

GOVERNMENT OF PUERTO RICO  
DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE  
OFFICE OF INCENTIVES FOR BUSINESSES IN PUERTO RICO

Grant of Tax Exemptions to THE CLIFF CORP., (“Applicant” or “Grantee”), Case No. 2020-OtherTransactions-001569, pursuant to the terms and provisions of Chapter 5 of Subtitle B of Act No. 60-2019, as amended, also known as the Puerto Rico Incentives Code (the “Act”).

GRANT

WHEREAS, the Act empowers the Secretary of the Department of Economic Development and Commerce (“Secretary of the DEDC”) to grant (i) tax exemptions from specified taxes to eligible businesses that qualify under the Act; if the Applicant proves, to the satisfaction of the Secretary of DEDC, that an eligible business, as defined in the Act, has been established, or will be established, and that such eligible business will be in the best interests of the Government of Puerto Rico (“Puerto Rico”);

WHEREAS, on June 19, 2020, Applicant has filed a Tax Incentives Application (“Application”) with the Office of Incentives for Businesses in Puerto Rico (the “OI”), seeking tax exemption from specified taxes under Chapter 5 of Subtitle B of the Act for a business engaged in tourism activities such as the ownership and development of a Condo Hotel to be known as “Cliff Hotel & Country Club Project” (“Condo Hotel Component”) to be located at the Municipality of Aguadilla, including a club house, restaurant, pool, gym, tennis court, spa, playground, parking, and other ancillary facilities. The Condo Hotel Component will comprise of a property regime of eighty-six (86) villas or residential units, building or group of residential buildings bears the brand of a world-renowned hotel company to be constituted pursuant to Act No. 249 of August 12, 2008, as amended, known as the “Puerto Rico Condo Hotel Act” (“Act 249-2008”), of which at least fifteen (15) villas and/or units, will be part of the Condo Hotel’s Integrated Rental Program (“Tourism Activity” or “Exempt Business”), and Tax credits from Eligible Tourism Investment under Section 3010.01(a)(1) of the Act (“Tax Credit(s)”) under Chapter No. 1 of Subtitle C of the Act, and the Secretary of the DEDC has relied on the statements made therein by Applicant for purposes of this Grant;

WHEREAS, Applicant, is a for-profit domestic corporation, organized under the laws of the Commonwealth of Puerto Rico on May 2, 2020, with register number 443305, and employer identification number. 66-0945249;

WHEREAS Applicant is the Owner and Developer of the Exempt Business, and a third party, Hospitality Management Solution, will be the Administrator and the Hotel Operator of the Tourism Activity and the rental program pursuant to the provisions of the Act;

WHEREAS, the Tourism Activity and the rental program thereof, will be operated by Hospitality Management Solutions (“Hotel Operator”) under the name of Mint Hotels and Residences, a brand of world-renowned hotel, and the units will enjoy typical hotel services provided by the Hotel Operator pursuant to a license agreement and the provisions of the Act;

WHEREAS, the Secretary of DEDC, after having examined the Eligibility Report issued by the Director of the OI, the Application for the tax exemption grant, and other documents relative to this case, is of the opinion that the Applicant has proved that it will operate an eligible business within the meaning of the Act and that the same will be in the best interest of Puerto Rico;

WHEREAS, according to the provisions of Section 6020.01(e) of the Act, under the Extraordinary Procedure, the Secretary of DEDC may consult the Secretary of the Department of Treasury of Puerto Rico (“Treasury”) and any other agency deemed pertinent, in the evaluation of the Application. PROVIDED, that pursuant to Section 6020.01(g) of the Act, the consulted

agencies have a period of twenty (20) business days to send written recommendations or comments regarding the Application. Once such a twenty-day period ends, without any written comments or objections, the Application will be considered favorably recommended by the consulted agencies. In this case, the draft grant was sent to the Treasury, the Puerto Rico Tourism Company (“Tourism Company”), the Municipal Revenue Collection Center (“MRCC”), and the municipality of Aguadilla, Puerto Rico (“Municipality”), on March 18, 2022. Therefore, the twenty-business day (20) period expired on April 19, 2022. The OI did not receive any written recommendations or objections from MRCC, and the Municipality within the time provided by the Act; as a result, this Grant is considered favorably recommended by such agencies. The Tourism Company notified recommendations to the Application on March 21, 2022, and July 19, 2022. Treasury notified recommendations on March 31, 2022, and in consideration of information provided by Applicant on June 14, 2022, Treasury notified further recommendations, and partially endorsed the Application on August 9, 2022;

NOW, THEREFORE, BE IT DECREED BY THE SECRETARY OF THE DEDC, that the Applicant, THE CLIFF CORP., be hereby granted: (i) tax exemptions in accordance with the applicable provisions of the Act, for such Tourism Activities as defined in Section 2051.01(b)(1)(i) and Section 1020.05(a)(7) of the Act, in connection with the ownership and operation of the following Tourism Activity: the ownership and development of a Condo Hotel to be known as “Cliff Hotel & Country Club Project” to be located at the Municipality of Aguadilla, including a club house, restaurant, pool, gym, tennis court, spa, playground, parking, and other ancillary facilities. The Condo Hotel Component will comprise of a property regime of eighty-six (86) villas or residential units, building or group of residential buildings bears the brand of a world-renowned hotel company to be constituted pursuant to Act 249-2008, of which at least fifteen (15) villas and/or units, will be part of the Condo Hotel’s Integrated Rental Program; PROVIDED, that the operations of the Tourism Activity shall be carried out substantially as described in the Application and accordance with the terms and conditions of the Act, this Grant, and the applicable regulations and administrative orders;

BE IT FURTHER DECREED, that for purposes of the Tax Credits under Section 3010.01(a)(1) of the Act, and the calculation of the Tourism Eligible Investment and the Total Project Cost, as defined in Sections 1020.05(a)(15) and 1020.05(a)(8) of the Act (collectively referred to as “Tax Credit Matters”), the Grant shall be bifurcated to address the Tax Credit Matters in a separate Order to the Grant, issued on a later date, after the approval date of this Grant; PROVIDED, that the determination to proceed with the approval of this Grant and bifurcate the Tax Credit Matters is in the best socioeconomic interests of Puerto Rico since, pursuant to Grantee’s representations, this bifurcation will expedite the completion of the Tourism Activity under the Grant; PROVIDED FURTHER, that the Tax Credit Matters shall be evaluated by the OI and the corresponding agencies, and must be approved by the Secretary of DEDC for the developer of the Condo Hotel to be able to claim any Tax Credits of the Tourism Activity for itself, pursuant to the applicable provision of the Act and Regulations;

BE IT FURTHER DECREED, that pursuant to Section 6011.02(b) of the Act and Administrative Order No. 2020-010 of the Department of Economic Development and Commerce (“Administrative Order No. 2020-010”), the Secretary of the DEDC delegates in the Director of the OI, to carry on administrative duties of all nature, related with grants of tax exemptions issued under the provisions of the Act, but excluding the authority to approve any original tax exemption grants and any other duties specifically bestowed upon him by the Act;

