New Issue - Book Entry Only

<u>Ratings</u>
Standard & Poor's: BBB+
Moody's: Baa2

$153,222,270.45
Puerto Rico Highways and Transportation Authority
Special Facility Revenue Refunding Bonds, 2003 Series A
(Teodoro Moscoso Bridge)

The Authority will issue the Bonds and lend the proceeds to

Autopistas de Puerto Rico y Compañía, S.E.

Autopistas de Puerto Rico operates the Teodoro Moscoso toll bridge pursuant to a concession agreement with Puerto Rico Highways and Transportation Authority. The bridge is owned by the Authority. The Bonds are payable primarily from net toll revenues from the bridge collected by Autopistas de Puerto Rico (after payment of bridge operating and maintenance expenses). In the event that such net toll revenues, together with available reserves, are insufficient to pay the Bonds, or that the concession agreement is otherwise terminated, the Authority will assume Autopistas de Puerto Rico's obligation to pay the Bonds, the concession will be acquired by the Authority, and the Authority will be required to exchange the Bonds for new senior or subordinated bonds (at the option of the Authority) having the same terms as the Bonds but issued under its 1998 bond resolution, provided the Authority meets the requirements for the issuance of such new bonds. If the Authority cannot issue such new bonds in exchange for the Bonds, the Bonds would continue to be payable from available net toll revenues from the bridge and from any other revenues available to the Authority, after payment of debt service on the bonds issued under the 1998 bond resolution.

- The Bonds will be issued as Serial Bonds, Term Bonds, and Capital Appreciation Bonds, in denominations of $1,000 principal amount and multiples thereof in the case of the Serial Bonds, $5,000 principal amount and multiples thereof in the case of the Term Bonds, and $5,000 maturity amounts and multiples thereof in the case of the Capital Appreciation Bonds.
- Interest on the Serial Bonds and the Term Bonds will be payable monthly on the first day of each month, beginning on December 1, 2003. Interest on the Capital Appreciation Bonds will compound every six months, on each January 1 and July 1, beginning on January 1, 2004, and will be payable at maturity or prior payment in full of the Bonds. Interest will accrue from the date of issuance of the Bonds.
- Interest on the Bonds is exempt from Puerto Rico taxes and, under certain circumstances, United States taxes to residents of Puerto Rico. See "Taxation" beginning on page 68 of this Official Statement.
- The Authority is issuing the Bonds to refund the Authority's Special Facility Revenue Bonds, 1992 Series A, B and C (San José Lagoon Bridge Project), which were issued to fund the construction of the bridge.
- The Bonds will be registered under The Depository Trust Company's ("DTC") book-entry only system. Purchasers of the Bonds will not receive definitive Bonds.
- The Bonds are subject to mandatory and optional redemption as described in this Official Statement.
- The inside cover sets forth detailed information on the maturities, prices, interest rates and yields of the Bonds.
- The Bonds are expected to be delivered to DTC on or about October 30, 2003.

The Bonds are not a debt of the Commonwealth of Puerto Rico or any of its political subdivisions, other than the Authority, and neither the Commonwealth of Puerto Rico nor any of its subdivisions, other than the Authority, is required to pay the Bonds.

UBS Financial Services Incorporated of Puerto Rico **Citigroup** **Santander Securities**

BBVA Capital Markets **Doral Securities** **Morgan Stanley DW Inc.**
Oriental Financial Services **Popular Securities**
R-G Investments Corporation **Wachovia Securities, LLC**

October 22 , 2003

$153,222,270.45
Puerto Rico Highways and Transportation Authority
Special Facility Revenue Refunding Bonds, 2003 Series A
(Teodoro Moscoso Bridge)

$11,890,000.00 Serial Bonds - Price: 100%

Maturity Date July 1,	Principal Amount	Interest Rate
2008	$525,000.00	3.75%
2009	740,000.00	4.00
2010	990,000.00	4.25
2011	1,870,000.00	4.50
2012	3,185,000.00	4.75
2013	4,580,000.00	5.00

$15,662,270.45 Capital Appreciation Bonds

Maturity Date July 1,	Initial Principal Amount	Yield
2021	$3,692,047.95	5.90%
2022	2,852,976.50	5.95
2023	2,299,173.00	6.00
2024	2,352,721.80	6.05
2025	2,228,712.20	6.10
2026	2,236,639.00	6.15

$35,240,000.00 5.55% Term Bonds Due July 1, 2018 - Price - 100%

$23,580,000.00 5.65% Term Bonds Due July 1, 2020 - Yield - 5.65% (NRO)

$40,930,000.00 5.85% Term Bonds Due July 1, 2025 - Price - 100%

$25,920,000.00 5.85% Term Bonds Due March 1, 2027 - Yield - 5.899% (NRO)

No dealer, broker, salesman or any other person has been authorized to give any information or to make any representations other than those contained or incorporated by reference in this Official Statement in connection with the offer made by this Official Statement and, if given or made, such information or representations must not be relied upon as having been authorized by the Authority, Autopistas de Puerto Rico, or any Underwriter. This Official Statement does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of the Bonds offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information contained herein has been obtained from Autopistas de Puerto Rico and the Authority and from other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Underwriters or, as to information from such other sources, by Autopistas de Puerto Rico and the Authority. 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 implies that there has not been any change in the affairs of the Authority and Autopistas de Puerto Rico at any time subsequent to the date hereof. This Official Statement is delivered in connection with the offer and sale of the Bonds described herein and may not be reproduced or used, in whole or in part, for any other purpose.

The Underwriters have provided the following sentence and the next paragraph 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 OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS 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

[intentionally left blank]

SUMMARY

This summary highlights information contained elsewhere in this Official Statement. You should read the entire Official Statement, including the "Bondholders' Risks" section beginning on page 11. Certain capitalized terms used in this Official Statement are defined in the Glossary of Terms included as Appendix I.

The Authority

Puerto Rico Highways and Transportation Authority is a public corporation and governmental instrumentality of the Commonwealth of Puerto Rico. The Authority will issue the Bonds and lend the proceeds from the sale of the Bonds to Autopistas de Puerto Rico. The Bonds are not a debt of the Commonwealth of Puerto Rico or any of its political subdivisions, other than the Authority, and neither the Commonwealth of Puerto Rico nor any of its political subdivision, other than the Authority, is required to pay the Bonds.

Autopistas de Puerto Rico

Autopistas de Puerto Rico y Compañía, S.E. ("Autopistas de Puerto Rico") is a Puerto Rico partnership. The partners of Autopistas de Puerto Rico are Abertis Infraestructuras, S.A. ("Abertis"), a company organized under the laws of Spain, which has a 75% interest in Autopistas de Puerto Rico, Supra and Company, S.E., a Puerto Rico special partnership, which has a 25% interest in Autopistas de Puerto Rico, and Autopistas Corporation, a Puerto Rico corporation wholly-owned by Abertis and Supra, which acts as Autopistas de Puerto Rico's managing partner and has a nominal interest in the partnership. The principal stockholders of Abertis are La Caixa group, one of the largest financial institutions in Spain, and Grupo Dragados, S.A., one of the largest construction companies in Europe. Autopistas de Puerto Rico has elected to be treated as a special partnership under Puerto Rico law, and accordingly the liability of each partner for obligations of Autopistas de Puerto Rico is limited to its share of the partnership's paid-in capital.

Autopistas de Puerto Rico operates the Teodoro Moscoso toll bridge (the "bridge") pursuant to a concession agreement with the Authority. The bridge is owned by the Authority.

The Teodoro Moscoso Toll Bridge

The bridge is a limited-access, four lane toll bridge which crosses the San José Lagoon between the Municipalities of San Juan and Carolina, Puerto Rico. The bridge is connected on the North with the intersection of Baldorioty de Castro Avenue (PR 26) and the entrance to Luis Muñoz Marín International Airport and on the South with Iturregui Avenue (Ramal Este) and the Trujillo Alto Expressway (PR 181). The bridge facilities include 10 toll booths, access roads, interchanges, overpasses and other support facilities. The bridge (including access roadways) is approximately 2.1 miles long, of which 1.4 miles are over the San José Lagoon.

The Concession Agreement

On December 20, 1991, the Authority and Autopistas de Puerto Rico entered into a concession agreement, amended in 1992, and again in 2003, pursuant to which Autopistas de Puerto Rico agreed to design, construct, operate and maintain the bridge. Autopistas designed and constructed the bridge and commenced operating the bridge on February 23, 1994. The concession expires on April 3, 2027.

The Bonds

The Bonds will be issued as Serial Bonds, Term Bonds, and Capital Appreciation Bonds. In the case of the Capital Appreciation Bonds, references to "principal" in this Official Statement mean the Accreted Value of such Bonds.

Interest on the Serial Bonds and the Term Bonds will be payable monthly on the first day of each month, beginning on December 1, 2003. Interest on the Capital Appreciation Bonds will compound every six months, on each January 1 and July 1, beginning on January 1, 2004, and will be payable at maturity or prior payment in full of the Bonds. Interest will accrue from the date of issuance of the Bonds on the basis of a 360-day year consisting of twelve 30-day months.

Source of Payment for the Bonds

The Bonds are payable primarily from toll revenues from the bridge collected by Autopistas de Puerto Rico after their application to the payment of operating and maintenance expenses of the bridge. Under the loan agreement between Autopistas de Puerto Rico and the Authority, Autopistas de Puerto Rico is required to pay the Bonds to the extent sufficient toll revenues remain after the payment of such operating and maintenance expenses. In the event that such net toll revenues, together with available reserves, are insufficient to pay the Bonds, or that the concession agreement is otherwise terminated, the Authority will assume Autopistas de Puerto Rico's obligation to pay the Bonds, the Authority will automatically be deemed to have acquired the concession, and will be required to exchange the Bonds for new bonds issued under its 1998 bond resolution, provided the Authority meets the requirements for the issuance of such 1998 bond resolution bonds. These new bonds would be issued as either subordinated bonds or senior bonds, at the option of the Authority, and would have the same interest rates, maturity dates and optional and mandatory sinking fund redemption provisions as the Bonds. If the Authority cannot issue such new bonds in exchange for the Bonds, the Bonds would continue to be payable from available bridge toll revenues (after payment of bridge operating and maintenance expenses), and from any other revenues available to the Authority after payment of debt service on the bonds issued under the 1998 bond resolution. If the Authority assumes Autopistas de Puerto Rico's obligation to pay the Bonds, it would also have the option of redeeming the Bonds, in whole or in part, at par, at any time thereafter.

Autopistas de Puerto Rico is required to fix toll rates for the use of the bridge in order to produce net revenues that are sufficient to pay debt service on the Bonds and maintain a Renewal and Replacement Fund and a Reserve Account at required levels. All the revenues from the bridge after payment of operating and maintenance expenses have been pledged to the payment of the Bonds. The Bonds are not secured by a mortgage on the bridge or any other collateral.

Redemption of the Bonds

Amortization Requirements for Term Bonds. A portion of the Term Bonds due on July 1, 2018, July 1, 2020, July 1, 2025 and March 1, 2027 will be redeemed to the extent of their respective amortization requirements on each July 1, commencing on July 1, 2014, 2019, 2021 and 2026, respectively, at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest to the redemption date, without premium, as specified in "THE BONDS - Redemption -- Amortization Requirements for the Term Bonds."

Mandatory Redemption Upon Taking. The Bonds are subject to mandatory redemption upon the expropriation of the concession for any public use or purpose, in whole or in part, in an aggregate principal amount equal to the net award resulting from such taking received by Autopistas de Puerto Rico, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date, without premium. Upon such taking, the concession agreement will terminate and the Authority will be required to assume Autopistas de Puerto Rico's obligation to pay any Bonds not redeemed.

Extraordinary Redemption at the Option of Autopistas de Puerto Rico Upon Casualty. The Bonds are subject to redemption at the option of Autopistas de Puerto Rico, in whole, if all or a part of the bridge shall have been damaged or destroyed, the cost of restoring the bridge to its former condition exceeds 25% of the replacement cost of the bridge at the time of the damage or destruction and the insurance proceeds are sufficient to pay all the outstanding Bonds, on any date not later than the first interest payment date occurring at least 45 days after receipt of such insurance proceeds, at a redemption price equal to their principal amount plus accrued interest to the redemption date, without premium.

Redemption at the Option of Autopistas de Puerto Rico. The Bonds that mature after July 1, 2011 may be redeemed at the option of Autopistas de Puerto Rico in whole at any time not earlier than October 1, 2011, or in part on any interest payment date not earlier than October 1, 2011, at the following prices (expressed as a percentage of the principal amount of the Bonds to be redeemed) plus accrued interest to the redemption date:

Redemption Period	Redemption Price
October 1, 2011 through September 30, 2012	101%
October 1, 2012 through September 30, 2013	100 - 1/2%
October 1, 2013 and thereafter	100%

Redemption at the Option of the Authority. In the event that the Authority assumes Autopistas de Puerto Rico's obligation to pay the Bonds, the Bonds may be redeemed by the Authority, in whole or in part, at a redemption price equal to their principal amount plus accrued interest to the redemption date, without premium, at any time after such assumption.

Selection of Bonds to be Redeemed. Except in the case of a redemption to satisfy the Amortization Requirements of the Term Bonds, or in the case of an optional redemption made with funds contributed to Autopistas de Puerto Rico by its partners or with funds that could have been distributed by Autopistas de Puerto Rico to its partners, if less than all the Bonds shall be called for redemption, the Bonds shall be redeemed in inverse order of maturity, unless otherwise agreed by the Authority and Autopistas de Puerto Rico. In the case of an optional redemption in part made with funds contributed to Autopistas de Puerto Rico by its partners or with funds that could have been distributed by Autopistas de Puerto Rico to its partners, the Bonds shall be redeemed in such order of maturity as directed by Autopistas de Puerto Rico.

Use of Proceeds

The proceeds from the sale of the Bonds will be loaned by the Authority to Autopistas de Puerto Rico and used to refund the Authority's Special Facility Revenue Bonds, 1992 Series A, B and C (San José Lagoon Bridge Project) (the "1992 Bonds"), and to pay the costs of issuance of the Bonds.

Bondholders' Risks

The Bonds are subject to certain risks that could affect the payment of the Bonds or that may result in the payment of the Bonds prior to their stated maturity. See "Bondholders' Risks" beginning on page 11.

Taxation

In the opinion of Trías, Meléndez & Garay and Sidley Austin Brown & Wood LLP, Co-Bond Counsel, under the provisions of the Acts of the Congress of the United States of America and the Acts of the Commonwealth of Puerto Rico now in force:

(a) Interest on the Bonds will be exempt from Puerto Rico income tax and municipal license taxes;

(b) The Bonds will be exempt from Puerto Rico and municipal personal property taxes;

(c) A transfer of the Bonds by inheritance or gift will not be subject to Puerto Rico estate and gift taxes if the decedent or donor is an individual who acquired U.S. citizenship solely by reason of birth or residence within Puerto Rico and is a resident of Puerto Rico at the time of death or gift;

(d) Interest on the Bonds will not be excludable from the gross income of the recipients thereof for federal income tax purposes under Section 103(a) of the U.S. Internal Revenue Code; and

(e) Provided that Autopistas de Puerto Rico is not directly or indirectly engaged in any trade or business outside the Commonwealth of Puerto Rico and that for the three-year period ending with the close of Autopistas de Puerto Rico's taxable year immediately preceding the payment of interest (or for such part of such period as may be applicable) more than 20% of Autopistas de Puerto Rico's gross income is derived from sources within Puerto Rico or is attributable to the conduct of a trade or business in Puerto Rico (after taking into consideration the source and character of income derived by corporations at least 50% of the total voting power and value of the stock of which is owned by Autopistas de Puerto Rico, to the extent Autopistas de Puerto Rico receives actual income payments from such corporations):

1. interest on the Bonds received by an individual who is a *bona fide* resident of the Commonwealth of Puerto Rico during the entire taxable year in which such interest is received will be excludable from gross income for federal income tax purposes; and

2. interest on the Bonds received by a corporation organized under the laws of the Commonwealth of Puerto Rico will not be subject to federal income taxes, provided such interest is not effectively connected with the conduct of a trade or business in the United States by such corporation.

Prospective purchasers of the Bonds, including but not limited to financial institutions, should be aware that ownership of the Bonds may result in having a portion of their interest expense allocable to interest on the Bonds disallowed for purposes of computing the regular tax and the alternate minimum tax for Puerto Rico income tax purposes.

$153,222,270.45
Puerto Rico Highways and Transportation Authority
Special Facility Revenue Refunding Bonds, 2003 Series A
(Teodoro Moscoso Bridge)

INTRODUCTION

This Official Statement is provided to furnish information in connection with the issuance and sale by Puerto Rico Highways and Transportation Authority (the "Authority") of its $153,222,270.45 initial principal amount of Puerto Rico Highways and Transportation Authority Special Facility Revenue Refunding Bonds, 2003 Series A (Teodoro Moscoso Bridge) (the "Bonds"), to be issued pursuant to a trust agreement (the "Trust Agreement") between the Authority and Banco Popular de Puerto Rico, as trustee (the "Trustee"), and as authorized by the act that created the Authority, Act No. 74 of the Legislature of the Commonwealth of Puerto Rico (the "Commonwealth"), approved June 23, 1965, as amended (the "Authority Act"), and Act No. 4 of the Legislature of the Commonwealth, approved August 24, 1990, which authorized the privatization of traffic facilities.

The proceeds derived from the sale of the Bonds will be loaned by the Authority to Autopistas de Puerto Rico y Compañía, S.E., a Puerto Rico partnership, pursuant to a loan agreement (the "Loan Agreement"). Such proceeds will be used to refund the Authority's Special Facility Revenue Bonds, 1992 Series A, B and C (San José Lagoon Bridge Project), which were issued to fund the construction of the Teodoro Moscoso toll bridge, and to pay the costs of issuance of the Bonds.

Autopistas de Puerto Rico operates the bridge pursuant to a concession agreement (the "Concession Agreement") entered into on December 20, 1991, amended in 1992, and again in 2003. The bridge is owned by the Authority.

The Bonds are payable primarily from toll revenues from the bridge collected by Autopistas de Puerto Rico and remaining after payment of operating and maintenance expenses of the bridge. Autopistas de Puerto Rico is required to fix tolls at a level that allows Autopistas de Puerto Rico to produce net revenues that are sufficient to pay debt service on the Bonds and maintain a Renewal and Replacement Fund and a Reserve Account at required levels. Under the Loan Agreement, Autopistas de Puerto Rico has pledged all toll revenues, after payment of operating and maintenance expenses, to the repayment of the Bonds, and is required to pay the Bonds to the extent it has sufficient toll revenues. In the event that such net toll revenues, together with available reserves, are insufficient to pay the Bonds, or that the Concession Agreement is otherwise terminated by the Authority or by Autopistas de Puerto Rico, the Authority will assume Autopistas de Puerto Rico's obligation to pay the Bonds.

If the Authority assumes Autopistas de Puerto Rico's obligation to pay the Bonds, the Concession Agreement will terminate, and the Authority will automatically be deemed to have acquired the concession and will be required to exchange the Bonds for Transportation Revenue Bonds issued under its Resolution 98-06, adopted on February 26, 1998, as amended (the "1998 Bond Resolution"), provided the Authority meets the requirements for the issuance of additional bonds thereunder. These Transportation Revenue Bonds would be issued as either subordinated bonds or senior bonds, at the option of the Authority.

If the Authority cannot at the time issue Transportation Revenue Bonds because it does not meet the 1998 Bond Resolution's additional bonds test, the Bonds would continue to be payable from available bridge net toll revenues (after payment of bridge operating and maintenance expenses), and from any other revenues available to the Authority after payment of debt service on the senior and subordinated Transportation Revenue Bonds outstanding at the time. If the Authority assumes Autopistas de Puerto Rico's obligation to pay the Bonds, it would also have the option of redeeming the Bonds, in whole or in part, at par, at any time after such assumption.

In the event that the Authority issues Transportation Revenue Bonds under the 1998 Bond Resolution in exchange for the Bonds, such bonds would be payable principally from certain petroleum excise taxes and certain highway tolls, and, to the extent not required to pay Highway Revenue Bonds issued under Resolution No. 68-18, adopted on June 13, 1968, as amended (the "1968 Bond Resolution"), from certain gasoline, gas oil, and diesel oil taxes, certain motor vehicle license fees, and certain other highway tolls. These revenues, which have been pledged to pay Transportation Revenue Bonds issued under the 1998 Bond Resolution, are referred to as "1998 Bond Resolution Revenues." For a summary of the 1998 Bond Resolution see Appendix IV.

In the unlikely event that Commonwealth revenues are insufficient to pay the general obligation debt of the Commonwealth and debt guaranteed by the Commonwealth, a significant portion of the 1998 Bond Resolution Revenues would have to be applied first to the payment of such general obligation debt or such guaranteed debt before they may be applied to pay Transportation Revenue Bonds or any other obligation of the Authority (including the Bonds, if the Authority assumes Autopistas de Puerto Rico's obligation to pay them).

This Official Statement incorporates by reference the financial statements of the Authority as of and for the year ended June 30, 2002, which are appended as Appendix I to the Official Statement of the Authority, dated April 10, 2003, relating to the issuance by the Authority of its Highway Revenue Refunding Bonds (Series AA), Transportation Revenue Bonds (Series G), Transportation Revenue Refunding Bonds (Series H), and Subordinated Transportation Revenue Bonds (Series 2003), and the financial statements of the Authority as of and for the year ended June 30, 2001, which are appended as Appendix I to the Official Statement of the Authority, dated January 25, 2002, relating to the issuance by the Authority of its Transportation Revenue Bonds (Series D) and its Transportation Revenue Refunding Bonds (Series E and F), which financial statements have been audited by Ernst & Young LLP, independent auditors, as stated in their reports accompanying the respective financial statements. These Official Statements have been filed with each nationally recognized municipal securities information repository ("NRMSIR") and with the Municipal Securities Rulemaking Board (the "MSRB").

Because of the possibility that the Bonds could be paid from revenues of the Authority other than net bridge toll revenues, and because a significant portion of such revenues of the Authority would have to be used to pay general obligation bonds of the Commonwealth and bonds guaranteed by the Commonwealth in the unlikely event that other Commonwealth revenues were not sufficient to pay these general obligation bonds and Commonwealth guaranteed bonds, this Official Statement also incorporates by reference certain financial information relating to the Commonwealth, specifically (i) the Commonwealth's Financial Information and Operating Data Report dated September 1, 2003 (the "Commonwealth Report"), which appears as Appendix I to the Official Statement of the Commonwealth, dated October 3, 2003, relating to the sale of its Public Improvement Bonds of 2004, Series A; and (ii) the Comprehensive Annual Financial Report of the Commonwealth for the fiscal year ended June 30, 2002, prepared by the Department of the Treasury of Puerto Rico (the "Commonwealth's Annual Financial Report"), which includes the basic financial statements of the Commonwealth as of and for the fiscal year ended June 30, 2002, which financial statements have been audited by KPMG LLP, independent auditors, as stated in their report dated April 30, 2003, accompanying the financial statements. **The Bonds are not, however, a debt of the Commonwealth of Puerto Rico or any of its political subdivisions or instrumentalities, other than the Authority, and neither the Commonwealth of Puerto Rico nor any of its political subdivisions or instrumentalities, other than the Authority, is required to pay the Bonds, or is an "obligated person" required to provide annual financial information to holders of the Bonds pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934.**

KPMG LLP did not audit the financial statements of the Public Buildings Authority capital project fund (a major fund), and certain activities, funds and component units separately identified in their report. Those financial statements were audited by other auditors whose reports have been furnished to KPMG LLP, and their opinion as to the basic financial statements, insofar as it relates to the amounts included in the basic financial statements pertaining to such activities, funds and component units, is based solely on the reports of the other auditors.

The Official Statement of the Commonwealth dated October 3, 2003, which includes the Commonwealth Report, was filed by the Commonwealth with the MSRB and with each NRMSIR. The Commonwealth's Annual Financial Report was also filed by the Commonwealth with each NRMSIR. Any appendix of an Official Statement of the Commonwealth or of any instrumentality of the Commonwealth filed with each NRMSIR and the MSRB or any other document containing the same information as the Commonwealth Report, or any other document 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 also 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 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.

A copy of the Commonwealth's Annual Financial Report, of the Commonwealth Report, and of the Official Statements of the Authority referred to above may be obtained by contacting a NRMSIR. The address of each NRMSIR is set forth in "CONTINUING DISCLOSURE."

This Official Statement includes descriptions of the Authority, the Commonwealth and Autopistas de Puerto Rico, together with other information including summaries of the terms of the Bonds, the Loan Agreement, the Trust Agreement, the 1998 Bond Resolution, and the Concession Agreement. Such summaries and the references to all documents referred to herein do not purport to be complete, and each summary and reference is qualified in its entirety by reference to each such document, copies of which are available from the Authority and the Trustee. All references to the Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Trust Agreement.

FORWARD-LOOKING STATEMENTS

This Official Statement, including information incorporated by reference in this Official Statement, contains certain forward looking statements concerning the operations and financial condition of Autopistas de Puerto Rico, the Authority, and the Commonwealth, including information related to the operation of the bridge by Autopistas de Puerto Rico, the expected economic performance of the bridge, plans and objectives, and the likelihood of success in developing and expanding the business and operations of the bridge. These statements are based upon a number of assumptions and estimates which are subject to significant uncertainties, many of which are beyond the control of Autopistas de Puerto Rico, the Authority, and the Commonwealth. The words "may," "could," "will," "expect," "anticipate," "believe," "intend," "plan," "estimate" and similar expressions are meant to identify these forward looking statements. Actual results may vary materially from those expressed or implied by these forward looking statements.

BONDHOLDERS' RISKS

The Bonds are subject to certain risks that could affect the ability of Autopistas de Puerto Rico to meet its obligations to pay the Bonds, or the ability of the Authority to pay the Bonds in the event that the Authority assumes Autopistas de Puerto Rico's obligation to pay the Bonds, or that may result in the payment of the Bonds prior to their respective maturity dates. You should carefully consider the following factors and the other information in this Official Statement before investing in the Bonds.

Risks Related to Autopistas de Puerto Rico and the Bridge

The following factors may affect the ability of Autopistas de Puerto Rico to generate sufficient revenues to pay the Bonds. If at any time Autopistas de Puerto Rico is unable to generate sufficient revenues to pay the Bonds, the Authority will assume Autopistas de Puerto Rico's obligation to pay the Bonds. If the Authority assumes Autopistas de Puerto Rico's obligation to pay the Bonds, it would have the option of redeeming the Bonds at par at any time after such assumption. As discussed below, such redemption may adversely affect your return on the Bonds.

The revenues of the bridge may be adversely affected by a reduction in air travel, adverse economic conditions, and increases in the price of oil

The revenues of the bridge may be adversely affected by a reduction in air travel to and from Puerto Rico, because traffic to and from Luis Muñoz Marín International Airport is a significant component of the traffic using the bridge. The revenues of the bridge may also be adversely affected if Puerto Rico's economy experiences a recession or slowdown, because traffic using the bridge and consequently toll revenues may be reduced. An increase in the price of gasoline may also reduce the level of motor vehicle traffic generally, and therefore reduce traffic using the bridge, independently of its effect on Puerto Rico's economy.

Competition from other transportation alternatives may adversely affect toll revenues

Drivers traveling to points north and south of the San José Lagoon are not required to use the bridge to get to their destinations. There are alternate routes that do not require the payment of tolls. To the extent that these alternate routes are improved, traffic using the bridge may be reduced. The improvements made to the Baldorioty de Castro Avenue since the construction of the bridge, for example, have had a negative impact on traffic using the bridge.

Autopistas de Puerto Rico has a significant amount of debt and partners' deficit, and recently has had to rely on reserves to pay debt service on the Bonds

As of December 31, 2002, Autopistas de Puerto Rico had total long-term debt of $139.4 million (which consists of its debt under the loan agreement relating to the 1992 Bonds amounting to $138.5 million and $0.9 million due to its partners) and partners' deficit of $49.0 million. For the year ended December 31, 2002, total debt service on Autopistas de Puerto Rico's long-term debt related to the 1992 Bonds was $10.8 million, while net toll revenues available to pay debt service, after payment of bridge operating and maintenance expenses, was only $9.3 million. During 2002, and again during 2003, Autopistas had to draw on the reserve account for the 1992 Bonds to make debt service payments on the 1992 Bonds. In connection with the July 1, 2003 debt service payment on the 1992 Bonds, Autopistas had to withdraw $3.9 million from the reserve account for the 1992 Bonds, which amount has not been replenished to date. Even a relatively small reduction in Autopistas de Puerto Rico's revenues, or a relatively small increase in Autopistas de Puerto Rico's costs of operating the bridge, could adversely affect its ability to pay debt service on the Bonds.

Autopistas de Puerto Rico is limited in its ability to increase tolls without affecting bridge traffic

Although Autopistas de Puerto Rico is entitled under the Concession Agreement to raise tolls to a level that allows it to pay debt service on the Bonds, increases in tolls have in the past adversely affected the amount of traffic using the bridge. The toll rate increase implemented in January 2002 had a negative impact on traffic using the bridge. Similarly, a future increase in toll rates may adversely effect the amount of traffic using the bridge and consequently limit Autopistas de Puerto Rico's ability to increase its revenues by raising tolls.

Autopistas de Puerto Rico currently has the option to terminate the Concession Agreement, which could result in the optional redemption of the Bonds

Autopistas de Puerto Rico has the option to terminate the Concession Agreement if traffic using the bridge (calculated on a cumulative basis since the effective date of the concession) is below certain levels specified in the agreement. Traffic using the bridge has been below these cumulative levels and is expected to continue to be below these cumulative levels for the entire term of the Bonds. As a result, Autopistas de Puerto Rico currently has and is expected to continue to have the option to terminate the Concession Agreement during the entire term of the Bonds. If Autopistas de Puerto Rico were to exercise this option, the Authority would assume Autopistas de Puerto Rico's obligation to pay the Bonds, and would have the option of redeeming the Bonds at par at any time thereafter. As discussed below, such redemption may adversely affect your return on the Bonds.

Projections

The projections included in this Official Statement are subject to uncertainties. Some assumptions may not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the forecasted and actual results, and those differences may be material.

The enforcement of remedies against Autopistas de Puerto Rico may be limited by bankruptcy and other laws

Upon an event of default under the Trust Agreement, the Trustee may proceed to enforce any remedies under such Trust Agreement and the Loan Agreement. The enforcement of such remedies may be limited or restricted by laws relating to bankruptcy and rights of creditors generally and by general principles of equity applicable to the availability of certain remedies and may be substantially delayed and subject to judicial discretion in the event of litigation or statutory remedy procedures. Any remedial proceedings are dependent, in many respects, upon judicial action which is subject to discretion or delay. Under existing law and judicial decisions, including specifically the United States Bankruptcy Code, the remedies specified by the Trust Agreement and the Loan Agreement may not be readily available or may be limited.

Risks Related to the Authority

The Authority may be unable to issue bonds under the 1998 Resolution in exchange for the Bonds, in which case the Bonds would be subordinated to the other bonds issued by the Authority

If the Authority assumes Autopistas de Puerto Rico's obligation to pay the Bonds, it would be required to issue Transportation Revenue Bonds under its 1998 Bond Resolution and exchange them for the Bonds. However, in order to issue Transportation Revenue Bonds, the Authority must be able to meet an additional bonds test. The test is designed to determine whether the Authority's revenues allow the Authority sufficient margin to pay debt service on its outstanding bonds and on the new bonds proposed to be issued. If the Authority cannot meet this test, it would not be permitted to issue these Transportation Revenue Bonds. If this happens, the Authority would continue to use any available bridge net toll revenues to pay the Bonds, but it would only be able to use revenues of the Authority that are pledged to the payment of the outstanding Transportation Revenue Bonds after paying debt service on such other bonds and maintaining the required reserves therefor.

Risks Related to the Terms of the Bonds

The Bonds are not secured by a mortgage on the bridge

The Bonds are not secured by any mortgage on the bridge, which is owned by the Authority, or by any lien on the cash collected at the bridge until such cash is deposited with the Trustee, or by any other collateral. In the event of the insolvency of Autopistas de Puerto Rico, if the Authority were unable to issue Transportation Revenue Bonds in exchange for the Bonds, and if the Authority had insufficient other revenues to pay the Bonds, Bondholders would be unable to foreclose, sell or otherwise take control of the bridge, and would be required to rely solely on net toll revenues for the payment of the Bonds.

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

Autopistas de Puerto Rico (or the Authority, in the event it assumes Autopistas de Puerto Rico's obligation to pay the Bonds or issues exchange bonds) may choose to, in the case of optional redemption, or must, in the case of mandatory redemption or acceleration, redeem or prepay some or all of the Bonds at times when prevailing interest rates may be relatively low. If this happens, Bondholders may not be able to reinvest the proceeds received in a comparable security at an interest rate equal to or greater than the interest rate of the Bonds. The principal of the Bonds may be declared to be due and payable prior to its stated maturity upon the occurrence of an event of default under the Trust Agreement.

The market value of the Bonds may be affected by the absence of a secondary market for the Bonds

The Bonds are a new issue of securities and therefore there is currently no secondary market for the Bonds. There can be no assurance that a secondary market will develop, or if it does develop, that it will provide bondholders with liquidity for their investment or that it will continue for the life of the Bonds. The underwriters are not obligated to maintain a market for the Bonds and any market making, if commenced, may be discontinued at any time at the sole discretion of the underwriters.

The market value of the Bonds may be affected by a negative change in the rating of the Bonds

The ratings initially assigned to the Bonds may be lowered or withdrawn. Such rating change could adversely affect the value of and market for the Bonds.

The Bonds do not have to be redeemed upon loss of tax exemption of interest on the Bonds

The failure by Autopistas de Puerto Rico to comply with certain source of income requirements of the United States Internal Revenue Code would cause interest on the Bonds to be included in gross income for federal income tax purposes. The Bonds are not required to be redeemed in the event interest thereon becomes taxable to you for federal income tax purposes. The source of income covenants and representations are based on the provisions of the United States Internal Revenue Code as in effect on the date of issuance of the Bonds. As a result, Autopistas de Puerto Rico will not be liable to Bondholders if interest paid on the Bonds is taxable under the United States Internal Revenue Code due to any change in the tax laws occurring after the date of issuance of the Bonds. Any remedies that Bondholders may have for Autopistas de Puerto Rico's violation of the source of income covenants and representations would have to be pursued by Bondholders directly against Autopistas de Puerto Rico.

THE BONDS

General

The Bonds will be issued pursuant to the Trust Agreement as Serial Bonds, Term Bonds, and Capital Appreciation Bonds. The Bonds will be dated and will bear interest from their date of delivery.

The Bonds are issuable as registered bonds without coupons in denominations of $1,000 principal amount and multiples thereof in the case of the Serial Bonds, $5,000 principal amount and multiples thereof in the case of the Term Bonds, and $5,000 maturity amounts and multiples thereof in the case of the Capital Appreciation Bonds. The Bonds will bear interest at such rates, be payable at such times, and will mature on the dates and in the principal amounts set forth on the inside cover of this Official Statement.

Book-Entry Only System

The following information concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book-entry system has been obtained from DTC. None of the Authority, Autopistas de Puerto Rico or the Underwriters takes 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 name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over two million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. Bonds brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn is owned by a number of Direct Participants of DTC and Members of the National Bonds Clearing Corporation, Government Bonds Clearing Corporation, NBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. Bonds brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: "AAA." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect

Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. 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 the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority , on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, its nominee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor Bonds depository). In that event, definitive Bonds will also be printed and delivered.

In the event that such book-entry only system is discontinued, the following provisions will apply: principal of the Bonds will be payable at maturity in lawful money of the United States of America upon presentation and surrender of Bonds at the corporate trust office of the Trustee in San Juan, Puerto Rico. The transfer of the Bonds will be registrable and they may be exchanged at the principal office of the Trustee in San Juan, Puerto Rico, upon the payment of any taxes or other governmental charges required to be paid with respect to such transfer or exchange.

Principal and Interest

Serial Bonds and Term Bonds. The principal of and premium, if any, on the Serial Bonds and Term Bonds will be payable upon presentation and surrender at the corporate trust office of the Trustee, in San Juan, Puerto Rico. Interest on the Serial Bonds and Term Bonds will be payable on the first day of each month, commencing on December 1, 2003, by check mailed (or, in the case of registered owners of at least $1million in principal amount of Bonds, by wire transfer) to the persons shown on the registration books of the Trustee as the registered owners thereof on the 15th day of the immediately preceding month.

Capital Appreciation Bonds. The Capital Appreciation Bonds will be payable upon presentation and surrender at the corporate trust office of the Trustee in amounts equal to their respective Accreted Values as of their dates of maturity, redemption or acceleration. The Accreted Value per $5,000 maturity amount of each Capital Appreciation Bond on January 1 and July 1 of each year while the Capital Appreciation Bonds are outstanding (each, a “Valuation Date”) is shown in Appendix V hereto. The Accreted Value of the Capital Appreciation Bonds on any other date is the sum of (i) the Accreted Value on the preceding Valuation Date and (ii) the product of (a) fraction, the numerator of which is the actual number of days having elapsed from the preceding Valuation Date and the denominator of which is the actual number of days from such preceding Valuation Date to the next succeeding Valuation Date and (b) the difference between the Accreted Values on such Valuation Dates. Interest on the Capital Appreciation Bonds will be included as part of their Accreted Value due and payable at the maturity of such Bond or at such other date on which such Bond is payable in full.

References in this Official Statement to “principal” of the Bonds mean, in the case of the Capital Appreciation Bonds, the Accreted Value of such Bonds.

