.02(a)(3) of the PR Code. Members of Puerto Rico Treasury Department staff have indicated to us that they expect the error to be corrected through technical amendments to the PR Code by the Puerto Rico Legislature, to clarify the intention of exempting from AMT interest from obligations of the Government of Puerto Rico, its agencies or political subdivisions. Thus, for purposes of the opinion in paragraph 8(b) above, we assume that the AMT exemption provided in Section 1022.04(b)(2) of the PR Code applies to interest from an obligation described in Section 1031.02(a)(3) of the PR Code. To the extent the clerical error is not corrected as expected, interest on the Bonds may not be exempt from Puerto Rico alternative minimum taxes.

9. The Bonds are exempt from Puerto Rico personal property tax pursuant to Section 3.11 of the Puerto Rico Municipal Property Tax Act of 1991, as amended, and Section 3 of the Puerto Rican Federal Relations Act.

10. The Bonds are exempt from Puerto Rico (i) gift tax with respect to donors who are residents of Puerto Rico at the time the gift is made and (ii) estate tax with respect to estates of decedents who are residents of Puerto Rico at the time of death and who acquired their United States citizenship solely by reason of birth or residence in Puerto Rico.

11. The Bonds will be considered an obligation of an instrumentality of Puerto Rico for purposes of: (i) the non-recognition of gain rules under Section 1034.04(f)(2)(A) of the PR Code applicable to certain involuntary conversions; and (ii) the exemption from the surtax imposed by Section 1022.05(g) of the PR Code available to corporations and partnerships that have a certain percentage of their net income invested in obligations of instrumentalities of Puerto Rico and certain other investments.

12. Interest on the Bonds constitutes industrial development income under Section 2(j) of the Economic Incentives for the Development of Puerto Rico Act, or under analogous provisions of similar prior acts (collectively referred to as the "Acts"), when received by a holder of a grant of tax exemption issued under any of the Acts that acquired the bonds with eligible funds, as such term is defined in the Acts.

13. Interest on the Bonds is not excluded from the gross income of the recipient thereof for United States federal income tax purposes under Section 103(a) of the United States Internal Revenue Code of 1986, as amended (the "US Code").

The PR Code does not contain any provisions regarding the treatment of the excess of a Bond's redemption price at maturity over its initial issue price (original issue discount). However, under the administrative practice followed by the Puerto Rico Treasury Department with respect to the repealed Puerto Rico Internal Revenue Code of 1994, original issue discount was treated as interest.

Prospective owners of the Bonds should be aware that, pursuant to Section 1033.17(a)(10) of the PR Code, ownership of the Bonds may, under certain circumstances, result in a disallowance, for Puerto Rico income tax purposes, of interest expense related to an investment in the Bonds.

IRS Circular 230 Disclosure: The following tax discussion is not intended or written to be used, and cannot be used by any taxpayer, for purposes of avoiding penalties that may be imposed on a taxpayer by the Internal Revenue Service. This tax discussion was written in connection with the promotion or marketing of the Bonds. Each prospective purchaser of the Bonds should seek tax advice from an independent tax advisor based on its particular circumstances.

Based upon the provisions of the US Code, now in force and the rules and regulations thereunder, and provided that: (i) the Borrower is engaged in trade or business in Puerto Rico and is not engaged in trade or business in the United States or elsewhere outside of Puerto Rico nor receives income that is treated as effectively connected with the conduct of a United States trade or business and will not be so engaged nor derive any such income while the Bonds are outstanding; (ii) for each of the three taxable years of the Borrower that began before January 1, 2011 (or for such part of such period as may be applicable) Borrower either: (A) derived more than 20% of its gross income from sources within Puerto Rico or (B) derived more than 20% of its gross income from the active conduct of a trade or business in Puerto Rico, both determinations to be made under Section 861(c)(1)(B) of the US Code; and (iii) for the three year period ending with the close of the Borrower's taxable year immediately preceding the payment of interest (or for such part of such period as may be applicable), 80% or more of the Borrower's gross income was or will be derived from sources within Puerto Rico or effectively connected with the conduct of a trade or business in Puerto Rico and 50% or more of the Borrower's gross income was or will be derived from the active conduct of a trade or business in Puerto Rico, and the Borrower expects this situation to continue during each taxable year during which interest on the Bonds is paid, it is our opinion that:

1. Interest or original issue discount on the Bonds is excludable from the gross income of the recipient thereof for United States federal income tax purposes under Section 933 of the US Code if the recipient is a bona fide resident of Puerto Rico during the entire taxable year in which such interest is derived.

2. Interest or original issue discount on the Bonds derived by a corporation organized under the laws of Puerto Rico or by any foreign corporation for purposes of the US Code is not subject to United States federal income tax under the US Code if: (a) such interest is not, and is not treated as, income effectively connected with, or attributable to, the conduct of a trade or business in the United States by such corporation under the US Code; (b) such corporation is not a controlled foreign corporation or a passive foreign investment company under the US Code; and (c) such corporation is not treated as a domestic corporation for purposes of the US Code.

3. United States taxpayers, other than individuals who comply with the requirements set forth below, may be subject to federal income tax on any gain realized upon sale of the Bonds. Pursuant to Notice 89-40, issued by the United States Internal Revenue Service on March 27, 1989, and the regulations issued under Section 937 of the US Code, the gain from the sale of the Bonds by an individual who is a bona fide resident of Puerto Rico will constitute Puerto Rico source income, and therefore will qualify for exclusion from gross income under Section 933 of the US Code, provided (i) said Bonds do not constitute inventory in the hands of such seller, (ii) such gain is not attributable to an office or fixed place of business of the seller and (iii) the individual has been a resident of Puerto Rico for the shorter of (1) the full period during which the individual has owned the Bonds or (2) the ten year period preceding the year of the sale. In the case the individual is a bona fide resident of Puerto Rico for the tax year for which the source of income must be determined and the individual was a United States citizen or resident (other than a bona fide resident of Puerto Rico) for any of the ten years preceding said year, the individual may elect to treat as gain from sources within Puerto Rico the portion of the gain attributable to the individual's holding period in Puerto Rico.

Prospective owners of the Bonds should consult their tax advisors with respect to the precise determination of the Puerto Rico and United States federal tax consequences arising from ownership or disposition of the Bonds.

This opinion is limited to the above, and we do not express any other opinion regarding the Puerto Rico or United States federal tax consequences arising from ownership or disposition of the Bonds. This opinion is based upon our reliance on the continued accuracy of the representations, warranties and covenants made by the Borrower and the Authority in the Loan Agreement.

This letter is furnished by us solely for the benefit of the Authority and the holders from time to time of the Bonds and may not be relied upon by any other person.

Respectfully submitted,

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No dealer, salesperson or other person is authorized to give any information or to make any representation not contained or incorporated by reference in this Official Statement and, if given or made, such information or representation must not be relied upon as having been authorized by AFICA, the Borrower, TDF or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Bonds offered hereby in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. 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 AFICA, the Borrower or TDF since the date hereof or that the other information contained herein is correct as of any time subsequent to the date hereof.

$26,355,000

AFICA
TOURISM REVENUE REFUNDING BONDS,
2011 SERIES A

(TRUMP INTERNATIONAL GOLF CLUB PUERTO RICO PROJECT)

OFFICIAL STATEMENT

POPULAR SECURITIES