Company for the Integral Development of the Cantera Peninsula

Act No. 20 of July 10, 1992, as amended,

(Contains amendments incorporated by:
Act No. 122 of December 13, 1994
Act No. 44 of January 21, 2000
Act No. 306 of December 25, 2002
Act No. 216 of August 28, 2003
Act No. 402 of September 22, 2004)

To create the Company for the Integral Development of the Cantera Peninsula, appropriate funds and for other purposes.

Be it enacted by the Legislature of Puerto Rico :

Section 1. — Statement of Motives and Public Policy. (12 L.P.R.A. § 5001 note)

For decades the responsibility for the development of backward socio-economic communities has fallen upon the shoulders of the Commonwealth. That was acceptable as long as the private sector lacked the necessary strength to share that responsibility and the Government possessed the dynamism and resources needed to discharge that responsibility by itself. Puerto Rico needs to explore new types of community development so that the benefits obtained through the economic progress achieved during the past decades may reach those sectors which have been left behind.

The Island has to firmly thrust itself into the development of more aggressive formulas to improve the quality of life in areas which have been beset by problems in housing and spatial distribution, poor basic services and scarce economic opportunities.

Identifying those alternatives which will allow us to deal more effectively with age-old challenges and aspirations is no simple task. It requires orderly experimentation. Before they are indiscriminately implemented, the strategies to be followed must be put to the test in specific areas where their effectiveness can be gauged and adjusted.

In many instances, public-private consortiums have shown signs of the creative potential inherent in the combination of efforts by the Government and the private sector to advance the interests for development of certain communities. In Puerto Rico, significant steps have been taken in certain fields. It is time to take greater strides; to enthusiastically launch a project that will address the total and integral transformation of a particular community to serve as a model for others.

Likewise, and in order for it to succeed, that effort cannot depend on a particular agency, of the Central Government or the Municipal Government; nor can it be conducted by them without the enthusiastic support of the private sector nor without the participation of the

community involved. Experience has shown that in this field many good ideas have fallen victim to the fragmentation of public authority, to excessive centralization and bureaucracy, to a lack of solidarity between the efforts of the public and private sectors and to the disjunction between the efforts expended and the real needs of the beneficiaries. We also know; on the contrary, that adequate coordination of the public efforts duly supported by the private sector and in harmony with the citizens affected, is the greatest guarantee of success in the field of community development. The tools and mechanisms which Puerto Rico has used for its development through the years, as well as the mechanisms created by the new municipal legislation, allow for the optimum coordination of those efforts.

In the heart of the Capital of Puerto Rico, and surrounded by such well developed sectors as Hato Rey and Isla Verde, there is a neighborhood of about 12,000 dwellers in an area of 119 hectares, known as "Cantera". Even though its contemporary history goes back to the first decades of this century, its present state of development is deplorable. Its space of beautiful topography is unevenly distributed; the services and facilities provided for its inhabitants do not conform to the Island's expectations; housing is insufficient and impoverished, and the economic opportunities are few. Nevertheless, as precarious as the state of things may be in this sector, as great is the will of its people for self-improvement. With the effective help of the Government and the private sector, this community will develop its potential to its maximum degree and create for itself a more prosperous and serene future.

Some of our other communities embrace similar aspirations. The experiences and knowledge garnered through the development of this sector, will serve as the basis for the development of others. In this way we shall explore an additional path to turn into reality the right of all Puerto Ricans to enjoy an adequate standard of living, based upon a better understanding between individual initiatives and collective cooperation.

Several reasons lead us to conclude that the Cantera Peninsula is a particularly convenient place for us to launch this experiment. In the first place, it is an area whose limits can be clearly determined. Second, several lifestyles proper to communities which are undergoing the primary stages of socio-economic development can be identified within it. Thus, the neighborhood, the housing project, and the slum can be found there. More so, the Cantera Peninsula has uninhabited land, which is available to be incorporated and enhance a good urban design. Finally, the Cantera Peninsula shows a dramatic contrast to the progress and plenty manifested in its surrounding Hato Rey and Isla Verde neighborhoods Few places in Puerto Rico are so appropriate for the exploration of new development strategies.

In view of the above, the Legislature declares that it is the public policy of the Commonwealth of Puerto Rico:

1. To promote the integral development of the Cantera Peninsula in San Juan, Puerto Rico, as a model plan for community development in Puerto Rico.
2. To provide the facilities so that the integral development of the Cantera Peninsula be the product of the efforts of the community of that sector together with the Central and the Municipal governments and the private sector.
3. To see to it that the development of the Cantera Peninsula is addressed to the benefit of its residents so that they may continue to enjoy the land which they presently occupy under improved conditions.