Interest on all of the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Redemption

Amortization Requirements for *Term Bonds*. The Term Bonds are subject to redemption to the extent of the respective Amortization Requirements therefor on July 1 of each fiscal year for which there is an Amortization Requirement in respect of such Bonds, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, without premium, as follows:

	Amortization Requirements for Term Bonds due			
Redemption Date July 1,	**July 1, 2018**	**July 1, 2020**	**July 1, 2025**	**July 1, 2027**
2014	$5,275,000			
2015	6,280,000			
2016	7,195,000			
2017	7,840,000			
2018*	8,650,000			
2019		$10,820,000		
2020*		12,760,000		
2021			$3,605,000	
2022			6,070,000	
2023			8,310,000	
2024			10,180,000	
2025*			12,765,000	
2026				$10,480,000
March 1, 2027*				15,440,000

* Maturity

Redemption at the Option of Autopistas de Puerto Rico. The Bonds that mature after July 1, 2011 are subject to redemption at the option of Autopistas de Puerto Rico, in whole at any time or in part on any interest payment date, not earlier than October 1, 2011, from any available moneys (except moneys deposited in the Sinking Fund in respect of an Amortization Requirement), at the following prices (expressed as a percentage of the principal amount of the Bonds to be redeemed) plus accrued interest to the redemption date:

Redemption Period	**Redemption Price**
October 1, 2011 through September 30, 2012	101%
October 1, 2012 through September 30, 2013	100 - 1/2%
October 1, 2013 and thereafter	100%

Mandatory Redemption upon Governmental Taking of the Concession. The Bonds are subject to mandatory redemption in whole or in part, on the first interest payment date occurring not less than 45 days after receipt by the Trustee of the net awards resulting from the taking of the concession evidenced by the Concession Agreement for any public use or purpose by expropriation (or deed given in contemplation thereof) at a redemption price equal to the principal amount of the Bonds being redeemed plus accrued interest to the redemption date, without premium. The Trustee will apply the total of such net awards to redeem the maximum amount of Bonds that can be redeemed with such net awards. Upon such taking, the Concession Agreement will terminate and the Authority will be required to assume Autopistas de Puerto Rico's obligation to pay any Bonds that cannot be redeemed from such net awards.

Extraordinary Optional Redemption upon Damage or Destruction of the Bridge. The Bonds are subject to redemption at the option of Autopistas de Puerto Rico, in whole, if all or a part of the bridge shall have been damaged or destroyed, the cost of restoring the bridge to its former condition exceeds 25% of the replacement cost of the bridge at the time of the damage or destruction and the net insurance proceeds are sufficient to pay all the Bonds, at a redemption price equal to the principal of the Bonds plus accrued interest to the redemption date, without premium, on any date on or prior to the first interest payment date occurring not less than 45 days after notice to the Trustee of the receipt of such net insurance proceeds.

Redemption at Option of Authority if Revenues are Insufficient to pay Bonds or if Concession Agreement is Otherwise Terminated. In the event that net toll revenues generated by Autopistas de Puerto Rico are insufficient to pay the Bonds, or that the Concession Agreement is otherwise terminated by the Authority or by Autopistas de Puerto Rico, and as a result, the Authority assumes Autopistas de Puerto Rico's obligation to pay the Bonds, the Authority may redeem the Bonds, in whole or in part, at any time not earlier than 45 days after receipt by the Trustee of notice from the Authority, at a redemption price equal to their principal amount plus accrued interest to the redemption date, without premium. The Concession Agreement may be terminated under the circumstances described under the heading "SUMMARY OF THE CONCESSION AGREEMENT."

Selection of Bonds to be Redeemed

Except in the case of a redemption to satisfy the Amortization Requirements of the Term Bonds, or in the case of an optional redemption made with funds contributed to Autopistas de Puerto Rico by its partners or with funds that could have been distributed by Autopistas de Puerto Rico to its partners, if less than all the Bonds shall be called for redemption, the Bonds shall be redeemed in inverse order of maturity unless otherwise agreed by the Authority and Autopistas de Puerto Rico. In the case of an optional redemption in part made with funds contributed to Autopistas de Puerto Rico by its partners or with funds that could have been distributed by Autopistas de Puerto Rico to its partners, the Bonds shall be redeemed in such order of maturity as directed by Autopistas de Puerto Rico. If fewer than all the Bonds of one maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Trustee by lot or by such other method as it deems fair and appropriate. Upon surrender of any Bond redeemed in part, the Trustee shall deliver to the holder a new Bond or Bonds of the same maturity, bearing interest at the same rate, and in a principal amount or with a stated maturity amount equal to the unredeemed portion of the Bond so surrendered.

Notice of Redemption

Notice of redemption shall be given by the Trustee not less than 30 days prior to the redemption date by certified first-class mail, postage prepaid, to the registered owners of the Bonds or portions thereof to be redeemed. Failure to give such notice or any defect in the notice to the registered owner of any Bond selected for redemption will not affect the redemption of any other Bonds. If notice of redemption shall have been duly mailed as aforesaid, and if on the redemption date moneys for redemption of all Bonds or portions thereof to be redeemed, together with accrued interest to the redemption date, shall be held by the Trustee, then from and after the redemption date, interest on such Bonds or portions thereof shall cease to accrue.

Replacement

In the event any Bond is lost, mutilated or destroyed, the Authority may issue a new Bond of like tenor and principal amount upon payment by the Bondholder of the expenses and charges of the Authority and the Trustee and upon providing indemnity, if requested.

Principal and Interest Requirements on the Bonds

The following table shows the Principal and Interest Requirements on the Bonds.

Principal and Interest Requirements on the Bonds

Period ending July 1,	Principal	Interest *	Total Debt Service
2004		$5,191,283.95	$5,191,283.95
2005		7,754,615.04	7,754,615.04
2006		7,754,615.04	7,754,615.04
2007		7,754,615.04	7,754,615.04
2008	$525,000.00	7,754,615.04	8,279,615.04
2009	740,000.00	7,734,927.48	8,474,927.48
2010	990,000.00	7,705,327.56	8,695,327.56
2011	1,870,000.00	7,663,252.56	9,533,252.56
2012	3,185,000.00	7,579,102.56	10,764,102.56
2013	4,580,000.00	7,427,814.96	12,007,814.96
2014	5,275,000.00	7,198,815.00	12,473,815.00
2015	6,280,000.00	6,906,052.56	13,186,052.56
2016	7,195,000.00	6,557,512.56	13,752,512.56
2017	7,840,000.00	6,158,190.00	13,998,190.00
2018	8,650,000.00	5,723,070.00	14,373,070.00
2019	10,820,000.00	5,242,995.00	16,062,995.00
2020	12,760,000.00	4,631,664.96	17,391,664.96
2021	7,297,047.95	10,533,677.05	17,830,725.00
2022	8,922,976.50	9,371,856.06	18,294,832.56
2023	10,609,173.00	8,400,564.56	19,009,737.56
2024	12,532,721.80	8,570,880.76	21,103,602.56
2025	14,993,712.20	8,229,360.36	23,223,072.56
2026	12,716,639.00	8,109,681.00	20,826,320.00
2027	15,440,000.00	602,160.00	16,042,160.00

*Includes interest component of the accreted value of the capital appreciation bonds paid on the maturity dates of such bonds, which are July 1 of the years 2021through 2026.

SECURITY AND SOURCES OF PAYMENT

Toll Revenues from the Bridge

The Bonds are payable primarily from toll revenues from the bridge, and other miscellaneous bridge revenues, collected by Autopistas de Puerto Rico and remaining after payment of all operating and maintenance expenses of the bridge. These toll and other revenues from the operation of the bridge are sometimes referred to herein as "Revenues;" the expenses of operating and maintaining the bridge are sometimes referred to herein as "Current Expenses;" and the funds remaining after deducting Current Expenses from Revenues are sometimes referred to herein as "Net Revenues." Under the Loan Agreement between the Authority and Autopistas de Puerto Rico (pursuant to which the Authority lent the net proceeds from the sale of the Bonds to Autopistas de Puerto Rico), Autopistas de Puerto Rico is only required to pay the Bonds from Net Revenues. Pursuant to the Trust Agreement, the Authority is assigning its rights to and interest in the Loan Agreement (except certain rights of the Authority to indemnification, exemption from liability, notices and the payment of costs and expenses) to the Trustee as security for the Bonds.

All Revenues from the operation of the bridge are required to be deposited daily with the Trustee and, subject to the prior payment of Current Expenses, held in trust and applied as provided in the Trust Agreement. Pending their application, the Revenues are subject to a lien and charge in favor of the owners of the Bonds.

Toll Rate Covenant

Pursuant to the Loan Agreement, Autopistas de Puerto Rico covenants that it will at all times fix, revise, charge and collect rates, rentals, fees, tolls and other charges for the use or services of the bridge sufficient to pay Current Expenses, to make the required deposits to the Sinking Fund and the Renewal and Replacement Fund established under the Trust Agreement, and to restore the Reserve Account established under the Trust Agreement to the required level.

If in any fiscal year the Net Revenues are not sufficient to satisfy this toll covenant, Autopistas de Puerto Rico is required to employ a firm of traffic engineers to recommend revisions to the toll schedule and the Annual Budget to provide sufficient Net Revenues to pay debt service on the Bonds, make the required deposits to the Renewal and Replacement Fund and restore the Reserve Account to the required level.

Reserve Account

The Trust Agreement establishes a Reserve Account within the Sinking Fund and requires that the balance therein be maintained at all times at $8,000,000 (the "Reserve Requirement"), which may be funded with cash, Investment Obligations, or a letter of credit or financial guaranty insurance policy. Moneys in the Reserve Account (including cash generated by draws under any Reserve Account letter of credit or insurance policy) will be used to make debt service payments on the Bonds whenever and to the extent that moneys in the Bond Service Account, the Redemption Account and the General Fund are insufficient for such purpose. If at any time moneys in the Bond Service Account, the Redemption Account, the Reserve Account and the General Fund are not sufficient to make such payments, moneys in the Renewal and Replacement Fund will be used to the extent of such insufficiency.

Initially, the Reserve Account will be funded with an irrevocable standby letter of credit in the stated amount of $8,000,000 issued by Banco Santander Puerto Rico with an initial term of five years. Since the letter of credit is not designed to guarantee payment of the entire principal of and interest on the Bonds as it comes due, but is being used solely as a mechanism to initially fund the Reserve Account, the letter of credit does not provide for automatic reinstatement of amounts drawn thereunder.

If a deficiency in the Reserve Account occurs, the Trust Agreement requires the Trustee to deposit in the Reserve Account any Revenues available, after payment of budgeted Current Expenses and the required deposits to the Bond Service Account and the Redemption Account have been made, and if such available Revenues shall be insufficient, to transfer to the Reserve Account any moneys then to the credit of the General Fund in amounts necessary to cure such deficiency. Failure by Autopistas de Puerto Rico to restore the balance of the Reserve Account to an amount at least equal to $4,000,000 within 30 days after such balance has been reduced to an amount below $4,000,000 constitutes an Event of Default under the Loan Agreement and, consequently, under the Trust Agreement.

Under the Trust Agreement, the Trustee must draw the full amount of any such Reserve Account letter of credit or financial guaranty insurance policy on the 30th day prior to its expiration in the event that such letter of credit or financial guaranty insurance policy is not extended or replaced with cash, Investment Obligations, or a successor letter of credit or financial guaranty insurance policy from an entity with a long term debt rating in one of the three highest rating categories (without regard to gradations) from a nationally recognized securities ratings organization at least 30 days before its expiration. In addition, the Trustee must draw the full amount of any such Reserve Account letter of credit or financial guaranty insurance policy immediately upon its receipt of notice from the issuer of such letter of credit or financial guaranty insurance policy that such letter of credit or financial guaranty insurance policy will be terminated as a result of a default by the partners of Autopistas de Puerto Rico (which are the entities responsible for reimbursing the issuer of the letter or financial guaranty insurance policy for any drawings made thereunder) under the related reimbursement or similar agreement.

In the event that the Concession Agreement is terminated, Autopistas de Puerto Rico may be entitled to withdraw some or all of the money deposited in the Reserve Account. Upon such withdrawal, the Authority will be required to replenish the Reserve Account to the required $8,000,000 level within 12 months (in equal quarterly installments) after the Authority assumes Autopistas de Puerto Rico's obligation to pay the Bonds. In the event that the Concession Agreement is terminated prior to the fifth anniversary of the date of issuance of the Bonds for any reason, Autopistas de Puerto Rico will be entitled to withdraw all funds in the Reserve Account, up to the Reserve Requirement. In the event that the Concession Agreement is terminated on or after the fifth anniversary of the date of issuance of the Bonds, Autopistas de Puerto Rico will be entitled to withdraw (i) all the funds in the Reserve Account, if the Concession Agreement is terminated by Autopistas de Puerto Rico as a result of a default by the Authority, or (ii) all the funds in the Reserve Account in excess of $4,000,000, if the Concession Agreement is terminated as a result of the exercise by Autopistas de Puerto Rico of its termination option. If the Concession Agreement is terminated by the Authority as a result of a default by Autopistas de Puerto Rico, Autopistas de Puerto Rico will not be entitled to withdraw any of the funds in the Reserve Account.

Authority Required to Assume Autopistas de Puerto Rico's obligation to Pay the Bonds if Net Revenues from the Bridge are Insufficient; Termination of Concession Agreement; Issuance of Transportation Revenue Bonds

In the event that Net Revenues from the bridge, together with available reserves, are insufficient to pay debt service on the Bonds, or in the event that the Concession Agreement is otherwise terminated by the Authority or Autopistas de Puerto Rico, the Authority will assume Autopistas de Puerto Rico's obligation to pay the Bonds. The Authority must notify the Trustee that it has assumed these obligations by delivering an "Assumption Notice" to the Trustee.

In order to provide Autopistas de Puerto Rico and the Authority with prior notice of any potential cash shortfall to pay debt service on the Bonds, the Trust Agreement provides that, after paying debt service on the Bonds on the first day of each month, the Trustee is required to determine whether the amounts on deposit in the Sinking Fund (which includes the Bond Service Account, the Redemption Account and the Reserve Account, and including amounts available to be drawn under any Reserve Account letter of credit or financial guaranty insurance policy) are sufficient to make all payments of interest on and the principal of the Bonds required to be made on the following three payment dates (whether interest or principal) in respect of the Bonds. In the event that the amount remaining on deposit in these Accounts on the first day of any month is not sufficient to make such next three payments, the

Trustee is required to notify the Authority and Autopistas de Puerto Rico of such deficiency. Autopistas de Puerto Rico then has the right (but not the obligation), to make deposits to the Bond Service Account (from moneys contributed to it by its partners or otherwise, it being understood that its partners are not contractually required to contribute such moneys) to cure the deficiency. In the event that the Trustee determines, on any payment date, that moneys remaining on deposit in the Bond Service Account, the Redemption Account and the Reserve Account after making all debt service payments due on such date, are not sufficient to make all debt service payments due on the immediately following payment date, the Trustee will notify the Authority and Autopistas de Puerto Rico, and upon such notice the Authority will automatically assume Autopistas de Puerto Rico's obligation to pay the Bonds, the Authority will be deemed to have acquired the concession, and the Concession Agreement will terminate.

If the Authority assumes Autopistas de Puerto Rico's obligation to pay the Bonds for any other reason, the Authority will also be deemed to have acquired the concession and the Concession Agreement will also automatically terminate.

Upon any assumption of Autopistas de Puerto Rico's obligation to pay the Bonds, the Authority will be required to issue, within 60 days, Transportation Revenue Bonds under its 1998 Bond Resolution and deliver them to holders of the Bonds in exchange for the Bonds, provided it meets the requirements of the 1998 Bond Resolution for the issuance of additional bonds. These Transportation Revenue Bonds would be issued as either Subordinated Transportation Revenue Bonds or Senior Transportation Revenue Bonds (or any other bonds that may in the future be provided for under the 1998 Bond Resolution and that rank equally with or senior to the existing Subordinated Transportation Revenue Bonds), at the option of the Authority, and would have the same interest rates, maturity dates, and optional and mandatory sinking fund redemption provisions as the Bonds.

Under the 1998 Bond Resolution, the Authority may issue additional Subordinated Transportation Revenues Bonds only if the Authority's 1998 Resolution Revenues for a recent 12-month period preceding the issuance of such Subordinated Transportation Revenues Bonds, divided by the maximum principal and interest required to be paid in any fiscal year after such issuance with respect to all outstanding Senior Transportation Revenues Bonds and Subordinated Transportation Revenues Bonds, and with respect to the Subordinated Transportation Revenues Bonds proposed to be issued, equals or exceeds 125%.

Under the 1998 Bond Resolution, the Authority may issue additional Senior Transportation Revenues Bonds only if (a) the Authority's 1998 Resolution Revenues for a recent 12-month period preceding the issuance of such Senior Transportation Revenues Bonds, divided by the maximum principal and interest required to be paid in any fiscal year after such issuance with respect to all outstanding Senior Transportation Revenues Bonds, and with respect to the Senior Transportation Revenues Bonds proposed to be issued, equals or exceeds 150%; and (b) the Authority's 1998 Resolution Revenues for such recent 12-month period preceding the issuance of such Senior Transportation Revenues Bonds, divided by the maximum principal and interest required to be paid in any fiscal year after such issuance with respect to all outstanding Senior Transportation Revenues Bonds and Subordinated Transportation Revenues Bonds, and with respect to the Senior Transportation Revenues Bonds proposed to be issued, equals or exceeds 100%.

If the Authority cannot at the time issue Subordinated or Senior Transportation Revenue Bonds because it does not meet the additional bonds tests described above, or because it is otherwise prohibited from issuing Transportation Revenue Bonds under applicable law, the Authority would continue to use any available Net Revenues to pay the Bonds, together with any other revenues available to the Authority after payment of debt service on its then outstanding Senior and Subordinated Transportation Revenue Bonds. The Authority has also agreed in such case that if it does not have sufficient available funds (including such Net Revenues) to pay debt service on the Bonds in full, the Authority will make no expenditure, pledge or encumbrance of any unencumbered funds until such time as it is once again able to pay such debt service in full from such available funds. In addition, from the date of the occurrence of such deficiency until it is cured, all unencumbered funds available to pay such deficiency will be deemed to be subject to a lien in favor of the holders of the Bonds, subject to the Authority's prior obligations under the 1998 Bond Resolution and the 1968 Bond Resolution.

If the Authority cannot issue Transportation Revenue Bonds in exchange for the Bonds, the Authority has also agreed that it will not issue any other Transportation Revenue Bonds until it has either redeemed the Bonds or issued Transportation Revenues Bonds in exchange for the Bonds, except (i) bonds issued to refund outstanding bonds of the Authority, (ii) bonds that the Authority has already committed to issue, and (iii) bonds issued to pay outstanding debt of the Authority (including debt owed to Government Development Bank) that was incurred to finance temporarily the costs of transportation facilities or to reimburse the Authority for expenditures incurred prior to its becoming obligated to give the Assumption Notice or to pay all or part of the cost of additional transportation facilities for which construction contracts have been awarded.

If the Authority assumes Autopistas de Puerto Rico's obligation to pay the Bonds, it would also have the option of redeeming the Bonds, in whole or in part, at par, at any time after the date of such assumption. See "The Bonds - Redemption - Redemption at the Option of the Authority if Revenues are Insufficient or if Concession Agreement is Otherwise Terminated."

In the event that the Authority issues Transportation Revenue Bonds under the 1998 Bond Resolution in exchange for the Bonds, such bonds would be payable principally from certain petroleum excise taxes and certain highway tolls, and, to the extent not required to pay Highway Revenue Bonds issued under its 1968 Bond Resolution, from certain gasoline, gas oil, and diesel oil taxes, certain motor vehicle license fees, and certain other highway tolls. These revenues, which have been pledged to pay Transportation Revenue Bonds issued under the 1998 Bond Resolution, are referred to as "1998 Bond Resolution Revenues." Holders whose Bonds have been exchanged for Transportation Revenue Bonds would not have any claim over bridge revenues that is superior to the claim of any other holders of Transportation Revenue Bonds, and would not have the benefit of any of the covenants or reserves provided under the Trust Agreement.

In the unlikely event that Commonwealth revenues are insufficient to pay the general obligation debt of the Commonwealth and debt guaranteed by the Commonwealth, a significant portion of the 1998 Bond Resolution Revenues would have to be applied first to the payment of such general obligation debt or such guaranteed debt before they may be applied to pay Transportation Revenue Bonds or any other obligation of the Authority (including the Bonds, if the Authority assumes Autopistas de Puerto Rico's obligation to pay them).

The Bonds are not a debt of the Commonwealth or any of its political subdivisions or instrumentalities, other than the Authority, and neither the Commonwealth nor any of its political subdivisions or instrumentalities, other than the Authority, is required to pay the Bonds.

USE OF PROCEEDS

The net proceeds from the sale of the Bonds, after the payment of costs of issuance estimated at $477,448.30, will be used to refund in whole the Authority's Special Facility Revenue Bonds, 1992 Series A, B and C (San José Lagoon Bridge Project) (the "1992 Bonds"), which were issued to fund the construction of the bridge.

The net proceeds from the sale of the Bonds that will be used to refund the 1992 Bonds will be deposited with the trustee of the 1992 Bonds and invested in U.S. government securities until used to redeem the 1992 Bonds. As a result, the 1992 Bonds will be defeased for purposes of the trust agreement under which they were issued, and the provisions of such trust agreement will cease to be in effect. The 1992 Bonds that are current interest bonds will be redeemed in whole on December 4, 2003, at a redemption price of 101% of their principal amount plus accrued interest to the redemption date. The 1992 Bonds that are future income growth securities or capital appreciation bonds are not redeemable prior to maturity, and will be paid at their respective maturities.

Sources and Uses of Funds

Sources:	
Principal amount of the Bonds	$153,222,270.45
Original issue discount	(162,000.00)
Moneys from bond service account for 1992 Bonds	1,500,000.00
Total sources	$154,560,270.45
Uses:	
Deposit into the escrow fund for 1992 Bonds	$152,115,000.00
Underwriting discount and legal, printing, and other financing expenses	2,445,270.45
Total uses	$154,560,270.45

THE TEODORO MOSCOSO TOLL BRIDGE

The Teodoro Moscoso bridge is a limited-access, four-lane toll bridge which crosses the San José Lagoon, connecting the Municipalities of San Juan and Carolina. On the North, the bridge connects with the intersection of Baldorioty de Castro Avenue (PR 26) and the entrance to Luis Muñoz Marín International Airport. On the South, the bridge connects to Iturregui Avenue (Ramal Este), which further connects to the Trujillo Alto Expressway (PR 181). The bridge facilities include toll booths and other collection facilities, access roads, interchanges, overpasses and other support facilities that are necessary or incidental to the bridge.

The bridge, including access roads, is approximately 2.1 miles long, of which 1.4 miles are over the San José Lagoon. The bridge spans are approximately 98 feet long, providing a 26-foot maximum and 13-foot minimum vertical and 94.5-foot horizontal clearance. The bridge roadway is 79.5 feet wide and has two sections of two 12-foot lanes each, separated by a concrete median barrier. The bridge superstructure consists of precast, prestressed concrete beams and a cast-in-place concrete deck slab, supported on steel pipe piling with pile caps of precast and cast-in-place reinforced concrete.

The North access roadway to the bridge connects with Baldorioty de Castro Avenue (PR 26) by an interchange allowing the traffic traveling from East to West and from West to East to enter and leave the bridge through entrance and exit ramps. The southern end of the bridge passes over and connects with Iturregui Avenue by a trumpet interchange that also connects the bridge to the Trujillo Alto Expressway (PR 181) and permits traffic traveling East-West to enter and leave the bridge through entrance and exit ramps. A toll plaza with ten toll booths operates near the South end of the bridge.

On the northern part of the bridge, the land necessary to construct the access roads was leased by the Authority from Puerto Rico Ports Authority for a 99-year term expiring after the final maturity of the Bonds.

The bridge was built by Dycrex Construction and Company, S.E., an affiliate of Autopistas de Puerto Rico, at a total construction cost of $88.7 million, which was $7 million less than the amount budgeted. The bridge was officially inaugurated on February 23, 1994, and was completed two months ahead of schedule.

A seismic risk assessment of the bridge was performed in 1994. This study concluded that the bridge had been well designed and should perform above average for structures of this type in the event of an 8.25 seismic event. Based on the results of such assessment, the insurance premium for the insurance covering earthquake damages was reduced by approximately $500,000.

AUTOPISTAS DE PUERTO RICO

The following information has been obtained from and relates to Autopistas de Puerto Rico and none of the Authority or the Underwriters assumes any responsibility for the accuracy or completeness thereof.

General

Autopistas de Puerto Rico is a partnership organized on March 20, 1991 under the laws of the Commonwealth of Puerto Rico. Autopistas de Puerto Rico has filed an election with the Puerto Rico Treasury Department to be treated as a special partnership in accordance with the provisions of the Puerto Rico Internal Revenue Code of 1994 (the "P.R. Internal Revenue Code"). Pursuant to such election, the liability of each partner for obligations of Autopistas de Puerto Rico is limited to its share of the partnership's paid-in capital.

The principal offices of Autopistas de Puerto Rico are located at Calle Montellano (Final), Sector Embalse San José, San Juan, Puerto Rico.

Autopistas de Puerto Rico was organized for the purpose of engaging in the business of designing, financing, constructing, operating and maintaining toll roads, bridges, highways or other public works under an administrative concession, lease, franchise or similar arrangements with the Commonwealth of Puerto Rico. The partnership agreement of Autopistas de Puerto Rico was recently amended to limit the partnership's operations to the operation and management of the bridge.

Autopistas de Puerto Rico has been awarded numerous recognitions relating to the design and operation of the bridge. Among them are: the Toll Innovation Award, awarded by the International Bridge, Tunnel and Turnpike Association, in 1994, 1997, 1998 and 2000; and the Innovative Highway Financing Award, awarded by the United States Department of Transportation - Federal Highway Administration.

Partners of Autopistas de Puerto Rico

The partners of Autopistas de Puerto Rico are:

Abertis Infraestructuras, S.A., a company organized under the laws of Spain, owns a 75% partnership interest in Autopistas de Puerto Rico. Abertis is one of the leading concession groups in Europe dedicated to the development of infrastructure for transportation and communications, and manages approximately 1,500 kilometers of expressways in Europe. Abertis was formed as a result of the merger of Aurea Concesiones de Infraestructura S.A. (a company controlled by Grupo Dragados, S.A., one of the original partners of Autopistas de Puerto Rico) and ACESA (a company controlled by La Caixa group). La Caixa group is one of the largest financial institutions in Spain. Grupo Dragados, S.A., a company organized under the laws of Spain, is one of the largest construction companies in Europe.

Supra and Company, S.E., a special partnership created under the laws of Puerto Rico, owns a 25% partnership interest in Autopistas de Puerto Rico. Supra is controlled by Rubén Vélez Lebrón, an engineer and developer in the Commonwealth of Puerto Rico.

Autopistas Corporation, a corporation organized under the laws of Puerto Rico, owns a nominal interest in the partnership. Autopistas Corporation is the managing partner of Autopistas de Puerto Rico and as such is responsible for the day-to-day management of Autopistas de Puerto Rico. The shareholders of Autopistas Corporation are Abertis and Supra, which own 75% and 25%, respectively, of its issued and outstanding common stock.

Board of Directors

The following table sets forth certain information concerning each of the members of the board of directors of Autopistas Corporation, the managing partner of Autopistas de Puerto Rico.

Name	Expiration of Current Term	Office	Principal Occupation
Rubén Vélez Lebrón	Indefinite	Chairman	Engineer
Rafael Mourelle	Indefinite	Director	Engineer, International Division Director of Abertis Infraestructuras, President of Autopistas de Puerto Rico
Miguel Abeniacar	Indefinite	Director	Engineer, Financial Director of Abertis Infraestructuras
Enrique Villalonga	Indefinite	Director	Engineer Technical Director of Abertis Internacional
Antonio Rodríguez	Indefinite	Director	Economist General Subdirector of Administration of Abertis Infraestructuras
Segundo García-Cabán	Indefinite	Director	Attorney at law, Business and Development Counsel, Treasurer of Autopistas Corporation

Officers and Management

Rafael Mourelle, 51, is the President of Autopistas de Puerto Rico and of Autopistas Corporation. Mr. Mourelle is an engineering graduate from Universidad Politécnica in Valencia, Spain. He also holds an MBA in Economics and Business Administration from the IESE, University of Navarra, Spain. Mr. Mourelle began his career in Grupo Dragados, S.A. in 1978, and has held various positions with the company, including Regional Manager, Concessions Division Manager, and Valora 2000 Manager Director. He is currently the International Division Director of Abertis..

Segundo García Cabán, 57, is the Treasurer of Autopistas Corporation. Mr. García, an attorney at law, graduated from the University of Puerto Rico School of Law (1974) and the University of Puerto Rico School of Business Administration (1970). He was admitted to the Puerto Rico bar in 1974. Mr García is also admitted to appear before the U.S. District Court for the District of Puerto Rico, the U.S. Court of Appeals for the First Circuit. Mr. García is a member of various professional organizations, and has considerable experience in the fields of real estate financing and development, construction law, taxation, and corporate and business law. As a consultant and legal advisor, Mr. García has been involved in several complex business transactions.

Francisco de Jesús-Schuck, 61, the Secretary of Autopistas Corporation, is an attorney at law and a shareholder in Goldman Antonetti & Córdova, P.S.C. He was admitted to the Puerto Rico bar in 1966. Mr. de Jesús-Schuck is also admitted to appear before the U.S. Court of Appeals for the First Circuit, the U.S. Supreme Court, and the District of Columbia. From 1973 to 1975, he was the Secretary of Justice of Puerto Rico. From 1975 to 1976, he was the Chief of Staff to the Governor of Puerto Rico. He has also been a member of the Financial Council of the Governor of Puerto Rico and the Co-Chairman of the Justice Reform Council of the Government of Puerto Rico.

Rafael B. Acosta, 68, is the General Manager of Autopistas de Puerto Rico. Mr. Acosta joined Autopistas de Puerto Rico in 1995 and oversees its day-to-day operations. He reports directly to the President. Mr. Acosta has a Bachelor of Arts degree from the University of Puerto Rico (1957). He also graduated from the U.S. Army Command and General Staff College, the Inter American Defense College and the U.S. Defense University. Prior to joining Autopistas de Puerto Rico, Mr. Acosta was the Director of the Puerto Rico National Cemetery (1987 - 1995), the President of R.B.A. Associates, a consulting firm in the communications-electronics field (1972 - 1987), and a member of the United States Army (1957 - 1987). Mr. Acosta is a retired colonel of the United States Army and served two combat tours in Vietnam (1962-63 and 1968-69) with the first cavalry division (airborne). Among the decorations and honors received during his military career are the Legion of Merit, the Bronze Star, the Meritorious Service Medal with oak leaf cluster, an Air Medal, and an Army Commendation Medal with two oak leaf clusters.

Summary of Historical Financial Information

The following selected financial information for and as of the years ended December 31, 1998 through 2002 has been derived from the audited financial statements of Autopistas de Puerto Rico for those years. The information for and as of the years ended December 31, 2001and 2002 has been derived from the financial statements of Autopistas de Puerto Rico for the year ended December 31, 2002, which have been audited by KPMG LLP, independent public accountants, as stated in their report appearing therein. KPMG LLP has neither examined nor compiled the projected financial information included herein and accordingly does not express an opinion or other form of assurance with respect thereto. You should read the following information together with the financial statements of Autopistas de Puerto Rico for the fiscal years ended December 31, 2001 and 2002, which are included in Appendix II.

The information contained in the following table is presented on an accrual basis in accordance with generally accepted accounting principles. For a more detailed discussion of the factors affecting net toll revenues available to pay debt service on the Bonds, see "Management's Discussion of Historical Traffic and Net Toll Revenues," and "Historical and Projected Debt Service Coverage" below.

Historical Summary of Revenues and Expenses (on an accrual basis)

	As of and for year ended December 31,					As of and for the six months ended June 30 (unaudited)	
	1998	1999	2000	2001	2002	2002	2003
	(In thousands)						
Results of Operations Data:							
Toll revenues	$11,994	$13,378	$12,973	$12,463	$12,660	$6,218	$6,356
Other revenue	17	16	36	13	1	-	-
Total revenues	12,011	13,394	13,009	12,476	12,661	6,218	$6,356
Operating and administrative expenses	3,107	3,550	3,554	3,731	3,321	1,762	2,066
Depreciation and amortization (1)	3,154	3,171	3,177	3,207	3,246	1,610	1,623
Interest and other financing costs	9,201	9,344	9,444	9,932	10,486	5,225	5,367
Total expenses	15,462	16,065	16,175	16,870	17,053	8,597	9,056
Net gain (or loss)	($3,451)	($2,671)	($3,166)	($4,394)	($4,392)	($2,379)	($2,700)
Balance Sheet Data (at period end):							
Cash and cash equivalents	$229	$246	$191	$414	$243	$409	$1,355
Working capital (deficiency) (2)	$484	$32	$350	($1,307)	($962)	($62)	$871
Total assets	$108,064	$105,234	$102,624	$99,111	$95,625	$99,056	$94,865
Total liabilities	$133,415	$136,825	$140,095	$143,764	$144,669	$146,088	$146,610
Partners' deficit	($25,351)	($31,591)	($37,471)	($44,653)	($49,044)	($47,032)	($51,745)
EBITDA (3)	$8,904	$9,843	$9,453	$8,745	$9,340	$4,456	$4,290

(1) The depreciation and amortization expense includes the depreciation and amortization of the rights of Autopistas de Puerto Rico under the Concession Agreement.
(2) Current assets minus current liabilities.
(3) EBITDA consists of earnings (losses) before interest and other financing costs, income taxes, depreciation and amortization.

Management's Discussion of Financial Results

Autopistas de Puerto Rico's financial results are a function of its revenues, which are derived almost entirely from tolls, and its expenses, consisting of (i) operating and administrative expenses, which primarily include maintenance fees for the electronic toll collection system and the bridge, employee salaries, wages and benefits, credit card processing fees and taxes, (ii) interest and other financing costs relating to the 1992 Bonds, and (iii) depreciation and amortization (a non-cash expense), primarily relating to Autopistas de Puerto Rico's rights under the Concession Agreement.

For each of the fiscal years in the five-year period ending on December 31, 2002, Autopistas de Puerto Rico had a net loss. The net loss was at its lowest in 1999, when it was $2.7 million. The loss increased in 2000 and again in 2001, when it was $4.4 million, and remained essentially unchanged in 2002. Toll revenues followed a similar pattern, reaching a peak of $13.4 million in 1999 before declining in 2000 and 2001, when they were $12.5 million, primarily as a result of a decrease in traffic using the bridge, and increasing slightly in 2002, to $12.7 million, as a result of an increase in toll rates. Operating and administrative expenses, on the other hand, increased every year from 1998 ($3.1 million) to 2001 ($3.7 million), but decreased to $3.3 million in 2002. Interest and other financing costs have also increased each year, from $9.2 million in 1998 to $10.5 million in 2002, in accordance with the original debt service schedule of the 1992 Bonds. Depreciation and amortization have remained fairly constant during this period, at $3.2 million per year. See "Management's Discussion of Historical Traffic and Net Toll Revenues" below for a discussion of the principal reasons for the decline in traffic and the increase in operating and administrative expenses (which are labeled "Current Expenses" in the discussion below).

For the six months ended June 30, 2003, Autopistas de Puerto Rico had a net loss of $2.7 million, compared with a net loss of $2.4 million in the same period in 2002. Although traffic and consequently toll revenues were higher during the first six months of 2003 than during the first six months of 2002, operating expenses increased by a greater amount due to certain extraordinary non-recurring expenditures.

Tolls

Set forth below is a schedule showing the toll rate for each class of vehicle. Toll rates have not changed since the bridge opened for traffic in 1994, except for a $0.25 increase for four-tire vehicles that went into effect on January 28, 2002.

Toll Rate Schedule

Calendar Year	**Toll rate per Class**							
	1	2	3	4	5	6	7	8
1998 - 2001	$0.75	$1.50	$3.00	$4.00	$6.00	$8.00	$10.00	$12.00
2002	$0.75	$1.75	$3.00	$4.00	$6.00	$8.00	$10.00	$12.00

Classes: (1) motorcycles; (2) four-tire vehicles; (3) four-tire vehicles with two tire trailers; (4) vehicles with two axles and six tires; (5) vehicles with three axles and at least one axle with double tires; (6) vehicles with four axles;
(7) vehicles with five axles; and (8) vehicles with six axles.

Autopistas de Puerto Rico has the right to increase toll rates on January 1 of each year by an amount derived by applying the rate of change in the consumer price index for all families as published by the Department of Labor of the Commonwealth, to the initial toll rate schedule established for the bridge. Autopistas de Puerto Rico has also covenanted to fix, revise, charge and collect tolls at such rates as may be necessary so that the toll revenues are sufficient in each fiscal year to pay the debt service on the Bonds.

In November 2002, Autopistas de Puerto Rico and the Authority agreed that toll rates would not be increased prior to January 2005. However, notwithstanding such agreement, toll rates can be raised at any time, even before January 2005, if Autopistas de Puerto Rico's Net Revenues for any fiscal year are insufficient to pay debt service on the Bonds and certain required deposits and the traffic engineers retained by Autopistas de Puerto Rico conclude that toll rates need to be raised in order for the Net Revenues to be sufficient to pay debt service on the Bonds and such other required deposits.

Tolls are collected on both directions of the bridge. The tolls can be paid in cash, with specially issued tokens, with bank debit cards, by credit card and by the use of an automated vehicle identification system. The automated vehicle identification system was purchased by Autopistas de Puerto Rico from Amtech USA, now Transcore, and is maintained by Autopistas de Puerto Rico's technicians. The Authority has advised Autopistas de Puerto Rico that it will be installing a similar system in the Authority's toll highways throughout Puerto Rico. The system to be installed by the Authority is incompatible with the current system used by Autopistas de Puerto Rico. Autopistas de Puerto Rico has determined that it would be advisable to change its system to one that is compatible with that to be used by the Authority, and is planning for such change.

Management's Discussion of Historical Traffic and Net Toll Revenues

The following table summarizes for the period from 1998 through 2002 the historical passenger car toll rates, the annual traffic, gross toll revenues, operating and administrative expenses and net toll revenues for the bridge.

