

“Land Authority of Puerto Rico”

Act No. 26 of April 22, 1941 as amended

(Amendments incorporated:

Act No. 197 of May 11, 1942

Act No. 202 of May 15, 1942

Act No. 8 of November 20, 1942

Act No. 9 of November 20, 1942

Act No. 68 of May 11, 1943

Act No. 157 of May 14, 1943

Act No. 158 of May 14, 1943

Act No. 10 of March 27, 1944

Act No. 8 of March 29, 1945

Act No. 12 of March 29, 1945

Act No. 32 of April 24, 1945

Act No. 158 of May 10, 1945

Act No. 269 of April 4, 1946

Act No. 270 of April 4, 1946

Act No. 271 of April 4, 1946

Act No. 474 of April 26, 1946

Act No. 355 of May 13, 1947

Act No. 357 of May 13, 1947

Act No. 358 of May 13, 1947

Act No. 129 of May 8, 1948

Act No. 198 of May 14, 1948

Act No. 44 of June 9, 1948

Act No. 47 of June 10, 1948

Act No. 102 of April 26, 1949

Act No. 137 of April 28, 1949

Act No. 36 of September 27, 1949

Act No. 65 of April 19, 1950

Act No. 169 of May 3, 1950

Act No. 429 of May 15, 1950

Act No. 5 of September 26, 1950

Act No. 64 of April 5, 1951

Act No. 175 of April 30, 1952

Act No. 471 of May 15, 1952

Act No. 46 of May 28, 1954

Act No. 85 of June 20, 1955

Act No. 106 of June 30, 1955

Act No. 75 of June 19, 1957

Act No. 78 of June 23, 1958

Act No. 131 of June 27, 1958
Act No. 35 of June 4, 1960
Act No. 97 of June 26, 1964
Act No. 30 of June 15, 1965
Act No. 5 of December 7, 1966
Act No. 113 of June 7, 1967
Act No. 21 of April 19, 1968
Act No. 135 of June 26, 1968
Act No. 95 of June 27, 1969
Act No. 59 of May 30, 1970
Act No. 81 of May 30, 1970
Act No. 69 of June 23, 1971
Act No. 63 of May 30, 1973
Act No. 142 of July 1, 1975
Act No. 32 of June 7, 1977
Act No. 43 of June 7, 1977
Act No. 105 of June 24, 1977
Act No. 14 of July 21, 1977
Act No. 47 of July 13, 1978
Act No. 9 of February 5, 1979
Act No. of 19 March 5, 1979
Act No. 2 March 20, 1980
Act No. of 58 May 27, 1980
Act No. 13 of May 25, 1985
Act No. 45 of August 5, 1989
Act No. 58 of August 9, 1991
Act No. 92 of November 17, 1993
Act No. 27 of April 28, 1996)

(Amendments non-incorporated:
Reorganization Plan No. 4 of July 26, 2010)

Be it enacted by the Legislature of Puerto Rico:

TITLE I. — CREATION OF THE LAND AUTHORITY OF PUERTO RICO. [28 L.P.R.A.,
Part 2, Chapter 31]

Section 1. — [Short Title] (28 L.P.R.A. § 241)

The short title of this Act shall be "Land Law of Puerto Rico".

Section 2. — [Land Authority - Creation, subsidiaries; Governing Board] (28 L.P.R.A. § 242)

(a) A body corporate and politic is hereby created constituting a public corporation or an autonomous governmental instrumentality of the Commonwealth of Puerto Rico by the name of Land Authority of Puerto Rico, which corporation shall hereafter be known as the "Authority". The Authority is hereby authorized and empowered to create, with the approval of the Governor of Puerto Rico, such domestic subsidiary corporations as it may deem proper to carry out the purposes of this act. Said subsidiaries shall have their own juridic personality and shall have such purposes, powers and faculties as are assigned to it by the Authority and by this act.

(b) The powers of the Authority and of each of its subsidiaries shall be exercised and their general policies shall be determined by a governing board (hereafter known as the "Board") composed of the Secretary of Agriculture, who shall be its chairman, and four additional members who shall be appointed by the Governor of Puerto Rico and who shall hold office as such at the pleasure of the appointing authority and until their successors have been duly appointed and have qualified. The said members of the Board shall receive no compensation for their services as such. The Board may adopt such rules, regulations and procedures as it may deem necessary or advisable to conduct its business and to exercise the powers of the Authority and of its subsidiary corporations. The regulations of the Authority and those of each of the subsidiaries, which shall be approved by the Board, may provide that such powers and duties of the Authority and of the subsidiaries as the Board may deem proper, may be delegated to the executive directors, or other officers, agents, or employees. The Board shall send a copy of these regulations to the Legislative Assembly.

(c) The Authority and its subsidiaries shall, as public corporations, have legal existence and legal personality separate and apart from those of the Commonwealth of Puerto Rico, and, consequently, the debts, obligations, contracts, bonds, notes, promissory notes, receipts, expenditures, accounts, funds, printed matter, and property of the Authority and of its subsidiaries, as well as the officers, agents, or employees thereof, shall be understood as being of the said corporations and not of either the Commonwealth of Puerto Rico or any of the offices, bureaus, departments, commissions, dependencies, municipalities, branches, agents, officers, or employees thereof.

(d) The Authority is hereby empowered to assign and convey to subsidiaries created hereunder franchises, licenses, permits, trademarks, records and personnel of the Authority. The assignment and conveyance of franchises, licenses, permits, trademarks, and records may be made gratuitously in the cases of subsidiaries whose stock are owned entirely by the Authority. In all other cases such assignment or conveyance shall be made through adequate financial agreement.

(e) The Authority and each of the subsidiary corporations created under this act shall be severally liable for the obligations contracted by the Land Authority up to the time of the creation of each subsidiary.

(f) All rights, privileges, exemptions, powers and faculties conferred on the Authority are likewise conferred on any subsidiary corporation which may be established, except where otherwise provided in the Land Law of Puerto Rico; Provided, That the articles of incorporation, corporate bylaws, rules, orders and other provisions, officially established by any subsidiary corporation, may limit the application or use by such subsidiary of any of said rights, privileges, exemption, powers and faculties.

Section 3. — [Repealed. Act No. 429 of May 15, 1950 § 8] (28 L.P.R.A. § 243 note)

Section 3-A. — [Land Authority - Secretaries; copies of documents; judicial notice] (28 L.P.R.A. § 243)

(a) The Authority and its subsidiaries shall each have a secretary to be appointed by the Board. Each secretary shall hold office at the pleasure of the appointing authority and until his successor is appointed. The secretary of the Authority shall also hold the office of secretary of the Board. Each secretary shall perform the functions of corporate secretary and shall perform such other duties, and shall have such other responsibilities and powers, as the Board may prescribe.

(b) The secretary of the Authority and that of each subsidiary corporation may, at their discretion, on request of any interested party, issue copies of all documents filed or deposited in the offices of the Authority and of its subsidiary corporations, and after certified by the corresponding secretary, under the corporate seal, such documents shall be admissible in evidence in any court in like manner and with like effect as the originals. The courts of justice and the offices of the Commonwealth Government and municipal governments shall take notice of the incumbent of each office of secretary, of his signature, and of the corresponding corporate seal.

Section 4. — [Land Authority - Executive directors; tenure; duties and powers] (28 L.P.R.A. § 244)

The Authority shall have an Executive Director appointed by the Board, with the approval of the Governor of Puerto Rico, and each of its subsidiary corporations shall have an executive director appointed by the Executive Director of the Authority, with the approval of the Board. Each executive director shall hold office at the pleasure of the appointing authority and until his successor has been appointed. Each executive director shall be the senior executive of his respective organization and shall perform such duties and shall have such responsibilities and powers as are prescribed by the appointing authority.

Section 5. — [Repealed. Act No. 46 of May 28, 1954 § 1] (28 L.P.R.A. § 245 note)

Section 6. — [Repealed. Act No. 131 of June 27, 1958 § 14] (28 L.P.R.A. § 246 note)

Section 7. — [Land Authority - Purpose; tenancy of land in excess of 500 acres] (28 L.P.R.A. § 247)

The Authority is created for the purpose of carrying out the agricultural policy of the Commonwealth of Puerto Rico as determined in this Act, and to take the necessary action to put an end to the existing corporative latifundia in this Commonwealth, block its reappearance in the future, insure to individuals the conservation of their land, assist in the creation of new farmers, facilitate the utilization of land for the best public benefit under efficient and economic production plans, including the industrial processing of agricultural products; provide the means for the agregados and slum dwellers to acquire parcels of land on which to build their homes, and to take all action leading to the most scientific, economic and efficient enjoyment of land by the

Commonwealth of Puerto Rico; Provided, That none of the provisions of this Act are to be construed as limiting the right of the Land Authority of Puerto Rico or of the organizations, entities, or agents created or authorized by it to carry out the purposes mentioned in the preceding paragraph to hold, control, possess, use and develop agricultural lands with an area in excess of 500 acres.

Section 8. — [General rights and powers] (28 L.P.R.A. § 261)

The Land Authority shall have juridical personality and is hereby vested with, and shall have and may exercise, all the rights and powers necessary or advisable for carrying out the aforesaid purposes, including, but without limiting the scope of said purposes, the following:

- (a) To have perpetual succession.
- (b) To adopt, alter, and use a seal which shall be judicially noticed.
- (c) To draft, adopt, amend, and repeal rules and regulations to govern the policies of its activities in general and to exercise and discharge the powers and duties granted to and imposed on it by law, and upon the approval and promulgation of said rules and regulations by the Board of the Authority they shall have the force of law.
- (d) To sue and be sued, implead and be impleaded, and litigate and defend itself in all courts of justice.
- (e) To have full powers to enforce the agrarian policy of the Commonwealth of Puerto Rico as herein established.
- (f) To enter into contracts and formulate and execute all instruments necessary or advisable in the exercise of any of its powers.
- (g) To acquire land by purchase, assignment, transfer, exchange, lease, devise, gift, or by the exercise of the power of eminent domain as provided by this Act and the laws of Puerto Rico, and to hold, conserve and operate any agricultural enterprise as provided in this Act, and to acquire through like means, construct or operate plants or factories for the industrial processing of agricultural products or byproducts, or products or byproducts related with or necessary or advisable for the development or promotion of agriculture.
- (g-1) To subscribe to, acquire, own, and dispose of stock in corporations and cooperative associations engaged in the production of equipment or in the production or mixture of materials necessary for agriculture, or engaged in the production, industrial processing, purchase, packing or sale of farm produce or byproducts thereof. The Authority is hereby empowered to exercise all the powers and discharge all the duties inherent in its title to such stock.
- (h) To hold, possess, or control in any lawful manner or under any title, for such time as it may deem necessary within the purposes of this Act, land in excess of five hundred (500) acres, but in no case shall subsidiaries having private stockholders exceed the said limit.
- (i) To reclaim swamp lands belonging to the Commonwealth Government when, by provision of the Legislature of Puerto Rico, the United States Congress, or any governmental authority, the ownership, possession, or control of the said land is conveyed to the Authority; and likewise to acquire such land for the reclamation or material utilization thereof when, in its judgment, it is necessary for the carrying out of the purposes of this Act.
- (j) To purchase, lease as lessee, or otherwise acquire and possess, as well as to use, land or any interest therein which it may deem necessary or advisable for carrying out the purposes of the Authority, and to sell, convey, exchange, or lease the said land or any part thereof for the

purposes and in the manner provided in this Act. In the event of sales or conveyances of land of whatever kind to [juridical] persons, the latter shall not retain possession of more than five hundred (500) acres after the sale or conveyance is executed.

(k) To borrow money for any of its purposes and to secure the repayment of same by the encumbering, mortgaging, or pledging of all or any of its lands, properties, contracts, revenues, and receipts; to make, issue, and sell bonds of the Authority for any of the said purposes and to secure the payment of its bonds by the encumbering, mortgaging, or pledging of all or any of its lands, properties, contracts, revenues, and receipts.

(l) To make, issue, and sell bonds for the purpose of consolidating, reimbursing, paying, or redeeming any outstanding bonds issued or assumed by it, or any bonds or obligations whose principal and interest are payable in whole or in part from its revenues and receipts.

(m) To accept, either in its own behalf or in behalf of the Commonwealth of Puerto Rico, financial assistance of any nature, including subsidies, donations, advances, and other assistance of a like nature, from any agency or instrumentality of the Government of the United States of America or of the Commonwealth of Puerto Rico or of political subdivisions thereof, and to enter into contracts, leases, agreements, or other transactions with any of the said agencies, and invest the proceeds thus received for the purposes established in this Act. (m-1) To accept in its own behalf from the Government of the United States of America or of the Commonwealth of Puerto Rico or from any dependency, instrumentality, or political subdivision of any of the said governments, the transfer of projects of any nature and the funds for the operation, continuation, and maintenance thereof.

(n) To sell or otherwise dispose of any real or personal property which in the opinion of the Authority is no longer necessary for its directly carrying out the purposes of this Act.

(o) To enter upon any land, upon notice to the owners or holders thereof or their representatives, for the purpose of taking measurements and making surveys and researches with regard to the nature, conditions, and value of the said land; Provided, That these powers shall not be delegated to the subsidiary corporation or corporations created by the Authority.

(p) To appoint such officers, agents, and employees, vest them with such powers, faculties, responsibilities and authorities, impose on them such duties, submit them to such rules, regulations, and provisions, and fix, change, and pay them such compensation for their services, as the Authority may determine, and in the manner determined by the Authority, subject to the policies, regulations and procedures approved by the Board. The administration of all the personnel matters of the Authority and of its subsidiary corporations shall be carried out without subjection to the personnel laws or rules and regulations promulgated by the Office of Personnel of the Government of Puerto Rico.

(q) To advance money through crop loan contracts or such other means as the Authority may deem pertinent, to its subsidiary corporations and to its purchasers, lessees, and colonos, producers or other suppliers, for plants or factories for the industrial processing or products or byproducts operated by it under subsection (g) of this section, when in its judgment such action is advisable for the purposes of this Act, and to accept liens on crops as security, or any other security which the Authority may deem satisfactory, and to stipulate all other conditions that the Authority may deem advisable and necessary, and the Authority may also make arrangements with federal, Commonwealth or private credit agencies or with individuals in order to facilitate the obtaining of crop, agricultural or other loans by its subsidiary corporations, and by its purchasers, lessees and colonos, producers or other suppliers for the plants or factories for the

industrial processing of agricultural products and byproducts operated by it under subsection (g) of this section; Provided, That the Authority may make partial liquidation to said colonos, producers or other suppliers on the products and byproducts delivered, and may likewise accept authorization from said colonos, producers or other suppliers in order that the liquidation on their agricultural products and byproducts, whether final or partial, be paid to the credit agencies or persons that may grant them said loans.