4. To ensure that the development strategies used in other sectors are perfected by the experiences garnered during the Cantera Peninsula development process.

Section 2. — Cantera Peninsula. Demarcation. (23 L.P.R.A. § 5001)

Within the context of the present chapter, the Cantera Peninsula shall be understood to cover the land thus delimited: by the Los Corozos Lagoon to the North, by the Martin Peña Channel to the South; by the San Jose Lagoon to the East and by Barbosa Avenue and the Las Casas Housing Project to the West.

Section 3. — Integral Development: To include. (23 L.P.R.A. § 5002)

The integral development of the Cantera Peninsula shall be based on an integral development plan whose purpose shall be to improve the general quality of life of present and future residents of the area through their education and training; the creation of jobs, and business, commercial and industrial opportunities for its inhabitants, and to rebuild and consolidate the urban texture within the parcelled space as well as the public space in order to improve their infrastructure, recreational facilities and housing, and thus propitiate the achievement of social and economic objectives.

Section 4. — Creation and Limited Life of the Company. (23 L.P.R.A. § 5003)

The Company for the Integral Development of the Cantera Peninsula is hereby created in San Juan, Puerto Rico (The Company), which shall be a public corporation that shall exist for a term of twenty (20) years, extendable for five (5) additional years through an executive order of the Governor, at the end of which period it shall cease to exist. Notwithstanding the above, as debt holder, it shall enjoy whatever powers are needed to honor the debt and it shall remain in existence until the debt, of any sort, is fully repaid.

Section 5. — Nature. (23 L.P.R.A. § 5004)

The Company for the Integral Development of the Cantera Peninsula:
(a) Shall have separate legal status from its officials and from the Government of the Commonwealth of Puerto Rico, its agencies, instrumentalities, public corporations and political subdivisions and from the Municipality of San Juan; and it shall perform with an operational latitude similar to that of a private enterprise.
(b) Shall enjoy the financial and operational capabilities needed to implement the public policy fixed in this chapter, and to comply with the objectives entrusted to it.
(c) Shall operate in the public interest and benefit.
(d) Shall seek closer ties to and a greater exchange with the community of the Cantera Peninsula so that the development in that zone may answer to the needs of its inhabitants and be a product of their enthusiasm and labor.
(e) Shall carry out its work with minimum personnel and a reduced structure so as not to loose its nature as a dynamic coordinating entity and become a burdensome bureaucratic mechanism.

(f) Shall promote a greater participation of the private sector in the development of the Cantera Peninsula, and for that purpose shall stimulate investments, industrial and commercial expansion, and the individual and collective initiative of the citizens and enterprises of the Cantera Peninsula and the Puerto Rican community in general.
(g) Shall seek innovative and agressive ways to finance the development of the Cantera Peninsula, combining public and private resources for that purpose.

Section 6. — Government of the Company. (23 L.P.R.A. § 5005)

The Company shall be governed by a Board of Directors.

Section 7. — Board of Directors. (23 L.P.R.A. § 5006)

(1) The Board of Directors of the Company shall be composed of eleven (11) members, six (6) of which shall be designated by the Governor, and five (5) by the Mayor of the City of San Juan. Two (2) of the members appointed by the Governor and one (1) of the members designated by the Mayor shall hold office for four years; two (2) of the members designated by the Governor and two (2) of the members designated by the Mayor shall hold office for five (5) years; and two (2) of the members designated by the Governor and two (2) of the members designated by the Mayor shall hold office for six (6) years; their successors shall all be appointed for six (6) years. The members shall hold office until their successors are appointed and take office. Should a vacancy occur before the term of office of the incumbent has expired, his/her successor shall be appointed for the remainder of said term.
(2) The Board of Directors shall elect a Chairperson from among its members.
(3) The members of the Board of Directors shall receive no salary whatsoever. The expenses they incur to perform their duties may be reimbursed.
(4) Not less than three (3) of the members of the Board of Directors, to wit, one (1) of the members designated by the Governor and two (2) of the members designated by the Mayor, shall be residents of the Cantera Peninsula and shall be chosen from a list of candidates submitted by the Neighborhood Council for the Development of Cantera. Not more than two (2) of the members may hold any elected or administrative public office at the time of their appointment.
(5) The members of the Board of Directors may be removed from office for just cause by the Governor, or by the Mayor of San Juan; according to the conditions of their appointment.
(6) The Board of Directors:
(a) Shall be responsible for complying with the objectives of the Company.
(b) Shall pursue the proper operation of the Company.
(c) Shall approve the rules and regulations for the organization and operations of the Company in harmony with the provisions of this chapter.
(d) Shall appoint the Executive Director of the Company and designate or authorize the designation of its other officials and employees.
(e) Shall ensure that, through creative operating means, the primary responsibility for the success of the development project which this chapter envisions, shall fall upon the private and not the public sector.

