



GOVERNMENT OF PUERTO RICO  
PUERTO RICO TOURISM COMPANY

OFFICE OF THE EXECUTIVE DIRECTOR

**Master Concession of Tax Exemption and Tax Credits** granted to **CABO ROJO LAND ACQUISITION, LLC.** with Employer Identification No. 66-0920011 (“Concessionaire” or the “Applicant”) **Concession Number 20-74-T-43(A-1)**, pursuant to the provisions of Act No. 74-2010, as amended (the “Act”) and the Regulation No. 8185 approved by the Secretary of State on April 20, 2012 (the “Regulation”) of the Puerto Rico Tourism Company.

**FIRST AMENDMENT AND RESTATEMENT OF THE MASTER CONCESSION**

**WHEREAS**, the Act empowers the Executive Director (the “Director”) of the Puerto Rico Tourism Company (the “Tourism Company”) to grant (i) alternative tax credits from tourism investment under Section 5(b) of the Act (the “Alternative Tax Credits” or “Total Alternative Tax Credits”) and (ii) Tax Exemptions from specified taxes to an Eligible Business, if the Concessionaire proves, to the satisfaction of the Director, 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;

**WHEREAS**, on December 12, 2020, the Director granted Concessionaire a Master Concession of Tax Benefits and Tax Credits under Case No. 20-74-T-43 in connection with the development, ownership and operation of a resort located in the municipality of Cabo Rojo, Puerto Rico (the “Tourism Activity or “Exempt Business”); and authorized alternative tax credits pursuant to Section 5(b) of the Act.

**WHEREAS**, on December 11, 2023, Concessionaire filed a Request of Amendment of Concession of Tax Exemption and Tax Credits (the “Request for Amendment”) requesting the following: the change of the name of the Project, amending the description of the Project and its phases, amending the total cost of project, amending eligible investment, amending the type of alternative tax credit, amending the total amount of alternative tax credit, amending the employment requirement per phase and timeline of the Project, and requesting the postponement of certain dates of commencement of exemptions.



**WHEREAS**, pursuant to the Request for Amendment, the Project's Tourist Activity components are comprised in the following six phases:

- (i) **Phase I** comprises of the development of a one hundred and twenty (120) key hotel complex (Brand 1 hotel) including restaurants, spa, fitness & public areas, back of house and technical rooms. Including landscaping and green space, renewable energy micro grid, waste, water treatment/rainwater recapture system and water storage facilities. Development of Golf Course (18 holes + practice areas) and amenities: beach club, golf club, racquet facilities, field sport, main gymnasium, equestrian, organic farm, comfort stations, trails and outposts. Land development & master infrastructure including earthworks & retaining walls, grading, storm drainage, micro grid, electrical generation and distribution, public lighting, water supply, collection and distribution, wastewater treatment, gas distribution, data and security infrastructure, landscape and hardscape, irrigation System, beach improvements, fencing and ancillary buildings;
- (ii) **Phase II** comprises the development of a fifty (50) key hotel complex (Brand 2 hotel), including restaurants, spa, fitness & public areas, back of house and technical rooms. Including landscaping and green space, renewable energy micro grid, waste, water treatment/rainwater recapture system and water storage facilities;
- (iii) **Phase III** comprises the development of a one hundred (100) key hotel complex (Brand 3 Hotel), including restaurants, spa, fitness & public areas, back of house and technical rooms. Including landscaping and green space, renewable energy micro grid, waste, water treatment/rainwater recapture system and water storage facilities;
- (iv) **Phase IV** comprises the development of a twenty-five (25) rooms wellness hotel complex (Brand 4 hotel) including restaurants, spa, fitness & public areas, back of house and technical rooms. Including landscaping and green space, renewable energy micro grid, wastewater treatment/rainwater recapture system and water storage facilities;
- (v) **Phase V** comprises the development of a twenty-five (25) rooms hotel complex (Brand 5 Hotel) including restaurants, spa, fitness & public areas, back of house and technical rooms. Including landscaping and green space, renewable energy micro grid, wastewater treatment/rainwater recapture system and water storage facilities. Town Center mixed use complex supporting the hotel infrastructures for guests, residents and members of the community, including but not limited to commercial, office, museum, restaurants, bars, clubs, sports, recreational spaces. Destination artist compound with professional recording studio, lodging of up to 20 keys, gym, food and beverage outlets and recreational facilities.
- (vi) **Phase VI** comprises the development of a two hundred (200) key hotel complex (Brand 6 hotel), including restaurants, spa, fitness & public areas, second golf course, back of house and technical rooms. Including landscaping and green space, renewable energy micro grid, waste, water treatment/rainwater recapture system and water storage facilities.

**WHEREAS**, the Director, after having examined the report of the Investment and Incentives Division of the Tourism Company, the endorsement of the Secretary of the Treasury Department (the "Secretary"), the Request for Amendment of the Master Concession of tax exemption and tax credits, and other documents relating to this case submitted by Concessionaire has determined and agree to amend the Master Concession





to: change of the name of the Project from "Cabo Rojo Resort and Spa" to "Esencia", amend the description of the Project and its phases as described above, amend the total cost of project, amend eligible investment, amend the type of alternative tax credit, amend the total amount of alternative tax credit, amend the employment requirement per phase and timeline of the Project, and postpone certain dates of commencement of exemptions.