(r) To establish Commonwealth demonstration farms.

(s) To have complete control over and intervention in each and every one of its properties and activities, including the power to determine the nature of and the necessity for all expenses and the manner in which same shall be incurred, authorized, and paid regardless of any provisions of law regulating disbursement of public funds, and such determination shall be final and conclusive for all officers and employees of the Commonwealth of Puerto Rico.

(t) To contract jointly with its subsidiary corporations and/or with the proportional-profit farms, crop or [pignorative] loans, or others, and/or to guarantee or act as a surety for its subsidiary corporations and/or for the proportional-profit farms created under the provisions of Title IV of this act on crop or [pignorative] loans or others executed by said subsidiary corporations or by said proportional-profit farms in favor of Commonwealth or federal agencies, banks or private individuals.

(u) To apply for, register, acquire by purchase or other lawful means, and own, hold, use, develop, exploit, and sell, rights and privileges relating to any patents, rights, trademarks, trade names, emblems, copyrights, syndicate rights, inventions, discoveries, concessions, procedures, and formulas of any kind, or to otherwise profit from or dispose of same, whether they are used in relation with patent certificates or otherwise or are obtained under same, or to sell the said rights and privileges belonging to it.

(v) To carry out agricultural development and promotion programs.

(v-1) To engage on a commercial or semi-commercial scale in the production, processing, marketing and distribution of agricultural and cattle products and byproducts related to, or that may be necessary or advisable for agricultural development or promotion.

(v-2) To provide private enterprises engaged in the production, processing, marketing and distribution of agricultural and cattle products and byproducts or products and byproducts related with or necessary and advisable for agricultural development or promotion, for adequate compensation, with such lands and facilities as in its judgment are necessary or convenient for the best development of each business; Provided, That in the case of [juridical] persons so provided with land, the provisions of subsection (j) of this section shall apply.

(v-3) To establish, for its own operation or for lease or sale to private enterprises, facilities for the production, processing, marketing and distribution of agricultural and cattle products and byproducts, or products or byproducts related with or necessary or advisable for agricultural development or promotion; of feeds in general, or of goods and equipment necessary in the production, processing, marketing and distribution of said products and byproducts and feeds.

(v-4) To enter into agreements with other private enterprises or with federal or Commonwealth dependencies for them to carry out scientific research projects relating to the production, processing, marketing and distribution of agricultural and cattle products and byproducts, or products and byproducts related with or necessary or advisable for agricultural development and promotion.

(v-5) To grant loans to individuals and to private organizations which, in the case of [juridical] persons, do not own more than five hundred (500) acres of land, in furtherance of the production, processing, marketing and distribution of agricultural and cattle products and byproducts, or products and byproducts related with or necessary or advisable for agricultural development and promotion.

(v-6) To render services and technical aid, with or without compensation, and to lease and sell equipment or supplies, to persons or entities engaged in the activities of production, processing, marketing or distribution of agricultural and cattle products and byproducts, or products and byproducts related with or necessary or advisable for agricultural development or promotion; or products necessary in the production, processing, marketing and distribution thereof.

(v-7) To carry out, either directly or by contract, the development, promotion and publicizing of the activities, products, and programs of the Authority and/or of its subsidiary corporations.

In the exercise of its powers and faculties and as concerns the subsidiary entities whose creation is authorized by this Act, both the Authority as well as the said subsidiaries shall promote the acquiring of stock by their workmen and may, insofar as possible, facilitate such acquisition, abiding by the circumstances attending each subsidiary and the purposes of its creation.

Section 9. — [Sharing of profits of plants or facilities by bonuses to personnel] (28 L.P.R.A. § 262)

When the Authority shall determine that the operation of any of the plants or factories or other facilities operated by the Authority or by its subsidiary corporations has returned a profit, it may authorize the distribution among the personnel in said plant or factory or other facility, by way of bonuses, on the basis and in the manner it may deem convenient, of such portion of such profits as it may deem fit. Provided, That the Authority shall deduct and retain from said profits such amount as it may consider advisable as a reserve fund for said plan or factory.

Section 10. — [Accounts; disbursements] (28 L.P.R.A. § 263)

All the moneys of the Authority shall be deposited with recognized depositaries of the funds of the Commonwealth of Puerto Rico, but they shall be kept in a separate account or accounts registered in the name of the Authority. Disbursements shall be made by the Authority in accordance with its own regulations and budgets.

Section 11. — [Acquisition of property; condemnation] (28 L.P.R.A. § 264)

The Commonwealth of Puerto Rico shall have power to acquire, at the request of the Authority or of its subsidiaries and in behalf thereof, by purchase or condemnation, as provided by this Act and the Commonwealth laws on eminent domain, title to any real property or interest therein that may be necessary or advisable for the purposes of the Authority or its subsidiaries, and the latter shall pay for the whole of said real property. The power hereby vested shall not limit or restrict the power of the Authority itself to acquire real property by purchase or condemnation but the Board shall not delegate the power of eminent domain to any subsidiary.

Section 11-A. — [Acquisition of property; condemnation - Declaration of public utility] (28 L.P.R.A. § 265)

For the ends and purposes of Section 11 of this Act and of all works and projects that may be carried out by the Authority and its subsidiaries pursuant to the provisions hereof, all real and personal property and all right or interest therein, necessary for the purposes stated, acquired by condemnation proceedings, whether the proceedings are instituted by the Commonwealth of Puerto Rico or directly by the Authority, are hereby declared of public utility, and the said real or personal property and any right or interest therein may be condemned without the prior declaration of public utility provided in section 2 of the Act authorizing the condemnation of private property [32 L.P.R.A. § 2902], as heretofore or hereafter amended.

Section 12. — [Cession of property - By Commonwealth] (28 L.P.R.A. § 266)

The Governor of Puerto Rico is hereby authorized to cede to and apply to the uses and purposes of the Authority, upon the approval of the Council of Secretaries of Puerto Rico, and with or without compensation, any real property or estate thereon now belonging, or which may in the future belong, to the Commonwealth of Puerto Rico, which he may find necessary or advisable for the purposes of the Authority; Provided, That such cession or application shall not be made except with the consent of the department or agency of the Commonwealth Government having jurisdiction or dominion over such property.

Section 13. — [Cession of property - By municipalities and subdivisions; acceptance by Authority or subsidiaries; powers] (28 L.P.R.A. § 267)

Notwithstanding any provision of law to the contrary, all the municipalities and political subdivisions of Puerto Rico are hereby authorized to cede and transfer to the Authority, at the request of the latter and upon reasonable terms and conditions, any real property or estate thereon (including real estate already devoted to the public use) which the Authority may deem necessary or advisable to carry out its purposes.

(a) The Land Authority or any of its subsidiary corporations may accept and receive from any agency, department, public corporation, board, commission, dependency, instrumentality, municipality, or any other political subdivision or any other part of the Commonwealth of Puerto Rico any land, real property, property, equipment, materials, supplies, project, operation, activity, program, enterprise, funds, personnel, credits, obligations, contributions, or any other aid, effects or things, through purchase, assignment, transfer, exchange, lease, devise or bequest, gift, or otherwise, and may do everything necessary to carry out such transactions when necessary and advisable to carry out its purposes; and the other agencies or parts above mentioned and any other parts involved in such transactions are hereby authorized to carry out such transactions and to do everything necessary so that the same be executed.

Section 14. — [Acquisition of property of corporations possessing more than 500 acres - Declaration of emergency] (28 L.P.R.A. § 268)

In harmony with what is expressed in the Statement of Motives of this act, the Legislature of Puerto Rico declares that the development of corporative latifundia in Puerto Rico has created a state of emergency which requires the immediate rescue of the lands from those [juridical] persons who monopolize them, and demands the end of the dominion, possession, or control of the lands by such persons, as these are defined in Title III of this Act, as an undeferrable necessity which fundamentally affects the welfare of the inhabitants of Puerto Rico. For the purpose of carrying out this declaration and of making it quickly effective, there is conferred on the Land Authority of Puerto Rico the power of expropriation for the purposes herein determined. For such purpose, the Authority can acquire lands through judicial proceedings, using therefor, when it considers it necessary and advantageous, the power of expropriation; Provided, That the Authority can exercise said power of expropriation only against [juridical] persons who, by possessing more than five hundred acres, are violating the provisions of this Act, and such power of expropriation shall not be exercised against natural persons unless the lands in question belonged, on February 10, 1941, to some [juridical] person as defined in said Title III.

Section 15. — [Acquisition of property of corporations possessing more than 500 acres - Jurisdiction of proceedings] (28 L.P.R.A. § 269)

The Court of First Instance shall have cognizance over such proceedings, and it shall be the duty of the Secretary of Justice of Puerto Rico and/or the legal advisor of the Authority, when the Authority should so determine and request to begin said proceedings.

Section 16. — [Acquisition of property of corporations possessing more than 500 acres - Declaration of taking] (28 L.P.R.A. § 270)

In any proceeding filed or which may be filed by or in behalf of the Land Authority of Puerto Rico for the acquisition of land for the purposes specified in this Act, the Authority may file in the same cause, together with the petition or at any time before judgment is rendered, a declaration of taking for the acquisition and material delivery of the property the object of condemnation, signed by the person or entity empowered by law to seek the condemnation in question, declaring that said property is sought for the use of the Land Authority of Puerto Rico. Said declaration of taking and material delivery shall contain and shall be accompanied by:

- (1) A statement of the authority under which, and the public use for which, the acquisition of said property is sought.
- (2) A description of the property sufficient for the identification thereof.
- (3) A statement of the estate or interest in said property the acquisition of which is sought for purposes of public utility specified in this Act.
- (4) A plan, in the case of property which can be so represented.
- (5) The fixing of the sum of money estimated by the Authority to be just compensation for the property the acquisition of which is sought.

Section 17. — [Acquisition of property of corporations possessing more than 500 acres - Vesting of title; compensation] (28 L.P.R.A. § 271)

As soon as said declaration of taking and delivery is filed and the deposit is made in the court, for the benefit and use of the natural or artificial person or persons entitled thereto, of the amount estimated as compensation and specified in said declaration, title to the said property in fee simple absolute, or such less estate or interest therein as is specified in said declaration, shall vest in the Land Authority or in the Commonwealth of Puerto Rico, as the case may be, and said property shall be deemed to be expropriated and acquired for the use of the Land Authority or of the Commonwealth of Puerto Rico, and the right to just compensation for the same shall vest in the person or persons entitled thereto; and said compensation shall be ascertained and awarded in said proceeding and established by judgment therein, and the said judgment shall include, as part of the just compensation awarded, interest at the rate of [six] per cent (6%) per annum on the amount finally awarded as the value of the property as of the date of taking, from said date to the date of payment; but interest shall not be allowed on so much thereof as shall have been deposited and paid into the court. No sum so deposited and paid into the court shall be subject to any charge for commission, deposit, or custody.

Section 18. — [Acquisition of property of corporations possessing more than 500 acres - Payment of deposit; judgment for deficiency] (28 L.P.R.A. § 272)

Upon the application of the parties in interest, the court may order that the money deposited in the court, or any part thereof, be paid forthwith for or on account of the just compensation to be awarded in said proceeding. If the compensation finally awarded in respect to said property, or any part thereof, shall exceed the amount of the money so received by any entitled person, the court shall enter judgment against the Land Authority or against the Commonwealth of Puerto Rico, as the case may be for the amount of the deficiency.

Section 19. — [Acquisition of property of corporations possessing more than 500 acres - Surrender of possession; encumbrances, etc.; vesting of title not delayed] (28 L.P.R.A. § 273)

Upon the filing of the declaration of taking, the court shall have power to fix the time within which, and the terms upon which, the natural or artificial person in possession of the property the object of the proceeding shall surrender material possession to the petitioner. The court shall have power to make such orders in respect to encumbrances, rentals, taxes, insurance, and other charges, if any, burdening the property, as shall be just and equitable.

Provided, That no appeal in any such cause nor any bond or undertaking given therein shall operate to prevent or delay the acquisition by, or the vesting of the title to such property in the Land Authority or the Commonwealth of Puerto Rico, as the case may be, and its material delivery.

Section 20. — [Other powers of Land Authority] (28 L.P.R.A. § 274)

The powers granted to the Authority under this Article shall be independent of, and additional to, any other rights or powers which may have been granted to the Authority, and shall not limit such rights or powers.

Section 21. — [Demolition and construction during condemnation proceedings] (28 L.P.R.A. § 275)

In any case where the Authority has acquired right of possession of any land during the course of condemnation proceedings and before final judgment thereon, and in which the Authority shall be obliged to pay the amount finally awarded as compensation, the Authority may demolish any structures erected on such land and construct buildings or public works thereon.

Section 22. — [Hearings required] (28 L.P.R.A. § 276)

No judgment shall be rendered under the provisions of this Article unless a hearing has been held, in which hearing the interested natural or [juridical] persons shall have participation.

Section 23. — [Sales by receivers in quo warranto proceedings; preference of Land Authority] (28 L.P.R.A. § 277)

The Authority shall have power to acquire landholdings in excess of five hundred (500) acres at private sales held by the receivers appointed by the courts of justice in *quo warranto* proceedings or any other proceedings at law for the violation of this Act or any other Commonwealth or federal statute limiting or prohibiting the holding, possession, dominion, management, or acquisition of land in excess of five hundred (500) acres; *Provided*, That in the said private sales held by the said receivers, the Authority shall have preferent right to acquire said lands with priority over the rights of other persons or entities. The said receivers shall be in duty bound to begin the sale of the land within a period of not more than six (6) months from the date the receivership was established. The Land Authority shall have preferent right to purchase said land for its just value within a period which shall not exceed five (5) years, during which no sale may be made of said land to any other person or entity. This period of five (5) years may be extended for another year by the court, at the request of the Authority. After this period or these periods, the Land Authority may attend the public sale held for the disposition of such land. The Authority shall have priority or preference to purchase said land at the auction sale in those cases where it offers a price equal to that offered by the highest bidder. And the edicts to be published giving notice of such sales shall so state.

