



Puerto Rico

Back to Business

Tough budgetary measures, investment incentives and cuts in red tape are jump-starting the economy and encouraging public-private partnerships in a host of development projects.

The creation in June of an official body to enable collaboration between the private and public sectors in Puerto Rico has boosted interest in potential investment projects on the island.

“We are moving in a positive direction, and the private sector is betting on us,” says Luis Fortuño, who is the island’s first Republican governor in 40 years. Having inherited a fiscal deficit of \$3.2 billion when he took office in January, Governor Fortuño orchestrated budget cuts that have resulted in the dismissal of more than 23,000 public-sector workers. The level of unemployment has increased to 17% of the workforce, provoking angry protests, street demonstrations and an islandwide strike.

However, the layoffs have trimmed \$2 billion from next year’s budget and, together with a series of other initiatives, have helped jump-start the economy.

The current administration has swept away an inefficient and complicated system of permits necessary for development projects and has passed landmark legislation to facilitate a host of private-public partnerships. In addition, it has raised federal and local funds worth an exceptional \$13 billion to finance a series of strategic infrastructure projects, 14 of which should be under way within nine months and completed next year.

“The response has been very positive,” says José Ramón Pérez-Riera, the secretary of economic development and commerce. “It has given the private sector a new set of tools so that the government can act as a facilitator for those who want to inject capital into the system, as opposed to a barrier or regulator that inhibits growth and investment.”

The 28 major strategic infrastructure projects that merit public-private collaboration are spread across the island and include the extension of five highways, the development of the port at Roosevelt Roads Naval Station at Ceiba (a former American military air base on the east coast), and the completion of a large transshipment port in Ponce in the south. The government is also giving priority to energy projects.

“We have a series of aggressive plans and measures that will allow for private investment in the creation of renewable energy,” says Ramón Pérez-Riera. “They will enable private investors to take advantage of the different incentives that are provided by the federal government to encourage renewable-energy projects.”

From Dinars to Dollars

It is said that in times of economic hardship, entrepreneurs show their true colors. A troubled local economy in Puerto Rico has sparked a new crop of innovative and dynamic firms in the financial services sector.

A prime example is Mendez Internet Management Services (MIMS), founded by James Mendez, a long-serving member of the U.S. military, who capitalized on the firsthand knowledge brought back by soldiers who had served in Iraq.

Upon finishing his time in the service, Mendez quickly recognized a unique business opportunity to start a financial service previously unavailable in Puerto Rico: the sale of Iraqi dinars to the general public. While some may be skeptical of purchasing currency from the Middle Eastern region, Mendez says he entered this business after doing extensive research and becoming convinced of its profit potential.

The currency-exchange company is registered with the U.S. Treasury and has been dedicated to selling Iraqi dinars since March 2005. MIMS is also a Gold Inc. member of the Better Business Bureau of Southeast Florida and the Caribbean, the U.S. Chamber of Commerce and the U.S. Hispanic Chamber of Commerce.

Today, MIMS has a portfolio of over 80,000 clients. But already Mendez has set his sights on something much bigger: opening his own bank. "The bank will be 100% customer-service oriented and will cater to medium-size businesses," he says. "In the past, these types of ventures have been considered very high-risk. However, I know I can make it profitable and, in turn, create jobs and contribute to the local economy."

Mendez is also playing a role in Puerto Rico's emerging film industry, investing in the soon-to-be-released family-oriented film *Aventura Verde*. This film, with an all-Puerto Rican cast, will be the first of various productions by Hacemos Cine LLC within the next three years, offering the island's film industry a consistency of projects that will ensure investment opportunities and tax credits for local and international investors.

www.dinarespr.com

José J. Villamil, the chairman and chief executive of Estudios Técnicos, the island's principal economic and planning consultancy, adds: "In the short run, economic growth will remain modest, although recovery by 2010 will almost certainly occur."

Puerto Rico has important strengths in its quest for greater competitiveness, says Villamil, including its diversified industrial base, its good infrastructure and the lack of risk for investors because of its status as a U.S. commonwealth.