Section 8. — Powers. (23 L.P.R.A. § 5007)

The Company shall have all the rights, powers and prerogatives to adequately implement the public policy established herein, including, without being limited to:
(a) Adopt its corporate seal.
(b) Sue and be sued.
(c) Hold acts and enter into agreements and contracts of all kinds, including those related to goods and services.
(ch) Acquire and dispose of title to any property.
(d) Acquire, build, improve, operate and maintain projects within the Cantera Peninsula, as well as any other assets related said projects.
(e) Have officials and employees.
(f) Establish regulations for its organization and functioning.
(g) Obtain the services of state or municipal government employees, with the consent of said governments.
(h) Exclusively control its properties and activities and decide the nature of and need of all its expenses and the manner in which they shall be incurred, authorized and paid for.
(i) Set tariffs and fees to be charged for the use of goods in its possession.
(j) Create, through resolution, those subsidiaries which may be deemed convenient to discharge any of its functions in the manner provided below.
(k) Loan or donate money to its subsidiaries and purchase and sell or exchange shares, bonds or any other of their obligations.
(l) Loan money, secured by mortgage, under the terms it may deem convenient, to any developer which is incorporated to carry out development projects in the Cantera Peninsula.
(m) Borrow money for any of its corporate ends, including, without limitation, the purpose of consolidating, reconsolidating or buying, paying, or canceling any bonds, or other outstanding obligations issued or assumed by it, whose principal and interest is payable in whole or in part, from the revenues of the corporate entity.
(n) Provide financial aid of any kind, including incentives and subsidies, or technical assistance to carry out development projects in the Cantera Peninsula.
(n) Sell or discount, through public or private transactions, mortgages or other title deeds in its possession.
(o) Administer any of its projects in the manner determined, through regulation, by the Board of Directors. In that sense, the Company may, without excluding any other alternatives it may deem proper for the achievement of its objectives, provide any housing or commercial units for rent, placing them in trust, or lending them for use to any title.
(p) Coordinate the initiatives of Commonwealth or Municipal Agencies in the Cantera Peninsula.
(q) Act as the entity in charge of planning for the development of the land of the Cantera Peninsula according to the provisions of Law and regulations in effect.
(r) Enter, with prior permission of their owners, holders or representatives, any land, body of water of property, in order to take measurements, make borings or conduct studies for the purposes of this chapter. Should the owners or holders, or their representatives, refuse to grant their permission to enter the piece of land, body of water or property, for the stated purposes, any judge of the Court of First Instance shall issue an order authorizing that

permission be granted, upon being presented with a sworn statement stating the intention of the Company to enter the piece of land, the body of water or the property described in the sworn statement, for the purposes indicated in this provision. In case no known owners, holders or representatives appear, the Company, through its officials or employees, may enter without any permission whatsoever.

(s) Perform any acts or do whatever is necessary or convenient to put into effect the powers conferred upon the Company by this Chapter or by any other act of the Legislature of Puerto Rico. The company shall exercise public and essential government functions in relation to the integral development of the Cantera Peninsula and shall coordinate the efforts made by other government agencies pertaining to said development, by which the execution of the powers and faculties granted by this chapter shall at no time have the effect of investing the Company with the character of a private enterprise.

(t) Plan, design and build those buildings, works, structures, infrastructure and other such things that are necessary for the integral development of the Cantera Peninsula.

(u) Request, accept and obtain any funds, gifts or technical or financial assistance from the federal government, the Government of the Commonwealth, including its instrumentalities and political subdivisions, or from private sources, in order to carry out the purposes of the Company and achieve the ends provided in this chapter; sponsor projects originating under federal acts or programs, act as delegating or delegatory agency; and supervise the use of the funds thus acquired.

Section 9. — Tax Incentives. (23 L.P.R.A. § 5008)

The following tax benefits shall be provided to the entities that contribute to the Company for the Integral Development of the Cantera Peninsula:

(a) All gifts made to the Company shall be treated as gifts made to educational entities, pursuant to Act No. 91 of June 29, 1954, as amended, for the purposes of the limitations placed on gifts.

(b) The establishment of a "Capital Investment Fund in Puerto Rico" shall be allowed without the restriction regarding the nature of the projects permitted by Act No. 3 of October 8, 1987.

(c) Interest generated by the bonds issued by the Company shall be exempt from income taxes imposed by Act No. 91 of June 29, 1954, as amended.

(d) Use of accelerated depreciation methods shall be allowed to recover the cost of the investment.

(e) Tax credit on investments in the Cantera Project.