Section 24. — [Disposal of land; restrictions on transfer] (28 L.P.R.A. § 278)

The Authority shall have the power to sell, alienate, cede, or transfer the land acquired to individuals and agricultural cooperatives in accordance with the provisions of this Act and for the purpose of making the purposes hereof effective. It shall have power, further, to lease said lands or cede them in usufruct, with or without the final purpose of sale, to individuals,

agricultural cooperatives or persons participating in proportional-profit farms, as the latter are defined in and established by this Act. In the case of any disposition of real property or any interest therein, the beneficiaries thereof and any and all persons claiming under or through them shall be bound by any provisions contained in the instrument of conveyance or of any other nature placing conditions and restrictions on subsequent conveyances, transfers, or encumbrances of the property or any interest therein or defining the qualifications of persons entitled to acquire said premises or interest therein by any means whatsoever. The property or interest therein so disposed of shall be permanently encumbered by such restrictions imposed by the Authority as may be deemed by the Authority necessary or proper for the better use or enjoyment of the premises or interest therein disposed of. Each individual holding created under Title VI, each parcel provided for under Section 65(a), and each parcel created under Section 74 shall be, and is hereby, protected from forced sale for the payment of all debts, except by the Authority itself or any Commonwealth or federal agency to recover the purchase money thereof, or for collection of taxes, if any be owing thereon; and no mortgage, trust deed or other lien thereon shall ever be valid, except when executed in favor of the Authority or of some Commonwealth or federal agency; nor shall any such holding or parcel be transferred, leased, or otherwise disposed of, except to a person who is eligible, under the terms of this Act and by consent of the Authority, to acquire such parcel or holding; *Provided*, That nothing herein contained shall prohibit the transfer of such holding or parcel not held under lease by the holder thereof, to his parents, or children, should these be eligible. Any conveyance, lease or other disposition of the land, or establishment of any lien of any kind thereon, or purported conveyance, lease, or other disposition thereof or establishment of any lien of any kind thereon, in contravention of the provisions of this section, shall vest no legal rights of any kind in the purported transferee, but shall, on the contrary, be grounds for seizure, in behalf of the Authority, of any interest, rights and actions the purported transferors or transferees have or may have in said land the Authority remaining then at liberty to dispose freely of said land, without having to indemnify any person whatsoever for any construction, building, plantation, or improvement made on the parcels under Title V, on the individual farms under Title VI, and on the holdings under Title IV of this act.

Section 25. — [Division of land] (28 L.P.R.A. § 279)

. Once the Authority has acquired any tract of land, it shall devote such land to proportional-profit farms, as defined and authorized in Title IV of this act, or to such other purposes of this Act, including direct exploitation of said land, as it may deem fitting. In case the Authority determines that the land so acquired is not adapted to the carrying out of the purposes of the Land Law directly by the Authority, the said Authority may dispose of such land in the manner it may deem most advisable.

The Authority shall fix the lease rentals to be collected on the land leased to proportional-profit farms or to other cooperatives.

Sections 26 - 28. — [Repealed. (28 L.P.R.A. § 280 - 282)]

Section 29. — [Repealed. (28 L.P.R.A. § 283)]

Section 30. — [Assistance and cooperation of federal government] (28 L.P.R.A. § 284)

In addition to the powers vested in the Authority by other provisions of this Act, the same is hereby empowered to borrow money or accept contributions, grants or other financial assistance from the federal government; to receive, lease, or administer any enterprise constructed by the federal government or which is owned by the latter, and for said purposes, to comply with the conditions and execute the mortgages, deeds of trust, and the leases or agreements that may be necessary, advisable or desirable. It is the purpose and intention of this Act to authorize the Authority to do each and every one of the things that may be necessary or desirable to obtain the financial assistance or the cooperation of the federal government in the beginning, construction, conservation, or operation of any activity of the Authority.

Section 31. — [Other powers and duties; payment of taxes] (28 L.P.R.A. § 285)

(a) The Authority shall have all the other duties, powers, rights and obligations imposed on or vested in it by other titles of this Act.

(b) The plants or factories operated by the Authority or by its subsidiary corporations shall be subject to the laws and regulations heretofore or hereafter governing all the other plants or factories in Puerto Rico engaged in the processing of products of the same kind as those processed by the Authority or its subsidiary corporations in the said plants or factories. Said plants or factories, the lands where they are located, and their equipment and appurtenances, shall be subject to the payment of property taxes.

(c) The Authority shall pay, on all its activities not entrusted to the Social Programs Administration of the Land Authority of Puerto Rico, all such taxes as, under the internal revenue laws of Puerto Rico, all private entities or individuals engaged in activities of like or similar nature are bound to pay.

Section 32. — [Limitation on acquisition of land by persons] (28 L.P.R.A. § 286)

No landholder may acquire land under the terms of Titles V and VI of this act. The provisions of this section shall not apply to any person owning a lot with an area of less than one cuerda whereon is located his family home, meeting the conditions for being his homestead. In exceptional cases, such as where a person owns land which is, due to its quality or for any other reason, inadequate to support said person and his family, the Social Programs Administration of the Department of Agriculture may make specific exceptions.

Section 33. — [Limitation on acquisition of land by persons - Penalties] (28 L.P.R.A. § 287)

Any person who wilfully and with malice aforethought, and with the purpose of obtaining the benefits of this Act, declares, reports, or alleges that he does not possess, own, or control land, when such declaration, report, or allegation is false, or who transfers, cedes, or donates to another natural or [juridical] person, in any manner or by any instrumentality, means, resources, or subterfuge, land owned by himself or under his control or dominion, for the purpose of appearing as not owning, controlling or possessing land so as to obtain the benefits of this Act; or who has recourse to concealments, or to false or fraudulent simulations, in order to acquire or

possess property under the provisions of this Act, shall be guilty of a felony and upon conviction thereof shall be punished by a fine of not less than five hundred dollars (\$500) and not more than five thousand dollars (\$5,000), or by imprisonment in jail for a term of not less than one (1) year nor more than five (5) years, or both penalties, in the discretion of the court.

TITLE II. — FINANCES. [28 L.P.R.A., Part 2, Chapter 33]

ARTICLE I. — APPROPRIATION OF FUNDS FOR THE LAND AUTHORITY

Section 34. — [Initial Appropriation] (28 L.P.R.A. § 321)

In order to comply with the provisions of this Act, the sum of one million nine hundred thousand dollars (\$1,900,000) is hereby appropriated for the Land Authority, which amount shall be set aside by the Secretary of the Treasury of Puerto Rico, with a preferential character, out of the funds available in the Treasury on the effective date of this act, or out of any other funds in the Treasury not otherwise appropriated, and shall be covered into the general funds of the Authority. In addition to the said sum of one million nine hundred thousand dollars (\$1,900,000), which is hereby ratified and reappropriated, the further sum of one and a half million dollars (\$1,500,000) is hereby appropriated for the Land Authority, which additional amount shall be set aside by the Secretary of the Treasury of Puerto Rico, with a preferential character, out of the funds available in the Treasury not otherwise appropriated, and shall be covered into the general funds of the Authority.

Section 35. — [Repealed. Act No. 46 of May 28, 1954] (28 L.P.R.A. § 322)

Section 35-A. — [Titles V and VI Trust Fund] (28 L.P.R.A. § 323)

A special fund is hereby created to be known as "Fund of Titles V and VI, Trust Fund" [sic], which shall be under the custody of the Secretary of the Treasury, who shall keep it especially apart from other public funds under his custody, and which shall be made up of the following items:

- (a) Any balance remaining in the appropriations heretofore or hereafter made by the Legislature of Puerto Rico to effectuate the purposes, and cover the personnel, administration, and operation expenses of Title V of this act.
- (b) The appropriations made by the Legislature of Puerto Rico to carry out the farm program of Title VI hereof.
- (c) Any balance remaining in the appropriations heretofore and hereafter made by the Legislature of Puerto Rico for the assimilation of the Homestead Farm Program transferred by Acts Nos. 83 of May 8, 1945, and 407 of May 13, 1947.
- (d) Payments received from the usufructuaries for materials furnished them for the construction of their dwellings, as provided in Section 76 hereof.
- (e) Payments received by virtue of usufruct contracts, as well as the interest earned thereon, in connection with the farms of Title VI, and all receipts of the Rural Housing Administration deriving from the Homestead Farm Program transferred thereto under Acts No. 83 of May 8, 1945, and No. 407 of May 13, 1947.

(f) Any receipts from the sale of real or personal property in the farms assigned to Title V, and any sum in excess of five hundred dollars (\$500) received from the lease of such properties.

All receipts for soil conservation payments, sale of farm or forest products, rentals on real and personal property up to the sum of five hundred dollars (\$500), and any other receipts in connection with the parcels of Title V, shall be credited to individual funds in the name of the corresponding communities to be used exclusively for improvements to the communities where the receipts originated; Provided, That the Executive Director of the Rural Housing Administration may make transfers from the fund of one community to the fund of another community when, in his judgment, a given community is receiving income in excess of its requirements, while another community is not receiving enough income for necessary improvements.

(g) All moneys collected as usufruct or lease rentals, interest, sale of farm or forest products, sale of personal or real property, and/or any other receipts in connection with the farms of Title VI, or the Homestead Farms.

(h) Any appropriation or donation made for the development of the housing program for parcel holders of Title V Communities, as well as amortization and interest payments received in connection therewith.

The special fund "Fund of Titles V and VI, Trust Fund" shall be used solely for the enforcement of the provisions of Title V and Title VI of this act, and for the assimilation of the Homestead Farm Program.

Section 35-B. — [Investments in subsidiaries; recording of property transferred] (28 L.P.R.A. § 323a)

The Authority may invest in its subsidiaries, to be devoted to the development and operation of their programs, such part of all the capital and resources held by the Authority as it deems necessary. All real estate and property rights which pass to the ownership of the subsidiary corporations and which appear recorded in the registries of Puerto Rico in the name of the Authority shall be recorded in the name of the subsidiary corporations determined by the Authority with no further requirement than the mandate of this Act. of this title and upon resolution of the Board, certified by the Secretary of the Authority and attested by a notary public.

Section 36. — [Repealed. Act No. 46 of May 28, 1954] (28 L.P.R.A. § 324)

ARTICLE II. — BONDS OF THE PEOPLE OF PUERTO RICO

Sections 37 - 42. — [Omitted] (28 L.P.R.A. § 341)

Section 43. — [Tax exemption of bonds of the People and the Land Authority] (28 L.P.R.A. § 342)

The bonds issued by virtue of this Article and of Article III of this Title are exempt from taxation by the Government of Puerto Rico and any political or municipal subdivision thereof.

ARTICLE III. — BONDS OF THE LAND AUTHORITY

Section 44. — [Power of Land Authority to issue bonds] (28 L.P.R.A. § 361)

The Authority is hereby empowered to issue from time to time bonds up to a sum equal to seventy-five percent (75%) of the purchase price of the lands it may have acquired.

Section 45. — [Terms of bonds; sale; refunding bonds] (28 L.P.R.A. § 362)

Said bonds may be authorized by the Authority and they may be of such series; bear such date or dates; mature on such date or dates not later than forty (40) years after their respective dates; bear interest at such rate or rates not exceeding five percent (5%) per annum, payable semi-annually; may be of such denomination or denominations, and be in the form of coupon bonds or registered bonds; may have such registration or conversion privileges; may be executed in such form; may be payable in such form and in such place or places; be subject to such terms of redemption, with or without premium; may be declared or become due before the date of maturity; may provide for the reimbursement of mutilated, destroyed, stolen or lost bonds; may be authenticated in such form, after the conditions have been complied with, and contain such other terms and stipulations as may be deemed advisable. The bonds may be sold at public auction or in private, as the Authority may determine; Provided, That refunding bonds may be exchanged for outstanding bonds of the Authority, in accordance with such terms as the Authority may deem beneficial to the best interests thereof. Said bonds of the Authority shall be, and it shall be understood that they are at all times, negotiable instruments for all the purposes of the Uniform Negotiable Instruments Act in force in Puerto Rico.

Section 46 - 49. — [Repealed. Act May 28, 1954, No. 46, § 1] (28 L.P.R.A. § 363 - 366)

Section 50. — [Signatures; interim or provisional bonds] (28 L.P.R.A. § 367)

The bonds of the Authority bearing the signatures of the members or officials thereof who were holding office on the date on which said bonds were signed, shall be valid and shall constitute binding obligations even if, before the delivery and payment of said bonds, any or all the members or officials of the Authority whose signatures appear thereon shall have ceased as such members or officials of said Authority.

Pending the execution and delivery of the definitive bonds, interim or provisional bonds, receipts or certificates, may be issued, in such form and with such provisions as may be provided in the resolution or resolutions.

Section 51. — [Person executing bonds not responsible] (28 L.P.R.A. § 368)

Neither the members or officials of the Authority, nor any person executing the bonds, shall be personally responsible for them, nor shall they be subject to any responsibility by reason of the issuance of such bonds.

Section 52. — [Purchase and cancellation of bonds by Authority] (28 L.P.R.A. § 369)

The Authority is hereby empowered to purchase, with any funds available for the purpose, any of its outstanding bonds at a price not to exceed the amount of the principal thereof, or the regular redemption price thereof, plus accrued interest. All bonds so purchased shall be cancelled.

Section 53. — [Commonwealth not liable; funds for payment of bonds] (28 L.P.R.A. § 370)

The bonds to which this Article refers shall not constitute an indebtedness of the Commonwealth of Puerto Rico, or of any of its municipalities or other political subdivisions, and neither the Commonwealth of Puerto Rico nor any of said municipalities or other political subdivisions shall be liable thereon, nor shall the bonds and other obligations be payable out of any funds other than those of the Authority or those indicated herein.

Section 54. — [Powers of Authority as to bonds] (28 L.P.R.A. § 371)

In connection with the issuance of bonds and in order to secure the payment thereof, the Authority, in addition to its other powers, shall have power:

- (a) To pledge all or any part of its gross or net rents, fees or revenues to which its right then exists or may thereafter come into existence.
- (b) To mortgage all or any part of its real or personal property, then owned or thereafter acquired.
- (c) To covenant against pledging all or any part of its rents, fees and revenues, or against mortgaging all or any part of its real or personal property, to which its right or title then exists or may thereafter come into existence, or against permitting or suffering any lien on such revenues or property; to covenant with respect to limitations on its right to sell, lease or otherwise dispose of any property, and to covenant as to what other or additional debts or obligations may be incurred by said Authority.
- (d) To covenant as to the bonds to be issued and as to the issuance of such bonds in escrow or otherwise, and as to the use and disposition of the proceeds thereof; to provide for the replacement of lost, destroyed or mutilated bonds; to covenant against extending the time for the payment of its bonds or interest thereon; and to redeem the bonds, and to covenant for their redemption, and to provide the terms and conditions therefor.
- (e) To covenant, subject to the limitations contained in this Act, as to the rents and fees to be charged in the administration of any property, the amounts to be raised each year or other period of time by rents, fees and other revenues, and as to the use and disposition to be made thereof; to create or to authorize the creation of special funds wherein to deposit the amounts held for the construction or operation of works, debt service, reserves, or other purposes, and to covenant as to the use and disposition to be made of the amounts covered into such funds.
- (f) To prescribe the procedure that may be necessary to amend or abrogate the terms of any contract with the bondholders; to determine the amount of bonds the holders of which must consent to said amendment or abrogation, and the manner in which such consent must be given.

