

[CERTIFIED TRANSLATION]

**ACT NO. 118**  
**AUGUST 1st, 2010**  
**(H.R. 2250)**

**A BILL**

To create the “Municipal Economic Development and Tourism Incentives Act,” in order to promote economic development in municipalities.

**PRELIMINARY RECITALS**

Puerto Rico is rich both naturally and culturally, which gives it an advantage over other jurisdictions in the world. Given its privileged geographic location in the Caribbean Sea, throughout the years, Puerto Rico has become a favorite tourist destination. In fact, in recent decades the tourism industry has become a key piece of our economy, from which all of Puerto Rico’s sectors benefit directly and indirectly. Puerto Rico must lay new foundations to develop tourism in the 21<sup>st</sup> Century and strengthen our economy, creating jobs and opportunities to financially strengthen our central and municipal governments, particularly in areas of Puerto Rico with a potential for tourism.

The tourism industry currently employs over sixty thousand (60,000) individuals in Puerto Rico, and more than five (5) million people visit the island annually, generating approximately two billion dollars (\$2,000,000,000) for our economy. If we are not dynamic and fail to aggressively develop our tourism in the 21<sup>st</sup> Century, we risk losing ground in this sector against other destinations in our region, such as the Dominican Republic, Cuba and Cancun (Mexico). We could put thousands of jobs in jeopardy in Puerto Rico. In recent years, the government of the Dominican Republic has been executing an aggressive strategy to enhance what it has to offer to tourists, creating jobs for its working and less-privileged class. In 2008, unfortunately, the previous government administration in Puerto Rico allowed us to lose our traditional position in front of the Dominican Republic, as it is estimated that the Dominican Republic attracted twenty percent (20%) of all the tourists that visited the Caribbean region, while Puerto Rico only attracted nineteen percent (19%) of these tourists.

Thus, we must react and create the necessary conditions to take advantage of new opportunities to expand our current opportunities and our local tourism market. In order to create more jobs in this sector and strengthen our economy and be successful against our competitors, we must increase the number of visitors who visit our island annually, by creating new attractions, particularly in Puerto Rico’s pristine locations.

The economic recession that has affected tourism worldwide, including Puerto Rico, has affected many of our municipalities disproportionately. We must facilitate the development of new hotel facilities in areas with a potential for tourism, particularly in municipalities that are most in need. We must ensure optimal conditions for substantial investment of capital in this sector of our economy.

This Law shall be a key tool in the economic development of tourism in Puerto Rico, with an emphasis on developing tourism projects in the municipalities that are most in need and in places that offer new opportunities to develop economic activity. We must recognize that economic growth has been uneven throughout Puerto Rico, and that the economies of certain municipalities have been left behind. This Law will create the optimal conditions we need to achieve substantial investment of capital, by establishing modern, superior tourism facilities that offer new attractions. This Law opens new employment opportunities for residents in areas where hotels of great impact will be developed. Jobs will be created mainly as a result of the activities that will be carried out in relation to the development and economic dynamism generated by the operation of hotel facilities.

Attracting capital investment for ambitious tourism projects, particularly in highly competitive markets, requires appropriate economic incentives. This Law will precisely create such incentives. The Law contains a series of tax incentives to promote the establishment of new tourism projects, including hotels and tourist facilities, and the creation of complementary businesses and services comparable to other jurisdictions. This law also provides for any benefits obtained from the developments resulting from these incentives to be used to promote long-term economic development in the different municipalities of Puerto Rico. Thus, this Law offers a very ambitious gradual scale of tax incentives that must be proportional to the amount invested in the municipality for the development of a tourism project, as defined in the Law. Namely, it starts by establishing a twenty-five percent (25%) preferential tax rate for net revenues of tourist and entertainment facilities that form part of a tourism project developed by a concessionaire investing five hundred million dollars (\$500,000,000), and an eight percent (8%) low preferential tax rate for anyone investing one thousand two hundred and fifty million dollars (\$1,250,000,000) or more. There are other intermediate tax rates, depending on the amount invested for such development, in accordance with the modern model known as "sliding scale." Moreover, the Law establishes clear rules to govern the modern gambling games that may be authorized at these facilities. In turn, the Law guarantees that the government entities concerned, such as the Commissioner of Financial Institutions and the Tourism Company, can fully comply with their duty to oversee.