Historical Traffic and Net Toll Revenues
(Revenue and expense amounts in thousands)

Calendar Year	Passenger Car Toll (a)	Total Annual Traffic	Gross Toll Revenues (b)	Operating and Administrative Expenses	Net Toll Revenues
1998	$1.50	8,103,594	$11,994	$3,107	$8,887
1999	$1.50	9,004,658	$13,378	$3,550	$9,828
2000	$1.50	8,720,231	$12,973	$3,554	$9,419
2001	$1.50	8,370,672	$12,463	$3,731	$8,732
2002	$1.75	7,367,509	$12,660	$3,321	$9,339

(a) Passenger car toll rates (Class 2) account for approximately 99% of the usage of the bridge.
(b) Gross toll revenues take into consideration the revenues received from all vehicles using the bridge.

Traffic. Since reaching its peak in 1999, traffic using the bridge has declined in every year. The decline was particularly significant in 2002, when traffic fell by approximately 12%. Management believes that this decline has been caused mainly by the following factors:

Improvements to Baldorioty de Castro Highway in 2000 and 2001. The Baldorioty de Castro highway crosses the north exit of the bridge and is the main access route to Luis Muñoz Marín International Airport. A major improvement project on the Baldorioty de Castro highway, completed in phases, added additional traffic lanes in both directions and eliminated all traffic lights from the Airport to the Condado section of San Juan, west of the Airport, converting the highway into an expressway. The Baldorioty de Castro highway has a high volume of incoming rush hour traffic, consisting mainly of persons driving from several towns in the north and east of Puerto Rico towards San Juan, and particularly towards the Hato Rey business area. Prior to the completion of the improvements, the morning traffic congestion would normally start approximately three miles east of the bridge. The bridge represented an alternate less congested route. After the completion of the improvements, traffic congestion has been reduced, and now starts west of the bridge's entrance, reducing the attractiveness of the bridge as an alternate route. Management believes this was the principal reason for the decline in traffic during 2000 and 2001.

Increase in toll rate in 2002. The bridge's toll rates are substantially higher than those charged elsewhere in Puerto Rico. Management believes that the increase in the passenger car toll rate in January 2002 was one of the principal factors in the reduction of traffic experienced in 2002.

Reduction in air travel in 2001 and 2002. The September 11, 2001 attacks on the United States adversely affected tourism globally, and hence adversely affected air travel to Puerto Rico. Since a significant portion of the traffic using the bridge consists of persons going to and from Luis Muñoz Marín International Airport, this reduction in air travel directly and adversely affected the flow of traffic using the bridge during 2001 and 2002.

Operating and Administrative Expenses. Operating and administrative expenses increased in every year from 1998 ($3.1 million) to 2001 ($3.7 million), but decreased to $3.3 million in 2002. The principal reasons for the increase during the 1998-2001 period and the decrease in 2002 were the following:

Extraordinary maintenance on the bridge. Autopistas de Puerto Rico adheres to an aggressive and detailed maintenance program. As part of such maintenance program, in 2000, Autopistas de Puerto Rico discovered that the steel piles that support the bridge were being affected by their exposure to the saltwater in the San José lagoon and by the barnacles that attach to portions of the piles. To address this situation, in 2000, Autopistas transferred to the Renewal and Replacement Fund established under the Trust Agreement, from its gross toll revenues, the amount of $1,075,000, which was used to fund the required maintenance on the piles during 2001. Approximately $100,000 of the reserved amount was not required and was returned to the general fund during 2001 and 2002. A test conducted by an independent engineer in 2002 after completion of the maintenance project confirmed that the useful life of the steel piles is substantially in excess of the term of the Bonds. A similar test will be conducted on a yearly basis to monitor the condition of the beams.

Promotional expenses of marathon. In 1998 Autopistas de Puerto Rico, in its efforts to promote the bridge, organized an annual 10-kilometer marathon which takes place over the bridge and is known as "The World's Best 10K." The marathon was converted into an international event in 2001, and many internationally known professional runners have participated. As a result of the conversion of the race into an international event, the costs of the marathon (mostly promotional expenses) increased significantly in 2001. In 2002 and 2003, increases in advertising revenue from the race resulted in reductions in net promotional expenses. After the completion of the 2003 marathon, all marathon related activities are being transferred to a non-profit corporation and Autopistas de Puerto Rico will no longer be responsible for the financing of the event.

Net Toll Revenues. Net toll revenues reached their peak in 1999 ($9.8 million), when traffic reached its highest level, and declined by 4.2% in 2000 and by 7.3% in 2001, when they were $8.7 million, primarily as a result of a decline in traffic. In 2002, notwithstanding the reduction in traffic, net toll revenues increased by 7.0%, to $9.3 million, as a result of the increase in passenger car toll rates discussed above.

Projected Traffic and Net Toll Revenues

The following table summarizes Autopistas de Puerto Rico's projected passenger car tolls and annual traffic, gross toll revenues, current expenses and net toll revenues for the bridge on a calendar year basis. These projections were prepared by Autopistas de Puerto Rico based on the experience it has acquired operating the bridge and on certain assumptions and estimates, which are subject to significant uncertainties. Actual results will depend on a number of factors, many of which are beyond the control of Autopistas de Puerto Rico. Autopistas de Puerto Rico does not warrant or represent that such assumptions and estimates are correct or reasonable, or that the following projections will be met.

Projected Traffic and Net Toll Revenues
(Revenue and expense amounts in thousands)

Calendar Year	Passenger Car Toll	Total Annual Traffic	Gross Toll Revenues	Operating and Administrative Expenses	Net Toll Revenues
2003 (a)	$1.75	7,521,877	$13,163	$3,596	$ 9,567
2004	$1.75	7,770,994	$13,599	$3,868	$ 9,731
2005	$1.75	7,848,705	$13,735	$3,971	$ 9,764
2006	$2.00	7,691,731	$15,383	$4,077	$11,306
2007	$2.00	7,768,648	$15,537	$4,199	$11,338
2008	$2.00	7,846,334	$15,693	$4,327	$11,366

(a) Based on actual results for the six months ended on June 30, 2003 and an estimate for the remainder of the year.

Projected traffic for 2003 is essentially unchanged from 2002 due to the continuing effects of the weak economy, the aftermath of the September 11, 2001 attacks on the United States and the 2002 increase in toll rates. For calendar years 2004 and 2005, management projects increases in traffic of 3.3% and 1.0%, respectively, when it is expected that the negative effects of the 2002 toll increase will subside. For 2006, management projects a 2.0% reduction in traffic as a result of a projected $0.25 toll increase, the effects of which are expected to subside by 2007, for which year management projects a 1.0% increase in traffic. Current expenses are projected to increase by approximately one percent per year. However, for 2004 Current Expenses are projected to be less than for 2003 (by approximately $100,000) due to the fact that there were certain non-recurrent expenses in 2003 and to a forecasted reduction in certain other expenses.

Historical and Projected Debt Service Coverage

The following table shows, for each calendar year in the period from fiscal 1998 to 2002, the net toll revenues, the required debt service on the 1992 Bonds, and the coverage ratio (net toll revenues divided by required debt service).

Historical Debt Service Coverage
(dollar amounts in thousands)

Calendar Year	Net Toll Revenues	Principal (a)	Interest	Total Debt Service (a)	Coverage Ratio
1998	$8,887	$3,217	$7,310	$10,527	0.84 (a)
1999	$9,828	$0	$7,077	$7,077	1.39 (a)
2000	$9,419	$0	$7,088	$7,088	1.33 (a)
2001	$8,732	$0	$7,077	$7,077	1.23 (a)
2002	$9,339	$2,210	$7,865	$10,075	0.93 (b)

(a) The principal payments due on the 1992 Bonds in 2000 and 2001, and a portion of the payment due in 2002 (in the amount of $75,000) were made by Autopistas de Puerto Rico in 1998 with funds that resulted from the cost savings in the construction of the bridge. If these costs savings and the principal prepayments made in 1998 were disregarded, the coverage ratio for 1998 would have been 1.22, the coverage ratio for 1999 would have been 1.24, the coverage ratio for 2000 would have been 1.12, and the coverage ratio for 2001 would have been 0.91.

(b) To make the principal and interest payment due on the 1992 Bonds in 2002, the trustee of the 1992 Bonds had to use moneys in the Reserve Account for the 1992 Bonds to supplement net toll revenues. The amount withdrawn from that Reserve Account for such purposes was $438,548. This amount was replenished in January 2003.

Under the loan agreement between the Authority and Autopistas relating to the 1992 Bonds, Autopistas de Puerto Rico agreed that it would at all times fix, revise, charge and collect rates, rentals, fees, tolls and other charges for the use or services of the bridge sufficient to pay Current Expenses, to make the required deposits to the Sinking Fund and the Renewal and Replacement Fund established under the trust agreement relating to the 1992 Bonds, and to restore the Reserve Account established under such trust agreement to the required level. Autopistas de Puerto Rico also agreed that if in any fiscal year Net Revenues were not sufficient to satisfy this toll covenant, Autopistas de Puerto Rico would, before August 15 of the following fiscal year, employ a firm of traffic engineers to recommend revisions to the toll schedule and the annual budget to provide sufficient Net Revenues to pay debt service on the 1992 Bonds, make the required deposits to the Renewal and Replacement Fund established under the trust agreement relating to the 1992 Bonds and restore the Reserve Account established under such trust agreement to the required level. Autopistas de Puerto Rico's Net Revenues for the fiscal year ended June 30, 2003 were insufficient to satisfy the toll covenant. Therefore, Autopistas de Puerto Rico was required to employ a firm of traffic engineers to make the recommendations described above. In view of the probable refunding of the 1992 Bonds with the proceeds from the issuance of the Bonds, and the related restructuring of the debt service schedule, Autopistas de Puerto Rico has determined not to retain such firm of traffic engineers. In the event that the Bonds are sold as contemplated, the new Loan Agreement will have an identical requirement regarding the setting of tolls and the hiring by Autopistas de Puerto Rico of a firm of traffic engineers. The earliest time by which such traffic engineers would need to be retained by Autopistas de Puerto Rico would be August 15, 2004.

Projected Debt Service Coverage
(dollar amounts in thousands)

Calendar Year	Projected Net Toll Revenues	Principal	Interest	Total Debt Service	Debt Service Coverage
2003 (a)	$9,567	$3,550	$5,560	$9,110	1.05 (b)
2004	$9,731	$0	$7,755	$7,755	1.25
2005	$9,764	$0	$7,755	$7,755	1.26
2006	$11,306	$0	$7,755	$7,755	1.46
2007	$11,338	$0	$7,755	$7,755	1.46
2008	$11,366	$525	$7,745	$8,270	1.37

(a) Based on actual results for the six months ended on June 30, 2003 (or, in the case of debt service on the 1992 Bonds, for the nine months ended September 30, 2003) and an estimate for the remainder of the year.

(b) Autopistas de Puerto Rico's revenues were insufficient to make the July 1, 2003 debt service payment on the 1992 Bonds. As a result, the trustee of the 1992 Bonds was required to withdraw approximately $3.9 million from the reserve account for the 1992 Bonds. This amount has not been replenished. After the issuance of the Bonds and the concurrent redemption or defeasance of the 1992 Bonds, Autopistas de Puerto Rico expects to have sufficient revenues to pay debt service on the Bonds during the remainder of 2003.

For the above table, Autopistas de Puerto Rico has taken into consideration its projected operating results, as well as the actual debt service on the Bonds.

Litigation

In 1991, Autopistas de Puerto Rico was awarded the bid for the concession for the final design, construction and operation of proposed Highway 66 (now known as the Eastern Corridor). In March 1997, Autopistas de Puerto Rico filed a suit against the Authority alleging that the Authority improperly canceled negotiations for the execution of the concession agreement for such project, and asking for damages in excess of $200 million. All costs incurred in this litigation are currently being paid by the partners of Autopistas de Puerto Rico, and such partners have agreed to continue to pay such costs and to reimburse Autopistas de Puerto Rico for any such costs that may in the future be paid by Autopistas de Puerto Rico. Any amount recovered in the litigation will be paid to the partners. The Bondholders will not be entitled to any such proceeds nor will such proceeds be pledged for the payment of the Bonds. The partners of Autopistas de Puerto Rico have agreed to amend the partnership agreement of Autopistas de Puerto Rico to limit the operations of Autopistas de Puerto Rico to the operation and management of the bridge.

THE AUTHORITY

General Description

The Authority was created in 1965 to assume responsibility for the construction of roads and highways and related transportation facilities in Puerto Rico. The Authority is a separate entity from the Department for purposes of financing and constructing Puerto Rico's transportation system, but since 1971, the Secretary of Transportation and Public Works (the "Secretary"), appointed by the Governor, has overseen the management of the Authority and exercises the powers of the Governing Board of the Authority.

The Authority has adopted a long-term master plan for development of the transportation infrastructure necessary to foster and sustain Puerto Rico's economic growth and a five-year Construction Improvement Program to implement that plan. (The current Construction Improvement Program covers the period from fiscal year 2003, which ended on June 30, 2003, through fiscal year 2007). As required by the 1968 Bond Resolution and the 1998 Bond Resolution, the Authority supplements the master plan as necessary and annually updates the five-year Construction Improvement Program. (As of the date of this Official Statement, the Authority had not updated the five-year Construction Improvement Program to include fiscal year 2008. Therefore, information about the Authority's current Construction Improvement Program includes the four fiscal years from 2004 through 2007.)

The Authority Act gives the Authority broad powers to carry out its responsibilities in accordance with the Department's overall transportation policies. These powers include, among other things, the complete control and supervision of any highway and other transportation facilities owned, operated or constructed by it; the ability to set tolls and other charges for the use of the highway and other transportation facilities; and the power to issue bonds, notes or other obligations. The Authority plans and manages the construction of all major projects relating to Puerto Rico's transportation system, undertakes major repairs and maintains the toll highways. The Department maintains Puerto Rico's highway system, other than the toll highways, and undertakes construction of smaller projects. The Authority will also be responsible for the maintenance and operation of Tren Urbano and, in connection therewith, has entered into a five-year agreement with a private company for such operation and maintenance.

The Authority made a revision of the highway classification system during fiscal year 1999. The new functional classification implemented includes the following categories: primary, primary urban, secondary, and tertiary.

As of December 31, 2002, the Commonwealth had 4,589 miles of highways and 10,592 miles of local streets and roads. The highway system comprises 379 miles of primary system highways, which are the more important inter-regional traffic routes and include the Luis A. Ferré (PR-52), the De Diego (PR-22), PR-53 and Martínez Nadal (PR-20) toll highways, 229 miles of primary urban system highways, 954 miles of secondary system highways serving the needs of intra-regional traffic and 3,027 miles of tertiary highways and roads and public housing development roads serving local, intra-regional traffic.

In August 1990, the Authority Act was amended to empower the Authority to enter into concession agreements, subject to approval by a government board of adjudications, with private parties for the design, construction, operation and maintenance of highway projects. Such projects, to be owned by the Authority and the Commonwealth, could be financed by such private parties by the imposition of tolls or otherwise. To date, the only highway facility subject to a private concession agreement is the bridge.

In March 1991, the Authority Act was further amended to authorize the Authority to work with and implement policies established by the Secretary for the purpose of developing a multi-modal transportation system for the Commonwealth to alleviate traffic congestion. In line with this expanded power, the Authority undertook the planning, design, construction and operation of Tren Urbano.

Organization

To carry out its responsibilities to develop the Commonwealth's transportation system, the Authority is organized into the Executive Director's Office, which provides overall management of the Authority, and the offices of three Deputy Executive Directors, each of whom reports to the Executive Director. The Deputy Executive Director for Infrastructure oversees the Planning Area, which is responsible for the development of the Construction Improvement Program as well as long-term planning; the Design Area, which is responsible for designing and supervising the design by consultants of Authority projects; the Property Acquisition Area, which acquires necessary easements and rights-of-way for Authority projects; and the Construction Area, which supervises and inspects the construction work performed by the Authority's contractors. The Deputy Executive Director for Administration and Finance oversees the Finance Area, which is responsible for the financial affairs of the Authority, including budgetary services; the Administration Area, which provides administrative support to the Authority; and the Information Technologies Area, which oversees computer operations. The Deputy Executive Director for Human Resources oversees personnel services and human resources. The Deputy Executive Director for Traffic and Toll Operations oversees all aspects of the operation, maintenance, and repair of the Martínez Nadal (PR-20), the Luis A. Ferré (PR-52), De Diego (PR-22), and PR-53 toll highways. Most construction, renovation and improvement of highway facilities is performed by private contractors selected through a public bidding process mandated by the Authority Act. The Authority plans, inspects and supervises such work.

Management

The Secretary of Transportation and Public Works, who has ultimate managerial power over the Authority, is Dr. Fernando E. Fagundo. Dr. Fagundo was appointed Secretary by the Governor of Puerto Rico on December 19, 2002. Prior to his appointment as Secretary, Mr. Fagundo was the Executive Director of the Authority. Prior to joining the Authority, Dr. Fagundo was Engineering Director of the engineering consulting firm of CSA Group and a professor of structural engineering at the University of Florida in Gainesville, Florida. Dr. Fagundo received a B.S. degree in civil engineering as well as master's degree in civil engineering from the University of Puerto Rico and a Ph.D. in structural engineering from Cornell University.

The Executive Director of the Authority, who oversees the Authority's operations, is Dr. Jack T. Allison. Dr. Allison was appointed Executive Director of the Authority on December 19, 2002. Prior to his appointment as Executive Director, Dr. Allison was the Authority's Deputy Executive Director. He also served as project manager of the Tren Urbano project and as President of the Bids Award Board since February of 2001. Dr. Allison holds a doctorate in industrial engineering from the Texas A&M University, and a bachelor's degree from the University of Puerto Rico (Mayaguez campus). He has served on the faculty of the University of Puerto Rico for 26 years, including four years as the University's dean of engineering. Mr. Allison has aso worked as a consultant in the private sector and has written a number of scientific papers.

The Authority retains the firm of Roy Jorgensen Associates, Inc. as independent traffic engineers to carry out certain responsibilities under the 1968 Bond Resolution and the 1998 Bond Resolution. These include an annual evaluation of the Authority's master plan and Construction Improvement Program for capital improvements and the maintenance activities of the Department and the Authority with respect to Puerto Rico's highway system. The Authority employs Ernst & Young LLP as independent accountants responsible for auditing the Authority's books and accounts.

The administrative offices of the Authority are in the Minillas Government Center, De Diego Avenue, Stop 22, San Juan, Puerto Rico. The mailing address is P.O. Box 42007, San Juan, Puerto Rico 00940-2007. The telephone number is (787) 721-8787.

Employee Relations

As of June 30, 2003, the Authority employed 3,493 persons, of whom 198 were management officials, 2,266 were professionals and office workers, and 1,029 were laborers. Of the total number of employees, 1,920 were regular permanent employees and 1,573 were temporary employees. The Authority believes that relations with its employees are good.

In 1987, the Puerto Rico Supreme Court classified the Authority as a "private employer" for purposes of the Puerto Rico labor law provisions, permitting the Authority's employees to engage in collective bargaining. An independent union, representing approximately 953 of the Authority's 1,920 regular employees, has been certified for collective bargaining purposes. The current collective bargaining agreement expires on June 30, 2005.

Transportation System Revenues and Expenditures

The Authority informally classifies its revenues (other than the fare box revenues of Tren Urbano) as either 1998 Bond Resolution Revenues or 1968 Bond Resolution Revenues, depending on whether such revenues are pledged to the payment of bonds issued under the 1998 Bond Resolution or under the 1968 Bond Resolution. The 1998 Bond Resolution Revenues consist of (i) the total amount of excise taxes, up to $120 million per fiscal year, imposed by the Commonwealth on certain petroleum products, (ii) the tolls and other charges imposed by the Authority for the use of toll facilities, other than toll facilities financed with bonds issued under the 1968 Bond Resolution, (iii) certain investment earnings, and (iv) until the 1968 Bond Resolution is repealed and all bonds issued thereunder are paid or defeased, excess 1968 Bond Resolution Revenues not required to pay bonds issued under the 1968 Bond Resolution, and after such repeal, all 1968 Bond Resolution Revenues. The 1968 Bond Resolution Revenues consist of (i) all current gasoline taxes, a portion of the current gas oil and diesel oil taxes, and a portion of the current motor vehicle license fees allocated to the Authority by the Commonwealth government, (ii) all toll revenues of the traffic facilities financed with bonds issued under the 1968 Bond Resolution, and (iii) certain investment earnings.

Various factors affect the level of 1998 Bond Resolution Revenues and 1968 Bond Resolution Revenues available to the Authority, including, in particular, general economic conditions, the supply and cost of crude oil and gasoline and other oil-derived fuels. These factors have an impact on motor vehicle usage and fuel consumption and are discussed further below. In addition, decisions by the Authority as to the types and level of charges it may impose for the use of its Transportation Facilities will affect the amount of moneys available to the Authority for its authorized purposes.

Sources of 1998 Bond Resolution Revenues

Petroleum Products Tax. On July 16, 1997, the P.R. Internal Revenue Code of 1994 was amended by Act No. 34 to allocate to the Authority, beginning on July 16, 1997, the total amount of excise taxes, up to $120 million per fiscal year, imposed by the Commonwealth on petroleum products (which includes crude oil, unfinished oil and derivative products.) The tax is imposed on any petroleum product introduced, consumed, sold or transferred in the Commonwealth. The petroleum products tax rate varies on a monthly basis according to an index price of crude oil determined by the Department of the Treasury (based on the market price of crude oil quoted in certain markets specified in the P.R. Internal Revenue Code), as follows:

Index Price of Crude Oil (per barrel)	Rate of Tax ($ per barrel)
$0.01 to $16.00	$6.00
$16.01 to $24.00	$5.00
$24.01 to $28.00	$4.00
$28.01 and higher	$3.00

Petroleum products taxes are collected by the Department of the Treasury. All taxes collected, up to $11 million per month, are deposited in a special fund in favor of the Authority (the "Special Fund) and transferred on a monthly basis to the Authority during the first ten months of the fiscal year. All taxes collected during the last two months of each fiscal year are also transferred, subject to the $120 million annual limit. If the total amount of the taxes collected by the Department of the Treasury and transferred to the Authority in any month is less than $11 million, such deficiency must be made up by the

Department of the Treasury with the amount of such taxes in excess of $11 million which were collected in any prior month or which may be collected in any subsequent month of the same fiscal year.

The following table presents the number of barrels of crude oil on which the petroleum products tax was imposed, the average annual tax rate (per barrel) and the total taxes collected by the Department of the Treasury in each fiscal year since fiscal 1987 (the first full fiscal year in which the tax was collected).

COLLECTIONS OF PETROLEUM PRODUCTS TAX

Fiscal Year Ended June 30,	Number of Barrels Taxed (millions of barrels)	Average Annual Tax Rate* ($ per barrel)	Total Tax Collected ($ million)
1987	23.67	$4.91	$119.90
1988	22.13	4.41	98.54
1989	25.11	5.00	128.23
1990	22.74	4.91	112.79
1991	26.80	4.16	112.17
1992	24.07	5.00	120.37
1993	26.09	5.00	130.47
1994	28.27	5.42	152.91
1995	27.90	5.00	139.59
1996	31.55	5.00	157.74
1997	32.29	4.92	158.74
1998	32.20	5.33	171.64
1999	31.70	6.00	190.10
2000	32.20	4.50	144.80
2001	34.30	3.50	121.90
2002	34.40	4.42	158.60
2003 (p)	37.98	3.50	132.93

p - preliminary

*The average annual tax rate is the arithmetic average of the monthly tax rate determined by the Department of the Treasury during such fiscal year. The total tax collected is the actual amount of tax collected during the fiscal year. Due to the monthly fluctuations in the tax rate, the total tax collected is different from the result produced from multiplying the number of barrels taxed by the average annual tax rate.

Source: Department of the Treasury and the Authority.

The P.R. Internal Revenue Code authorizes the Authority to pledge the entire amount of petroleum products tax allocated to the Authority (not to exceed $120 million in any fiscal year) to the payment of the principal of and interest on bonds and other obligations of the Authority or for any other lawful purpose of the Authority. The Authority has pledged the petroleum products tax receipts to the holders of the Transportation Revenue Bonds, but such pledge is subject to the Constitution of Puerto Rico, which permits the Commonwealth to apply such tax receipts to the payment of certain Commonwealth debts to the extent other Commonwealth moneys are insufficient therefor. The Commonwealth has agreed and committed in the P.R. Internal Revenue Code not to eliminate or reduce the rates of excise tax on petroleum products in effect on July 16, 1997 (set forth above) and the amount of such taxes allocated to the Authority until all obligations of the Authority secured by the pledge thereof, together with the interest thereon, are fully paid. Any petroleum product tax collected in excess of $120 million per fiscal year is not required to be allocated to the Authority and is not pledged by the Authority to the holders of Transportation Revenue Bonds.

Tolls and Other Charges. The Authority is authorized to impose tolls and other charges on its Transportation Facilities. Until the 1968 Bond Resolution is repealed and canceled, all Existing Toll Facilities Revenues will constitute 1968 Bond Resolution Revenues and are pledged to the payment of the Transportation Revenue Bonds only to the extent they become Excess 1968 Bond Resolution Revenues. Upon the repeal and cancellation of the 1968 Bond Resolution, the Existing Toll Facilities Revenues will constitute 1998 Bond Resolution Revenues and will be pledged to the payment of the Transportation Revenue Bonds.

The Authority is not pledging the fare box revenues of Tren Urbano to the payment of the bonds issued under the 1998 Bond Resolution or the 1968 Bond Resolution.

The Authority Act grants to the Authority plenary power to fix, impose, alter and collect tolls and other reasonable charges for the use of the Transportation Facilities operated by the Authority or for services rendered thereby. The Authority is obligated to take into account in setting or changing such tolls and other charges such factors as will promote the use of the Transportation Facilities in the broadest and most varied manner economically possible. Prior to fixing or altering such tolls or other charges, the Authority must hold a public hearing to receive comments with respect thereto.

Excess 1968 Bond Resolution Revenues. Before the repeal and cancellation of the 1968 Bond Resolution, the Excess 1968 Bond Resolution Revenues (which consist of all unencumbered 1968 Bond Resolution Revenues remaining after payment of debt service and required reserves on the outstanding Highway Revenue Bonds issued under the 1968 Bond Resolution) are included as 1998 Bond Resolution Revenues. After the payment or defeasance of all Highway Revenue Bonds issued under the 1968 Bond Resolution and the repeal and cancellation of the 1968 Bond Resolution, all 1968 Bond Resolution Revenues will become 1998 Bond Resolution Revenues. The sources of the 1968 Bond Resolution Revenues are discussed below.

Investment Earnings. Moneys held for the credit of the 1998 Senior Bond Service Account, the 1998 Senior Bond Redemption Account, the 1998 Subordinated Bond Service Account and the 1998 Subordinated Bond Redemption Account shall, as nearly as may be practicable, be continuously invested and reinvested at the written direction of the Authority in Government Obligations. Moneys held for the credit of the 1998 Senior Bond Reserve Account and each account in the 1998 Subordinated Bond Reserve Fund shall, as nearly as may be practicable, be continuously invested and reinvested at the written direction of the Authority in Investment Obligations. Such Government Obligations and Investment Obligations shall mature, or be subject to redemption, at the option of the holder, not later than the respective dates when moneys held for the credit of such Accounts will be required for the purposes intended; provided, however, that the amounts on deposit in the 1998 Senior Bond Reserve Account and each account in the 1998 Subordinated Bond Reserve Fund shall be invested in Investment Obligations which mature not later than the final maturity date of any Senior Transportation Revenue Bonds outstanding. Income from investments of moneys held for the credit of the 1998 Construction Fund is not considered 1998 Bond Resolution Revenues under the 1998 Bond Resolution.

Sources of 1968 Bond Resolution Revenues

General. The major sources of the Authority's 1968 Bond Resolution Revenues are the gasoline tax and the gas oil and diesel oil tax allocated to the Authority pursuant to the P.R. Internal Revenue Code, the motor vehicle license fee allocated to the Authority pursuant to Act No. 9 of the Legislature of Puerto Rico, approved August 12, 1982 ("Act No. 9"), and the toll charges on the Authority's existing toll highways, including tolls collected on any extension thereof however financed. In fiscal 2003, preliminary 1968 Bond Resolution Revenues were derived 47% from gasoline taxes, 37% from toll charges, 9% from motor vehicle license fees, 4% from gas oil and diesel oil taxes and 3% from investment earnings.

Gasoline and Gas Oil Taxes. The P.R. Internal Revenue Code currently imposes a $0.16 per gallon tax on gasoline and an $0.08 per gallon tax on gas oil and diesel oil, provides for the deposit of the entire $0.16 tax on gasoline and $0.04 of the tax on gas oil and diesel oil in the Special Fund, and authorizes the Authority to pledge such amounts to the payment of the principal of and interest on its bonds and other obligations or for any other lawful purpose of the Authority. The Authority has pledged such tax receipts to the holders of the Highway Revenue Bonds issued under the 1968 Bond Resolution, but such pledge is subject to the Constitution of Puerto Rico, which permits the Commonwealth to apply such taxes to payment of certain Commonwealth debts to the extent other Commonwealth moneys are insufficient therefor. The Authority has also pledged such tax receipts to the holders of the Transportation Revenue Bonds, subject to the prior application of such tax receipts to the payment of debt service on Highway Revenue Bonds issued under the 1968 Bond Resolution and the maintenance of a reserve therefor. The Commonwealth has agreed and committed in the P.R. Internal Revenue Code that the tax on gasoline will not be reduced below $0.16 per gallon and the tax on gas oil and diesel oil will not be reduced below $0.04 per gallon and that the amount of such taxes allocated to the Authority will not be reduced until all obligations of the Authority secured by the pledge thereof, together with the interest thereon, are fully paid. Gasoline taxes and gas oil and diesel oil taxes which may be levied or collected from time to time other than the amounts of the taxes and fees described in this paragraph are not required to be allocated to the Authority or pledged by the Authority to the holders of the Highway Revenue Bonds issued under the 1968 Bond Resolution or the Transportation Revenue Bonds issued under the 1998 Bond Resolution.

Gasoline taxes, gas oil and diesel oil taxes and motor vehicle license fees are collected by the Department of the Treasury. The portions of such taxes and fees allocated to the Authority are transferred to the Authority at least monthly as such revenues are collected.

The Department of the Treasury periodically conducts an audit of gasoline, gas, oil, diesel oil and petroleum products importers, producers and wholesalers to verify amounts reported and paid. In addition to such audit procedures, the Authority reviews monthly the records of the Department of the Treasury for consistency with monthly reports provided to the Authority by distributors of oil, gasoline and petroleum products.

Motor Vehicle License Fees. Under the Vehicle and Traffic Law (Act No. 141 of the Legislature of Puerto Rico, approved July 20, 1960, as amended), the Commonwealth imposes annual license fees on various classes of motor vehicles. The current license fees range from $25 to $40 for passenger cars and vary for other vehicles. Act No. 9 increased the per vehicle annual motor vehicle license fees by $15 and provided for the deposit of the proceeds of the $15 increase in the Special Fund for the Authority, which may pledge such proceeds to the payment of debt service on obligations of the Authority or any other legal purpose of the Authority. As with the gasoline and gas and diesel oil taxes described above, the Authority has pledged such license fees to the holders of the Highway Revenue Bonds issued under the 1968 Bond Resolution and, subject to the prior application of such fees to the payment of debt service on Highway Revenue Bonds issued under the 1968 Bond Resolution and the maintenance of a reserve therefor, the Authority has also pledged such fees to the holders of the Transportation Revenue Bonds issued under the 1998 Bond Resolution. Under Act No. 9, the Commonwealth has agreed and pledged that the license fees allocated to the Authority, as described herein, will not be reduced so long as such proceeds remain pledged to the payment of such obligations.

Tolls on Existing Toll Highways. Until the 1968 Bond Resolution is repealed and canceled, all tolls collected on the Authority's existing toll highways, including tolls collected on any extension thereof financed with Transportation Revenue Bonds (the Existing Toll Facilities Revenues), will constitute 1968 Bond Resolution Revenues. As such, they will be pledged to the payment of the Highway Revenue Bonds issued under the 1968 Bond Resolution and, subject to the prior application of such toll revenues to the payment of debt service on the Highway Revenue Bonds issued under the 1968 Bond Resolution and the maintenance of a reserve therefor, will be additionally pledged to the payment of Transportation Revenue Bonds.

Under the 1968 Bond Resolution, the Authority has covenanted not to reduce or eliminate any tolls and other charges for the use of Traffic Facilities if such tolls and other charges have been taken into account in the calculation of 1968 Bond Resolution Revenues for purposes of satisfying the tests for the issuance of additional bonds under the 1968 Bond Resolution and if the 1968 Bond Resolution Revenues for any 12 consecutive months out of the immediately preceding 15 months prior to the proposed adjustment, after adjusting such revenues for the proposed decrease in tolls, would have been less than 150% of the maximum Principal and Interest Requirements for any fiscal year thereafter for all Highway Revenue Bonds issued under the 1968 Bond Resolution then outstanding. Such tolls and other charges have been taken into account for satisfying such additional bonds' test under the 1968 Bond Resolution.

The Authority has also covenanted, under the 1998 Bond Resolution, that it will not reduce or eliminate any tolls or other charges imposed for the use of its Toll Facilities unless the 1998 Bond Resolution Revenues received by the Authority for any 12 consecutive months out of the 15 months immediately prior to such reduction (adjusted to give effect for such entire 12 months to moneys allocated to and pledged by the Authority to the payment of the Transportation Revenue Bonds under legislation enacted and toll rate changes made effective on or prior to the effective date of any such toll reduction, and tolls from Toll Facilities which have begun operations or been removed from operation during such 12 months) is at least equal to 150% and 100% of the maximum Principal and Interest Requirements for any fiscal year thereafter for all Senior Transportation Revenue Bonds then outstanding and for all Transportation Revenue Bonds then outstanding, respectively.

Tolls are currently imposed on the Luis A. Ferré toll highway (PR-52), which extends 67 miles from San Juan to Ponce, the De Diego toll highway (PR-22), which extends 52 miles from San Juan to Arecibo, and PR-53, which will connect Fajardo and Salinas upon its completion, a distance of 57 miles. Approximately 36 miles of PR-53 have been completed. The Luis A. Ferré toll highway has four toll stations in the northerly direction and three toll stations in the southerly direction, and the total minimum toll for a vehicle making a round-trip between San Juan and Ponce is currently $3.65. An extension of the Luis A. Ferré toll highway bypassing Ponce includes a toll station with a minimum toll of $0.50. The De Diego toll highway has six toll stations, and the total minimum toll for a vehicle passing through all six stations is $2.40. PR-53 currently has five toll stations with a total minimum toll of $1.55. The Martínez Nadal toll highway (PR-20), which was inaugurated in July 2000, extends 7.7 miles, connects PR-2 with PR-1 at the La Muda sector near Caguas and has one toll station with a minimum toll of $0.50. The Authority expects to inaugurate the first toll stations of the PR-5 toll highway (which connects PR-2 to PR-199, Las Cumbres) in fiscal 2004 and the Eastern Corridor toll highway (described below) during fiscal 2006, with minimum tolls of $0.50 and $1.00, respectively.

Currently, the toll collection and data processing equipment in place at existing toll stations of the Authority is furnished and maintained by a private entity pursuant to a lease contract that expires on December 31, 2004. This lease contract provides for the furnishing, installation and maintenance of an electronic toll collection and data processing system for both its existing toll stations and all new toll stations. The system has certain security features which include, among others, a device for the collection of tolls without manual operation, a device installed in each toll lane to verify the classification of a vehicle passing through the lane, computer systems which receive, store and process toll data from the toll plazas and the toll lanes for verification, and electronic gates located as a barrier across each toll station. This toll highway security system has virtually eliminated uncollected toll highway revenues.

The Authority is currently implementing a highway-speed electronic toll collection (ETC) system. The new system is being implemented and financed by a private sector firm. The new technology, which employs radio transmissions from transponder-equipped vehicles to plaza-mounted antennas and video systems for violation enforcement, is intended to significantly increase vehicle throughput at toll plazas without costly infrastructure expansion, which should result in reduced travel time and increased convenience for customers. Direct benefits to the Authority include reduced cost of toll collection, enhanced auditing capabilities, additional payment option offering and receipt of toll payments in advance. The ETC project will be operational on the Buchanan, Toa Baja and Vega Alta toll plazas by December 2003, and on the Caguas Norte, Caguas Sur and Salinas toll plazas by March 2004. After an initial three-year period during which the ETC system will be operated by a private firm, the Authority has the option of operating the ETC system directly.

The Authority's toll highway revenues have always exceeded its toll highway operation and maintenance expenses. Preliminary toll highway revenues and operation and maintenance expenses for fiscal 2003 were $135.4 million and $38.9 million, respectively, compared to $130.5 million and $37.3 million, respectively, for fiscal 2002.

Investment Earnings. Moneys held for the credit of the 1968 Bond Service Account and the 1968 Redemption Account shall, as nearly as may be practicable, be continuously invested and reinvested at the written direction of the Authority in Government Obligations. Moneys held for the credit of the 1968 Reserve Account shall, as nearly as may be practicable, be continuously invested and reinvested at the written direction of the Authority in Investment Obligations. Such Government Obligations and Investment Obligations shall mature, or be subject to redemption, at the option of the holder, not later than the respective dates when moneys held for the credit of such Accounts will be required for the purposes intended; provided, however, that the amounts on deposit in the 1968 Reserve Account shall be invested in Investment Obligations which mature not later than the final maturity date of any Highway Revenue Bonds issued under the 1968 Bond Resolution outstanding. Income from investments of moneys held for the credit of the 1968 Construction Fund is not considered 1968 Bond Resolution Revenues under the 1968 Bond Resolution.

Historical Revenues

The following table presents the Authority's revenues, debt service and debt service coverage ratio for each of the five fiscal years ended June 30, 1999 to June 30, 2003. Under the 1998 Resolution, the Excess 1968 Resolution Revenues representing unencumbered funds in the 1968 Construction Fund must be deposited monthly in the 1998 Revenue Fund and are available for the payment of debt service on Transportation Revenue Bonds, for required deposits to the reserve accounts established thereunder and for other authorized purposes under the 1998 Resolution.