BE IT FURTHER DECREED, that during the original term this Grant is in effect, other co-grantees that may be organized in the future to conduct all or part of the activities covered by this Grant may be included as an additional co-grantee of this Grant by filing a sworn document requesting an amendment to this Grant with the OI. The inclusion of each co-grantee shall be effective as of the date the sworn request is filed or on the future date elected. Once the petition is evaluated and approved by the OI, as of said date, each co-grantee shall enjoy the benefits of

this Grant and will comply with all the terms and conditions of this Grant for the remainder period of the Grant;

BE IT FURTHER DECREED, that Grantee qualifies as a New Business as such term is defined in Section 1020.05(a)(20) of the Act, since it will use new facilities that have not been used in a Tourism Activity during the thirty-six (36) month period prior to the filing date of the Application;

BE IT FURTHER DECREED, that Grantee qualifies as an Eligible Business under Section 1020.01(a)(45)(vii) of the Act, since it is a New Business which undergoes substantial construction and development of its facilities, as owner and developer of a Condo Hotel to promote the visitor economy in Puerto Rico, in order to be also recognized as an Exempt Business by means of a new Grant, under the provisions of the Act;

BE IT FURTHER DECREED, that a Condo Hotel, shall include, pursuant to Section 1020.05(a)(7) of the Act, a set of residential units, a building or a group of residential buildings converted to the horizontal property regime or the regime according to Act 249-2008, and which meet the requirements of a Hotel, located within a tourist destination or resort that also meets one or more of the following requirements:

- i. The set of residential units, building, or group of residential buildings bears the brand of a world-renowned hotel company;
- ii. The units in the Condo Hotel receive services related to a hotel operation by a Hotel in the resort; or
- iii. The units dedicated to the lodging of Tourism through an integrated rental program are managed by the operator of the hotel located in the resort;

BE IT FURTHER DECREED, that the Secretary determines that Applicant complies with the Section 1020.05(a)(7) cited above, since (i) Applicant's Condo hotel Component will bear the brand of Mint Hotels and Residences, a world-renowned hotel company; (ii) the units will enjoy a typical hotel service provided by Hospitality Management Solutions; and (iii) the units will have available an integrated rental program provided by the Hotel Operator;

BE IT FURTHER DECREED, that Grantee shall be entitled to an exemption period of fifteen (15) years as set for in Section 6020.03(a) of the Act. The location of the exempted business is: Carretera 111 intersección con Carretera 4458, km0.2 interior, Barrio Borinquen at the municipality of Aguadilla, Puerto Rico. The effective date of said tax exemption shall be the date of commencement of operations as later established in a sworn statement pursuant to Sections 2052.07(a) of the Act; PROVIDED FURTHER, that pursuant to Section 2052.07(b) of the Act, the alluded term may be deferred at the request of Grantee, but no time extensions shall be granted to delay the date on which operations start for a term greater than thirty-six (36) months from the date established in Section 2052.07(a) of the Act;

BE IT FURTHER DECREED, that within ninety (90) days after Grantee commences operations, Grantee shall notify, with a sworn document filed with the OI, the date of commencement of operations. The physical address of the exempted operations will be: Carretera 111 intersección con Carretera 4458, km0.2 interior, Barrio Borinquen, Aguadilla Puerto Rico, 00603; PROVIDED FURTHER, that if Grantee commenced operations after the filing of the Application, but before the receipt of this Grant, Grantee shall comply with the mentioned notification within ninety (90) days after the receipt of this Grant;

BE IT FURTHER DECREED, that pursuant to Section 2052.01(a)(1) of the Act, and during the term of this Grant, Grantee shall enjoy an income tax rate of four percent (4%) on its Tourism Development Income ("TDI") derived from the operations covered by this Grant, in lieu of any other income tax rate;

BE IT FURTHER DECREED, that pursuant to Section 1020.05(14) of the Act, income derived from the following activities shall be covered by the tax rate established by Section 2052(a)(1) of the Act: (i) the room rental and other service charges related to the Tourism Activity; (ii) the sale of food and beverages; (iii) the operation of retail stores within the physical facilities, but only if such retail stores are owned and operated by the Exempt Business; (iv) the operation of sports and recreational facilities that are part of the Tourism Activity of the Exempt Business; (v) the leasing of commercial space within the Hotel, Condo Hotel, Parador, or Guest House for the operation of businesses which provide useful services to transient guests;

BE IT FURTHER DECREED, that the dividends distributed by Grantee from earnings and profits attributable to TDI to its members shall be totally exempt pursuant to the provisions under Section 2052.01(b) of the Act;

BE IT FURTHER DECREED, that Grantee and its shareholders, members or owners must pay any finally determined income tax debt, employee withholding income tax notified by Treasury; PROVIDED, that for the avoidance of doubt, a tax is considered "finally determined" only after Grantee, its shareholders, members or owners have exhausted all of their administrative, judicial or any other legal review procedures available to them under the PR Code, Puerto Rico laws generally, or any other applicable law to contest any such proposed tax, interest and penalties. Otherwise, this Grant could be temporarily or permanently revoked;

BE IT FURTHER DECREED, that the income derived for the years not covered by this Grant, as well as the income accumulated from activities not covered by this Grant, shall be fully taxable, in accordance with the provisions of the PR Code, its predecessor or successor as it may apply;

BE IT FURTHER DECREED, that on current distributions and on total liquidations, the income accumulated from activities not covered by this Grant, as well as the income accumulated during years not covered by this Grant, shall be fully taxable, in accordance with the dispositions of the PR Code;

BE IT FURTHER DECREED, that on current distributions and on total liquidations, the TDI accumulated starting on the date of commencement of operations, as later established in a sworn statement pursuant to Sections 2052.07(a) of the Act, shall be totally exempt pursuant to Sections 2052.01(b)(3) of the Act;

