OFFERING CIRCULAR

PUERTO RICO INVESTORS TAX-FREE FUND, INC., PUERTO RICO INVESTORS TAX-FREE FUND, INC. II, PUERTO RICO INVESTORS TAX-FREE FUND III, INC., PUERTO RICO INVESTORS TAX-FREE FUND IV, INC., PUERTO RICO INVESTORS TAX-FREE FUND V, INC., PUERTO RICO INVESTORS TAX-FREE FUND VI, INC. PUERTO RICO INVESTORS BOND FUND I

TAX-FREE SECURED OBLIGATIONS

Based on certain assumptions and representation described herein, interest on the Notes received by residents of Puerto Rico and by certain Puerto Rico entities will be exempt from Puerto Rico income taxes. In addition, such interest should be exempt from the applicable Puerto Rico alternative basic or minimum tax. See "Taxation" herein.

The Tax-Free Secured Obligations (the "Notes") are being offered by the Puerto Rico Investors Tax-Free Fund, Inc., Puerto Rico Investors Tax-Free Fund, Inc. II, Puerto Rico Investors Tax-Free Fund III, Inc., Puerto Rico Investors Tax-Free Fund IV, Inc., Puerto Rico Investors Tax-Free Fund V, Inc., the Puerto Rico Investors Tax-Free Fund VI, Inc., and Puerto Rico Investors Bond Fund I (collectively the "Funds"), each of which is a non-diversified, closed-end management investment company organized under the laws of Puerto Rico and registered as an investment company under the Puerto Rico Investment Companies Act of 1954, as amended (the "PR-ICA").

The Notes are being issued in two series: the "Short-Term Notes," which will have maturities of up to 270 days, and the "Medium-Term Notes," which will have maturities of over 270 days. The Short-Term Notes have been rated "F1" and the Medium-Term Notes have been rated "A" by Fitch Ratings ("Fitch"). See "Ratings." Each series of Notes will be separately collateralized by a security interest in certain Eligible Collateral, as defined herein, which includes securities issued by the Commonwealth of Puerto Rico and its political subdivisions and instrumentalities (all of which are rated below investment grade unless insured), mortgage-backed securities guaranteed by the Government National Mortgage Association, and securities issued or guaranteed by the U.S. Government, its agencies and instrumentalities. The pledged securities will be held by Banco Popular de Puerto Rico ("Banco Popular"), as collateral agent, for the benefit of the holders of the applicable series of Notes. See "Security for the Notes."

The Notes will be issued from time to time in minimum denominations of $25,000 and will bear interest, if any, at a fixed, variable or floating rate, or at a rate determined by reference to an index, determined at the time of issuance, payable as specified in the relevant Note and in a supplement to this Offering Circular delivered in connection with the sale of such Note (an "Offering Circular Supplement"). The Medium-Term Notes may be redeemable prior to their stated maturity at the option of the issuing Fund as provided in the relevant Note and corresponding Offering Circular Supplement. The Short-Term Notes will not be redeemable prior to their stated maturity unless otherwise provided in the relevant Note and corresponding Offering Circular Supplement. The Notes will be issued only in registered form, without coupons.

Each Note is an obligation of the issuing Fund, and not of any other Fund, and will be collateralized solely by collateral pledged by the issuing Fund, and not by collateral of any other Fund. References herein to "the Fund" are references to the Fund issuing the particular Notes being offered.

An investment in the Notes involves certain risks, including risks associated with the pledged collateral, which may include non-investment grade bonds issued by the Commonwealth of Puerto Rico and its instrumentalities. The Commonwealth of Puerto Rico is currently facing a significant liquidity, fiscal and economic crisis, which could result in a default on its debt obligations, and could affect the ability of the Funds to repay the Notes. See "Risk Factors" and "Recent Events."

THE NOTES DESCRIBED HEREIN ARE OFFERED FOR SALE ONLY IN THE COMMONWEALTH OF PUERTO RICO. THE FUNDS ARE REGISTERED WITH THE OFFICE OF THE COMMISSIONER OF FINANCIAL INSTITUTIONS OF PUERTO RICO AS INVESTMENT COMPANIES UNDER THE PUERTO RICO INVESTMENT COMPANIES ACT. HOWEVER, SUCH REGISTRATION DOES NOT CONSTITUTE A FINDING THAT THIS OFFERING CIRCULAR IS TRUE, COMPLETE AND NOT MISLEADING, NOR HAS THE OFFICE OF THE COMMISSIONER OF FINANCIAL INSTITUTIONS PASSED IN ANY WAY UPON THE MERITS OF, RECOMMENDED, OR GIVEN APPROVAL TO SUCH NOTES. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Notes will be offered on behalf of the Funds by the following dealers and by other dealers appointed from time to time.

UBS Financial Services Incorporated of Puerto Rico **Popular Securities**

The date of this Offering Circular is February 19, 2016

THESE NOTES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, THE PUERTO RICO UNIFORM SECURITIES ACT OR THE SECURITIES LAWS OF ANY JURISDICTION, AND THE FUNDS HAVE NOT BEEN REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940. THE NOTES ARE BEING OFFERED EXCLUSIVELY TO INDIVIDUALS HAVING THEIR PRINCIPAL RESIDENCE WITHIN THE COMMONWEALTH OF PUERTO RICO AND TO PERSONS, OTHER THAN INDIVIDUALS, WHOSE PRINCIPAL OFFICE AND PRINCIPAL PLACE OF BUSINESS ARE LOCATED WITHIN PUERTO RICO.

AN INVESTMENT IN THE NOTES IS NEITHER INSURED NOR GUARANTEED BY THE U.S. GOVERNMENT OR BY THE GOVERNMENT OF PUERTO RICO. PROSPECTIVE INVESTORS SHOULD BE AWARE THAT THE NOTES ARE NOT AN OBLIGATION OF OR GUARANTEED BY UBS FINANCIAL SERVICES INCORPORATED OF PUERTO RICO, BANCO POPULAR DE PUERTO RICO, OR ANY OF THEIR AFFILIATES. IN ADDITION, SUCH INVESTMENTS ARE NOT DEPOSITS AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER AGENCY OR INSTRUMENTALITY OF THE U.S. GOVERNMENT.

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR. NEITHER FUND HAS AUTHORIZED ANYONE TO PROVIDE YOU WITH DIFFERENT INFORMATION. YOU SHOULD NOT ASSUME THAT THE INFORMATION PROVIDED BY THIS OFFERING CIRCULAR IS ACCURATE AS OF ANY DATE OTHER THAN THE DATE ON THE FRONT OF THIS OFFERING CIRCULAR. THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY SUCH SECURITIES IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL.

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SUMMARY

The following summary is qualified in its entirety by reference to the more detailed information included elsewhere in this Offering Circular, and unless otherwise specified, cross-references are to such information. This Offering Circular speaks only as of its date and the information contained herein is subject to change. No person is authorized to detach this Summary from this Offering Circular or otherwise use it without the entire Offering Circular. You should carefully consider information set forth under the heading "Risk Factors."

The Funds	The Notes are being offered by the Puerto Rico Investors Tax-Free Fund, Inc. ("PRITFF I"), Puerto Rico Investors Tax-Free Fund, Inc. II ("PRITFF II"), Puerto Rico Investors Tax-Free Fund III, Inc. ("PRITFF III"), Puerto Rico Investors Tax-Free Fund IV, Inc. ("PRITFF IV"), Puerto Rico Investors Tax-Free Fund V, Inc. ("PRITFF V"), the Puerto Rico Investors Tax-Free Fund VI, Inc. ("PRITFF VI"), and Puerto Rico Investors Bond Fund I (the "Bond Fund"), each of which is a non-diversified, closed-end management investment company organized under the laws of Puerto Rico and registered as an investment company under the Puerto Rico Investment Companies Act of 1954, as amended (the "PR-ICA"). Each such investment company may be referred to from time to time as a "Fund" and collectively as the "Funds." PRITFF I, PRITFF II, PRITFF III, PRITFF IV, PRITFF V and PRITFF VI are sometimes referred to collectively as the "PRITFF Funds." The PRITFF Funds are corporations organized under the laws of Puerto Rico. The Bond Fund is an investment trust organized pursuant to a deed of trust governed by the laws of Puerto Rico.
Leverage Program	Each of the Funds may increase amounts available for investment through the issuance of preferred stock, debt securities, or other forms of leverage, representing not more than 50% of such Fund's total assets immediately after any such issuance. As part of such leverage program, the Fund is offering the Notes. See "Special Leverage Risks" below.
The Notes	The Notes are being issued in two series: the Short-Term Notes and the Medium-Term Notes. The Short-Term Notes will be offered with maturities of up to 270 days from the date of issuance, and may include Notes payable on demand (but not later than 270 days). The Medium-Term Notes will be offered with maturities in excess of 270 days from the date of issuance.
Minimum Denominations	$25,000.
Ratings	The Short-Term Notes are rated "F1" and the Medium-Term Notes are rated "A" by Fitch.
Collateral	Each series of Notes issued by a Fund will be separately collateralized by a pledge of certain securities, including GNMA Mortgage-Backed Securities and other U.S. Government Agency Securities, U.S. Treasury Securities, and Puerto Rico Municipal Obligations (each as defined herein). Puerto Rico Municipal Obligations are currently rated below investment grade. The Commonwealth of Puerto Rico is currently facing a significant liquidity, fiscal and economic crisis, which could result in a default on its debt obligations, and could affect the ability of the Funds to repay the Notes.
Interest Rate	The Notes will bear interest, if any, at a rate determined at the time of issuance of each Note and which will be set forth on the relevant Note and corresponding Offering Circular Supplement delivered in connection with the sale of the Note.

Redemption

The Medium-Term Notes may be redeemable prior to their stated maturity at the option of the issuing Fund as provided in the relevant Note and corresponding Offering Circular Supplement. The Short-Term Notes will not be redeemable prior to their stated maturity unless otherwise provided in the relevant Note and corresponding Offering Circular Supplement.

Limitations on Offering and Transfer of Notes

The Notes (including any beneficial or other interest therein) are being offered exclusively to individuals who have their principal residence in Puerto Rico and to persons, other than individuals, that have their principal office and principal place of business in Puerto Rico, provided that if such entity is a non-business trust, the trustee and all trust beneficiaries are residents of Puerto Rico ("Puerto Rico Residents"). The Notes will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), nor under the securities laws of any state or jurisdiction, and none of the Funds has been registered under the U.S. Investment Company Act of 1940, as amended. Consequently, the Notes may be sold, pledged, hypothecated, or otherwise transferred exclusively to Puerto Rico Residents. All investors and transferees of the Notes are required to deliver to the Dealers (as defined below) or other dealers which may be appointed in the future, a letter of representation in the applicable form of Appendix A attached to this Offering Circular (Appendix A-1 in the case of business organizations, Appendix A-2 in the case of individuals, and Appendix A-3 in the case of broker dealers), and in the case of purchases or transfers made through Popular Securities, Inc. ("Popular Securities") or UBS Financial Services Incorporated of Puerto Rico ("UBS Puerto Rico"), to follow such other procedures as UBS Puerto Rico or Popular Securities has for verifying residency. The Dealers will be contractually obligated to each Fund to obtain such letter of representation in proper form. Any transfer of the Notes to a transferee who has not provided such a letter will be null and void. See "Limitation on Offerings and Transfer of Notes" below.

Investment Objectives and Policies

The investment objective of each of the PRITFF Funds is to achieve a high level of current income that, for Puerto Rico Residents, is exempt from U.S. federal and Puerto Rico income taxes, consistent with the preservation of capital. The investment objective of the Bond Fund is to achieve a high level of tax-advantaged current income, consistent with the preservation of capital. It is anticipated that each Fund will invest substantially all of its assets in securities having a wide range of maturities up to 30 years. Each of PRITFF I and PRITFF II originally intended to invest 70% of their total assets in securities issued by Puerto Rico and its political subdivisions, agencies and instrumentalities, and in Puerto Rico mortgage-backed and asset-backed securities. Each of PRITFF III, IV, V, and VI originally intended to invest 67% of their respective total assets in the aforementioned Puerto Rico obligations, and in such other Puerto Rico tax-exempt securities as are now or may in the future become available. The Bond Fund originally intended to invest at least 67% of its total assets in the aforementioned Puerto Rico obligations, corporate obligations and preferred stock of Puerto Rico entities, and such other Puerto Rico fixed income securities as are now or may in the future become available. However, as a result of the downgrade of Puerto Rico government bonds and Puerto Rico corporate bonds, the Funds have reduced their investment in such Puerto Rico obligations, as authorized by waivers issued by the Office of the Commissioner of Financial Institutions.

	Each of PRITFF I and II originally intended to invest up to 30%, and each of PRITFF III, IV, V, and VI and the Bond Fund originally intended to invest up to 33%, of their total assets in other types of securities, such as mortgaged-backed securities, other securities issued or guaranteed by the U.S. Government, its agencies, and instrumentalities, municipal securities issued by issuers in the U.S. and, in the case of the Bond Fund, corporate obligations and preferred stock of non-Puerto Rico issuers. However, as a result of the downgrade of Puerto Rico government bonds and Puerto Rico corporate bonds, the Funds have increased their investment in such non-Puerto Rico obligations. Each Fund's investments are selected by the Investment Advisers in accordance with the Fund's investment objectives and policies. See "Investment Objectives and Policies" below. No assurance can be given that each Fund will meet its investment objectives.
Management of the Funds	The Funds' Investment Advisers are UBS Asset Managers of Puerto Rico, a division of UBS Trust Company of Puerto Rico ("UBS Asset Managers"), and Popular Asset Management, a division of Banco Popular ("Banco Popular-PAM"). UBS Asset Managers and Banco Popular-PAM are collectively referred to as the "Investment Advisers." UBS Puerto Rico, an affiliate of UBS Asset Managers, and Popular Securities, an affiliate of Banco Popular, are also dealers of the Notes.
Agent	Banco Popular will act as issuing, paying and transfer agent on behalf of each Fund and as collateral agent (the "Agent") on behalf of the holders of the Notes (the "Noteholders").
Dealers	UBS Puerto Rico, an affiliate of UBS Trust Company of Puerto Rico, and Popular Securities, an affiliate of Banco Popular, will offer the Notes on behalf of the Funds and will purchase the Notes as principal and use their best efforts to sell such Notes on behalf of the Funds. The Funds may appoint other dealers from time to time (each, a "Dealer" and collectively the "Dealers"). Each Dealer may be paid a fee to be negotiated from time to time equal to a percentage of the principal amount of Notes sold by such Dealer, and will be reimbursed for certain out-of-pocket expenses incurred. The Funds will also indemnify the Dealers against certain liabilities, including liabilities under the Securities Act. The Funds may also sell Notes directly to investors from time to time.
Risk Factors	**An investment in the Notes involves certain risks, including risks associated with the pledged collateral, which may include non-investment grade Puerto Rico Municipal Obligations. The Commonwealth of Puerto Rico is currently facing a significant liquidity, fiscal and economic crisis, which could result in a default on its debt obligations, and could affect the ability of the Funds to repay the Notes. Prospective investors are urged to read the section entitled "Risk Factors" and "Recent Events" for a description of certain risk factors relating to an investment in the Notes.**

Transactions Involving Affiliates

The Funds are not registered under the U.S. Investment Company Act of 1940, as amended (the "U.S. Investment Company Act") and therefore are not subject to the restrictions contained therein regarding, among others, transactions between the Funds and the Investment Advisers or their affiliates. It is anticipated that such transactions will take place, including instances in which one of the Funds' or the Investment Advisers' affiliates may be the only dealer in a particular security being purchased or sold by the Funds. In that event, independent sources for valuation or liquidity of the security may be limited or nonexistent. The Funds may invest a substantial portion of their assets in those securities.

All transactions with affiliates will be subject to procedures adopted by each Fund's Board of Directors, and, particularly each Fund's Independent Board (as defined herein), in an effort to address potential conflicts of interest. There is no assurance that the procedures will be effective. See "Transactions Involving Affiliates" below.

The Funds may not sell their portfolio securities to, nor buy portfolio securities from each other without the approval in each case of each Fund's Board of Directors and subject to procedures to be established by such Board of Directors. Similarly, each Fund's Board of Directors has adopted procedures in an effort to address potential conflicts of interest that may arise in the placement of each such Fund's preferred stock, debt securities, and other forms of leverage by UBS Puerto Rico and Popular Securities. UBS Puerto Rico and Popular Securities are Dealers and Banco Popular is an agent for the Funds' preferred stock, debt securities, and other forms of leverage. See "Transactions Involving Affiliates" below.

Taxation

Based on certain assumptions and representations described herein, interest on Notes received by residents of Puerto Rico or certain Puerto Rico entities will be exempt from Puerto Rico income taxes, including the applicable Puerto Rico alternative basic or minimum tax. See "Taxation" below for a summary of the material Puerto Rico and U.S. income tax considerations that may be relevant to prospective investors in the Notes.

RISK FACTORS

The principal risks of investing in the Notes are discussed below. See also the "Recent Events" section for a discussion of certain risks related to the Puerto Rico fiscal crisis, the recent downgrade of Puerto Rico Municipal Obligations to non-investment grade, the decrease in value of Puerto Rico Municipal Obligations, the decrease in the percentage of total assets invested in Puerto Rico obligations, and the adoption of the Recovery Act. Any of these risks may cause you to lose money.

Puerto Rico Fiscal Crisis May Adversely Affect the Ability of the Funds to Repay the Notes

The Pledged Collateral securing the Notes may include Puerto Rico Municipal Obligations. Puerto Rico is currently facing a significant liquidity, fiscal and economic crisis due, among other factors, to a prolonged economic recession, high levels of debt and pension obligations, lack of access to the capital markets, and population decline, which have led to significant budget deficits.

On June 29, 2015, Governor Alejandro García Padilla announced that Puerto Rico's debt load was "unpayable" in light of the Commonwealth's economic trajectory and called for a renegotiation of the Commonwealth's debt load with the goal of achieving sustainable payment terms. The Governor warned that if such negotiations were unsuccessful, the Commonwealth would be unable to timely honor all its obligations to bondholders. A renegotiation of the Commonwealth's debt could result in a reduction in the principal amount and interest rate of the Puerto Rico Municipal Obligations held by the Funds, some of which may constitute part of the collateral securing the Notes.

As a result of the Commonwealth's fiscal and economic situation, commencing in February of 2014, the three principal credit rating agencies, namely Fitch, Standard & Poor's Ratings Services ("S&P") and Moody's Investors Services ("Moody's") downgraded their ratings on bonds issued by the Commonwealth and its instrumentalities to non-investment grade (or "junk") ratings. Non-investment grade securities are considered by the rating agencies to have a greater degree of credit risk than investment grade securities.

Since interest and principal on the Notes may be paid in part from interest and principal paid by the securities constituting the Pledged Collateral and from the proceeds of the sale of the Pledged Collateral, any failure by the Commonwealth and its instrumentalities to make payments with respect to the Puerto Rico Municipal Obligations may adversely affect the ability of the Funds to timely pay interest on and the principal of the Notes. In addition, the prices at which the Funds may be able to sell Puerto Rico Municipal Obligations and the liquidity of the market for such securities have been adversely affected by the financial crisis, which may adversely affect the Funds' ability to timely pay the Notes.

Prospective purchasers of the Notes should read the Commonwealth of Puerto Rico Financial Information and Operating Data Report dated November 6, 2015, and any supplement thereof (the "Commonwealth Report"), or any subsequently dated document that supersedes the Commonwealth Report, to obtain information relating to Puerto Rico's fiscal crisis and its possible implications for holders of the Notes. The Commonwealth Report, however, is <u>not</u> incorporated by reference into this Offering Circular, and none of the Funds, the Investment Advisers or the Dealers are liable for the information contained therein. The Commonwealth Report is found at the webpage of the Government Development Bank for Puerto Rico at www.bgfpr.com under "Investor Resources – Publications and Reports."

General

A Fund's investments may be harmed by the performance of U.S., Puerto Rico, and foreign investment securities markets, which may be influenced by factors including interest rates, inflation, politics, fiscal policy, and current events. Because a Fund's investments in its underlying securities may fluctuate due to market conditions, a Fund may be unable to pay, at any given point in time, the principal and accrued interest on the Notes. You may lose money.

Liquidity and Trading of the Notes

There is currently no secondary market for the Notes, and there is no assurance that a secondary market for the Notes will develop in the future. The Dealers do not have any obligation to make a market in the Notes, and any such activities, if commenced, may be discontinued at any time. No assurance can be given as to the liquidity of, or the trading market for, the Notes. The market price of the Notes will be determined by such factors as relative demand for and supply of the Notes in the market, general market conditions, and economic conditions and other factors beyond the control of any given Fund. A Fund cannot predict whether the Notes will trade at, below or above their stated principal amount. That conclusion is further affected by the fact that there may be few or no market-makers in the Notes. The Notes may not be suitable to all investors, and investors in the Notes should not view a Fund as a vehicle for trading purposes. See "Limitation on the Offerings and Transfer of Notes."

Pledged Collateral Includes Non-Investment Grade Securities

The Funds cannot guaranty the creditworthiness of any issuer of securities that comprise Pledged Collateral. Some of the securities that constitute the Pledged Collateral consist of Puerto Rico Municipal Obligations that are rated non-investment grade and that have limited liquidity. The creditworthiness of all such issuers will depend on factors, such as general and issuer-specific economic conditions, outside of the control of the Funds. In the event a Fund is unable to meet its obligations to its Noteholders, including, without limitation, because such Fund has become insolvent or the subject of bankruptcy proceedings, Noteholders may be materially and adversely affected if the Pledged Collateral is insufficient to pay principal and accrued interest on any outstanding Notes. See also "Special Risk Factors Relating to Investments by the Funds" section below.

Conditions for Favorable Income Tax Treatment of Interest on Notes

The exemption from income taxes afforded to interest income derived from an investment in the Notes is subject to certain conditions more fully set forth in the Puerto Rico Internal Revenue Code, as amended, and the regulations thereunder. In the event of the failure to comply with any such conditions, interest income derived from an investment in the Notes may be treated as taxable income for Puerto Rico income tax purposes.

The Funds treat reverse repurchase agreements, which are transactions in which the Funds sell securities to a counterparty and simultaneously agree to repurchase the securities from the counterparty at a fixed price and date, as collateralized borrowings by the Funds, and not as sales of such securities, for accounting and tax purposes. While there is legal authority generally supporting the treatment of reverse repurchase agreements as collateralized borrowings for Puerto Rico income tax purposes, that legal authority does not specifically address the tax treatment of the reverse repurchase agreements that the Funds typically enter into, which contain provisions that grant the buyer the right to sell, transfer, pledge, or hypothecate the securities that are the object of such agreements. The Funds have received legal opinions to the effect that the reverse repurchase agreement in which they enter should be treated as collateralized borrowings for Puerto Rico income tax purposes. However, these legal opinions are not binding on the Puerto Rico Treasury Department (the "PR Treasury") or on the Puerto Rico courts. Although the PR Treasury has never ruled as to whether this type of arrangement should be viewed as a true sale of the underlying securities, the PR Treasury could take that position in the future and the Puerto Rico courts may agree with that view. If these reverse repurchase agreements were to be recharacterized by the PR Treasury as true sales of the securities, the Funds may be unable to treat tax-exempt interest accrued on securities sold pursuant to a reverse repurchase agreement as earned by the Funds during the time the securities are held by the counterparty. In the event of any such recharacterization, to the extent that a Fund does not have sufficient tax-exempt interest that is not subject to this recharacterization, some of the interest paid by the Fund to Noteholders may be taxable at the rates otherwise applicable to taxable interest payments. See "TAXATION – Puerto Rico Taxation."

Changes in Applicable Law and Political Risk

Legislation affecting the Funds, their assets, investment companies, taxes, and other matters related to the business of the Funds are continually being considered by the Legislature of Puerto Rico and the U.S. Congress. Moreover, the Commissioner granted certain waivers and rulings to the Funds which do not constitute a precedent

binding thereon. There can be no assurance that legislation enacted or regulations promulgated, or other governmental actions, after the date of the initial issuance of the Notes, will not have an adverse effect on the operations of the Funds, the economic value of the Notes, or the tax consequences of the acquisition or the disposition of the Notes. Political or regulatory developments in Puerto Rico and in the United States could affect the tax-exempt status of interest or dividends paid on securities issued by a Fund. These developments could also cause the value of a Fund's investment to fall.

Conflicts of Interest

The Funds are not registered under the U.S. Investment Company Act and therefore are not subject to the restrictions contained therein regarding, among other things, transactions between the Funds and the Investment Advisers or their affiliates. It is anticipated that affiliated transactions will take place. However, all such transactions will be conducted only in accordance with procedures adopted by each Fund's Board of Directors in an effort to address potential conflicts of interest that may arise. There is no assurance that these procedures will be successful. See "Transactions Involving Affiliates."

U.S. Federal Tax Law and Lack of U.S. Federal Tax Ruling

Under regulations issued under Section 937(b) of the U.S. Internal Revenue Code, as amended (the "U.S. Code"), income that is otherwise treated as income from sources within Puerto Rico under general source of income rules is treated as income from sources outside Puerto Rico and not excludable from gross income under Section 933 of the U.S. Code if it consists of income derived in a "conduit arrangement." Based on the current language of the U.S. regulations and the guidance offered therein, it is more likely than not that an investment in the Notes is not the type of transaction intended to be covered by these rules, and in accordance with this interpretation, it is more likely than not that interest and any original issue discount on the Notes is to be treated as income from sources within Puerto Rico. The Funds do not plan to obtain a ruling from the U.S. Internal Revenue Service ("IRS") with respect to the U.S. federal income tax treatment of an investment in the Notes, and no assurance can be given that the IRS or the U.S. courts will agree with the tax treatment described herein. Please refer to the section entitled "TAXATION" for further details on the tax implications of an investment in the Notes and pertinent U.S. Department of the Treasury ("U.S. Treasury") disclosure. You should consult your own tax advisor for a full understanding of the tax considerations and implications of investing in the Notes in your particular situation.

On March 18, 2010, the U.S. Congress adopted the Foreign Account Tax Compliance Act ("FATCA") to amend the U.S. Code to, among other things, impose a 30% withholding tax at the source to certain "foreign financial institutions" or "non-financial foreign entities" ("NFFE") upon most payments of U.S. source income and gross proceeds from the disposition of property that can produce U.S. source dividends or interest made, unless certain certification and reporting requirements are satisfied by such NFFE, including providing information with respect to its respective investors. In the case of most payments of U.S. source income, a 30% withholding will apply to payments made after June 30, 2014, and in the case of gross proceeds from the disposition of property that can produce U.S. source dividends or interest. IRS Notice 2015-66 provides that withholding will apply to payments made after December 31, 2018. The IRS and U.S. Treasury issued final regulations regarding information reporting by, and withholding of payments to, NFFEs on January 17, 2013, which became effective on January 28, 2013, provide that the Funds are to be treated as a NFFE. Furthermore, under certain procedures included in temporary regulations issued by the U.S. Treasury and the IRS that became effective on March 6, 2014, the Funds were registered with the IRS as "direct reporting NFFEs," and with such registration, they will not be subject to the 30% withholding. Under these procedures, the Funds will be required to provide to the IRS (instead of the payors of such U.S. source income) certain information with respect to its investors that, directly or indirectly, own more than 10% (by vote or value) of the Fund's stock. If the Funds are unable to provide such information to the IRS or otherwise fail or are unable to comply with the legal and regulatory requirements of the U.S. Code, the Funds' U.S. source income may be reduced, inasmuch as it will be subject to the 30% withholding tax at the source. This reduction may negatively affect the ability of the Funds to fulfill their obligations under the Notes.

