

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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In re: :
 :
 LEHMAN BROTHERS INC., : Case No. 08-01420 (JMP) SIPA
 :
 Debtor. :
 :
----- X

DECLARATION OF FREDDY MALDONADO

FREDDY MALDONADO, pursuant to 28 U.S.C. § 1746, declares and says as follows:

Introduction


1. I was the Chief Financial Officer ("CFO") and Senior Executive Vice-President of Finance, Investment and Treasury ("SVP") for Westernbank Puerto Rico ("Westernbank") from 1992 through 2005 and from August, 2008 until February, 2009. Between my terms as CFO and SVP, I served as President and Chief Investment Officer of W Holding Company, Inc., Westernbank's parent entity. I make this declaration in opposition to the Motion for an Order Confirming the Trustee's Determination of Claims Relating to Repurchase Agreements between Lehman Brothers, Inc. ("LBI") and, among others, Westernbank (the "Westernbank Claims"). Unless otherwise indicated, I am personally familiar with the facts set forth in this declaration.

The Investment and Treasury Department

2. A chief responsibility of mine as CFO and SVP was to oversee Westernbank's Investment and Treasury Department (the "Investment Department"). The

Investment Department was responsible for implementing Westernbank's investment strategy and managing Westernbank's investment portfolio. The investments for which the Investment Department had responsibility were investments made by Westernbank directly and through a division, Westernbank International ("International Division"). The International Division was an International Banking Entity ("IBE") under the Puerto Rico Act known as the International Banking Center Regulatory Act (the "International Banking Act").

3. Westernbank's investment portfolio (both directly and through the International Division) included significant holdings of United States Government Securities and securities issued by government sponsored enterprises such as the Federal Home Loan Home Bank, Fannie Mae and Freddie Mac (collectively, "Agency Securities").



4. Agency Securities were ideal investments for Westernbank for several reasons. Agency Securities paid fixed interest ("coupon") income that was exempt from taxation under Puerto Rican law under certain circumstances. In particular, the coupon income from the Agency Securities issued by the Federal Home Loan Bank was exempt from taxation under Section 1022(b)(4) of the Puerto Rico Internal Revenue Code of 1994, as amended. Further, coupon income from Agency Securities issued by Fannie Mae and Freddie Mac held by the International Division was exempt from taxation under the International Banking Act.

5. Finally, as Agency Securities were backed either explicitly or implicitly by the full faith and credit of the United States Government, such securities were permissible investments by Westernbank's regulators. In addition, under applicable banking regulations, Westernbank was required to hold less Tier 1 Capital on account of Agency Securities than certain other fixed income securities.

6. Westernbank was therefore an active investor and participant in the securities market for Agency Securities.

Westernbank's Acquisitions of Agency Securities Through Repurchase Transactions

7. Westernbank was not a broker-dealer. Accordingly, Westernbank could purchase Agency Securities and implement its investment strategy only by purchasing through broker-dealers. LBI was one of the broker-dealers in which Westernbank opened customer accounts to conduct trades in order to achieve its investment goals.

8. Westernbank would invest in Agency Securities through broker-dealers by several methods. Westernbank could purchase Agency Securities directly from the broker-dealers, including LBI, by utilizing Westernbank's available cash. However, several broker-dealers, including LBI, also provided an alternate means to enable Westernbank to purchase Agency Securities without using Westernbank's cash on hand through short-term and long-term structured repurchase transactions such as those that are the subject of the Westernbank Claims. Whether Westernbank purchased Agency Securities outright or through repurchase transactions, Westernbank's goal was the same: to enhance the level of interest income by obtaining the benefits of ownership of the Agency Securities, including to the extent permitted under Puerto Rican law, the tax free coupon income such investment provided. Accordingly, Westernbank entered into repurchase transactions with LBI for this purpose.

Westernbank's Relationship with LBI

9. To the best of my recollection and after review of the relevant documents, I state that in order to enter into securities transactions with LBI, including the purchase and sale of securities such as those involved in repurchase transactions, Westernbank was required to open a customer account at LBI. Westernbank opened two accounts with LBI through which it

conducted securities transactions. One was in the name of "Westernbank Puerto Rico," and was assigned account number 6670010 (the "Westernbank Puerto Rico Account"). The other was in the name of the International Division (the "International Account", the "Westernbank Accounts"). Westernbank regularly received monthly account statements and other periodic reports from LBI concerning activity with respect to each of the Westernbank Accounts. Such statements reflected securities trades between LBI and Westernbank in connection with the repurchase transactions.

10. To the best of my recollection and after review of the relevant documents, I state that to open such customer accounts with LBI, Westernbank was required to execute what LBI termed an "Institutional Client Agreement". Annexed as Exhibit "A" is an Institutional Client Agreement dated November 21, 1997 pursuant to which the Westernbank Puerto Rico Account was opened by Westernbank at LBI. Annexed as Exhibit "B" is an Institutional Client Agreement dated January 28, 2000 amending the November 21, 1997 Institutional Client Agreement. Together with the President and Chief Executive of the Westernbank and its Assistant Vice President of the Investment Department, I executed these account opening forms. Westernbank actively purchased and sold securities through its LBI customer accounts.

11. To the best of my recollection and after review of the relevant documents, I state that to enable Westernbank to enter into repurchase transactions with LBI, on February 23, 1998, Westernbank executed a Master Repurchase Agreement with LBI (the "Master Repurchase Agreement"), a copy of which is annexed hereto as Exhibit "C". Pursuant to the Master Repurchase Agreement, LBI and Westernbank entered into numerous repurchase transactions of varying durations from short-term transactions to structured long-term transactions. In each repurchase transaction with LBI, Westernbank sold specific securities (the "Purchased

Securities”) to LBI for cash with a simultaneous agreement by LBI to resell those same securities to Westernbank on a date certain at a set price (the “Repurchase Date”).

12. To the best of my recollection and after review of the relevant documents, I state that in accordance with the terms of the Master Repurchase Agreement, in August 2001 and January 2002, LBI and Westernbank entered into two separate long term structured repurchase transactions, each with a term of fifteen (15) years, from 2001 to 2016 (the “Westernbank Repo Transactions”). In January 2002, LBI and Westernbank, through International Division, also entered into a third long term structured repurchase transaction, also with a term of fifteen (15) years, from 2001 to 2016 (the “International Repo Transaction” and with the Westernbank Repo Transactions”, the “Repo Transactions”). The Repo Transactions were memorialized by letter agreements (“Confirmations”), copies of which are annexed hereto as Exhibits, “D”, “E” and “F”.



**Westernbank’s Retained the Incidents
of Investment in the Purchased Securities**

13. Pursuant to the terms of the Master Repurchase Agreement, LBI was permitted to hypothecate the Purchased Securities until the Repurchase Date. However, it was Westernbank, not LBI, which held the investment attributes in the Agency Securities that were the subject of the Repo Transactions.

14. A primary purpose of Westernbank for its investment in the Agency Securities was to receive the fixed coupon income that was paid by the issuer. In accordance with the Master Repurchase Agreement, Westernbank, not LBI, continued to receive the coupon income from the Agency Securities that were the subject of the Repo Transactions. Westernbank recorded the coupon income it received on account of the Purchased Securities as income, of which a portion was tax free in accordance with Puerto Rican law. Similarly, when the Agency

Securities subject to the Repo Transactions were redeemed for any reason (for example, because the security had reached maturity), Westernbank, not LBI, was entitled to the principal amount due, which like coupon interest, when paid by LBI, was recorded in the applicable Westernbank Account. In remitting the principal and interest to Westernbank, LBI acted as an agent on behalf of Westernbank.

15. Westernbank also bore the market risk from its investment in the Agency Securities, much like any other investor. Pursuant to the Master Repurchase Agreement and the Confirmations, the value of the Purchased Securities was required to be at a set percentage in excess of the amount due on the Repurchase Date (the "Haircut"). The Purchased Securities were marked to market daily. If the market value decreased, then Westernbank was subject to a "margin call" from LBI, and was required to deliver additional Agency Securities to LBI as part of the Repo Transaction. If the market value increased, such that LBI was holding Purchased Securities in excess of the Haircut, LBI was required to deliver Purchased Securities back to Westernbank, but never less than the Haircut amount, which set a floor. As such, Westernbank was always at risk from a drop in the market for the Agency Securities, while LBI was always protected.

16. The majority of the Purchased Securities were also "callable", meaning that they were subject to call by the issuer of the Agency Security. The call provision allowed the issuer to repurchase or redeem the security either by a specified date or at the issuer's discretion. During the term of the transactions, the great majority of the Purchased Securities were "called" and redeemed, generally because the coupon was in excess of prevailing market rate. If Agency Securities were redeemed by the issuer prior to the maturity date, Westernbank was deprived of the income and mark-to-market value of the called security, which could have

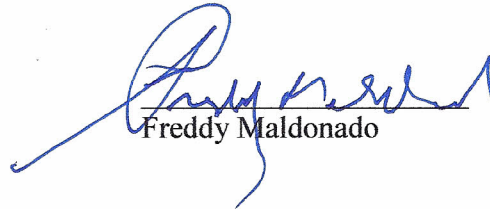
been in excess of the face amount of the security. In cases where such Purchased Securities were “called”, Westernbank either requested prior to their redemption said Purchase Securities and received directly from the agency the principal payment and in some cases LBI collected the principal on behalf of Westernbank and in turn they then sent to Westernbank the proceeds. Westernbank was then required to provide new or additional securities to maintain the required level of margin under the Repo Transaction documents.

17. As a result of the callable nature of the Purchased Securities and the mark-to-market accounting requirements of the Master Repurchase Agreement, throughout the term of the Repo Transactions, Westernbank and LBI conducted multiple transactions for the transfer of Purchased Securities to LBI.

18. Moreover, pursuant to the Master Repurchase Agreement, at all times during the term of the Repo Transactions, Westernbank had the absolute right to demand that LBI return to Westernbank any Agency Security subject to the Westernbank Repo Transaction, in which event Westernbank would be required to provide substitute securities to LBI. As such, Westernbank never relinquished effective control over the Purchased Securities. Indeed, under the terms of the Master Repurchase Agreement, LBI was required to deliver back to Westernbank the same Agency Securities that Westernbank initially delivered to LBI. In accordance with applicable accounting rules (FASB No. 125 and FASB 140), as a result of the retention of effective control by Westernbank over its Agency Securities, Westernbank was required to account for the Repo Transactions as collateral financing, and the notes to Westernbank’s financial statements reflected unrealized gains and losses on the Agency Securities subject to the Repo Transactions, reflecting that they remained part of Westernbank’s investment portfolio.

19. Accordingly, although the Purchased Securities were transferred to LBI during the term of the Structured Repo Transactions, Westernbank considered the Purchased Securities as their own and treated them accordingly. Westernbank benefited from the income of the Purchased Securities, much of which was tax exempt as well as the market risk of gains and losses since the Purchased Securities were called at par. Therefore, whether Westernbank purchased Agency Securities outright or through a long-term structured repurchase transaction, Westernbank always considered that LBI was holding the Agency Securities on its behalf.

I declare under penalty of perjury that the foregoing is true and correct.



Freddy Maldonado

Executed on the 20th day of July 2012

EXHIBIT A

copy

LEHMAN BROTHERS

1221 Brickell Avenue Suite 1400
Miami, Florida 33131
p. (305) 789-8780, 8751
f. (305) 579-0209

Western Bank

November 20, 1997

Dear Freddy Maldonado:

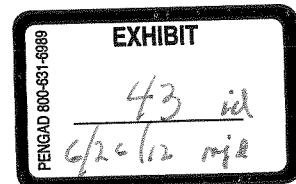
Here are two copies of Lehman Brothers Institutional Client Agreements. The additional copy is for your files. The signed original needs to be mailed back. However, a faxed copy will do in the meantime. This is the only form you need to sign to open the account. Also, could you please fax a copy of your DVP instructions for our files. We will also need your latest financial report. I will be sending a welcome package to you with the Lehman Brothers annual report enclosed shortly.

Thank you in advance Freddy for your time and patience in dealing with our transition. We are very excited about the quality and support we will be getting from Lehman Brothers, and the service we will be able to provide you.

Sincerely,

Walter S. Ricardo
V.P. - Regional Institutional Sales

Joseph A. De Stephan
Regional Institutional Sales



LEHMAN BROTHERS

Institutional Client Agreement

R

Account Number	Branch	Account	T	C	IR

Please read carefully and sign.

In consideration of Lehman Brothers Inc. ("Lehman Brothers" or "We") accepting this account and agreeing to act as broker or dealer for the Undersigned ("Client" or "You") it is agreed as follows:

REPRESENTATIONS

You represent and warrant as follows:

ANGEL L. ROSAS Secretary or other designated officer of WESTERNBANK PUERTO RICO organized under the laws of COMMONWEALTH OF PUERTO RICO hereby certify that at a meeting of the Board of Directors, Trustees, or other Governing Entity duly held on NOVEMBER 21, 1997 at which a quorum was present and acting throughout, the following Resolutions were duly adopted and are still in full force and effect.

That any of the following named individuals,

Name (print) FRANK C. STIPES	Title PRESIDENT & CEO
Name (print) FREDDY MALDONADO	Title CHIEF FINANCIAL OFFICER
Name (print) VIRAM MESONERO	Title AVP INVESTMENT DEPT.

be, and each of them hereby is, authorized, for and on behalf of WESTERNBANK PUERTO RICO to establish and maintain and direct transactions in one or more accounts with Lehman Brothers or any of its affiliates for the purpose of (a) buying and selling including selling short (b) agreeing to buy and sell, entering into agreements and commitments (including repurchase or reverse repurchase transactions and non-exchange traded options thereon) (c) borrowing and lending and (d) agreeing to borrow and lend, and entering into agreements and commitments to borrow and lend, the following products checked below, which have been authorized in the adopted resolution referred to above:

- Equities
- Options: Listed
- Options: Over the Counter
- U.S. Government Securities: Negotiable debt securities which are direct obligations of the Treasury Department of the United States Government or any Agency or instrumentality thereof.
- Municipal Securities: Debt securities which are obligations of or guaranteed by a state or any political subdivision, agency or municipal corporate instrumentality thereof, or any industrial development bond.
- Whole Loans: Conventional mortgage loans secured by first mortgages or deeds of trust on single family residences.
- Agency Pass-Through Securities: Mortgage pass-through securities representing participation interests in pools of residential mortgage loans (a) guaranteed as to timely payment of principal and interest by the Government National Mortgage Association (b) guaranteed as to timely payment of principal and interest by the Federal Home Loan Mortgage Association, or (c) guaranteed as to timely payment of principal and interest by the Federal National Mortgage Association.
- Private Pass-Through Securities: Any class, other than a Derivative Mortgage Security, of mortgage pass-through securities representing a participation interest in pools of residential mortgage loans, other than Agency Pass-Through Securities.

