

**FIRST PUERTO RICO TAX-EXEMPT TARGET MATURITY FUND III, INC.  
FIRST PUERTO RICO TAX-EXEMPT TARGET MATURITY FUND IV, INC.  
FIRST PUERTO RICO TAX-EXEMPT TARGET MATURITY FUND V, INC.  
FIRST PUERTO RICO TAX-EXEMPT TARGET MATURITY FUND VII, INC.  
FIRST PUERTO RICO TAX-ADVANTAGED TARGET MATURITY FUND I, INC.  
FIRST PUERTO RICO TAX-ADVANTAGED TARGET MATURITY FUND II, INC.  
FIRST PUERTO RICO TARGET MATURITY INCOME OPPORTUNITIES FUND I, INC.  
FIRST PUERTO RICO TARGET MATURITY INCOME OPPORTUNITIES FUND II, INC.  
FIRST PUERTO RICO AAA TARGET MATURITY FUND I, INC.  
FIRST PUERTO RICO AAA TARGET MATURITY FUND II, INC.  
FIRST PUERTO RICO TAX-EXEMPT FUND, INC.  
FIRST PUERTO RICO TAX-EXEMPT FUND II, INC.  
FIRST PUERTO RICO EQUITY OPPORTUNITIES FUND, INC.  
FIRST PUERTO RICO DAILY LIQUIDITY FUND, INC.  
FIRST PUERTO RICO AAA FIXED-INCOME FUND, INC.**

**GAM Tower, 2 Tabonuco Street, Suite 200  
Guaynabo, Puerto Rico 00968  
(787) 759-5340**

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**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

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**To Be Held on May 10, 2018**

To the Shareholders of each of First Puerto Rico Tax-Exempt Target Maturity Fund III, Inc., First Puerto Rico Tax-Exempt Target Maturity Fund IV, Inc., First Puerto Rico Tax-Exempt Target Maturity Fund V, Inc., First Puerto Rico Tax-Exempt Target Maturity Fund VII, Inc., First Puerto Rico Tax-Advantaged Target Maturity Fund I, Inc., First Puerto Rico Tax-Advantaged Target Maturity Fund II, Inc., First Puerto Rico Target Maturity Income Opportunities Fund I, Inc., First Puerto Rico Target Maturity Income Opportunities Fund II, Inc., First Puerto Rico AAA Target Maturity Fund I, Inc., First Puerto Rico AAA Target Maturity Fund II, Inc., First Puerto Rico Tax-Exempt Fund, Inc., First Puerto Rico Tax-Exempt Fund II, Inc., First Puerto Rico Equity Opportunities Fund, Inc., First Puerto Rico Daily Liquidity Fund, Inc. and First Puerto Rico AAA Fixed-Income Fund, Inc. (each a “Fund” and, collectively, the “Funds”):

A Special Meeting of Shareholders of each of the Funds will be held at 207 Ponce de León Avenue, Third Floor, San Juan, Puerto Rico beginning at 4:30 p.m. on Thursday, May 10, 2018, for the following purposes:

1. The approval of a new investment advisory agreement between each of the Funds and the Funds’ investment adviser, Santander Asset Management, LLC (**Proposal 1**); and

2. To consider and vote upon such other matters as may properly come before said meeting or any adjournments thereof.

The close of business on March 12, 2018 has been fixed as the record date for the determination of shareholders entitled to notice of and to vote at the meeting and any adjournments thereof. A list of these shareholders will be available for inspection for a period of ten (10) days prior to the annual meeting at the offices of the Funds at GAM Tower, 2 Tabonuco Street, 2nd Floor, Guaynabo, Puerto Rico, and will also be available for inspection at the meeting.

By order of the Board of Directors,



Jorge E. Souss  
Assistant Secretary

March 27, 2018

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**IF YOU WILL BE ATTENDING THE SPECIAL MEETING PERSONALLY, WE RESPECTFULLY REQUEST THAT YOU BRING YOUR PROXY CARD, ALONG WITH A GOVERNMENT-ISSUED IDENTIFICATION CARD, IN ORDER TO VERIFY YOUR IDENTITY FOR ADMITTANCE TO THE MEETING. FAILURE TO COMPLY MAY RESULT IN YOU BEING DENIED ADMITTANCE TO THE SPECIAL MEETING.**

**YOUR VOTE IS IMPORTANT REGARDLESS OF THE SIZE OF YOUR HOLDINGS IN THE FUND. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, WE ASK THAT YOU PLEASE COMPLETE AND SIGN THE ENCLOSED PROXY CARD AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE WHICH NEEDS NO POSTAGE IF MAILED IN PUERTO RICO. INSTRUCTIONS FOR THE PROPER EXECUTION OF PROXIES ARE SET FORTH ON THE INSIDE COVER.**

## INSTRUCTIONS FOR SIGNING PROXY CARDS

The following general rules for signing proxy cards may be of assistance to you and avoid the time and expense to the Fund involved in validating your vote if you fail to sign your proxy card properly.

1. *Individual Accounts:* Sign your name exactly as it appears in the registration on the proxy card.
2. *Joint Accounts:* Each party must sign, and the names should conform exactly to the names shown in the registration.
3. *All Other Accounts:* The capacity of the individual signing the proxy should be indicated unless it is reflected in the form of registration. For example:

<u>Registration</u>	<u>Valid Signature</u>
<b><u>Corporate Accounts</u></b>	
(1) ABC Corp. ....	John Doe, Treasurer
(2) ABC Corp. c/o John Doe, Treasurer .....	John Doe
(3) ABC Corp. Profit Sharing Plan .....	John Doe, Trustee
<b><u>Trust Accounts</u></b>	
(1) ABC Trust.....	Jane B. Doe, Trustee
(2) Jane B. Doe, Trustee u/t/d 12/28178.....	Jane B. Doe
<b><u>Custodian or Estate Accounts</u></b>	
(1) John B. Smith, Cust. f/b/o John B. Smith, Jr.....	John B. Smith
(2) Estate of John B. Smith .....	John B. Smith, Jr., Executor

## **IMPORTANT INFORMATION FOR FUND SHAREHOLDERS**

**While we encourage you to read the full text of the accompanying Joint Proxy Statement, for your convenience, we have provided a brief overview of the matter to be voted upon.**

### *Questions and Answers*

*Q. What am I being asked to vote “FOR” in this proxy?*

A. You are being asked to vote in favor of a proposal to approve a new investment advisory agreement, substantively identical to the prior investment advisory agreement, with your Fund’s current investment adviser, Santander Asset Management, LLC (“SAM”). This new investment advisory agreement will take effect upon approval thereof by Fund shareholders at the Special Meeting of Shareholders. The current investment advisory agreement between SAM and the Funds, which was approved by the Board of Directors of the Funds on an interim basis, took effect on December 20, 2017, the date on which Banco Santander, S.A. (collectively with its affiliates, the “Santander Group”) became the indirect owner of 100% of the shares of SAM Investment Holdings Limited, the parent company of your Fund’s current investment adviser, through the acquisition of the 50% direct ownership in SAM Investment Holdings Limited owned by Sherbrooke Acquisition Corp SPC (“Sherbrooke”), a segregated portfolio company incorporated in the Cayman Islands controlled jointly by entities affiliated with Warburg Pincus LLC and General Atlantic LLC.