Special Leverage Risks

The Funds may increase amounts available for investment through the issuance of preferred stock, debt securities (i.e., debt instruments of varying maturities, including commercial paper and Short-Term and Medium-Term Notes such as the ones being issued pursuant to this Offering Circular; such securities collectively referred to herein as the "debt securities"), and other forms of leverage (including Reverse Repurchase Agreements, as defined below), representing not more than 50% of each Fund's total assets immediately after the issuance of such securities. Such offerings will be made solely to Puerto Rico Residents. As a result of the recent downgrade of Puerto Rico Municipal Obligations and the related decrease in the market value of these securities, the Funds temporarily exceeded this 50% leverage limitation. The Funds obtained waivers from the Office of the Commissioner of Financial Institutions with respect to such leverage limitations. The Funds have since reduced their leverage so that it is within the required limits. In order to reduce their leverage, the Funds have been required to sell assets, sometimes at relatively low prices that reflect the limited liquidity of the market for certain Puerto Rico Municipal Obligations.

The Funds, subject to the above percentage limitations, may also engage in certain additional borrowings from banks or other financial institutions, through Reverse Repurchase Agreements. The Funds will engage in borrowings from, and other forms of leverage with, UBS Puerto Rico or Banco Popular or their affiliates through Reverse Repurchase Agreements, dollar rolls, or otherwise upon the approval of and subject to procedures as established by each Fund's Board of Directors, in order to address, among other things, the potential conflict of interest in setting interest or dividend rates. There is no assurance that the procedures will be effective. Popular Securities and UBS Puerto Rico will act as dealers in connection with any offering of debt securities by each Fund. See "Portfolio Transactions — Transactions Involving Affiliates." In addition, each Fund may also borrow for temporary or emergency purposes, in an amount of up to an additional 5% of its total assets. Such borrowings would create leverage and would entail speculative factors similar to those applicable to the issuance of debt securities and other forms of leverage.

Special Risk Factors Relating to Investments by the Funds

Terms and Rate Differences Between Funds' Assets and the Notes. There may be differences between the term, interest rate, and other characteristics of the Notes and the portfolio securities acquired or financed with the proceeds of the Notes. In addition, the Funds may issue preferred stock with characteristics that differ from the portfolio securities acquired or financed with the proceeds of the preferred stock. These differences may expose the Funds to interest rate, market, and other risks that may have an adverse impact on each Fund and its Noteholders.

Issuer Concentration; Lack of Geographic Diversification; Prolonged Puerto Rico Economic Downturn. Under normal market conditions, (i) each of PRITFF I and II intend to invest at least 70%, and each of PRITFF III, IV, V and VI intend to invest at least 67%, of their total assets in Puerto Rico Obligations, and (ii) the Bond Fund intends to invest at least 67% of its total assets in Puerto Rico Obligations and certain other securities issued by Puerto Rico issuers. Therefore, the Funds will be more susceptible to factors adversely affecting issuers of Puerto Rico Obligations (or other Puerto Rico securities) than an investment company that is not concentrated in Puerto Rico Obligations (or other Puerto Rico securities) to this degree. This makes the Funds more susceptible to economic, political, or regulatory occurrences in Puerto Rico than a geographically diversified fund.

There are few participants in the market for certain Puerto Rico Obligations or other Puerto Rico securities. In addition, certain Puerto Rico Obligations and other Puerto Rico securities have had and may continue to have periods of illiquidity. These factors may affect the Fund's ability to acquire or dispose of these securities, as well as the price paid or received upon acquisition or disposition. In addition, investment by the Funds in Puerto Rico Obligations and other Puerto Rico securities is subject to their availability in the open market.

Puerto Rico's economy entered a recession in the fourth quarter of fiscal year 2006. According to the Puerto Rico Planning Board figures from May of 2015, Puerto Rico's real gross national product has decreased (or grown minimally) every year from fiscal year 2007. In fiscal years 2013 and 2014, Puerto Rico's real gross national product decreased by 0.2% and 0.9%, respectively. Although the figures for fiscal year 2015 have not been made public, the cumulative values for the monthly economic indicators for fiscal year 2015 indicate that the real gross

national product for fiscal year 2015 could also show a contraction. The Planning Board is expected to publish its figures for fiscal year 2015 in March of 2016.

Commencing in February of 2014, the three principal credit rating agencies, namely Fitch, S&P and Moody's, downgraded their ratings on bonds issued by the Commonwealth of Puerto Rico and its instrumentalities to non-investment grade ratings. Among the factors mentioned by the rating agencies as reasons for the downgrade are constrained access to liquidity, a high level of debt and retirement liabilities, more than a decade of structural deficits, several years of economic contraction and, more recently, the enactment by the Legislative Assembly of the Recovery Act. As a result of the downgrades, the percentage of assets of each Fund invested in investment grade securities is currently less than 95% of its total assets. In accordance with the Funds' organizational documents, the Funds are currently engaged in an orderly disposition of certain of their non-investment grade securities. Since these non-investment grade securities have limited liquidity, such orderly disposition could take a considerable amount of time. In addition, since a significant percentage of Puerto Rico securities are now non-investment grade, it may not be possible for the Funds to maintain 95% of their assets invested in investment grade securities. The Funds do not intend, nor are they required, to follow a strict timetable for such orderly disposition, as they do not believe such strict timetable would be in the best interests of the Fund's securityholders, particularly in light of the decrease in value and liquidity affecting the Puerto Rico bond market.

See "Recent Events – Downgrade of Puerto Rico Municipal Obligations to Non-Investment Grade Ratings" for a list of recent ratings of certain Puerto Rico Municipal Obligations and for a schedule showing the percentage of Fund assets invested in non-investment grade securities.

Non-Diversification Risk. Pursuant to certain rulings issued by the Commissioner of Financial Institutions of Puerto Rico (the "Commissioner Rulings"), each Fund may invest more than 25% of its total assets in Puerto Rico Obligations and U.S. Government Obligations (as such terms are defined in the Commissioner Rulings), in each case in excess of the 25% limitation for an investment in a single issuer imposed by the PR-ICA. A Fund may not hold more than 75% of the voting securities of any single issuer. To the extent that a Fund assumes large positions in the securities of a small number of issuers, the Fund's net asset value and its yield may fluctuate to a greater extent than that of a diversified company as a result of changes in the financial condition or in the market's assessment of the issuers. In addition, from time to time, a Fund may also invest in securities of issuers with which UBS Puerto Rico, Popular Securities or the Agent have a lending or other type of business relationship.

Industry Concentration Risk. As a result of the requirements of the Puerto Rico Investment Companies Act to invest at least 67% of the Funds' assets in Puerto Rico Obligations, the Fund's investments are currently concentrated in Puerto Rico Municipal Obligations. To the extent that a Fund's investments are heavily concentrated in a particular sector of the economy, such as government, it may be adversely affected more than an investment company that is more diversified across various sectors of the economy should that sector suffer a downturn. As discussed above under "Issuer Concentration; Lack of Geographic Diversification; Prolonged Puerto Rico Economic Downturn," and under "Recent Events – Decrease in Value of Puerto Rico Municipal Obligations," the value of Puerto Rico Municipal Obligations has declined significantly since 2013 as a result of various factors, including the contraction of the Puerto Rico economy, the financial condition of several Commonwealth public corporations, the recent downgrades of Puerto Rico Municipal Obligations, and the adoption of the Recovery Act. Since the Funds have significant exposure to Puerto Rico Municipal Obligations, the Funds have been adversely affected by these events.

A significant portion of the Funds' assets are invested in securities issued by the Puerto Rico Sales Tax Financing Authority (COFINA), which as of November 30, 2015, represented approximately between 23% and 35% of the assets of each of the PRITFF Funds, and approximately 10% of the assets of the Bond Fund, and the Employees Retirement System, which represented between 4% and 9% of the assets of each of the Funds as of such date. These securities are rated non-investment grade.

Fixed Income Securities Generally. The yield on Puerto Rico Obligations and other fixed income securities depends on a variety of factors, including general municipal and fixed income security market conditions, the financial condition of the issuer, the size of the particular offering, the maturity, credit quality and rating of the issue and expectations regarding changes in income tax rates. Generally, the longer the maturity of a fixed income security, the

higher the yield and the greater the volatility. The market value of fixed income securities, and accordingly, each Fund's net asset value, normally will vary inversely with changes in interest rates. Such changes in the values of Puerto Rico Obligations held by a Fund will not affect the interest income derived from them but will affect the Fund's net asset value. The specific terms and conditions of certain types of securities may also make them more sensitive to changes in interest rates.

The obligations of certain issuers of Puerto Rico Obligations are subject to the provisions of bankruptcy, insolvency and other similar kinds of laws affecting the rights and remedies of creditors, including the recently adopted Recovery Act, which affects issuers of certain Puerto Rico Municipal Obligations. In the event of a bankruptcy of such an issuer, a Fund could experience delays and limitations with respect to the collection of principal and interest on such Puerto Rico Obligations, and in some circumstances, the Fund might not be able to collect all principal and interest to which it is entitled. To enforce its rights in the event of a default in the payment of interest or repayment of principal, or both, a Fund might take possession of and manage the assets or have a receiver appointed to collect and disburse pledged revenues securing the issuer's obligations on such securities; any such action might increase a Fund's operating expenses and might adversely affect a Fund's ability to make payment on the Notes.

Municipal Obligations. The value of some of the Municipal Obligations in which the Funds may invest, including derivative instruments such as zero-coupon obligations and inverse floating rate obligations, may be subject to greater volatility than other municipal securities. Whether such derivative instruments are used for hedging or income enhancement purposes, there can be no assurance that such transactions will be successful or will not result in losses which could exceed the percentage of the Fund's assets invested in such instruments. See Appendix C for a more complete discussion of the types of Municipal Obligations and their related risks.

Certain Municipal Obligations held by the Funds may permit the issuer to call or redeem the Municipal Obligations prior to their stated maturity. If an issuer were to redeem Municipal Obligations held by a Fund during a time of declining interest rates, the Fund may be required to reinvest the proceeds of the redemption in securities providing a lower return. The Fund may also realize capital gains or losses as a result of the redemption.

Opinions relating to the validity of Municipal Obligations and to the exemption of interest thereon from Puerto Rico income tax are rendered by bond counsel to the issuer at the time of issuance. Neither the Funds nor the Investment Advisers will review the proceedings relating to the issuance of Municipal Obligations or the basis for such opinions. U.S. and Puerto Rico laws may be enacted that adversely affect the tax-exempt status of interest on Municipal Obligations or of the exempt interest payable on the Notes or that impose other constraints upon enforcement of such obligations. It is also possible that, as a result of litigation or other conditions, the power or ability of issuers to meet their obligations for the payment of principal of and interest on their Municipal Obligations may be materially and adversely affected.

Mortgage-Backed Securities. Mortgage-Backed Securities, in general, have many of the same risks of traditional fixed income securities discussed above but also differ in that, among other things, principal may be prepaid at any time due to prepayments by the obligors on the underlying loans or other obligations. Prepayments may result in reinvestment of the proceeds of such prepayments at yields that are lower than the yield on the prepaid securities. Prepayments are influenced by a variety of economic, geographic, demographic and other factors. Generally, however, prepayments will increase during periods of declining interest rates and decrease during periods of rising interest rates. Because a substantial portion of Puerto Rico Obligations available are Mortgage-Backed Securities, the potential for increasing a Fund's exposure to these and other risks related to such securities might cause the market value of a Fund's securities to fluctuate more than otherwise would be the case. In the case of Private Label Mortgage-Backed Securities (as defined herein), there is also, among other things, (i) credit risk exposure regarding the underlying obligations and, depending on how the securitization has been structured, exposure to the bankruptcy or insolvency of the entity that originated or sold the underlying obligations, (ii) the risk that underlying obligations may be unenforceable or may expose the securitization vehicle to liability because it was not originated or serviced in accordance with applicable consumer protection laws, (iii) exposure to downturns in the real estate market, which will affect the amount of foreclosure proceeds that can be realized in respect of defaulted mortgage loans, and (iv) if the structure contains third-party credit enhancement or derivative instruments, credit exposure to the provider thereof. CMOs present certain special risks. CMO classes may be specially structured in a manner that provides any of a wide

variety of investment characteristics, such as yield, effective maturity and interest rate sensitivity. As market conditions change, however, and particularly during periods of rapid or unanticipated changes in market interest rates, the attractiveness of the CMO classes and the ability of the structure to provide the anticipated investment characteristics may be significantly reduced. These changes can result in volatility in the market value, and in some instances reduced liquidity, of the CMO class. The Funds will not invest in Mortgage-Backed Securities which represent residual interests and except as may otherwise be approved by a Fund's Board of Directors may invest no more than 5% of a Fund's total assets in derivative instruments, including "Specified Mortgage-Backed Securities" described in Appendix B - Mortgage-Backed Securities. See "Investment Objectives and Policies."

The types of Mortgage-Backed Securities in which the Funds may invest are described in Appendix B to this Offering Circular. These include PAC Bonds. PAC Bonds are a particular type of Mortgage-Backed Security designed to provide relatively predictable payments of principal provided that, among other things, the actual prepayment experience on the underlying mortgage loans falls within a contemplated range. If the actual prepayment experience on the underlying mortgage loans is at a rate faster or slower than the contemplated range, or if derivations from other assumptions occur, principal payments on a PAC Bond may be greater or smaller than predicted. The magnitude of the contemplated range varies from one PAC Bond to another; a narrower range increases the risk that prepayments will be greater or smaller than contemplated.

Tax-Exempt Puerto Rico GNMAs. In 1997, legislation was enacted by the Puerto Rico Legislative Assembly which provided, among other things, for the imposition of a fixed Puerto Rico income tax rate of 17% (lowered to 10% in 2003) on interest derived from Puerto Rico GNMA Mortgage-Backed Securities (which are GNMA Mortgage-Backed Securities for which the underlying real property is located in Puerto Rico), issued after July 31, 1997 (excluding mortgages on newly constructed residential property located in Puerto Rico issued after July 31, 1997, in connection with the first transfer of the mortgaged property to a new owner). This legislation has had the effect of reducing the pool of tax-exempt Puerto Rico GNMA Mortgage-Backed Securities as well as affected the price and availability of tax-exempt Puerto Rico GNMA Mortgage-Backed Securities for the Funds.

Derivative Investments. In order to attempt to hedge various portfolio positions or to enhance its return, a Fund may invest up to 5% of its assets in certain instruments which are or may be characterized as derivatives. Subject to the approval of a Fund's Board of Directors, such 5% limit may be exceeded only for the purpose of hedging. In the opinion of the Investment Advisers, Puerto Rico GNMA Mortgage-Backed Securities issued under the GNMA I or GNMA II programs, units with earlier maturities of Mortgage-Backed Securities issued under the GNMA Serial Note program, mortgage pass-through certificates issued by Fannie Mae (also known as the Federal National Mortgage Association) and other types of substantially similar mortgage-backed pass-through or participation certificates are not considered derivative investments for purposes of this limitation, except as set forth in "Mortgage-Backed Securities" in Appendix B to this Offering Circular. The Investment Advisers also do not consider Private Label Mortgage-Backed Securities of any class that entitle the holder thereof to payments of principal and interest (other than Private Label Mortgage-Backed Securities the principal payments of which at the time of purchase by a Fund (i) are not limited by a schedule of principal distributions and (ii) support a schedule of principal distributions for another related class of Private Label Mortgage-Backed Securities) derivative investments for purposes of the limitation described above. Other types of Mortgage-Backed Securities may be similarly excluded from the limitation upon approval of the Fund's Board of Directors.

Derivative instruments, because of their increased volatility and potential leveraging effect (without being subject to the Funds' leverage limitations), may adversely affect the Fund investing in them. For example, investments in indexed securities, including, among other things, securities linked to equities or commodities indexes and inverse floating rate securities, may subject a Fund to the risks associated with changes in the particular indices, which may include reduced or eliminated interest payments and losses of invested principal. Such investments, in effect, may also be leveraged, thereby magnifying the risk of loss. Even where such derivative investments are used for hedging purposes, there can be no assurance that the hedging transactions will be successful or will not result in losses (and those losses may exceed the percentage of a Fund's assets actually invested in such instruments). For example, utilization of options and futures transactions involves the risk of imperfect correlation in movements in the price of options and futures and movements in the price of the securities or interest rates, which are the subject of the hedge. Investments in municipal derivatives may also be subject to the same risks as floating rate Municipal Obligations

generally, risks of adverse tax determinations or, in the case of municipal derivatives used for hedging purposes, risks similar to those for other hedging strategies. For a further description of certain derivative investments and a discussion of the risks associated with these and other investments, see Appendix E.

Special Risks of Hedging Strategies. Each Fund may use a variety of derivative instruments including securities options, financial future contracts, options on future contracts and other interest rate protection transactions such as swap agreements, to attempt to hedge its portfolio of assets and enhance its return. Successful use of most derivative instruments depends upon the Investment Advisers' ability to predict movements of the overall securities and interest rate markets. There can be no assurance that any particular hedging strategy adopted will succeed.

Transactions with Counterparties. Each Fund may engage in swap and other financial transactions directly with other counterparties. This subjects a Fund to the credit risk that a counterparty will default on an obligation to such Fund. Such a risk contrasts with transactions done through exchange markets, wherein credit risk is reduced through the collection of variation margin and through the interposition of a clearing organization as the guarantor of all transactions. Clearing organizations transform the credit risk of individual counterparties into the more remote risk of the failure of the clearing organization.

Valuation of Fund Assets; Illiquid Securities. Each Fund's assets are valued by the Agent, with the assistance of the Investment Advisers, in good faith and under the supervision of the Fund's Board of Directors based upon market quotations when such quotations are available. Primarily because it may be an administrative inconvenience for dealers other than UBS Puerto Rico and Popular Securities to provide the Agent with market quotations, independent sources of valuation may be unavailable for a substantial majority of a Fund's assets. When market quotations for securities held by a Fund are not readily available from any such independent dealers, the Agent will attempt to obtain quotations from UBS Puerto Rico and Popular Securities. When market quotations for a Fund's assets are not available from any sources, including UBS Puerto Rico and Popular Securities, they will be valued at fair value by or under the direction of the Fund's Board of Directors utilizing quotations and other information concerning similar securities derived from recognized dealers in those securities or information regarding the trade spreads quoted by recognized dealers between such securities and U.S. Treasury Securities whose maturities are determined to be most closely matched to the average life of a Fund's securities for which fair value is to be determined.

Illiquid Securities. There are no limitations on a Fund's investments in illiquid Puerto Rico Obligations. Each Fund may also continue to hold without limitation any securities that become illiquid subsequent to a Fund's investment in them. Consequently, a majority of a Fund's assets may consist of illiquid Puerto Rico Obligations. Illiquid Puerto Rico Obligations may include securities specifically structured by affiliates of the Funds or others as an investment for the Funds. The term "illiquid securities" for this purpose means securities that cannot be disposed of within seven days in the ordinary course of business at approximately the amount at which a Fund has valued the securities and includes, among other things, securities subject to contractual restrictions on resale that hinder the marketability of the securities. A Fund may not be able to sell its illiquid securities when it would be advantageous to do so, or when it would be desirable to minimize losses, or when the Fund needs to raise cash to meet its obligations. A Fund could therefore be required to sell other investments to raise cash to meet its obligations, even when it may not be advantageous to do so. Depending on the level of a Fund's investment in illiquid securities, a Fund may be unable to meet those obligations, which could have additional adverse consequences to a Fund and its Noteholders. Illiquid securities may also include certain of the derivative instruments in which a Fund may invest. The Fund does not intend to invest in illiquid securities other than illiquid Puerto Rico Obligations.

RECENT EVENTS

Downgrade of Puerto Rico Municipal Obligations to Non-Investment Grade Ratings

As a result of the Commonwealth's fiscal and economic situation, commencing in February of 2014, the three principal credit rating agencies, namely Fitch, Standard & Poor's Ratings Services ("S&P") and Moody's Investors Services ("Moody's") downgraded their ratings on bonds issued by the Commonwealth and its instrumentalities to non-investment grade (or "junk") ratings. Non-investment grade securities are considered by the rating agencies to have a greater degree of credit risk than investment grade securities. The Pledged Collateral securing the Notes may include Puerto Rico Municipal Obligations that are rated non-investment grade. Among the factors mentioned by the rating agencies as reasons for the downgrade of Puerto Rico Municipal Obligations are constrained access to liquidity, a high level of debt and retirement liabilities, more than a decade of structural deficits, several years of economic contraction and, more recently, the enactment by the Legislative Assembly of the Recovery Act, discussed below. As a result of the downgrades, the percentage of assets of each Fund invested in investment grade securities is currently less than 95% of its total assets. In accordance with the Funds' organizational documents, the Funds are currently engaged in an orderly disposition of certain of their non-investment grade securities. Since these non-investment grade securities have limited liquidity, such orderly disposition could take a considerable amount of time. In addition, since a significant percentage of Puerto Rico securities are now non-investment grade, it may not be possible for the Funds to maintain 95% of their assets invested in investment grade securities. The Funds do not intend, nor are they required, to follow a strict timetable for such orderly disposition, as they do not believe such strict timetable would be in the best interests of the Fund's securityholders, particularly in light of the decrease in value and liquidity affecting the Puerto Rico bond market.

The following table sets forth the ratings of the Commonwealth and certain of its public corporations as of the date of this Offering Circular, after giving effect to these downgrades:

	S&P	Moody's	Fitch
Commonwealth of Puerto Rico (General Obligations)	CC	Caa3	CC
Government Development Bank	CC	Ca	
COFINA			
Senior Lien	CC	Caa3	CC
First Subordinate Lien	CC	Ca	CC
PR Electric Power Authority	CC	Caa3	CC
PR Highways and Transportation Authority			
Highway Revenue Bonds	CC	Ca	
Senior Transportation Revenue Bonds	CC	Ca	
Subordinate Transportation Revenue Bonds	CC	Ca	
PR Aqueduct and Sewer Authority			
Revenue Bonds	CCC-	Caa3	CC
Guaranteed Bonds	CCC-	Caa3	CC
PR Public Buildings Authority	CC	Caa3	CC
PR Employees Retirement System	CC	Ca	CC
PR Public Finance Corporation (Commonwealth Appropriation Bonds)			
Series 2011A, 2011B and 2012A	D	Ca	
Other Series	CC	Ca	
PR Municipal Finance Agency	CC	Ca	
PR Convention Center District Authority	CC	Ca	
PR Industrial Development Company	CC	Caa3	
PR Infrastructure Financing Authority			
Special Tax Revenue Bonds	CC	Ca	
PR Ports Authority Project	B-	Ca	
University of Puerto Rico			
Revenue Bonds	CC	Ca	
AFICA – Plaza Universitaria Project	CC	Ca	

As of November 30, 2015, the Funds had the following percentages of their total assets invested in non-investment grade securities. Securities with at least one investment grade rating are considered investment grade, regardless of whether such securities have non-investment grade ratings from other rating agencies.

Puerto Rico Investors Tax-Free Fund -	48.61%
Puerto Rico Investors Tax-Free Fund II -	55.37%
Puerto Rico Investors Tax-Free Fund III -	38.00%
Puerto Rico Investors Tax-Free Fund IV -	42.35%
Puerto Rico Investors Tax-Free Fund V -	44.05%
Puerto Rico Investors Tax-Free Fund VI -	38.91%
Puerto Rico Investors Bond Fund -	35.67%

The Pledged Collateral may include non-investment grade Puerto Rico Municipal Obligations. The Fitch Guidelines pursuant to which the Notes are rated require a greater level of overcollateralization when the Fund uses non-investment grade securities as Eligible Collateral for the Notes. (The collateral is discounted by a higher "discount factor.") See "Security for the Notes – Maintenance of Minimum Amount of Collateral" and "Fitch affirms rating of the Notes" below.

Fitch affirms rating of the Notes

On October 15, 2015, Fitch affirmed the "A" rating of the Medium Term Notes and the "F1" rating of the Short Term Notes, based on the asset coverage available to each series of Notes, the structural protections afforded by mandatory collateral maintenance provisions in the event of asset coverage declines, the legal and regulatory parameters that govern the Funds' operations, and the capabilities of the Investment Advisers. Fitch noted that, given the structural protections of the note programs leading to re-allocation of assets in the collateral account and the general deleveraging of the Funds over the past few months, asset coverage had remained at levels consistent with the assigned ratings. Fitch also noted that the affirmations also reflect the Funds' ability to keep asset coverage in line with the assigned ratings going forward through increasing portfolio diversification and adjusting the Funds' leverage strategy to reflect the volatility in Puerto Rico debt.

Decrease in value of Puerto Rico Municipal Obligations

Commencing on the second quarter of 2013, the value of Puerto Rico Municipal Obligations has decreased significantly. In the opinion of the Investment Advisers, the decrease is likely the result of several factors, including the contraction of the Puerto Rico economy, the financial condition of several Commonwealth public corporations, and the recent downgrades of Puerto Rico Municipal Obligations (discussed above). This caused the Funds to temporarily exceed the leverage limitations set forth in their organizational documents and in regulatory filings. The Funds obtained waivers from the Office of the Commissioner of Financial Institutions with respect to such leverage limitations. The Funds have since reduced their leverage so that it is within the required limits. In order to reduce their leverage, the Funds have been required to sell assets, sometimes at relatively low prices that reflect the limited liquidity of the market for certain Puerto Rico Municipal Obligations. See "Risk Factors – Special Leverage Risks."

The amount of Eligible Collateral that each Fund is required to pledge for the benefit of Noteholders under the Fitch Guidelines is ultimately based on the Fair Market Value of such Eligible Collateral. See "Security for the Notes – Maintenance of Minimum Amount of Collateral" and "Fitch affirms rating of the Notes" above.

Repurchase of shares by the Funds

Although the Funds are not required to redeem or repurchase their shares, the Board of Directors of each of the Funds has approved one or more share repurchases in order to allow Fund shareholders who wish to sell some or all of their shares at or below net asset value to do so. The number of shares to be repurchased by each Fund is determined by the Fund's management and publicly announced.

Enactment of Puerto Rico Public Corporations Debt Enforcement and Recovery Act

On June 28, 2014, the Commonwealth enacted Act 71-2014, known as the Puerto Rico Public Corporation Debt Enforcement and Recovery Act (the "Recovery Act"). Prior to the enactment of the Recovery Act, there was no Commonwealth or federal statute providing an orderly restructuring regime for public corporations experiencing financial difficulties. (Chapters 9 and 11 of the United States Bankruptcy Code are generally inapplicable to public corporations that are governmental instrumentalities of the Commonwealth.) According to the Commonwealth, the Recovery Act is intended to fill this statutory gap and provide for an orderly legal process governing the enforcement and restructuring of the debts and other obligations of certain public corporations of the Commonwealth.

