7

Puerto Rico Public Buildings Authority
$185,290,000 Government Facilities Revenue Refunding Bonds, Series C
$553,733,794.90 Government Facilities Revenue Bonds, Series D
Guaranteed by the Commonwealth of Puerto Rico

CERTIFICATE AS TO OFFICIAL STATEMENT

I, CLAUDIO OCASIO ROJAS, Secretary of the Puerto Rico Public Buildings Authority (the "Authority"), DO HEREBY CERTIFY that attached hereto is a true, correct and complete copy of the Official Statement dated January 11, 2002 (the "Official Statement") relating to the Authority's $185,290,000 Government Facilities Revenue Refunding Bonds, Series C, Guaranteed by the Commonwealth of Puerto Rico and $553,733,794.90 Government Facilities Revenue Bonds, Series D, Guaranteed by the Commonwealth of Puerto Rico, which Official Statement is substantially in the form presented to and approved by the Governing Board of the Authority by resolution duly adopted on January 11, 2002.

IN WITNESS WHEREOF, I have hereunto set my hand as of the 30th day of January, 2002.

Secretary
Puerto Rico Public Buildings Authority

NEW ISSUES-BOOK ENTRY ONLY

In the opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, under existing law, (i) assuming continuing compliance by the Puerto Rico Public Buildings Authority with certain covenants and the accuracy of certain representations, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (ii) the Bonds and the interest thereon are exempt from state, Commonwealth of Puerto Rico and local income taxation. Interest on the Bonds may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. For a more complete discussion of the tax aspects, see the discussion under "Tax Matters" herein.

$739,023,794.90
Puerto Rico Public Buildings Authority
$185,290,000 Government Facilities Revenue Refunding Bonds, Series C
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Dated: Date of Delivery **Due: As shown on inside cover page**

The Puerto Rico Public Buildings Authority Government Facilities Revenue Refunding Bonds, Series C (the "Refunding Bonds") and the Puerto Rico Public Buildings Authority Government Facilities Revenue Bonds, Series D (the "Improvement Bonds" and, together with the Refunding Bonds, the "Bonds") will be issued in fully registered form and when issued, will be initially registered only in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. The Bonds will be available to purchasers in denominations of $5,000 and any multiple thereof ($5,000 maturity amount and any multiple thereof, with respect to the Convertible Capital Appreciation Bonds, as such term is defined below) only under the book-entry system maintained by DTC through brokers and dealers who are, or act through, DTC Participants. Purchasers will not receive delivery of the Bonds. So long as any purchaser is the beneficial owner of a Bond, such purchaser must maintain an account with a broker or dealer who is, or acts through, a DTC Participant to receive payment of principal of and interest on such Bond. See "Book-Entry Only System" under Description of the Bonds. Interest on the Bonds (other than the Convertible Capital Appreciation Bonds) will be payable July 1, 2002 and each January 1 and July 1 thereafter. Certain of the Improvement Bonds will be subject to redemption prior to maturity as described herein.

The Improvement Bonds maturing on July 1, 2030 and July 1, 2031 are being issued as "capital appreciation and income bonds" under the 1995 Bond Resolution described herein (such capital appreciation and income bonds are referred to herein as "Convertible Capital Appreciation Bonds"). Prior to the Interest Commencement Date (as defined herein), interest on the Convertible Capital Appreciation Bonds will be compounded on each January 1 and July 1, through the Interest Commencement Date. Subsequent to the Interest Commencement Date, interest on the Convertible Capital Appreciation Bonds will be payable on January 1 and July 1 of each year. The Interest Commencement Date for the Convertible Capital Appreciation Bonds is July 1, 2012.

Concurrently with the issuance of the Bonds, the Puerto Rico Public Buildings Authority (the "Authority") expects to issue its Government Facilities Revenue Bonds, Series E (the "Series E Bonds"). The Series E Bonds are being offered for sale solely in the Commonwealth of Puerto Rico (the "Commonwealth") pursuant to a separate official statement.

The outstanding Puerto Rico Public Buildings Authority Government Facilities Revenue Bonds, Series A and the outstanding Puerto Rico Public Buildings Authority Government Facilities Revenue Bonds, Series B (the "Outstanding Bonds"), the Bonds, the Series E Bonds and any additional Puerto Rico Public Buildings Authority Government Facilities Revenue Bonds (all of the foregoing, collectively, "Government Facilities Bonds") hereafter issued under the 1995 Bond Resolution (as defined herein), will be secured equally and ratably by a pledge of the rentals of government facilities financed or refinanced by such bonds and leased by the Authority to departments, agencies, instrumentalities and municipalities of the Commonwealth (the "Leased Facilities"). The Leased Facilities will not be mortgaged or otherwise encumbered to secure any Government Facilities Bonds. The good faith and credit of the Commonwealth are pledged to the payment or advance of such rentals.

The Bonds are further secured by the guaranty of the Commonwealth, under which the Commonwealth pledges to draw from any funds available in the Treasury of Puerto Rico such sums as may be necessary to cover any deficiency in the amount required for the payment of principal of and interest on the Bonds. The good faith and credit of the Commonwealth, as in the case of the Commonwealth's general obligation bonds, are pledged for such payments.

The Bonds are offered for delivery, subject to prior sale, when, as and if issued by the Authority and accepted by the Underwriters subject to the approval of legality by Squire, Sanders & Dempsey L.L.P., Miami, Florida, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by McConnell Valdés, San Juan, Puerto Rico. It is expected that the Bonds will be available for delivery to DTC in New York, New York on or about January 30, 2002.

Lehman Brothers **Morgan Stanley** **Salomon Smith Barney**

ABN Amro Financial Services, Inc. **Banc of America Securities LLC** **Bear, Stearns & Co., Inc.**
First Union National Bank **Goldman, Sachs & Co.** **Merrill Lynch & Co.** **UBS PaineWebber Inc.**

January 11, 2002

MATURITY SCHEDULE

$185,290,000
Government Facilities Revenue Refunding Bonds, Series C

Maturity July 1	Amount	Interest Rate	Yield	Maturity July 1	Amount	Interest Rate	Yield
2005	$8,075,000	5%	3.15%	2014	$11,720,000	5 1/2%	4.79%
2006	2,750,000	4	3.52	2015	12,365,000	5 1/2	4.86
2007	12,645,000	5	3.88	2016	13,050,000	5 1/2	4.93
2008	13,250,000	5 1/4	4.10	2017	3,945,000	5 3/4	5.01
2009	13,925,000	5 1/4	4.32	2018	4,170,000	5 3/4	5.08
2010	14,635,000	5 1/2	4.44	2019	4,410,000	5 3/4	5.12
2011	15,410,000	5 1/4	4.54	2020	4,665,000	5 3/4	5.14
2012	16,185,000	5 1/2	4.63	2021	4,930,000	5 3/4	5.16
2013	11,110,000	5 1/2	4.72	2022	18,050,000	5 3/4	5.17

$553,733,794.90
Government Facilities Revenue Bonds, Series D

Maturity July 1	Amount	Interest Rate	Yield	Maturity July 1	Amount	Interest Rate	Yield
2012	$3,000,000	5 3/8%	4.63%	2018	$3,000,000	5%	5.18%
2013	3,000,000	5 3/8	4.77	2019	8,000,000	5 1/8	5.23
2014	3,000,000	5 3/8	4.85	2020	8,000,000	5 1/8	5.25
2015	3,000,000	5 3/8	4.94	2021	2,475,000	5 1/8	5.27
2016	3,000,000	5	5.06	2022	9,025,000	5 1/8	5.29
2017	3,000,000	5	5.13				

$16,005,000	5 1/8% Term Bonds due July 1, 2024- yield 5.34%
$59,970,000	5 1/4% Term Bonds due July 1, 2027- yield 5.40%
$234,350,000	5 3/8% Term Bonds due July 1, 2033- yield 5.45%
$146,560,000	5 1/4% Term Bonds due July 1, 2036- yield 5.47%

$24,998,151.50	Convertible Capital Appreciation Bonds due July 1, 2030-yield 5.45%*
$23,350,643.40	Convertible Capital Appreciation Bonds due July 1, 2031-yield 5.45%*

* Insured by AMBAC Assurance Corporation

The information set forth or incorporated herein by reference has been obtained from the Authority, the Commonwealth of Puerto Rico, and other official sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by any Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the Commonwealth of Puerto Rico since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING THE UNDERWRITERS MAY EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS OFFERED HEREBY AND OF OUTSTANDING BONDS OF PUERTO RICO PUBLIC BUILDINGS AUTHORITY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

TABLE OF CONTENTS

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$739,023,794.90
Puerto Rico Public Buildings Authority

$185,290,000 Government Facilities Revenue Refunding Bonds, Series C
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INTRODUCTION

The purpose of this Official Statement of Puerto Rico Public Buildings Authority (the "Authority") is to furnish information with respect to the $185,290,000 Puerto Rico Public Buildings Authority Government Facilities Revenue Refunding Bonds, Series C (the "Refunding Bonds") and the $553,733,794.90 Puerto Rico Public Buildings Authority Government Facilities Revenue Bonds, Series D (the "Improvement Bonds"and, together with the Refunding Bonds, the "Bonds") to be issued by the Authority and to be guaranteed by the Commonwealth of Puerto Rico (the "Commonwealth"). Concurrently with the issuance of the Bonds, the Authority expects to issue its Government Facilities Revenue Bonds, Series E (the "Series E Bonds") in the estimated aggregate principal amount of $50,000,000. The Series E Bonds are being offered for sale solely in the Commonwealth by a separate underwriting group pursuant to a separate official statement and contract of purchase.

The Bonds will be issued pursuant to Act No. 56 of the Legislature of Puerto Rico, approved June 19, 1958, as amended (the "Enabling Act"), and under the provisions of Resolution No. 468, adopted by the Authority on June 22, 1995 (the "1995 Bond Resolution"), as supplemented by a resolution adopted by the Authority on January 11, 2002. Immediately prior to the issuance of the Bonds and the Series E Bonds, the Authority will have outstanding $738,651,987 of its Government Facilities Revenue Bonds (calculated by excluding all accretion on any existing capital appreciation bonds) issued under the 1995 Bond Resolution.

This Official Statement includes the cover page, the Appendices hereto and the following documents, which have been filed by the Commonwealth with each nationally recognized municipal securities information repository ("NRMSIR") and are incorporated herein by reference:

(1) the Commonwealth of Puerto Rico Financial Information and Operating Data Report dated September 25, 2001, which contains financial and other information of the Commonwealth (the "Commonwealth Report") and which is appended as Appendix I to the Official Statement of the Commonwealth dated October 11, 2001 relating to the issuance by the Commonwealth of its Public Improvement Bonds of 2002, Series A, and its Public Improvement Refunding Bonds, Series 2002A; and

(2) the Comprehensive Annual Financial Report of the Commonwealth for the fiscal year ended June 30, 2000 prepared by the Department of the Treasury (the "Commonwealth's Annual Financial Report"), which includes the general purpose financial statements of the Commonwealth for the fiscal year ended June 30, 2000, together with the independent auditor's report thereon, dated December 29, 2000, of Deloitte & Touche L.L.P., certified public accountants.

Any appendix of an Official Statement of the Commonwealth or of any instrumentality of the Commonwealth filed with each NRMSIR and the Municipal Securities Rulemaking Board (the "MSRB") or any other document containing the same information as the Commonwealth Report, or supplementing or amending the Commonwealth Report, filed with each NRMSIR after the date hereof and prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference into this Official Statement and to be part of this Official Statement from the date of filing of such document. Any statement contained herein or in any of the above described documents incorporated herein by reference shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Commonwealth will provide without charge to any person to whom this Official Statement is delivered, on the written or oral request of such person, a copy of any or all of the foregoing documents incorporated herein by reference. Requests for such documents should be directed to Director-New York Office, Government Development Bank for Puerto Rico, 140 Broadway, 38th Floor, New York, NY 10005, telephone number (212) 422-6420, or to Director-General Obligations Division, Government Development Bank for Puerto Rico, P.O. Box 42001, San Juan, PR 00940, telephone number (787) 722-7060.

A copy of the Commonwealth Report and the Commonwealth's Annual Financial Report may be obtained by contacting a NRMSIR. The address of each NRMSIR is set forth in *Continuing Disclosure* below. The address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, VA 22314, telephone number (703) 797-6600.

RECENT DEVELOPMENTS RELATING TO THE PROJECTED GENERAL FUND REVENUES OF THE COMMONWEALTH OF PUERTO RICO FOR FISCAL YEAR 2002

The Commonwealth periodically monitors and revises its projected revenues and expenses. In the beginning of January 2002, in making its periodic review of revenues and expenditures, the Commonwealth became aware of a $193 million reduction in the projected revenues from nonresident corporation income tax withholding. This reduction is due to the inclusion in the budget for fiscal year 2002 of a tax payment from a single taxpayer based on a similar tax payment received from that taxpayer in fiscal year 2001. The Commonwealth discovered that the fiscal year 2001 tax payment had included a prepayment of fiscal year 2002 taxes; therefore, a comparable tax payment may not be made by such taxpayer in fiscal year 2002.

To address this revenue reduction, the Commonwealth has identified certain non-recurring non-budgeted revenue sources to make up any potential budgetary shortfall. The use of one or more of these revenue sources may require the enactment of Commonwealth legislation. The Commonwealth currently projects General Fund revenues (excluding proceeds from special funds) to total $7,485 million for fiscal year 2002.

Current projections of expenditures through the end of fiscal year 2002 indicate that they could exceed the budgeted amount by approximately $160 million if corrective action is not taken. The Commonwealth anticipates that it will take corrective action in this regard to ensure a balanced budget by fiscal year end.

PLAN OF FINANCING

The Improvement Bonds

The Improvement Bonds will be issued to provide funds (i) to repay the principal component of a portion of the notes issued by the Authority as interim financing for the construction of certain buildings and facilities to be leased to various departments and instrumentalities of the Commonwealth, (ii) to deposit certain amounts in the 1995 Construction Fund (as defined below) to pay the remaining cost of such buildings and facilities and a portion of the Authority's construction program, and (iii) to pay costs of issuance. For a more detailed description of the Authority's construction program, see *Programs and Facilities of the Authority.*

The Refunding Bonds

The Refunding Bonds will be issued for the purpose of refunding certain bonds (the "Refunded Bonds") issued under the 1970 Bond Resolution, the 1978 Bond Resolution and the 1995 Bond Resolution (each as herein defined) as follows:

1970 Bond Resolution Refunded Bonds

Series Designation	Principal Amount to be Refunded	Interest Rate	Maturity Date	Redemption Date	Redemption Price
Series G	$10,060,000	6%	07/01/2012	03/06/2002	100.00
Series I	2,563,603	7.15	07/01/2003	(1)	(2)
Series I	2,387,855	7.15	07/01/2004	(1)	(2)
Series J	3,270,000	6 1/2	07/01/2003	07/01/2002	101.50
Series J	1,850,000	6.60	07/01/2004	07/01/2002	101.50

(1) Non-callable
(2) Not applicable

1978 Bond Resolution Refunded Bonds

Series Designation	Principal Amount to be Refunded	Interest Rate	Maturity Date	Redemption Date	Redemption Price
Series I	$57,790,000	6%	07/01/2012	03/06/2002	100.00
Series K	15,060,000	6 1/2	07/01/2003	07/01/2002	101.50

1995 Bond Resolution Refunded Bonds

Series Designation	Principal Amount to be Refunded	Interest Rate	Maturity Date	Redemption Date	Redemption Price
Series A	$4,595,000	4.60%	07/01/2002	(1)	(2)
Series A	4,805,000	4.70	07/01/2003	(1)	(2)
Series A	5,030,000	6 3/4	07/01/2004	(1)	(2)
Series A	5,370,000	6 3/4	07/01/2005	(1)	(2)
Series A	7,760,000	6 1/4	07/01/2013	(1)	(2)
Series A	8,245,000	6 1/4	07/01/2014	(1)	(2)
Series A	8,760,000	6 1/4	07/01/2015	(1)	(2)
Series A	9,310,000	5 1/2	07/01/2016	07/01/2005	101.50
Series A	12,835,000	5 3/4	07/01/2022	07/01/2005	101.50
Series B	11,200,000	4.45	07/01/2003	(1)	(2)
Series B	11,700,000	4 1/2	07/01/2004	(1)	(2)

(1) Non-callable
(2) Not applicable

The Authority will deposit $27,698,000 of the proceeds of the Refunding Bonds in escrow with U.S. Bank Trust National Association, the Fiscal Agent under the hereinafter described 1970 Bond Resolution (the "1970 Fiscal Agent") for investment in certain direct obligations of the United States, the principal of and interest on which when due, with other uninvested moneys, will be sufficient to pay when due the principal of and premium and interest on the 1970 Bond Resolution Refunded Bonds. Under the 1970 Bond Resolution, upon such deposit, such Refunded Bonds will not be deemed to be outstanding for purposes of the 1970 Bond Resolution.

The Authority will deposit $73,973,700 of the proceeds of the Refunding Bonds in escrow with JPMorgan Chase Bank, the Fiscal Agent under the hereinafter described 1978 Bond Resolution (the "1978 Fiscal Agent") for investment in certain direct obligations of the United States, the principal of and interest on which when due, with other invested moneys, will be sufficient to pay when due the principal of and premium and interest on the 1978 Bond Resolution Refunded Bonds. Under the 1978 Bond Resolution, upon such deposit, such Refunded Bonds will not be deemed to be outstanding for purposes of the 1978 Bond Resolution.

The Authority will deposit $94,173,759.86 of the proceeds of the Refunding Bonds in escrow with the State Street Bank & Trust Company, N.A., the Fiscal Agent under the 1995 Bond Resolution (the "1995 Fiscal Agent") for investment in certain Government Obligations (as defined in the 1995 Bond Resolution), the principal of and interest on which when due, with other invested moneys, will be sufficient to pay when due the principal of and premium and interest on the 1995 Bond Resolution Refunded Bonds. Under the 1995 Bond Resolution, upon such deposit, such Refunded Bonds will be deemed to have been paid for purposes of the 1995 Bond Resolution.

The adequacy of the amounts so deposited with the 1970 Fiscal Agent, the 1978 Fiscal Agent and the 1995 Fiscal Agent, respectively, with the investment earnings thereon, to accomplish the refunding of the Refunded Bonds will be verified by Precision Analytics Inc./Samuel Kline & Co., the verification agents. See *Verification of Mathematical Computations*.

Use of Proceeds

The proceeds of the Bonds (net of original issue discount and premium and accrued interest) are expected to be used as follows:

Sources of Funds(1)	
Refunding Bonds Proceeds	$197,237,024.50
Improvement Bonds Proceeds	544,425,556.40
Total	$741,662,580.90
Uses of Funds	
Deposit into escrow account for 1970 Bond Resolution Refunded Bonds	$ 27,698,000.00
Deposit into escrow account for 1978 Bond Resolution Refunded Bonds	73,973,700.00
Deposit into escrow account for 1995 Bond Resolution Refunded Bonds	94,173,759.86
Deposit into the 1995 Construction Fund	193,669,258.07
Payment of principal component of notes issued by the Authority to Government Development Bank for Puerto Rico	344,000,000.00
Underwriting discount, bond insurance premium and estimated legal, printing and financing expenses	8,147,862.97
Total	$741,662,580.90

(1) Does not take into account proceeds received from the issuance of the Series E Bonds.

Series E Bonds

Concurrently with the issuance of the Bonds, the Authority expects to issue the Series E Bonds in the estimated aggregate principal amount of $50,000,000. The Series E Bonds are being offered for sale solely in the Commonwealth by a separate underwriting group pursuant to a separate official statement and contract of purchase.

DESCRIPTION OF THE BONDS

General

The Bonds will be dated, will bear interest at such rates (or have such yields, in the case of the Convertible Capital Appreciation Bonds defined below), will be payable at such times, and will mature on July 1 of the years and in the principal amounts set forth on the inside cover of this Official Statement. The Bonds will be issued in fully registered form, will be in denominations of $5,000 and any multiple thereof (except for the Convertible Capital Appreciation Bonds, which will be in denominations as described below), and when issued will initially be registered only in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. The Bonds are subject to redemption as described below under "Redemption Provisions."

The Improvement Bonds maturing on July 1, 2030 and July 1, 2031 are being issued as "capital appreciation and income bonds" under the 1995 Bond Resolution described herein (such capital appreciation and income bonds are referred to herein as "Convertible Capital Appreciation Bonds"). Payment of principal and interest on the Convertible Capital Appreciation Bonds, when due, will be insured by a financial guaranty insurance policy issued by AMBAC Assurance Corporation ("AMBAC Assurance") simultaneously with the delivery of the Improvement Bonds (the "AMBAC Financial Guaranty Insurance Policy"). The Convertible Capital Appreciation Bonds that are so insured are also herein collectively referred to from time to time as the "AMBAC Insured Bonds".

