

“Puerto Rico Convention Center District Act”

Act No. 351 of September 2, 2000 as amended,

(Contains amendments incorporated by:

Act No. 437 of December 22, 2000

Act No. 142 of October 4, 2001

Act No. 185 of August 3, 2004

Act No. 394 of September 21, 2004

Act No. 14 of January 20, 2006)

To establish the “Puerto Rico Convention Center District Act”; create the Puerto Rico Convention Center District Authority; establish its duties, powers and rights; create its Board of Directors; fix penalties; and establish the “Convention Center Fund.”

STATEMENT OF MOTIVES

The development of a district comprised of hotels, restaurants, retail establishments and other commercial developments is needed in order to support the use by national and international conventions and groups of the major convention, trade and exhibition center that will be developed pursuant to the Puerto Rico Convention Center Authority Act. Major conventions, exhibitions, trade shows and conferences of such groups represent an important economic aspect of the tourism industry. The lack of adequate convention, trade and exhibition facilities and other supporting facilities within Puerto Rico with the capacity to service major national and international conventions, exhibitions and trade shows has impaired the Government of Puerto Rico's ability to develop this important aspect of our tourism industry. By attracting nonresident visitors to Puerto Rico through the development of a suitable convention, trade and exhibition center and supporting facilities, it is expected that substantial economic development will be stimulated in such tourism-related industries as transportation, hotels, restaurants, recreation, entertainment and retail sales establishments. Stimulation of these service industries will in turn promote the overall economic development of Puerto Rico, encourage private investment and development and provide new and enhanced employment opportunities, thereby providing significant benefits to the general welfare of the people of Puerto Rico.

In order to achieve the foregoing goals and to develop this important aspect of our tourism industry, the Legislature of Puerto Rico has, concurrently with this Act, enacted the Puerto Rico's Convention Center Authority Act, pursuant to which a major convention, trade and exhibition center will be developed.

The development of hotels, restaurants, retail and other commercial establishments is needed for the purpose of obtaining full occupancy and utilization of this major Convention Center by national and international conventions. In order to achieve all of the foregoing

purposes, The Americas' World Trade District is created by this Act, in which the Convention Center and all of the necessary facilities that will support the activities and events therein will be developed.

This Act also creates a Corporation that will be the entity responsible, by itself or through third parties, for improving, developing, managing and operating the property and improvements within the District, except for the Convention Center itself. The Corporation will, in addition, have the ability to finance all of the improvements to be developed within the District (except for the Convention Center) through the issuance of its Bonds and the imposition of Benefit Assessments against such owners or lessees of land within the District who benefit from the Convention Center and such other improvements.

It is in the public interest that The Americas' World Trade District be established and The Americas World Trade District Corporation be created as a mean of providing the services and facilities necessary to support the activities and events that will take place in the Convention Center in a timely, efficient, effective and responsive manner.

Be it enacted by the Legislature of Puerto Rico :

CHAPTER I. — GENERAL PROVISIONS.

Section 1.01. — Title. (23 L.P.R.A. § 6401 note)

This Act shall be known and may be cited as the “Puerto Rico Convention Center District Act.”

Section 1.02. — Rules of Interpretation. (23 L.P.R.A. § 6401 note)

The provisions of this Act shall be liberally construed for the purpose of promoting the development and effectuating the public policy stated in the Statement of Legislative Intent and for all others purposes provided herein.

Section 1.03(a). — [Transfers] (23 L.P.R.A. § 6401 note)

The rights, deeds, obligations and interests of the Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority on the José Miguel Agrelot Coliseum of Puerto Rico are hereby assigned, appropriated and transferred to the Convention Center District Authority.

Section 1.03(b). — Definitions. (23 L.P.R.A. § 6401)

The following words and terms, when used or referred to in this Act, shall have the meaning stated below, unless another meaning can be construed from the context:

(a) “Article” or “articles” — shall mean any object, artifact, goods or thing, introduced, sold, consumed, used, transferred or acquired in Puerto Rico, which is taxed pursuant to the

provisions of Subtitle B of Act No. 120 of October 31, 1994, as amended, known as the “Puerto Rico Internal Revenue Code of 1994.”

(b) “Authority” — shall mean the Puerto Rico Convention Center District Authority created pursuant to this Act.

(c) “Bond” or “bonds” — shall mean any bond, note, or other evidence of indebtedness issued or contracted by the Authority under the provisions of, and pursuant to this Act.

(d) “Charge for benefits” or “charges for benefits” — shall mean the fees that will be imposed by the Authority under Section 4.02 of this Act.

(e) “Center” — shall mean the Puerto Rico Convention Center to be developed and operated in the real property owned or leased by the Authority, or by the persons or entities designated thereby, and which shall be suitable for the following purposes and events: congresses, conventions, conferences, trade fairs, exhibitions, meetings, and other business, entertainment, social, cultural, historic, scientific and public interest events. The term Center shall include all the facilities, furnishings, fixtures and equipment necessary or incidental thereto, including, but not limited to meeting rooms, dining rooms, kitchens, ballrooms, reception and registration areas, and foyers for functions; loading areas for trucks (including access to said areas), access ways, common areas, lobbies, offices, restaurants, and other facilities for the sale of food, beverages, publications, souvenirs, novelties, office services and other convenience services, and any areas and facilities appurtenant thereto; also including, but not limited to other buildings, structures, or facilities to be used along with the above; parking facilities, streets, highways, pedestrian accesses, canals, fountains, public services; aqueduct, sewer, gas, electric and other utility services; security guard facilities; landscaping, infrastructure, storage facilities, hotels or other lodgings, or retail sales areas, and other improvements related to the Center that are owned or rented by or to the Authority for the convenience of the users thereof, and to produce revenues that will help defray any cost or expense related to the Center.

(f) “Internal Revenue Code of 1994” — shall mean Act No. 120 of October 31, 1994, as amended, known as the “Puerto Rico Internal Revenue Code of 1994.”

(g) “Costs” — shall mean the pre-construction and construction costs; cost of acquisition of all land, structures, rights of way, franchises, easements, and other proprietary rights and interests; cost of demolition, removal or relocation of any building or structure on the acquired land, including the cost for the acquisition of any property to which said buildings or structures may be transferred or relocated; cost of all labor, materials, machinery, equipment, personal and real property according to its use; financing fees and interest on all bonds prior to and during the construction and for such period as the Authority may reasonably determine is necessary to put the Center or any part thereof into operation; or improvement projects, projects on private parcels or the District; cost of engineering, financial, and legal advisors; blueprints, specifications, studies, measurements, costs and income estimates, and any other expenditures necessary or incidental to the determination of feasibility and desirability to build the Center, or any expansion thereto, improvement projects and projects in private parcels; fees for issuing letters of credit, bond guarantees, debt or insurance service for debt service reserves, bonds, or other similar instruments that increase credit capacity; administrative expenses, provision for working capital, reserves for the principal and the interest and for extensions, expansions, additions and improvements; any other expenses necessary or incidental to the development, the construction of the

Center, or any expansion thereof, or of the improvement projects, and projects on private parcels, or the financing of construction, and to put the Center and said projects into operation; the cost of creating and maintaining a reserve account for operating expenses and any other costs the Authority may deem appropriate for its corporate purposes and for complying with its corporate powers.

(h) “District” — shall mean the Puerto Rico Convention Center established in Section 1.04 of this Act.

(i) “Convention Center Fund” — shall mean the fund created as provided in Section 6.07 of this Act that shall be used by the Authority at its absolute discretion, pursuant to this Act.

(j) “Government of Puerto Rico” — shall mean the Commonwealth of Puerto Rico.

(k) “Occupancy Tax Revenues” — shall mean all revenues and funds, plus any related interest and penalties thereon, collected through the room occupancy tax, pursuant to Section 2051 of the Internal Revenue Code of 1994, that is deposited in a special account or other account to be used by the Authority for the benefit of the Center, pursuant to Section 2084 of said Code.

(l) “Board” — shall mean the Board of Directors of the Authority.

(m) “Authority Act” shall mean the Puerto Rico Convention Center District Authority Act.

(n) “Bureau” — shall mean the Puerto Rico Convention Bureau, the principal nonprofit organization devoted to the promotion of Puerto Rico as a destination for holding meetings and conventions.

(ñ) “Private parcel” — or “private parcels” shall mean any portion of the District designated by the Authority as a private parcel, that is sold, leased, subleased or otherwise transferred by the Authority to third parties for its development, construction, operation or administration, whether as a hotel, building or retail sales facility, office buildings or facilities, attractions, tourist, marine, recreational or entertainment facilities, restaurants, residences or any other use that is in accord with the purposes of this Act or the purposes of the District, and that shall benefit from the Center, from the improvement projects and from other projects in private parcels.

(o) “Improvement project” or “improvement projects” — shall mean any proposed development, improvement, infrastructure, facility, work, enterprise or service provided, constructed, operated, or maintained by the Authority or by third parties for the Authority or for the benefit of the District, the cost of which shall be financed by the Authority pursuant to the mechanisms provided in this Act.