HISTORICAL REVENUES

	1999	2000	2001	2002	2003*
1968 Resolution Revenues:					
Gasoline taxes (1)	$168,397	$176,737	$169,782	$174,885	$173,823
Gas oil and diesel oil taxes (2)	20,711	22,520	20,491	18,922	15,543
Subtotal	**$189,108**	**$199,257**	**$190,273**	**$193,807**	**$189,366**
Motor vehicle license fees	28,089	28,996	29,772	30,693	31,920
Subtotal	**$217,197**	**$228,253**	**$220,045**	**$224,500**	**$221,286**
Toll receipts	116,030	120,524	125,695	130,498	135,352
Investment income	14,314	16,852	10,260	10,168	10,300
Total 1968 Resolution Revenues	**$347,541**	**$365,629**	**$356,000**	**$365,166**	**$366,938**
Debt Service on Highway Revenue Bonds	$180,787	$181,988	$181,727	$177,400	$94,977
Excess 1968 Resolution Revenues	$166,754	$183,641	$174,273	$187,766	$271,961
1998 Resolution Revenues:					
Petroleum Products Tax	$120,000	$120,000	$120,000	$120,000	$120,000
Excess 1968 Resolution Revenues	166,754	183,641	174,273	187,766	271,961
Investment income	3,840	5,069	7,456	11,198	10,400
Total 1998 Resolution Revenues	**$290,594**	**$308,710**	**$301,729**	**$318,964**	**$402,361**
Debt service on Senior Transportation Revenue Bonds	$64,832	$64,410	$102,194	$116,150	135,068
Senior coverage ratio (3)	4.48	4.79	2.95	2.75	2.98
Total 1998 Resolution Revenues available to pay Subordinated Transportation Revenue Bonds (4)	$225,762	$244,300	$199,535	$202,814	$267,293
Debt Service on Subordinated Transportation Revenue Bonds	$3,426	$3,795	$3,795	$3,795	$6,655
Senior and Subordinated coverage ratio (5)	4.26	4.50	2.85	2.66	2.84
Aggregate Revenues (6)	$471,381	$490,698	$483,456	$496,364	$497,338
Aggregate Debt Service (7)	$249,045	$250,193	$303,171	$314,565	$253,921
Aggregate Coverage Ratio (8)	1.89	1.96	1.59	1.58	1.96

* Preliminary, unaudited

(1) Excludes $10.2 million, $10.3 million and $2.7 million for fiscal years 1999, 2000 and 2001, respectively, in delinquent taxes owed by one taxpayer.

(2) Excludes $1.4 million, $1.5 million and $28,000 for fiscal years 1999, 2000 and 2001, respectively, in delinquent taxes owed by one taxpayer.

(3) Equals ratio of Total 1998 Resolution Revenues to debt service on the Senior Transportation Revenue Bonds for the fiscal year in question.

(4) Represents Total 1998 Resolution Revenues less debt service on Senior Transportation Revenue Bonds.

(5) Equals ratio of Total 1998 Resolution Revenues to debt service on the Senior Transportation Revenue Bonds and the Subordinated Transportation Revenue Bonds for the fiscal year in question.

(6) Represents the sum of Total 1968 Resolution Revenues and Total 1998 Resolution Revenues (less Excess 1968 Resolution Revenues) for the fiscal year in question.

(7) Represents the sum of debt service on the Highway Revenue Bonds, the Transportation Revenue Bonds and debt service on a $300 million loan from the federal government (repaid in full in April 2003) incurred to finance a portion of the costs of construction of Tren Urbano.

(8) Aggregate Revenues divided by Aggregate Debt Service.

The Authority's 1968 Resolution Revenues rose at a compound annual rate of 1.3% during the period from fiscal 1999 through fiscal 2003.

Gasoline taxes, which accounted for approximately 47% of 1968 Bond Resolution Revenues for fiscal 2003, remained stable during this five-year period. The amount of gasoline taxes collected during the 1999, 2000 and 2001 fiscal years varied significantly from the amount projected as a result of delinquencies by one gasoline wholesaler which filed for bankruptcy. This wholesaler currently owes the Puerto Rico Treasury Department approximately $8.9 million in gasoline and gas oil and diesel taxes, and approximately $170 million in other taxes. The Treasury Department expects to collect only a fraction of the amount owed. Therefore, this delinquent amount has not been included in the Authority's revenue projections. The Authority does not expect that the bankruptcy of this wholesaler will have any material adverse impact on aggregate gasoline and gas oil and diesel oil consumption, and therefore on future revenues of the Authority.

Gas oil and diesel oil tax receipts, which accounted for approximately 4.2% of 1968 Bond Resolution Revenues for fiscal 2003, increased from fiscal 1999 to fiscal 2000, and decreased from fiscal 2000 through fiscal 2003. This decrease, which is expected to continue until the end of fiscal 2005, resulted primarily from the Puerto Rico's Electric Power Authority's decision to increase the amount of electricity purchased from private co-generation plants using natural gas and coal as fuels.

Toll receipts rose at a compound annual rate of 3.9% during the period from fiscal 1999 through fiscal 2003, increasing in every year during the period. Toll receipts have grown as a percentage of total 1968 Bond Resolution Revenues over the last five fiscal years, from 33% in 1999 to 37% in fiscal 2003. This increase corresponded principally to the growing number of vehicles using toll roads, and the expansion of the toll highway network.

Motor vehicle license fees accounted for approximately 8.7% of annual 1968 Bond Resolution Revenues for fiscal 2003. From fiscal 1999 to fiscal 2003, fee collections rose at a compound annual rate of 3.2%. The increase is attributable to an increase in the number of licensed taxable vehicles, from approximately 1.9 million vehicles in fiscal 1999 to approximately 2.1 million vehicles in fiscal 2003.

The revenues allocated to the Authority from the petroleum products tax are capped at $120 million in each fiscal year. The Authority received this amount each year during the five fiscal years ending on June 30, 2003.

The foregoing discussion of past revenue growth is not intended to be predictive of future revenue growth. In particular, the Authority is anticipating that two new toll facilities, PR-5 and the Eastern Corridor (discussed below), will be coming into service prior to fiscal 2007. Economic conditions in Puerto Rico, as well as the price of oil and petroleum products and the levels of automobile registration and usage, will affect the Authority's revenues in the future.

Projected 1968 Bond Resolution Revenues and 1998 Bond Resolution Revenues

The following table presents the Authority's estimates of 1968 Bond Resolution Revenues for each of the four fiscal years ending June 30, 2004 to June 30, 2007 and its estimates of 1998 Bond Resolution Revenues expected to be available for the payment of debt service on its Transportation Revenue Bonds, including Transportation Revenues Bonds expected to be issued during this period, together with debt service coverage for each of the four fiscal years ending June 30, 2004 to 2007, inclusive. The projected 1968 Bond Resolution Revenues and 1998 Bond Resolution Revenues shown below are based on tax rates and allocations to the Authority now in effect and debt service on Highway Revenue Bonds issued under the 1968 Bond Resolution currently outstanding. Such projections are subject to periodic review and may be adjusted to reflect such factors as changes in general economic conditions, in the demand for gasoline and other petroleum products and in the levels of automobile registration and usage. The projections are based on assumptions which the Authority believes to be reasonable; however, there is no assurance that the projections will prove to be accurate.

PROJECTED REVENUES AND DEBT SERVICE COVERAGE [1]

	Fiscal year ending June 30,			
	2004	**2005**	**2006**	**2007**
1968 Resolution Revenues:				
Gasoline taxes	$185,100	$190,320	$195,200	$199,780
Gas oil and diesel oil taxes	13,540	15,400	19,230	19,420
Subtotal	198,640	205,720	214,430	219,200
Motor vehicle license fees	33,540	34,640	35,780	36,960
Subtotal	232,180	240,360	250,210	256,160
Toll receipts	141,150	146,750	152,410	158,130
Investment income	14,200	12,900	10,200	10,300
Total 1968 Resolution Revenues	**$387,530**	**$400,010**	**$412,820**	**$424,590**
Debt Service on Highway Revenue Bonds	$120,723	$153,925	$146,832	$147,116
Excess 1968 Resolution Revenues	$266,807	$246,085	$265,988	$277,474
1998 Resolution Revenues:				
Petroleum Products Tax	$120,000	$120,000	$120,000	$120,000
Eastern Corridor Toll Receipts	-	-	25,800	26,800
Excess 1998 Resolution Revenues	266,807	246,085	265,988	277,474
Investment income	12,200	13,900	15,700	15,700
Total 1998 Resolution Revenues	**$399,007**	**$379,985**	**$427,488**	**$439,974**
Debt service on Senior Transportation Revenue Bonds[2]	$160,338	$180,258	$183,449	$203,700
Senior coverage ratio[3]	2.49	2.11	2.33	2.16
Additional bonds test, Senior Transportation RevenueBonds[4]	2.00	1.91	1.95	2.01
Total 1998 Resolution Revenues available to pay Subordinated Transportation Revenue Bonds[5]	$238,669	$199,727	$244,039	$236,274
Debt Service on Subordinated Transportation Revenue Bonds	$20,398	$20,398	$24,018	$28,269
Senior and Subordinated coverage ratio[6]	2.21	1.89	2.06	1.90
Aggregate Revenues[7]	$519,730	$533,910	$574,320	$587,090
Aggregate Debt Service[8]	$301,459	$354,581	$354,299	$379,085
Aggregate Coverage Ratio[9]	1.72	1.51	1.62	1.55

(1) Assumes that all taxes will be collected on their due dates.

(2) Assumes the issuance of additional Transportation Revenue Bonds in June of 2006 at an assumed average interest rate of 7% per annum with a 30-year final maturity.

(3) Equals ratio of Total 1998 Resolution Revenues to debt service on the Senior Transportation Revenue Bonds for the fiscal year in question.

(4) This test uses as its denominator maximum annual debt service on all Senior Transportation Revenue Bonds outstanding under the 1998 Resolution (including any Senior Transportation Revenue Bonds then proposed to be issued) and as its numerator the 1998 Resolution Revenues of the Authority for the fiscal year in question.

(5) Represents Total 1998 Resolution Revenues less debt service on Senior Transportation Revenue Bonds.

(6) Equals ratio of Total 1998 Resolution Revenues available to pay Senior Transportation Revenue Bonds and Subordinated Transportation Revenue Bonds to debt service on all such Transportation Revenue Bonds for the fiscal year in question.

(7) Represents the sum of Total 1968 Resolution Revenues and Total 1998 Resolution Revenues (less Excess 1968 Resolution Revenues) for the fiscal year in question.

(8) Represents the sum of debt service on the Highway Revenue Bonds, the Transportation Revenue Bonds.

(9) Aggregate Revenues divided by Aggregate Debt Service.

Total 1968 Bond Resolution Revenues and 1998 Bond Resolution Revenues for the period from fiscal 2004 through fiscal 2007 are projected by the Authority to grow at a compound annual rate of 3.1% and 3.3%, respectively. The projected growth in gasoline tax revenues is based on econometric models prepared for the Authority by Applied Research, an independent firm, which project increases in disposable income in Puerto Rico. The Authority has found such projections to be the most reliable indicator of future growth in gasoline tax receipts. The Authority's projections of growth in its other revenues is based on historic trends and, in the case of toll revenues, on the additional receipts expected from the growth in traffic and the opening of new toll plazas.

In fiscal years 1998 and 2000 the Authority's actual revenues exceeded the Authority's projected revenues for such fiscal year. In fiscal 1999 actual revenues fell below the Authority's projections due to one taxpayer's failure to pay the taxes due on time, as discussed above. In fiscal 2001, fiscal 2002 and fiscal 2003 actual revenues fell below the Authority's projections due to the unanticipated downturn in the U.S. and Puerto Rico economies.

Operating Expenses and Capital Expenditures

Operation and Maintenance- Highway Facilities

The Department has the responsibility for maintaining Puerto Rico's highway system, except for the Luis A. Ferré (PR-52), the De Diego (PR-22), PR-53 and the Martínez Nadal (PR-20) toll highways and related connecting roads, which are maintained by and at the expense of the Authority. The maintenance expenses of the Department are paid with moneys appropriated annually by the Legislature of Puerto Rico. On occasion the Authority advances funds to pay the costs of emergency repairs which are the responsibility of the Department. It is subsequently reimbursed for these advances. To the extent funds are not provided by the Legislature, the Authority has agreed under the 1998 Bond Resolution that it will pay from available moneys in the 1998 Construction Fund the costs of maintenance of the Traffic Facilities financed with proceeds of Highway Revenue Bonds and Transportation Revenue Bonds. The 1998 Bond Resolution requires the Authority to pay from available moneys in the 1998 Construction Fund (and not from moneys in the 1968 Construction Fund) the costs of any necessary repairs to, or renewals or replacements of, Traffic Facilities financed with proceeds of Highway Revenue Bonds and Transportation Revenue Bonds, as recommended by the transportation engineers retained by the Authority.

The Authority's operation and maintenance expenses payable from available moneys in the 1998 Construction Fund consist of the expenses of operating and maintaining the toll highways and related roads and, upon completion, Tren Urbano. Under the 1998 Bond Resolution, these expenses are payable from available moneys in the 1998 Construction Fund after payment of debt service on the Highway Revenue Bonds and Transportation Revenue Bonds and any required deposits to the 1998 Senior Bond Reserve Account and the accounts in the 1998 Subordinated Bond Reserve Fund. Other expenses of the Authority, including its administration costs, are included in the Construction Improvement Program and are capitalized.

The following table sets forth the annual maintenance expenses paid by the Department for non-toll highways and the annual toll highway operation and maintenance expenses paid by the Authority from unencumbered moneys in the 1998 Construction Fund, for each of the five fiscal years ended June 30, 2003. The table also sets forth the Authority's projections of annual highway maintenance expenses to be paid by the Department for non-toll highways and projected annual toll highway operation and maintenance expenses to be paid by the Authority from unencumbered moneys in the 1998 Construction Fund for the five fiscal years ending June 30, 2008. For fiscal year 2004, maintenance expenses are projected to increase at a higher rate than for other fiscal years as a result of a recommendation made by the Authority's transportation engineers.

HIGHWAY FACILITIES
OPERATION AND MAINTENANCE EXPENSES

(in thousands)

	Department	Authority		
Fiscal Year Ended June 30	**Non-Toll Highway Maintenance**	**Toll Highway Maintenance**	**Toll Highway Operation**	**Total**
1999	$28,000	$16,871	$15,573	$32,444
2000	28,382	20,259	17,258	37,517
2001	30,177	21,130	18,720	39,850
2002	29,999	21,060	16,233	37,293
2003(p)	36,200	21,902	16,882	38,784
2004(p)	30,700	24,238	18,682	42,920
2005(p)	33,900	25,282	19,488	44,770
2006(p)	35,300	26,101	20,119	46,220
2007(p)	35,300	26,971	20,789	47,760
2008(p)	35,300	27,306	21,454	48,760

(p) 2003 is preliminary; 2004 through 2008 are projected.

(1) The Authority contributed to the Department $10.0 million for fiscal 1999, $5.0 million for each of fiscal 2000 and 2001, $13.2 million for fiscal 2002, and $15.2 million for fiscal 2003 for maintenance of the Puerto Rico highway system. For fiscal years 2004 to 2008 the projected contribution is $5.0 million per year.

In certain years, emergency repairs to the highway system have been necessary, particularly as a result of storm or flood damage. The cost of these repairs is borne by the Department, except for the cost of repairs to the toll highways, which is borne by the Authority. The Department and the Authority generally have been reimbursed from the Federal Emergency Management Agency for some of the costs of such repairs attributable to federally designated disaster areas. The Legislature of Puerto Rico also appropriates funds from time to time for emergency repairs by the Department in addition to amounts appropriated for maintenance.

The traffic engineers retained by the Authority under the 1968 Bond Resolution and 1998 Bond Resolution conduct an annual evaluation of the level of maintenance of the highway system. In their most recent evaluation completed in July 2003, the traffic engineers found that the current level of maintenance was generally adequate. The traffic engineers believe that the Authority's maintenance program represents an adequate level of maintenance to preserve the investment and provide an acceptable level of service. The results of the traffic engineers' most recent maintenance evaluation are summarized in the letter of such traffic engineers included as Appendix VI.

Operation and Maintenance - Tren Urbano

The Authority has entered into a Systems and Test Track Turnkey Contract (the "STTT Contract") with the Siemens Transit Team ("STT") covering, among other things, the operations and maintenance of Tren Urbano. The operations portion of the contract is for an initial term of five years with an option by the Authority to extend the term for an additional five years. Under the STTT Contract, STT is responsible for operating and maintaining Tren Urbano and is entitled to receive for such services an annual base compensation, which is subject to an inflation adjustment for changes in the cost of labor (based on the changes to consumer price index) and materials (based on the changes to producer price index). The base compensation does not include the cost of insurance and electricity which is paid separately by the Authority. In addition, STT is entitled to receive incentive compensation, and is subject to penalties, based on meeting or not meeting certain operating and maintenance performance measures.

The Authority also plans to contract the services of over 500 "minibus" drivers and integrate these services with Tren Urbano and with the Metropolitan Bus Authority's services. The costs of this initiative, known as the "Integrated Transportation Alternative" or "ATI," are included in the Tren Urbano's operating costs described below.

The table below shows the Authority's estimate of the annual operating and maintenance expenses of Tren Urbano for the first ten years of service. These estimates are based upon the terms of the STTT Contract and include an inflation adjustment and the Authority's estimate of the cost of insurance and electricity.

Estimated Tren Urbano Annual Operating and Maintenance Expenses
(in $millions)

Year of Service*	1	2	3	4	5	6	7	8	9	10
Estimated Annual Operation and Maintenance Cost	$96.1	$97.5	$101.1	$102.9	$105.3	$112.2	$114.9	$117.2	$120.3	$123.4

*Based on twelve full months of operation starting from the date when the system opens for service.

The Authority projects that the annual net operating costs of Tren Urbano, after deducting expected operating revenues from operating and maintenance costs, will increase during the first ten years of operation from $37.0 million (for the first partial year) to $73.0 million per year. This estimate is based, among other factors, on an annual average daily ridership of 115,000 passengers by the year 2010, and an initial ridership in the first full year of operation of approximately 64% of the ridership expected for 2010, with ridership growing for each year of operation. The costs of operating Tren Urbano will be covered by available moneys in the 1998 Construction Fund.

Construction Improvement Program

As required by the 1968 Bond Resolution and the 1998 Bond Resolution, the Authority has developed a master plan to serve as the basis for the long-term planning of Puerto Rico's transportation facilities, which it supplements as necessary. To implement the plan, the Authority prepares a five-year Construction Improvement Program which is updated annually. (As of the date of this Official Statement, the Authority had not updated the Construction Improvement Program to include fiscal year 2008. Therefore, the information presented below covers only the four fiscal years ended June 30, 2007.) The Authority has focused its current Construction Improvement Program on constructing Tren Urbano and improving the primary and primary urban highway facilities, while also addressing the most essential needs of secondary and tertiary roads. The Authority has also included in its Construction Improvement Program the cost of repairs, renewals and replacements to the highway system bridges in the Puerto Rico strategic network, plans for dealing with urban congestion and for local improvements, and certain capitalized expenditures.

The following table presents the Authority's current Construction Improvement Program for the four fiscal years ending June 30, 2007 and the sources of funds required to finance such program. The Construction Improvement Program is subject to various changing factors, including cost increases, variations in availability of internal and external funds, availability of qualified construction resources, the need for emergency repairs and changing traffic patterns. The Authority's projections assume no changes in the statutory taxes and license fees currently allocated to the Authority, and that the Authority will not be required to assume the payment of the Bonds being offered in this Official Statement.

CONSTRUCTION IMPROVEMENT PROGRAM

Fiscal Year Ending June 30,
(in thousands)

	2004	**2005**	**2006**	**2007**	**Total**
Sources of Funds:					
Internally generated funds[(1)]	$137,367	$70,727	$101,779	$88,809	$398,682
Federal aid for highways	45,179	80,608	80,607	80,607	287,001
Federal aid for Tren Urbano[(2)]	103,500	50,346	63,089	105,304	322,239
External financing[(3)]	361,724	165,922	88,725	103,280	719,651
Total	$647,770	$367,603	$334,200	$378,000	$1,727,573
Uses of Funds:					
Design	$ 4,795	$ 73	$ -	$ -	$4,868
Rights of way	55,540	5,050	2,000	-	62,590
Construction	390,435	272,480	155,822	122,392	941,129
Capitalized expenditures	100,000	90,000	90,200	85,000	365,200
Tren Urbano(4)	97,000	-	86,178	170,608	353,786
Total	$647,770	$367,603	$334,200	$378,000	$1,727,573

____

(1) Includes funds on hand, current revenues available after provision for debt service and reserve requirements for bonds and toll highway maintenance and operating expenses and investment income. To the extent such funds are held in the Construction Fund established under the 1998 Bond Resolution, the holders of the Bonds have a claim on such funds in certain circumstances.

(2) See the discussion of the Authority's Full Funding Grant Agreement with the United States Department of Transportation in "Tren Urbano" below.

(3) Includes short term financing, net proceeds of borrowing.

(4) Includes the cost of the Carolina Extension (as defined below), the construction of which is contingent upon the commitment of federal funds for this project.

In the five-year period from fiscal 1999 through fiscal 2003 the Authority expended approximately $3.97 billion on the Construction Improvement Program. The current Construction Improvement Program projects an expenditure of approximately $1.73 billion from fiscal 2004 through fiscal 2007, of which 21% represents the costs of Tren Urbano. The current Construction Improvement Program includes $256.8 million attributable to the cost of constructing a portion the Carolina Extension (as defined below) to Tren Urbano, the construction of which is contingent upon the availability of federal funds for this project. It also includes $162.8 million attributable to the cost of constructing the Eastern Corridor toll highway, which is also subject to certain contingencies discussed below.

The Authority's internally generated funds available to finance its current Construction Improvement Program consist primarily of 1998 Bond Resolution Revenues remaining after payment of debt service for the Highway Revenue Bonds and Transportation Revenue Bonds, provision for reserve requirements for the Highway Revenue Bonds and the Transportation Revenue Bonds, and payment of expenses for operating and maintaining the toll highways as well as Tren Urbano (as to the latter, beginning during the second half of fiscal 2004 when it is expected to become operational). Such internally generated funds are estimated to aggregate approximately $398.7 million during the four-year period from fiscal 2004 through fiscal 2007, including investment income, which is estimated at approximately $105.1 million for the four-year period.

The current Construction Improvement Program (fiscal 2004 through 2007) contemplates new construction borrowings aggregating approximately $252 million of principal to produce $227 million of net proceeds from fiscal 2004 to fiscal 2007.

Tren Urbano. The largest single project included in the Authority's current Construction Improvement Program is Tren Urbano, a new-start mass transit project for the San Juan metropolitan region. The initial phase of Tren Urbano consists of approximately 17 km. of trackway, running from Bayamón to Santurce, via Río Piedras and Hato Rey, and sixteen stations. The project also includes the construction of a maintenance and storage facility and the purchase of 74 rail cars. The initial phase of the project is scheduled to be fully operational by December 2003.

Tren Urbano is being constructed under seven separate design/build contracts. Siemens Transit Team is the contractor under the STTT Contract, the largest of these contracts, with a projected completion cost of approximately $781 million as of December 31, 2002. The STTT Contract includes: (i) the design and construction of two stations and a 2.6 km. test track; (ii) the design, procurement and installation of all systems for the project, such as the trackway, the train control system, and the communications system; (iii) the design and manufacturing of the vehicles; (iv) the design and construction of the maintenance and storage facility; (v) the responsibility for design and construction coordination among the several civil contracts; and (vi) operating Tren Urbano for a period of five years, with an additional five-year option exercisable by the Authority. The other six design/build contracts for the design and construction of all remaining stations and guideways, as well as other miscellaneous items, had a projected completion cost of $875 million as of December 31, 2002. Total aggregate costs for the first phase of Tren Urbano (excluding the Carolina Extension described below), including contingency amounts and right-of-way and administrative costs, is estimated to be $2.25 billion, of which $2.1 billion had been incurred through June 30, 2003. As of that date, the construction of the first phase of Tren Urbano was 95% complete.

The Authority's estimate of the total cost required to complete the Tren Urbano project includes a contingency for the aggregate amount the Authority estimates, based on its past experience, that may be required to be paid to resolve various claims from contractors (mostly related to cost overruns or damages allegedly suffered because of delays in the design and construction of the project). No assurance can be given, however, that these claims will be resolved for the amounts estimated by the Authority or that the estimated cost of completing the Tren Urbano project will not increase as a result of resolving these claims or of the occurrence of other unforseen contingencies.

To manage the Tren Urbano project, the Authority established the Tren Urbano Office. The Tren Urbano Office includes Authority staff, local and mainland design firms experienced in transit projects and local infrastructure projects, and financial and legal advisors. The Tren Urbano Office provides overall direction and management for the project. The office oversees all engineering and construction activities for the project, and is responsible for scheduling, budgeting, contract administration, risk management and quality assurance. Design review is provided by a consortium of design firms that includes DMJM+Harris, Inc. Construction oversight is provided by experienced Authority personnel and mainland consultants experienced in large transit projects.

Tren Urbano was designated as one of four national turnkey demonstration projects by the FTA. In March 1996, the Authority entered into a Full Funding Grant Agreement with the FTA for the project in the amount of $307 million. Through May 31, 2003, approximately $194 million had been disbursed under the agreement. The Authority expects to receive the remaining $113 million payable under the agreement as part of the federal government's appropriations for fiscal 2004 and fiscal 2005. On August 4, 2000, the Authority borrowed $300 million from the United States Department of Transportation to pay eligible project costs incurred and to be incurred in connection with Tren Urbano. This borrowing was repaid with a portion of the proceeds of the Transportation Revenue Bonds issued by the Authority in April, 2003. The balance of federal aid for the Tren Urbano project will come from moneys provided by the FTA and the FHWA under certain formula programs established by federal law. While the Authority cannot assure the amount or timing of federal funds for the project, if federal funds are received slower or in a lesser amount than currently projected, the Authority will adjust the timing or scope of the remainder of its Construction Improvement Program, utilize lines of credit for interim funding or adjust its borrowing schedule, as necessary, to accommodate any such changes.

The Tren Urbano project was designed in order to provide flexibility for future extensions. The Authority has commenced initial studies for a 10-kilometer extension from San Juan to Carolina (the "Carolina Extension"). As originally conceived, the Carolina Extension would have an estimated cost of $1 billion. The Authority does not anticipate that it will proceed with the Carolina Extension unless it can secure matching federal funds for at least 50% of construction costs. In any event, the Authority does not anticipate commencing construction of the Carolina Extension prior to fiscal year 2006. For planning purposes, the Construction Improvement Program for fiscal years 2006 and 2007 includes $86.2 million and $170.6 million, respectively, for a portion of the cost of construction of the Carolina Extension.

The size and complexity of the Tren Urbano project continue to present challenges related to the coordination among the several design/build contractors, as well as traditional construction risk factors. The Authority believes that it has made adequate provision for these factors in estimating the total cost required to complete the project. As with all of the projects contained in the Authority's Construction Improvement Program, the timetable and expenditure forecasts for Tren Urbano are subject to change. Unforeseen circumstances could result in delays or cost escalations not currently provided for in the Authority's projections.

Highway Construction. Highway construction projects included by the Authority in its current Construction Improvement Program are designed to address the transportation needs of the people of Puerto Rico and to enhance the economic development of Puerto Rico. The current Construction Improvement Program includes all the construction projects that the Authority believes are required at the present time to complete the Puerto Rico highway network. Projects include new highway construction, principally of primary roads and toll highways, and construction of improvements designed to alleviate the traffic congestion of the San Juan metropolitan area as well as to provide access to the proposed Port of the Americas, a superport on the southern region of Puerto Rico, which the Governor of Puerto Rico has announced the government intends to commence to construct during the next four years. It also includes reconstruction of existing highways, a bridge program and installation of safety features and other projects.

The Authority's Construction Improvement Program includes the investment of approximately $162.8 million for the construction of a toll highway from Carolina to Río Grande. As formerly conceived, this toll highway was known as PR-66. On April 19, 2000, the construction of PR-66 was permanently halted pursuant to an order of the Puerto Rico Supreme Court issued in an action filed by a group of citizens seeking review of the Puerto Rico Environmental Quality Board decision approving the final environmental impact statement prepared by the Authority for PR-66. As a result of the Court's order, the Authority was forced to terminate all construction contracts relating to PR-66. Prior to it being halted, the Authority had incurred approximately $130 million in the construction of PR-66. An additional $42 million in claims have been brought against the Authority by contractors related to the termination of construction contracts which contained liquidated damages clauses.

The Authority has reconceived the original PR-66 project, now re-named the Eastern Corridor, taking into account the environmental and other concerns raised by various citizen groups. On January 15, 2003, the Authority submitted a final environmental impact statement for the complete toll highway. On February 12, 2003, the Environmental Quality Board approved the new environmental impact statement. On February 20, 2003, the Environmental Quality Board published the required notice of such approval. No objections were filed with the Environmental Quality Board or the courts and, after the expiration of a 30-day notice period, the Authority submitted the project for bidding by construction contractors. The Eastern Corridor consists of a nine-mile four lane toll highway from Carolina to Canóvanas. A possible five-mile extension to Río Grande was added in the new environmental impact statement. The Eastern Corridor is expected to reduce vehicular congestion on highway PR-3 between the San Juan metropolitan area and the eastern region of Puerto Rico. The Authority projects that construction on the Eastern Corridor (excluding access ramps along the route) will be finalized during fiscal 2005.

Other major highway projects which have strategic importance for Puerto Rico's highway network include the construction of sections of PR-53 from Yabucoa to Maunabo and the design of the section that will complete the toll highway from Maunabo to Guayama (which includes the first highway tunnel through a mountain in Puerto Rico), the construction of the section of PR-10 from Utuado to Adjuntas (which will complete the connector between the north and south areas of the island), the conversion into an expressway of the section of PR-2 from Mayagüez to Ponce, which, together with PR-10, will service the proposed transhipment port to be known as "Port of Las Américas," the widening of sections of PR-22, the construction of the PR-5 toll highway connecting PR-2 to Las Cumbres Avenue, and the conversion of a portion of PR-2 in San Juan into an expressway.

The Authority receives aid for highway construction from the FHWA and the FTA. Such aid is recorded as related costs which are billed to the FHWA and the FTA, regardless of the year of appropriation. In fiscal years 2001, 2002 and 2003, such aid from FHWA amounted to \$50.7 million, \$35.5 million and \$55.8 million, respectively.

Federal aid for highway construction is received under a number of federal programs, including those directed to construction of new roads and repair and reconstruction of existing roads. The programs provide for matching federal assistance, ranging generally from 80% to 90% of the cost of a project. The level of federal highway aid is dependent upon Congressional authorizations that are apportioned to the states, including Puerto Rico. The U.S. Department of Transportation has broad discretion to release funds for spending within the limits set by Congress. Upon its approval of a state's program, funds are reserved but not committed. Federal-aid funds are committed when the U.S. Department of Transportation approves the detailed plans for specific projects. Federal highway legislation has liberalized certain types of federal highway aid and granted more flexibility to the states, including Puerto Rico, in the use of such aid in highway or other transportation projects. No assurance can be given that the level of federal highway aid will be maintained at the levels projected in the above table. In the event of material reductions in such aid, the Construction Improvement Program will be appropriately adjusted in the absence of internally generated funds, external financing or other sources of funds shown in the above table available to offset any such reductions.

The federal government conducts periodic audits of the federal aid it provides to the Authority to ascertain that funds are being expended consistently with the federal programs pursuant to which they are provided. Audit findings of a failure by the Authority to expend funds in compliance with federal programs could result in the withholding of federal aid for the project involved or could result in offset claims by the federal government for funds previously received by the Authority.

The traffic engineers retained by the Authority under the 1968 Bond Resolution and the transportation engineers under the 1998 Bond Resolution, if different, annually review the Construction Improvement Program and the Authority's estimates of revenue sources available for its implementation. In their most recent evaluation, the traffic engineers concluded that the Authority's current Construction Improvement Program is a reasonable response to the immediate and short-term transportation needs and is generally consistent with the Authority's long-term transportation master plan. The traffic engineers also concluded that revenue projections have been reasonably accurate and provide a sound basis for determining the size of future programs. The results of that review are summarized in the traffic engineers' letter included as Appendix VI.

Debt of the Authority

The outstanding debt of the Authority as of July 1, 2003, is as follows:

Highway Revenue Bonds (1)	$1,850,105,000
Senior Transportation Revenue Bonds	3,014,259,635
Subordinated Transportation Revenue Bonds	395,595,000
Total	$5,259,959,635

(1) Includes accretion on capital appreciation bonds through July 1, 2003. Does not include the Bonds being offered under this Official Statement.

SUMMARY OF THE CONCESSION AGREEMENT

The following is a summary of certain provisions of the Concession Agreement. This summary does not purport to be comprehensive or definitive and is qualified by reference to and is subject to the provisions of the Concession Agreement, copies of which may be obtained from the Authority or the Trustee.

Term of the Concession Agreement

The Concession Agreement is for an original term of 35 years, scheduled to expire on April 3, 2027, unless earlier terminated as provided therein. Pursuant to the Concession Agreement, Autopistas de Puerto Rico was obligated to design and construct the bridge, and is obligated to operate and maintain the bridge.

Operation and Maintenance of the Bridge

The bridge is of public domain and forms part of the Commonwealth highway system, subject to all the rights of Autopistas de Puerto Rico under the Concession Agreement, particularly the right to charge and collect tolls for its use. Autopistas de Puerto Rico is responsible for the management, operation, administration and maintenance of the bridge in accordance with the Concession Agreement and is thus obliged to perform maintenance, preventive repair, renewal and replacement and other works necessary to keep the bridge in good working order.

Autopistas de Puerto Rico has the right to increase toll rates on January 1 of each year based on the initial toll rate established in the Concession Agreement by applying the consumer price index for all families as published by the Department of Labor of the Commonwealth. Autopistas de Puerto Rico has only exercised this right once, increasing the toll for four-tire vehicles (class 2 vehicles) from $1.50 to $1.75 in January of 2002. Autopistas de Puerto Rico recently signed a letter agreement with the Authority where it agrees not to increase toll rates again prior to January of 2005. However, under the Loan Agreement, Autopistas de Puerto Rico's obligation to set toll rates that are sufficient to allow it to pay debt service on the Bonds would require it to raise toll rates, if necessary, notwithstanding the letter agreement or the limitation based on the consumer price index described above.

Termination Option; Other Events of Termination

Under the Concession Agreement, Autopistas de Puerto Rico has the option to terminate the Concession Agreement (the "Termination Option"), in its sole discretion, in the event that the total number of vehicles that have used the bridge, computed on a cumulative basis from the date on which the Authority accepted the bridge, which occurred on February 23, 1994, to the end of every six- month period thereafter, is less than a specified number of vehicles, computed to the same date on a cumulative basis.

The Termination Option shall cease to be in effect in the event that (i) the number of vehicles that have used the bridge for each complete six month period during five consecutive years is at least equal to a specified number of vehicles (computed for the same period on a cumulative basis) and (ii) Autopistas de Puerto Rico and the Authority have received in writing a rating for the Bonds which is at least equivalent to “A” by S & P.

Since the bridge commenced operating, traffic using the bridge has been less than the levels specified in the Concession Agreement. As a result, Autopistas de Puerto Rico currently has the right to terminate the Concession Agreement pursuant to its Termination Option, and is expected to continue to have such right during the entire term of the Concession Agreement.

Autopistas de Puerto Rico also has the right to terminate the Concession Agreement upon the occurrence of any of the following: (i) the construction of any bridge or expressway that competes with the bridge, subject to certain limitations (Baldorioty de Castro Avenue is not considered a competing facility); (ii) a change in law which materially adversely affects the ability of Autopistas de Puerto Rico to obtain a specified return on the amounts contributed to Autopistas de Puerto Rico by its partners; (iii) the total or substantial destruction of the bridge for causes not attributable to the fault, negligence or omission of Autopistas de Puerto Rico or its agent, if it proves economically unfeasible to repair the bridge and the proceeds of insurance are sufficient to redeem the Bonds; (iv) material default by the Authority under the Concession Agreement; and (v) any six month or longer interruption in the operation of the bridge caused by *Force Majeure.*

The Concession Agreement will terminate without action by the parties in the event the Net Revenues from the bridge are insufficient to pay debt service on the Bonds, or in the event that the concession is taken by expropriation (or deed given in lieu thereof). The Authority may terminate the Concession Agreement upon a material default by Autopistas de Puerto Rico thereunder.

Upon the termination of the Concession Agreement for any reason, the Authority is required to assume Autopistas de Puerto Rico’s obligation to pay the Bonds. See “SECURITY AND SOURCES OF PAYMENT” above.

Autopistas de Puerto Rico’s Defaults

The occurrence of any of the following events, unless attributable to *Force Majeure*, shall constitute a default by Autopistas de Puerto Rico under the Concession Agreement:

(a) a breach or default by Autopistas de Puerto Rico in the performance of any material obligation under the Concession Agreement, which breach or default arises out of the fault, negligence or delay of Autopistas de Puerto Rico and has not been cured or action towards its cure has not been taken within the applicable grace period, if any;

(b) the bridge is unjustifiably abandoned by Autopistas de Puerto Rico before all of its obligations under the Concession Agreement have been satisfied;

(c) Autopistas de Puerto Rico shall fail to disclose any misappropriation of Revenues; or

(d) certain events of bankruptcy or insolvency relating to Autopistas de Puerto Rico.

Upon the occurrence of any material default by Autopistas de Puerto Rico, if such default has not been cured within the period set forth in the Concession Agreement, the Authority may, by written notice to Autopistas de Puerto Rico, terminate the Concession Agreement and take possession of the bridge.

Authority’s Defaults

The occurrence of any of the following events, unless attributable to *Force Majeure*, shall constitute a default by the Authority under the Concession Agreement:

(a) the Authority terminates the concession in the absence of a material default by Autopistas de Puerto Rico;

(b) any representation or warranty made by the Authority under the Concession Agreement shall be false in any material respect on the date made;

(c) a breach or default by the Authority in the performance of any material obligation under the Concession Agreement, which breach or default arises out of the fault, negligence, omission or delay of the Authority and has not been cured or action towards its cure has not been taken within the applicable grace period, if any;

(d) the Concession Agreement or any provision thereof shall at any time after its execution and delivery and for any reason whatsoever cease to be in full force and effect, valid and enforceable; or

(e) the Authority shall at any time assert that the Concession Agreement or any provision thereof is not in full force and effect or valid and enforceable.

