

PARTNERSHIP REPORT

For the procurement to acquire a concession to finance, operate, maintain, rehabilitate, expand and toll PR-22 and PR-5

JUNE 2011

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INTRODUCTION

This Partnership Committee Report (the “Report”) has been prepared pursuant to Sections 8(b)(vii) and 9(g)(i) of the Public-Private Partnerships Act, Act No. 29, approved on June 8, 2009 (the “Act”), and Section 7.1 of the Regulation for the Procurement, Evaluation, Selection, Negotiation and Award of Public-Private Partnership Contracts, adopted by the Puerto Rico Public-Private Partnerships Authority (“PPPA”) on December 19, 2009. It has been prepared in connection with the award by PPPA and Puerto Rico Highways and Transportation Authority (“PRHTA”) to *Autopistas Metropolitanas de Puerto Rico, LLC*, an entity owned by *Abertis Infraestructuras*, *GS Global Infrastructure Partners II, L.P.*; and *GS International Infrastructure Partners II, L.P.* (the “Selected Proponent”) of a 40-year administrative concession for the operation, management, maintenance, rehabilitation, tolling and expansion of toll roads PR-22 and PR-5 (the “Public-Private Partnership” or the “Project”) under a Concession Agreement submitted to Proponents as the biddable agreement on May 26th, 2011 (the “Concession Agreement” or “Partnership Agreement”).

As required by the Act, the purpose of this Report is to:

- i) Identify the government objectives and social welfare goals of establishing this Public-Private Partnership;
- ii) Describe the entire process leading to the establishment of the Public-Private Partnership, including details of the process of qualifying suitable Proponents (the “RFQ Process”), the process of conducting the request for proposals (the “RFP Process”), and the process of selecting the best proposal;
- iii) Describe the reasons for choosing the Selected Proponent; and
- iv) Provide a summary of the most important aspects of the Concession Agreement establishing the Public-Private Partnership.

This Report is being submitted for approval to the Board of Directors of PRHTA and PPPA and to the Secretary of State (as the Governor’s delegate).¹ Upon receipt of all such approvals and execution of the Concession Agreement, this Report will be filed with the Office of the Clerk of the House and of the Senate, as required by the Act. The Report will also be published on the PPPA website (www.p3.gov.pr).

Terms not defined in this Report take their meaning from the Act, the Regulation and the Request for Qualification document approved for the Project, which can be found at www.p3.gov.pr (the “RFQ”).

¹ In accordance with the Act, the Governor delegated the function of approving Partnership Contracts to the Secretary of State of Puerto Rico pursuant to Executive Order No. 2009-031.

I. Government Objectives and Social Welfare Goals

DESCRIPTION OF THE GOVERNMENT OBJECTIVES AND SOCIAL WELFARE GOALS OF THE PUBLIC-PRIVATE PARTNERSHIP

GOVERNMENT OBJECTIVES

The objectives of the Government of Puerto Rico in having PRHTA enter into the Concession Agreement are the following:

- to ensure a world-class transportation solution for the people of Puerto Rico by appointing, through a competitive process, a highly-experienced private partner that will become responsible for operating, maintaining, improving, and enhancing PR-22 and PR-5 (the “Toll Roads”);
- to achieve the transfer of certain risks to the private partner where those risks can be more efficiently managed by such private partner and result in savings for the PRHTA;
- to reduce the current debt burden of the PRHTA and improve the PRHTA’s fiscal position;
- to enhance future capital improvements for the Toll Roads;
- to deliver proceeds to the PRHTA which would offer more value to the PRHTA than if PRHTA continued to operate and hold the asset over the next 40 years; and
- to maintain and develop a comprehensive, efficient and safe highway network in Puerto Rico to promote person and freight mobility at a world-class level.

The Toll Roads require an increased level of capital improvement and maintenance. The current level of service and condition of the Toll Roads regarding free flow of traffic at peak hours, pavement, signage, lighting and safety barriers, among others, is substandard and creates safety concerns, as demonstrated by some examples pictured below. The subpar condition of the Toll Roads is also evidenced by the fact that approximately forty percent (40%) of the Toll Roads currently suffer from a lack of illumination and unacceptable level of roughness in certain parts of the Toll Roads, among other shortfalls.

Sample of General Pavement Conditions



Sample of Improper Signage and Lighting Conditions



Undertaking this Project and the continued maintenance of the Toll Roads will generate significant economic and social benefits for the Island. The Project is intended to achieve the following key social welfare and economic objectives:

- Accelerate completion of important capital improvement works (known as the “Accelerated Safety Upgrades”) to improve the performance and safety conditions of the Toll Roads in the short term;
- Spur private infrastructure investment in Puerto Rico, which has a multiplier effect on the economy and leads to the creation of new jobs;
- Significantly reduce the PRHTA’s debt burden to facilitate its access to the financial markets.
- Provide a world class level of service to users of the Toll Roads.

The construction required to bring the Toll Roads up to date in terms of meeting safety criteria, providing improved driving conditions, and carrying out the early-year “Accelerated Safety Upgrades” will create jobs and promote investment in the construction and related industries. This investment will stimulate the Puerto Rican economy. Furthermore, the Selected Proponent will be required to sustain a significant level of investment in the Toll Roads in order to comply with the Operating Standards.

The Project will increase transport efficiency, which will benefit both the environment, through less vehicle idling and improved fuel efficiency, and overall economic activity, through time savings on the Toll Roads.

ACHIEVING THESE OBJECTIVES THROUGH THE PUBLIC-PRIVATE PARTNERSHIP CONTRACT

This Public-Private Partnership will achieve the objectives described above in the following way:

- The Selected Proponent brings world-class operating expertise to the Project. The Selected Proponent has more than 40 years of management and maintenance experience relating to some of the most important toll-road networks in Spain and France. In 2010, toll roads operated by *Abertis Infraestructuras* recorded more than 360 million transactions. Due to the *Abertis Infraestructuras*' excellent track record of maintaining the condition of their roads, the accident rates are the lowest amongst its peers in Spain, far lower than the roads managed by government authorities in Spain. As a result, given the requirements of the Concession Agreement, the users of PR-22 and PR-5 will enjoy a better transportation experience.
 - Major risks previously assumed by PRHTA will be transferred to the Selected Proponent including those related to operations (costs, traffic, leakage), economic (traffic and inflation), environmental, and financial.
 - The PRHTA will be able to significantly reduce its debt through the required defeasance of bonds resulting from the granting of the Concession..
 - The Selected Proponent will be required to perform extensive capital improvement works during the initial years of the Project, the Accelerated Safety Upgrades. The Accelerated Safety Upgrades will greatly improve actual and safety conditions on PR-22 and PR-5. As a result, the Accelerated Safety Upgrades and the Operating Standards will ensure its users the benefits of a world class highway. Examples of works covered under the Accelerated Safety Upgrades include:
 - Drainage upgrades and repairs;
 - Removal and replacement of existing signage;
 - Repair, upgrade and general rehabilitation of the Toll System;
 - Upgrade, enhancement, repair and replacement of deficient and unsafe areas of roadway lighting;
 - Replacement of deficient and deteriorated Concrete Barriers; and
 - Improvement and upgrade of the existing pavement surfaces.
 - The Selected Proponent will engage in additional sustained investments throughout the term of the Partnership Agreement in order to adhere and comply with a set of Operating Standards which will ensure a superior driving experience and promote job creation;
 - The Project specifically allows for the Bus Rapid Transit and Dynamic Toll Lane Project (the "BRT/DTL Project") to be constructed by the PRHTA along the median of the Toll Roads from the municipality of Toa Baja to the municipality of Bayamón during the initial term of the Project and its successful operation by a world leading operator. The BRT/DTL Project will consist of two lanes in the median strip of PR-22 for an approximate 10.0km stretch. This project will meet key policy priorities for the Authority by:
 - Providing users of PR-22 the option of utilizing the Dynamic Toll Lane which will be tolled to achieve free flow traffic conditions of 55 MPH; and
 - Servicing Bus Rapid Transit which will allow users to commute using mass transit coming in and out of San Juan during peak travel hours. This will enable users to travel much more quickly in and out the metropolitan area.
- The Concessionaire will be responsible for the operations and maintenance of the BRT/DTL Project during the term of the Concession. The Concessionaire will bring their world class operating expertise and experience ensuring that a key government policy goal of providing relief to one of the most congested corridors of PR-22 is successfully executed.
- The Project supports PRHTA's plans to roll-out full Electronic Tolling Collection tolling system (the "ETC System") on the Toll Roads which will reduce cash leakage and relieve congestion at the toll plazas.