An improvement project may include without being limited to, marine facilities, hotels, retail sales facilities and buildings, office facilities and buildings, tourist facilities, aqueduct, sewer, gas, electric power and other utilities, recreational facilities and other attractions, port facilities, highways, parking lots, canals, fountains, security facilities, landscaping, transportation facilities and equipment, public areas, educational facilities, restaurants, entertainment facilities, telecommunication facilities, security systems and any related services provided by the Authority or by third parties in benefit of the Authority and the District. The improvement projects shall comply with all applicable laws, regulations and ordinances of the Government of the Commonwealth of Puerto Rico and the municipalities, including, but without being limited to those related to land use, and the protection of the environment, except for any provision in this Act to the contrary. The improvement projects may be located within or outside the District, provided, that in the event the improvement is

located outside the District, the owner of the real property where it will be located must give his/her consent for it to be executed on his/her property.

Section 1.04. — Establishment of the District and the Puerto Rico Jose Miguel Agrelot Coliseum. (23 L.P.R.A. § 6402)

(a) For the purpose of supporting that the Center and the Coliseum be developed, administered, operated and maintained pursuant to this Act by the Authority, the Puerto Rico Convention Center District, is created and established within the geographical area that shall be delineated in a map which shall be kept in the corporate offices of the Authority. Said geographic area shall consist of all the real property now owned or hereinafter acquired by the Authority that is in harmony with the purposes of this Act (which may or may not be sold, leased, subleased, or otherwise transferred to third parties as a private parcel), but excluding all real property acquired or leased by the Authority and designated by it at the time of its acquisition or lease as property that shall not constitute a part of the District. Included as part of the Puerto Rico Convention Center District Authority is the area where the Isla Grande Airport, known as Aeropuerto Ribas Dominicci is located, and it shall be redesignated as Ribas Dominicci Executive Airport. The District shall also include the geographic area in which the Center shall be developed. After the effective date of this act, no portion of the District shall be exempted from the jurisdiction of the Authority.

(b) The installations that compose the "Puerto Rico Jose Miguel Agrelot Coliseum" are hereby attached to the Authority.

Section 1.05. — Creation of the Authority. (23 L.P.R.A. § 6403)

A corporate body politic is hereby created which will constitute a public corporation and government instrumentality with its own juridical personality, which shall be known as the “Puerto Rico Convention Center District Authority.”

Section 1.06. — General Purpose of the Authority. (23 L.P.R.A. § 6404)

Without limiting the general purpose of any other provision of this Act, the general purpose of the Authority shall be to possess, finance, acquire, dispose of, lease, sublease, sell, transfer, plan, design, develop, construct, operate, maintain, repair, replace, administer, market, improve and promote on its own or through a contract with third parties, the Center or any portion thereof, the private parcels and projects in the private parcels and any other project, or related or support service, and promote the development, construction, expansion, operation, administration, improvement and promotion of the Center, the private parcels and the projects in the private parcels, subject to the provisions of this Act.

CHAPTER II. — GOVERNING BOARD; POWERS AND DUTIES.

Section 2.01. — Composition of the Board. (23 L.P.R.A. § 6411)

The powers and duties of the Authority shall be exercised by a Board of Directors that shall be known as the Board of Directors of the Puerto Rico Convention Center District Authority, and which shall be composed and governed as provided below:

(a) **Composition of the Board.** — The Board shall be composed of the following nine (9) members: the Secretary of the Department of Economic Development and Commerce; the Executive Director of the Puerto Rico Tourism Company; the President of the Government Development Bank; an official, employee or member of the public sector of a board, commission, agency or authority or municipality of the Government of Puerto Rico with experience in the areas of hotels, tourism, planning, marketing, engineering, real estate or convention centers, who shall be appointed by the Governor of Puerto Rico with the advice and consent of the Senate, and three (3) representatives of the private sector with experience in the areas of hotels, tourism, planning, marketing, engineering, real estate or convention centers, one of whom shall represent the working sector of the Center, and two (2) representatives who shall be outstanding citizens in the sphere of sports, arts or culture, and shall be appointed by the Governor of Puerto Rico with the advice and consent of the Senate. The Secretary of the Department of Economic Development and Commerce shall be the Chairperson of the Board. The Vice Chairperson of the Board shall be the Executive Director of the Puerto Rico Tourism Company. However, no member of the private sector Board is allowed to participate, vote or be involved in any way (including, but without being limited, to receive information or attend Board meetings) in any matter related to the selection, negotiation, development, design or construction of private parcels.

Two (2) Executive Committees shall be formed as part of the Board; one to address matters related to the District and the other Committee to deal with matters related to the Jose Miguel Agrelot Coliseum of Puerto Rico. The Executive Committee of the District shall be composed of one (1) representative of the Government and two (2) representatives of the private sector. The Executive Committee of the Jose Miguel Agrelot Coliseum of Puerto Rico shall be composed of one (1) representative of the Government and the two (2) new representatives from the sports, arts or cultural sphere. These Executive Committees shall be the bodies that shall recommend the public policy of these two (2) facilities to the Board. The Board in full shall vote to approve the public policy recommended for each of these facilities.

(b) **Term of Office.** — The six (6) Board members appointed by the Governor of the Commonwealth of Puerto Rico, shall serve staggered six (6) year terms, with the exception of the first six (6) members appointed after the effective date of this Act. One of these members shall serve for a term of two (2) years and two (2) members shall serve for a term of three (3) years and two (2) members shall serve for a term of four (4) years as determined by the Governor as of the date of their appointment. The members of the private sector may be appointed to office for additional terms. The Secretary of Economic Development and Commerce, the Executive Director of the Tourism Company and the President of the Government Development Bank shall remain in office on the Board for the duration of their term in office that entitles them to be members thereof. Any vacancy created by resignation, death, disqualification, or removal of an appointed Board member shall be filled by the

Governor of Puerto Rico through the appointment of a successor Board member, within sixty (60) days as of the date on which the vacancy occurs, who shall serve for the remainder of the term of the replaced director.

(c) Compensation. — No member of the Board shall receive compensation for his/her services. The members of the Board, except those who are officials of the Government of the Commonwealth of Puerto Rico, shall receive per diems for each Board meeting they attend equal to the lesser of the per diems that the members of the Legislature receive when attending sessions or committee meetings.

(d) Quorum and voting. — A minimum of five (5) members of the Board shall constitute a quorum for purposes of holding any meeting of the Board and all actions of the Board shall be approved by an affirmative vote of the majority of the Board members that are present; Provided, however, That (1) regarding to those matters in which five (5) or six (6) members of the Board have some conflict of interest in a specific matter or material, pursuant to the provisions of subsection (g) of this section, a minimum of three (3) members shall constitute a quorum and all actions related to said matters must be approved by the affirmative vote of at least these three (3) members, who shall constitute a majority of the Board for such matters; and (2) in the event that seven (7) or more members of the Board have any conflict of interest in a particular matter or material, pursuant to subsection (g) of this section, the Authority shall not be authorized to participate in said specific matter or event.

It is further provided that it is a sine qua non requirement for the constitution of quorum in any of the abovementioned instances the attendance to the Board meetings of the President or the Vice-President.

(e) Executive Director. — The Board shall appoint an Executive Director who shall act as the Chief Executive Officer of the Authority for a term of six (6) years, renewable for additional terms and shall grant to him/her a compensation plan that shall be competitive with other jurisdictions where facilities are operated that are analogous to the Center, the District and the Coliseum. The Executive Director shall be in charge of the execution of the duties and powers that are delegated to him/her by the Board of the Authority, the general administration of the District and the Coliseum, and shall represent them in all acts and in the contracts that need to be granted in the practice of their functions and shall perform the duties and assume the responsibilities, powers and authority delegated by the Board. Likewise, by delegation of the Board, the Executive Director shall supervise all officials, employees, agents, contractors and subcontractors of the Authority. The Executive Director shall be selected based on his/her merits, to be determined taking into consideration the technical training, expertise, experience and other qualities that specifically enable him/her to execute the responsibilities imposed by this Act.

The duties of the Executive Director, shall be the following among others:

(1) To draft a Five-Year Strategic Plan according to the public policy established by this Act, which shall be submitted to the Board for its evaluation, recommendations and approval. (2) To represent the Authority in the granting of all necessary contracts; perform the duties and assume the responsibilities, powers and authority delegated to him/her by the Board of Directors.

(3) To evaluate work plans and submit reports to the Board, along with his/her recommendations for their approval or rejection.

(4) To coordinate the operation and proper administration of the Puerto Rico Jose Miguel Agrelot Coliseum and of the Center, respectively.

(5) To organize the operations and proper administration of the Puerto Rico Jose Miguel Agrelot Coliseum and of the Center, respectively, pursuant to the Administrative Organization Plan approved by the Board.

(6) To select the personnel deemed necessary to perform the functions of the Center and the Puerto Rico Jose Miguel Agrelot Coliseum and to appoint said personnel without being subject to Act No. 5 of October 14, 1975, as amended, known as the Puerto Rico Public Service Personnel Act, but subject to the rules and regulations adopted by the Board to such effects.

(7) To submit, for the approval of the Board, the regulations needed to achieve the purposes of this Act.

(8) To contract the professional, consulting and technical services that are needed to comply with the purposes of this Act, including the administration of the operations of the Puerto Rico Jose Miguel Agrelot Coliseum and the Convention Center.

(9) To prepare and submit for the approval of the Board, the operating expense budget thereof and to administer it.

