



RULES AND REGULATIONS

Puerto Rico Ports Authority Facilities Lease and Use Policy

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LAND AND AIRPORT FACILITIES LEASE POLICY

RULE 1. TITLE

- A. The rules and regulations established herein shall be known as the “Rules and Regulations: Land, Ports and Airport Facilities Use and Lease Policy”.

RULE 2. INTRODUCTION

- A. This regulations establish the parameters for the rights to use and/or lease of all property belonging to the Puerto Rico Ports Authority including, land, maritime and airport facilities as well as the privilege of offering goods and services to maritime and airport users. The Authority will safeguard and preserve compliance with federal obligations in all agreements and permits.
- B. This Regulations outlines the process to be used by the Puerto Rico Ports Authority to establish and adjust the rents, fees and other charges associated with the lease, occupation and/or use of the property, structures, facilities, infrastructure, estate and land within airports and adjoining territories owned by the Authority.
- C. The Authority owns the below listed airport facilities and/or airports:
1. Luis Muñoz Marín International Airport in Isla Verde¹(SJU)
 2. Rafael Hernández International Airport in Aguadilla (BQN)
 3. Antonio (Nery) Juarbe Airport in Arecibo (ABO)
 4. José Aponte de la Torre Airport, in Ceiba (RVR)
 5. Benjamín Rivera Noriega Airport in Culebra (CPX)
 6. Humacao Airport
 7. Fernando L. Ribas Dominicci Airport in Isla Grande (SIG)
 8. Eugenio María de Hostos Airport in Mayagüez (MAZ)
 9. Fajardo Airport
 10. Mercedita Airport in Ponce (PSE)
 11. Antonio Rivera Rodríguez Airport in Vieques (VQS)
 12. Patillas Airport
 13. Santa Isabel Airport

¹ The Luis Muñoz Marín International Airport (LMM) is participating in the FAA’s Airport Privatization Pilot Program. The airport is owned by the Authority but is being operated by a private entity through a Public-Private Partnership. Therefore, these rules and regulations only apply to the land and facilities that remain under the control of the Authority.

The Airports listed in subsection “A” of Rule Number 2, include all real estate, structures, facilities, infrastructure, and grounds, identified in the “Airport Layout Plan” of each Airport.

D. The Authority owns the below listed of maritime facilities, terminals, piers and/or docks:

1. Piers 1, 3, 4, 9, 10, 11, 12, 13 and 14 in San Juan
2. Navy Front Pier
3. Panamerican Dock I and II in Isla Grande
4. Arecibo Pier
5. Guanica Pier
6. Guayama Pier
7. Guayanilla Pier
8. Yabucoa Pier
9. Piers 15 and 16 in Miramar
10. Piers in Puerto Nuevo

E. The Authority currently owns other facilities, structures, infrastructure and properties that may be available for lease and may acquire additional facilities and properties in the future that could also be made available for lease.

RULE 3. LEGAL BASIS

A. The legal basis of these regulations is Public Law No. 125 of May 7, 1942, as amended, known as the Puerto Rico Ports Authority Act, the provisions contained in Public Law No. 170 of August 12, 1988, known as the Commonwealth Of Puerto Rico Uniform Procedure Administrative Act; Regulations 4034, Regulations to Regulate de Adjudication Procedures of the Puerto Rico Ports Authority of October 13, 1989; and Regulations 5281 of August 3, 1995, Regulations for Filing and Publishing of Regulations at the Department of State and amended by Regulations 6337 of August 8, 2001 pursuant to the Commonwealth of Puerto Rico Uniform Procedure Administrative Act of February 7, 1989.

B. The Authority is responsible for safeguarding, to regulate and to comply with all guidelines and regulations imposed for the proficient operation of its facilities, including the Federal Aviation Administration (FAA), Federal Maritime Commission (FMC), Food and Drug Administration (FDA), Transportation Security Administration (TSA), US Department of Agriculture (USDA), US Customs & Borders Protection (USCBP), and the US Coast Guard (USCG).

RULE 4. PURPOSE AND APPLICATION

- A. The Authority may impose rules, regulations, fees and charges to ensure that its finances are as self-sustaining as possible. This Regulation is intended to establish standards, rights and privileges for the use and lease of the facilities described in Article 2, clearly defining: lease rates of terminal, airfield, dockage, parking, land facilities, security deposits, and proposal submission and complying with the requirement of public accountability in cases where they are applicable.
- B. As a general rule, rents, fees and charges, cannot be discriminatory. This regulation applies to all carriers, aircraft owners, passenger and cargo vessel owners, tenants, concessions, independent operators and any authorized user. Fuel suppliers, distributors and dispatchers will also refer to the Authority's specific norms and procedures regarding fuel charge, distribution and storage.
- C. No entity may occupy land, facilities or perform physical alterations there to unless the entity has an authorization or contract with the Authority or such entity has a sublease agreement or contract approved by the Authority with other entity authorized by the Authority.
- D. No entity may carry out commercial activities on Authority premises unless the entity has a use agreement or contract with the Authority to authorize it.
- E. The Authority reserves the right to designate specific areas of airport or maritime facilities, or any other facility, where commercial and noncommercial activities may or may not take place.
- F. The right to use the airports, their land, infrastructure, structures, rights of way and/or improvements, besides those exclusively leased to an entity, is not exclusive.

RULE 5. DEFINITIONS

Air Carrier - According to 14 CFR 1.111, a person who undertakes directly by lease, or other arrangement, to engage in air transportation.

Aircraft - A device that is used or intended to be used for flight in the air such as, but not limited to, an airplane or helicopter.

Airline - Entity that is engaged in the transport of passengers, cargo, or animals using an airplane or fleet of airplanes.

Airport or Airport Facility - An area of land or water that is used or intended to be used, for aircraft takeoff and landing. It includes any areas used, or intended to be used, for airport buildings, commercial spaces, or other airport facilities, together with all airport adjoining

buildings and facilities located thereon, which can be leased under the statutes of the Federal Aviation Administration (FAA), the Authority and the Commonwealth of Puerto Rico.

Airport Layout Plan or "ALP"- an FAA-approved plan for a specific airport that depicts location of existing and proposed airport facilities and structures, boundaries and proposed additions to all areas owned or controlled by the Authority for airport purposes as well as the location of existing and proposed non-aviation areas and improvements.