**NOW, THEREFORE, BE IT DECREED**, to amend and restate the Master Concession as follows:

**BE IT DECREED**, that in accordance with the terms and conditions of this Concession, the Director grants to Concessionaire: (i) Alternative Tax Credits under Section 5(b) of the Act and (ii) tax exemptions in accordance with the applicable provisions of the Act, for such tourism activities as defined in Section 2(a)(1)(A) of the Act and Section 2-1(A)(1) of the Regulation, in connection with the **development, ownership and operation** of the Tourism Activity; PROVIDED, that the operations of the Tourism Activity shall be carried out substantially as described in the Request for Amendment and in accordance with the terms and conditions of the Act;

**BE IT FURTHER DECREED**, that the Project will be now known as "**Esencia**";

**BE IT FURTHER DECREED**, that the Project's Tourist Activity will be comprised of six phases described above;

**BE IT FURTHER DECREED**, that Concessionaire qualifies as a New Business, as such term is defined in Section 2(ff) 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 Concessionaire qualifies as an Eligible Business under Section 2(cc) of the Act since it is not covered by a resolution or Concession of Tax Exemption under the Tourism Incentives Act of 1983 or the Puerto Rico Tourism Development Act of 1993;

**BE IT FURTHER DECREED**, that based on the statements made by Concessionaire, the calculation of the Tourism Activity's **Eligible Investment** and **Total Project Cost**, as defined in Sections 2(u)(2)<sup>1</sup> and 2(k) of the Act, respectively, **excludes** (i) any expense incurred before **March 29, 2019**, the date of the Pre-application Meeting;

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<sup>1</sup>With the approval of Act 136 of August 5, 2016 and the Act 137 of August 6, 2016, the paragraphs of the Act were re-enumerated. There are discrepancies in the drafting and intention of both laws. Therefore, the Tourism Company will be working on the final inclusion of amendments to the Act and the corresponding paragraphs.



(ii) any cost associated to non-tourism activities; (iii) the estimated cost for the time spent by the Developers or by any stockholder of the Exempt Business; (iv) expenditures for the acquisition of land, construction and habilitation of a Condohotel under the Section 5(c)-5 of the Regulation; (v) the money used to acquire facilities which have been dedicated to a Tourism Activity in a way that could not be categorized as "incidental" at any time during the thirty-six (36) months prior to the filing of an application for a Concession under the Act, unless such facilities shall undergo a substantial renovation or expansion requiring an investment exceeding one hundred percent (100%) of the value of said property, which under no circumstances shall be considered in the computation of what constitutes the total estimated cost of the Tourism Activity and/or the eligible investment; and (vi) any money incurred **after** the date of completion of the Tourism Activity *except* for those expenditures related to periods after said completion date;

**BE IT FURTHER DECREED**, that based on the statements contained in the documents submitted with the Application, the following determinations are made:

1. The Concessionaire chose the Alternative Tax Credit for Tourism Investment of **forty percent (40%)**;
2. The **total estimated eligible project cost for this Master Concession is \$1,244,229,092.00** and will be allocated in phases for purposes of determining the alternative tax credit for tourism investment of forty percent (40%), under the provisions of Article 1, Section 5(b)(1)) of the Act;
3. The **eligible investment** as defined on Section 2(u)(2) of the Act for this Master Concession is:
  - a. The amount of cash used by the Exempted Business, or Eligible Business that subsequently receive a Concession under the Act, to cover the total cost of the project; and
  - b. The investment of tax-exempt business, or eligible business made with cash from a loan, bond or credit facility from any financial institution, intercompany loans, loan provided by government banks, etc., which are guaranteed by the exempt business itself or eligible business that a with a Concession under the Act or that subsequently receives such Concession, or by its assets, or any entity, parent or affiliated to the exempted business, or eligible business with a Concession under the Act or that subsequently receives such Concession, or by its assets.





In the present case, based on the information provided by Concessionaire, the provisions of Section 2(u)(2) of the Act, and this Master Concession of Tax Credits and Exemptions, the eligible investment is an aggregate of **\$1,244,229,092.00** for purposes of determining the alternative tax credit for tourism investment of forty percent (40%) under the provisions of Article 1, Section 5(b)(1) of the Act, as determined by the Director and the Secretary. The Eligible Investment is allocated for each phase in the amounts set forth in the table below:

Phase	Total Cost	Eligible Investment	Date of Completion
I	\$503,196,798	\$503,196,798	12-31-27
II	\$181,322,800	\$181,322,800	7-31-28
III	\$135,626,894	\$135,626,894	6-30-28
IV	\$34,401,143	\$34,401,143	12-31-27
V	\$153,808,597	\$153,808,597	2-28-29
VI	\$235,872,860	\$235,872,860	6-30-30
Total	\$1,244,229,092	\$1,244,229,092	

For purposes of Section 2(k), Section 2(u)(2) and Section 5(b) of the Act, the contributions of land and property made by any of the Concessionaire's member(s), to the Concessionaire shall be considered as a contribution of cash by such member(s) in exchange for a membership interest in Concessionaire.

4. Pursuant to Article 1, Section 5(b)(1) of the Act, the maximum amount of Alternative Tax Credit available for the Exempt Business will be allocated in phases for an estimated Alternate Tax Credit in the sum of **\$497,691,636.80**.