Two groups of PREPA bondholders challenged the constitutionality of the Recovery Act. On February 6, 2015, the United States District Court for the District of Puerto Rico issued a declaratory judgment and permanent injunction holding that the Recovery Act is unconstitutional because it is preempted by the United States Bankruptcy Code. On July 6, 2016, a three-judge panel of the Court of Appeals upheld the judgment of the District Court holding that the Recovery Act is unconstitutional. On August 21, 2015 the Commonwealth filed a petition for writ of certiorari before the United States Supreme Court. Certiorari was granted by the United States Supreme Court on December 4, 2015.

The Recovery Act does not apply to the Commonwealth itself or to obligations guaranteed by the Commonwealth. It applies solely to certain public corporations, and does **not** apply to most of the Puerto Rico Municipal Obligations that are currently part of the collateral securing the Notes, including the Puerto Rico Sales Tax Financing Corporation (COFINA), the Employees Retirement System, Government Development Bank for Puerto Rico (GDB) and its affiliates, the Puerto Rico Public Finance Corporation, the Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority (AFICA), among others and the Puerto Rico Infrastructure Financing Authority.

The Recovery Act establishes two types of processes to adjust a public corporation's obligations. The first type of process (Chapter 2 process) is a consensual debt modification process with limited judicial intervention that affects only financial debt and culminates in a recovery program whose objective is to enable the public corporation to become financially self-sufficient, allocate equitably among all stakeholders the burdens of the recovery program and provide the same treatment to all creditors within a class of debt. The debt relief available under this consensual process may include a combination of amendments (such as rate adjustments and maturity extensions), waivers, or exchanges affecting those debt instruments identified by the public corporation (the "affected debt instruments").

The second type of process established in the Recovery Act (Chapter 3 process) is more akin to the type of procedures found in Chapters 9 and 11 of the United States Bankruptcy Code. This process will allow a public corporation to defer its debt repayment and to decrease interest on and principal of its debt to the extent necessary to enable it to continue to fulfill its public functions. Collective bargaining agreements may be modified or rejected under certain circumstances. Other types of contracts can be rejected (giving rise to claims for breach of contract) and trade debt can be reduced when necessary

As of the date of this report, no public corporation has sought relief under the Recovery Act.

Decrease in percentage of total assets invested in Puerto Rico obligations

In part as a result of the recent scarcity of suitable investment grade obligations that qualify as Puerto Rico assets under the Funds' organizational documents, the percentage of assets of each Fund invested in such Puerto Rico assets has decreased below the 67% requirement applicable to the Funds under Puerto Rico law. The Funds have received waivers from the Commissioner of Financial Institutions of Puerto Rico with respect to such requirements.

Enactment of new Puerto Rico investment companies act

In 2013, a new Puerto Rico investment companies act was enacted by the Puerto Rico Legislative Assembly and signed by the Governor of Puerto Rico. Although certain provisions of the law apply to each of the

Funds immediately, other provisions do not apply unless the relevant Fund elects to be regulated under such new law, instead of under the Puerto Rico Investment Companies Act of 1954. The Board of Directors of each of the Funds has yet to determine whether it would be advantageous to such Fund to make such election.

Recent Litigation

In May of 2014 a class action was filed in the U.S. District Court for the Southern District of New York against the Investment Advisers, UBS Puerto Rico, UBS AG, UBS Financial Services Inc., UBS Bank USA, Popular Securities, Banco Popular de Puerto Rico, and certain former directors of the Funds affiliated with the UBS defendants alleging breaches of fiduciary and contractual duties and aiding and abetting breach of fiduciary duty. The lawsuit does not include the Funds or the Funds' independent directors as defendants. Plaintiffs voluntarily dismissed the action in the Southern District of New York and re-filed a similar complaint in the District of Puerto Rico on May 30, 2014. The District of Puerto Rico granted Defendants' motion to transfer the case back to the Southern District of New York. Plaintiffs filed an Amended Complaint in the Southern District of New York in May 2015. The Defendants have filed motions to dismiss the Complaint. The Court's decision on these motions is currently pending.

On February 5, 2014, a shareholder derivative action was filed in Puerto Rico local court against UBS Puerto Rico and certain of its affiliates alleging that certain other investment companies managed by UBS Trust Company suffered hundreds of millions of dollars in losses due to alleged mismanagement, concealment of conflicts of interest, and improper recommendations by certain defendants to retail customers to use credit lines to purchase the shares of such companies. The lawsuit does not involve the Funds, Banco Popular – PAM, or Popular Securities. The defendants' motion to dismiss the complaint was denied by the trial court, and defendants have filed for certiorari to the Puerto Rico Supreme Court. Discovery is in its early stages.

Several arbitration proceedings are currently pending before the Financial Industry Regulatory Authority against UBS Puerto Rico, Popular Securities, certain individual financial advisors and other affiliates of the Investment Advisers relating to losses suffered by clients of UBS Puerto Rico and Popular Securities.

THE NOTES

General

The Notes will be issued by the Funds from time to time pursuant to the terms of a Restated Depositary and Pledge Agreement, as amended (the "Depositary Agreement"), between each of the Funds and Banco Popular, as issuing, paying and transfer agent on behalf of the Funds and as collateral agent on behalf of the Noteholders (in such capacities, the "Agent"). The Notes are being issued in two series: the Short-Term Notes and the Medium-Term Notes. This Offering Circular includes a summary of certain provisions of the Depositary Agreement and is qualified in its entirety by reference to the actual provisions thereof. The Depositary Agreement may be inspected by Noteholders during business hours and upon reasonable notice at the office of the Agent specified in the section entitled "The Agent" herein.

The Offering

The Notes (including any beneficial interest therein) are being offered exclusively to individuals who have their principal residence in Puerto Rico and to persons, other than individuals, that have their principal office and principal place of business in Puerto Rico. All investors in and transferees of the Notes will be required to represent to the issuing Fund that the above conditions are satisfied. A letter of representation in the applicable form of Appendix A attached to this Offering Circular (Appendix A-1 in the case of business organizations, Appendix A-2 in the case of individuals, and Appendix A-3 in the case of broker dealers) must be delivered to a Dealer by each investor or transferee of a Note prior to its purchase or transfer and delivery.

Limitations on Offerings and Transfer of Notes

The Notes (including any beneficial interest or other interest therein) have not been registered under the Securities Act, and the Funds have not been registered under the U.S. Investment Company Act. Consequently, the Notes may only be sold, pledged, hypothecated or otherwise transferred exclusively to Puerto Rico Residents. All investors and transferees of the Notes are required to deliver to a Dealer a letter of representation in the applicable form of Appendix A (Appendix A-1 in the case of business organizations, Appendix A-2 in the case of individuals, and Appendix A-3 in the case of broker-dealers) and, in the case of purchases or transfers made through UBS Puerto Rico or Popular Securities, to follow such other procedures as they may have for verifying residency. The Dealers are contractually obligated to the Funds to obtain such letter of representation in proper form. Any sale or transfer of the Notes (other than by operation of law) to an initial investor or transfer of the Notes to a transferee who (i) has not so provided such a letter, or (ii) in the case of transfers through UBS Puerto Rico or Popular Securities, has not complied with such procedures as may be required by these Dealers to establish Puerto Rico residency, will be null and void. Holders of the Notes who cease to be Puerto Rico Residents will no longer have available the tax benefits that make a Note an attractive investment, and such holders have an obligation to notify the Agent, the Fund and other relevant parties immediately upon ceasing to be Puerto Rico Residents, to liquidate their investment in the Notes as soon as it becomes economically feasible to do so, and to agree not to purchase more Notes. Any person who is not a Puerto Rico Resident as described above will not be considered a Noteholder for any purpose.

Upon due presentment for registration of transfer of any Note at the Agent's principal office, subject to the restrictions set forth in the preceding paragraph, the Agent shall authenticate and deliver in the name of the transferee or transferees a new Note or Notes of like tenor, of authorized denominations, bearing the same interest rate (if any), and for a like aggregate principal amount, unless otherwise provided for in the Notes and corresponding Offering Circular Supplement. All Notes presented for registration of transfer shall be (i) duly endorsed or accompanied by a written instrument or instruments of transfer in form satisfactory to the Agent, and duly executed by the registered holder thereof or by the registered holder's duly authorized attorney-in-fact, and (ii) accompanied by the representation letter described above from the purported transferee of such Notes. Any Noteholder desiring to transfer a Note shall be required to indemnify the issuing Fund and the Agent against any liability that may result if the transfer is not made in accordance with the provisions of the Note and of the Depositary Agreement. Any such registration of transfer shall be without charge, except that the Agent may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto.

These restrictions shall remain in effect until such time, if any, as the Funds shall determine, based on an opinion of counsel, that the restrictions are no longer necessary in order to preserve an exemption for the Notes from the registration requirements of the Securities Act and for the Funds from the U.S. Investment Company Act.

Maturities

The Short-Term Notes will have maturities of up to 270 days from their date of issuance, and may include Notes payable on demand (but not later than 270 days). The Medium-Term Notes will have maturities of over 270 days from their date of issuance.

Ratings

The Short-Term Notes have been rated "F1" and the Medium-Term Notes have been rated "A" by Fitch. Presently, there is no other nationally recognized statistical rating organization (an "NRSRO") that rates the Notes. See "Ratings" below and Appendix D for a description of such ratings. Fitch, as well as any NRSRO that may rate the Notes in the future, are each referred to as a "Rating Agency." In the Depository Agreement, each Fund has covenanted to use its best efforts to maintain a rating of "F-1" or higher for the Short-Term Notes and "A" or higher for the Medium-Term Notes from Fitch or an equivalent rating from any other Rating Agency, and to that end has agreed to comply at all times, while any such rating is in effect, with the Fitch Guidelines applicable to such "F-1" and "A" ratings. As used in this Offering Circular, the "Fitch Guidelines" means the guidelines and criteria provided by Fitch in one or more written documents, as such guidelines and criteria may be amended from time to time, in connection with the assignment by Fitch of its rating of the Notes. In the event that the Notes are no longer

rated by Fitch, references to the Fitch Guidelines shall be deemed to be references to the guidelines of any other Rating Agency selected by the Fund.

On October 15, 2015, Fitch affirmed the "A" rating of the Medium Term Notes and the "F1" rating of the Short Term Notes, based on the asset coverage available to each series of Notes, the structural protections afforded by mandatory collateral maintenance provisions in the event of asset coverage declines, the legal and regulatory parameters that govern the Funds' operations, and the capabilities of the Investment Advisers. Fitch noted that, given the structural protections of the note programs leading to re-allocation of assets in the collateral account and the general deleveraging of the Funds over the past few months, asset coverage had remained at levels consistent with the assigned ratings. Fitch also noted that the affirmations also reflect the Funds' ability to keep asset coverage in line with the assigned ratings going forward through increasing portfolio diversification and adjusting the Funds' leverage strategy to reflect the volatility in Puerto Rico debt.

Interest Rate

The Notes will bear interest, if any, at a fixed, variable, or floating rate, or at a rate determined by reference to an index, as determined at the time of issuance. The Notes may also be issued at a discount with no stated rate of interest. The interest rate payable with respect to Notes issued at the same time and having the same maturity, or the discount at which such Notes are issued, may vary depending on the principal amount of the Notes being issued. Notes issued in a greater principal amount may bear a higher rate of interest or may be sold at a greater discount than Notes that are otherwise identical but that are issued in a lesser principal amount.

Payment of Principal and Interest

The principal of the Notes shall be paid on the maturity date thereof upon presentation and surrender by the registered holder thereof or its duly authorized representative at the principal office of the Agent prior to 12:00 noon, Atlantic Standard Time, or as otherwise provided in the relevant Note and corresponding Offering Circular Supplement. If presentation occurs after 12:00 noon, such payment shall be made on the next succeeding Business Day (as defined herein). Payment shall be by check mailed or delivered to such Noteholder, or by wire transfer of immediately available funds to the account designated by the Noteholder, in the case of holders of at least $1,000,000 in principal amount of Notes which are part of the same issue and are issued by the same Fund.

Interest on the Notes shall be paid periodically or at maturity, as specified in the relevant Note and corresponding Offering Circular Supplement. In the case of interest payable prior to the maturity of a Note, such interest shall be paid to the person who is the registered holder of such Note on the date specified in the relevant Note and corresponding Offering Circular Supplement. In the case of interest payable at the maturity of a Note, such interest shall be paid together with the principal of such Note upon presentation and surrender of such Note. In the case of Notes sold with a stated interest rate, such interest shall be computed on the basis of a 360-day year of twelve 30-day months and the actual number of days elapsed in any period of less than one month, unless otherwise specified in the relevant Note or in the corresponding Offering Circular Supplement.

Whenever any payment hereunder shall be stated to be due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day, and with respect to payments of principal (but not with respect to payments of interest), such extension of time shall in such case be included in computing interest in connection with such payment.

Redemption

The Medium-Term Notes may be redeemable prior to their stated maturity at the option of the issuing Fund at such times and at such prices as is provided in the relevant Note and corresponding Offering Circular Supplement. The Short-Term Notes will not be redeemable prior to their stated maturity unless otherwise provided in the relevant Note and corresponding Offering Circular Supplement.

Denominations

The Notes will be issued in denominations of not less than $25,000.

Form

The Notes will only be issued in registered form without coupons.

Certain Covenants

In the Depositary Agreement, each Fund has covenanted with the Agent for the benefit of the Noteholders, among other things, as follows:

Negative Pledge. The Fund will not create any lien or encumbrance on any of the securities owned by it other than (i) the liens created pursuant to the Depositary Agreement for the benefit of the holders of each series of Notes, and (ii) liens on securities (other than securities pledged pursuant to the Depositary Agreement) created in connection with reverse repurchase agreements and other borrowings by the Fund and in connection with hedging transactions.

Maximum Amount of Notes. A Fund may not issue Notes of a series on any day if, after giving effect to such issuance and to any payment of Notes of such series to be made on that day, the sum of (i) the aggregate principal amount of outstanding Notes of such series on such day, plus (ii) the aggregate principal amount of other borrowings by such Fund, including borrowings resulting from the issuance of any other series, preferred stock, and other forms of leverage, borrowings for temporary or emergency purposes and borrowings in the form of reverse repurchase agreements (such an amount the "Aggregate Borrowing Base") exceeds an amount, equal to 55% of the fair market value of the assets of such Fund on such day. In the case of certain zero-coupon or indexed Notes in connection with which the Fund hedges its exposure, only the principal amount of such Notes may be required to be included in such calculation. Under its investment policies, which may be changed by the Fund's shareholders without the consent of the Noteholders, the Fund may not issue preferred stock, debt securities or other forms of leverage which represent over 50% of the Fund's total assets immediately after the issuance of such securities, provided that the Fund may borrow an additional 5% of total assets for temporary or emergency purposes, as specified under "The Funds' Investment Restrictions" section herein.

Additional Covenants. Each Fund will comply with the restrictions set forth in the Fitch Guidelines, if any, with respect to timing of maturities, issuer concentration, and other matters.

Events of Default; Remedies

If (i) on any Cure Date (as defined below) the sum of the Discounted Value (as defined below) of the Pledged Collateral securing any series of Notes issued by a Fund plus cash on deposit in the Liquidity Account (as defined below) is less than the Collateral Maintenance Amount (as defined below); (ii) certain events of bankruptcy or insolvency with respect to a Fund shall occur; or (iii) a Fund shall fail to pay interest on or the principal of any Note of such series as it becomes due (each an "Event of Default"), then (A) such Fund may not issue any additional Notes and (B) the Agent may exercise in respect of the Pledged Collateral (as defined below) securing such series all the rights and remedies of a secured party under the Puerto Rico Commercial Transactions Act, including selling the Pledged Collateral in accordance with Puerto Rico law to the extent required to pay Notes as they become due. The maturity of the Notes is not subject to acceleration upon the occurrence of an Event of Default. Holders of a majority in aggregate principal amount of the issued and outstanding Notes of the affected series may waive any Event of Default and its consequences, other than a failure to pay interest on or the principal of any Note. As used herein, Liquidity Account shall mean any segregated account maintained by a Fund with the Agent in the name of the Agent for the benefit of the holders of any single series of Notes.

Amendment of the Depositary Agreement

The Depositary Agreement may be amended through an agreement between a Fund and the Agent, provided that no amendment may adversely affect the rights of holders of outstanding Notes except as described under "Security for the Notes - Maintenance of Minimum Amount of Collateral." The covenants described above (except the limitation on debt imposed by the Funds' investment policies) are requirements of the Fitch Guidelines and are subject to change or elimination through the agreement of Fitch and each Fund without notice to or the consent of any Noteholder.

Each Fund has agreed to indemnify the Agent with respect to certain liabilities incurred by it in connection with the performance of its duties under the Depositary Agreement.

SECURITY FOR THE NOTES

Pursuant to the Depositary Agreement, each Fund will grant a security interest in certain collateral (the "Pledged Collateral") to secure the payment of each series of Notes issued by it. Each pool of Pledged Collateral will secure only a particular series of Notes issued by the particular Fund pledging such Pledged Collateral and not any other series of Notes of the same or any other Fund.

The Fund has determined the securities that are eligible to be included in the Pledged Collateral (the "Eligible Collateral"), as well as the amount of such securities that will be pledged to secure the payment of the Notes, in accordance with the Fitch Guidelines for an "F-1" rating for the Short-Term Notes and an "A" rating for the Medium-Term Notes. The Fitch Guidelines are publicly available at www.fitchratings.com or by contacting Fitch at One State Street Plaza, New York, New York 10004; telephone number (212) 908-0500.

On October 15, 2015, Fitch affirmed the "A" rating of the Medium Term Notes and the "F1" rating of the Short Term Notes.

Eligible Collateral

The Eligible Collateral consists of cash or securities that are eligible for inclusion in calculating the Discounted Value of an Issuer's assets for purposes of satisfying each overcollateralization test specified in the Fitch Guidelines. Securities that constitute Eligible Collateral include (but are not limited to):

U.S. Treasury Securities, defined as direct obligations of, and obligations fully guaranteed by, the U.S. Government;

U.S. Government Agency Securities, defined as direct obligations of, and obligations fully guaranteed by, any agency or instrumentality of the U.S. Government the obligations of which are backed by the full faith and credit of the United States of America, including Puerto Rico GNMA Mortgage-Backed Securities (which are GNMA Mortgage-Backed Securities for which the underlying real property is located in Puerto Rico) (this category does not include CMOs, which are described below);

U.S. Municipal Securities, defined as securities issued by a state of the U.S. and its political subdivisions, agencies and instrumentalities;

U.S. Taxable Mortgage-Backed Securities ("U.S. Taxable MBS"), defined as mortgage-backed securities issued by the Federal National Mortgage Association (Fannie Mae) or guaranteed by the Federal Home Loan Mortgage Corporation (Freddie Mac) (this category does not include CMOs, which are described below);

Puerto Rico Municipal Obligations, defined as securities issued by Puerto Rico and its political subdivisions, agencies and instrumentalities;

Collateralized Mortgage Obligations ("CMOs"), defined as securities (other than Puerto Rico Mortgage-Backed Securities and U.S. Taxable MBS) representing interests in or collateralized by mortgages on residential real estate; and

Preferred Stock, defined as capital stock of a class that is preferred as to the payment of dividends or as to the distribution of assets upon liquidation or dissolution over any other class of capital stock.

Maintenance of Minimum Amount of Collateral

Pursuant to the Depositary Agreement, each Fund has covenanted that, so long as any Notes are outstanding, the Discounted Value (as defined below) of the Pledged Collateral securing the Notes of the same series issued by such Fund will not be less than the "Collateral Maintenance Amount," defined as (i) in the case of the Medium-Term Notes, the principal amount of all outstanding Medium-Term Notes plus the amount of interest, if any, accrued or to accrue during the 90-day period following the date on which the Pledged Collateral is valued ("Valuation Date") and unpaid on all outstanding Medium-Term Notes and (ii) in the case of the Short-Term Notes, the principal amount of all outstanding Short-Term Notes plus the amount of interest, if any, accrued or to accrue and unpaid on all outstanding Short-Term Notes (assuming for this purpose that Short-Term Notes payable on demand have a fixed maturity determined in accordance with the Fitch Guidelines). In the case of certain zero-coupon or indexed Notes in connection with which a Fund hedges its exposure, only the principal amount of such Notes may be required to be included in such calculation. (As a result, it may not be required that the Collateral Maintenance Amount include accrued interest on such zero-coupon or indexed Notes, and therefore, such accrued interest may not be secured by Pledged Collateral.)

The "Discounted Value," when used with respect to any item of Eligible Collateral on any date, means the amount resulting from applying (a) the discount factors and any other operations prescribed for the calculations used in an overcollateralization test as may be specified in the Fitch Guidelines (as such may be adjusted by reason of diversification, concentration, or other factors) to (b) the Fair Market Value of such item of Eligible Collateral on such date. The "Fair Market Value" of any item of Eligible Collateral of any Fund on any date means its fair market value as determined by the Agent in accordance with the valuation method used by such Fund to determine the net asset value of such Fund's shares of Common Stock, as modified or supplemented by the Fitch Guidelines, if applicable.

Additional information with respect to the types of investment securities acceptable as Eligible Collateral and the discount factors and concentration limits applicable under the Fitch Guidelines is publicly available from Fitch at the website or address mentioned above.

In order to ensure compliance with this covenant, the Agent is required to determine on the Valuation Date whether the Discounted Value of the Pledged Collateral securing each series of Notes issued by a Fund equals or exceeds the Collateral Maintenance Amount. In the event that the Agent determines that the Discounted Value of such Pledged Collateral is less than the Collateral Maintenance Amount, the relevant Fund will be required, on or before the fifth business day after such Valuation Date, to deliver additional Eligible Collateral to the Agent or direct the Agent to sell Pledged Collateral and deposit the proceeds or any portion thereof with the Agent so as to cause the Discounted Value of such Pledged Collateral as of a date not later than such fifth business day (the "Cure Date") to be equal to or greater than the Collateral Maintenance Amount.

In the event that on any Cure Date the Discounted Value of the Pledged Collateral securing a particular series of Notes issued by a Fund is less than the Collateral Maintenance Amount applicable to that series, the Fund issuing such Notes shall be prohibited from issuing any additional Notes unless and until it shall have received confirmation from a Rating Agency that such Notes are rated "F-1" or higher (in the case of the Short-Term Notes) or "A" or higher (in the case of the Medium-Term Notes) by Fitch or a comparable rating from another Rating Agency and shall be required to liquidate Pledged Collateral as necessary to pay all outstanding Notes of the relevant series as they become due. The maturity of the Notes is not subject to acceleration under these or any other circumstances.

Each Fund's assets are valued by the Agent, with the assistance of the Investment Advisers, in good faith and under the supervision of the relevant Fund's Board of Directors based upon market quotations when such quotations are available. Primarily because it may be an administrative inconvenience for dealers other than the Investment Advisers to provide the Agent with market quotations, independent sources of valuation may be unavailable for a substantial majority of a Fund's assets. When market quotations for securities held by a Fund are not readily available from any such independent dealers, the Agent will attempt to obtain quotations from UBS Puerto Rico or Popular Securities. When market quotations for a Fund's assets are not available from any sources, including the Investment Advisers, they will be valued at fair value by or under the direction of the relevant Fund's Board of Directors utilizing quotations and other information concerning similar securities derived from recognized dealers in those securities or information regarding the trade spreads quoted by recognized dealers between such securities and U.S. Treasury Securities whose maturities are determined to be most closely matched to the average life of a Fund's securities for which fair value is to be determined.

Notwithstanding the above, assets with maturities of 60 days or less generally will be valued at amortized cost if their original term to maturity was 60 days or less, or by amortizing the difference between their fair value as of the 61st day prior to maturity and their maturity value if their original term to maturity exceeded 60 days, unless in either case the relevant Board of Directors or an authorized committee thereof determines that this does not represent fair value. The valuation in either case is based on information concerning market transactions and quotations from dealers which reflect the bid of the overall market on the pricing date.

Certain Puerto Rico Obligations (as defined in "The Funds-Investment Objectives and Policies" section below) have a limited number of participants in the market and might not have a readily ascertainable market value and may have periods of illiquidity. In such case, such securities will be valued in accordance with procedures established by each Fund's Board of Directors.

The market value of the Funds' investments will depend on a variety of factors, including general municipal and fixed income security market conditions, the financial condition of the issuer, the size of the particular offering, the maturity, credit quality and rating of the issue and changes in and expectations regarding changes in interest rates and income tax rates.

Substitution and Sale of Collateral

Each Fund is permitted to substitute Pledged Collateral with other Eligible Collateral and to direct the Agent to sell Pledged Collateral and deliver the proceeds thereof to the Fund free and clear of the lien created under the Depositary Agreement so long as the Discounted Value of the Pledged Collateral securing the affected series as of the immediately preceding Valuation Date or Cure Date is at least equal to the Collateral Maintenance Amount, after giving effect to such substitution or sale and to other substitutions and sales since the immediately preceding Valuation Date or Cure Date (but without re-valuing all the other Pledged Collateral).

USE OF PROCEEDS

The net proceeds from the sale of the Notes will be used by the Funds to invest in securities in accordance with the Funds' investment objectives.

THE FUNDS

Each Fund is a non-diversified, closed-end management investment company. The PRITFF Funds are corporations organized under the laws of Puerto Rico. The Bond Fund is an investment trust organized pursuant to a deed of trust governed by the laws of Puerto Rico. Each of the Funds operates as a registered investment company under the PR-ICA and the corresponding Commissioner Ruling. The principal office of each Fund is located at Banco Popular Center, Suite 1112, 209 Muñoz Rivera Avenue, Hato Rey, Puerto Rico 00918, and its telephone number is (787) 751-5452.

Annual Report of the Funds

The most recent Annual Report of each Fund, which includes its financial statements, can be found at www.financialservicesinc.ubs.com or may be obtained by telephoning the Funds' principal offices at (787) 751-5452. PriceWaterhouseCoopers, the Funds' independent auditor, has not been asked to review or approve, has not reviewed or approved, and is not in any way associated with, this Offering Circular. PriceWaterhouseCoopers has not performed any procedures on the Funds' financial statements or on any other financial information relating to the Funds since the date of their report on such financial statements.