(1) Concession of credit. There shall be allowed as a credit against the income tax imposed by §§ 8006 et seq. of Title 13, known as the Income Tax Act of 1954, for each taxable year of the allowable period, an amount equal to the sum of:

(A) Investment credit in the Cantera Project carried forward to the current tax year;

(B) investment credit in the Cantera Project for the current tax year, plus,

(C) investment credit in the Cantera Project dated back to the current tax year.

(2) Investment credit in the Cantera Project for the current tax year. For the purposes of this section, the amount allowable as an investment credit for the Cantera Project for the

current tax year shall be as determined pursuant to the provisions of clause (4) of this subsection.

(3) Limitations.

(A) General rule. Credit granted under clause (1) of this subsection for each taxable year, shall not exceed the lesser of:

(i) The allowable proportion of the normal net tax to be paid for the taxable year, or

(ii) one hundred thousand dollars ($100,000).

(B) Allowable proportion of the normal net tax. For the purposes of this paragraph, the allowable proportion of the normal net tax paid by the taxpayer for each tax year shall be the sum of:

(i) The amount of the normal net tax paid by the taxpayer for the tax year not to exceed fifteen thousand dollars ($15,000), plus

(ii) seventy-five percent (75%) of the amount of the normal net tax paid by the taxpayer for the tax year which exceeds fifteen thousand dollars ($15,000).

For the purposes of this paragraph, the term "normal net tax" means the normal average tax paid by the taxpayer determined for the tax year, minus the sum of any other credits allowable under any other act.

(C) Special rules.

(i) Married individuals. In the case of a husband or wife filing separate returns, the amount established in item (i) of paragraph (B) above, shall be seven thousand five hundred dollars ($7,500). This special rule shall not apply of the taxpayer's spouse does not claim a credit under this section for the taxable year.

(ii) Controlled group. In the case of a controlled group of corporations, the amount of fifteen thousand dollars ($15,000) established in item (i) of paragraph (B) above, shall be reduced for each corporation in an amount equal to the proportion that the net income of each corporation bears to aggregate net income of the controlled group.

(4) Amount determined as credit.

(A) In general. For the purposes of the provisions of clause (2) of this subsection, the amount determined as an investment credit in the Cantera Project shall be equal to:

(i) The applicable percentage of;

(ii) the adjusted base of the participating structure in the Cantera Project.

(B) Applicable percentage.

(i) Participating structures put into service during the years 1993, 1994, 1995, 1996 and 1997. In the case of any participating structure in the Cantera Project put into service by the taxpayer during the years 1993, 1994, 1995, 1996 and 1997, the term "applicable percentage" shall be nine percent (9%).

(ii) Participating structures put into service after 1997. In the case of any participating structure in the Cantera Project put into service after 1997, the term "applicable percentage" shall be six percent (6%).

(C) Adjusted base.

(i) The "adjusted base" of the participating structure in the Cantera Project shall that which is determined pursuant to what is established in § 8514 of Title 13. It

shall not include that portion determined by a reference to the base of another property belonging to the taxpayer.

(ii) Participating structures in the Cantera Project. For the purposes of this section, a "participating structure" shall be:

(I) That certified structure which qualifies according to the terms of this chapter because of its location, purpose, investment or any other requirement established herein, and

(II) that structure which has been acquired by the taxpayer through purchase and/or is subject to substantial rehabilitation.

(iii) Structure put into service. A structure participating in the Cantera Project shall be "put into service on the first day of the taxable year in which it is available for use.

(iv) Adjusted base determined when the participating structure is put into service. The adjusted base of a participating structure shall be, that which has been determined when the structure is put into service, during the allowable credit period, plus the adjustments for subsequent years.

(v) Allowable credit period.

(I) For the purposes of this section, the "allowable credit period" shall be, with regard to each structure, a period of ten (10) consecutive years starting on the first year in which the participating structure is put into service, or, at the taxpayer's choosing, on any of the following three (3) years after the year in which the participating structure was put into service. Once the choice has been made it shall be irrevocable.

(II) Any amount in excess of the credit allowed by clause (3) of this subsection may be rolled over to subsequent years within the allowable period for that structure. During the last year of the allowable credit period, said excess may be carried back to the year immediately before, subject to the limitation established in clause (3) of this subsection.

(5) Certifications in general; faculty of the Secretary of the Treasury.

(A) To be eligible for the tax incentives provided by this chapter, every taxpayer who avails him/herself of said benefits is required to submit a certification issued by the Company giving proof of the eligibility of his/her project or investment.

(B) No later than ninety (90) days after the close of the first taxable year in which the credit established in this section is claimed, the taxpayer must file a Certification with the Secretary of the Treasury, in the manner determined by the Secretary, establishing the following:

(i) The date in which the structure was acquired.