Pursuant to Article 1, Section 5(b)(2) of the Act, the maximum amount of Alternative Tax Credit (the "ATC") available for each Phase of the Concessionaire, is will be forty percent (40%) of its eligible investment made after March 29, 2019, the Pre Application Conference Date, which may be taken in three (3) equal installments: the first one third of the Alternative Tax Credit may be taken in the second year after the commencement of operations of the Concessionaire, and the balance of such credit, may be taken in two (2) equal amounts during the two (2) following years, until



exhausted. The Tax Credits shall be allocated for each phase up to the amounts set forth in the table below.

Phases	Tax Credit
I	\$201,278,719.20
II	\$72,529,120.00
III	\$54,250,757.60
IV	\$13,760,457.20
V	\$61,523,438.80
VI	<u>\$94,349,144.00</u>
Total	\$497,691,636.80

**For Phase I**, the Total Alternate Credit Allowed is \$201,278,719.20, which is the forty percent (40%) of its eligible investment made after March 29, 2019, the Pre Application Conference Date, which may be taken in three (3) equal installments: the first one third of the Alternative Tax Credit, that is \$67,092,906.40, may be taken in the second year after the commencement of operations of the Concessionaire, and the balance of such credit, estimated at \$134,185,812.80, may be taken in two (2) equal amounts during the two (2) following years, until exhausted.

**For Phase II**, the Total Alternate Credit Allowed is \$72,529,120.00, which is the forty percent (40%) of its eligible investment made after March 29, 2019, the Pre Application Conference Date, which may be taken in three (3) equal installments: the first one third of the Alternative Tax Credit, that is \$24,176,373.33, may be taken in the second year after the commencement of operations of the Concessionaire, and the balance of such credit, estimated at \$48,352,746.66, may be taken in two (2) equal amounts during the two (2) following years, until exhausted.

**For Phase III**, the Total Alternate Credit Allowed is \$54,250,757.60, which is the forty percent (40%) of its eligible investment made after March 29, 2019, the Pre Application Conference Date, which may be taken in three (3) equal installments: the first one third of the Alternative Tax Credit, that is \$18,083,585.86, may be taken in the second year after the commencement of operations of the Concessionaire, and the balance of such credit, estimated at \$36,167,171.73, may be taken in two (2) equal amounts during the two (2) following years, until exhausted.

**For Phase IV**, the Total Alternate Credit Allowed is \$13,760,457.60, which is the forty percent (40%) of its eligible investment made after March 29, 2019, the Pre Application Conference Date, which may be taken in three (3) equal installments: the first one third of the Alternative Tax Credit, that is



\$4,586,819.20, may be taken in the second year after the commencement of operations of the Concessionaire, and the balance of such credit, estimated at \$9,173,638.40, may be taken in two (2) equal amounts during the two (2) following years, until exhausted.

**For Phase V**, the Total Alternate Credit Allowed is \$61,523,438.80, which is the forty percent (40%) of its eligible investment made after March 29, 2019, the Pre Application Conference Date, which may be taken in three (3) equal installments: the first one third of the Alternative Tax Credit, that is \$20,507,812.93, may be taken in the second year after the commencement of operations of the Concessionaire, and the balance of such credit, estimated at \$41,015,625.86, may be taken in two (2) equal amounts during the two (2) following years, until exhausted.

**For Phase VI**, the Total Alternate Credit Allowed is \$94,349,144.00, which is the forty percent (40%) of its eligible investment made after March 29, 2019, the Pre Application Conference Date, which may be taken in three (3) equal installments: the first one third of the Alternative Tax Credit, that is \$31,449,714.66, may be taken in the second year after the commencement of operations of the Concessionaire, and the balance of such credit, estimated at \$62,899,429.33, may be taken in two (2) equal amounts during the two (2) following years, until exhausted.

5. The amount of the Alternative Tax Credits for each phase will be allocated to the Exempt Business. Said allocation shall be irrevocable and binding. Pursuant to Section 5(e)(6) of the Act, within ninety (90) days after the commencement of the development and construction of each phase, Concessionaire, as applicable, must provide a notification, in the form of a sworn statement, stating the date of commencement of such event.
6. **Cabo Rojo Land Acquisition, LLC** is the Developer; as such term is defined in Sections 2(m) of the Act;
7. The Alternative Tax Credits (the "ATC") of any of the Phases will be made available to Concessionaire, as provided in Section 5(b)(1) of the Act and the Alternative Tax Credit of any of the Phases may be sold, or otherwise transferred, as provided in Section 5(f)(2)(A) of the Act after the Director certifies the development of the applicable Phase of the Tourism Activity has been completed (the "Certification") and the final amount of the Alternative Tax Credit of such Phase has been determined, pursuant to a certification of the Total Project Cost of such Phase prepared by the





Director; for purposes of the Certification to be by the Director, Applicant shall provide an agreed upon procedures report ("AUP"), to be prepared by a certified public accountant acceptable to the Director; said AUP shall include all costs that are part of the Total Cost of the Project and shall be in form and substance approved by the Director.