- Agency CMOs: Any class, other than a Derivative Mortgage Security, of debt obligations collateralized by Agency Pass-Through Securities.
- Private CMOs: Any class, other than a Derivative Mortgage Security, of debt obligations collateralized by a pool of Whole Loans.
- Derivative Mortgage Securities: Any class of a collateralized mortgage obligation or mortgage pass-through security that either (1) is subordinated in payment to the other classes of the same series, (2) represents the right to receive the residual cash flow generated from the assets underlying such security, (3) represents the right to receive only the principal or interest portion of the cash flow generated from the assets underlying such security, or (4) is commonly referred to as a mortgage derivative product.
- Commercial Paper: Investment grade unsecured promissory notes sold through dealers by major corporations with maturities of 270 days or less.
- Certificates of Deposit: U.S. Dollar denominated negotiable debt certificates of deposit issued by U.S. depository institutions.
- Bankers Acceptance: Negotiable bank guaranteed business credit instruments typically financing an import order.
- Eurodollar Certificates of Deposit: U.S. Dollar denominated negotiable debt certificates of deposit issued by a London branch of a U.S. depository institution or foreign bank with a London branch.
- Warrants: Foreign Exchange or Index Warrants.
- Swap Products: Including interest rate swaps, hybrid securities, asset swaps, interest rate caps and floors and mortgage swaps.
- Corporate Debt Securities: Including industrial, utilities, finance and bank, Canadian, Eurobonds and Preferred.
- Specialized Debt Securities: Including sinking fund debt, private placement debt, and high yield debt.

Other: _____

GENERAL TERMS

1. All transactions consummated and actions taken in any accounts maintained with Lehman Brothers prior to the date as of which the representations referred to above are effective, and are hereby ratified and confirmed in all respects.
2. Lehman Brothers may deal with any and all of the individuals identified above as though they were dealing with you directly.
3. All instructions given will be within your legal powers and there are no restrictions on the nature or type of transactions you may enter into except as follows:
 LIST ALL INVESTMENT LIMITATIONS BELOW INCLUDING THOSE TO WHICH YOU MAY BE SUBJECT PURSUANT TO STATUTE, RULE, REGULATION OR OTHER GOVERNMENTAL OR FIRM POLICY

4. Lehman Brothers may rely upon the Secretary or other designated officer of the company, as effective until it shall have received written notice of any change. No such written notice shall effect, in any manner, Lehman Brothers' rights under this Agreement with respect to any such obligation arising prior to actual receipt of such written notice.

5. In the event of any change in the identity or powers of persons authorized to act on your behalf, the Secretary or other designated officer shall notify Lehman Brothers in writing which notification, when received, shall be adequate both to terminate the authorization of the persons previously authorized, and to authorize the persons thereby substituted.

6. You agree to promptly notify Lehman Brothers if you or any other persons or entities having a beneficial interest in the account are or become restricted, as such term is defined in the NASD's "Free Riding and Withholding Interpretation", from purchasing securities in certain public offerings.

7. All transactions are for your account and at your risk, and are subject to the laws and regulations as well as the custom and usage of the marketplace where effected.

8. You agree that Lehman Brothers, in its discretion, can decline to accept orders for your account.

9. This Agreement will be governed by the laws of the State of New York. All transactions for your account are subject to the Standard Confirmation Terms set forth on the reverse side of each Trade Confirmation, and all applicable federal, state, governmental agency, self-regulatory agency, exchange, market and clearing house laws, rules and regulations.

10. Lehman Brothers and you shall attempt in good faith to resolve any dispute arising out of, relating to, or in connection with your transactions with Lehman Brothers, promptly by negotiations between executives who have the authority to settle the controversy. If the dispute cannot be settled through negotiation, then prior to the commencement of any litigation or other dispute resolution proceeding, the parties agree to attempt to settle the dispute through mediation before a recognized mediation service. Any litigation must be commenced in the United States District Court for the Southern District of New York or the Supreme Court of the State of New York for the County of New York. Any right to a trial by jury with respect to any claim or action is hereby waived by all parties to this agreement.

OPTIONS

11. You agree not to enter into any purchase or sale of equity, debt, foreign currency or index put and call options or index Participations without having read and fully understood the terms, conditions and risks, as set forth in the Characteristics and Risks of Standardized Options booklet and/or Index Participations booklet, and applicable supplements which Lehman Brothers agrees to furnish to you prior to such transactions. You understand that your short option positions are assigned on a random selection method pursuant to an automated system. All short option positions can be assigned at any time including the day written.

12. If you purchase any listed option, you will notify Lehman Brothers of your intention to exercise such option no later than two hours before the expiration time of the option. In the case of an over-the-counter option you shall notify Lehman Brothers one hour before the expiration. Failure to give such notice will constitute an abandonment of the option, in which event it may be exercised for your account if it would be profitable to do so. Except as required by the Options Clearing Corporation Rules, Lehman Brothers has no obligation to exercise any option absent specific instructions from you to that effect. If it would not be profitable for your account due to commission expenses, it may be permitted to expire or, at Lehman Brothers' discretion, sold or acquired by Lehman Brothers for some equitable payment to you based on Lehman Brothers' expenses and risk, without any liability or responsibility on our part to you.

MARGIN AGREEMENT

13. From time to time we may, at our discretion, make loans to you for the purpose of purchasing, carrying or trading in securities ("Margin Loans"). Pursuant to Regulation T, Margin Loans will be made in a Margin Account. The minimum and maximum amount of any particular loan may be established by Lehman Brothers in its sole discretion regardless of the amount of collateral delivered to us, and we may change such minimum and maximum amounts from time to time.

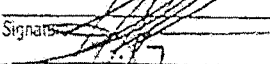
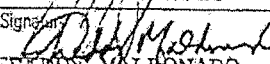

14. You agree to pay ON DEMAND any balance owing with respect to any of your accounts, including interest and commissions and any costs of collection (including attorneys' fees, if incurred by Lehman Brothers). You understand that Lehman

may demand full payment of the balance due in your accounts plus any interest charges at our sole option, at any time for our protection. You understand that all margin loans made are not made for any specific term or duration but are due and payable at our discretion upon a demand for payment made by Lehman Brothers. You agree that all payments received for any of your accounts held at Lehman Brothers, including interest, dividends, premiums, principal or other payments may be applied by Lehman Brothers to any balances due in any such accounts.

15. You understand that the properties in your Margin Account may be carried as general loans and may be pledged or hypothecated by us separately or in common with other properties. Such pledge or hypothecation by Lehman Brothers may secure our indebtedness in an amount equal to or greater than the amount owed to Lehman Brothers by you. You agree to deposit additional collateral, as Lehman Brothers may in its discretion require from time to time, in the form of cash or securities in accordance with the rules and regulations of the Federal Reserve Board, the New York Stock Exchange, Inc. ("NYSE"), the American Stock Exchange, Inc. ("AMEX"), other national securities exchanges, associations or regulatory agencies to whose jurisdiction Lehman Brothers is subject as well as Lehman Brothers' own minimum house margin maintenance requirements. If you no longer maintain a cash balance or an indebtedness to Lehman Brothers, we will fully segregate all securities in your accounts in our safekeeping or control (directly or through a clearing house or depository) and/or deliver them to you upon your request.

16. You agree to pay interest, to the extent not prohibited by the laws of the State of New York, upon all amounts advanced and other balances due in your accounts in accordance with Lehman Brothers' usual custom, which may include the compounding of interest. Our custom, which may change from time to time, is set forth in our disclosure statement, which by this reference is herein specifically incorporated. By entering into any transactions with Lehman Brothers after you receive our disclosure statement, you acknowledge that you have read and agree to its terms for all past and future transactions in your account. You understand that interest on all debit balances shall be payable ON DEMAND and that in the absence of any demand interest shall be due on the first business day of each interest period. Your daily net debit balance will include accrued interest you have not paid from prior interest periods, if any. Thus, to the extent permitted by applicable law Lehman Brothers may charge you compound interest. Payments of interest and principal and all other payments made by you under this Agreement shall be made to Lehman Brothers' main office in New York, New York. We may, in our discretion, not deem any check or other remittance to constitute payment until it has been paid by the drawee and the funds representing such payment have become available to us.

Signatures of Authorized Individual(s):

Signature	Title	Date
	PRESIDENT & CEO	
	CFO	
	AVP INVESTMENTS	

IF THIS IS A MARGIN ACCOUNT, BY SIGNING THIS AGREEMENT YOU ACKNOWLEDGE THAT YOUR SECURITIES MAY BE LOANED TO LEHMAN BROTHERS OR LOANED OUT TO OTHERS.

Signature	Title	Date


 ANGEL L. ROSAS - SECRETARY
 Signature of Corporate Secretary or Other Certifying Official

EXHIBIT B

LEHMAN BROTHERS

Institutional Client Agreement

613

ITS Cust. #	MTS Cust. # <u>6670010</u>
TMS Cust. #	
Branch <u>743</u>	Account <u>07119116481</u>

Please read carefully and sign.

In consideration of Lehman Brothers Inc. ("Lehman Brothers" or "We") accepting this account and agreeing to act as broker or dealer for the Undersigned ("Client" or "You") it is agreed as follows:

REPRESENTATIONS

You represent and warrant as follows:

ANGEL LUIS ROSAS, Secretary or other designated officer of WESTERNBANK PUERTO RICO, organized under the laws of PUERTO RICO, do hereby certify that a meeting of the Board of Directors, Trustees, or other Governing Entity duly held on JAN 28, 19 2000 at which a quorum was present and acting throughout, the following Resolutions were duly adopted and are still in full force and effect.

That any of the following named individuals,

Name (Print) <u>FRANK C. STIPES</u>	Title <u>PRESIDENT & CEO</u>
Name (Print) <u>FREDDY MALDONADO</u>	Title <u>CFO</u>
Name (Print) <u>HIRAM MESONERO</u>	Title <u>AVP INVESTMENTS</u>
Name (Print)	Title

be, and each of them hereby is, authorized, for and on behalf of WESTERNBANK PUERTO RICO to establish and maintain and direct transactions in one or more accounts with Lehman Brothers or any of its affiliates for the purpose of (a) buying and selling including selling short (b) agreeing to buy and sell, entering into agreements and commitments (including repurchase or reverse repurchase transactions and non-exchange traded options thereon) (c) borrowing and lending and (d) agreeing to borrow and lend, and entering into agreements and commitments to borrow and lend, the following products checked below, which have been authorized in the adopted resolution referred to above:

Equities Options: Listed Options: Over the Counter

U.S. Government Securities: Negotiable debt securities which are direct obligations of the Treasury Department of the United States Government or any Agency or instrumentality thereof.

Municipal Securities: Debt securities which are obligations of or guaranteed by a state or any political subdivision, agency or municipal corporate instrumentality thereof, or any industrial development bond.

Whole Loans: Conventional mortgage loans secured by first mortgages or deeds of trust on single family residences.

Agency Pass-Through Securities: Mortgage pass-through securities representing participation interests in pools of residential mortgage loans (a) guaranteed as to timely payment of principal and interest by the Government National Mortgage Association (b) guaranteed as to timely payment of principal and interest by the Federal Home Loan Mortgage Association, or (c) guaranteed as to timely payment of principal and interest by the Federal National Mortgage Association.

Private Pass-Through Securities: Any class, other than a Derivative Mortgage Security, of mortgage pass-through securities representing a participation interest in pools of residential mortgage loans, other than Agency Pass-Through Securities.

LBF 8117 (11/97)(PRT. 11/97)

Agency CMOs: Any class, other than a Derivative Mortgage Security, of debt obligations collateralized by Agency Pass-Through Securities.

Private CMOs: Any class, other than a Derivative Mortgage Security, of debt obligations collateralized by a pool of Whole Loans.

Derivative Mortgage Securities: Any class of a collateralized mortgage obligation or mortgage pass-through security that either (1) is subordinated in payment to the other classes of the same series, (2) represents the right to receive the residual cash flow generated from the assets underlying such security, (3) represents the right to receive only the principal or interest portion of the cash flow generated from the assets underlying such security, or (4) is commonly referred to as a mortgage derivative product.

Commercial Paper: Investment grade unsecured promissory notes sold through dealers by major corporations with maturities of 270 days or less.

Certificates of Deposit: U.S. Dollar denominated negotiable debt certificates of deposit issued by U.S. depository institutions.

Bankers Acceptance: Negotiable bank guaranteed business credit instruments typically financing an import order.

Eurodollar Certificates of Deposit: U.S. Dollar denominated negotiable debt certificates of deposit issued by a London branch of a U.S. depository institution or foreign bank with a London branch.

Warrants: Foreign Exchange or Index Warrants.

Swap Products: Including interest rate swaps, hybrid securities, asset swaps, interest rate caps and floors and mortgage swaps.

Corporate Debt Securities: Including industrial, utilities, finance and bank, Canadian, Eurobonds and Preferred.

Specialized Debt Securities: Including sinking fund debt, private placement debt, and high yield debt.

Other: _____

GENERAL TERMS

1. All transactions consummated and actions taken in any accounts maintained with Lehman Brothers prior to the date as of which the representations referred to above are effective, and are hereby ratified and confirmed in all respects.

2. Lehman Brothers may deal with any all of the individuals identified above as though they were dealing with you directly.