Airport Sponsor - a public agency with control of a public-use airport, in this case, the Puerto Rico Ports Authority (PRPA).

Airport Sponsor Assurances² - shall be complied with in the performance of grant agreements for airport development, airport planning, and noise compatibility program grants for airport sponsors.

AOA/SIDA – AOA (*Air Operations Area*) a portion of an airport, specified in the airport security program, in which security measures specified in Title 49 of the Code of Federal Regulations are carried out. This area includes aircraft movement areas, aircraft parking areas, loading ramps, and safety areas, for use by aircraft regulated under 49 CFR parts 1542, 1544, and 1546, and any adjacent areas (such as general aviation areas) that are not separated by adequate security systems, measures, or procedures. This area does not include the secured area. **SIDA** (*Security Identification Display Area*) means a portion of an airport, specified in the airport security program, in which security measures specified in Title 49 of the Code of Federal Regulations are carried out. This area includes the secured area and may include other areas of the airport.

Applicant – person or business entity interested in the lease of land and/or airport facility. For purpose of this Regulation, may also be named Proponent or Client.

Authority (PRPA) – Commonwealth of Puerto Rico's Ports Authority.

Authorized User - entity authorized to operate, manage and administer their services or products using port assets of the Authority without use agreement. This applies exclusively to special event participants, specialized services without contract and unscheduled aircraft operations.

Base Rent – an amount that is used as a minimum rent, providing for rent increases over the term of the lease agreement.

Bureau of Aviation – division within the Puerto Rico Ports Authority that directly ensures regulatory compliance and operates the airports.

Bureau of Maritime Affairs - division within the Puerto Rico Ports Authority that directly ensures regulatory compliance and operates the maritime terminals, seaports and piers property of the Authority.

Commercial Activity – Any transfer of goods, operation, or service performed for benefit, either direct or indirect which is conducted on or based at the Airport, excepting those activities specifically designated herein as noncommercial activities.

Commercial Business or Concession- contract leasing or use whereby the APPR gives companies or individuals right to provide commercial activity, sell, provide, manage, and administer their services or products using agreed assets of the Authority and is willing and able to assume the airport's obligations rates, fees, rentals, rules, regulations and conditions.

Concession fee – amount paid to the Authority by concessions determined by a percentage of the gross sales income after the IVU is deducted.

Director – Executive Director of the Puerto Rico Ports Authority

Fixed-Base Operator (FBO) - commercial business granted the right by the airport owner and/or administrator to operate on an airport and provide aeronautical services such as fueling, hangaring, tie-down and parking, aircraft rental, aircraft maintenance, flight instruction, etc.

Force Majeure – an unexpected and destructive event that may operate to excuse a party from a contract.

Lease agreement – a contract by which one party conveys land and/or property to another for a specified time, usually in return for a periodic payment

Lessee – business or entity who receives the right from the Authority to lease airport or adjoining land property and is willing and able to assume the airport's obligations rates, fees, rentals, rules, regulations and conditions.

Nominal investment – applies to all portable or temporary type construction or improvements that require three (3) years or less to amortize in accordance with accepted IRS standards.

Noncommercial Activity – Any activity which does not involve the providing of goods or services for compensation. This includes the lawful use and maintenance of an aircraft by its registered owner(s).

Ocean Common Carrier – a vessel-operating common carrier.

Passenger Ship Operator or Cruise Line - transport passengers from one point to another, rather than on round trips

Proposal – document that contains an offer from a current or potential lessee or user with all the necessary information necessary to evaluate the proposition.

Proposal Deposit – money that the Authority requires an Proponent to pay, to be kept separately in a fund, that guarantees the terms and conditions of the proposal.

Rate – a charge based upon a market value study and/or appraisal from which the Authority will establish the fee for the use and lease agreement.

Recuperation or Residual Value – the estimated fair value of the leased asset at the end of the lease term.

Rent – rental amount stipulated in the lease agreement.

Security Deposit – money aside from the payment of rent that a lesser requires a lessee to pay to be kept separately in a fund for use should the lessee cause damage to the premises or otherwise violate terms of the lease.

Specialized Aviation Service Operations (SASO) - single-service providers or special FBO's performing less than full services. These types of companies differ from a full service FBO in that they typically offer only a specialized aeronautical service such as aircraft sales, flight training, aircraft maintenance, or avionics services for example.

RULE 6. GENERAL PROVISIONS, PRIVILEGES AND RIGHTS

- A. Anyone interested in using or leasing any property as well as its adjoining land pertaining to the Authority must submit a written communication to the Authority as per Rule 9 and 10.
- B. In addition to submitting a proposal, the Applicant or Client, must submit any relevant information as required by the Authority to evaluate the proposal.
- C. The terms and conditions of any contract will be negotiated by the Authority in accordance with the provisions of these regulations.
- D. The Authority may reject any proposal that does not provide the Authority with all the necessary information for a thorough evaluation of the costs and benefits of leasing of facilities and/or land. In addition, a proposal may be rejected based on reasonable criteria established by the Authority.
- E. At the discretion of the Authority, rather than reject a proposal, the Authority may request additional information from the Applicant or Client, and if this is provided, the proposal will continue to be analyzed.

- F. If the Authority and the Applicant or Client cannot reach agreement by negotiation, the Authority is not required to rent the land, facilities and/or improvements to the Applicant or Client.
- G. The Authority may, as its sole discretion, request proposals ("Request for proposals" - RFP) for competitive proposals from organizations interested in obtaining a lease on land or airport facilities in accordance with the regulations of the Authority as per its Regulations #7496, Regulations for Bids and Proposal Requests, or any other that apply.
- H. Any entity seeking to obtain a lease must demonstrate the immediate need to lease the entire lot or the entire facility or improvement and that will be used immediately.
- I. The lessee leased areas shall be developed according to the periods, specifications, objectives and other conditions outlined in the lease (if agreed to make improvements to facilities).
- J. The construction of the improvements, authorized by the Authority, should begin within the first six (6) months of the contract and an occupancy permit must be obtained within the first twelve (12) months following the date on which the contract takes effect, unless the contract specifies otherwise. Before any construction work begins, the lessee shall request and coordinate an amendment to the Airport Layout Plan (ALP), if required, and/or submit scope of improvements, cost estimate, drawings or schematics, depending on the nature of the construction, construction permits, environmental assessment and an analysis of the effects in the operation with the Division of Engineering and Planning of the Authority. After the initial submittal and as deemed required by PRPA Division of Engineering and Planning additional information can be requested, which may include FAA request for endorsement and approval. It will be the responsibility of the lessee to obtain all the required permits for the improvements upon receiving PRPA Engineering and Planning approval and endorsement.
- K. It will be the responsibility of the lessee to maintain up to date all permits that require renewal.
- L. In the event that the Authority and the lessee decide to deviate from the terms, provisions, specifications and other contract conditions, a revised contract must be signed by both parties.
- M. The Authority, in its discretion, may enter into a new agreement or renew an existing one for any improvements at any facility.