(g) To covenant as to the use of any or all of its real or personal property; and to covenant as to the maintenance of its real and personal property, the replacement thereof, the insurance to be carried thereon, and the use and disposition of insurance moneys.

(h) To covenant as to the rights, liabilities, powers and duties arising upon the breach of any covenant, condition, or obligation assumed by said Authority; and to covenant and prescribe as to cases of default, and the terms and conditions upon which any or all of its bonds or obligations shall become or may be declared due before their date of maturity, and as to the terms and conditions upon which such declaration and its consequences may be waived.

(i) To exercise all or any part or combination of the powers herein granted; to make covenants in addition to those herein expressly authorized, of like or different character; to make such covenants and to do any and all such acts and things as may be necessary, convenient or desirable in order to secure its bonds, or, in the absolute discretion of said Authority, as will tend to make the bonds more marketable, notwithstanding that such covenants, acts or things may not be enumerated herein.

Section 55. — [Rights of bondholders] (28 L.P.R.A. § 372)

Every bondholder of the Authority, in addition to all other rights which may be conferred on him, and subject only to such contractual restrictions as may be binding upon him, shall have the right:

(a) By mandamus, suit, action or proceeding at law or in equity, to compel said Authority and the officers, agents or employees thereof to perform each and every term, provision and covenant contained in any contract of said Authority with or for the benefit of such bondholders, and to require the carrying out of any or all such covenants and agreements of said Authority and the fulfillment of all duties imposed thereon by this Act;

(b) By suit, action or proceeding in equity, to enjoin any acts or things which may be unlawful, or the violation of the rights of such bondholders of said Authority.

Section 56. — [Real property of Authority and proportional-profit farms exempt from execution and sale; exceptions] (28 L.P.R.A. § 373)

All real property of the Authority and of the proportional-profit farms created under the Land Law of Puerto Rico shall be exempt from levy and sale under execution of judgment. No execution or other judicial proceeding shall issue against such property, nor shall any judgment against the Authority or the said proportional-profit farms constitute a levy; Provided, That the provisions of this section shall not apply to, nor limit the rights of bondholders, mortgagees or crop-loan creditors to foreclose or otherwise enforce any contract or mortgage executed by the Authority or the said proportional-profit farms prior to the effectiveness of this act, or executed hereafter; or the rights of bondholders, mortgagees, or crop-loan creditors to obtain remedies for the enforcement of any mortgage lien, crop loan, pledge, or other encumbrance established by the Authority or the said proportional-profit farms on their properties, rents, rights or revenues.

TITLE III. — PROCEEDINGS. [28 L.P.R.A., Part 2, Chapter 35]

Section 57. — [Juridical person, corporation, and association, defined] (28 L.P.R.A. § 401)

For the purposes of this Act, the term "[juridical] person" shall refer to private corporations, limited companies, societies, partnerships, joint-stock companies, voluntary associations (including community partnerships), business trusts, Massachusetts trusts, common law trusts, and any other form of corporate organization, or any other organization, partnership or entity created for the purpose of carrying out transactions or attaining specific objectives, which continue to exist regardless of the changes made among its members or among the persons participating in them, and whose affairs are managed either by one person only, or by a committee, a board, or any other group of individuals acting in a representative capacity, and any other association which is a [juridical] person. The term "corporation" or "association" shall include any association or organization, or corporative association or organization already incorporated, organized or constituted in any state of the United States, a foreign nation or Puerto Rico. The term "[juridical] person" shall include all associations, regardless of the form, kind, denomination, character or nature, and all cooperatives, except proportional-profit farms as described, established and authorized by this Act.

Section 58. — [Holding of over 500 acres by juridical person prohibited; penalties; confiscation and sale; preference of Land Authority] (28 L.P.R.A. § 402)

The acquisition, holding, or any other form of direct or indirect control of land in excess of five hundred (500) acres by any [juridical] person, as said term is defined in this Act, is hereby declared unlawful. This provision shall be applicable to any extension of land, which, jointly with such land as the acquirer may hold, possess, control or exploit at the time of the acquisition, aggregates over five hundred (500) acres. [Juridical] persons may, however, loan funds upon land security, and acquire land when necessary to collect loans, but they shall, within five (5) years after receiving the title thereto alienate such land as they may hold in excess of five hundred (500) acres.

Actions filed for violation of this section shall be governed by the general provisions of the Code of Civil Procedure, and by the special provisions of the Quo Warranto Act, [32 L.P.R.A. §§ 3391- 3397], relative to corporations engaged in agriculture and holding land in excess of five hundred (500) acres; Provided, therefore, That when it should be established that an [juridical] person, as said term is defined in this Act, has performed acts in violation of the provisions of this section, the judgment shall, in case the defendant is a domestic corporation, decree the dissolution thereof, and in the case of a foreign corporation, the prohibition to continue doing business in the country; and the nullity of all acts done and contracts made by the [juridical] person; the cancellation of every entry or registration originated by same in the public registries of Puerto Rico; and a fine may be levied.

The Commonwealth of Puerto Rico may, at its option, demand, in the proceeding itself, the confiscation in its favor of the real property of the defendant entity, or the alienation of said property at public auction within a period of not more than six (6) months reckoned from the date on which final judgment is entered.

The confiscation or alienation shall in every case be made upon proper compensation in the manner established by the Condemnation Proceedings Law, [32 L.P.R.A §§ 2901-2913]. The Supreme Court is hereby empowered to appoint receivers who, in behalf and with the approval of said Supreme Court, shall be exclusively in charge of the liquidation and sale of the property of the [juridical] person or persons affected. The receivers shall give preference in the purchase of land to the Land Authority of Puerto Rico, which shall hold preferential option for the fair value of the property fixed in the final judgment. The receivers shall have the duty of beginning the sale of the land within a period of not more than six (6) months after the receivership is established. The Land Authority shall have a preferential right to purchase said lands for their fair value within a period of not to exceed five (5) years, during which no sale may be made to any other person or entity. This period of five (5) years may be extended for another year on authority of the court on petition of the Authority. Upon the expiration of such period or periods, the land shall be sold at public auction. The Authority shall have priority or preference for the purchase of land at public auction in those cases where it bids a price equal to that bid by the highest bidder. And the edicts published shall so state.

The violation, after a final judgment is entered, of an order prohibiting the doing of business, shall be punished by a maximum fine of five hundred dollars (\$500) for each day that the entity continues to exercise its functions, recoverable from the property of the entity; and the persons representing such entities shall be held in contempt of court punishable by a minimum penalty of imprisonment in jail for a term of from one (1) to six (6) months.

For the purpose of fixing the value of the property, the Commonwealth of Puerto Rico is authorized to enter the property or holding the object of controversy.

Section 59. — [Institution of proceedings; evidence] (28 L.P.R.A. § 403)

It shall be the duty of the Secretary of Justice of Puerto Rico to institute proper actions or proceedings against any [juridical] person engaged in agriculture in Puerto Rico which holds, controls or possesses, whether directly or through the instrumentality of any natural or [juridical] person, land in excess of five hundred (500) acres, or when there is reason to believe that such instrumentalities have been created and are utilized in a simulated or covert manner to violate and evade the above-mentioned land restriction; and the courts, upon substantiating such actions, shall have full discretion to receive evidence and to look beyond the form into the actual merits and essence of the case, taking into account the fundamental purpose of this Act and the public emergency which exists of preventing that the said restriction of land tenure be directly or indirectly infringed or violated.

Section 60. — [Juridical persons considered engaged in agriculture] (28 L.P.R.A. § 404)

There shall be considered as engaged in agriculture in Puerto Rico any [juridical] person which, directly or indirectly, plants, cultivates or harvests, or permits the planting, cultivating or harvesting of, agricultural products on lands belonging thereto, or held, owned or controlled thereby, as well as those which hold, possess or control, or are the owners of, lands devoted or that may be devoted to the planting, cultivating or harvesting of, agricultural products, or to any operation, activity or process relating to agriculture.

Section 61. — [Penalties for concealing ownership, etc.] (28 L.P.R.A. § 405)

Any natural person making itself [sic] to appear as partner, shareholder, or owner, or holder of lands so as to conceal or serve as an instrument to an [juridical] person in violating the provisions restricting land tenure to five hundred (500) acres, or in violating this Act., shall be guilty of a felony and shall, upon conviction, be punished by imprisonment in the penitentiary for a term of from two (2) to ten (10) years, [at] the discretion of the court; and the lands of such [juridical] person actually possessing the title which it has been attempted to hide or conceal shall revert to the Commonwealth of Puerto Rico, and it shall be so pronounced in the judgment. Any individual forming part of an [juridical] person, or acting as agent or in representation of an [juridical] person, whenever such [juridical] person has been created for the express or implicit purpose of concealing the acquisition, alienation, holding, possession or exploitation of land in excess of five hundred (500) acres, or any [juridical] person directly or indirectly barred from so holding, or any person forming part of an [juridical] person actually concealing the acquisition, alienation, holding, possession or exploitation of land in excess of five hundred (500) acres, or who in any wise shall deliberately lend himself as an instrument to violate the agrarian policy set forth in this Act, shall be guilty of a felony and shall upon conviction, be punished by imprisonment in the penitentiary for a term of from two (2) to ten (10) years, [at] the discretion of the court; and the lands of such [juridical] persons which he may have thus attempted to conceal, shall revert to the Commonwealth of Puerto Rico, and it shall be so pronounced in the judgment.

Section 62. — [Void contracts; agricultural partnerships](28 L.P.R.A. § 406)

Any conveyance of land by an [juridical] person as this term is defined in this Act, executed after this act takes effect, for the purpose of evading the provisions and purposes hereof, and all contracts for extension of time executed by agricultural partnerships holding over five hundred (500) acres of land after this act takes effect, shall be null and void, without need of judicial declaration to that effect; Provided, however, That in the case of agricultural partnerships holding over five hundred (500) acres of land, against which judgment by consent has been entered by the Supreme Court of Puerto Rico in proceedings instituted by the Commonwealth of Puerto Rico for their dissolution, and which, by reason of such judgment by consent, may have entered into negotiations with the Land Authority of Puerto Rico for the sale of their properties to said governmental agency, such partnerships may, with the consent of the Land Authority of Puerto Rico, extend their partnership contract for a term which in no case shall exceed two (2) years. The constitution, subsequent to the effective date of this act, of new agricultural partnerships holding land in excess of five hundred (500) acres shall be null without intervention of judicial declaration therefor.

Section 63. — [Self-incrimination of witnesses] (28 L.P.R.A. § 407)

No person may refuse to appear as witness for the Commonwealth of Puerto Rico in any civil or criminal action instituted in compliance with the provisions of this Act of this title under the pretext that his deposition might incriminate him, but the deposition thus made shall not be used

against him in any proceeding or action, except such civil actions as may arise from the provisions of this Act or of any statute regulating land tenure.

TITLE IV. — PROPORTIONAL-PROFIT FARMS. [28 L.P.R.A., Part 2, Chapter 37]

ARTICLE I. — LEASES.

Section 64. — [Lease of proportional profit farms - Rights and responsibilities] (28 L.P.R.A. § 461)

The Authority shall be empowered to lease lands in parcels of from one hundred (100) to five hundred (500) acres to farmers, agronomists or other persons experienced in agricultural management who shall meet the qualifications hereinafter prescribed, in farms to be known as "proportional profit farms"; Provided, however, That the lessees of said proportional profit farms shall not be individually liable for payment of the stipulated rent or for the moneys to raise crops on lands under lease, or for any other obligation. But they shall, however, be liable for the property and the funds expressly placed by the Authority under their custody; and they shall give bond conditioned on the faithful accounting for all funds or properties handled by them, in such amount as the Authority may determine. Said bond shall be enforceable for the benefit of both the Authority and the laborers working on the farm.

For the purposes of a more efficient operation and a more equitable distribution of the profits returned by the enterprise, each proportional profit farm shall operate subdivided into such number of administrative units as, in the judgment of the Authority, should be established. Each administrative unit shall operate independently of the other administrative units of the farm in everything concerning agricultural operations, costs, accounting, and determination and distribution of profits returned; but if any administrative unit of a farm shall sustain losses, the latter shall be absorbed by the other administrative units of the said farm which may return profits.

Section 64-A. — [Lease of proportional profit farms - Definitions] (28 L.P.R.A. § 462)

Lessee. As used in Title IV of this act, shall be understood the person designated to take charge of the administration of a proportional profit farm, and said term, therefore, does not carry with it the legal meaning of "lessee" contemplated in Section 1436 of the Civil Code in force [31 L.P.R.A. § 4031]; *Provided*, That in every contract that may hereafter be executed for the administration of a proportional profit farm, as provided in Title IV of this act, the person designated to carry out said administration shall be known as and shall be called "the administrator" of said farm.

Lease contract. As used in Title IV of this act, shall be understood the contract for the administration of a proportional profit farm, and said term, therefore, does not carry with it the legal meaning of "lease contract", contemplated in Chapter I of Title VI of the Civil Code in force [31 L.P.R.A. §§ 4011-1014]; *Provided*, That every contract that may hereafter be executed for the administration of a proportional profit farm, as provided in Title IV of this act, shall be known and designated as the "administration contract" of said farm.

Section 65. — [Lease of proportional profit farms - Operation] (28 L.P.R.A. § 463)

Said proportional profit farms shall operate as follows:

The Authority shall fix by contract with the lessee the conditions of the lease, which shall, in addition to such other conditions as the Authority may stipulate, not in conflict with the provisions hereof or with the spirit of this part, be as follows:

(a) That the lessee shall cede in usufruct, under rules to be made by the Authority, and without any pecuniary consideration, parcels of an area of from one to three acres of land, to each one of the families of the laborers residing on the farm at the time of its acquisition by the Land Authority, and who still are residents thereof at the time of the signing of the lease to the lessee, or of the laborers regularly engaged thereat; Provided, That the Authority may not require this in the contract of lease for certain specified farms where the efficiency of utilization of the land may so demand, or when lands have been acquired in the vicinity of the farm to establish a community of the kind created under Title V of this act. The fruits of these parcels shall be wholly for the families having the usufruct thereof, but nothing shall be cultivated thereon which may compete with the produce or main products of the farms, except upon express permission of the Authority.

(b) That laborers working on that part of the farm not ceded with these parcels shall receive for each day's work or part thereof, as an advance, the regular wage commonly paid in that particular zone, or that which may be stipulated by law, and each laborer shall be entitled to receive, on a specified date or dates each year, a proportional part of the net profits of the farm in proportion to the wages or salary he has received as an advance on his labor on said farm. This provision of the contract shall include not only the laborers having parcels on the farm, but all such laborers as well who at any time may work on the farm by order of the lessee. The Authority shall include in all contracts of lease of this nature, a clause providing that the legal working day shall be in effect on farms, and directing the lessee to pay for extra hours of work according to legislation in force.