*Q. Why am I being asked to vote on a new investment advisory agreement?*

A. Pursuant to a Share Purchase Agreement (the “Purchase Agreement”) between Banco Santander, S.A. and Sherbrooke, the ultimate parent companies of Santander Asset Management, LLC, each with a 50% indirect ownership interest therein, a subsidiary of Banco Santander, S.A. (also a party to the Purchase Agreement) purchased the entirety of the shares of SAM Investment Holdings Limited owned by Sherbrooke (the “Transaction”). As a result of the Transaction, which became effective on December 20, 2017, Banco Santander, S.A. indirectly holds 100% of the shares of SAM Investment Holdings Limited. In conformity with Regulation YY of the Board of Governors of the Federal Reserve System, SAM Investment Holdings Limited will transfer SAM to Santander Holdings USA, Inc. (“SHUSA”), a wholly owned subsidiary of Banco Santander, S.A., not more than six months after the effective date of the Transaction (the “Transfer”). The Transaction caused each Fund’s then-current investment advisory agreement to terminate on December 20, 2017. Your Fund’s Board of Directors has approved, and recommends that you approve, the new investment advisory agreement.

*Q. What prompted the sale by Sherbrooke of its 50% stake in SAM Investment Holdings Limited and the Santander Group's increase to a 100% participation in its global asset management business?*

A. The Santander Group and Sherbrooke have advised the Funds that, after careful review, they have determined that Sherbrooke's original investment in SAM Investment Holdings Limited already had yielded the expected benefits to SAM Investment Holdings Limited and its subsidiaries (the "SAM Group"), the Santander Group and Sherbrooke. In particular, the Santander Group has reevaluated the strategic development plan of the SAM Group, through which it carries out the majority of its asset management activities globally, and has determined that its future general strategy will be more efficiently pursued as the sole owner of the SAM Group, with a focus on the long-term performance of the SAM Group.

With respect to the Transfer, the Santander Group has advised the Funds that SHUSA currently is focusing on the transition and integration of SAM under SHUSA to fulfill its regulatory requirements and obligations. SHUSA's plans and strategy for SAM going forward will be developed during the integration process.

*Q. How will the Transaction and the Transfer potentially benefit me?*

A. The change of control of SAM Investment Holdings Limited and the eventual transfer of SAM to SHUSA will permit SAM to benefit from a stronger, uniform and worldwide consistent operation by a group with an integral vision, as well as (i) improving the service provided to the SAM Group's clients; (ii) strengthening the focus on client needs in terms of design, management and positioning of products; and (iii) facilitating the development of products that further cater to the needs of local retail clients.

*Q. How does the new investment advisory agreement differ from my Fund's prior agreement?*

A. The new investment advisory agreement is substantively identical to the investment advisory agreement that was in effect prior to December 20, 2017 and to the interim investment advisory agreement that went into effect on December 20, 2017.

*Q. Will my Fund's fees for investment advisory services increase?*

A. No. The fees for investment advisory services under the new investment advisory agreement remain the same.

*Q. Will there be any investment adviser changes?*

A. No. The adviser that currently manages your Fund continues to manage the Fund following the Transaction, and will continue to manage your Fund following the Transfer.

*Q. Will there be any changes in the tax treatment of the Funds or of shareholders of the Funds?*

A. No. Tax treatment of the Funds and of shareholders of the Funds will remain the same.

*Q. How do the members of the Board of Directors suggest I vote in connection with the new investment advisory agreement?*

A. After careful consideration, the Board of your Fund unanimously recommends that you vote FOR the approval of the new investment advisory agreement.

*Q. Will my vote make a difference?*

A. Yes. Your vote is needed to ensure that the proposals can be acted upon. We encourage all shareholders to participate in the governance of their Fund.

*Q. Are the Funds paying for preparation, printing and mailing of this proxy?*

A. No. All costs will be borne by SAM whether or not the proposals are successful.

*Q. What would occur if shareholders of a Fund do not approve the new investment advisory agreement?*

A. In the event that shareholders of a Fund do not approve the new investment advisory agreement, the Funds' Board would act as it deems to be in the best interests of each Fund and its shareholders and would consider various alternatives, such as again seeking shareholder approval of the new investment advisory agreement or seeking shareholder approval of a different agreement.

*Q. Who do I call if I have questions?*

A. If you need any assistance, or have any questions regarding the proposals or how to vote your shares, please call the proxy solicitor, LinkActiv, Inc., at 787-522-5918 or 1-855-683-4264.

*Q. How do I vote my shares?*

A. You can vote your shares by attending the meeting, or, if you do not expect to attend, by completing and signing the enclosed proxy card and mailing it in the enclosed postage-paid envelope. Alternatively, you may vote by telephone by calling the toll-free number on the proxy card or by computer by going to the Internet address provided on the proxy card and following the instructions, using your proxy card as a guide.

If you will be attending the special meeting personally, we respectfully request that you bring your proxy card, along with a government-issued identification card, in order to verify your identity for admittance to the meeting. Failure to comply may result in you being denied admittance to the special meeting.

**It is important that you vote promptly.**

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**Guaynabo, Puerto Rico 00968**  
**(787) 759-5340**

**SPECIAL MEETING OF SHAREHOLDERS**

**May 10, 2018**

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**JOINT PROXY STATEMENT**

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This joint proxy statement is furnished in connection with the solicitation by the Board of Directors (the “Board”) of each of First Puerto Rico Tax-Exempt Target Maturity Fund III, Inc. (the “Tax-Exempt Target Maturity Fund III”), First Puerto Rico Tax-Exempt Target Maturity Fund IV, Inc. (the “Tax-Exempt Target Maturity Fund IV”), First Puerto Rico Tax-Exempt Target Maturity Fund V, Inc. (the “Tax-Exempt Target Maturity Fund V”), First Puerto Rico Tax-Exempt Target Maturity Fund VII, Inc. (the “Tax-Exempt Target Maturity Fund VII”), First Puerto Rico Tax-Advantaged Target Maturity Fund I, Inc. (the “Tax-Advantaged Target Maturity Fund I”), First Puerto Rico Tax-Advantaged Target Maturity Fund II, Inc. (the “Tax-Advantaged Target Maturity Fund II”), First Puerto Rico Target Maturity Income Opportunities Fund I, Inc. (the “Target Maturity Income Opportunities Fund I”), First Puerto Rico Target Maturity Income Opportunities Fund II, Inc. (the “Target Maturity Income Opportunities Fund II”), First Puerto Rico AAA Target Maturity Fund I, Inc. (the “AAA Target Maturity Fund I”), First Puerto Rico AAA Target Maturity Fund II, Inc. (the “AAA Target Maturity Fund II”), First Puerto Rico Tax-Exempt Fund, Inc. (the “Tax-Exempt Fund”), First Puerto Rico Tax-Exempt Fund II, Inc. (the “Tax-Exempt Fund II”), First Puerto Rico Equity Opportunities Fund, Inc. (the “Equity Opportunities Fund”), First Puerto Rico Daily Liquidity Fund, Inc. (the “Daily Liquidity Fund”) and First Puerto Rico AAA Fixed-Income Fund, Inc. (the “AAA Fixed-Income Fund” and, collectively with the Tax-Exempt Target Maturity Fund III, the Tax-Exempt Target Maturity Fund IV, the Tax-Exempt Target Maturity Fund V, the Tax-Exempt Target Maturity Fund VII, the Tax-

Advantaged Target Maturity Fund I, the Tax-Advantaged Target Maturity Fund II, the Target Maturity Income Opportunities Fund I, the Target Maturity Income Opportunities Fund II, the AAA Target Maturity Fund I, the AAA Target Maturity Fund II, the Tax-Exempt Fund, the Tax-Exempt Fund II, the Equity Opportunities Fund and the Daily Liquidity Fund, the “Funds”) of proxies to be voted at a Special Meeting of Shareholders of the Funds, in each case to be held at 207 Ponce de León Avenue, Third Floor, San Juan, Puerto Rico beginning at 4:30 p.m. on Thursday, May 10, 2018 (the “Meeting”), and at any adjournments thereof, for the purposes set forth in the accompanying Notice of Special Meeting of Shareholders. **IF YOU WILL BE ATTENDING THE SPECIAL MEETING PERSONALLY, WE RESPECTFULLY REQUEST THAT YOU BRING YOUR PROXY CARD, ALONG WITH A GOVERNMENT-ISSUED IDENTIFICATION CARD, IN ORDER TO VERIFY YOUR IDENTITY FOR ADMITTANCE TO THE MEETING. FAILURE TO COMPLY MAY RESULT IN YOU BEING DENIED ADMITTANCE TO THE SPECIAL MEETING.**