Upon the occurrence of any material default by the Authority, if such default has not been cured within the period set forth in the Concession Agreement, Autopistas de Puerto Rico, upon written notice to the Authority, may terminate the Concession Agreement without any further liability thereunder or under the Loan Agreement, in which case the Authority shall be obligated to assume Autopistas de Puerto Rico's obligations under the Concession Agreement and the Bonds and release Autopistas de Puerto Rico therefrom. See "SECURITY AND SOURCES OF PAYMENT" above.

In addition, should a competing facility (which does not include Baldorioty de Castro Avenue) be built, or caused to be built, by the Authority, Autopistas de Puerto Rico may require the Authority to acquire Autopistas de Puerto Rico's rights under the Concession Agreement for a just compensation.

SUMMARY OF THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement. This summary does not purport to be comprehensive or definitive and is qualified by reference to and is subject to the provisions of the Loan Agreement, copies of which may be obtained from the Authority or the Trustee.

Repayment of Loan

Autopistas de Puerto Rico has agreed to repay the loan from the Authority, but is only required to do so from the Net Revenues from the bridge, the net proceeds derived from insurance or an eminent domain award or agreement in lieu thereof (the "Net Proceeds") and investment earnings thereon. Autopistas de Puerto Rico may also repay the loan from any other sources it may have available. However, if the Concession Agreement is terminated, Autopistas de Puerto Rico's obligations to repay the loan would terminate, and the Authority will assume Autopistas de Puerto Rico's obligation to repay the Bonds.

With respect to each date on which the principal of and the premium, if any, or the interest on the Bonds is payable (whether at maturity, upon acceleration, by redemption or otherwise), Autopistas de Puerto Rico will pay, solely from the sources mentioned above, such additional amounts which, together with other moneys available therefor in the Sinking Fund, will be sufficient to pay:

(a) all interest which will become due and payable on the Bonds on such date;

(b) the principal amount of the Bonds and premium, if any, thereon which will become due and payable on such date; and

(c) amounts, if any, required to effect mandatory redemption of Bonds on such date pursuant to the Trust Agreement, together with any applicable redemption premium.

In addition, if the balance to the credit of the Reserve Account shall fall below the Reserve Requirement (including on account of a reduction in the amount available to be drawn under any Reserve Account Letter of Credit or Reserve Account Insurance Policy), Autopistas de Puerto Rico is required to pay, solely from the sources referred to above, such amounts as may be necessary to cause the balance in the Reserve Account to equal the Reserve Requirement.

Autopistas de Puerto Rico covenants that all Revenues will be collected and deposited daily, so far as practicable, with the Trustee for the credit of the Revenue Fund. Autopistas de Puerto Rico will pay the amounts it is required to pay under the Loan Agreement, as described above, directly to the Trustee for deposit in the Sinking Fund before the corresponding amounts are due on the Bonds.

Prepayment of Loan

Autopistas de Puerto Rico may prepay the Loan to the extent that it is entitled to and exercises its option to redeem Bonds, and must prepay the Loan, solely from the sources mentioned above, to the extent that it is required to redeem Bonds or that the Bonds otherwise become due and payable. See "THE BONDS - Redemption" above.

Covenants of Autopistas de Puerto Rico

Maintenance of Existence. Autopistas de Puerto Rico has agreed that so long as any Bonds are outstanding it will not dispose of all or substantially all its assets and will not consolidate with or merge into another person. Autopistas de Puerto Rico may, however, consolidate with or merge into another person, or transfer to another person all or substantially all its assets, if, among other things, the successor or transferee is solvent is a person whose only purpose in accordance with its charter or other organizational document shall be the operation of the bridge (unless such person is a public entity of the Commonwealth) and irrevocably and unconditionally assumes in writing all the obligations of Autopistas de Puerto Rico under the Loan Agreement.

Rate Covenant. Autopistas de Puerto Rico has covenanted to use its best efforts to fix, revise, charge and collect rentals, rates, fees, tolls and other charges and revenues for the use or services of the bridge to produce Net Revenues in each year in an amount not less than the sum of (i) the Principal and Interest Requirements on the Bonds for such fiscal year, (ii) the required deposit to the Renewal and Replacement Fund in such fiscal year, and (iii) the amount needed to maintain the Reserve Account at the required level. Autopistas de Puerto Rico also covenants that if the Net Revenues in any fiscal year are less than the amount referred to in the preceding sentence it will request a firm of traffic engineers to make recommendations as to revisions to the Annual Budget for the bridge and the schedules of tolls for the bridge in order to produce the maximum amount of Net Revenues possible and, upon receipt of such recommendations, revise the Annual Budget and the toll schedules to produce the maximum Net Revenues possible, but without having to exceed the amount referred to in the preceding sentence for the following fiscal year.

Security Interest

Autopistas de Puerto Rico grants to the Authority a security interest in the Pledged Revenues and will execute and file such financing statements necessary to establish and keep such security interest in effect. Autopistas de Puerto Rico will not pledge or grant any other security interest in any of the Pledged Revenues or file any financing statement describing such other security interest. Autopistas de Puerto Rico consents to the security interest granted by the Authority to the Trustee in the Trust Agreement and agrees to take all action and to refrain from taking any action that might impair in any way any such security interest.

Expenses; Indemnification

Autopistas de Puerto Rico has agreed to pay all reasonable fees and expenses of the Trustee (and its counsel) and the costs and out-of-pocket expenses of indemnifying the Trustee for, and holding the Trustee harmless against, any loss, liability or expenses incurred without gross negligence or willful misconduct by the Trustee and arising out of or in connection with its acting as Trustee under the Trust Agreement. Autopistas de Puerto Rico has also agreed to pay all reasonable out-of-pocket expenses of the Authority incurred at the request or with the consent of Autopistas de Puerto Rico in connection with the financing of the bridge.

Autopistas de Puerto Rico has further agreed, at all times, to indemnify and hold harmless the Authority against any and all losses, costs, damages, expenses and liabilities resulting from, arising out of, or related to certain information provided by Autopistas de Puerto Rico contained in this Official Statement.

All such payments are required to be made solely from available Revenues.

Insurance

Autopistas de Puerto Rico has agreed that it will acquire and carry the insurance policies specified in the Concession Agreement, including casualty insurance, business interruption insurance, liability insurance and fidelity insurance. All policies will be for the benefit of the Trustee and Autopistas de Puerto Rico as their interests appear, payable to the Trustee and deposited with the Trustee. The Trustee will have the sole right to receive and hold the proceeds of such insurance as security for the Bonds until paid out as provided in the Trust Agreement.

Assignment by Autopistas de Puerto Rico

Autopistas de Puerto Rico may assign the Loan Agreement, in whole or in part, to an entity under common control with Autopistas de Puerto Rico, to the corporate parent or a subsidiary of Autopistas de Puerto Rico or of a partner of Autopistas de Puerto Rico, to a partnership of which Autopistas de Puerto Rico or any of its affiliates is a general partner, to a corporation in which Autopistas de Puerto Rico, its partners or its affiliates have an ownership interest and the right to control the performance of the obligations of Autopistas de Puerto Rico under the Loan Agreement and which is legally obligated to assume the full responsibility for performance by Autopistas de Puerto Rico under the Loan Agreement, or to a public entity or non-profit corporation, provided such assignee assumes full responsibility for performance of the obligations of Autopistas de Puerto Rico under the Loan Agreement, and subject to additional conditions which may be set forth in the Loan Agreement, including the condition that the assignee must be an entity whose only business after the assignment is the operation of the bridge.

Damage, Destruction and Condemnation

In the event that (i) all or part of the bridge shall have been damaged or destroyed, (ii) the cost of restoration of the bridge to its former condition is in excess of 25% of the new replacement cost of the bridge and (iii) the insurance proceeds are sufficient to pay the Bonds in full, Autopistas de Puerto Rico has the option of prepaying the Loan and redeeming the Bonds in whole, at a redemption price equal to the principal thereof plus accrued interest, without premium, as specified in "THE BONDS - Redemption - Extraordinary Optional Redemption upon Damage or Destruction of the Bridge." Unless used to redeem the Bonds in whole as described in the preceding sentence, insurance proceeds must be used, in accordance with the Trust Agreement, to repair the bridge to the extent such funds are required for such purpose, or to redeem Bonds to the extent such funds are not so required.

Autopistas de Puerto Rico has agreed that it will cause all awards payable on account of the taking of the concession or of all or any part of the bridge for any public use or purpose by the exercise of the power of eminent domain to be paid to the Trustee for deposit to the credit of the Redemption Account, and that it will cause a redemption of the outstanding Bonds to the extent of the amount of such awards at a price equal to the principal thereof plus accrued interest, without premium, as specified in "THE BONDS - Redemption - Extraordinary Optional Redemption upon Governmental Taking of the Concession." Upon such taking, the Concession Agreement will terminate and the Authority will be required to assume Autopistas de Puerto Rico's obligation to pay any Bonds not redeemed. See "SECURITY AND SOURCES OF PAYMENT" above.

Events of Default

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

(a) Autopistas de Puerto Rico fails to pay the amounts required to be paid (i) with respect to principal of or premium, if any, on the Bonds when due and payable at maturity, upon redemption or otherwise, (ii) with respect to interest on the Bonds when due and payable and such failure continues for a period of five days, or (iii) to restore the amount to the credit of the Reserve Account in the Sinking Fund to not less than $4,000,000 within 30 days after the balance therein is reduced to below $4,000,000;

(b) Autopistas de Puerto Rico fails to pay when due any payment required to be made under the Loan Agreement (other than those payments described above under clause (a)) and such failure continues for a period of 30 days after notice thereof has been given to Autopistas de Puerto Rico by the Authority or the Trustee, unless the Authority and the Trustee agree in writing to an extension of such time prior to its expiration, or subject to *Force Majeure*,

(c) Autopistas de Puerto Rico fails to observe or perform any covenant, condition or agreement on its part to be observed or performed (other than those described above under clauses (a) and (b)), and such failure continues for a period of 90 days after written notice is given to Autopistas de Puerto Rico by the Authority or the Trustee, unless the Authority and the Trustee agree in writing to an extension of such time prior to its expiration pursuant to the Loan Agreement, or subject to *Force Majeure*, or

(d) certain events of bankruptcy or insolvency relating to Autopistas de Puerto Rico.

Acceleration; Other Remedies

Whenever any event of default under the Loan Agreement has happened and is continuing, the Trustee, as assignee of the Authority's rights, may, after the expiration of any applicable cure period, declare all unpaid amounts payable under the Loan Agreement to be immediately due and payable, whereupon the same becomes immediately due and payable, or take any other action at law or in equity to collect the payments then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of Autopistas de Puerto Rico under the Loan Agreement.

Any amounts collected pursuant to action taken as described above will be applied in accordance with the Trust Agreement. The Trustee may not, however, take any remedial steps the effect of which would entitle the Trustee to funds necessary for the payment of principal of and interest on Bonds which have not yet matured or otherwise become due unless such principal and interest have been declared due and payable in accordance with the Trust Agreement and such declaration has not been rescinded.

SUMMARY OF THE TRUST AGREEMENT

The following is a summary of certain provisions of the Trust Agreement. This summary does not purport to be comprehensive or definitive and is qualified by reference to and is subject to the provisions of the Trust Agreement, copies of which may be obtained from the Authority or the Trustee.

Collection and Disposition of Revenues

Revenue Fund. The Authority has agreed that all Revenues will be collected and deposited daily with the Trustee, so far as practicable, to the credit of the Revenue Fund. In addition, the Trustee will deposit to the credit of the Revenue Fund the proceeds, if any, of the operation bond, business interruption insurance, liability insurance and fidelity insurance carried by Autopistas de Puerto Rico.

On the last day of each month, the Trustee will make the following deposits and payments with funds held to the credit of the Revenue Fund and, to the extent necessary, the General Fund, in the following order:

(a) to Autopistas de Puerto Rico, an amount equal to the Current Expenses for the next month, as set forth in the Annual Budget,

(b) to the Bond Service Account, (i) to the extent such amount has not been previously deposited therein, the amount of interest to become on the next interest payment date due and payable on the Bonds then outstanding, and (ii) 1/12th of the amount of principal of the Serial Bonds to become within the next ensuing 12 months due and payable (plus any such amount in respect of interest or principal previously required to be deposited but not so deposited);

(c) to the Redemption Account, 1/12th of the Amortization Requirements, if any, for such fiscal year for the Term Bonds payable on the following July 1 (plus any such amount in respect of principal previously required to be deposited but not so deposited);

(d) to the Reserve Account, the amount required to cure any deficiency in such Account;

(e) to the Renewal and Replacement Fund, such amount as shall be necessary to make the amount deposited in each six-month period ending June 30 and December 31 equal to $75,000 or such greater amount as Autopistas de Puerto Rico, (or the Authority after it has become obligated to give the Assumption Notice) may determine; and

(f) to the General Fund prior to the Authority's becoming obligated to give the Assumption Notice, and to the Redemption Account thereafter, any balance remaining after the above deposits.

If the amount deposited in any month to the credit of any of the Accounts or Funds specified in clauses (b) through (e) above shall be less than the required amount for such month, the requirement therefor shall nevertheless be cumulative and the amount of any deficiency in any month shall be added to the amount otherwise required to be deposited in each month thereafter until such time as such deficiency shall have been made up.

Bond Service Account. The Trustee will, immediately preceding each interest payment date withdraw from the Bond Service Account and send by mail or by wire transfer, to each registered owner of Bonds, the amounts required to pay such interest and set aside the amounts required to pay such principal.

Redemption Account. In addition to the deposits from the Revenue Fund as described above, the Trustee will deposit to the Redemption Account all Net Proceeds received on account of the taking of the concession or of any part or all of the bridge for any public use or purpose by the exercise of the power of eminent domain and the Net Proceeds of insurance resulting from damage to or destruction of the bridge.

The Trustee will apply moneys in the Redemption Account to the retirement of Bonds as follows:

(a) Subject to the retirement of Bonds as described in clause (c) below, the Trustee will seek to purchase outstanding Bonds or portions thereof, whether or not they are then subject to redemption, at the most advantageous price obtainable with reasonable diligence not to exceed par plus the premium, if any, which would be payable on the next redemption date under the Trust Agreement. The Trustee may not, however, purchase Bonds as described above, within the forty-five (45) day period immediately preceding any interest payment date on which such Bonds are subject to call for redemption under the provisions of the Trust Agreement, except from moneys other than the moneys in the Redemption Account.

(b) Subject to the retirement of Bonds as described in clause (c) below, the Trustee will call for redemption, pursuant to the Trust Agreement, on each interest payment date on which Bonds are subject to redemption from moneys in the Sinking Fund, such amount of Bonds or portions thereof (not less than $50,000 principal amount of Bonds) then subject to redemption as, with the redemption premium, if any, will exhaust the moneys then in the Redemption Account as nearly as possible.

(c) The Trustee will apply moneys in the Redemption Account in each fiscal year to the retirement of outstanding Bonds in the following order:

> **first**, the Term Bonds to the extent of the Amortization Requirement, if any, for such fiscal year for the outstanding Term Bonds, and, if the moneys available in such fiscal year are not at least equal thereto, then, to the extent practicable, in proportion to the Amortization Requirement, if any, for such fiscal year for the outstanding Term Bonds, plus the applicable premium, if any,
>
> **second**, any outstanding Bonds whether or not subject to redemption, to be purchased as described above in clause (a),
>
> **third**, the Term Bonds in proportion, to the extent practicable, to the respective Amortization Requirements, if any, for such fiscal year for the outstanding Term Bonds, plus the applicable premium, if any, and
>
> **fourth**, the outstanding Serial Bonds, in order of maturity, as provided in the Trust Agreement.

Reserve Account. The Trustee will use moneys in the Reserve Account or amounts available under any Reserve Account Insurance Policy or Reserve Account Letter of Credit, first, to pay interest on the Bonds and maturing principal of the Bonds whenever and to the extent that the moneys held for the credit of the Bond Service Account (including moneys transferred from the General Fund to the credit of Bond Service Account) are insufficient for such purpose and thereafter to make deposits to the Redemption Account whenever and to the extent that the withdrawals from the Revenue Fund (and moneys transferred from General Fund to the Redemption Account) are insufficient for such purpose. The Trustee will transfer any excess moneys in the Reserve Account, including amounts available under any Reserve Account Insurance Policy or Reserve Account Letter of Credit, to the Bond Service Account.

Autopistas de Puerto Rico (prior to the termination of the Loan Agreement) and thereafter, the Authority, may at any time deposit in the Reserve Account a Reserve Account Insurance Policy or a Reserve Account Letter of Credit in an amount equal to the required deposit or any portion thereof, and which Reserve Account Insurance Policy or Reserve Account Letter of Credit shall be payable or available to be drawn upon, as the case may be (upon the giving of any required notice), on any date on which moneys are required to be paid out of the Reserve Account. If a disbursement is made under the Reserve Account Insurance Policy or the Reserve Account Letter of Credit, Autopistas de Puerto Rico is required, solely from Net Revenues and subject to the limitations set forth in the Loan Agreement (or, after the Authority becomes obligated to give the Assumption Notice, the Authority is required), to deposit into the Reserve Account moneys or Investment Obligations in accordance with the provisions of the Trust Agreement, in the amount of the disbursement made thereunder.

Neither the Trust Agreement nor the Loan Agreement requires Autopistas de Puerto Rico (or after the Authority has become obligated to give the Assumption Notice, the Authority) to reinstate the stated amount of any Reserve Account Letter of Credit or Reserve Account Insurance Policy, Autopistas de Puerto Rico or the Authority only being obligated to ensure that the balance in the Reserve Account, after taking into account any transfers and deposits to the Reserve Account in accordance with the provisions of the Trust Agreement, equals the Reserve Requirement.

Prior to the expiration date of any Reserve Account Letter of Credit or Reserve Account Insurance Policy (including any expiration on account of a default under the agreement, if any, under which such Letter of Credit or Insurance Policy is issued), Autopistas de Puerto Rico, if prior to the Authority becoming obligated to give the Assumption Notice, and thereafter, the Authority shall (x) extend the term of such Reserve Account Insurance Policy or Reserve Account Letter of Credit, (y) replace any such Reserve Account Insurance Policy with moneys (which may include, without limitation, moneys available under the Reserve Account Insurance Policy or from any other source available for such purpose), a Reserve Account Letter of Credit, another Reserve Account Insurance Policy or Investment Obligations, or a combination of such alternatives, or (z) replace any such Reserve Account Letter of Credit with moneys (which may include, without limitation, moneys available under the Reserve Account Letter of Credit or from any other source available for such purpose), a Reserve Account Insurance Policy, another Reserve Account Letter of Credit or Investment Obligations, or a combination of said alternatives. If, however, the Authority or Autopistas de Puerto Rico, as the case may be, has not caused the expiring Reserve Account Insurance Policy or Reserve Account Letter of Credit to be extended or replaced by the thirtieth (30th) day prior to such date of expiration or if the Trustee has received notice that any such Letter of Credit or Insurance Policy is otherwise terminating, the expiring or terminating Reserve Account Insurance Policy or Reserve Account Letter of Credit shall, prior to such date of expiration or termination, be drawn upon in full to and the proceeds thereof deposited to the Reserve Account.

Autopistas de Puerto Rico has the right to instruct the Trustee to deposit to the credit of the Reserve Account any moneys contemporaneously contributed to Autopistas de Puerto Rico by its partners for such purpose or any funds on deposit in the Company Reserve Fund and thereby to reduce the current stated amount, in whole or in part, of any Reserve Account Letter of Credit or Reserve Account Insurance Policy, to the extent that after any such transfer and reduction, the balance to the credit of the Reserve Account shall not be less than $4,000,000.

Transfer of Moneys in Reserve Account to Autopistas de Puerto Rico. If the Trustee receives the Assumption Notice before the fifth anniversary of the issuance of the Bonds, the Trustee shall deliver to or for the account of Autopistas de Puerto Rico the balance then held to the credit of the Reserve Account (including any Reserve Account Letter of Credit or Reserve Account Insurance Policy), but in no event shall the amount so withdrawn be in excess of the Reserve Requirement. If the Trustee receives the Assumption Notice after the fifth anniversary of the issuance of the Bonds, the Trustee shall deliver to or for the account of Autopistas de Puerto Rico the amount, if any, which may be withdrawn by Autopistas de Puerto Rico as described under “SECURITY AND SOURCES OF PAYMENT - Reserve Account.”

Authority Deposits to Reserve Account. After it becomes obligated to give the Assumption Notice and (if applicable) its receipt of Autopista’s notice described in the prior paragraph, the Authority shall deposit with the Trustee for the credit of the Reserve Account in equal quarterly installments not later than each March 31, June 30, September 30 and December 31, commencing with the first such date occurring immediately after its giving of such Assumption Notice, any combination of cash, Investment Obligations, a Reserve Account Letter of Credit or a Reserve Account Insurance Policy such that the balance within the Reserve Account shall equal the Reserve Requirement.

Renewal and Replacement Fund. In addition to deposits from the Reserve Fund as described above, the Trustee will deposit to the Renewal and Replacement Fund proceeds from the sale of portions of the bridge as described below under the heading "Covenants of the Authority Upon Termination of the Concession Agreement - Sale or Lease of Bridge." The Trustee will disburse moneys from the Renewal and Replacement Fund to pay the cost of unusual or extraordinary maintenance or repairs, maintenance or repairs not recurring annually, and renewals and replacements, including certain costs mentioned in the Concession Agreement, only by requisition of Autopistas de Puerto Rico.

The Trustee will also transfer moneys from the Renewal and Replacement Fund to the Bond Service Account and the Reserve Account (including moneys transferred from the General Fund to the credit of Bond Service Account) to the extent moneys therein are insufficient to pay the interest on all Bonds and the principal of the Serial Bonds as such interest and principal become due and payable, and to the Redemption Account to the extent moneys therein and in the Reserve Account are insufficient to provide funds for the retirement of Term Bonds in the amount of the Amortization Requirements therefor.

General Fund and Company Reserve Fund. If at any time moneys transferred from the Revenue Fund to Autopistas de Puerto Rico to pay for Current Expenses pursuant to the Trust Agreement are not sufficient to pay the Current Expenses for any month, then moneys in the General Fund will be transferred to Autopistas de Puerto Rico in an amount sufficient to make up such deficiency upon receiving notice from Autopistas de Puerto Rico.

If on a payment date in respect of the Bonds moneys in the Bond Service Account are insufficient to pay the interest on all Bonds and the principal of the Serial Bonds as such interest and principal become due, then the Trustee will transfer from the General Fund to the Bond Service Account an amount sufficient to make up any such deficiency (or the entire balance of the General Fund if less than the required amount). If an any payment date in respect of the Bonds the moneys in the Redemption Account are insufficient to provide funds for the retirement of Term Bonds to the extent of the Amortization Requirements therefor at the end of any fiscal year, then the Trustee will transfer from the General Fund to the Redemption Account an amount sufficient to make up any such deficiency (or the entire balance of the General Fund if less than the required amount); but no such transfer shall be made unless the moneys then in the Bond Service Account are at least equal to the maximum requirement therefor under the Trust Agreement.

The Trustee shall, subject to the provisions above and at the end of each month, withdraw from the General Fund and deposit to the credit of the Reserve Account such amount thereof (or the entire balance of the General Fund if less than the required amount) as may be required to make the amount then to the credit of the Reserve Account equal to the Reserve Requirement.

Subject to the provisions above, after the end of each fiscal year, the Trustee shall determine whether the percentage derived by dividing (i) the sum of the Net Revenues for such fiscal year plus the balance in the General Fund on the last day of the next preceding fiscal year by (ii) the aggregate Principal and Interest Requirements for the current fiscal year on account of the outstanding Bonds. If such percentage is greater than 110%, the Trustee shall notify Autopistas de Puerto Rico and shall withdraw from the General Fund an amount equal to the ending balance of the General Fund on the latest fiscal year, and pay such amount to Autopistas de Puerto Rico for distribution in accordance with the provisions of the Concession Agreement or, at the written direction of Autopistas de Puerto Rico, transfer such amounts to the credit of the Company Reserve Fund. If the percentage mentioned in the second preceding sentence is not greater than 110%, the Trustee shall make no withdrawal from the General Fund.

The moneys in the Company Reserve Fund shall be held by the Trustee in trust and applied as provided in the Trust Agreement. Pending such application, such moneys shall not be subject to any security interest, lien and charge in favor of the holders of the Bonds, the Trustee or the Authority, except that if the balance in the Reserve Account shall be reduced to an amount below $4,000,000, any moneys in the Company Reserve Fund shall be transferred to the Reserve Account to the extent necessary to replenish the Reserve Account to an amount equal to $4,000,000. Except as described in the preceding sentence and in the next paragraph, the moneys held to the credit of the Company Reserve Fund shall not be available to pay any amounts payable in connection with the operation of the Project, to make any deposits to the various Funds and Accounts established under the Trust Agreement or to pay the principal of or interest or premium, if any, on the Bonds. No amounts on deposit to the credit of any of the other Funds and Accounts established under the Trust Agreement shall be transferred to the credit of the Company Reserve Fund, except as provided above.

Autopistas de Puerto Rico shall have the right, subject to satisfaction of its prior obligations under the Loan Agreement, to deposit moneys to the credit of the Company Reserve Fund from its own funds or from funds available for distribution to its partners pursuant to the Trust Agreement. Unless and until such time as the balance in the Reserve Account is less than $4,000,000, the Trustee is authorized and directed to follow the written instructions of Autopistas de Puerto Rico regarding application of moneys then to the credit of the Company Reserve Fund, and Autopistas de Puerto Rico has the right to instruct the Trustee to transfer all or any part of the moneys then to the credit of the Company Reserve Fund into the Reserve Account and thereby to reduce the stated amount, in whole or in part, of any Reserve Account Letter of Credit or Reserve Account Insurance Policy, to the extent that after any such transfer and reduction, the balance to the credit of the Reserve Account shall not be less than $4,000,000.

Investment of Funds

Moneys held in the Bond Service Account, the Redemption Account and the Revenue Fund will be invested and reinvested by the Trustee, at the direction of Autopistas de Puerto Rico prior to the Authority becoming obligated to give the Assumption Notice, and of the Authority thereafter, in Government Obligations, or Investment Obligations secured by Government Obligations, that mature, or that are subject to redemption at the option of the holder thereof, not later than the respective dates when moneys held for the credit of such Fund and Accounts will be required for the purposes intended.

Pending their application, moneys held in the Net Proceeds Fund, the Reserve Account, the Renewal and Replacement Fund and the General Fund will be invested and reinvested by the Trustee, at the direction of Autopistas de Puerto Rico prior to the Authority becoming obligated to give the Assumption Notice, and of the Authority thereafter, in Investment Obligations that mature, or that are subject to redemption at the option of the holder thereof, not later than the respective dates when moneys held for the credit of such Funds and Accounts, will be required for the purposes intended. Moneys held in the Company Reserve Fund shall be invested and reinvested in such investments as Autopistas de Puerto Rico shall specify.

Government Obligations and Investment Obligations so purchased as an investment of moneys in any Fund or Account will be deemed at all times to be part of such Fund or Account, and any interest accruing on and any profit realized from such investment will be credited to such Fund or Account and any loss resulting from such investment will be charged to such Fund or Account, except that any such interest accruing on and profit realized from the investment of moneys in the Renewal and Replacement Fund and the General Fund will be transferred to the Revenue Fund.

The Trustee is authorized to enter into one or more Investment Agreements upon the direction of the Authority, and to take all actions contemplated by such Investment Agreements, subject to the requirement that any Investment Agreement must be an unconditional obligation of the Qualified Financial Institution and shall provide for payment of interest at a fixed rate (payable not later than each interest payment date) during the entire term of the Investment Agreement.

Covenants of the Authority Upon Assumption of Autopistas de Puerto Rico's obligation to Pay the Bonds

The following covenants of the Authority become enforceable in the event that the Authority is required to assume Autopistas de Puerto Rico's obligations to pay the Bonds. In such event, the Authority will automatically be deemed to have acquired the concession and the Concession Agreement will terminate automatically.

Deposit Deficiency. The Authority has agreed that, whenever there are insufficient funds held by the Trustee to pay the Bonds (which is referred to herein as a "Deposit Deficiency"), it will pay to the Trustee the amount of such Deposit Deficiency, but only from funds available to the Authority after paying debt service on the Senior Transportation Revenue Bonds and the Subordinated Transportation Revenue Bonds issued under the 1998 Bond Resolution and on the Highway Revenue Bonds issued under the 1968 Bonds Resolution. The Trustee will deposit the amount of the Deposit Deficiency so paid by the Authority first to the credit of the Bond Service Account and then to the credit of the Redemption Account to the extent of any deficiencies therein.

The Authority has agreed that upon the occurrence of, and for so long as there exists, a Deposit Deficiency, the Authority will make no expenditure, pledge or encumbrance of any unencumbered funds available to pay such Deposit Deficiency. In addition, from the date of the occurrence of a Deposit Deficiency until it is cured, all unencumbered funds available to pay such Deposit Deficiency will be deemed to be the subject of a lien on, security interest in and pledge in favor of the holders of the Bonds, subject, at all times, to the Authority's prior obligations under the 1998 Bond Resolution and the 1968 Bond Resolution.

Additional Bonds. The Authority has also agreed that, if it is required to assume Autopistas de Puerto Rico's obligation to pay the Bonds, the Authority will not issue any Transportation Revenue Bonds under the 1998 Bond Resolution or any Highway Revenue Bonds under the 1968 Resolution until it has either redeemed the Bonds or issued Transportation Revenues Bonds in exchange for the Bonds, except (i) bonds that the Authority is already legally committed to issue, (ii) bonds issued to pay outstanding debt of the Authority (including debt owed to Government Development Bank) that was incurred to finance temporarily the costs of traffic facilities or to pay all or part of the cost of additional traffic facilities for which construction contracts have been awarded, (iii) Transportation Revenue Bonds to be exchanged for outstanding Bonds, and (iv) bonds issued for purposes of redeeming the Bonds.

Exchange of Bonds. The Authority has agreed that, in the event that the Authority assumes Autopistas de Puerto Rico's obligation to pay the Bonds, it will (within 60 days after it becomes so obligated) issue Transportation Revenue Bonds under the 1998 Bond Resolution in exchange for the outstanding Bonds, provided it meets the requirements of the 1998 Bond Resolution for the issuance of additional bonds. The Authority is not required to attempt to raise revenues in order to meet this additional bonds test. These bonds would be issued as either Subordinated Transportation Revenue Bonds or Senior Transportation Revenues Bonds (or any other bonds that may in the future be provided for under the 1998 Bond Resolution and that rank equally with or senior to the existing Subordinated Transportation Revenue Bonds), at the option of the Authority. If the Authority cannot at the time issue new Transportation Revenue Bonds under its 1998 Bond Resolution, the Authority would continue to use any available bridge toll revenues to pay the Bonds, together with any other revenues available to the Authority after payment of debt service on the outstanding Transportation Revenue Bonds.

Transportation Revenue Bonds so issued under the 1998 Bond Resolution in exchange for the outstanding Bonds will be in the same principal amounts, have the same maturities and bear interest at the same rates and be payable on the same dates as the outstanding Bonds to be exchanged. If less than all the Term Bonds are called for exchange, the Transportation Revenue Bonds issued in exchange for such Term Bonds will have such Amortization Requirements in such fiscal years as the Authority determines by resolution such that the Amortization Requirements for such Transportation Revenue Bonds and the Amortization Requirements for the Term Bonds not called for exchange will in the aggregate be the same for each fiscal year as the Amortization Requirements for the Term Bonds before such exchange.

In the event the Authority elects to issue Transportation Revenue Bonds under its 1998 Bond Resolution in exchange for all or part of the outstanding Bonds, the Bondholders whose Bonds are to be exchanged will receive, not less than thirty (30) days before the exchange date, notice of such exchange by certified first class mail, postage prepaid. On the date so designated for exchange, notice having been given in the manner and under the conditions provided in the Trust Agreement, as described above and Transportation Revenue Bonds, executed and authenticated as required by the 1998 Bond Resolution, being held for delivery by the Trustee, interest on the Bonds or portions of Bonds so called for exchange will cease to accrue, such Bonds or portions of Bonds will cease to be entitled to any benefit or security under the Trust Agreement, and the registered owners of such Bonds or portions of Bonds will have no rights in respect thereof except to receive the Transportation Revenue Bonds in exchange therefor and to receive Bonds for any unexchanged portions of Bonds.

Covenant as to Rates. The Authority has agreed that, in the event that the Authority assumes Autopistas de Puerto Rico's obligation to pay the Bonds, it will not reduce the tolls then in effect on the bridge.

Sale or Lease of Bridge. The Authority has agreed that, except as described below, it will not sell, lease or otherwise dispose of or encumber the bridge or any part thereof. The Authority may, however, from time to time, sell any machinery, fixtures, apparatus, tools, instruments or other movable property acquired by it from the proceeds of bonds issued on account of the bridge or from the Revenues thereof, if the Authority determines that such articles are no longer needed or are no longer useful in connection with the maintenance and operation of the bridge, and deposits the proceeds thereof to the Renewal and Replacement Fund. The Authority may, from time to time, also sell any real estate owned by it in the name of the Commonwealth as the Authority by resolution determines is not needed or serves no useful purpose in connection with the maintenance and operation of the bridge as long as it deposits the proceeds of any sale of real estate to the Renewal and Replacement Fund. The Authority may also lease, or grant easements, franchises or concessions for the use of, any part of the bridge not needed or required for the maintenance and operation thereof as a toll bridge, and will deposit the net proceeds of any such lease or concession as received to the credit of the Revenue Fund.

Events of Default

Prior to the giving by the Authority to the Trustee of the Assumption Notice, each of the following is an "event of default" under the Trust Agreement:

(a) payment of the principal of and the redemption premium, if any, on any of the Bonds is not made when due and payable, either at maturity, redemption or otherwise,

(b) payment of any installment of interest on any of the Bonds is not made within five (5) days after it is due and payable,

(c) an "event of default" has occurred under the Loan Agreement,

(d) the Authority defaults in the due and punctual performance of any of its covenants contained in the Bonds or in the Trust Agreement, and such default continues for thirty (30) days after notice thereof has been given to the Authority by the Trustee, which may give such notice in its discretion and will give such notice at the written request of the owners of not less than 10% in aggregate principal amount of the outstanding Bonds.

Acceleration; Other Remedies

Whenever an event of default under the Trust Agreement has happened and is continuing, the Trustee may, and upon the written direction of the holders of not less than 25% in aggregate principal amount of the outstanding Bonds will, by giving notice in writing to the Authority and Autopistas de Puerto Rico, declare the principal of all of the outstanding Bonds to be due and payable immediately after the date of such notice.

In addition, whenever any event of default under the Trust Agreement has happened and is continuing, the Trustee may, and upon the written direction of the holders of not less than 25% in aggregate principal amount of the outstanding Bonds will, undertake appropriate legal actions, subject to receipt of indemnity satisfactory to it, to protect and enforce its rights and the rights of the bondholders under applicable laws, under the Loan Agreement, or under the Trust Agreement.

Supplemental Trust Agreements

The Trust Agreement may be amended or supplemented at any time without the consent or approval of, or notice to, any of the bondholders, for purposes of (i) curing any ambiguity or making any other provisions with respect to matters or questions arising under the Trust Agreement that are not detrimental to the interests of the bondholders, (ii) granting to or conferring additional rights, remedies, powers, authority or security upon the Trustee for the benefit of the bondholders, (iii) correcting or amending the description of the bridge and (iv) adding to the covenants of the Authority for the benefit of the bondholders or surrendering any right or power conferred upon the Authority by the Trust Agreement.

The Trust Agreement may be amended or supplemented with the consent of the holders of not less than a majority in aggregate principal amount of the outstanding Bonds, except that no such amendment or supplement will permit (i) an extension of the time for payment of the principal of or interest on any Bond, (ii) a reduction in or change of the date of payment of the principal of or premium, if any, or rate of interest on any Bond, (iii) the creation of any lien or security interest with respect to the Loan Agreement, the payments thereunder or the Revenues, other than the lien created by the Trust Agreement, (iv) a preference or priority of any Bond or Bonds over any other Bond or Bonds or (v) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental agreement or amendment or any waiver under the Trust Agreement. In addition, the Trustee is not obligated to execute any proposed supplement or amendment if its rights, obligations or interests would be adversely affected thereby. Further, any supplemental trust agreement will not become effective without the written consent of Autopistas de Puerto Rico.

Amendments and Supplements to the Loan Agreement and the Concession Agreement

The Loan Agreement and the Concession Agreement may be amended or supplemented at any time without the consent or approval of, or notice to, the holders of the Bonds to (i) cure any ambiguity or make any other provisions with respect to matters or questions arising under the Loan Agreement or the Concession Agreement that are not detrimental to the interest of the bondholders, (ii) correct or amend the description of the bridge, (iii) grant additional rights, remedies, powers, authority or security to the Authority or the Trustee for the benefit of the bondholders, (iv) add to the covenants of Autopistas de Puerto Rico or the Authority or surrender any right or power conferred upon Autopistas de Puerto Rico by the Loan Agreement or the Concession Agreement or (v) change the term of the Concession Agreement or the economic or financial covenants therein or make any other change which, in the Trustee's judgment, will not restrict, limit or reduce the obligations of Autopistas de Puerto Rico to make the payments under the Loan Agreement or to pay the principal of or interest on the Bonds or will not otherwise impair the security of the bondholders under the Trust Agreement. Any other amendments or supplements to the Loan Agreement or the Concession Agreement require the approval of the holders of not less than a majority in aggregate principal amount of the outstanding Bonds and the consent of the Trustee. The Trustee is not obligated to consent to any amendment or supplement if its rights, obligations or interests would thereby be adversely affected and the Trustee may not consent to any amendment that would change the provisions of the Loan Agreement relating to amounts payable thereunder.