(c) That the laborers residing on the farm shall be absolutely free to work or not on said farm, and to work in any other proportional profit farm or anywhere else.

(d) That the lessee shall manage the farm subject to the conditions of the contract and shall reside thereon, and shall not transfer, assign, sublease, encumber, or otherwise dispose of, or alienate, his interest or rights thereunder, and any such attempted disposition shall be null and void and shall be sufficient ground for terminating the contract with the lessee, including all rights accruing thereunder.

(e) That the lessee shall have full power to contract or not for the services of the laborers residing on the farm or any other laborers.

(f) That the lessee shall receive the current salary or the salary fixed by law for works of this nature, plus a bonus additional, in proportion to the salary fixed, in the event that the farm returns a profit.

(g) That the lessee shall, in addition, pay the Authority, such percent of the gross income of the farm as the Authority may determine for supervision, accounting and auditing expenses. The accounting and auditing shall be carried out on the basis of a simple and efficient system to be established by the Authority and the Secretary of the Treasury of Puerto Rico.

(h) That the lessee shall pay the Authority the rentals fixed by the latter in the contract.

- (i) That where the Authority furnishes the lessee, as it is hereby authorized to furnish, with the animals or mechanical and technical implements for an efficient cultivation of the soil, the cost of the use thereof shall be added to the rentals of the lease.
- (j) That the accounts shall be kept in the manner determined by the Authority with the approval of the Secretary of the Treasury of Puerto Rico, as above provided.
- (k) That the rentals of the lease shall be paid annually by the lessee on a fixed date to be agreed upon in the contract, and shall not be for less than the amount sufficient to cover in forty (40) years the price paid for the farm by the Authority and the interest thereon, computed on the basis of an amortization over a period of forty (40) years and in harmony with the obligations incurred by the Authority by reason of the bonds issued thereby, as provided elsewhere in this Act.
- (l) That the lessee shall pay to the Authority the premium that the Authority may determine to secure payment of any crop loan made to the Farm by the Authority, or by any public or private entity with the Authority's surety, for agricultural purposes and the grinding of its canes.

ARTICLE II. — OPERATION OF THE FARM

Section 66. — [Qualifications] (28 L.P.R.A. § 481)

The lessee of a proportional profit farm shall meet the requirements prescribed by the Authority.

Section 67. — [Management by Land Authority] (28 L.P.R.A. § 482)

During any period in which the Authority may have to administer directly a proportional profit farm because of the expiration of the lease, or for any other reason, the laborers shall continue to receive the same benefits as if the farm were under the management of a lessee, including those laborers who may have parcels of said farm in usufruct, both as regards said parcels and as regards salaries, wages or advances and the proportional part of the net profits of the farm corresponding to each one.

Section 68. — [Increase in size of farm] (28 L.P.R.A. § 483)

In those cases in which the Authority may deem it convenient for a higher productive efficiency, it may direct that any proportional profit farm be larger than five hundred (500) acres.

Section 69. — [Financing of crop; termination of contract] (28 L.P.R.A. § 484)

The Authority may, without being so obliged, finance the crop of the lessee, and both the Authority and the lessee may terminate the lease according to the conditions fixed for the purpose in the contract.

Section 70. — [Net income; income and property taxes] (28 L.P.R.A. § 485)

To compute the net income of a proportional profit farm there shall be deducted the rents payable on the farm, the taxes thereon, the wages or salaries received by way of advances by the

laborers, expenses for materials and operation, depreciation on major improvements, and cost of repairs and current improvements which may have had the approval of the Authority, interest on any sharecropping contract, workmen's compensation quotas, premiums on crop insurance approved by the Authority, the percentage of the gross receipts determined by the Authority for supervision and auditing expenses, the percentage of the gross receipts determined by the Authority for expenses of cooperative education, the cost of the use of machinery, animals, and farm implements and equipment, and the premium determined by the Authority as security for any sharecropping contract.

Proportional profit farms shall not be, as such farms or enterprises, subject to the provisions of the Income Tax Act, but such lands as may be devoted to the establishment of proportional profit farms shall be subject to payment of property taxes.

Section 71. — [Repealed. Act No. 46 of May 28, 1954] (28 L.P.R.A. § 486)

Section 72. — [Stores and businesses on farms] (28 L.P.R.A. § 487)

Neither the lessee nor any resident in a proportional profit farm may establish any store or any other kind of business on the farm premises. The establishment of stores by private merchants or by bona fide cooperative associations under regulations of the Authority on proportional profit farms is hereby authorized.

Section 72-A. — [Payments upon death or disability of laborers - Designation of beneficiaries] (28 L.P.R.A. § 488)

Every laborer working for the Authority and/or for any proportional profit farm shall fill in and sign before two witnesses and an official or employee of the Authority and/or of the farm a declaration of beneficiaries designating the person or persons who shall in case of his death or disability from any cause, receive the amounts of money owed him by reason of wages or salaries earned as an advance for his work, subsidies, undistributed profits, or payment of any differential by the Authority and/or of the farm, as well as the share accruing to each of said persons of the total amount owed; Provided, That such funds belonging to the said laborers, and the distribution made thereof pursuant to such declaration of beneficiaries, shall not be subject to the inheritance laws in force in Puerto Rico, the laborer being at full liberty to designate any person or persons as his beneficiaries and to assign to each the share he may desire.

Said declaration of beneficiaries shall be filed in the office of the Authority and/or the farm, and in case of the death or disability of the laborer, the Authority and/or the farm shall pay the amounts owed the said deceased or disabled laborer to the persons designated by him as his beneficiaries in his declaration of beneficiaries; Provided, That in case said beneficiaries are minors or incapacitated, the payments belonging to them shall be made directly to the mother or to the relative or private person having them under their custody and care, without need of fulfilling any other requisite, said person being obliged to expend the amount so received exclusively for the benefit of the minors.

Section 72-B. — [Payments upon death or disability of laborers - Judicial proceedings in absence of designation of beneficiary] (28 L.P.R.A. § 489)

(a) Whenever upon the death of a workman or laborer who works or has worked for the Land Authority and/or a proportional profit farm any amounts of money are owing him by the Authority and/or the farm by reason of salaries or wages earned as an advance for his work, subsidies, undistributed profits, or payment of any differential, and said workman or laborer has not left a declaration of beneficiaries as provided in Section 72-A, the amounts owing to said workman or laborer for such reasons shall belong to the persons who were dependent upon him for their support. Said persons shall be determined through proceedings for a declaration of dependents before the part of the District Court of the last domicile of the deceased laborer. The procedure to be followed for the purpose shall be similar to the one prescribed for processing a declaration of heirs, but the status of dependents of such laborers at the time of his demise shall be established exclusively on the basis of oral evidence, except in the case of a legitimate wife, when it shall be accredited through the proper marriage certificate; Provided, That said declaration of dependents shall not be subject to the inheritance laws in force in Puerto Rico. The District Court is hereby vested with jurisdiction to transact the said declaration of dependents irrespective of the amount due the deceased laborer.

(b) Declarations of dependents filed in the District Court shall be transacted with all urgency by said court and shall be given preference in the dockets thereof; Provided, further, That neither said court nor the officials thereof shall collect any costs or fees of any kind, nor shall any stamps whatsoever be required to be cancelled, for the transaction or approval of such declarations, or for the resolutions and/or certifications issued for use of the persons interested therein, or for use of the Land Authority, or of any agency of the Commonwealth or municipal governments. The officials in charge of vital statistics and registries in each municipality and in the Department of Health of the Government of Puerto Rico shall issue free of charge to the persons interested in these proceedings, to the courts, and to the Land Authority all the certificates necessary for the aforesaid purpose.

(c) In determining the dependents of such laborers at the time of their demise, the District Court shall be governed by the rules hereinafter established, and the inheritance laws of Puerto Rico shall not apply in such cases; Provided, That it is the legislative intent that the sums owing such laborers for said reasons be received by the persons who were dependent upon the laborer at the time of his demise, with the exceptions hereinafter established.

(d) In determining the dependents who are entitled to the amounts which the Land Authority and/or the farms owe such laborers for said reasons at the time of their demise, the following rules shall be observed by the District Court:

(1) *Rules.* The District Court shall determine, on the basis of the evidence submitted:

(A) Who are the persons who were dependent upon the deceased laborer for their support.

(B) The degree of dependency of each one of them, irrespective of the relationship that existed between them and the deceased laborer:

(i) The proportional share of each dependent of the amounts owing the deceased laborer according to the degree of dependency determined by the court.

(ii) In the case of a mentally disabled laborer whose incapacity is accredited through medical certificate, the court shall direct that payment of the total amounts owing said laborer be made to the person or institution having him under his or its custody.

(iii) In the case of laborers incapacitated through civil interdiction, the Authority and/or the farm is authorized to pay directly to the laborer the amounts owing for the reasons above stated.

(iv) In case the dependents are minors, the payments belonging to them shall be made directly and without need of fulfilling any other requisite, to the mother, relative, or private person having them under her or his custody and care, said person being under obligation to expend the amount so received exclusively for the benefit of the minors.

Section 72-C. — [Prescription of actions to recover proportional profits] (28 L.P.R.A. § 490)

Any action against the Land Authority and/or its subsidiary corporations and/or a proportional profit farm by workmen or laborers to recover proportional profits, shall prescribe after the lapse of three (3) years. The time for the prescription of such actions shall be counted from the day said profits are declared by the Board and published in two newspapers of general circulation in Puerto Rico.

Section 73. — [Regulations for proportional profit farms; similarity to private farms] (28 L.P.R.A. § 491)

The Authority may prescribe for the proportional profit farms such regulations as it may deem necessary, not in conflict with the spirit of this Act. The Authority is especially instructed, upon making such regulations, to make prevail the purpose that the management of these farms be as similar as possible to the management of private farms insofar as refers to the distribution of profits.

Section 73-A. — [Housing Development and Improvements Administration - Creation] (28 L.P.R.A. § 521)

An independent body in regard to its administration and use of funds is hereby created as a part of the Housing Department, to be known as the Housing Development and Improvements Administration, whose Executive Director shall be empowered to appoint the personnel needed to implement this Act, and which shall carry out and develop the programs for the relocation of tenant farmhands and the construction of housing for rural communities under Title V of this act. The Administration shall constitute an individual administrator for the purposes of Act No. 5 of October 14, 1975.

Section 73-A-1. — [Construction materials, communal buildings, and other public services] (28 L.P.R.A. § 527a)

The Housing Development and Improvements Administration may provide the usufructuaries of parcels in the rural communities established under Title V hereof of the individual farms

established under Title VI, of the lots in minimum-facility developments, and in other places of the rural zone, with construction materials at cost or at less than cost and under such conditions of payment as the Administration may stipulate, as well as with the necessary technical supervision in order that the said usufructuaries may construct their homes with the said materials. The Administration may invest money in the erection of communal buildings in Title V communities, Title VI farms, minimum-facility developments, and in other places of the rural zone, and may likewise invest money to provide, and cooperate with other government agencies toward providing, the said communities, the individual subsistence farms established under Title VI, minimum-facility developments, or in other places of the rural zone, with such other public services as the Administration may deem advisable. Any funds which the Administration may use for carrying out the provisions of this section with relation to rural communities and Title VI farms shall be taken from the trust fund known as "Fund of Titles V and VI, Trust Fund", created under Section 35-A of this Act.. Likewise, there is created a trust fund known as "Fund of Low-Cost Dwellings" to be devoted to the development of the Low-Cost Dwelling Program into which shall be covered the following funds:

(a) The balance of the appropriations already made under Act 395 of May 10, 1951, Act 398 of May 12, 1952, J.R. 32 of May 27, 1953, J.R. 93 of June 25, 1954, J.R. 97 of June 13, 1955, J.R. 17 of March 21, 1956 and J.R. 34 of July 1, 1957; and such other funds as the Legislature may hereafter appropriate to carry out the purposes of the Low-Cost Dwelling Program.

(b) The payments heretofore and hereafter made by the persons covered by the Low-Cost Dwelling Program for the furnishing of materials for the construction of their dwellings.

The Executive Director may dispose of up to seven percent (7%) of the collections of the Fund of Low-Cost Dwellings to devote same to the administration of the proper fund and may establish the collection system as he may deem most adequate, including the collection on the basis of a percentage through contract.

Section 73-B. — [Repealed. Act No. 131 of June 27, 1958] (28 L.P.R.A. §) (28 L.P.R.A. § 528)

TITLE V. — CREATION OF RURAL COMMUNITIES FOR FAMILIES OF *AGREGADOS*.
[28 L.P.R.A., Part 3, Chapter 53]

Section 74. — [**Lands for Homes for *Agregados***] (28 L.P.R.A. § 551)

In order to promote the welfare and economic freedom of, and do social justice to, *agregados*, as they are defined in Section 78, and in accordance with the Statement of Motives hereof, it is hereby declared that the purpose of this Title is that every *agregado* shall at least be entitled to hold the fourth part of a *cuerda* of land on which he may permanently erect his home.

The Authority shall investigate the most fitting places located alongside or near the Commonwealth and municipal roads already constructed for the traffic of rolling vehicles, or near population centers, second rural units and/or medical centers. The purpose of such investigation shall be to determine the places that can be divided into parcels of not less than one-fourth of a *cuerda* nor more than three *cuerdas* of land, to be distributed among those families of *agregados*, as said term is defined in this act, who may wish to own such parcels on which to erect their homes. Said lands shall be acquired by the Authority through condemnation

proceedings in accordance with Section 11 of this Act, or by direct negotiations with the owners thereof.

Section 75. — [Lots for various purposes] (28 L.P.R.A. § 552)

The Housing Development and Improvements Administration shall fix traffic or rights-of-way and set aside lots to be leased to merchants and to industrial establishments where beneficiaries of this Title of the act may work, or to be granted to the Commonwealth or federal government or to the municipal governments, for medical dispensaries, police stations, schools, playgrounds, or for any other purpose that the Housing Development and Improvements Administration may deem convenient or of social benefit to the occupants of the parcels mentioned in the preceding section. The Housing Development and Improvements Administration may set aside lots of not more than one-fourth of a cuerda of land in the rural communities established under this Title to be leased according to such terms and conditions as may be determined for the purpose, to public school teachers, churches, religious ministers, consumer and production cooperatives, public employees and to any other educational, social, religious, civic or charitable nonprofit organizations, provided it belongs to and/or benefits the inhabitants of the community; Provided, That in the case of those public employees whose monthly income does not exceed what is established by administrative provision by the Executive Director, and that meet the requirements as usufructuaries, as established in this act, may be given the lot in usufruct. The Housing Development and Improvements Administration may not lease more than one lot to each of such educational, social, religious, civic, or charitable organizations; Provided, That in no case shall lots be ceded or leased in differentiated or privileged places in such rural communities; Provided, further, That in the lease contracts of such lots it shall be specifically stipulated that the same may not be subleased except upon the prior approval of the Director of the Housing Development and Improvements Administration, and provided said subleases are for the same purposes as the original lease.