BE IT FURTHER DECREED, that any gain derived during the Exemption Period from the sale, exchange, or other disposition of corporate stock, membership unit, or partnership interest that are or have been exempt businesses; shares in joint ventures, or substantially all assets of such corporations, partnerships, limited liability companies, or joint ventures that are or have been Exempt Businesses, corporate stock, member interests or partnership interests that in some way own the entities described above, (including a redemption or liquidation of said membership interest), that is attributable to the Tourism Activity, shall be one-hundred percent (100%) exempt, provided all the rules contained in Section 2052.01(c) of the Act are met; PROVIDED, that pursuant to Section 2052.01(c) of the Act, this exemption, is subject to the condition that such assets continue to be used in Tourism Activities after the date of such sale for a period of not less than twenty-four (24) months: (i) During the exemption period, the profit or loss resulting from such sale or exchange, which shall be recognized in the same proportion as TDI of the Exempt Business, shall be subject to the payment of income taxes; the basis of such stocks or assets involved in the sale or exchange shall be determined, for purposes of establishing profits or losses, pursuant to the applicable provisions of the PR Code in effect on the date of the sale or exchange; (ii) After the expiration date of the exemption, only the profits or losses resulting from the sale or exchange of stocks shall be recognized in the manner provided in Section 2052.01, but only up to the total value of the stocks in the books of the limited liability company on the expiration date of the exemption (minus the sum of any exempt distribution received over such shares after said date), minus the basis of such stocks. The

remainder, if any, of the profits or losses shall be recognized pursuant to the provisions of Subtitle A of the PR Code. The profits or losses in the sale or exchange of assets shall be recognized pursuant to the provisions of Subtitle A of the PR Code; PROVIDED FURTHER, that this exemption shall not apply in the case of a sale of (i) less than substantially all of the assets of Grantee used in a Tourism Activity; (ii) all of the assets of Grantee used in the Tourism Activity, if the sale occurs after fifteen (15) years from the commencement of the income tax exemption period; and (iii) any assets not used in a Tourism Activity; PROVIDED FURTHER, that the requirement of having the property continue to be devoted to a Tourism Activity for a period of at least twenty-four (24) months shall not apply in those cases in which the sale or exchange involves stocks of an Investor who is not a Developer nor exerts any kind of Control over the Exempt Business;

BE IT FURTHER DECREED, that pursuant to Section 2052.01(f) of the Act, royalty payments made by Grantee to non-resident persons for the use of intangible property in Puerto Rico shall be subject to withholding tax at source of twelve percent (12%);

BE IT FURTHER DECREED, that in the case Grantee is eligible for credits under the Act, the same shall be subject to the limitations imposed by the Act itself, this Grant, and the applicable regulations and administrative orders;

BE IT FURTHER DECREED, that as provided by Section 2052.02(a) of the Act, Grantee shall enjoy seventy-five percent (75%) exemption from municipal and Government personal and real property taxes, used on the Tourism Activity covered under this Grant, starting on January 1st of the calendar year in which the Grantee commences its tourism activities covered under this Grant, but never before January 1st of the year in which an application is filed to avail itself of the benefits of Chapter 5, Subtitle B of the Act; PROVIDED, that such property tax shall be assessed, imposed, notified and administered according to the property tax law in effect as of the date this Grant is signed;

BE IT FURTHER DECREED, that pursuant to Section 2052.02(b) of the Act, Grantee shall enjoy seventy-five percent (75%) exemption from municipal and Government personal and real property taxes, in cases of personal property consisting of equipment and furniture to be used in a lodging facility, except for any commercial unit;

BE IT FURTHER DECREED, that pursuant to Section 2052.02(c) of the Act, the stock in a corporation, or ownership interest in a partnership, membership unit in a limited liability company, or another type of entity that enjoys an exemption granted under Chapter 5 of Subtitle B of the Act shall be totally exempt from property taxes;

BE IT FURTHER DECREED, that pursuant to Section 2011.03(c) of the Act, the personal and real property of Grantee, shall be totally exempted during the period authorized under this Grant to carry out the construction of the tax exempt operations covered by this Grant; PROVIDED FURTHER, that total exemption on personal and real property taxes that is provided by Section 2011.03(c) of the Act, shall not apply to any property belonging to other entities; PROVIDED, that the personal real property of Grantee which is directly related to the construction of any real property owned by Grantee used for the operation covered by this Grant shall be entirely exempted during the period authorized under this Grant to carry out subsequent constructions of facilities for the operations covered under this Grant; PROVIDED, that the exemptions that are herein conferred will end on the date notified by the Grantee to the OI and the MRCC, within thirty (30) days after the completion of said construction or subsequent constructions of facilities property of Grantee; PROVIDED, that this notification shall be accompanied by a sworn statement to be submitted not later than the date of filing of the personal property tax return for that particular taxable year; PROVIDED, that the notifications herein mentioned are not required for the exemption to apply;

BE IT FURTHER DECREED, that pursuant to Section 2052.03(a) of the Act, Grantee shall enjoy a fifty percent (50%) exemption on license fees, excise taxes, and other municipal taxes on its TDI, transactions, events, or on use, imposed by any ordinance of any municipality;

BE IT FURTHER DECREED, that the effective date of this Grant for municipal license tax purposes will be the first day of the following semester of the Government fiscal year in which Grantee commences operations;

BE IT FURTHER DECREED, that pursuant to Section 2052.03(b) of the Act, no municipality may impose taxes, fees, licenses, excise taxes, or any other kind of charge based on or related to the guest's stay in an Exempt Business, except for the provisions of the Municipal License Tax Act of 1974, as amended, Act 107 of 2020, known as the Puerto Rico Municipal Code, as amended ("Act 107-2020"), or any other successor law, as applicable in force at the date of approval of the Grant;

BE IT FURTHER DECREED, that pursuant to Section 2052.04(a) of the Act, Grantee shall enjoy one hundred percent (100%) exemption from the taxes imposed under Subtitles C (Excise Tax), D (Sales and Use Tax), and DDD (Surcharge to Sales and Use Tax) of the PR Code with respect to those items acquired and used by the Grantee relating to a Tourism Activity covered in this Grant; PROVIDED, that this exemption shall also include the items acquired by a contractor or subcontractor, to be used solely and exclusively by the Grantee in construction works related to a Tourism Activity covered in this Grant pursuant to Section 2052.04(b) of the Act; PROVIDED FURTHER, that pursuant to Section 2052.04(c), this exemption shall not apply to items or other property of such a nature that they are part of the inventory of the Exempt Business under Section 3010.01(a)(2)(B) of the PR Code, and which represent property mainly held for sale during the regular operations of the trade or business; nor shall such exemption apply to the tax on hotel room occupancy imposed under Act No. 272-2003, as amended, known as the "Room Occupancy Rate Tax Act or any other successor law, as applicable; PROVIDED FURTHER, that pursuant to Section 2052.04(d), the Secretary of the Treasury shall grant a credit or refund for any tax paid on the sale or on the introduction of items sold to Exempt Businesses for use relating to a Tourism Activity in the manner and with the limitations prescribed in the PR Code or any other successor law;

BE IT FURTHER DECREED, that the effective date for the sales and use taxes and excise taxes exemption shall begin thirty (30) days after having filed an application with the OI and the applicable payment to avail itself of the benefits of Chapter 5, Subtitle B of the Act; PROVIDED that with respect to sales and use taxes and excise taxes, a Bond is posted pursuant to the applicable provisions of the PR Code, prior to the commencement date chosen for the exemption and if the aforementioned application has not been denied;