- N. Rates may vary with the assessment or reassessment of any Authority property. These adjusted rates shall apply to every Applicant, authorized user, tenant or concession public or private.

RULE 7. LAND AND FACILITIES LEASING PROCEDURE

A. General

1. The Authority may obtain a market value study for the land and/or facility of its property prepared by an independent licensed and/or authorized professional, contracted by the Authority to that effect. The study will be used by the Authority as a reference of the minimum acceptable rental price for the property.
2. The Authority lease agreements will reflect a grant of either of the following three rights or privileges.
 - a. The right for the lessee to use the airfield, public airport and pier facilities in common with others so authorized.
 - b. The right to occupy as a lessee and to use certain designated premises exclusively.
 - c. The commercial privilege to offer goods and services.
3. The Authority will evaluate applications and proposals, in a confidential matter, and reserves the right to disapprove any proposal for reasons that include but are not limited to the following:
 - a. Not Qualified
 - b. Safety Hazard
 - c. Availability of space
 - d. Noncompliance with Airport Layout Plan or Master Plan
 - e. History of violations of the Authority, Commonwealth and federal regulations
 - f. Defaulted performance
 - g. Poor credit report
 - h. Lack of finances
 - i. Ecological considerations

B. Lessee Eligibility

1. An Applicant, Proponent or Client, will be eligible to lease real estate from the Authority if:
 - a. It has a valid certification as an air carrier.
 - b. All aircrafts under its property have valid registration.

- c. All vessels under its property have valid registration and/or if applicable have the Department of Natural Resources and Environment evidence for required registration.
 - d. Possesses responsibility and financial capacity to meet the payment of the property rental fee. The responsibility and financial capacity will be verified beforehand by the Authority with the decision made by the Credit and Collections Section.
 2. Applicant must submit: 2-year projected balance sheet, projected income statement, projected cash flow, bank statements and bank references.
 - a. The Applicant, Proponent or Client is a corporation, duly incorporated, organized and authorized to do business in Puerto Rico, complying with all laws and regulations applicable to the type of entity.
 - b. Certifies and ensures that, at the time of signing the contract, he/she has paid his/her tax return for the past five (5) years prior to the contract and does not owe taxes to the Commonwealth of Puerto Rico or the Center for Municipal Revenue Collection (CRIM), or instead, he/she has a payment plan.
 - c. Certifies and ensures that at the time of signing the contract, he/she has paid contributions for unemployment insurance, temporary disability and/ or social insurance for Motor Vehicle Operators if applicable, or instead, he/she has a payment plan.
 - d. The Applicant, Proponent or Client is not an officer or employee of the Authority, nor an immediate family member or agent thereof.
 - e. The Applicant, Proponent or Client complies with the 2011 Governmental Ethics Act, Act No. 1-2012, as amended.
 - f. The Applicant, Proponent, Client and/or any subsidiary has no past due debt with the Authority.
 - g. The Applicant, Proponent or Client shall carry public liability insurance with insurance companies authorized to do business in Puerto Rico and acceptable to the Authority and shall contain Fire Damage and Property Damage Legal Liability endorsements.
 3. Meets any insurance or other requirement established by the Authority or Commonwealth.

4. Intentionally omitting information or knowingly submitting false information on the Application or Proposal required by the Authority will automatically result in the forfeit of any contracting process.

C. Sublease (Subletting)

1. A Lessee shall not sublet land or facilities to another entity.
 - a. In case of significant necessity, the Lessee must justify the need to the Authority and sublease contracts must be approved in writing by the Authority.
 - b. The sublets must undergo the same evaluation process as a new lessee, proponent or applicant and comply with all rules regulations as well as any applicable rates and tariffs.
 - c. Sublets operation must to be directly related to the use approved for the Lease Contract.
 - d. The terms and conditions of the contract between the Authority and the lessee on any Authority property and/or improvements also apply to sublets, unless the contract specifies otherwise.
 - e. The lessee (lessee) shall pay to the Authority not less than 10% of the total amount billed to the sublet under the sublease. This payment shall be made together with the monthly rental payment by the lessee. The
 - f. Any sublease that is not authorized, contrary or irregular to the requirements, procedures and specifications established in these regulations shall be annulled and penalized as per Rule 14.

D. Transfer of interest

1. A lessee cannot mortgage, pledge, assign as collateral or, in any way, transfer or dispose of land, airport or maritime facilities or improvements that are being leased by the lessee without prior written approval of the Authority.

E. Terms

1. All new and renewal contract terms for the use of any Authority building, terminal or hangar and which do not involve more than a nominal investment on the part of the lessee will be of a maximum of five (5) years.
2. Agreements shall be of sufficient length to permit lessee making a substantial capital investment to amortize the capital investment over the term of the agreement. In the cases

- where the amount of capital invested by the lessee on leased premises or business require the Authority's Board of Directors consideration it shall not exceed twenty (20) years.
3. The Applicant, Proponent, Client, or lessee shall accept the Property as is.
 4. A property lease under these Regulations shall be subject to the terms and conditions that the Authority understands ensure the best use of the property and compliance with the goals and objectives established by the laws and regulations of the Authority and the Commonwealth of Puerto Rico.
 5. Any improvement of airport or maritime facilities must begin within a period of six (6) calendar months from the date on which the contract takes effect.
 - a. From the date the agreement enters into effect, the lessee must pay all rent and fees to the Authority.
 - b. The monthly rental payment will be made within the first five (5) calendar days of the month.