The Housing Development and Improvements Administration may set aside a lot of not more than one-fourth of a cuerda of land in the rural communities established under this Title to be leased on such terms and conditions it may determine to such effect for facilities for the common use of labor organizations.

Section 76. — [Gratuitous cession of land in usufruct; funds covered into trust fund] (28 L.P.R.A. § 553)

In the communities to be established, the Housing Development and Improvements Administration shall cede in usufruct to the agregados, free of charge, a parcel of land having an area of not less than one-fourth of a cuerda nor more than three cuerdas, according to the parcelling of the land deemed advisable by the Housing Development and Improvements Administration in order to execute the purposes of this act; Provided, however, That in those farms devoted or to be devoted to the purposes of this act, which are located adjacent to urban districts, and for the purposes of Title V of this act, those which are located in districts where the high cost of land, the population density, and/or the topography justifies such action, the Housing Development and Improvements Administration may, upon the approval of the Puerto Rico Planning Board and/or the Regulations and Permits Administration, establish parcels in an area

of less than one-fourth of a cuerda and/or execute new designs or subdivisions in any previously established community in which any of the three above mentioned factors are present. The agregado receiving a parcel in usufruct shall be issued a usufruct contract executed for the purpose by the Housing Development and Improvements Administration, which contract shall have the force of law and in which shall be prescribed such penalties as the Housing Development and Improvements Administration may deem it expedient to impose for the breach of contract.

The usufructuary may not, under penalty of absolute abatement, sell, transfer, exchange, rent, cede, assign, lease, or in any manner alienate or encumber, in whole or in part, the usufruct right granted him, neither the parcel of land over which the said right is granted, nor the buildings, accessions, or improvements existing or which he may in the future construct or make thereon, nor any right, title, or privilege arising from the usufruct contract; *Provided*, That any violation of this clause of the contract shall vest no legal rights whatsoever in any purported acquirer, assignee, or creditor, but shall, on the contrary, without need of judicial pronouncement to that effect, be grounds for seizure, in behalf of the Housing Development and Improvements Administration, of the usufruct right granted the usufructuary in the parcel, as well as of all interest, right, and action which the purported transferor and/or transferee, creditor and/or debtor, vendor, or acquirer, have or may have in the parcel granted in usufruct, or in the improvements, buildings, accessions, or sown fields existing thereon, the Housing Development and Improvements Administration being at liberty to dispose of the said parcel, building, structure, sown field, or improvement, without obligation to compensate or pay any person any sum whatsoever for any reason; *Provided*, however, That the Housing Development and Improvements Administration may, in the exercise of its discretion, expressly authorize in writing an usufructuary to transfer, cede, exchange, or assign his usufruct right to another person qualifying as such usufructuary; *Provided*, further, That any right of usufruct on a parcel, and any house, improvement, plantation, sown field, or building existing thereon which, as a result of the violation of the provisions of this section, reverts or passes to the property of the Housing Development and Improvements Administration, as aforesaid, shall be awarded by the drawing of lots among the number of agregados which the Housing Development and Improvements Administration may deem pertinent. The provisions of this section shall apply also to the successors in title of the original usufructuaries. In those cases in which the usufructuary of a parcel has ceased to occupy same, in whole or in part, and another person not authorized by the Housing Development and Improvements Administration is wholly or partially occupying said parcel, it shall be assumed that there has been an unlawful assignment on the part of the usufructuary of his rights in said parcel, with the consequent results referred to in this act.

The agregado receiving a parcel of land shall transfer his house thereto, or shall construct a house thereon within one hundred and twenty (120) days after having signed the usufruct contract and, should he fail to do so, the contract may be cancelled without need of a judicial pronouncement to that effect, and the agregado shall then vacate the parcel, leaving it at the free disposal of the Housing Development and Improvements Administration, which shall not be under obligation to compensate said agregado for any reason; *Provided*, That this period of one hundred and twenty (120) days may be extended by the Housing Development and Improvements Administration as determined by regulation.

The sum of one million nine hundred thousand dollars (\$1,900,000) appropriated by Act No. 197 of May 11, 1942, as a permanent appropriation, from any available funds in the Treasury of

Puerto Rico not otherwise appropriated, to carry out the provisions of Title V of this act, or so much of said fund as may still be available, and which sum is hereby ratified and reappropriated, and any other funds hereafter appropriated, shall be covered into the fund known as "Fund of Title V and VI, Trust Fund", created under § 323 of this title.

The gratuitous cession of land in usufruct provided in this section shall be made extensive on the same terms and conditions to every public employee who is family head, who does not hold land as owner, whose home is located in another's house and lands, or in his own house erected on another's land, and who does not have sufficient capital or whose income, in the judgment of the Housing Development and Improvements Administration, does not enable him to acquire land. In those cases where a public employee not being a usufructuary is in possession of a parcel whereon is erected his only dwelling, he may request from the Housing Development and Improvements Administration the usufruct title and the latter may grant him same after determining that he meets the other requirements of law and regulations applicable.

The Administration shall exercise a rigorous control in the adjudication of these lands so that the grantees meet the requirements of this act and the purposes thereof are complied with.

Section 76-A. — [Mortgaging by usufructuaries and tenants of parcels under Titles V and VI to Housing Bank] (28 L.P.R.A. § 553a)

Notwithstanding the provisions of Sections 76 and 79-E of this Act and any other provisions of law or regulation to the contrary, the usufructuaries and tenants of parcels established under Titles V and VI of this act may mortgage their usufruct or lease right in said parcels, jointly with the dwellings heretofore or hereafter constructed on said parcels, solely to secure to the Puerto Rico Housing Bank the payment of any loan said bank may make to them for the acquisition, construction, repair or improvement of such dwellings, including refinancing. The registration of the building may be made through its description in a notarial certificate or in the mortgage deed. The value of said work shall be exempt from the payment of every kind of fee, both under the notarial schedule as well as under the registry of property schedule.

In the event of default in the payment of the loan, the said bank may foreclose the mortgage in its favor following the regular or summary proceeding, as it may deem convenient, but at the public auction held in such proceedings only the Puerto Rico Housing Bank and such persons as shall meet the qualifications required by law and regulations of usufructuaries of parcels under Titles V and VI of the Land Law of Puerto Rico shall be bidders. In the edicts that may be published announcing the auction the said warning shall be given, with information as to where the interested persons may obtain copies of the regulations for the administration of parcels under Titles V and VI of the Land Law of Puerto Rico and on said legal qualifications. The [bailiff] shall not execute a judicial sale deed in favor of any grantee other than the Housing Bank, until the Executive Director of the Housing Development and Improvements Administration shall certify that the grantee has been investigated and meets the proper qualifications prescribed by law and regulation. Any adjudication of property and usufruct right so auctioned, to any person who does not meet said requirements, shall be void and without any value or effect.

If no bidders attend the auction, and the property and usufruct right so auctioned is awarded to the Puerto Rico Housing Bank, the latter may sell same only to persons who meet the legal qualifications required by law and regulations of usufructuaries of parcels under Titles V and VI

of the Land Law of Puerto Rico. To this end it shall be the duty of the Housing Development and Improvements Administration to submit to said bank in each case one or more of such candidates who are willing to purchase from said bank the said property and usufruct right at the price and on the terms and conditions in which said bank may best facilitate the sale and financing thereof.

There shall be exempt from the provisions and subdivision regulations of Act No. 213 of May 12, 1942, as amended, the subdivisions that may be necessary to mortgage the usufruct right or lease, in the parcels established under Title V of the Land Law, jointly with the dwellings built thereon, to guarantee the Puerto Rico Housing Bank the payment of any loan that said bank may grant for the acquisition, construction, repair or improvements to such dwellings.

In those cases in which there has been granted title deeds to usufructuaries of parcels under Title V of this act and that the property is encumbered by a mortgage in favor of the Housing Bank, said bank may execute the said mortgage following the ordinary or summary proceeding in accordance with the Mortgage Law in force and its Regulations as it may deem convenient and without being subject to that established in the preceding paragraphs.

All actions performed by the Puerto Rico Housing Bank in accordance with the provisions of this act prior to its date of approval are hereby validated.

Section 76-B. — [Usufruct contract - Violation] (28 L.P.R.A. § 553b)

Whenever there is a violation of the usufruct contract, the Housing Development and Improvements Administration shall notify the usufructuary by registered mail or by personal delivery, of its intention to rescind said contract. The notice shall state the grounds of the violation or violations of the usufruct contract, and shall inform the usufructuary of his right to request a hearing, within a period of thirty (30) days following receipt of the notice, to show cause as to why the usufruct should not be cancelled.

When a usufructuary makes the request before the Secretary of Housing, the latter shall appoint an examiner to hold the hearing at which the usufructuary may appear personally, or through counsel. The administrative hearing shall be governed by the procedure which the Secretary of Housing may adopt to such ends by regulations, with the protection of due process of law. The usufructuary may request the reconsideration of the Secretary's determination, within ten (10) days following notice of his determination.

A petition for review may be filed with the Court of First Instance of Puerto Rico within ten (10) days after having received the final notice of the results of the hearing.

Section 76-C. — [Usufruct contract - Cancellation for abandonment of structures] (28 L.P.R.A. § 553c)

The Housing Development and Improvements Administration shall have the authority to cancel the usufruct contract of those parcels on which the usufructuary has built structures, when said parcel, as well as said structures or improvements, has been in a state of abandonment for one year or more, after officers of the agency have been unsuccessful in finding the usufructuary to show cause as to why the usufruct contract should not be cancelled. The Executive Director of the Housing Development and Improvements Administration, in such cases, shall authorize the publication of edicts, under his signature, summoning the absent usufructuaries; Provided, That within a term of fifteen (15) days, said edicts shall be published once a week in a newspaper of

general circulation in Puerto Rico, and it shall simultaneously authorize the posting of edicts within the same period of time, in two (2) public places nearby or close to where the parcel is located.

Copy of the published edict shall be sent by registered mail to the usufructuary's last known address. After fifteen (15) days have elapsed from the publication of the last edict, the usufructuary must appear, personally or through counsel, before the Executive Director of the Housing Development and Improvements Administration or the person whom he delegates, to show cause as to why his usufruct contract should not be cancelled. The determination of the Executive Director is appealable to the Secretary of Housing; the final determination of the Secretary is reviewable by the Court of First Instance of Puerto Rico within ten (10) days after notice of the decision is received. The Secretary of Housing shall adopt, by regulation, a speedy procedure for the holding of the administrative hearing, with the guarantees of due process of law. If the usufructuary fails to appear, the improvements shall be appraised and they shall be sold to the person who is eligible for the concession of the usufruct; Provided, That the amount of money obtained through the sale of the improvements shall be deposited in a reserve fund created for such purposes, to be delivered to the owner of the structure, if the latter requests it, within a term of five (5) years. In the event that no claim is made within the above prescribed period, said money shall be covered into the funds of Title V.

Section 76-D. — [Mortgage to guarantee payment of loan] (28 L.P.R.A. § 553d)

Notwithstanding the provisions of Section 76 of this Act, and any other provision of law or regulations to the contrary, the usufructuaries and tenants of parcels established under Title V of this act may mortgage their usufruct or lease right on said parcels, in conjunction with the dwellings heretofore or hereafter constructed on said parcels, as collateral to the Farmers' Home Administration of the Department of Agriculture of the United States of America, for the payment of any loan granted by said Administration for the acquisition, construction, repair or improvement of such dwellings. The registration of the building may be made through its description in a notarial certificate, in the deed constituting the usufruct or lease, or in the mortgage deed. The value of said works shall be exempt from the payment of any fee, under the notarial schedule or under the property registry schedule.

In the event of default in the payment of the loan, the aforesaid Administration may foreclose the mortgage constituted in its favor following the regular or summary procedure, as it may deem convenient, but only the Farmers' Home Administration of the United States Department of Agriculture, and such persons as shall meet the qualifications required by law and regulations of usufructuaries of parcels under Title V of the Land Law of Puerto Rico can be bidders at the public auction held in such proceedings. The [bailiff] shall not execute a judicial deed of sale in the name of any grantee, except the Farmers' Home Administration of the United States of America, until the Executive Director of the Housing Development and Improvements Administration certifies that the grantee has been investigated and meets the proper legal and regulatory qualifications. Any adjudication of property and usufruct rights auctioned in the name of any person who does not meet said requirements shall be null and void.

If no bidders attend the auction, and the property and usufruct rights so auctioned are awarded to the Farmers' Home Administration of the United States of America, the latter shall grant the Housing Development and Improvements Administration, as well as to the persons who meet the

qualifications required of usufructuaries by law and regulations under Title V, the first opportunity to acquire, by purchase, the property and rights thus judicially awarded. It shall, therefore, be the duty of the Housing Development and Improvements Administration to submit to the aforesaid Home Administration one or more of such candidates in each case who are willing to purchase the said property and usufruct right from said Administration, at the price and subject to the terms and conditions said Administration may best effect for the sale and financing thereof.

The subdivisions that may be needed to mortgage the usufruct or lease right in the parcels established under Title V of the Land Law, in conjunction with the dwellings heretofore or hereafter constructed thereon, to secure to the United States Farmers' Home Administration the payment of any loan that said Administration may grant for the acquisition, construction, repair or improvement of said dwellings, shall be exempt from the provisions and regulations concerning subdivisions, pursuant to Acts Nos. 75, 76, and 77 of June 24, 1975.

In those cases in which title deeds have been granted to the usufructuaries or tenants of parcels under Title V of this act and the property is encumbered by a mortgage in the name of the United States Farmers' Home Administration, the latter may foreclose said mortgage following the regular or summary procedures pursuant to the Mortgage Law and Regulations in force as it may deem convenient, and without being subject to the conditions established in the preceding paragraphs.

Section 77. — [Sanitary regulations; conditions for acquisition of land; use for other purposes] (28 L.P.R.A. § 554)

The Authority shall, with the approval of the Secretary of Health, adopt and promulgate proper and simple sanitary regulations not incompatible with the purposes or the spirit of this act, so as to facilitate the compliance with such purposes. No other condition or requisite shall be demanded for the acquisition of the parcels mentioned in the foregoing sections than to be an agregado and to make a petition or an application therefor, according to such regulations as are approved by the Authority.

Land acquired under this Title and for the purposes hereof, from and after the date this act takes effect, shall not be devoted to the purposes of other Titles of this act.