3. All instructions given will be within your legal powers and there are no restrictions on the nature or type of transactions you may enter into except as follows:

LIST ALL INVESTMENT LIMITATIONS BELOW INCLUDING THOSE TO WHICH YOU MAY BE SUBJECT PURSUANT TO STATUTE, RULE, REGULATION OR OTHER GOVERNMENTAL OR FIRM POLICY

EXHIBIT
44 id
6/26/12 ml

4. Lehman Brothers may rely upon the Secretary's or other designated officer's certification given in accordance with this Agreement, as effective until it shall have received written notice of any change. No such written notice shall affect, in any manner, Lehman Brothers' rights under this Agreement with respect to any such obligation arising prior to actual receipt of such written notice.
5. In the event of any change in the identity or powers of persons authorized to act on your behalf, the Secretary or other designated officer shall notify Lehman Brothers in writing which notification, when received, shall be adequate both to terminate the authorization of the persons previously authorized, and to authorize the persons thereby substituted.
6. You agree to promptly notify Lehman Brothers if you or any other persons or entities having a beneficial interest in the account are or become restricted, as such term is defined in the NASD's "Free Riding and Withholding Interpretation", from purchasing securities in certain public offerings.
7. All transactions are for your account and at your risk, and are subject to the laws and regulations as well as the custom and usage of the marketplace where effected.
8. You agree that Lehman Brothers, in its discretion, can decline to accept orders for your account.
9. This Agreement will be governed by the laws of the State of New York. All transactions for your account are subject to the Standard Confirmation Terms set forth on the reverse side of each Trade Confirmation, and all applicable federal, state, governmental agency, self-regulatory agency, exchange, market and clearing house laws, rules and regulations.
10. Lehman Brothers and you shall attempt in good faith to resolve any dispute arising out of, relating to, or in connection with your transactions with Lehman Brothers, promptly by negotiations between executives who have the authority to settle the controversy. If the dispute cannot be settled through negotiation, then prior to the commencement of any litigation or other dispute resolution proceeding, the parties agree to attempt to settle the dispute through mediation before a recognized mediation service. Any litigation must be commenced in the United States District Court for the Southern District of New York or the Supreme Court of the State of New York for the County of New York. Any right to a trial by jury with respect to any claim or action is hereby waived by all parties to this agreement.

OPTIONS

11. You agree not to enter into any purchase or sale of equity, debt, foreign currency or index put and call options without having read and fully understood the terms, conditions and risks, as set forth in the Characteristics and Risks of Standardized Options booklet, and applicable supplements which Lehman Brothers agrees to furnish to you prior to such transactions. You understand that your short option positions are assigned on a random selection method pursuant to an automated system. All short option positions can be assigned at any time including the day written.
12. If you purchase any listed option, you will notify Lehman Brothers of your intention to exercise such option no later than two hours before the expiration time of the option. In the case of an over-the-counter option you shall notify Lehman Brothers one hour before the expiration. Failure to give such notice will constitute an abandonment of the option, in which event it may be exercised for your account if it would be profitable to do so. Except as required by the Options Clearing Corporation Rules, Lehman Brothers has no obligation to exercise any option absent specific instructions from you to that effect. If it would not be profitable for your account due to commission expenses, it may be permitted to expire or, at Lehman Brothers' discretion, sold or acquired by Lehman Brothers for some equitable payment to you based on Lehman Brothers' expenses and risk, without any liability or responsibility on our part to you.

MARGIN AGREEMENT

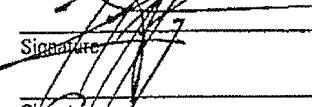
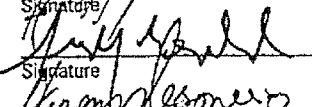
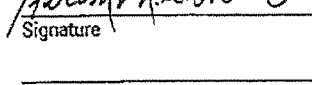
13. From time to time we may, at our discretion, make loans to you for the purpose of purchasing, carrying or trading in securities ("Margin Loans"). Pursuant to Regulation T, Margin Loans will be made in a Margin Account. The minimum and maximum amount of any particular loan may be established by Lehman Brothers in its sole discretion regardless of the amount of collateral delivered to us, and we may change such minimum and maximum amounts from time to time.
14. You agree to pay ON DEMAND any balance owing with respect to any of your accounts, including interest and commissions and any costs of collection (including attorneys' fees, if incurred by Lehman Brothers). You understand that Lehman Brothers may demand full payment of the balance due in your accounts plus any interest charges at our sole option, at any time for our protection. You understand that all margin loans made are not made for any em or duration

specific term or duration but are due and payable at our discretion upon a demand for payment made by Lehman Brothers. You agree that all payments received for any of your accounts held at Lehman Brothers, including interest, dividends, premiums, principal or other payments may be applied by Lehman Brothers to any balances due in any such accounts.

15. You understand that the securities or other instruments ("securities") in your Margin Account may be carried as general loans and may be pledged, hypothecated or otherwise used by us in a financing transaction (collectively "pledge(d)") separately or in common with other properties. You agree that you may not be entitled to vote the securities in your Margin Account during any period in which they have been pledged by us. In addition, while you will receive an amount equal to any dividends or other distributions in respect of such securities, you understand that the actual dividend or other distributions will be made to the entity to whom the securities have been pledged. Such pledge or hypothecation by Lehman Brothers may secure our indebtedness in an amount equal to or greater than the amount owed to Lehman Brothers by you. You agree to deposit additional collateral, as Lehman Brothers may in its discretion require from time to time, in the form of cash or securities in accordance with the rules and regulations of the Federal Reserve Board, the New York Stock Exchange, Inc. ("NYSE"), the American Stock Exchange, Inc. ("AMEX"), other national securities exchanges, associations or regulatory agencies to whose jurisdiction Lehman Brothers is subject as well as Lehman Brothers' own minimum house margin maintenance requirements. If you no longer maintain a debit balance or an indebtedness to Lehman Brothers, we will fully segregate all securities in your accounts in our safekeeping or control (directly or through a clearing house or depository) and/or deliver them to you upon your request.

16. You agree to pay interest, to the extent not prohibited by the laws of the State of New York, upon all amounts advanced and other balances due in your accounts in accordance with Lehman Brothers' usual custom, which may include the compounding of interest. Our custom, which may change from time to time, is set forth in our disclosure statement, which by this reference is herein specifically incorporated. By entering into any transactions with Lehman Brothers after you receive our disclosure statement, you acknowledge that you have read and agree to its terms for all past and future transactions in your account. You understand that interest on all debit balances shall be payable ON DEMAND and that in the absence of any demand interest shall be due on the first business day of each interest period. Your daily net debit balance will include accrued interest you have not paid from prior interest periods, if any. Thus, to the extent permitted by applicable law Lehman Brothers may charge you compound interest. Payments of interest and principal and all other payments made by you under this Agreement shall be made to Lehman Brothers' main office in New York, New York. We may, in our discretion, not deem any check or other remittance to constitute payment until it has been paid by the drawee and the funds representing such payment have become available to us.

Signatures of Authorized Individual(s):

Signature	Title	Date
	CEO	1/28/00
	CFO	1/28/00
	AVP-Inv	1-28-00

IF THIS IS A MARGIN LOAN ACCOUNT, BY SIGNING THIS AGREEMENT YOU ACKNOWLEDGE THAT YOUR SECURITIES MAY BE LOANED TO LEHMAN BROTHERS OR LOANED OUT TO OTHERS.

Signature	Title	Date

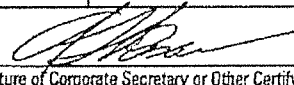
Attested: 
Signature of Corporate Secretary or Other Certifying Official

EXHIBIT C

PSA THE BOND MARKET
TRADE ASSOCIATION

**MASTER
REPURCHASE AGREEMENT**
SEPTEMBER 1996 VERSION

Dated as of February 23, 1998

Between: Lehman Brothers Inc.

and

Western Bank Puerto Rico

1. Applicability

From time to time the parties hereto may enter into transactions in which one party ("Seller") agrees to transfer to the other ("Buyer") securities or other assets ("Securities") against the transfer of funds by Buyer, with a simultaneous agreement by Buyer to transfer to Seller such Securities at a date certain or on demand, against the transfer of funds by Seller. Each such transaction shall be referred to herein as a "Transaction" and, unless otherwise agreed in writing, shall be governed by this Agreement, including any supplemental terms or conditions contained in Annex I hereto and in any other annexes identified herein or therein as applicable hereunder.

2. Definitions

- (a) "Act of Insolvency", with respect to any party, (i) the commencement by such party as debtor of any case or proceeding under any bankruptcy, insolvency, reorganization, liquidation, moratorium, dissolution, delinquency or similar law, or such party seeking the appointment or election of a receiver, conservator, trustee, custodian or similar official for such party or any substantial part of its property, or the convening of any meeting of creditors for purposes of commencing any such case or proceeding or seeking such an appointment or election, (ii) the commencement of any such case or proceeding against such party, or another seeking such an appointment or election, or the filing against a party of an application for a protective decree under the provisions of the Securities Investor Protection Act of 1970, which (A) is consented to or not timely contested by such party, (B) results in the entry of an order for relief, such an appointment or election, the issuance of such a protective decree or the entry of an order having a similar effect, or (C) is not dismissed within 15 days, (iii) the making by such party of a general assignment for the benefit of creditors, or (iv) the admission in writing by such party of such party's inability to pay such party's debts as they become due;
- (b) "Additional Purchased Securities", Securities provided by Seller to Buyer pursuant to Paragraph 4(a) hereof;
- (c) "Buyer's Margin Amount", with respect to any Transaction as of any date, the amount obtained by application of the Buyer's Margin Percentage to the Repurchase Price for such Transaction as of such date;

Δ π EXHIBIT 28

Deponent _____

Date 6/14/12

Rptr. 9

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- (d) "Buyer's Margin Percentage", with respect to any Transaction as of any date, a percentage (which may be equal to the Seller's Margin Percentage) agreed to by Buyer and Seller or, in the absence of any such agreement, the percentage obtained by dividing the Market Value of the Purchased Securities on the Purchase Date by the Purchase Price on the Purchase Date for such Transaction;
- (e) "Confirmation", the meaning specified in Paragraph 3(b) hereof;
- (f) "Income", with respect to any Security at any time, any principal thereof and all interest, dividends or other distributions thereon;
- (g) "Margin Deficit", the meaning specified in Paragraph 4(a) hereof;
- (h) "Margin Excess", the meaning specified in Paragraph 4(b) hereof;
- (i) "Margin Notice Deadline", the time agreed to by the parties in the relevant Confirmation, Annex I hereto or otherwise as the deadline for giving notice requiring same-day satisfaction of margin maintenance obligations as provided in Paragraph 4 hereof (or, in the absence of any such agreement, the deadline for such purposes established in accordance with market practice);
- (j) "Market Value", with respect to any Securities as of any date, the price for such Securities on such date obtained from a generally recognized source agreed to by the parties or the most recent closing bid quotation from such a source, plus accrued Income to the extent not included therein (other than any Income credited or transferred to, or applied to the obligations of, Seller pursuant to Paragraph 5 hereof) as of such date (unless contrary to market practice for such Securities);
- (k) "Price Differential", with respect to any Transaction as of any date, the aggregate amount obtained by daily application of the Pricing Rate for such Transaction to the Purchase Price for such Transaction on a 360-day-per-year basis for the actual number of days during the period commencing on (and including) the Purchase Date for such Transaction and ending on (but excluding) the date of determination (reduced by any amount of such Price Differential previously paid by Seller to Buyer with respect to such Transaction);
- (l) "Pricing Rate", the per annum percentage rate for determination of the Price Differential;
- (m) "Prime Rate", the prime rate of U.S. commercial banks as published in *The Wall Street Journal* (or, if more than one such rate is published, the average of such rates);
- (n) "Purchase Date", the date on which Purchased Securities are to be transferred by Seller to Buyer;
- (o) "Purchase Price", (i) on the Purchase Date, the price at which Purchased Securities are transferred by Seller to Buyer, and (ii) thereafter, except where Buyer and Seller agree otherwise, such price increased by the amount of any cash transferred by Buyer to Seller pursuant to Paragraph 4(b) hereof and decreased by the amount of any cash transferred by Seller to Buyer pursuant to Paragraph 4(a) hereof or applied to reduce Seller's obligations under clause (ii) of Paragraph 5 hereof;
- (p) "Purchased Securities", the Securities transferred by Seller to Buyer in a Transaction hereunder, and any Securities substituted therefor in accordance with Paragraph 9 hereof. The term "Purchased Securities" with respect to any Transaction at any time also shall include Additional Purchased Securities delivered pursuant to Paragraph 4(a) hereof and shall exclude Securities returned pursuant to Paragraph 4(b) hereof;
- (q) "Repurchase Date", the date on which Seller is to repurchase the Purchased Securities from Buyer, including any date determined by application of the provisions of Paragraph 3(c) or 11 hereof;
- (r) "Repurchase Price", the price at which Purchased Securities are to be transferred from Buyer to Seller upon termination of a Transaction, which will be determined in each case (including Transactions terminable upon demand) as the sum of the Purchase Price and the Price Differential as of the date of such determination;

- (s) "Seller's Margin Amount", with respect to any Transaction as of any date, the amount obtained by application of the Seller's Margin Percentage to the Repurchase Price for such Transaction as of such date;
- (t) "Seller's Margin Percentage", with respect to any Transaction as of any date, a percentage (which may be equal to the Buyer's Margin Percentage) agreed to by Buyer and Seller or, in the absence of any such agreement, the percentage obtained by dividing the Market Value of the Purchased Securities on the Purchase Date by the Purchase Price on the Purchase Date for such Transaction.

3. Initiation; Confirmation; Termination

- (a) An agreement to enter into a Transaction may be made orally or in writing at the initiation of either Buyer or Seller. On the Purchase Date for the Transaction, the Purchased Securities shall be transferred to Buyer or its agent against the transfer of the Purchase Price to an account of Seller.
- (b) Upon agreeing to enter into a Transaction hereunder, Buyer or Seller (or both), as shall be agreed, shall promptly deliver to the other party a written confirmation of each Transaction (a "Confirmation"). The Confirmation shall describe the Purchased Securities (including CUSIP number, if any), identify Buyer and Seller and set forth (i) the Purchase Date, (ii) the Purchase Price, (iii) the Repurchase Date, unless the Transaction is to be terminable on demand, (iv) the Pricing Rate or Repurchase Price applicable to the Transaction, and (v) any additional terms or conditions of the Transaction not inconsistent with this Agreement. The Confirmation, together with this Agreement, shall constitute conclusive evidence of the terms agreed between Buyer and Seller with respect to the Transaction to which the Confirmation relates, unless with respect to the Confirmation specific objection is made promptly after receipt thereof. In the event of any conflict between the terms of such Confirmation and this Agreement, this Agreement shall prevail.
- (c) In the case of Transactions terminable upon demand, such demand shall be made by Buyer or Seller, no later than such time as is customary in accordance with market practice, by telephone or otherwise on or prior to the business day on which such termination will be effective. On the date specified in such demand, or on the date fixed for termination in the case of Transactions having a fixed term, termination of the Transaction will be effected by transfer to Seller or its agent of the Purchased Securities and any Income in respect thereof received by Buyer (and not previously credited or transferred to, or applied to the obligations of, Seller pursuant to Paragraph 5 hereof) against the transfer of the Repurchase Price to an account of Buyer.