(10) To keep a register and a complete, detailed accounting of all expenses, disbursements and income of the Puerto Rico Jose Miguel Agrelot Coliseum and the Convention Center, respectively, pursuant to applicable laws and regulations.

(11) To submit periodic reports to the Board of Directors of the work performed as provided by it in its Regulations.

(12) To perform any other function assigned by the Board.

(13) To designate the personnel needed to coordinate and supervise the contractors that provide services for the administration of operations and maintenance of the Puerto Rico Jose Miguel Agrelot Coliseum and the Convention Center.

(14) To designate an Executive Assistant Director to address matters related to the Coliseum, which shall be selected based on his/her merits which shall be determined taking into consideration his/her technical training, expertise and experience in this type of facilities.

(f) Liability of the members. — The members of the Board shall not be personally liable for the obligations of the Authority, and the rights of the creditors [of the Authority] shall be solely against of [sic] the Authority. The Authority, per se or by contract, shall defend the members of the Board, and shall compensate and hold harmless all the members of the Board, whether they are, or not, members thereof at the time of the claim, against and from any and all personal liabilities, acts, causes of action, and any and all claims that are made against said members for any act in good faith by them during the performance and within the scope of their work as members of the Board, pursuant to the provisions of this Act and any other applicable laws, except in cases of clear and proven gross negligence or illegal acts.

(g) Conflicts of interest. — No member of the Board shall participate in any decision or have access to any information pertaining to the matter or matters in which he/she has a personal or financial interest as such terms are defined hereinafter. For the purposes of this subsection, the term "financial interest" shall mean the direct or indirect entitlement, be it legal or in equity of an individual or a member of his family unit (as defined hereinafter), of (1) at least

ten percent (10%) of the issued stock of a corporation; (2) at least ten percent (10%) of the interest in any other entity, or (3) the ownership of enough shares or participation in an entity that grants said person effective control over the decisions of said entity.

The term "personal interest" shall mean any personal, family or business relation that could be construed as to affect the objectivity of a member of the Board. The term "family unit" shall mean the spouse of a person, his/her children, dependents or those persons that share his/her legal residence or whose financial affairs are under the de jure or de facto control of said person. The Authority may issue all rules, regulations or circular letters deemed necessary to implement the provisions of this subsection.

It is hereby prohibited for the company (or any of its affiliates) that at the time of the approval of this act is administering the Coliseum or the Center, respectively, and/or company (or affiliate) that administers the same in the future, if this were the case, to be promoter or producer of public events in the facilities of the Jose Miguel Agrelot Coliseum or the Center.

Section 2.02. — Specific Powers of the Authority. (23 L.P.R.A. § 6412)

The Authority shall have the following powers and rights:

- (a) Determine the symbol and logotype through which the Center and any other structure of the Authority shall be known, and at its sole discretion may modify, alter or change them from time to time, as deemed necessary, and to grant concessions, licenses, or any other type of agreement whereby the use of the name or rights on the name, symbols, and logotypes of the Center and any other structure of the Authority by third persons is authorized, without having to comply with any other legal requirement or applicable regulations.
- (b) Sue, be sued and defend itself in all courts that have jurisdiction over the Authority, the Center or the District.
- (c) Acquire by gift, purchase or otherwise hold, receive, lease, sublease and use any license, franchise or personal, real or mixed, tangible or intangible property, or any interest thereon, whether it is located in or outside of the District.
- (d) Sell, transfer, lease, sublease, cede, or otherwise dispose or transfer any of its personal, real or mixed, tangible or intangible property or any interest thereon, whether located in or outside of the District.
- (e) Enter into or execute contracts, agreements and other instruments, to carry out the purposes of this Act or any other provision of law.
- (f) Acquire, retain, develop, design, construct, improve, maintain, administer, operate, furnish, install, equip, repair, possess, lease or sublease the Center, the improvement projects, projects in private parcels, the District, or any part thereof, and enter into or execute contracts with any person, association, partnership, corporation, federal agency or public or municipal body of the Government of the Commonwealth of Puerto Rico, to develop, design, finance, construct, improve, maintain, promote, market, operate, administer, furnish, install, equip, replace and repair the Center, the improvement projects, projects in private parcels or the District, or any part thereof.
- (g) Draft and adopt regulations for the administration and regulation of its affairs, and promulgate rules, regulations and policies regarding the performance of its functions and duties.

(h) Make loans in order to finance the costs of the Center, the improvement projects and the projects in private parcels or the District, and comply with any of its corporate purposes and powers at the discretion of the Board; make and issue negotiable bonds of the Authority; secure the payment of said bonds or any part thereof, through the pledge, mortgage, assignment, trust indentures of the properties of the Authority located in or outside of the District, charges for benefits, occupancy tax revenues, other income, rents, fees, receipts, and any interest in contracts, leases or subleases; enter into any agreements with the buyers or holders of said bonds or with other persons with whom the authority has an obligation with regard to any bond, issued or to be issued, as the Authority deems advisable, which shall constitute contracts with said buyers or holders; obtain any asset which increases its capacity to borrow money, or for debt financing that will increase its liquidity with regard to any bonds, in the manner that the Authority deems beneficial; and, in general, provide collateral security for the payment of the bonds and the rights of the holders thereof.

(i) Pledge, mortgage, or otherwise encumber or assign any of its present or future personal, real or mixed, tangible or intangible properties, and its present and future revenues or receipts, including, but not limited to any interest in contracts, leases, subleases, or concessions, charges for benefits, and occupancy tax revenues, or other income.

(j) Procure insurance with such coverage, including, but not limited to insurance covering the timely payment in full of all the principal and interest on the bonds issued by the Authority, in the amounts, and from the insurers that the Authority deems are necessary or desirable for its purposes, and for the operation of the District and the Center.

(k) Invest its moneys pursuant to the regulations promulgated by the Government Development Bank for Puerto Rico for government entities, pursuant to Act No. 113 of August 3, 1995, as amended [7 L.P.R.A. §§ 1261 et seq.], or any successor provision of law.

(l) Appoint and hire all the officials, representatives, employees or managers that are required for the performance of its duties, fix and determine their qualifications, duties and remuneration, and retain or employ other agents or consultants, including, but not limited to architects, auditors, engineers, lawyers and private consultants, by contract or otherwise, to render and provide professional or technical services and advice.

(m) To appoint and hire an Executive Director, who shall be the chief executive officer of the Authority, who shall receive the compensation determined by the Board based on salary competitiveness studies for similar positions in other jurisdictions and shall serve according to the parameters established by the Board. The Executive Director shall be recruited on the basis of his/her experience, knowledge and administrative and management capacity in the public installations managerial area related to the tourism industry, such as convention centers, stadiums, arenas and others.

(n) To adopt, promulgate and put into effect such rules and regulations that are not in conflict with any other applicable laws, governing the use and operations of the Center, the District and the Puerto Rico Jose Miguel Agrelot Coliseum, their installations, buildings, equipment, the private parcels and improvements thereon, as well as the conduct of its employees and the public, in order to promote the public safety in and around the Center, the District and the Puerto Rico Jose Miguel Agrelot Coliseum, to maintain order, and improve the international image, reputation and projection of the tourist facilities in Puerto Rico.

The Board is hereby entrusted to adopt a preferential public policy toward Puerto Rican producers and promoters duly registered pursuant to the applicable laws of the Government

of Puerto Rico, with respect to engagements for the use of the Coliseum. Furthermore, the Board of Directors is entrusted to develop a definite preferential public policy for Puerto Rico professional sports team franchises (especially basketball and volleyball), to hold their respective Final Series and Championship games in the Puerto Rico Jose Miguel Agrelot Coliseum.

(o) Acquire, on behalf of the Authority, through purchase or otherwise, under the terms and in the form that the Authority deems appropriate, or through the exercise of the power of eminent domain, such land or rights on lands, public or private, rights of way, and other interests as deemed necessary or appropriate to carry out its purposes.

(p) Receive and accept concessions from any government agency for or in furtherance of the purposes of the Center or the District, receive and accept assistance or contributions from any source of money, properties, labor or other valuable considerations that are withheld, used and applied solely for the purposes for which said concessions and contributions are made.

(q) Fix, charge, collect, alter and receive payments of rents, fees, prices and other charges that every tenant, lessee, concessionaire, user, exhibitor, franchisee or vendor shall pay to the Authority for the use of the Center or of any private parcel, improvement project, or any other part of the District, for the sale of goods and services within the Center, and/or for the goods and services to be provided by the Authority with regard to such uses.

(r) Market and carry out other activities to promote the District, the Center, any improvement project, any private parcel, any project in any private parcel, and for any event or activity related to the Center, including, but not limited to, trade fairs, conventions, meetings, congresses, other tourist events and activities, and to contract with the Bureau or any other entity, with the purpose of promoting and marketing the Center, the District, any improvement project, any private parcel or project therein, trade fairs, conventions, meetings, other events, and tourism in the Commonwealth of Puerto Rico, and coordinate said marketing and promotional activities with the Puerto Rico Tourism Company, or any subsidiary of the Company thus designated, the Department of Economic Development and Commerce of Puerto Rico, the Bureau, or any person, agency of the Government of the Commonwealth of Puerto Rico, or entity under contract with the Authority for said purposes.