In order to contribute to municipal economic development, municipalities where such projects are located and developed will benefit directly from this, as they will receive a percentage of the taxes generated at the tourism development facilities, to fund public works, such as the construction of new schools, hospitals, roads, and

infrastructure projects, such as the renovation of urban centers, existing schools and recreational parks, among others. The economic activity generated will also promote the opening of new businesses, such as restaurants, different types of stores selling handcrafts, art, services, etc. and businesses offering services to tourists. In short, the purpose of this Law is to foster sustainable economic development through the creation of thousands of jobs with the establishment of different types of small and medium-size businesses, both inside hotel facilities and in surrounding areas.

This Law also facilitates the creation of initiatives in ecotourism. Particularly, it creates the Green Triangle, a concept which includes the development of ecotourism initiatives in places such as the municipality islands of Vieques and Culebra and El Yunque Tropical Forest, to economically develop the eastern region of Puerto Rico. Likewise, this Law sets aside a portion of the revenues the Government will receive from such development to create infrastructure projects that will contribute to satisfying the infrastructural needs of the municipalities of Puerto Rico, and to conserve the environment and sustainable economic development.

In short, this Law constitutes an important piece of legislature, as it helps lay the foundations for Puerto Rico to enhance what it has to offer in terms of tourism, creating jobs for our people and reclaiming the leading position we have traditionally held as a tourist destination in the Caribbean.

*BE IT DECREED BY THE LEGISLATIVE ASSEMBLY OF PUERTO RICO:*

**Article 1.-Abbreviated Title.-**

This Law shall be known as the “Municipal Economic Development and Tourism Incentives Act.”

**Article 2.-Public Policy.**

The Government of Puerto Rico’s public policy to economically develop and strengthen the municipalities of Puerto Rico through tourism shall be governed by the following principles:

- (a) The tourism industry is considered fundamental for the economy of Puerto Rico and the general well-being of its residents.
- (b) The Government of Puerto Rico may exercise tax controls and, in turn, impulse local incentives to make us an attractive destination for capital investment.
- (c) The Government of Puerto Rico must adopt an aggressive tax structure that will, on a long-term basis, help attract greater economic benefits to

Puerto Rico by creating jobs and greater revenues by generating large-scale commercial activity, including tax benefits and incentives, to attract and stimulate the development of tourism projects that will help us make Puerto Rico a competitive destination worldwide and promote the development of tourism locally.

- (d) The Government of Puerto Rico must adopt efficient and solid policies to foster the economic development of the entire island, acknowledging that the different municipalities are facing different economic challenges, which in some cases are more urgent than others.

### Article 3.-**Scope.-**

The provisions of this Law apply exclusively to tourism Facilities or Projects, as defined here, established by an eligible Concessionaire in an eligible municipality.

### Article 4.-**Definitions.-**

For purposes of interpreting and applying this Law, the following terms or phrases shall have the following meanings:

- (a) "Commissioner" - means the Commissioner of Financial Institutions of Puerto Rico.
- (b) "Selection Committee" - means a committee constituted by the following members: The Secretary of the Department of Economic Development and Commerce, the Secretary of the Treasury, the Executive Director of the Tourism Company, the Commissioner of Municipal Affairs, and one (1) member on behalf of public interest to be appointed by the Governor of Puerto Rico, with the advice and consent of the Senate. The member who represents public interest cannot be an employee or contractor of any agency, section, department, board, office, public corporation, or municipality of the Government of Puerto Rico.
- (c) "Concessionaire" - means any Eligible Business to whom a Decree has been granted in accordance with the provisions of this Law.
- (d) "Decree" - means the document issued by the Selection Committee, in accordance with this Law, and accepted by the Concessionaire, that contains the contractual obligations binding on the Government and the Concessionaire.
- (e) "Executive Director" - means the Executive Director of the Puerto Rico Tourism Company.

- (f) "Facilities" or "Facility" - means tourist entertainment facilities, such as, or consisting in, a gambling room or casino operated by a Concessionaire, in accordance with the provisions of the Decree, and the gaming license issued in accordance with the provisions of this Law. For purposes of this Law, places considered gambling rooms or casinos shall be those defined in Law No. 221.
- (g) "New Game or New Games"- means any new game or new version of an existing game to be introduced in the jurisdiction of Puerto Rico. The Tourism Company must submit to the approval of the Legislative Assembly and the Governor any new games it may deem necessary, in order to comply with this Law. The Legislative Assembly may, on its own initiative, introduce new games in order to comply with this Law.
- (h) "Law No. 221" - means Law No. 221 of May 15, 1948, as amended, better known as the "Gambling Act."
- (i) "Eligible Municipalities" - means municipalities of Puerto Rico considered by the Selection Committee to receive the benefits defined herein, in accordance with the criteria set forth herein. Eligible Businesses must develop the Project in an Eligible Municipality.
- (j) "Eligible Business" - means any Person who meets the minimum requirements established herein.
- (k) "Person" - means any individual or legal entity.
- (l) "Project" - means a tourism-development project constituted by a hotel, its facilities and amenities, as the main elements of the project, and commercial and recreational businesses, as secondary elements, to be developed by an authorized Concessionaire, in accordance with the provisions of this Law and the Decree.

