

Legal Requirements

Code of Ethics for Contractors, Suppliers and Applicants for Economic Incentives of the Executive Agencies of the Commonwealth of Puerto Rico

All respondents shall comply with Act No. 84 of 2002, known as the 'Code of Ethics for Contractors, Suppliers and Applicants for Economic Incentives of the Executive Agencies of the Commonwealth of Puerto Rico'. The acceptance with the norms established therein is an essential and indispensable condition in order to execute transactions or enter into agreements with the LRA. Also, the LRA follows the pertinent state and federal laws regarding potential organizational conflicts of interest.

The Code of Ethics applies to any natural or juridical person, or groups of persons or associations, that wishes to establish a contractual, commercial or financial relationship with Executive agencies (including public corporations and instrumentalities of the Commonwealth of Puerto Rico). Also, the Code of Ethics defines a 'conflict of interest' as a situation in which the personal or financial interests of the contractor or supplier is, or could reasonably be, in contravention of the public interest.

Therefore the Code of Ethics requires, among other things, that respondents comply with the following ethical obligations and responsibilities:

(a) disclose all information needed by the LRA to evaluate the transactions in detail, and make correct and informed decisions;

(b) observe the precepts and principles of excellence and honesty that cover his/her profession, in addition to the norms or canons of ethics of the association or college of which he/she is a member and that regulate his/her trade or profession in the relationship with their competitors as well as with the Commonwealth of Puerto Rico;

(c) not offer or deliver, directly or indirectly, goods of monetary value, contributions, gifts, gratuities, favors, services, donations, loans or share in any commercial or legal entity to a public servant or former public servant or a member of his/her family, with which he/she desires to establish a contractual, commercial or financial relationship;

(d) not intervene in matters that could result in a conflict of interest or that could appear as such. Therefore, no person shall contract with the LRA if there is any conflict of interests. Every

respondent shall certify that he/she does not represent private interests in cases or matters that imply conflicts of interest, or of public policy, between the LRA and the private interests he/she represents; and

(e) not to use confidential information acquired in the course or as a result of any negotiation that has been entrusted to him/her through a contract by the LRA, for purposes foreign to the contracted endeavor, not obtain, directly or indirectly, any financial advantage or benefit for him/herself, for any member of his/her family unit, or another other person, business or entity.

Also, the Code of Ethics imposes certain obligations on private parties that are geared towards preventing that one party have an "unfair advantage" over another. In that sense, the LRA considers that an unfair advantage may arise when a prospective respondent has information about the Project that is not generally available to all other prospective respondents, and that such information may be material to an outcome related to the Project. An unfair advantage may also arise if a prospective respondent is in a position to influence the outcome of the competition through a relationship with the LRA.

As a result, prior to submitting a proposal or response to an RFQ/RFP, each potential respondent shall conduct an internal review of its current affiliations and shall require its team members to identify actual, potential or perceived conflicts of interest or unfair advantages relative to the anticipated procurement. Potential respondents are notified that prior and existing contractual obligations between a company and a federal or state agency relative to the proposed procurement may present a conflict of interest or an unfair advantage. If a potential respondent identified an actual, potential or perceived conflict of interest or unfair advantage, it shall submit in writing the pertinent information so that a determination can be made as to the extent of the conflict or unfair advantage. The LRA will review potential or perceived conflicts of interest and unfair advantages related to each procurement process sponsored by the LRA.

Other Contractual Requirements

Once selected, a respondent should be ready to submit the following documents prior to formally entering into a contract with the LRA:

- A Certification of Existence or Certification that the organization is duly authorized to do business in Puerto Rico. The Certification to do business in Puerto Rico applies to foreign companies, it indicates that the applicant is authorized to do business in Puerto Rico. They must be current, indicate the dates of issuance and incorporation or of authorization to do business in Puerto Rico, and must be issued by the Department of State.
- Indicate whether the organization is an association, corporation, limited liability corporation, or have another corporate structure. If you are a corporation, submit the incorporation certificates and the good standing certificate from the Puerto Rico Department of State.