(ii) The taxable and calendar year in which the structure was put into service.

(iii) The adjusted base of said structure.

(iv) Any other information established by the Secretary of the Treasury through regulations to such effect.

(C) In case of noncompliance with the requirement to file the Certification provided in the preceding paragraph (B) of this clause within the term established therein, the credit any taxable year prior to the year in which the aforementioned should have been filed, shall not be allowed.

(6) Special Commission. Since this is an experimental incentive, a Special Commission is hereby created composed of the Secretary of the Treasury, the President of the Government Development Bank for Puerto Rico, the President of the Housing Bank, the Secretary of the Department of Housing, the Chairman of the Planning Board and the Executive Director of the Company, who shall meet after a period of five (5) years, counting from the approval of this chapter, to evaluate and submit recommendations to the Legislature and the Governor concerning this measure.

In case said Commission does not meet and/or submits unfavorable recommendations, this section shall be rendered ineffective after the conclusion of the 7th year from the approval of this chapter, without affecting the credit on the structures which have been put into service prior to this term.

(7) Regulations. The Secretary of the Treasury shall prescribe whatever regulations are necessary and convenient to comply with the purposes of this section, including regulations to cover:

(A) Projects which include more that one structure;

(B) structures that are phased into service;

(C) the origin of the credit for taxable years of less than twelve (12) months, and

(D) ensuring compliance with the provisions of this section.

(f) For purposes of computing their income taxes, all businesses or industries established or to be established in the Cantera Peninsula shall be entitled to an additional deduction for paid wages equivalent to five percent (5%) of the applicable minimum wage of each new job created after the approval of this act. This deduction shall be in addition to any other deduction granted by any act and the same shall be for a five (5)-year term.

In order to be entitled to the deduction granted by this subsection, it is necessary that the newly created job:

(1) Does not eliminate or replace a job existing prior to the approval of this act;

(2) is a full-time job of not less than thirty-five (35) hours a week, and

(3) is performed by a resident of the Cantera Peninsula for a continuing period of not less than six (6) months of a taxable year, except in those business[es] or industries that are cyclic or seasonal due to their nature.

Section 10. — Support of Commonwealth Agencies. (23 L.P.R.A. § 5009)

All Commonwealth agencies and corporations are directed to provide support and cooperation to the Company, including the posting of personnel and the transfer of resources and properties.

Section 11. — Support of the Municipality of San Juan. (23 L.P.R.A. § 5010)

The Municipality of San Juan is directed to provide support and cooperation to the Company, including the posting of personnel and the transfer of resources and properties.

Section 12. — Expropriations. (23 L.P.R.A. § 5011)

The Land Administration shall act as the representative of the Company in the acquisition or expropriation of the land and structures the Company needs to achieve its objectives, by providing the Company with the financial resources needed to carry out the acquisition or expropriation sought.

Section 13. — Development Plan. (23 L.P.R.A. § 5012)

The Company shall produce an integral development plan for the Cantera Peninsula pursuant to the process provided by regulations. This development plan shall reflect, as much as possible, the objectives which the community of the Cantera Peninsula envisions for its future development. In the preparation and adoption of a plan concerning the territorial disposition of the Cantera Peninsula, the Company shall be governed by the provisions of Chapter XIII of the Autonomous Municipalities Act [21 L.P.R.A. §§ 4601 et seq.] part of the Autonomous Municipalities Act. The plan or plans approved by the Board of Directors of the Company shall be submitted to the Mayor of San Juan for his ratification, and in the case of a Plan for Territorial Disposition, the Mayor shall submit such a plan to the Planning Board and to the Governor, as provided in Chapter XIII of the Autonomous Municipalities Act [21 L.P.R.A. §§ 4601 et seq.].

Once the Integral Development Plan has been ratified by the Mayor of San Juan, adopted by the Planning Board, and approved by the Governor, the Company may request from the agencies concerned, the administration of the new jurisdictional order included in Chapter XIII of the Autonomous Municipalities Act [21 L.P.R.A. §§ 4601 et seq.] Act 81 of August 30, 1991, to provide the technical support that is needed. The Board may exempt the Company from submitting private consultations as provided in the Plan.

After the Municipality of San Juan has prepared a Territorial Plan, the Integral Development Plan for Cantera shall be one of the public policy documents that shall be taken into consideration, with the introduction of the changes deemed pertinent and consistent with the purposes of this chapter. This Plan shall then be included as one of the Area Plans of the Territorial Plan. No other law regulating the administration of the Government of the Commonwealth of Puerto Rico or its departments, bureaus, dependencies, instrumentalities or public corporations, as well as its political subdivisions, shall apply to the Company unless it is so expressly provided, or except in the case of any law approved or to be approved by the Legislature of Puerto Rico with the clear intention of having it be generally applied to all Commonwealth public corporations.