Replacement of Trustee

The holders of a majority in principal amount of outstanding Bonds may remove the Trustee at any time by written demand to the Trustee, the Authority and Autopistas de Puerto Rico. If, however, at any time the Trustee ceases to be eligible under the Trust Agreement and fails to resign after written request therefor by Autopistas de Puerto Rico or by any bondholder who has been a bona fide bondholder for at least six months, or the Trustee becomes incapable of acting or is adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, the Authority or Autopistas de Puerto Rico may remove the Trustee or, subject to indemnification of the Trustee, any bondholder who has been a *bona fide* bondholder for at least six months may, on behalf of himself and all other similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

Defeasance

The Bonds will be deemed paid and no longer outstanding under the Trust Agreement and the lien of the Trust Agreement will be discharged upon irrevocable deposit with the Trustee, in trust, of moneys in an amount that will be sufficient, or Government Obligations that are not subject to redemption prior to maturity at the issuer's option, the principal of and the interest on which Government Obligations when due (without any reinvestment thereof) will be sufficient, to pay when due the principal of and premium, if any, and interest due and to become due on the Bonds, and the other conditions set forth in the Trust Agreement have been satisfied.

GOVERNMENT DEVELOPMENT BANK

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

Government Development Bank for Puerto Rico is a public corporation with varied governmental financial functions. Its principal functions are to act as financial advisor to and fiscal agent for the Commonwealth, its Municipalities and its public corporations in connection with the issuance of bonds and notes, to make advances to public corporations, and to make loans to private enterprises that will aid in the economic development of the Commonwealth.

TAXATION

In the opinion of Trías, Meléndez & Garay and Sidley Austin Brown & Wood LLP, Co-Bond Counsel, under the provisions of the Acts of the Congress of the United States of America and the Acts of the Commonwealth now in force:

(a) Interest on the Bonds will be exempt from Commonwealth income tax and municipal license taxes;

(b) The Bonds will be exempt from Commonwealth and municipal personal property taxes;

(c) A transfer of the Bonds by inheritance or gift will not be subject to Commonwealth estate and gift taxes if the decedent or donor is an individual who acquired U.S. citizenship solely by reason of birth or residence within Puerto Rico and is a resident of Puerto Rico at the time of death or gift;

(d) Interest on the Bonds will not be excludable from the gross income of the recipient thereof for federal income tax purposes under Section 103(a) of the U.S. Internal Revenue Code; and

(e) Provided that Autopistas de Puerto Rico is not directly or indirectly engaged in any trade or business outside the Commonwealth and that for the three-year period ending with the close of Autopistas de Puerto Rico's taxable year immediately preceding the payment of interest (or for such part of such period as may be applicable) more than 20% of

Autopistas de Puerto Rico's gross income is derived from sources within Puerto Rico or is attributable to the conduct of a trade or business in Puerto Rico (after taking into consideration the source and character of income derived by corporations at least 50% of the total voting power and value of the stock of which is owned by Autopistas de Puerto Rico, to the extent Autopistas de Puerto Rico receives actual income payments from such corporations):

1. interest on the Bonds received by an individual who is a *bona fide* resident of the Commonwealth during the entire taxable year in which such interest is received will be excludable from gross income for federal income tax purposes; and

2. interest on the Bonds received by a corporation organized under the laws of the Commonwealth will not be subject to federal income taxes, provided such interest is not effectively connected with the conduct of a trade or business in the United States by such corporation.

Prospective purchasers of the Bonds, including but not limited to financial institutions, should be aware that ownership of the Bonds may result in having a portion of their interest expense allocable to interest on the Bonds disallowed for purposes of computing the regular tax and the alternative minimum tax for Commonwealth income tax purposes.

The P.R. Internal Revenue Code does not provide any rules with respect to the treatment afforded to the difference between the amount due at maturity of a Capital Appreciation Bond and the initial offering price to the public (the "Accreted Amount"). Under the U.S. Internal Revenue Code, the Accreted Amount is considered "original issue discount" and is treated as interest. Under current Commonwealth administrative practice, original issue discount is treated as interest. Accordingly, Co-Bond Counsel believe that the Accreted Amount will be considered interest and will be afforded the same treatment as interest for the purpose of the opinions expressed above.

For federal income tax purposes, the Accreted Amount will be considered to accrue over the term of the Capital Appreciation Bonds at a constant interest rate compounded semiannually on each interest payment date. A person who acquires a Capital Appreciation Bond in the initial offering at an issue price equal to the original principal amount thereof or the initial offering price thereof will be treated as receiving an amount of interest equal to the sum of the daily portions of the original issue discount accruing during the period he holds such Bond, and will increase his adjusted basis in such Bond by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such Bond. The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Capital Appreciation Bonds that are not purchased in the initial offering at the original principal amount or at the initial offering price may be determined according to rules that differ from those described above.

As previously mentioned, for Commonwealth income tax purposes, the P.R. Internal Revenue Code does not provide any rules for determining the rate at which interest will be deemed to accrue during the term of the Capital Appreciation Bonds. Under certain rules adopted in Administrative Determinations issued by the Treasury Department of the Commonwealth, however, the Accreted Amount will be considered to accrue over the term of a Capital Appreciation Bond at a constant interest rate compounded on each interest payment date.

Other than as set forth above, no opinion is expressed regarding the federal or Commonwealth income tax consequences resulting from ownership of, receipt or accrual of interest on, or disposition of the Bonds.

RATINGS

Moody's Investors Service and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., have given the Bonds ratings of Baa2 and BBB+, respectively. The ratings reflect only the 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 Autopistas de Puerto Rico, the Authority and the Bonds and other relevant information, and 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 such ratings 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 the rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market prices of the Bonds.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with the requirements of Rule 15c2-12, as amended (the "Rule"), promulgated by the Securities and Exchange Commission ("SEC"), Autopistas de Puerto Rico and the Authority will agree to the following:

1. Each of the Authority and Autopistas de Puerto Rico will agree to file within 305 days after the end of each of their respective fiscal years with each NRMSIR and with any Commonwealth state information depository ("SID"), core financial information and operating data for such fiscal year, including (i) its 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 Authority and Autopistas de Puerto Rico, as the case may be, and information as to revenues, expenditures, financial operations and indebtedness of the Authority and Autopistas de Puerto Rico, as the case maybe, in each case, generally found or incorporated by reference in this Official Statement; and

2. Each of the Authority and Autopistas de Puerto Rico will agree to file, in a timely manner, with each NRMSIR or with the MSRB and with any SID, notice of any failure to comply with paragraph 1 above and of the occurrence of any of the following events with respect to the Bonds if, in the judgment of the Authority or Autopistas de Puerto Rico, respectively, such event is material:

a. principal and interest payment delinquencies;
b. non-payment related defaults;
c. unscheduled draws on debt service reserves reflecting financial difficulties;
d. unscheduled draws on credit enhancements reflecting financial difficulties;
e. substitution of credit or liquidity providers, or their failure to perform;
f. adverse opinions or events affecting the tax-exempt status of the Bonds;
g. modifications to rights of the holders (including Beneficial Owners) of the Bonds;
h. Bond calls;
i. defeasances;
j. release, substitution, or sale of property securing repayment of the Bonds; and
k. rating changes.

With respect to the following events:

Events (d) and (e). For a description of the Bonds, see *The Bonds.* The Authority and Autopistas de Puerto Rico do not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Bonds, unless the Authority or Autopistas de Puerto Rico applies for or participates in obtaining the enhancement.

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

Event (h). The Authority does not undertake to provide the above-described event notice of mandatory scheduled redemption, not otherwise contingent upon the occurrence of an event, if (i) the terms, dates and amounts of redemption are set forth in detail in this Official Statement under "Description of the Bonds -- Redemption Provisions -- Mandatory Redemption" under *The Bonds,* (ii) the only open issue is which Bonds will be redeemed in the case of a partial redemption, (iii) notice of redemption is given to the Bondholders as required under the terms of the Bonds and the 1998 Bond Resolution and (iv) 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 of purchases of Bonds.

As of the date of this Official Statement, there is no Commonwealth SID, and the nationally recognized municipal securities information repositories 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 whether or not, such other events are material with respect to the Bonds, but Authority does not undertake to provide any such notice of the occurrence of any event, except those events, if material, listed above.

Autopistas de Puerto Rico 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 will be enforceable by any such Beneficial Owners; provided that the right to enforce the provisions of their respective undertakings shall be limited to a right to obtain specific enforcement of the Authority's or Autopistas de Puerto Rico'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 (the "Covenants") or for any remedy for breach thereof, unless such Beneficial Owner shall have filed with the Authority and Autopistas de Puerto Rico a written request to cure such breach, and the Authority or Autopistas de Puerto Rico, 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 any of the Covenants at issue. Notwithstanding the foregoing, no challenge to the adequacy of the information provided in accordance with the filings mentioned in paragraphs (1) or (2) above may be prosecuted by any Beneficial Owner except in compliance with the remedial and enforcement provisions contained in Article VIII of the Trust Agreement. See "Acceleration; Other Remedies of Bondholders" under "Summary of the Trust Agreement" above.

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 Autopistas de Puerto Rico, 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 Autopistas de Puerto Rico; 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 Autopistas de Puerto Rico, as applicable, elects that the Covenants shall be deemed amended accordingly.

The Authority and Autopistas de Puerto Rico 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.

LEGAL INVESTMENT

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

VERIFICATION OF MATHEMATICAL ACCURACY

Causey Demgen & Moore will verify, from the information provided to them, the mathematical accuracy as of the date of the closing of the Bonds of the computations contained in the provided schedules to determine that the anticipated receipts from the securities listed in such schedules, to be held in escrow, will be sufficient to pay, when due, the principal, interest, and call premium payment requirements of the refunded 1992 Bonds (see "USE OF PROCEEDS"). Causey Demgen & Moore will express no opinion on the assumptions provided to them, nor as to any tax treatment on the Bonds.

UNDERWRITING

The Underwriters have agreed, jointly and severally, subject to the terms and conditions of a Bond Purchase Agreement among the Authority, Autopistas de Puerto Rico and the Underwriters, to purchase all of the Bonds from the Authority at an aggregate discount of $1,967,822.15 from the aggregate initial offering prices set forth or calculated from the information set forth on the inside cover page hereof. The obligations of the Underwriters are subject to certain conditions precedent, including the approval of certain legal matters by its counsel. The Underwriters will be obligated to purchase all the Bonds if any Bonds are purchased. The Underwriters propose initially to offer the Bonds to the public, when, as and if issued by the Authority and accepted by the Underwriters, at the initial public offering prices set forth on the inside cover page hereof. The Underwriters may offer to sell the Bonds to certain dealers and others at prices lower than the initial public offering prices, and such offering prices may be changed, from time to time, by the Underwriters. Pursuant to the Bond Purchase Agreement, the Authority and Autopistas de Puerto Rico have agreed to indemnify the Underwriters against certain civil liabilities, including liabilities under the Securities Act of 1933, as amended, and under the Uniform Securities Act of the Commonwealth.

Citigroup Global Markets Inc., one of the managing underwriters, and its affiliates have in the past provided services to affiliates of Grupo Dragados, one of the partners of Autopistas de Puerto Rico.

LEGAL MATTERS

The proposed form of opinion of Trías, Meléndez & Garay and Sidley Austin Brown & Wood LLP, Co-Bond Counsel, is set forth in Appendix III to this Official Statement. Certain legal matters will be passed upon for the Underwriters by O'Neill & Borges. Certain legal matters will be passed upon for Autopistas de Puerto Rico by Goldman, Antonetti & Córdova, P.S.C.

MISCELLANEOUS

The information set forth in this Official Statement regarding the Authority was supplied by certain officials of the Authority in their official capacities, and is included in this Official Statement on the authority of such officials. The information set forth in this Official Statement regarding Autopistas de Puerto Rico was supplied by Autopistas de Puerto Rico. The Underwriters assume no responsibility for the accuracy or completeness of any of such information.

The Underwriters have agreed to file this Official Statement with the each NRMSIR and with the MSRB.

PUERTO RICO HIGHWAYS AND TRANSPORTATION AUTHORITY

By: /s/ Jack T. Allison
Executive Director

Approved:

AUTOPISTAS DE PUERTO RICO

By: Autopistas Corporation,
Its managing partner,

By: /s/ Rubén Vélez Lebrón
Chairman of the Board

[intentionally left blank]

APPENDIX I

GLOSSARY OF TERMS

The following are definitions of certain terms used in this Official Statement:

"Accreted Value" - with respect to any Capital Appreciation Bond as of any date, an amount equal to the principal amount of such Bond on the date of original issuance plus the interest accrued on such Bond from the date of original issuance to such date, compounded on the dates and in the manner provided for in the resolution authorizing the issuance of such Bond.

"Amortization Requirement" - for any fiscal year, the principal amount fixed or specified for such fiscal year for the retirement of Term Bonds by purchase, redemption or payment, as more fully defined in the Trust Agreement.

"Annual Budget" - the budget of Current Expenses for a fiscal year adopted by Autopistas de Puerto Rico.

"Assumption Notice " - the notice given by the Authority to the Trustee upon termination or deemed termination of the Concession Agreement pursuant to the Trust Agreement.

"Bond Service Account" - the Bond Service Account created in the Sinking Fund by the provisions of Section 504 of the Trust Agreement.

"Company Reserve Fund " - a special fund created and designated by the provisions of Section 509(b) of the Trust Agreement.

"Current Expenses" - the reasonable and necessary expenses incurred in operating, maintaining and repairing the bridge, and shall include, without limiting the generality of the foregoing, all ordinary and usual expenses of operation, maintenance and repair, which may include expenses not annually recurring, all administrative expenses, insurance premiums, engineering expenses relating to operation and maintenance, fees and expenses of the Trustee, legal expenses, advertising expenses, any taxes lawfully levied on the bridge, and all other expenses required to be paid under the provisions of the Trust Agreement, the Loan Agreement, the Concession Agreement or by law, but shall not include any reserves for extraordinary maintenance or repair or any charge for depreciation or any deposits to the credit of the Sinking Fund, the Renewal and Replacement Fund or the General Fund.

"Fiscal year" - the period commencing on the first day of July in any year and ending on the last day of June of the following year.

"Force Majeure" - any cause, circumstance or event not reasonably within the control of the parties, including, without limitation, fire, flood, typhoon, hurricane, earthquake, unforeseeable geological and archaeological conditions, nuclear or other explosion, radioactive or chemical contamination or ionizing radiation, epidemic, quarantine restriction, acts of God, riot, public disorder, civil disturbance, acts of public enemies, loss of power or other utilities, war (whether declared or undeclared), orders or restraints of any kind of the Government of the United States or of the Commonwealth or any of their departments, agencies, political subdivisions or officials, or any civil or military authority, shortages of labor, equipment, materials, supplies or transportation, and strikes, lockouts or other industrial disturbances.

"General Fund" - a special fund created and designated by the provisions of Section 504 of the Trust Agreement.

"Government Obligations" - (i) direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States of America and (ii) any certificates or other evidences of ownership interests in obligations or in specified portions thereof (which may consist of specified portions of the principal thereof or the interest thereon) of the character described in clause (i).

"Highway Revenue Bonds" - bonds issued by the Authority under the provisions of the 1968 Bond Resolution.

"Investment Obligations" - any of the following obligations or securities, to the extent permitted by law, on which neither Autopistas de Puerto Rico nor any of its affiliates is the obligor: (i) Government Obligations, or (ii) certificates of deposit issued by, or banker's acceptances of, or time deposits with, any bank, trust company or national banking association incorporated or doing business under the laws of the United States of America or one of the states thereof or of the Commonwealth having combined capital and surplus and retained earnings of at least $50,000,000 (including the Trustee if such conditions are met) and which has been designed by the Secretary of the Treasury of the Commonwealth as a depositary for public funds, fully secured in the manner provided in Section 601 of the Trust Agreement, or (iii) commercial paper of any holding company of a bank, trust company or national banking association described in (ii), or (iv) bearer deposit notes with, or commercial paper of, or certificates of deposit issued by, or promissory notes of, any subsidiary incorporated under the laws of Canada or any province thereof of any bank, trust company or national banking association described in (ii) or (vii) and which has been designated by the Secretary of the Treasury of the Commonwealth as a depositary for public funds, fully secured in the manner provided in said Section 601, or (v) commercial paper having a rating assigned to such commercial paper by S & P or Moody's (or, if neither such organization shall rate such commercial paper at any time, by any nationally recognized securities rating organization in the United States of America) equal to the highest rating assigned by such organization for such commercial paper, or (vi) U.S. dollar-denominated certificates of deposits issued by, or time deposits with, the European subsidiaries of (a) any bank, trust company or national banking association described in (ii) and which has been designated by the Secretary of the Treasury of the Commonwealth as a depositary for public funds, fully secured in the manner provided in said Section 601, or (b) any other bank depositary for public funds, fully secured in the manner provided in said Section 601, or (vii) U.S. issued Yankee certificates of deposit issued by, or bankers' acceptances of, or commercial paper issued by any bank, trust company or banking association with combined capital and surplus and retained earnings of at least $150,000,000 and headquartered in Canada, Japan, the United Kingdom, France, Germany, Switzerland, the Netherlands or Spain and which has been designated by the Secretary of the Treasury of the Commonwealth as a depositary for public funds, fully secured in the manner provided in said Section 601, or (viii) U.S. dollar-denominated time deposits with any Canadian bank having a combined capital and surplus and retained earnings of at least $150,000,000 and which has been designated by the Secretary of the Treasury of the Commonwealth as a depositary for the public funds, fully secured in the manner provided in said Section 601, or (ix) Canadian Treasury Bills fully hedged to U.S. dollars, or (x) repurchase agreements with any financial institution or broker-dealer having combined capital and surplus and retained earnings of at least $50,000,000 (or whose obligations are fully guaranteed by a financial institution or broker-dealer having such combined capital and surplus and retained earnings) with respect to any of the obligations of the type described in clauses (i) through (ix), or (xi) obligations of any state of the United States of America or any political subdivision of any such state, or any agencies or instrumentalities of any such state, including but not limited to industrial development bonds, pollution control revenue bonds, public power bonds, housing bonds, other revenue bonds or any general obligation bonds; provided that at the time of their purchase, such obligations are rated in either of the two highest long-term rating categories by S & P or Moody's (or, if neither such organization shall rate such obligations at any time, by any nationally recognized securities rating organization in the United States of America), or (xii) money market preferred stock or other equivalent Dutch-auction preferred stock of any bank, trust company or national association described in (ii) and (vii) or of any company, which latter obligations, at the time of their purchase, are rated in either of the two highest long-term rating categories by S & P or Moody's (or, if neither such organization shall rate such obligations at any time, by any nationally recognized securities rating organization in the United States of America).

"Moody's" - Moody's Investors Service.

"Net Proceeds" - the gross proceeds derived from insurance or any eminent domain award or agreement in lieu of award in eminent domain proceedings, less payment of attorneys' fees and expenses properly incurred in the collection of such gross proceeds.

"Net Proceeds Fund " - a special fund created and designated by the provisions of Section 401 of the Trust Agreement.

"Net Revenues" - for any particular period means the amount of the excess of the Revenues for such period over the Current Expenses for such period.

"1998 Bond Resolution" - Resolution No.98-06, adopted by the Board of the Authority on February 26, 1998, as amended, authorizing and securing the Transportation Revenue Bonds.

"1968 Bond Resolution" - Resolution No. 68-18, adopted by the Board of the Authority on June 13, 1968, as amended, authorizing and securing the Highway Revenue Bonds.

"Outstanding" - when used with respect to the Bonds means, as of the date of determination, all Bonds authenticated and delivered under the Trust Agreement, except:

(i) Bonds canceled or delivered to the Trustee for cancellation;

(ii) Bonds for whose payment or redemption moneys or Government Obligations in the necessary amount have been theretofore deposited with the Trustee in trust for the holders of such Bonds, provided that, if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Agreement or provision therefor satisfactory to the Trustee has been made; and

(iii) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to the Trust Agreement; provided, however, that in determining whether the holders of the requisite principal amount of Bonds outstanding have been given any request, demand, authorization, direction, notice, consent or waiver hereunder, Bonds owned by Autopistas de Puerto Rico or the Authority or any affiliate of either thereof shall be disregarded and deemed not to be outstanding, except that, in determining whether the Trustee shall be protected and relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which the Trustee knows to be so owned shall be so disregarded. Bonds so owned which have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not Autopistas de Puerto Rico or the Authority or any affiliate of either thereof.

"Pledged Revenues" - (i) prior to the termination of the Loan Agreement and without duplication, the Net Revenues, the payments required or deemed to be made by the Company under and from Net Revenues and the other sources specified in Section 4.01 of the Loan Agreement and any other funds derived under the Loan Agreement and the Trust Agreement and (ii) after the termination of the Loan Agreement, the Net Revenues, Available 401(g) Construction Fund Moneys (to the extent provided in the Trust Agreement) and any other funds derived under the Trust Agreement to the extent provided in the Trust Agreement.

"Principal" - (a) with respect to any Capital Appreciation Bond, (i) the Accreted Value thereof, when used in connection with determining whether the holders of the requisite principal amount of Bonds outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder or with respect to the redemption price of such Bond, (ii) the initial public offering price thereof, when used in connection with the order of payments under Section 806 of the Trust Agreement, and (iii) the Accreted Value thereof, when used in all other circumstances, unless otherwise expressly provided, and (b) with respect to Bonds other than Capital Appreciation Bonds, the amount stated to be payable at maturity.

"Principal and Interest Requirement" - for any fiscal year, shall mean the sum of:

(i) the amount required to pay the interest on all outstanding Bonds which is payable on January 1 in such fiscal year and on July 1 in the following fiscal year;

(ii) the amount required to pay the principal of all outstanding Bonds which is payable on July 1 in such following fiscal year; and

(iii) the Amortization Requirement for the Term Bonds for such fiscal year.

"Regular Record Date" - the 15th day of the month next preceding an interest payment date.

"Renewal and Replacement Fund" - a special fund created and designated by the provisions of Section 504 of the Trust Agreement.

"Reserve Account" - the special account created in the Sinking Fund by the provisions of Section 504 of the Trust Agreement.

"Revenue Fund" - a special fund created and designated by the provisions of Section 503 of the Trust Agreement.

"Revenues" - all moneys received by the Authority or Autopistas de Puerto Rico in connection with the ownership or operation of the bridge, including all moneys received from tolls, rates, rentals, fees and other charges, proceeds of business interruption insurance on the bridge and income from investments made under the provisions of the Trust Agreement, except income from the investment of moneys in the Renewal and Replacement Fund.

"Sinking Fund" - a special fund created and designated by the provisions of Section 504 of the Trust Agreement.

"S & P" - Standard & Poor's Corporation.

"Traffic Facilities" - comprise (1) roads, avenues, streets, thoroughfares, speedways, bridges, tunnels, channels, stations, terminals and any other land or water facilities necessary or desirable in connection with the movement of persons, freight, vehicles or vessels; (2) parking lots and structures and other facilities necessary or desirable in connection with the parking, loading or unloading of all kinds of vehicles and vessels; and (3) all property, rights, easements and interests therein necessary or desirable for the construction, maintenance, control, operation or development of such Traffic Facilities.

“Transportation Revenue Bonds” - bonds issued by the Authority under the provisions of the 1998 Bond Resolution.

FINANCIAL STATEMENTS OF AUTOPISTAS DE PUERTO RICO

[intentionally left blank]

AUTOPISTAS DE PUERTO RICO Y COMPAÑÍA, S.E.

(A Special Partnership)

Financial Statements and Additional Information

December 31, 2002 and 2001

(With Independent Auditors' Report Thereon)

R:\REPORT\FINANCIO\Autopista\Autopista 2002\Autopista02fs.doc

[intentionally left blank]

Independent Auditors' Report

The Partners
Autopistas de Puerto Rico y Compañía, S.E.:

We have audited the accompanying balance sheets of Autopistas de Puerto Rico y Compañía, S.E. (Autopistas) (a special partnership) as of December 31, 2002 and 2001, and the related statements of operations, changes in partners' deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Autopistas' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 from 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Autopistas de Puerto Rico y Compañía, S.E. at December 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information presented in the accompanying schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This additional information is the responsibility of the Autopistas' management. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the basic financial statements taken as a whole.

KPMG LLP

February 4, 2003

Stamp No. 1828074 of the Puerto Rico
Society of Certified Public Accountants
was affixed to the record copy of this report.

AUTOPISTAS DE PUERTO RICO Y COMPAÑÍA, S.E.
(A Special Partnership)

Balance Sheets

December 31, 2002 and 2001

Assets		**2002**	**2001**
Current assets:			
Cash and cash equivalents	$	242,914	414,297
Sinking funds held by trustee available to pay current liabilities (note 4)		4,808,461	4,029,233
Receivables (note 2)		523,282	547,835
Due from affiliates (note 3)		283,157	278,936
Prepaid expenses		259,920	187,666
Total current assets		6,117,734	5,457,967
Sinking funds held by trustee, excluding portion available to pay current liabilities (note 4)		11,523,217	12,464,406
Concession rights, net of accumulated amortization of $27,951,949 and $24,796,223 in 2002 and 2001, respectively (note 5)		76,498,250	79,653,976
Improvements to property subject to concession rights, net of accumulated amortization of $95,343 in 2002 and $28,042 in 2001		577,668	644,969
Computer, office, and maintenance equipment, net of accumulated depreciation of $145,143 and $121,691 in 2002 and 2001, respectively		49,135	68,313
Other assets (note 7)		858,564	821,377
	$	95,624,568	99,111,008
Liabilities and Partners' Deficit			
Current liabilities:			
Accounts payable and accrued expenses	$	181,070	221,154
Current portion of accrued interest payable		4,245,576	3,538,348
Current portion of long-term debt (note 6)		1,798,664	2,210,000
Construction contract payable to affiliate (note 3)		490,885	490,885
Due to affiliate (note 3)		83,776	35,680
Deferred revenue and customer deposits		279,557	269,055
Total current liabilities		7,079,528	6,765,122
Noncurrent liabilities:			
Long-term debt, including accreted interest of $28,038,987 and $25,750,765 in 2002 and 2001, respectively (note 6)		136,720,093	136,158,535
Due to partners (note 7)		869,617	839,847
Total noncurrent liabilities		137,589,710	136,998,382
Total liabilities		144,669,238	143,763,504
Partners' deficit		(49,044,670)	(44,652,496)
	$	95,624,568	99,111,008

See accompanying notes to financial statements.

AUTOPISTAS DE PUERTO RICO Y COMPAÑÍA, S.E.
(A Special Partnership)

Statements of Operations

Years ended December 31, 2002 and 2001

	2002	2001
Toll revenue	$ 12,660,103	12,463,161
Operating expenses (note 3):		
Salaries and employee benefits	800,950	784,216
Outside services	1,247,030	1,264,386
Insurance	298,000	247,549
Depreciation and amortization of concession rights, equipment, and improvements	3,246,479	3,206,581
Maintenance and utilities	287,654	376,936
Other operating and administrative expenses	687,250	1,057,911
Total	6,567,363	6,937,579
Income before other income (expense)	6,092,740	5,525,582
Other income (expense):		
Interest expense	(10,860,039)	(10,684,511)
Interest income	374,334	752,263
Other	791	12,567
Total other income (expense), net	(10,484,914)	(9,919,681)
Net loss (note 8)	$ (4,392,174)	(4,394,099)

See accompanying notes to financial statements.

AUTOPISTAS DE PUERTO RICO Y COMPAÑÍA, S.E.
(A Special Partnership)

Statements of Changes in Partners' Deficit

Years ended December 31, 2002 and 2001

		Contributed capital	Accumulated deficit	Total partners' deficit
Balance, December 31, 2000	$	1,488,611	(38,959,756)	(37,471,145)
Distributions to partners (note 5)		—	(2,787,252)	(2,787,252)
Net loss for the year (note 8)		—	(4,394,099)	(4,394,099)
Balance, December 31, 2001		1,488,611	(46,141,107)	(44,652,496)
Net loss for the year (note 8)		—	(4,392,174)	(4,392,174)
Balance, December 31, 2002	$	1,488,611	(50,533,281)	(49,044,670)

See accompanying notes to financial statements.

AUTOPISTAS DE PUERTO RICO Y COMPAÑÍA, S.E.
(A Special Partnership)

Statements of Cash Flows

Years ended December 31, 2002 and 2001

		2002	2001
Cash flows from operating activities:			
Net loss	$	(4,392,174)	(4,394,099)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization of concession rights, equipment, and improvements		3,246,479	3,206,581
Accrual of interest expense not currently due		2,288,222	3,607,706
(Increase) decrease in assets:			
Receivables		24,553	275,519
Prepaid expenses		(72,254)	(60,407)
Other assets		(37,187)	(62,580)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses		(40,084)	(139,519)
Accrued interest payable		707,228	—
Due to affiliate		48,096	(87,878)
Deferred revenue and customer deposits		10,502	36,783
Total adjustments		6,175,555	6,776,205
Net cash provided by operating activities		1,783,381	2,382,106
Cash flows from investing activities:			
Deposits to and interest earned on sinking funds held by trustee		(13,063,995)	(13,137,709)
Withdrawals from sinking funds held by trustee		13,225,956	14,434,201
Advances to affiliates, net		(4,221)	(11,111)
Capital expenditures		(4,274)	(730,033)
Net cash provided by investing activities		153,466	555,348
Cash flows from financing activities:			
Distributions to partners		—	(2,787,252)
Cash advances from partners		29,770	73,579
Redemption of long-term debt		(2,138,000)	—
Net cash used in financing activities		(2,108,230)	(2,713,673)
Net (decrease) increase in cash and cash equivalents		(171,383)	223,781
Cash and cash equivalents, beginning of year		414,297	190,516
Cash and cash equivalents, end of year	$	242,914	414,297
Noncash transaction:			
Retirement of fully depreciated fixed assets	$	—	30,845

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

Autopistas de Puerto Rico y Compañía, S.E. (Autopistas) is a special partnership organized on March 20, 1991, under the laws of the Commonwealth of Puerto Rico for the purpose of designing, financing, constructing, operating, and maintaining toll roads, bridges, highways, or other public works under an administrative concession, lease, franchise, or similar arrangement with the Commonwealth of Puerto Rico.

From inception through February 23, 1994, Autopistas was engaged in the design and supervision of the construction of the Teodoro Moscoso Bridge Expressway (the Facility). Financing was provided by the Puerto Rico Highway and Transportation Authority (the Authority) (an instrumentality of the Commonwealth of Puerto Rico) by lending the proceeds from the issuance of bonds aggregating approximately $116,753,000 to Autopistas through a loan agreement (the Loan) (see note 6). Since February 23, 1994, Autopistas has operated the Facility in accordance with the concession agreement discussed in note 5. The operation of the Facility is the only business activity Autopistas had for the years ended December 31, 2002 and 2001.

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

(a) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

(b) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and time deposits with maturities of three months or less. At December 31, 2002 and 2001, Autopistas had time deposits of $18 and $169,784, respectively.

(c) Computer, Office, and Maintenance Equipment

Computer, office, and maintenance equipment are carried at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets. Useful lives in use by Autopistas range from one to ten years. Maintenance and repairs are charged to expense as incurred.

(d) Concession Rights

Concession rights consist of costs incurred in the development of the Facility, including design, construction, net construction period interest, other financing costs, and other costs associated with the Facility prior to commencement of operations on February 23, 1994. These costs, aggregating approximately $104,450,000, are amortized using the straight-line method commencing on February 23, 1994 over the then remaining term of the concession agreement further described in note 5 (397 months).

(Continued)

(e) Improvements to Property Subject to Concession Rights

Improvements to property subject to concession rights represent the cost of extraordinary improvements to the Facility, which are stated at cost, and are being amortized over a period of ten years using the straight-line method.

(f) Sinking Funds Held by Trustee

As the ultimate recipient of the proceeds from the Authority's bond issuance, and pursuant to the Loan, Autopistas is required to remit all collections from the operation of the Facility to a trustee. Funds held by the trustee, invested principally in short-term certificates of deposit and fixed income governmental securities funds, are used to service Autopistas' debt with the Authority, maintain certain required reserves, and pay for the operating expenses of the Facility. Investments held by the trustee are carried at cost, which approximates fair market value.

(g) Impairment or Disposal of Long-lived Assets

The Company accounts for long-lived assets in accordance with the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-lived Assets*. This statement requires that long-lived assets 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 to be 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 the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No indications of impairment are evident as a result of such review at December 31, 2002 and 2001.

(h) Toll Revenue

Toll revenue is accounted for using the accrual basis of accounting, based on usage of the Facility and established rates. Corporate and individual users may prepay their usage of the Facility by purchasing tokens or chips. Proceeds from unused tokens or chips are presented as deferred revenue in the accompanying balance sheets.

(2) Receivables

Receivables at December 31, 2002 and 2001 consist of:

		2002	2001
Toll usage:			
Billed and unbilled	$	94,470	161,641
Reimbursement from the renewal and replacement fund		68,574	231
Accrued interest receivable		102,000	222,395
Other		258,238	163,568
Total	$	523,282	547,835

(Continued)

(3) Related-Party Transactions

Autopistas has transactions with its partners and certain other entities affiliated to its partners. An affiliate constructed the Facility and at December 31, 2002 and 2001, $490,885 were due and outstanding for construction work. Autopistas also makes payments on behalf of this affiliate which owed Autopistas approximately $269,000 and $267,000 at December 31, 2002 and 2001, respectively. These advances do not bear interest.

During the years ended December 31, 2002 and 2001, certain partners and affiliates charged approximately $204,200 and $197,000, respectively, for management and administrative services and approximately $13,100 and $33,000, respectively, for systems and other maintenance services. Amounts due for these services at December 31, 2002 and 2001 aggregating approximately $84,000 and $36,000, respectively, are expected to be settled in the normal course of business.

(4) Sinking Funds Held by Trustee

Sinking funds held by trustee at December 31, 2002 and 2001 consist of:

		2002	2001
Reserve fund	$	11,236,730	11,675,278
Bond service fund		4,317,575	3,538,347
General fund		4	2,843
Renewal and replacement fund		83,567	102,317
Construction fund		140,745	141,271
Redemption fund		3,971	3,971
Revenue fund		549,086	1,029,612
Total		16,331,678	16,493,639
Less amount to be used to settle current accrued interest payable, current principal balance, and construction contract payable		4,808,461	4,029,233
Noncurrent sinking funds held by trustee	$	11,523,217	12,464,406

All moneys held in the sinking funds held by the trustee are invested in short-term certificates of deposit, bearing interest of 1.16% at December 31, 2002 (2.01% at December 31, 2001), and in fixed income governmental securities funds.

The funds comprising the sinking funds held by the trustee were created for the following purposes:

(a) Reserve Fund

The Reserve Fund receives from the Revenue Fund amounts required to maintain the stipulated reserve requirement of $11,675,278. Funds are to be used to supplement the Bond Service Fund, the Redemption Fund, and the Contingency Fund when required. Any excess over the stipulated reserve requirement shall be transferred to the Revenue Fund. As of December 31, 2002 Autopistas did not

(Continued)

maintain the stipulated reserve requirement. During the month of January 2003 the required reserve balance was met after serving the debt as scheduled.

(b) ***Bond Service Fund***

The Bond Service Fund receives from the Revenue Fund an amount equal to the interest becoming due and payable within the ensuing six months plus, if the deposit is made on or prior to December 31, an amount equal to 50% of the principal on the serial bonds becoming due and payable within the ensuing 12 months (100% if made after December 31).

(c) ***General Fund***

The General Fund receives from the Revenue Fund any amount remaining after meeting the requirements of the Bond Service Fund, the Redemption Fund, the Reserve Fund, the Renewal, and Replacement Fund and transfers to Autopistas any amount required to pay current expenses in excess of the annual budget. The General Fund shall be used to supplement the Reserve Fund, as required, and subject to certain financial parameters, to pay partner distributions.

(d) ***Renewal and Replacement Fund***

The Renewal and Replacement Fund receives from the Revenue Fund an amount which shall make total deposits for each six-month period ending June 30 and December 31 equal to $75,000, or such greater amount as Autopistas may determine.

(e) ***Construction Fund***

The Construction Fund received the proceeds of the Loan amounts required to complete construction of the Facility.

(f) ***Redemption Fund***

The Redemption Fund receives from the Revenue Fund an amount equal to 50% of the principal on the term bonds becoming due and payable within the ensuing 12 months, if the deposit is made on or before December 31 (100% if made after December 31).

(g) ***Revenue Fund***

The Revenue Fund receives all revenue derived from the operation of the Facility and transfers at month-end the cash to meet the requirements of all other funds.

(5) Concession Agreement

(a) ***General***

On December 20, 1991, Autopistas and the Authority entered into a concession agreement (the Concession) which granted Autopistas the right to design, construct, operate, maintain, and manage the Facility, as well as to charge tolls for the use of the Facility. The Concession expires on December 19, 2026.

(b) Distributions to Partners

The partners are entitled to receive any balance held in the General Fund after the end of every fiscal year as defined (July 1 through June 30), if the sum of net revenue, transfers to the Renewal and Replacement Fund, and the beginning of year balance of the General Fund is greater that 110% of the aggregate principal and interest requirements for the year. This distribution will continue until the base return on partners' capital reaches 19%, after income or withholding taxes payable by such partner, calculated from the date of contribution. In any fiscal year that the base return on partners' capital has been reached by any partner, any excess revenue will be shared by such partner with the Authority in the proportion of 60% for the Authority and 40% for the partner until such time as the internal rate of return on partners' capital is equal to 22% net, after income or withholding taxes payable by such partner, and thereafter in the proportion of 85% for the Authority and 15% for such partner. During the year ended December 31, 2001, gross distributions to partners amounted to $2,787,252 (none to the partners in 2002 and none to the Authority in 2002 and 2001).

(c) Termination

Autopistas may, at its sole discretion, terminate the Concession and be compensated therefore if the cumulative number of vehicles that use the Facility is below the following percentages of the number of vehicles estimated by an Authority consultant prior to the commencement of operations:

Period	Minimum percentage
First three years	80%
Fourth to sixth year	85%
Seventh to eighth year	90%
Thereafter	100%

At December 31, 2002, the actual cumulative usage of the Facility was 85% of that estimated. However, Autopistas currently has not expressed any intention of terminating the Concession.