- As a result of the Accelerated Safety Upgrades, the BRT/DTL Project, and the ETC System roll-out, congestion on PR-22 and PR-5 should be reduced, thereby reducing emissions and improving environmental conditions of the Island.
- The initial Accelerated Safety Upgrades and BRT/DTL Projects and the ongoing compliance with the Operating Standards will generate new jobs in Puerto Rico, leading to an ongoing cycle of job creation. This will contribute positively to Puerto Rico's economy in the years to come.

II. Project Process

DESIRABILITY AND CONVENIENCE STUDY

A Desirability and Convenience Study (the “Desirability Study”) was completed as required by the Act and published in June 2010. The publication of the study served as the first important step of the Project. The purpose of the Desirability Study was to determine the service needs, analyze various options for these needs, and select the most efficient of those options. The Desirability Study was posted on the PPPA’s website (www.p3.gov.pr).

PARTNERSHIP COMMITTEE

The Act and the Regulation require the PPPA to establish a partnership committee for each project. The partnership committee has the duty and responsibility to, among other things:

- Approve documents required by the request for qualifications, request for proposals and the evaluation and selection process;
- Evaluate and qualify those prospective Proponents most suitable to participate as Proponents for the project;
- Engage in or supervise the negotiation of the terms and conditions of the Partnership Contract;
- Evaluate proposals submitted and select that which is best;
- Prepare a report on the entire procedure leading to the establishment of the Partnership; and
- Oversee proper compliance with the regulations and procedures established for the negotiation and award of Partnership Contract.

In accordance with the Act and the Regulation, on May 28, 2010, the PPPA established the Partnership Committee for the Project (the “Partnership Committee”), which consisted of the following government officials:

- Mr. Carlos M. García, Chairman and President of the Development Bank for Puerto Rico (“GDB”), President of the PPPA’s Board of Directors and Chairman of the Partnership Committee;
- Mr. Rubén Hernández-Gregorat, Executive Director of the PRHTA;
- Mrs. Rebeca Rojas, General Counsel of the PRHTA and DTPW;
- Mr. David Taylor, Senior Vice President, GDB;
- Mr Armando Rivera, Finance Director, Department of Transportation and Public Works of Puerto Rico (“DTPW”).

In November 5, 2010, the PPPA named the PRHTA’s Deputy Executive Director, Mr. Javier Hernández, as Partnership Committee member in substitution of Mr. Armando Rivera, who ceased functions at the DTPW.

In February 4, 2011, due to Mr. García’s resignation from the GDB, the PPPA named José R. Otero Freiría, Executive Vice President for Financing of the GDB, as Chairman of the Partnership Committee.

In accordance with the requirements of the Act and the Regulation, the Partnership Committee held several official meetings, in which there was quorum, in order to fulfill its duties and obligations. The Partnership Committee held the following meetings with the assistance of the PPPA team:

- On June 14, 2010, the Partnership Committee evaluated the RFQ document which was published on June 15, 2010, in the PPPA’s website and in *El Nuevo Día*, the largest local newspaper.

- On August 12, 2010, the Partnership Committee:
 - Discussed and approved the shortlist of qualified Proponents;
 - Discussed the general structure and commercial terms of the Concession Agreements; and
 - Established a project timeline.
- On September 21, 2010, the Partnership Committee:
 - Reviewed and discussed the Request for Proposal;
 - Discussed and analyzed Concession valuation scenarios;
 - Discussed and decided on major public policy issues affecting the proposed Concession Agreement;
 - Discussed and approved commercial and legal terms and conditions of the Concession Agreement; and
 - Discussed and analyzed credit support for the Project.
- On November 12, 2010, the Partnership Committee:
 - Discussed and decided on certain key issues of the Project;
 - Discussed and analyzed the structure of the credit support for the Project;
 - Discussed and analyzed key terms of the Project that depart from U.S. precedent; and
 - Discussed timeline.
- On November 19, 2010, the Partnership Committee approved the RFP and the draft Concession Agreement, which was circulated to Proponents on November 19, 2010.
- On January 25 and 26, 2011, the Partnership Committee :
 - Met with the three Proponents in order to discuss Proponents' concerns and issues.
- On January 26, 2011, the Partnership Committee:
 - Reviewed and analyzed Bidder comments to the draft Concession Agreement circulated to Bidders by the PPPA on November 19, 2010, along with the RFP; and
 - Approved changes to the draft Concession Agreement in order to circulate to Bidders for a final opportunity to submit comments.
- On April 15, 2011, the Partnership Committee:
 - Reviewed and analyzed Bidder comments to the second draft Concession Agreement circulated to Bidders by the PPPA on February 14, 2011 (the "Second Draft Concession Agreement"); and
 - Approved changes to the Second Draft Concession Agreement in order to circulate back to Bidders the final form of the Concession Agreement.
- On June 6, 2011, the Partnership Committee:
 - Analyzed and discussed proposals submitted by Proponents Morgan Stanley Infrastructure Inc. and *OHL Concesiones* and *Abertis Infraestructuras* and GS Infrastructure Partners II, L.P. / GS International Infrastructure Partners II, L.P.
- On June 10, 2011
 - Selected winning Proponent and approved the Partnership Report.

Partnership Committee members also participated, alongside PRPPA officials and the consultants, in the discussions and negotiations with the Proponents held on December 15-16, 2010, and April 11-12, 2011.

QUALIFICATION PROCESS

BACKGROUND AND PROCESS

The qualification process began with the publication of the RFQ on June 15, 2010, which required responses by Prospective Proponents on July 29, 2010. The PPPA received statements of qualifications (the “SOQs”) in response to the RFQ from eight (8) Respondents.

Section 4.4 of the Regulation states that the Partnership Committee reserves the right to establish a short list of the best qualified Proponents for a particular Project (the “Short List”), if such right is contemplated in the applicable RFQ. The Partnership Committee notified Proponents in the RFQ (section 4.1) of its right to establish a shortlist.

Pursuant to Section 8(b) of the Act and Section 3.4 of the PPP Regulation, the Partnership Committee evaluated each response to the RFQ by reference to the extent to which Proponents satisfied the following three specific evaluation criteria established in Section 4 of the RFQ (the “Evaluation Criteria”):

Compliance with Requirements of the Act

The RFQ submission was reviewed to determine whether it satisfied the Act’s requirements with respect to the following areas:

- The prospective Proponent shall have available such corporate or equity capital or securities or other financial resources that, in the judgment of the Authority and the PPP Committee, are necessary for the proper operation and maintenance of the Project;
- The prospective Proponent shall have a good reputation and the managerial, organizational and technical capacities, as well as the experience, to develop and administer the Project;
- The prospective Proponent shall certify that neither he or she, and in the case of a legal entity, its directors or officers, and in the case of a private corporation, the stockholders with direct or substantial control over the corporate policy, and in the case of a partnership, its partners, and in the case of natural persons or legal entities, any other natural person or legal entity that is the alter ego or the passive economic agent thereof, have been formally convicted for acts of corruption, including any of the crimes listed in Act No. 458 of December 29, 2000, as amended, whether in Puerto Rico or in any jurisdiction of the United States of America or in any foreign country. The prospective Proponent shall certify that it complies and shall continue to comply at all times with laws which prohibit corruption or regulate crimes against public functions or funds, as may apply to the prospective Proponent, whether Federal or State statutes, including the Foreign Corrupt Practices Act.

Technical Capabilities

The review of technical capabilities addressed whether the RFQ submission sufficiently demonstrated the prospective Proponent’s technical capabilities required to operate and maintain a highway with respect to the following areas of expertise:

- Operation and maintenance;
- Capital improvements;
- Customer service;
- Community relations;
- Environmental responsibility; and
- Safety.

Financial Capability

The review of financial capabilities addressed whether the RFQ submission sufficiently responded to the following requirements:

- Financial capacity to pay up-front acquisition proceeds and maintain and improve the Toll Roads;
- Ability to raise financing; and
- Credit quality to ensure the payment of any ongoing obligations, including, but not limited to, obligations under any PPP Contract.

The Partnership Committee scored each prospective Proponent according to the strength to which its response satisfied each of the Evaluation Criteria using a weighted formula.