F. Security Deposits

1. A Security Deposit will be determined by the Credit Committee.
2. The lessee shall make payment at the contract signing date. The payment shall be provided by certified check payable to the Authority. No cash will be accepted. Failure to comply with the above requirement will result on the cancellation of the negotiation.
3. The security deposit is charged to the new lessee to ensure that the property is returned in good physical condition and that the lessee complies with the terms of the lease. This deposit is returned to the lessee at the end of the lease term or period provided leased properties are in the same condition as they were before the lease period. If there is any damage to the property, the Authority will retain the entire deposit or part of it in order to repair the damage.

G. Structural Modifications and Improvements

1. The Lessee may not make structural alterations, additions, improvements and enhancements to the facilities leased, without the previous review and written approval of the Authority.
2. All structural alterations, structures and improvements to the Authority's facilities shall comply with all applicable local, federal, environmental, health and safety regulations, including any but not limited to building, fire, sign, construction, electrical, zoning and plumbing codes.

3. The lessee shall be responsible for all building use permits, fire, security and EPA.
4. After the expiration of the term, improvements to any facility, becomes the property of the Authority. The legal title to all substantial or structural alterations, additions, improvements and enhancements made and installed by the Lessee, shall be retained by the Lessee but at the termination of the agreement for any cause, said legal title shall be vested on the Authority without costs to the Authority and free of any liens and encumbrances.
5. The Authority at its sole discretion reserves the right to require the Lessee to remove or demolish within sixty (60) days from the termination of the agreement any or all such alterations, additions, improvements and enhancements and to restore the facilities to the same conditions as existed prior to their installation, except for reasonable wear and tear, over which the Lessee has no control, and "force majeure" However, Lessee shall not be obligated to remove any or all of the alterations, additions and/or improvements that are of a permanent nature, or that its removal will result in a mayor construction and/or demolition that will affect the property.

H. Relocation of Premises

1. The Authority reserves the right during the term of the agreement to relocate tenants and concessions, for any reason as well as to carry out enhancements or capital improvements for the benefit and safety of the maritime community. The Authority shall notify the Lessee of this change prior to its effectiveness, except in the case of an emergency or natural disaster.
2. In the case these improvements affect the operation of the Lessee, the Authority will do its best efforts to assign the Lessee to another location in the same area contracted, in any other area or facilities that are built to serve the same use, with approximately equal space to the leased here. The cost of such relocation will be funded by the Lessee.

I. Advertisements

1. No signs, placards, posters, advertisements, handbills, circulars or other printed or written materials shall be affixed to the walls, floor or ceiling of the Authority's property except in those areas designated by the Authority for such purposes and upon payment of reasonable rental fees for use of such space as determined by the Authority.
2. No person shall affix leaflets or other advertising materials to any sign, tree, grounds, or other Airport property without the written permission of the Authority.

J. Restricted Areas

1. Restricted Areas shall be entered only by:
 - a. Persons assigned to duty, in specifically designated areas displaying a valid identification authorizing access into that specific area.
2. Except to the extent otherwise excluded under these Rules and Regulations, other persons on Authority business when escorted by an individual displaying a valid Authority or federal issued identification authorizing escort into that specific area.

K. Sanitation

1. Garbage, papers and refuse or other material shall be placed in metal or plastic receptacles provided for that purpose and stored in an orderly and accessible manner complying with the applicable Health Department's Regulations. It will be the responsibility of the Lessee to contract with a state approved company for the recollection of solid wastes.
2. There will be a fine of \$100.00 per day for noncompliance of the proper garbage disposal procedures.

L. Inspections

1. The Authority shall have the right to examine and audit before the ending of the contract and the restitution of any bond, all records and books of accounts of businesses operated by the Lessee in the Authority's facilities or outside. The notice to examine and audit the books of accounts will be in writing and served at least five business (5) days in advance of such audit. There is no limit to the years that will be audited.
2. The Authority reserves the right to courtesy inspections (at least once quarterly) on the properties and operations under this contract, to ensure that lessees comply with all provisions of the same. All persons, equipment and vehicles within the Authority's facilities, and specially within sensitive areas such as AOA/SIDA and pier areas, including tenant leased areas, are subject to inspection by the Authority's designated personnel and/or federal agencies personnel to determine identity, detect prohibited articles, ensure compliance with the Contract, Rules and Regulations.
3. All courtesy inspections will be carried out during working hours and in accordance with the Authority's regulations. It is recommended that at least an authorized representative of the Lessee be present during the inspection. These courtesy inspections may be conducted by the Authority's authorized representatives, agents and/or employees.

4. The Authority has implemented a client service program in order to provide customer support which will include (but not limited to):
 - a. Site visits and surveys
 - i. Direct contact with the clients
 - ii. Analysis of comments and suggestions
 - b. Any other duties assigned related to the provisions of the contract terms and conditions.
5. The Authority shall leave a notice on the premises at the end of the inspection indicating the date and time of the inspection, the name of the inspector and any other personnel and the purpose of the inspection. However, the Authority is not required to leave a notice if: (1) the purpose of the inspection is for Safety and Security or (2) the Authority sent a notice by mail to the lessee prior to the inspection, with at least one week in advance with the date, time and purpose of the inspection.
6. Any deficiencies detected as a result of these inspections, the Authority will notify the client in writing. The Authority will assign a reasonable term of time in order for the Client to take corrective action. If the Client does not comply within the established timeframe, the Authority may temporarily shut the operation or service down, or cancel the contract.

M. Disclaimer and exclusion of liability

1. The Authority shall not be liable for injury or damage arising from accidents that may be experienced by people occupying the property by reason of the lease, or who attend it, nor for illegal appropriation or theft that may occur to the Lessee in their property or facilities.

RULE 8. LOCAL ARTS AND CRAFTS AND PRODUCTS MARKET

- A. The Authority will designate specific areas within its airports and cruise ship terminal properties dedicated to the exhibition and/or sale of handicrafts and products made in Puerto Rico and which represent the Puerto Rican culture in its different modalities.
- B. All products and artisans must be registered in the Puerto Rican Culture Institute (ICP) or Puerto Rico Industrial Development Corporation (PRIDCO) and must comply with all norms and requirements of the Authority.