Ownership interests in the Convertible Capital Appreciation Bonds (i) on any date during the period commencing on their date of issuance and ending on July 1, 2012 (the "Interest Commencement Date") will be in denominations such that the accreted value (the "Accreted Value") of each such Convertible Capital Appreciation Bond on the Interest Commencement Date will equal $5,000 or any integral multiple thereof, and (ii) subsequent to the Interest Commencement Date, will be in denominations of $5,000 or any integral multiple thereof. The aggregate initial principal amount of each Convertible Capital Appreciation Bond per $5,000 Accreted Value on the Interest Commencement Date and the yield to maturity on any such Convertible Capital Appreciation Bond is set forth in the inside cover page of this Official Statement. The Accreted Value per $5,000 maturity amount (and as of the Interest Commencement Date) of each Convertible Capital Appreciation Bond, on the date of delivery and on each January 1 and July 1 through the Interest Commencement Date is shown in Appendix IV.

The Convertible Capital Appreciation Bonds will not pay current interest between their date of issuance and the Interest Commencement Date (July 1, 2012), but rather accrue interest beginning on their date of issuance and compound interest at the applicable yields set forth on the inside cover page of the Official Statement on each July 1 and January 1. The Accreted Value of the Convertible Capital Appreciation Bonds shall accrue on the basis of a year of 360 days comprised of twelve 30-day months. Subsequent to the Interest Commencement Date and commencing on January 1, 2013, interest on the Convertible Capital Appreciation Bonds will be payable on January 1 and July 1 of each year (calculated on the basis of a 360-day year comprised of twelve 30-day months) until the principal amount thereof shall become due and payable, whether at maturity, upon redemption or otherwise.

Redemption Provisions

Optional Redemption. The Refunding Bonds are not subject to redemption prior to maturity. The Improvement Bonds (except for the Convertible Capital Appreciation Bonds), maturing after July 1, 2012 may be redeemed at the option of the Authority upon 30 days' notice from any moneys available therefor (other than moneys set aside in the 1995 Sinking Fund established by the 1995 Bond Resolution in respect of an Amortization Requirement), in whole or, as directed by the Authority, in part, on July 1, 2012 or on any date thereafter, at a redemption price equal to the principal amount to be redeemed, together with accrued interest thereon, and without premium. The Convertible Capital Appreciation Bonds may be redeemed at the option of the Authority upon 30 days's notice from any moneys available therefor (other than moneys set aside in the 1995 Sinking Fund established by the 1995 Bond Resolution in respect of an Amortization Requirement), in whole or, as directed by the Authority, in part, on July 1, 2017 or on any date thereafter, at their Accreted Value on the date of redemption, together with accrued interest thereon, and without premium.

Mandatory Redemption. The Refunding Bonds are not subject to redemption prior to maturity. The Improvement Bonds maturing July 1, 2024, July 1, 2027, July 1, 2033 and July 1, 2036, respectively, shall be redeemed upon 30 days' notice in part as set forth below in the principal amount equal to the respective Amortization Requirements for such Improvement Bonds (less the principal amount of any such Improvement Bonds retired by purchase) from moneys in the 1995 Sinking Fund, at par plus accrued interest to the date fixed for redemption, as follows:

	Amortization Requirements for Improvement Bonds due July 1			
Year	2024	2027	2033	2036
2023	$7,800,000			
2024	$8,205,000†			
2025		$ 8,625,000		
2026		$25,015,000		
2027		$26,330,000†		
2028			$61,610,000	
2029			$57,710,000	
2030			$13,435,000	
2031			$15,820,000	
2032			$41,765,000	
2033			$44,010,000†	
2034				$46,375,000
2035				$48,810,000
2036				$51,375,000†

† Final Maturity

Notice of Redemption. At least 30 days prior to any redemption, notice thereof will be sent by certified mail or other agreed method to DTC or if the book-entry only system is discontinued as described under the caption "Book-Entry Only System," by first class mail, postage prepaid, to the registered owners of the Improvement Bonds to be redeemed. Each notice of redemption shall contain, among other things, the CUSIP identification number of the Improvement Bonds (or portions thereof) being called for redemption, the redemption date and price and the address at which such Improvement Bonds are to be surrendered for payment of the redemption price. Any defect in such notice or the failure so to mail any such notice to DTC in respect of, or the registered owner of, any Improvement Bond will not affect the validity of the proceedings for the redemption of any other Improvement Bond.

Effect of Redemption. On the date designated for redemption, notice having been given as described above and moneys for payment of the principal of and redemption premium, if any, and accrued interest on the Improvement Bonds or portions thereof so called for redemption being held by the 1995 Fiscal Agent, interest on the Improvement Bonds or portions thereof so called for redemption shall cease to accrue. Subject to certain provisions of the 1995 Bond Resolution, Improvement Bonds and portions of Improvement Bonds which have been duly called for redemption under the provisions of the 1995 Bond Resolution, or with respect to which irrevocable instructions to call for redemption or to pay at maturity have been given, and for the payment of the principal of and redemption premium, if any, and the accrued interest on which sufficient moneys or Government Obligations (as hereinafter defined) shall be held in separate trust for the owners of the Improvement Bonds or portions thereof to be paid or redeemed, shall not be deemed to be outstanding under the 1995 Bond Resolution, and the registered owners thereof shall have no rights in respect thereof except to receive payment of the principal thereof and the redemption premium, if any, and the accrued interest thereon from said separate trust.

Selection of Improvement Bonds to be Redeemed. If less than all of the Improvement Bonds of any one maturity shall be called for redemption, the particular Improvement Bonds or portions thereof to be redeemed shall be selected by the 1995 Fiscal Agent in such manner as it in its discretion may determine to be appropriate and fair; except that so long as the book-entry only system shall remain in effect, the selection of the Improvement Bonds to be redeemed shall be determined as provided under the caption "Book-Entry Only System." If during any fiscal year the total principal amount of term Bonds retired by purchase or redemption exceeds the Amortization Requirement for such term Improvement Bonds for such year, the Amortization Requirements for such term Improvement Bonds shall be reduced for subsequent fiscal years in amounts aggregating such excess as shall be determined by the Authority.

Book-Entry Only System

The following information concerning DTC and DTC's book-entry system has been obtained from DTC. Neither the Authority nor the Underwriters take any responsibility for the accuracy thereof.

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

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices, if any, shall be sent to Cede & Co. If less than all of the Bonds of any maturity within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on such record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Bonds will be made to DTC or to such other nominee as may be requested by DTC. DTC's practice is to credit Direct Participants' accounts on payable dates in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on any such payable dates. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC, the Authority, or the 1995 Fiscal Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to DTC is the responsibility of the Authority or the 1995 Fiscal Agent. Disbursement of such payments to Direct Participants shall be the responsibility of DTC, and further disbursement of such payments to the Beneficial Owners shall be the responsibility of Participants.

Payments and Transfers

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

For every transfer of the Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto.

Discontinuance of the Book-Entry Only System

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the 1995 Fiscal Agent. Under such circumstances, in the event that a successor securities depository is not obtained, definitive Bonds will be printed and delivered.

The Authority, in its discretion, and without the consent of any other person, may terminate the services of DTC as securities depository with respect to the Bonds, if the Authority determines that the beneficial owners of such Bonds shall be able to obtain definitive bonds.

In the event that such book-entry only system is discontinued or if the Authority terminates the services of DTC as securities depository, the following provisions will apply : (i) principal of and interest on the Bonds and redemption premium, if any, thereon will be paid in lawful money of the United States of America; (ii) payments of principal will be made at the corporate trust office of the 1995 Fiscal Agent in New York, New York; (iii) interest on the Bonds (other than the Convertible Capital Appreciation Bonds) will be paid on each July 1 and January 1, by check mailed to the respective addresses of the registered owners thereof as shown on the registration books of the Authority maintained by the 1995 Fiscal Agent as of the close of business on the record date therefor as set forth in the 1995 Bond Resolution; (iv) the Bonds will be issued only as fully registered bonds without coupons in denominations of $5,000 principal amount (or initial principal amount in the case of the Convertible Capital Appreciation Bonds) or any multiple thereof; and (v) the transfer of Bonds will be registrable and Bonds may be exchanged at the corporate trust office of the 1995 Fiscal Agent in New York, New York upon the payment of any taxes, fees or other governmental charges required to be paid with respect to such transfer or exchange.

The Authority and the 1995 Fiscal Agent will have no responsibility or obligation to such Direct Participants, Indirect Participants, or the persons for whom they act as nominees with respect to the payments to or the providing of notice for the Direct Participants, the Indirect Participants, or the Beneficial Owners. Payments made to DTC or its nominee shall satisfy the obligations of the Authority to the extent of such payments.

SECURITY

All Government Facilities Bonds will be secured equally and ratably by a pledge of rentals of the Leased Facilities. The Leased Facilities will not be mortgaged or otherwise encumbered to secure any Government Facilities Bonds. The Enabling Act provides that the good faith and credit of the Commonwealth are pledged for the payment of rentals under any lease agreement with any department of the Commonwealth and to the making of advances by the Secretary of the Treasury of the Commonwealth to the Authority of any unpaid portion of rentals payable to the Authority by any agency or instrumentality of the Commonwealth.

The Bonds are further secured by the guaranty of the Commonwealth, under which the Commonwealth pledges to draw from any funds available in the Treasury of Puerto Rico such sums as may be necessary to cover any deficiency in the amount required for the payment of principal of and interest on the Bonds. The good faith and credit of the Commonwealth, as in the case of the Commonwealth's general obligation bonds, are pledged for such payments.

The rentals received in respect of the government facilities financed by any Government Facilities Bonds and leased by the Authority to various departments agencies, instrumentalities and municipalities of the Commonwealth are not available to be applied to the payment of any of the Public Buildings Authority Public Education and Health Facilities Bonds or Public Buildings Authority Revenue Bonds issued under the 1978 Bond Resolution and the 1970 Bond Resolution (each hereinafter defined), respectively.

Commonwealth Guaranty

As provided in Act No. 17 of the Legislature of Puerto Rico, approved April 11, 1968, as amended (the "Guaranty Act"), the Commonwealth guarantees, among other things, the payment of the principal of and interest on the Government Facilities Bonds. The provisions of the Guaranty Act are as follows:

> "The Commonwealth of Puerto Rico hereby guarantees payment of the principal and the interest on bonds outstanding at any one time, in an aggregate principal amount not exceeding $2,100,000,000 issued from time to time by the Public Buildings Authority for any of its purposes authorized by law. The bonds covered by this guaranty shall be those specified by the Authority, and a statement of such guaranty shall be set forth on the face of such bonds. If at any time the revenues or income, and any other moneys of the Authority, pledged for the payment of the principal and the interest on such bonds, are not sufficient to pay such principal and interest as the same fall due, or to maintain the reserve fund that the Authority has pledged itself to maintain for such bonds, the Secretary of the Treasury shall draw from any funds available in the Treasury of Puerto Rico, such sums as may be necessary to cover the deficiency in the amount required for the payment of such principal and interest and to restore said reserve fund to the maximum requirement agreed to by the Authority, and shall direct that the sums so drawn be applied to such payment and purpose. For the purposes of this Section, bonds shall not be deemed to be outstanding, which are not deemed to be outstanding under the provisions of the Resolution or Resolutions, pursuant to which such bonds were issued. The good faith and credit of the Commonwealth of Puerto Rico are hereby pledged for such payments."

The Bonds have been specified by the Authority to be guaranteed by the Commonwealth under the Guaranty Act. Following the issuance of the Bonds (and excluding the Series E Bonds), the Authority will have $2,049,994,144 aggregate principal amount of bonds outstanding which are covered by the Guaranty Act, consisting of: $129,724,870 of bonds issued under Resolution No. 77, adopted by the Authority on November 16, 1970, as amended (the "1970 Bond Resolution"), $532,203,492 of bonds issued under Resolution No. 158, adopted by the Authority on February 14, 1978, as amended (the "1978 Bond Resolution"), and $1,388,065,782 of bonds issued under the 1995 Bond Resolution, calculated in each case by excluding the accretion on capital appreciation bonds. See *Debt of the Authority and Debt Service Requirements.*

To date, no payments have ever been required under the Guaranty Act.

Opinion of the Secretary of Justice of the Commonwealth

Prior to delivery of the Bonds, the Secretary of Justice of the Commonwealth will have rendered her opinion to the Authority stating:

"I have examined Act No. 56 of the Legislature of Puerto Rico, approved June 19, 1958, as amended, creating the Public Buildings Authority (the "Authority") as a body corporate and politic constituting an instrumentality of the Commonwealth of Puerto Rico exercising public and essential governmental functions. I have also examined Act No. 17 of the Legislature of Puerto Rico, approved April 11, 1968, as amended (the "Guaranty Act"), providing for the guaranty of the Commonwealth of Puerto Rico of the payment of the principal of and interest on a principal amount of bonds of the Authority outstanding at any one time, not exceeding $2,100,000,000, specified by the Authority to be covered by such guaranty, to the extent that the revenues and other moneys of the Authority pledged to the payment of such principal and interest are not sufficient for that purpose. I have also examined the Puerto Rico Constitution and such other laws of the Commonwealth of Puerto Rico as I consider necessary for the purpose of the following opinion.

From such examination, I am of the opinion that:

1. The Authority is lawfully authorized to specify up to $2,100,000,000 aggregate principal amount of bonds of the Authority outstanding at any one time, issued for any of its authorized purposes, to be covered by the guaranty of the Commonwealth of Puerto Rico under the Guaranty Act, and the Commonwealth of Puerto Rico will be obligated to pay the principal of and the interest on the bonds so specified to be covered by said guaranty, if and to the extent that the revenues and other moneys of the Authority pledged to the payment of such principal and interest are not sufficient to make such payments as the same become due.

2. Any amounts required to be paid by the Commonwealth of Puerto Rico under said guaranty will constitute 'public debt' within the meaning of Section 8 of Article VI of the Puerto Rico Constitution which provides:

> 'In case the available revenues including surplus for any fiscal year are insufficient to meet the appropriations made for that year, interest on the public debt and amortization thereof shall first be paid, and other disbursements shall thereafter be made in accordance with the order of priorities established by law.'

and will accordingly be entitled to the same priority of payment under such Section as the direct bonded indebtedness of the Commonwealth.

3. Because of its sovereign immunity, the Commonwealth cannot be sued without the consent of the Legislature of Puerto Rico. However, the Secretary of the Treasury can be required in a court of justice under the provisions of Section 2 of Article VI of the Puerto Rico Constitution to apply the available revenues including surplus to the payment of interest on the public debt and the amortization thereof in any case provided for by Section 8 of Article VI, including any payments required to be made under said guaranty, at the suit of any holder of bonds issued by the Authority and guaranteed pursuant to the Guaranty Act.

4. The Commonwealth guaranty of the $185,290,000 Puerto Rico Public Buildings Authority Government Facilities Revenue Refunding Bonds, Series C and the $553,733,794.90 Puerto Rico Public Buildings Authority Government Facilities Revenue Bonds, Series D, constitutes a general obligation of the Commonwealth to which its full faith and credit and taxing power are pledged.

5. Although without specific judicial decision on point, I firmly understand and am of the opinion that, for purposes of the principal amount limitation expressed in the Guaranty Act, the initial principal amount of any capital appreciation bonds constitutes the principal amount of such bonds until such bonds are retired and any accreted value above said initial principal amount constitutes interest on such bonds."

Lease Agreements

In accordance with the provisions of the 1995 Bond Resolution, the Authority will enter into lease agreements with various departments, agencies, instrumentalities and municipalities of the Commonwealth in respect of Leased Facilities. The lease agreements require the lessees to pay to the Authority annual rentals in substantially equal monthly installments. The rentals are calculated to take into account the following factors: (1) the interest on and principal of (including any Amortization Requirements) and redemption premium, if any, on Government Facilities Bonds issued to finance or refinance such Leased Facilities, (2) any amounts necessary to pay the general administrative expenses of the Authority in connection with such Leased Facilities, and (3) any amounts necessary to provide and maintain a reserve fund for the replacement of major items of equipment comprising a portion of such Leased Facilities. The lease agreements also require the lessees to pay certain amounts on account of the principal of and interest on outstanding notes issued to finance Leased Facilities. Each lease agreement with respect to a facility or facilities terminates when the Government Facilities Bonds which were issued to finance or refinance the acquisition or construction of such facility or facilities have been paid in full. All lease agreements provide for the adjustment of rentals so that the total amounts payable will be sufficient to meet the required debt service charges. Each lease agreement provides that the obligation of the lessee to pay rentals is absolute and unconditional.

Monthly rental payments for office buildings related to the 1970 Bond Resolution are due on the last day of the month and are generally received by the Authority after the close of the month. Monthly rental payments for public education and health facilities related to the 1978 Bond Resolution and for government facilities related to the 1995 Bond Resolution are due on or before the 10th day of each month. In the past, there have been some delays in the payment of monthly rentals by some lessees and some of these delays currently exist. Despite these delays, there has been no default or delay in the payment of the principal of or interest on any indebtedness of the Authority. On December 7, 2001, the Authority entered into an Inter-Agency Agreement (the "Inter-Agency Agreement") with the Government Development Bank for Puerto Rico, the Puerto Rico Office of Management and Budget and the Puerto Rico Department of the Treasury pursuant to which the Puerto Rico Office of Management and Budget will cause the Puerto Rico Department of the Treasury to forward funds necessary to pay rentals under lease agreements to the Government Development Bank for Puerto Rico on the 10th day of each month, which funds in turn will be deposited in a special account of the Authority at the Government Development Bank for Puerto Rico. The portion of such rentals that will be used to pay principal and interest on the Authority's bonds will be kept in such account for delivery to the respective fiscal agent. The remainder shall be forwarded to the Authority as per its instructions. The Authority believes that the implementation of the Inter-Agency Agreement will substantially reduce the administrative delays in the payment of rentals.

Included among the operating and maintenance expenses that are required to be paid under the lease agreements by the lessee is the cost of insurance premiums. The Authority's facilities are covered by commercial insurance policies insuring such properties against losses from fire, hurricanes and other natural disasters and personal liability. However, because of reductions in industry-wide limits on the amount of insurance that may be written and significant increases in insurance premiums on such available insurance during the 1990's, such insurance has been purchased by the Authority for an insurable amount substantially less (approximately 23%) than the total replacement value of its properties. The Authority's lease agreements provide that each lessee's obligation to make rental payments is absolute and unconditional, regardless of whether the leased facilities are damaged, destroyed or otherwise become unusable for any period of time and regardless of any default by the Authority thereunder. The lease agreements further provide that the Authority is obligated at the expense of each lessee to obtain insurance to cover required rental payments during periods when facilities become unusable as a result of damage or destruction, to the extent such insurance is commercially obtainable. See *"Insurance Matters"* in the Commonwealth Report.

For further information regarding certain provisions required by the 1995 Bond Resolution to be included in each lease agreement in respect of facilities financed or refinanced by the Bonds, see *Summary of Certain Provisions of the 1995 Bond Resolution*.

Pledge of the Commonwealth to Pay or Advance Rentals

Under the 1995 Bond Resolution, the Authority has covenanted that if any department, agency, instrumentality or municipality fails to pay any rent when due, the Authority will promptly notify the Secretary of the Treasury of the Commonwealth.

As provided in the Enabling Act, the good faith and credit of the Commonwealth are pledged for the payment of the rent under any lease agreement with the Authority executed by any of the Commonwealth's executive departments (including, among others, the Department of Education, the Department of Health and the Department of Corrections) and any other governmental body created by the Legislature and depending mainly on legislative appropriations to meet its operating expenses.

The Enabling Act also provides that if any rent payable to the Authority by any agency or instrumentality (other than a department) under a lease contract is not paid when due, then the Commonwealth shall advance the unpaid balance to the Authority. The Commonwealth pledges its good faith and credit to the making of such advances. Any advances so made are required to be reimbursed by the particular agency or instrumentality involved.

Payments or advances of rentals by the Commonwealth, as described above, are subject to annual appropriations by the Legislature, which appropriations are legally required to be made. However, the obligation to make such appropriations is not legally enforceable in view of the sovereign immunity of the Commonwealth, and, unlike the obligation to make payments under the guaranty of the Government Facilities Bonds and the other outstanding bonds of the Authority, the obligation to pay or advance rentals does not constitute "public debt" within the meaning of Section 8 of Article VI of the Puerto Rico Constitution.

Additional Bonds

Under and in accordance with the provisions and restrictions of the 1995 Bond Resolution, the Authority may issue additional Government Facilities Bonds from time to time to finance additional government facilities or complete the construction of existing government facilities or to refund any Government Facilities Bonds or any bonds issued under the 1970 Bond Resolution or the 1978 Bond Resolution. See "Additional Bonds" under *Summary of Certain Provisions of the 1995 Bond Resolution*.

BOND INSURANCE

AMBAC Insured Bonds

The following information has been furnished by AMBAC Assurance for use in this Official Statement. Reference is made to Appendix III to this Official Statement for a specimen of the AMBAC Financial Guaranty Insurance Policy.

Payment Pursuant to the AMBAC Financial Guaranty Insurance Policy. AMBAC Assurance has made a commitment to issue the AMBAC Financial Guaranty Insurance Policy relating to the AMBAC Insured Bonds effective as of the date of issuance of the Bonds. Under the terms of the AMBAC Financial Guaranty Insurance Policy, AMBAC Assurance will pay to the Bank of New York, in New York, New York, or any successor thereto (the "Insurance Trustee"), that portion of the principal of and interest on the AMBAC Insured Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Authority (as such terms are defined in the AMBAC Financial Guaranty Insurance Policy). AMBAC Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which AMBAC Assurance shall have received notice of Nonpayment from the 1995 Fiscal Agent. The insurance will extend for the term of the AMBAC Insured Bonds and, once issued, cannot be canceled by AMBAC Assurance.