Section 78. — [Agregado defined; limited to one parcel; conveyance or encumbrance of parcel] (28 L.P.R.A. § 555)

For the purposes of this act, the term agregado shall be understood to mean any family head and those single persons who qualify, residing in the rural zone, whose home is established in a house and on land belonging to another person or in his own house erected on land belonging to another person, and whose only means of livelihood is his labor for a wage earned from agricultural tasks and who does not possess land as owner. Not more than a parcel shall be granted to any family head and those single persons who qualify therefor, nor shall such family head or single persons convey said parcel without the consent of the Housing Development and Improvements Administration, under such regulations as the Housing Development and Improvements Administration may approve.

Section 78. — [Extension of benefits] (28 L.P.R.A. § 556)

The Housing Development and Improvements Administration may discretionally extend the benefits of this Title to persons who while meeting all other requisites, reside in the urban zones provided they earn their wages in agricultural tasks, and to persons who, while residing in the rural zones, do not earn wages in agricultural tasks; Provided, That as may be determined by regulations, the benefits of this Title may be extended to those persons who having moved from the rural to the urban zone wish to return to the rural zone, and to those residents of the urban zone whose houses were acquired by the Government through purchase or condemnation to carry out any project of public interest, utility or purpose, and to the veterans of the United States Armed Forces, regardless of their annual income, provided they do not own properties and their income, in the judgment of the Housing Development and Improvements Administration, does not enable them to solve their housing problem through the private industry.

TITLE VI. — FAMILY-TYPE FARM PROGRAM. [28 L.P.R.A., Part 3, Chapter 55]

Section 79-A. — [Creation] (28 L.P.R.A. § 581)

A program is hereby created to promote and encourage the intensive use of the land and the development of activities that will lead to the enjoyment of rural life through the creation of farms that will allow the persons that farm them as their only income or as supplementary income, to achieve an adequate standard of living, and through the development and establishment of facilities, activities and public and private services that are necessary for the well being of the rural inhabitants. The persons eligible to avail themselves of said program may be single or married, need not necessarily be heads of a family and shall be selected according to the guidelines established by the Secretary of Agriculture, taking into consideration their knowledge, experience and capabilities and such other conditions and qualifications that may be deemed necessary for the intensive agricultural exploitation of a farm, or for the development of other activities that will lead to rural welfare; Provided, That those chosen for the family-type farms shall be persons who do not own any land, or do not own sufficient land to engage in agriculture profitably, according to their working ability.

Section 79-B. — [Secretary of Agriculture, powers] (28 L.P.R.A. § 582)

To carry out and continue the development of the program established in this title, and to attain the objective stated in the preceding section, the Secretary of Agriculture of Puerto Rico, in the name and in behalf of the Commonwealth of Puerto Rico, is hereby authorized and empowered to:

- (1) Acquire by purchase, condemnation, assignment, donation, conveyance, or by any other legal manner, the lands and any other properties necessary, as well as to use said lands and properties thus acquired to fulfill the ends and purposes of Title VI. To such ends the personal and real properties and any interest thereon that may be necessary for such ends and purposes, are hereby declared of public utility.
- (2) Rent and lease the lands and other properties to carry out the purpose of this title. The lease and sublease contracts shall provide whatever is necessary to ensure that the lessee and

sublessees, in each case, be eligible for the enjoyment of the property which has been granted and that they devote same to agricultural use that such lands have been destined for or to such use that the Secretary may provide.

(3) Make groups, lots and subdivisions of the farms that may be acquired and to require the grouping of those alienated, as he may deem necessary and advisable for the purposes of this title.

(4) Make improvements on the lands acquired to facilitate the agricultural exploitation of the farms; Provided, That it may include in whole or in part in the value of lands the cost of said improvements, as well as the cost of assessment and measurement.

(5) Sell the lands and other properties acquired or those conveyed to said program, on the terms, installments, interest and conditions that may be established by regulation; Provided, That the selling price shall not be less than the acquisition price of the lands, that the terms for its payment shall not exceed forty (40) years, and that there shall be stated in such sales the limitations and conditions provided in this Title [VI]. In any case in which the owner of such lands and properties is the lawful usufructuary of same under the program in force upon the taking of effect of this act, there shall be given to the latter the opportunity of purchasing them under the provisions of this act, or of continuing to enjoy them as usufructuary. If he chooses to retain them in usufruct, he shall continue to own them according to the legal provisions and the norms under which the Program of Title VI had been governed upon the taking of effect of this act, and which are established in Section 79-D of this Act, and in accordance with the conditions and restrictions set forth in his usufruct contract and other provisions that may have become part of the same. If he chooses to purchase them, the payments made by reason of the usufruct until the time of the sale shall be accredited to the sale price, which shall be the acquisition price. Likewise, he may lease or sublease said lands and properties or those he may have leased, under the terms and conditions that may be established by regulation; Provided, further, That in cases of subleases, the rental shall not be more than the rental that the Secretary of Agriculture has been obliged to pay, and in cases of lease, the rental shall not be less than that resulting from the capitalization of the cost of the lands and other properties at a forty-year term, on the basis of an interest not lower than two (2%) nor greater than four percent (4%) annually.

Notwithstanding the provisions of this subsection and in Section 79-D of this Title [VI], in those cases in which the land and other property have been acquired through expropriation, and the court had fixed an increase in the compensation which exceeds by fifty percent (50%) the amount of the estimated fair compensation originally consigned in the court for the land and other expropriated properties, the Secretary of Agriculture is hereby empowered to use the method hereinafter provided to compute the corresponding payments for the parcels which he grants for sale or lease, pursuant to the powers conferred in this subsection, or in usufruct, under the provisions of Section 79-D of this Title [VI], instead of the cost decreed in such expropriation sentences: to the sum consigned originally as the estimated fair compensation for the lands and other expropriated properties, there shall be added the average percentage of all increases in compensation established in the two years preceding the date of the expropriation sentence in the other expropriation procedures instituted for the purposes of Title VI of the Land Law, as long as the added amount resulting from said operation is less than the increase in compensation fixed by the Court.

(6) Convey and devote to forest purposes such lands that may be acquired or which are conveyed for purposes of Title VI and which in his judgment do not adapt themselves to such purposes and which are adequate for forest purposes.

(7) Sell, exchange, lease, assign or convey lands and other properties gratuitously for the establishment of facilities or public services or such services rendered by private persons which are necessary for the welfare of the families that have availed themselves of said program; Provided, That when such facilities or services are not for public purposes, the lands and properties shall only be provided through sale, exchange or lease.

(8) Grant loans without interest, as an initial economic assistance for the establishment of families on farms, including, but without it being limited, to the acquisition of houses or to the purchase of materials for the house and the purchase of seeds, fertilizers, animals, farm implements, farm equipment and other materials to carry out the necessary improvements for the efficient exploitation of the farms. The Secretary of Agriculture is hereby empowered to promulgate the regulation necessary for the granting of these loans. The amount of the said loans shall not exceed seventy-five percent (75%) of the sale price of the farm and of the proposed permanent improvements which may be added thereto, and its payment may be amortized jointly with said price to be liquidated in a term no greater than forty (40) years.

(9) Enter into agreements with federal and Commonwealth agencies or with private entities for the purpose of facilitating the development of this program. Under such agreements he may grant loans, in order that the farmers may acquire farms that may provide them with an adequate income under some program or plan of any agency or instrumentality of the federal or Commonwealth government, accepting second mortgages and postponing the collection of such loans to a later term if he considers it necessary or advisable to such purposes.

(10) Hire or use the services and facilities of other agencies and public corporations to acquire farms or to carry out the purposes of this Title.

(11) Carry out any act or contract as may be determined necessary or convenient to carry out and comply with the functions entrusted thereto by this Title.

Section 79-C. — [Sale of Farms] (28 L.P.R.A. § 583)

The farms which are at present devoted to the ends and purposes of Title VI of the Land Law, and such others as may be acquired in the future for this program, may be sold, or exchanged subject to the rights reserved to the usufructuaries pursuant to the provisions of subsection (5) of Section 79-B of the Land Law, persons eligible under this program to ownership titles under the following conditions and restrictions that shall become a part of the exchange or sale agreement between the Commonwealth of Puerto Rico and the acquirer:

(a) The farm shall in no wise be object of subdivision.

(b) The acquirer shall live on the farm, own and use same, devoting said farm to agricultural exploitation. He shall allow the construction of not more than two houses on the farm pursuant to the regulation that to such effect the Secretary of Agriculture may approve.

(c) The acquirer binds himself to follow the cultivation, conservation and soil improvement practices and any other agricultural practice recommended by the Secretary of Agriculture or by his authorized representatives.

(d) The acquirer may not establish on the farm businesses, industries or any other activity other than of a purely agricultural nature, except by written authorization or consent of the Secretary of Agriculture.

As a general norm, the Secretary of Agriculture shall allow the establishment of such businesses or industries connected with agricultural activity or that may supplement the agricultural income, provided that the farm is being used at its greatest productive capacity.

(e) The acquirer is bound to allow the employees of the Department of Agriculture to enter the farm in order to inspect same and ascertain whether the conditions and restrictions provided in this act, in the sale contract or in the proper regulations, are being complied with.

(f) Failure to pay any of the installments of the price agreed upon, or the interest thereon, and/or failure to comply with any of the conditions or restrictions herein prescribed, in the sale contract or in the corresponding regulations shall cause the resolution of the sale decreed by a competent court and in such case the acquirer shall leave the farm at the disposal of the Secretary of Agriculture and shall be entitled to the total of the amounts paid until the moment of surrendering the property, the value of buildings, improvements and plantations that he may have incorporated thereto, including the value of the crops to be determined through assessment at the time of the resolution, it being deducted therefrom the amount of any debt he may have with the Commonwealth of Puerto Rico. Notwithstanding, the acquirer may take with him his personal properties and farm implements.

(g) Any person who possesses a farm in usufruct for a term greater than ten (10) years, may apply for and be granted its title, pursuant to the provisions of this Act. After obtaining said title the acquirer may assign, lease, sell, exchange, mortgage, encumber, or dispose of the farm in any legal manner.

(h) The acquirer may sell his farm as a total unit at his convenience, but shall be bound to offer it to the Commonwealth in a preferential option. In such case the Commonwealth shall have preferential option to reacquire it within a term not to exceed one hundred and twenty (120) days, for the price paid by the acquirer plus thirty percent (30%) of the difference between the market value of the land and its acquisition price, it being understood that those farms retained for a period longer than ten (10) years by its titleholders, including in said term the period of possession as an usufructuary, shall have an additional increment of two percent (2%) a year after the fifth year of the usufruct. To such effect, the acquirer shall send a written communication to the Secretary of Agriculture and to the Director of the Land Administration by certified mail with acknowledgment receipt to the effect that he wishes to sell his farm. Within a term not to exceed sixty (60) days from the date the above communication was mailed, said officials shall answer said communication, in writing, stating whether they are interested in acquiring said farm or not. Should the answer be negative, or should they fail to answer it, the acquirer may sell his farm free from the restrictions imposed by this chapter. Such written communication of the Secretary of Agriculture or the Director of the Land Administration shall be literally transcribed in the deed whereby the acquirer sells his farm, in default of which the sale contract executed shall be null ab initio, shall have no validity or legal standing whatsoever, and shall not be registered in the corresponding Section of the Property Registry of Puerto Rico. In cases in which the Secretary or the Director fail to answer, the notary who executes the purchase and sale deed should state, and attest as notary that the vendor has shown him an acknowledgment receipt issued by the U.S. Postal Service as proof that said communication was received by the Secretary of Agriculture or by the Director of the Land Administration and shall

also state that the vendor has not received any answer to said communication. The vendor and the vendee in all purchase and sale deed referred to, in which a false purchase and sale price is indicated, shall incur a misdemeanor punishable by a fine no greater than one thousand dollars (\$1,000), or imprisonment for a period not to exceed six (6) months, or both penalties at the discretion of the court.

If the answer of the Secretary of Agriculture or the Director of the Land Administration is in the affirmative, he, or they, shall make the corresponding purchase offer to the acquirer for the price paid by him plus thirty percent (30%) of the difference between the market value of the lands and its purchase price, it being understood that those farms retained for a period longer than ten (10) years by its titleholders, including in said term the period of possession as usufructuaries, shall have an additional increment of two percent (2%) a year from the end of the fifth year of the usufruct. The offer shall be made within a term not to exceed sixty (60) days from the date of such answer. If within thirty (30) days following its remittance, the offer is not accepted, or no answer whatsoever is received, or no answer is received in the sense of his having desisted from selling, the Secretary of Agriculture or the Director of the Land Administration shall start the necessary procedures, immediately, to consign the amount of their offer in the Expropriation Part of the Court of First Instance of Puerto Rico. Once the interested party has been notified of such consignment, the corresponding proceedings in said Part shall continue as if it were a regular expropriation procedure.

(i) From the date of acquisition of the title deed of the farm in usufruct, all restrictive conditions imposed by this section or by provisions of law, regulations or agreement shall cease. Nevertheless, the restrictions imposed by Act No. 107 of July 3, 1974, [28 L.P.R.A. §§ 592 et seq.] and the provision regarding the preferential option of this Title VI shall continue to apply.

(j) Save as provided in subsection (i) of this section, all the restrictive conditions imposed by this section shall cease after a lapse of five (5) years from the date of the acquisition of the farm.

Of every and each one of the above-mentioned conditions and restrictions notice shall be taken in the proper section of the Property Registry of Puerto Rico upon registering the entry of the sale of the farm in favor of the acquirer.

(k) The transfer of a property title deed through a sale or exchange contract or public document authorized by this chapter may also be made through a certificate of the transfer of the title deed, issued by the Secretary of Agriculture or an official of the Department of Agriculture whom he delegates. Said certificates shall be registrable in the Property Registry of Puerto Rico and shall specify all the conditions and restrictions established in this section, as well as the name and personal information of each acquiring titleholder and all the other data needed for their registration.

Section 79-D. — [Usufruct for life award] (28 L.P.R.A. § 584)

The Secretary of Agriculture of Puerto Rico is hereby also empowered to award parcels to the prospects selected according to this title, under a life contract of usufruct which shall stipulate, among other things, the payment of such semiannual rentals he may determine as fair and reasonable, to be determined on the basis of recovering the cost of the lands and other properties granted in usufruct for the term of forty (40) years, including interest at a rate of not less than two [percent] (2%) nor more than four percent (4%) computed on the amount due in each year. Said officer shall grant and transfer to the usufructuary the life usufruct of each farm so that he

may till the same and receive the produce, advantages, and profits therefrom, preserving its form and substance, and subject, among other things, to the terms set forth hereinbelow, all of which are material and essential to the usufruct contract and to the compliance of which the usufructuary expressly binds himself, namely:

(a) The usufructuary shall live and work on the farm the object of the usufruct. He shall allow the construction of not more than two (2) houses on the farm pursuant to the regulation that to such effect the Secretary of Agriculture may approve.