Governor Fortuño, a corporate lawyer by training, points out that Puerto Rico has tremendous advantages over its Caribbean competitors. "We are part of the U.S. We have a workforce that is well prepared for the global marketplace, and we have experienced and productive service and tourism sectors."

One company that has taken advantage of the new economic strategy is Cristalia Premium Water, which has begun a \$10 million expansion of its production facilities to serve outside markets, primarily the U.S. mainland, Cuba and other regional islands.

"The U.S. is our main goal, targeting more specifically the Hispanic markets in Florida and New York," says David Virginia, Cristalia's president and chief executive.

"We want to start off where people recognize our brand. We prefer to satisfy the demand and do a good job.

"Once we have launched our product in the States, we will go to Cuba. The problem for a lot of companies entering the Cuban market is tailoring their products to be something that people can afford. We have the capacity to do that because we are used to dealing with a tough economic climate."

A Global Outlook in Hard Times

Insurance companies in Puerto Rico are coping with the economic recession by developing new business lines, exploring alternatives for organic growth and penetrating new markets. Two of the biggest, the National Group Insurance Company and Atlantic Southern Insurance Company, have expanded their operations abroad.

"Crisis and bad times are the best times to use your creativity and resources," says Edgardo Van Rhyn, president and chief executive of National Group. "They provide an opportunity to think outside the box. Puerto Rico has been very tight financially, and companies are turning to nontraditional business — integrating into markets that we

did not previously target."

National Group has a branch in Florida, which is now pushing more aggressively to expand in the life insurance and health insurance market within the U.S. mainland. Its Florida team is working on three new insurance products that it will launch to target the Hispanic market.

"This is a new opportunity to grow," says Van Rhyn. "I think that Hispanics are happy to see a Latin life and health company emerging in their market. We see a lot of potential for expansion in the U.S. Hispanic market because it is the fastest-growing population."

"Crisis and bad times are the best times to use your creativity and resources. They provide an opportunity to think outside the box. Puerto Rico has been very tight financially, and companies are turning to nontraditional business — integrating into markets that we did not previously target."

*Edgardo Van Rhyn,
President and Chief Executive,
National Group Insurance*

From Florida, the company plans to extend its activities to both the northern and southern regions of the U.S. within five to seven years.

National Group's competitive advantage, Van Rhyn says, is the quality of service provided by the people behind the products. "We are not selling policies; we are selling concepts. Other companies cannot copy our service, mind-set, people or culture."

The group is family-owned and has been in business for 55 years. It was family-run until 2006 when Van Rhyn joined the administration, and it now operates on corporate lines.

"In order to expand our company, we have to think like a corporation, not as a family," he says. At present, the group has not sought capital from outside Puerto Rico, but it might do so in order to achieve sustainable growth in the future, he explains.

Atlantic Southern Insurance's expansion abroad is taking the business to Costa Rica, a notable move for the company.

"We identified an opportunity there in 2007, and today we are one of the very few companies to have presented a business product to the local regulatory authorities and to have received a certificate of authority to practice there," says Alexis Gonzalez, the company's president and chief executive.

Once it receives approval from the

Central America Free Trade Agreement authorities, the company intends to enter the Costa Rican market offering new products at competitive prices.

“We’ve identified a very important need in the health market there among people seeking an American company to give them access to hospitals in the U.S., particularly cities that are hubs to Central America, such as Miami,” says Gonzalez. “We have made a big investment in Costa Rica and assessed all legal matters, and we expect it to substantially pay off.”

Atlantic Southern already does extensive business in the British and U.S. Virgin Islands, Trinidad and Tobago, and Anguilla, and has also begun the process of obtaining a license to operate in Florida.

Founded in 1945, Atlantic Southern is Puerto Rico’s oldest insurance company as well as one of its biggest. Since January, the company has doubled its number of licensed agents, and its leadership expects that it will maintain its level of sales.

“Out of a negative economic situation we have managed to do something positive,” says Gonzalez. “It’s a tough job, but very rewarding.”

A third Puerto Rican insurance company that has adopted an innovative business strategy is NiKi Seguros. NiKi stands for Nuevas Ideas y Konceptos (new ideas and concepts).

“I opened NiKi Seguros a couple of years ago because there was no other firm like it in Puerto Rico,” says Juan “Johnny” Benitez, president and chief executive, who has much experience in the island’s insurance sector.