#### Article 5.-**Selection Committee**

- A. In order to administer and oversee the provisions of this Law and the Concessionaires' compliance with the clauses, conditions and terms of the Decree, a Selection Committee is hereby created.
- B. The Committee created by this Article shall have the powers and authority hereby conferred to it, which are described below:

1. The Committee shall establish by regulation the requirements and criteria needed for an entity to be considered an “eligible business.”
  2. The Committee shall establish by regulation the requirements and criteria needed for a municipality to be considered an “eligible municipality.”
  3. The Committee shall draw up regulations setting forth the criteria, rules, and protocol or procedure to be followed in processing original applications, Decree renewals, and shall determine whether or not to issue same.
  4. The Committee shall issue Decrees to eligible businesses that meet the requirements and criteria established by regulation and shall follow up on the Concessionaires’ compliance with same.
  5. The Committee shall represent the Government of Puerto Rico in the process of considering, approving, granting, following up on and administering Decrees. It shall represent the Government of Puerto Rico in executing or signing Decrees.
  6. Upon considering original or renewal applications for Decrees, the Committee must ensure full compliance with the Law.
  7. Upon issuing a Decree the Committee must make sure the Decree complies with all the provisions of this Law, and that its clauses protect the best interests of the Government of Puerto Rico.
  8. The Committee has the power to revoke a decree if it is established that the Concessionaire has violated this Law or the terms of the Decree.
  9. Furthermore, the Committee shall have any other power inherent in the powers listed above and necessary for the Committee to fulfill its duties and obligations, without this exceeding the authority hereby conferred to it.
- C. The Selection Committee shall be presided by the Secretary of Economic Development and Commerce, and in his absence, by the Executive Director.
- D. All Selection Committee meetings must be recorded in minutes numbered consecutively, with pages following the same consecutive order.

- E. Quorum for Selection Committee meetings shall consist of five members.
- F. Selection Committee decisions shall be made by a simple majority vote of members in attendance.
- G. The Committee may request collaboration from any public entity to fulfill the objectives set forth in this Law.
- H. The Committee may seek advice from individuals from the public or the private sector when it deems this necessary or beneficial to the best interests of Puerto Rico.
- I. The actions of Committee members must at all times be governed by Law No. 12 of July 24, 1985, as amended, better known as the "Puerto Rico Government Ethics Act."

**Article 6.-Decree Applications.-**

- (a) An Eligible Business may apply for a Decree hereunder by submitting an initial written application to the Selection Committee. Any Decree application must be received within the first five (5) years subsequent to the enactment of this Law. No Decree application will be processed if it is submitted to the Selection Committee past the aforementioned five (5) year period subsequent to the enactment of this Law, provided, nonetheless, that any Decree granted hereunder may be amended even after such five (5) year period has passed, as long as the amendments do not violate the provisions of this Law.
- (b) The Selection Committee shall adopt rules and/or a protocol to, among other things, govern the process of receiving and considering Decree applications, establishing processing charges and adopting procedures to analyze Decree applications and publish Decree or Decree renewal applications and other relevant documents, except confidential, proprietary information, on the Internet or other means of communication.
- (c) The Selection Committee shall consider all Decree applications and shall be authorized to grant Decrees to Eligible Businesses.
- (d) Upon determining whether to issue a favorable or unfavorable recommendation, the Selection Committee must consider, in addition to any other condition that the Selection Committee may establish, whether the Eligible Business applying for the Decree meets the following conditions:

- i) The Decree application meets all the requirements established for such applications by the Selection Committee, including any fees.
- ii) The Eligible Business is authorized to conduct business in Puerto Rico.
- iii) The Eligible Business has enough equity or working capital and access to sufficient financial resources to develop and operate the Project, to the benefit of Puerto Rico.
- iv) The Eligible Business is able to demonstrate to the Committee that it has an excellent reputation and the managerial, organizational and technical capacity, as well as the experience it needs to develop and manage the Project to the benefit of Puerto Rico.
- v) The Eligible Business has certified and proved that the Eligible Business or any of its shareholders and affiliated Persons, and their respective officers, directors and key employees have not been convicted of crimes involving dishonesty, fraud, corruption or moral turpitude in any foreign or domestic jurisdiction, and that they all qualify to apply for a gambling room or casino license, in accordance with the provisions of Law No. 221. Provided that the final decision on granting a license to operate a gambling room will be made by the Office of the Commissioner of Financial Institutions, as provided by this Law, Law No. 221, and after the pertinent investigations.
- vi) The Eligible Business must be willing to develop a Project in an Eligible Municipality that has experienced a loss in municipal patent revenues when the sum of its earnings from the 2006-07 and 2007-08 fiscal years is compared to the sum of its earnings from the 2001-02 and 2002-03 fiscal years, if required by the Selection Committee.
- vii) The tourism Project proposed by the Eligible Business shall be funded and completed with an investment exclusively of private capital, without any public funds whatsoever, and the amount of capital invested shall exceed five hundred million dollars (\$500,000,000), including the cost of land and private infrastructure needed to develop the project successfully. In addition, the Project must include, at the least, the following three (3) basic components:

- a) A world-class hotel with a rating of no less than four stars from the Mobil Star rating system recognized in the tourism industry.
  - b) Commercial and recreational establishments.
  - c) The necessary elements to comply with the definition of tourist Facilities, as defined herein.
- viii) Upon issuing a recommendation granting or denying a Decree to an Eligible Business, the Selection Committee must take into consideration the following factors, among others:
- (a) the amount of the total investment the Eligible Business undertakes to make;
  - (b) the total investment proposed for each of the components of the Project established hereunder;
  - (c) the revenues the different components of the proposed Project are expected to generate;
  - (d) the number of jobs expected to be created, initially, during the construction phase and, subsequently, during the operational phase of the Project;
  - (e) the experience, knowledge, resources and reputation of the Eligible Business to construct and operate a Project of this magnitude;
  - (f) the overall quality of the proposed Project and its level of competitiveness compared to similar developments in other parts of the world;
  - (g) the need for, and convenience of, the placement of the tourism Project;
  - (h) the costs and benefits of issuing a Decree for Puerto Rico.
- i) in order to grant a Decree, the Selection Committee must determine that the proposed Project will significantly benefit the economic development of the municipality where it will be built, as well as that of neighboring municipalities.

**Article 7.-Form of the Decree.-**

A Decree shall constitute a binding contract between the Concessionaire and the Government of Puerto Rico. A Decree issued to a Concessionaire, in accordance with this Law must include at least the following provisions:

- (a) The Decree shall provide that instead of paying any other tax imposed by any other applicable law on the tourist Facilities' net revenues from gambling operations, the Concessionaire shall pay a previously agreed basic tax, in accordance with the Gradual Tax Scale defined in subsection (b) of this Article, which shall be calculated based on the Net Gaming Revenues derived from the tourist Facilities granted a license hereunder. The "Net Gaming Revenues" shall be equal to the gross gaming revenues, minus prize payouts, but free of other deductions, such as, but not limited to, wages, interest, depreciation and other expenses. The Facility shall be subject to pay any other tax not measured by net revenues, such as, but not limited to, municipal patents, and the Use and Sales Tax (IVU by its Spanish acronym), provided, nonetheless, that the Facility's revenues from gaming operations shall be sales-tax exempt, and the Facility shall have a ninety (90) percent exemption from the preferential, residential- and commercial-use real estate tax imposed by subtitle CC of the Puerto Rico Internal Revenue Code of 1994, as amended. The Concessionaire shall withhold, from non-residents, a tax percentage on slot machine prizes and/or as determined in the Internal Revenue Code, as amended.
  
- (b) Decrees shall be granted in accordance with the following Gradual Tax Scale, which establishes the payment of taxes based on the tourist Facilities' net gaming revenues, depending on the Concessionaire's total investment of private capital, as provided below:
  - (i) Investments of five hundred million dollars (\$500,000,000) or more shall be granted a fixed, twenty-five (25%) percent tax rate;
  
  - (ii) Investments of seven hundred and fifty million dollars (\$750,000,000) or more shall be granted a fixed, fifteen (15%) percent tax rate;
  
  - (iii) Investments of one billion dollars (\$1,000,000,000) or more shall be granted a fixed, ten (10%) percent tax rate;
  
  - (iv) Investments of one thousand two hundred and fifty million dollars (\$1,250,000,000) or more shall be granted a fixed, eight (8%) percent tax rate.