Investment Objectives and Policies

The investment objective of each of the PRTFF Funds is to achieve a high level of current income that, for Puerto Rico Residents, is exempt from U.S. Federal and Puerto Rico income taxes, consistent with the preservation of capital. The investment objective of the Bond Fund is to achieve a high level of tax-advantaged current income, consistent with the preservation of capital. It is anticipated that each Fund will invest substantially all of its assets in securities having a wide range of maturities up to 30 years. Seeking to achieve its objective, each of PRITFF I and PRITFF II originally intended to invest 70% of their total assets in securities issued by Puerto Rico and its political subdivisions, agencies and instrumentalities ("Puerto Rico Municipal Obligations"), and in Puerto Rico Mortgage-Backed Securities (together with Puerto Rico Municipal Obligations, the "Puerto Rico Obligations") and in such other Puerto Rico tax-exempt securities as are now as may in the future become available. Each of PRITFF III, IV, V, and VI originally intended to invest 67% of their total assets in Puerto Rico Obligations, and in such other Puerto Rico tax-exempt securities as are now or may in the future become available. The Bond Fund originally intended to invest at least 67% of its total assets in Puerto Rico Obligations, corporate obligations and preferred stock of Puerto Rico entities, and such other Puerto Rico fixed income securities as are now or may in the future become available. However, as a result of the downgrade of Puerto Rico government bonds and Puerto Rico corporate bonds, the Funds have reduced their investment in such Puerto Rico obligations, as authorized by waivers issued by the Office of the Commissioner of Financial Institutions. Puerto Rico Municipal Obligations encompass various types of Puerto Rico tax-exempt obligations, including among others, both general obligation bonds and revenue bonds, as well as industrial development bonds issued for the benefit of Puerto Rico or non-Puerto Rico corporations in connection with projects located inside or outside of Puerto Rico.

Each of PRITFF I and II originally intended to invest up to 30%, and each of PRITFF III, IV, V, and VI and the Bond Fund originally intended to invest up to 33%, of their total assets in other types of securities, such as mortgaged-backed securities (as described in Appendix B), other securities issued or guaranteed by the U.S. Government, its agencies, and instrumentalities, and municipal securities issued by issuers in the U.S. (such municipal securities, collectively with Puerto Rico Municipal Obligations, being referred to herein as "Municipal Obligations"). However, as a result of the downgrade of Puerto Rico government bonds and Puerto Rico corporate bonds, the Funds have increased their investment in such non-Puerto Rico obligations. Each Fund may invest up to 10% of its total assets in taxable securities, including preferred stock. In addition, a Fund may make certain taxable or tax-exempt short-term investments of up to 100% of its assets for temporary or defensive purposes subject to certain conditions specified in the corresponding Commissioner Ruling. A Fund may not, however, invest in common stock of any type without the specific approval of its Board of Directors. No assurance can be given that any Fund will achieve its investment objective.

As mentioned above, as a result of the recent downgrades of most Puerto Rico Municipal Obligations to non-investment grade and the scarcity of other Puerto Rico Obligations that are rated investment grade, the Funds currently have less than the required percentage of their assets invested in Puerto Rico Obligations, and have obtained waivers from the Office of the Commissioner of Financial Institutions to such effect.

At least 95% of each Fund's total assets are required to be invested in securities which, at the time of purchase, are rated within the four highest long-term or two highest short-term rating categories by S&P (BBB or higher for long-term securities, A-1 or A-2 for commercial paper or notes), Moody's (Baa or higher for long-term securities, PRIME-1 or PRIME-2 for commercial paper or notes) or Fitch (BBB- or higher for long-term securities, F1 or F2 for commercial paper or notes), without regard to any subcategory, or that have received an equivalent rating from another nationally recognized statistical rating organization (an "NRSRO") or, if not so rated, are, in the opinion of the Investment Advisers, of a credit quality comparable to such rated obligations, (i.e., those that are backed by a letter of credit or other forms of corporate or governmental guarantees, the issuer of which has received an equivalent short-term or long-term credit rating, as applicable). See Appendix D for further information regarding S&P's, Moody's, and Fitch's ratings. A Fund will not make additional investments in lower-rated securities if, at the time of a proposed purchase, more than 5% of its assets would be invested in such securities. Changes in economic conditions or other circumstances are more likely to lead to a weakened capacity for issuers of lower-rated securities to make principal and interest payments than is the case for issuers of higher grade securities.

Subsequent to its purchase by each Fund, an issue of securities may cease to be rated or its rating may be reduced below the minimum rating required for purchase by each Fund. The Investment Advisers will consider such an event in determining whether a Fund should continue to hold the obligation. In making such a determination, the Investment Advisers will consider such factors in their assessment of the credit quality of the issuer of the security and the price at which the security could be sold. The Investment Advisers will engage in an orderly disposition of downgraded securities, to the extent deemed advisable in light of current market conditions, if necessary to ensure that each Fund's securities holdings rated below investment grade or of comparable quality will not exceed 5% of each Fund's total assets.

As a result of the downgrades commencing in February of 2014 of various Puerto Rico Municipal Obligations to below investment grade, the percentage of assets of each Fund invested in investment grade securities is currently less than 95% of its total assets. The Funds are currently engaging in an orderly disposition of certain of these non-investment grade securities. However, since these non-investment grade securities have limited liquidity, such orderly disposition could take a considerable amount of time. In addition, since a significant percentage of Puerto Rico Obligations are now non-investment grade, it may not be possible for the Funds to maintain 95% of their assets invested in investment grade securities. The Funds are not required and do not intend to follow a strict timetable for such orderly disposition, as they do not believe such strict timetable would be in the best interests of the Fund's securityholders. See "Recent Events – Downgrade of Puerto Rico Municipal Obligations."

The maturity of each Fund's portfolio securities will vary based upon the Investment Advisers' assessment of economic and market conditions. The net asset value of a closed-end investment company that invests primarily in fixed-income securities, such as the Funds, changes as the general levels of interest rates fluctuate. When interest rates decline, the value of a fixed-income portfolio can be expected to rise. Conversely, when interest rates rise, the value of a fixed-income portfolio can be expected to decline. Prices of longer-term securities generally fluctuate more in response to interest rate changes than do short-term or medium-term securities. These changes in net asset value might be greater in the case of a fund having a leveraged capital structure, as that of the Funds.

Each Fund's investment objective and certain investment policies are fundamental policies that may not be changed unless authorized by a majority (or in some cases, a supermajority) of the Shareholders and by the Commissioner. All other investment policies and limitations, however, subject to applicable Puerto Rico law, may be changed by each Fund's Board of Directors without the approval of either the Fund's Shareholders or the Commissioner. See "Investment Restrictions." Set forth below is a description of the various types of securities in which the Funds may invest.

Municipal Obligations. Municipal Obligations are debt obligations or similar securities issued by or on behalf of Puerto Rico, a State of the U.S., or any of their respective political subdivisions, organizations, agencies or instrumentalities, or by multi-state agencies or authorities, the interest on which is, in the opinion of bond counsel, wholly or partially exempt from Puerto Rico income tax. Municipal Obligations are issued for various public purposes, including construction of public or privately-operated facilities, such as airports, bridges, hospitals, housing, mass transportation, schools, streets and water and sewer works. Other public purposes for which Municipal Obligations may be issued include refinancing outstanding obligations and obtaining funds for general operating expenses and for loans to other public institutions and facilities. The types of Municipal Obligations in which the Funds may invest, and certain of the risks are described in Appendix C to this Offering Circular. Not all of such types of Municipal Obligations are currently available in Puerto Rico.

Mortgage-Backed Securities. Mortgage-Backed Securities represent direct or indirect participations in, or are secured by and are payable from, mortgage loans secured by real property ("Mortgage-Backed Securities"). Investors in Mortgage-Backed Securities typically receive interest and principal on the underlying mortgage loans (and/or any related credit support). The Funds' investments in Mortgage-Backed Securities will usually consist of those where the underlying real property is located in Puerto Rico ("Puerto Rico Mortgage-Backed Securities").

Investments in Mortgage-Backed Securities will include those issued or guaranteed by the Government National Mortgage Association ("GNMA"), Fannie Mae (also known as the Federal National Mortgage Association) or Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac"), as well as Mortgage-Backed Securities which are not guaranteed or issued by GNMA, Fannie Mae, FHLMC or any other government agency ("Private Label Mortgage-Backed Securities"), and in either case may include collateralized mortgage obligations ("CMOs"). Private Label Mortgage-Backed Securities are issued in connection with a securitization and represent a beneficial interest in a privately sponsored trust or other entity, the assets of which are mortgage loans or GNMA, Fannie Mae, FHLMC or other Mortgage-Backed Securities, including CMOs. See "Risk Factors" and "Taxation."

GNMA Mortgage-Backed Securities include securities that are backed by mortgage loans insured by the Federal Housing Administration or guaranteed by the Veterans Administration, and which consist of mortgage-backed certificates with respect to pools of such mortgages guaranteed as to the timely payment of principal and interest by the GNMA. That guarantee is backed by the full faith and credit of the U.S. Puerto Rico GNMA Mortgage-Backed Securities are GNMA Mortgage-Backed Securities for which the underlying real property is located in Puerto Rico.

Fannie Mae Mortgage-Backed Securities represent a beneficial ownership interest in one or more pools of mortgage loans, which may be insured by the Federal Housing Administration or the Veterans Administration, or which may not be insured or guaranteed by any governmental agency. FHLMC Mortgage-Backed Securities represent direct or indirect participations in, and are payable from, conventional residential mortgage loans. Fannie Mae's and FHLMC's obligations with respect to their Mortgage-Backed Securities are not backed by the full faith and credit of the U.S. Fannie Mae and FHLMC are government-sponsored enterprises owned by their stockholders. In 2008, Fannie Mae and Freddie Mac were placed into conservatorship by the Federal Housing Finance Agency. In connection with the conservatorship, the U.S Treasury entered into a Senior Preferred Stock Purchase Agreement with Fannie Mae and Freddie Mac that allows them to draw funds up to the amount, if any, by which their total liabilities exceed their total assets, up to a certain limit. Neither the conservatorship nor the agreements with the U.S Treasury affect Fannie Mae's or Freddie Mac's obligations to make payments on their debt securities or perform their obligations under their mortgage guaranty obligations. There is significant uncertainty regarding the future of Fannie Mae and Freddie Mac.

Puerto Rico Mortgage-Backed Securities are securities representing pools of mortgages on residential property located in Puerto Rico and insured by GNMA, Fannie Mae or FHLMC. Puerto Rico GNMA Mortgage-Backed Securities are GNMA Mortgage-Backed Securities for which the underlying real property is located in Puerto Rico.

CMOs are multiple-class Mortgage-Backed Securities. Some CMOs are directly supported by other CMOs, which in turn are supported by pools of mortgage loans. Investors in them typically receive payments out of the interest and principal on the underlying mortgage loans. The portions of these payments that investors receive, as well

as the priority of their rights to receive payments, are determined by the specific terms of the CMO class. CMOs involve special risks. See "Risk Factors — Mortgage-Backed Securities."

The type of GNMA, Fannie Mae, FHLMC and certain other Mortgage-Backed Securities in which the Funds may invest are described in more detail in Appendix B — "Mortgage-Backed Securities." Not all types of Mortgage-Backed Securities are currently available in Puerto Rico.

Other Investment Practices

Certain of the other investment practices in which the Funds may engage are described below. The Funds may issue preferred stock, debt securities such as the Notes, and other forms of leverage and seek to obtain a rating of such preferred stock, debt securities, and other forms of leverage. Any rating agency issuing such rating may, as a condition thereof, impose additional asset coverage or other requirements, which may restrict a Fund's ability to engage in these investment practices.

When-Issued Securities and Delayed Delivery Transactions

The purchase of securities on a when-issued or delayed delivery basis involves the risk that, as a result of an increase in yields available in the marketplace, the value of the securities purchased will decline prior to the settlement date. The sale of securities for delayed delivery involves the risk that the prices available in the market on the delivery date may be greater than those obtained in the sale transaction. At the time a Fund enters into a transaction on a when-issued or delayed delivery basis, it will segregate with the custodian cash or liquid instruments with a value not less than the value of the when-issued or delayed delivery securities. The value of these assets will be monitored weekly to ensure that their marked to market value will at all times exceed the corresponding obligations of such Fund. There is always a risk that the securities may not be delivered, and such Fund may incur a loss.

Short-Term Temporary Investments

Subject to the requirements of the applicable Commissioner Ruling, if, in the opinion of the Investment Advisers, no suitable Puerto Rico Obligations, other Municipal Obligations, or long-term U.S. Government securities are available, or if the Investment Advisers believe unusual circumstances warrant a defensive posture, a Fund temporarily may commit all or any portion of its assets to taxable or tax-exempt money market instruments. Such instruments may include securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities, commercial paper rated at least A-1 by S&P, Prime-1 by Moody's or F1 by Fitch, bank certificates of deposit, bankers' acceptances and Repurchase Agreements (as defined below) secured by any of the foregoing.

Dollar Rolls and Reverse Repurchase Agreements

The Funds may enter into dollar rolls, in which a Fund sells mortgage-backed or other securities for delivery in the current month and simultaneously contracts to purchase substantially similar securities on a specified future date. In the case of dollar rolls involving mortgage-backed securities, the mortgage-backed securities that are purchased will be of the same type and will have the same interest rate as those sold, but will be supported by different pools of mortgages. A Fund forgoes principal and interest paid during the roll period on the securities sold in a dollar roll but is compensated by the difference between the current sales price and the lower price for the future purchase as well as by any interest earned on the proceeds of the securities sold. A Fund could also be compensated through the receipt of fee income equivalent to a lower forward price. The Funds may also enter into reverse repurchase agreements in which a member bank of the Federal Reserve System or a securities dealer who is a member of a national securities exchange or is a market-maker in U.S. Government securities purchases portfolio securities from a Fund, coupled with an agreement to resell them to such Fund at a specific date and price (a "Reverse Repurchase Agreement"). A Fund may enter into Reverse Repurchase Agreements with UBS Puerto Rico or Popular Securities or their affiliates under the circumstances described herein if specifically approved by such Fund's Board of Directors and made subject to procedures adopted by it. See "Transactions Involving Affiliates."

Dollar rolls and Reverse Repurchase Agreements generally will be considered to be leverage and, accordingly, will be subject to a Fund's limitations on leverage, which will restrict the aggregate of such transactions, together with the issuance of preferred stock, debt securities, and other forms of leverage, to 50% of a Fund's total assets. However, dollar rolls and Reverse Repurchase Agreements will not be subject to such limitation if a separate account is established and maintained with respect to the value of a Fund's commitments thereunder. In addition, certain of the dollar rolls and Reverse Repurchase Agreements entered into by a Fund will be arbitrage transactions in which such Fund will maintain an offsetting position in securities or Repurchase Agreements (as defined herein) that mature on or before the settlement date on the related dollar roll or Reverse Repurchase Agreement. The Investment Advisers believe that such arbitrage transactions do not present the risks to the Funds that are associated with other types of leverage.

The market value of securities sold under Reverse Repurchase Agreements typically is greater than the proceeds of the sale, and accordingly, the market value of the securities sold is likely to be greater than the value of the securities in which a Fund invests those proceeds. Thus, Reverse Repurchase Agreements involve the risk that the buyer of the securities sold by a Fund might be unable to deliver them when such Fund seeks to repurchase. In the event the buyer of securities under a Reverse Repurchase Agreement files for bankruptcy or becomes insolvent, such buyer or its trustee or receiver may receive an extension of time to determine whether to enforce such Fund's obligation to repurchase the securities and its use of the proceeds of the Reverse Repurchase Agreement may effectively be restricted pending such decision.

Repurchase Agreements

The Funds may use Repurchase Agreements. The term "Repurchase Agreements," for purposes of this Offering Circular, consists of transactions in which a Fund purchases securities from a member bank of the Federal Reserve System or a securities dealer who is a member of a national securities exchange or is a market-maker in U.S. Government securities and simultaneously commits to resell the securities to such original seller at an agreed-upon date and price reflecting a market rate of interest unrelated to the coupon rate or maturity of the purchased securities. Although Repurchase Agreements carry certain risks not associated with direct investments in securities, including possible declines in the market value of the underlying securities and delays and costs to a Fund if the other party to the Repurchase Agreement becomes bankrupt, each Fund intends to enter into Repurchase Agreements only with banks and dealers in transactions believed by the Investment Advisers to present minimum credit risks. In addition, each Repurchase Agreement must be collateralized at least at 102% with U.S. Government or other appropriate liquid high grade securities, held by a third party custodian, and marked-to-market daily. Entities with whom the Funds may enter into Repurchase Agreements may include UBS Puerto Rico, Popular Securities or their affiliates, subject to procedures adopted by each Fund's Board of Directors. See "Transactions Involving Affiliates."

Investment Restrictions

A Fund may not change its investment objective or the following fundamental policy without the approval of either (i) a majority of the outstanding Shares of such Fund, if the proposed change has previously been recommended by such Fund's Board of Directors, or (ii) at least 75% of the outstanding Shares of such Fund, upon the failure of the Board of Directors to approve a proposal submitted by such Fund's Shareholder or a group of such Fund's Shareholders that hold in the aggregate at least 20% of the Shares of such Fund. Under current law, the Commissioner also must approve any change in a Fund's objective or fundamental policy.

As its fundamental policy, a Fund may not issue debt securities or borrow money from banks or other entities (including borrowings through dollar rolls and Reverse Repurchase Agreements), in excess of 50% of such Fund's total assets (including the amount of borrowings and debt securities issued). In addition, a Fund may also borrow from banks or other financial institutions for temporary or emergency purposes (including, among others, financing repurchases of the Shares of such Fund and tender offers), in an amount of up to an additional 5% of its total assets.

In addition, a Fund may not change the following investment limitations without the approval of a majority of such Fund's Board of Directors and prior written notice to its Shareholders:

(a) purchase the securities of any one issuer if after such purchase it would own more than 75% of the voting securities of such issuer, provided that securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities are not subject to this limitation;

(b) make an investment in any one industry if, at the time of purchase, the investment would cause the aggregate value of such Fund's investments in such industry to equal 25% or more of such Fund's total assets; provided that this limitation shall not apply to: (i) investments in securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities; (ii) Municipal Obligations, including Puerto Rico Municipal Obligations, other than those backed only by the assets or revenues of a non-governmental entity; and (iii) investments in mortgage-backed securities (whether or not issued or guaranteed by an agency or instrumentality of the U.S. Government). For purposes of this restriction, the intended or designated use of real estate shall determine its industry;

(c) purchase securities on margin, except for short term credits necessary for clearance of portfolio transactions, and except that such Fund may make margin deposits in connection with its use of options or future contracts (as defined in Appendix E hereto);

(d) engage in the business of underwriting securities of other issuers, except to the extent that, in connection with the disposition of portfolio securities, such Fund may be deemed an underwriter under U.S. securities laws and except that such Fund may write options;

(e) make short sales of securities or maintain a short position, except that such Fund may sell short "against the box." A short sale "against the box" occurs when such Fund owns an equal amount of the securities sold or owns securities convertible into or exchangeable for, without payment of any further consideration, securities of the same issue as, and equal in amount to, the securities sold short;

(f) purchase or sell real estate (including real estate limited partnership interests), provided that such Fund may invest in securities secured by real estate or interests therein or issued by entities that invest in real estate or interests therein (including mortgage-backed securities), and provided further that such Fund may exercise rights under agreements relating to such securities, including the right to enforce security interests and to liquidate real estate acquired as a result of such enforcement; provided, however, that such securities and any such real estate securing a security acquired by such Fund shall not be a "U.S. real property interest" within the meaning of section 897 of the Code;

(g) purchase or sell commodities or commodity contracts, except that such Fund may enter into swap agreements, options, futures contracts (as defined in Appendix E hereto) and options on futures contracts subject to certain restrictions; or

(h) make loans, except through Repurchase Agreements, provided that for purposes of this restriction the acquisition of bonds, debentures or other debt instruments or interests therein and investment in government obligations, shall not be deemed to be the making of a loan.

Management of the Funds

The overall management of the business and affairs of each Fund is vested with its Board of Directors and, in the case of the Bond Fund, its trustees (which are Banco Popular and UBS Trust Company of Puerto Rico). Each Fund's Board of Directors approves all significant agreements between the Fund and persons or companies furnishing services to it, including the Fund's agreements with its investment advisers, administrator, custodian, and transfer agency, registrar, dividend disbursing agent and shareholder servicing agent. The day-to-day operations of each Fund are delegated to its officers and to Banco Popular, in its capacity as administrator, subject to each Fund's investment objective and policies and to general supervision by each Fund's Board of Directors.

Subject to the supervision of each Fund's Board of Directors, investment advisory services will be provided jointly to the Funds by the Investment Advisers, pursuant to separate investment advisory contracts (the "Advisory Agreements") with each Fund. Banco Popular-PAM's principal business address is Banco Popular Center, Suite

500, 209 Muñoz Rivera Avenue, San Juan, Puerto Rico 00918. UBS Asset Managers' principal business address is 250 Muñoz Rivera Avenue, 10th Floor, San Juan, Puerto Rico 00918. Banco Popular serves as each Fund's administrator, custodian, and transfer agent, registrar, dividend disbursing and shareholder servicing agent for each Fund's shares of common stock. UBS Trust Company of Puerto Rico is a trust company registered under the Trust Companies Act of Puerto Rico. Banco Popular is a bank organized, licensed, and having its principal office and place of business in Puerto Rico.

Pursuant to each Fund's Advisory Agreement, the Investment Advisers provide a complete and continuous investment program for each Fund and make investment decisions and place orders to buy, sell or hold particular securities and other investments. As compensation for their investment advisory services related to each Fund, the Investment Advisers receive an investment advisory fee (which is indirectly paid entirely by Shareholders of each Fund). This fee is payable monthly and is calculated on the basis of the following annual rates: (i) in the case of PRITFF I and II, 1% of the average weekly net assets plus the liquidation value of all outstanding debt securities of the Fund; (ii) in the case of PRITFF III, IV and V, 0.75% of the average weekly net assets plus the liquidation value of all outstanding debt securities of the Fund; (iii) in the case of FPRITFF VI, 0.75% of the average weekly gross assets of the Fund; and (iv) in the case of the Bond Fund, 0.60% of the average weekly gross assets of the Fund.

Pursuant to a separate Administration Agreement between each Fund and Banco Popular and subject to the overall supervision of the Board of Directors, Banco Popular provides facilities and personnel to each Fund in the performance of certain services including the weekly determination of each Fund's net asset value and net income. As compensation for its administration services to each Fund, Banco Popular receives an administration fee. This fee is payable monthly and is calculated on the basis of the following annual rates: (i) in the case of PRITFF I through V, 0.15% of the average weekly net assets plus the liquidation value of all outstanding debt securities of the Fund; and (ii) in the case of PRITFF VI and the Bond Fund, 0.15% of the average weekly gross assets of the Fund.

Each Fund's securities and cash are held under a custody agreement between each Fund and Banco Popular, pursuant to which Banco Popular serves as custodian for each such Fund. As compensation for its custody services, Banco Popular receives a fee as agreed from time to time with each Fund. Such fee is at a rate customarily paid to other custodians for the provision of similar services.

Pursuant to the terms of a Transfer Agency, Registrar, and Shareholder Servicing Agreement between each Fund and Banco Popular, Banco Popular is responsible for maintaining a register of the Shares and Shareholders of record as well as opening and maintaining Shareholder accounts for each Fund. As compensation for its transfer agency, registrar, dividend disbursing and shareholder services, Banco Popular receives a fee as agreed from time to time with each Fund. Such fee is at a rate customarily paid to other transfer agents for the provision of similar services.

Pursuant to each Fund's Advisory Agreement, no Investment Adviser is liable for any loss, expense, cost, or liability arising out of any error in judgment or any action or omission, including any instruction given to a Fund's custodian unless (i) such action or omission involved an officer, director, employee, or agent of an Investment Adviser, and (ii) such loss, expense, cost, or liability arises out of such Investment Adviser's gross negligence, malfeasance or bad faith. Each Investment Adviser may rely on any notice or communication (written or oral) reasonably believed by it to be genuine. These limitations shall not act to relieve each of the Investment Advisers from any responsibility or liability for any responsibility, obligation or duty that each of the Investment Advisers may have under state statutes, the laws of Puerto Rico, or any federal securities law which is not waivable.

Unless earlier terminated as described below, the Advisory Agreements are initially in effect for a period of two years from the date of execution and will remain in effect from year to year thereafter if approved annually by a vote of a majority of those Directors of each Fund who, as indicated below, are independent directors as defined under each Fund's Code of Ethics (the "Independent Board"). The Advisory Agreements are not assignable, except to affiliates of the Investment Advisers subject to certain conditions. The Advisory Agreement with respect to a Fund may be terminated, without penalty, (i) at any time by a unanimous vote of the Independent Board, (ii) on 60 days' written notice by the Investment Adviser to such Fund or (iii) on 60 days' written notice to the Investment Adviser by the vote of a majority of the outstanding voting securities of such Fund.

The Funds' Principal Officers and Boards of Directors

Certain biographical and other information relating to the officers of each Fund and the "Independent Fund Directors," as defined in each Fund's Code of Ethics), is set forth below, including their ages, principal occupations for at least the last five years, the length of time served, and public directorships. The Independent Fund Directors listed below are also members of the Boards of Directors of some of the funds advised or co-advised by UBS Asset Managers and Banco Popular – PAM (the "Affiliated Funds"). Currently, all of the members of the Funds' Board of Directors are Independent Fund Directors.

The Funds' Principal Officers

Name, age and address*	Positions held with each Fund	Term of office and length of time served	Principal occupations during past five years	Number of Affiliated Funds overseen	Public directorships (other than the Funds)
Enrique Vila del Corral (68)	Chairman of the Board and President	Chairman since 2013 and President since January 2013	Private investor; managing partner of various special partnerships involved in real estate development	14 funds	None
Carlos V. Ubiñas (59)	Executive Vice President	Executive Vice President since inception	Chief Executive Officer and President of UBS Financial Services Incorporated of Puerto Rico.	27 funds	None
Leslie Highley, Jr. (67)	Senior Vice President	Senior Vice President since inception	Managing Director of UBS Trust Company of Puerto Rico; Senior Vice-President of UBS Financial Services Incorporated of Puerto Rico; Senior Vice President of the Puerto Rico Investors Tax-Free Family of Funds.	27 funds	None
Hector Rivera (59)	Treasurer	Treasurer since 2014	Vice President of Banco Popular and Manager of the Mutual Funds Administration Group for the Popular Fiduciary Services Division.	14 funds	None
Illich Colón (40)	Secretary	Secretary since 2008	Attorney, Banco Popular de Puerto Rico - Legal Division; Secretary of the Puerto Rico Investors Tax-Free Family of Funds	14 funds	None

* The address of the officers and directors of the Funds is 209 Muñoz Rivera Ave., Banco Popular Center, Suite 1112, Hato Rey, PR 00919

The Funds' Independent Fund Directors

Name, age and address*	Positions held with each Fund	Term of office and length of time served	Principal occupations during past five years	Number of Affiliated Funds overseen	Public directorships (other than the Funds)
Enrique Vila del Corral (68)	Chairman of the Board of Directors since February 2013	Director since inception	Private investor; managing partner of various special partnerships involved in real estate development.	14 funds	None
Gabriel Pagán Pedrero (60)	Director	Director since inception	President of West Indian Products Corporation; Vice President of Commercial Adolfo S. Pagán, Inc.; Director of Construction Material Merchants' Association and Director of Museum of Contemporary Art.	9 funds	None
Luis M. Pellot-González (66)	Director	Director since 2011	Tax attorney at Pellot-González, PSC since 1989; Director of Empresas Santana, and Financiadora Primas; Secretary of AA-10,000 Corp.; Manager of Lepanto, S.E.	27 funds	None

Name, age and address*	Positions held with each Fund	Term of office and length of time served	Principal occupations during past five years	Number of Affiliated Funds overseen	Public directorships (other than the Funds)
Carlos J. Nido (50)	Director	Director since 2009	Senior Vice President of Sales of El Nuevo Día since 2007 and President of Del Mar Events; Former President and founder of Virtual, Inc. and Zona Network; Director of Grupo Ferré Rangel, GFR Media LLC, Editorial Primera Hora, Inc., Grupo Guayacan, Inc., B. Fernández & Hnos. Inc., and San Jorge Children's Foundation.	27 funds	None
Jorge I. Vallejo (60)	Director	Director since 2010	Managing Partner of Vallejo & Vallejo. Mr. Vallejo is also partner of various special partnerships involved in real estate development.	14 funds	None
Clotilde Pérez (62)	Director	Director since 2013	Corporate Development Officer of V. Suarez & Co., Inc. since 1999; Director of Grupo Guayacan, Inc.; Member of the Board of Trustees of Sacred Heart University; General Partner of Guayacan Fund of Funds Family.	27 funds	None

* The address of the officers and directors of the Funds is 209 Muñoz Rivera Ave., Banco Popular Center, Suite 1112, Hato Rey, PR 00919

Compensation of Directors

Each Independent Fund Director receives a stipend from each Fund plus expenses for attendance at each meeting of each Fund's Board of Directors or committee thereof. The Independent Fund Directors do not receive retirement or other benefits as part of their compensation.