BE IT FURTHER DECREED, that pursuant to Section 2052.06(a) of the Act, Grantee shall enjoy one hundred percent (100%) Fuel Tax exemption from taxes under Sections 3020.07 and 3020.07A of the PR Code with respect to oil by-products (excluding residual No. 6 fuel oil or bunker C), and any other hydrocarbon blend (including propane and natural gases) used as fuel by the Exempt Business to generate electric power or thermal power used by the Grantee in connection to the Tourism Activity covered under this Grant, starting on the date of commencement of operations, as later established in a sworn statement pursuant to Sections 2052.07(a) of the Act;

BE IT FURTHER DECREED, that pursuant to Section 2052.05(a) of the Act, Grantee and their contractors and subcontractors shall enjoy seventy-five percent (75%) tax exemption on any tax, levy, fee, license, excise tax or rate levied by any municipal ordinance in force at the date of approval of the Grant; PROVIDED, that only for purposes of this exemption, any person in charge of performing administrative duties and the physical and intellectual work inherent to the construction of a work to be devoted to the Tourism Activity covered in this Grant, and any middleman or chain of middlemen between such person and the Exempt Business shall be

deemed to be a contractor or subcontractor of the Grantee pursuant to Section 2052.05(b) of the Act; PROVIDED, that the exemptions that are herein conferred will end on the date notified by the Grantee to the OI and the MRCC, within thirty (30) days after the completion of said construction or subsequent constructions of facilities property of Grantee; PROVIDED FURTHER, that this notification shall be accompanied by a sworn statement to be submitted not later than the date of filing of the declaration of the volume of business for that particular taxable year; provided further, that with respect to any subsequent construction of facilities property of Grantee that are used in the exempted operations covered by this Grant, Grantee and its contractors and subcontractors will enjoy the same total exemption provided above, subject to Grantee's written notice to the OI and the municipality where Grantee conducts the operations covered by this Grant, within thirty (30) days after the commencement of said new construction; PROVIDED, that the notifications herein mentioned are not required for the exemption to apply; PROVIDED FURTHER, that in case of Condo Hotels projects, and only for purposes of this exemption, any person in charge of carrying out administrative duties and the physical and intellectual work inherent to the construction of a Condo Hotel project, and any middleman between such person and the owner of a Condo Hotel project, including the Developer of the Condo Hotel himself, when he has contracted another for the construction of the Condo Hotel project, shall be deemed to be contractors of an Exempt Business in terms of each Condo Hotel project; PROVIDED, that the amount to be taken as an exemption in the case of a Condo Hotel unit owner claimed pursuant to this paragraph shall be divided and assigned in terms of every unit of the Condo Hotel according to the proportion of the interest of each unit regarding the common elements of the regime, when all of the units of the Condo Hotel are devoted to a single horizontal property or another regime under the "Puerto Rico Condo Hotel Act," or any successor law, or by using any prorating method acceptable to the Secretary of the DEDC when the units are devoted to more than one horizontal property regime pursuant to Section 2052.05(d);

BE IT FURTHER DECREED, that based on the statements contained in the documents submitted with the Application, and pursuant to Section 2052.05(d), the following determinations are made:

1. The exemption shall be taken in whole for the year in which it is required to meet the tax liability for the construction. However, it shall be understood that taxpayers owners of a Condo Hotel unit shall be entitled to take as an exemption one hundred-twentieth part of the amount available as assigned prorated exemption in relation to each unit during each consecutive month in which said units are devoted, from the time of their construction to an integrated leasing program. The exemption taken at the time of the construction and development of the Condo Hotel shall be equal to the total amount of exemption which would be finally obtained on such account in the event that all units of the Condo Hotel are devoted to an integrated leasing program for at least nine (9) months for each of the first fifteen (15) years, namely, one hundred eighty (180) months as of the construction of each unit;
2. Each year, there shall be a reduction of the amount taken by virtue of the exemption applicable to such units:
  - i. Acquired during the said year from the Entity that developed or built them, and which have never been used for any purpose whatsoever prior to said acquisition and which are not devoted by the acquirer to an integrated leasing program, within the term provided by the Secretary of the DEDC during which said units must be devoted to such a purpose so that they enjoy the benefits of Chapter 5, Subtitle B of the Act; or

- ii. that during said particular year, they have not met, for the first time, the requirement of being devoted to an integrated leasing program for at least nine (9) months during said year.
3. The equivalent of that reduction in the amount taken on account of the exemption may be recovered annually by the municipality from the taxpayers. The amount to be recovered annually shall be computed as follows:
  - i. First: The total portion of the exemption assigned pursuant to this paragraph shall be taken for each unit that during said year and that, for the first time, did not meet the requirement of being devoted at least nine (9) months to an integrated leasing program, and the same shall be multiplied by a fraction whose numerator shall be equal to the subtraction of one hundred eighty (180) minus the number of consecutive months during which said unit met the requirement of being devoted at least nine (9) months each year to an integrated leasing program, and whose denominator shall be one hundred eighty (180);
  - ii. Second: The results obtained from the corresponding equations for each unit described in the preceding subparagraph shall be added, and the final result thereof shall be the total amount of the exemption taken in excess and subject to recovery that year. Under no circumstance shall any charges, surcharges, penalties, interest, or any other kind of additional fee be imposed or charged with respect to any tax, levy, fee, license, excise tax, rate, or duty, whose amount is required pursuant to the provisions of this paragraph for reasons arising before or at the time it was determined that said exemption does not proceed, whether in whole or in part.
  - iii. When computing the number of months said unit was devoted to an integrated leasing program each year, the fractions of the months shall be rounded up to the preceding month.
4. As a condition of the aforementioned exemption, any municipality, with the previous consent of the Secretary of the DEDC, may request from any taxpayer with respect to the tax, levy, fee, license, excise tax, rate, or duty on the construction of a Condo Hotel, or from those persons who have a proprietary interest on said taxpayers if they are Entities of any type, security or Bond to ensure the payment of any amount indebted as a tax pursuant to this paragraph;
5. The operator of the integrated leasing program of a Condo Hotel shall submit an annual report to the director of finances of the municipality or municipalities where the Condo Hotel is located, should said municipality or municipalities impose any tax, levy, fee, license, excise tax, rate, or duty on the construction of said Condo Hotel. Said report shall indicate the dates on which participating units began to participate in the program, as well as the date or dates on which one or more units withdrew from the program;
6. For purposes of this subsection, should an owner in a Condo Hotel unit fail to meet any requirement established in this Grant granted for such a purpose or should the same be revoked for any reason, said owner shall be deemed to have failed to devote the Condo Hotel unit(s) covered under this Grant to an integrated leasing program. The Secretary of the DEDC shall notify the director of finances of the appropriate municipality, in case an owner has failed to meet any requirement established in its Grant or if this Grant has been revoked;