RESPONDENTS AND SIZE OF THE SHORTLIST

The 8 Respondents to the RFQ included the following entities and consortium teams (in alphabetical order):

- Abertis Infraestructuras and Goldman Sachs Infrastructure Partners II, L.P.
- CCR (*Companhia de Concessões Rodoviárias*)
- Citi Infrastructure Investors and *Itinere Infraestructuras, S.A.*
- Grupo ODINSA, S.A.
- ICEIN S.A. and CONCAY S.A.
- Interplan-Grodco-Consorcio Remix Development Group
- JP Morgan IIF Int'l Acquisitions Ltd.
- Morgan Stanley Infrastructure Inc. and OHL Concesiones

In deciding the size of the shortlist, the Partnership Committee gave careful consideration to all the responses to the RFQ, in accordance with PPPA's right to shortlist qualified Respondents. The Partnership Committee's analysis of the RFQ responses yielded four Respondents that the Partnership Committee believed were best qualified for the Project.

RECOMMENDED SHORTLIST

The Partnership Committee evaluated all Respondents strictly by reference to the information provided by each Respondent in the SOQs. Although certain Respondents asked that the PPP Committee consider during the evaluation process certain additional information to be submitted after the SOQ deadline, these requests were rejected.

Based on a comprehensive review of all of the Respondents' SOQs, in light of the Evaluation Criteria, the four individual Respondents or Respondent teams that were shortlisted by the Partnership Committee to proceed to the next stage of the RFP process were (in alphabetical order):

- *Abertis Infraestructuras* and Goldman Sachs Infrastructure Partners II, L.P.
- CCR (*Companhia de Concessões Rodoviárias*)
- Citi Infrastructure Investors and *Itinere Infraestructuras, S.A.*
- Morgan Stanley Infrastructure Inc. and *OHL Concesiones*

REQUEST FOR PROPOSALS

BACKGROUND

The RFP document was approved by the Partnership Committee and issued to Proponents in November 19, 2010 to the Shortlisted Proponents. They were granted access to the data room which contained key documents in relation to the Project (the “Data Room”), including the draft Concession Agreement. The Shortlisted Proponents were required to sign strict confidentiality agreements prior to obtaining access the RFP document and access to the Data Room. The following time table illustrates the key milestones during the RFP Process:

TABLE 1: PROCESS TIMELINE

RFP Phase Milestone	Proposed Timeline
Issue RFP and draft Concession Agreement (including schedules) and advice on bond defeasance estimate	November 19, 2010
Individual Proponent Briefing Session	Week beginning November 29, 2010
Comments on draft Concession Agreement and draft Technical Materials (schedules 11A-11C of the Concession Agreement) due. <i>Format for how comments are to be made is set out later in Section 8.</i>	By December 9, 2010
Individual Proponent Conference on comments on draft Concession Agreement and draft Technical Materials	Week beginning December 13, 2010
Site Visit Workshops Days	January 24, 2011 – January 26, 2011
Circulation of second draft of Concession Agreement and issue of Form of Letter of Credit	Week beginning February 7, 2011
Comments on second draft of Concession Agreement due	By April 1, 2011
Final individual Legal and Technical Proponent Conferences	April 11, 2011 – April 12, 2011
Circulation of final Concession Agreement and Technical Materials	April 22, 2011
Last day for submission of RFCs ¹	May 3, 2011
Last day for PPPA to issue substantial addendum ² regarding RFP (minor/administrative addenda may still be issued)	May 21, 2011
Proposal Submission deadline	May 31, 2011 at 10a.m, AST
Partnership Committee and PPPA evaluation and preparation of report to Governor	June 1, 2011 – June 10, 2011
Notification of Preferred Proponent	June 20, 2011
Execution of Concession Agreement	June 27, 2011
Financial Close	90 days later

During the process, two of the Shortlisted Proponents, CCR and Citi Infrastructure Investors, submitted a request to join as one consortium to bid on the Project. Upon a thorough review of their request, the Partnership Committee allowed the two Proponents to form a consortium based on the merits of their proposed partnership.

Subsequently, on March 22, 2011, CCR submitted a letter giving notice of their intention to withdraw from the RFP process. As a result, Citi Infrastructure Investors also expressed its intention to withdraw from the RFP process. Both parties stated that their withdrawals were not due to any concerns with the quality of the Toll Roads or the procurement process. Specifically, CCR stated: “The reason behind CCR’s decision has nothing to do with

¹ As required by Regulation 4.7.

² As required by Regulation 4.7.

the quality of the Toll Roads or the bidding process. Much to the contrary, CCR believes these as well as the other assets included in the Puerto Rico PPP plan are very attractive, the legislation is on par with the best in the world and the procurement process on the part of PRPPPA and its Consultants have been outstanding." The remaining two Proponents were subsequently advised of this development.

FINAL CONCESSION AGREEMENT

As described above, the RFP circulated to bidders on November 19, 2010 included the form of the Concession Agreement that was acceptable to the Partnership Committee. Throughout the procurement process, Proponents submitted detailed comments and suggested changes to the Concession Agreement, which resulted in the final bid Concession Agreement circulated to Proponents on May 26, 2011 (the "Final Form of Concession Agreement"). Both Proponents submitted their proposals in May 31, 2011 based on the Final Form of Concession Agreement, without any exception. Accordingly, the Final Form of Concession Agreement is the agreement that the Partnership Committee recommends be entered into by the PRHTA and the selected Proponent. The Final Form of Concession Agreement is described in detail below, as required by the Act.

Issue	Term
Grantor	The Puerto Rico Highways and Transportation Authority (the " Authority ").
Guarantor	<p>To support certain obligations of the Authority, Government Development Bank for Puerto Rico ("GDB") will provide a guarantee in favor of the Concessionaire. In particular, GDB will guarantee payments payable by the Authority to the Concessionaire in the event the Concession Agreement is terminated because of:</p> <ol style="list-style-type: none"> 1. any "Authority Default," such as the failure by the Authority to discharge, defease or retire any liens on the Toll Roads or Toll Road Revenues created by the Authority's pledge of revenues under its bond indentures or the Authority's failure to pay Compensation; 2. certain types of extraordinary "Adverse Actions," such as the expropriation of the Concessionaire's interest in the Concession by the PR Government; or 3. a violation by the Concessionaire (or by certain Covered Parties) of Puerto Rico's anti-corruption laws Act No. 458 of December 29, 2000, as amended ("Act No. 458"); Act No. 237 of August 31, 2004, as amended ("Act No. 237"); or Act No. 84 of June, 2002, as amended (the "Code of Ethics"). <p>Before the Concessionaire may exercise its right to terminate the Concession Agreement because of such Authority Default or Adverse Action, the Authority and GDB have a significant period of time in which to cure the Authority Default or the Adverse Action. In addition, if any termination damages are payable to the Concessionaire under the Concession Agreement, the Authority has 120 days in which to raise financing for such payment.</p>
Term	40 years from the closing date (the " Closing Date "), subject to extension if the Authority elects to pay Concession

Issue	Term
	<p>Compensation to the Concessionaire by extending the term in lieu of paying Concession Compensation in cash, and the Concessionaire does not elect to receive compensation in the form of a toll escalation instead.</p> <p>The Closing Date is the date on which financial close occurs and the relevant funds are transferred to the Authority by the Concessionaire to consummate the granting of the Concession, which shall be no later than the first business day after the 90th day following the signing of the Concession Agreement.</p>
Purpose	<p>The Concession Agreement awards the Concession to finance, operate, rehabilitate and maintain the Toll Roads during the Term, subject to the terms and conditions of the Concession Agreement.</p>
Tolling	<p><u>Tolls on the Main Line</u></p> <ul style="list-style-type: none"> • The Concession Agreement establishes the maximum level of tolls that the Concessionaire may charge to Main Line users. • The initial toll rates on the Main Line are fixed in the Concession Agreement at current rates until January 1, 2014. • On January 1, 2014, the Concessionaire may escalate tolls as <i>if</i> the Concessionaire had escalated the tolls on the Main Line annually from the start of the Concession at the rate of the "Index" <i>plus</i> 1.5%. • The "Index" is defined in the Concession Agreement as the "Consumer Price Index—U.S. City Average for all Urban Consumers, All Items" not seasonally adjusted as published by the U.S. Department of Labor, Bureau of Labor Statistics. • Beginning of each calendar year thereafter, the maximum tolls chargeable on the Main Line may be escalated by the Concessionaire by the Index <i>plus</i> 1.5%. <p><u>Tolls on the BRT/DTLs</u></p> <ul style="list-style-type: none"> • Once the BRT/DTL Project is substantially completed by the Authority, the Concessionaire will toll the BRT/DTLs electronically on a "dynamic pricing" basis. Pursuant to the Concession Agreement, the Concessionaire will vary the tolls during each day (not more frequently than every 5 minutes) with a view to maintaining vehicle speeds of 55 miles per hour on the BRT/DTLs after entry onto the BRT/DTLs. The performance of the dynamic pricing system operated on the BRT/DTLs will be subject to regular monitoring by the Authority. • The initial minimum toll for use of the BRT/DTLs is fixed