8. Any person that purchases the Alternative Tax Credits (singly and jointly referred to as the "Purchaser") may use it against any tax imposed pursuant to Subtitle A and/or any tax under Subtitle F that applies to Subtitle A of the Code, including the alternative minimum tax under Section 1022.03, or the alternative personal tax under Section 1021.02; and any other tax imposed under the Act, Act 20-2012, Act 73-2008, Act 273-2012, Act 60-2019 known as the Puerto Rico Incentives Code, or as subsequently amended.

10. Pursuant to Section 5(f)(7) of the Act, the Director and the Secretary shall be notified, through a sworn statement, of the Alternate Tax Credits sale or transfer, in accordance with the procedures established in Sections 5(e)-4 of the Regulation.

11. If Concessionaire violates the terms of the Regulations regarding the use and investment of the funds, this Concession may be terminated as of a date to be determined by the Director and the investment tax credits allocated shall be deemed to be excess the alternative tax credits taken and subject to recapture from the Developer pursuant to the terms of Section 5(e) of the Act.

**BE IT FURTHER DECREED**, that during the three (3) year period beginning on the date of the notification of the commencement of the development and construction of the Tourism Activity described in Section 5(e)(6) of the Act, the Exempt Business shall submit an annual report to the Director and the Secretary disclosing the total investment applicable to such Phase of the Tourism Activity as of the date of each such report. At the expiration of such period or at a later date that may be determined by order of the Director, the Director shall determine the total investment made by the Exempt Business in such Phase of the Tourism Activity and the amount of Alternate Tax Credits due under this Concession, which may be higher or lower than the Tax Credits established in this Concession if the actual total investment is higher or lower than the estimated investment established in this Concession. If the Alternate Tax Credits described in Section 5(b)(1) of the Act claimed by the Exempt Business pursuant to the preceding paragraph exceed the allowable credit pursuant to the investment in the Tourism Activity, such excess shall be due as income tax to be paid by the Exempt Business in the case of alternate tax credit for tourism investment, in two installments, beginning with the first taxable year following



the expiration date of the period of three (3) years of the applicable Phase or longer period that may be determined by order of the Director pursuant to Section 5(e)(3) of the Act, as mentioned above, or the first taxable year after the issuance of the Determination by the Director, whichever is later. The Director shall notify to the Secretary of the excess of credit taken by the Exempt Business. If the Alternate Tax Credits to be taken by the Concessionaire, pursuant to the preceding paragraphs, are lower than the allowable credit pursuant to the actual eligible investment actual made by the Concessionaire as determined by the Director, such additional credit will be reflected in the Determination to be issued to the Concessionaire by the Director setting forth the amount of Alternate Tax Credits due under this Concession, and this Concession shall be amended accordingly;

**BE IT FURTHER DECREED**, that According to Section 5(f)(8) of the Act, the alternate tax credits proceeds must be used first, for the repayment of the financing provided by any governmental entity or financial institution, if any, to make the construction and development; and second, for the repayment of all other loans, if any, granted to the exempt business to cover the project total cost or to cover any disbursement that is part of the project total cost;

**BE IT FURTHER DECREED**, Concessionaire herein shall be entitled to a **ten (10) year tax exemption period** (the "Exemption Period") and the effective dates of said exemption periods shall be the following:

A. **Municipal and Government Taxes on Personal and Real Property**

Concessionaire's property used in the operations of the Tourism Activity described above shall enjoy a **ninety percent (90%) exemption** from any municipal and state Government taxes on personal and real property with the pin numbers listed in Exhibit A of the First Amendment of the Master Concession. For these purposes, the tax exemption period shall commence on **January 1, of the year that the Tourism Activity initiates operation;**

As provided in Article 7.093 of Act No. 107 of August 14, 2020, as amended, known as the "Puerto Rico Municipal Code (the "Municipal Code"), for exempted businesses under the Act 74-2010 whose property tax exemption period has not started as per the terms of its grant for real property and which submits an application for exemption under this Section of the Municipal Code to the CRIM, the portion of land in which the construction is being carried out or in which the equipment and machinery is installed or used for the term of the exemption provided in this Section shall also be deemed to be exempted from property taxes for no more than three (3) years from the date such machinery, material or equipment is available in



Puerto Rico for its installation or use in a construction in progress.

**B. License Fees, Excise Taxes, and Other Municipal Taxes**

Concessionaire shall be **one hundred percent (100%) exempt** from the payment of any license fees, excise taxes, and other municipal taxes with regards to the Tourism Activity that are levied pursuant to any ordinance of any municipality. For these purposes, the tax exemption period shall commence on **July 1, 2022**;

**C. Municipal Construction Excise Taxes**

Concessionaire, as well as any of its contractors or subcontractors, shall be **one hundred percent (100%) exempt** from the payment of any municipal construction excise taxes with regards to the Tourism Activity that are levied pursuant to any ordinance of any municipality. For these purposes, the tax exemption period shall commence on **May 21, 2022**;

**D. Taxes on Articles of Use and Consumption**

**Excise Taxes**

Concessionaire shall be **one hundred percent (100%) exempt** from the payment of taxes levied under Subtitle C of the Code with respect to articles that are acquired and used in the development, construction, or operation of the Tourism Activity.