BE IT FURTHER DECREED, that in the case of Condo Hotels unit's owner, it is hereby established that, in order to enjoy the exemption from municipal excise taxes on construction,



each Condo-Hotel unit must be devoted to an integrated leasing program for nine (9) months a year for a period of fifteen (15) consecutive years. In those cases, in which the use of the Condo Hotel project changes and the Condo Hotel units are removed from the integrated leasing program before the term required under the Act, to such effect, PROVIDED that the unit that is an Exempt Business under this Grant is immediately devoted to another Tourism Activity that is an Exempt Business under Chapter 5, Subtitle B of the Act, prior authorization from the Secretary of DEDC, for not less than the remaining time period under the integrated leasing program. PROVIDED, that if this condition is not met, the subsequent acquirer of the unit shall be liable for any amount that must be recovered subsequently on account of this tax collected in excess. PROVIDED FURTHER, that in such case, no recovery shall be in order for the years in which the unit belonged to an integrated leasing program and was devoted to another Tourism Activity that is an Exempt Business under this Grant;

BE IT FURTHER DECREED, that the effective date for the exemption related to the municipal excise taxes on construction shall begin as of the filing date of the Application to avail itself of the benefits of Chapter 5, Subtitle B of the Act; PROVIDED FURTHER, that in the case of Condo Hotels unit's owner, contractors and subcontractors shall begin to enjoy the exemption from the time the Developer files the master Decree application in which it describes the nature of the project, and meets such additional requirements as the Secretary of the DEDC may establish for such purposes;

BE IT FURTHER DECREED, that as an essential condition to the issuance and continuance of this Grant, Grantee must invest of no less than the twenty percent (20%) of its net income derived from its Tourism Activities in:

1. A promotion, publicity, and marketing plan for its Tourism Activity according to the particular circumstances and needs of the Exempt Business;
2. The compliance with adequate standards of sanitation and of protection and security to the clientele;
3. A training and re-training program of its personnel;
4. Facilities for people with disabilities that complies with ADA requirements; and
5. A conservation plan of improvements and maintenance of its plant and of the environmental and aesthetic infrastructure;

BE IT FURTHER DECREED, that as an essential condition to the issuance and continuance of this Grant, Grantee must comply with an annual employment commitment of twenty (20) direct employees during the construction phase and ten (10) direct employees during the operation phase and for the remaining exempted period in the activities covered by this Grant, measured annually based on Grantee's taxable year. The term "direct employee" means an individual that is a resident of Puerto Rico, hired by Grantee as an employee in full-time, part-time, or temporary capacity, engaged directly in the activities covered by this Grant, and the employees of other employers who have been hired to provide services to Grantee directly related to the activities covered by this Grant, including personnel working for Grantee in activities covered by this Grant pursuant to a services or employee leasing contract, provided that such other employers do not count such employees for purposes of obtaining any tax benefits provided for by any laws, rules, regulations or programs of the Government (including any agency, instrumentality, public corporation or political subdivision thereof) or the United States, but shall not include independent contractors, consultants or providers of professional services, such as attorneys, accountants, or any kind of freelance consultant. The term "direct employees" also may include Grantee's owners who are individuals, to the extent such owners perform the eligible activities to the Grantee and as long as such owners receive compensation such as salaries for such services. For purposes of determining the number of full-time direct employees that have been employed by Grantee during a full, twelve-month taxable year in the activities covered by this Grant, Grantee shall compute the total hours worked by all Grantee direct

employees during the taxable year and divide those total hours by 2,080, and the resulting quotient (excluding any fractional amounts) shall be the amount of full-time equivalent direct employees that have been employed by Grantee during that taxable year in the activities covered by this Grant. For the purpose of determining the total hours worked, hours of vacation and other authorized licenses shall be included, but overtime hours worked in excess of 40 hours per week shall not be included. In the event a taxable year covered by this Grant is less than twelve full months in length, the required computation shall be performed by dividing the total hours worked by direct employees during that shortened taxable year by the product of 40 times the number of weeks in the shortened taxable year; PROVIDED FURTHER, that for purposes of determining the number of full-time direct employees that have been employed by Grantee during a taxable year in the activities covered by this Grant, Grantee shall include in such calculations any employees deemed inactive due to temporary, health-related leaves, as a result of maternity, non-occupational disability, workers' compensation related claims and for other similar reasons, provided that such employees are receiving their ordinary compensation during such period of inactivity. In no event shall the hours of an employee who works less than 20 hours per week on average be included for purposes of this paragraph. Whenever any provision of this Grant requires a determination of the number of direct employees employed for a particular period for purposes of determining compliance with the requirements of this Grant, the proration approach described in the preceding sentence shall be used for the period in question. In no event shall the hours of an employee who works less than 20 hours per week on average be included for purposes of this paragraph; PROVIDED, HOWEVER, that in any case in which a direct employee resigns or is terminated, the Grantee will have ninety (90) days to hire a new direct employee. If the Grantee hires a direct employee within the alluded ninety (90) days, the period in which the direct employee vacancy was held will be considered working hours for purposes of calculating the number of full-time direct employees;

BE IT FURTHER DECREED that Grantee must always comply with the employment level requirement of the preceding clause. In the event that any reduction of employment occurs, temporary or permanent, Grantee shall be subject to the following alternatives:

1. If Grantee met at least eighty percent (80%) of the employment requirement, it shall be understood that Grantee met said requirement. This exception shall not be claimed more than three (3) times during the exempted period of the Grant;
2. If Grantee failed to meet at least eighty percent (80%) of the employment requirement, Grantee shall file a sworn application for amendment of this Grant with the OI, within sixty (60) days after the date such reduction occurs or within sixty (60) days of the date when Grantee first become aware such reduction will occur, justifying the reduction in the employment commitment, establishing the corrective actions taken or to be taken and requesting authorization to be allowed to meet employment requirement with the number of direct employees maintained during the year in question. The amendment request shall be evaluated by the OI, provided that the OI shall make a written determination as to whether Grantee's failure to meet the employment requirement shall be excused, taking into consideration such reasonable grounds for reduction of employment, as for example, but not limited to, strikes, war, action of a government or of the elements, or any Extraordinary Circumstances, as such term is defined in Section 1020.01(a)(9) of the Act, or other reasonable cause beyond the control of Grantee; PROVIDED FURTHER, that the OI may, but is not required, take into account business exigencies faced by Grantee; PROVIDED FURTHER, that compliance with the employment requirement under this paragraph shall not be requested more than twice (2) during the effective term of the Grant.
3. PROVIDED, that the Secretary is empowered to grant the exceptions provided in subparagraphs (1) and (2) above in excess of the years provided therein if it serves the best interests of Puerto Rico;

BE IT FURTHER DECREED, that Grantee shall make all possible efforts to promote the creation of new jobs;

BE IT FURTHER DECREED that Grantee shall use its best efforts to construct or expand its operations in Puerto Rico;

BE IT FURTHER DECREED, that Grantee shall make all possible efforts that the conceptual design and planning of the Tourism Activity and the Exempt Business shall be, above all, carried out while taking into account environmental, geographical, and physical aspects, as well as the materials and goods that are abundantly available in the site where it is to be developed;