Name of Independent Fund Director	Aggregate Compensation From the Funds [(1)]	Retirement Benefits Accrued as Part of Fund Expenses	Total Compensation From the Respective Affiliated Funds[(2)]
Luis Pellot	$41,000	None	$165,000
Enrique Vila del Corral	$51,000	None	$78,000
Carlos Nido	$41,000	None	$118,500
Gabriel Pagán Pedrero	$51,000	None	$51,000
Jorge I. Vallejo	$37,000	None	$63,000
Clotilde Pérez	$51,000	None	$127,972

(1) Amount for the year ended December 31, 2014.

(2) Amount for the year ended December 31, 2014, excluding amounts, if any, related to reimbursement for expenses related to attendance at such board meetings or meetings of committees thereof.

Sarbanes-Oxley Act of 2002. The Board of Directors of each Fund has approved an Audit Committee Charter that adopts some of the principles of auditor independence set forth by the Sarbanes-Oxley Act of 2002 (the "SOA"). The SOA was adopted on July 30, 2002 and its general purpose is to increase management accountability and strengthen the authority and obligations of audit committees. The SOA does not apply to the Funds. However, the Board of Directors believes that the adoption of the principles set forth by the SOA serves the best interests of Shareholders and Noteholders. Enrique Vilá del Corral is the President of the Audit Committee.

TAXATION

THIS SECTION IS NOT TO BE CONSTRUED AS A SUBSTITUTE FOR CAREFUL TAX PLANNING. PROSPECTIVE INVESTORS IN THE NOTES 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 LAW AFTER THE DATE OF THIS OFFERING CIRCULAR.

IRS CIRCULAR 230 DISCLOSURE*:* THE UNITED STATES TAX DISCUSSION IN THIS OFFERING CIRCULAR IS GENERAL IN NATURE AND IS NOT INTENDED TO BE TAX ADVICE. THE UNITED STATES TAX DISCUSSION WAS PREPARED TO SUPPORT THE PROMOTION AND MARKETING BY THE FUND OF THE NOTES. SPECIFIC TAX CONSEQUENCES MAY VARY WIDELY DEPENDING ON A PARTICULAR TAXPAYER'S INDIVIDUAL CIRCUMSTANCES. THE UNITED STATES TAX DISCUSSION CANNOT BE RELIED UPON BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER BY THE UNITED STATES INTERNAL REVENUE SERVICE. EVERY POTENTIAL INVESTOR IN THE NOTES IS URGED TO CONSULT, AND MUST DEPEND UPON, THEIR OWN INDEPENDENT TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF AN INVESTMENT IN CONNECTION WITH THEIR OWN TAX SITUATION AND POTENTIAL AND PROPOSED CHANGES IN APPLICABLE LAW.

The following discussion is a summary of the material Puerto Rico and United States federal income tax considerations that may be relevant to prospective investors in the Notes. The discussion in connection with the Puerto Rico income tax considerations is based on the current provisions of the Puerto Rico Internal Revenue Code of 2011, as amended (the "2011 P.R. Code") and the regulations promulgated or applicable thereunder (the "P.R. Code Regulations") issued by the Puerto Rico Treasury Department (the "PR Treasury"). The Puerto Rico income tax discussion is not intended to taxpayers that elected to determine their income tax liability and file their tax returns pursuant to the Puerto Rico Internal Revenue Code of 1994, as amended, (the "1994 P.R. Code") for taxable years 2011 through 2015 (known as "Option 94 Election") as allowed by the 2011 P.R. Code. If you are a taxpayer with an Option 94 Election, you should consult your tax advisor regarding the tax consequences of an investment in the Notes. The United States federal income tax discussion is based on the current provisions of the United States Internal Revenue Code of 1986, as amended (the "U.S. Code"), and the regulations promulgated thereunder (the "U.S. Code Regulations").

This discussion assumes that (a) the Noteholders will be (i) "Puerto Rico Individuals," as herein defined, or (ii) corporations, limited liability companies, and partnerships organized under the laws of Puerto Rico, excluding corporations, limited liability companies, and partnerships having in effect an election and qualifying as "corporations of individuals," "special partnerships" or entities that are subject to the "partnership" taxation rules of the 2011 P.R. Code, as the case may be, or subject to any other special tax regime under the 2011 P.R. Code, as the case may be (the "Puerto Rico Entities"); (b) the Puerto Rico Individual will acquire the Notes after having qualified as a bona fide resident of Puerto Rico, within the meaning of Section 937(a) of the U.S. Code; and (c) the Notes do not constitute inventory property in the hands of the Noteholder. The term "Puerto Rico Individual" means an individual that (i) for purpose of the 2011 P.R. Code is a resident of Puerto Rico, as determined under Section 1010.01(a)(30) of the 2011 P.R Code, (ii) is a bona fide resident of Puerto Rico (as determined under Section 937(a) of the U.S. Code) during the entire taxable year for purposes of Section 933 of the U.S. Code (including the taxable year in which the Notes are acquired by such individual), and (iii) does not own, at any time, directly or indirectly, 10% or more of the voting stock of the Fund issuing the Notes, as such determination is made under Section 937(b) of the U.S. Code and the U.S. Code Regulations issued thereunder. Section 937(a) of the U.S. Code establishes a definition of the term "bona fide resident of Puerto Rico" for purposes of Section 933 of the U.S. Code. In general terms, in order to be treated as a "bona fide resident of Puerto Rico," Section 937(a) of the U.S. Code requires that the taxpayer (i) be present in Puerto Rico for at least 183 days in each taxable year, (ii) not have a tax home outside Puerto Rico during any part of the taxable year, and (iii) not have a closer connection to the United States or a foreign country. Prospective investors in the Notes should consult their tax advisers with respect to whether they qualify as "bona fide residents of Puerto Rico" for Section 933 purposes.

This discussion does not purport to deal with all aspects of Puerto Rico and United States federal income taxation that may be relevant to other types of investors in the Notes, particular investors in light of their investment circumstances, or to certain types of investors subject to special treatment under the 2011 P.R. Code or the U.S. Code (e.g., financial institutions, insurance companies, tax-exempt organizations, "controlled foreign corporations" or "passive foreign investment companies").

The existing provisions of the statutes, regulations, judicial decisions, and administrative pronouncements on which this discussion is based are subject to change (even with retroactive effect).

The statements herein have been opined on by O'Neill & Borges LLC, counsel to the Funds. A prospective investor should be aware that an opinion of counsel represents only such counsel's best legal judgment and that it is not binding on the PR Treasury, the United States Internal Revenue Service ("IRS"), or the courts. Accordingly, there can be no assurance that the opinions set forth herein, if challenged, would be sustained.

Puerto Rico Taxation

Based on the foregoing and subject to the qualifications set forth herein, interest on the Notes received or accrued during a taxable year by a Puerto Rico Individual or a Puerto Rico Entity will be exempt from Puerto Rico income taxes imposed by the 2011 P.R. Code, provided that (i) the Fund issuing the Notes is exempt from Puerto Rico income tax pursuant to the provisions of Section 1112.01 of the 2011 P.R. Code for each taxable year on which interest is paid or payable on the Notes, (ii) the interest is attributable to income derived by the Fund during the taxable year

that is totally exempt from Puerto Rico income taxes under any provision of the 2011 P.R. Code (other than by virtue of Section 1112.01 thereto) ("Exempt Income"), and (iii) the total amount of exempt interest paid by the Fund during a taxable year is not greater than the excess of the Exempt Income received or accrued by the Fund prior to any date on which exempt interest is paid over the sum of (a) "Exempt Dividends" (as defined in Section 1112.01 of the 2011 P.R. Code) distributed by the Fund during the taxable year and prior to such date, and (b) exempt interest paid by the Fund during the taxable year and prior to such date.

Interest on the Notes that is not designated by the Funds as exempt interest ("Taxable Interest") will be subject to a 10% withholding tax unless the Noteholder elects not to be subject to the 10% withholding tax. If the interest on the Notes is Taxable Interest and is not otherwise subject to the 10% withholding tax, it will be subject to tax at the ordinary income tax rates. The maximum ordinary income tax rate under the 2011 P.R. Code is 33% for individuals and 39% for corporations. In addition, Taxable Interest may be subject to the alternate basic tax ("ABT") in the case of Puerto Rico Individuals or the alternative minimum tax ("AMT") in the case of Puerto Rico Entities. In general, the Puerto Rico Individuals and the Puerto Rico Entities must pay the ABT or AMT, as applicable, to the extent such tax exceeds the applicable regular income tax imposed by the 2011 P.R. You should consult your tax advisor regarding the application of the ABT and AMT in connection with an investment in the Notes.

The 2011 P.R. Code contains various provisions disallowing a deduction for expenses incurred by a taxpayer that are directly or indirectly attributable or allocable to interest that is exempt from Puerto Rico income tax. These provisions would be applicable to exempt interest on the Notes received by a Noteholder.

The 2011 P.R. Code does not provide any rules with respect to the treatment that applies to the excess of the "principal" amount due at maturity of a Note and its initial offering price to the public. This difference is generally referred to as "original issue discount" or "OID." Under the current administrative practice followed by the PR Treasury, original issue discount is treated as interest.

Payment of Notes at maturity. In general, no gain or loss shall be recognized by a Noteholder upon the payment of a Note at maturity if the basis of such Note in the hands of the Noteholder is equal to the sum of the amount of cash and fair market value of any property paid by the Fund to the Noteholder as payment of the principal amount of the Note. If the basis of a Note in the hands of the Noteholder exceeds the sum of the amount of cash and the fair market value of any property paid by the Fund to the Noteholder as payment of the principal amount of the Note, then any such excess shall be treated by the Noteholder as a short term or long term capital loss, provided the Note is a capital asset in the hands of the Noteholder and depending on whether the Note has been held by the Noteholder for more than six months.

United States Taxation

Treatment of the Funds. For purposes of the U.S. Code, the Fund is treated as a foreign corporation. The status of the Fund as a foreign corporation for purposes of the U.S. Code is relevant in determining the source of income of payments made by the Fund on the Notes that are treated as interest for purposes of the U.S. Code. The source of income of these payments is determined by examining a number of requirements, including a requirement that they are not treated as paid by a trade or business conducted by the Fund outside of Puerto Rico, as such determination is made under Section 884(f)(1)(A) of the U.S. Code and the U.S. Code Regulations issued thereunder. Based on certain representations made by the Fund, it should not be treated as engaged in the conduct of a trade or business outside Puerto Rico and, therefore, payments made by the Fund that are treated as interest for purposes of the U.S. Code should meet the above described requirement.

Puerto Rico Individuals. Based on the provisions of the U.S. Code and the U.S. Code Regulations, interest on the Notes, including OID, if any, received by a Puerto Rico Individual will constitute gross income from sources within Puerto Rico, and therefore excludable from gross income for purposes of the U.S. Code under Section 933 thereof, if the interest and OID on the Notes are not in the hands of the Puerto Rico Individual effectively connected with the conduct of a trade or business within the U.S.

Puerto Rico Individuals should note that regulations under Section 937(b) of the U.S. Code provide an exception to the general source of income rules that apply to Puerto Rico Individuals by establishing an exception for income derived in "conduit arrangements." Under the rules of the regulations, income that is otherwise treated

as income from sources within Puerto Rico under the general source of income rules is treated as income from sources outside Puerto Rico and not excludable from gross income under Section 933 of the U.S. Code if it consists of income derived in a "conduit arrangement." In general, the regulations describe a "conduit arrangement" as one in which pursuant to a plan or arrangement income is received by a person in exchange for consideration provided to another person and such other person provides the same consideration (or consideration of a like kind) to a third person in exchange for one or more payments constituting income from sources within the U.S. Based on the current language of the regulations and the guidance offered therein, it is more likely than not that an investment in the Notes is not the type of transaction intended to be covered by these rules, and therefore, it is more likely than not that interest and OID on the Notes is to be treated as income from sources within Puerto Rico under the rules and conditions of the preceding paragraph. Puerto Rico Individuals should note that the IRS may reach a different conclusion as to the applicability of the "conduit arrangement" rules to the Notes. Accordingly, Puerto Rico Individuals may want to seek the advice of their own tax advisors.

Puerto Rico Entities. Interest and OID on the Notes derived by a Puerto Rico Entity that is not treated as a partnership for purposes of the U.S. Code will not be subject to taxation under the U.S. Code, provided that (i) such Puerto Rico Entity is not a controlled foreign corporation or a passive foreign investment company under the U.S. Code; (ii) such Puerto Rico Entity is not treated as a domestic corporation for purposes of the U.S. Code; and (iii) interest and OID on the Notes is not effectively connected with the conduct of a trade or business in the U.S. by such Puerto Rico Entity. Puerto Rico Entities that are treated as partnerships for purposes of the U.S. Code are subject to special rules which, in general, require a partner to report its distributive share of the income generated by the Puerto Rico Entity and to determine the tax consequences under the U.S. Code of such amounts based on such treatment.

CAPITALIZATION OF THE FUNDS

See the Funds' Annual Reports on the UBS website at www.financialservicesinc.ubs.com for information about each Fund's capitalization. Copies of the Certificate of Incorporation and By-Laws of each of the PRITFF Funds and of the Deed of Trust of the Bond Fund are on file with the Commissioner.

RATINGS

The Short-Term Notes have been rated "F1" and the Medium-Term Notes have been rated "A" by Fitch. Such ratings were ratified by Fitch on October 15, 2015. There is no assurance that the rating given to the Notes will remain in effect for any given period or that it will not be revised downward or withdrawn entirely by Fitch if, in its sole judgment, circumstances so warrant. Any such revision or withdrawal may have an adverse effect on the market price of the Notes. The rating given to the Notes reflects only the views of Fitch. Any explanation of the significance of such rating may be obtained only from Fitch at One State Street Plaza, New York, New York 10004. The rating does not constitute a recommendation to buy, sell or hold the Notes. Fitch was provided with materials relating to the Funds, the Notes and other relevant information, and no application has been made to any other rating agency for purposes of obtaining a rating on the Notes. However, other rating agencies could decide to rate the Notes. In such event, no assurance can be given as to what rating, if any, such rating agency would assign to the Notes.

DEALERS

UBS Puerto Rico, an affiliate of UBS Trust Company of Puerto Rico, and Popular Securities, an affiliate of Banco Popular, will offer the Notes on behalf of the Funds and will purchase the Notes as principal and use their best efforts to sell such Notes on behalf of the Funds. The Funds may appoint other Dealers from time to time. Each Dealer may be paid a fee to be negotiated from time to time equal to a percentage of the principal amount of Notes sold by such Dealer, and will be reimbursed for certain out-of-pocket expenses incurred by such dealer. The Funds will also indemnify the Dealers against certain liabilities, including liabilities under the Securities Act. The Funds may also sell Notes directly to investors from time to time.

Settlement of SEC Administrative Proceeding Against UBS Puerto Rico. On April 26, 2012, UBS Puerto Rico settled an administrative proceeding with the SEC related to disclosures and secondary market trading involving shares of common stock of the Fund and other Affiliated Funds managed or co-managed by UBS Trust Company of Puerto Rico and sold by UBS Puerto Rico during 2008 and 2009. Under the terms of the settlement, and without admitting or denying the findings, UBS Puerto Rico paid a penalty, disgorgement and pre-judgment interest totaling $26.6 million. UBS Puerto Rico also consented to a censure and an order to cease and desist from future violations of various provisions of the federal securities laws, and has hired an independent consultant to review UBS Puerto Rico's closed-end fund disclosures and trading policies and procedures. The Funds and the Funds' Investment Advisers are not parties to the settlement and there is no allegation of any wrongdoing by the Funds or the Investment Advisers. In a related matter, on May 1, 2012, the SEC filed an administrative proceeding against two senior employees of UBS Puerto Rico, including Miguel A. Ferrer, a former Director of the Funds. In 2013 the administrative law judge ruled in favor of the two UBS employees and dismissed the administrative proceeding. The SEC proceeding did not relate to Mr. Ferrer's role with the Funds, nor to the management of the Funds.

THE AGENT

Banco Popular will act as issuing, paying and transfer agent and registrar on behalf of each Fund, and as collateral agent on behalf of the holders of the Notes, pursuant to the Depositary Agreement. The principal offices of Banco Popular where its obligations as Agent will be discharged are located at 209 Muñoz Rivera Avenue, Hato Rey, Puerto Rico 00918.

Each Fund will pay the Agent a fee to be negotiated from time to time in connection with its services under the Depositary Agreement. In addition, each Fund has agreed to indemnify the Agent against any liabilities and expenses arising out of the performance of the Agent's obligations under the Depositary Agreement, except those involving the negligence or misconduct of the Agent. The Agent is not acting as a trustee on behalf of Noteholders, and may resign at any time by giving written notice thereof to the Funds.

PORTFOLIO TRANSACTIONS

Subject to policies established by the Funds' Board of Directors, the Investment Advisers will be responsible for the execution of each Fund's portfolio transactions. In executing portfolio transactions, the Investment Advisers will seek to obtain the best net results for each Fund, taking into account such factors as the price (including the applicable dealer spread or brokerage commission), size of order, difficulty of execution, and operational facilities of the firm involved. Certain securities in which each Fund will invest are traded on a "net" basis without a stated commission through dealers acting for their own account and not as brokers. Prices paid to dealers in principal transactions of such securities generally include a "spread", which is the difference between the prices at which the dealer is willing to purchase and sell a specific security at that time.

In placing orders with dealers, the Investment Advisers generally will attempt to obtain the best net price and the most favorable execution of their orders. The Investment Advisers may purchase and sell portfolio securities from and to dealers who provide the Funds with research analysis, statistical, or pricing advice or similar services. Portfolio transactions will not be directed by the Funds to dealers solely on the basis of research and advice provided. In selecting brokers and dealers, the Investment Advisers will consider the full range and quality of a broker's or dealer's services. Factors considered by the Investment Advisers in selecting brokers and dealers may include the following: price; the broker's or dealer's facilities; the broker's or dealer's reliability and financial responsibility; when relevant, the ability of the broker or dealer to effect securities transactions, particularly with regard to such aspects as timing, order size and execution of orders; and the research and other services provided by that broker or dealer to the respective Investment Advisers (and the Investment Advisers' arrangements relating thereto) that are expected to enhance the Investment Advisers' general portfolio management capabilities, notwithstanding that the Funds may not be the direct or exclusive beneficiary of those services. While the Investment Advisers generally seek the best price in placing orders, the Funds may not necessarily be paying the lowest price available. Commission rates are one factor considered together with other factors. The Investment Advisers will not be obligated to seek in advance competitive bidding for

the most favorable commission rate applicable to any particular transaction for the Funds or to select any broker-dealer on the basis of its purported "posted" commission rate. The Investment Advisers, in their discretion, may cause the Funds to pay a commission in excess of the amount another broker or dealer would have been charged for effecting that transaction, provided the respective Investment Adviser has determined in good faith that such commission is reasonable in relation to the value of the brokerage and/or research provided by the broker to such Investment Adviser. Research services furnished by the brokers or dealers through which or with which the Funds effect securities transactions may be used by the Investment Advisers in advising their other accounts (including the Affiliated Parties (defined below)), and conversely, research services furnished to the Investment Advisers in connection with their other accounts or such other funds may be used in advising the Funds.

The Investment Advisers may seek to allocate among advisory clients, including the Funds, the opportunity to purchase or sell a security or investment that may be both desirable and suitable for one or more of their clients, but for which there is a limited supply or demand, although there can be no assurance of equality of treatment according to any particular or predetermined standards or criteria. Where, because of prevailing market conditions, it is not possible to obtain the same price or time of execution for all of the securities or other investments purchased or sold for the Funds, transactions for the Funds may be reported with the average price of these transactions.

The Investment Advisers may, on an aggregated basis, purchase or sell the same security for more than one client to obtain a favorable price to the extent permitted by applicable law. These orders may be averaged as to price and allocated as to amount according to each client's daily purchase or sale orders or some other basis believed to be equitable in accordance with procedures adopted by the Board of Directors of each Fund.

TRANSACTIONS INVOLVING AFFILIATES

The Funds are not registered under the U.S. Investment Company Act and therefore will not be subject to the restrictions contained therein regarding, among other things, transactions between a Fund and UBS Puerto Rico and/or Popular Securities or their affiliates (the "Affiliated Parties," and each such transaction an "Affiliated Transaction"). It is anticipated that Affiliated Transactions will take place. The Funds' independent accountants will render quarterly reports on the Affiliated Transactions to each Fund's Board of Directors.

It is anticipated that secondary market transactions with Affiliated Parties will include many securities for which one of their affiliates has acted as lead manager or senior manager in the initial offering. In addition, there may be many instances in which an Affiliated Party may be the only dealer in a particular portfolio security being purchased or sold by a Fund. In that event, independent sources for valuation or liquidity of the security may be limited or nonexistent. The Funds may invest a substantial portion of their assets in those securities. All Affiliated Transactions, however, will be subject to procedures adopted by each Fund's Board of Directors and particularly, by the Independent Board, in an effort to address potential conflicts of interest that may arise from such Affiliated Transactions. There is no assurance that the procedures will be effective. The procedures may also be amended from time to time in the sole discretion of each Fund's Board of Directors, including the Independent Board. Each Fund may also purchase securities that are offered in underwritings in which one or more of such entities is a member of the underwriting or selling group. Such Affiliated Transactions are also subject to procedures adopted by each Fund's Board of Directors, including the Independent Board.

A Fund may not sell its portfolio securities to, nor buy portfolio securities from any of UBS Asset Managers/Banco Popular-PAM Advised Funds and vice versa without the approval in each case of the buying and selling entity's Board of Directors and subject to procedures to be established by them. It is anticipated that the procedures will require the Investment Advisers to provide written reports to each Fund's Board of Directors with respect to the sale or purchase of portfolio securities between the Funds and the relevant counterparty. It is anticipated that each Fund's Board of Directors will review such reports on at least a quarterly basis. With respect to Affiliated Transactions between a Fund and other UBS Asset Managers/Banco Popular-PAM Advised Funds, the Investment Advisers will be required to certify in the written reports that, among other things, no brokerage commission, fee (except for customary transfer fees) or other remuneration was paid in connection with the Affiliated Transaction.

The procedures adopted in connection with Affiliated Transactions include requirements for approval of each such Affiliated Transaction by the Investment Adviser that is not participating in the Affiliated Transaction (the "Approving Party"). There are also certain information blocking devices including physical separation of each Fund's portfolio managers from any trading operations of the Investment Advisers. The remaining procedures vary depending on whether the Affiliated Transaction is a secondary market transaction, Repurchase Agreement, Reverse Repurchase Agreement, or a purchase by a Fund during the existence of an underwriting syndicate in which one of such entities participates.

Secondary market transactions involving the Affiliated Parties must be at net prices at least as favorable as the best net price available from unaffiliated sources, and there are certain requirements for documentation supporting that conclusion. The mark-up, markdown, or commission on these Affiliated Transactions will comply with standards of reasonableness and fairness as determined by each Fund's Board of Directors. Each Fund will also observe certain volume limitations on such Affiliated Transactions, although those limitations provide a wide degree of latitude given the nature of the securities markets in Puerto Rico and the roles of the Affiliated Parties therein. Each Fund's Board of Directors will also address the allocation of investment opportunities with respect to such Affiliated Transactions, requiring in effect, that each Fund (and other advisory clients of any of the Affiliated Parties) be given a priority over purchases or sales for the account of any of the Investment Advisers and over simultaneous or subsequent orders of any of the Affiliated Parties' non-advisory clients.

The procedures applicable to purchases by a Fund in primary offerings contain volume limitations both as to the percentage of the offering that may be purchased and the percentage of the assets of each Fund that may be invested in a single offering. The precise limitations with respect to the percentage of the offering that may be purchased (which contain a wide degree of latitude) vary, depending upon whether an Affiliated Party is a member of the underwriting syndicate, or is the seller of the securities purchased by a Fund. If an Affiliated Party is the seller of the securities purchased by a Fund, the volume limitations that apply as a percent of the offering may be more stringent than those that apply where an Affiliated Party is merely a member of the underwriting syndicate. The volume limitations with respect to the percentage of the assets of a Fund apply only where an Affiliated Party is the seller of the securities purchased by a Fund and do not apply at all to securities issued or guaranteed by and backed by the full faith and credit of the U.S. or Puerto Rico. There also are various internal procedural requirements involving such matters as reports to and oversight by each Fund's Board of Directors.

In connection with the placement of each Fund's preferred stock, debt securities, and other forms of leverage by an Affiliated Party, such activities will be carried out in accordance with procedures as established by each Fund's Board of Directors in an effort to address potential conflicts of interest including, among other things, the potential conflict of interest in setting interests or dividend rates. Popular Securities and UBS Puerto Rico are the dealers and Banco Popular is the Agent for each Fund's preferred stock, debt securities, and other forms of leverage, and such persons directly provide some or all of such leverage. The procedures include initial and annual approval by a majority of each Fund's Board of Directors of the fees to be paid. The procedures require that the dividend or interest rate or discount on securities to be sold or purchased by an Affiliated Party must be at least as favorable to the Fund as that available from other unaffiliated sources for comparable instruments. In addition, documentation of the approval process is required to include, among other things, the bids received by the Investment Advisers and the dividend or interest rate or discount included in such bids. There is no assurance, however, that any Fund will obtain the best rate available. Reverse Repurchase Agreements are also subject to procedures adopted by each Fund's Board of Directors in an effort to address potential conflicts of interest when the bank or other financial institution that purchases portfolio securities from each Fund is an Affiliated Party. The procedures include certain requirements as to the terms of the Reverse Repurchase Agreements, including that the fees or other compensation to be received by the Affiliated Party be at least as favorable as those available from unaffiliated third parties. Documentation is required to include, among other things, the quotes received by the Affiliated Party, if such quotes are obtained, and the interest rate (or fees) included in such quotes. If quotes are unavailable, the interest rate (or fees) charged by the Affiliated Party must be equal to or less than that charged to its unaffiliated customers.