4. Margin Maintenance

- (a) If at any time the aggregate Market Value of all Purchased Securities subject to all Transactions in which a particular party hereto is acting as Buyer is less than the aggregate Buyer's Margin Amount for all such Transactions (a "Margin Deficit"), then Buyer may by notice to Seller require Seller in such Transactions, at Seller's option, to transfer to Buyer cash or additional Securities reasonably acceptable to Buyer ("Additional Purchased Securities"), so that the cash and aggregate Market Value of the Purchased Securities, including any such Additional Purchased Securities, will thereupon equal or exceed such aggregate Buyer's Margin Amount (decreased by the amount of any Margin Deficit as of such date arising from any Transactions in which such Buyer is acting as Seller).
- (b) If at any time the aggregate Market Value of all Purchased Securities subject to all Transactions in which a particular party hereto is acting as Seller exceeds the aggregate Seller's Margin Amount for all such Transactions at such time (a "Margin Excess"), then Seller may by notice to Buyer require Buyer in such Transactions, at Buyer's option, to transfer cash or Purchased Securities to Seller, so that the aggregate Market Value of the Purchased Securities, after deduction of any such

cash or any Purchased Securities so transferred, will thereupon not exceed such aggregate Seller's Margin Amount (increased by the amount of any Margin Excess as of such date arising from any Transactions in which such Seller is acting as Buyer).

- (c) If any notice is given by Buyer or Seller under subparagraph (a) or (b) of this Paragraph at or before the Margin Notice Deadline on any business day, the party receiving such notice shall transfer cash or Additional Purchased Securities as provided in such subparagraph no later than the close of business in the relevant market on such day. If any such notice is given after the Margin Notice Deadline, the party receiving such notice shall transfer such cash or Securities no later than the close of business in the relevant market on the next business day following such notice.
- (d) Any cash transferred pursuant to this Paragraph shall be attributed to such Transactions as shall be agreed upon by Buyer and Seller.
- (e) Seller and Buyer may agree, with respect to any or all Transactions hereunder, that the respective rights of Buyer or Seller (or both) under subparagraphs (a) and (b) of this Paragraph may be exercised only where a Margin Deficit or a Margin Excess, as the case may be, exceeds a specified dollar amount or a specified percentage of the Repurchase Prices for such Transactions (which amount or percentage shall be agreed to by Buyer and Seller prior to entering into any such Transactions).
- (f) Seller and Buyer may agree, with respect to any or all Transactions hereunder, that the respective rights of Buyer and Seller under subparagraphs (a) and (b) of this Paragraph to require the elimination of a Margin Deficit or a Margin Excess, as the case may be, may be exercised whenever such a Margin Deficit or a Margin Excess exists with respect to any single Transaction hereunder (calculated without regard to any other Transaction outstanding under this Agreement).

5. Income Payments

Seller shall be entitled to receive an amount equal to all Income paid or distributed on or in respect of the Securities that is not otherwise received by Seller, to the full extent it would be so entitled if the Securities had not been sold to Buyer. Buyer shall, as the parties may agree with respect to any Transaction (or, in the absence of any such agreement, as Buyer shall reasonably determine in its discretion), on the date such Income is paid or distributed either (i) transfer to or credit to the account of Seller such Income with respect to any Purchased Securities subject to such Transaction or (ii) with respect to Income paid in cash, apply the Income payment or payments to reduce the amount, if any, to be transferred to Buyer by Seller upon termination of such Transaction. Buyer shall not be obligated to take any action pursuant to the preceding sentence (A) to the extent that such action would result in the creation of a Margin Deficit, unless prior thereto or simultaneously therewith Seller transfers to Buyer cash or Additional Purchased Securities sufficient to eliminate such Margin Deficit, or (B) if an Event of Default with respect to Seller has occurred and is then continuing at the time such Income is paid or distributed.

6. Security Interest

Although the parties intend that all Transactions hereunder be sales and purchases and not loans, in the event any such Transactions are deemed to be loans, Seller shall be deemed to have pledged to Buyer as security for the performance by Seller of its obligations under each such Transaction, and shall be deemed to have granted to Buyer a security interest in, all of the Purchased Securities with respect to all Transactions hereunder and all Income thereon and other proceeds thereof.

7. Payment and Transfer

Unless otherwise mutually agreed, all transfers of funds hereunder shall be in immediately available funds. All Securities transferred by one party hereto to the other party (i) shall be in suitable form for transfer or shall be accompanied by duly executed instruments of transfer or assignment in blank and

such other documentation as the party receiving possession may reasonably request, (ii) shall be transferred on the book-entry system of a Federal Reserve Bank, or (iii) shall be transferred by any other method mutually acceptable to Seller and Buyer.

8. Segregation of Purchased Securities

To the extent required by applicable law, all Purchased Securities in the possession of Seller shall be segregated from other securities in its possession and shall be identified as subject to this Agreement. Segregation may be accomplished by appropriate identification on the books and records of the holder, including a financial or securities intermediary or a clearing corporation. All of Seller's interest in the Purchased Securities shall pass to Buyer on the Purchase Date and, unless otherwise agreed by Buyer and Seller, nothing in this Agreement shall preclude Buyer from engaging in repurchase transactions with the Purchased Securities or otherwise selling, transferring, pledging or hypothecating the Purchased Securities, but no such transaction shall relieve Buyer of its obligations to transfer Purchased Securities to Seller pursuant to Paragraph 3, 4 or 11 hereof, or of Buyer's obligation to credit or pay Income to, or apply Income to the obligations of, Seller pursuant to Paragraph 5 hereof.

Required Disclosure for Transactions in Which the Seller Retains Custody of the Purchased Securities

Seller is not permitted to substitute other securities for those subject to this Agreement and therefore must keep Buyer's securities segregated at all times, unless in this Agreement Buyer grants Seller the right to substitute other securities. If Buyer grants the right to substitute, this means that Buyer's securities will likely be commingled with Seller's own securities during the trading day. Buyer is advised that, during any trading day that Buyer's securities are commingled with Seller's securities, they [will]* [may]** be subject to liens granted by Seller to [its clearing bank]* [third parties]** and may be used by Seller for deliveries on other securities transactions. Whenever the securities are commingled, Seller's ability to resegment substitute securities for Buyer will be subject to Seller's ability to satisfy [the clearing]* [any]** lien or to obtain substitute securities.

*Language to be used under 17 C.F.R. §403.4(e) if Seller is a government securities broker or dealer other than a financial institution.

**Language to be used under 17 C.F.R. §403.5(d) if Seller is a financial institution.

9. Substitution

- (a) Seller may, subject to agreement with and acceptance by Buyer, substitute other Securities for any Purchased Securities. Such substitution shall be made by transfer to Buyer of such other Securities and transfer to Seller of such Purchased Securities. After substitution, the substituted Securities shall be deemed to be Purchased Securities.
- (b) In Transactions in which Seller retains custody of Purchased Securities, the parties expressly agree that Buyer shall be deemed, for purposes of subparagraph (a) of this Paragraph, to have agreed to and accepted in this Agreement substitution by Seller of other Securities for Purchased Securities; *provided, however*, that such other Securities shall have a Market Value at least equal to the Market Value of the Purchased Securities for which they are substituted.

10. Representations

Each of Buyer and Seller represents and warrants to the other that (i) it is duly authorized to execute and deliver this Agreement, to enter into Transactions contemplated hereunder and to perform its obligations hereunder and has taken all necessary action to authorize such execution, delivery and per-

formance, (ii) it will engage in such Transactions as principal (or, if agreed in writing, in the form of an annex hereto or otherwise, in advance of any Transaction by the other party hereto, as agent for a disclosed principal), (iii) the person signing this Agreement on its behalf is duly authorized to do so on its behalf (or on behalf of any such disclosed principal), (iv) it has obtained all authorizations of any governmental body required in connection with this Agreement and the Transactions hereunder and such authorizations are in full force and effect and (v) the execution, delivery and performance of this Agreement and the Transactions hereunder will not violate any law, ordinance, charter, by-law or rule applicable to it or any agreement by which it is bound or by which any of its assets are affected. On the Purchase Date for any Transaction Buyer and Seller shall each be deemed to repeat all the foregoing representations made by it.

11. Events of Default

In the event that (i) Seller fails to transfer or Buyer fails to purchase Purchased Securities upon the applicable Purchase Date, (ii) Seller fails to repurchase or Buyer fails to transfer Purchased Securities upon the applicable Repurchase Date, (iii) Seller or Buyer fails to comply with Paragraph 4 hereof, (iv) Buyer fails, after one business day's notice, to comply with Paragraph 5 hereof, (v) an Act of Insolvency occurs with respect to Seller or Buyer, (vi) any representation made by Seller or Buyer shall have been incorrect or untrue in any material respect when made or repeated or deemed to have been made or repeated, or (vii) Seller or Buyer shall admit to the other its inability to, or its intention not to, perform any of its obligations hereunder (each an "Event of Default"):

- (a) The nondefaulting party may, at its option (which option shall be deemed to have been exercised immediately upon the occurrence of an Act of Insolvency), declare an Event of Default to have occurred hereunder and, upon the exercise or deemed exercise of such option, the Repurchase Date for each Transaction hereunder shall, if it has not already occurred, be deemed immediately to occur (except that, in the event that the Purchase Date for any Transaction has not yet occurred as of the date of such exercise or deemed exercise, such Transaction shall be deemed immediately canceled). The nondefaulting party shall (except upon the occurrence of an Act of Insolvency) give notice to the defaulting party of the exercise of such option as promptly as practicable.
- (b) In all Transactions in which the defaulting party is acting as Seller, if the nondefaulting party exercises or is deemed to have exercised the option referred to in subparagraph (a) of this Paragraph, (i) the defaulting party's obligations in such Transactions to repurchase all Purchased Securities, at the Repurchase Price therefor on the Repurchase Date determined in accordance with subparagraph (a) of this Paragraph, shall thereupon become immediately due and payable, (ii) all Income paid after such exercise or deemed exercise shall be retained by the nondefaulting party and applied to the aggregate unpaid Repurchase Prices and any other amounts owing by the defaulting party hereunder, and (iii) the defaulting party shall immediately deliver to the nondefaulting party any Purchased Securities subject to such Transactions then in the defaulting party's possession or control.
- (c) In all Transactions in which the defaulting party is acting as Buyer, upon tender by the nondefaulting party of payment of the aggregate Repurchase Prices for all such Transactions, all right, title and interest in and entitlement to all Purchased Securities subject to such Transactions shall be deemed transferred to the nondefaulting party, and the defaulting party shall deliver all such Purchased Securities to the nondefaulting party.

- (d) If the nondefaulting party exercises or is deemed to have exercised the option referred to in subparagraph (a) of this Paragraph, the nondefaulting party, without prior notice to the defaulting party, may:
- (i) as to Transactions in which the defaulting party is acting as Seller, (A) immediately sell, in a recognized market (or otherwise in a commercially reasonable manner) at such price or prices as the nondefaulting party may reasonably deem satisfactory, any or all Purchased Securities subject to such Transactions and apply the proceeds thereof to the aggregate unpaid Repurchase Prices and any other amounts owing by the defaulting party hereunder or (B) in its sole discretion elect, in lieu of selling all or a portion of such Purchased Securities, to give the defaulting party credit for such Purchased Securities in an amount equal to the price therefor on such date, obtained from a generally recognized source or the most recent closing bid quotation from such a source, against the aggregate unpaid Repurchase Prices and any other amounts owing by the defaulting party hereunder; and
 - (ii) as to Transactions in which the defaulting party is acting as Buyer, (A) immediately purchase, in a recognized market (or otherwise in a commercially reasonable manner) at such price or prices as the nondefaulting party may reasonably deem satisfactory, securities ("Replacement Securities") of the same class and amount as any Purchased Securities that are not delivered by the defaulting party to the nondefaulting party as required hereunder or (B) in its sole discretion elect, in lieu of purchasing Replacement Securities, to be deemed to have purchased Replacement Securities at the price therefor on such date, obtained from a generally recognized source or the most recent closing offer quotation from such a source.

Unless otherwise provided in Annex I, the parties acknowledge and agree that (1) the Securities subject to any Transaction hereunder are instruments traded in a recognized market, (2) in the absence of a generally recognized source for prices or bid or offer quotations for any Security, the nondefaulting party may establish the source therefor in its sole discretion and (3) all prices, bids and offers shall be determined together with accrued Income (except to the extent contrary to market practice with respect to the relevant Securities).

- (e) As to Transactions in which the defaulting party is acting as Buyer, the defaulting party shall be liable to the nondefaulting party for any excess of the price paid (or deemed paid) by the nondefaulting party for Replacement Securities over the Repurchase Price for the Purchased Securities replaced thereby and for any amounts payable by the defaulting party under Paragraph 5 hereof or otherwise hereunder.
- (f) For purposes of this Paragraph 11, the Repurchase Price for each Transaction hereunder in respect of which the defaulting party is acting as Buyer shall not increase above the amount of such Repurchase Price for such Transaction determined as of the date of the exercise or deemed exercise by the nondefaulting party of the option referred to in subparagraph (a) of this Paragraph.
- (g) The defaulting party shall be liable to the nondefaulting party for (i) the amount of all reasonable legal or other expenses incurred by the nondefaulting party in connection with or as a result of an Event of Default, (ii) damages in an amount equal to the cost (including all fees, expenses and commissions) of entering into replacement transactions and entering into or terminating hedge transactions in connection with or as a result of an Event of Default, and (iii) any other loss, damage, cost or expense directly arising or resulting from the occurrence of an Event of Default in respect of a Transaction.
- (h) To the extent permitted by applicable law, the defaulting party shall be liable to the nondefaulting party for interest on any amounts owing by the defaulting party hereunder, from the date the defaulting party becomes liable for such amounts hereunder until such amounts are (i) paid in full

by the defaulting party or (ii) satisfied in full by the exercise of the nondefaulting party's rights hereunder. Interest on any sum payable by the defaulting party to the nondefaulting party under this Paragraph 11(h) shall be at a rate equal to the greater of the Pricing Rate for the relevant Transaction or the Prime Rate.

- (i) The nondefaulting party shall have, in addition to its rights hereunder, any rights otherwise available to it under any other agreement or applicable law.

12. Single Agreement

Buyer and Seller acknowledge that, and have entered hereinto and will enter into each Transaction hereunder in consideration of and in reliance upon the fact that, all Transactions hereunder constitute a single business and contractual relationship and have been made in consideration of each other. Accordingly, each of Buyer and Seller agrees (i) to perform all of its obligations in respect of each Transaction hereunder, and that a default in the performance of any such obligations shall constitute a default by it in respect of all Transactions hereunder, (ii) that each of them shall be entitled to set off claims and apply property held by them in respect of any Transaction against obligations owing to them in respect of any other Transactions hereunder and (iii) that payments, deliveries and other transfers made by either of them in respect of any Transaction shall be deemed to have been made in consideration of payments, deliveries and other transfers in respect of any other Transactions hereunder, and the obligations to make any such payments, deliveries and other transfers may be applied against each other and netted.