RULE 9. NEW AGREEMENTS AND CONTRACTS PROPOSALS

- A. The Authority may have available land and/or facilities available for private or commercial lease. Any Proponent or applicant interested in leasing any Authority property, excluding Request or Proposals under Regulations 7496, is required to send a business proposal to the Authority which must include:
 - B. Letter of Intent
 - 1. Name of company and principal representative
 - 2. Address
 - 3. Telephone, fax, email
 - 4. Executive summary of proposed business (1-2 paragraphs)
 - C. Business Proposal (does not apply to private/non-commercial rentals)
 - 1. Nature of the company
 - 2. Justification of the project and benefit provided to the airport community.
 - 3. Experience of business (date, description, volume, references)
 - 4. Strategic objectives (financial and market)
 - 5. Market Study and/or Analysis of Supply and Demand - existing and potential market
 - 6. Definition of the target market
 - 7. Description and list of offering, goods, product, and/or service - the listing must include quality, presentation and product variety
 - 8. Human resources / job creation
 - 9. Investment - include costs and expenses of the project
 - 10. Sales projections for the next five (5) years
 - 11. Direct and indirect economic impact
 - 12. Projected Balance Sheet – 5 years
 - 13. System projected income statement
 - 14. 5 year projected cash flow
 - D. Design and engineering:
 - 1. Brief narrative of what is being proposed including infrastructure requirements (hangar, taxiway extension, installation of antennas, etc...).
 - 2. Perspective: artistic three-dimensional drawing, generated by computer or manually and in color that expresses the proposed appearance and design of the proposed lease.

3. Schematic drawing and space requirements Proposed location within the Authorities property; the use of coordinates, latitudes and longitudes is preferable.
- E. Any proposal for a 10 year or more, lessee is required to provide a Proposal Deposit of 25% of the yearly estimated rent of proposed lease area within fifteen (15) days after the Authority has accepted for evaluation the Business Proposal. The Authority will advise the Applicant the amount due.
- F. If the required deposit is not provided within the fifteen (15) day timeframe, the negotiation will be cancelled.
- G. Once the agreement is signed this bond will be returned to the Applicant.
- H. If after 6 months of negotiations, for reasons not attributed to the Authority, the Applicant is no longer willing to sign an agreement, the Authority will cancel the negotiation and retain the deposit. The Applicant has twenty (20) days after the Authority accepts in writing his proposal to submit the documents required for Credit Approval, federal agencies, if applicable, and Contract Petition. If required documents are not provided within this time frame, the negotiation will be cancelled.
- I. Aeronautical activities have priority in airport facilities and grounds. In the event that the facilities are required for aeronautical activities, an agreement or contract for non-aeronautical may be relocated or terminated.

RULE 10. RENOVATION OR AMENDMENT OF AGREEMENTS AND CONTRACTS

- A. If the Lessee is interested in amending, extending, or renewing the contract, or in any way extending the term thereof, the Lessee must notify the Authority at least ninety (90) days prior to the expiration of the contract.
- B. Every leased space shall have an assigned Property Number. Every correspondence shall make reference to that property number. Any change in the space or terms related to that property shall be notified.
- C. The renewal intention or amendment application must include:
 1. Letter of intent (required for all Applicants or Clients)
 - a. Name
 - b. Contact address telephone, Fax, electronic mail
 - c. Contract Number and Property Number of the contracted space
 - d. Executive summary explaining the proposed use of facilities and the nature of business if the lease is for commercial purposes (1-2 paragraphs)

2. Business Proposal (required for all commercial use)
 - a. Justification of the project and benefit provided to the airport community.
 - b. Air Carrier Certificate if Applicant or Carrier will be operating an aeronautical business
 - c. Definition of the target market Description and list of offering, goods, product, and/or service - the listing must include quality, presentation and product variety
 - d. Number of aircrafts or vessels, registration number and evidence of valid registration number (including DRNE).
 - e. Human resources / job creation (if expanding business)
 - f. Investment - include costs and expenses of the project
 - g. Sales projections, balance sheet, projected income and projected cash flow for the next five (5) years
 3. Private use/non-commercial:
 - a. Number of aircrafts, registration number and evidence of valid registration number.
 - b. Number of vessels, registration number and DRNE evidence of valid registration number.
- D. The Applicant or Client has 15 days after the Authority accepts the application to submit documents required for Credit Approval and Contract Petition. If required documents are not provided within this timeframe Lessee shall leave the property at the termination of the existing contract and failure to do so will result in applicable financial and legal penalties.
- E. The Credit and Collection Section only verifies that the client's account and all payments are up to date. If it is up to date, Credit and Collection section will issue a positive decision. Otherwise, client will be notified of their existing debt and that their request was denied until client issues payments.

RULE 11. GENERAL PRIVILEGES, RIGHTS AND RESPONSIBILITIES OF TENANTS, OPERATORS AND/OR APPLICANTS

- A. In addition to any specific requirements contained in these regulations for a particular category of operation, the following requirements shall be common of all users, operators, permit holders and lessees of the Authority.
 1. Each lessee will be granted to offer specific activities in their agreements. This permit or privilege may be subject to the particular activity regulations.

2. Each commercial concession is expected to operate his premises for the use and benefit of the public; furnishing service and charging prices on a fair and equal basis to all users.
 3. In the operation and use of the Authorities facilities, no lessee shall discriminate or permit discrimination against any person or group of persons in any manner.
 4. All agreements granting commercial privileges shall include hours of operation, type of operation, the extent of services to be offered, and the quality of performance required of the Lessee.
- B. Must pay for all services and/or utilities (i.e., electricity, water, telephone, janitorial, plumbing, sewage, etc.), insurance policies and any tax and/or charges stipulated by any municipal, state or federal agency. Notwithstanding the foregoing the leased premises shall be exempt from the payment of any applicable property taxes, pursuant to Article 18 of Public Law No. 125 of May 7, 1942, as amended, provided that the owner of the property is the Authority.
- C. The president, supervisor or manager of the leasing entity will assume full responsibility on behalf of their clients for any damages or claims arising from the use of facilities and release the Authority of any such claim.
- D. All tenants, concessions, lessees and sublessees shall maintain their leased property in working condition as to repair, cleanliness and general maintenance in a manner at least equal to the minimum standards required by the Authority and their individual lease agreements.
- E. Tenants, concessions, lessees or sublessees shall be fully responsible to repair at their own cost for all damages to buildings, equipment, real property and appurtenances in the ownership or custody of the Authority caused by the acts or omissions of their employees, agents, customers, visitors, suppliers or persons with whom they do business.
- F. Except as otherwise provided in any agreement with the Authority any person or company who operates a private aircraft hangar at the Airport shall not provide or conduct any commercial aviation or non- aeronautical activity.
- G. In addition to self-fueling, other self-service activities that can be performed by the aircraft, vehicle or vessel owner with his or her own employees including activities such as maintaining, repairing, cleaning, and otherwise providing service to an aircraft, vehicle or vessel, provided the service is performed by the owner or his/her employees with resources supplied by the owner.