The cost of soliciting proxies and the expenses incurred in connection with the preparation thereof will be borne by the Funds’ investment adviser, Santander Asset Management, LLC (“SAM” or the “Adviser”). Proxy solicitations will be made mainly by mail. In addition, a proxy solicitor, LinkActiv, Inc., will also solicit proxies in person or by telephone. Furthermore, certain officers, directors and employees of the Funds, the Funds’ distributor, Santander Securities LLC (“Santander Securities”), and/or other broker-dealers whose clients are shareholders of the Funds, may solicit proxies in person or by telephone or mail. The principal offices of Santander Securities’ Puerto Rico branch are located at 207 Ponce de León Avenue, Fourth Floor, San Juan, Puerto Rico 00917, and the principal offices of SAM are located at GAM Tower, 2 Tabonuco Street, 2nd Floor, Guaynabo, Puerto Rico 00968. Each of Santander Securities and SAM are indirect subsidiaries of Banco Santander, S.A. (together with its affiliates, the “Santander Group”).

All properly executed proxies received prior to the Meeting will be voted at the Meeting in accordance with the instructions marked thereon or otherwise as provided therein. Unless instructions to the contrary are marked, Shares represented by proxies will be voted “FOR” all the proposals. The term “Shares” is defined on page 6. In the case of Proposal 1, the presence, in person or by proxy, of the holders of more than 50% of the outstanding Shares of each particular Fund is necessary to constitute a quorum at the Meeting. For purposes of determining the presence of a quorum for considering Proposal 1 at the Meeting, abstentions and “broker non-votes” (*i.e.*, proxies from brokers or nominees indicating that such persons have not received instructions from the beneficial owner or other persons entitled to vote Shares on a particular matter with respect to which the brokers or nominees do not have discretionary power) will be treated as Shares that are present at the Meeting but do not constitute a vote “FOR” Proposal 1, and effectively result in a vote “AGAINST” Proposal 1. Approval of Proposal 1 requires the affirmative vote of “a majority of the outstanding voting securities” of the Fund, as explained in Proposal 1 under the heading “Shareholder Approval.” Any shareholder who has given his or her vote by proxy has the right to revoke it at any time prior to its exercise either by attending the Meeting and voting his or her Shares in person or by submitting a letter of revocation or a later-dated proxy to such Fund at the above address prior to the date of the Meeting.

Broker-dealer firms, including Santander Securities, holding shares of a Fund in “street name” for the benefit of their customers and clients will request the instructions of such customers and clients on how to vote their Shares on each Proposal before the Meeting. Each Fund

understands that, under the rules of the New York Stock Exchange (the “NYSE”), such broker-dealer firms may not grant authority to the proxies designated to vote on Proposal 1 if no instructions have been received prior to the date specified in the broker-dealer firms’ request for voting instructions. A signed proxy card or other authorization by a beneficial owner of Shares that does not specify how the beneficial owner’s Shares may be voted on Proposal 1 may be deemed an instruction to vote such Shares in favor of Proposal 1.

If a shareholder beneficially owns Shares that are held in “street name” through a broker-dealer or that are held of record by a service agent, or if a shareholder holds Shares through an IRA trust, and if such shareholder does not give specific voting instructions for his or her Shares, they could be voted in a manner that such shareholder may not intend. Therefore, shareholders are strongly encouraged to give their broker-dealer, service agent or IRA trust specific instructions as to how they want their Shares voted.

In the event that a quorum is not present at the Meeting, or in the event that a quorum is present but sufficient votes to approve any of the proposals are not received, the persons named as proxies may propose one or more adjournments of the Meeting to permit further solicitations of proxies. In determining whether to adjourn the Meeting, the following factors will be considered: the nature of the Proposals that are subject of the Meeting; the percentage of votes actually cast; the percentage of negative votes actually cast; the nature of any further solicitation and the information to be provided to shareholders with respect to the reasons for the solicitation. Any adjournment will require the affirmative vote of a majority of the Shares represented at the Meeting in person or by proxy.

The Board knows of no business other than that specifically mentioned in the Notice of Meeting that will be presented for consideration at the Meeting, except for procedural matters incident to the conduct of the Meeting. If any other matters are properly presented, it is the intention of the persons named in the enclosed proxy to vote in accordance with their best judgment on such matters.

The Board has fixed the close of business on March 12, 2018, as the record date (the “Record Date”) for the determination of shareholders of each Fund entitled to notice of and to vote at the Meeting or any adjournments thereof. Shareholders of each Fund on the Record Date are entitled to vote on each applicable Proposal (to the extent specified below in each Proposal) with no cumulative voting rights.

First Puerto Rico Tax-Exempt Target Maturity Fund III has one class of shares of common stock, with a par value of \$0.01 per share: Class A common shares (the “Tax-Exempt Target Maturity Fund III Shares”), which entitle the holder thereof to vote as provided below. On the Record Date, there were 10,500,207.980 Tax-Exempt Target Maturity Fund III Shares outstanding. Each Tax-Exempt Target Maturity Fund III shareholder is entitled to one vote for each Tax-Exempt Target Maturity Fund III Share held and a proportionate fraction of a vote for any fractional Tax-Exempt Target Maturity Fund III Share held.

First Puerto Rico Tax-Exempt Target Maturity Fund IV has one class of shares of common stock, with a par value of \$0.01 per share: Class A common shares (the “Tax-Exempt Target Maturity Fund IV Shares”), which entitle the holder thereof to vote as provided below. On the

Record Date, there were 10,795,332.920 Tax-Exempt Target Maturity Fund IV Shares outstanding. Each Tax-Exempt Target Maturity Fund IV shareholder is entitled to one vote for each Tax-Exempt Target Maturity Fund IV Share held and a proportionate fraction of a vote for any fractional Tax-Exempt Target Maturity Fund IV Share held.

First Puerto Rico Tax-Exempt Target Maturity Fund V has one class of shares of common stock, with a par value of \$0.01 per share: Class A common shares (the “Tax-Exempt Target Maturity Fund V Shares”), which entitle the holder thereof to vote as provided below. On the Record Date, there were 14,852,518.065 Tax-Exempt Target Maturity Fund V Shares outstanding. Each Tax-Exempt Target Maturity Fund V shareholder is entitled to one vote for each Tax-Exempt Target Maturity Fund V Share held and a proportionate fraction of a vote for any fractional Tax-Exempt Target Maturity Fund V Share held.

First Puerto Rico Tax-Exempt Target Maturity Fund VII has one class of shares of common stock, with a par value of \$0.01 per share: Class A common shares (the “Tax-Exempt Target Maturity Fund VII Shares”), which entitle the holder thereof to vote as provided below. On the Record Date, there were 7,411,863.061 Tax-Exempt Target Maturity Fund VII Shares outstanding. Each Tax-Exempt Target Maturity Fund VII shareholder is entitled to one vote for each Tax-Exempt Target Maturity Fund VII Share held and a proportionate fraction of a vote for any fractional Tax-Exempt Target Maturity Fund VII Share held.

First Puerto Rico Tax-Advantaged Target Maturity Fund I has one class of shares of common stock, with a par value of \$0.01 per share: Class A common shares (the “Tax-Advantaged Target Maturity Fund I Shares”), which entitle the holder thereof to vote as provided below. On the Record Date, there were 10,226,717.250 Tax-Advantaged Target Maturity Fund I Shares outstanding. Each Tax-Advantaged Target Maturity Fund I shareholder is entitled to one vote for each Tax-Advantaged Target Maturity Fund I Share held and a proportionate fraction of a vote for any fractional Tax-Advantaged Target Maturity Fund I Share held.