(s) Develop a comprehensive master plan and design criteria for the Center and the District and improvements to the Center and the District, and create, constitute, register and impose such conditions, restrictions, easements, and regulations for the development, use, maintenance and operation of the District and the Center, as necessary and convenient to ensure that the development, maintenance and operation is and continues to be in accord with the master plan; develop, use, administer, maintain, and operate the Center.

(t) Enter into contracts and agreements, including, but without being limited to sales contracts, leases, joint ventures and partnerships, as deemed necessary to induce third parties to develop, improve, operate and administer the private parcels within the District, according to any master plan, design criteria and the conditions and restrictions adopted and imposed by the Authority.

(u) Impose and collect charges for benefits, and impose and execute the tacit legal lien against the private parcels, which ensures the payment thereof for the purpose of financing in whole or in part, the costs of planning, developing, design, construction, expansion, acquisition, operation, marketing, repairs and maintenance of the Center or any part thereof, and to provide services to the Center or any part thereof, to the improvement projects, and

projects in the private parcels as applicable, or to guarantee or assure the reimbursement and payment of the loans issued for such purposes.

(v) Promote special events and activities within the District.

(w) Require, when deemed necessary by the Authority, that arrangements or contracts be made regarding the projects in private parcels with any municipality, local agency or other instrumentality of the Government of the Commonwealth of Puerto Rico for the planning, construction, opening, leveling and closing of streets, roads, alleys, or other places, or to provide public utility services or goods, or services related to any project within a private parcel.

(x) Facilitate, provide or contract for private security services to be furnished, and coordinate and contract with the Police Superintendent for the creation of a special division of the Puerto Rico Police, to be in charge of rendering security services in the Center and the District.

(y) Facilitate, provide or contract for transportation services within, to or from the District and the Center, as the Authority deems necessary or appropriate.

(z) Accept the assignment and assume all the obligations and contractual rights, as well as incurred debts, instruments in evidence of said debts and collateral instruments executed in relation to said debts, by the Puerto Rico Tourism Company related to the Center and the District prior to the appointment of the Board, and reimburse the Puerto Rico Tourism Company for any amount spent in relation to the Center and the District before the Authority commences its operations.

(aa) Prepare and file any applications required by the Department of the Treasury and other departments and agencies of the United States Government, for the establishing, operation and maintenance within the Center and the District, of a free port, foreign trade zones or sub-zones, or areas to receive foreign trade goods; expedite and promote foreign trade, and the management, processing and delivery of duty-free foreign trade goods; reach any agreement required by said departments or agencies in connection with said purpose, and execute everything that is necessary and appropriate to achieve the establishing, operation and maintenance of said area, port or zone.

(bb) Execute or enter into contracts with third parties for the performance and execution of any of its powers, rights and responsibilities.

(cc) Have full control and intervention over all of its properties and activities, including the power to determine the use and investment of its funds, including the occupancy tax revenues assigned pursuant to the provisions of Sections 2084 of the Internal Revenue Code, as amended, and the nature and necessity of all the expenditures and how they shall be incurred, authorized and paid, without taking into consideration any provision of law that regulates the disbursement of public funds. Said determination shall be final and binding.

(dd) Lend money from the proceeds of the sale of bonds or otherwise, with the purpose of financing the costs of the Center, the improvement projects and projects on private parcels, or in the District, and to further any of the purposes of the Authority; and to make and execute those financing and security contracts and documents needed to evidence such indebtedness, and to establish the terms and secure the payment thereof to the Authority and under such terms and conditions that the Authority may require in its sole discretion.

(ee) Sell or dispense, or allow others to sell or dispense alcoholic beverages to be consumed in the Center and the District, after obtaining the appropriate licenses.

(ff) Do whatever is necessary or convenient for the promotion of its purposes and the general welfare of the Center and the District, and to carry out the powers granted to the Authority by this Act or any other law.

Section 2.03. — Acquisition of Personal and Real Property. (23 L.P.R.A. § 6413)

In order to perform the functions and comply with the purposes of this Act, the Authority shall have the right to acquire real and personal property by purchase, exchange, donation, exercise of eminent domain, or by any other legal means available.

Section 2.04. — Eminent Domain. (23 L.P.R.A. § 6414)

The exercise of eminent domain, which power is granted to the Authority by this Act, shall be requested by the Board in the name and on behalf of the Authority for the acquisition, use, usufruct, lease of any right or interest in the real or personal property subject to expropriation.

Section 2.05. — Declaration of Public Utility. (23 L.P.R.A. § 6415)

To the ends and purposes provided by this Act, all works and projects that the Authority carries out, and all the real and personal property, and every right or interest in the property they are on, that is needed for the enunciated purposes, that are acquired through the exercise of eminent domain, are hereby declared of public utility, and said real and personal property and any rights or interest thereon may be expropriated without a prior declaration of public utility as foreseen in Section 2 of the Act of March 12, 1903, as amended, known as the “General Condemnation Act.”

Section 2.06. — Applicable Exercise of Eminent Domain. (23 L.P.R.A. § 6416)

The provisions of the General Condemnation Act of March 12, 1903, as amended, or any subsequent Act, are hereby extended and made available to the Authority, provided that said provisions are not incompatible with any other provision of this Act, and shall be applicable to the power of eminent domain granted to the Authority under this Act. In those cases that the legal dispute is circumscribed to the price or worth of the property that is subject to expropriation, and the requirements of Section 5(a) of the General Condemnation Act of March 12, 1903, as amended, or any subsequent provisions of law for the declaration of acquisition and material delivery of the property, the Authority shall comply with the requirement of obtaining a bond or placing a deposit that, in the opinion of the Court, shall be sufficient to cover the difference between the amount estimated by the Authority and the amount requested by the owner of the property that is subject to expropriation, as fair compensation, and to also cover any interest to which the owner of the property subject to expropriation is entitled.

CHAPTER III. - DEVELOPMENT AND ADMINISTRATION OF THE CENTER AND THE DISTRICT.

Section 3.01.—Development of the Center and the District. (23 L.P.R.A. § 6421)

For the purposes of the development, design, and construction of the Center, improvement projects and other projects on private parcels within the District, the Authority shall:

(a) Contract the services of planners, architects, engineers, and a construction crew, all of which shall be experienced in the planning, design or development of convention centers and other tourist-related facilities complementary to said centers, to develop the master plan and design criteria for the Center and the District. To execute the development of said master plan, the design criteria for the Center and the District, and the development of any real property located in the District, the Board of Directors of the Authority shall consult all the pertinent agencies and regulatory bodies.

(b) Promote, establish, and coordinate the planning, design and development of the Center and the District, all projects in private parcels and the improvement projects, including the creation, imposition, registration and administration of conditions and restrictions to ensure compliance with any master plan and design criteria adopted by the Authority, and that shall include a procedure whereby the Authority, or a committee appointed by the Authority, will review and approve the compliance of all the proposed improvement plans for all the private parcels with said conditions and restrictions, master plan and design criteria. The Authority may impose a charge for said review.”

Section 3.02. — Administration of the Center and the District. (23 L.P.R.A. § 6422)

(a) For purposes of the administration, operation and management of the Center, the Authority may, on its own or through the contracting of a private firm, administer, operate and manage the Center, in coordination with the sales and marketing efforts of the Bureau, including, but without being limited to the control of the reservations calendar of the Center, in coordination with the sales and marketing efforts of the Bureau, the programming of the use of the Center pursuant to the reservations policy of the Center, administration of the lease contracts with clients of and for the services provided in the Center, contracting of salespersons, purveyors and employees, and the promulgation of rules related to the use of the Center. The Authority or the management company, as applicable, shall subcontract, or provide the following services to the client:

(1) Promotion services, including but without being limited to generating press releases, developing client relations, communicating and delivering the norms and rules related to the use of the Center to potential clients and clients that have reserved the use of the Center, and the sale and promotion of the Center and its services.

(2) Operating services, including, but not limited to cleaning, repair and maintenance services, as well as all public utilities, mechanical services, telecommunications, technical and other similar services that are necessary or convenient to carry out the events in the Center.

(3) Food services, including, but not limited to providing food services for the events held in the Center, through concessions, restaurants, and other means.

(4) Private security services, including, but not limited to general security in the Center and in the events in the Center.

(5) Office and business services, including, but not limited to fiscal accounting, services related to the information systems, business center, human resources and services for exhibits.

(b) For purposes of the administration of the District, the Authority may contract a private management firm that shall be responsible for the administration of the District, including, but not limited to the marketing of private parcels and the projects thereon, as well as the District, the operation and maintenance thereof, the improvement projects and all the services provided by the Authority, and its fiscal administration.

CHAPTER IV. — BENEFIT ASSESSMENT.

Section 4.01. — Nature and use of Benefit Assessments. (23 L.P.R.A. § 6431)

(a) *Nature.* — Benefit assessments shall constitute a charge and a statutory tacit lien levied by the Authority on private parcels in proportion to the benefits or utilities received or to be received from improvement projects, projects on private parcels and the Center as applicable. The procedure to establish the amount of benefit assessments to be imposed on each private parcel shall be established through regulations.

(b) *Uses.* — The proceeds from the collection of the benefit assessments, or from bonds secured by the benefit assessments shall only be used to finance the operating and other expenses of the Authority, and the planning, development, construction, operation, repair, replacement, marketing, maintenance of the Center, and rendering of services to the same or to improvement projects, projects on private parcels and the District, as applicable.