- H. Instruction for private, commercial, and instrument ratings and a continuing ability to meet FAA requirements for the flight training proposed.
- I. Maintain all land and improvements of the leased premises, including all structural components, and the interior and exterior maintenance and repairs.
- J. Return the facilities in clean and orderly condition as they were received. Otherwise, the Authority will retain the total amount of the security deposit or a proportion of it to cover the costs incurred by the Authority to return the premises to its original condition and repair all damages.
- K. Any agency, organization or person using the facilities, at its own expense, shall provide the Authority an insurance policy, by an insurer authorized to do business in Puerto Rico to cover the risk of physical damage claims that may arise as a result of the activity or activities to be carried out on the leased premises.
- L. The minimum amount of coverage for liability waivers will be one million dollars (\$1,000,000.00) for personal injury, injury or death, one million dollars (\$1,000,000.00) per occurrence that affects more than one person, a minimum one million dollars for damage to property of others, and a cover for damage caused by fire for a minimum of five hundred thousand dollars (\$500,000.00). The Authority shall be included as additional insured in all policies and Lessee shall provide a Hold Harmless Agreement and any other policies deemed necessary by the Authority depending on the type of activity that will take place on the premises to be used.

RULE 12. ACTIVITY REPORTING

- A. Cargo Activity Reporting - Unless otherwise specifically provided pursuant to a written agreement with the Authority, all freight businesses (freight forwarders, cargo carriers, airlines, FBOs, and other entities handling cargo) must report to the Authority the following information for each activity:
 - 1. Aircraft type
 - 2. Amount and origin of cargo arriving by aircraft or ship.
 - 3. Amount and destination of cargo departing by aircraft or ship.
 - 4. Amount of cargo arriving or departing by over the road vehicles.
 - 5. Times of arrival and departure
- B. Charter aircraft and for profit general aviation Procedures – Unless otherwise specifically provided pursuant to a written agreement with the Authority, all Concessions and/or lessees

handling charter flight and/or commercial general aviation operations at any regional airport are required to complete the Charter Activity Form prior to handling the departure flight and after handling the arriving flight. Failure to comply with the policies and procedures will result in the suspension of contractual privileges.

1. Operator
 2. Aircraft type
 3. Origin or Destination
 4. Arrival or departure weight
 5. Inbound or outbound passenger number
 6. Inbound or outbound crew number
- C. Commercial Passenger Aircraft Activity Reporting – Unless otherwise specifically provided pursuant to a written agreement with the Authority, all commercial passenger business (airlines, FBOs, aviation schools, and other entities handling passenger air transportation) must report to the Authority the following information for each activity:
1. Operator
 2. Aircraft type
 3. Flight origin
 4. Inbound weight
 5. Inbound passenger number
 6. Times of arrival and departure
 7. Flight destination
 8. Outbound weight
 9. Outbound passenger number
- D. Ocean Common Carrier (Shipping lines) Activity Report – Docking permits
- E. Passenger Ship Operator Activity Report – To be provided
- F. Concession Report - Unless otherwise specifically provided pursuant to a written agreement with the Authority, all concessions or tenants authorized to sell, rent or offer products and/or services for profit (retail businesses, FBOs, MRO, schools, and other entities handling sales, rent and or services for profit) must report to the Authority the following information for concession revenue activity:
1. Amount of total products or services sold and or rented.
 2. Type of product or services sold or rented.

3. IVU deduction, if applicable.
4. Annual audited financial statement.

RULE 13. RENT, FEES, RATES AND APPLICABLE CHARGES

A. General

1. The Authority shall maintain a structure of fair market value rents and fees that will result in self-sustaining operation given the existing circumstances.
 - a. Any contract must adequately compensate the Authority for the privileges granted to the Lessee. It is the policy of the Authority to establish terms and conditions that are reasonable and non-discriminatory.
 - b. Agreements shall be of sufficient length to permit a Lessee that is making a substantial capital investment to amortize the capital investment over the term of the agreement.
 - i. The Authority will consider the depreciation amount according to the replacement value of the structure built by the Lessee. The Authority will create a depreciation table to calculate the time frame in which the Lessee will depreciate the capital investment. The Authority will apply land rent based on the applicable land rent for each year, considering the yearly increase by the Consumer Price Index (CPI), not lower than 1% or higher than 2%.
 - ii. Any adjustment on rent or rate discount to the prevailing rent criteria for the amortization of capital investment shall require the previous approval of the majority of the Board of Directors of the Authority. Adjusted rent shall never be less than 25% of the applicable rent.
 - c. Although the user and/or Lessee of land and facilities should be subject to the same rates, rents and charges as other users and/or lessees who are using the same or a similar facility for the same or similar purpose, it is recognized that the use and attributes of the facilities and the terms and conditions of the contracts may vary. As a result, rates, fees and charges may vary.

B. Fair Market Value

1. The market rent for land, property and facilities shall be determined under the discretion of the Authority based on a market study, comparison of rents of similar airport properties, appraisal, negotiation and/or a competitive process.
 - a. Where there is disagreement between the Authority and the Lessee's rent adjustment, it is the responsibility of the lessee to pay for adjusted rent.

C. Rent and fees establishment

1. The Authority shall establish fees and charges to recover costs associated with planning, development, operation and management of its facilities. Expenses include, but are not limited to, all planning, engineering, design and development costs, operations, administration, maintenance, repair costs, services, among others.
2. The base rate for properties within an airport layout plan and within passenger and cargo piers will be based at the current rate approved by the Board of Directors.
3. The rate to determine the lease of grounds and installations shall be equal to eight percent (8%) of assessed for such grounds and installations, based on square meter.
 - a. In those cases in which the eight percent (8%) of the appraised value is less than the value of recovery, the current contract rate will remain in force.
 - b. The rate for real estate such as space with a terminal, hangar or warehouse will be determined based on the eight percent (8%) of the assessed.
 - c. The rate for ground (paved or unpaved) area will be determined based on the eight percent (8%) of the assessed, or \$1.29 dollars per square meter, whichever is greater.
4. A negotiated rate could be established at Rafael Hernández International Airport in Aguadilla for spaces of less than 500 square feet.
5. Annually, all rents and fees will be reviewed and adjusted according to changes in the CPI, inflation, operational costs or other factors the Authority considers appropriate. Beginning on fiscal year 2014-15, the rate will increase yearly based on the CPI, and the yearly increase shall not be less than 1% and not higher than 2% per year.
6. The rent and fee adjustment should be effective the first day of the fiscal year following the approval of the applicable rent or as ordered by the Board of Directors.