First Puerto Rico Tax-Advantaged Target Maturity Fund II has one class of shares of common stock, with a par value of \$0.01 per share: Class A common shares (the “Tax-Advantaged Target Maturity Fund II Shares”), which entitle the holder thereof to vote as provided below. On the Record Date, there were 10,286,224.910 Tax-Advantaged Target Maturity Fund II Shares outstanding. Each Tax-Advantaged Target Maturity Fund II shareholder is entitled to one vote for each Tax-Advantaged Target Maturity Fund II Share held and a proportionate fraction of a vote for any fractional Tax-Advantaged Target Maturity Fund II Share held.

First Puerto Rico Target Maturity Income Opportunities Fund I has one class of shares of common stock, with a par value of \$0.01 per share: Class A common shares (the “Target Maturity Income Opportunities Fund I Shares”), which entitle the holder thereof to vote as provided below. On the Record Date, there were 6,309,715.914 Target Maturity Income Opportunities Fund I Shares outstanding. Each Target Maturity Income Opportunities Fund I shareholder is entitled to one vote for each Target Maturity Income Opportunities Fund I Share held and a proportionate fraction of a vote for any fractional Target Maturity Income Opportunities Fund I Share held.

First Puerto Rico Target Maturity Income Opportunities Fund II has one class of shares of common stock, with a par value of \$0.01 per share: Class A common shares (the “Target Maturity

Income Opportunities Fund II Shares”), which entitle the holder thereof to vote as provided below. On the Record Date, there were 9,443,941.929 Target Maturity Income Opportunities Fund II Shares outstanding. Each Target Maturity Income Opportunities Fund II shareholder is entitled to one vote for each Target Maturity Income Opportunities Fund II Share held and a proportionate fraction of a vote for any fractional Target Maturity Income Opportunities Fund II Share held.

First Puerto Rico AAA Target Maturity Fund I has one class of shares of common stock, with a par value of \$0.01 per share: Class A common shares (the “AAA Target Maturity Fund I Shares”), which entitle the holder thereof to vote as provided below. On the Record Date, there were 8,175,128.911 AAA Target Maturity Fund I Shares outstanding. Each AAA Target Maturity Fund I shareholder is entitled to one vote for each AAA Target Maturity Fund I Share held and a proportionate fraction of a vote for any fractional AAA Target Maturity Fund I Share held.

First Puerto Rico AAA Target Maturity Fund II has one class of shares of common stock, with a par value of \$0.01 per share: Class A common shares (the “AAA Target Maturity Fund II Shares”), which entitle the holder thereof to vote as provided below. On the Record Date, there were 10,996,699.493 AAA Target Maturity Fund II Shares outstanding. Each AAA Target Maturity Fund II shareholder is entitled to one vote for each AAA Target Maturity Fund II Share held and a proportionate fraction of a vote for any fractional AAA Target Maturity Fund II Share held.

First Puerto Rico Tax-Exempt Fund has two classes of shares of common stock, each with a par value of \$0.01 per share: Class A common shares (the “Tax-Exempt Fund Shares”), which entitle the holder thereof to vote as provided below, and Class Q common shares, which carry no voting rights while any Tax-Exempt Fund Shares are issued and outstanding. On the Record Date, there were 25,796,779.069 Tax-Exempt Fund Shares outstanding. Each Tax-Exempt Fund shareholder is entitled to one vote for each Tax-Exempt Fund Share held and a proportionate fraction of a vote for any fractional Tax-Exempt Fund Share held.

First Puerto Rico Tax-Exempt Fund II has two classes of shares of common stock, each with a par value of \$0.01 per share: Class A common shares (the “Tax-Exempt Fund II Shares”), which entitle the holder thereof to vote as provided below, and Class Q common shares, which carry no voting rights while any Tax-Exempt Fund II Shares are issued and outstanding. On the Record Date, there were 1,934,376.370 Tax-Exempt Fund II Shares outstanding. Each Tax-Exempt Fund II shareholder is entitled to one vote for each Tax-Exempt Fund II Share held and a proportionate fraction of a vote for any fractional Tax-Exempt Fund II Share held.

First Puerto Rico Equity Opportunities Fund has three classes of shares of common stock, each with a par value of \$0.01 per share: Class A common shares (the “Equity Opportunities Fund Class A Shares”) and Class Z common shares (the “Equity Opportunities Fund Class Z Shares”) and, collectively with the Equity Opportunities Fund Class A Shares, the “Equity Opportunities Fund Shares”), which entitle the holder thereof to vote as provided below, and Class Q common shares, which carry no voting rights while any Equity Opportunities Fund Shares are issued and outstanding. On the Record Date, there were 355,862.057 Equity Opportunities Fund Shares outstanding, of which 258,543.460 were Equity Opportunities Fund Class A Shares and 97,318.597 were Equity Opportunities Fund Class Z Shares. Each Equity Opportunities Fund

shareholder is entitled to one vote for each Equity Opportunities Fund Share held and a proportionate fraction of a vote for any fractional Equity Opportunities Fund Share held.

First Puerto Rico Daily Liquidity Fund has two classes of shares of common stock, each with a par value of \$0.01 per share: Class A common shares (the “Daily Liquidity Fund Shares”), which entitle the holder thereof to vote as provided below, and Class B common shares, which carry no voting rights while any Daily Liquidity Fund Shares are issued and outstanding. On the Record Date, there were 7,481,951.440 Daily Liquidity Fund Shares outstanding. Each Daily Liquidity Fund shareholder is entitled to one vote for each Daily Liquidity Fund Share held and a proportionate fraction of a vote for any fractional Daily Liquidity Fund Share held.

First Puerto Rico AAA Fixed-Income Fund has one class of shares of common stock, with a par value of \$0.01 per share: Class A common shares (the “AAA Fixed-Income Fund Shares”; the AAA Fixed-Income Fund Shares, collectively with the Tax-Exempt Target Maturity Fund III Shares, the Tax-Exempt Target Maturity Fund IV Shares, the Tax-Exempt Target Maturity Fund V Shares, the Tax-Exempt Target Maturity Fund VII Shares, the Tax-Advantaged Target Maturity Fund I Shares, the Tax-Advantaged Target Maturity Fund II Shares, the Target Maturity Income Opportunities Fund I Shares, the Target Maturity Income Opportunities Fund II Shares, the AAA Target Maturity Fund I Shares, the AAA Target Maturity Fund II Shares, the Tax-Exempt Fund Shares, the Tax-Exempt Fund II Shares, the Equity Opportunities Fund Shares and the Daily Liquidity Fund Shares, are referred to herein as the “Shares”), which entitle the holder thereof to vote as provided below, and Class Q common shares, which carry no voting rights while any AAA Fixed-Income Fund Shares are issued and outstanding. On the Record Date, there were 1,611,388.145 AAA Fixed-Income Fund Shares outstanding. Each AAA Fixed-Income Fund shareholder is entitled to one vote for each AAA Fixed-Income Fund Share held and a proportionate fraction of a vote for any fractional AAA Fixed-Income Fund Share held.

At the close of business on the Record Date, the persons listed on Exhibit A owned beneficially the amounts indicated of the Shares of the class of the Fund indicated on Exhibit A. No other person (including any “group” as that term is used in Section 13(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), to the knowledge of the Board, owned beneficially more than 5% of the outstanding Shares of any class of a Fund. As of the Record Date, the officers and Board Members of the Funds, in the aggregate, beneficially owned less than 1% of the outstanding Shares of each Fund.

In order that a shareholder’s Shares may be represented at the Meeting, shareholders are required to allow sufficient time for their proxies to be received on or before 11:59 p.m. on May 9, 2018. All proxies received will be voted in favor of all the proposals, unless otherwise directed therein.