Section 14. — Exemptions. (23 L.P.R.A. § 5013)

The Company or any of its subsidiaries, shall be exempt from any type of taxes, fees, duties, excise taxes or charges, including those for licenses, imposed or to be imposed by the Commonwealth of Puerto Rico or any of its political subdivisions, including all its operations, its real properties or chattels, its capital, income and surplus.

The Company and its subsidiaries are also exempted from the payment of any type of fees or taxes required by law for the prosecution of judicial procedures, the issuing of

certifications in the offices and dependencies of the Government of the Commonwealth of Puerto Rico and its political subdivisions and the granting of public documents as well as their registration in any public registry in Puerto Rico.

Section 15. — Funds; Disbursements. (23 L.P.R.A. § 5014)

All Company monies shall be entrusted to recognized depositaries for the funds of the Government of the Commonwealth of Puerto Rico. All accounts shall be opened in the name of the Company. All disbursements shall be made according to the rules and regulations of the Company.

Section 16. — Accounting System. (23 L.P.R.A. § 5015)

The Company shall establish the accounting system required for the proper control and recording of all its operations. The Company accounts shall be handled so that they may be segregated according to the activity involved.

Section 17. — Debts and Obligations. (23 L.P.R.A. § 5016)

The debts and obligations of the Company shall not be debts or obligations of the Commonwealth of Puerto Rico nor of its political subdivisions, except that the Commonwealth Government may assume, back bond, guarantee, or otherwise assume responsibility or answer for any debts of the Company that arise from the concession or granting of credit lines by the Government Development Bank or any other public or private entity.

Section 18. — Bonds. (23 L.P.R.A. § 5017)

(a) The Company is hereby authorized to issue bonds from time to time for those principal amounts that, in the opinion of the Company, are necessary to provide sufficient funds for the total or partial payment of the cost of any project or projects, and for the payment of interest on the Company's bonds for whatever period the Company may determine, for the creation of reserves to secure said bonds, and for the payment of whatever other Company expenses, including project costs, that may be incidental, necessary or convenient to carry out its purposes or corporate powers.

The bonds issued by the Company may be made payable from the total or from part of its gross or net income or from other income derived by the Company under the clauses of a financing contract regarding any project, as provided in the trust contract through which the bond issue is authorized. The principal and interest on the bonds issued by the Company may be secured through the total or partial encumbrance of any Company income and may be secured by the conveyance of any financing contract with regard to any project or part thereof. The resolution or resolutions authorizing bonds issue or the trust contract securing the same may contain provisions which shall become part of the contract with the holders of the bonds issued under said resolution or resolutions with regard to the security and the creation of the encumbrance on the income and assets of the Company, to the creation and

maintenance of redemption and reserve funds, to the limitations related to the purposes for which the proceeds of the bonds may be used, or to limitations with regard to additional bond issues, to limitations with regard to the introduction of amendments or supplements to the resolution, or resolutions or to the trust contract, to the granting of rights, faculties or privileges and the imposition of obligations and responsibilities on the trustee under any trust contract, or to the operation and maintenance of projects, the setting of fees, rents and other charges for the use and occupancy of any project or its operation, to the rights, faculties, obligations and responsibilities that may eventually arise from noncompliance of any obligation under said resolution or resolutions or the trust contract, or with regard to any rights, faculties and privileges conferred upon the bondholders as security thereof to increase the saleability of the bonds.

(b) The bonds may be authorized through Company resolution or resolutions. They may be serial bonds or in series, carry any date or dates, mature on the term or terms not to exceed fifty years from their respective dates of issue and accrue interest at an interest rate or rates that do not exceed the maximum rate allowed by law at that time.

The bonds may be payable at the place or places, be it within or outside of Commonwealth of Puerto Rico, they may be of such a denomination or denominations or in such a form, whether as coupons or registered; they may enjoy such privileges for registry or conversion; they may be granted in such a manner, they may be payable through payment and may be subject to the terms of redemption, with or without a premium; they may provide for the replacement of mutilated, destroyed, stolen or lost bonds; they may be authenticated in such a manner and comply with such conditions and may contain such terms and conditions as may be provided by the resolution or resolutions.

The bonds may be sold at public or private sales at the price or prices determined by the Company, Provided, however, That the financing bonds may be sold or exchanged for Company bonds outstanding under those terms that in the opinion of the Company answer to its best interests. The form and nature of the bonds notwithstanding, and in the absence of an express warning on the face of the bond stating that it is not negotiable, all Company bonds, including any coupons belonging to the same, shall possess at all times, and it shall be understood that they possess, all the characteristics and incidentals (including their negotiability) of negotiable instruments under the laws of the Commonwealth of Puerto Rico.