- Include a sworn statement certifying that the respondent and/or its respective shareholders, directors, partners, officers, officials, executives, principals and/or employees, have neither been convicted nor has probable cause for their arrest been found against them, nor are they being investigated under any administrative, judicial or legislative procedure, whether within or outside of Puerto Rico, as a result of any crime constituting fraud, embezzlement or misappropriation of public funds, as provided in Act No. 458 of 2000, as amended by Law No. 428 of 2004, or any other legal provision penalizing crimes against the treasury and the public trust, and that the person signing the statement has not been investigated, arrested, convicted, or found guilty or sentenced as a result of said criminal conduct (Ley Núm. 458 de 29 de diciembre de 2000 y Ley Núm. 428 de 22 de septiembre de 2004).
- Present an Income Tax Return Submission Certificate issued by the Internal Revenue Area of the Puerto Rico Department of Treasury, to the effect that the respondent has submitted its annual Income Tax Returns for the past five (5) years. If the respondent is not obligated or has not been obligated to render the Income Tax Returns during all or part of the period of the last five (5) years, the respondent must present a Sworn Statement stating the reasons the respondent was not obligated to render the Income Tax Returns.
- Debt Certificate issued by the Internal Revenue Area of the Puerto Rico Treasury Department, even if the respondent has certified that does not possess Tax Debts.
- Debt Certificate, issued by the Center for the Collection of Municipal Income (“Centro de Recaudaciones de Ingresos Municipales (CRIM)”.
- Certificates issued by the Puerto Rico Labor Department for the following:
 - Negative Certificate of Debt of Unemployment Insurance, Temporary Non-occupational Disability Taxes, and Negative Certificate of Debt of Chauffeurs Insurance (“Certificación negativa de Deuda de Contribuciones de Seguro por Desempleo y Seguro por Incapacidad Temporal no Ocupacional” and “Certificado de Deuda Seguro Choferil”).
 - In-effect policy (pólizas vigentes) certificate with the State Fund Insurance Corporation (“Corporacion del Fondo del Seguro del Estado”).
 - No-Debt Certificate with the State Fund Insurance Corporation (“Corporacion del Fondo del Seguro del Estado”).
- Present a sworn statement certifying that no person with interest in the proposal is an official or employee of the LRA or the Commonwealth of Puerto Rico and its instrumentalities.

The person that signs all documents must be fully authorized to do so. If a person is designated as a representative, the respondent must provide a Resolution authorizing such designation.

If the respondent has a payment plan agreement with any agency, instrumentality or public corporation of the Commonwealth of Puerto Rico in which a certificate for this proposal is required, the respondent must submit evidence of an up-to-date payment certificate.

If the respondent cannot submit the certificates required by this section, the respondent must present a sworn statement stating the reasons the respondent is not obligated to comply with this requirement.

Municipal License Tax (“Patente”)

As a general rule, all businesses are subject to a municipal license tax on the “volume of business” transacted in each municipality in Puerto Rico. The term “volume of business” has been defined as the gross income that is received or earned from the rendering of any service, the sale of any goods or from any other industry where the main organization maintains its offices. The applicable tax rate varies between municipalities, but it may not exceed 0.5% for general businesses and 1.5% for financial businesses.

A declaration of the volume of business must be filed on or before five working days after April 15 of each year, with the Director of Finance of each municipality where the business is doing business and has received or earned income through offices, branches, warehouses or other form of commercial or industrial organization. Businesses with a volume of business equal to, or less, than \$3,000,000 must attach a copy of their income tax return with the volume of business declaration. If the volume of business exceeds \$3,000,000, audited financial statements must be submitted with the declaration. A certificate duly signed and issued by the Director of Finance should be displayed as evidence of the payment of the tax.

Municipal Construction Excise Taxes

The municipalities of Puerto Rico also are empowered to impose an excise tax on the value of any construction project within their territorial limits. The tax rate varies from municipality to municipality. Certain exemptions may be available depending on the purpose of the construction project. Also, a construction permit issued by the Permit Management Office or the Municipality Permit Office can be required.