**PROPOSAL 1**  
**THE APPROVAL OF A NEW INVESTMENT ADVISORY AGREEMENT**  
**BETWEEN THE FUNDS AND THE FUNDS’ INVESTMENT ADVISER,**  
**SANTANDER ASSET MANAGEMENT, LLC**

At the Meeting, you will be asked to approve a new investment advisory agreement between the Funds and Santander Asset Management, LLC, the Funds’ investment adviser

(“SAM” or the “Adviser”). This new investment advisory agreement will take effect upon approval thereof by Fund shareholders at the Special Meeting of Shareholders. The current investment advisory agreement between SAM and the Funds, which was approved by the Board of Directors of the Funds on an interim basis, took effect on December 20, 2017, the date on which the then-current investment advisory agreement was terminated due to the Transaction that is discussed in more detail below. The Investment Company Act of 1940, as amended (the “1940 Act”), requires that an advisory agreement of an investment company provide for automatic termination of the agreement in the event of its “assignment” (as defined in the 1940 Act), and the investment advisory agreements between the Funds and SAM that were in effect at the time of consummation of the Transaction on December 20, 2017 so provided. Although the Funds are exempt from registration under the 1940 Act pursuant to Section 6(a)(1) thereof, the Board has decided to comply with 1940 Act requirements only with respect to the Transaction (as defined below). Under the 1940 Act, a sale of a controlling block of an investment adviser’s voting securities generally is deemed to result in an assignment of the investment adviser’s advisory agreements. The consummation of the Transaction on December 20, 2017 constituted a change in control of the voting securities of the Adviser and thus resulted in the automatic termination of the then-current investment advisory agreement. A general description of the new investment advisory agreement, which is substantively identical to the investment advisory agreement that was in effect prior to December 20, 2017 and to the interim investment advisory agreement that went into effect on December 20, 2017, is provided below.

### **Description of the Transaction**

Pursuant to a Share Purchase Agreement (the “Purchase Agreement”), dated November 16, 2016 (as further amended), between Banco Santander, S.A. (collectively with its affiliates, the “Santander Group”) and Sherbrooke Acquisition Corp SPC, a segregated portfolio company incorporated in the Cayman Islands controlled jointly by entities affiliated with Warburg Pincus LLC and General Atlantic LLC (“Sherbrooke”), the ultimate parent companies of Santander Asset Management, LLC, each with a 50% indirect ownership interest therein, a subsidiary of Banco Santander, S.A. (also a party to the Purchase Agreement) purchased the entirety of the shares of SAM Investment Holdings Limited directly owned by Sherbrooke (the “Transaction”). As a result of the Transaction, which became effective on December 20, 2017, Banco Santander, S.A. indirectly holds 100% of the shares of SAM Investment Holdings Limited. Pursuant to the Purchase Agreement, and as part of the Transaction, the Adviser to the Fund remains a wholly owned subsidiary of SAM Investment Holdings Limited, which, as a consequence of the Transaction will in turn be held in its entirety by the Santander Group. However, in conformity with Regulation YY of the Board of Governors of the Federal Reserve System, SAM Investment Holdings Limited will transfer the Adviser to Santander Holdings USA, Inc. (“SHUSA”), a wholly owned subsidiary of Banco Santander, S.A., not more than six months after the effective date of the Transaction (the “Transfer”).

### **Description of the Santander Group**

Banco Santander, S.A. (SAN SM, STD US, BNC LN) is a leading retail and commercial bank, founded in 1857 and headquartered in Spain. It has a meaningful market share in ten core countries in Europe and the Americas, and is among the world’s top banks by market capitalization.

At the end of June 2017, Santander had €1.65 trillion (\$1.89 trillion) in managed funds, 131 million customers, 13,800 branches and 200,000 employees. Santander made attributable profit of €3.6 billion (\$4.1 billion) in the first half of 2017, an increase of 24% compared to the same period the prior year.

SAM Investment Holdings Limited and its subsidiaries (the “SAM Group”) are the vehicle through which the Santander Group has historically carried out most of its asset management activities. The SAM Group has operations in nine countries across Europe (Spain, United Kingdom, Germany and Luxembourg) and the Americas (Chile, Argentina, United States/Puerto Rico, Brazil and Mexico). As at December 31, 2017, the SAM Group managed more than €178 billion (\$214 billion) in assets and achieved €431 million (\$517 million) in net management fees worldwide. The SAM Group relies on a staff of 615 professionals, more than 170 of which form the investment team, with an average of 10+ years of experience in asset management.

The SAM Group business model is built on an investment process based on fundamental analysis, together with strict risk controls and a high capacity for innovation in order to provide high added value for the clients at all times. In order to give the best product and service, the SAM Group has identified three pillars of action that give meaning to its value proposition: (i) return on investments, (ii) addressing multiple needs with simple, innovative products and (iii) keeping clients informed about their investments.

SAM Investment Holdings Limited’s global headquarters are in Madrid, Spain. Its registered office is in Jersey. The SAM Group focuses on the design and administration of collective investment instruments of different kind of assets.

The two main categories of the SAM Group’s clients are retail and institutional clients. The terms of the contractual relationships with these clients may vary. As regards retail clients, there are regulatory requirements in each jurisdiction that regulate the terms of the contractual relationship. These contractual agreements may have a limited or an unlimited duration. As regards institutional clients, agreements normally have a defined deposit and duration. More information about the SAM Group is available at [www.santanderassetmanagement.com](http://www.santanderassetmanagement.com).

SHUSA is headquartered in Boston, Massachusetts and is a wholly-owned subsidiary of Banco Santander, S.A. SHUSA is the parent holding company of Santander Bank, National Association, a national banking association, and owns a majority interest (approximately 68%) of Santander Consumer USA Holdings Inc., a specialized consumer finance company focused on vehicle finance and third-party servicing. SHUSA is also the parent company of Santander BanCorp, a holding company headquartered in Puerto Rico that offers a full range of financial services through its wholly owned banking subsidiary, Banco Santander Puerto Rico; Santander Securities; Banco Santander International, an Edge Act corporation located in Miami that offers a variety of banking and investment services to non-U.S. individuals and corporations based primarily in Latin America; Santander Investment Securities Inc., a registered broker-dealer located in New York providing services in investment banking, institutional sales, trading and offering research reports of Latin American and European equity and fixed-income securities; and several other subsidiaries.

## **Approval of the Transaction**

In anticipation of the Transaction, the Funds' Board met in person on November 28, 2017, for the purpose of, among other things, considering whether it would be in the best interests of each Fund and their shareholders to approve the new investment advisory agreement between the Funds and the Funds' Adviser. The 1940 Act requires that the new investment advisory agreement be approved by each Fund's shareholders in order for it to become effective. At a subsequent Board meeting held on January 16, 2018, and for the reasons discussed below (see "Board Considerations" below), the Board, including all of the Directors not affiliated with the Santander Group or Sherbrooke (the "Independent Directors"), unanimously approved an interim investment advisory agreement, effective as of December 20, 2017, which shall remain in force until May 19, 2018, and thereafter, but only so long as such continuance is specifically approved at least every 30 days by the Board and by the Independent Directors voting separately. At such Board meeting held on January 16, 2018, the Board, including all of the Independent Directors, also unanimously recommended the approval of the new investment advisory agreement by shareholders of the Funds in order to assure continuity of investment advisory services to the Funds after the Transaction.

In the event that shareholders of a Fund do not approve the new investment advisory agreement, the Funds' Board would act as it deems to be in the best interests of each Fund and its shareholders and would consider various alternatives, such as again seeking shareholder approval of the new investment advisory agreement or seeking shareholder approval of a different agreement.

The names of the Funds and of the Adviser remain the same immediately following the closing of the Transaction, and it is anticipated that the names of the Funds and of the Adviser will remain the same immediately following the Transfer.