Should Autopistas opt to terminate the Concession, it would surrender all of its rights in the Facility in exchange for the release from all of its obligations related to the financing of the Facility and the return of all contributed capital, to the extent not recovered, plus a return on such capital at an annual compounded rate of 12.5%.

Autopistas is obligated to terminate the Concession if on the 120th day prior to an interest payment date, the sinking fund (excluding the Construction Fund) plus 95% of the excess of estimated revenue over expenses, as defined, for the six months immediately preceding the interest payment date, is less than the sum of principal and interest due on the interest payment date plus 50% of the stipulated reserve requirement.

(6) Long-Term Debt

On April 1, 1992, Autopistas and the Authority entered into an agreement (the Loan) whereby the proceeds from certain bonds issued by the Authority, aggregating approximately $116,753,000, were lent to

Autopistas for the purpose of developing the Facility. Autopistas is obligated to repay the Loan in amounts that will be sufficient to pay principal and interest becoming due and payable on the bonds, as well as amounts required to effect mandatory redemption of the bonds, when applicable. For that purpose all revenue derived from the operations of the Facility are deposited with the trustee in the Revenue Fund.

Following is a description of the outstanding bonds underlying the Loan at December 31, 2002 and 2001:

Description		Amount 2002	Amount 2001	Interest rate	Interest payment date	Maturity
Series A serial bonds	$	2,372,000	4,525,000	7.30% – 7.45%	Semiannually, each January 1 and July 1, commencing July 1, 1992	2002 through 2005
Series A term bonds		84,780,000	84,780,000	7.75% – 8%	Semiannually each January 1 and July 1, commencing July 1, 1992	2012 ($15,210,000) 2020 ($69,570,000)
Series B capital appreciation bonds		30,671,757	28,368,535	7.75% – 8%	Maturity	2006 through 2013
Series C future income growth securities		20,695,000	20,695,000	7.55% – 7.65%	Semiannually, each January 1 and July 1, commencing July 1, 2002	2003 through 2007
Total debt		138,518,757	138,368,535			
Less current maturities		1,798,664	2,210,000			
Long-term debt	$	136,720,093	136,158,535			

Contractual sinking fund requirements of the bonds (excluding the effects of mandatory redemption, if applicable) for the next five years and thereafter are as follows:

		Principal	Interest	Total
Year ending December 31:				
2003	$	1,798,664	10,185,288	11,983,952
2004		2,577,803	10,018,914	12,596,717
2005		3,559,973	9,799,455	13,359,428
2006		3,228,408	11,720,319	14,948,727
2007		3,346,196	11,700,632	15,046,828
Thereafter		95,968,726	107,484,768	203,453,494
Total	$	110,479,770	160,909,376	271,389,146

Series A bonds may be redeemed at the option of Autopistas for 102% to 101% of their face value, between July 1, 2002 and June 30, 2004. Thereafter, they may be redeemed at 100% of their face value. In addition, under certain conditions, the bonds are subject to mandatory redemption, at their face value plus any accrued interest through the redemption date (see note 4). The obligations of Autopistas under the Loan are secured by toll revenue, but are not secured by a lien on the Facility or on any other property of Autopistas.

The failure of Autopistas to pay the amounts required with respect to principal and interest on the bonds, among other things, constitutes an event of default under the Loan. In such event, and provided the default is notified, the Authority could declare all unpaid amounts under the Loan due and payable. The Loan will be considered terminated upon termination or expiration of the Concession. It is the opinion of management that projected 2003 operating revenue and sinking funds held by the trustee will be sufficient to pay the Facility's operating expenses and scheduled loan and interest payments for 2003.

(7) Other Assets

Other assets at December 31, 2002 and 2001 consist of:

		2002	2001
Capitalized Highway 66 costs	$	853,980	816,793
Other		4,584	4,584
Total	$	858,564	821,377

In 1991, Autopistas was awarded the right to enter into a concession agreement with the Authority for the final design, construction, and operation of Highway 66 (the Project). The Authority canceled negotiations for the execution of the concession agreement in February 1997. As a result, in March 1997 Autopistas filed a claim against the Authority claiming damages in excess of $200 million. The Puerto Rico Superior Court dismissed Autopistas' claim. The claim was reviewed by the Circuit Court of Appeals, which reversed the dismissal and reinstalled the lawsuit on June 30, 1999. The Puerto Rico Supreme Court has refused to hear the case, as requested by the Authority. The Authority appealed to the Supreme Court, which refused to accept the case. The Authority then filed two motions requesting reconsideration, which were also denied. Since the case was remanded to the Court of First Instance, Autopistas has been actively prosecuting the case, and particularly, has commenced discovery, through the notification of interrogatories, requests for documents, and notification of several depositions. The Authority also requested the partial dismissal of the suit, which was opposed by Autopistas. As a result, on March 30, 2001 the Court of First Instance partially dismissed the suit. However, Autopistas appealed said judgment on May 1, 2001 and the Circuit Court of Appeals partially reversed said dismissal. The case is currently under a discovery stage. The results of this legal action cannot presently be determined and accordingly, no receivable has been recorded in the accompanying financial statements relating to its ultimate outcome. Through December 31, 2002, Autopistas had incurred $853,980 in connection with the Highway 66 project, including certain legal costs. All costs incurred have been funded by cash advances received from partners. At December 31, 2002, it seems uncertain that the Highway 66 project will ultimately be developed by Autopistas. As a result of the ongoing litigation, management expects that all costs incurred by Autopistas will be recovered or in any event the partners will waive their right to collect any amounts owed by Autopistas to them, to the extent not recovered through the litigation. However, management believes that at the end of the litigation it should prevail in its claim.

(8) Income Tax

Autopistas is not taxable for Puerto Rico income tax purposes pursuant to the special partnership election submitted to and approved by the Puerto Rico Treasury Department. Instead, the partners report their distributive share in the profits and losses in their income tax return. The special partnership election requires Autopistas to remit income taxes on behalf of the partners at the applicable statutory rates for profits expected to be reported in the partners' income tax returns. Because of Autopistas operating losses during the years ended December 31, 2002 and 2001, no such remittances were made on behalf of the partners.

(9) Fair Value of Financial Instruments

The estimated fair value amounts have been determined by Autopistas using available market information and appropriate valuation methodologies. The following methods and assumptions were used by Autopistas in estimating fair value disclosures for its financial instruments:

(a) Cash and Cash Equivalents

The carrying amount reported in the balance sheets for cash and cash equivalents approximates fair value.

(b) Sinking Funds Held by Trustee

The carrying amount of sinking funds held by trustee approximates fair value because such funds are principally invested in short-term certificates of deposit.

(c) Long-Term Debt

The fair value of long-term debt has been estimated based on the quoted market price of the Authority's bond issuance underlying the Loan. The market value of the bonds outstanding at December 31, 2002 and 2001 amounted to approximately $145,238,000 and $144,182,000, respectively.

(10) Cash Flows Information

During the years ended December 31, 2002 and 2001, Autopistas made interest payments aggregating approximately $7,864,000 and $7,077,000.

(11) Subsequent Events

Public announcements have been made of the impending refinancing of Autopistas' public debt during 2003, with the idea of securing a lower interest cost. The refinancing would result from the issuance by the Puerto Rico Highway and Transportation Authority of Special Facility Revenue Refunding Bonds, 2003 Series A. The terms and effectiveness of these bonds are in the process of being established, as well as the terms of the renegotiated financing agreement between Autopistas and the Authority.

AUTOPISTAS DE PUERTO RICO Y COMPAÑÍA, S.E.
(A Special Partnership)

Schedule of Changes in Sinking Funds Held by Trustee

Years ended December 31, 2002 and 2001

	Construction fund	Contingency fund	Renewal and replacement fund	Bond service fund	Redemption fund	Reserve fund	Revenue fund	General fund	Total
Balance, December 31, 2000	$ 143,741	—	1,198,945	3,542,636	3,971	11,675,278	1,171,252	54,308	17,790,131
Additions:									
Cash from operations	—	—	—	—	—	—	12,203,881	—	12,203,881
Interest earned	1,693	—	36,958	11	—	773,226	116,974	4,966	933,828
Deductions:									
Payment of interest	—	—	—	(7,076,694)	—	—	—	—	(7,076,694)
Partner distributions	—	—	—	—	—	—	—	(2,787,252)	(2,787,252)
Withdrawals to fund maintenance activities	—	—	(864,442)	—	—	—	—	—	(864,442)
Cash advances for operating costs	—	—	—	—	—	—	(3,600,000)	—	(3,600,000)
Trustee fees	—	—	—	—	—	—	(88,790)	(17,023)	(105,813)
Transfers	(4,163)	—	(269,144)	7,072,394	—	(773,226)	(8,773,705)	2,747,844	—
Balance, December 31, 2001	141,271	—	102,317	3,538,347	3,971	11,675,278	1,029,612	2,843	16,493,639
Additions:									
Cash from operations	—	—	—	—	—	—	12,570,472	—	12,570,472
Interest earned	2,479	—	1,924	—	—	437,375	51,715	30	493,523
Deductions:									
Payment of interest	—	—	—	(7,864,590)	—	—	—	—	(7,864,590)
Redemption of debt	—	—	—	(2,138,000)	—	—	—	—	(2,138,000)
Withdrawals to fund maintenance activities	—	—	(95,674)	—	—	—	—	—	(95,674)
Cash advances for operating costs	—	—	—	—	—	—	(3,054,000)	—	(3,054,000)
Trustee fees	—	—	—	—	—	—	(73,692)	—	(73,692)
Transfers	(3,005)	—	75,000	10,781,818	—	(875,923)	(9,975,021)	(2,869)	—
Balance, December 31, 2002	$ 140,745	—	83,567	4,317,575	3,971	11,236,730	549,086	4	16,331,678

See accompanying independent auditors' report.

SIDLEY AUSTIN BROWN & WOOD LLP

787 SEVENTH AVENUE
NEW YORK, NEW YORK 10019
TELEPHONE 212 839 5300
FACSIMILE 212 839 5599
www.sidley.com

FOUNDED 1866

BEIJING
BRUSSELS
CHICAGO
DALLAS
GENEVA
HONG KONG
LONDON

LOS ANGELES
NEW YORK
SAN FRANCISCO
SHANGHAI
SINGAPORE
TOKYO
WASHINGTON, D.C.

October __, 2003

Hon. Fernando E. Fagundo
Secretary of Transportation and Public Works
San Juan, Puerto Rico

Gentlemen:

We have examined Act No. 74 of the Legislature of Puerto Rico, approved June 23, 1965, as amended (hereinafter called the "Act"), creating Puerto Rico Highways and Transportation Authority (the "Authority"), a body corporate and politic constituting a public corporation and governmental instrumentality of the Commonwealth of Puerto Rico, and Reorganization Plan No. 6 of 1971 (Act No. 113 of the Legislature of Puerto Rico, approved June 21, 1968) which attached the Authority to the Department of Transportation and Public Works.

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

$____________
PUERTO RICO HIGHWAYS AND TRANSPORTATION AUTHORITY
SPECIAL FACILITY REVENUE REFUNDING BONDS
2003 SERIES A
(TEODORO MOSCOSO BRIDGE)

The Bonds are issued under and pursuant to a Trust Agreement, dated as of October 1, 2003 (the "Trust Agreement"), by and between the Authority and Banco Popular de Puerto Rico, trustee (the "Trustee").

The proceeds of the Bonds are to be used for the purpose of refunding the Authority's Special Facility Revenue Bonds, 1992 Series A, B and C (San José Lagoon Bridge Project) issued for the purpose of financing a portion of the cost of the construction of a toll bridge over the San José Lagoon, in San Juan and Carolina, Puerto Rico (the "Project").

The Authority has entered into a Loan Agreement, dated as of October 1, 2003 (the "Loan Agreement"), with Autopistas de Puerto Rico y Compaňía, S.E. (the "Company"). The Loan Agreement provides for the operation of the Project by the Company and the deposit of all revenues of the Project to the credit of a special fund created by the Trust Agreement. The Trust Agreement provides for the deposit of a sufficient amount of such revenues, over and above the expenses of operation, maintenance and repair of the Project, to the credit of the Special Facility Revenue Refunding Bonds (Teodoro Moscoso Bridge) Interest and Sinking Fund (the "Sinking Fund") to pay the principal of and the interest on the Bonds as the same become due and payable and to maintain a reserve for such purpose, which Sinking Fund is pledged to and charged with the payment of the principal of and interest on such Bonds. Upon termination of the Loan Agreement, under certain circumstances, the Authority will provide moneys from the proceeds of certain gasoline and gas oil and diesel oil taxes, certain petroleum products taxes and certain motor vehicle license fees and its toll revenues, subject to the prior claim thereon of direct obligations of the Commonwealth of Puerto Rico (the "Commonwealth"), and the Authority's outstanding Highway or Transportation Revenue Bonds, to pay, with the revenues of the Project, over and above the expenses of operation, maintenance and repair of the Project, the principal of and the interest on the Bonds as the same become due and payable.

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

From such examination, based on existing law, we are of the opinion that:

1. The Act is valid.

2. The proceedings of the Secretary of Transportation and Public Works in connection with the authorization, issuance and sale of the Bonds and the authorization, execution and delivery of the Loan Agreement and the Trust Agreement have been validly and legally taken.

3. The Trust Agreement has been duly authorized, executed and delivered by the Authority and the Trustee and constitutes a legal, valid and binding obligation enforceable in accordance with its terms.

4. The Loan Agreement has been duly authorized, executed and delivered by the Authority and the Company and constitutes a legal, valid and binding obligation enforceable in accordance with its terms.

5. The Bonds have been duly authorized by the Authority and constitute legal, valid, binding and enforceable obligations of the Authority, payable solely from the Sinking Fund and

other available funds to the extent provided in the Trust Agreement, and are entitled to the benefit and security of the Trust Agreement.

6. All rights, title and interest of the Authority in and to the Loan Agreement (except certain rights of the Authority to payment of expenses and indemnity) have been validly assigned to the Trustee.

7. The Bonds are not a debt of either the Commonwealth or any of its municipalities or other political subdivisions, other than the Authority, and neither the Commonwealth nor any such municipality or other political subdivision, other than the Authority, shall be liable thereon.

8. Interest on the Bonds is exempt from Commonwealth income tax and municipal license taxes.

9. The Bonds are exempt from Commonwealth and municipal personal property taxes.

10. A transfer of the Bonds by inheritance or gift will not be subject to Commonwealth estate and gift taxes if the decedent or donor is an individual who acquired U.S. citizenship solely by reason of birth or residence within Puerto Rico and is a resident of Puerto Rico at the time of death or gift.

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

12. Provided that the Company is not directly or indirectly engaged in any trade or business outside the Commonwealth and that for the three-year period ending with the close of the Company's taxable year immediately preceding the payment of interest (or for such part of such period as may be applicable) more than 20% of the Company's gross income is derived from sources within Puerto Rico or is attributable to the conduct of a trade or business in Puerto Rico (after taking into consideration the source and character of income derived by corporations at least 50% of the total voting power and value of the stock of which is owned by the Company, to the extent the Company receives actual income payments from such corporations):

(a) interest on the Bonds received by an individual who is a *bona fide* resident of the Commonwealth during the entire taxable year in which such interest is received will be excludable from gross income for federal income tax purposes; and

(b) interest on the Bonds received by a corporation organized under the laws of the Commonwealth will not be subject to federal income taxes, provided such interest is not effectively connected with the conduct of a trade or business in the United States by such corporation.

Prospective purchasers of the Bonds, including but not limited to financial institutions, should be aware that ownership of the Bonds may result in having a portion of their interest expense allocable to interest on the Bonds disallowed for purposes of computing the regular tax and the alternative minimum tax for Commonwealth income tax purposes.

The Puerto Rico Internal Revenue Code of 1994, as amended (the "P.R. Code"), does not provide any rules with respect to the treatment afforded to the difference between the amount due at maturity of any Bond that is a capital appreciation bond and the initial offering price to the public (the "Accreted Amount"). Under the Code, the Accreted Amount is considered "original issue discount" and is treated as interest. Under current Commonwealth administrative practice, original issue discount is treated as interest. Accordingly, we believe that the Accreted Amount will be considered interest and will be afforded the same treatment as interest for the purpose of the opinions expressed above.

For federal income tax purposes, the Accreted Amount will be considered to accrue over the term of any Bond that is a capital appreciation bond at a constant interest rate compounded semiannually on each interest payment date. A person who acquires any such Bond in the initial offering at an issue price equal to the original principal amount thereof or the initial offering price thereof will be treated as receiving an amount of interest equal to the sum of the daily portions of the original issue discount accruing during the period he holds such Bond, and will increase his adjusted basis in such Bond by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such Bond. The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of any such Bond that is not purchased in the initial offering at the original principal amount or at the initial offering price may be determined according to rules that differ from those described above.

As previously mentioned, for Commonwealth income tax purposes, the P.R. Code does not provide any rules for determining the rate at which interest will be deemed to accrue during the term of any Bond that is a capital appreciation bond. Under certain rules adopted in Administrative Determinations issued by the Treasury Department of the Commonwealth, however, the Accreted Amount will be considered to accrue over the term of any such Bond at a constant interest rate compounded on each interest payment date.

Other than as set forth above, we express no opinion regarding the federal or Commonwealth income tax consequences resulting from ownership of, receipt or accrual of interest on, or disposition of the Bonds.

The enforceability of the Trust Agreement and the Loan Agreement is subject to bankruptcy, insolvency and other laws affecting creditors' rights generally. To the extent that the remedies under the Trust Agreement and the Loan Agreement require or may require enforcement by a court of equity, the enforceability thereof may be limited by such principles of equity as the court having jurisdiction may impose.

In rendering this opinion, we have relied upon the opinion of Goldman Antonetti & Cordova, P.S.C., San Juan, Puerto Rico with respect to the due authorization, execution and delivery by the Company of the Loan Agreement.

Respectfully submitted,

SUMMARY OF CERTAIN PROVISIONS OF THE 1998 RESOLUTION

The following are brief summaries of certain provisions of the 1998 Resolution. Such statements do not purport to be complete and reference is made to the 1998 Resolution, copies of which are available from the Authority or the 1998 Fiscal Agent. For the purposes of this summary, the term "senior bonds" shall refer to "Senior Transportation Revenue Bonds"; the term "subordinated bonds" shall refer to "Subordinated Transportation Revenue Bonds"; and the term "bonds" shall refer to "Transportation Revenue Bonds"; as those terms are used in this Official Statement.

Definition of Certain Terms

"Accreted Value" means, with respect to any Capital Appreciation Bond or Capital Appreciation and Income Bond, an amount equal to the principal amount of such Bond on the date of original issuance plus the interest accrued on such Bond from the date of original issuance to the date of computation or the Interest Commencement Date, as the case may be, such interest to accrue at the rate set forth in the resolution providing for the issuance of said Bond, but not exceeding the maximum rate permitted by law, compounded periodically at the times provided for in such resolution.

"Capital Appreciation Bonds" means any bonds as to which interest is compounded periodically on each of the applicable dates designated for compounding in the resolution authorizing said Bonds and payable in an amount equal to the then current Accreted Value only at the maturity, earlier redemption or other payment date therefor, all as so provided by said resolution, and which may be either serial bonds or term bonds.

"Capital Appreciation and Income Bonds" means any bonds as to which accruing interest is not paid prior to the interest payment date immediately following the Interest Commencement Date specified in the resolution authorizing such Bonds and the interest on which is compounded periodically on the dates designated in such resolution prior to the Interest Commencement Date for such Capital Appreciation and Income Bonds, and which may be either serial bonds or term bonds.

"Cost of Transportation Facilities" or "cost of Transportation Facilities" means the cost of acquisition and construction of Transportation Facilities and the cost of all labor, materials, machinery and equipment, the cost of all lands, property, rights, easements and franchises required, interest prior to and during construction and for any additional period authorized by law if so provided by, and subject to any limitations in, the resolution authorizing the issuance of a Series of bonds, the cost of engineering and legal services, preliminary surveys, or plans and specifications, expenses of administration properly chargeable to such construction or acquisition, legal, architectural and engineering expenses and fees, the cost of audits and of preparing and issuing the bonds, fees and expenses of the 1998 Fiscal Agent and consultants, financing charges, taxes or other governmental charges lawfully assessed during construction, claims arising in connection with construction, premiums on insurance in connection with construction, premiums for bond insurance, interest rate insurance or insurance assuring availability of the amounts required to be on deposit in the Senior Bond Reserve Account or any account in the Subordinated Bond Reserve Fund, any amounts required to be deposited in the Senior Bond Reserve Account or any account in the Subordinated Bond Reserve Fund, initial set-up fees and annual fees for any Credit Facility or Liquidity Facility and tender agent fees and fees payable for remarketing bonds supported by any Credit Facility or Liquidity Facility during such period, as may be specified in the resolution authorizing the issuance of such Series of bonds and all other items of expense not elsewhere in this definition specified, incident to the financing or construction of any Transportation Facilities and the placing of the same in operation.

"Existing Tax and Fee Revenues" means (1) the proceeds of the sixteen cents a gallon tax imposed on gasoline and one-half of the eight cents per gallon tax imposed on gas oil and diesel oil imposed by Subtitle B of Act No. 120, approved October 31, 1994, as amended, and allocated to the Authority by Act No. 223 of November 30, 1995, as amended, and by said Act's predecessor statutes and (2) the proceeds of the $15 increase per vehicle of annual motor vehicle license fees imposed by the Commonwealth and allocated to the Authority by Act No. 9, approved August 12, 1982.

"Existing Toll Facilities Revenues" means the tolls or other charges imposed by the Authority for the use of any Traffic Facilities financed in whole or in part by the issuance of 1968 Resolution Bonds, including any extensions, betterments or improvements to such Facilities however financed or otherwise paid for.

"Fiscal Year" means the period commencing on the first day of July of any year and ending on the last day of June of the following year or any other twelve month period designated by the Authority.

"Government Obligations" means (i) direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States Government, (ii) bonds, debentures or notes issued by any of the following Federal Agencies: Banks for Cooperatives, Federal Intermediate Credit Banks, Federal Home Loan Banks, Export-Import Bank of the United States, Government National Mortgage Association or Federal Land Banks, (iii) obligations 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, (iv) municipal obligations, the payment of the principal of and interest and redemption premium, if any, on which are irrevocably secured by obligations described in clause (i) of this definition and which obligations are not subject to redemption prior to the date on which the proceeds attributable to 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 (v) evidences of ownership of proportionate interests in future interest or principal payments on obligations specified in clauses (i), (ii), (iii) and (iv) of this definition held by a bank (including the 1998 Fiscal Agent) or trust company as custodian 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.

"Interest Commencement Date" means, with respect to any particular Capital Appreciation and Income Bonds, the date specified in the resolution providing for the issuance of such bonds after which interest accruing on such bonds shall be payable on a periodic basis prior to maturity, with the first such payment date being the applicable interest payment date immediately succeeding such Interest Commencement Date.

"Investment Obligations" means:

(i) Government Obligations,

(ii) direct and general obligations of any state or territory of the United States of America to the payment of the principal of and interest on which the full faith and credit of such state or territory is pledged, provided that such obligations are rated, on the date of investment therein, in any of the three highest rating categories (without regard to any gradations within any such category) by both Moody's or any successors thereto and S&P or any successors thereto,

(iii) banker's acceptances, certificates of deposit or time deposits of any bank or national banking association (including the 1998 Fiscal Agent), trust company or 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 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 clauses (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 1998 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 or any national banking association (including the 1998 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 clauses (i) or (ii) above, provided that the 1998 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,

(v) obligations, whether or not insured, issued by any state or territory of the United States, or any political subdivision, agency or instrumentality thereof which are rated, on the date of investment therein, in one of the three highest rating categories (without regard to any gradations within any such category) by both Moody's or any successors thereto and S&P or any successors thereto,

(vi) 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 any such category) by both Moody's or any successors thereto, and S&P or any successors thereto,

(vii) (1) shares of stock in a corporation rated in the highest rating category by Moody's or any successors thereto and S&P or any successors thereto (without regard to gradations within such category) that (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 obligations described in clauses (i) and (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 1998 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 or any successors thereto and S&P or any successors thereto (without regard to any gradations within such category), and

(viii) any other obligations permitted under the laws of the Commonwealth which are rated, or which are issued by issuers which are rated, on the date of investment therein, in any of the three highest rating categories (without regard to any gradations within any such category) by both Moody's or any successors thereto and S&P or any successors thereto, or which are collateralized by such Investment Obligations.

"Mass Transit Facilities" means the equipment, omnibus facilities, rail facilities, and real property, constituting or to constitute part of, or used or reasonably anticipated to be used in connection with the operation of, any mass transportation facility or system, and related services operated by the Authority directly or by contract, lease or other arrangements entered into by the Authority, as the foregoing may from time to time be augmented or diminished.

"1968 Resolution Bonds" means all bonds issued under the 1968 Resolution.

"Principal and Interest Requirements" means for any fiscal year, as applied to the bonds of any Series issued under the provisions of the 1998 Resolution, the sum of:

(i) the amount required to pay the interest on all outstanding bonds of such Series which is payable after July 31 in such fiscal year and on or before July 31 in the following fiscal year,

(ii) the amount required to pay the principal of the serial bonds of such Series then outstanding which is payable after July 31 in such fiscal year and on or before July 31 in the following fiscal year, and

(iii) 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:

(a) in the case of Capital Appreciation Bonds, the Accreted Value of Capital Appreciation Bonds 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;

(b) in the case of Capital Appreciation and Income Bonds, the Appreciated Value of Capital Appreciation and Income Bonds 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;

(c) the interest rate on bonds issued with a variable, adjustable, convertible or similar rate of interest shall be the greater of (A)(1) the average rate of interest on such bonds for the preceding twelve months or such shorter period that such bonds shall have been outstanding, or (2) 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 and (B) the lesser of the maximum rate then permitted by law and the maximum rate permitted on such bonds by the resolution authorizing the issuance thereof; provided, however, that if the Authority has notified the 1998 Fiscal Agent that a Swap agreement is in effect in respect of such bonds, then for all purposes of this paragraph, except for the purpose of determining the required deposits to the Senior Bond Sinking Fund or the Subordinated Bond Sinking Fund described in "Sinking Funds" below, the interest rate on such bonds shall be the Swap rate under such Swap agreement; and if such Swap rate is a variable rate, the interest rate on such bonds (except for the purpose specified above in this paragraph) shall be the average Swap rate for the preceding twelve months or such shorter period that the Swap agreement has been in effect, or if such Swap agreement has not been in effect prior to the date of calculation, the Swap rate on the date of calculation;

(d) in the case of the bonds which by their terms may be tendered 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 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 the letter of credit or insurance policy or similar credit or liquidity facility or in the agreement with the Authority providing for the issuance of such instrument;

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

(f) 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 twenty-five percent (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 of the bonds may be excluded and in lieu thereof of the bonds shall be treated, for purposes of the computation of Principal and Interest Requirements, as debt securities having a comparable federal tax status as such bonds, maturing in substantially equal annual payments of principal and interest over a period of not more than thirty (30) 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 issued on the date of issuance of the bonds and issued by issuers having a credit rating, issued by Moody's or any successors thereto or S&P 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; and

(g) if all or a portion of the principal of or interest on a Series of bonds is payable from moneys irrevocably set aside or deposited for such purpose, together with projected earnings thereon to the extent such earnings are projected to be from Investment Obligations irrevocably set aside or deposited for such purpose on the date of computation, such principal or interest shall not be included in determining Principal and Interest Requirements; provided that the above computation shall be supported by a verification report from a nationally recognized independent certified public accountant as to the sufficiency of such moneys set aside and projected earnings.

"Reserve Account Insurance Policy" means an insurance policy, surety bond or other acceptable evidence of insurance, which policy, bond or other evidence of insurance constitutes an unconditional senior obligation of a municipal bond insurer whose policy or bond results in the rating of municipal obligations secured by such policy or bond, at the time of deposit to the credit of the Reserve Account, in either of the two highest rating categories (without regard to any gradations within either such category) of either Moody's or any successors thereto or S&P or any successors thereto.

"Reserve Account Letter of Credit" means an irrevocable, transferable letter of credit, which letter of credit constitutes an unconditional senior obligation of a banking association, bank or trust company or branch thereof whose letter of credit results in the rating of municipal obligations secured by such letter of credit, at the time of deposit to the credit of the Reserve Account, in either of the two highest categories (without regard to any gradations within either such category) of either Moody's or any successors thereto or S&P or any successors thereto and any agreement of the type referred to in the definition of "Subordinated Reserve Requirement".

"Revenues" means all moneys received by the Authority on account of the crude oil tax allocated to the Authority by Act No. 34, approved July 16, 1997, as amended, all Existing Tax and Fee Revenues upon the repeal and cancellation of the 1968 Resolution, any tolls or other charges imposed by the Authority for the use of any of the Toll Facilities other than Existing Toll Facilities Revenues received by the Authority prior to the repeal and cancellation of the 1968 Resolution, the proceeds of any other taxes, fees or charges which the Legislature of Puerto Rico may hereafter allocate to the Authority and expressly authorize the Authority to pledge to the payment of the principal of and interest on bonds or other obligations of the Authority and which are pledged by the Authority to the payment of the principal of and interest on bonds or other obligations issued under the provisions of the 1998 Resolution, and investment earnings on deposits to the credit of funds and accounts established under the 1998 Resolution, except for the 1998 Construction Fund.

"Senior Reserve Requirement" with respect to the senior bonds means the lesser of (i) the maximum Principal and Interest Requirements for any fiscal year on account of the outstanding senior bonds and (ii) ten (10%) percent of the original principal amount of each Series of senior bonds outstanding determined on the basis of their initial offering prices to the public.

"Subordinated Reserve Requirement" with respect to any Series of Subordinated Transportation Revenue Bonds means that amount fixed from time to time by resolution of the Authority as the amount required to be held to the credit of a separate account in the Subordinated Bond Reserve Fund corresponding to such Series. For purposes of determining the amount on deposit to the credit of any such separate account, any agreement between the 1998 Fiscal Agent and a financial institution serving as the depository institution of the Commonwealth state infrastructure bank (or other similar fund) created by virtue of Section 350 of the National Highway System Designation Act of 1995, as amended (23 U.S.C. Section 101), or any similar federal legislation, pursuant to which agreement such depository institution irrevocably agrees to provide funds to the 1998 Fiscal Agent for deposit to the credit of any separate account in the Subordinated Bond Revenue Fund shall be treated as satisfying the applicable Subordinated Reserve Requirement to the extent of the maximum amount of funds so available to be provided to the 1998 Fiscal Agent for deposit to the credit of such separate account.

"Swap agreement" means an agreement between the Authority and a Swap party whereby the Swap party agrees to pay to the Authority amounts calculated on the basis of all or a portion of the interest on bonds issued under the 1998 Resolution with a variable, adjustable, convertible or similar rate of interest at or prior to the times such interest is due and payable in consideration of the Authority's payment to the Swap party of amounts set forth in the Swap agreement.

"Swap party" means a person who is party to a Swap agreement and whose senior obligations are rated at the time of the execution and delivery of such Swap agreement in one of the three highest rating categories (without regard to any gradations within any such category) by (i) S&P or its successors and (ii) Moody's or its successors.

"Swap rate" means the fixed rate per annum on the principal amount of bonds issued under the 1998 Resolution with a variable, adjustable, convertible or similar rate of interest covered by a Swap agreement equal to the percentage derived by dividing (i) the sum of the amounts in the last twelve months paid by the Authority in respect of interest on such bonds and to the Swap party less the amount paid to the Authority by the Swap party by (ii) such principal amount of bonds; provided, however, that if such Swap agreement has been in effect for less than twelve months, such percentage shall be multiplied by 360 divided by the number of days between the effective date of such Swap agreement and the date of calculation determined on the basis of 30-day months;

"Toll Facilities" means any Traffic Facilities for the use of which the Authority imposes tolls.

"Traffic Facilities" means any of the following facilities for which 1968 Resolution Bonds or bonds or other obligations shall be issued by the Authority under the provisions of the 1998 Resolution the cost of which facilities paid from the proceeds of such bonds or other obligations shall not have been reimbursed to the Authority from funds not encumbered by the 1998 Resolution or the 1968 Resolution:

(i) roads, avenues, streets, thoroughfares, speedways, bridges, tunnels, channels, stations, terminals and any other land or water facilities necessary or desirable in connection with the movement of persons, freight, vehicles or vessels;

(ii) parking lots and structures and other facilities necessary or desirable in connection with parking, loading or unloading of all kinds of vehicles or vessels; and

(iii) all property rights, easements, and interests therein necessary or desirable for the construction, maintenance, control, operation or development of such traffic facilities.

"Transportation Engineers" means the engineer or engineers or engineering firms or corporations at the time employed by the Authority under the provisions of the 1998 Resolution.

"Transportation Facilities" means all Traffic Facilities, all Mass Transit Facilities, and any other highway, road, transportation or other facilities or undertakings permitted from time to time by the enabling act for which bonds or other obligations shall be issued by the Authority under the provisions of the 1998 Resolution the cost of which facilities paid from the proceeds of such bonds or other obligations shall not have been reimbursed to the Authority from funds not encumbered by the 1998 Resolution.

Sinking Fund

The 1998 Resolution creates the "Puerto Rico Highway and Transportation Authority Transportation Revenue Bonds Interest and Sinking Fund" (the "Senior Bond Sinking Fund"). The "Senior Bond Service Account" , "Senior Bond Redemption Account" and "Senior Bond Reserve Account" are crated within the Senior Bond Sinking Fund. (Section 401).

The 1998 Resolution also creates the "Puerto Rico Highway and Transportation Authority Subordinated Transportation Revenue Bonds Interest and Sinking Fund" (the "Subordinated Bond Sinking Fund"). The "Subordinated Bond Service Account," and "Subordinated Bond Redemption Account" are created within the Subordinated Bond Sinking Fund. (Section 401).

The 1998 Resolution also creates the "Puerto Rico Highway and Transportation Authority Subordinated Transportation Revenue Bonds Reserve Fund" (the "Subordinated Bond Reserve Fund"). The Authority may establish one or more accounts in the Subordinated Bond Reserve Fund to correspond to Series of Subordinated Transportation Revenue Bonds with different Subordinated Reserve Requirements. (Section 401).

The 1998 Resolution also creates the "Puerto Rico Highway and Transportation Authority Transportation Revenue Fund" (the "Revenue Fund"). The Authority has covenanted that all Revenues (except investment earnings on deposits to the credit of the funds and accounts established under the 1998 Resolution) will be deposited when received to the credit of the Revenue Fund. Until the outstanding 1968 Resolution Bonds have been paid or provision has been made for their payment and the repeal and cancellation of the 1968 Resolution, the Authority shall on or before the last day of the month during which the 2002 Bonds shall be issued and on or before the 25th day of each month thereafter withdraw from the 1968 Construction Fund and transfer to the credit of the Revenue Fund all unencumbered moneys held for the credit of the 1968 Construction Fund (herein "unencumbered 1968 Construction Fund moneys"), such transfer to be made on the books of the Authority as of the close of the preceding month. (Section 401).

The moneys in each Fund or Account are held by the 1998 Fiscal Agent in trust and, pending application, are subject to a lien in favor of the holders of the outstanding bonds and for the further security of such holders until paid out or transferred as provided in the 1998 Resolution. (Section 401).

All Revenues (other than investment earnings), Excess 1968 Resolution Revenues and any other funds of the Commonwealth allocated to the Authority for the payment of principal of and interest on any bonds, are withdrawn monthly from the Revenue Fund and deposited with the 1998 Fiscal Agent as follows:

(1) to the Senior Bond Service Account, an amount equal to 1/6th of the amount of interest payable on all senior bonds of each Series on the next succeeding interest payment date and an amount equal to 1/12th of the next maturing installment of principal of any serial bonds of such Series until the amount in the Senior Bond Service Account equals the amount of interest payable on such interest payment date and the amount of such principal installment; but the amount so deposited on account of the interest in each month after the delivery of the senior bonds of any Series up to and including the month immediately preceding the first interest payment date thereafter of the bonds of such Series shall be that amount which when multiplied by the number of such deposits will be equal to the amount of interest payable on such bonds on such first interest payment date less the amount of any accrued interest paid on such bonds and deposited to the credit of the Senior Bond Service Account;

(2) to the Senior Bond Redemption Account, an amount equal to 1/12th of the Amortization Requirement for such fiscal year for the term bonds of each Series of senior bonds then outstanding plus an amount equal to 1/12th of the premium, if any, which would be payable on the first redemption date in the following fiscal year on a like principal amount of bonds if such principal amount of bonds should be redeemed prior to their maturity from moneys in the Senior Bond Sinking Fund;

(3) to the Senior Bond Reserve Account, such amount as is required to make the amount deposited to the credit of said Account in the then current fiscal year at least equal to 20% of the Senior Reserve Requirement; but such deposits shall only be made to the extent necessary to make the amount then in the Senior Bond Reserve Account equal to the Senior Reserve Requirement; and provided, further, that in the event of an increase in the Senior Reserve Requirement due to the issuance of additional Series of senior bonds, such increase will be funded by deposits in each of the five years, commencing in the fiscal year in which such additional Series of senior bonds is issued of 20% of such increase in the Senior Reserve Requirement;

(4) to the Subordinated Bond Service Account, an amount equal to one-sixth (1/6th) of the amount of interest payable on all Subordinated Transportation Revenue Bonds of each Series on the interest payment date next succeeding and an amount equal to one twelfth (1/12th) of the next maturing installment of principal of such serial bonds

of such Series until the amount in the Subordinated Bond Service Account equals the amount of interest payable on such interest payment date and the amount of such principal installment; but the amount so deposited on account of interest in each month after the delivery of the Subordinated Transportation Revenue Bonds of any Series up to and including the month immediately preceding the first interest payment date thereafter of the bonds of such Series shall be that amount which when multiplied by the number of such deposits will be equal to the amount of interest payable on such bonds on such first interest payment date less the amount of any accrued interest paid on such bonds and deposited with the 1998 Fiscal Agent to the credit of the Subordinated Bond Service Account;

(5) to the Subordinated Bond Redemption Account, an amount equal to one-twelfth (1/12th) of the Amortization Requirement for such fiscal year for the term bonds of each Series of Subordinated Transportation Revenue Bonds then outstanding plus one-twelfth (1/12th) of the premium, if any, which would be payable on the first redemption date in the following fiscal year on a like principal amount of bonds if such principal amount of bonds should be redeemed prior to their maturity from moneys in the Subordinated Bond Sinking Fund;

(6) to each separate account within the Subordinated Bond Reserve Fund, such amount, if any, of any balance remaining after making the deposits described under paragraph (1) through (5) above (allocated pro rata to each account on the basis of the corresponding Subordinated Reserve Requirements) at least equal to the respective deposit requirements corresponding to each such account established by the Authority; but no such deposits to any such account described under this paragraph will be made in any month if the amount then to the credit of such account shall be equal to the applicable Subordinated Reserve Requirement; and provided, further, that notwithstanding the above, in the event that any Subordinated Reserve Requirement increases on account of the issuance of additional Series of Subordinated Transportation Revenue Bonds, the Authority may provide for equal annual deposits as will ensure that the applicable Subordinated Reserve Requirement will be met not earlier than the end of a five year period following the issuance of such Series of Subordinated Transportation Revenue Bonds; and

(7) the balance remaining after making the deposits referred to above shall be deposited to the credit of the 1998 Construction Fund for use by the Authority for any of its authorized purposes, subject to the provisions of Section 604 and 605 of the 1998 Resolution. (Section 401).