13. Notices and Other Communications

Any and all notices, statements, demands or other communications hereunder may be given by a party to the other by mail, facsimile, telegraph, messenger or otherwise to the address specified in Annex II hereto, or so sent to such party at any other place specified in a notice of change of address hereafter received by the other. All notices, demands and requests hereunder may be made orally, to be confirmed promptly in writing, or by other communication as specified in the preceding sentence.

14. Entire Agreement; Severability

This Agreement shall supersede any existing agreements between the parties containing general terms and conditions for repurchase transactions. Each provision and agreement herein shall be treated as separate and independent from any other provision or agreement herein and shall be enforceable notwithstanding the unenforceability of any such other provision or agreement.

15. Non-assignability; Termination

- (a) The rights and obligations of the parties under this Agreement and under any Transaction shall not be assigned by either party without the prior written consent of the other party, and any such assignment without the prior written consent of the other party shall be null and void. Subject to the foregoing, this Agreement and any Transactions shall be binding upon and shall inure to the benefit of the parties and their respective successors and assigns. This Agreement may be terminated by either party upon giving written notice to the other, except that this Agreement shall, notwithstanding such notice, remain applicable to any Transactions then outstanding.
- (b) Subparagraph (a) of this Paragraph 15 shall not preclude a party from assigning, charging or otherwise dealing with all or any part of its interest in any sum payable to it under Paragraph 11 hereof.

16. Governing Law

This Agreement shall be governed by the laws of the State of New York without giving effect to the conflict of law principles thereof.

17. No Waivers, Etc.

No express or implied waiver of any Event of Default by either party shall constitute a waiver of any other Event of Default and no exercise of any remedy hereunder by any party shall constitute a waiver of its right to exercise any other remedy hereunder. No modification or waiver of any provision of this Agreement and no consent by any party to a departure herefrom shall be effective unless and until such shall be in writing and duly executed by both of the parties hereto. Without limitation on any of the foregoing, the failure to give a notice pursuant to Paragraph 4(a) or 4(b) hereof will not constitute a waiver of any right to do so at a later date.

18. Use of Employee Plan Assets

- (a) If assets of an employee benefit plan subject to any provision of the Employee Retirement Income Security Act of 1974 ("ERISA") are intended to be used by either party hereto (the "Plan Party") in a Transaction, the Plan Party shall so notify the other party prior to the Transaction. The Plan Party shall represent in writing to the other party that the Transaction does not constitute a prohibited transaction under ERISA or is otherwise exempt therefrom, and the other party may proceed in reliance thereon but shall not be required so to proceed.
- (b) Subject to the last sentence of subparagraph (a) of this Paragraph, any such Transaction shall proceed only if Seller furnishes or has furnished to Buyer its most recent available audited statement of its financial condition and its most recent subsequent unaudited statement of its financial condition.
- (c) By entering into a Transaction pursuant to this Paragraph, Seller shall be deemed (i) to represent to Buyer that since the date of Seller's latest such financial statements, there has been no material adverse change in Seller's financial condition which Seller has not disclosed to Buyer, and (ii) to agree to provide Buyer with future audited and unaudited statements of its financial condition as they are issued, so long as it is a Seller in any outstanding Transaction involving a Plan Party.

19. Intent

- (a) The parties recognize that each Transaction is a "repurchase agreement" as that term is defined in Section 101 of Title 11 of the United States Code, as amended (except insofar as the type of Securities subject to such Transaction or the term of such Transaction would render such definition inapplicable), and a "securities contract" as that term is defined in Section 741 of Title 11 of the United States Code, as amended (except insofar as the type of assets subject to such Transaction would render such definition inapplicable).
- (b) It is understood that either party's right to liquidate Securities delivered to it in connection with Transactions hereunder or to exercise any other remedies pursuant to Paragraph 11 hereof is a contractual right to liquidate such Transaction as described in Sections 555 and 559 of Title 11 of the United States Code, as amended.
- (c) The parties agree and acknowledge that if a party hereto is an "insured depository institution," as such term is defined in the Federal Deposit Insurance Act, as amended ("FDIA"), then each Transaction hereunder is a "qualified financial contract," as that term is defined in FDIA and any rules, orders or policy statements thereunder (except insofar as the type of assets subject to such Transaction would render such definition inapplicable).
- (d) It is understood that this Agreement constitutes a "netting contract" as defined in and subject to Title IV of the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") and each payment entitlement and payment obligation under any Transaction hereunder shall constitute a "covered contractual payment entitlement" or "covered contractual payment obligation",

respectively, as defined in and subject to FDICIA (except insofar as one or both of the parties is not a "financial institution" as that term is defined in FDICIA).

20. Disclosure Relating to Certain Federal Protections

The parties acknowledge that they have been advised that:

- (a) in the case of Transactions in which one of the parties is a broker or dealer registered with the Securities and Exchange Commission ("SEC") under Section 15 of the Securities Exchange Act of 1934 ("1934 Act"), the Securities Investor Protection Corporation has taken the position that the provisions of the Securities Investor Protection Act of 1970 ("SIPA") do not protect the other party with respect to any Transaction hereunder;
- (b) in the case of Transactions in which one of the parties is a government securities broker or a government securities dealer registered with the SEC under Section 15C of the 1934 Act, SIPA will not provide protection to the other party with respect to any Transaction hereunder; and
- (c) in the case of Transactions in which one of the parties is a financial institution, funds held by the financial institution pursuant to a Transaction hereunder are not a deposit and therefore are not insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, as applicable.

Lehman Brothers Inc.

WesternBank Puerto Rico

[Name of Party]

[Name of Party]

By: *Robert H. Bing*

By: *[Signature]*

Title: ROBERT H. BING

Title: *Chief Principal Officer*

Date: 2/23/98

Date: *2/24/98*

ANNEX I
Supplemental Terms and Conditions

This Annex forms a part of the Master Repurchase Agreement dated as of February 23, 1998 (the "Agreement") between Lehman Brothers Inc. and WesternBank Puerto Rico. Capitalized terms used but not defined in this Annex I shall have the meanings ascribed to them in the Agreement.

1. In addition to this Annex I, Annex IA and Annex II, Annex III, Party Acting as Agent shall be executed by the parties hereto to the extent applicable, and shall also form a part of the Agreement.
2. With respect to individual repurchase transactions, this Agreement shall only apply to the Lehman Brothers entity (i.e. Lehman Brothers Inc.) printed in the confirmation (as described in Section 3(b) herein) provided to the counterparty of the Lehman Brothers entity.
3. Definitions. For purposes of the Agreement, the following terms shall have the following meanings:
"Margin Notice Deadline", 10:00 am New York City time.
"Business Day" or "business day", with respect to any Transaction hereunder, a day on which regular trading may occur in the principal market for the Purchased Securities subject to such Transaction. In no event shall a Saturday or Sunday be considered a business day.
4. Purchase Price Maintenance.
(a) Unless otherwise expressly agreed by the parties hereto, the parties agree that in any Transaction hereunder whose term extends over an Income payment date for the Securities subject to such Transaction, Buyer shall on the date such Income is paid transfer to or credit to the account of Seller an amount equal to such Income payment or payments pursuant to Paragraph 5(i) and shall not apply the Income payment or payments to reduce the amount to be transferred to Buyer or Seller upon termination of the Transaction pursuant to Paragraph 5(ii) of the Agreement.
(b) Unless otherwise expressly agreed by the parties hereto, notwithstanding the definition of Purchase Price in Paragraph 2 of the Agreement and the provisions of Paragraph 4 of the Agreement, the parties agree (i) that the Purchase Price will not be increased or decreased by the amount of any cash transferred by one party to the other pursuant to Paragraph 4 of the Agreement and (ii) that transfer of cash shall be treated as if it constituted a transfer of Securities (with a Market Value equal to the U.S. dollar amount of such cash) pursuant to Paragraph 4(a) or (b), as the case may be (including for purposes of the definition of "Additional Purchased Securities").
5. Submission to Jurisdiction and Waiver of Immunity.
(a) Each party irrevocably and unconditionally (i) submits to the non-exclusive jurisdiction of any United States Federal or New York State court sitting in Manhattan, and any appellate court from any such court, solely for the purpose of any suit, action or proceeding brought to enforce its obligations under the Agreement and (ii) waives, to the fullest extent it may effectively do so, any defense of an inconvenient forum to the maintenance of such action or proceeding in any such court and any right of jurisdiction on account of its place of residence or domicile.
(b) To the extent that either party has or hereafter may acquire any immunity (sovereign or otherwise) from any legal action, suit, or proceeding, from jurisdiction of any court or from set off or any legal process (whether service or notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) with respect to itself or any of its property, such party hereby irrevocably waives and agrees not to plead or claim such immunity in respect of any action brought to enforce its obligations under the Agreement or relating in any way to the Agreement or any Transaction under the Agreement.

6. Substitution

The following two subparagraphs shall be added to Paragraph 9 of the Agreement:

(c) In the case of any Transaction for which the Repurchase Date is other than the business day immediately following the Purchase Date and with respect to which Seller does not have any existing right to substitute substantially the same Securities for the Purchased Securities, Seller shall have the right, subject to the proviso to this sentence, upon notice to Buyer, which notice shall be given at or prior to 10 am (New York time) on such business day, to substitute substantially the same Securities for any Purchased Securities, *provided, however*, that Buyer may elect, by the close of business on the business day notice is received, or by the close of the next business day if notice is given after 10 am (New York time) on such day, not to accept such substitution. In the event such substitution is accepted by Buyer, such substitution shall be made by Seller's transfer to Buyer of such other Securities and Buyer's transfer to Seller of such Purchased Securities, and after substitution, the substituted Securities shall be deemed to be Purchased Securities. In the event Buyer elects not to accept such substitution, Buyer shall offer Seller the right to terminate the Transaction.

(d) In the event Seller exercises its right to substitute or terminate under sub-paragraph (c), Seller shall be obligated to pay to Buyer, by the close of the business day of such substitution or termination, as the case may be, an amount equal to (A) Buyer's actual cost (including all fees, expenses and commissions) of (i) entering into replacement transactions; (ii) entering into or terminating hedge transactions; and/or (iii) terminating transactions or substituting securities in like transactions with third parties in connection with or as a result of such substitution or termination, and (B) to the extent Buyer determines not to enter into replacement transactions, the loss incurred by Buyer directly arising or resulting from such substitution or termination. The foregoing amounts shall be solely determined and calculated by Buyer in good faith.

Annex II
Names and Addresses for Communications Between Parties

LEHMAN BROTHERS
Three World Financial Center, 12th Floor
New York, New York 10285-1200

Attn.: Robert H. Bing
Central Funding
(212) 526-8634 phone
(212) 526-6678 fax

Name of Firm: WesternBank Puerto Rico

Address: P.O. Box 1180

Mayaguez, Puerto Rico 00681-1180

Attn.: M. Brian Morrison

Tel #: (787) 834-8617

Fax #: (787) 834-0404

**Annex III
Party Acting as Agent**

This Annex III forms a part of the Master Repurchase Agreement dated as of February 23, 1996 (the "Agreement") between Lehman Brothers Inc. and WesternBank Puerto Rico. This Annex III sets forth the terms and conditions governing all transactions in which a party selling securities or buying securities, as the case may be ("Agent"), in a Transaction is acting as agent for one or more third parties (each, a "Principal"). Capitalized terms used but not defined in this Annex III shall have the meanings ascribed to them in the Agreement.

1. Additional Representations. In addition to the representations set forth in Paragraph 10 of the Agreement, Agent hereby makes the following representations, which shall continue during the term of any Transaction: Principal has duly authorized Agent to execute and deliver the Agreement on its behalf, has the power to so authorize Agent and to enter into the Transactions contemplated by the Agreement and to perform the obligations of Seller or Buyer, as the case may be, under such Transactions, and has taken all necessary action to authorize such execution and delivery by Agent and such performance by it.
2. Identification of Principals. Agent agrees (a) to provide the other party, prior to the date on which the parties agree to enter into any Transaction under the Agreement, with a written list of Principals for which it intends to act as Agent (which list may be amended in writing from time to time with the consent of the other party), and (b) to provide the other party, before the close of business on the next business day after orally agreeing to enter into a Transaction, with notice of the specific Principal or Principals for whom it is acting in connection with such Transaction. If (i) Agent fails to identify such Principal or Principals prior to the close of business on such next business day or (ii) the other party shall determine in its sole discretion that any Principal or Principals identified by Agent are not acceptable to it, the other party may reject and rescind any Transaction with such Principal or Principals, return to Agent any Purchased Securities or portion of the Purchase Price, as the case may be, previously transferred to the other party and refuse any further performance under such Transaction, and Agent shall immediately return to the other party any portion of the Purchase Price or Purchased Securities, as the case may be, previously transferred to Agent in connection with such Transaction; provided, however, that (A) the other party shall promptly (and in any event within one business day) notify Agent of its determination to reject and rescind such Transaction and (B) to the extent that any performance was rendered by any party under any Transaction rejected by the other party, such party shall remain entitled to any Price Differential or other amounts that would have been payable to it with respect to such performance if such Transaction had not been rejected. The other party acknowledges that Agent shall not have any obligation to provide it with confidential information regarding the financial status of its Principals; Agent agrees, however, that it will assist the other party in obtaining from Agent's Principals such information regarding the financial status of such Principals as the other party may reasonably request.
3. Limitation of Agent's Liability. The parties expressly acknowledge that if the representations of Agent under the Agreement, including this Annex III, are true and correct in all material respects during the term of any Transaction and Agent otherwise complies with the provisions of this Annex III, then (a) Agent's obligations under the Agreement shall not include a guarantee of performance by its Principal or Principals and (b) the other party's remedies shall not include a right of setoff in respect of rights or obligations, if any, of Agent arising in other transactions in which Agent is acting as principal.

4. Multiple Principals.

(a) In the event that Agent proposes to act for more than one Principal hereunder, Agent and the other party shall elect whether (i) to treat Transactions under the Agreement as transactions entered into on behalf of separate Principals or (ii) to aggregate such Transactions as if they were transactions by a single Principal. Failure to make such an election in writing shall be deemed an election to treat Transactions under the Agreement as transactions on behalf of separate Principals.