(b) The usufructuary shall cultivate the farm and shall be at full liberty to select the products to which he shall devote the same, except as hereinafter provided; the agricultural operation of the farm by [sharecroppers] being strictly prohibited.

(c) The usufructuary binds himself to follow the soil conservation and improvement practices and any other agricultural practice recommended by the Secretary of Agriculture through his representatives.

(d) The usufructuary may not sell, transfer, exchange, cede, assign, or in any manner alienate or encumber, in whole or in part, the usufruct right granted to him, neither on the farm over which the said right is granted, nor the buildings, accessions, or existing improvements, or those that may, in the future, be constructed or made thereon, nor any right, title, or privilege arising from the contract; with the exception from this provision of any encumbrance in behalf of the Farmers Home Administration of the Department of Agriculture of the United States of America, in accordance with the laws and regulations concerning all the programs that may be administered by said Agency heretofore or hereinafter, which are not inconsistent with our purpose; and it is likewise authorized to foreclose any encumbrance that may be constituted to secure any aid or credit granted. Provided, That [any] violation of this clause of the contract shall vest any lawful rights whatsoever in purported acquirers, assignees, or creditors, but shall, on the contrary, be grounds for seizure, in behalf of the Secretary of Agriculture, of: (1) any payments made by the usufructuary; (2) any right the usufructuary may have in the usufruct so granted; and (3) all interest, rights and action which the said purported transferers and/or transferees, creditors and/or debtors, vendors and/or acquirers, have or may have in the land granted in usufruct, or in the improvements, buildings, accessions, or plantations existing thereon; the Secretary of Agriculture will be free to dispose of said land, construction, building, plantation, or improvement, without obligation to compensate or pay any sum of money to any person whomsoever for any reason; Provided, however, That the Secretary of Agriculture may, in his discretion, expressly authorize an usufructuary in writing to transfer, cede, exchange, or assign his usufruct right to another person who qualifies as such usufructuary, in which case, the payments made by the former, as well as the time he has been on the farm, shall be credited to the latter.

(e) The usufructuary may not establish on the farm, without the previous written consent of the Secretary of Agriculture, any business or industry other than of a purely agricultural nature, it being understood, that the establishment on the farm of stores, groceries, cafetines, bars, bazaars, shops, etc., is strictly prohibited.

(f) The usufructuary shall not erect on the farm any structure, building, or improvement of a permanent character, without the previous written authorization of the Secretary of Agriculture.

(g) In case of the termination of the usufruct for any cause whatsoever, the Secretary of Agriculture shall not be under obligation to reimburse the usufructuary any part of the amount which he may have paid thereto, nor to pay the usufructuary for improvements made or

plantations existing on the farm, the usufructuary being entitled to remove such improvements and to harvest the crops within a reasonable term to be fixed by the Secretary of Agriculture. The buildings and/or improvements of a permanent character expressly authorized by the Secretary of Agriculture shall be paid thereby at the price at which said Secretary of Agriculture may assess same upon termination of the contract.

(h) The usufruct right granted shall be extinguished upon the death of the usufructuary; it being understood, however: (1) that if the usufructuary should die leaving a surviving spouse with or without children of the usufructuary, whether minors or of legal age, the Secretary of Agriculture may at his option, if he deems it advisable, grant the right of usufruct over the farm to the surviving spouse, by himself or herself, if there are no children, or by himself or herself and in representation of the usufructuary's minor children, if any, both being obligated to fulfill each and every one of the terms of the contract; surviving spouse shall be considered the person cohabiting with the usufructuary at the time of his death, whether or not lawfully married; (2) if the usufructuary should die without leaving a surviving spouse, but leaving children of legal age, only, or children of legal age and minor children, the Secretary of Agriculture may, in his discretion, grant the usufruct of the farm to the child of legal age that it may deem advisable who meets all the necessary requirements, where there are no minors; and when there are children of legal age and minor children, to that child of legal age who, in the judgment of the Secretary of Agriculture meets the necessary requirements for his own benefit and for the benefit of the usufructuary's minor children, and in either case, he or the new usufructuaries shall strictly comply with all the terms of the contract; (3) if upon his death the usufructuary leaves no surviving spouse or children of legal age who are eligible, but leaves minor children duly represented, according to our laws, the Secretary of Agriculture may, in his discretion, on request of the legal representative of said minors, grant him the usufruct of the farm, and the minors shall fulfill all the terms of the contract, to which end their legal representative shall request and obtain the proper authorization; (4) if the usufructuary leaves no surviving spouse, neither minor children, nor children of legal age, who are eligible, according to the regulations of the Secretary of Agriculture, the usufruct of the farm shall revert to the Commonwealth of Puerto Rico, to whose benefit shall inure all the improvements, accessions, plantations, and buildings made or constructed by the usufructuary on the farm, the direct and useful dominion of which shall be consolidated therein with all the improvements, plantations, accessions, and buildings of whatever nature existing thereon, all of which shall pass to be of the sole and exclusive property thereof; and the said Commonwealth may, consequently, retain or dispose of them freely, without having to pay or indemnify any person whatsoever therefor; (5) the selection of any one of the persons herein mentioned as grantee of the usufruct of the farm in case of the usufructuary's death, shall be made by the Secretary of Agriculture, according to the regulations thereof governing the matter; and the new grantee shall obtain that the other children of the usufructuary assign to him whatever right, title, interest, and actions they have or may have in any plantations, improvements, buildings, and accessions introduced in the farm by the usufructuary.

(i) The usufructuary shall allow the employees of the Secretary of Agriculture to enter the farm in order to inspect same and ascertain whether the terms of the contract are being complied with and whether the soil conservation and improvement practices and any agricultural practice recommended by the said officer are being followed.

(j) The usufructuary shall not be required to make any inventory or to give bond.

(k) The usufructuary shall bind himself not to remove or in any manner alter, nor allow anyone to alter or remove, the boundaries of the farm.

(l) The usufructuary shall be under obligation to maintain and cause to be maintained in full force and effect the rights of easements, franchises, grants, and permits in force, or which may be acquired in the future, for the benefit of the farm.

(m) It is expressly understood that upon payment by the usufructuary of the amount disbursed by the Secretary of Agriculture for the farm, plus interest thereon, as hereinbefore provided, his obligation to pay the semiannual rental above-mentioned shall cease, and he may from then on continue to enjoy the usufruct of the farm, without need of making any payment whatsoever, but he shall in any case comply properly and faithfully with all the conditions imposed by this act and by the regulations and any amendments thereto, approved by the Secretary of Agriculture.

(n) The regulations of the Secretary of Agriculture and any future amendments made thereto shall be an integral part of the contract.

(o) Failure to pay any of the rentals agreed upon when they fall due, and/or failure to comply with any of the conditions herein prescribed and/or with the regulations approved by the Secretary of Agriculture and the amendments thereto, shall automatically bring about the extinction of the right of usufruct granted, the usufructuary having to vacate the farm and leave it free and clear at the disposal of the Secretary of Agriculture. In such case, the usufructuary shall have no rights other than those granted him in subsection (g) of this section.

(p) The violation of any of the clauses of the usufruct contract shall entail the extinction of the usufruct right, as well as the total seizure in favor of the Commonwealth of Puerto Rico of all payments made by the usufructuary and of all buildings, improvements, or plantations existing on the farm, without need of a judicial pronouncement therefor, and without being obligated to pay any amount to any person for any reason; Provided, however, That the Secretary of Agriculture may, in the exercise of his discretion, exempt from the provisions of this clause such usufructuaries who, in the opinion of the Secretary, have not intentionally violated the contract.

(q) The adjudication of the right to usufruct through a contract authorized in this act may also be carried out through certificates of the adjudication of the right to usufruct issued by the Secretary of Agriculture whom he delegates. Said certificates shall be registrable in the Property Registry of Puerto Rico, and shall specify all the conditions and restrictions established in this section, as well as the name and personal information of each usufructuary and any other data needed for their registration.

Section 79-E. — [Division of Lands] (28 L.P.R.A. § 585)

The division of the lands acquired through assignment, conveyance, donation, purchase, or otherwise, in order to carry out the provisions of the [sic] Title VI, shall be made by the Secretary of Agriculture of Puerto Rico according to the topography of the land, the fertility of the soil, local conditions, and desirable norms to provide for the usufructuary's family a reasonable standard of living. The size and value of each farm shall be determined on the basis of the needs existing in the zone wherein the program is to be put into practice. The lands now devoted to the Social Programs Administration of the Department of Agriculture for the purposes of Title VI shall be placed under the management of the Secretary of Agriculture with their present areas unchanged; it being understood that such area may be increased upon the consent of the usufructuary concerned, in keeping with the norms and principles herein provided for.

Section 79-F. — [Tax exemption] (28 L.P.R.A. § 586)

All the farms granted in usufruct under Title VI shall be exempt from the payment of property taxes, both while they remain under the control of the Secretary of Agriculture and when they are in the hands of the usufructuaries.

Section 79-G. — [Resolution of ownership] (28 L.P.R.A. § 587)

Failure to pay any amount indebted for any legal reason whatsoever under which a farm is owned, except by sale or usufruct, or the noncompliance of any of the conditions or restrictions stated in [this] act or in the contract or the proper regulations, shall cause the resolutions and termination of the right under which the farm is owned and in such case, unless otherwise agreed in the corresponding contract, the holder of any legal right, except by purchase or usufruct, shall leave the farm at the disposal of the Secretary of Agriculture and shall only have the right to receive the value of the buildings, improvements, plantations introduced in the farm, including the value of crops to be determined through the assessment at the time the resolution and the termination of his right, from which amount there shall be deducted any debt it may have with the Commonwealth of Puerto Rico. Notwithstanding, the said owner may take with him his personal properties and farm implements.

Section 79-H. — [Death or disability of acquirer] (28 L.P.R.A. § 588)

In case the acquirer dies or becomes disabled within the fifteen (15) years after having acquired the farm, the persons constituting his estate, including the widow or the woman who has been cohabiting outside the bonds of marriage with the deceased at the moment of his death in the first case, or the children, spouse or woman who has been cohabiting without the bonds of marriage with the disabled, may continue cultivating the farm subject to the restrictions imposed by this act, if they are interested in doing so. If they are not interested, the Commonwealth may acquire same for its fair value in the market or may authorize the purchase thereof by any person it may consider qualified according to norms established by Section 79-A and in such case the acquirer shall be subject to the conditions and restrictions imposed by the original sale.

In case of death of the acquirer of any farm sold by the Secretary of Agriculture under the provisions of this title, without leaving heirs, or leaving heirs who are ineligible to own one of the farms under the provisions of this act, the farm shall revert fee simple to the Commonwealth to be devoted again for the purposes of this title.

Section 79-I. — [Transfers - Funds, equipment, personnel] (28 L.P.R.A. § 589)

There is transferred from the Social Programs Administration of the Department of Agriculture to said Department the personnel, equipment, machinery, vehicles, archives, records, credit balances, obligations, rights, inventories, facilities and all kinds of properties and funds, including appropriation balances and appropriation items, pledged and not pledged, relative to the administration and operation of Title VI. The personnel to be transferred shall hold their present classification within the noncompetitive service in accordance with the act which created the personnel office of the Commonwealth of Puerto Rico, and those who are appointed by the

Secretary of Agriculture to carry out and fulfill the provisions of this title shall also be within the noncompetitive service of the said personnel office.

Section 79-J. —[Transfers - Homestead Farm Program] (28 L.P.R.A. § 590)

The Secretary of Agriculture shall administer and assimilate the Homestead Farm Program which is also transferred from the Social Programs Administration of the Department of Agriculture to said Department as part of the farm program of Title VI in accordance with the norms under which the administration of Homestead Farm Program was governed upon the taking of effect of this act and by such other norms as may be established by the Secretary of Agriculture under the provisions of this act.

Section 79-K. — [Title VI Fund, Trust Fund] (28 L.P.R.A. § 591)

There is created a trust fund which shall be known as "Title VI Fund, Trust Fund" which shall be under the custody of the Secretary of the Treasury, who shall keep it specially separated from other public funds under his custody and same shall be composed of the following items:

- (a) The funds corresponding to Title VI of those hereby transferred from the so-called "Fifth and Sixth Title Fund, Trust Fund" which hereinafter shall be known as the "Fifth Title Fund, Trust Fund".
- (b) The remainder of the appropriations made by the Legislative Assembly of Puerto Rico to assimilate the discontinued Homestead Farm Program.
- (c) The payments received under usufruct contracts, as well as the interest same may earn, in relation to farms of Title VI and all those revenues derived from the discontinued Homestead Farm Program.
- (d) All the monies collected by reason of rentals of usufruct or lease, interest, sale of forest or agricultural products, sale of personal or real properties and/or any other revenues connected with the farms of Title VI or of Homestead Farm.
- (e) The appropriations that the Legislative Assembly of Puerto Rico may make for the purpose of this title.

Section 80. — [Power of Land Authority to receive donations and other aid] (28 L.P.R.A. § 288)

The Land Authority shall be empowered to receive funds, gifts, subsidies, appropriations, advances, loans or other similar payments or aid from the federal or Commonwealth government, or from municipalities, private persons, banks or other private or governmental entities, to carry out its purposes, and it may enter into agreements with such governments, agencies, banks, or other private or governmental entities, for the use of such funds or aid, including the making of contributions to such funds in a manner not in conflict with the purposes and the spirit of this Act.

Section 80-A. — [Development of cooperative activities, crops, and small community industries] (28 L.P.R.A. § 529)

The Executive Director of the Housing Development and Improvements Administration may, with the approval of the Board of Directors of the Land Authority, use such sums of money as may be necessary for carrying out within his administration the development of cooperative activities, the development and promotion of crops, and the promotion of small community industries. The said sums of money shall be taken from the fund of "Title V and VI, Trust Fund," established under Section 35(a) hereof.

Section 80-B. — [Development of cooperative activities, crops, and small community industries by Housing Development and Improvements Administration - Disposition of receipts] (28 L.P.R.A. § 530)

The moneys received by the Housing Development and Improvements Administration from the development of cooperative activities, the development and promotion of crops, and promotion of small community industries, shall be covered into the fund of Title V and VI, Trust Fund.

Section 81. — [Separability] (28 L.P.R.A. § 241 note)

If any clause, paragraph, article, section or part of this Act is declared unconstitutional by a court of competent jurisdiction, said judgment shall not affect, impair or invalidate the remainder of this Act but its effect shall be restricted to such clause, paragraph article, or section hereof as shall have been declared unconstitutional.

Section 82. — [Repealing clause] (28 L.P.R.A. § 241 note)

All laws or parts of laws in conflict herewith are hereby repealed.

Section 83. — This Act shall take effect ninety days after its approval.

<p>Note. This document was compiled by the Office of Management and Budget of Puerto Rico. 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.</p>
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