BE IT FURTHER DECREED, that Grantee shall acquire, to the extent possible, raw materials and products manufactured in Puerto Rico for the construction, maintenance, renovation, or extension of the physical facilities thereof. PROVIDED that if the purchase of said products is not financially justified when taking into account criteria such as the quality, quantity, price, and availability of these products in Puerto Rico, the Secretary of the DEDC may waive compliance with this requirement and issue a certificate attesting to such facts;

BE IT FURTHER DECREED, that Grantee shall acquire, to the extent possible, Puerto Rican agricultural products to be used in its operations. PROVIDED that if the purchase of said products cannot be financially justified when considering criteria such as the quality, quantity, price, or availability of these products in Puerto Rico, the Secretary of the DEDC may waive compliance with this requirement and issue a certificate attesting to such facts;

BE IT FURTHER DECREED, that the Grantee on its annual report shall submit proof that they use the services of, and that they deposit a significant amount of the income derived from their economic activity in, banking or cooperative institutions with a presence in Puerto Rico;

BE IT FURTHER DECREED, that during the term of this Grant, Grantee will be entitled to all of the benefits, exemptions, and special tax rates available under the Act in effect on the date this Grant is signed, to the extent not inconsistent with the explicit terms of this Grant, regardless of whether the availability of such benefits is expressly recited herein, provided that the operations of Grantee shall be carried out as described in the Application and Grantee complies with the terms of this Grant and the obligations set forth in the Act and the Regulations promulgated thereunder;

BE IT FURTHER DECREED, that the tax benefits granted herein shall be applicable only to the property directly used in connection with the Tourism Activity herein before listed and to the TDI (as defined in the Act and in the corresponding provisions of the Regulation promulgated thereunder) derived from the operations of the Exempt Business which gives rise to the exemption provided by this Grant, and such other property specifically declared exempt by the Act;

BE IT FURTHER DECREED, that Grantee shall submit an annual report electronically with the OI: (i) on or before November 15 following the closing of the prior taxable year, if Grantee's taxable year is a calendar year, or (ii) on or before the fifteenth (15th) day of the eleventh (11th) month following the closing of the prior taxable year if Grantee's taxable year is a fiscal year; PROVIDED, that the failure to comply with this obligation may expose Grantee to fines, penalties and/or other administrative sanctions set forth in the Act, as well as the revocation of this Grant; PROVIDED FURTHER, that every exempted business shall file duly completed reports and surveys for the preparation of statistics and economic studies that may be requested by the Director of the OI and/or the Secretary in the performance of his or her duties; PROVIDED FURTHER, that Grantee shall file duly completed reports that may be requested by the Tourism Company;

BE IT FURTHER DECREED, that, as a condition to the continuance of the tax benefits hereby granted, Grantee shall be required, in conformance with Section 6020.10(a) of the Act, to file with the Secretary of the Treasury, regardless of its gross or net income, an annual income tax return, separate from any other return it is required to file, in relation to the business operations covered by this Grant and in accordance with the PR Code. The Secretary of the Treasury may share with the Secretary the information so received, provided that the confidentiality of said information is protected. The Secretary of the Treasury shall be entitled to audit said returns and propose adjustments in the same manner as any other tax returns required to be filed with the Government may be audited and adjusted. Grantee shall also be required to keep in Puerto Rico the accounting records, books, accounts, and files relative to its exempted operations separately, as well as the necessary records and files, and to make and submit such sworn statements, and comply with the rules and regulations in force for the proper fulfillment of the purposes of the Act and that the Secretary of the Treasury may prescribe from time to time in connection with the levying and collection of all kinds of taxes;

BE IT FURTHER DECREED, that the Director of the OI and/or the Secretary of DEDC are empowered to take all reasonable steps to verify Grantee's compliance with the terms of this Grant ("Grant Compliance Review"), including, but not limited to, Grantee's satisfaction of the required employment and investment level, as it may apply. The authorized steps include, but are not limited to, reviewing the accounting books and records of Grantee, including general ledgers, journals, payroll records, and banking and other financial records of Grantee, reviewing information filed with or compiled by other agencies of the Government or the United States, conducting interviews of employees and other individuals who may be in possession of relevant information, gathering information from third parties, and conducting site visits to facilities covered by this Grant; and PROVIDED FURTHER, that the Director of the OI, and/or the Secretary shall use their best efforts to minimize the disruption to Grantee's operations and the burden on Grantee caused by a Grant Compliance Review by attempting to work in coordination with each other to the maximum extent permissible by law;

BE IT FURTHER DECREED, that Grantee shall take all reasonable steps to ensure that any material information required to be reported under this Grant shall be reported accurately and completely; PROVIDED FURTHER that, in the event that the Director of the OI, or the Secretary of DEDC determines that Grantee willfully failed to report or willfully misreported any material information required to be reported under this Grant, for the purpose of preventing the Director of the OI, or the Secretary of DEDC from determining that Grantee does not comply with the requirements of this Grant or the Act, then the Director of the OI by delegation of the Secretary of DEDC in Administrative Order No. 2020-010, shall revoke this Grant; PROVIDED that these remedies for willful failure to report and willful misreporting are in addition to, and not in lieu of, any other remedies under the Act or Puerto Rican law generally;

BE IT FURTHER DECREED, that Grantee shall always comply with the obligations set forth in Section 6020.10(a) of the Act, including, but not limited to, the audits required Section 6020.10(a)(4)(ii), to review compliance with the terms and conditions of this Grant;

BE IT FURTHER DECREED, pursuant to Section 6020.09 of the Act, that in the event Grantee does not comply with any of the terms and conditions established in the Act and this Grant and such noncompliance is a sufficient basis for revocation as provided by this Grant or this Grant, then, in addition to any of the remedies for said noncompliance provided by this Grant, the Director of the OI, by delegation of the Secretary in Administrative Order No. 2020-010, may commence the administrative procedures to determine if this Grant should be revoked; PROVIDED that if such revocation is based upon the provisions of Section 6020.09 (a)(1) of the Act, it shall take effect upon the first date of such noncompliance and all income earned, accrued or recognized after that date shall be subject to taxation under the provisions of the PR Code; PROVIDED FURTHER, that if such revocation is based upon the provisions of Section 6020.09(a)(2) of the Act, this Grant shall be null and void *ab initio*, and all net income

previously treated as totally or partially exempt hereunder shall be subject to tax under the provisions of the PR Code, without regard to any statute of limitations contained in the PR Code; and PROVIDED FURTHER, that the other consequences of such revocation shall be as stated in the Act;

BE IT FURTHER DECREED, that a determination of revocation of this Grant under the provisions of Section 6020.09 of the Act or this Grant will expose Grantee to the payment of income, real and personal property, and municipal license taxes as a totally taxable operation, which can entail the payment of reimbursements, penalties, and interest, as of the effective date of the revocation, pursuant to the provisions of the PR Code or its predecessors as may apply, Act No. 83 of August 30, 1991, as amended, Act No. 107-2020, as amended, and their respective successor act, as applicable;