ADDITIONAL INFORMATION

Additional information regarding the Funds is on file with the Office of the Commissioner of Financial Institutions and is also available from the Funds at their principal offices. The address of each Fund is Banco Popular Center, Suite 1112, 209 Muñoz Rivera Avenue, San Juan, Puerto Rico 00918, and its telephone number is (787) 751-5452.

APPENDIX A-1

FORM OF PUERTO RICO RESIDENCY REPRESENTATION LETTER
(for Business Organizations other than Broker-Dealers)

TO: **[UBS Financial Services Incorporated of Puerto Rico, Popular Securities or other dealers which may be appointed in the future]**
San Juan, Puerto Rico

Puerto Rico Investors Tax-Free Fund, Inc.
Puerto Rico Investors Tax-Free Fund II, Inc.
Puerto Rico Investors Tax-Free Fund III, Inc.
Puerto Rico Investors Tax-Free Fund IV, Inc.
Puerto Rico Investors Tax-Free Fund V, Inc.
Puerto Rico Investors Tax-Free Fund VI, Inc.
Puerto Rico Investors Bond Fund

RE: Puerto Rico Residency Status

Dear Sirs:

We provide the following information and representations in connection with opening and maintaining our account with Dealer. In our account we may hold or purchase certain investments, including, but not limited to, closed-end and open-end mutual funds, preferred stock, and debt securities, that are not registered under the U.S. Securities Act of 1933 or the U.S. Investment Company Act of 1940 ("Puerto Rico Investments") and are exempt from registration under the U.S. Securities Act of 1933 and/or the U.S. Investment Company Act of 1940, based, in part, on the requirement that they be offered or sold only to individuals who have their principal residence in Puerto Rico or to corporations or other business organizations that have their principal office and principal place of business within Puerto Rico ("Puerto Rico Residents"), all as disclosed in their respective prospectuses or offering materials.

Accordingly, we hereby represent to you that:

1. We have acquired or propose to acquire Puerto Rico Investments for our own account and will be the sole beneficial owner thereof.

2. As of the date of this letter, we are a corporation, partnership or other form of business organization that has its principal office and principal place of business within Puerto Rico that has not been organized for the purpose of acquiring Puerto Rico Investments and, if organized as a trust, the trustee and all beneficiaries of the trust are residents of Puerto Rico.

3. If, as of the date of this letter we are organized as a non-business trust, the trust has its principal office and principal place of business within Puerto Rico and the trustee and all beneficiaries of the trust are Puerto Rico Residents.

4. If we cease to be a Puerto Rico Resident, we will (i) notify you within 30 days of ceasing to be a Puerto Rico Resident, (ii) liquidate our holdings in any Puerto Rico Investment when such liquidation becomes economically feasible, and (iii) not acquire additional Puerto Rico Investments.

5. We acknowledge that any purchases of Puerto Rico Investments will not be made on behalf of a

retirement plan subject to ERISA.

We hereby acknowledge that if at the time of purchase of Puerto Rico Investments we are not Puerto Rico Residents, **[Dealer]** may declare any such purchase to be null and void.

Signature	Date
Name and title	Account Number
Business Organization	

APPENDIX A-2

FORM OF PUERTO RICO RESIDENCY REPRESENTATION LETTER
(Individual)

TO: **[UBS Financial Services Incorporated of Puerto Rico,**
Popular Securities or other dealers which may be appointed in
the future]
San Juan, Puerto Rico

Puerto Rico Investors Tax-Free Fund, Inc.
Puerto Rico Investors Tax-Free Fund II, Inc.
Puerto Rico Investors Tax-Free Fund III, Inc.
Puerto Rico Investors Tax-Free Fund IV, Inc.
Puerto Rico Investors Tax-Free Fund V, Inc.
Puerto Rico Investors Tax-Free Fund VI, Inc.
Puerto Rico Investors Bond Fund

RE: Puerto Rico Residency Status

Dear Sirs:

I provide the following information and representations in connection with opening and maintaining my account with Dealer. In my account I may hold or purchase certain investments, including, but not limited to, closed-end and open-end mutual funds, preferred stock, and debt securities, that are not registered under the U.S. Securities Act of 1933 or the U.S. Investment Company Act of 1940 ("Puerto Rico Investments") and are exempt from registration under the U.S. Securities Act of 1933 and/or the U.S. Investment Company Act of 1940, based, in part, on the requirement that they be offered or sold only to individuals who have their principal residence in Puerto Rico ("Puerto Rico Residents"), all as disclosed in their respective prospectuses or offering materials.

Accordingly, I hereby represent to you that:

1. I have acquired or propose to acquire Puerto Rico Investments for my own account and will be the sole beneficial owner thereof.

2. As of the date of this letter, I am an individual whose principal residence is in Puerto Rico.

3. If I cease to be a Puerto Rico Resident, I will (i) notify you within 30 days of ceasing to be a Puerto Rico Resident, (ii) liquidate my holdings in any Puerto Rico Investment when such liquidation becomes economically feasible, and (iii) not acquire additional Puerto Rico Investments.

4. I hereby acknowledge that if at the time of purchase of Puerto Rico Investments I am not a Puerto Rico Resident, Dealer may declare any such purchase to be null and void.

5. I acknowledge that any purchases of Puerto Rico Investments will not be made on behalf of a retirement plan subject to ERISA.

Signature	Date
Name and title	Account Number

APPENDIX A-3

FORM OF PUERTO RICO RESIDENCY REPRESENTATION LETTER
(for Broker-Dealers)

TO: **[UBS Financial Services Incorporated of Puerto Rico,**
Popular Securities or other dealers which may be appointed
in the future]
San Juan, Puerto Rico

Puerto Rico Investors Tax-Free Fund, Inc.
Puerto Rico Investors Tax-Free Fund II, Inc.
Puerto Rico Investors Tax-Free Fund III, Inc.
Puerto Rico Investors Tax-Free Fund IV, Inc.
Puerto Rico Investors Tax-Free Fund V, Inc.
Puerto Rico Investors Tax-Free Fund VI, Inc.
Puerto Rico Investors Bond Fund

RE: Puerto Rico Residency Status

Dear Sirs:

We provide the following information and representations in connection with opening and maintaining our account with Dealer. In our account we may hold or purchase certain investments, including, but not limited to, closed-end and open-end mutual funds, preferred stock, and debt securities, that are not registered under the U.S. Securities Act of 1933 or the U.S. Investment Company Act of 1940 ("Puerto Rico Investments") and are exempt from registration under the U.S. Securities Act of 1933 and/or the U.S. Investment Company Act of 1940, based, in part, on the requirement that they be offered or sold only to individuals who have their principal residence in Puerto Rico or to corporations or other business organizations that have their principal office and principal place of business within Puerto Rico ("Puerto Rico Residents"), all as disclosed in their respective prospectuses or offering materials.

Accordingly, we hereby represent to you that:

1. We have acquired or propose to acquire Puerto Rico Investments with the intention to offer and sell.

2. We are registered as a broker-dealer under Puerto Rico law and are purchasing the Notes with the intention to offer and sell the Notes solely from our branch office in Puerto Rico and only to residents of Puerto Rico, we agree that we will obtain a representation letter substantially in the form of Exhibit 1 attached hereto, from the customer, and for such purpose, the customer will be considered the purchaser of a Note.

3. We agree to comply with the obligation to deliver the offering circular and the relevant offering circular related to the offering of the Notes to any purchaser of the Notes.

4. We acknowledge that any purchases of Puerto Rico Investments will not be made on behalf of a retirement plan subject to ERISA.

Signature	Date
Name and title	Account Number
Business Organization	

EXHIBIT 1 TO FORM OF PUERTO RICO RESIDENCY REPRESENTATION LETTER (for Broker-Dealers)

FORM OF PURCHASER REPRESENTATION LETTER

TO: **[UBS Financial Services Incorporated of Puerto Rico, Popular Securities or other dealers which may be appointed in the future]**
San Juan, Puerto Rico

Puerto Rico Investors Tax-Free Fund, Inc.
Puerto Rico Investors Tax-Free Fund, Inc. II
Puerto Rico Investors Tax-Free Fund III, Inc.
Puerto Rico Investors Tax-Free Fund IV, Inc.
Puerto Rico Investors Tax-Free Fund V, Inc.
Puerto Rico Investors Tax-Free Fund VI, Inc.
Puerto Rico Investors Bond Fund

RE: Puerto Rico Residency Status

Dear Sirs:

In connection with a present or future purchase of Tax-Free Secured Obligations (each, a "Note") issued by any of the above-mentioned funds (each a "Fund" and collectively, the "Funds") from or through the above addressed dealer, you represent to us that:

1. You are acquiring the Notes for your own account and are the sole beneficial owner of the Notes. You also represent that when Notes were offered to you and as of the date of this letter, you are (i) an individual who has his/her principal residence in Puerto Rico or (ii) corporation, partnership, trust, or other business entity that has its principal office and principal place of business in Puerto Rico.

2. If you cease to be a resident of Puerto Rico, you agree to notify the Note-issuing Fund and the Agent within 30 days ceasing to be a resident of Puerto Rico and to transfer your Notes to a qualified Puerto Rico resident as soon as it becomes economically feasible to do so. Any person who is not a resident of Puerto Rico as described above will not be considered by the Agent as a holder of a Note for any purpose.

3. You are not an employee benefit plan subject to Section 406 of the Employee Retirement Income Security Act of 1974 or to Section 4975 of the U.S. Internal Revenue Code of 1986 (or comparable provisions of any subsequent enactments), or a trustee of any such plan.

4. You also confirm that you have received and read a copy of the offering circular and the relevant offering circular supplement related to the offering of the Notes.

5. You acknowledge that the Notes are not deposits or obligations of, or guaranteed or endorsed by any bank or other insured depository institution and are not insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

You also hereby agree that upon purchasing additional Notes issued by any of the above-mentioned Funds, you reaffirm that each and every representation made in this letter is true and correct as of the date of each such purchase. The Funds and the Agent may continue to rely on the representations contained in this letter until you have given written notice to the contrary to the respective Fund(s) and the Agent.

Cordially,

APPENDIX B

MORTGAGE-BACKED SECURITIES

General

Mortgage-backed securities were introduced in the 1970s when the first pool of mortgage loans was converted into a mortgage pass-through security. Since the 1970s the mortgage-backed securities market in general has vastly expanded and a variety of structures have been developed to meet investor needs.

New types of mortgage-backed securities are developed and marketed from time to time and, consistent with its investment limitations, the Funds expect to invest in those new types of mortgage-backed securities that the Investment Advisers believe may assist the Funds in achieving their investment objective. The Funds may invest in various types of Mortgage-Backed Securities, as described in this Offering Circular. See "Investment Objective and Policies." At the same time, not all of the types of securities described below are available in Puerto Rico.

Government National Mortgage Association ("GNMA") Securities

GNMA is a wholly-owned corporate instrumentality of the United States within the Department of Housing and Urban Development. The National Housing Act of 1934, as amended (the "Housing Act"), authorizes GNMA to guarantee the timely payment of the principal of and interest on securities that are based on and backed by a pool of specified mortgage loans. To qualify such securities for a GNMA guarantee, the underlying mortgages must be insured by the Federal Housing Administration under the Housing Act, or Title V of the Housing Act of 1949 ("FHA Loans"), or be guaranteed by the Veterans' Administration under the Servicemen's Readjustment Act of 1944, as amended ("VA Loans"), or be pools of other eligible mortgage loans. The Housing Act provides that the full faith and credit of the U.S. Government is pledged to the payment of all amounts that may be required to be paid under any guarantee. In order to meet its obligations under such guarantee, GNMA is authorized to borrow from the United States Treasury with no limitations as to amount.

GNMA pass-through mortgage-backed securities may represent a pro rata interest in one or more pools of the following types of mortgage loans: (i) fixed rate level payment mortgage loans; (ii) fixed rate graduated payment mortgage loans; (iii) fixed rate growing equity mortgage loans; (iv) fixed rate mortgage loans secured by manufactured (mobile) homes; (v) mortgage loans on multifamily residential properties under construction; (vi) mortgage loans on completed multifamily projects; (vii) fixed rate mortgage loans as to which escrowed funds are used to reduce the borrower's monthly payments during the early years of the mortgage loans ("buydown" mortgage loans); (viii) mortgage loans that provide for adjustments in payments based on periodic changes in interest rates or in other payment terms of the mortgage loans; and (ix) mortgage-backed serial notes.

Fannie Mae Securities

Fannie Mae (also known as the Federal National Mortgage Association) is a federally chartered and privately owned corporation established under the Federal National Association Charter Act. Fannie Mae was originally organized in 1938 as a U.S. Government agency to add greater liquidity to the mortgage market. Fannie Mae was transformed into a private sector corporation by legislation enacted in 1968. Fannie Mae provides funds to the mortgage market primarily by purchasing home mortgage loans from local lenders, thereby providing them with funds for additional lending. Fannie Mae acquires funds to purchase such loans from investors that may not ordinarily invest in mortgage loans directly, thereby expanding the total amount of funds available for housing.

Each Fannie Mae pass-through mortgage-backed security represents a pro rata interest in one or more pools of FHA Loans, VA Loans or conventional mortgage loans (i.e., mortgage loans that are not insured or guaranteed by any governmental agency). The loans contained in those pools consist of: (i) fixed rate level payment mortgage loans; (ii) fixed rate growing equity mortgage loans; (iii) fixed rate graduated payment mortgage loans; (iv) variable rate mortgage loans; (v) other adjustable rate mortgage loans; and (vi) fixed rate mortgage loans secured by multifamily

projects. Fannie Mae guarantees timely payment of principal and interest on Fannie Mae Mortgage-Backed Securities. However, the obligations of Fannie Mae are not backed by the full faith and credit of the United States.

Federal Home Loan Mortgage Corporation ("FHLMC") Securities

FHLMC is a federally chartered corporation created by the United States Congress under the Emergency Home Finance Act of 1970, as amended (the "FHLMC Act"). FHLMC was organized primarily for the purpose of increasing the availability of mortgage credit to finance needed housing. The operations of FHLMC currently consist primarily of the purchase of first lien, conventional, residential mortgage loans and participation interests in such mortgage loans and the resale of the mortgage loans so purchased in the form of mortgage-backed securities.

The mortgage loans underlying the FHLMC mortgage-backed securities typically consist of fixed rate or adjustable rate mortgage loans with original terms to maturity of between ten and thirty years, substantially all of which are secured by first liens on one- to four-family residential properties or multifamily projects. Each mortgage loan must meet the applicable standards set forth in the FHLMC Act. Mortgage loans underlying FHLMC mortgage-backed securities may include whole loans, participation interests in whole loans and undivided interests in whole loans and participations in other FHLMC mortgage-backed securities.

FHLMC guarantees: (i) the timely payment of interest on all FHLMC Mortgage-Backed Securities; (ii) the ultimate collection of principal with respect to some FHLMC Mortgage-Backed Securities; and (iii) the timely payment of principal with respect to other FHLMC Mortgage-Backed Securities. However, the obligations of FHLMC are not backed by the full faith and credit of the United States.

Fannie Mae and Freddie Mac Conservatorship

In 2008, Fannie Mae and Freddie Mac were placed into conservatorship by the Federal Housing Finance Agency. In connection with the conservatorship, the U.S Treasury entered into a Senior Preferred Stock Purchase Agreement with Fannie Mae and Freddie Mac that allows them to draw funds up to the amount, if any, by which their total liabilities exceed their total assets, up to a certain limit. Neither the conservatorship nor the agreements with the U.S Treasury affect Fannie Mae's or Freddie Mac's obligations to make payments on their debt securities or perform their obligations under their mortgage guaranty obligations. There is significant uncertainty regarding the future of Fannie Mae and Freddie Mac.

ARM and Floating Rate Mortgage-Backed Securities

Because the interest rates on ARM and Floating Rate mortgage-backed securities are reset in response to changes in a specified market index, the values of such securities tend to be less sensitive to interest rate fluctuations than the values of fixed-rate securities. ARM mortgage-backed securities represent a right to receive interest payments at a rate that is adjusted to reflect the interest earned on a pool of ARMs. ARMs generally provide that the borrower's mortgage interest rate may not be adjusted above a specified lifetime maximum rate or, in some cases, below a minimum lifetime rate. In addition, certain ARMs provide for limitations on the maximum amount by which the mortgage interest rate may adjust for any single adjustment period. ARMs also may provide for limitations on changes in the maximum amount by which the borrower's monthly payment may adjust for any single adjustment period. In the event that a monthly payment is not sufficient to pay the interest accruing on the ARM, any such excess interest is added to the mortgage loan ("negative amortization"), which is repaid through future monthly payments. If the monthly payment exceeds the sum of the interest accrued at the applicable mortgage interest rate and the principal payment that would have been necessary to amortize the outstanding principal balance over the remaining term of the loan, the excess reduces the principal balance of the ARM. Borrowers under ARMs experiencing negative amortization may take longer to build up their equity in the underlying property and may be more likely to default.

The rates of interest payable on certain ARMs, and therefore on certain ARM mortgage-backed securities, are based on indices, such as the one-year constant maturity Treasury Rate, that reflect changes in market interest rates.

Others are based on indices, such as the 11th District Federal Home Loan Bank Cost of Funds index, that tend to lag behind changes in market interest rates. The values of ARM mortgage-backed securities supported by ARMs that adjust based on lagging indices tend to be somewhat more sensitive to interest rate fluctuations than those reflecting current interest rate levels, although the values of such ARM mortgage-backed securities still tend to be less sensitive to interest rate fluctuations than fixed-rate securities.

Floating Rate mortgage-backed securities are classes of mortgage-backed securities that have been structured to represent the right to receive interest payments at rates that fluctuate in accordance with an index but that generally are supported by pools comprised of fixed-rate mortgage loans. As with ARM mortgage-backed securities, interest rate adjustments on Floating Rate mortgage-backed securities may be based on indices that lag behind market interest rates. Interest rates on Floating Rate mortgage-backed securities generally are adjusted monthly. Floating Rate mortgage-backed securities are subject to lifetime interest rate caps, but they generally are not subject to limitations on monthly or other periodic changes in interest rates or monthly payments.

Specified Mortgage-Backed Securities

Subject to the Fund's overall 5% limit on investments in derivative instruments, a Fund may invest in Mortgage-Backed Securities constituting derivative instruments such as interest-only obligations ("IOs"), principal-only obligations ("POs") (other than IOs and POs that are PAC Bonds) or inverse floating rate obligations or other types of Puerto Rico Mortgage-Backed Securities that may be developed in the future and that are determined by the Investment Advisers to present types and levels of risk that are comparable to such IOs, POs and inverse floating rate obligations (collectively, "Specified Mortgage-Backed Securities"). A Fund will invest in Specified Mortgage-Backed Securities only when the Investment Advisers believe that such securities, when combined with the Fund's other investments, would enable the Fund to achieve its investment objective.

Stripped mortgage-backed securities ("SMBSs") are classes of mortgage-backed securities that receive different proportions of the interest and principal distributions from the underlying pool of mortgage assets. SMBSs may be issued by agencies or instrumentalities of the U.S. Government or by private mortgage lenders. A common type of SMBS will have one class that receives some of the interest and most of the principal from the mortgage assets, while the other class will receive most of the interest and the remainder of the principal.

An IO is an SMBS that is entitled to receive all or a portion of the interest, but none of the principal payments, on the underlying mortgage assets; a PO is an SMBS that is entitled to receive all or a portion of the principal payments, but none of the interest payments, on the underlying mortgage assets. The Investment Advisers believe that investments in POs may facilitate its ability to manage the price sensitivity of a Fund's portfolio to interest rate changes. Generally, the yields to maturity on both IO and PO classes are extremely sensitive to the rate of principal payments (including prepayments) on the underlying mortgage assets. If the underlying mortgage assets of an IO class of mortgage-backed security held by a Fund experience greater than anticipated prepayments of principal, the Fund may fail to recoup fully its initial investment in such securities even though the securities are rated in the highest rating category. The Investment Advisers believe that, since principal amortization on PAC Bonds is designed to occur at a predictable rate, IOs and POs that are PAC Bonds generally are not as sensitive to principal prepayments as other IOs and POs.

Mortgage-backed securities that constitute inverse floating rate obligations are mortgage-backed securities on which the interest rates adjust or vary inversely to changes in market interest rates. Typically, an inverse floating rate mortgage-backed security is one of two components created from a pool of fixed rate mortgage loans. The other component is a variable rate mortgage-backed security, on which the amount of interest payable is adjusted directly in accordance with market interest rates. The inverse floating rate obligation receives the portion of the interest on the underlying fixed-rate mortgages that is allocable to the two components and that remains after subtracting the amount of interest payable on the variable rate component. The market value of an inverse floating rate obligation will be more volatile than that of a fixed-rate obligation and, like most debt obligations, will vary inversely with changes in interest rates. Certain of such inverse floating rate obligations have coupon rates that adjust to changes in market interest rates

to a greater degree than the change in the market rate and accordingly have investment characteristics similar to investment leverage. As a result, the market value of such inverse floating rate obligations are subject to greater risk of fluctuation than other mortgage-backed securities, and such fluctuations could adversely affect the ability of a Fund to achieve its investment objective.

The yields on Specified Mortgage-Backed Securities may be more sensitive to changes in interest rates than Puerto Rico Mortgage-Backed Securities. While the Investment Advisers will seek to limit the impact of these factors on the Funds, no assurance can be given that they will achieve this result.

APPENDIX C

TYPES OF MUNICIPAL OBLIGATIONS

The Funds may invest in the following types of Municipal Obligations and in such other types of Municipal Obligations as become available on the market from time to time. Not all of the described Municipal Obligations are presently available in Puerto Rico.

Municipal Bonds, Industrial Development Bonds and Private Activity Bonds

Municipal bonds are debt obligations issued to obtain funds for various public purposes. The two principal classifications of municipal bonds are "general obligation" and "revenue" bonds. General obligation bonds are secured by the issuer's pledge of its full faith, credit and taxing power for the payment of principal and interest. Revenue bonds are payable only from the revenues derived from a particular facility or class of facilities or, in some cases, from the proceeds of a special excise tax or from another specific source, such as the user of the facility being financed. Certain municipal bonds are "moral obligation" issues, which normally are issued by special purpose public authorities. In the case of such issues, an express or implied "moral obligation" of a related government unit is pledged to the payment of the debt service but is usually subject to annual budget appropriations.

The Funds may invest in industrial development bonds ("IDBs") and private activity bonds ("PABs"), which are municipal bonds issued by or on behalf of public authorities to finance various privately operated facilities, such as airports or pollution control facilities. IDBs and PABs are generally revenue bonds and thus are not payable from the unrestricted revenue of the issuer. The credit quality of IDBs and PABs is usually directly related to the credit standing of the user of the facilities being financed. A Fund may invest more than 25% of its assets in a single IDB or PAB.

As described in the Offering Circular, a Fund may not presently concentrate its investments, e.g., invest a relatively high percentage of its assets, in Municipal Obligations issued by entities which may pay their debt service obligations from the revenues derived from similar projects such as hospitals, multifamily housing, nursing homes, continuing care facilities, commercial facilities (including hotels), electric utility systems or industrial companies. That limitation may in the future be changed by the Fund's Board of Directors. Any future determination to allow concentration of a Fund's investments may make the Fund more susceptible to certain economic, political, or regulatory occurrences. As the similarity in issuers increases, the potential for fluctuation of the net asset value of shares of the Fund also increases. Also it is anticipated that a significant percentage of the Municipal Obligations in each Fund's portfolio may be issued by entities or secured by facilities with a relatively short operating history. Therefore, investors should also be aware of the risks which these investments might entail, as discussed below.

Health Care Revenue Bonds. These securities include Municipal Obligations issued to finance hospitals, nursing homes and continuing care facilities and which are generally secured by the revenues of particular facilities. The ability of the issuers of such securities to meet their obligations is dependent upon, among other things, the revenues, costs and occupancy levels of the subject facilities and the competitive nature of these industries. In addition, a major portion of hospital and nursing home revenues typically is derived from Federal or state programs such as Medicare and Medicaid and from various insurers. Changes in such programs or in the rates paid by insurers may reduce revenues available for the payment of principal of or interest on such bonds. New governmental legislation or regulations and other factors, such as the inability to obtain sufficient malpractice insurance, may also adversely affect the revenues or costs of these issuers. Moreover, in the case of life care facilities, since a portion of the services provided may be financed by an initial lump-sum deposit paid by occupants of the facility, there may be risk if the facility does not maintain adequate financial resources to secure estimated actuarial liabilities.

In 2010, the Patient Protection and Affordable Care Act (the "ACA") was enacted into law. In addition, a number of other legislative proposals concerning health care have been introduced in Congress in recent years or have been reported to be under consideration. The ACA and certain of these other proposals include or may result in cost controls, incentives for competition in the provision of health care services, tax incentives and penalties related to

health care insurance premiums and promotion of prepaid health care plans. The Fund is unable to predict the ultimate effect of the ACA and of any of these other proposals, if enacted.

Single Family Housing Bonds and Multifamily Housing Bonds. Single family housing bonds and multifamily housing bonds are obligations of state and local housing authorities that have been issued in connection with a variety of single and multifamily housing projects. Economic developments, including fluctuations in interest rates, increasing construction and operating costs, increasing real estate taxes and declining occupancy rates, and real estate investment risks may have an adverse effect upon the revenues of such projects and such housing authorities. Multifamily housing bonds may be subject to mandatory redemption prior to maturity, including redemption upon a non-completion of the project or upon receipt of FHA or certain other insurance proceeds. Housing bonds may also be subject to changes in creditworthiness due to potential weaknesses of mortgage insurance companies providing various policies; fluctuations in the valuation of invested funds and the strengths of banks and other entities which may provide investment agreements; and smaller than expected mortgage portfolios due to the inability to originate mortgages.

Public Power Revenue Bonds. Risks that may arise with respect to the electric utility industry include difficulty in financing large construction programs during an inflationary period; restrictions on operations and increased costs attributable to environmental considerations; the difficulty of the capital markets in absorbing utility securities; the availability of fuel for electric generation at reasonable prices, including among other considerations the potential rise in fuel costs and the costs associated with conversion to alternate fuel sources; technical cost factors and other problems associated with construction, licensing, regulation and operation of nuclear facilities for electric generation, including among other considerations the problems associated with the use of radioactive materials and the disposal of radioactive waste; and the effects of energy conservation. Certain of the issuers of these bonds may own or operate nuclear generating facilities. Federal, state and municipal governmental authorities may from time to time review and revise existing requirements and impose additional requirements on such facilities. Problems of the type referred to above could adversely affect the ability of the issuer of public power revenue bonds to make payments of principal and/or interest on such bonds. Certain municipal utilities or agencies may have entered into contractual arrangements with investor-owned utilities and large industrial users and consequently may be dependent in varying degrees on the performance of such contracts for payment of bond debt service. Also, the enforceability against municipalities of "take-and-pay" and "take-or-pay" contracts which secure bonds issued by other municipal issuers has been successfully challenged in recent years.