(b) In the event that Agent and the other party elect (or are deemed to elect) to treat Transactions under the Agreement as transactions on behalf of separate Principals, the parties agree that (i) Agent will provide the other party, together with the notice described in Paragraph 2(b) of this Annex III, notice specifying the portion of each Transaction allocable to the account of each of the Principals for which it is acting (to the extent that any such Transaction is allocable to the account of more than one Principal); (ii) the portion of any individual Transaction allocable to each Principal shall be deemed a separate Transaction under the Agreement; (iii) the margin maintenance obligations of Buyer and Seller under Paragraph 4 of the Agreement shall be determined on a Transaction-by-Transaction basis (unless the parties agree to determine such obligations on a Principal-by-Principal basis); and (iv) Buyer's and Seller's remedies under the Agreement upon the occurrence of an Event of Default shall be determined as if Agent had entered into a separate Agreement with the other party on behalf of each of its Principals.

(c) In the event that Agent and the other party elect to treat Transactions under the Agreement as if they were transactions by a single Principal, the parties agree that (i) Agent's notice under Paragraph 2(b) of this Annex III need only identify the names of its Principals but not the portion of each Transaction allocable to each Principal's account; (ii) the margin maintenance obligations of Buyer and Seller under Paragraph 4 of the Agreement shall, subject to any greater requirement imposed by applicable law, be determined on an aggregate basis for all Transactions entered into by Agent on behalf of any Principal; and (iii) Buyer's and Seller's remedies upon the occurrence of an Event of Default shall be determined as if all Principals were a single Seller or Buyer, as the case may be.

(d) Notwithstanding any other provision of the Agreement (including, without limitation, this Annex III), the parties agree that any Transactions by Agent on behalf of an employee benefit plan under ERISA shall be treated as Transactions on behalf of separate Principals in accordance with Paragraph 4(b) of this Annex III (and all margin maintenance obligations of the parties shall be determined on a Transaction-by-Transaction basis).

5. Interpretation of Terms. All references to "Seller" or "Buyer", as the case may be, in the Agreement shall, subject to the provisions of this Annex III (including, among other provisions, the limitations on Agent's liability in Paragraph 3 of this Annex III), be construed to reflect that (i) each Principal shall have, in connection with any Transaction or Transactions entered into by Agent on its behalf, the rights, responsibilities, privileges and obligations of a "Seller" or "Buyer", as the case may be, directly entering into such Transaction or Transactions with the other party under the Agreement, and (ii) Agent's Principal or Principals have designated Agent as their sole agent for performance of Seller's obligations to Buyer or Buyer's obligations to Seller, as the case may be, and for receipt of performance by Buyer of its obligations to Seller or Seller of its obligations to Buyer, as the case may be, in connection with any Transaction or Transactions under the Agreement (including, among other things, as Agent for each Principal in connection with transfers of Securities, cash or other property and as agent for giving and receiving all notices under the Agreement). Both Agent and its Principal or Principals shall be deemed "parties" to the Agreement and all references to a "party" or "either party" in the Agreement shall be deemed revised accordingly (and any Act of Insolvency with respect to Agent or any other Event of Default by Agent under Paragraph 11 of the Agreement shall be deemed an Event of Default by Seller or Buyer, as the case may be).

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ANNEX IA
Supplemental Terms and Conditions

The parties hereto agree that the following Supplemental Terms and Conditions are hereby incorporated in the Master Repurchase Agreement dated as of February 23, 1998 (the "Agreement") by and between the undersigned Lehman Brothers entities (each "Lehman") and WesternBank Puerto Rico ("Client").

- A. The definition of Act of Insolvency shall include the commencement of a case or proceeding against Client, or another's seeking such appointment of a supervisor, receiver, conservator, trustee, custodian or similar official for such party or over any substantial part of its property (including, without limitation, the Office of Thrift Supervision ("OTS"), Federal Deposit Insurance Corporation ("FDIC") or Resolution Trust Corporation ("RTC") or any successor entity, or a state authority seeking the appointment of the FDIC or RTC or a state authority as receiver, conservator or legal custodian of Client).
- B. Financial Statement Reporting Requirement. Client agrees to supply, or cause to be supplied, to Lehman the following financial reports:
- (i) Promptly after filing or sending the same to the appropriate regulatory authorities, a copy of each OTS Thrift Financial Report, together with all annexes and schedules thereto, of Client, as well as Form 8-K, Form 10-Q and Form 10-K, of Client Corporation (The "Parent Corporation");
 - (ii) Within 90 days after the expiration of each fiscal year (being December 31) of Client and the Parent Corporation, a consolidated statement of operations for such fiscal year and a consolidated statement of condition of the Parent Corporation and its consolidated subsidiaries as of the last day of such fiscal year. Such consolidated statements of operations and condition shall set forth in reasonable detail the results of operations for the period ended, and the financial condition of Client and the Parent Corporation and its consolidated subsidiaries as the date thereof, and shall be accompanied by the report or opinion of independent certified accountants who have audited the books of the Parent Corporation for such fiscal year.
 - (iii) Within 45 days after the end of each of the first three quarters in each fiscal year, equivalent financial information to that required by Subparagraph B(ii), but on an unaudited basis.
- C. Covenants of Client.
- (i) Client covenants and agrees that it shall not consolidate with or merge into, or transfer all or substantially all of its assets to, another entity (or permit the occurrence of same) unless the resulting surviving or transferee entity (a) is a corporation organized under the laws of the United States of America or political subdivision thereof and which is a depository institution the accounts of which are insured by the FDIC; (b) assumes all the obligations of Client under this Agreement and any outstanding Confirmation pursuant to an agreement reasonably satisfactory to Lehman; (c) such merger, consolidation or asset transfer has received the prior written approval of the regulatory authorities having jurisdiction over such transaction; and (d) Lehman receives as part of the aforementioned agreement assurances from such entity prior to the proposed merger, consolidation or asset acquisition, reasonably satisfactory to Lehman, that such entity would not, following such proposed transaction, present an unacceptable credit risk to Lehman and would be an entity able to faithfully perform under the terms of this Agreement and each outstanding Confirmation. Any such entity so qualifying under this Subparagraph C(i) to assume the obligations of Client shall hereinafter be referred to as a "Permitted Successor".
 - (ii) Client shall immediately give written notice to Lehman, upon the occurrence of any Event of Default, or an event which with the giving of notice or lapse of time or both would become an Event of Default.

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(iii) Upon ten days' notice to Client, Client shall provide to Lehman an Officer's Certificate and such other information as may be reasonably requested by Lehman showing Client's compliance with the terms and conditions of this Agreement and each Confirmation and Transaction hereunder.

(iv) Client shall (x) maintain continuous custody of an executed copy of this Agreement, each Confirmation and Transaction-related documents and all corporate records evidencing due authorization of each Transaction; and (y) in connection with each Transaction, maintain compliance with "written agreement" requirements as set forth in Section 13(e) of the Federal Deposit Insurance Act, as amended (12 U.S.C. Section 1823(e)) and construed in the policy statement of the FDIC regarding qualified financial contracts.

D. Events of Default. In addition to Events of Default defined in Paragraph 11 hereto, an Event of Default by Client shall occur if:

- (i) Client's deposit accounts are no longer FDIC insured.
- (ii) Client fails to comply with the requirements of Paragraph C hereof.

Any repudiation or breach by Client of, or other default by Client under this Agreement shall at Lehman's election, constitute a repudiation or default by Client of or under all other agreements which Client may have with Lehman and/or any of its other affiliates, whether heretofore or hereafter entered into.

E. Non-Assignability, Termination.

This Paragraph E supersedes Paragraph 15 of the Agreement:

(i) Except with respect to a Permitted Successor of Client under Subparagraph C(f) hereof and a Permitted Lehman Assignee under Paragraph E(ii) hereof, the rights and obligations of the parties under this Agreement, under each Confirmation and under any Transactions shall not be assigned by either party, including assignment by operation of law, by action of any regulatory authority or otherwise, and any such assignment shall be null and void. This Agreement, each Confirmation and any Transaction shall be binding upon the parties hereto and, to the extent transferred in violation hereof, their respective successors and assigns jointly and severally with the parties hereto; and shall inure to the benefit of the parties hereto, but in no way shall this Agreement and any rights hereunder inure to the benefit of such successors and assigns, other than a Permitted Successor of Client under Subparagraph C(f) hereof. Except as may be otherwise agreed in writing by the parties, this Agreement may be canceled by either party upon its giving written notice of cancellation to the other; provided, however, that this Agreement shall, notwithstanding such notice, remain applicable to any Transaction then outstanding or any forward or successive Transaction agreed to by the parties pursuant to a Confirmation prior to the cancellation of this Agreement.

(ii) Lehman shall have the rights to assign this Agreement, and any of its rights, obligations and benefits hereunder, under any Confirmation and under any Transaction to any subsidiary or affiliate of Lehman, so long as such entity remains a direct or indirect wholly-owned subsidiary of Lehman Brothers Holdings Inc. (a "Permitted Lehman Assignee"). In the event of an assignment of Lehman's obligations hereunder to a Permitted Lehman Assignee, such assignee shall succeed to, and shall be responsible for the performance of, all of Lehman's covenants and obligations hereunder, and Lehman shall be released from such covenants and obligations.

F. Further Rights to Terminate Transactions. In each of the following applicable instances, upon Lehman's written notice to the Client ("Termination Notice"), Lehman shall have the right in its sole discretion to accelerate the Repurchase Date for any outstanding Transaction and no longer be

obligated to enter into any additional Transactions pursuant to any outstanding Confirmation, such accelerated Repurchase Date to occur on the day following the date of such Termination Notice.

(i) (a) applicable Federal or state bankruptcy, insolvency or similar laws, or any other laws, including regulations or interpretations issued hereunder by appropriate courts or regulatory agencies, in existence on the date hereof, are altered or interpreted, or such laws, regulations or interpretations are enacted, adopted or issued after the date hereof, in either case in a manner which, with respect to an outstanding Transaction, either materially (x) limits the ability of Client to pledge or grant to Lehman an effective first priority perfected security interest in Purchased Securities or limits the ability of Client to transfer to Lehman all rights, title and interest herein and thereto, free and clear of any claim or interest of any other, or (y) would impair the right of Lehman to exercise any of its remedies hereunder in a timely manner in accordance with this Agreement and the applicable FIRREA provisions referred to in Paragraph H hereof and obtain or transfer sole right, title and interest in and to the Purchased Securities; or (b) changes in applicable law or regulations prohibit Client or Lehman from participating in repurchase agreements, as contemplated by this Agreement or any Confirmation, and such prohibition would be applicable to any outstanding Transactions or to any Transaction to be entered into under a Confirmation.

(ii) if, during the term of any outstanding Transaction, quotations for repurchase (or reverse repurchase) transactions in securities of the same type as any Purchased Security subject to any such outstanding Transaction are not available to Lehman, Client and market participants generally from at least one (other than Lehman) of the primary government securities dealers, designated from time to time by the Federal Reserve Bank of New York (collectively, the "Primary Dealers"), after good faith efforts on the part of Lehman and Client to obtain such quotations over a continuous period of thirty (30) days, all resulting from the declaration of a national emergency or the occurrence of a material change in general economic, political or financial conditions (international or domestic) materially and adversely affecting the financial markets in the United States generally; provided, however, that Lehman, as a precondition to its terminating a Transaction pursuant to this Subparagraph F(ii), deliver to Client an Officer's Certificate certifying the occurrence of the events hereinabove described.

(iii) if, during the term of any outstanding Transaction, any material adverse change in the business condition of Client occurs, as determined in good faith by Lehman.

G. Affiliate Transaction Defaults -- Use of Collateral.

(i) To the extent Client (a) has one or more transactions outstanding with Lehman, Lehman Holdings or any direct or indirect affiliate of Lehman ("Lehman Affiliate") including, but not limited to, a forward or option transaction, interest rate and/or currency swap transaction or repurchase (including reverse repurchase) transaction (each, an "Affiliate Transaction"), and (b) an "Event of Default", "Termination Event" or equivalent default event has occurred thereunder with respect to the Client, hereby entitling the Lehman Affiliate to terminate or otherwise close out the related Affiliate Transaction ("Affiliate Transaction Default"), Lehman and the affected Lehman Affiliate shall have the right at its option, and in addition to whatever right it may have under the Affiliate Transaction, to apply all or any portion of the Purchased Securities sold to Lehman under any Transaction outstanding under this Agreement to satisfy, in whole or in part, any liabilities or obligations of Client arising by virtue of said Affiliate Transaction Default; provided, however, that such Affiliate Transaction Default shall not in and of itself be an Event of Default hereunder.

(ii) The foregoing shall in no way be construed as permitting Client or requiring Lehman in the event of margin deficit or comparable event under the Affiliate Transaction, to look to or otherwise remedy such deficit with the Purchased Securities relating to any outstanding Transaction under this Agreement.

(iii) Client shall remain obligated, following an Affiliate Transaction Default and use by the Lehman Affiliate of the Purchased Securities in connection therewith, to remedy any resulting Margin Deficit with respect to any outstanding Transaction under this Agreement.

H. Intent

(i) The parties recognize that each Transactions is intended to be and shall be treated by Client and Lehman as a "repurchase agreement" and a "securities contract" as those terms are defined under the relevant provisions of FIRREA.

(ii) It is understood that Lehman's right to liquidate Purchased Securities delivered to it in connection with any Transactions hereunder or to exercise any other remedies pursuant to Paragraph 11 hereof includes, without limitation, a right to liquidate such Transaction in a manner consistent with the applicable provisions of FIRREA governing "qualified financial contracts".

I. Counterparts. This Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original and such counterparts, taken together, shall constitute one and the same instrument.

Dated as of: February 23, 1998

Agreed and Accepted:

WESTERNBANK PUERTO RICO

LEHMAN BROTHERS INC.