Section 4.02. — Imposition of Benefit Assessments. (23 L.P.R.A. § 6432)

(a) *Benefit Assessments.*— The Board is hereby authorized to impose Assessments against one or more Private Parcels in the District that are particularly and substantially benefited by the Center or any portion thereof or expansion thereto, or by one or more Improvement Projects or projects on Private Parcels conducted or to be conducted in the District. The amount of the assessments to be imposed shall be based on the benefit or utility that each Private Parcel receives or shall receive from, or from the service or improvement thereto or from said Improvement Projects or projects on Private Parcels, as determined by the Board.

(b) *Adoption of Budget* — The Board shall, before the commencement of each fiscal year, prepare and adopt an annual budget of the foreseeable expenses for the following fiscal year of the Center and the District, and of the development, construction, maintenance, repair, replacement, renovation, expansion, marketing and operation by the Authority, the Center, the District and of designated Improvement Projects and improvements on Private Parcels. The annual budget may be amended by the Authority from time to time as necessary to cover any increase in expenses or additional expenses of the District or of the Authority, and to cover any increase in Benefit Assessments. The Annual budget shall include the following information:

- (1) A description of the Improvement Projects and improvements on Private Parcels, or expansions thereto, to be constructed;
- (2) The estimated cost of the Improvement Projects and improvements on Private Parcels, or expansions thereto, to be constructed and the estimated costs of the maintenance, repair, replacement, renovation, marketing and operation of Improvement Projects and improvements on Private Parcels, or portions thereof already in existence;
- (3) The total amount to be imposed and collected as Benefit Assessments.
- (4) The amount of Benefit Assessments to be imposed on every Private Parcel within the District; and
- (5) The description and the cost of improvements within the Center to be constructed, replaced or renovated and of the expense of the Center to be financed by the Benefit Assessments to be imposed.

(c) *Exemption from Payment of Benefit Assessments.*— Any portion of the District which is exempted from the payment of property taxes by virtue of a determination by a public entity or the Governor of the Commonwealth of Puerto Rico pursuant to any government incentives program shall not be exempted from the payment of Benefit Assessments. Any part of the property within the District owned by the Authority which has not been sold, leased or subleased or otherwise transferred by the Authority as a Private Parcel, shall be exempt from the payment of Benefit Assessments. Except as otherwise provided herein, no owner or lessee of a Private Parcel shall be exempt from the Benefit Assessments of the Improvement Projects, improvements on Private Parcels or the Center to be financed by said charges, by waiver of the use, or of the benefit received, or for abandonment of the Private Parcel so assessed.

(d) *Collection of Benefit Assessments.* — Upon adoption of the annual budget or any amendment thereto, the Board shall notify, levy and collect the Benefit Assessments from each owner or lessee of Private Parcels. The Benefit Assessments imposed against each Private Parcel shall be payable in equal monthly installments or as otherwise determined by the Board, on the first day of each month, or at such other times as determined by the Board. Any payments received by the Board after the tenth (10th) day of each month or after such other period of time as determined by the Board, shall be delinquent and the total amount of the Benefit Assessment shall thereafter be subject to a late payment fee and shall bear interest in an amount to be determined by the Board pursuant to the applicable law from the date due until paid. Any payment received by the Board shall be applied first to any interest accrued on the unpaid Benefit Assessment, then to any late payment fee imposed by the Board, then to any costs and attorney’s fees incurred by the Board in the collection process, and then to the payment of the delinquent Benefit Assessment. After the tenth (10th) day of each month, or after such other period of time as determined by the Board, the Authority shall demand from the delinquent owners or lessees of Private Parcels by certified mail with acknowledgment of receipt, the payment of all amounts then due to the Authority. If said owners or lessees fail to pay all delinquent amounts due by them within fifteen (15) days after the mailing of the Authority’s demand for payment, the Authority may demand payment of all amounts then due in court. The delinquent Benefit Assessments plus any penalties, interest and late payment fees may be judicially claimed pursuant to the provisions of Rule 60 of the Rules of Civil Procedure of 1979, as amended, or any successor provision of law, regardless of the amount of the delinquent Benefit Assessments.

In the event where the delinquent amounts are payable by a lessee of a Private Parcel owned by the Authority, or any part thereof, the Court may order such lessee to deposit in Court in favor of the Authority, all the rents, proceeds or products received by such lessee in relation to said Private Parcel, until the delinquent Benefit Assessments and any penalties, late payment fees or interest thereon have been totally satisfied.

(e) *Statutory Tacit Lien.*— The Benefit Assessments imposed on Private Parcels pursuant to the provisions of this Act shall constitute a statutory tacit lien on said Private Parcels, which shall have priority over any other liens on said property regardless of their nature, whether imposed upon it before or after the statutory tacit lien determined by the Benefit Assessments, except that it shall be subordinated to:

- (1) the fiscal lien that secures the payment of the delinquent tax debt transferred pursuant to Section 6 of Act No. 21 of June 20, 1997, as amended;
- (2) the lien for property tax imposed by Act No. 83 of August 30, 1991, as amended, known as the “Municipal Property Tax Act of 1991”, or any successor statute; and
- (3) any lien constituted before September 2, 2000.

The Benefit Assessment’s statutory tacit lien shall only guarantee the payment of the Benefit Assessments described in this Act pursuant to the applicable annual budget approved by the Board, as the same may be amended. The statutory tacit lien created hereby shall be in favor of the Authority and shall only guarantee the payment of all payable Benefit Assessments, any late payment fees, interest and all reasonable costs and expenses and attorney’s fees incurred by the Board incidental to the collection process.

(f) *Lump Sum Payment in Advance.*— Benefit Assessments may be in the discretion of the owner or lessee, paid in one lump sum in advance for the year for which it was imposed, and the Authority may grant, in return, the discount it deems appropriate as provided in its rules and regulations, which shall be uniform for all owners or lessees.

CHAPTER V. — ISSUANCE OF BONDS.

Section 5.01. — Authority; Terms and Conditions; Execution and Validity of Bonds; Uses of the Proceeds. (23 L.P.R.A. § 6441)

The Authority is hereby authorized to issue and sell its bonds from time to time for those amounts of principal, and under such terms and conditions that are needed, in the opinion of the Authority, to provide sufficient funds to finance the costs of the Center and the improvement projects and projects in private parcels or the District, and to promote any of its purposes and execute any of its powers. All the bonds issued by the Corporation shall be subject to the following:

(a) *Terms and Conditions of the Bonds.* — The Authority, through the adoption of a resolution or resolutions authorizing the issue of its bonds, shall determine or provide for the following: date or dates due; rate or rates of interest (that shall not exceed the maximum rate allowed by law); denominations; forms; series; conversion privileges; manner of execution; means, medium, source and place of repayment; guarantees; redemption terms, with or without premiums; acceleration; replacement of mutilated, destroyed, stolen or lost bonds; manner and terms of authentication; and all the other conditions and agreements that the Authority deems convenient with regard to the bond issue. The bonds may be sold at public

or private sale for the price or prices determined by the Authority. Notwithstanding their form and tenure, and in the absence of a provision on the face of the bond indicating that the bond is non-negotiable, all the bonds of the Authority shall be negotiable instruments at all times, for all purposes.

(b) *Execution and Validity of Bonds.* — The bonds bearing the signature of the officials of the Authority in office on the date of the signing thereof, shall constitute valid and binding obligations, even when before the delivery or payment of said bonds, any or all the officials whose signature or signatures by facsimile appear thereon, have ceased in their functions as officials of the Authority. The validity of the authorization and the issue of the bonds shall not depend or shall not be affected in any way by any procedure related to the project for which the bonds were issued or by any contract executed with regard to said project. Any resolution authorizing the bonds may provide that any such bonds may have a mention to the effect that it was issued pursuant to the provisions of this Chapter, and any bond that bears said mention shall be deemed conclusively valid and issued pursuant to the provisions of this Chapter. Temporary or interim bonds, receipts or certificates may be issued pending the execution and delivery of definitive bonds, in such form and containing such provisions as stated in said resolution or resolutions.

(c) *Use of the Proceeds of the Sale of Bonds.* — All proceeds from the sale of bonds shall be used for those purposes that are indicated in the resolution of the Authority authorizing their issue.

(d) *Pledge of the Corporation.* — Any pledge of the Authority shall be binding from the moment that it was made, and any funds or property thus pledged shall be subject to the lien of the pledge without the need of its actual delivery. The lien on the pledge of the Authority shall be binding on any party that has a claim for damages, contracts or other claims against the Authority, regardless of the fact they have been duly served. No instrument that creates the pledge shall have to be recorded in a registry to be effective against third parties.