The exemption conferred herein shall not apply to goods or other property of such nature that would be considered as part of the inventory of the Eligible Business pursuant to Section 1031.01(a)(2)(B) of the Code. In addition, articles, furniture, or merchandise that is not used directly in the operation of the Eligible Business shall not be exempt from excise taxes. For these purposes, the tax exemption period shall commence on **June 20, 2022**;

**Sales and Use Tax**

Concessionaire shall enjoy a **one hundred percent (100%) tax exemption** from the payment of sales and use taxes levied under Sections 4020.01 and 4020.02 of Subtitle D and Sections 4210.01 and 4210.02 of Subtitle DDD of the Code with respect to articles that are acquired and used in the development, construction, or operation of the Tourism Activity.

The exemption conferred herein shall not apply to goods or other property of such nature that would be considered as part of the inventory of the





Eligible Business pursuant to Section 1031.01(a)(2)(B) of the Code. In addition, articles, furniture, or merchandise that is not used directly in the operation of the Eligible Business shall not be exempt from excise taxes. For these purposes, the tax exemption period shall commence on **June 20, 2022**;

**E. Income Tax**

**Ninety percent (90%) exempt** from payment of income taxes on (i) income derived by Concessionaires from the Tourism Activity and the reinvestment thereof in other Tourism Activities, as specified in Sections 2(t) and 3(a)(1) of the Act; (ii) the dividends distributed by Concessionaires from earnings and profits attributable to "Tourism Development Income" ("TDI") to its members; and (iii) any gain derived during the Exemption Period from the sale or exchange of the membership interest in Concessionaires (including a redemption or liquidation of said membership interest), that is attributable to the Tourism Activity, or of substantially all or all of the assets used by Concessionaires in the Tourism Activity, provided all the rules contained in Section 3(a)(1) of the Act are met.

The exemption for TDI shall apply to TDI allocated to Concessionaire's members for every taxable year Concessionaire qualifies as a special partnership under Subchapter D of Chapter 11 of Subtitle A of the Code, or is subject to taxation pursuant to the provisions of Chapter 7 of Subtitle A of the Code, and to any distribution by Concessionaire's members that is a corporation, limited liability company or partnership that has not made an election under Subchapter D of Chapter 11 of Subtitle A of the Code, or is not subject to taxation pursuant to the provisions of Chapter 7 of Subtitle A of the Code, to its shareholder(s), member(s) or partner(s); any subsequent distribution of TDI by a shareholder(s), member(s) or partner(s) of such corporation, limited liability company or partnership shall be one hundred percent (100%) exempt from income tax under the Code. In the event Concessionaire does not qualify as a special partnership under Subchapter D of Chapter 11 of Subtitle A of the Code, or is not subject to taxation pursuant to the provisions of Chapter 7 of Subtitle A of the Code, during a taxable year, the exemption for TDI shall apply initially at Concessionaire's level.

This exemption provided in this Subsection F for a gain derived from the sale, exchange, or other disposition, including redemption or liquidation, of stock or membership interests during the Exemption Period, is subject to





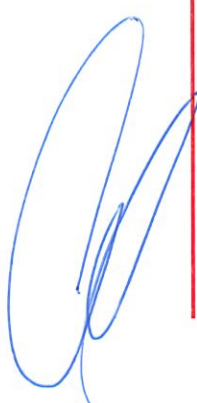
the conditions contained in this Concession. Such exemption shall not apply to the extent that such gain is attributable to non-tourism activities. Upon the sale, exchange, or other disposal of stock or membership interest by Developers, the assets of Concessionaire must continue to be used in Tourism Activities for a period of not less than twenty-four (24) months.

This exemption provided in this Subsection F for a gain derived from a sale or exchange of substantially all of the assets of Concessionaire used in the Tourism Activity, 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, or any shorter period in which a genuine effort is made to conduct a Tourism Activity, as determined by the Director. This exemption shall not apply in the case of a sale of (i) less than substantially all of the assets of Concessionaire used in a Tourism Activity; (ii) all of the assets of Concessionaire used in the Tourism Activity, if the sale occurs after ten (10) years from the commencement of the income tax exemption period; and (iii) any assets not used in a Tourism Activity.

The Concessionaire shall have the option to elect that TDI for a specific taxable year not be covered by the income tax exemption granted herein. To elect such option, Concessionaire shall file a notice to such effect with its income tax return, or partnership information income tax return, as applicable, for such taxable year, to be filed on or before the date provided by the Code for the filing of such return, including any extension of time to file granted by the Secretary. Any taxable year elected not to be covered by the income tax exemption granted herein shall not be included for purposes of calculating the Exemption Period during which Concessionaire is entitled to income tax exemption under this Concession. For these purposes, the tax exemption period shall commence **the date that the Tourism Activity initiates operation;**

**F. Fuel Tax**

Exemption to fuel used by an exempted business. All exempted businesses shall be entitled to an exemption of **one hundred (100%) percent** for the payment of all petroleum products (excluding residual no. 6 or bunker C) and any other hydrocarbon mixture (including propane and natural gas) used as fuel for the Exempt Business in the generation of electricity or thermal energy used by the exempted business in connection with tourism, will be totally exempt from tax under Sections 3020.07 and 3020.07 (a) of





the Code. For these purposes, the tax exemption period shall commence on **the date that the Tourism Activity initiates operation**;

**BE IT FURTHER DECREED**, that the **tax exemption hereby granted shall expire** according to the effective dates established in this Master Concession in accordance with the provisions of the Act, unless previously terminated or revoked in accordance with the applicable provisions of the Act and its Regulations;