BE IT FURTHER DECREED, that within ninety (90) days from the time that Grantee files the Exempt Corporations Annual Report for the seventh (7th) year under the terms of this Grant, Grantee and the Secretary, or his or her designee, in coordination with the OI, shall commence a review ("Review") of Grantee's operations in Puerto Rico, in consideration of the express purposes of this Act and the goals of increasing employment and investment in Puerto Rico and the competitive position of both Puerto Rico and Grantee. For said purposes, the Secretary, or his designee, may require Grantee to hold a personal meeting with him to discuss its operations in Puerto Rico and the possible opportunities for expansion of those operations and to submit information describing its operations in Puerto Rico and the possible opportunities for expansion of those operations. The Review shall consider the state of Grantee's operations, employment and investment in Puerto Rico and opportunities for expansion, including its introduction of new business activities, new products, and production processes, headquarters operations, distribution centers, and research centers, for its operations and/or its introduction of financial consulting and advisory activities in Puerto Rico. On the basis of the results of this Review, Grantee and the Government agree to hold good faith discussions, by means of in-person meetings or any means agreed by both parties, to evaluate the potential for additional amendments to this Grant or other provisions that could lead, on a best efforts basis, to increased employment and investment in Puerto Rico beyond the commitments made in the Grant, or to the modification of such commitments to reflect local or global trends as necessary or convenient to support Grantee's continued presence in Puerto Rico and competitive position;

BE IT FURTHER DECREED, that Grantee recognizes that it is and shall continue to be required to comply with all the laws, rules, regulations, orders, and ordinances promulgated by the Government, its agencies, and municipalities which are applicable to Grantee's operations, including all the provisions of the Act which are applicable to Grantee, and all rules and regulations promulgated pursuant to the Act, regardless of whether or not said provisions are specifically mentioned in this Grant; PROVIDED, HOWEVER, that the Grant shall upon its acceptance by Grantee constitute a contract among the Government, and Grantee and Grantee's members or owners, established under the Act and subject to that Act and the provisions of Art. II, Section 7 of the Constitution of the Government;

BE IT FURTHER DECREED, that Grantee and its shareholders, members, or owners must comply and are in compliance with the provisions of Act No. 2-2018, as amended, known as the "Anticorruption Code for a New Puerto Rico"; PROVIDED FURTHER, that if Grantee or any of its shareholders, members or owners are convicted of a felony or a misdemeanor involving moral depravity under the Puerto Rico jurisdiction, federal jurisdiction, any of the States of the United States of America, or convictions in foreign countries, it will constitute sufficient basis for the revocation of this Grant, retroactive to the date in which the act that resulted into a conviction was committed;

BE IT FURTHER DECREED, that the parties to this Grant acknowledge that Section 6020.08(a) of the Act gives the Secretary the discretion to include such terms and conditions,

concessions, and exemptions in grants that are consistent with the purpose of the Act and that promote the socioeconomic development of Puerto Rico, and expressly acknowledge that each term of this Grant is permitted pursuant to that discretion and that each such term constitutes and includes a decision or determination by the Secretary which shall be final and once this Grant is approved no agency, instrumentality, public corporation, municipality or political subdivision of the Government can challenge the legality of such Grant or any of its terms, as provided in Section 6020.01(j) of the Act;

BE IT FURTHER DECREED, that the authorized personnel of the Tourism Company and DDEC may perform periodic inspections of the Tourism Activity;

BE IT FURTHER DECREED, that as an essential condition to the continuance of the Grant, the Grantee shall be required to comply with a minimum average of ninety percent (90%) in the initial evaluation. In the subsequently evaluations the Grantee shall be required to comply with a minimum average of eighty five percent (85%), pursuant to the Regulation of Hostelries of Puerto Rico of the Tourism Company (the "Regulation of Minimum Requirements"). That's evaluations shall be made by the Tourism Quality Program of the Tourism Company, or any similar program created and implemented by the Tourism Company, and/or the periodical minimum allowed by the Secretary of DEDC after determination of Grantee's effort to comply with this condition;

BE IT FURTHER DECREED, that Grantee shall comply to all extent with the provisions of Act No. 416-2004, as amended, also known as the "Environmental Public Policy Act." Any department or agency of the Government that has the obligation to foresee the compliance with the Environmental Public Policy Act or any other similar federal or state legislation shall have the faculty to notify the OI of any not compliance by Grantee with such dispositions. If a not compliance, as described herein, is notified, Grantee can be exposed to administrative sanction, as the suspension or revocation of the benefits of this Grant;

BE IT FURTHER DECREED, that the continuance of this Grant shall be conditional upon compliance by Grantee with such regulations and requirements as the Environmental Quality Board of the Government has heretofore promulgated and may hereafter promulgate, relative to the control of water, air, ground, and any other environmental pollution; PROVIDED, FURTHER, that Grantee shall obtain all permits applicable to its operations from the Permit Management Office (PMO) and the Puerto Rico Planning Board;

BE IT FURTHER DECREED, that said tax benefits shall include exemption to the extent provided in the Act from all Government taxes, and from license fees and other municipal taxes levied by any ordinance of any municipality, except as otherwise hereinbefore provided in this Grant;

BE IT FURTHER DECREED, that there shall be excluded from the scope of the benefits of the Grant the operation of retail stores and the providing of any services not covered by this Grant;

BE IT FURTHER DECREED, that Grantee shall make all possible efforts to buy from local enterprises the products, services, materials, components, equipment, and machinery available in Puerto Rico, that are necessary for its operations. Grantee shall provide with its Annual Report filed with the OI the local purchases from other manufacturers or distributors in the island;

BE IT FURTHER DECREED, that Grantee will submit within sixty (60) days after the commencement date of operation of the Tourism Activity, the documents listed below in accordance with the procedures established in the Act, Regulations, and this Grant; Otherwise, this Grant could be temporarily or permanently revoked:

1. Copy of the Executed Deed of the Condo Hotel's Integrated Rental Program;
2. Copy of the Executed Contract with the Administrator and Hotel Operator;
3. Copy of the Executed Contract to use the brand of a world-renowned hotel;
4. Statement and/or documentation explaining how the project execution has taken into consideration environmental, geographical, and physical spaces as well as available local materials and products;
5. Organizational Chart containing intermediate or related entities and ultimate shareholders;
6. Sole Permit issued by OGPe including the Use Permit authorizing the Tourism Activity covered by this Grant, the Environmental Compliance License, the Fire Prevention Certification, the Sanitary License, the Alcoholic Beverages License, and any other type of license or applicable authorization required for the operation of the Tourism Activity;
7. Municipal License;
8. Certificate of Public Liability Insurance issued by an agency duly certified by the Office of Insurance Commissioner of Puerto Rico, naming the Tourism Company and the DEDC as a co-insured parties;
9. Hotel Identification Number issued by Tourism Company;
10. Inventory of all Real and Personal Property which will be, or is being, used in the Eligible Business;
11. List of Materials and Products sourced or manufactured locally, as well as local agriculture products which will be, or is being, used in the Eligible Business;
12. Statement or documentation listing potential vendors, contractors, subcontractors, local professional services, and copy of the corresponding contracts and agreements;
13. Statement or documentation detailing plan for accessible facilities, including accommodations for people with disabilities;
14. Condo Hotel's safety measures;
15. Plan for conservation, improvements, and maintenance of the physical plant and of the environmental and aesthetics infrastructure;
16. Plan for training and retraining of the Grantee's personnel; and
17. Advertising and Marketing plan;