D. Other charges, Commission on Sales and Services

1. The Authority has the right to charge a commission fee for monthly revenue generated by concept of sales and services as follow:
 - a. 5% of income for the sales, rent of equipment or services related to the aeronautical, ocean common carrier or passenger ship operator businesses. Activities or services that are part an academic curriculum, non-profit organization or Museum will be exempt to pay this Service or Rent Commission.

- b. 5% of the first \$15,000.00, 6% from \$15,001.00 to \$30,000 and 7% of the \$30,001.00 of the gross income earned by non-aeronautical or non-cruise line sales (after IVU is deducted).

E. Utilities

1. All Lessees shall be responsible for the direct payment of utilities; water, electricity, security and maintenance of the leased premises.
2. The Lessee, when the infrastructure allows, has 90 days after signing the contract with the Authority to install a meter for these services direct to the utilities companies.
3. During the time period the meters are being installed by the lessee and in those cases where utility services cannot be segregated, the Authority will calculate the consumption based on the load and the lessee will pay the due amount to the Authority on monthly basis. The minimum utilities charge is \$25 per month
4. All design and/ construction proposals shall indicate in the drawings where utilities meters will be located.
5. The penalty for not installing a meter by the due date, in addition to paying the monthly cost, is a fee of 25% of the utilities' consumption charged to the Authority for leased premises or \$500, whichever is greater. In addition to this penalty, the Authority will interrupt any unauthorized utilities use and bill the lessee for this use.

F. Late fees and penalties

1. A monthly penalty of 9% of the total rent, fee and tariff due will be charged for any account payable after 10 days.

RULE 14. UNAUTHORIZED ACTIONS, REVOCATION OF LEASE OR PERMIT, AND PENALTIES

- A. The PRPA shall have the right to terminate any lease, permit, license, or agreement covering a commercial or noncommercial operation and to revoke a lease on any land or facility for any cause or reason provided by these standards, by the lease, license, or agreement itself, or by law, or upon the happening of one or more of the following:

1. Abandonment or Discontinuance of Operations.
 - a. The abandonment or discontinuance of any operation by the commercial operator or the failure to conduct any service, operation, or activity which the Lessee has agreed to provide under the terms of this contract. If this condition exists for a period of thirty (30) days without prior written consent of the Authority, it will constitute an

abandonment of the land or facilities and the lease license shall become null and void.

2. Controlled Substances

- b. Controlled drugs and substances and drug paraphernalia found anywhere on the Authority's property shall be seized and turned in to state and/or federal authorities in conformity with state and federal law. Persons in possession of controlled substances and/or drug paraphernalia in violation of state or federal law shall be cited for violation of such laws.

3. Disabled/Abandoned Aircraft, Vehicle or Vessel

- a. Aircraft or vessel owners, their agent, captain or pilot, shall be responsible for the disposal of disabled aircraft, vessels and parts thereof.
- b. No person shall park docking or store any aircraft, vessel or vehicle in ineffective conditions or with an expired registration on Authority property, including leased or FBO or agent premises, for a period in excess of ninety (90) days, without a permit issued by the Authority. All costs incurred by the Authority in the removal of any aircraft, vessel or vehicle as set forth herein shall be recoverable against the aircraft, vessel or vehicle owner or operator thereof.
- c. If the owner or operator is unknown or cannot be found, the Authority shall conspicuously post and affix such notice to said aircraft, vessel or vehicle, requiring removal of said equipment within fifteen (15) days from date of posting. Upon the failure of the owner or operator to remove said equipment within the period provided, the Authority shall cause the removal of such aircraft from the Airport or Pier. All costs incurred by the Authority in the removal of any aircraft, vessel or vehicle as set forth herein shall be recoverable against the owner or operator thereof, and without liability for damage which may result in the course of or after such moving.
- d. In the event that an aircraft is disabled on a runway or taxiway, said aircraft will be removed immediately through coordination between the owner/operator, the Authority, and other State or Federal Agencies as required. Aircraft removal will be at the expense of the owner/operator. If owner/operator fails to remove aircraft after request, the Authority may have the aircraft removed without liability for

damages caused by this action and may recover all costs incurred in the removal of such aircraft.

4. Conduct

- a. All users, lessees and concessionaires, as well as their employees, their agents or representatives will provide a professional and respectful treatment for officials or public employees.
- b. If any person, lessee and/or lessee representative insults offends or threatens an Authority official or employee, it may result in the termination of contract and/or privileges at Authority's discretion.
- c. In addition to the above and in accordance to Act 84-2002, any user, Lessee and/or its representative that breaches this code of conduct will be disabled to contract with any executive agency of the Commonwealth of Puerto Rico for a period of ten (10) years, counted from the date on which was issued the order or final resolution was issued.

5. Solicitation

- a. No person shall solicit funds or unauthorized business from the tenants and/or general public on any Authority property by means of a face-to-face request for an immediate physical, in-person donation of money or anything of value.
- b. Any person who conducts in unauthorized business procurement as described in B (1) shall be deemed to be soliciting and will be subject to pay the Authority a fine of \$200.00 per day or occurrence, in addition to any other applicable legal consequences.

6. Tariff

- a. Only Lessees that engage in a service business such as a Fixed Based Operator or ship agent are authorized to collect applicable operational tariffs. It is prohibited to alter or include service fees to Authority charges and tariffs in invoices to air carriers, private aircrafts, passenger and cargo vessels.
- b. Any person who conducts in unauthorized fees and tariffs collection as well as adding a fee to it will pay to the Authority 110% of all unauthorized charges.