“We are different because we develop new markets and create business where business was not available before.”

NiKi works primarily with medium-size local agencies rather than dealing directly with the public.

“If you look at the statistics since 2008,” says Benitez, “the insurance business is not shrinking; it is growing — although not as extensively as it was ten years ago. But now is the time to be inventive and to have different approaches to problems.”

A Healthy Future for Healthcare Services

Healthcare and medical products and services continue to be a mainstay of the Puerto Rico economy, as they have been for four decades. Hospitals and clinics that provide U.S. standards of treatment and care at Caribbean prices are

A Thirst for Expansion

Cristalia Premium Water, Puerto Rico’s leading producer of bottled water and the most successful locally bottled water company in the Caribbean on a dollar-sales basis, is now preparing to enter the U.S. mainland market. The company has invested \$3 million in the first phase of a \$10 million expansion of its production facilities.

“We are making this investment despite the economic downturn because we see the bottled-water industry growing dramatically,” says David Virginia, Cristalia’s president and chief executive. “For quite a few years, the industry was growing by double-digit rates in the U.S. Recently, like everything else, it took a hit, but I don’t think that it will last for long. Bottled water will be a good investment for the next 25 years.”

As head of a group of Dominican, Puerto Rican and U.S. investors that purchased the company in 1999, Virginia has focused the company’s attention firmly on maintaining and enhancing the quality and taste of its product. The ongoing expansion is geared toward diversification.

“Our investment will allow us to vertically integrate the plant in terms of manufacturing our own plastic containers all the way to incorporating new flavors of water,” he says. Cristalia plans to produce vitamin-enhanced water as well as calorie-free flavored water, marketing it at an affordable price.

“There is a lot of opportunity in Puerto Rico, and I think that Cristalia reflects how you can take advantage of that. From a small-business perspective, this showcases just how much can be done.”



We Know Risk

Let us manage yours.
For over five years, we have successfully implemented solutions for multi-location companies providing services that range from Corporate Governance, Enterprise Risk Management, Technology, and Internal Audit, to improve processes performance. Our international presence and industry-tailored solutions makes us the perfect partner.

barreto • vélez
Risk • Advisory • Technology • Governance

www.barretovelez.com

Puerto Rico
American International Plaza
250 Muñoz Rivera Avenue, Suite 324
San Juan, Puerto Rico 00918-1819
T. 787.758.5900 F. 787.758.5905

Dominican Republic
Ave. Winston Churchill No. 5
Terra Progresso, segundo piso
Santo Domingo, República Dominicana
T. 809.562.2430 F. 809.562.2488

doing a good business in the medical tourism sector.

The island is one of the world's top pharmaceutical manufacturing centers and has more than 80 plants approved by the U.S. Food and Drug Administration (FDA).

One locally founded company, Pharma-Bio Serv (PBS), plays a pivotal role in this



"Business activity, as a result of the lab expansions, has exceeded our forecasts."

Elizabeth Plaza, President and Chief Executive, PBS

respect. PBS is an industry leader in providing pharmaceutical manufacturers with a full range of regulatory compliance systems that meet the safety and quality standards issued by the FDA.

The company has offices in Pennsylvania and in Cork, Ireland. Its latest initiative has been to invest \$1.5 million in the creation of Scienza Labs, a new complex designed to carry out microbiological testing. "What we have built and put into operation is truly a state-of-the-art laboratory, and I feel very

proud of it," says Elizabeth Plaza, PBS's president and chief executive.

Plaza began her career as a pharmacist and started PBS as an independent consultancy in 1993. In 2006, she took the company public by means of a reverse merger. At the same time, she acquired a Pennsylvania-based firm, IVS, to establish a presence on the mainland.

In the last two years, with the industry experiencing a slowdown, Puerto Rico found itself losing ground to Ireland, so Plaza decided to establish a presence there. PBS now intends to concentrate mainly on organic growth but is open to the possibilities of further acquisitions.

"Business activity, as a result of the lab expansions, has exceeded our forecasts," says Plaza, "and new sectors available to us include the food industry, cosmetics and government projects such as water testing."