("Client")

("Lehman")

By: 

By: 

Name: Freddy Maldonado

Name: Robert H. Bing

Title: Chief Financial Officer

Title: Vice President

Date: February 23, 1998

Date: February 23, 1998

EXHIBIT D

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P.05/08

Lehman Brothers

January 28, 2002

Mr. Freddy Maldonado
Chief Financial Officer
WesternBank Puerto Rico
19 W. McKinley Street
Mayaguez, Puerto Rico 00680
787-834-8000 x2301

Ladies and Gentlemen:

We refer to the Master Repurchase Agreement and annexes attached thereto (the "Agreement"), dated as of February 23, 1998 between WesternBank Puerto Rico ("Client" or "Seller") and the undersigned, Lehman Brothers Inc. ("Lehman" or "Buyer") governing the Transactions entered into from time to time by Client and Lehman. Prior to the date hereof the Client and Lehman entered into two Transactions with (i) an original "Purchase Date" of September 1, 2000, and October 12, 2000 (ii) an original "Purchase Price" of \$100,000,000 and \$23,198,000 respectively, and (iii) an original "Repurchase Date" of September 1, 2010 and October 12, 2010 respectively, which Transaction was evidenced by a confirmation or confirmations issued between the parties prior to the date hereof (the "Original Transaction Confirmation"). Lehman and Client have agreed to amend and restate such Original Transaction Confirmation in its entirety pursuant to the terms of this Letter Agreement. This Letter Agreement (which constitutes, as to the Transaction described herein, a "Confirmation" pursuant to the Agreement) (1) supercedes and amends in its entirety the Original Transaction Confirmation, and (2) confirms the agreement between Client and Lehman with respect to the Transaction described herein, all subject to the terms and conditions of this Letter Agreement and the TRANSACTION TERMS set forth herein. Upon execution and delivery by the parties hereto of this Letter Agreement, the Original Transaction Confirmation shall be deemed to be amended and restated in its entirety by the terms and conditions of this Letter Agreement and any reference to a "Confirmation" with respect to such transaction shall refer to this Letter Agreement.

All capitalized terms used and not defined herein will have the respective meanings ascribed to them in the Agreement. The Agreement is hereby incorporated herein and made a part hereof, and provisions thereof shall be deemed to constitute additional terms of this Letter Agreement as if set forth in full herein. If there is any conflict between the terms of the Agreement, the Original Transaction Confirmation or any automated confirmation that is sent out with respect to this Transaction and this Letter Agreement, the terms of this Letter Agreement shall control. A Business Day shall be any day other than a day on which banks in New York City are authorized or required by law to close or other than a day Lehman is closed for business.

Without limiting any of the provisions hereof, the parties hereto confirm that the representations and warranties in Section 19 of the Agreement regarding the nature of this Transaction shall apply and remain in full force and effect. The Seller further represents that Transactions hereunder are qualified financial contracts under FIRREA.

On the Purchase Date, as defined below, respecting this Transaction, Lehman, as Buyer, shall purchase from Client, as Seller, Securities at the Purchase Price provided below in TRANSACTION TERMS, such Purchased Securities shall have a Market Value on the Purchase Date equal to the product of the Applicable Margin Percentage multiplied by the Purchase Price.

Notwithstanding the foregoing, either party may terminate the Transaction hereunder upon the occurrence of an Event of Default by the other party pursuant to the Agreement.

TRANSACTION TERMS

"Purchase Date"

December 1, 2001

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"Repurchase Date"	December 1, 2016; provided however that Buyer at its sole option, (a) upon four (4) Business Day's notice to Seller, may accelerate the Repurchase Date to any 1st day of each March, June, September, and December which is on or after September 1, 2002, and if any such date is not a Business Day, then the next occurring Business Day; and (b) may accelerate the Repurchase Date to any Business Day in accordance the terms of Paragraph F of Annex 1A to the Agreement.
Purchase Price	\$123,198,000
Purchased Securities/Additional Purchased Securities/Substitute Securities	U.S. Agency Securities; fixed rate, fixed rate callable, only. No more than 13 CUSIPs at any one time. Additional Purchased Securities provided to meet a Margin Deficit must meet collateral substitution guidelines. Cash will not be acceptable as Purchased Securities, Additional Purchased Securities or Substitute Securities. Substitute Securities may be similar or higher quality collateral than the original Purchased Securities.
Applicable Margin Percentage	The greater of (i) One hundred and one percent (101%) plus the Replacement Value Percentage (as defined below) if such amount is greater than zero, and (ii) the Regulatory Minimum (as defined below).
Regulatory Minimum	The margin percentage required by legal or regulatory authorities, such as the New York Stock Exchange, the NASD, the SEC or the Federal Reserve Board, for such Purchased Securities in such Repurchase Transaction as determined by Lehman and applied in the ordinary course of its securities repo business.
Mark-to-Market	Daily, or as otherwise determined by Lehman.
Pricing Rate	12/1/01 - 12/1/02: 6.80% 12/1/02 - 12/1/03: 6.85% 12/1/03 - 12/1/04: 5.76% 12/1/04 - 12/1/10: 6.00% 12/1/10 - 3/1/13: 6.50% 3/1/13 - 12/1/16: 6.75% (based upon actual number of days in a 360 day year).
Payment Dates	The 1st day of each March, June, September, and December. On each Payment Date prior to the Repurchase Date, Seller shall pay to Buyer an amount equal to the accrued and unpaid Price Differential; on the Repurchase Date, Seller shall pay Buyer an amount equal to the accrued and unpaid Purchase Price plus the unpaid Price Differential.
Additional Default Provision	Section 11(g) of the Agreement is amended by deleting the period at the end of the section and by inserting: ", and (iv) where Seller is the defaulting party, the cost of unwinding the interest rate structure of the Transaction

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P. 07/08

(including without limitation any loss or cost that would be incurred as a result of its terminating, liquidating, obtaining or reestablishing any hedge or related trading position)."

Replacement Value Percentage

As of any date of determination means an amount calculated by Buyer as a percentage equal to (i) the Replacement Value as of such date of determination as calculated by Buyer, divided by (ii) the Repurchase Price as of such date of determination.

Replacement Value

An amount equal to the net amount that the Buyer would receive from a third party or the Buyer would have to pay a third party, as consideration for Buyer and third party entering into a Repurchase Transaction with the identical Purchase Price, Pricing Rate, Purchased Securities, Applicable Margin Percentage and Repurchase Price as this Transaction or other third party transactions entered into by Buyer to hedge its interest rate risk with respect to this Transaction (any such transaction a "Replacement Transaction"), as such amount is calculated by the Buyer on a periodic (up to daily) basis.

The Replacement Value shall be (i) a negative amount, if Buyer would receive consideration from the third party in connection with such Replacement Transaction, and (ii) a positive amount, if Buyer would pay consideration to the third party in connection with such Replacement Transaction.

Threshold Amount:

The Buyer and Seller agree as long as no Default or Event of Default has occurred pursuant to the Master Repurchase Agreement, that if as of any business day the aggregate outstanding margin delivery requirements of Seller with respect to this Transaction and each of the other repurchase transactions between Lehman and Client (the "Aggregate Outstanding Collateral Requirement") represent in the aggregate less than \$1,000,000 ("Minimum Transfer Amount"), Client will not be required to deliver Additional Purchased Securities with respect to this Transaction until the Aggregate Outstanding Collateral Requirement exceeds such Minimum Transfer Amount. Lehman Brothers' obligation to return any excess collateral would be subject to the same Minimum Transfer Amount.

In connection with the negotiation of, the entering into this Transaction hereunder Seller acknowledges and agrees that: (i) Buyer is acting for its own account and is not acting as a fiduciary for, or a financial or investment advisor to Seller (or in any similar capacity); (ii) Seller is not relying upon any communications (whether written or oral) from Buyer as investment advice or as a recommendation to enter into this Transaction (other than the representations expressly set forth in the Agreement), it being understood that information and explanations related to the terms and conditions of the Transaction shall not be considered investment advice or a recommendation to enter into the Transaction; (iii) Seller has not received from Buyer any assurance or guarantee as to the expected results of the Transaction; and (iv) Seller has consulted with its own legal, regulatory, tax, business, investment, financial, and accounting advisors to the extent it has deemed necessary, and it has made

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its own independent investment, hedging, and trading decisions based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by Buyer.

Any waiver of the conditions set forth in this Letter Agreement shall be in writing and no waiver of any such condition with respect to any Transaction shall constitute a waiver thereof with respect to any other Transaction. No failure or delay on the part of Buyer or Seller in exercising any right hereunder shall operate as a waiver of such right.

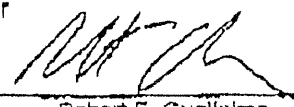
If you agree with the foregoing, please sign and return the enclosed copy hereof, whereupon this Letter Agreement shall become a binding agreement between Buyer and Seller.

Very truly yours,

AGREED TO AND ACCEPTED:
WESTERNBANK PUERTO RICO
as Seller

By: 
Name: Freddy Maldonado
Title: Chief Financial Officer

LEHMAN BROTHERS INC.
as Buyer

By: 
Name: Robert E. Guglielmo
Title: Senior Vice President

Fixed-Rate Step-Up Schedule A:

<u>Payment Date</u>	<u>Fixed Rate</u>
03/01/02	5.6000
06/01/02	5.6000
09/01/02	5.6000
12/01/02	5.6000
03/01/03	5.6500
06/01/03	5.6500
09/01/03	5.6500
12/01/03	5.6500
03/01/04	5.7500
06/01/04	5.7500
09/01/04	5.7500
12/01/04	5.7500
03/01/05	6.0000
06/01/05	6.0000
09/01/05	6.0000
12/01/05	6.0000
03/01/06	6.0000
06/01/06	6.0000
09/01/06	6.0000
12/01/06	6.0000
03/01/07	6.0000
06/01/07	6.0000
09/01/07	6.0000
12/01/07	6.0000
03/01/08	6.0000
06/01/08	6.0000
09/01/08	6.0000
12/01/08	6.0000
03/01/09	6.0000
06/01/09	6.0000
09/01/09	6.0000
12/01/09	6.0000
03/01/10	6.0000
06/01/10	6.0000
09/01/10	6.0000
12/01/10	6.0000
03/01/11	6.5000
06/01/11	6.5000
09/01/11	6.5000
12/01/11	6.5000
03/01/12	6.5000
06/01/12	6.5000
09/01/12	6.5000
12/01/12	6.5000
03/01/13	6.5000
06/01/13	6.7500
09/01/13	6.7500
12/01/13	6.7500
03/01/14	6.7500
06/01/14	6.7500
09/01/14	6.7500
12/01/14	6.7500
03/01/15	6.7500
06/01/15	6.7500
09/01/15	6.7500
12/01/15	6.7500
03/01/16	6.7500
06/01/16	6.7500
09/01/16	6.7500
12/01/16	6.7500

The above is for information purposes only and is not an offer or solicitation for the purchase or sale of any financial instrument nor a confirmation of terms. The information is believed to be reliable but neither Lehman Brothers nor any of its associated companies warrant or give any representation as to its completeness, reliability, or accuracy. Prices and availability are indicative only and are subject to change without notice. Prior to entering into any derivative transaction you should consult your own advisors regarding the tax, accounting, or legal aspects of this information. Generally all transactions involve the risk of adverse or unanticipated market developments, risk of counterparty default, risk of illiquidity and other similar risks. Trading or investing in interest rate derivatives can result in substantial risk and unlimited losses.

EXHIBIT E

201-524-4555

Lehman Brothers

January 29, 2002

Mr. Freddy Maldonado
Chief Financial Officer
WesternBank Puerto Rico International
19 W. McKinley Street
Mayaguez, Puerto Rico 00880
787-834-8000 x2301

Ladies and Gentlemen:

We refer to the Master Repurchase Agreement and annexes attached thereto (the "Agreement"), dated as of February 23, 1988 between WesternBank Puerto Rico ("Client" or "Seller") and the undersigned, Lehman Brothers Inc. ("Lehman" or "Buyer") governing the Transactions entered into from time to time by Client and Lehman. Prior to the date hereof the Client and Lehman entered into two Transactions with (i) an original "Purchase Date" of August 30, 2000, and September 15, 2000 (ii) an original "Purchase Price" of \$80,000,000 and \$50,000,000 respectively, and (iii) an original "Repurchase Date" of September 1, 2010 and September 1, 2010 respectively, which Transaction was evidenced by a confirmation or confirmations issued between the parties prior to the date hereof (the "Original Transaction Confirmation"). Lehman and Client have agreed to amend and restate such Original Transaction Confirmation in its entirety pursuant to the terms of this Letter Agreement. This Letter Agreement (which constitutes, as to the Transaction described herein, a "Confirmation" pursuant to the Agreement) (1) supercedes and amends in its entirety the Original Transaction Confirmation, and (2) confirms the agreement between Client and Lehman with respect to the Transaction described herein, all subject to the terms and conditions of this Letter Agreement and the TRANSACTION TERMS set forth herein. Upon execution and delivery by the parties hereto of this Letter Agreement, the Original Transaction Confirmation shall be deemed to be amended and restated in its entirety by the terms and conditions of this Letter Agreement and any reference to a "Confirmation" with respect to such transaction shall refer to this Letter Agreement.

All capitalized terms used and not defined herein will have the respective meanings ascribed to them in the Agreement. The Agreement is hereby incorporated herein and made a part hereof, and provisions thereof shall be deemed to constitute additional terms of this Letter Agreement as if set forth in full herein. If there is any conflict between the terms of the Agreement, the Original Transaction Confirmation or any automated confirmation that is sent out with respect to this Transaction and this Letter Agreement, the terms of this Letter Agreement shall control. A Business Day shall be any day other than a day on which banks in New York City are authorized or required by law to close or other than a day Lehman is closed for business.

Without limiting any of the provisions hereof, the parties hereto confirm that the representations and warranties in Section 19 of the Agreement regarding the nature of this Transaction shall apply and remain in full force and effect. The Seller further represents that Transactions hereunder are qualified financial contracts under FIRREA.

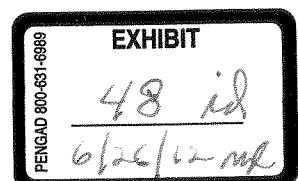
On the Purchase Date, as defined below, respecting this Transaction, Lehman, as Buyer, shall purchase from Client, as Seller, Securities at the Purchase Price provided below in TRANSACTION TERMS, such Purchased Securities shall have a Market Value on the Purchase Date equal to the product of the Applicable Margin Percentage multiplied by the Purchase Price.

Notwithstanding the foregoing, either party may terminate the Transaction hereunder upon the occurrence of an Event of Default by the other party pursuant to the Agreement.