The AMBAC Financial Guaranty Insurance Policy will insure payment only on stated maturity and on mandatory sinking fund redemption dates, in the case of principal, and on stated dates for payment, in the case of interest. If the AMBAC Insured Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding AMBAC Insured Bonds, AMBAC Assurance will remain obligated to pay principal of and interest on outstanding AMBAC Insured Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the AMBAC Insured Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the 1995 Fiscal Agent has notice that any payment of principal of or interest on an AMBAC Insured Bond which has become Due for Payment and which is made to a bondholder by or on behalf of the Authority has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from AMBAC Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The AMBAC Financial Guaranty Insurance Policy does not insure against any risk other than Nonpayment, as defined in the Policy. Specifically, the AMBAC Financial Guaranty Insurance Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.

2. payment of any redemption, prepayment or acceleration premium.

3. nonpayment of principal or interest caused by the insolvency or negligence of the 1995 Fiscal Agent.

If it becomes necessary to call upon the AMBAC Financial Guaranty Insurance Policy, payment of principal requires surrender of AMBAC Insured Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Bonds to be registered in the name of AMBAC Assurance to the extent of the payment under the AMBAC Financial Guaranty Insurance Policy. Payment of interest pursuant to the AMBAC Financial Guaranty Insurance Policy requires proof of bondholder entitlement to interest payments and an appropriate assignment of the bondholder's right to payment to AMBAC Assurance.

Upon payment of the insurance benefits, AMBAC Assurance will become the owner of the AMBAC Insured Bonds, or right to payment of principal of or interest on such Bond and will be fully subrogated to the surrendering bondholders' rights to payment.

AMBAC Assurance Corporation. AMBAC Assurance is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam and the Commonwealth of Puerto Rico, with admitted assets of approximately $4,988,000,000 (unaudited) and statutory capital of approximately $2,963,000,000 (unaudited) as of September 30, 2001. Statutory capital consists of AMBAC Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch, Inc. have each assigned a triple-A financial strength rating to AMBAC Assurance.

AMBAC Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by AMBAC Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by AMBAC Assurance under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the issuer of such obligation.

AMBAC Assurance makes no representation regarding the Bonds (including the AMBAC Insured Bonds) or the advisability of investing in the Bonds (including the AMBAC Insured Bonds) and makes no representation regarding, nor has it participated in the preparation of, this Official Statement other than the information supplied by AMBAC Assurance and presented in "AMBAC Insured Bonds" under the heading Bond Insurance.

Available Information. The parent company of AMBAC Assurance, AMBAC Financial Group Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices at Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the aforementioned material may also be inspected at the offices of the New York Stock Exchange, Inc. (the "NYSE") at 20 Broad Street, New York, New York 10005. The Company's Common Stock is listed on the NYSE.

Copies of AMBAC Assurance's financial statements prepared in accordance with statutory accounting standards are available from AMBAC Assurance. The address of AMBAC Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference. The following documents filed by the Company with the Commission (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Current Report on Form 8-K dated January 24, 2001 and filed on January 24, 2001;

2. The Company's Current Report on Form 8-K dated March 19, 2001 and filed on March 19, 2001;

3. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 and filed on March 28, 2001;

4. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2001 and filed on May 15, 2001;

5. The Company's Current Report on Form 8-K dated July 18, 2001 and filed on July 23, 2001;

6. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2001 and filed on August 10, 2001;

7. The Company's Current Report on Form 8-K dated and filed on September 17, 2001;

8. The Company's Current Report on Form 8-K dated and filed on September 19, 2001;

9. The Company's Current Report on Form 8-K dated and filed on October 22, 2001;

10. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended September 30, 2001 and filed on November 14, 2000; and

11. The Company's Current Report on Form 8-K dated and filed December 4, 2001.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information."

Concerning the AMBAC Bond Insurance Policy. As provided in the Resolution of the Governing Board of the Authority authorizing the issuance of the Bonds, the consent of AMBAC Assurance shall be required instead of the consent of the owners of the AMBAC Insured Bonds, when required, to the adoption of any resolution supplemental to the 1995 Bond Resolution, for the removal of the 1995 Fiscal Agent and the appointment of a successor or for approving any other action which requires such consent of the owners of the AMBAC Insured Bonds.

PROVISIONS RELATING TO PUBLIC DEBT OF THE COMMONWEALTH

Payment of Public Debt

The Constitution of Puerto Rico provides that public debt of the Commonwealth will constitute a first claim on available Commonwealth revenues. Public debt includes general obligation bonds and notes of the Commonwealth and, according to opinions heretofore rendered by the Secretary of Justice of Puerto Rico, also any payments required to be made by the Commonwealth under its guarantees of bonds and notes issued by its public instrumentalities. Any such guaranty payments, including guaranty payments under the Guaranty Act, are equal in their claim on such available Commonwealth revenues to claims for the payment of debt service on general obligation bonds and notes of the Commonwealth.

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

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

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

Payment Record

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

Debt Limitation

Section 2 of Article VI of the Constitution of Puerto Rico provides that direct obligations of the Commonwealth evidenced by full faith and credit bonds or notes shall not be issued if the amount of the principal of and interest on such bonds and notes and on all such bonds and notes theretofore issued which is payable in any fiscal year, together with any amount paid by the Commonwealth in the preceding fiscal year on account of bonds or notes guaranteed by the Commonwealth, exceeds 15% of the average annual revenues raised under the provisions of Commonwealth legislation and covered into the Treasury of Puerto Rico (hereinafter "internal revenues") in the two fiscal years preceding the then current fiscal year. Section 2 of Article VI does not limit the amount of debt that the Commonwealth may guarantee so long as the 15% limitation is not exceeded. Internal revenues consist principally of income taxes, property taxes and excise taxes. Certain revenues, such as federal excise taxes on offshore shipments of alcoholic beverages and tobacco products and customs duties, which are collected by the United States Government and returned to the Treasury of Puerto Rico, and motor vehicle fuel taxes and license fees, which are allocated to the Highway Authority, are not included as internal revenues for the purpose of calculating the debt limit, although they may be available for the payment of debt service.

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

On June 7, 2001, the Commonwealth authorized the issuance, on a delayed delivery basis, of $501,565,000 aggregate principal amount of its Public Improvement Refunding Bonds, Series 2002 (the "Series 2002 Forward Delivery Bonds"). The Series 2002 Forward Delivery Bonds have been sold and will be delivered in April of 2002. A portion of the proceeds of the Series 2002 Forward Delivery Bonds will be invested in guaranteed investment contracts instead of United States Treasury obligations. The bonds to be refunded with the proceeds of such guaranteed investment contracts will be treated as outstanding for purposes of the 15% debt limitation.

On October 25, 2001, the Commonwealth issued $455,000,000 of its 2002 Public Improvement Bonds, Series A, $877,960,000 of its 2002 Public Improvement Refunding Bonds, Series A (the "2002 GO Refunding Bonds") and $20,000,000 of its 2002 Public Improvement Bonds, Series B (collectively, the "2002 General Obligation Bonds"). After giving effect to the issuance of the 2002 General Obligation Bonds, future maximum annual debt service for the Commonwealth's outstanding general obligation debt is $626,113,289 in the fiscal year ending June 30, 2003.* Debt service for the PRASA Guaranteed Bonds paid by the Commonwealth during fiscal 2001 (including for this purpose debt service payments due July 1, 2001) was

* Future maximum annual debt service will be $663,603,802 in the fiscal year ending June 30, 2003 after giving effect to the issuance of the Series 2002 Forward Delivery Bonds and the refunding of the bonds refunded thereby.

$33,473,102 The sum of those amounts ($659,586,392) is equal to 9.94% of $6,634,417,500, which is the average of the adjusted internal revenues for the two fiscal years ended June 30, 2000 and June 30, 2001. If the bonds refunded with the proceeds of the 2002 GO Refunding Bonds were treated as not being outstanding (they will be treated as outstanding because they will be refunded with the proceeds of guaranteed investment contracts instead of United States Treasury obligations) the percentage referred to in the preceding sentence would be 8.29%.

THE AUTHORITY

General

The Authority, a body corporate and politic constituting an instrumentality of the Commonwealth exercising public and essential governmental functions, was created on June 19, 1958 by the Enabling Act.

Under the Enabling Act, the primary duties of the Authority are to design and construct office buildings, quarters, courts, warehouses, shops, schools, health facilities, social welfare facilities and related facilities for lease to the Commonwealth or any of its departments, agencies, instrumentalities or municipalities.

The executive offices of the Authority are located at Minillas Government Center, North Building, 6th Floor, De Diego Avenue, Santurce, Puerto Rico 00940, telephone number (787) 722-0101.

Powers

The Authority has broad powers under the Enabling Act, including among others: to make contracts and to execute all instruments necessary or convenient for the exercise of any of its powers; to acquire any kind of properties and rights therein in any lawful manner, including, without limitation, acquisition by purchase, either by agreement or through the exercise of the power of eminent domain, lease or bequest, and to possess, lease, use and operate any properties or facilities; to prepare plans, projects and cost estimates for the construction, improvement or repair of any property or facility; to contract with any Commonwealth department, agency or official, or with any private person or entity with regard to the administration of any properties or facilities of the Authority; to borrow money and issue bonds of the Authority for any of its corporate purposes, and to secure payment of its bonds by pledge of all or any of its properties, revenues and income; and to do all acts necessary or convenient to carry out the powers granted to it.

Management

The Enabling Act provides that the Authority shall be governed by a Governing Board (the "Board") composed of seven members. The Secretary of Education, the Secretary of Transportation and Public Works and the President of the Government Development Bank for Puerto Rico serve *ex officio* as members of the Board, and the other 4 members are appointed for 5-year terms by the Governor of Puerto Rico with the advice and consent of the Senate. At present there is one vacancy on the Board.

The current members of the Board of the Authority and their occupations are:

		Expiration of Term of Office
Miguel Vélez Rodriguez	Engineer	November 15, 2006
Carlos J. Nieves Marrero	Certified Public Accountant	July 12, 2005
Roberto Montalvo	Attorney	February 24, 2004
César A. Rey Hernández	Secretary of Education	Ex-officio
José M. Izquierdo Encarnación	Secretary of Transportation and Public Works	Ex-officio
Juan Agosto Alicea	President of Government Development Bank for Puerto Rico	Ex-officio

The current Executive Director of the Authority is Ms. Lillian Rivera Correa. Ms. Rivera Correa is an architect and a graduate of Cornell University. At the time of her appointment she was Director of Planning, Land Use Plans and Permits of the Municipality of Carolina, Puerto Rico.

PROGRAMS AND FACILITIES OF THE AUTHORITY

The Authority has an approximately \$1,574 million Five-Year Capital Improvement Program (the "CIP"), which reflects the Authority's construction priorities for fiscal year 2001 through fiscal year 2005. A portion of the Authority's \$1,574 million CIP is expected to be spent after fiscal year 2005 to complete projects begun in the fiscal year 2001 to fiscal year 2005 period. The CIP includes office buildings, school buildings, health facilities, correctional facilities, and other facilities, as described below. A portion of the CIP was financed with Outstanding Bonds; the Improvement Bonds are being issued to finance additional portions of the CIP. The remainder of the costs of the CIP will be paid for through interim financings, future bond issues and Commonwealth appropriations.

Office Buildings Program

Under its office buildings program, the Authority has completed construction of 229 office buildings (including police stations, courthouses and related parking facilities), amounting to 7,547,982 square feet of rentable space, for the use of and lease to various departments, agencies and instrumentalities of the Commonwealth. As of June 30, 2001, the estimated total cost of construction completed under the office buildings program was \$408 million, which was provided principally by the Authority through the issuance of Public Buildings Authority Revenue Bonds under the 1970 Bond Resolution.

The Authority has under planning and construction 5 office centers, 11 police facilities, 11 fire stations, and improvements to 85 office buildings (including police stations and courthouses), at an estimated total cost of \$143 million.

The currently outstanding Public Buildings Authority Revenue Bonds are secured under the 1970 Bond Resolution by a pledge of the rentals of public buildings and related facilities financed by such bonds. In addition, they are secured by a pledge of the Commonwealth to pay or advance rentals under the Enabling Act and the Commonwealth guaranty of bonds issued by the Authority under the Guaranty Act. The Authority reserves the right to issue additional Public Buildings Authority Revenue Bonds under the 1970 Bond Resolution to provide for the payment of any then outstanding notes issued in connection with or the cost of construction of any facilities included in the office buildings program.

School Buildings Program

Under its school buildings program, the Authority has completed the construction of 381 school buildings, amounting to 13,712,000 square feet of rentable space, all of which has been leased to the Department of Education. As of June 30, 2001, the estimated total cost of construction completed under the school buildings program was \$864 million, which was provided principally by the Authority through the issuance of Public Buildings Authority Public Education and Health Facilities Bonds under the 1978 Bond Resolution.

The Authority has under planning and construction 70 new school buildings and improvements to 96 school buildings amounting to 7,910,321 square feet of rentable space to be leased to the Department of Education. The estimated total cost of construction of such school buildings and improvements is \$1,330 million.

The currently outstanding Public Buildings Authority Public Education and Health Facilities Bonds are secured under the 1978 Bond Resolution by a pledge of rentals of public education and health facilities financed by such bonds. In addition, they are secured by a pledge of the Commonwealth to pay rentals under the Enabling Act and the Commonwealth guaranty of bonds issued by the Authority under the Guaranty Act. The Authority reserves the right to issue additional Public Buildings Authority Public Education and Health Facilities Bonds under the 1978 Bond Resolution to provide for the payment of any then outstanding notes issued in connection with or the cost of construction of any facilities included in the school buildings program.

Health Facilities Program

Under its health facilities program, the Authority has completed construction of 19 hospitals, 13 diagnostic and treatment centers and 20 family health centers, amounting to 4,202,561 square feet of rentable space, all of which has been leased to the Department of Health. As of June 30, 2001, the estimated total cost of construction completed under the health facilities program was \$653 million, which was provided principally by the Authority through the issuance of Public Buildings Authority Public Education and Health Facilities Bonds under the 1978 Bond Resolution.

The currently outstanding Public Buildings Authority Public Education and Health Facilities Bonds are secured under the 1978 Bond Resolution by a pledge of rentals of public education and health facilities financed by such bonds. In addition, they are secured by a pledge of the Commonwealth to pay rentals under the Enabling Act and the Commonwealth guaranty of bonds issued by the Authority under the Guaranty Act. The Authority reserves the right to issue additional Public Buildings Authority Public Education and Health Facilities Bonds under the 1978 Bond Resolution to provide for the payment of any then outstanding notes issued in connection with or the cost of construction of any facilities included in the health facilities program.

In 1994, the Authority began a program in conjunction with the Government of Puerto Rico whereby the operation and ownership of certain health facilities, including health facilities financed or refinanced with the proceeds of Public Buildings Authority Public Education and Health Facilities Bonds, were transferred to private entities. The Authority sold 36 of its health facilities for approximately $109 million, including those financed by the Authority under the 1978 Bond Resolution and 1995 Bond Resolution. The Authority used the sales proceeds and, under certain circumstances, moneys provided by the Commonwealth to retire the Public Buildings Authority Public Education and Health Facilities Bonds and Government Facilities Bonds issued to finance or refinance such facilities. The program was discontinued in January 2001. The current policy of the Authority is not to transfer to private entities the operation and ownership of any health facilities which it still owns.

On December 22, 2000, the Authority entered into a "Closing Agreement on Final Determination Covering Specific Matters" (the "Closing Agreement") with the Commissioner of the Internal Revenue Service pursuant to which the Authority paid $378,426.94 to the U.S. Treasury in connection with the sale of certain facilities pursuant to the program which caused certain bonds previously issued by the Authority to meet the private business use test under 141(b)(1) of the Internal Revenue Code of 1986, as amended. Pursuant to the Closing Agreement, the Authority defeased bonds in the aggregate principal amount of $58,507,261 issued under the 1970, 1978 and 1995 Bond Resolutions in connection with the sale of certain facilities under the program.

Correctional Facilities Program

In 1994, the Department of Corrections, in cooperation with the Authority, began a program to provide for the construction, operation and maintenance by certain private companies of new Commonwealth correctional facilities to be leased to the Department of Corrections by the Authority. These facilities were constructed as part of the Commonwealth's effort to alleviate overcrowding in its correctional system and achieve compliance with certain federal court mandated minimum inmate living space requirements. See "Other Public Corporations" under *Public Corporations* in the Commonwealth Report. Agreements were executed with 2 companies covering 3 such facilities with capacity for 2,000 inmates. All 3 facilities have now been completed. The total cost of constructing such facilities was approximately $128 million. Under those agreements the 2 private companies are obligated to operate and maintain such facilities for a fixed price per inmate as set forth in said agreement plus passthroughs to the Commonwealth for certain expenditures. The operating terms of said agreements are 5 years but the Department of Corrections has the option, without penalty, to terminate such agreements after 3 years. The Department of Corrections is currently evaluating the possibility of terminating such agreements and operating the facilities itself.

The Authority has under planning and construction three additional facilities. The estimated total cost of construction of such facilities is approximately $100 million.

Other Facilities

In addition to the office buildings, school buildings, health facilities and correctional facilities described above, the Authority has constructed 20 school buildings and 4 diagnostic and treatment centers at a cost of approximately $50 million which were financed by the U.S. Farmers Home Administration ("FmHA") and by the Authority's own resources. The amount financed by FmHA has been fully repaid.

The Authority currently has under planning and construction 3 police facilities, 9 fire stations and 2 school libraries, which have an estimated total cost of construction of approximately $42 million, to be financed through Commonwealth appropriations.

Under the Enabling Act, the Authority is also empowered to construct social welfare facilities. Any such facilities that may be constructed can be financed by bonds of the Authority under the 1995 Bond Resolution. The Authority has not issued any bonds or other obligations pursuant to this power.

The Authority also constructs office buildings, schools and health facilities that are financed by a combination of Federal grants and Commonwealth appropriations. The Authority is also empowered to undertake construction on behalf of and as an agent for other public agencies of the Commonwealth although the Authority has not exercised this power.

DEBT OF THE AUTHORITY AND DEBT SERVICE REQUIREMENTS

Debt

The following table sets forth the outstanding principal debt of the Authority:

	As of November 30, 2001[1]	As Adjusted[2]
Bonded Debt:		
Bonds outstanding under the 1970 Bond Resolution	$ 149,856,328	$ 129,724,870
Bonds outstanding under the 1978 Bond Resolution	605,053,492	532,203,492
Bonds outstanding under the 1995 Bond Resolution	738,651,987	1,388,065,782
Total bonded debt	1,493,561,807	2,049,994,144
Office buildings notes	1,617,474	0
School buildings notes	264,569,135	0
Health facilities notes	34,805,669	27,008,653[3]
Correctional facilities notes	32,474,161	0
Total notes	333,466,439	27,008,653
Total principal debt	$ 1,827,028,246	$2,077,002,797

(1) Calculated by excluding all interest accretion on outstanding capital appreciation Bonds from their respective dates of issuance. Some figures may not add up due to rounding.
(2) Reflects the outstanding debt of the Authority after giving effect to the issuance of the Bonds. Excludes the Series E Bonds.
(3) Expected to be repaid with the proceeds of the Series E Bonds.

The Authority has caused to be deposited to the credit of the respective reserve accounts under the 1970 Bond Resolution and the 1978 Bond Resolution reserve account letters of credit issued by The Bank of Nova Scotia acting through its San Juan Branch ("BNS") (each, a "BNS Reserve Account Letter of Credit" and, collectively, the "BNS Reserve Account Letters of Credit") in the respective amounts required by said resolutions to be held to the credit of such reserve accounts. The scheduled expiration dates of the BNS Reserve Account Letters of Credit is July 15, 2005. Among other things, the BNS Reserve Account Letters of Credit authorize drawings thereunder for the payment of any amount required to be paid out of moneys in the reserve account to which such BNS Reserve Account Letter of Credit relates after the withdrawal from the applicable reserve account of all cash and securities therein.

The obligations of the Authority under the reimbursement agreements between BNS and the Authority are not payable from rentals received by the Authority in respect of the government facilities financed or refinanced with the proceeds of any Government Facilities Bonds.

No reserve account is established under the 1995 Bond Resolution.

Debt Service Requirements

Debt service requirements of the Authority for the Outstanding Bonds (after the refunding of the Refunded Bonds), the Refunding Bonds and the Improvement Bonds but excluding the Series E Bonds as shown in the following table, consist in any fiscal year of the sum of the amounts required to pay (i) the interest that is payable on January 1 in such fiscal year and July 1 in the following fiscal year, (ii) the principal of serial bonds that is payable on July 1 in the following fiscal year, and (iii) the amortization requirements for term bonds for the following fiscal year.