PBS is also looking at new areas, such as Asia, for business. "I envision our company as a global, full-compliance solution," she says.

In Puerto Rico's healthcare sector, one of the largest and most profitable private groups is the Metro Pavia Health System, which has hospitals in the Santurce and

Hato Rey districts of San Juan, the capital, and in Mayagüez, in the center of the island's western coast.

With revenues close to \$350 million, the company's hospitals cover the spectrum of medicine while specializing in technically advanced services such as open-heart surgery, nuclear medicine, cardiology, obstetrics and gynecology.

Additional hospitals are under construction in San Juan, says Maritza Rodriguez, Metro Pavia's senior vice president. Metropolitano will open shortly, and another in the Rio Piedras district is scheduled for completion in 2011.

Metro Pavia is also seeking to expand on the U.S. mainland and in the Caribbean region, where it already has a hospital on the neighboring island of St. Thomas.




Getty Images/Inmagore

Excellence... is easy to find.

For the past 65 years, Atlantic Southern Insurance has provided its clients with the experience that they look for, and the solid foundation they can trust.

If you are in the market for quality insurance products, service and reliability, look no further, we make excellence easy to find.



ASI
Atlantic Southern Insurance Company
www.atlanticsouthern.com
1.800.981.5544

1P-2401.3374 80-0322 6374




A unique approach to medical procedures

MetroPavia Health System is the preferred choice for health care services overseas. Our large integrated network of facilities (10 hospitals) are staffed with US trained physicians and surgeons; equipped with top of the line medical equipment and offer the largest array of specialty and sub-specialty practices in the Caribbean. Procedures, on average, are performed at a lower cost to comparable procedures on the mainland.

Since Puerto Rico is part of the United States, American citizens do not need a passport and there are direct flights from many US cities.

Patients will enjoy a relaxing environment while waiting or recovering from their medical procedure with access to beautiful beaches, rainforests, and exceptional international cuisine.

Call us today, we will be glad to make your doctors' appointments and travel reservations, **1-787-268-6060 / toll free 1-866-368-6060.**

Medical tourism remains a growth area.

“We have a concierge office to arrange travel plans and accommodations for our foreign patients, and at the moment we are almost at full capacity,” says Agustin Gonzalez, Metro Pavia’s vice president of finance.

“Most trauma incidents in Puerto Rico are sent to the U.S. mainland because the island is underserved in that department,” says Rodriguez. Metro Pavia plans to improve coverage in that sector, and as one of its strengths is in open-heart surgery, it plans to increase services in the cardio sector.

Bridging the North-South Divide

As a commonwealth of the U.S. in the center of the Caribbean, Puerto Rico straddles the cultural, legal and business divide between North and South America. The island’s law firms, businesses and financial consultancies take full advantage of their location.

One of the top organizations is Fiddler González & Rodríguez (Fiddler), a law firm established 77 years ago by three graduates from Harvard, Georgetown and Stanford University Law Schools. Driven by its philosophy of exceptional service and effective results, which remains in place today, Fiddler has a diverse client roster that covers the Caribbean, the U.S. mainland, Europe and Latin America.

“Through our history, the firm has played a significant role in shaping the legal environment of modern Puerto Rico and has helped the island become a powerhouse in the banking, insurance, communications and pharmaceutical industries. Fiddler has always had a strong presence in banking, manufacturing, retail and the services industries,” says Pedro J. Manzano Yates, the firm’s president.

Recently, one of the firm’s most important initiatives has been the implementation of alternative forms of collaboration, including fee arrangements that assist the firm’s

Director: Lucas Montes de Oca

Managing Editor: Beverley Blythe

Editor: Michael Knipe; **Art Director:** Lisa Pampillonía

Commercial Director: Carolina Mateo

Project Development: Clinton Cossette

Project Directors: Simone Park and Jesse Egger

This special advertising feature was produced by Insight Publications, a division of Impact Media International Ltd. 150 East 55th Street, 7th Floor, New York, NY 10022, USA.