Transportation Revenue Bonds. Bonds in this category include bonds issued for airport facilities, bridges, turnpikes, port facilities, railroad systems, or mass transit systems. Generally, airport facility revenue bonds are payable from and secured by the revenues derived from the ownership and operation of a particular airport. Payment on other transportation bonds is often dependent primarily or solely on revenues from financed facilities, including user fees, charges, tolls and rents. Such revenues may be adversely affected by increased construction and maintenance costs or taxes, decreased use, competition from alternative facilities, scarcity of fuel, reduction or loss of rents or the impact of environmental considerations. Other transportation bonds may be dependent primarily or solely on Federal, state or local assistance including motor fuel and motor vehicle taxes, fees and licenses, and therefore may be subject to fluctuations in such assistance.

Water and Sewage Revenue Bonds. Bonds in this category include securities issued to finance public water supply treatment and distribution facilities, and sewage collection, treatment and disposal facilities. Repayment of these bonds is dependent primarily on revenues derived from the billing of customers for water and sewer services, as well as, in some instances, connection fees and hook-up charges. Such revenue bonds may be adversely affected by the lack of availability of Federal and state grants and by decisions of Federal and state regulatory bodies and courts.

Solid Waste and Resource Recovery Revenue Bonds. Bonds in this category include securities issued to finance facilities for removal and disposal of solid waste. Repayment of these bonds is dependent on factors which may include revenues from appropriations from a governmental entity, the financial condition of the private project corporation (including for this purpose any other nongovernmental person or entity) and revenues derived from the collection of charges for disposal of solid waste. In addition, construction and operation of such facilities may be

subject to cost overruns. Repayment of resource recovery bonds may also be dependent to various degrees on revenues from the sale of electric energy or steam. Bonds in this category may be subject to mandatory redemption in the event of project noncompletion, if the project is rendered uneconomical, if the project fails to meet certain performance criteria, or if it is considered an environmental hazard.

Pollution Control Facility Revenue Bonds. Bonds in the pollution control facilities category include securities issued on behalf of private corporations, including utilities, to provide facilities for the treatment of air, water and solid waste pollution. Repayment of these bonds is dependent upon income from and/or the financial condition of the project corporation. In addition, governmental entities may from time to time impose additional restrictions or regulations which could adversely affect the cost or operation of the facility.

Educational Facility Revenue Bonds. Educational facility revenue bonds include debt of state and private colleges, universities and systems, and parental and student loan obligations. The ability of universities and colleges to meet their obligations is dependent on various factors, including the revenues, costs and enrollment levels of the institutions. In addition, their ability may be affected by declines in Federal, state and alumni financial support, fluctuations in interest rates and construction costs, increased maintenance and energy costs, failure or inability to raise tuition or room charges and adverse results of endowment fund investments.

Tax Increment Bonds. Tax increment bonds are issued to finance various public improvements and redevelopment projects in blighted areas. Interest on such bonds is payable from increases in real property taxes attributable to increases in assessed value resulting from the redevelopment of the blighted project area. Repayment risks include, among other things, a reduction in taxable value in the project areas, reduction in tax rates, delinquencies in tax payments or a general shortfall in forecasted tax revenues.

Commercial Facility Revenue Bonds. The Fund may also invest in bonds for other commercial facilities (including hotels) and industrial enterprises. The viability of such facilities depends on, among other things, general economic factors affecting those industries and affecting those geographic areas in which such facilities are situated, as well as the ability of the individual management of those facilities to maximize earnings and to remain competitive within its service area.

Municipal Lease Obligations

Municipal lease obligations are Municipal Obligations that may take the form of leases, installment purchase contracts or conditional sales contracts, or certificates of participation with respect to such contracts or leases. Municipal lease obligations are issued by state and local governments and authorities to purchase land or various types of equipment and facilities. Although municipal lease obligations do not constitute general obligations of the municipality for which the municipality's taxing power is pledged, they ordinarily are backed by the municipality's covenant to budget for, appropriate and make the payments due under the lease obligation. The leases underlying certain Municipal Obligations, however, provide that lease payments are subject to partial or full abatement if, because of material damage or destruction of the leased property, there is substantial interference with the lessee's use or occupancy of such property. This “abatement risk” may be reduced by the existence of insurance covering the leased property, the maintenance by the lessee of reserve funds or the provision of credit enhancements such as letters of credit.

The liquidity of municipal lease obligations varies. Certain municipal lease obligations contain “non-appropriation” clauses which provide that the municipality has no obligation to make lease or installment purchase payments in future years unless money is appropriated for such purpose on a yearly basis. Some municipal lease obligations of this type are insured as to timely payment of principal and interest, even in the event of a failure by the municipality to appropriate sufficient funds to make payments under the lease. However, in the case of an uninsured municipal lease obligation, a Fund's ability to recover under the lease in the event of non-appropriation or default will be limited solely to the repossession of the leased property, without recourse to the general credit of the lessee, and disposition of the property in the event of foreclosure might prove difficult. The Funds do not intend to invest a

significant portion of their assets in such uninsured "non-appropriation" municipal lease obligations. There is no limitation on a Fund's ability to invest in other municipal lease obligations.

Zero Coupon Obligations

The Funds may invest in zero coupon Municipal Obligations. Such obligations include "pure zero" obligations, which pay no interest for their entire life (either because they bear no stated rate of interest or because their stated rate of interest is not payable until maturity), and "zero/fixed" obligations, which pay no interest for an initial period and thereafter pay interest currently. Zero coupon obligations also include derivative instruments representing the principal-only components of Municipal Obligations from which the interest components have been stripped and sold separately by the holders of the underlying Municipal Obligations. Zero coupon securities usually trade at a deep discount from their face or par value and will be subject to greater fluctuations in market value in response to changing interest rates than obligations of comparable maturities that make current distributions of interest. Zero coupon Municipal Obligations generally are liquid, although such liquidity may be reduced from time to time due to interest rate volatility and other factors.

Floating and Variable Rate Obligations

The Funds also may purchase floating and variable rate municipal notes and bonds, which frequently permit the holder to demand payment of principal at any time, or at specified intervals, and permit the issuer to prepay principal, plus accrued interest, at its discretion after a specified notice period. The issuer's obligations under the demand feature of such notes and bonds generally are secured by bank letters of credit or other credit support arrangements. There frequently will be no secondary market for variable and floating rate obligations held by the Funds, although the Funds may be able to obtain payment of principal at face value by exercising the demand feature of the obligation.

Participation Interests

The Funds may invest in participation interests in municipal bonds, including IDBs, PABs and floating and variable rate securities. A participation interest gives a Fund an undivided interest in a municipal bond owned by a bank. The Fund making the investment has the right to sell the instrument back to the bank. Such right is generally backed by the bank's irrevocable letter of credit or guarantee and permits a Fund to draw on the letter of credit on demand, after specified notice, for all or any part of the principal amount of the Fund's participation interest plus accrued interest. Generally, a Fund will exercise the demand under the letters of credit or other guarantees only upon a default under the terms of the underlying bond, or to maintain compliance with the Fund's investment objective and policies. The ability of a bank to fulfill its obligations under a letter of credit or guarantee might be affected by possible financial difficulties of its borrowers, adverse interest rate or economic conditions, regulatory limitations or other factors. The Agent will monitor the pricing, quality and liquidity of the participation interests held by the Funds, and the credit standing of banks issuing letters of credit or guarantees supporting such participation interests on the basis of published financial information reports of rating services and bank analytical services.

Custodial Receipts

The Funds may acquire derivative instruments in the form of custodial receipts or certificates underwritten by securities dealers or banks that evidence ownership of future interest payments, principal payments or both on certain Municipal Obligations. The underwriter of these certificates or receipts typically purchases Municipal Obligations and deposits the obligations in an irrevocable trust or custodial account with a custodian bank, which then issues receipts or certificates that evidence ownership of the periodic unmatured coupon payments and the final principal payment on the obligations. Custodial receipts evidencing specific coupon or principal payments have the same economic attributes as zero coupon Municipal Obligations described herein. Although under the terms of a custodial receipt a Fund would be typically authorized to assert its rights directly against the issuer of the underlying obligation, the Fund could be required to assert through the custodian bank those rights that may exist against the underlying issuer. Thus, in the event the underlying issuer fails to pay principal or interest when due, the Fund may be subject to delays, expenses and

risks that are greater than those that would have been involved if the Fund had purchased a direct obligation of the issuer. In addition, in the event that the trust or custodial account in which the underlying security has been deposited is determined to be an association taxable as a corporation, instead of a non-taxable entity, the yield on the underlying security would be reduced in recognition of any taxes paid.

Indexed Securities and Inverse Floaters

The Funds may invest in Municipal Obligations, including derivatives, on which the rate of interest varies directly or inversely with interest rates on other Municipal Obligations or an index. Such investments may have increased volatility and a potential leveraging effect (without being subject to the Funds' leverage limitations). Such obligations include, but are not limited to, derivative instruments constituting components of securities on which interest is paid in two separate parts -- an auction component, which pays interest at a rate that is set periodically through an auction process or other method, and a residual component, which pays interest at a rate equal to the difference between the rate that the issuer would have paid on a fixed-rate obligation at the time of issuance and the rate paid on the auction component. The market value of an inverse floater will be more volatile than that of a fixed-rate obligation and, like most debt obligations, will vary with changes in market interest rates.

Because the interest rate paid to holders of residual components is generally determined by subtracting the interest rate paid to the holders of auction components from a fixed amount, the interest rate paid to residual component holders will decrease as the auction component's rate increases and increase as the auction component's rate decreases. Moreover, the extent of the increases and decreases in market value of residual components may be larger than comparable changes in the market value of an equal principal amount of a fixed rate Municipal Obligation having similar credit quality, redemption provisions and maturity.

Put Bonds

Put bonds are municipal bonds which give the holder an unconditional right to sell the bond back to the issuer or a remarketing agent at a specified price and exercise date, which is typically well in advance of the bond's maturity date. If the put is a "one time only" put, a Fund ordinarily will sell the bond or put the bond, depending on the more favorable price. If the bond has a series of puts after the first put, the bond will be held as long as, in the Investment Advisers' opinion, it is in the best interests of the Fund to do so. The obligation to purchase the bond on the exercise date of the put may be supported by a letter of credit or other credit support agreement from a bank, insurance company or other financial institution, the credit standing of which affects the credit standing of the obligation. There is no assurance that an issuer or remarketing agent for a put bond will be able to repurchase the bond on the put exercise date if a Fund chooses to exercise its right to put the bond back to the issuer or remarketing agent.

Tender Option Bonds

Tender option bonds are long-term municipal securities sold by a bank subject to a "tender option" that gives the purchaser the right to tender them to the bank at par plus accrued interest at designated times (the "tender option"). The tender option may be exercisable at intervals ranging from bi-weekly to semi-annually, and the interest rate on the bonds is typically reset at the end of the applicable interval in order to cause the bonds to have a market value that approximates their par value. The tender option generally would not be exercisable in the event of a default on, or significant downgrading of, the underlying municipal securities. Therefore, a Fund's ability to exercise the tender option will be affected by the credit standing of both the bank involved and the issuer of the underlying securities.

APPENDIX D

RATINGS OF MUNICIPAL OBLIGATIONS AND DEBT SECURITIES

Description of Long-Term Obligation Ratings of Moody's Investors Service, Inc. ("Moody's")

Moody's long-term obligation ratings are opinions of the relative credit risk of financial obligations with an original maturity of one year or more. They address the possibility that a financial obligation will not be honored as promised. Such ratings use Moody's Global Scale and reflect both the likelihood of default and any financial loss suffered in the event of default.

Aaa
Obligations rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk.

Aa
Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.

A
Obligations rated A are considered upper-medium grade and are subject to low credit risk.

Baa
Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.

Ba
Obligations rated Ba are judged to be speculative and are subject to substantial credit risk.

B
Obligations rated B are considered speculative and are subject to high credit risk.

Caa
Obligations rated Caa are judged to be speculative of poor standing and are subject to very high credit risk.

Ca
Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.

C
Obligations rated C are the lowest rated and are typically in default, with little prospect for recovery of principal or interest.

Note: Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

Description of Short-Term Moody's Ratings

Moody's short-term ratings are opinions of the ability of issuers to honor short-term financial obligations. Ratings may be assigned to issuers, short-term programs or to individual short-term debt instruments. Such obligations generally have an original maturity not exceeding thirteen months, unless explicitly noted.

Moody's employs the following designations to indicate the relative repayment ability of rated issuers:

P-1
Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.

P-2
Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay short-term debt obligations.

P-3
Issuers (or supporting institutions) rated Prime-3 have an acceptable ability to repay short-term obligations.

NP
Issuers (or supporting institutions) rated Not Prime do not fall within any of the Prime rating categories.

Moody's US Municipal Short-Term Debt and Demand Obligation Ratings

Moody's Short-Term Debt Ratings

There are three rating categories for short-term municipal obligations that are considered investment grade. These ratings are designated as Municipal Investment Grade (MIG) and are divided into three levels — MIG 1 through MIG 3. In addition, those short-term obligations that are of speculative quality are designated SG, or speculative grade. MIG ratings expire at the maturity of the obligation.

MIG 1
This designation denotes superior credit quality. Excellent protection is afforded by established cash flows, highly reliable liquidity support, or demonstrated broad-based access to the market for refinancing.

MIG 2
This designation denotes strong credit quality. Margins of protection are ample, although not as large as in the preceding group.

MIG 3
This designation denotes acceptable credit quality. Liquidity and cash-flow protection may be narrow, and market access for refinancing is likely to be less well-established.

SG
This designation denotes speculative-grade credit quality. Debt instruments in this category may lack sufficient margins of protection.

Moody's Demand Obligation Ratings

In the case of variable rate demand obligations (VRDOs), a two-component rating is assigned: a long or short-term debt rating and a demand obligation rating. The first element represents Moody's evaluation of risk associated with scheduled principal and interest payments. The second element represents Moody's evaluation of risk associated with the ability to receive purchase price upon demand ("demand feature"). The second element uses a rating from a variation of the MIG scale called the Variable Municipal Investment Grade (VMIG) scale. The rating transitions on the VMIG scale differ from those on the Prime scale to reflect the risk that external liquidity support generally will terminate if the issuer's long-term rating drops below investment grade.

VMIG 1
This designation denotes superior credit quality. Excellent protection is afforded by the superior short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price upon demand.

VMIG 2
This designation denotes strong credit quality. Good protection is afforded by the strong short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price upon demand.

VMIG-3
This designation denotes acceptable credit quality. Adequate protection is afforded by the satisfactory short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price upon demand.

SG
This designation denotes speculative-grade credit quality. Demand features rated in this category may be supported by a liquidity provider that does not have an investment grade short-term rating or may lack the structural and/or legal protections necessary to ensure the timely payment of purchase price upon demand.

Standard & Poor's Issue Credit Rating Definitions

A Standard & Poor's issue credit rating is a forward-looking opinion about the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations, or a specific financial program (including ratings on medium-term note programs and commercial paper programs). It takes into consideration the creditworthiness of guarantors, insurers, or other forms of credit enhancement on the obligation and takes into account the currency in which the obligation is denominated. The opinion reflects Standard & Poor's view of the obligor's capacity and willingness to meet its financial commitments as they come due, and may assess terms, such as collateral security and subordination, which could affect ultimate payment in the event of default.

Issue credit ratings can be either long term or short term. Short-term ratings are generally assigned to those obligations considered short-term in the relevant market. In the U.S., for example, that means obligations with an original maturity of no more than 365 days—including commercial paper. Short-term ratings are also used to indicate the creditworthiness of an obligor with respect to put features on long-term obligations. Medium-term notes are assigned long-term ratings.

Standard & Poor's Long-Term Issue Credit Ratings

Issue credit ratings are based, in varying degrees, on Standard & Poor's analysis of the following considerations:

• Likelihood of payment - capacity and willingness of the obligor to meet its financial commitment on an obligation in accordance with the terms of the obligation;

• Nature of and provisions of the obligation, and the promise we impute;

• Protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganization or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights.

Issue ratings are an assessment of default risk, but may incorporate an assessment of relative seniority or ultimate recovery in the event of default. Junior obligations are typically rated lower than senior obligations, to reflect the lower priority in bankruptcy, as noted above. (Such differentiation may apply when an entity has both senior and subordinated obligations, secured and unsecured obligations, or operating company and holding company obligations.)

AAA
An obligation rated 'AAA' has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

AA
An obligation rated 'AA' differs from the highest rated obligations only to a small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.

A
An obligation rated 'A' is somewhat more susceptible to the adverse effect of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

BBB
An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

BB, B, CCC, CC, and C
Obligations rated 'BB,' 'B,' 'CCC,' 'CC,' and 'C' are regarded as having significant speculative characteristics. 'BB' indicates the least degree of speculation and 'C' the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

BB
An obligation rated 'BB' is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

B
An obligation rated 'B' is more vulnerable to nonpayment than obligations rated 'BB,' but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation.

CCC
An obligation rated ‘CCC’ is currently vulnerable to nonpayment, and is dependent upon favorable business, financial and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse business, financial or economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation.

CC
An obligation rated ‘CC’ is currently highly vulnerable to nonpayment. The 'CC' rating is used when a default has not yet occurred, but Standard & Poor's expects default to be a virtual certainty, regardless of the anticipated time to default.

C
An obligation rated 'C' is currently highly vulnerable to nonpayment, and the obligation is expected to have lower relative seniority or lower ultimate recovery compared to obligations that are rated higher.

D
An obligation rated 'D' is in default or in breach of an imputed promise. For non-hybrid capital instruments, the 'D' rating category is used when payments on an obligation are not made on the date due, unless Standard & Poor's believes that such payments will be made within five business days in the absence of a stated grace period or within the earlier of the stated grace period or 30 calendar days. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions. An obligation's rating is lowered to 'D' if it is subject to a distressed exchange offer.

NR
This indicates that no rating has been requested, or that there is insufficient information on which to base a rating, or that Standard & Poor’s does not rate a particular obligation as a matter of policy.

Plus (+) or Minus (-)
The ratings from ‘AA’ to ‘CCC’ may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

Standard & Poor’s Short-term Issue Credit Ratings

A-1
A short-term obligation rated 'A-1' is rated in the highest category by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.

A-2
A short-term obligation rated 'A-2' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitment on the obligation is satisfactory.

A-3
A short-term obligation rated 'A-3' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

B
A short-term obligation rated 'B' is regarded as vulnerable and has significant speculative characteristics. The obligor currently has the capacity to meet its financial commitment; however, it faces major ongoing uncertainties which could lead to the obligor's inadequate capacity to meet its financial commitment.

C
A short-term obligation rated 'C' is currently vulnerable to nonpayment and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation.

D
A short-term obligation rated 'D' is in default or in breach of an imputed promise. For non-hybrid capital instruments, the 'D' rating category is used when payments on an obligation are not made on the date due, unless Standard & Poor's believes that such payments will be made within any stated grace period. However, any stated grace period longer than five business days will be treated as five business days. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action and where default on an obligation is a virtual certainty, for example due to automatic stay provisions. An obligation's rating is lowered to 'D' if it is subject to a distressed exchange offer.

Description of Fitch Credit Ratings

Fitch Ratings' credit ratings provide an opinion on the relative ability of an entity to meet financial commitments, such as interest, preferred dividends, repayment of principal, insurance claims or counterparty obligations. Credit ratings are used by investors as indications of the likelihood of receiving the money owed to them in accordance with the terms on which they invested. The agency's credit ratings cover the global spectrum of corporate, sovereign (including supranational and sub-national), financial, bank, insurance, municipal and other public finance entities and the securities or other obligations they issue, as well as structured finance securities backed by receivables or other financial assets.

The terms "investment grade" and "speculative grade" have established themselves over time as shorthand to describe the categories 'AAA' to 'BBB' (investment grade) and 'BB' to 'D' (speculative grade). The terms "investment grade" and "speculative grade" are market conventions, and do not imply any recommendation or endorsement of a specific security for investment purposes. "Investment grade" categories indicate relatively low to moderate credit risk, while ratings in the "speculative" categories either signal a higher level of credit risk or that a default has already occurred.

A designation of "Not Rated" or "NR" is used to denote securities not rated by Fitch where Fitch has rated some, but not all, securities comprising an issuance capital structure.

Credit ratings express risk in relative rank order, which is to say they are ordinal measures of credit risk and are not predictive of a specific frequency of default or loss. For information about the historical performance of ratings please refer to Fitch's Ratings Transition and Default studies which detail the historical default rates and their meaning. The European Securities and Markets Authority also maintains a central repository of rating default rates.

Fitch Ratings' credit ratings do not directly address any risk other than credit risk. In particular, ratings do not deal with the risk of a market value loss on a rated security due to changes in interest rates, liquidity and other market considerations. However, in terms of payment obligation on the rated liability, market risk may be considered to the extent that it influences the ability of an issuer to pay upon a commitment. Ratings nonetheless do not reflect market

risk to the extent that they influence the size or other conditionality of the obligation to pay upon a commitment (for example, in the case of index-linked bonds).

In the default components of ratings assigned to individual obligations or instruments, the agency typically rates to the likelihood of non-payment or default in accordance with the terms of that instrument's documentation. In limited cases, Fitch Ratings may include additional considerations (i.e. rate to a higher or lower standard than that implied in the obligation's documentation). In such cases, the agency will make clear the assumptions underlying the agency's opinion in the accompanying rating commentary.

Fitch International Long Term Credit Ratings – Issuer Credit Rating Scales

Rated entities in a number of sectors, including financial and non-financial corporations, sovereigns and insurance companies, are generally assigned Issuer Default Ratings (IDRs). IDRs opine on an entity's relative vulnerability to default on financial obligations. The "threshold" default risk addressed by the IDR is generally that of the financial obligations whose non-payment would best reflect the uncured failure of that entity. As such, IDRs also address relative vulnerability to bankruptcy, administrative receivership or similar concepts, although the agency recognizes that issuers may also make pre-emptive and therefore voluntary use of such mechanisms.

In aggregate, IDRs provide an ordinal ranking of issuers based on the agency's view of their relative vulnerability to default, rather than a prediction of a specific percentage likelihood of default. For historical information on the default experience of Fitch-rated issuers, please consult the transition and default performance studies available from the Fitch Ratings website.

AAA: Highest credit quality.
'AAA' ratings denote the lowest expectation of default risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA: Very high credit quality.
'AA' ratings denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A: High credit quality.
'A' ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

BBB: Good credit quality.
'BBB' ratings indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.

BB: Speculative.
'BB' ratings indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists which supports the servicing of financial commitments.

B: Highly speculative.
'B' ratings indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.

CCC: Substantial credit risk.
Default is a real possibility.

CC: Very high levels of credit risk.
Default of some kind appears probable.

C: Exceptionally high levels of credit risk
Default is imminent or inevitable, or the issuer is in standstill. Conditions that are indicative of a 'C' category rating for an issuer include:
a. the issuer has entered into a grace or cure period following non-payment of a material financial obligation;
b. the issuer has entered into a temporary negotiated waiver or standstill agreement following a payment default on a material financial obligation; or
c. Fitch Ratings otherwise believes a condition of 'RD' or 'D' to be imminent or inevitable, including through the formal announcement of a distressed debt exchange.

RD: Restricted default.
'RD' ratings indicate an issuer that in Fitch Ratings' opinion has experienced an uncured payment default on a bond, loan or other material financial obligation but which has not entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, and which has not otherwise ceased operating. This would include:
a. the selective payment default on a specific class or currency of debt;
b. the uncured expiry of any applicable grace period, cure period or default forbearance period following a payment default on a bank loan, capital markets security or other material financial obligation;
c. the extension of multiple waivers or forbearance periods upon a payment default on one or more material financial obligations, either in series or in parallel; or
d. execution of a distressed debt exchange on one or more material financial obligations.

D: Default.
'D' ratings indicate an issuer that in Fitch Ratings' opinion has entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, or which has otherwise ceased business.

Default ratings are not assigned prospectively to entities or their obligations; within this context, non-payment on an instrument that contains a deferral feature or grace period will generally not be considered a default until after the expiration of the deferral or grace period, unless a default is otherwise driven by bankruptcy or other similar circumstance, or by a distressed debt exchange.

"Imminent" default typically refers to the occasion where a payment default has been intimated by the issuer, and is all but inevitable. This may, for example, be where an issuer has missed a scheduled payment, but (as is typical) has a grace period during which it may cure the payment default. Another alternative would be where an issuer has formally announced a distressed debt exchange, but the date of the exchange still lies several days or weeks in the immediate future.

In all cases, the assignment of a default rating reflects the agency's opinion as to the most appropriate rating category consistent with the rest of its universe of ratings, and may differ from the definition of default under the terms of an issuer's financial obligations or local commercial practice.

Note:
The modifiers "+" or "-" may be appended to a rating to denote relative status within major rating categories. Such suffixes are not added to the 'AAA' Long-Term IDR category, or to Long-Term IDR categories below 'B'.

Fitch International Short-Term Credit Ratings

A short-term issuer or obligation rating is based in all cases on the short-term vulnerability to default of the rated entity or security stream and relates to the capacity to meet financial obligations in accordance with the documentation governing the relevant obligation. Short-Term Ratings are assigned to obligations whose initial maturity is viewed as "short term" based on market convention. Typically, this means up to 13 months for corporate, sovereign, and structured obligations, and up to 36 months for obligations in U.S. public finance markets.

F1: Highest short-term credit quality.
Indicates the strongest intrinsic capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.

F2: Good short-term credit quality.
Good intrinsic capacity for timely payment of financial commitments.

F3: Fair short-term credit quality.
The intrinsic capacity for timely payment of financial commitments is adequate.

B: Speculative short-term credit quality.
Minimal capacity for timely payment of financial commitments, plus heightened vulnerability to near term adverse changes in financial and economic conditions.

C: High short-term default risk.
Default is a real possibility.

RD: Restricted default.
Indicates an entity that has defaulted on one or more of its financial commitments, although it continues to meet other financial obligations. Typically applicable to entity ratings only.

D: Default.
Indicates a broad-based default event for an entity, or the default of a short-term obligation.

Limitations of the Issuer Credit Rating Scale

Specific limitations relevant to the issuer credit rating scale include:

- The ratings do not predict a specific percentage of default likelihood over any given time period.
- The ratings do not opine on the market value of any issuer's securities or stock, or the likelihood that this value may change.
- The ratings do not opine on the liquidity of the issuer's securities or stock.
- The ratings do not opine on the possible loss severity on an obligation should an issuer default.
- The ratings do not opine on the suitability of an issuer as counterparty to trade credit.
- The ratings do not opine on any quality related to an issuer's business, operational or financial profile other than the agency's opinion on its relative vulnerability to default.

Ratings assigned by Fitch Ratings articulate an opinion on discrete and specific areas of risk. The above list is not exhaustive.

Limitations and Usage of Ratings

Ratings, including Rating Watches and Outlooks, assigned by Fitch are opinions based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating. Ratings are not facts, and therefore cannot be described as being "accurate" or "inaccurate". Users should refer to the definition of each individual rating for guidance on the dimensions of risk covered by such rating.