Fiscal Year Ending June 30	Debt Service on Bonds Outstanding under 1970, 1978 and 1995 Bond Resolutions(1)	Refunding Bonds			Improvement Bonds			Total Debt Service
		Principal	Interest	Total	Principal	Interest	Total	
2002	$111,525,830		$ 4,211,248	$ 4,211,248		$11,225,914	$11,225,914	$126,962,992
2003	107,773,727		10,040,063	10,040,063		26,763,769	26,763,769	144,577,558
2004	99,647,498		10,040.063	10,040,063		26,763,769	26,763,769	136,451,330
2005	115,706,155	$ 8,075,000	10,040,063	18,115,063		26,763,769	26,763,769	160,584,986
2006	121,426,550	2,750,000	9,636,313	12,386,313		26,763,769	26,763,769	160,576,631
2007	113,198,129	12,645,000	9,526,313	22,171,313		26,763,769	26,763,769	162,133,210
2008	113,184,591	13,250,000	8,894,063	22,144,063		26,763,769	26,763,769	162,092,423
2009	113,240,466	13,925,000	8,198,438	22,123,438		26,763,769	26,763,769	162,127,673
2010	110,493,936	14,635,000	7,467,375	22,102,375		26,763,769	26,763,769	159,360,080
2011	113,441,531	15,410,000	6,662,450	22,072,450		26,763,769	26,763,769	162,277,750
2012	113,472,694	16,185,000	5,853,425	22,038,425	$ 3,000,000	26,763,769	29,763,769	165,274,888
2013	91,664,819	11,110,000	4,963,250	16,073,250	3,000,000	31,216,761	34,216,761	141,954,830
2014	91,665,356	11,720,000	4,352,200	16,072,200	3,000,000	31,055,511	34,055,511	141,793,068
2015	91,670,569	12,365,000	3,707,600	16,072,600	3,000,000	30,894,261	33,894,261	141,637,430
2016	91,672,816	13,050,000	3,027,525	16,077,525	3,000,000	30,733,011	33,733,011	141,483,353
2017	101,491,631	3,945,000	2,309,775	6,254,775	3,000,000	30,583,011	33,583,011	141,329,418
2018	84,813,113	4,170,000	2,082,938	6.252,938	3,000,000	30,433,011	33,433,011	124,499,061
2019	66,354,325	4,410,000	1,843,163	6,253,163	8,000,000	30,283,011	38,283,011	110,890,499
2020	57,442,650	4,665,000	1,589,588	6,254,588	8,000,000	29,873,011	37,873,011	101,570,249
2021	57,443,925	4,930,000	1,321,350	6,251,350	2,475,000	29,463,011	31,938,011	95,633,286
2022	38,182,525	18,050,000	1,037,875	19,087,875	9,025,000	29,336,168	38,361,168	95,631,568
2023	53,443,525				7,800,000	28,873,636	36,673,636	90,117,161
2024	53,442,650				8,205,000	28,473,886	36,678,886	90,121,536
2025	53,442,300				8,625,000	28,053,380	36,678,380	90,120,680
2026	37,501,500				25,015,000	27,600,568	52,615,568	90,117,068
2027	37,500,750				26,330,000	26,287,280	52,617,280	90,118,030
2028					61,610,000	24,904,955	86,514,955	86,514,955
2029					57,710,000	21,593,418	79,303,418	79,303,418
2030					38,433,152	37,268,354	75,701,505	75,701,505
2031					39,170,643	32,922,993	72,093,636	72,093,636
2032					41,765,000	12,304,806	54,069,806	54,069,806
2033					44,010,000	10,059,938	54,069,938	54,069,938
2034					46,375,000	7,694,400	54,069,400	54,069,400
2035					48,810,000	5,259,713	54,069,713	54,069,713
2036					51,375,000	2,697,188	54,072,188	54,072,188
Total(2)	$2,240,843,561	$185,290,000	$116,805,073	$302,095,073	$553,733,795	$876,728,883	$1,430,462,678	$3,973,401,312

(1) Does not include debt service on the Refunded Bonds.
(2) Total figures may not add up due to rounding of decimals in the columns above.

SUMMARY OF CERTAIN PROVISIONS OF THE 1995 BOND RESOLUTION

The following statements are brief summaries of certain provisions of the 1995 Bond Resolution. Such statements do not purport to be complete and reference is made to the 1995 Bond Resolution, copies of which are available for examination at the office of the 1995 Fiscal Agent. For the purposes of this summary, the terms "Bond" or "Bonds" shall refer to the Government Facilities Revenue Bond or Bonds.

Revenues

The Authority covenants that each Lease Agreement which it enters into for any government facilities financed or refinanced under the 1995 Bond Resolution ("Authority Facilities") will require the Lessee thereunder to pay rentals which in the aggregate will be sufficient and timely to provide the sums needed from time to time to pay the interest on all Bonds issued by the Authority for the financing or refinancing of the Authority Facilities covered by such Lease Agreement, the principal of all such Bonds which are serial Bonds and the Amortization Requirements and redemption premium for any such Bonds which are term Bonds ("1995 Debt Service Rentals"). (Section 701). All 1995 Debt Service Rentals received from the leasing of Authority Facilities are pledged as hereinafter provided.

1995 Sinking Fund

A special fund is created by the 1995 Bond Resolution and designated "Puerto Rico Public Buildings Authority Government Facilities Revenue Bonds Sinking Fund" (the "1995 Sinking Fund"). Two separate accounts are created in the 1995 Sinking Fund, namely, the "1995 Bond Service Account" and the "1995 Redemption Account." (Section 502).

The Authority covenants that all 1995 Debt Service Rentals will be collected by the Authority and immediately deposited with the 1995 Fiscal Agent to the credit of the following accounts in the following order:

(1) To the 1995 Bond Service Account, such amount thereof as may be required to make the amount then to the credit of the 1995 Bond Service Account equal to the amount of interest then due and payable and the interest which will accrue up to the next interest payment date on all Bonds of each series then outstanding and the principal of all serial Bonds, if any, which will become due and payable within the next ensuing twelve months;

(2) To the 1995 Redemption Account, such amount of the balance remaining after making the deposit under paragraph (1) above as may be required to make the amounts so deposited in the then current fiscal year equal to the Amortization Requirement, if any, for such fiscal year for the term Bonds of each series then outstanding, plus the premium, if any, which would be payable on a like principal amount of Bonds if such principal amount of Bonds should be redeemed on the next redemption date from moneys in the 1995 Sinking Fund, and

(3) The balance, if any, shall be deposited to the credit of the 1995 Bond Service Account. (Section 502).

The requirements specified in paragraphs (1) and (2) above shall be cumulative. (Section 502).

1995 Redemption Account

Moneys in the 1995 Redemption Account shall be applied to the retirement of Bonds as follows:

(a) Subject to the provisions of paragraph (c) below, the 1995 Fiscal Agent shall endeavor to purchase outstanding Bonds, whether or not such Bonds shall then be subject to redemption, at the most advantageous price obtainable with reasonable diligence, having regard to interest rate and price, such price not to exceed the principal of such Bonds plus the amount of the premium, if any, which would be payable on the next redemption date to the holders of such Bonds if such Bonds should be called for redemption on such date from moneys in the 1995 Sinking Fund. The 1995 Fiscal Agent shall pay the interest accrued on such Bonds to the date of delivery thereof from the 1995 Bond Service Account and the purchase price from the 1995 Redemption Account, but no such purchase shall be contracted for within 45 days next preceding any interest payment date on which such Bonds are subject to call for redemption.

(b) Subject to the provisions of paragraph (c) below, the 1995 Fiscal Agent shall call for redemption on each date on which Bonds are subject to redemption from moneys which are in the 1995 Sinking Fund on the 45th day prior to such redemption date such amount of Bonds then subject to redemption as, with the redemption premium, if any, will exhaust the 1995 Redemption Account as nearly as may be; provided, however, that not less than $50,000 principal amount of Bonds shall be called for redemption at any one time. Not less than 30 days before the redemption date the 1995 Fiscal Agent shall withdraw from the 1995 Bond Service Account and from the 1995 Redemption Account and set aside in separate accounts the respective amounts required for paying the interest on, and the principal of and redemption premium on, the Bonds so called for redemption.

(c) Moneys in the 1995 Redemption Account shall be applied by the 1995 Fiscal Agent in each fiscal year to the purchase or redemption of Bonds of each series then outstanding in the following order:

first, term Bonds of each series to the extent of the Amortization Requirement, if any, for such fiscal year for such term Bonds of each such series then outstanding plus the applicable premium, if any; and if the amount available in such fiscal year shall not be equal thereto, then, in proportion to the Amortization Requirement, if any, for such fiscal year for the term bonds of each series then outstanding, plus the applicable premium, if any;

second, any balance then remaining shall be applied to the purchase of any Bonds whether or not such Bonds shall be subject to redemption in accordance with paragraph (a) above;

third, any balance then remaining shall be applied to the redemption of term Bonds of each series in proportion to the Amortization Requirement, if any, for such fiscal year for the term Bonds of each such series then outstanding plus the applicable premium, if any; and

fourth, after the retirement of all term Bonds, any balance still remaining shall be applied to the retirement of the serial Bonds of each series in proportion to the aggregate principal amount of the serial Bonds of such series originally issued under the provisions of the 1995 Bond Resolution. (Section 504).

The term "Principal and Interest Requirements" for any fiscal year, as applied to the Bonds of any series under the 1995 Resolution, shall mean the sum of:

(a) the amount required to pay the interest on all outstanding Bonds of such series which is payable after July 31 of such fiscal year and on or before July 31 in the following fiscal year;

(b) the amount required to pay the principal of all outstanding serial Bonds of such series which is payable after July 31 of such fiscal year and on or before July 31 in the following fiscal year; and

(c) the Amortization Requirement for the term Bonds of such Series for such fiscal year.

The following rules shall apply in determining the amount of the Principal and Interest Requirements for any period:

(i) in the case of Capital Appreciation Bonds, the Accreted Value becoming due at maturity or by virtue of an Amortization Requirement shall be included when due and payable as part of the principal or Amortization Requirements in accordance with the above provisions;

(ii) in the case of Capital Appreciation and Income Bonds, the Appreciated Value becoming due at maturity or by virtue of an Amortization Requirement shall be included when due and payable as part of principal or Amortization Requirements in accordance with the above provisions;

(iii) the interest rate on Bonds issued with a variable, adjustable, convertible or similar rate of interest shall be the average rate of interest per annum on such Bonds for the preceding twelve months or such shorter period that such Bonds shall have been outstanding, or if such Bonds had not been outstanding prior to the date of calculation, the rate of interest on such Bonds on the date of calculation;

(iv) in the case of Bonds which by their terms may be tendered by and at the option of the holder thereof for payment prior to maturity, the tender date or dates shall be ignored if the tender price for such Bonds is payable from a letter of credit or insurance policy or similar credit or liquidity facility and the stated dates for Amortization Requirements and principal payments shall be used; provided, however, that if on the date of calculation the issuer of the letter of credit or insurance policy or similar credit or liquidity facility has advanced funds thereunder and such amount has not been repaid, Principal and Interest Requirements shall include the repayment obligations thereof in accordance with the principal repayment schedule and interest rate or rates specified in (or specified in the agreement authorizing the issuance of) the letter of credit or insurance policy or similar credit or liquidity facility;

(v) in the case of Bonds the maturity of which may be extended by and at the option of the holder thereof or the Authority, the Bonds shall be deemed to mature on the later of the stated maturity date and the date to which such stated maturity date has been extended; and

(vi) in the case of Bonds (A) which are expected to be repaid from the proceeds of Bonds or other indebtedness or (B) on which interest is payable periodically and for which 25% or more of the principal amount matures during any one year and for which no Amortization Requirements have been established, the debt service requirements on the Bonds may be excluded and in lieu thereof the Bonds shall be treated, for purposes of the computation of Principal and Interest Requirements, as debt securities having a comparable federal tax status to that of such Bonds, maturing in substantially equal annual payments of principal and interest over a period of not more than thirty years from the date of issuance thereof, bearing interest at a fixed rate per annum equal to the average interest rate per annum for such debt securities on the date of issuance of the Bonds and issued by issuers having a credit rating, issued by Moody's Investors Service, Inc. or any successors thereto or Standard & Poor's Ratings Services or any successors thereto, comparable to that of the Authority, as shown by a certificate of an underwriting or investment banking firm experienced in marketing such securities. (Section 101).

Notwithstanding the foregoing, if the Authority has notified the 1995 Fiscal Agent that an interest rate swap agreement is in effect in respect of any Bonds, then for all purposes of the above paragraphs, except for the purpose of determining the required deposits to the 1995 Sinking Fund pursuant to Section 502 of the 1995 Bond Resolution, the interest rate on such Bonds shall be the interest rate calculated with reference to such interest rate swap agreement; and if such rate calculated with reference to such interest rate swap agreement is a variable rate, the interest rate on such Bonds (except for the purpose specified above in this sentence) shall be the average interest rate calculated with reference to such interest rate swap agreement for the preceding twelve months or such shorter period that the interest rate swap agreement has been in effect, or if such interest rate swap agreement had not been in effect prior to the date of calculation, the interest rate calculated with reference to such interest rate swap agreement on the date of calculation. (Section 101).

1995 Construction Fund

The balance of proceeds of Bonds issued under Section 208 of the 1995 Bond Resolution available for payment of construction costs is required to be deposited to the credit of the Construction Fund under the 1995 Bond Resolution (the "1995 Construction Fund") and applied to the payment of the cost of the Initial Facilities, Additional Facilities, Improvements and uncompleted Facilities for which such Bonds were issued. (Section 208).

Payments from the 1995 Construction Fund shall be disbursed by check signed by the Treasurer of the Authority or by any officer or employee of the Authority designated by resolution of the Authority. (Section 402). Any balance remaining in the 1995 Construction Fund from time to time after the completion of the Authority Facilities and Improvements theretofore financed by the Authority may, at the option of the Authority, be deposited to the credit of the 1995 Redemption Account or the 1995 Bond Service Account. (Section 404).

Additional Bonds

Additional Bonds may be issued from time to time to provide funds to pay all or any part of any remaining costs of the Initial Facilities or to pay all or any part of the cost of any Additional Facilities or Improvements to Authority Facilities financed under the 1995 Bond Resolution or of any uncompleted part of the Initial Facilities or Additional Facilities or Improvements, and to pay any notes or other obligations of the Authority theretofore issued, or to repay any advances made from any source, to finance such costs; provided that no such Bonds shall be issued unless under the then existing law such Bonds may be specified by the Authority to be covered by the guaranty of the Commonwealth of Puerto Rico under the Guaranty Act and the Authority so specifies such Bonds by resolution. Before any such Additional Bonds may be issued there must be filed with the 1995 Fiscal Agent, among other things, a certificate signed by the Executive Director of the Authority stating that on the basis of all Lease Agreements or amendments or supplements thereto, as executed and delivered or as expected to be executed and delivered, the

1995 Debt Service Rentals, as calculated by the Authority, will be sufficient and timely to pay the principal of, and the redemption premium, if any, and interest on, such Bonds and all Bonds then outstanding. (Section 208).

Refunding bonds, including crossover refunding bonds, may be issued by the Authority at any time or times for the purpose of providing funds for refunding at or prior to their maturity or maturities all or any part of (i) the outstanding Bonds of any series, or (ii) the outstanding debt of the Authority incurred to finance Authority Facilities as defined in the 1970 Bond Resolution or in the 1978 Bond Resolution, in either case including the payment of any redemption premium thereon and interest which will accrue on such Bonds to the redemption date or maturity date or dates occurring prior thereto; provided that no such refunding bonds shall be issued unless under the then existing law such Bonds may be specified by the Authority to be covered (as of the crossover date with respect to crossover refunding bonds) by the guaranty of the Commonwealth under the Guaranty Act and the Authority so specifies such refunding bonds by resolution. (Section 209).

Investment of Funds

The 1995 Bond Resolution provides for the following types of investments:

(a) Government Obligations which are (i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States Government, (ii) obligations (including participation certificates) issued or guaranteed by an agency of the United States of America or person controlled or supervised by and acting as an instrumentality of the United States of America pursuant to authority granted by the Congress, including but not limited to those of the Federal Home Loan Mortgage Corporation, Federal Home Loan Banks, the Farm Credit System, Federal National Mortgage Association and the Student Loan Marketing Association, (iii) municipal obligations, the payment of the principal of, interest and redemption premium, if any, on which are irrevocably secured by obligations described in clause (i) or (ii) above or (iv) below and which obligations are not subject to redemption prior to the date on which the principal of the obligations are to be used and have been deposited in an escrow account which is irrevocably pledged to the payment of the principal of and interest and redemption premium, if any, on such municipal obligations and which municipal obligations are rated in the highest category (without regard to any gradation within such category) by both Moody's Investors Service or any successors thereto and Standard & Poor's Ratings Services or any successors thereto, and (iv) evidences of ownership of proportionate interests in future interest or principal payments on obligations specified in clauses (i), (ii) and (iii) above held by a national banking association or bank (including the 1995 Fiscal Agent) or trust company as custodian, under which the owner of said interests is the real party in interest and has the right to proceed directly and individually against the obligor on the underlying obligations described above, and which underlying obligations are not available to satisfy any claim of the custodian or any person claiming through the custodian or to whom the custodian may be obligated.

(b) Investment Obligations which are (i) Government Obligations, (ii) obligations of any state or territory of the United States of America which are rated, on the date of investment therein, in one of the three highest rating categories (without regard to any gradation within such categories) by both Moody's Investors Service or any successors thereto and Standard & Poor's Ratings Services or any successors thereto, (iii) bankers' acceptances, certificates of deposit or time deposits of any bank or national banking association (including the 1995 Fiscal Agent), any trust company or any savings and loan association (including any investment in pools of such bankers' acceptances, certificates of deposit or time deposits), which to the extent that such obligations are not insured by the Federal Deposit Insurance Corporation, are either (A) issued by a bank, national banking association, trust company or savings and loan association having a combined capital and surplus aggregating at least $50,000,000 or (B) collateralized at all times by such securities as are described in clause (i) or (ii) above, having a market value at least equal to the principal amount of such bankers' acceptances, certificates of deposit or time deposits (or portion thereof not so insured); provided that the 1995 Fiscal Agent has a perfected first security interest in the collateral and that such collateral is held free and clear of claims by third parties, (iv) any repurchase, reverse repurchase or investment agreement with any bank or trust company organized under the laws of any state of the United States or the Commonwealth of Puerto Rico or any national banking association (including the 1995 Fiscal Agent), insurance company, or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York and a member of the Security Investors Protection Corporation, which agreement is secured by any one or more of the securities described in clause (i) or (ii) above, in which securities the 1995 Fiscal Agent has a perfected first security interest and such securities are held free and clear of claims by third parties, or if not so secured, meets the rating requirements set forth in clause (vii) below, (v) participating shares in a mutual fund or investment pool for local government investment; provided that the investments of such mutual fund or investment pool are rated in one of the three highest rating categories (without regard to any gradations within such categories) by both Moody's Investors Service or any successors thereto, and Standard & Poor's Ratings Services or any successors thereto, (vi) (1) shares of stock in a corporation rated in the highest rating category by Moody's Investors Service or any successors thereto and Standard & Poor's Ratings Services or any successors thereto (without regard to gradations within such category) and (a) is a regulated investment company within the meaning of Section 851(a) of the Internal Revenue Code of 1986, as amended, and meets the requirements of Section 852(a) of said Code for the calendar year; (b) invests all of its assets in Government Obligations or in Investment Obligations described in clause (ii) above; and (c) has at least 98% of (I) its gross income derived from interest on, or gain from the sale of or other disposition of, such obligations or (II) the weighted average of its assets is represented by investments in such obligations or (2) money market accounts of the 1995 Fiscal Agent or any state or federally chartered bank, banking association, trust company or subsidiary trust company that is rated or whose parent state bank is rated in the highest short-term rating category or in one of the two highest long-term rating categories by Moody's Investors Service or any successors thereto and Standard & Poor's Ratings Services or any successors thereto (without regard to gradations within such category), and (vii) any other investment obligations which are rated, which are issued by issuers which are rated, or which are backed by letters of credit or lines of credit the provider of which is rated, on the date of investment therein, in one of the three highest rating categories (without regard to any gradation within such categories) by both Moody's Investors Service or any successors thereto and Standard & Poor's Ratings Services or any successors thereto or which are collateralized by such Investment Obligations. (Section 101).

Moneys held in the 1995 Construction Fund, the 1995 Bond Service Account and the 1995 Redemption Account shall, as nearly as practicable, be invested and reinvested in Investment Obligations, which mature, or are subject to redemption by the holder thereof at the option of such holder not later than the dates when the moneys held for the credit thereof will be required for the purposes intended. (Section 602).

General Covenants

The Authority covenants that it will not agree to any amendment, modification or termination of any Lease Agreements of any Authority Facilities (or exercise any right it may have to rescind the lease of any lessee of space in any Authority Facilities) which would reduce the amounts of rental payments below the amounts required by Section 701 of the 1995 Bond Resolution or postpone the times of making such rental payments or which would otherwise materially and adversely affect the security of the bondholders (Section 702), that it will not create or suffer to be created any lien or charge upon the Authority Facilities or any part thereof or upon the 1995 Debt Service Rentals therefrom, other than the liens and charges created or permitted under the 1995 Bond Resolution (Section 705), and that each Lease Agreement will provide that the obligation of the Lessee to pay timely the required rentals thereunder shall be absolute and unconditional. (Section 709).