## **The New Investment Advisory Agreement**

As noted above, under the requirements of the 1940 Act, and pursuant to the terms of the Funds' investment advisory agreement then in force, each Fund was required to enter into a new investment advisory agreement on December 20, 2017 as a result of the Transaction. The interim investment advisory agreement pursuant to which each Fund has received investment advisory services since December 20, 2017 is substantively identical to the investment advisory agreement for such Fund prior to the Transaction. Moreover, the new investment advisory agreement being proposed, pursuant to which each Fund will receive investment advisory services following its approval by Fund shareholders, is substantively identical to the current interim investment advisory agreement as well as to the investment advisory agreement that was in effect prior to consummation of the Transaction.

The fees payable to the Adviser under the new investment advisory agreement are equal to the fees payable to the Adviser by each Fund for investment management services pursuant to the investment advisory agreement that was in effect prior to consummation of the Transaction. In addition, the Adviser has assured the Board that it will continue to provide the same level of advisory services to each Fund under the new investment advisory agreement as provided under the investment advisory agreement that was in effect prior to consummation of the Transaction.

## Summary of the New Investment Advisory Agreement

Set forth below is a general description of the terms of the new investment advisory agreement, which is substantively identical to the current interim investment advisory agreement as well as to the investment advisory agreement that was in effect prior to consummation of the Transaction.

**Fees.** There is no change in the fee payable by each Fund to the Adviser for investment management services under the new investment advisory agreement. In the case of each of the Tax-Exempt Target Maturity Fund III, the Tax-Exempt Target Maturity Fund IV, the Tax-Exempt Target Maturity Fund V, the Tax-Exempt Target Maturity Fund VII, the Tax-Advantaged Target Maturity Fund I, the Tax-Advantaged Target Maturity Fund II, the Target Maturity Income Opportunities Fund I, the Target Maturity Income Opportunities Fund II, the AAA Target Maturity Fund I and the AAA Target Maturity Fund II, the fee payable to the Adviser will continue to be a monthly fee based upon the average weekly net assets of each particular Fund at an annual rate of 0.75%; in the case of the Tax-Exempt Fund, the fee payable to the Adviser will continue to be a monthly fee based upon the average weekly net assets of the Fund at an annual rate of 0.50%; in the case of the Tax-Exempt Fund II and the AAA Fixed-Income Fund, the fee payable to the Adviser will continue to be a monthly fee based upon the average daily net assets of each particular Fund at an annual rate of 0.50%; in the case of the Equity Opportunities Fund, the fee payable to the Adviser will continue to be a monthly fee based upon the average daily net assets of the Fund at an annual rate of 0.75%; and in the case of the Daily Liquidity Fund, the fee payable to the Adviser will continue to be a monthly fee based upon the average daily net assets of the Fund at an annual rate of 0.40%.

**Investment Management Services.** The new investment advisory agreement provides that, subject to the supervision of the Funds' Board, the Adviser will regularly provide each Fund with investment research, advice, management and supervision; will furnish a continuous investment program for each Fund's portfolio of securities and other investments consistent with each Fund's investment objectives, policies and restrictions; will determine from time to time what securities and other investments will be purchased, retained or sold by each Fund; and will implement those decisions, all subject to the provisions of each Fund's governing documents, the applicable rules and regulations of the SEC, the laws, rules and regulations of the Commonwealth of Puerto Rico, and other applicable federal and state laws, as well as any specific policies adopted by the Funds' Board and disclosed to the Adviser.

As noted above, under each Fund's new investment advisory agreement, the Adviser is authorized to place orders pursuant to its investment determinations for the Fund either directly with the issuer or with any broker or dealer, foreign currency dealer, futures commission merchant or others selected by it. Subject to any policies and procedures of the Funds' Board that may modify or restrict the Adviser's authority regarding the execution of each Fund's portfolio transactions provided in the Agreement and described below, brokers or dealers may be selected by the Adviser who also provide brokerage and research services (as those terms are defined in Section 28(e) of the Securities Exchange Act of 1934, as amended (the "1934 Act")) to a Fund and/or the other accounts over which the Adviser or its affiliates exercise investment discretion, a practice commonly referred to as "soft dollars." The Adviser is authorized to pay a broker or dealer who provides such brokerage and research services a commission for executing a portfolio

transaction for a Fund that is in excess of the amount of commission or spread another broker or dealer would have charged for effecting that transaction only if the Adviser determines in good faith that such amount of commission is reasonable in relation to the value of the brokerage and research services provided by such broker or dealer. This determination may be viewed either in terms of that particular transaction or the overall responsibilities that the Adviser and its affiliates have with respect to accounts over which they exercise investment discretion.

The new investment advisory agreement further provides that the Adviser will provide advice and recommendations with respect to other aspects of the business and affairs of each Fund, and will exercise voting rights, rights to consent to corporate action and any other rights pertaining to a Fund's portfolio securities in accordance with the Adviser's policies and procedures subject to such direction as the Board may provide, and will perform such other functions of investment management and supervision as may be directed by the Board.

**Payment of Expenses.** The new investment advisory agreement requires the Adviser to bear all expenses, and to furnish all necessary services, facilities and personnel, in connection with its responsibilities to provide each Fund with investment advisory services under the new investment advisory agreement. Except for these expenses, the Adviser is not responsible for the Funds' expenses.

**Conflicts of Interest.** As noted above, the new investment advisory agreement contains several provisions that address potential conflicts of interest that may arise in a typical investment advisory relationship. Specifically, the Adviser may engage in any other business or render services of any kind, including investment advisory and management services, to any other fund, firm, individual or association.

**Limitation on Liability.** Under the new investment advisory agreement, the Adviser assumes no responsibility other than to render the services called for by the Agreement in good faith, and the Adviser is not liable for any error of judgment or mistake of law, or for any loss arising out of any investment or for any act or omission in the execution of securities transactions for a Fund. The Adviser is not protected however, for willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of its reckless disregard of its obligations and duties under the Agreement. This same limitation of liability applies to affiliates of the Adviser who may provide services to a Fund as contemplated by the new investment advisory agreement.

**Term and Continuance.** If approved by shareholders of each particular Fund, the new investment advisory agreement for each Fund will terminate, unless sooner terminated as set forth therein, one year from the date of implementation. Thereafter, if not terminated, the new investment advisory agreement will continue in effect from year to year if such continuance is specifically approved at least annually by the Independent Directors.

**Termination.** The new investment advisory agreement for each Fund provides that the Agreement may be terminated at any time without the payment of any penalty by a Fund or a Fund's investment adviser upon not less than sixty days' written notice to the other party, and will terminate automatically in the event of its "assignment."

## Board Considerations

At meetings held on November 28, 2017 and January 16, 2018, the Board of the Funds, including the Independent Directors, unanimously approved the new investment advisory agreement between each Fund and its Adviser.

To assist the Board in its consideration of the new investment advisory agreement, the Board received in advance of its meeting materials and information about the Santander Group, including its financial condition and asset management capabilities and organization, and about the Transaction and the Transfer. In addition, the Independent Directors consulted with their counsel on, among other things, the legal standards and certain other considerations relevant to the Directors' deliberations.

On October 19, 2017, November 28, 2017 and January 16, 2018, members of the Board discussed with management of the Adviser the Transaction, the Transfer and the Santander Group's general plans and intentions regarding the Funds, including the preservation, strengthening and growth of the Adviser's asset management business. The Board also inquired about the plans for and anticipated roles and responsibilities of certain employees and officers of the Adviser after the Transaction and after the Transfer. The Independent Directors of the Board also conferred separately and with their counsel about the Transaction, including in connection with the October 19, 2017, November 28, 2017 and January 16, 2018 meetings, and a representative of the Adviser made a presentation to and responded to questions from the Board. After reviewing the written materials provided, the Independent Directors met with their counsel to consider the new investment advisory agreement.