Issue	Term
	<p>by the Concession Agreement at 50¢ and may not be escalated until January 1, 2014. On that date, the Concessionaire may escalate the minimum toll as if the Concessionaire had escalated the toll on the BRT/DTL annually by the rate of inflation <i>plus</i> 1.5%. Thereafter, the minimum toll for use of the BRT/DTLs will be increased annually by the rate of inflation <i>plus</i> 1.5%.</p>
<p>Concessionaire Rights</p>	<p>The Concessionaire shall have the right to finance, operate, rehabilitate and maintain the Toll Roads and receive the Toll Road Revenues.</p>
<p>Concession Fee</p>	<p>The Concessionaire will be required to make an up-front payment (the "Concession Fee") to be awarded the Concession. This Concession Fee payment will be due on the Closing Date. Before the Concessionaire will be required to pay the Concession Fee at the closing of the transaction, the Authority shall demonstrate through a written legal opinion from its bond counsel that:</p> <ol style="list-style-type: none"> 1. upon the closing of the transaction, the pledge and lien created by the Authority's bond resolutions for the benefit of the Authority's bond holders with respect to the Toll Road Revenues and the Toll Road Assets have been discharged and satisfied; and 2. the transaction does not violate the covenants of the Authority's bond resolutions. <p>In addition, the Authority and the Concessionaire will each need to satisfy other usual and customary "conditions precedent" before the closing can be accomplished.</p> <p>After the completion and handover of the BRT/DTL Project and until the end of the Concession, the Authority will receive 50% of the monthly toll revenues generated by the BRT/DTL Project.</p> <p>The Authority will retain the right to receive advertising revenue, utility fees, and fees from fines, charges and penalties due to tolling violations.</p>
<p>Deposit</p>	<p>On the date of execution of the Concession Agreement, the Concessionaire shall make a deposit of cash or deliver one or more Letters of Credit in an amount equivalent to 5% of the Concession Fee to be held by the Authority. (Note that on the Proposal Submission Date, Proponents are also asked to submit a Letter of Credit in the amount of \$30 million.)</p>
<p>Casualty Loss Prior to Closing</p>	<p>In addition to the usual and customary circumstances in which the Authority may terminate the Concession Agreement prior to the closing, the Authority may terminate the Concession Agreement prior to the closing in the event there is a casualty loss of the Toll Roads that would permit the Concessionaire to reduce the Concession Fee to an</p>

Issue	Term
	<p>amount that is less than 110% of the Defeasance Amount (which, for purposes of this provision only, is defined as \$850 million).</p>
<p>Enforcement</p>	<ul style="list-style-type: none"> • <u>Delinquent Cash Tolls.</u> The Authority will use its reasonable efforts to collect delinquent cash tolls from violators and will remit such tolls promptly to the Concessionaire if and when they are collected. • <u>Delinquent Non-Cash.</u> The Authority will compensate the Concessionaire monthly for delinquent non-cash tolls that are not paid in violation of applicable law or the Concession Agreement, excluding, however, those non-cash tolls not paid (i) by exempt vehicles or (ii) as the result of (A) any defect or operating failure of the tolling system used on the Toll Roads or (B) the failure by the Concessionaire or any of its contractors to comply with any agreement for the provision of tolling services on the Toll Roads. • <u>Payment for Benefit of Police.</u> During the term of the Concession, in order to fund the capital investment needs of the Commonwealth Police, the Concessionaire will pay to the Authority the following amounts, adjusted annually for inflation <i>plus</i> 1.5%: (i) \$450,000 within 14 days after the Closing Date and on each anniversary of the Closing Date, and (ii) an additional \$450,000 on each seventh anniversary of the Closing Date. The Concessionaire will have the option to contract with the Commonwealth Police for a level of police service that is not less than the level being provided on the Toll Roads as of the Bid Date. If the Concessionaire elects to contract directly with the Commonwealth Police for not less than the minimum level of police service on the Toll Roads, the Authority will no longer have the obligation to use its reasonable efforts to cause the Commonwealth Police to provide the minimum level of police service. • <u>Emergency Suspension of Tolls.</u> If the Governor declares a state of emergency pursuant to the Emergency Management and Disaster Administration Act, the Authority may designate the Toll Roads a toll-free public highway to facilitate evacuations or for any other emergency purpose. In addition, the Secretary of Transportation may suspend tolls on the Toll Roads to address circumstances that create a direct and imminent danger to the safety of the users of the Toll Roads.
<p>Capital Improvements</p>	<p>The Concession Agreement contemplates two different types of immediate capital improvements: Retained Capital Improvements and Accelerated Safety Upgrades. Each type of capital improvement is listed in the schedules to the Concession Agreement.</p> <ul style="list-style-type: none"> • Retained Capital Improvements are those capital

Issue	Term
	<p>improvements and operational deliverables for which the Authority will remain responsible after the Toll Roads have been concessioned, including the BRT/DTL or "Metro Urbano" project. The Authority agrees to substantially complete the BRT/DTL Project by August 31, 2013. In the event that the Authority does not substantially complete the BRT/DTL by August 31, 2013, the Concessionaire is entitled to liquidated damages set at ten thousand dollars (\$10,000.00) per day, provided that the deadline will be extended to account for any delays caused by the negligence or misconduct of the Concessionaire, breach of the Concession Agreement by the Concessionaire, or force majeure.</p> <ul style="list-style-type: none"> Accelerated Safety Upgrades are those capital improvements for which the Concessionaire will become responsible, at its own expense, once the roads have been concessioned. The Accelerated Safety Upgrades must be completed in accordance with an accelerated calendar. Failure by the Concessionaire to complete these Accelerated Safety Upgrades on time will result in pre-defined liquidated damages payable to the Authority. These upgrades will ensure that a significant amount of cosmetic and structural improvements will be undertaken on the Toll Roads in the early years of the Concession.
<p>Modifications</p>	<p>Each of the Concessionaire and the Authority may request Modifications. A Modification may include: (i) a change in the services, obligations or work to be performed by, or rights of, the Concessionaire with respect to the Toll Roads from those provided for in the Concession Agreement, (ii) changing the dimensions, character, quantity, quality, description, location or position of any part of the Toll Roads or the Toll Road Operations or making other changes to the Toll Roads or the Toll Road Operations, (iii) implementing the acquisition of additional land or buildings for the Concession, or (iv) implementing any change to the Tolling Limitations</p> <p>Regardless of which party requests the Modification, the Concessionaire must present the scope of work and projected outcome of such Modification. If the parties cannot agree on the modification, then the Authority shall have the right to make such Modification a Required Modification and require the Concessionaire to make such Modification, provided that the Authority (i) can prove the financial strength to pay for the cost of the Modification and any Concession Compensation resulting from such Modification, (ii) has obtained all authorizations necessary to procure the Required Modification, and (iii) has agreed with the Concessionaire to the terms of the Required Modification, including the amount of the Concession Compensation payable to the Concessionaire for delivering the Required Modification.</p>