TRANSACTION TERMS

"Purchase Date"

December 1, 2001



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"Repurchase Date"	December 1, 2018; provided however that Buyer at its sole option, (a) upon four (4) Business Days notice to Seller, may accelerate the Repurchase Date to any 1st day of each March, June, September, and December which is on or after September 1, 2002, and if any such date is not a Business Day, then the next occurring Business Day; and (b) may accelerate the Repurchase Date to any Business Day in accordance the terms of Paragraph F of Annex 1A to the Agreement.
Purchase Price	\$110,000,000
Purchased Securities/Additional Purchased Securities/Substitute Securities	U.S. Agency Securities; fixed rate, fixed rate callable, only. No more than 10 CUSIPs at any one time. Additional Purchased Securities provided to meet a Margin Deficit must meet collateral substitution guidelines. Cash will not be acceptable as Purchased Securities, Additional Purchased Securities or Substitute Securities. Substitute Securities may be similar or higher quality collateral than the original Purchased Securities.
Applicable Margin Percentage	The greater of (I) One hundred and one percent (101%) plus the Replacement Value Percentage (as defined below) if such amount is greater than zero, and (II) the Regulatory Minimum (as defined below).
Regulatory Minimum	The margin percentage required by legal or regulatory authorities, such as the New York Stock Exchange, the NASD, the SEC or the Federal Reserve Board, for such Purchased Securities in such Repurchase Transaction as determined by Lehman and applied in the ordinary course of its securities repo business.
Mark-to-Market	Daily, or as otherwise determined by Lehman.
Pricing Rate	12/1/01 - 12/1/02: 6.80% 12/1/02 - 12/1/03: 6.65% 12/1/03 - 12/1/04: 6.75% 12/1/04 - 12/1/10: 6.00% 12/1/10 - 3/1/13: 6.50% 3/1/13 - 12/1/18: 6.75% (based upon actual number of days in a 360 day year).
Payment Dates	The 1st day of each March, June, September, and December. On each Payment Date prior to the Repurchase Date, Seller shall pay to Buyer an amount equal to the accrued and unpaid Price Differential; on the Repurchase Date, Seller shall pay Buyer an amount equal to the accrued and unpaid Purchase Price plus the unpaid Price Differential.
Additional Default Provision	Section 11(g) of the Agreement is amended by deleting the period at the end of the section and by inserting: ", and (iv) where Seller is the defaulting party, the cost of unwinding the interest rate structure of the Transaction

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(including without limitation any loss or cost that would be incurred as a result of its terminating, liquidating, obtaining or reestablishing any hedge or related trading position)."

Replacement Value Percentage

As of any date of determination means an amount calculated by Buyer as a percentage equal to (i) the Replacement Value as of such date of determination as calculated by Buyer, divided by (ii) the Repurchase Price as of such date of determination.

Replacement Value

An amount equal to the net amount that the Buyer would receive from a third party or the Buyer would have to pay a third party, as consideration for Buyer and third party entering into a Repurchase Transaction with the identical Purchase Price, Pricing Rule, Purchased Securities, Applicable Margin Percentage and Repurchase Price as this Transaction or other third party transactions entered into by Buyer to hedge its interest rate risk with respect to this Transaction (any such transaction a "Replacement Transaction"), as such amount is calculated by the Buyer on a periodic (up to daily) basis.

The Replacement Value shall be (i) a negative amount, if Buyer would receive consideration from the third party in connection with such Replacement Transaction, and (ii) a positive amount, if Buyer would pay consideration to the third party in connection with such Replacement Transaction.

Threshold Amount:

The Buyer and Seller agree as long as no Default or Event of Default has occurred pursuant to the Master Repurchase Agreement, that if as of any business day the aggregate outstanding margin delivery requirements of Seller with respect to this Transaction and each of the other repurchase transactions between Lehman and Client (the "Aggregate Outstanding Collateral Requirement") represent in the aggregate less than \$1,000,000 ("Minimum Transfer Amount"), Client will not be required to deliver Additional Purchased Securities with respect to this Transaction until the Aggregate Outstanding Collateral Requirement exceeds such Minimum Transfer Amount. Lehman Brothers' obligation to return any excess collateral would be subject to the same Minimum Transfer Amount.

In connection with the negotiation of, the entering into this Transaction hereunder Seller acknowledges and agrees that: (i) Buyer is acting for its own account and is not acting as a fiduciary for, or a financial or investment advisor to Seller (or in any similar capacity); (ii) Seller is not relying upon any communications (whether written or oral) from Buyer as investment advice or as a recommendation to enter into this Transaction (other than the representations expressly set forth in the Agreement), it being understood that information and explanations related to the terms and conditions of the Transaction shall not be considered investment advice or a recommendation to enter into the Transaction; (iii) Seller has not received from Buyer any assurance or guarantee as to the expected results of the Transaction; and (iv) Seller has consulted with its own legal, regulatory, tax, business, investment, financial, and accounting advisors to the extent it has deemed necessary, and it has made

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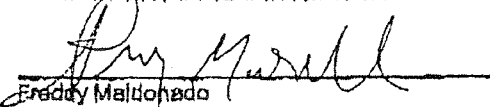
its own independent investment, hedging, and trading decisions based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by Buyer.

Any waiver of the conditions set forth in this Letter Agreement shall be in writing and no waiver of any such condition with respect to any Transaction shall constitute a waiver thereof with respect to any other Transaction. No failure or delay on the part of Buyer or Seller in exercising any right hereunder shall operate as a waiver of such right.

If you agree with the foregoing, please sign and return the enclosed copy hereof, whereupon this Letter Agreement shall become a binding agreement between Buyer and Seller.

Very truly yours,

AGREED TO AND ACCEPTED:
WESTERNBANK PUERTO RICO INTERNATIONAL
as Seller

By: 
Name: Freddy Mallojardo
Title: Chief Financial Officer

LEHMAN BROTHERS INC.
as Buyer

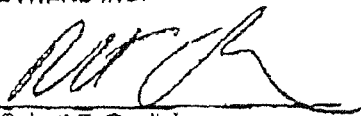
By: 
Name: Robert E. Guglielmo
Title: Senior Vice President

EXHIBIT F

Lehman Brothers

As of August 28, 2001

Mr. Freddy Maldonado
Chief Financial Officer
WesternBank Puerto Rico
19 W. McKinley Street
Mayaguez, Puerto Rico 00680
787-834-8000 x2301



Dear Mr. Maldonado:

We refer to the Master Repurchase Agreement and annexes attached thereto (the "Agreement"), dated as of February 23, 1998 between WesternBank Puerto Rico ("Client" or "Seller") and the undersigned, Lehman Brothers Inc. ("Lehman" or "Buyer") governing the Transactions entered into from time to time by Client and Lehman, and the Letter Agreement dated as of September 8, 2000 detailing a \$200,000,000 Transaction with a final Repurchase Date of October 1, 2010 (the "Prior Transaction"). This Letter Agreement (which constitutes, as to the Transaction described below, a "Confirmation" pursuant to the Agreement) (1) terminates the Prior Transaction as of October 1, 2001, and (2) confirms the agreement between Client and Lehman to enter into the Transaction described herein, all subject to the terms and conditions of this Letter Agreement and the TRANSACTION TERMS set forth herein.

All capitalized terms used and not defined herein will have the respective meanings ascribed to them in the Agreement. The Agreement is hereby incorporated herein and made a part hereof, and provisions thereof shall be deemed to constitute additional terms of this Letter Agreement as if set forth in full herein. If there is any conflict between the terms of the Agreement or any automated confirmation that is sent out with respect to this Transaction and this Letter Agreement, the terms of this Letter Agreement shall control. A Business Day shall be any day other than a day on which banks in New York City are authorized or required by law to close or other than a day Lehman is closed for business.

Without limiting any of the provisions hereof, the parties hereto confirm that the representations and warranties in Section 19 of the Agreement regarding the nature of this Transaction shall apply and remain in full force and affect. The Seller further represents that Transactions hereunder are qualified financial contracts under FIRREA.

On the Purchase Date, as defined below, respecting this Transaction, Lehman, as Buyer, shall purchase from Client, as Seller, Securities at the Purchase Price provided below in TRANSACTION TERMS, such Purchased Securities shall have a Market Value on the Purchase Date equal to the product of the Applicable Margin Percentage multiplied by the Purchase Price.

Notwithstanding the foregoing, either party may terminate the Transaction hereunder upon the occurrence of an Event of Default by the other party pursuant to the Agreement

TRANSACTION TERMS

"Purchase Date"	October 1, 2001
"Repurchase Date"	October 1, 2016; provided however that Buyer at its sole option, (a) upon three (3) Business Day's notice to Seller, may accelerate the Repurchase Date to any 1st day of January, April, July and October which is on or after January 1, 2003, and if any such date is not a Business Day, then the next occurring Business Day; and (b) may

	accelerate the Repurchase Date to any Business Day in accordance the terms of Paragraph F of Annex 1A to the Agreement.
Purchase Price	\$200,000,000.
Purchased Securities/Additional Purchased Securities/Substitute Securities	U.S. Agency Securities: fixed rate, fixed rate callable, only. No more than 10 CUSIPs at any one time. Additional Purchased Securities provided to meet a Margin Deficit must meet collateral substitution guidelines. Cash will not be acceptable as Purchased Securities, Additional Purchased Securities or Substitute Securities. Substitute Securities may be similar or higher quality collateral than the original Purchased Securities.
Applicable Margin Percentage	The greater of (i) One hundred and five percent (105%) plus the Replacement Value Percentage (as defined below) (which may be a positive or negative number) and (ii) the Regulatory Minimum (as defined below).
Regulatory Minimum	The margin percentage required by legal or regulatory authorities, such as the New York Stock Exchange, the NASD, the SEC or the Federal Reserve Board, for such Purchased Securities in such Repurchase Transaction as determined by Lehman and applied in the ordinary course of its securities repo business.
Mark-to-Market	Daily, or as otherwise determined by Lehman.
Pricing Rate	10/1/01 – 9/30/02: 5.85% 10/1/02 – 9/30/03: 6.00% 10/1/03 – 9/30/04: 6.05% 10/1/04 – 9/30/13: 6.48% 10/1/13 – 10/1/16: 6.75% (based upon actual number of days in a 360 day year).
Payment Dates	The 1st day of each January, April, July, and December. On each Payment Date through 7/1/16, Seller shall pay to Buyer an amount equal to the accrued and unpaid Price Differential; on the Repurchase Date, Seller shall pay Buyer an amount equal to the accrued and unpaid Purchase Price plus the unpaid Price Differential.
Additional Default Provision	Section 11(g) of the Agreement is amended by deleting the period at the end of the section and by inserting: ", and (iv) where Seller is the defaulting party, the cost of unwinding the interest rate structure of the Transaction (including without limitation any loss or cost that would be incurred as a result of its terminating, liquidating, obtaining or reestablishing any hedge or related trading position)."
Replacement Value Percentage	As of any date of determination means an amount calculated by Buyer as a percentage equal to (i) the Replacement Value as of such date of determination as

calculated by Buyer, divided by (ii) the Repurchase Price as of such date of determination.

Replacement Value:

An amount equal to the net amount that the Buyer would receive from a third party or the Buyer would have to pay a third party, as consideration for Buyer and third party entering into a repurchase transaction with the identical Purchase Price, Pricing Rate, Purchased Securities, Applicable Margin Percentage and Repurchase Price as this Transaction (any such transaction a "Replacement Transaction"), as such amount is calculated by the Buyer on a periodic (up to daily) basis.

The Replacement Value shall be (i) a negative amount, if Buyer would receive consideration from the third party in connection with such Replacement Transaction, and (ii) a positive amount, if Buyer would pay consideration to the third party in connection with such Replacement Transaction.

In connection with the negotiation of, the entering into this Transaction hereunder Seller acknowledges and agrees that: (i) Buyer is acting for its own account and is not acting as a fiduciary for, or a financial or investment advisor to Seller (or in any similar capacity); (ii) Seller is not relying upon any communications (whether written or oral) from Buyer as investment advice or as a recommendation to enter into this Transaction (other than the representations expressly set forth in the Agreement), it being understood that information and explanations related to the terms and conditions of the Transaction shall not be considered investment advice or a recommendation to enter into the Transaction; (iii) Seller has not received from Buyer any assurance or guarantee as to the expected results of the Transaction; and (iv) Seller has consulted with its own legal, regulatory, tax, business, investment, financial, and accounting advisors to the extent it has deemed necessary, and it has made its own independent investment, hedging, and trading decisions based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by Buyer.

Any waiver of the conditions set forth in this Letter Agreement shall be in writing and no waiver of any such condition with respect to any Transaction shall constitute a waiver thereof with respect to any other Transaction. No failure or delay on the part of Buyer or Seller in exercising any right hereunder shall operate as a waiver of such right.

If you agree with the foregoing, please sign and return the enclosed copy hereof, whereupon this Letter Agreement shall become a binding agreement between Buyer and Seller.

Very truly yours,

LEHMAN BROTHERS INC.

as Buyer

By:

Name: Robert H. Bing

Title: Vice President

AGREED TO AND ACCEPTED:
WESTERNBANK PUERTO RICO
as Seller

By:

Name: Freddy Maldonado

Title: Chief Financial Officer

Dated:

Fixed-Rate Step-Up Schedule:

<u>Payment Date</u>	<u>Fixed Rate</u>
01/01/2002	5.850000
04/01/2002	5.850000
07/01/2002	5.850000
10/01/2002	5.850000
01/01/2003	6.000000
04/01/2003	6.000000
07/01/2003	6.000000
10/01/2003	6.000000
01/01/2004	6.050000
04/01/2004	6.050000
07/01/2004	6.050000
10/01/2004	6.050000
01/03/2005	6.480000
04/01/2005	6.480000
07/01/2005	6.480000
10/03/2005	6.480000
01/02/2006	6.480000
04/03/2006	6.480000
07/03/2006	6.480000
10/02/2006	6.480000
01/01/2007	6.480000
04/02/2007	6.480000
07/02/2007	6.480000
10/01/2007	6.480000
01/01/2008	6.480000
04/01/2008	6.480000
07/01/2008	6.480000
10/01/2008	6.480000
01/01/2009	6.480000
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01/03/2011	6.480000
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07/01/2011	6.480000
10/03/2011	6.480000
01/02/2012	6.480000
04/02/2012	6.480000
07/02/2012	6.480000
10/01/2012	6.480000
01/01/2013	6.480000
04/01/2013	6.480000
07/01/2013	6.480000
10/01/2013	6.480000
01/01/2014	6.750000
04/01/2014	6.750000
07/01/2014	6.750000
10/01/2014	6.750000
01/01/2015	6.750000
04/01/2015	6.750000
07/01/2015	6.750000
10/01/2015	6.750000
01/01/2016	6.750000
04/01/2016	6.750000
07/01/2016	6.750000
10/03/2016	6.750000

The above is for information purposes only and is not an offer or solicitation for the purchase or sale of any financial instrument nor a confirmation of terms. The information is believed to be reliable but neither Lehman Brothers nor any of its associated companies warrant or give any representation as to its completeness, reliability, or accuracy. Prices and availability are indicative only and are subject to change without notice. Prior to entering into any derivative transaction you should consult your own advisors regarding the tax, accounting, or legal aspects of this information. Generally all transactions involve the risk of adverse or unanticipated market developments, risk of counterparty default, risk of illiquidity and other similar risks. Trading or investing in interest rate derivatives can result in substantial risk and unlimited losses.