The requirements specified in paragraphs (1) through (6) above are cumulative. (Section 401).

The Authority further covenants that any other funds which it receives from the Commonwealth or any other source to make up any deficiencies in the amounts needed to pay the principal of and interest on any bonds issued under the provisions of the 1968 Resolution and the 1998 Resolution will be applied for such purpose first to make up any deficiencies in the amounts needed to pay the principal and interest on any 1968 Resolution Bonds and then to make up any such deficiencies needed to pay such principal of and interest on the senior bonds and then the Subordinated Transportation Revenue Bonds. (Section 401).

When the 1968 Resolution is repealed and cancelled, all moneys (other than those held for the redemption or payment of 1958 Resolution Bonds), including obligations purchased as an investment of such moneys will be withdrawn from the 1968 Construction Fund and 1968 Sinking Fund and deposited into the Revenue Fund. (Section 402).

Moneys in the Senior Bond Redemption Account shall be applied to the retirement of senior bonds as follows:

(a) Subject to the provisions of paragraph (c) below, the 1998 Fiscal Agent shall endeavor to purchase outstanding senior 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 Senior Bond Sinking Fund. The 1998 Fiscal Agent shall pay the interest accrued on such bonds to the date of delivery thereof from the Senior Bond Service Account and the purchase price from the Senior Bond Redemption Account, but no such purchase shall be made within 45 days next preceding any interest payment date on which such bonds are subject to redemption except from moneys in excess of the amounts set aside or deposited for the redemption of senior bonds.

(b) Subject to the provisions of paragraph (c) below, the 1998 Fiscal Agent shall call for redemption on each date on which senior bonds are subject to redemption from moneys in the Senior Bond Sinking Fund on the forty-fifth day prior to such redemption date such amount of senior bonds then subject to redemption as, with the redemption premium, if any, will exhaust the Senior Bond Redemption Account as nearly as may be; but not less than $50,000 principal amount of senior bonds shall be called for redemption at any one time.

(c) Moneys in the Senior Bond Redemption Account shall be applied to the purchase or redemption of senior bonds in the following order:

First, the term bonds of each Series of senior bonds, if any, in the order of their issuance, to the extent of the Amortization Requirement, if any, of the then current fiscal year for such term bonds and any deficiency in preceding fiscal years in the purchase or redemption of such term bonds under the provisions of this subdivision; but if none of the term bonds of a Series of senior bonds shall be subject to redemption from moneys in the Senior Bond Sinking Fund and if the 1998 Fiscal Agent shall at any time be unable to exhaust the moneys applicable to the bonds of any such Series in the purchase of such bonds under the provisions of paragraph (a) above, such moneys or the balance of such moneys, as the case may be, shall be retained in the Senior Bond Redemption Account and, as soon as it is feasible, applied to the retirement of the bonds of such Series.

Second, to the purchase of any outstanding senior bonds, whether or not such bonds shall then be subject to redemption, in accordance with the provisions of paragraph (a) above;

Third, term bonds of each Series of senior bonds in proportion (as nearly as practicable) to the aggregate principal amount of the bonds of each such Series originally issued; and

Fourth, after the retirement of all term senior bonds, any balance shall be applied to the retirement of serial senior bonds of each Series in proportion to the aggregate principal amount of each such Series originally issued.

All expenses in connection with such purchase or redemption shall be paid from the 1998 Construction Fund. (Section 404).

Moneys in the Senior Bond Reserve Account shall be used for the purpose of paying interest on the senior bonds and maturing principal of serial senior bonds whenever and to the extent that the moneys held for the credit of the Senior Bond Service Account shall be insufficient for such purpose and thereafter for the purpose of making deposits to the credit of the Senior Bond Redemption Account whenever and to the extent that the Revenues or other moneys deposited to the credit of the Revenue Fund are insufficient for such purpose; but prior to making any withdrawal from the Senior Bond Reserve Account, the 1998 Fiscal Agent shall withdraw first available unencumbered moneys in the 1998 Construction Fund and then any moneys held to the credit of the Subordinated Bond Redemption Account and then any moneys held to the credit of the Subordinated Bond Service Account in respect of the principal of any Subordinated Transportation Revenue Bonds and finally any other moneys held to the credit of the Subordinated Bond Service Account and transfer all such money so withdrawn to the Senior Bond Service Account or the Senior bond Redemption Account in the respective amounts necessary to cure any insufficiencies in said Accounts. (Sections 405, 409 and 411).

Moneys held in the Subordinated Bond Service Account and Subordinated Bond Redemption Account will be applied to the payment of Subordinated Transportation Revenue Bonds' debt service in the same manner as moneys in the Senior Bond Service Account and the Senior Bond Redemption Account are applied to the payment of senior bonds' debt service, subject to the provisions employing moneys in the Subordinated Bond Sinking Fund to address insufficiencies in the Senior Bond Sinking Fund described in the previous paragraph. (Sections 406, 407, 411).

Money held for the credit of each account in the Subordinated Bond Reserve Fund shall be used for the purpose of paying interest on each Series of Subordinated Transportation Revenue Bonds and maturing principal of serial Subordinated Transportation Revenue Bonds of each such Series to which such account relates whenever and to the extent that the moneys held for the credit of the Subordinated Bond Service Account shall be insufficient for such purpose and thereafter for the purpose of making deposits to the credit of the Subordinated Bond Redemption Account whenever and to the extent that the Revenues or other moneys deposited to the credit of the Revenue Fund are insufficient for such purpose. (Section 408).

The Authority may deposit into the Senior Bond Reserve Account or any account in the Subordinated Bond Reserve Fund, a Reserve Account Insurance Policy or a Reserve Account Letter of Credit in an amount equal to all or a portion of the applicable reserve requirement, which Reserve Account Insurance Policy or Reserve Account Letter of Credit shall be payable or available to be drawn upon, as the case may be (upon the giving of notice as required thereunder), on any interest payment date on which a deficiency exists in the applicable reserve account which cannot be otherwise cured.

If a disbursement is made under the Reserve Account Insurance Policy or the Reserve Account Letter of Credit, the Authority shall be obligated either to reinstate the limits of such Reserve Account Insurance Policy or Reserve Account Letter of Credit following such disbursement, or to deposit into the Senior Bond Reserve Account or any account in the Subordinated Bond Reserve Fund from Revenues, funds in the amount of the disbursement made under such Reserve Account Insurance Policy or Reserve Account Letter of Credit, and any moneys held in any such reserve account may be applied for such purpose. (Sections 401, 405, 408).

1998 Construction Fund

Before any payment or withdrawal shall be made from moneys in the 1998 Construction Fund there shall be filed with the 1998 Fiscal Agent a certificate signed by a designated officer of the Authority setting forth the amount of money to be so disbursed and stating that such money will be used to pay the costs of constructing Transportation Facilities or for other authorized purposes. Upon receipt of such certificate the 1998 Fiscal Agent shall withdraw from the 1998 Construction Fund and deposit to the credit of a special checking account in its commercial department in the name of the Authority the amount so specified in such certificate. The 1998 Fiscal Agent shall also at any time at the written direction of the Authority transfer any part of the unencumbered moneys in the 1998 Construction Fund to the credit of any account in the Senior Bond Sinking Fund and shall make the transfers to the Senior Bond Service Account and Senior Bond Redemption Account to cure deposit deficiencies therein as described above. (Section 409).

Defeasance

If all the outstanding bonds shall have been paid or deemed to have been paid as provided below, then and in that case the rights, title and interest of the 1998 Fiscal Agent under the 1998 Resolution shall cease, terminate and become void, and such bonds shall cease to be entitled to any lien, benefit or security under the 1998 Resolution. In such event, the Authority shall repeal and cancel the 1998 Resolution and may apply any surplus in the Senior Bond Sinking Fund, Subordinated Bond Sinking Fund and all balances remaining in any other fund and accounts other than moneys held for the redemption or payment of bonds to any lawful purposes of the Authority.

Any outstanding bond shall be deemed to have been paid within the meaning and with the effect expressed in the 1998 Resolution when the whole amount of the principal of, redemption premium, if any, and interest on such bond shall have been paid or duly provided for and the conditions set forth in clause (c) below have been satisfied, when (a) in case such bond has been called for redemption or the Authority shall have given to the 1998 Fiscal Agent irrevocable instructions to call such bond for redemption, (b) there shall have been deposited with the 1998 Fiscal Agent Government Obligations the principal of and interest on which are sufficient, without any reinvestment thereof, to pay when due the principal of and premium, if any, and interest due and to become due on such bond on or prior to the redemption date or maturity date thereof, as the case may be, and (c) if such bond does not mature and is not to be redeemed within the next succeeding sixty (60) days, the Authority shall have given the 1998 Fiscal Agent irrevocable instructions to give, as soon as practicable, a notice to the holder of such bond by first-class mail, postage prepaid, stating that the deposit of moneys or Government Obligations required by clause (b) of this paragraph has been made with the 1998 Fiscal Agent or other appropriate fiduciary institution acting as escrow agent for the holder of such bond, and that such bond is deemed to have been paid in accordance with the 1998 Resolution and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of and premium, if any, and interest on such bond.

Neither the moneys nor Government Obligations deposited with the 1998 Fiscal Agent nor principal or interest payments on any such obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and redemption premium, if any, and interest on the bonds which have been defeased.

As to Variable Rate Bonds, the amount required for the interest thereon shall e calculated at the maximum rate permitted by the terms of the provisions of the resolution which authorized the issuance of such Variable Rate Bonds. (Section 1001).

Issuance of Additional Bonds

Senior bonds may be issued under and secured by the 1998 Resolution, subject to the conditions hereinafter described, at any time or times for any lawful purpose of the Authority. (Sections 208 and 209).

Before such bonds shall be delivered, there shall be filed with the 1998 Fiscal Agent, among other things, a certificate signed by the Executive Director not earlier than thirty (30) days prior to the delivery date of such bonds setting forth:

(i) the amount of Revenues received by the Authority and until the outstanding 1968 Resolution Bonds have been paid or provision has been made for their payment and the repeal and cancellation of the 1968 Resolution, the amount of Excess 1968 Resolution Revenues deposited to the credit of the Revenue Fund in each of the fifteen (15) months immediately preceding the month in which such certificate is signed, adjusted (1) to give effect to legislation enacted on or prior to the date of delivery of such bonds that would have increased the Revenues or the amounts of Excess 1968 Resolution Revenues deposited to the credit of the Revenue Fund as aforesaid if such legislation (x) had been in effect through such fifteen (15) months, (y) allocates additional moneys to the Authority and (z) expressly permits the Authority to pledge to the payment of the bonds issued under the provisions of the 1998 Resolution or the 1968 Resolution until the 1968 Resolution Bonds have been paid or provision has been made for their payment and the repeal and cancellation of the 1968 Resolution and the Authority has expressly pledged such additional moneys to such payment on or prior to such date of delivery and (II) to reflect the moneys which would have been received if (A) the schedule of tolls in effect on the date of delivery of such bonds had been in effect and (B) the Toll Facilities to be financed in whole or in part with the proceeds of such bonds had been in operation throughout such fifteen (15) months.

(ii) the amount of the maximum Principal and Interest Requirements for any fiscal year thereafter on account of all senior bonds theretofore issued under the provisions of the 1998 Resolution and the outstanding and the senior bonds then requested to be delivered, and

(iii) the amount of the maximum Principal and Interest Requirements for any fiscal year thereafter on account of all senior bonds and Subordinated Transportation Revenue Bonds theretofore issued under the provisions of the 1998 Resolution and then outstanding and the senior bonds then requested to be delivered, and

(iv) the percentage derived by dividing the amount in item (i) above for any twelve consecutive months by the amount in item (ii) above; and

(v) the percentage derived by dividing the amount in item (i) above for any twelve consecutive months by the amount in item (iii) above. (Section 208).

The 1998 Fiscal Agent may only deliver such additional senior bonds if the percentages shown in item (iv) and item (v) are not less than 150% and 100%, respectively. (Section 208).

The Authority need not deliver said certificate in connection with the issuance of senior bonds issued for the purpose of refunding senior bonds of any Series if the amount of the maximum Principal and Interest Requirements for any fiscal year thereafter on account of the senior bonds to be outstanding after the issuance of such refunding senior bonds shall be equal to or less than the maximum Principal and Interest Requirements for any fiscal year thereafter on account of the senior bonds outstanding prior to the issuance of such refunding senior bonds. (Section 209).

Subordinated Transportation Revenue Bonds may be issued under and secured by the 1998 Resolution, subject to the conditions described below, at any time or times for the purpose of paying the cost of any Transportation Facilities falling within the definition of “Federal-aid highway” or “capital projects” under Section 101 of Title 23 and Section 5302 of Title 49, respectively, of the United States Code, as such definitions may be amended from time to time, or qualifying for any other federal transportation assistance for the defraying (directly or indirectly) of such cost. (Section 210).

Before Subordinated Transportation Revenue Bonds shall be delivered, there shall be filed with the 1998 Fiscal Agent, among other things, a certificate signed by the Executive Director not earlier than thirty (30) days prior to the delivery date of such Subordinated Transportation Revenue Bonds indicating that the percentage derived by dividing (a) the amount of Revenues and Excess 1968 Resolution Revenues determined in the same manner as specified in clause (i) above by (b) the amount of the maximum Principal and Interest Requirements for any fiscal year thereafter on account of all senior bonds and Subordinated Transportation Revenue Bonds theretofore issued under the provisions of the 1998 Resolution and then outstanding and the Subordinated Transportation Revenue Bonds then requested to be delivered is not less than 125%. (Section 210).

Refunding Subordinated Transportation Revenue Bonds may be issued only to refund other Subordinated Transportation Revenue Bonds of any Series. The Authority need not deliver said certificate in connection with the issuance of refunding Subordinated Transportation Revenue Bonds if the amount of the maximum Principal and Interest

Requirements for any fiscal year thereafter on account of the Subordinated Transportation Revenue Bonds to be outstanding after the issuance of such refunding Subordinated Transportation Revenue Bonds shall be equal to or less than the maximum Principal and Interest Requirements for any fiscal year thereafter on account of the Subordinated Transportation Revenue Bonds outstanding prior to the issuance of such refunding Subordinated Transportation Revenue Bonds. (Section 211).

Other Indebtedness

The Authority will not incur any indebtedness nor create or suffer to be created any lien, pledge, assignment, encumbrance or charge upon the Revenues ranking equally with or prior to the senior bonds issued under the 1998 Resolution, except the lien and charge of the senior bonds secured by the 1998 Resolution, or ranking equally with the Subordinated Transportation Revenue Bonds except the lien and charge of the Subordinated Transportation Revenue Bonds secured by the 1998 Resolution. Any other indebtedness incurred by the Authority after the effective date of the 1998 Resolution under documents not in effect on the effective date of the 1998 Resolution shall contain a statement that such indebtedness is junior, inferior and subordinate in all respects to the bonds. For purposes of the above limitation on incurrence of indebtedness, indebtedness shall not be deemed to include contracts entered into in the ordinary course of business, agreements to repay advances received from the Federal government or agreements to repay (to the extent drawn) all or a portion of the stated amount drawn under any Credit Facility, Liquidity Facility, Reserve Account Letter of Credit or Reserve Account Insurance Policy. Nothing in the 1998 Resolution shall be deemed to prohibit the Authority from entering into currency swaps, interest rate swaps or other arrangements for hedging of interest rates on any indebtedness. (Section 602).

Nothing in the 1998 Resolution is to be construed as preventing the Authority from financing any facilities authorized by the act creating the Authority, as amended, by the issuance of bonds or other obligations which are not secured under the provisions of the 1998 Resolution. (Section 1101).

Investment of Funds

Moneys held for the credit of the Revenue Fund, Senior Bond Service Account, Senior Bond Redemption Account, Subordinated Bond Service Account, and Subordinated Bond Redemption Account shall, as nearly as may be practicable, be continuously invested and reinvested at the written direction of the Authority in Government Obligations, and moneys held for the credit of the 1998 Construction Fund, Senior Bond Reserve Account and each account in the Subordinated bond Reserve Fund shall, as nearly as may be practicable, be continuously invested and reinvested at the written direction of the Authority in Investment Obligations, which Government Obligations and Investment Obligations shall mature, or which shall be subject to redemption by the holder thereof at the option of such holder, not later than the respective dates when moneys held for the credit of said Fund or Accounts will be required for the purposes intended. Amounts on deposit in the Senior Bond Reserve Account and each account in the Subordinated Bond Reserve Fund shall be invested in Investment Obligations which mature not later than the final maturity date of any senior bonds or Subordinated Transportation Revenue Bonds outstanding, as the case may be. (Section 502).

Investment earnings on moneys on deposit to the credit of the following Funds and Accounts shall be applied as follows:

(a) Investment earnings on moneys on deposit to the credit of the Senior Bond Service Account, the Senior Bond Redemption Account, the Subordinated Bond Service Account, the Subordinated Bond Redemption Account and the 1998 Construction Fund shall be transferred to the credit of or retained in the 1998 Construction Fund; but the Authority may elect to have such investment earnings remain to the credit of the Senior Bond Service Account, the Senior Bond Redemption Account, the Subordinated Bond Service Account or the Subordinated Bond Redemption Account to fund the next payment of principal of, Amortization Requirements for and interest on the senior bonds or the Subordinated Transportation Revenue Bonds, in which event the Authority shall receive a credit against the amounts required to be deposited in said Accounts as applicable;

(b) Investment earnings on moneys on deposit to the credit of the Senior Bond Reserve Account and each account in the Subordinated Bond Reserve Fund shall be retained in said accounts at any time that the respective amounts on deposit to the credit of said accounts is less than the Senior Reserve Requirement or the corresponding Subordinated Reserve Requirement, as applicable; and

(c) Investment earnings on moneys on deposit to the credit of the Revenue Fund shall be retained therein. (Section 502).

In computing the amount in any Fund or Account created pursuant to the provisions of the 1998 Resolution, obligations purchased as an investment of moneys therein shall be valued at par if purchased at par or at amortized value if purchased at other than par, plus, in each case, accrued interest. Amortized value, when used with respect to an obligation purchased at a premium above or a discount below par, means the value as of any given time obtained by dividing the total premium or discount at which such obligation was purchased by the number of days remaining to maturity on such obligation at the date of such purchase and by multiplying the amount thus calculated by the number of days having passed since such purchase; and (1) in the case of an obligation purchased at a premium by deducting the product thus obtained from the purchase price, and (2) in the case of an obligation purchased at a discount by adding the product thus obtained to the purchase price. Valuation on any particular date shall include the amount of interest then earned or accrued to such date on any moneys or investments in such Fund or Account. The computation of the amount on deposit in or credited to the Fund and Accounts created under the 1998 Resolution and the valuation of the investments of such amount shall be performed by the 1998 Fiscal Agent as of the close of business on the last day of each fiscal year and at such other times as the Authority shall request, and such computation and valuation shall not be required to be performed at other times. (Section 503).

Modifications

The Authority may adopt resolutions supplemental to the 1998 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 1998 Resolution or any supplemental resolution, or to grant or confer upon the bondholders any additional rights, remedies, powers, authority or security, or to add to the conditions, limitations and restrictions on the issuance of bonds under the provisions of the 1998 Resolution or to add to the covenants and agreements of the Authority in the 1998 Resolution or to surrender any right or power reserved to or conferred upon the Authority, or to amend the conditions, limitations and restrictions on the issuance of Subordinated Transportation Revenue Bonds or the covenants and agreements relating to the Subordinated Transportation Revenue Bonds (as shall not adversely affect the interests of the holders of any senior bonds) as may be required to enable the Authority to comply with the provisions of any federal legislation, rules or regulations or court decisions or orders relating to the receipt by the Authority of grants or other assistance from the United States Government. (Section 801).

The holders of not less than a majority in aggregate principal amount of the senior bonds and of the Subordinated Transportation Revenue Bonds then outstanding and affected thereby shall have the right to consent to and approve the adoption of such resolution or resolutions supplemental to the 1998 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 1998 Resolution or in any supplemental resolution; but nothing contained in the 1998 Resolution shall permit, or be construed as permitting, without consent of the holders of all bonds affected thereby, (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 Revenues other than the lien and pledge created by the 1998 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, or (f) a change in the subordination provisions. (Section 802).

If at any time the Authority determines that it is necessary or desirable to adopt any supplemental resolution for any of the purposes of the above paragraph, the 1998 Fiscal Agent at the expense and request of the Authority shall cause notice of the proposed adoption of such supplemental resolution to be mailed, first class, postage prepaid, to all bondholders and to Government Development Bank for Puerto Rico. Such notice shall briefly set forth the nature of the proposed supplemental resolution and shall state that copies thereof are on file at the office of the 1998 Fiscal Agent for inspection by all bondholders. The 1998 Fiscal Agent shall not, however, be subject to any liability to any bondholder by reason of its failure to cause such notice to be mailed, and any such failure shall not affect the validity of such supplemental resolution when consented to and approved. (Section 802).

Whenever, at any time within one year after the date of the mailing of such notice, the Authority shall obtain an instrument or instruments in writing purporting to be executed by the holders of not less than a majority in aggregate principal amount of the senior bonds and of the Subordinated Transportation Revenue Bonds then Outstanding, which instrument or instruments shall refer to the proposed supplemental resolution described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, and the Authority shall deliver to the 1998 Fiscal Agent a certificate signed by the Executive Director that the holders of such required percentages of bonds have filed such consents, thereupon, but not otherwise, the Authority may adopt such supplemental resolution in substantially such form, without liability or responsibility to any holder of any bond, whether or not such holder shall have consented thereto. (Section 802).

If the holders of not less than a majority in aggregate principal amount of the affected senior bonds and of the affected Subordinated Transportation Revenue Bonds outstanding at the time of the adoption of such supplemental resolution shall have consented to and approved the adoption thereof, no holder of any bond shall have any right to object to the adoption of such supplemental resolution, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the Authority from adopting the same or from taking any action pursuant to the provisions thereof and such consent shall be binding on the holder giving such consent and upon any subsequent holder whether or not he has notice thereof. (Section 802).

Upon the adoption of any supplemental resolution pursuant to the provisions of the 1998 Resolution, the 1998 Resolution shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the 1998 Resolution of the Authority, the 1998 Fiscal Agent and all holders of bonds then outstanding shall thereafter be determined, exercised and enforced in all respects under the provisions of the 1998 Resolution as so modified and amended. (Section 803).

Miscellaneous Covenants

Master Plan. The Authority covenants that the master plan for the construction of required Transportation Facilities in Puerto Rico will be supplemented periodically as necessary and that the five-year Construction Improvement Program will be updated each year to cover the Transportation Facilities to be constructed by the Authority in the ensuing five-year period. (Section 603).

Costs of Maintenance, Repair and Operation of Traffic Facilities. The Authority covenants that, if and to the extent funds for the purpose of maintaining, repairing and operating all Traffic Facilities financed by the Authority in whole or in part by 1968 Resolution Bonds and all Transportation Facilities financed by the Authority in whole or in part by bonds under the provisions of the 1998 Resolution are not provided by the Commonwealth, the Authority will pay such costs from unencumbered funds then on deposit in the 1998 Construction Fund or from the Revenues or unencumbered 1968 Construction Fund moneys thereafter deposited to the credit of the 1998 Construction Fund pursuant to the 1998 Resolution and not from funds then on deposit or thereafter deposited to the credit of the 1968 Construction Fund. (Section 604).

The Authority further covenants that it will cause an annual general evaluation to be made by the Transportation Engineers of the level of maintenance of all Traffic Facilities and Transportation Facilities financed in whole or in part by the issuance of bonds under the provisions of, respectively, the 1968 Resolution and the 1998 Resolution, which Facilities shall be, in the judgment of the Authority and of the Transportation Engineers, material to the overall system of Transportation Facilities of the Authority. (Section 604).

The Authority further covenants that it will operate or cause to be operated the Toll Facilities, any Mass Transit Facilities and all other Transportation Facilities that it may from time to time operate or cause to be operated in an efficient and economical manner, that it will at all times maintain or cause to be maintained such Transportation Facilities in good repair and in sound operating condition and that it will make or cause to be made all necessary repairs, renewals and replacements thereto. (Section 604).

Annual Report of Transportation Engineers. The Authority covenants that it will cause the Transportation Engineers to prepare a report each year promptly after the completion of their general evaluation of the level of maintenance, repair and operating condition of the Transportation Facilities setting forth (i) their comments with respect to any supplements or revisions made by the Authority in the master plan or in the five-year Construction Improvement Program referred to above under "Master Plan" and their recommendations as to any supplements or revisions which should be made in such plan or in the Construction Improvement Program, and (ii) their findings as to whether those Traffic Facilities have been maintained in good repair, working order and sound operating condition and their recommendations as to necessary repairs, renewals or replacements. (Section 605).

If it appears from such report that repairs, renewals or replacements of any such Facilities are necessary, the Authority shall promptly cause the same to be restored to a condition of good repair and to sound operating condition, and if and to the extent that funds for such purpose have not been made available by the Commonwealth, moneys on deposit to the credit of the 1998 Construction Fund which have not theretofore been encumbered for other purposes, and moneys which are thereafter deposited to the credit of the 1998 Construction fund pursuant to the 1998 Resolution shall first be applied for such purpose. No funds then on deposit or thereafter deposited to the credit of the 1968 Construction Fund shall be applied for such purpose. (Section 605).

Relating to the 1968 Resolution. The Authority covenants that immediately upon the repeal and cancellation of the 1968 Resolution, all Existing Tax and Fee Revenues and Existing Toll Revenues shall be pledged to the payment of the principal of and premium, if any, and interest on the bonds issued under the provisions of the 1998 Resolution to the same extent and with the same effect as the pledge of Revenues and other moneys deposited to the credit of the Revenue Fund. (Section 601).

The Authority further covenants that it will cause the 1968 Resolution to be repealed and cancelled at the earliest practicable date. The Authority further covenants that, except for the proposed supplemental resolution described in *Summary of Certain Provisions of the Proposed Supplemental Resolution*, it will not adopt any resolution supplemental to the 1968 Resolution for the purpose of granting to or conferring upon the 1968 Fiscal Agent for the benefit of the holders of the bonds issued under the 1968 Resolution any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon such holders or the 1968 Fiscal Agent, or for the purpose of modifying, altering, amending, adding to or rescinding, in any particular way, any of the terms or provisions contained in the 1968 Resolution, or for the purpose of extending the maturity of any 1968 Resolution Bond or creating a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge created by the 1968 Resolution. Nothing shall prevent the Authority from adopting a resolution supplemental to the 1968 Resolution to cure any ambiguity or formal defect or omission in the 1968 Resolution. (Section 609).

The Authority covenants that so long as any 1968 Resolution Bonds are outstanding under the provisions of the 1968 Resolution it will cause to be made the deposits to the credit of the 1968 Construction Fund required by the 1968 Resolution. The Authority further covenants that except for any withdrawals required to be made as set forth in the third sentence of the fourth paragraph of "Sinking Funds" above, it will not withdraw, expend, pledge or otherwise encumber moneys held to the credit of the 1968 Construction Fund whether for the purpose of satisfying the Authority's Construction Improvement Program or otherwise.

Use of Revenues. The Authority covenants and agrees that, so long as any of the bonds secured by the 1968 Resolution shall be outstanding, none of the Revenues will be used for any purpose other than as provided in the 1968 Resolution and the 1998 Resolution, and that no contract or contracts will be entered into or any action taken by which the rights of the 1998 Fiscal Agent or of the bondholders might be impaired or diminished. (Section 611).

Additional 1968 Resolution Bonds. The Authority covenants that so long as any bonds shall be outstanding under the provisions of the 1998 Resolution it will not issue additional 1968 Resolution Bonds which mature after July 1, 2036 and except for refunding bonds.

Swap Agreements. The Authority covenants that it will not enter into a Swap agreement unless it first delivers copies of the proposed Swap agreement to S&P and Moody's and any other rating agency then rating the bonds. (Section 613).

Level of Tolls and Other Charges. Notwithstanding any provisions in the 1968 Resolution enabling the Authority to reduce tolls or other charges, the Authority covenants that it will not reduce the tolls or other charges imposed by it for the use of its Toll Facilities unless, as of the effective date of such reduction, the Authority delivers to the 1998 Fiscal Agent a certificate, signed by the Executive Director of the Authority not earlier than thirty (30) days prior to the effective date of such reduction, setting forth:

(i) the amount of Revenues received by the Authority and, until the outstanding 1968 Resolution Bonds have been paid or provision has been made for their payment and the repeal and cancellation of the 1968 Resolution, the amount of Excess 1968 Resolution Revenues deposited to the credit of the Revenue Fund in each of the fifteen (15) months immediately preceding the month in which such certificate is signed, adjusted (1) to give effect to legislation enacted on or prior to the effective date of such reduction that would have increased the Revenues or the amounts deposited to the credit of the Revenue Fund from the 1968 Construction Fund as aforesaid if such legislation (x) had been in effect throughout such fifteen (15) months, (y) allocates additional moneys to the Authority and (z) expressly permits the Authority to pledge to the payment of the bonds issued under the provisions of the 1998 Resolution or the 1968 Resolution until the 1968 Resolution Bonds have been paid or provision has been made for their payment and the repeal and cancellation of the 1968 Resolution and the Authority has expressly pledged such additional moneys to such payment on or prior to such date of delivery and (II) to reflect the moneys which would have been received if (A) the schedule of tolls in effect on such effective date had been in effect and (B) any Toll Facilities which have commenced operation or been removed from operation during such fifteen (15) months either had been in operation or not operating, throughout such fifteen (15) months,

(ii) the amount of the maximum Principal and Interest Requirements for any fiscal year thereafter on account of all senior bonds theretofore issued under the provisions of the 1998 Resolution and then outstanding, and

(iii) the amount of the maximum Principal and Interest Requirements for any fiscal year thereafter on account of all senior bonds and all Subordinated Transportation Revenue Bonds theretofore issued under the provisions of the 1998 Resolution and then outstanding and

it shall appear from such certificate that the percentages derived by dividing the sum of the amounts shown in item (i) of such certificate for any twelve (12) consecutive months by the amount shown in item (ii) of said certificate and by the amount shown in item (iii) of said certificate, shall not be less than one hundred fifty per centum (150%) and one hundred per centum (100%), respectively. Section 614).

[intentionally left blank]

TABLE OF ACCRETED VALUES FOR CAPITAL APPRECIATION BONDS

Valuation Date	CAB due 07/01/2021 5.90%	CAB due 07/01/2022 5.95%	CAB due 07/01/2023 6.00%	CAB due 07/01/2024 6.05%	CAB due 07/01/2025 6.10%	CAB due 07/01/2026 6.15%
10/30/2003	1,789.65	1,673.30	1,563.00	1,458.60	1,359.80	1,266.50
1/1/2004	1,807.35	1,690.00	1,578.75	1,473.40	1,373.70	1,279.55
7/1/2004	1,860.65	1,740.30	1,626.10	1,517.95	1,415.60	1,318.90
1/1/2005	1,915.55	1,792.05	1,674.90	1,563.85	1,458.80	1,359.45
7/1/2005	1,972.05	1,845.35	1,725.15	1,611.20	1,503.30	1,401.25
1/1/2006	2,030.25	1,900.25	1,776.90	1,659.90	1,549.15	1,444.35
7/1/2006	2,090.15	1,956.80	1,830.20	1,710.15	1,596.40	1,488.75
1/1/2007	2,151.80	2,015.00	1,885.10	1,761.85	1,645.10	1,534.55
7/1/2007	2,215.25	2,074.95	1,941.65	1,815.15	1,695.25	1,581.75
1/1/2008	2,280.60	2,136.70	1,999.90	1,870.05	1,746.95	1,630.40
7/1/2008	2,347.90	2,200.25	2,059.90	1,926.65	1,800.25	1,680.50
1/1/2009	2,417.15	2,265.70	2,121.70	1,984.90	1,855.15	1,732.20
7/1/2009	2,488.45	2,333.15	2,185.35	2,044.95	1,911.75	1,785.45
1/1/2010	2,561.90	2,402.55	2,250.90	2,106.85	1,970.05	1,840.35
7/1/2010	2,637.45	2,474.00	2,318.45	2,170.55	2,030.15	1,896.95
1/1/2011	2,715.25	2,547.60	2,388.00	2,236.20	2,092.05	1,955.30
7/1/2011	2,795.35	2,623.40	2,459.65	2,303.85	2,155.85	2,015.40
1/1/2012	2,877.85	2,701.45	2,533.45	2,373.55	2,221.60	2,077.40
7/1/2012	2,962.75	2,781.85	2,609.45	2,445.35	2,289.40	2,141.25
1/1/2013	3,050.15	2,864.60	2,687.70	2,519.35	2,359.20	2,207.10
7/1/2013	3,140.10	2,949.80	2,768.35	2,595.55	2,431.15	2,275.00
1/1/2014	3,232.75	3,037.55	2,851.40	2,674.05	2,505.30	2,344.95
7/1/2014	3,328.10	3,127.95	2,936.95	2,754.95	2,581.70	2,417.05
1/1/2015	3,426.30	3,221.00	3,025.05	2,838.30	2,660.45	2,491.35
7/1/2015	3,527.35	3,316.80	3,115.80	2,924.15	2,741.60	2,568.00
1/1/2016	3,631.45	3,415.50	3,209.30	3,012.60	2,825.25	2,646.95
7/1/2016	3,738.55	3,517.10	3,305.55	3,103.75	2,911.40	2,728.35
1/1/2017	3,848.85	3,621.75	3,404.75	3,197.60	3,000.20	2,812.25
7/1/2017	3,962.40	3,729.50	3,506.85	3,294.35	3,091.70	2,898.70
1/1/2018	4,079.25	3,840.45	3,612.10	3,394.00	3,186.00	2,987.85
7/1/2018	4,199.60	3,954.70	3,720.45	3,496.70	3,283.20	3,079.75
1/1/2019	4,323.50	4,072.35	3,832.05	3,602.45	3,383.30	3,174.45
7/1/2019	4,451.05	4,193.50	3,947.00	3,711.45	3,486.50	3,272.05
1/1/2020	4,582.35	4,318.25	4,065.45	3,823.70	3,592.85	3,372.65
7/1/2020	4,717.55	4,446.75	4,187.40	3,939.35	3,702.45	3,476.40
1/1/2021	4,856.70	4,579.00	4,313.00	4,058.55	3,815.35	3,583.30
7/1/2021	5,000.00	4,715.25	4,442.40	4,181.30	3,931.75	3,693.45
1/1/2022	-	4,855.50	4,575.70	4,307.80	4,051.65	3,807.05
7/1/2022	-	5,000.00	4,712.95	4,438.10	4,175.20	3,924.10
1/1/2023	-	-	4,854.35	4,572.35	4,302.55	4,044.75
7/1/2023	-	-	5,000.00	4,710.65	4,433.80	4,169.15
1/1/2024	-	-	-	4,853.15	4,569.05	4,297.35
7/1/2024	-	-	-	5,000.00	4,708.40	4,429.50
1/1/2025	-	-	-	-	4,852.00	4,565.70
7/1/2025	-	-	-	-	5,000.00	4,706.10
1/1/2026	-	-	-	-	-	4,850.80
7/1/2026	-	-	-	-	-	5,000.00

[intentionally left blank]

APPENDIX VI

LETTER OF TRAFFIC ENGINEERS

[intentionally left blank]

JORGENSEN
Roy Jorgensen Associates, Inc.

Corporate Offices

3735 Buckeystown Pike
Post Office Box 70
Buckeystown, MD 21717-0070

Telephone: 1-301-831-1000
Facsimile: 1-301-874-2876

October 22, 2003

Dr. Jack T. Allison, Executive Director
Puerto Rico Highway and Transportation Authority
P.O. Box 42007
San Juan, Puerto Rico 00940-2007

Dear Dr. Allison:

This letter summarizes the results of our evaluation of the level of maintenance of the Puerto Rico Highway and Transportation Authority's Traffic Facilities and our review of the Construction Improvement Program. Our study was conducted in accordance with Resolution No. 68-18, adopted June 13, 1968, as amended, and Resolution No. 98-06, adopted February 26, 1998. Results of the study are documented in our Final Report, entitled "Maintenance Evaluation and Program Review – 2002-2003", dated July 2003.

Based on our field inspections, we find that the overall level of maintenance has generally been adequate to preserve the investment and provide an acceptable level of service to road users. Maintenance work methods and levels of service have been in general conformance to widely accepted maintenance practices in transportation and public works agencies in North America.

We have reviewed the 5-year Construction Improvement Program for Fiscal Years 2003-2007. In our opinion, the program is a reasonable response to the immediate and short-term transportation needs of the Commonwealth and is generally consistent with the Authority's long-range transportation master plan. Funding for the program appears to be adequate, based on revenue projections that have been reasonably accurate in the past and provide a sound basis for determining the size of future programs.

Please let us know if you need any additional information.

Sincerely,

William C. Grenke

William C. Grenke
Senior Consultant

[intentionally left blank]