7. Unauthorized Occupation and/or Trespass

- a. At the date of termination of an Agreement and if the parties are not negotiating the execution of a new contract or extension thereof, the Lessee shall move out, remove

his property and/or deliver to the Authority the possession and/or the key of the demised premises on the day the agreement terminates. If the Lessee does not move out, proceed with the removal as provided in agreement and/or deliver to the Authority the possession and/or the key of the demised premises immediately, the Lessee shall pay the Authority a monthly penalty equivalent to ten percent (10%) of the monthly base rent effective at the date of termination of the Agreement plus a quantity equivalent to the applicable rent under the terminated agreement.

- b. In addition to paying the unauthorized occupation penalty, if the Lessee has not removed its possessions within sixty (60) days the Lessee shall be deemed to have abandoned to the Authority all said property, and the Authority shall have the right to dispose of same in any manner that it deems advisable or convenient at the expense of the Lessee; any access to the operational area will be restricted and utilities service will be discontinued.
- c. If the Lessee or any person refuses to leave any Authority property after being requested by the Authority to do so shall be deemed to be trespassing and will be subject to pay the Authority a fine of \$150.00 per day or occurrence in addition to any other applicable legal consequences, and the aforementioned rental fees and penalties.

8. Unauthorized Use or Lease

- a. The Lessee shall pay to the Authority a penalty of 35% of the annual gross income of any commercial or for profit operation on the leased property that has not been authorized in the contract.
- b. The Lessee shall pay to the Authority a penalty of 35% of the annual rent in addition to the monthly rent charged to the unauthorized second party for any unauthorized subleases.
- c. The Lessee shall pay to the Authority a penalty of \$25.00 per day for any activity or use that has not been authorized in the agreement or contract. This per day penalty will be added to the 35% sales and commercial service penalty.
- d. The Authority reserves the right to cancel any lease due to an unauthorized activity or use by the Lessee or its authorized representatives, in addition to any other penalty imposed.

RULE 15. ENVIRONMENTAL PROTECTION

- A. All persons on the Authority property, whether authorized users, tenants, lessees, sub lessee, contractors, vendors or otherwise, shall comply with, at all times, all federal, state and local laws, statutes, ordinances, rules, regulations, permits, agency orders and agreements, or other restrictions relating to environmental, health, safety, contamination, pollution, natural resources, threatened or endangered species, and historic resources matters.
- B. All persons handling petroleum product, fuel, hazardous material, used oil, batteries, pesticide, solid waste, or hazardous waste at the Airport shall comply with all applicable Authority and environmental laws.
- C. Solid and hazardous wastes shall be transported off any Authority property in a timely manner and must be disposed of or otherwise managed at permitted or authorized treatment, storage, or disposal facilities.
- D. All persons generating or otherwise managing hazardous waste shall prepare and submit to the appropriate state and/or federal agencies a Notification of Hazardous Waste Activity for such generation or other management and provide a copy of same and any amended versions thereof to the Authority.
- E. Copy of the required handling and emergency plan must be submitted to PRPA Environmental Division.
- F. No entity shall damage, interfere with the operation of, or lessen the effectiveness of any storm water management facility or storm water best management practice.
- G. All Airport tenants are hereby considered responsible parties with the Authority under the Airport's storm water discharge permit issued pursuant to the National Pollution Discharge Elimination System ("NPDES"), administered by the U.S. Environmental Protection Agency. All Airport tenants must comply with NPDES and the Authority requirements and guidelines.
- H. All land disturbing activities shall comply with all applicable environmental laws, including local erosion and sediment control ordinances and guidance. No hazardous materials, solid or liquid wastes, hazardous wastes, pesticides, fuel, oil, used oil, paints, solvent, acids, bases, or other chemicals or solutions harmful to the environment shall be disposed of, released, discharged or dumped in drains, storm sewers, basins, open areas or ditches.
- I. Persons responsible for the leak, spill, release or other unauthorized environmental discharge or emission of any petroleum product, fuel, used oil, battery, pesticide, or hazardous

materials or waste occurring on property shall immediately notify the Authority of same. Such notification in no way relieves or frees the notifier from its reporting obligations under applicable environmental regulations or laws.

- J. If a leak, spill, release or other unauthorized environmental discharge or emission occurs on an operational area, then the Authority shall determine, in its sole discretion, the most appropriate remediation method.
- K. All persons responding to such a leak, spill, release or other unauthorized environmental discharge or emission shall have received all required training and hazard communications and possess all required personal protective equipment for such remediation activities, and conduct such response actions in accordance with applicable laws and accepted industry standards.
- L. No person shall impact or adversely affect wetlands on or adjacent to the Authority's property unless so allowed or authorized by appropriate regulatory agencies and without the prior written consent of the Authority.
- M. No person shall impact or adversely affect threatened or endangered species unless so allowed or authorized under applicable environmental laws or by appropriate regulatory agencies and without the prior written consent of the Authority.
- N. No person shall impact or adversely affect historic areas and resources and any cemetery unless so allowed or authorized under applicable laws or by appropriate regulatory agencies and without the prior written consent of the Authority. If in the course of excavation, grading, construction, renovation, or operational activities at Authority property any person discovers what may reasonably be considered historic artifacts or structures, excluding common artifacts such as arrowheads, such person shall notify the Authority immediately of such finding and cease such work until approval to proceed is granted.

RULE 16. PROVISIONS

- A. Any matter not covered by these rules will be resolved by the Executive Director in accordance with the applicable laws, regulations, general memoranda, quoted resolutions, and any matters not provided herein shall be governed by the rules and principles of good governance.

RULE 17. SEPARABILITY

- A. Should any provision, clause, paragraph or section of these Regulations be declared invalid or unconstitutional by a court having jurisdiction, such declaration shall not affect, impair or

invalidate the remainder of these regulations. The effect of the declaration of invalidity or unconstitutionality shall be limited to the provision, clause, paragraph or section that had been declared invalid or unconstitutional.

RULE 18. EFFECTIVENESS, DEROGATION AND APPROVAL

A. These Regulations will become effective thirty (30) days after being filed with the Department of State, and it will derogate any other existing provision on this matter that may be contrary to or inconsistent with the provisions herein.

Approved in San Juan, Puerto Rico, on _____.

SUBMITTED BY:

APPROVED BY:

Víctor A. Suárez Meléndez
Executive Director

Miguel A. Torres Díaz
President of the Board of Directors

CERTIFIED BY:

Ingrid C. Colberg Rodríguez
Secretary of the Board of Directors