Fitch's opinions are forward-looking and include analysts' views of future performance. In many cases, these views on future performance may include forecasts, which may in turn (i) be informed by non-disclosable management projections, (ii) be based on a trend (sector or wider economic cycle) at a certain stage in the cycle, or (iii) be based on historical performance. As a result, while ratings may include cyclical considerations and typically attempt to assess the likelihood of repayment at "ultimate/final maturity", material changes in economic conditions and expectations (for a particular issuer) may result in a rating change.

Credit ratings do not directly address any risk other than credit risk. Credit ratings do not comment on the adequacy of market price or market liquidity for rated instruments, although such considerations may affect Fitch's view on credit risk, such as access to capital or likelihood of refinancing.

Ratings are relative measures of risk; as a result, the assignment of ratings in the same category to entities and obligations may not fully reflect small differences in the degrees of risk. Credit ratings, as opinions on relative ranking of vulnerability to default, do not imply or convey a specific statistical probability of default, notwithstanding the agency's published default histories that may be measured against ratings at the time of default. Credit ratings are opinions on relative credit quality and not a predictive measure of specific default probability.

Ratings are opinions based on all information known to Fitch, including publicly available information and/or non-public documents and information provided to the agency by an issuer and other parties. Publication and maintenance of all ratings are subject to there being sufficient information, consistent with the relevant criteria and methodology, to form a rating opinion.

In issuing and maintaining its ratings, Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its rating methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction.

The manner of Fitch’s factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors.

Users of Fitch’s ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed. If any such information should turn out to contain misrepresentations or to be otherwise misleading, the rating associated with that information may not be appropriate. The assignment of a rating to any issuer or any security should not be viewed as a guarantee of the accuracy, completeness, or timeliness of the information relied on in connection with the rating or the results obtained from the use of such information.

If a rating does not benefit from the participation of the issuer/originator, but Fitch is satisfied that “minimum threshold” information for the given criteria is available from public information and other sources available to Fitch, then the non-participatory issuer, as with all issuers, will be afforded the opportunity to comment on the rating opinion and supporting research prior to it being published.

Ratings do not constitute recommendations to buy, sell, or hold any security, nor do they comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of any payments of any security. Fitch Ratings does not have a fiduciary relationship with any issuer, subscriber or any other individual. Nothing is intended to or should be construed as creating a fiduciary relationship between Fitch Ratings and any issuer or between the agency and any user of its ratings. Fitch Ratings does not provide to any party any financial advice, or legal, auditing, accounting, appraisal, valuation or actuarial services. A rating should not be viewed as a replacement for such advice or services.

Ratings may be changed, qualified, placed on Rating Watch, Outlooks assigned, modified or withdrawn as a result of changes in, additions to, accuracy of, unavailability of or inadequacy of information or for any reason Fitch Ratings deems sufficient.

The assignment of a rating by Fitch Ratings shall not constitute consent by the agency to use its name as an expert in connection with any registration statement, offering document or other filings under any relevant securities laws.

APPENDIX E

HEDGING AND RELATED INCOME STRATEGIES

General Description of Hedging and Related Income Strategies. As discussed in the Offering Circular, a Fund may use a variety of financial instruments ("Derivative Instruments"), including securities options, financial futures contracts ("futures contracts"), options on futures contracts and other interest rate protection transactions such as swap agreements, to attempt to hedge its portfolio. The Funds also intend to use securities options to attempt to enhance income and may use financial futures contracts and options on financial futures contracts in other circumstances permitted by the Commodity Futures Trading Commission ("CFTC") including income enhancement purposes. The use of these instruments for income enhancement purposes subjects the Funds to substantial risks of losses that would not be offset by gains on other portfolio assets or acquisitions. However, a Fund will not enter into futures contracts or options thereon unless either UBS Puerto Rico or Banco Popular first qualifies for an exclusion or exemption or comparable relief from applicable registration requirements contained in the regulations administered by the CFTC. There can be no assurance that such relief will be granted and, in that event, that the strategies discussed in this Appendix D can be implemented.

Hedging strategies can be broadly categorized as "short hedges" and "long hedges." A short hedge is a purchase or sale of a Derivative Instrument intended partially or fully to offset potential declines in the value of one or more investments held in a Fund's portfolio. Thus, in a short hedge the Fund takes a position in a Derivative Instrument whose price is expected to move in the opposite direction of the price of the investment being hedged. For example, a Fund might purchase a put option on a security to hedge against a potential decline in the value of that security. If the price of the security declined below the exercise price of the put, the Fund could exercise the put and thus limit its loss below the exercise price to the premium paid plus transaction costs. In the alternative, because the value of the put option can be expected to increase as the value of the underlying security declines, the Fund might be able to close out the put option and realize a gain to offset the decline in the value of the security.

Conversely, a long hedge is a purchase or sale of a Derivative Instrument intended partially or fully to offset potential increases in the cost of one or more investments that a Fund intends to acquire. Thus, in a long hedge the Fund takes a position in the Derivative Instrument whose price is expected to move in the same direction as the price of the prospective investment being hedged. For example, a Fund might purchase a call option on a security it intends to purchase in order to hedge against an increase in the cost of the security. If the price of the security increased above the exercise price of the call, the Fund could exercise the call and thus limit its acquisition cost to the exercise price plus the premium paid and transaction costs. Alternatively, the Fund might be able to offset the price increase by closing out an appreciated call option and realizing a gain.

Derivative Instruments on securities generally are used to hedge against both price movements in one or more particular securities positions that a Fund owns or intends to acquire or fluctuations in interest rates. Derivative Instruments on bond indices, in contrast, generally are used to hedge against price movements in broad fixed income market sectors in which the Fund has invested or expects to invest.

In addition to the products, strategies and risks described below and in the Offering Circular, the Investment Advisers expect to seek additional opportunities in connection with securities options, futures contracts and other hedging techniques. These new opportunities may become available as the Investment Advisers develop new techniques, as regulatory authorities broaden the range of permitted transactions and as new options, futures contracts or other techniques are developed. The Investment Advisers may utilize these opportunities to the extent that they are consistent with the Funds' investment objective and permitted by the Funds' investment limitations and applicable regulatory authorities.

Special Risks of Hedging Strategies. The use of Derivative Instruments involves special risks, as described below. Risks pertaining to particular Derivative Instruments are described in the sections that follow:

(1) Successful use of most Derivative Instruments depends upon the Investment Advisers' ability to predict movements of the overall securities and interest rate markets, which requires different skills than predicting changes in the prices of individual securities. While the Investment Advisers are experienced in the use of Derivative Instruments, there can be no assurance that any particular hedging strategy adopted will succeed.

(2) There might be imperfect correlation, or even no correlation, between price movements of a Derivative Instrument and price movements of the investments being hedged. For example, if the value of a Derivative Instrument used in a short hedge increased by less than the decline in value of the hedged investment, the hedge would not be fully successful. Such a lack of correlation might occur due to factors unrelated to the value of the investments being hedged, such as speculative or other pressures on the markets in which Derivative Instruments are traded. The effectiveness of hedges using Derivative Instruments on indices will depend on the degree of correlation between price movements in the index and price movements in the securities being hedged.

(3) Hedging strategies, if successful, can reduce risk of loss by wholly or partially offsetting the negative effect of unfavorable price movements in the investments being hedged. However, hedging strategies can also reduce opportunity for gain by offsetting the positive effect of favorable price movements in the hedged investments. For example, if a Fund entered in a short hedge because the Investment Advisers projected a decline in the price of a security in the Fund's portfolio, and the price of that security increased instead, the gain from that increase might be wholly or partially offset by a decline in the price of the Derivative Instrument. Moreover, if the price of the Derivative Instrument declined by more than the increase in the price of the security, the Fund could suffer a loss. Depending on the degree of correlation between a Derivative Instrument and the security or interest rate being hedged, it is possible that the Fund could sustain losses on both positions. Similarly, transaction costs incurred in connection with a Derivative Instrument can exceed the amount of the benefits received. In any such case, the Fund would have been in a better position had it not hedged at all.

(4) As described below, a Fund might be required to maintain assets as "cover," maintain segregated accounts or make margin payments when it takes positions in Derivative Instruments involving obligations to third parties (i.e., Derivative Instruments other than purchase options). If a Fund was unable to close out its positions in such Derivative Instruments, it might be required to continue to maintain such assets or accounts or make such payments until the position expired or matured. These requirements might impair a Fund's ability to sell a portfolio security or make an investment at a time when it would otherwise be favorable to do so, or require that the Fund sell a portfolio security at a disadvantageous time. A Fund's ability to close out a position in a Derivative Instrument prior to expiration or maturity depends on the existence of a liquid secondary market or, in the absence of such a market, the ability and willingness of a contra party to enter into a transaction closing out the position. Therefore, there is no assurance that any hedging position can be closed out at a time and price that is favorable to the Fund.

(5) Although the Funds intend to purchase or sell futures contracts only if there is an active market for such contracts, no assurance can be given that a liquid market will exist for the contracts at any particular time. Most futures exchanges limit the amount of fluctuation permitted in futures contract prices during a single trading day. Once the daily limit has been reached in a particular contract, no trades may be made that day at a price beyond that limit. Futures contract prices could move the daily limit for several consecutive trading days with little or no trading, thereby preventing prompt liquidation of futures positions and subjecting some futures traders to substantial losses. In such event and in the event of adverse price movements, the Fund will be required to make daily cash payments of variation margin. In such circumstances, an increase of the value of the portion of the portfolio being hedged, if any, may offset partially or completely losses on the futures contract.

(6) If a Fund has hedged against the possibility of an increase in interest rates adversely affecting the value of securities held in its portfolio and rates decrease instead, the Fund will lose part or all of the benefit of the increased value of the securities which it has hedged because it will have offsetting losses in its futures positions. In addition, in such situations, if a Fund has insufficient cash, it may have to sell securities to meet daily variation margin requirements at a time when it may be disadvantageous to do so. These sales of securities may, but will not necessarily be at increased prices that reflect the decline in interest rates.

(7) Because of the low margin deposits normally required in futures contract trading (typically between 2% and 5% of the value of the contract purchased or sold), an extremely high degree of leverage is typical of a futures contract trading account. As a result, a relatively small price movement in a futures interest contract may result in immediate and substantial losses to the investor. For example, if at the time of purchase 5% of the price of a contract is deposited as margin, a 5% decrease in the value of the contract would, if the contract is then closed out, result in a total loss of the margin deposit before any deduction for brokerage commissions. A decrease of more than 5% would result in a loss of more than the total margin deposit. Thus, like other leveraged investments, any purchase or sale of a futures interest contract may result in losses in excess of the amount invested.

(8) Most United States commodity exchanges limit fluctuations in certain futures interest contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Pursuant to such regulations, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a contract for a particular commodity has increased or decreased by an amount equal to the daily limit, positions in the commodity can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Prices in various contracts have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent a Fund from promptly liquidating unfavorable positions and subject the Fund to substantial losses. While daily limits may reduce or effectively eliminate the liquidity of a particular market, they do not limit ultimate losses, and may in fact substantially increase losses because they may prevent the liquidation of unfavorable positions.

In addition, a Fund may not be able to execute trades at favorable prices if little trading in the contracts involved is taking place. Under some circumstances, a Fund may be required to accept or make delivery of the underlying financial instrument if the position cannot be liquidated prior to its expiration date. It also is possible that an exchange or the CFTC may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only.

(9) The CFTC and the U.S. commodity exchanges have established limits referred to as "speculative position limits" or "position limits" on the maximum net long or net short position which any person or group of persons may own, hold, or control in particular futures contracts.

Under currently applicable regulations, each Fund as a whole will be required to comply with position limits as if it were a single trader. Position limits may prevent a Fund from acquiring positions which might otherwise have been highly profitable. Any violation of speculative position limits would lead to mandatory liquidation of positions, possibly on unfavorable terms.

Cover for Hedging Strategies. Transactions using Derivative Instruments that are not transacted on or subject to the rules of a regulated futures contract exchange or securities exchange, other than purchased options, will expose a Fund to an obligation to another party. A Fund will not enter into any such transactions unless it owns either (1) an offsetting ("covered") position in securities or other options or futures contracts or (2) cash, receivables and short-term debt securities, with a value sufficient at all times to cover its potential obligations to the extent not covered as provided in (1) above.

Assets used as cover cannot be sold while the position in the corresponding Derivative Instrument is open,

unless they are replaced with similar assets. As a result, the commitment of a large portion of a Fund's assets to cover could impede portfolio management or the Fund's ability to meet other current obligations.

Covered Straddles. A Fund may purchase and write (sell) covered straddles on securities or bond indices. A long straddle is a combination of a call and a put option purchased on the same security or on the same futures contract, where the exercise price of the put is less than or equal to the exercise price of the call. A Fund would enter into a long straddle when the Investment Advisers believe that it is likely that interest rates will be more volatile during the term of the option than the option pricing implies. A short straddle is a combination of a call and a put written on the same security where the exercise price of the put is less than or equal to the exercise price of the call. A Fund would enter into a short straddle when the Investment Advisers believe that it is unlikely that interest rates will be as volatile during the term of the options as the option pricing implies.

Options. A Fund may purchase put and call options, and write covered put and call options, on debt securities and bond indices. The purchase of call options serves as a long hedge, and the purchase of put options serves as a short hedge. Writing covered put options can enable a Fund to enhance income by reason of the premiums paid by the purchasers of such options. However, if the market price of the underlying security declines to less than the exercise price on the option, minus the premium received, the Fund would expect to suffer a loss. Writing covered call options serves as a limited short hedge, because declines in the value of the hedged investment would be offset to the extent of the premium received for writing the option. However, if the security appreciates to a price higher than the exercise price of the call option, it can be expected that the option will be exercised, and the Fund will be obligated to sell the security at less than its market value.

The value of an option position will reflect, among other things, the current market value of the underlying investment, the time remaining until expiration, the relationship of the exercise price to the market price of the underlying investment, the historical price volatility of the underlying investment and general market conditions. Options normally have expiration dates of up to nine months. Options that expire unexercised have no value.

A Fund may effectively terminate its right or obligation under an option by entering into a closing transaction. For example, a Fund may terminate its obligations under a call option that it had written by purchasing an identical call option; that is known as a closing purchase transaction. Conversely, a Fund may terminate a position in a put or call option it had purchased by writing an identical put or call option; this is known as a closing sale transaction. Closing transactions permit a Fund to realize profits or limit losses on an option position prior to its exercise or expiration.

A Fund may purchase or write both exchange-traded and OTC options. Exchange markets for options on debt securities exist but are relatively new, and these instruments are primarily traded on the OTC market. Exchange-traded options in the United States are issued by a clearing organization affiliated with the exchange on which the option is listed which, in effect, guarantees completion of every exchange-traded option transaction. In contrast, OTC options are contracts between a Fund and a contra party (usually a securities dealer or a bank) with no clearing organization guarantee. Thus, when a Fund purchases or writes an OTC option, it relies on the party from whom it purchased the option or to whom it has written the option (the "contra party") to make or take delivery of the underlying investment upon exercise of the option. Failure by the contra party to do so would result in the loss of any premium paid by the Fund as well as the loss of any expected benefit of the transaction.

Generally, the OTC debt options used by the Funds will be European-style options. This means that the option is only exercisable immediately prior to its expiration. This is in contrast to American-style options, which are exercisable at any time prior to the expiration date of the option.

A Fund's ability to establish and close out positions in exchange-listed options depends on the existence of a liquid market. The Funds intend to purchase or write only those exchange-traded options for which there appears to be a liquid secondary market. However, there can be no assurance that such a market will exist at any particular time. Closing transactions can be made for OTC options only by negotiating directly with the contra party, or by a transaction in the secondary market if any such market exists. Although a Fund will enter into OTC options only with

contra parties that are expected to be capable of entering into closing transactions with the Fund, there is no assurance that the Fund will in fact be able to close out an OTC option position at a favorable price prior to expiration. In the event of insolvency of the contra party, the Fund might be unable to close out an OTC option position at any time prior to its expiration.

If a Fund were unable to effect a closing transaction for an option it had purchased it would have to exercise the option to realize any profit. The inability to enter into a closing purchase transaction for a covered call option written by the Fund could cause material losses because the Fund would be unable to sell the investment used as cover for the written option until the option expires or is exercised.

Guideline for Options on Securities. In view of the risks involved in using the options strategies described above, each Fund's Board of Directors has determined that the Fund may purchase a put or call option, including any straddles or spreads, only if the premium paid when aggregated with the premiums on all other options held by each Fund does not exceed 5% of the Fund's total assets. This guideline may be modified by the Board without shareholder vote. Adoption of this guideline will not limit the percentage of a Fund's assets at risk to 5%.

Futures. A Fund may purchase and sell interest rate futures contracts and bond index futures contracts. A Fund may also purchase put and call options, and write covered put and call options, on futures in which it invests. The purchase of futures or call options thereon can serve as a long hedge, and the sale of futures or the purchase of put options thereon can serve as a short hedge. Writing covered call options on futures contracts can serve as a limited short hedge, using a strategy similar to that used for writing covered call options on securities or indices. Similarly, writing covered put options on futures contracts can serve as a limited long hedge.

A Fund may also write put options on interest rate futures contracts while at the same time purchasing call options on the same futures contracts in order synthetically to create a long futures contract position. Such options would have the same strike prices and expiration dates. A Fund will engage in this strategy only when it is more advantageous to the Fund than is purchasing the futures contract.

No price is paid upon entering into a futures contract. Instead, at the inception of a futures contract a Fund is required to deposit in a segregated account with its custodian, in the name of the futures broker through whom the transaction was effected, "initial margin" consisting of cash, U.S. government securities or other liquid, high-grade debt securities, in an amount generally equal to 2% to 5% or less of the contract, in accordance with applicable exchange rules. Unlike margin in securities transactions, initial margin on futures contracts does not represent a borrowing, but rather is in the nature of a performance bond or good-faith deposit that is returned to the Fund at the termination of the transaction if all contractual obligations have been satisfied. Under certain circumstances, such as periods of high volatility, a Fund may be required by an exchange to increase the level of its initial margin payment, and initial margin requirements might be increased generally in the future by regulatory actions.

Subsequent "variation margin" payments are made to and from the futures broker daily as the value of the futures position varies, a process known as "marking to market." Variation margin does not involve borrowing, but rather represents a daily settlement of a Fund's obligations to or from a futures broker. When a Fund purchases an option on a futures contract, the premium paid plus transaction costs is all that is at risk. In contrast, when a Fund purchases or sells a futures contract or writes a put or call option thereon, it is subject to daily variation margin calls that could be substantial in the event of adverse price movements. If the Fund has insufficient cash to meet daily variation margin requirements, it might need to sell securities at a time when such sales are disadvantageous.

Holders and writers of futures positions and options on futures can enter into offsetting closing transactions, similar to closing transactions on options, by selling or purchasing, respectively, an instrument identical to the instrument held or written. Positions in futures and options on futures may be closed only on an exchange or board of trade that provides a secondary market. The Funds intend to enter into futures transactions only on exchanges or boards of trade where there appears to be a liquid secondary market. However, there can be no assurance that such a market will exist for a particular contract at a particular time. Secondary markets for options on futures are currently in the

development stage, and the Funds will not trade options on futures on any exchange or board of trade unless, in the Investment Advisers' opinion, the markets for such options have developed sufficiently that the liquidity risks for such options are not greater than the corresponding risks for futures.

Under certain circumstances, futures exchanges may establish daily limits on the amount that the price of a future or related option can vary from the previous day's settlement price; once that limit is reached, no trades may be made that day at a price beyond the limit. Daily price limits do not limit potential losses because prices could move to the daily limit for several consecutive days with little or no trading, thereby preventing liquidation of unfavorable positions.

If a Fund was unable to liquidate a futures or related options positions due to the absence of a liquid secondary market or the imposition of price limits, it could incur substantial losses. The Fund would continue to be subject to market risk with respect to the position. In addition, except in the case of purchased options, the Fund would continue to be required to make daily variation margin payments and might be required to maintain the position being hedged by the future or option.

Certain characteristics of the futures market might increase the risk that movements in the prices of futures contracts or related options might not correlate perfectly with movements in the prices of the investments being hedged. For example, all participants in the futures and related options markets are subject to daily variation margin calls and might be compelled to liquidate futures or related options positions whose prices are moving unfavorably to avoid being subject to further calls. These liquidations could increase price volatility of the instruments and distort the normal price relationship between the futures or options and the investments being hedged. Also, because initial margin deposit requirements in the futures market are less onerous than margin requirements in the securities markets, there might be increased participation by speculators in the futures markets. This participation also might cause temporary price distortions. In addition, activities of large traders in both the futures and securities markets involving arbitrage, "program trading" and other investment strategies might result in temporary price distortions.

Guideline for Futures and Related Options. In view of the risks involved in using the futures and options strategies that are described above, each Fund's Board of Directors has determined that a Fund will not purchase or sell futures contracts or related options if, immediately thereafter, the sum of the amount of initial margin deposits on existing futures positions and initial margin deposits and premiums paid for related options would exceed 5% of the Fund's total assets. This guideline may be modified by the Board without Shareholder vote. For purposes of this guideline, options on futures contracts traded on a commodities exchange are considered "related options." Adoption of this guideline will not limit the percentage of the Fund's assets at risk to 5%.

The Funds may use the following Derivative Instruments:

Options on Debt Securities. A call option is a short-term contract pursuant to which the purchaser of the option, in return for a premium, has the right to buy the security underlying the option at a specified price at any time during the term of the option. The writer of the call option, who receives the premium, has the obligation, upon exercise of the option during the option term to deliver the underlying security against payment of the exercise price. A put option is a similar contract that gives its purchaser, in return for a premium, the right to sell the underlying security at a specified price during the option term. The writer of the put option, who receives the premium, has the obligation, upon exercise of the option during the option term, to buy the underlying security at the exercise price.

Options on Bond Indices. A bond index assigns relative values to the debt securities included in the index and fluctuates with changes in the market values of those debt securities. A bond index option operates in the same way as a more traditional option on a debt security, except that exercise of a bond index option is effective with cash payment and does not involve delivery of securities. Thus, upon exercise of a bond index option, the purchaser will realize, and the writer will pay, an amount based on the difference between the exercise price and the closing price of the bond index.

Interest Rate Futures Contracts. Interest rate futures contracts are bilateral agreements pursuant to which one party agrees to make, and the other party agrees to accept, delivery of a specified type of debt security or other interest rate instruments at a specified future time and at a specified price or its equivalent cash-settled value. Although such futures contracts by their terms call for actual delivery or acceptance of debt securities or other interest rate instruments, in most cases the contracts are closed out before the settlement date without the making or taking of delivery.

Options on Futures Contracts. Options on futures contracts are similar to options on securities, except that an option on a futures contract gives the purchaser the right, in return for the premium, to assume a position in a futures contract (a long position if the option is a call and a short position if the option is a put), rather than to purchase or sell a security, at a specified price at any time during the option term. Upon exercise of the option, the delivery of the futures position to the holder of the option will be accompanied by delivery of the accumulated balance that represents the amount by which the market price of the futures contract exceeds, in the case of a call, or is less than, in the case of a put, the exercise price of the option on the future. The writer of an option, upon exercise, will assume a short position in the case of a call and a long position in the case of a put.

Bond Index Futures Contracts. A bond index futures contract is a bilateral agreement pursuant to which one party agrees to accept, and the other party agrees to make, delivery of an amount of cash equal to a specified dollar amount times the difference between the bond index value at the close of trading of the contract and the price at which the futures contract is originally struck. No physical delivery of the debt securities comprising the index is made. Generally, contracts are closed out prior to the expiration date of the contract.

Swaps and Interest Rate Protection Transactions. The Funds may enter into interest rate protection transactions, including interest rate swaps and interest rate caps, collars and floors. Interest rate swap transactions involve an agreement between two parties to exchange payments that are based, respectively, on variable and fixed rates of interest and that are calculated on the basis of a specified amount of principal (the "notional principal amount") for a specified period of time. Interest rate cap and floor transactions involve an agreement between two parties in which the first party agrees to make payments to the counterparty when a designated market interest rate goes above (in the case of a cap) or below (in the case of a floor) a designated level on predetermined dates or during a specified time period. Interest rate collar transactions involve an agreement between two parties in which the first party makes payments to the counterparty when a designated market interest rate goes above a designated level on predetermined dates or during a specified time period, and the counterparty makes payments to the first party when a designated market interest rate goes below a designated level on predetermined dates or during a specified time period.

The Funds will engage in swap transactions directly with other counterparties. This subjects a Fund to the credit risk that a counterparty will default on an obligation to the Fund. Such a risk contrasts with transactions done through exchange markets, wherein credit risk is reduced through the collection of variation margin and through the interposition of a clearing organization as the guarantor of all transactions. Clearing organizations transform the credit risk of individual counterparties into the more remote risk of the failure of the clearing organization. Additionally, the financial integrity of swap transactions is generally unsupported by other regulatory or self-regulatory protections such as margin requirements, capital requirements, or financial compliance programs. Therefore, there are much greater risks of defaults with respect to swap transactions than with respect to exchange-traded futures or securities transactions.

The Funds expect to enter into interest rate protection transactions to preserve a return or spread on a particular investment or portion of its portfolio, to protect against any increase in the price of securities the Funds anticipate purchasing at a later date or to effectively fix the rate of interest that they pay on one or more borrowing or series of borrowing. The Funds intend to use these transactions as a hedge and not as a speculative investment.

A Fund may enter into interest rate swaps, caps, collars and floors on either an asset-based or liability-based basis, depending on whether it is hedging its assets or its liabilities, and will usually enter into interest rate swaps on a net basis, i.e., the two payment streams are netted out, with the Fund receiving or paying, as the case may be, only the

net amount of the two payments. Inasmuch as these interest rate protection transactions are entered into for good faith hedging purposes, the Investment Advisers and the Funds believe such obligations do not constitute debt securities and, accordingly, will not treat them as being subject to their borrowing restrictions.

The Funds will enter into interest rate protection transactions only with banks and recognized securities dealers believed by the Investment Advisers to present minimal credit risks in accordance with guidelines established by each Fund's Board of Directors. If there is a default by the other party to such a transaction, the Funds will have to rely on their contractual remedies (which may be limited by bankruptcy, insolvency or similar laws) pursuant to the agreements related to the transaction.

The swap market has grown substantially in recent years with a large number of banks and investment banking firms acting both as principals and as agents utilizing standardized swap documentation. Caps, collars and floors are more recent innovations for which documentation is less standardized, and accordingly, they are less liquid than swaps.

No person has been authorized to give any information or to make any representations in connection with this offering other than those contained in this Offering Circular and, if given or made, such other information and representations must not be relied upon as having been authorized by the Funds or the Dealer. Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Funds since the date hereof or that the information contained herein is correct as of any time subsequent to its date. This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the securities to which it relates. This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy such securities in any circumstances in which such offer or solicitation is unlawful.

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Puerto Rico Investors Tax-Free Funds
Puerto Rico Investors Bond Fund I

Tax-Free Secured Obligations

OFFERING CIRCULAR

UBS Financial Services Incorporated of Puerto Rico

Popular Securities

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