The Authority covenants that it will not dispose of or encumber any Authority Facilities, unless (a) the Authority determines that notwithstanding such disposition or encumbrance, total rentals under each Lease Agreement will be sufficient to provide the sums required under Section 701 of the 1995 Bond Resolution, and (b) the Authority will receive as the price for any such disposition (but not an encumbrance), together with any other available moneys, the total amount of the 1995 Debt Service Rentals which would otherwise have been payable by the lessees of such Authority Facilities during the remaining term of the related Lease Agreements plus such additional amounts as will be necessary to pay the fees and expenses of the 1995 Fiscal Agent and all other expenses in connection with the application of the proceeds of such sale to the payment of the principal of and interest on outstanding Bonds issued by the Authority under the 1995 Bond Resolution including any redemption premiums. The proceeds of any such disposition (other than an encumbrance) shall be promptly deposited in the 1995 Redemption Account.

The Authority may also from time to time dispose of or encumber any fixtures or movable property in connection with the Authority Facilities or any materials used in connection therewith, if the Authority determines that such articles are no longer needed or useful in connection with the construction or operation or maintenance of the Authority Facilities and the proceeds thereof (other than an encumbrance) shall be applied to the replacement of the property so disposed of or at the option of the Authority shall be deposited to the credit of the 1995 Redemption Account. (Section 708).

Each Lease Agreement is required to provide that it may not be assigned or otherwise transferred in whole or in part by either party (unless the conditions set forth under the 1995 Bond Resolution for a termination of such Lease Agreement have been met), and will provide that all or any part of the Authority Facilities covered by such Agreement may be subleased as a whole or in part by the lessee if, among other things the following conditions have been met: (a) the sublessee under the sublease shall be a department, agency or instrumentality of the Commonwealth unless the Authority shall have obtained an opinion of nationally recognized bond counsel that such sublease will not cause interest on any Bonds to be includable in gross income of the owners thereof for federal income tax purposes (other than Bonds for which such interest is intended not to be excludable in gross income for such purposes); (b) such lessee shall acknowledge in writing that it shall continue to remain liable for the payment of all rentals under such Lease Agreement; and (c) there shall have been delivered to the Authority and such lessee (i) if the sublessee is a department of the Commonwealth, a certificate, signed by the Secretary or an Assistant Secretary of such department, stating that, on the basis of budgeted appropriations for the fiscal year in which the sublease is to become effective, the sublessee will have available funds sufficient to pay timely all rentals which will be due and payable during such fiscal year, or (ii) if the sublessee is an agency or instrumentality of the Commonwealth, a certificate, signed by the chief executive officer of the sublessee, stating that on the basis of budgeted appropriations and/or estimated revenues for the sublessee for the fiscal year in which the sublease is to become effective, the sublessee will have available funds sufficient to pay timely all rentals which will be due and payable during such fiscal year. (Section 710).

The Authority covenants that it will cause audits to be made of its books and accounts by an independent firm of certified public accountants chosen by the Authority. Reports of such audits shall, among other things, set forth the findings of such certified public accountants as to whether the moneys received by the Authority under the 1995 Bond Resolution have been applied in accordance with the provisions thereof. Copies of such reports shall be filed with the 1995 Fiscal Agent and shall be mailed by the Authority to each bondholder who shall have filed his name and address with the Secretary of the Authority for such purpose. (Section 712).

Modifications

The Authority may adopt resolutions supplemental to the 1995 Bond Resolution without the consent of the bondholders to cure any ambiguity, formal defect or omission or to correct any inconsistent provisions or errors in the 1995 Bond Resolution; provided such action shall not adversely affect the interests of the bondholders, or to grant or confer upon the bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the bondholders, or to add to the conditions, limitations and restrictions on the issuance of Bonds, or to add to the covenants and agreements of the Authority in the 1995 Bond Resolution or to surrender any right or power reserved to or conferred upon the Authority. (Section 901).

The holders of not less than a majority in aggregate principal amount of the Bonds then outstanding shall have the right to consent to and approve the adoption of such resolution or resolutions supplemental to the 1995 Bond Resolution as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding any of the terms and provisions contained in the 1995 Bond Resolution; provided, however, that nothing contained in the 1995 Bond Resolution shall permit, or be construed as permitting, (a) an extension of the maturity of the principal of or the interest on any Bond or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of 1995 Debt Service Rentals other than the liens and pledges created by or pursuant to the 1995 Bond Resolution, or (d) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental resolution. (Section 902). No supplemental resolution may, however, change, amend or modify the rights or obligations of the 1995 Fiscal Agent under the 1995 Bond Resolution without the written consent of the 1995 Fiscal Agent. (Section 904).

Notice of Default

In the event that on the second business day prior to the date on which a payment of interest, principal, or premium, if any, is due on any Bond there is not an amount sufficient in such account or fund as the 1995 Fiscal Agent may draw upon for the payment on such due date of such interest, principal, or premium, or the Authority shall default in the due and punctual making of any 1995 Sinking Fund deposit required by Section 502 of the 1995 Bond Resolution, the 1995 Fiscal Agent shall promptly give written notice of such insufficiency or default, as the case may be, to the Authority, the Secretary of the Treasury of the Commonwealth and Government Development Bank for Puerto Rico. In the event that the Authority shall default in the due and punctual performance of any other covenants or agreements in the Bonds or the 1995 Bond Resolution and the 1995 Fiscal Agent shall have knowledge of, or is notified of, such default, and the Authority shall fail to correct such default within 30 days after notice thereof to the Authority by the 1995 Fiscal Agent, the 1995 Fiscal Agent shall promptly give notice of such default to the Secretary of the Treasury of the Commonwealth and Government Development Bank for Puerto Rico. (Section 804).

The 1995 Bond Resolution and the Bonds do not provide for acceleration of the maturities of the Bonds in the event of a default thereunder or in any other circumstances and do not provide that the bondholders may require the 1995 Fiscal Agent to take any action on their behalf.

TAX MATTERS

In the opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, under existing law (i) interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (ii) the Bonds and the interest thereon are exempt from state, Commonwealth of Puerto Rico and local income taxation. Bond Counsel will express no opinion as to any other tax consequences regarding the Bonds.

The opinion on federal tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the Authority to be contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of those certifications and representations.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations in order for the interest to be and to continue to be so excluded from the date of issuance. Noncompliance with these requirements by the Authority may cause the interest on the Bonds to be included in gross income for federal income tax purposes and thus to be subject to federal income tax retroactively to the date of issuance of the Bonds. The Authority has covenanted, to the extent permitted by the Constitution and the laws of the Commonwealth, to take the actions required of it for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. Bond Counsel is not aware of any provision of the Constitution or laws of the Commonwealth that would prevent the Commonwealth from complying with the requirements of the Code.

Under Code provisions applicable only to certain corporations (as defined for federal income tax purposes), a portion of the excess of adjusted current earnings (which includes interest on all tax-exempt obligations, including the Bonds) over other alternative minimum taxable income is included in alternative minimum taxable income that may be subject to a corporate alternative minimum tax. In addition, interest on the Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and to a tax imposed on excess net passive income of certain S corporations.

Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these or other tax consequences will depend upon the particular tax status or other tax items of the owner of the Bonds. Bond Counsel will express no opinion regarding those consequences.

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

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

Original Issue Discount and Original Issue Premium

Certain of the Bonds ("Discount Bonds") as indicated on the inside cover page of this Official Statement may be offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount Bond. The issue price of a Discount Bond is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Bonds of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Bond purchased in the initial offering at the price for such Discount Bond stated on the inside cover of this Official Statement (i) is interest excludable from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Bonds, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Bond. A purchaser of a Discount Bond at its issue price in the initial public offering who holds that Discount Bond to maturity will realize no gain or loss upon the retirement of that Discount Bond.

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

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

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of (a) the mathematical computations of the adequacy of the outstanding maturing amount of and interest on the Government Obligations and other available moneys to be deposited in escrow to pay the redemption prices of the Refunded Bonds on their respective redemption dates, together with all payments of interest thereon coming due on or prior to such dates (see *Plan of Financing*), and (b) the mathematical computations supporting the conclusion of Bond Counsel that the Bonds are not "arbitrage bonds" under Section 148 of the Code, will be verified by Precision Analytics Inc./Samuel Kline & Co.

UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the Bonds from the Authority at an aggregate discount of $5,120,877.50 from the initial public offering prices set forth or derived from information set forth on the inside cover of this Official Statement. The obligation of the Underwriters to purchase the Bonds is subject to certain conditions precedent, and they will be obligated to purchase all the Bonds, if any are purchased. The Bonds may be offered and sold to certain dealers (including dealers depositing such Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed from time to time by the Underwriters. The Authority has agreed to indemnify, to the extent permitted by law, the Underwriters against certain liabilities, including liabilities under Federal securities laws.

Lehman Brothers Inc. ("Lehman") has entered into a written agreement with BBVA Capital Markets of Puerto Rico, Inc. ("BBVA") pursuant to which BBVA has agreed to act as a consultant to Lehman in connection with Lehman's provision of underwriting and investment banking services to the Authority with respect to the Bonds. Similar agreements with respect to the sharing of underwriting net profits have been entered into and disclosed to the Authority by Morgan Stanley & Co. Incorporated and Popular Securities, Inc., Goldman Sachs & Co. and FirstBank Puerto Rico, Merrill Lynch & Co. and Santander Securities Incorporated, First Union National Bank and Doral Securities Inc., Banc of America Securities LLC and Oriental Financial Services Corporation, and ABN Amro Financial Services, Inc. and Prudential Securities Incorporated.

LEGAL INVESTMENT

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

LEGAL MATTERS

The proposed forms of opinions of Squire, Sanders & Dempsey L.L.P., Miami, Florida, Bond Counsel, are set forth in Appendix II. Certain legal matters will be passed upon for the Underwriters by their counsel, McConnell Valdés, San Juan, Puerto Rico.

GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO

As required by Act No. 272 of the Legislature of Puerto Rico, approved May 15, 1945, as amended, Government Development Bank for Puerto Rico has acted as financial advisor to the Authority in connection with the Bonds offered hereby. As financial advisor, Government Development Bank for Puerto Rico participated in the selection of the Underwriters of the Bonds. Certain of the Underwriters have been selected by Government Development Bank for Puerto Rico to serve from time to time as underwriters of its obligations and the obligations of the Commonwealth, its instrumentalities and public corporations.

INDEPENDENT ACCOUNTANTS

The financial statements as of June 30, 2001 of the Authority included in Appendix I hereto have been audited by Vila del Corral & Company, independent accountants, as set forth in its report therein. The financial statements as of June 30, 2000 of the Authority were audited by Deloitte & Touche L.L.P., independent accountants.

RATINGS

Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., have given the Bonds ratings of Baa1 and A, respectively. These ratings do not reflect the AMBAC Financial Guaranty Insurance Policy. Ratings reflect only the respective views of the rating agencies and an explanation of the significance of each rating may be obtained only from the respective rating agency.

Such rating agencies were provided with materials relating to the Authority, the Commonwealth, the 1995 Bond Resolution, the Bonds and other relevant information. No application has been made to any other rating agency for the purpose of obtaining a rating on the Bonds.

There is no assurance that any ratings obtained will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating agencies if, in the judgment of either or both, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market prices of the Bonds.

CONTINUING DISCLOSURE

In accordance with the requirements of Rule 15c2-12, as amended (the "Rule"), promulgated by the Securities and Exchange Commission (the "SEC"), the Commonwealth and the Authority have agreed to the following for the benefit of the Beneficial Owners (as defined in the 1995 Bond Resolution and generally the tax owners of the Bonds):

(a) The Commonwealth has agreed to file within 305 days after the end of each fiscal year beginning after its fiscal year ending June 30, 2001, with each NRMSIR and with any Commonwealth state information depository ("SID"), core financial information and operating data for the prior fiscal year, including (i) the Commonwealth's audited financial statements, prepared in accordance with generally accepted accounting principles in effect from time to time, and (ii) material historical quantitative data (including financial information and operating data) on the Commonwealth (including such data concerning the Authority and any other entity to the extent it has a material impact on the Commonwealth) and revenues, expenditures, financial operations and indebtedness generally found in the Commonwealth Report;

(b) The Authority has agreed to file within 305 days after the end of each fiscal year beginning after its fiscal year ending June 30, 2001, with each NRMSIR and with any Commonwealth SID, the Authority's audited financial statements for the prior fiscal year prepared in accordance with generally accepted accounting principles in effect from time to time; and

(c) The Authority will agree to file in a timely manner, with each NRMSIR or with the MSRB, and with any Commonwealth SID, notice of failure of the Commonwealth to comply with clause (a) above and of the Authority to comply with clause (b) above and notice of any of the following events with respect to the Bonds, if material:

(i) principal and interest payment delinquencies;
(ii) non-payment related defaults;
(iii) unscheduled draws on debt service reserves reflecting financial difficulties;
(iv) unscheduled draws on credit enhancements reflecting financial difficulties;
(v) substitution of credit or liquidity providers, or their failure to perform;
(vi) adverse opinions or events, affecting the exclusion from gross income for Federal income tax purposes of interest on the Bonds;
(vii) modifications to rights of security holders;
(viii) bond calls;
(ix) defeasances;
(x) release, substitution, or sale of property securing repayment of the Bonds; and
(xi) rating changes.

Event (iii) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers, dated September 19, 1995. However, event (iii) may not be applicable, since the terms of the Bonds do not provide for "debt service reserves."

In addition, with respect to the following events:

Events (iv) and (v). The Authority does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Bonds, unless the Authority applies for or participates in obtaining the enhancement.

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

Event (viii). The Authority does not undertake to provide the above-described event notice of a mandatory scheduled redemption, not otherwise contingent upon the occurrence of an event, if the terms, dates and amounts of redemption are set forth in detail in this Official Statement in "Redemption Provisions" under *Description of the Bonds*. In the case of a partial redemption, notice of redemption is given to the Bondholders as required under the terms of the Bonds, and public notice of the redemption is given pursuant to Securities Exchange Act of 1934 Release No. 34-23856 of the SEC, even if the originally scheduled amounts are reduced by prior optional redemptions or Bond purchases.

The Commonwealth expects to provide the information described in clause (a) above by delivering its first bond official statement that includes its financial statements for the preceding fiscal year or, if no such official statement is issued by the 305-day deadline, by delivering its Comprehensive Annual Financial Report by such deadline.

As of the date of this Official Statement, there is no Commonwealth SID, and the NRMSIRs are: Bloomberg Municipal Repository, 100 Business Park Drive, Skillman, New Jersey 08558; Standard & Poor's J.J. Kenny Repository, 55 Water Street, 45th Floor, New York, New York 10041; FT Interactive Data, Attn: NRMSIR, 100 William Street, New York, New York 10038; and DPC Data Inc., One Executive Drive, Fort Lee, New Jersey 07024.

The Authority may from time to time choose to provide notice of the occurrence of certain other events in addition to those listed above if, in the judgment of the Authority, such other events are material with respect to the Bonds, but the Authority does not undertake to provide any such notice of the occurrence of any material event except those events listed above.

The Commonwealth and the Authority acknowledge that their respective undertakings pursuant to the Rule described above are intended to be for the benefit of the Beneficial Owners of the Bonds, and shall be enforceable by any such Beneficial Owners; provided that the right to enforce the provisions of its undertaking shall be limited to a right to obtain specific enforcement of the Authority's or the Commonwealth's obligations hereunder.

No Beneficial Owner may institute any suit, action or proceeding at law or in equity ("Proceeding") for the enforcement of the foregoing covenants in paragraphs (a), (b) or (c) above (the "Covenants") or for any remedy for breach thereof, unless such Beneficial Owner shall have filed with the Authority and the Commonwealth written notice of any request to cure such breach, and the Authority or the Commonwealth, as applicable, shall have refused to comply within a reasonable time. All Proceedings shall be instituted only in a Commonwealth court located in the Municipality of San Juan, for the equal benefit of all Beneficial Owners of the outstanding Bonds benefitted by the Covenants, and no remedy shall be sought or granted other than specific performance of the Covenant at issue. Moreover, Proceedings filed by Beneficial Owners against the Commonwealth may be subject to the sovereign immunity provisions of Section 2 of Act No. 104, approved June 29, 1955, as amended (32 L.P.R.A. § 3077 and § 3077a), which governs the scope of legal actions against the Commonwealth, substantially limits the amount of monetary damages that may be awarded against the Commonwealth and provides certain notice provisions, the failure to comply with which may further limit any recovery.

The Covenants may only be amended if:

(1) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Authority or the Commonwealth, or type of business conducted; the Covenants, as amended, would have complied with the requirements of the Rule at the time of award of the Bonds, after taking into account any amendments or change in circumstances; and the amendment does not materially impair the interest of Beneficial Owners, as determined by parties unaffiliated with the Authority or the Obligated Person; or

(2) all or any part of the Rule, as interpreted by the staff of the SEC at the date of the adoption of such Rule, ceases to be in effect for any reason, and the Authority or the Commonwealth, as applicable, elects that the Covenants shall be deemed amended accordingly.

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

Any assertion of beneficial ownership must be filed, with full documentary support, as part of the written request described above.

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

MISCELLANEOUS

The foregoing references to and summaries of certain provisions of the 1995 Bond Resolution, the lease agreements with respect to the facilities that are to be financed or refinanced in whole or in part by the Bonds, the various Acts and the Bonds are made subject to all the detailed provisions thereof, to which reference is hereby made for further information, and do not purport to be complete statements of any or all of such provisions.

Appended to, and constituting a part of, this Official Statement are the financial statements of the Authority for the year ended June 30, 2001, together with the independent auditor's report of Vila del Corral & Company (Appendix I). Also appended to, and constituting a part of, this Official Statement are the proposed forms of opinions of Squire, Sanders & Dempsey L.L.P., Bond Counsel (Appendix II), the AMBAC Financial Guaranty Insurance Policy (Appendix III) and the Convertible Capital Appreciation Bonds Accretion Table (Appendix IV).

The information set forth in *Provisions Relating to Public Debt of the Commonwealth* and in the Commonwealth Report was supplied by certain officials of the Commonwealth or certain of its agencies or instrumentalities, in their respective official capacities, or was obtained from publications of the Commonwealth or certain of its agencies or instrumentalities, and is included or incorporated by reference in this Official Statement on the authority of such officials or the authority of such publications as public official documents, respectively. The information set forth in this Official Statement, except the information appearing in *Provisions Relating to Public Debt of the Commonwealth, Underwriting* and "Book Entry Only System" under *Description of the Bonds*, was supplied by the Executive Director of the Authority in her official capacity as such Executive Director and is included in this Official Statement on her authority. The information pertaining to DTC was supplied by DTC. The information in "AMBAC Insured Bonds" under *Bond Insurance* and Appendix III was supplied by AMBAC Assurance.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

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

PUERTO RICO PUBLIC BUILDINGS AUTHORITY

By: /s/ Lillian Rivera Correa
Lillian Rivera Correa
Executive Director

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APPENDIX I

COMMONWEALTH OF PUERTO RICO
PUBLIC BUILDINGS AUTHORITY
(A Blended Component Unit of the Commonwealth of Puerto Rico)

GENERAL PURPOSE FINANCIAL STATEMENTS
AS OF JUNE 30, 2001 AND 2000

Together with Independent Auditors' Report

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Vila Del Corral & Company

Certified Public Accountants & Consultants

RSM

To: The Board of Directors of
Puerto Rico Public Buildings Authority

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying combined balance sheet of the Commonwealth of Puerto Rico Public Buildings Authority ("the Authority"), a blended component unit of the Commonwealth of Puerto Rico, as of June 30, 2001 and the related statements of revenues, expenses, and changes in retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Authority for the year ended June 30, 2000, were audited by other auditors whose report, dated December 28, 2000, expressed an unqualified opinion on those financial statements.

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

In our opinion, the June 30, 2001 financial statements referred to above present fairly, in all material respects, the financial position of the Authority at June 30, 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental schedules 1 through 6 as of June 30, 2001, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. These schedules are the responsibility of the Authority's management. Such schedules have been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the general purpose financial statements taken as a whole.

San Juan, Puerto Rico
November 29, 2001.

Vila del Corral & Company

Stamp No. 1769961 was affixed to
the original of this report.