**BE IT FURTHER DECREED**, that the income tax exemption is conditioned to the Concessionaire's investment 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 activities according to the particular circumstances and needs of the Eligible 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. A reasonable percentage of facilities for physically disabled persons; and
5. A conservation plan of improvements and maintenance of its plant and of the environmental and aesthetic infrastructure;

For the purpose of determining if the above referenced investment requirement is met, the Concessionaire's net income shall exclude those expenses paid or incurred on the aforesaid categories;

**BE IT FURTHER DECREED**, that as an essential condition to the issuance and continuance of this Master Concession, the Concessionaire, individually or in conjunction with an Operator, must maintain, after the completion of all the phases of the Tourism Activity, an aggregate average annual **employment requirement of nine hundred (950)** direct employees in the activities covered by all the phases of this Master Concession (the "Employment Requirement"); **PROVIDED**, that the average annual Employment Requirement will be computed based on a calculation of the monthly average employment generated; the term "direct employees" used in this Employment Requirement includes Concessionaires' full-time, part-time and temporary employees engaged in the activities covered by the Concessions, and the employees of other employers (or subcontracted employees) who have been engaged to provide services to the Concessionaires directly related to the activities covered by the Concessions, including personnel working for the Concessionaires and activities covered by the



Concessions pursuant to services or employee leasing contracts, 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 of Puerto Rico (including any agency, instrumentality, public corporation or political subdivision thereof) or of 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. Compliance with the Employment Requirement shall be verified pursuant to the amounts of full-time equivalents ("FTEs") employed by the Concessionaires, and pursuant to Section 9(d)-4 of the Regulation. For purposes of this Master Concession, the amounts of FTEs shall be equal to the total amount of hours worked by all persons employed by the Concessionaires in any given month divided by 160.

**BE IT FURTHER DECREED**, that the Concessionaire must always comply with the Employment Requirement of the preceding clause, except in cases of unforeseen circumstances, which may cause a **reduction of employment beyond the control of the Concessionaire**, at which occurrence or at the earliest date when such occurrence is contemplated, the Concessionaire is subject to one of the following alternatives:

1. If the **reduction represents less than ten percent (10%)** of the Employment Requirement, Concessionaire, shall have no obligation to notify the Director of such reduction;

2. If the **reduction represents ten percent (10%) or more** but less than twenty-five percent (25%) of the Employment Requirement, Concessionaire, shall notify the Director, with copy to the Puerto Rico Department of Labor and Human Resources ("DLHR"), and the Department of the Treasury ("Treasury"), of said reduction of employees on a sworn statement sent by certified mail with return receipt requested, or in the alternative, should file said sworn statement personally at the Office of the Director with copy to the DLHR and Treasury or sent by certified mail return receipt requested;

3. If the **reduction represents twenty-five percent (25%) or more** of the Employment Requirement, the Concessionaire, must file a Sworn Statement to the satisfaction and acceptance of the Director, which acceptance shall not be unreasonably withheld, requesting approval of the Director for such reduction and notifying the number of direct jobs generated by the Tourism Activity at the time the Sworn Statement is filed. Concessionaire must also file a copy of such Sworn Statement with DLHR and Treasury. The Director shall issue a written determination regarding Concessionaire's compliance with the Employment





Requirement within sixty (60) days from the date of receipt and acceptance of such Sworn Statement (the "Employment Requirement Determination"). When evaluating Concessionaire's compliance with the Employment Requirement, the Director shall take into consideration events that constitute reasonable grounds for a reduction in Concessionaire's employment, including, but not limited to, strikes, war, action of a Government or the elements, or any other reasonable cause beyond the control of Concessionaire. If Concessionaire does not receive the Employment Requirement Determination from the Director within aforementioned sixty (60) day period, then Concessionaire shall without further action or formality, be deemed to be in compliance the Employment Requirement. The Director may, in lieu of terminating this Concession in those cases in which the Director determines that Concessionaire is not in compliance with the Employment Requirement:

- a) Reduce the rate of tax exemption according to a proportion of the amount of reduction in employments to the amounts specified herein for the Employment Requirement; or
- b) Approve a temporary reduction of the Employment Requirement when the circumstances merit such a reduction, by negotiating any other reasonable conditions satisfactory to both Concessionaire and the Government of Puerto Rico, if the Director determines that such negotiation furthers the purposes of the Act;

**BE IT FURTHER DECREED**, that the effectiveness of the above-mentioned Employment Requirement during the development of the phases will be as follows (which may be extended by the Director, at the request of the Concessionaire):

Phase	Employment Requirement	Starting Date
I	250	1-1-2028
II	200	8-1-2028
III	200	7-1-2028
IV	50	1-1-2028
V	50	3-1-2029
VI	200	7-1-2030
<b>Total</b>	<b>950</b>	

**BE IT FURTHER DECREED**, that the tax exemptions granted herein shall be applicable only to the **property used in connection with the Tourism Activity** stated



above **and** to the **income** (as defined in the Act and in the corresponding provisions of the Regulation promulgated there under) **derived from the operation of the Tourism Activity** which gives rise to the exemption provided by this Concession, and such other property specifically declared exempt by the Act;