Issue	Term
<p>Operating Standards</p>	<p>The Operating Standards are detailed in the schedules to the Concession Agreement and refer to the standards, specifications, policies, procedures and processes that apply to the operation, maintenance, rehabilitation and tolling of, and capital improvements to, the Toll Roads. The Operating Standards detail the operating requirements set forth by the Authority and expected of the Concessionaire during the term of the Concession. Operating Standards may be modified by the Concessionaire or the Authority, subject to conditions.</p>
<p>Employees</p>	<p>The Concessionaire will use its best efforts to interview all Authority Employees (i.e., those who currently work at either PR-22 or PR-5) who apply to the Concessionaire for employment and shall offer employment to such Authority Employees (to commence following the Closing Date) who meet the Concessionaire's stated requirements for employment; provided, however, that the Concessionaire shall have no obligation to offer employment to any such Authority Employee.</p> <p>With respect to any Authority Employee hired by the Concessionaire who, on the Closing Date, has ten (10) years or more of accumulated service under the Commonwealth Employee Retirement System (the "Commonwealth Retirement System") and elects to continue participating in the Commonwealth Retirement System (each such Authority Employee, a "Qualified Employee"), the Concessionaire agrees to make the employer contributions that government employers are required to make pursuant to Sections 2-116, 3-105 and 4-113 of Act No. 447, approved by the Legislative Assembly of Puerto Rico on May 15, 1951, as amended, that would become due and payable after the Closing Date for all Qualified Employees hired by the Concessionaire.</p>
<p>Insurance</p>	<p>The Concessionaire bears risk of loss during the Term. The Concessionaire must maintain or cause to be maintained, at its own expense, insurance of the types standard for this type of transaction for the Term of the Concession Agreement, including Commercial General Liability, Business Automobile Liability, Workers Compensation, Professional Liability, Pollution Legal Liability, Directors and Officers' Liability, Employment Practices Liability, Fiduciary Liability, Owners' Contractors Protective Liability, Builders Risk, Property, Business Interruption and Boiler and Machinery. The values of the policies must be adjusted for inflation every five years.</p>
<p>Restrictions on Transfer</p>	<p>The Concessionaire may only transfer ownership and/or permit a Change in Control of the Concession if (i) the Authority has approved the transfer, (ii) the transferee signs a new agreement with the Authority, and (iii) the Concession Mortgagee approves of the transfer, and (iv) there is no continuing Concessionaire Default.</p>

Issue	Term
	<p>Any such approval from the Authority may only be withheld if:</p> <ul style="list-style-type: none"> • the sale, transfer or transaction would violate law or is prohibited by law; • the sale, transfer or transaction would cause the Authority to incur a tax obligation (unless indemnified by the Concessionaire or Transferee); • the transferee would not be able to comply with the Concession Agreement or relevant laws; or • the transferee is not deemed capable of performing the obligations and covenants of the Concession Agreement. <p>The transferee's ability to perform such obligations shall be based on their financial strength, integrity, experience, background and reputation of the transferee or the operator that the transferee proposes to engage.</p> <p>Transfers include Changes in Control of the Concessionaire or the Operator, where control is defined as 50% ownership or more of voting control or economic interest of the Concessionaire or the Operator, excluding such transfers as moving ownership/control interests to affiliates or through trusts.</p>
<p>Condition of the Asset</p>	<p>The Authority bears all risk of loss until Closing Date. The Authority covenants that, from the Effective Date until the closing of the transaction, it will cooperate with the Concessionaire and operate and maintain the Toll Roads, including retaining the appropriate insurance policies.</p>
<p>Termination for Default</p>	<p>The Authority, subject to cure periods, may terminate the Concession Agreement for defaults by the Concessionaire. Defaults include: (i) failure to perform or observe any material obligation, covenant, term or agreement of the Concession Agreement or any resolution of a dispute, (ii) any persistent failure to comply with the Operating Standards in a prescribed period of time, (iii) transfer of any of the Concessionaire Interest control or ownership without necessary approvals, (iv) written statement by the Concessionaire admitting its inability to pay its debts, (v) bankruptcy, (vi) the execution of any lien against the Toll Roads resulting from an Encumbrance and (vii) failure to comply with Operating Standards that creates (a) material danger to safety of Toll Roads operations or (b) impairment to Toll Roads.</p> <p>The lenders shall have the right to cure a Concessionaire Default for a period of 60 days beyond any cure period given to the Concessionaire by the Authority. In the event that the Authority terminates the Concession Agreement as a result of Concessionaire Default, the Authority shall agree to enter a New Agreement with the lenders on the same terms as originally provided.</p>

Issue	Term
	<p>The Concessionaire, subject to cure periods, may terminate the Concession Agreement for defaults by the Authority. Defaults include: (i) failure to perform or observe any material obligation, covenant, term or agreement of the Concession Agreement or any resolution of a dispute, (ii) transfer of any of the Authority interest in the Toll Roads in violation of the Concession Agreement and (iii) the execution of any lien against the Toll Roads resulting from an Encumbrance.</p> <p>If the Concessionaire elects to terminate the Concession Agreement as a result of Authority Default, the Concessionaire is entitled to Termination Damages ("AD-Termination Damages"). Such compensation is equal to the sum of the Toll Road Concession Value, any reasonable and documented out-of-pocket costs and expenses incurred as a result of the termination, and Concession Compensation for the time running from date of such Authority Default until the Termination Date <i>less</i> any insurance proceeds received by the Concessionaire or that would have been payable to the Concessionaire but for its failure to comply with the relevant insurance policies.</p> <p>"Toll Road Concession Value" is defined as the fair market value of the Concessionaire Interest as determined by a written appraisal from a third-party independent appraiser. Each of the Authority and the Concessionaire shall pay 50% of the costs of the appraisal.</p>
<p>Termination for Act No. 458 Crime or Public Integrity Crime</p>	<p>Act No. 458 requires the automatic rescission of a contract if the contracting party or any of the covered natural persons is convicted or enters a guilty plea in respect to any of the crimes listed in Act No. 458 ("Act No. 458 Crime"). Also, Act No. 237 and the Code of Ethics require termination of the Concession Agreement if the Concessionaire is convicted of a Public Integrity Crime that is not an Act No. 458 Crime. A "Public Integrity Crime" is a crime listed in Act No. 237 or the Code of Ethics.</p> <p>In accordance with the Secretary of Justice Opinion constituting Legal Inquiry No. 11-176-A:</p> <ul style="list-style-type: none"> • The Concession Agreement shall automatically be rescinded by operation of Act No. 458 if the Concessionaire or any subsidiary or <i>alter ego</i> thereof is convicted or enters a guilty plea in respect of any Act No. 458 Crime, or if any other Covered Party is convicted or enters a guilty plea in respect of any Act No. 458 Crime while in the employ of the Concessionaire. A "Covered Party" includes the Concessionaire's president, any of its vice presidents or directors, executive director or member of a board of officials or board of directors (or any person that holds a position with the Concessionaire equivalent to any of the foregoing). • The Concession Agreement shall terminate as required

Issue	Term
	<p>by Act No. 237 or the Code of Ethics, if the Concessionaire is convicted of a Public Integrity Crime that is not an Act No. 458 Crime.</p> <p>If the Concession Agreement is rescinded or terminated during the Term for an Act No. 458 Crime or a Public Integrity Crime committed <i>not in connection with the procurement of the Concession Agreement</i>, then the Authority shall be obligated to pay to the Concessionaire:</p> <ul style="list-style-type: none"> • an amount equal to the lesser of (i) the Toll Road Concession Value and (ii) the Unamortized Concession Fee, in each case calculated as of the End Date (the "PIC-Termination Damages"); or • if the amount of the PIC-Termination Damages is less than or equal to the sum of the Concession Mortgage Debt and any related Breakage Costs as of the End Date, then the Authority shall enter into a New Agreement with the Concession Mortgagee (or its designee or nominee), and the Authority shall be released from any obligation to pay PIC-Termination Damages or any other compensation to the Concessionaire in connection with such rescission or termination. <p>If, however, the Concession Agreement is rescinded during the Term for an Act No. 458 Crime committed <i>in connection with the procurement of the Concession Agreement</i>, then the Authority shall enter into a New Agreement with the Concession Mortgagee (or its designee or nominee), and the Concessionaire shall not be entitled to receive any PIC-Termination Damages or other compensation of any form or amount from the Authority in connection with such rescission.</p> <p>In the event the Authority is required to enter into any New Agreement with the Concession Mortgagee, the Authority may elect, at its sole option, by notice to the Concessionaire at any time prior to the execution and delivery of such New Agreement, to pay to the Concessionaire a sum equal to the Concession Mortgage Debt and any related Breakage Costs, and upon such notice the Authority shall be:</p> <ul style="list-style-type: none"> • released from the obligation to enter into such New Agreement; and • obligated to pay such sum to the Concessionaire in cash. <p>If this Agreement is rescinded or terminated during the Term in relation to Act No. 458, Act No. 237 or the Code of Ethics, then the Authority shall recover from the Concessionaire all of the Authority's out-of-pocket expenses and Financing Costs, if any, arising in connection therewith, together with any Re-Tender Costs relating to any Re-Tender of the Toll Roads following such rescission or termination.</p>