P.O. Box 10528, San Juan P.R. 00922-0528 / Tel: (787) 751-6164 • Fax: (787) 759-7479
http://www.viladelcorral.com

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COMMONWEALTH OF PUERTO RICO PUBLIC BUILDINGS AUTHORITY
COMBINED BALANCE SHEETS ALL FUNDS TYPES
(A Blended Component Unit of the Commonwealth of Puerto Rico)

ASSETS

	June 30, 2001		
	Proprietary Fund	Fiduciary Fund	Totals (Memorandum only)
CURRENT ASSETS:			
Cash and cash equivalents	$ 122,531,707	$ -	$ 122,531,707
Rent receivable	70,070,925	-	70,070,925
Other receivables, net of allowance of $11,645,000	2,667,966	-	2,667,966
Due from other funds-			
Proprietary	-	36,001,759	36,001,759
Fiduciary	67,370,770	-	67,370,770
Property held for sale	44,710,727	-	44,710,727
	307,352,095	36,001,759	343,353,854
PROPERTY AND EQUIPMENT	1,754,697,651	154,139,859	1,908,837,510
RESTRICTED ASSETS:			
Bond sinking funds	5,920,451	-	5,920,451
Construction funds	60,152,020	-	60,152,020
Proceeds from sales of assets	14,013,104	-	14,013,104
Cash available for deposit to sinking fund	121,722,828	-	121,722,828
OTHER ASSETS	10,269,578	-	10,269,578
	$ 2,274,127,727	$ 190,141,618	$ 2,464,269,345

LIABILITIES AND FUND EQUITY

	Proprietary Fund	Fiduciary Fund	Totals (Memorandum only)
CURRENT LIABILITIES:			
Accounts payable	$ 31,326,372	$ -	$ 31,326,372
Accrued expenses	46,038,626	-	46,038,626
Due to contractors	61,700,504	-	61,700,504
Contract retentions	37,960,763	-	37,960,763
Current portion of obligation under capital lease	3,012,797	-	3,012,797
Due to other funds-			
Proprietary	-	67,370,770	67,370,770
Fiduciary	36,001,759	-	36,001,759
Liabilities payable from restricted assets-			
Current portion of long-term debt	68,931,412	-	68,931,412
Interest	42,524,612	-	42,524,612
	327,496,845	67,370,770	394,867,615
ADVANCES FROM GOVERNMENTAL AGENCIES	-	122,770,848	122,770,848
LONG-TERM DEBT	1,517,448,639	-	1,517,448,639
BORROWINGS UNDER LINE OF CREDIT	230,724,034	-	230,724,034
OBLIGATION UNDER CAPITAL LEASE	6,628,464	-	6,628,464
	2,082,297,982	190,141,618	2,272,439,600
FUND EQUITY:			
Contributed capital	38,500,086	-	38,500,086
Retained earnings	153,329,659	-	153,329,659
	191,829,745	-	191,829,745
	$ 2,274,127,727	$ 190,141,618	$ 2,464,269,345

The accompanying notes are an integral part of these balance sheets.

index

COMMONWEALTH OF PUERTO RICO PUBLIC BUILDINGS AUTHORITY
COMBINED BALANCE SHEETS ALL FUNDS TYPES
(A Blended Component Unit of the Commonwealth of Puerto Rico)

ASSETS

	June 30, 2000		
	Proprietary Fund	Fiduciary Fund	Totals (Memorandum only)
CURRENT ASSETS:			
Cash and cash equivalents	$ 144,902,394	$ -	$ 144,902,394
Rent receivable	35,574,371	-	35,574,371
Other receivables, net of allowance of $11,645,000	6,099,088	-	6,099,088
Due from other funds-			
Proprietary	-	33,699,258	33,699,258
Fiduciary	53,654,589	-	53,654,589
Property held for sale	54,360,729	-	54,360,729
	294,591,171	33,699,258	328,290,429
PROPERTY AND EQUIPMENT	1,501,233,608	138,874,813	1,640,108,421
RESTRICTED ASSETS:			
Bond sinking funds	103,482,584	-	103,482,584
Construction funds	148,416,840	-	148,416,840
Proceeds from sales of assets	77,206,158	-	77,206,158
Cash available for deposit to sinking fund			
OTHER ASSETS	12,006,894	-	12,006,894
	$ 2,136,937,255	$ 172,574,071	$ 2,309,511,326

LIABILITIES AND FUND EQUITY

	Proprietary Fund	Fiduciary Fund	Totals (Memorandum only)
CURRENT LIABILITIES:			
Accounts payable	$ 27,498,905	$ -	$ 27,498,905
Accrued expenses	46,924,873	-	46,924,873
Due to contractors	33,610,849	-	33,610,849
Contract retentions	28,393,031	-	28,393,031
Current portion of obligation under capital lease	2,828,173	-	2,828,173
Due to other funds-			
Proprietary	-	53,654,589	53,654,589
Fiduciary	33,699,258	-	33,699,258
Liabilities payable from restricted assets-			
Current portion of long-term debt	68,960,476	-	68,960,476
Interest	44,164,062	-	44,164,062
	286,079,627	53,654,589	339,734,216
ADVANCES FROM GOVERNMENTAL AGENCIES	-	118,919,482	118,919,482
LONG-TERM DEBT	1,647,108,700	-	1,647,108,700
BORROWINGS UNDER LINE OF CREDIT	132,087,001	-	132,087,001
OBLIGATION UNDER CAPITAL LEASE	9,641,261	-	9,641,261
	2,074,916,589	172,574,071	2,247,490,660
FUND EQUITY:			
Contributed capital	38,500,086	-	38,500,086
Retained earnings	23,520,580	-	23,520,580
	62,020,666	-	62,020,666
	$ 2,136,937,255	$ 172,574,071	$ 2,309,511,326

The accompanying notes are an integral part of these balance sheets.

COMMONWEALTH OF PUERTO RICO
PUBLIC BUILDINGS AUTHORITY
(A Blended Component Unit of the Commonwealth of Puerto Rico)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE-ENTERPISES FUND

FOR THE YEARS ENDED JUNE 30, 2001 AND 2000

	2001	2000
REVENUES:		
Rent-		
Debt-service rentals	$ 161,581,270	$ 150,041,201
Operating rentals	114,008,064	86,497,651
	275,589,334	236,538,852
Other, including interest income of approximately $15,046,000 and $21,736,000	15,681,900	23,493,019
	291,271,234	260,031,871
EXPENSES:		
Interest and other financing expenses	87,131,105	88,166,817
Salaries and employee benefits	60,967,654	60,439,685
Repairs and maintenance	8,383,025	16,303,175
Depreciation	31,062,350	26,340,231
Utilities	12,404,566	9,677,547
Security services	11,422,315	10,251,294
Rent and insurance	6,293,389	6,152,465
General and administrative	4,675,851	4,909,295
Net loss on bonds defeased	1,621,897	-
Unrealized loss on property held for sale	-	54,347,270
Net loss on disposition of buildings	944,953	3,433,428
	224,907,105	280,021,207
Less: Administrative expenses applied to construction in progress	(8,188,136)	(4,351,163)
	216,718,969	275,670,044
OPERATING INCOME (LOSS)	74,552,265	(15,638,173)
NON-OPERATING REVENUES (EXPENSES):		
Equity transfer from (to) Primary Government	55,256,814	(13,392,430)
NET INCOME (LOSS)	129,809,079	(29,030,603)
RETAINED EARNINGS, beginning of year	23,520,580	52,551,183
RETAINED EARNINGS, end of year	$ 153,329,659	$ 23,520,580

The accompanying notes are an integral part of these statements.

COMMONWEALTH OF PUERTO RICO
PUBLIC BUILDINGS AUTHORITY
(A Blended Component Unit of the Commonwealth of Puerto Rico)

STATEMENTS OF CASH FLOWS
PROPRIETARY FUND TYPE-ENTERPRISE FUND

FOR THE YEARS ENDED JUNE 30, 2001 AND 2000

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	$ 74,552,265	$ (15,638,173)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Interest and other financing expenses	87,131,105	88,166,817
Interest earned on restricted assets	(15,046,042)	(21,736,127)
Unrealized loss on property held for sale	-	54,347,270
Depreciation	31,062,350	26,340,231
Loss on disposition of buildings	1,304,715	3,433,428
Decrease (increase) in operating assets:		
Rent receivable	(34,496,554)	17,630,287
Other receivables	3,431,122	4,678,736
Other restricted assets	-	12,584,573
Other assets	1,737,316	1,646,217
Increase in operating liabilities:		
Accounts payable and accrued expenses	2,941,220	5,668,492
Net cash provided by operating activities	152,617,497	177,121,751
CASH FLOWS USED BY NON-CAPITAL FINANCING ACTIVITIES:		
Transfer from Primary Government	55,256,814	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital expenditures	(284,526,393)	(149,430,005)
Proceeds from sale of property held for sale	8,345,287	-
Repayment of bonds	(129,689,125)	(61,127,646)
Borrowings under line of credit	132,605,675	268,092,564
Repayments under line of credit	(33,968,642)	(213,236,083)
Repayment of obligation under capital lease	(2,828,173)	(2,654,863)
Interest paid	(88,770,555)	(90,116,629)
Increase in amounts due to contractors	28,089,655	11,882,688
Increase in contract retentions	9,567,732	3,450,924
Net increase in amount due from fiduciary fund	(11,413,680)	(8,621,618)
Net cash used in capital and related financing activities	(372,588,219)	(241,760,668)

COMMONWEALTH OF PUERTO RICO
PUBLIC BUILDINGS AUTHORITY
(A Blended Component Unit of the Commonwealth of Puerto Rico)

STATEMENTS OF CASH FLOWS
PROPRIETARY FUND TYPE-ENTERPRISE FUND

FOR THE YEARS ENDED JUNE 30, 2001 AND 2000
(Continued)

	2001	2000
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Deposits to bonds sinking funds	$ (66,786,800)	$ (63,557,691)
Payments from bonds sinking funds	164,348,933	-
Deposits to construction funds	(178,187,216)	37,194,439
Payments from construction funds	266,452,036	-
Deposit to other restricted assets	(58,529,774)	-
Interest earned on bond sinking funds, construction funds and certificates of deposit	15,046,042	21,736,127
Net cash provided by (used in) investing activities	142,343,221	(4,627,125)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(22,370,687)	(69,266,042)
CASH AND CASH EQUIVALENTS, beginning of year	144,902,394	214,168,436
CASH AND CASH EQUIVALENTS, end of year	$ 122,531,707	$ 144,902,394
SUMMARY OF NON-CASH TRANSACTIONS:		
Reversal of amount due from Primary Government, net of loss on reacquisition of assets previously sold	$ -	$ 12,380,567
Transfer of amount due from Primary Government to rent receivable	$ -	$ 3,567,543
Equity transfer to Primary Government	$ -	$ 13,392,430
Net book value of buildings transferred from property and equipment to assets held for sale	$ -	$ 23,370,440
Net book value of buildings returned by Primary Government	$ -	$ 8,813,021

The accompanying notes are an integral part of these statements.

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COMMONWEALTH OF PUERTO RICO
PUERTO RICO BUILDINGS AUTHORITY
(A Blended Component Unit of the Commonwealth of Puerto Rico)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001 AND 2000

1) Organization and summary of significant accounting policies:

A) Organization - The Public Buildings Authority (the "Authority"), a blended component unit of the Commonwealth of Puerto Rico (the "Commonwealth"), exercising public and governmental functions, was created on June 19, 1958, by Act No.56 of the Legislature of Puerto Rico (the "Enabling Act").

The Authority is empowered to design and construct office buildings, courts, warehouses, shops and related facilities for lease to the Commonwealth or any of its departments, agencies, instrumentalities or municipalities. An amendment to the Enabling Act granted the additional power to finance and construct schools, health-care and social welfare facilities.

The annual rent for each leased building is computed based on the amounts needed by the Authority to cover the payment of: (1) principal, interest and other amortization requirements of the notes and bonds issued to finance the buildings; (2) operating and maintenance expenses of the buildings, including a reasonable proportional share of the Authority's administrative expenses, excluding depreciation; (3) cost of equipment replacement and other noncurrent operating and maintenance costs; and (4) a reserve for capital maintenance. The components of rent charged for operating and maintenance expenses, together with equipment replacement, are subject to escalation to permit the Authority to recover costs in these areas.

The Enabling Act provides that the full faith and credit of the Commonwealth are pledged for the payment of rent under any lease agreement executed pursuant to the Enabling Act with any department of the Commonwealth. The Enabling Act also provides that the Department of the Treasury of the Commonwealth of Puerto Rico ("the Treasury Department") will make advances to the Authority for any unpaid portion of rent payable to the Authority by any agency or instrumentality of the Commonwealth that has entered into lease agreements with the Authority.

The Authority is exempt from the payment of taxes on its revenues and properties.

B) Summary of significant accounting policies - The accounting and reporting policies of the Authority conform to accounting principles generally accepted in the United States of America, as applicable to governmental units. The following is a description of the most significant accounting policies:

Basis of accounting - The financial statements of the Authority are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under this method, revenues are recognized when earned, regardless of when received, and expenses when incurred, regardless of when paid.

Basis of presentation – The financial statements of the Authority are presented on the basis of two funds; Proprietary Fund and Fiduciary Fund, each constituting a separate entity. The Authority acts in a fiduciary capacity relating to advances received from agencies of the Commonwealth of Puerto Rico for purposes of construction on their behalf. Funds received for these purposes are accounted for separately in the Fiduciary Fund. All other activity of the Authority is accounted for in the Proprietary Fund.

As permitted by Governmental Accounting Standard Board ("GASB") Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that Use Proprietary Fund Accounting", the Authority has elected to apply all Financial Accounting Standards Board (FASB) Statements and Interpretations, issued after November 30, 1989 that do not conflict with those issued by GASB.

Use of estimates – The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results may differ from those estimates.

Fair value of financial instruments – The carrying amounts reported in the combined balance sheets for cash and cash equivalents, receivables, accounts payable, amounts due to contractors, including retentions, approximate fair value due to their short-term duration. Amounts deposited in Bond Sinking Fund and Construction Fund are carried at fair value. The carrying amount of bonds payable approximates fair value since interest rates on such debt approximate the rates currently available in the market for other debt with similar terms and remaining maturities.

Cash equivalents – Cash equivalents are defined as highly liquid investments with original maturities at the date of purchase of 90 days or less.

Allowance for doubtful accounts – The allowance for doubtful accounts is an amount that management believes will be adequate to absorb possible losses on existing receivables that may become uncollectible based on evaluations of the collectibility of the receivables. Because of uncertainties inherent in the estimation process, management's estimate of losses in the receivable outstanding and the related allowance may change in the near term.

Property and equipment – Property and equipment is recorded at cost. The costs of the projects constructed by the Authority include a portion of indirect construction costs and interest allocated during the construction period. Property with a total cost of approximately $1,690 million and $1,525 million for 2001 and 2000, respectively, is leased to governmental agencies. Provision for depreciation for buildings and furniture and equipment is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for major renewals and betterments which extend the useful lives of the assets are capitalized.

Investments - Investments are reported at fair value. Investment income, including unrealized gains and losses, are recognized in operations.

The FASB issued Statement on Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities" that establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement on the Authority's financial condition and measure those instruments at fair value. There were no such derivative instruments or hedging activities as of and for the year ended June 30, 2001.

Restricted assets and liabilities payable from restricted assets - Restricted assets represent the amounts deposited by the Authority to provide for the amortization of bonds payable and related interest costs.

Accounting for the impairment of long-lived assets and for long-lived assets to be disposed of - The Authority accounts for asset impairment under the provisions of FASB Statement No. 121. This Statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Amortization of discount on bonds payable - Discount on bonds payable is amortized over the term of the bond based on the interest method. Bond issuance costs are generally expensed when incurred.

Revenue recognition - All leases are deemed to be operating leases. Accordingly, rental income is recognized as operating revenue over the term of the lease.

Risk financing - The Authority carries commercial insurance to cover for casualty, theft, claims and other losses. The current insurance policies have not been cancelled or terminated. The Authority has not settled any claims in excess of its insurance coverage during the past three years. The Authority also pays premiums for workers compensation insurance to another component unit of the Commonwealth.

Compensated absences - An expense for compensated absences is accrued when earned by the employees. Employees may carryforward their vacation and sick leave as permitted by statute and may receive a cash payment from the Authority, upon termination of employment.

Future accounting pronouncements- The GASB has issued Statement on Government Accounting Standard No. 34, "Basic Financial Statements and Management's Discussion and Analysis For State and Local Governments"("SGAS 34"), which is required to be adopted by the Authority during fiscal year 2002. The Authority has not completed the process of evaluating the impact that will result from adopting SGAS 34 and, therefore, is unable to disclose the impact on its financial statements.

Totals columns (Memorandum Only)- Totals columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present consolidated financial position, results of operations, or cash flows in conformity with GAAP. Such data is not comparable to a consolidation since interfund elimination have not been made.

2) Cash, cash equivalents, restricted assets and investments:

The Authority is authorized to deposit only in financial institutions approved by the Department of the Treasury of the Commonwealth of Puerto Rico, and such deposits should be kept in separate accounts in the name of the Authority. Based upon the Bond Resolutions, money in the Sinking Fund shall be held by the fiscal agents (Chase Manhattan Bank and U.S. Bank Trust National Association) and applied as provided in the Bond Resolutions. The Authority's deposits at June 30, 2001 and 2000, were fully insured by Federal depository insurance or collateralized with securities held by the custodian in the Authority's name. Deposits in the Government Development Bank for Puerto Rico ("GDB") and the Economic Development Bank for Puerto Rico ("EDB") are not required to be collateralized.

Pursuant to the Investment Guidelines for the Government of Puerto Rico adopted by GDB, the Authority may invest in obligations of the United States government, certificates of deposit, commercial paper, banker's acceptances, or in pools of obligations of the municipalities of Puerto Rico, among others. Also, money in the Sinking Fund can only be invested in direct obligations of the United States government, or obligations unconditionally guaranteed by the United States government, and/or interest-bearing time deposits, or other similar arrangements, as provided by the Bond Resolutions.

The Authority's investments are categorized to provide an indication of the level of risk assumed by the Authority at year end. Risk categories are described as follows:

Category 1: Insured or registered, or securities held by the Authority or by its agent in the Authority's name.

Category 2: Uninsured or unregistered, with securities held by the pledging financial institution's trust department or agent in the Authority's name.

Category 3: Uninsured and unregistered, with securities held by the counterpart, or by its trust department or agent but not in the Authority's name.

The following summarizes the cash, cash equivalents and investments at June 30, 2001 and 2000, classified by risk categories as described in the preceding paragraph:

Cash and Cash Equivalents:

Description	June 30, 2001 Category 1	2	3	Bank Balance	Carrying Amount Fair value
Cash	$ 61,896,011	$ -	$ -	$ 61,896,011	$ 117,000,311
Non-negotiable certificates of deposits	-	-	5,021,667	5,021,667	5,021,667
Not categorized-PR Government Investment Trust Fund	-	-	-	509,729	509,729
	$ 61,896,011	$ -	$ 5,021,667	$ 67,427,407	$ 122,531,707

Description	June 30, 2000 Category 1	2	3	Bank Balance	Carrying Amount Fair value
Cash	$ 27,780,831	$ -	$ -	$ 27,780,831	$ 42,297,093
Non-negotiable certificates of deposits	30,000,000	-	5,000,000	35,000,000	35,000,000
Not categorized-PR Government Investment Trust Fund	-	-	-	67,605,301	67,605,301
	$ 57,780,831	$ -	$ 5,000,000	$ 130,386,132	$ 144,902,394

Bond Sinking Funds:

Description	June 30, 2001 Category 1	2	3	Bank Balance	Carrying Amount Fair value
Cash	$ 56,091	$ -	$ -	$ 56,091	$ 56,091
US Treasury Bills	3,197,063	-	-	3,197,063	3,197,063
US Treasury Notes	2,512,196	-	-	2,512,196	2,512,196
Money Market Funds	-	-	155,101	155,101	155,101
	$ 5,765,350	$ -	$ 155,101	$ 5,920,451	$ 5,920,451

On July 1, 2001, the Authority transferred into sinking funds $121,722,828 of its available funds at Government Development Bank.

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Description	Category 1	Category 2	Category 3	Bank Balance	Carrying Amount Fair value
	June 30, 2000				
Cash	$ 287,893	$ -	$ 4,802,803	$ 5,090,696	$ 91,994,601
US Treasury Notes	2,954,796	-	-	2,954,796	2,954,796
Money Market Funds	-	-	8,533,187	8,533,187	8,533,187
	$ 3,242,689	$ -	$ 13,335,990	$ 16,578,679	$ 103,482,584

Construction Funds:

Description	Category 1	Category 2	Category 3	Bank Balance	Carrying Amount Fair value
	June 30, 2001				
Cash	$ 661,737	$ -	$ -	$ 661,737	$ 4,345,543
Negotiable certificates of deposits	3,795,399	-	-	3,795,399	3,795,399
US Treasury Bills	42,943,740	-	-	42,943,740	42,943,740
Repurchase agreements	-	-	9,030,099	9,030,099	9,030,099
Money Market Funds	-	-	37,239	37,239	37,239
	$ 47,400,876	$ -	$ 9,067,338	$ 56,468,214	$ 60,152,020

Description	Category 1	Category 2	Category 3	Bank Balance	Carrying Amount Fair value
	June 30, 2000				
Cash	$ 50,369,310	$ -	$ -	$ 50,369,310	$ 4,190,658
Negotiable certificates of deposits	5,118,192	-	-	5,118,192	5,118,192
US Treasury Bills	40,756,114	-	-	40,756,114	40,756,114
Repurchase agreements	-	-	98,316,617	98,316,617	98,316,617
Money Market Funds	-	-	35,259	35,259	35,259
	$ 96,243,616	$ -	$ 98,351,876	$ 194,595,492	$ 148,416,840

The cash classified in category 3 at June 30, 2001 and 2000, corresponds to deposits in the GDB, a component unit of the Commonwealth, as no collateral is required to be carried for deposits in governmental banks operated by the Commonwealth.

The PR Governmental Trust Fund (the "Trust") is a no-load diversified collective investment trust of the Commonwealth. The purpose of the Trust is to provide eligible investors a convenient and economic way to invest in a money market portfolio. Units of the Trust are offered exclusively to the Commonwealth and its agencies, municipalities, public corporations and other public authorities and instrumentalities. The Trust may purchase only high quality securities denominated in U.S. dollars that the Investment Advisors believe present minimal credit risk. The investment objective of the Trust is to seek to obtain a high level of current income with the preservation of capital and liquidity.