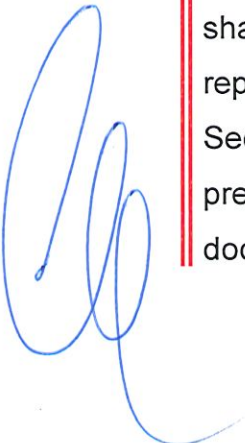
**BE IT FURTHER DECREED** that the **Concession shall not constitute an exemption from:**

- a) Workmen's compensation premiums required by law;
- b) Fees for motor vehicle licenses or plates; and
- d) Room Occupancy Taxes pursuant to Act Number 272-2003, as amended (the "Room Tax Act");

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

**BE IT FURTHER DECREED**, that as an essential condition to the continuance of this Concession, the **Concessionaire 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 as a condition to the continuance of the tax exemptions and benefits granted herein, the Concessionaire shall (i) deliver to the CRIM a complete list and correct evaluation of any personal or real property that has been declared tax exempt under the provisions of the Act, of which Concessionaire is the owner or is in possession of as of January 1<sup>st</sup> of each year, in accordance with the provisions of Article 7.151 of the Municipal Code, as amended; (ii) file annually with the Secretary, pursuant to the income tax act in effect, an income tax return with respect to the operations of its Tourism Activity; (iii) maintain and keep in Puerto Rico, separately, all the necessary books, records, and files pertaining to the Exempt Business, as such term is defined in Article 2(dd) of the Act, so that the accounting system clearly reflects the gross income, expenses, losses, and any other deductions relative to the operations of the Exempt Business; **PROVIDED**, that the income tax related to the Exempt Business shall be computed separately; (iv) keep such files, make such sworn statements, file such reports, and comply with the rules and regulations that may be prescribed by the Secretary for the proper fulfillment of the purposes of the Act and that the Secretary may prescribe in connection with the levying and collection of all kinds of taxes; (v) submit any documents or evidence that may be deemed pertinent to the tax exemptions or benefits,



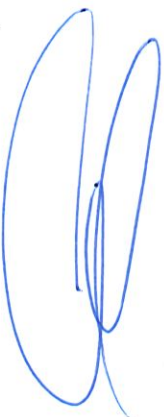


post any bonds, and allow periodic inspections or any other kind of inspections; (vi) file, in advance, the contracts, orders, or other information related to permits needed to acquire, transfer, sell, or introduce articles exempt from excise, use or consumption taxes; and (vii) comply with any other conditions that the Secretary may deem pertinent to impose with respect to the enjoyment of any tax exemptions or benefits under the Act, whenever such conditions are necessary to ensure proper compliance with the terms and purposes pursuant to which the tax exemptions or benefits are granted;

**BE IT FURTHER DECREED**, that the **Secretary shall determine for each taxable year covered by the exemptions granted hereunder what property and income Concessionaire has used in, or derived from the Exempt Business**; PROVIDED, that nothing contained herein shall deprive Concessionaire of its right to administrative and judicial review of determinations made by the Secretary, pursuant to applicable laws, rules, and regulation;

**BE IT FURTHER DECREED**, that the Secretary, in determining what property has been used in, and what income has been derived from, the Exempt Business, may review the books, receipts, accounts, and records of the Exempt Business in order to determine if all purchase prices, sales prices, rates of lease, overhead, and any other prices, rates, and cost allocations, are fixed on the basis of normal business operations and not for the purposes of (i) avoiding taxes ordinarily chargeable to activities not within the scope of the operations covered by the tax exemptions granted hereunder; or (ii) charging to the operations carried out in Puerto Rico under the terms of this Concession the costs, expenses, profits, and other accounts attributable to the operations of Concessionaire carried out outside of Puerto Rico; PROVIDED, that whenever the Secretary finds that such prices, rates, or cost allocations are made for purposes of extending the coverage of the tax exemptions granted hereunder beyond the scope of the Exempt Business, he shall make the adjustments that he may deem necessary in the calculation of the amount of taxes payable by Concessionaire, if any, and provide recommendations to the Director regarding other actions that may have to be taken under the provisions of the Act and the Regulation. Nothing contained herein shall deprive Concessionaire of its right to administrative and judicial review of determinations of the Secretary and the Director pursuant to applicable laws, rules, and regulations;

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





**BE IT FURTHER DECREED**, that as an essential condition to the continuance of this Master Concession, Concessionaire shall be required to comply with all relevant provisions of the Act, and all rules and regulations promulgated by the Secretary and the Director in accordance with the provisions of the Act, regardless of whether or not said provisions are specifically mentioned in this Master Concession;

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

**BE IT FURTHER DECREED**, that as an essential condition to the continuance of this Master Concession, **the Concessionaire shall be required to comply with a minimum average of ninety percent (90%) in the initial evaluation.** In the subsequently evaluations the Concessionaire 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 Director after determination of Concessionaire's effort to comply with this condition;

**BE IT FURTHER DECREED**, that the continuance of this Master Concession shall be conditioned upon the Concessionaire's continuous compliance throughout the duration of this Concession with the **Puerto Rico Environmental Quality Board** rules, regulations, and requirements that may be applicable to Concessionaire related to the control of water, air, ground, and any other types of environmental pollution;