(c) The proceeds of the sale of every bond issue shall be used solely to pay the cost of the project or projects, or of a part or parts thereof, for which said bonds have been issued, and they shall be reimbursed in the manner and under the restrictions, if any, that the Company provides in the Trust Contract that secures said bonds. Should the proceeds of any bond issue be below cost, because of an increase in construction costs or estimate errors, or for any other reason, additional bonds may be issued in the same manner to cover the amount of such deficiency, and unless otherwise provided in the Trust Contract, it shall be deemed that said bonds are of the same issue and that they shall be paid from the same funds without there being any preference or priority on the part of the bonds initially issued.

(d) Bonds may be issued under the provisions of this chapter without having to obtain the consent of any department, division, commission, board, body, bureau or agency of the Commonwealth and without any other procedure or any other condition or thing other than the procedures, conditions and thinks that are specifically required by this chapter and the

provisions of the resolution authorizing the bond issue and the trust contract securing them; Provided, however, That the provisions of Sections 581-595 of Title 7 shall be applicable.
(e) Company bonds bearing the signature of Company officials in the performance of their duties on the date they are signed, shall constitute valid and binding obligations, even though before the delivery and payment of said bonds, any or all of the officials whose signatures, or facsimiles of their signatures, appear thereupon, have ceased as officials of the Company. The validity of the authorization and issue of the bonds shall not depend on, or be affected by, in any way whatsoever, by any procedure related to the construction, acquisition, extension or improvement of the project for which the bonds are issued, or by any contract entered into with regard to said project. Any trust contract securing the bonds may provide for any of said bonds to contain a mention of the fact that it was issued according to the provisions of this chapter, and any bond containing such mention under the authority of such trust contract shall be deemed conclusively that is valid and that it has been issued pursuant to the provisions of this chapter. Neither the Company nor any other person offering the bonds shall be personally liable responsible for said bonds, nor shall they be subject to any civil liability whatsoever for said bond issue. The Company is empowered to purchase any bonds issued and outstanding, or assumed by it, with any funds available for that purpose.

Section 19. — Trust Contract. (23 L.P.R.A. § 5018)

At the discretion of the Company, any bonds issued under the provisions of this chapter may be secured by a trust contract entered into by and between the Company and a corporate trustee, that may be a trust company or a bank with the authority of a trust company within or outside of the Commonwealth of Puerto Rico.
It shall be legal for any bank or trust company incorporated under the laws of the Commonwealth, the United States or any state of the United States acting as depositary of the proceeds of the bonds, income or other monies, to grant such surety bonds or provide as surety such securities as the Company may require. In addition to the above, the trust contract may contain all those provisions the Company may deem to be reasonable and proper for the security of the bondholders.

Section 20. — Agreement Between the Commonwealth and the Bondholders. (23 L.P.R.A. § 5019)

The Commonwealth of Puerto Rico hereby makes a promise to and enters into an agreement with the holders of any bonds issued under this chapter and with the persons or entities that contract with the company pursuant to the provisions of this chapter, that it shall not limit nor alter the rights hereby conferred to the Company until said bonds, and the interest thereon, are paid in full and until said contracts are fully complied with and executed by the Company; Provided, however, That none of the provisions stated herein shall affect or alter said limitation if adequate measures are provided by law for the protection of the holders of said Company's bonds or of those who have entered into such contracts with the Company. The Company, in its capacity as an agent of the Commonwealth of Puerto Rico, is hereby authorized to include this promise on said bonds or contracts on behalf of the Commonwealth.

Section 21. — Company Revenues. (23 L.P.R.A. § 5020)

The fees, rents, charges and any other income derived by the Company from the project related to any issue of bonds, except that portion which may be necessary to pay the Company's costs incurred in said project and to provide those reserves, if any, that may be provided in the trust contract securing said bonds, shall be regularly deposited in a reserve fund for the payment of debt service, as provided in the trust contract, which is hereby offered as security for the payment of the principal and interest on said bonds as they mature and the redemption or purchase price of bonds withdrawn through redemption or purchase, as provided. The guaranty shall be valid and binding from the moment it is established. The fees, rents, charges and other revenues and monies offered as surety and those received subsequently by the Company shall immediately be subject to encumbrance without need of physical delivery of the same or of any other act, and said encumbrance shall be valid and binding and shall prevail against any third party with a claim of any sort against the Company on account of damages or breach of contract or for any other reason, regardless of whether said third party has been advised of this matter or not. Neither the trust contract nor the financing contract through which a collateral agreement is formalized or through which the rights of the Company to any income are conveyed, shall need to be filed or registered in order to perfect the encumbrance thereon against any third party, except in the Company files. The use and disposition of the monies to the credit of regarding the redemption fund for the payment of debt service shall be subject to the provisions of such a trust contract. The aforesaid redemption fund for the payment of debt service shall be a fund for said bonds over which neither one nor the other shall bear any distinction or priority, unless otherwise provided in the trust contract.