3) Rent receivable:

In accordance with the provisions of the Enabling Act, the Treasury Department of the Commonwealth of Puerto Rico may make advances on behalf of certain agency and instrumentality lessees and make payments on behalf of certain department lessees. Reimbursement to the Treasury Department of the advances will be made by the Authority upon receipt of payment from the agency, instrumentality or department. The Authority received no advances during the year ended June 30, 2001. During the year ended June 30,2000, the Authority received an advance of approximately $55 million.

4) Property and equipment:

Property and equipment as of June 30, 2001 and 2000, were as follows:

Description	June 30, 2001	
	Proprietary Fund	Fiduciary Fund
Land	$ 95,758,633	$ 2,694,984
Buildings	1,593,942,043	-
Automobile and equipment	13,086,422	-
Construction in progress	486,499,918	151,444,875
	2,189,287,016	154,139,859
Less: accumulated depreciation	(434,589,365)	-
	$ 1,754,697,651	$ 154,139,859

Description	June 30, 2000	
	Propietary Fund	Fiduciary Fund
Land	$ 86,200,791	$ 2,694,984
Buildings	1,438,442,067	-
Automobile and equipment	12,880,313	-
Construction in progress	367,069,266	136,179,829
	1,904,592,437	138,874,813
Less: accumulated depreciation	(403,358,829)	-
	$ 1,501,233,608	$ 138,874,813

5) Property held for sale:

Property held for sale includes health facilities that are in process of being sold as established by Act No. 190. "Law to Regulate the Privatization Process of the Governmental Health Facilities and Office Buildings." Act No. 190 authorized the transfer of titles of the health facilities to third parties. During the year ended June 30, 2000, the value of the facilities was reduced by approximately $54.3 million to reflect the estimated fair value of the assets. Estimated fair values were determined based on independent valuations.

6) Restricted assets - bond sinking funds:

The Bond Sinking Funds under Bond Resolutions No. 77, 158 and 468 as of June 30, 2001 and 2000, consist of cash and short-term investments valued at fair value, as follows:

Description	June 30, 2001 Bond Service Account	Reserve and Redemption Account	Total
Resolution No. 77 - Office Buildings:			
Cash	$ 52,576	$ 831	$ 53,407
US Treasury Bills	-	2,512,196	2,512,196
	52,576	2,513,027	2,565,603
Resolution No. 158 - Public Education and Health Facilities:			
Cash	$ 1,747	937	2,684
US Treasury Notes	-	3,197,063	3,197,063
	1,747	3,198,000	3,199,747
Resolution No. 468 - Government Facilities			
Money market funds	155,101	-	155,101
	$ 209,424	$ 5,711,027	$ 5,920,451

Description	June 30, 2000 Bond Service Account	Reserve and Redemption Account	Total
Resolution No. 77 - Office Buildings:			
Cash	$ 22,675,794	$ 2,437,720	$ 25,113,514
Resolution No. 158 - Public Education and Health Facilities:			
Cash	66,880,379	708	66,881,087
US Treasury Notes	-	2,954,796	2,954,796
	66,880,379	2,955,504	69,835,883
Resolution No. 468			
Government Facilities-Money market funds	8,533,187	-	8,533,187
	$ 98,089,360	$ 5,393,224	$ 103,482,584

Each Sinking Fund consists of three separate accounts designated as a "Bond Service Account," a "Reserve Account" and a "Redemption Account." Revenues received from debt service rentals received with respect to the facilities financed under Bond Resolutions No. 77, No. 158 and No. 468 are deposited with their respective Fiscal Agents for the credit of such accounts in the following order:

(a) to the Bond Service Account, in such amount as may be required to make the amount equal to the amount of interest then due and payable and the interest which will become due and payable within the next ensuing six months on all bonds of each series then outstanding and the principal of all serial bonds, if any, which will become payable within the next ensuing twelve months;

(b) to the Redemption Account, in such amount as may be required to make the amounts so deposited in the then current fiscal year equal to the amortization requirement, if any, for such fiscal year for the term bonds of each series then outstanding, plus the premium, if any, which would be payable on a like principal amount of bonds if such principal amount of bonds should be redeemed on the next redemption date from monies in their respective Bond Sinking Funds; and

(c) the balance, if any, is deposited to the credit of the Reserve Account.

Bond Resolution No. 77 requires that monies held in the various accounts be, as nearly as practicable, invested and reinvested in direct obligations of, or obligations on which the principal of and the interest are unconditionally guaranteed by, the United States government. In lieu of such investments, monies in any or all of such accounts may be placed in interest-bearing time deposits.

Bond Resolution No. 158 requires that monies be invested and reinvested in investment obligations, repurchase agreements or time deposits fully secured by investment obligations, as those terms are defined therein.

Bond resolution No. 468 requires that monies be invested and reinvested in government obligations, bankers' acceptance, certificates or time deposits of any bank or national banking association, repurchase or reverse repurchase agreements or any other investment which are rated in one of the three highest rating categories. Investments will mature or will be subject to redemption by the holder thereof at the option of such holder:

(a) as to investment of monies in the Bond Service Account and the Redemption Account not later than the dates when the monies held for credit thereof will be required for the purposes intended,

(b) as to investment of monies in the Reserve Account under Bond Resolution No. 77 (i) 25% on principal amount not later than the next interest payment date of bonds issued thereunder, (ii) 25% not later than the second interest payment date after such investment, and (iii) 50% not later than three years after the date of such investment, and

(c) as to investment of monies in the Reserve Account under Bond Resolution No. 158 (i) 50% of such monies not later than five years from the date of investment and (ii) the balance of such monies as directed by an order signed by the Executive Director of the Authority.

On June 29, 2001, the Authority transferred to a separate account $121,722,828 of its available funds at GDB. These funds were deposited on July 1, 2001 into the bond sinking fund for the payment of principal and interest of its various bond issuances. Such amount has been classified as cash available for deposit to the sinking fund in the accompanying balance sheet as of June 30, 2001.

During 1990, the Authority withdrew the monies in the reserve accounts under the 1970 and 1978 Bond Resolutions and substituted such monies with reserve account letter of credit issued by The Industrial Bank of Japan, Limited, New York Branch ("IBJ") as permitted by each of such resolutions. Such reserve account letters of credit cover the maximum amount required by the 1970 and 1978 Bond Resolutions to be held to the credit of such reserve accounts. The Authority, upon prior notice, may cause the reserve account letter of credits to be terminated if it chooses to substitute them with cash or an alternate reserve account letter of credit or a reserve account insurance policy as permitted by the applicable Bond Resolution.

The scheduled expiration date of each of the reserve account letter of credits was July 1, 2000. Upon the occurrence of an event of default, as defined, IBJ may require the Authority, among other things, to reimburse immediately all obligations owed by the Authority under the applicable reimbursement agreements and to deposit into the applicable reserve account, cash, securities or one or more reserve account letters of credit or reserve account insurance policies in an amount equal to the full amount required to be on deposit on such reserve account pursuant to the applicable Bond Resolution. A new letter of credit has been negotiated with a bank. The documentation is in process and expected to be closed by December 31, 2001.

7) Construction funds:

The Authority has various Construction Funds. These Construction Funds are created for the purpose of providing resources for the payment of all or any part of the remaining cost of the Initial Facilities, as defined, or for payment of all or any part of the cost to the Authority of any Additional Facilities or Improvements, in accordance with the Bond resolutions.

8) Long-term debt:

Long-term debt at June 30, 2001 and 2000 consist of:

Description	2001	2000
Office Buildings Bonds -		
Serial Revenue Bonds, maturing through 2010, interest rates range from 4 1/2% to 6 9/10%	$ 41,660,000	$ 57,350,000
Term Revenue Bonds, maturing through 2021, interest rated range from 5 1/2% to 6%	91,805,000	91,805,000
Capital Appreciation Bonds, maturing through 2006, interest rates range from 6 3/5% to 7 3/20%	41,977,463	44,797,423
Tax-exempt components maturing through 2007 and 2008 interest rates range from 5 1/2% to 5 3/5%	10,520,000	10,520,000
	185,962,463	204,472,423

Continues ...

Description	2001	2000
Continued ...		
Public Education and Health Facilities Bonds -		
Serial Bonds, maturing through 2010, interest rates range from 4 1/2% to 6 3/5%	246,820,000	288,880,000
Term Bonds, maturing through 2021 interest rates range from 5% to 5 3/4%	264,595,000	308,100,000
Capital Appreciation Bonds, maturing through 2006, interest rates range from 5% to 6 7/10%	60,503,743	74,914,727
Tax-exempt components maturing through 2007 and 2008 interest rates range from 5 1/2% to 5 3/5%	61,640,000	61,640,000
Indexed inverse floaters maturing through 2016 interest rates range from 3 3/4% to 4 4/5%	46,000,000	46,000,000
	679,558,743	779,534,727
Government Facilities Revenue Bonds -		
Serial Bonds maturing through 2017, interest rates range from 4 1/4% to 6 3/4%	339,565,000	352,220,000
Term Bonds Maturing through 2027, interest rates range from 5% to 5 3/4%	407,355,000	408,960,000
Capital Appreciation Bonds, maturing through 2007, interest rates from 5 1/10% to 5 1/5%	8,665,421	8,235,959
	755,585,421	769,415,959
Total bonds outstanding	1,621,106,627	1,753,423,109
Less: Bond discounts	34,726,576	37,353,933
Net bonds payable	1,586,380,051	1,716,069,176
Less: Current portion of long-term debt	68,931,412	68,960,476
	$ 1,517,448,639	$ 1,647,108,700

Aggregate maturities of sinking funds' amortization requirements on bonds (excluding discounts) and related interest payments in future years are as follows:

Year ending June 30,	Principal	Interest
2002	$ 68,931,412	$ 95,313,279
2003	69,407,782	91,290,404
2004	69,973,222	88,725,664
2005	46,949,338	85,947,632
2006	47,824,588	80,282,918
Thereafter	1,318,020,285	712,699,350
	$ 1,621,106,627	$ 1,154,259,247

The maturities are funded by debt service rental revenue to be collected from the lessees. The payment of principal and interest on the bonds are guaranteed by the Commonwealth of Puerto Rico up to maximum aggregate principal amount not to exceed $2,100 million.

The Authority retired the following bonds during the years ended June 30, 2001 and 2000:

Description	2001	2000
Office buildings bonds	$ 19,388,682	$ 16,970,000
Public education and health facilities bond	96,040,443	44,435,000
Government facilities bonds	14,260,000	10,690,000
	$ 129,689,125	$ 72,095,000

Interest and other financing expenses for the years ended June 30, 2001 and 2000 consist of:

Description	2001	2000
Total interest and other financing expenses	$ 118,490,573	$ 107,662,804
Less: Interest applied to construction in progress	31,359,468	19,495,987
Net interest and other financing expenses	$ 87,131,105	$ 88,166,817

The Authority has defeased certain Revenue Refunding and Public Education and Health Facilities Refunding Bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. During the year ended June 30, 2001, the Authority entered into a defeasance transaction whereby approximately $62.3 million of outstanding bonds payable were defeased resulting in a loss of approximately $1.6 million. During the year ended June 30, 2000, there were no defeasance transactions. As of June 30, 2001 and 2000, approximately $1,294 and $1,232 million of bonds outstanding are considered defeased.

9) Borrowings under lines of credit:

Lines of credit represent borrowings under line of credit arrangements with the Government Development Bank for Puerto Rico, which bear interest at 4.68% and 5.61% at June 30, 2001 and 2000, respectively. Under the terms of the lines of credit, the Authority may borrow up to $847 and $881 million at June 30, 2001 and 2000, respectively, to be used for the acquisition, construction and development of additional facilities. The unused portion of the lines of credit amounted to $616 and $749 million at June 30, 2001 and 2000, respectively.

10) Obligation under capital lease:

During September 1998, the Authority entered into a Master Equipment Lease for computer equipment under a capital lease agreement, which substantially covers the estimated useful lives of the respective assets. Future minimum lease payments under the lease agreement as of June 30, 2001, are as follows:

Year ending June 30,	Amount
2002	$ 3,642,000
2003	3,642,000
2004	3,642,000
Total minimum lease payments	10,926,000
Less: Amount representing interest	1,284,739
Present value of minimum lease payments	9,641,261
Less: current portion of obligation under capital lease	3,012,797
	$ 6,628,464

11) Employees' retirement plan:

The Employees' Retirement System of the Government of Puerto Rico and its Instrumentalities ("the System") is a cost sharing multiple-employer defined benefit pension plan sponsored by, and reported as a component unit of the Commonwealth. All regular employees of the Authority under age fifty-five (55) at the date of employment become members of the System as a condition to their employment.

The System provides retirement, death, and disability benefits pursuant to Act No. 447 of May 15, 1951. Disability retirement benefits are available to members for occupational and non-occupational disabilities. However, a member must have at least ten (10) years of service to receive non-occupational disability. No benefits are payable if the participant receives a refund of accumulated contributions. Retirement benefits depend upon age at retirement and number of years of creditable service. Benefits vest after ten years of plan participation.

Members who have attained an age of at least fifty-five (55) years and have completed at least twenty-five (25) years of creditable service, or members who have attained age of at least fifty-eight (58) years and have completed at least ten (10) years of creditable service, are entitled to an annual benefit, payable monthly for life.

The amount of the annuity shall be one and a one-half percent of the average compensation, as defined, multiplied by the number of years of creditable service up to twenty (20) years, plus two percent of the average compensation, as defined, multiplied by the number of years of creditable service in excess of twenty (20) years. In no case will the annuity be less than $200 per month.

Participants who have completed at least thirty (30) years of creditable service are entitled to receive the Merit Annuity. Participants who have not attained fifty-five (55) years of age will receive 65% of the average compensation, as defined, or if they have attained age fifty-five (55) years of age will receive 75% of the average compensation, as defined.

Commonwealth legislation requires employees to contribute 5.775% for the first $550 of their monthly gross salary and 8.275% for the salary in excess of $550. The Authority's contribution are 9.275% of gross salary.

On September 24, 1999, the Legislature of the Commonwealth enacted Act No. 305, which establish a new pension program ("System 2000"). System 2000 became effective on January 1, 2000. Employees participating in the current system as of December 31, 1999, elected either to stay in the defined benefit plan or transfer to the new program. Persons joining the government on or after January 1, 2000, were only allowed to become members of System 2000.

System 2000 is a hybrid defined contribution plan, also known as a cash balance plan. Under this new plan, there is a pool of pension assets which are invested by the System, together with those of the current defined benefit plan. Benefits at retirement age will not be guaranteed by the Commonwealth. The annuity is based on a formula which assumes that each year the employee's contribution (with a minimum of 8.275% of the employee's salary up to a maximum of 10%) will be invested in an account which will either: (1) earn a fixed rate based on the two-year Constant Maturity Treasury Note or, (2) earn a rate equal to 75% of the return of the System's investment portfolio (net of management fees), or (3) earn a combination of both alternative. Participants receive periodic account statements similar to those of defined contribution plans showing their accrued balances. Disability pensions will not be granted under System 2000. The employers' contribution (9.275% of the employee's salary) are used to fund the deficiency of the defined benefit plan.

Total employee and employer contributions during the year ended June 30, 2001 amounted to approximately $2,531,000 and $3,039,000, respectively. During the year ended June 30, 2000, such contributions amounted to approximately $2,834,000 and $3,115,000, respectively. Total covered payroll for the year ended June 30, 2001 and 2000 was approximately $31,652,000 and $32,787,000, respectively. Employer, contributions represented approximately 100% of the required contributions.

On July 13, 2000, the Governor of the Commonwealth approved legislature which offer an early retirement option to qualifying employees providing service at July 31, 2000. Total pension costs unpaid as of June 30, 2001, estimated at approximately $11 million, have been accrued in the accompanying balance sheets.

Such balance is estimated to be paid as follows:

Year ending June 30,	Amount
2002	$ 4,200,000
2003	3,300,000
2004	2,100,000
Thereafter	1,400,000
	$ 11,000,000

Additional information on the System will be provided in its financial statements for the year ended June 30, 2001, a copy of which can be obtained from the System. The address is 437 Ponce de León Avenue, Hato Rey, Puerto Rico 00918. Telephone number (787) 756-4410.

12) Commitments:

The Authority has entered into various contracts with outside contractors for the construction of buildings and other facilities. The Authority records the liability for these contracts as progress billings, based on completed work, as received. The uncompleted portion of these contracts approximated $663 and $229 million as of June 30, 2001 and 2000, respectively.

13) Contingent liabilities:

During fiscal year 1997, Authority employees filed a claim requesting the payment of vacation amounts earned plus penalties as required by statute for such amounts not paid in accordance with the applicable laws. Subsequent to June 30, 2001, the Authority has substantially settled this claim issuing a payment of approximately $3.2 million.

In addition, the Authority is defendant and/or co-defendant in various lawsuits for alleged breach of contracts and other actions arising in the ordinary course of business.

Management, based on the advise of the legal counsel, has recorded reserves in the accompanying financial statements to cover for any possible liability related to these claims. These reserves are recorded as part of accrued expenses in the accompanying combined balance sheets.

14) Public housing programs:

On May 12, 1992, the Department of Housing of the Commonwealth of Puerto Rico, acting by and through the Administrator of the Public Housing Administration (the "Administration"), entered into an agreement with the Authority. This agreement calls for the Authority to act as the Administration's agent for construction management relating to the physical improvement activities to facilities under the Department of Housing and Urban Development's ("HUD") public housing programs in the Commonwealth of Puerto Rico.

The Administration is the local agency in charge of managing the HUD public housing programs. The Agency also supplies the technical resources needed to make the physical improvements under HUD programs. The Authority has agreed to undertake the management of the following activities, in accordance with federal program requirements:

(a) Modernization program projects, regardless of their stage;

(b) New public housing projects; and

(c) Other physical improvement activities.

On February 18, 1998, the Authority ceased acting as agent and transferred all projects under construction to the Administration. As of June 30, 2001 and 2000, the Authority has an account receivable amounting to approximately $625,000 resulting from the excess of disbursements made over the amount received relating to such projects. No allowance for uncollectible amounts has been provided because the Authority's management believes that will be able to recover such amounts in the near future.

15) Leasing arrangement with tenants:

Most of the Authority's revenues are derived from space leased under operating lease agreements with governmental entities and other tenants. The following is a schedule of the approximate minimum future rental income on operating leases, including estimated rental increases to cover operating costs and additional projected rent for projects to be completed during the following five years subsequent to June 30, 2001:

Year ending June 30,	Amount
2002	$ 301,055,000
2003	339,197,000
2004	384,815,000
2005	423,491,000
2006	491,340,000

16) Sale of health facilities:

The provisions of Act No. 190 regulate the privatization process of the government Health Facilities and empowered the Government Development Bank for Puerto Rico and the Puerto Rico Health Department ("the Department") to lease, sell or transfer Health Facilities to interested parties.

During the years ended June 30, 2001 and 2000, health facilities with a carrying value of approximately $9.7 and $26.4 million were sold for $9.6 and $19.2 million, respectively, resulting in a loss of approximately $1.0 and $7.2 million, respectively. The proceeds from the sale of health facilities were used on July 2, 2001, for the payment of principal and interest of health facilities bonds due on July 2, 2001.

17) Residual equity transfers:

During the year ended June 30, 2001, the Authority received approximately $55.3 million from Primary Government. During the year ended June 30, 2000, a hospital building with a carrying value of approximately $12.5 million was sold for $26 million resulting in a gain of approximately $13.5 million. The proceeds of $12.6 million are net of the debt outstanding owed by the buyer to the Puerto Rico Health Department in the amount of approximately $13.4 million. These transactions are presented as a residual equity transfer from (to) Primary Government in the accompanying statement of revenues, expenses and changes in retained earnings for the year ended June 30, 2000.

18) Sale of buildings:

During the year ended June 30, 1999, three buildings with a carrying value of approximately $8.8 million were sold to the Primary Government for $17.9 million, resulting in a gain of approximately $9.1 million. During the year ended June 30, 2000, these buildings were returned to the Authority, resulting in a loss of approximately $9.1 million.

19) Reclassifications:

Certain reclassifications have been made to the 2000 financial statements in order to conform with the 2001 presentation.

20) Subsequent events:

The Authority is currently in the process of structuring a refinancing of various of its outstanding bond obligations under a new bond issuance with the purpose of raising additional funds for scheduled construction projects, reducing the balance due under the line of credit with GDB and improving the interest rate and reduce interest cost.