Issue	Term
<p>Competing Highway</p>	<p>The Concessionaire is entitled to receive compensation from the Authority if there is placed in service a "Competing Highway." In the Concession Agreement, "Competing Highway" is defined narrowly as "any newly-constructed Comparable Highway which is built by or on behalf of the Commonwealth during the Term, of which highway at least 15 continuous miles are within 5 miles of the centerline of PR-22." In addition, PR-2 shall be considered a Competing Highway, but only if and to the extent that any continuous segment of 5 or more miles of PR-2 between (i) the intersection of PR-2 with PR-20 and (ii) kilometer 82.8 (located at the intersection of PR-2 with PR-22 in Hatillo) is expanded or improved so that such segment becomes a Comparable Highway. In the Concession Agreement, "Comparable Highway" means a divided controlled-access interstate-grade highway having two or more lanes in each direction without traffic signals and with interchanges, interstate-grade bridges or a combination or portion thereof.</p>
<p>Adverse Action</p>	<p>An Adverse Action shall occur if the Authority or any Governmental Authority in Puerto Rico takes any action during the Term (including enacting any legislation or promulgating any law) and the effect of such action is reasonably expected to be principally borne by the Concessionaire, private operators of toll roads in Puerto Rico or "Contratantes" (as such term is defined under the P3 Act), and to have a material impact on the fair market value of the Concession.</p> <p>The following, however, shall not be considered an Adverse Action:</p> <ul style="list-style-type: none"> • any increase in taxes not directed solely at the Toll Roads, the Concessionaire, other private operators of toll roads in Puerto Rico or the users of the Toll Roads; • the exercise of law enforcement, subpoena or investigatory powers; • the development, maintenance, modification or construction of any new or existing mode of transportation (including without limitation any Competing Highway, managed lanes or HOV lanes) even if such development, maintenance, modification or construction results in the reduction of Toll Revenues or the number of vehicles using the Toll Roads; and • any increase in taxes for which the Concessionaire is not responsible pursuant to the Concession Agreement. <p>The Concessionaire is entitled to receive Concession Compensation for any losses and reductions in revenue that result from any Adverse Action. Such compensation is termed "AA-Compensation" and is computed and paid in the same manner as Concession Compensation is for</p>

Issue	Term
	<p>Compensation Events that are not Adverse Actions.</p> <p>The Concessionaire is only permitted to terminate the Concession Agreement as a result of an Adverse Action that constitutes an expropriation, sequestration or requisition of all or a material part of the Toll Roads, Toll Road Assets, Toll Road Revenues or the Concessionaire Interest or that materially impedes the Concessionaire's ability to perform its obligations continuously for at least 90 days. If the Concessionaire has elected termination, the Authority has the right to remedy the Adverse Action within 180 days following the date of receipt of an Adverse Action Notice from the Concessionaire or, if an Adverse Action Dispute Notice has been given, within 180 days following the final decision; in either case, within such longer period as may be agreed to by the Concessionaire. If the Concessionaire terminates the Agreement for an Adverse Action, then the Concessionaire will be entitled to receive from the Authority the sum of the Toll Road Concession Value, any reasonable and documented out-of-pocket costs and expenses incurred as a result of the termination, and Concession Compensation for the time running from the date of such Adverse Action until the Termination Date, less any insurance proceeds received by the Concessionaire or that would have been payable to the Concessionaire but for its failure to comply with the relevant insurance policies. Such compensation is termed "AA-Termination Damages." Note that after the AA-Termination Damages become payable following the Authority's 180-day opportunity to cure, the Authority will have up to an additional 120 days to pay the AA-Termination Damages if the Authority reasonably determines that such additional period is necessary to obtain the financing or approvals required for such payment.</p>
<p>Certain Delay Events</p>	<p>If Force Majeure or any other Delay Event occurs that has the effect of:</p> <ul style="list-style-type: none"> • causing physical damage or destruction to the Toll Roads that results in the Toll Roads being substantially unavailable; or • the suspension of toll collection on the Toll Roads or any material portion thereof, <p>and in either case, such effect continues for a period of longer than 90 days and has a material adverse affect on the value of the concession, then such Delay Event will be a Compensation Event. In this event, however, the Concessionaire will only be entitled to toll or term compensation (as defined below in "Compensation Events").</p>
<p>Compensation Events</p>	<p>The Authority shall provide to the Concessionaire the compensation needed to restore the Concessionaire to the same after-tax economic position that the Concessionaire</p>

Issue	Term
	<p>would have been in had the following events not occurred:</p> <ul style="list-style-type: none"> • material impairment, losses or reduced Toll Road revenues resulting from the Authority's entrance on the Toll Roads (i) to design, construct, repair or maintain any existing or future roads, streets or highways (including the Authority Capital Improvement Projects) or any utilities, (ii) to remediate any hazardous substances, or (iii) to do any other act or thing that the Authority may be obliged to do by law; • the Concessionaire's compliance with a Required Modification; • the Concessionaire's compliance with a change in Operating Standards pursuant to an Authority directive; • failure by the Authority to preserve the Concessionaire's exemption from (i) real property tax relating to the Toll Roads and (ii) sales and use tax assessed on the tolls charged on the Toll Roads; • the occurrence of any Authority Default; • the Authority's failure to (i) restore Toll Roads following pre-closing casualty loss or (ii) compensate the Concessionaire for its costs to restore the Toll Roads (net of insurance and certain Concession Fee adjustments); • the Authority's cancellation of any Mandatory Capital Improvement that, among other things, would have a material adverse effect on the Concessionaire; • the Authority's material interference with Toll Road Operations or material failure to comply with Project Interface Plan or Operating Standards in relation to any Authority Capital Improvement Project; • the occurrence of an Adverse Action; • the placement in service of a Competing Highway to the extent there is a decrease in net income suffered by the Concessionaire solely as a result thereof; • any change in the interoperability requirements of the electronic toll collection system used on the toll roads operated by the Authority that is required by the Authority and with which the Concessionaire must comply and that does not constitute an Open Standard Change (i.e., a change that is consistent with established standards for a system of electronic toll collection in effect in other jurisdictions within the United States and at least three major tolling service providers would be capable of satisfying); and • the certain Delay Events described under the heading "Certain Delay Events" above. <p>Concession Compensation is always meant to be net of</p>

Issue	Term
	<p>insurance proceeds that are received or should be received under the required insurance under the Concession Agreement.</p> <p>Compensation Events can be compensated, at the Authority's election, generally either (i) in cash or (ii) through an extension of the Term or an increase in tolls (referred to as "toll or term"). If the Authority elects toll or term, the Authority may further elect whether toll or term will be the method of compensation unless the Concessionaire itself specifies a preference between toll or term within 14 days after the Authority's election.</p> <p>The Authority's use of toll or term as compensation will not be permitted, however, if (i) the Authority has previously compensated the Concessionaire with toll or term cumulatively up to an aggregated \$25 million (adjusted annually for inflation plus 1.5%) for the Term of the Concession (note that the use of this \$25 million is limited to \$10 million during the first five years of the Concession and to \$1 million each year thereafter), or (ii) the Compensation Event is a Required Modification or a casualty loss that occurs prior to the closing.</p> <p>In addition, without regard to the foregoing limitations, in no event will the Concessionaire ever be entitled to Concession Compensation for a Delay Event in the form of cash, but instead shall be required to accept toll or term.</p>
<p>Taxes</p>	<p>Per the P3 Act, the following taxes will need to be paid by the Concessionaire:</p> <ul style="list-style-type: none"> • depending on type of legal vehicle utilized, the Concessionaire has the option to pay either of the following income tax rates: (i) 20% on net income (applicable only if organized as a special partnership) or (ii) 10% on net income and 10% on dividends; and • 0.5% Municipal License Tax applied against gross Toll Revenues. <p>The Concessionaire will be subject to all taxes duly imposed by the Commonwealth or its municipalities, except in accordance with the P3 Act and for (i) any real property taxes imposed or measured by the value of the Toll Roads or (ii) sales or use tax with respect to the tolls charged on the Toll Roads by any governmental authority of the Commonwealth.</p>
<p>Arbitration</p>	<p>Either the Concessionaire or the Authority may initiate binding arbitration in accordance with the Concession Agreement in the event of disputes concerning any commercial, technical or engineering terms of a Required Modification or any other technical or engineering matters arising under the Concession Agreement. In addition, the GDB as Guarantor may dispute, and initiate binding arbitration with respect to, the occurrence of any</p>