Tel: +1 212 751 1900 Fax: +1 212 751 0088

www.insight-publications.com

e-mail: publisher@insight-publications.com

Horwath Vélez & Co. PSC
 Certified Public Accountants / Business Advisors
 Member of Coopers & Lybrand International

The winning equation and unique alternative to the Big Four

(From left) Héctor J. Vélez Martín, president; Juan J. Bruno, audit partner and José Perobatz, audit director

Nineteen years of innovative business solutions in the areas of:

- Audit/Insurance • Business Consulting
- Financial Advisory • Tax • Technology and operations

Horwath Vélez & Co. PSC
 Certified Public Accountants and Business Advisors
 Centro Internacional de Mercaderes, 100 Carr. 183 Suite 410,
 Guaynabo, Puerto Rico 00968 - Tel. 787-425-1800 Fax 787-425-1812
 www.horwathpr.com

Move on to the next generation network VOICE OVER IP

WorldNet
 TELECOMMUNICATIONS, INC.

www.worldnetpr.com
 1-800-342-6694



We are like you

Because we understand your priorities and needs.

Achieving success in your business while protecting your family and most valuable possessions is our common goal.

We offer a wide variety of products to protect your property, life and health, designed with your needs in mind.



NATIONAL
 group

National Life Insurance Company • National Insurance Company
 Life • Health • Property • Contingency

clients in managing their legal costs and achieving budgetary certainty.

In addition to Fiddler's groundbreaking legal work, many lawyers at the firm share their knowledge and insight by serving as adjunct professors; as directors on boards of various nonprofit and professional organizations; and by publishing their views on a variety of issues, including the only treatise on environmental law in Puerto Rico. The lawyers, who number more than 85, are frequently invited to participate as featured speakers in key conferences and forums, playing a significant

Barreto Vélez, a firm specializing in risk management, is a leading boutique management consultancy on the island that also has offices in the Dominican Republic. In addition to offering in-depth knowledge of accounting, its strongest asset, the firm applies innovative processes to provide clients with solutions that improve their business compliance, governance, and financial and technological performance, says Carlos Barreto, the firm's executive partner.

"For any industry that wants to open its doors in Puerto Rico or expand off the

Hispanic market has given it a competitive advantage over its competitors.

Another of the island's leading accountancy firms is Horwath Vélez & Company, which is part of a network operating in the continental U.S. and the Caribbean. Horwath Vélez offers its clients greater size and experience than local firms, together with the high-quality service of the Big Four international accountancies, at lower cost and greater speed, says Hector Vélez, the president.

"Besides the fees, which are substantially lower, our service sets us apart. We take a genuine interest in our clients' business, and it shows. People notice this, and once they work with us they stay and recommend us to others," he adds. Due to its size, the firm has the ability to stay in touch for the entire year, not just during the annual audit. "Everything is here, tax services, consulting; and we can serve small, family-owned firms that cannot afford the Big 4," says Vélez.

Ranked within the top 10 CPA accounting firms in Puerto Rico, Horwath Vélez cites its reputation for availability as key to its success and serves several large-scale real estate developers in Puerto Rico.

"For any industry that wants to open its doors in Puerto Rico or expand off the island, we have the expertise to evaluate the risks and offer the correct solutions."

Carlos Barreto, Executive Partner, Barreto Vélez

role in the discussion and development of applicable laws and regulations.

"As Puerto Rico's economic and legal environment changes, Fiddler González & Rodríguez will continue providing legal expertise to address and help shape emerging legal issues that facilitate our clients' business opportunities and goals," concludes Manzano.

island, we have the expertise to evaluate the risks and offer the correct solutions," he says.

Enterprising companies have to take risks if they want a good return on their investment, he maintains. "We took a risk going into the Dominican Republic, and now we are looking into Panama."

José Marín, the other partner in the consultancy, says the firm's knowledge of the



It's time! To find your way to the top

At Polytechnic University of Puerto Rico, you'll find an innovative 360° training approach, state-of-the-art laboratories and equipment, a complete study abroad program and outstanding professors in each area of study. We graduate professionals that are ready to succeed and to excel expectations on these challenging times!

Earn the tools you need to excel in your career!