(e) *Other Terms and Conditions.* — Any resolution adopted by the Authority that authorizes the issue of bonds or a trust agreement with the holders of the bonds, may contain any of the following provisions that shall be part of the contract with the holders of the bonds:

(1) on the disposition of a portion of, or all of the present or future gross or net revenues (including the charges for benefits of the Authority and the tacit legal lien securing the payment thereof) of the Authority or of the owners or leaseholders of projects in the private parcels financed under this Act, including the pledge of all or part of said revenues to secure or guarantee the payment of the bonds;

(2) on the pledge, lien, or mortgage of all or part of the revenues, rents or properties of the Authority or of projects on private parcels financed under this Act;

(3) on the establishing of reserves for the bonds or projects financed under this Act and the regulation and disposal thereof;

(4) on the limitations of the purposes for which the proceeds of the sale of any bond issue may be used;

(5) on the limitations regarding the issue of additional bonds;

(6) with regard to the procedure by which the terms of any resolution that authorizes the bond issue, any trust agreement or any other contract with the holders of bonds, may be amended or revoked, and with regard to the number of bonds whose holders must consent thereto and the manner that said consent may be given;

- (7) on any agreement prohibiting the pledging of all or any part of the present or future revenues or funds of the Authority;
- (8) on events of noncompliance and the terms and conditions under which the bonds should or can be declared due and payable before their maturity date, and with regard to the terms and conditions under which said statement and its consequences may be waived;
- (9) on the rights, remedies, liabilities, powers and obligations resulting from the breach by the Authority of any of its covenants, conditions or obligations;
- (10) on conferring on one or more trusts, the right to enforce any agreement made with regard to the bonds, and with regard to powers, duties and limitations of each trustee; and
- (11) on any other act or condition that may be necessary or convenient to secure the bonds, or that may make them more marketable.

Section 5.02. — Bonds for Projects on Private Parcels. (23 L.P.R.A. § 6442)

In addition to the improvement projects initiated by the Authority, any local agency or any person or entity may submit a proposal to the Authority for the financing, through the issue of bonds or otherwise, of a project or improvement within any of the private parcels, using the forms and following the instructions which may be prescribed by the Authority. Said proposal shall establish the type and location of the project or improvement and shall include any other information and data available to said person or agency that submits the proposal, and to the prospective debtor, if any. The Authority may conduct or cause such investigations, evaluations, studies, reports, and examinations to be conducted that may be necessary and desirable, in its judgment, to determine the feasibility and desirability of the project, the manner that the project will contribute to the safety, health and welfare of the District, and with respect to the prospective debtor, the experience, background, past and present financial situation, present and past debt service record, the integrity and capacity of the debtor and the debtor’s management team, the manner that the project of the prospective debtor satisfies the criteria and requirements of this Chapter, and any other factors that are deemed pertinent or convenient to ensure compliance with the purposes of this Act.

For the purpose of approving the bond issue for the financing or any project or improvement on private parcels as provided in this Section, the Authority shall be guided by and shall observe the following requirements and criteria; provided, however, that the determination of the Authority regarding the compliance of these criteria and requirements shall be final and conclusive:

- (a) The debtor, together with his guarantor, if any, of a project or improvements proposed under this Section, are financially responsible, fully capable and willing to fulfill their obligations under the proposed bond issue of the District, including the obligation to make payments in the amounts and on the dates required; to operate, repair, and maintain the project or improvements on their own account, pay the costs incurred by the Corporation with regard to the project or improvements, comply with the purposes of this Act and fulfill such other responsibilities that may be imposed pursuant to the applicable terms of the financing documents; and
- (b) Adequate provisions shall be made for the payment of the principal and interest on the bonds and the creation and maintenance of the reserves required for the payment thereof, if

any, as the Authority may determine, and to pay the costs incurred by the Authority in connection with the project or improvements.

Upon the Authority’s approval of the bond issue for the financing of a project or improvements pursuant to this Section, the Authority shall adopt a resolution to such effect that shall comply with all the other provisions of this Chapter, containing those other terms and conditions that are authorized in this Chapter. All bond issues under this Section shall be subject to and shall be in accordance with the other Sections in this Chapter.

Section 5.03. — Trust Agreement; Depository of the Proceeds of the Sale of Bonds. (23 L.P.R.A. § 6443)

At the discretion of the Authority, any bond issued under the provisions of this Act shall be secured by a trust agreement between the Authority and any bank or trust company, as provided hereinbelow, which may be a bank or trust company located in or outside of Puerto Rico. Notwithstanding any provision of law to the contrary, said trust agreement shall not have to be constituted by means of a public deed to be deemed a valid trust under the laws of the Government of the Commonwealth of Puerto Rico. It shall be legal for any bank or trust company incorporated under the laws of the Government of the Commonwealth of Puerto Rico, the United States of America or any State of the United States of America that acts as the depository of the proceeds of the bonds, revenues or other moneys, to provide those indemnity bonds or pledge those securities required by the Authority. In addition, the trust agreement shall contain all those provisions that the Authority deems are reasonable and proper for the protection of the bondholders.

Section 5.04. — Tax Exemption. (23 L.P.R.A. § 6444)

The bonds issued by the Authority and the revenues, interest or income derived thereby shall be exempt from all kinds of taxes or imposts of the Government of the Commonwealth of Puerto Rico, its agencies and municipalities.

Section 5.05. — Refunding Bonds. (23 L.P.R.A. § 6445)

The Authority is hereby authorized to issue refunding bonds with the purpose of refunding those bonds that are outstanding and pending payment at that time, or to refund any outstanding obligations issued for the purposes of the Authority. The refunding bonds may be sold or exchanged for outstanding bonds issued under this Act, and for other outstanding obligations, and if sold, the proceeds of said sale may be applied, in addition to any authorized purpose, to the purchase, redemption, payment or defeasance of said outstanding bonds or obligations in effect, and may be invested pending such application. The refunding bonds may be issued at the discretion of the Board, at any time on or before their date or dates of maturity, or the date selected for the redemption of the bonds or obligations that are being refunded.

Section 5.06. — Exclusion of responsibility of the Government of Puerto Rico for the payment of bonds. (23 L.P.R.A. § 6446)

The bonds issued by the Corporation do not constitute a debt of the Government of the Commonwealth of Puerto Rico or any of its political subdivisions, and neither the Government of the Commonwealth of Puerto Rico nor any of its political subdivisions shall be liable for them, and said bonds shall be payable solely from those funds that have been set aside for their payment.

The Authority shall not be deemed to be acting on behalf of, or that it has incurred any obligation to holders of any debt of the Government of the Commonwealth of Puerto Rico.

Section 5.07. — Personal Liability. (23 L.P.R.A. § 6447)

Neither the members of the Authority nor any person who executes the bonds shall be personally liable for said bonds.

Section 5.08. — Purchase of Outstanding Bonds. (23 L.P.R.A. § 6448)

The Authority is hereby authorized to purchase any outstanding bond issued, or obligation assumed by the Corporation with any of its funds available for such purpose, at a price that shall not be greater than the principal amount or their current refunding price plus the accrued interest.

Section 5.09. — Bonds as Legal Investments and as Security for Deposits. (23 L.P.R.A. § 6449)

The bonds of the Authority shall be legal investments and may be accepted as securities by any trustee, trust and public fund whose investment or deposit shall be under the authority and control of the Government of the Commonwealth of Puerto Rico or any official or officials thereof.”

Section 5.10. — Agreement between the Government of Puerto Rico and the bondholders. (23 L.P.R.A. § 6450)

The Government of the Commonwealth of Puerto Rico pledges and agrees with the holders of any bonds issued under this Act, and with those persons or entities that enter into contracts with the Authority pursuant to the provisions of this Act, that it shall not limit nor alter the rights hereby conferred to the Authority until those bonds and the interest thereon are paid in full and said contracts are fully executed and honored by the Authority; provided, however, that nothing provided herein shall affect or alter said limitation if adequate measures are provided by law for the protection of said bondholders, or of those who have entered into contracts with the Authority. The Authority, as an agent of the Government of the Commonwealth of Puerto Rico, is authorized to include this pledge on behalf of the Government of the Commonwealth of Puerto Rico on said bonds or contracts.

Section 5.11. — Approval of Bond Issue. (23 L.P.R.A. § 6450)

Prior to the issue of its bonds, the Authority shall request and obtain a resolution approving said issue from:

- (a) the Board of Directors of the Puerto Rico Tourism Company; and
- (b) the Board of Directors of the Government Development Bank for Puerto Rico; or
- (c) those committees that said Boards may designate for these purposes.

The Board of Directors of the Government Development Bank for Puerto Rico, or that committee designated by it, shall consider the following factors for the approval of said issue:

- (a) Whether the Corporation or the debtor, as pertinent, with its guarantor, if any, is financially responsible and is fully capable or willing to fulfill its obligations under the proposed bond issue, including its obligations to make payments in the amounts and on the dates required.
- (b) Whether adequate provisions shall be taken for the payment of principal and interest on the bonds, and to create and maintain the reserves required to such respect.
- (c) Whether, and to what extent, the bond issue will adversely affect bond issues or other pending obligations of the Government of the Commonwealth of Puerto Rico or any of its instrumentalities.

The Board of Directors of the Government Development Bank for Puerto Rico and the Board of Directors of the Puerto Rico Tourism Company shall establish, through regulations or a resolution, all the procedures and requirements that they deem are needed to authorize said issue.

CHAPTER VI. — MISCELLANEOUS.