Among other things, the Board considered:

- (i) the reputation, financial strength and resources of the Santander Group;
- (ii) that the Santander Group and its affiliates are experienced and respected firms;
- (iii) that the Adviser's management and the Santander Group have advised the Board that following the Transaction and the Transfer, there is not expected to be any diminution in the nature, quality and extent of services provided to the Funds and their shareholders by the Adviser, including compliance services;
- (iv) that the Transaction will be strategically and economically beneficial for the Santander Group and Sherbrooke and that, as a result, these parties have an interest in the matters that were being considered;
- (v) that the Transfer will be strategically and economically beneficial for the Santander Group and that, as a result, it has an interest in the matters that were being considered;
- (vi) the fact that the Funds' total advisory fee will not increase by virtue of the new investment advisory agreement, but will remain the same;

- (vii) the terms and conditions of the new investment advisory agreement, which are substantively identical to those of the current investment advisory agreement;
- (viii) that within the past six to eight months the Board had performed a full annual review of the current investment advisory agreement, and had determined that the Adviser has the capabilities, resources and personnel necessary to provide the advisory and administrative services currently provided to the Funds; and that the advisory fee paid by the Funds, taking into account any applicable agreed-upon fee reductions and breakpoints, represent reasonable compensation to the Adviser in light of the nature, extent and quality of the services to be provided by the Adviser, the investment performance of the Funds and the Adviser, the costs of the services to be provided and the profits to be realized by the Adviser and its affiliates from the relationship with the Funds, the extent to which economies of scale may be realized as each Fund grows, the reflection of these economies of scale in the fee levels for the benefit of the Funds' shareholders, and such other matters as the Board considered relevant in the exercise of their reasonable judgment; and
- (ix) that the Funds would not bear the costs of obtaining shareholder approval of the new investment advisory agreement.

Certain of these considerations are discussed in more detail below.

In its deliberations, the Board considered information received in connection with its most recent approval of the current investment advisory agreement for each of the Funds on June 5, 2017, in addition to information provided by the Santander Group in connection with its evaluation of the terms and conditions of the new investment advisory agreement for each Fund. The Directors did not identify any particular information that was all-important or controlling, and the Board attributed different weights to the various factors. The Directors evaluated all information available to them. The Board, including all of the Independent Directors, concluded that the terms of the new investment advisory agreement are fair and reasonable, that the fee stated therein is reasonable in light of the services to be provided to the Fund, and that the new investment advisory agreement should be approved and recommended to Fund shareholders.

#### *Nature, Quality and Extent of Services Provided*

In evaluating the nature, quality and extent of the services to be provided by the Adviser under the new investment advisory agreement, the Board considered, among other things, the expected impact, if any, of the Transaction and the Transfer on the operations, facilities, organization and personnel of the Adviser; the potential implications of regulatory restrictions on the Funds following the Transaction and the Transfer; the ability of the Adviser to perform its duties after the Transaction and the Transfer; and any anticipated changes to the current investment and other practices of the Funds.

Based on their review of the materials provided and the assurances they had received from management of the Adviser and the Santander Group, the Board determined that the Transaction and the Transfer were not expected to adversely affect the nature and quality of services provided by the Adviser and that the Transaction and the Transfer were not expected to have a material

adverse effect on the ability of the Adviser to provide those services. Accordingly, the Board concluded that, overall, they were satisfied at the present time with assurances from the Adviser and the Santander Group as to the expected nature, extent and quality of the services to be provided to the Funds under the new investment advisory agreement.

#### *Costs of Services Provided and Profitability*

In evaluating the costs of the services to be provided by the Adviser under the new investment advisory agreement and the profitability to the Adviser of their relationships with the Funds, the Board considered, among other things, whether advisory fees or other expenses would change under the new investment advisory agreement as a result of the Transaction and the Transfer. Based on their review of the materials provided and the assurances they had received from management of the Adviser, the Board determined that neither the Transaction nor the Transfer would increase the fees payable for advisory services and that overall Fund expenses were not expected to increase under the new investment advisory agreement as a result of the Transaction or the Transfer. The Board noted that it was not possible to predict how the Transaction or the Transfer would affect the Adviser's profitability from its relationship with the Funds, but that they had been satisfied in their most recent review of the current investment advisory agreement on June 5, 2017 that the Adviser's level of profitability from its relationship with the Funds was not excessive. The Board concluded that, overall, they were satisfied that, currently, the Adviser's level of profitability from its relationship with the Funds was not excessive.

The Board noted that they expect to receive Adviser profitability information on an annual basis and thus be in a position to evaluate whether any adjustments in Fund fees and/or fee breakpoints would be appropriate.

#### *Fall-Out Benefits*

In evaluating the fall-out benefits to be received by the Adviser under the new investment advisory agreement, the Board considered whether the Transaction and the Transfer would have an impact on the fall-out benefits received by virtue of the then-current investment advisory agreement. Based on their review of the materials provided, including materials received in connection with their most recent approval of the current investment advisory agreement for each Fund on June 5, 2017, and their discussions with management of the Adviser, the Directors determined that those benefits could include (i) the envisaged improvement in the service provided to clients; (ii) a strengthened focus on client needs in terms of design, management and positioning of products; and (iii) the facilitation of the development of products that further cater to the needs of local retail clients. The Board noted that any such benefits were difficult to quantify with certainty at this time, and indicated that they would continue to evaluate them going forward.

#### *Fees and Economies of Scale*

In reviewing the Transaction and the Transfer, the Board considered, among other things, whether advisory fees or other expenses would change under the new investment advisory agreement as a result of the Transaction and the Transfer. Based on the assurances they had received from management of the Adviser, the Board determined that under the new investment

advisory agreement as a result of the Transaction and the Transfer, each Fund's total advisory fees would not increase. The Board noted that, in conjunction with their deliberations concerning the current investment advisory agreement on June 5, 2017, the Board had determined that the total fees for advisory services were reasonable in light of the services provided. The Board concluded that because the advisory fees for each Fund were not expected to increase under the new investment advisory agreement as a result of the Transaction or the Transfer, the Funds' fees for advisory services remain appropriate and that no fee reductions or breakpoints were necessary at this time. The Board recognized that the Adviser may realize economies of scale from the Transaction and the Transfer based on certain synergies of operations both regionally and on a global level, which will be further identified and quantified by the Adviser within the initial months after consummation of the Transaction and after consummation of the Transfer.

### *Investment Performance*

The Board noted that management of the Adviser had already implemented or undertaken to implement steps to address investment performance in the Funds. The Board noted the considerable investment management experience and capabilities of the Santander Group, but was unable to predict what effect, if any, consummation of the Transaction and the Transfer would have on the Funds' future performance.

### **Information about the Adviser**

Santander Asset Management, LLC, the Adviser to each Fund, is a registered investment adviser and a Puerto Rico limited liability company, and is a wholly owned subsidiary of SAM Investment Holdings Limited. Prior to the consummation of the Transaction on December 20, 2017, SAM Investment Holdings Limited was 50% indirectly owned by Banco Santander, S.A. and 50% indirectly owned jointly by entities affiliated with Warburg Pincus LLC and General Atlantic LLC; after the Transaction, SAM Investment Holdings Limited is 100% indirectly owned by Banco Santander. Pursuant to the Transaction, SAM remains as the Funds' adviser and as a wholly owned subsidiary of SAM Investment Holdings Limited, however, in conformity with Regulation YY of the Board of Governors of the Federal Reserve System, SAM Investment Holdings Limited will transfer the Adviser to SHUSA, a wholly owned subsidiary of Banco Santander, S.A., not more than six months after the effective date of the Transaction. Santander Group businesses offer a broad range of financial services-asset management, banking and consumer finance, credit and charge cards, insurance, investments, investment banking and trading-and use diverse channels to make them available to consumer and corporate customers around the world. The principal offices of SAM are located at GAM Tower, 2 Tabonuco Street, 2nd Floor, Guaynabo, Puerto Rico 00968.