Undergraduate Schools:
 School of Engineering and Geomatic Sciences
 School of Architecture
 School of Management

Graduate Programs:
 School of Engineering
 School of Management
 Landscape Architecture

POLYTECHNIC UNIVERSITY PUERTO RICO



CALL (787) 622-8000 EXT. 310 OR VISIT US AT WWW.PUPR.EDU
#377 PONCE DE LEÓN AVE. SAN JUAN, PR 00918

A Compliance Service Vendor or a Global Partner?



Global competitiveness and regulatory compliance demands require life sciences industries to partner with service providers that can bring holistic value to their organizations focused around the product life cycle. We at Pharma-Sis Serv have diversified our portfolio of services to be your single partner in meeting your compliance challenges. Moreover, our bundled services offer cost savings to adjust to your budget constraints.

Regulatory Compliance and Utilization, Suppliers Audits, Risk-Based Commissioning and Qualification, Quality Risk Management, Quality Systems, Project Management, Technology Transfer, Product Manufacturing Support, Development & Process Improvement, Technical Resources Management, Technical Writing and Documentation, Manufacturing & Chemical Testing Services, Training and Seminars, IT Related Services, Application Development, Document Digitization, E-Learning

Recipients of 2008 J&J Procurement Excellence Awards
 1) "Service Partner Of The Year"
 2) "Contract Labor and Professional Services Partner Of The Year"

PHARMA-SIS SERV PHARMA-SERV SCIENZA LAB Integrotek

Pharma-Sis Serv, Inc. 12000th St. San Juan, PR 00918
 Pharma-Sis Serv, Inc. 12000th St. San Juan, PR 00918
 Pharma-Sis Serv, Inc. 12000th St. San Juan, PR 00918



Flying High in Technology

Aerospace and telecommunications are among the high-tech industries that are reaping the benefits of Puerto Rico's educational achievements.

With more than 50 institutions of higher education, the island has one of the highest college-education rates in the world, sending 56% of its college-age students on to higher learning.

The Polytechnic University of Puerto Rico (PUPR) is the largest private educational institution in the U.S. and its territories for Hispanics specializing in

engineering and associated fields.

Partly for this reason, says Ernesto Vázquez Barquet, the university's president, aerospace manufacturers are relocating to Puerto Rico in search of aeronautical engineers. In addition, he says, since 9/11, the Homeland Security Act requires that everything built for national defense or the aeronautical industry be manufactured on American soil.

As a consequence, the PUPR is now offering a master's degree in mechanical engineering with a concentration in aerospace, as well as a bachelor's degree in both aerospace and mechanical engineering.

Vázquez points out that a degree at PUPR, a private, nonprofit institution, costs a third as much as a degree from a similar public institution. "If people elsewhere in the States knew that we were offering top-quality engineering degrees at \$180 per credit, we would have an overflow of applications," he says.

Vázquez has three main objectives: to

transform the PUPR into a research as well as a teaching institution; to maintain its position at the forefront of technology and current affairs; and to expand its campus.

Puerto Rico's strength in telecommunications is demonstrated by WorldNet, a homegrown and locally owned company that has built a reputation as being the leading innovator in the region and the best small player competing with the major players in the telecom sector.

Founded in 1996 with a staff of ten, the company now has 200 employees, generates more than \$50 million a year in revenues and is seeking further growth while solidifying its position as an industry leader.

WorldNet overcame an industrywide problem by pioneering the building of Puerto Rico's only fully developed Internet protocol. "There is no other network like ours in the world," says David Bogaty, WorldNet's president and chief executive.

Bogaty notes that the highest priority after the recent growth is launching infrastructure initiatives, which should take about two years. In the first of four phases, it will develop a new operating support system. ❖

FIDDLER GONZALEZ & RODRIGUEZ, P.S.C.

THE ABILITY TO RECOGNIZE OPPORTUNITIES WHEN CONFRONTED WITH CHALLENGES; THAT'S THE FIDDLER EDGE.

We are the perfect partner for any business climate. The only law firm with the strength of more than 75 years of experience and the insight to identify the brighter side of any situation.

Masterly prepared for the journey that lies ahead.

PO BOX 363507, San Juan, PR 00936-3507

787-753-3113 fiddler@fglaw.com

Learn more at fglaw.com

INSIGHT
PUBLICATIONS
a division of Impact Media International Ltd.