**BE IT FURTHER DECREED**, that the continuance of this Concession shall be conditioned upon the Applicant's continuous compliance with the **Anti-corruption Code for a New Puerto Rico** of the Executive Agencies of the Government of Puerto Rico (Act No. 2-2018 and its regulations);

**BE IT FURTHER DECREED**, that the continuance of this Master Concession shall be conditioned upon Concessionaire filing, and the Director's approval, of any documentation the Director so requires;

**BE IT FURTHER DECREED**, that as an essential condition to the continuance of this Master Concession, Concessionaire **must** provide the statistical information requested by the Puerto Rico Tourism Company, **within ten (10) days** after the end of every month and assign a hotel employee to handle this task. **If the Concessionaire does not submit the information requested, the Director may suspend or revoke**



the tax benefits for as long as necessary, until the Exempt Business complies with its responsibility. The authority to request said information is recognized in Article 5(q) of Act No. 10 of June 18, 1970 known as "Puerto Rico Tourism Company Act". The information submitted by the Concessionaire concerning the operation of its business will be treated confidentially by the Puerto Rico Tourism Company. However, the aggregate statistical data obtained through the information provided by the different businesses endorsed by the Puerto Rico Tourism Company may be made public;

**BE IT FURTHER DECREED**, that as an essential condition to the continuance of the Concession, **the Concessionaire 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 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 the Concession, **Concessionaire shall not install's or operates any Electronic Video Game System**; as such term is defined in Act No. 139-2004, as amended;

**BE IT FURTHER DECREED**, that this Master Concession may be suspended or revoked pursuant to the provisions of Section 8 of the Act and Section 9(d)-7 of the Regulation, if Concessionaire (i) does not comply with the provisions, requirements, and conditions of the Act, the Regulation, this Concession, and/or any other applicable law or regulation, and/or any other requirements determined by the Director; and/or (ii) has submitted false or fraudulent information or made any false or fraudulent representations in the Application pursuant to which the Tourism Company based its decision for the issuance of this Master Concession. This Master Concession may only be suspended or revoked after the Tourism Company has complied with all applicable legal requirements under Act No.38-2017, as amended, known as the Uniform Administrative Procedure Act, and the administrative procedures established by the Tourism Company;

**BE IT FURTHER DECREED**, that this Master Concession may be cancelled if Concessionaire does not submit within ninety (90) days after the commencement date of Phase I of the Tourism Activity or such longer period as approved by the Director the following documents:

1. Final blueprints, Construction Permit and Use Permit approved by OGPe;
2. Alcoholic Beverages License issued by Treasury Department;




3. Financial Statements of the investors
4. Sanitary License;
5. Certificate of Inspection of the Fire Department of Puerto Rico Financial Statements;
6. Certificate of public liability insurance issued by an agency certificate by the Commissioner of Insurance of Puerto Rico, with endorsement in favor of the Puerto Rico Tourism Company as additional insured and holds harmless agreement;
7. Inventory of any real and personal property which will be used in the Tourism Activity;
8. Annual Payroll;
9. Marketing Plan;
10. Facilities for People with disabilities;
11. Security Measures.
12. Environmental Safety Measures.
13. Municipal License.
14. Puerto Rico Fire Service Certificate of Inspection.
15. Plan for training and retraining personnel.
16. Certificate of Public Liability Insurance.

**BE IT FURTHER DECREED**, that this Concession may be terminated if Concessionaire fails to file before the Director, **within ninety (90) days after receipt of the same**, a duly notarized sworn statement wherein the Concessionaire **expresses its unconditional acceptance** of this Master Concession and First Amendment, all of the conditions and provisions which are an integral part hereof; PROVIDED, that this Master Concession and First Amendment, shall upon its acceptance by Concessionaire constitute a contract between the Government of Puerto Rico and the Concessionaire; and;

**BE IT FURTHER DECREED** that a certified copy of this Master Concession and First Amendment shall be forwarded to Concessionaire, the Secretary, the CRIM, and to the Mayor of the Municipality of Cabo Rojo, Puerto Rico.

In San Juan, Puerto Rico, this 20 day of August 2024.

  
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CARLOS MERCADO SANTIAGO  
EXECUTIVE DIRECTOR



**Exhibit A**  
**Cabo Rojo Land Acquisition, LLC.**  
**Concession No. 20-74-T-43(A-1)**  
**Pin Numbers Covered by 90% Real Property Tax Exemption**

379-089-327-75-000  
379-089-327-76-000  
379-089-327-77-000  
379-089-327-78-000  
379-000-010-05-000  
379-000-010-04-000  
379-000-010-03-000  
379-000-009-05-000  
402-007-327-14-000  
402-007-327-15-000  
402-007-327-16-000  
402-007-327-17-000  
402-017-327-06-000  
402-017-327-07-000  
402-007-327-13-000  
402-008-327-28-000  
402-009-327-29-000  
379-099-327-79-000  
402-009-327-30-000  
379-099-327-80-000  
379-099-327-81-000  
379-099-327-74-000  
402-009-327-85-000  
402-018-327-40-000  
402-019-327-38-000  
402-019-327-37-000  
402-009-327-86-000  
402-009-327-87-000  
403-000-002-02-901  
402-027-327-21-000  
402-027-327-20-000  
402-008-327-39-000  
402-009-327-31-000  
402-008-328-32-000  
402-000-005-29-000  
402-000-005-28-000  
402-027-327-22-000