Issue	Term
	<p>Compensation Event or any Adverse Action (or the amount of Concession Compensation or AA-Compensation related to such Compensation Event or Adverse Action) claimed by the Concessionaire.</p>
<p>Governing Law</p>	<p>The Concession Agreement is governed by and interpreted in accordance with the laws in force in the Commonwealth of Puerto Rico.</p>
<p>Electronic Toll Collection Services</p>	<p>The Authority has contracted with TransCore for electronic toll collection services ("ETC Services") on all the toll roads in the Commonwealth, including PR-22 and PR-5 (the "TransCore Contract"). To avoid costly termination of the TransCore Contract in connection with the concession of PR-22 and PR-5, the Concession Agreement provides that the Authority will maintain the TransCore Contract in place for the benefit of the Concessionaire as it relates to PR-22 and PR-5 until the contract's expiration or termination, subject to certain obligations of the Concessionaire. Referred to as the "ETC Service Terms," the terms and conditions that govern contracting for ETC Services on the Toll Roads include the following:</p> <ul style="list-style-type: none"> •The Authority will continue to pay to TransCore a per-transaction fee for the ETC Services on a monthly basis, provided that the Concessionaire shall reimburse the Authority in arrears for such payments as they relate to PR-22 and PR-5. •The Authority will notify the Concessionaire of any breaches of the TransCore Contract by TransCore as they relate to PR-22 and PR-5, and will take reasonable actions as directed by the Concessionaire to enforce the Authority's rights under the TransCore Contract in relation to such breaches; provided that the Concessionaire will indemnify the Authority for costs and losses relating to such actions. •The Concessionaire has approval rights with respect to any material consent, notice, approval or change order given by the Authority under the TransCore Contract that affects PR-22 and PR-5. If the Concessionaire approves the notice to proceed under Change Order 23 (which would significantly increase electronic toll collection on the Toll Roads), then the Authority will reduce the per-transaction cost reimbursable by the Concessionaire to the Authority during term of the TransCore Contract from 18¢ to 15¢. Such reduction would become effective upon the later of (i) the substantial completion of work required by Change Order 23 that relates to the Toll Roads and (ii) December 31, 2012. •The Authority shall remit to the Concessionaire amounts

Issue	Term
	<p>received from TransCore as damages under the TransCore Contract, but only to the extent related to PR-22 and PR-5 (the Concessionaire will likewise indemnify the Authority for any amounts the Authority is required to pay to TransCore as damages due to the Concessionaire's actions).</p> <ul style="list-style-type: none"> •The Authority may neither assign nor consent to the assignment of the TransCore Contract nor extend, amend or replace the TransCore Contract until June 30, 2015, at which time the Authority shall conduct a competitive procurement, in consultation with the Concessionaire, for a new contract for ETC Services on all toll roads in the Commonwealth, which will be subject to substantially the same terms and conditions as between the Authority and Concessionaire as applied to the current TransCore Contract. •TransCore will provide weekly traffic reports, which will be the basis of the revenue-sharing mechanism and the calculation of delinquent non-cash tolls.

PROPOSAL REVIEW PROCEDURES

The Proposal Submission deadline was May 31, 2011 and two Proposals were received by the Authority. The Proposals were submitted, prior to the 10:00 AM deadline on May 31, 2011, by: (1) Morgan Stanley Infrastructure, Inc. and *OHL Concesiones S.L.*; and (2) *Autopistas Metropolitanas de Puerto Rico, LLC*, an entity owned by *Abertis Infraestructuras*, GS Global Infrastructure Partners II, L.P.; and GS International Infrastructure Partners II, L.P. Once the Proposals were received, the Authority conducted a formal proposal opening process that was witnessed by a Puerto Rico Notary Public, who prepared a Notarial Certificate (“Acta Notarial”) detailing the entire process of opening proposals and which is included herein as Exhibit A.²

In accordance with the Act, the Regulation and the RFP, the Partnership Committee reviewed and selected the winning Proponent on June 10, 2011, based on the criteria described in more detail below.

DESCRIPTION OF PROPONENTS (IN ALPHABETICAL ORDER)

1. *Autopistas Metropolitanas de Puerto Rico, LLC*

- *Autopistas Metropolitanas de Puerto Rico, LLC* is an entity owned by *Abertis Infraestructuras* and GS Global Infrastructure Partners II, L.P./GS International Infrastructure Partners II (“GSIP”).

² Under Puerto Rico Notary Law, Act No. 75 of July 2, 1987, notaries, at the request of a party or on their own initiative and under their oath, signature, sign, flourish and notarial seal, shall extend and execute certificates which consign facts and circumstances witnessed by them or of which they have personal knowledge and that due to their nature do not constitute a contract or juridical business. The Puerto Rico Notary Law, *supra*, requires that the notarial certificates include the corresponding deed number, the date in which they are executed, the declaratory part and the notary's signature.

- GSIP, together with its predecessor fund, GS Global Infrastructure Partners I, LP (“GSIP I”) are Goldman, Sachs & Co’s (“Goldman Sachs”) primary vehicles for direct investments in infrastructure and infrastructure-related assets and companies and together have approximately \$10 billion in aggregate assets under management.
- GSIP is an infrastructure fund mandated with making direct investments in infrastructure and infrastructure-related assets with available equity commitments in excess of \$3 billion.
- GSIP, through its predecessor, either on its own or as part of a consortium, purchased the first FARAC Toll Roads concession in Mexico for \$4 billion (the largest toll road-concession in the Americas to date).
- Abertis is an owner, operator, and manager of infrastructure businesses around the world with a presence in seventeen countries with key focuses on toll roads, airports, telecommunications infrastructure, car parks, and logistic parks.
- Abertis has operated highways for more than forty years.
- Abertis directly operates over 2,300 miles of tolls roads and has a share in the operation of another 3,400 miles of roads. In Puerto Rico, it has managed the Teodoro Moscoso toll bridge for the past sixteen years.
- In 2010, Abertis’ toll roads in Spain recorded more than 360 million toll transactions. A majority of these transactions, approximately 74% were collected using electronic systems.
- In 2009, Abertis had operating income of \$5.6 billion, EBITDA of \$3.5 billion, net profit of \$934 million, and net cash flow from operations of \$2.2 billion.
- At June 30, 2010, Abertis had a market capitalization of \$10.7 billion.

2. Morgan Stanley Infrastructure Inc. and OHL Concesiones

- Team comprised of Morgan Stanley Infrastructure Inc. (“Morgan Stanley”) and OHL Concesiones (“OHL”).
- Morgan Stanley is a \$4 billion infrastructure fund dedicated to pursuing investments in infrastructure assets.
- Morgan Stanley has approximately \$1.3 billion available for investment.
- OHL is a construction and concession company that ranks among the top 10 private developers of transportation infrastructure.
- OHL controls 22 companies holding concessions for approximately 4,400 kilometers of toll roads in Spain and Latin America.
- OHL operates toll roads similar to PR-22 and PR-5.
- OHL employs almost 3,000 personnel in toll road operations.

RFP SELECTION CRITERIA

The RFP included the selection criteria, which served as the requirements for Proposal Submissions and on which the Partnership Committee would base the Proponent Selection. Below are the set of Criteria explained in detail.