The name and principal occupation of the directors and principal executive officers of the Adviser are as set forth in Exhibit B. The principal business address of each of the directors and principal executive officers of SAM is GAM Tower, 2 Tabonuco Street, 2nd Floor, Guaynabo, Puerto Rico 00968.

The Adviser provides investment advisory services to certain other investment accounts that may have investment objectives and policies similar to those of the Funds.

## **Shareholder Approval**

To remain in effect with respect to a Fund, the new investment advisory agreement must be approved by a vote of a majority of the outstanding voting securities of such Fund. The “vote of a majority of the outstanding voting securities” is defined in the 1940 Act as the lesser of the vote of (i) 67% or more of the voting securities of the Fund entitled to vote thereon present at the Meeting or represented by proxy if holders of more than 50% of the outstanding voting securities are present or represented by proxy; or (ii) more than 50% of the outstanding voting securities of the Fund entitled to vote thereon. The new investment advisory agreement was approved by the Independent Directors, separately, and by the Board of Directors of the Funds, as a whole, after consideration of all factors which it determined to be relevant to its deliberations, including those discussed above. The Board of Directors of the Funds also determined to submit the Fund’s new investment advisory agreement for consideration by the shareholders of the Fund.

**The Board of Directors unanimously recommends that you vote “FOR” the approval of the new investment advisory agreement.**

## **OTHER MATTERS**

The Funds know of no other matters which are to be brought before the Meeting or any adjournments thereof. However, if any other matters not now known or determined properly come before the Meeting or any adjournments thereof, it is the intention of the persons named in the enclosed form of proxy to vote such proxy in accordance with their best judgment on such matters.

All proxies received will be voted in favor of all the proposals, unless otherwise directed therein.

## **DEADLINE FOR SHAREHOLDER PROPOSALS**

As provided for in the Funds’ By-Laws, at any special meeting of shareholders, proposals by shareholders shall be considered only if advance notice thereof has been timely given as provided herein and such proposals are otherwise proper for consideration under applicable law and the Certificate of Incorporation and By-Laws of each Fund. Notice of any proposal to be presented by any shareholder at any meeting of shareholders shall be delivered to the Secretary of such Fund at its principal executive office not less than thirty (30) nor more than fifty (50) days prior to the date of the meeting; provided, however, that if the date of the meeting is first publicly announced or disclosed (in a public filing or otherwise) less than forty (40) days prior to the date of the meeting, such notice shall be given not more than ten (10) days after such date is first so announced or disclosed. Any shareholder who gives notice of any such proposal shall deliver therewith the text of the proposal to be presented and a brief written statement of the reasons why such shareholder favors the proposal and setting forth such shareholder’s name and address, the number and class of all shares of each class of stock of the Fund beneficially owned by such shareholder and any material interest of such shareholder in the proposal (other than as a shareholder). As used herein, shares “beneficially owned” shall mean all shares as to which such person, together with such person’s affiliates and associates (as defined in Rule 12b-2 under the Exchange Act), may be deemed to beneficially own pursuant to Rules 13d-3 and 13d-5 under the Exchange Act, as well as all shares as to which such person, together with such person’s affiliates

and associates, has the right to become the beneficial owner pursuant to any agreement or understanding, or upon the exercise of warrants, options or rights to convert or exchange (whether such rights are exercisable immediately or only after the passage of time or the occurrence of conditions). The person presiding at the meeting, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall determine whether such notice has been duly given and shall direct that proposals not be considered if such notice has not been given.

**IT IS IMPORTANT THAT PROXIES BE RETURNED PROMPTLY. SHAREHOLDERS WHO DO NOT EXPECT TO ATTEND THE MEETING ARE THEREFORE URGED TO COMPLETE AND SIGN, DATE AND RETURN THE PROXY CARD AS SOON AS POSSIBLE IN THE ENCLOSED POSTAGE PAID ENVELOPE.**

By order of the Board of Directors,

A handwritten signature in cursive script, appearing to read "Jorge Souss".

Jorge E. Souss  
Assistant Secretary

San Juan, Puerto Rico  
March 27, 2018

**EXHIBIT A**

<u>Fund</u>	<u>Class</u>	<u>Number of Shares</u>	<u>Percent of Class</u>	<u>Name</u>	<u>Address</u>
First Puerto Rico Tax-Exempt Target Maturity Fund VII, Inc.	A	405,489.000	5.47%	Edwin Santana	Cond. Luchetti 1403, Apt. PH-A 1403 Luchetti Street San Juan, PR 00907
First Puerto Rico Tax-Advantaged Target Maturity Fund II, Inc.	A	613,645.670	5.97%	Willie Santana de la Rosa	Barrio Campo Rico HC 03 Box 7607 Canóvanas, PR 00729
First Puerto Rico Tax-Exempt Fund, Inc.	A	1,754,724.727	6.80%	Aida Márquez	P.O. Box 363573 San Juan, PR 00936-3573
First Puerto Rico Equity Opportunities Fund, Inc.	A	19,198.119	7.43%	Myrna N. Rivera	P.O. Box 363212 San Juan, PR 00936-3212
	A	17,747.164	6.86%	Sara Georgina Trigo, Deceased	P.O. Box 2369 Toa Baja, PR 00951-2369
	A	13,839.157	5.35%	AWR Investments, LLC	Urb. Milaville 171 Pajuil Street San Juan, PR 00926-5125
	Z	47,902.564	49.22%	M-F Living and Grantor Trust	Urb. Villa Caparra 6 Calle L Guaynabo, PR 00966
	Z	15,691.475	16.12%	Grupo Gastroenterológico del Este	Gran Vista II 40 Plaza 4 Street Gurabo, PR 00778-5052
	Z	5,615.498	5.77%	Maribel R. Hernández	Urb. Ciudad Jardín III 63 Sauco Street Toa Alta, PR 00953-4863
First Puerto Rico Daily Liquidity Fund, Inc.	A	800,642.920	10.70%	GRSH Management LLC	P.O. Box 194976 San Juan, PR 00919-4976
	A	562,398.720	7.52%	José F. de la Torre and Ana María de la Torre, Tenants-in-Common	Parques de Santa María Q6 Petunia Street San Juan, PR 00927-6724
	A	428,717.500	5.73%	José L. Figueroa Casas and Connie A. Martin, Tenants-in-Common	Urb. Villa Caparra K25 Calle K Guaynabo, PR 00966-2304
	A	408,484.860	5.46%	Santander Asset Management, LLC	GAM Tower 2 Tabonuco Street, Suite 200 Guaynabo, PR 00968
	A	375,380.240	5.02%	Carlos M. Rodríguez Vázquez, Deceased	Urb. San Miguel B29 Calle B Sabana Grande, PR 00637

First Puerto Rico AAA Fixed-Income Fund, Inc.	A	100,806.452	6.26%	Universidad Carlos Albizu, Inc.	P.O. Box 9023711 San Juan, PR 00902-3711
	A	100,502.513	6.24%	Luis Ángel Cáceres	Cond. Villa Caparra Executive 229 Carr. #2, Apt. 12-E Guaynabo, PR 00966
	A	96,096.814	5.96%	Juan Sánchez Quintana and Carmen Adela Alfaro, Tenants-in-Common	Urb. Garden Hills B-6 Montebello Street Guaynabo, PR 00966-2101

**EXHIBIT B**

**Directors and Principal Officers of Santander Asset Management, LLC**

<b><u>Name</u></b>	<b><u>Position</u></b>
Frank J. Serra	Chairman and Member of the Administration Committee, President and Chief Executive Officer
Jessica Colón	Member of the Administration Committee, Senior Vice President, Treasurer and Chief Financial Officer
Dennis Williams	Member of the Administration Committee, Senior Vice President and Chief Investment Officer
Ana Suárez	Senior Vice President, Secretary and Chief Compliance Officer