Section 6.01. — Tax Exemption of the Authority. (23 L.P.R.A. § 6461)

It is hereby determined and stated that the purposes for which the Authority is created and for which it shall exercise its powers are public purposes for the general benefit of the People of Puerto Rico, the hospitality industry of Puerto Rico and the Commonwealth of Puerto Rico, and that the exercise of the faculties and the rights conferred under this Act constitute the performance of essential government functions. Therefore, the Authority shall be exempt from the payment of all taxes, excises, permits, tariffs, duties, costs and/or taxes on personal and real property levied by the Commonwealth of Puerto Rico or its municipalities on the properties of the Authority that have not been sold, leased, or otherwise transferred to third parties as private parcels, pursuant to this Act, including, but not limited to taxes on articles levied by Subtitle B of the Internal Revenue Code of 1994, including all the articles and construction materials to be used in projects of the Authority. To such effects, it is hereby expressly provided that the provisions of Section 2004A of Subtitle B of the Internal Revenue Code of 1994 shall not be applicable to the Authority or to any successor entity or instrumentality thereof. The Authority or its successor shall also be fully exempt from the payment of any taxes on income derived from any activity or enterprise of the Authority, and of the municipal excise taxes imposed pursuant to Act No. 113 of July 10, 1974, as amended, known as the “Municipal License Tax Act” In addition, the Authority or its successor and its

contractors or subcontractors shall be fully exempt from the municipal excise taxes on construction, levied by any municipal ordinance, pursuant to Act No. 81 of August 31, 1991, as amended, known as the “Autonomous Municipalities Act of the Commonwealth of Puerto Rico of 1991” The Authority shall also be exempted from the payment of all types of charges, internal revenue stamps and vouchers, fees or taxes required by law for judicial proceedings, the issue of certifications in all the offices and dependencies of the Commonwealth of Puerto Rico, and the granting of public or private documents of the Commonwealth of Puerto Rico. The contractors or subcontractors who perform work for the Authority shall determine their volume of business for the purposes of the municipal license fees, discounting the payments they are bound to pay to subcontractors under the primary contract with the Authority. The subcontractors that, in turn, use other subcontractors within the same project, shall also discount these payments from the determination of their volume of business. A contractor or subcontractor may discount the payments described in the above paragraph from their respective volume of business, only if said contractor or subcontractor certifies to the Executive Director that he/she did not include an item in the contract signed for the works or services to be rendered, equivalent to the municipal license resulting from the volume of business discounted according to this paragraph. Every contractor and subcontractor who performs work for the Authority shall file a copy of every contract related to said work within ten (10) calendar days from its execution, in the municipality or municipalities where said work shall be rendered, and shall provide the name, physical and mailing address, and employer number of every subcontractor. The Executive Director shall provide by regulations: the requirements and procedures to determine whether the contract thus signed complies with the provisions of this paragraph, including the filing of a copy thereof in the corresponding municipality or municipalities, and the penalties for noncompliance with the provisions of this paragraph.”

Section 6.03. — Tax Exemption of Private Parcels. (23 L.P.R.A. § 6462)

All owners, lessees, sublessees or concessionaires of private parcels or portions thereof shall be exempt from the payment of all kinds of charges, internal revenue stamps, fees, vouchers or taxes required by law for the execution of public documents and their presentation and recording in any public registry of the Government of Puerto Rico in relation to the sale, purchase, lease, financing, mortgage or other transfer of a private parcel or interest therein.

Section 6.03. — Tax Exemption of Articles; Prohibitions and Restrictions. (23 L.P.R.A. § 6463)

(a) *Exemption.* — Any person who introduces articles to Puerto Rico to be exhibited in this Center or in the authorized areas of the District pursuant to the provisions of subsection (d) of this Section, which are exempt from the payment of excise taxes pursuant to Section 2033(a)(1) of the Puerto Rico Internal Revenue Code of 1994, as amended, shall not have to post bond or any other guarantee of payment, and shall not have to pay the excise taxes or imposts provided in the Puerto Rico Internal Revenue Code of 1994, as amended, or any similar or successor law, at the time of their introduction to Puerto Rico.

(b) *Sale.* — No sale, assignment, exchange, or any other type of transfer in consideration may be carried out within the Center or in the authorized areas of the District pursuant to the provisions in subsection (d) of this Section, of the articles contemplated in subsection (a) above, which are to be used or distributed in Puerto Rico, unless said transaction has been authorized in writing by an authorized official of the Department of the Treasury.

Any person who purchases, acquires or receives an article introduced in Puerto Rico as part of an exhibition or fair, convention or group in the Center or in the authorized areas of the District, pursuant to the provisions of subsection (d) of this Section, without the prior authorization in writing of an authorized official of the Department of the Treasury, shall be jointly and severally liable before the Department of the Treasury along with the vendor or transferor of said article, for the unpaid amount of excise taxes and any applicable interest, surcharges and penalties.

(c) *Responsibility of the Authority.* — The Authority shall obtain a bond from a company authorized to issue bonds in the Commonwealth of Puerto Rico in favor of the Department of the Treasury to guarantee the payment of the taxes corresponding to the articles introduced to Puerto Rico under the provisions of subsection (a) of this Section, that are sold or assigned in contravention of the herein established, in the authorized areas of the District, whose amount, terms, and conditions shall be determined pursuant to the provisions of subsection (d) of this Section. Nothing of the herein provided shall be understood as an assumption of responsibility of, or that the Authority is responsible for the excise taxes or any other impost or duty that is owed with respect to the articles contemplated in subsection (a) above, beyond the total amount of the bond provided in subsection (d) of this Section.

(d) *Regulations.* — The Authority and the Department of the Treasury shall establish by regulations approved jointly, all the procedures they deem necessary and convenient for an adequate supervision of the introduction, custody and removal of the articles contemplated in subsection (a) above, from the areas of the Center and the District that are authorized for such purposes through said regulations. Said regulations shall include, without it being understood as a limitation, the following aspects: (1) the requirements to be met by the authorized areas in the District or the Center where the articles contemplated in subsection (a) above may be introduced; (2) designation of personnel of the Department of the Treasury in the authorized areas of the Center and the District; (3) notification to the owners of the articles contemplated in subsection (a) above, and to the public that attends the authorized areas of the Center or the District of the rules and penalties that apply to the sale or transfer of said articles in said areas; (4) custody, procedures and protocol to be followed to regulate the introduction and removal of said articles from the authorized areas of the Center or the District; and (5) the amount, terms and conditions of the bond contemplated in subsection (c) above.

Section 6.04. — Reports. (23 L.P.R.A. § 6464)

The Authority shall submit an annual report to the Governor of the Commonwealth of Puerto Rico, which shall include the following information:

(a) a report and financial statement of the business of the Authority during the preceding year;

- (b) a description of the contracts and transactions of the Authority during the preceding year; and
- (c) the status and progress of the financing and activities as of the date of the report.”

Section 6.05. — Exemption from Public Bidding Requirements. (23 L.P.R.A. § 6465)

The Authority shall be exempted from any requirement related to the public auction or bidding for the adjudication of construction, services, purchase, or any other type of contracts when it is necessary or convenient to comply with its purposes and as authorized by the Board in each case, through a resolution to such effect. Any of said resolutions shall establish the circumstances that justify the exemption of the Authority from the public bidding requirements. The Authority shall establish through regulations, all the rules and procedures that are needed for the adequate use of its funds and resources, which shall comply with the parameters of sound administration.

The Authority may use the construction methodology known as construction management, or construction manager, as constructor, or any variation thereof in the contracting for any of its construction projects. The Authority may issue all the regulations, rules, administrative rulings, or circular letters it deems necessary to implement the contracting of such contracting [sic] methodology and its uses.”

Section 6.06. — Contents of Deeds or Contracts. (23 L.P.R.A. § 6466)

Every contract, lease, deed of purchase, transfer or assignment of any portion of the property in the District shall explicitly establish that the buyer, lessee, assignee, or donee is aware of and cognizant, and shall fully comply with the provisions of this Act, the criteria of the charges for benefits to be imposed, any master plan and design criteria adopted or to be adopted by the Authority, and all the conditions and restrictions imposed on the District by the Authority. Said representation shall be printed in bold type in the contract, deed, lease or other transfer document.

Section 6.07. — Puerto Rico Convention Center Fund. (23 L.P.R.A. § 6467)

The Puerto Rico Convention Center Fund is hereby created to finance capital improvements to any improvement existing in the Center and for any future expansion thereof. The Authority shall deposit in the Convention Center Fund the charges for benefits and any available remaining income, after payment of interest and principal and the financing of all costs, expenses, and obligations related to the bonds issued by the Authority, debt service payments of the Authority, any reserves of the District maintained by the Authority, and all the administrative and operating costs of the Center, the Authority and the District.

Section 6.08. — Non-applicability of Act No. 75 and Act No. 21. (23 L.P.R.A. § 6468)

The provisions of Act No. 75 of June 24, 1964, as amended, and Act No. 21 of December 5, 1990, or of any successor statute shall not be applicable to any contract or agreement which the Authority is a party to.

Section 6.09. — Funds and Accounts; Accounting System. (23 L.P.R.A. § 6470)

The moneys of the Authority shall be deposited with recognized depositaries for the funds of the Commonwealth of Puerto Rico, but shall be kept in a separate account or accounts in the name of the Authority. Disbursements shall be made by it according to the budget regulations approved by the Board.

The Authority, in consultation with the Secretary of the Treasury, shall establish the accounting system required for the adequate control and statistical registration of all expenses and income belonging to or administered or controlled by the Authority. The accounts of the Authority shall be kept in such a form that they may appropriately be segregated, insofar as advisable, with regard to the different types of operations, projects, enterprises and activities of the Authority.