1. COMPLETENESS OF PROPOSAL (PASS/FAIL)

Proponent to confirm each of the following in a written statement:

- The Bid LOC has been included in this Proposal.
- The Proponent has complied with each section of the RFP which requires it to do or not do any act, matter or thing, including (without limitation) sections 8.7 and 8.8.
- The Proponent accepts the final form of the Concession Agreement (as posted in the Data Room as at 11.59pm AST on May 26, 2011), save for immaterial amendments to incorporate party names, details and execution mechanics.
- The Proponent has included with this Proposal an executed Sworn Statement in the form attached as Schedule 1.
- In relation to the Project, the RFQ or the RFP, the Proponent has not, and each of its Proponent Members has not, and their respective directors, officers, employees, consultants, agents, advisors and representatives have not engaged in any form of political or other lobbying whatsoever, and has not, except as expressly contemplated by the RFQ, RFP or as otherwise permitted in writing, attempted to communicate in relation to any of such matters, directly or indirectly, with any representative of the PPP Committee or the Authority, including any Restricted Parties, or any director, officer, employee, agent, advisor, staff member, consultant or representative of any of the foregoing, as applicable, for any purpose whatsoever, including for purposes of:
 - (a) commenting on or attempting to influence views on the merits of the Proponent's Proposal, or in relation to Proposals of other Proponents;
 - (b) influencing, or attempting to influence, the outcome of the RFQ or RFP stage, or of the competitive selection process, including the review, evaluation, and ranking of Proposals, the selection of the Selected Proponent, or any negotiations with the Selected Proponent;
 - (c) promoting the Proponent or its interests in the Project, including in preference to that of other Proponents;
 - (d) commenting on or criticizing aspects of the RFQ, the RFP, the competitive selection process, or the Project including in a manner which may give the Proponent a competitive or other advantage over other Proponents; and
 - (e) criticizing the Proposals of other Proponents.
- Neither the Proponent nor its Proponent Members, nor have their respective directors, officers, employees, consultants, agents, advisors and representatives, discussed or communicated, directly or indirectly, with any other Proponent or any director, officer, employee, consultant, advisor, agent or representative of any other Proponent, including any Proponent Member of such other Proponent regarding the preparation, content or representation of its Proposals. Its Proposal has been submitted without any connection (i.e., arising through an equity interest in or of a Proponent or Proponent Member), knowledge, comparison of information, or arrangement, with any other Proponent or any director, officer, employee, consultant, advisor, agent or representative of any other Proponent, including any Proponent Member of such other Proponent.

2. FINANCIAL, TECHNICAL AND PROFESSIONAL REPUTATION (PASS/FAIL)

Proponents are to provide a commentary (of no more than 8 pages, not including appended offers of debt finance or evidence of investment committee / board approved equity commitments) on their commercial and professional reputation, specifically including:

- Evidence of their current financial strength to undertake this Project and meet the obligations contained in the Concession Agreement.
- Evidence of no current or pending material claims, litigation or equivalent that would materially adversely affect their ability to undertake this Project.
- Evidence of current technical and professional strength to undertake the obligations contained in the Concession Agreement.

3. FINANCING PLAN (PASS/FAIL)

Proponents are to provide:

- a) a short form financing plan (of no more than 8 pages) that outlines sources of funds and the terms of financing to fund the Concession Fee offered in the Proposal. The financing plan must contain enough detail so that an analysis would reveal whether the proposed financing is feasible. The financing plan is to include:
 - A description of the capital structure proposed at financial close, detailing all sources of financing and the amount of each class of debt, equity and any other source of funds, at the proposed holders of that debt and equity at Financial Close;
 - The equity (and equity-like) capital which the Proponent has committed to the Project, its planned payback period and the annual cash yield requirements;
 - The debt (and debt-like) capital which the Proponent has received commitments for in relation to the Project, the cost of that debt, and the ability to expediently carry out its plans to draw on that capital;
 - The weighted average capital cost of the financing plan to fund the Concession Fee offered in the Proposal;
 - An annual breakdown (in a short table) of net income to the Proponent for the term of the Concession;
 - The nominal internal rate of return (post any tax paid at the vehicle level) to the Proponent;
 - The net present value of the Concession (to answer this Proponents may refer to paragraph 3 of their Offer);
 - Time line/schedule for the financing plan from the Proposal Submission Date to financial close;
- b) the Proponent's forecast cost and timing for undertaking the Accelerated Safety Upgrades as contemplated by the Concession Agreement.

4. OPERATING PLAN (PASS/FAIL)

Proponents are to provide a short form operating plan (of no more than 8 pages) that outlines the management organisation and the approach to complying with the operating and maintenance obligations of the Toll Roads. The operating plan is to include:

- A description of the overall management structure and identity of Chief Executive Officer, Chief Financial Officer and Operation Manager (Key Personnel) at a minimum.
- Short form resume highlighting Key Personnel's most relevant qualifications to support their selections.
- Any present intention of the Proponent to make offers to and (if accepted) hire Authority Employees;
- Any commitment to the Commonwealth in terms of dedicated resources, community investment and involvement of local entities in the Concession.
- A description of the proposed operating plan to implement the required improvements to the Toll Roads, as contemplated by the Mandatory Capital Improvements and otherwise under the Concession Agreement, and that such plan can be undertaken by the Proponent and that the Proponent has demonstrated two (2) examples of complying with similar such obligations.

5. OFFER OF CONCESSION FEE (GRADED CRITERION)

Proponents are to indicate the Concession Fee that they are offering to pay to the Authority on Financial Close. Proponents must complete this Form of Offer of Concession Fee and, in doing so, insert the Concession Fee in the space provided:

SELECTION OF PROPONENT

The table below breaks down each Proponent's response and corresponding results based on each criterion, described above, as reviewed and approved by the Partnership Committee on meetings held on June 6, 2011 and June 10, 2011:

TABLE 2:

Criterion	Morgan Stanley Infrastructure Inc. and OHL Concesiones	Autopistas Metropolitanas de Puerto Rico, LLC - Abertis Infraestructuras and GS Infrastructure Partners II, L.P. / GS International Infrastructure Partners II, L.P.
Completeness of Proposal	Proponent passed this criterion. Proponent fulfilled the requirements of completeness.	Proponent passed this criterion. Proponent fulfilled the requirements of completeness.
Financial Technical and Professional Reputation	Proponent passed this criterion. MSIP and OHL both cited their annual profitability and previous investments to support this criterion. OHL cited their management and operations of 4,414km of toll roads globally to demonstrate operating expertise and diverse experience around the world.	Proponent passed this criterion. GSIP and Abertis both highlighted their significant cash reserves and liquidity lines. Abertis evidenced its capacity that allowed it to manage 360 million toll transactions on its toll roads. Abertis also cited that it currently operates over 2,300 miles of toll roads in fifteen countries.
Financing Plan	Proponent passed this criterion. Proponent submitted a detailed Financial Plan. The Financial Plan included a negotiated Term Sheet with the commitment of 7 banks.	Proponent passed this criterion. Proponent submitted a detailed Financial Plan. The Financial Plan included a negotiated Term Sheet with the commitment of 12 banks.
Operating Plan	Proponent passed this criterion. Proponent submitted a detailed schedule for Accelerated Safety Upgrades and satisfactory Operating Plan. Proponent presented a detailed cost estimate to comply with Accelerated Safety Upgrades in five years. The Operating Plan set out proposed organizational chart and proposed approach on employment and transition.	Proponent passed this criterion. Proponent submitted a detailed schedule for Accelerated Safety Upgrades and satisfactory Operating Plan. Proponent presented a detailed cost estimate to comply with Accelerated Safety Upgrades in three years. The Operating Plan presented an organizational chart and emphasized on the steps to ensure a smooth transition.
Offer of Concession Fee	\$960,450,000.00	\$1,080,000,000.00

Upon a detailed review of the criteria above, the Partnership Committee recommends that *Autopistas Metropolitanas de Puerto Rico*, LLC, an entity owned by *Abertis Infraestructuras* and GS Global Infrastructure Partners II, L.P./GS International Infrastructure Partners II, be awarded the concession. They passed all the Criteria and submitted the highest offer of Concession Fee.

CONCLUSION

The Partnership Committee considers that the Public-Private Partnership process carried out by the PPPA, PRHTA and the Partnership Committee complied with the requirements of the Act, the Regulation and the RFP, both in form and substance. The process was carried out affording fairness and equality to each Proponent. Ultimately, given that both proposals fully complied with the requirements of the Act, the Regulation and the RFP, the Partnership Committee's selection of the preferred Proponent was based on the Proposal that provided the highest concession fee. The Proposal with the highest concession fee was submitted by Autopistas Metropolitanas de Puerto Rico, LLC, an entity owned by *Abertis Infraestructuras* and GS Global Infrastructure Partners II, L.P./GS International Infrastructure Partners II.

ACCEPTED AND APPROVED ON JUNE 10, 2011 BY:

Signed original in PPPA offices

José R. Otero Freiría,
Executive Vice-President for Financing of the GDB
Chairman of the Partnership Committee

Signed original in PPPA offices

Rubén Hernández-Gregorat,
Secretary of the DTPW
and Executive Director of the PRHTA

Signed original in PPPA offices

Javier Hernández
Deputy Director of the PRHTA

Signed original in PPPA offices

Rebeca Rojas,
General Counsel of the DTPW

Signed original in PPPA offices

David Taylor
Senior Vice President of the GDB