Section 22. — The Commonwealth and its Subdivisions, Not Liable. (23 L.P.R.A. § 5021)

The bonds issued by the Company shall not constitute a debt of the Commonwealth of Puerto Rico nor shall any of its political subdivisions be liable therefor and said bonds shall be payable solely from those funds which have been committed for their payment, unless the Commonwealth or any of its agencies otherwise participate as guarantors.

Section 23. — Injunction. (23 L.P.R.A. § 5022)

No injunction whatsoever shall be issued to prevent the application of this chapter or any of its parts.

Section 24. — Transfer of Property from the Government to the Company. (23 L.P.R.A. § 5023)

The Commonwealth of Puerto Rico, its agencies and political subdivisions, including the Municipalities, are hereby authorized to convey and transfer to the Company at its request and under reasonable terms and conditions, without the need for holding a public auction or other legal formalities in addition to the granting of the pertinent deed, any property or

interest thereon (including properties already devoted to public use), that the Company deems necessary or convenient to carry out its own purposes.

Pursuant to the provisions of this section, the title to any property of the Commonwealth of Puerto Rico, including the title to any property subsequently acquired, may be transferred to the Company by the official in charge of said property or who has said property under his/her jurisdiction.

The Secretary of Transportation and Public Works shall transfer to the Company, free of any charge, lands belonging to the Commonwealth of Puerto Rico, which, in the judgment of the Governor of Puerto Rico, may be needed by said Company to carry out its goals and purposes.

These provisions shall not be interpreted in the sense of authorizing the conveyance or transfer of property destined for other purposes by legislative provision.

The Secretary of Transportation and Public Works shall submit annually to the Legislature an itemized report of the properties conveyed and transferred to the Company by virtue of the authorization contained herein and the valuation of each property.

Section 25. — Transfer of Personnel. (23 L.P.R.A. § 5024)

The Company herein created shall have the condition of excluded for purposes of former Sections 1301 to 1431 of Title 3, the "Public Service Personnel Act of Puerto Rico", of 14 of October of 1975, as amended.

Any Commonwealth officials or employees who were appointed to hold a position in the Company for the Development of the Cantera Peninsula shall retain the status and rights that they had at the moment that they entered service at the Company for the Development of the Cantera Peninsula under the personnel legislation in effect and they shall also retain any right that they might have in any retirement or pension system prescribed by law for officials and employees who hold similar positions in the Commonwealth Government.

Section 26. — Reports. (23 L.P.R.A. § 5025)

The Board of Directors shall render to the Governor, the Legislature and the Mayor of San Juan, no later than July 31 of each year, an annual report relating the activities carried out by the Company during the previous fiscal year, its financial status and the work plan for the subsequent three (3) fiscal years.

Section 27. — Appropriations. (23 L.P.R.A. § 5003 note)

The operational budget of this Corporation shall be financed in equal parts with Commonwealth and Municipal resources. Private enterprise shall contribute a third of the combined total of the resources provided by the Commonwealth of Puerto Rico and the Municipality of San Juan for the operational budget.

The term "resources" shall not imply the contribution in personnel and real property or chattels made either by the public or.the private sectors.

The sum of two hundred thousand (200,000) dollars is hereby appropriated, to be charged to the resources available in the General Fund for fiscal year 1992-93, which shall not be

subject to a specific fiscal year. In subsequent years, the appropriation of funds shall be consigned in the General Budget Resolution of the Commonwealth, which shall not be subject to any specific fiscal year. With each subsequent budget petition, the Corporation shall certify to the Legislature and the Governor of Puerto Rico, the funds contributed by the Municipality of San Juan and by the private sector for the operation of the Corporation during the preceding fiscal year.

The Municipal Government shall include the corresponding contribution in the budget for operating expenses to be approved by the Municipal Assembly for fiscal year 1992-93 and subsequent years.

Section 28. — Effectiveness.

This Act shall take effect immediately after its approval.

Note. This compilation was prepared by Puerto Rico OMB staff who have striven to ensure it is complete and accurate. However, this is not an official compilation and may not be completely free of error. It contains all amendments incorporated for reading purposes only. For accuracy and exactitude please refer to the act original text. Compiled by the Office of Management and Budget Library.