Section 6.10. — Transfer of Funds and Property Between the Authority and other Government and Municipal Bodies. (23 L.P.R.A. § 6471)

Notwithstanding any provision of law or regulations to the contrary, all agencies, departments, public corporations, instrumentalities, municipalities and any other political subdivisions of the Government of the Commonwealth of Puerto Rico are hereby authorized to cede or otherwise transfer to the Authority, upon its request, and under the terms and conditions that are deemed reasonable, any personal or real property or any interest or rights thereon (including, but without being limited to property already devoted to public use), that the Authority deems is necessary or convenient to perform any of its corporate purposes.

In addition to what is provided in the above paragraph, any procedure, transaction, agreement or contract, including, but not being understood as a limitation, the expropriation, acquisition, sale, lease, usufruct, surface rights, constitution of any easement, or any other transfer, alienation, or assignment of any personal or real property, or any rights thereon, in which the Authority is a party to, shall not be subject to the applicable provisions of: (a) Act No. 12 of December 10, 1975, as amended, or any successor act thereof; and (b) any other similar provision of law or regulations.

Section 6.11. — Regulations. (23 L.P.R.A. § 6472)

The Authority may formulate by any necessary means, as it deems necessary, operating and regulatory guidelines, for the best operation of the Center and the District. Likewise, the Board shall have the power to adopt, formulate, amend, and repeal rules and regulations when it deems it necessary, or when it is provided by law, to govern the norms of its activities and execute the powers and duties that are granted by this Act, subject to the provisions of Act No. 170 of August 12, 1988, as amended, known as the "Commonwealth of Puerto Rico Uniform Administrative Procedures Act".

Section 6.12. — Penalties. (23 L.P.R.A. § 6473)

Any violation to the provisions contained in the rules, regulations or administrative determinations promulgated by the Authority under this Act that is related to the safety of the District or the Center shall constitute a misdemeanor punishable with a fine not greater than one thousand (1,000) dollars, or the penalty of imprisonment for a term not greater than six (6) months, or both penalties at the discretion of the Court.

Any violation to the provisions contained in the rules, regulations or administrative determinations promulgated by the Authority under this Act that is not related to the safety of the District or the Center shall be sanctioned with an administrative fine of up to ten thousand (10,000) dollars, pursuant to the procedure established for these cases through the regulations adopted by the Authority.

Section 6.13. — Severability Clause. (23 L.P.R.A. § 6401 note)

If any provision of this Act were to be found unconstitutional, illegal or null by a competent court with jurisdiction, said finding shall not impair or invalidate the remaining provisions of this Act, and the effect of said finding shall be limited exclusively to the article, section, paragraph, subsection, clause or subclause found to be unconstitutional, illegal or null.

Section 6.14. — Provisional Measures. (23 L.P.R.A. § 6401 note)

The Board of Directors of the Puerto Rico Tourism Company is hereby conferred all the powers and duties that this Act confers to the Board of Directors of the Authority until the Board of Directors of the Authority is duly constituted. The Chairperson of the Board of Directors of the Authority shall promptly notify the Chairperson of the Board of Directors of the Puerto Rico Tourism Company and the Executive Director of the Puerto Rico Tourism Company that the Board of Directors of the Authority has been duly constituted.

Section 6.15. — Moneys and Accounts of the Puerto Rico "Jose Miguel Agrelot" Coliseum. (23 L.P.R.A. § 6475)

(a) *Definitions.* — The following words and terms when used or referred to in this Act, shall have the meaning indicated below unless the context clearly indicates otherwise. Present tenses also include the future, and the masculine gender also includes the feminine, except in cases that such an interpretation would be absurd. The singular mode includes the plural and the plural includes the singular.

(1) AFICA — Means the Puerto Rico Industrial, Tourist, Educational, Medical and Environmental Control Facilities Financing Authority, a legal entity and public corporation and instrumentality of the Commonwealth of Puerto Rico, duly constituted through Act No. 121, approved by the Legislature of the Commonwealth of Puerto Rico on June 27th, 1977, as amended [12 L.P.R.A. §§ 1251 et seq.].

(2) Authority — Means the Puerto Rico Convention Center District Authority, a public corporation and instrumentality of the Commonwealth of Puerto Rico, created by virtue

of Act No. 351, approved by the Legislature of the Commonwealth of Puerto Rico on September 2nd, 2000, as amended [23 L.P.R.A. §§ 6401 et seq.], or any subsidiary corporation of the Authority created to comply with the purposes envisioned herein for the Authority.

(3) Bank — Means the Government Development Bank for Puerto Rico.

(4) Bonds — Means the bonds, notes and other obligations of the Puerto Rico Convention Center District Authority or the Corporation issued to finance the Project.

(5) Loan Contract — Means the loan contract or loan contracts between the Bank and the Debtor related to the financing of the Project.

(6) Corporation — Means the Puerto Rico Public Financing Corporation, a subsidiary corporation of the Bank.

(7) Debtor — Means the Authority.

(8) Loan — Means the loan between the Bank and the Debtor under the loan contract.

(9) Obligations — Means the obligations of the Debtor under its notes, agreements or financing contracts granted in behalf of the Corporation with regard to the refinancing of the loan and the financing of the undisbursed portion. In the event that the Authority is the issuer of the bonds, the term obligations means the bonds.

(10) Other Payment Obligations — Means the payments required pursuant to agreements of interest rate changes or agreements contracted with regard to the bonds, including liquidation payments, payments to credit purveyors or of liquidity issued with regard to the bonds, redemption fees payable with respect to the bonds, and any other payment required under the bonds or pursuant to any other trust agreement or contract related to the bonds that the Debtor is bound to pay pursuant to an agreement with the Corporation, or for any other reason.

(11) Undisbursed Portion — Means the undisbursed portion of the loan.

(12) Project Means the development, construction, acquisition of equipment and furnishings of a new enclosed multiuse stadium to be located in San Juan, Puerto Rico;

(b) *Payment of the Financing and the Public Debt of the Coliseum:*

(1) The Commonwealth of Puerto Rico shall honor the payment of the principal and interest of the obligations and the payment of the other obligations for payment incurred by the debtor upon refinancing the balance of the loan and financing the undisbursed portion, including the payment of the amount added to the principal of the obligations for transactional expenses and the cost of the bond issue, plus the amounts deposited in any reserve account securing the bonds, by means of budget appropriations approved by the Legislature for the operating budgets of each of the next thirty (30) fiscal years, commencing in fiscal year 2005-2006. For this purpose, the Director of the Office of Management and Budget shall include in each of the operating budgets of the Commonwealth of Puerto Rico submitted annually by the Governor of Puerto Rico to the Legislature, the amounts needed to meet the annual payment of the principal and interest of the obligations and to defray the other payment obligations during the next thirty (30) fiscal years, commencing in fiscal year 2005-2006 and ending in fiscal year 2035-2036. The budget appropriations authorized in this Act shall be used exclusively for the payment of the principal and interest of the obligations and to pay the other payment obligations, and for any other related expense, and shall not be used for any other purpose, nor shall they be subject to claims by any other creditors of the debtor.

The principal amount of the obligations, excluding any reserve covered with the monies generated by the Bonds, shall not exceed two hundred million dollars (\$200,000,000). The obligations shall be payable no later than August 1st, 2036.

(2) The Secretary of the Treasury shall deposit the funds appropriated under this section annually on or before July 15th of each year on each of the years referred to in clause (1) of this subsection into a special account in the Government Development Bank, or any other banking entity acting as trustee of the bonds. If necessary, the Secretary of the Treasury may advance those amounts necessary to defray the principal and interest of the obligations and the payment of the other payment obligations from any available funds.

(3) The Authority shall deposit the annual net profits resulting from the operation of the Coliseum into a separate account to be used for unforeseen repairs or replacements, expenses authorized by the Board, and transfers to the Department of the Treasury for the repayment of the bonds, as provided in this section. No later than ninety (90) days from the end date of the financial statement of the operations of the Coliseum and once the balance of said account reaches or accumulates the amount of five hundred thousand dollars (\$500,000), the Authority shall remit to the Department of the Treasury the net profits in excess of five hundred thousand dollars (\$500,000) generated by said operation during the corresponding fiscal year. The stated amount of five hundred thousand dollars (\$500,000) or a lesser amount resulting before the account reaches or accrues said balance, shall be withheld in the account as a reserve for unforeseen repairs or replacements or expenses authorized by the Board. No later than ninety (90) days from the end date of the financial statement of the operations of the Coliseum, corresponding to each fiscal year subsequent to the fiscal year in which the balance of the account reaches the amount of five hundred thousand dollars (\$500,000), and until the year 2036, the Authority shall remit to the Department of the Treasury the net profits generated by said operations during the corresponding fiscal year, after retaining in the account the amount needed to replace any amount that may have been used from the five hundred thousand dollars (\$500,000) reserve so that at the beginning of each new fiscal year, the balance of the account shall not be less than five hundred thousand dollars (\$500,000). This five hundred thousand dollars (\$500,000) reserve shall be in addition to any reserve required by any contract for the administration of the Coliseum or related to the bond issue. The amounts remitted by the Authority to the Department of the Treasury shall be used for the repayment of the bonds. The Department of the Treasury shall cover any operational deficiency of the Coliseum.

Section 6.16. — Effective Date. — This Act shall become effective immediately upon its approval.

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