BE IT FURTHER DECREED, that this Grant shall not include exemption from:

- a. Workmen's compensation premiums as provided by law;
- b. Fees for motor vehicle licenses or plates;
- c. Room Occupancy Taxes levied under Act No. 272 of September 9, 2003, as amended, known as the Commonwealth of Puerto Rico Room Occupancy Rate Tax Act ("Room Tax Act") or any successor law;

BE IT FURTHER DECREED, that Grantee shall fully comply with its obligations under the Room Tax Act or any subsequent act regarding room occupancy taxes; PROVIDED that, in case of Grantee's noncompliance, the Secretary of DEDC may suspend or revoke the tax benefits granted herein for as long as necessary, until Grantee complies with its obligations under the Room Tax Act;

BE IT FURTHER DECREED, that as an essential condition to the continuance of this Grant, Grantee must identify the room occupancy tax separately from other items or charges listed on guests' bills, as required under the Room Tax Act;

BE IT FURTHER DECREED, that Grantee must request and obtain all applicable licenses, registrations, permits, and authorizations required by law to establish, develop,

construct, and operate the Exempt Business; PROVIDED FURTHER, that Grantee also shall always comply with the requirements and registrations of the Tourism Company, Treasury, Permit Management Office (“OGPe”, as its Spanish acronym), and any other regulatory government authority which regulates the rendering of its operations, as it may be applicable; OTHERWISE, this Grant could be revoked;

BE IT FURTHER DECREED, that as an essential condition to the continuance of this Grant, Grantee shall not introduce, manufacture, possess, use, or operate vending or other machines that are used for games of chance or lotteries (slot machines), including, without limitation, those defined in Act No. 11 of August 22, 1933, as amended, unless the said machine is located within the perimeter of a licensed gaming room (casino), as such term is defined in Act No. 221 of May 15, 1948, as amended;

BE IT FURTHER DECREED, that as an essential condition to the continuance of this Grant, Grantee shall not install or operate any Electronic Video Game System, as such term is defined in Act No. 139-2004, as amended;

BE IT FURTHER DECREED, that the Executive Director of the MRCC and the Secretary of the Treasury shall determine for each taxable year covered by this exemption what property and what income Grantee has used in, or derived from the industrial operations hereby declared tax-exempt; PROVIDED, that nothing contained herein shall deprive Grantee of its right to administrative and judicial review of such determinations of the Executive Director of the MRCC and the Secretary of the Treasury available by Constitution, Law or Regulation;

BE IT FURTHER DECREED, that the Executive Director of the MRCC and the Secretary of the Treasury, in determining what property has been used in and what income has been derived from the Tourism Activities of Grantee hereby declared tax exempt, may review the accounts and records of Grantee to determine that all purchase prices, sales prices, rates of lease, overhead or any other cost allocations, and all other prices, rates, and cost allocations are fixed on the basis of normal business operations and not for the purposes of avoiding taxes ordinarily chargeable to activities not within the scope of the tourism operation covered by this Grant or of charging to the operations carried on outside of Puerto Rico; PROVIDED, that whenever it is found that such rates or charges are made for the purposes of extending the coverage of this Grant beyond the scope of the covered operations reasonable adjustments shall be made for the purpose of calculating the amount of taxes payable by Grantee, if any, and shall make such recommendations to the Secretary as to such other action as may be taken under the provisions of Section 6020.09 of the Act and the Rules and Regulations promulgated hereunder; PROVIDED, that nothing contained herein shall deprive Grantee of its right to administrative and judicial review of such determination of the Executive Director of the MRCC and the Secretary of the Treasury available by Constitution, Law or Regulation;

BE IT FURTHER DECREED, that Grantee shall operate the business covered by this Grant in good faith and in accordance with principles of normal business operations, and shall not willfully attribute to the operations, and accounts for the activities covered by this Grant, activities carried in Puerto Rico or any other place, which are not part of the operation of Exempt Business covered by this Grant;

BE IT FURTHER DECREED, that Grantee and its shareholders, members, or owners must pay or clarify any possible income tax debt, employee withholding income tax, real and personal property tax purposes; excise, and other municipal taxes, and any other outstanding debt notified by Treasury, the MRCC, the Municipality, the Puerto Rico Department of Labor and Human Resources, Puerto Rico State Insurance Fund Corporation, Tourism Company, the Administration for Child Support of the Puerto Rico Department of the Family (“ASUME”, as its Spanish acronym), and any other agencies, as applicable; Otherwise, this Grant could be temporarily or permanently revoked;



BE IT FURTHER DECREED, that during the term of this Grant, Grantee will be subject to all of the administrative requirements of the Act and the Regulations promulgated thereunder and Grantee shall comply with all of the obligations set forth in this Grant, the Act, and the Regulations promulgated thereunder; PROVIDED that the failure to comply with such obligations may expose Grantee to civil and criminal fines, penalties and/or other administrative sanctions, as well as the revocation of this Grant, which revocation may be effective as of the first date of noncompliance, pursuant to provisions of this Grant or the Act; PROVIDED FURTHER, that if Grantee chooses to avail itself of any of the administrative or judicial review procedures available to it under the Act or Puerto Rico law generally, the remedies for failure to comply shall not be imposed until such review procedures have been exhausted, provided that if the remedies are ultimately upheld, they shall be effective as of the date that they would have applied in the absence of such review; PROVIDED FURTHER that these remedies are in addition to, and not in lieu of, any other remedies under the Act or Puerto Rico law generally;

BE IT FURTHER DECREED, that this Grant shall become retroactively null and void unless Grantee files with the OI, within sixty (60) days after the receipt of this Grant by Grantee, a duly notarized and sworn declaration wherein Grantee expresses its unconditional acceptance of the Grant and of all the conditions, provisions, and findings which are an integral part hereof;

BE IT FURTHER DECREED, that upon receipt of this Grant, the Director of the OI shall immediately forward a copy to Grantee.

  
MANUEL CIDRE MIRANDA  
SECRETARY  
DEPARTMENT OF ECONOMIC  
DEVELOPMENT AND COMMERCE



OCT 12 2022