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SCHEDULE I

COMMONWEALTH OF PUERTO RICO
PUBLIC BUILDINGS AUTHORITY

SCHEDULE OF CHANGES IN SINKING FUND ACCOUNTS
PROPIETARY FUND

YEAR ENDED JUNE 30, 2001

	TOTAL	BOND SERVICE ACCOUNT	RESERVE AND REDEMPTION ACCOUNT
OFFICE BUILDING BONDS:			
Balance at June 30,2000	$ 25,113,514	$ 22,675,794	$ 2,437,720
Receipts:			
Debt Service Rentals	4,590,711	4,590,711	
Investments Income	77,800	2,493	75,307
Total Receipts	4,668,511	4,593,204	75,307
Disbursements:			
Payment of Bonds interest	11,197,463	11,197,463	-
Payment of Bonds principals	16,018,959	16,018,959	-
Total Disbursements	27,216,422	27,216,422	-
Balance at June 30,2001	$ 2,565,603	$ 52,576	$ 2,513,027
PUBLIC EDUCATION & HEALTH FACILITIES BONDS:			
Balance at June 30,2000	$ 69,835,883	$ 66,880,379	$ 2,955,504
Receipts:			
Debt Service Rentals	16,796,217	16,796,217	-
Investments Income	157,057	319	156,738
Total Receipts	16,953,274	16,796,536	156,738
Disbursements:			
Payment of Bonds interest	36,699,410	36,699,410	-
Payment of Bonds principals	46,890,000	46,890,000	-
Total Disbursements	83,589,410	83,589,410	-
Interfund tranfers in (out)	-	(85,758)	85,758
Balance at June 30,2001	$ 3,199,747	$ 1,747	$ 3,198,000
GOVERNMENTAL FACILITIES BONDS:			
Balance at June 30,2000	$ 8,533,187	$ 8,533,187	$ -
Receipts:			
Debt Service Rentals	30,833,001	30,833,001	
Investments Income	16,235	16,235	
Total Receipts	30,849,236	30,849,236	-
Disbursements:			
Payment of Bonds interest	26,572,322	26,572,322	-
Payment of Bonds principals	12,655,000	12,655,000	-
Total Disbursements	39,227,322	39,227,322	-
Balance at June 30,2001	$ 155,101	$ 155,101	$ -

SCHEDULE 2

COMMONWEALTH OF PUERTO RICO
PUBLIC BUILDINGS AUTHORITY

SCHEDULE OF OPERATING CASH ACCOUNTS
PROPRIETARY FUND

YEAR ENDED JUNE 30, 2001

DESCRIPTION	BANCO POPULAR	BANCO BILBAO VIZCAYA	BANCO GUBERNAMENTAL DE FOMENTO
BALANCE AT JULY 1, 2000*	$ 7,182,022	$ 430,913	$ -
Deposit:			
Rentals collected, including note and bond debt service rentals amounting to $ 43,770,121 and $ 67,161,614 in Banco Popular and Banco Bilbao Vizcaya, respectively	194,707,473	239,623,918	36,430,473
Disbursement:			
For current expenses, transfers to Bond Service Accounts and others	(163,627,189)	(199,016,781)	(36,430,473)
BALANCE AT JUNE 30, 2001*	$ 38,262,306	$ 41,038,050	$ -

COMMONWEALTH OF PUERTO RICO
PUBLIC BUILDINGS AUTHORITY

SCHEDULE OF RENTAL REVENUES AND RECEIVABLES

PROPRIETARY FUND

DESCRIPTION	REVENUES YEAR ENDED JUNE 30, 2001	RECEIVABLE AS OF JUNE 30, 2001
OFFICE BUILDINGS:		
Debt service rentals - bonds	$ 46,718,490	$ 15,859,176
Operating, Administrative and equipment replacement reserve rentals	38,545,800	9,112,250
Debt service rentals - notes	104,812	165,949
	85,369,102	25,137,375
PUBLIC EDUCATION BUILDINGS:		
Debt service rentals - bonds	73,752,426	13,922,225
Operating, administrative and equipment replacement reserve rentals	68,892,377	21,625,243
Debt service rentals - notes	84,300	7,025
	142,729,103	35,554,493
HEALTH FACILITIES:		
Debt service rentals - bonds	36,842,896	8,676,681
Operating, administrative and equipment replacement reserve rentals	6,569,888	690,856
Debt service rentals - notes	4,078,345	11,520
	47,491,129	9,379,057
	$ 275,589,334	$ 70,070,925

SCHEDULE 4

COMMONWEALTH OF PUERTO RICO
PUBLIC BUILDINGS AUTHORITY

STATEMENTS OF REVENUES AND EXPENSES
AS COMPARED TO BUDGET - PROPRIETARY FUND

YEAR ENDED JUNE 30, 2001

	ACTUAL	BUDGET
REVENUES:		
Rent-		
Debt -service rental	$ 161,581,270	$ 181,979,817
Operating rentals	114,008,064	95,423,964
	275,589,334	277,403,781
Interest and other income	15,681,900	60,952,040
	291,271,234	338,355,821
EXPENSES:		
Interest and other financing expenses	87,131,105	91,965,884
Salaries and employees benefits	60,967,654	83,825,354
Repairs and maintenance	8,383,025	27,285,503
Depreciation	31,062,350	18,233,301
Utilities	12,404,566	7,728,605
Security services	11,422,315	18,547,378
Rent and insurance	6,293,389	5,752,253
General and administrative	4,675,851	11,193,854
Net loss on bond defeased	1,621,897	-
Net loss on disposition of building	944,953	-
	224,907,105	264,532,132
Less: administrative expenses applied to construction in progress	8,188,136	19,600,345
	216,718,969	244,931,787
OPERATING INCOME	$ 74,552,265	$ 93,424,034

SCHEDULE 5

COMMONWEALTH OF PUERTO RICO
PUBLIC BUILDINGS AUTHORITY

STATEMENTS OF CAPITAL IMPROVEMENTS PROGRAM
AS COMPARED TO BUDGET PROPRIETARY FUND

YEAR ENDED JUNE 30, 2001

	ACTUAL	BUDGET
OFFICE BUILDINGS	$ 18,339,379	$ 25,642,992
HEALTH AND WELFARE FACILITIES	790,272	8,167,644
EDUCATIONAL FACILITIES	227,206,742	265,573,680
CORRECTIONAL FACILITIES	37,977,829	29,341,260
AUTHORITY'S EQUIPMENT	212,171	2,564,808
TOTAL	$ 284,526,393	$ 331,290,384

SCHEDULE 6

COMMONWEALTH OF PUERTO RICO
PUBLIC BUILDINGS AUTHORITY

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND - FIDUCIARY FUND

YEAR ENDED JUNE 30, 2001

	BALANCE JUNE 30, 2000	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2001
Assets:				
Due from proprietary fund	$ 33,699,258	$ 3,755,641	$ (1,453,140)	$ 36,001,759
Property and equipment	138,874,813	15,462,323	(197,277)	154,139,859
Total assets	$ 172,574,071	$ 19,217,964	$ (1,650,417)	$ 190,141,618
Liabilities				
Advances from governmental agencies	$ 118,919,482	$ 4,351,366	$ (500,000)	$ 122,770,848
Due to proprietary fund	53,654,589	13,729,713	(13,532)	67,370,770
Total liabilities	$ 172,574,071	$ 18,081,079	$ (513,532)	$ 190,141,618

APPENDIX II

PROPOSED FORMS OF OPINIONS OF BOND COUNSEL

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

January 30, 2002

PUERTO RICO PUBLIC BUILDINGS AUTHORITY
San Juan, Puerto Rico

Re: $185,290,000 Puerto Rico Public Buildings Authority Government Facilities Revenue Refunding Bonds, Series C, Guaranteed by the Commonwealth of Puerto Rico

Gentlemen:

We have served as bond counsel in connection with the issuance by the Puerto Rico Public Buildings Authority (the "Authority") of its $185,290,000 principal amount of Government Facilities Revenue Refunding Bonds, Series C, Guaranteed by the Commonwealth of Puerto Rico (the "Bonds"). The Bonds are dated, mature on July 1 of the years and in such principal amounts, and bear interest at the rates, all as set forth in the Bond Resolution referred to hereinbelow. The Bonds are issuable as fully registered Bonds without coupons, in authorized denominations of $5,000 and integral multiples thereof and are subject to redemption prior to maturity, in the manner and in accordance with the terms and conditions of the Bond Resolution.

In our capacity as bond counsel, we have examined the transcript of the proceedings (the "Transcript") of the Authority relating to the issuance of the Bonds, including, without limitation, (i) Act No. 56 of the Legislature of Puerto Rico, approved June 19, 1958, as amended (hereinafter called the "Enabling Act"), creating the Authority as a body corporate and politic constituting an instrumentality of the Commonwealth of Puerto Rico (the "Commonwealth") exercising public and essential governmental functions; (ii) Act No. 17 of the Legislature of Puerto Rico, approved April 11, 1968, as amended (hereinafter called the "Guaranty Act"), providing for the guaranty by the Commonwealth of the payment of the principal of and interest on a principal amount of bonds outstanding at any one time of the Authority, not exceeding $2,100,000,000, specified by the Authority to be covered by such guaranty, to the extent that the revenues and other moneys of the Authority pledged to the payment of such principal and interest are not sufficient for that purpose; (iii) Resolution No. 468, duly adopted by the Authority on June 22, 1995, as supplemented by Resolution No. ___, duly adopted by the Authority on January 11, 2002 (said Resolution No. 468, as supplemented by Resolution No. ___, being hereinafter called the "Bond Resolution"); and (iv) such other documents as we have deemed necessary to render this opinion.

We have also examined a copy of one of the Bonds as executed and authenticated. We assume that all other Bonds have been similarly executed and authenticated.

From such examination we are of the opinion that:

1. The Enabling Act is valid.

2. The Guaranty Act is valid.

3. Said proceedings have been validly and legally taken.

4. The Bonds have been duly authorized and issued to provide funds to refund certain of the Authority's outstanding bonds, to wit: (i) from the Authority's $20,390,350 aggregate principal amount of Revenue Refunding Bonds, Series G, Guaranteed by the Commonwealth of Puerto Rico, $10,060,000 principal amount maturing on July 1, 2012, (ii) from the Authority's $60,001,067 aggregate principal amount of Revenue Refunding Bonds, Series I, Guaranteed by the Commonwealth of Puerto Rico, $2,563,603 original principal amount maturing July 1, 2003, and $2,387,855 original principal amount maturing July 1, 2004, (iii) from the Authority's $43,640,000 aggregate principal amount of Revenue Refunding Bonds, Series J, Guaranteed by the Commonwealth of Puerto Rico, $3,270,000 principal amount maturing on July 1, 2003 and $1,850,000 principal amount maturing on July 1, 2004, (iv) from the Authority's $118,341,638 aggregate principal amount of Public Education and Health Facilities Refunding Bonds, Series I, Guaranteed by the Commonwealth of Puerto Rico, $57,790,000 principal amount maturing July 1, 2012, (v) from the Authority's $130,090,000 aggregate principal amount of Public Education and Health Facilities Refunding Bonds, Series K, Guaranteed by the Commonwealth of Puerto Rico, $15,060,000 principal amount maturing July 1, 2003, (vi) from the Authority's $224,796,986.90 aggregate principal amount of Government Facilities Revenue Bonds, Series A, Guaranteed by the Commonwealth of Puerto Rico, $4,595,000 principal amount maturing July 1, 2002, $4,805,000 principal amount maturing July 1, 2003, $5,030,000 principal amount maturing July 1, 2004, $5,370,000 principal amount maturing July 1, 2005, $7,760,000 principal amount maturing July 1, 2013, $8,245,000 principal amount maturing July 1, 2014, $8,760,000 principal amount maturing July 1, 2015, $9,310,000 of the $64,115,000 principal amount maturing July 1, 2021 (said $9,310,000 being the Amortization Requirement due July 1, 2016) and $12,835,000 principal amount maturing July 1, 2022 and (vii) from the Authority's $565,040,000 aggregate principal amount of Government Facilities Revenue Bonds, Series B, Guaranteed by the Commonwealth of Puerto Rico, $11,200,000 principal amount maturing July 1, 2003 and $11,700,000 principal amount maturing July 1, 2004. The Bonds are valid and binding obligations of the Authority payable solely from the special fund created by the Bond Resolution and designated "Puerto Rico Public Buildings Authority Government Facilities Revenue Bonds Sinking Fund" (the "Sinking Fund") or from moneys provided by the Commonwealth under its guaranty of payment of the principal of and interest on the Bonds. The Authority has covenanted

to deposit to the credit of the Sinking Fund a sufficient amount of the rentals received by the Authority from the leasing of government facilities financed or refinanced by the Authority under the provisions of the Bond Resolution to pay the principal of and the redemption premium, if any, and the interest on all bonds issued under the provisions of the Bond Resolution (including the Bonds) as the same shall become due and payable, which Sinking Fund is pledged to and charged with the payment of such principal, premium, if any, and interest.

5. The Authority has properly specified the Bonds to be covered by the guaranty of the Commonwealth under the Guaranty Act.

6. The good faith and credit of the Commonwealth are pledged for the payment of any amounts required to be paid by the Commonwealth pursuant to said guaranty.

7. The Bond Resolution provides for the issuance, from time to time, under the conditions, limitations and restrictions therein set forth, of additional bonds for the purpose of paying all or a part of the cost of government facilities and improvements of such facilities and refunding any bonds issued by the Authority under the provisions of the Bond Resolution or under Resolution No. 77, adopted by the Authority on November 16, 1970, as amended, or under Resolution No. 158, adopted by the Authority on February 14, 1978, as amended.

8. The interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The Bonds and the interest thereon are exempt from state, Commonwealth of Puerto Rico and local income taxation. We express no opinion as to any other tax consequences regarding the Bonds.

Under the Code, portions of the interest on the Bonds earned by certain corporations (as defined for federal income tax purposes) may be subject to a corporate alternative minimum tax and interest on the Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and to a tax imposed on excess net passive income of certain S corporations.

In giving the opinion set forth in numbered paragraph 8. hereof, we have relied upon and assumed continuing compliance with the Authority's covenants and the accuracy, which we have not independently verified, of the representations and certifications of the Authority contained in the Transcript. The accuracy of those representations and certifications, and the Authority's continuing compliance with those covenants, may be necessary for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes. Failure to comply with certain of those covenants subsequent to issuance of the Bonds may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. The Authority has covenanted to comply with the requirements of the Code to the extent permitted by the Constitution and laws of the Commonwealth. We are not aware of any provisions of the Constitution or laws of the Commonwealth that would prevent the Authority from complying with the requirements of the Code.

In rendering the opinions set forth herein, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings. As to questions of fact material to our opinion, we have relied on representations of the Authority furnished to us, without undertaking to verify such representations by independent investigation.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bond Resolution and the Bonds may be subject to judicial discretion and valid bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights generally, and subject to general principles of equity (regardless of whether considered in a proceeding in equity or at law).

Respectfully submitted,

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

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

January 30, 2002

PUERTO RICO PUBLIC BUILDINGS AUTHORITY
San Juan, Puerto Rico

Re: $553,733,794.90 Puerto Rico Public Buildings Authority Government Facilities Revenue Bonds, Series D, Guaranteed by the Commonwealth of Puerto Rico

Gentlemen:

We have served as bond counsel in connection with the issuance by the Puerto Rico Public Buildings Authority (the "Authority") of its $553,733.794.90 principal amount of Government Facilities Revenue Bonds, Series D, Guaranteed by the Commonwealth of Puerto Rico (the "Bonds"). The Bonds are dated, mature on July 1 of the years and in such principal amounts and bear interest at the rates, all as set forth in the Bond Resolution referred to hereinbelow. The Bonds are issuable as fully registered Bonds without coupons, in authorized denominations of $5,000 and integral multiples thereof ($5,000 maturity amount and any multiple thereof with respect to the Bonds being issued as capital appreciation and income bonds) and are subject to redemption prior to maturity, in the manner and in accordance with the terms and conditions of the Bond Resolution.

In our capacity as bond counsel, we have examined the transcript of the proceedings (the "Transcript") of the Authority relating to the issuance of the Bonds, including, without limitation, (i) Act No. 56 of the Legislature of Puerto Rico, approved June 19, 1958, as amended (hereinafter called the "Enabling Act"), creating the Authority as a body corporate and politic constituting an instrumentality of the Commonwealth of Puerto Rico (the "Commonwealth") exercising public and essential governmental functions; (ii) Act No. 17 of the Legislature of Puerto Rico, approved April 11, 1968, as amended (hereinafter called the "Guaranty Act"), providing for the guaranty by the Commonwealth of the payment of the principal of and interest on a principal amount of bonds outstanding at any one time of the Authority, not exceeding $2,100,000,000, specified by the Authority to be covered by such guaranty, to the extent that the revenues and other moneys of the Authority pledged to the payment of such principal and interest are not sufficient for that purpose; (iii) Resolution No. 468, duly adopted by the Authority on June 22, 1995, as supplemented by Resolution No. ____, duly adopted by the Authority on January 11, 2002 (said

Resolution No. 468, as supplemented by Resolution No. ___, being hereinafter called the "Bond Resolution"); and (iv) such other documents as we have deemed necessary to render this opinion.

We have also examined a copy of one of the Bonds as executed and authenticated. We assume that all other Bonds have been similarly executed and authenticated.

From such examination we are of the opinion that:

1. The Enabling Act is valid.

2. The Guaranty Act is valid.

3. Said proceedings have been validly and legally taken.

4. The Bonds have been duly authorized and issued to pay the cost of constructing certain buildings and other facilities to be leased to various departments, agencies and instrumentalities of the Commonwealth and for paying any notes or other obligations of the Authority to finance temporarily such cost, and the Bonds are valid and binding obligations of the Authority, payable solely from the special fund created by the Bond Resolution and designated "Puerto Rico Public Buildings Authority Government Facilities Revenue Bonds Sinking Fund" (the "Sinking Fund") or from moneys provided by the Commonwealth under its guaranty of payment of the principal of and interest on the Bonds. The Authority has covenanted to deposit to the credit of the Sinking Fund a sufficient amount of the rentals received by the Authority from the leasing of government facilities financed or refinanced by the Authority under the provisions of the Bond Resolution to pay the principal of and the redemption premium, if any, and the interest on all bonds issued under the provisions of the Bond Resolution (including the Bonds) as the same shall become due and payable, which Sinking Fund is pledged to and charged with the payment of such principal, premium, if any, and interest.

5. The Authority has properly specified the Bonds to be covered by the guaranty of the Commonwealth under the Guaranty Act.

6. The good faith and credit of the Commonwealth are pledged for the payment of any amounts required to be paid by the Commonwealth pursuant to said guaranty.

7. The Bond Resolution provides for the issuance, from time to time, under the conditions, limitations and restrictions therein set forth, of additional bonds for the purpose of paying all or a part of the cost of government facilities and improvements of such facilities and refunding any bonds issued by the Authority under the provisions of the Bond Resolution or under Resolution No. 77, adopted by the Authority on November 16, 1970, as amended, or under Resolution No. 158, adopted by the Authority on February 14, 1978, as amended.

8. The interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The Bonds and the interest thereon are exempt from state,

Commonwealth of Puerto Rico and local income taxation. We express no opinion as to any other tax consequences regarding the Bonds.

Under the Code, portions of the interest on the Bonds earned by certain corporations (as defined for federal income tax purposes) may be subject to a corporate alternative minimum tax and interest on the Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and to a tax imposed on excess net passive income of certain S corporations.

In giving the opinion set forth in numbered paragraph 8. hereof, we have relied upon and assumed continuing compliance with the Authority's covenants and the accuracy, which we have not independently verified, of the representations and certifications of the Authority contained in the Transcript. The accuracy of those representations and certifications, and the Authority's continuing compliance with those covenants, may be necessary for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes. Failure to comply with certain of those covenants subsequent to issuance of the Bonds may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. The Authority has covenanted to comply with the requirements of the Code to the extent permitted by the Constitution and laws of the Commonwealth. We are not aware of any provisions of the Constitution or laws of the Commonwealth that would prevent the Authority from complying with the requirements of the Code.

In rendering the opinions set forth herein, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings. As to questions of fact material to our opinion, we have relied on representations of the Authority furnished to us, without undertaking to verify such representations by independent investigation.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bond Resolution and the Bonds may be subject to judicial discretion and valid bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights generally, and subject to general principles of equity (regardless of whether considered in a proceeding in equity or at law).

Respectfully submitted,

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

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Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor: Policy Number:

Obligations: Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President

AMBAC ASSURANCE CORPORATION CORPORATE SEAL WISCONSIN

Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer of Insurance Trustee

Form No.: 2B-0012 (1/01)

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APPENDIX IV

CONVERTIBLE CAPITAL APPRECIATION BONDS ACCRETION TABLE

For the Convertible Capital Appreciation Bonds, the Accreted Value, as of each January 1 and July 1 per $5,000 maturity amount on July 1, 2012 shall be as set forth bellow:

	Convertible Capital Appreciation Bond Maturity Date	
Calendar Date	July 1, 2030	July 1, 2031
January 30, 2002	$2,855	$2,855
July 1, 2002	2,920	2,920
January 1, 2003	3,000	3,000
July 1, 2003	3,082	3,082
January 1, 2004	3,166	3,166
July 1, 2004	3,252	3,252
January 1, 2005	3,341	3,341
July 1, 2005	3,432	3,432
January 1, 2006	3,525	3,525
July 1, 2006	3,621	3,621
January 1, 2007	3,720	3,720
July 1, 2007	3,821	3,821
January 1, 2008	3,925	3,925
July 1, 2008	4,032	4,032
January 1, 2009	4,142	4,142
July 1, 2009	4,255	4,255
January 1, 2010	4,371	4,371
July 1, 2010	4,490	4,490
January 1, 2011	4,613	4,613
July 1, 2011	4,738	4,738
January 1, 2012	4,867	4,867
July 1, 2012(a)	5,000	5,000

(a) Interest Commencement Date

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