- (c) The Decree shall provide that any and all gaming revenues earned at the Facility during the life of the Decree shall be exempt from the provisions regarding the division of revenues contained in section 5 of Law No. 221 or any similar law.
- (d) The Decree shall provide that the violation of any provision of this Law, or of the Decree itself, shall result in an increase of the special tax rate imposed on the Net Gaming Revenues set forth in section (a) of this Article of up to seventy percent (70%) since, and after, such violation. The Decree shall establish the process by which the Concessionaire will be notified of the violation and available remedies. Should the seventy percent (70%) tax rate need to be applied, all revenues derived from the seventy percent (70%) tax rate shall continue to be distributed in accordance with the provisions of this Law.
- (e) The Decree shall provide that the Concessionaire's failure to make each of the three (3) components of the Project function and operate or to invest the full amount of the investment stipulated in the Decree within a period of ten (10) years after the Decree is issued shall constitute a breach of the Decree in which case the preferential tax rate on Net Gaming Revenues may increase up to seventy percent (70%), in accordance with section (d) of this Article. However, this ten (10) year period may be extended by the Selection Committee, at the request of the Concessionaire, if the Selection Committee determines that such extension is in the best economic interest of Puerto Rico, and the additional time is necessary as a consequence of circumstances not attributable to the Concessionaire, provided, nonetheless, that the extension period shall never exceed four (4) years.
- (f) The Decree shall establish that if the Concessionaire fails to comply with the minimum investment schedule set forth in the Decree, in accordance with this Law, the penalties provided in this Article shall be imposed, and furthermore, the Concessionaire shall pay to the Secretary of the Treasury the True Recovery Amount described below:
  - (i) The Concessionaire shall pay to the Secretary of the Treasury the True Recovery Amount within ninety (90) days after the Executive Director certifies to the Concessionaire the total sum of the True Recovery Amount. The True Recovery Amount shall be distributed by the Secretary of the Treasury, in accordance with the provisions of this Law.
  - (ii) The True Recovery Amount shall be calculated by multiplying the Possible Recovery Amount by the Recovery Percentage.

- (iii) The Possible Recovery Amount shall be calculated as follows: First, the Executive Director shall determine the total amount that the Concessionaire would have had to pay to the Government of Puerto Rico on Net Gaming Revenues accrued prior to the occurrence of the violation described in section (d) of this Article, if the preferential tax rate had been of up to seventy percent (70%) instead of another. Once this amount is determined, the Executive Director shall deduct the amount of taxes actually paid by the Concessionaire on his Net Gaming Revenues, in accordance with the Decree, prior to the determination that the Concessionaire had violated the minimum investment requirements set forth herein. This net amount shall be the "Possible Recovery Amount."
- (iv) The Recovery Percentage for any year shall equal the sum of the following amounts:
  - (a) two (2) times the amount of the investment deficit in recreational and/or sales establishments at the time it is determined that a violation entailing the imposition of the penalties set forth in this Article has occurred, and
  - (b) the amount of any other investment deficit, dividing this sum by the total investment amount required under the Decree, provided that if this amount is greater than one (1), the Recovery Percentage shall be equal to one (1).
- (g) The Decree shall provide that the penalties set forth in this Article shall be imposed if the Decree is (1) assigned directly or indirectly to any Person or (2) if there is any transfer of interest, whether direct or indirect, or any change in the Concessionaire's control, unless previously approved by the Selection Committee.
- (h) The Decree shall provide the requirements for its renewal, including the definition of what constitutes a renovation or substantial expansion of existing establishments to be used in tourism-related activities.
- (i) The Decree shall include any other terms and conditions recommended by the Selection Committee, as long as they are not incompatible with the provisions of this Law.

**Article 8.-Life of the Decree.-**

Decrees issued in accordance with this Law shall initially remain in effect for thirty (30) years from the date the Facilities begin operating. Should the Concessionaire

undertake a substantial renovation or expansion of the Project, the Decree, at the discretion of the Selection Committee and in accordance with the terms and conditions set forth in the Decree, may be renewed at any time during its life for two additional terms of ten (10) years each.

**Article 9.-Government Tax Revenues.-**

All revenues obtained by the Government as a result of the preferential tax rate set forth in this Law and in the Decree issued in accordance with this Law, shall be exempt from the provisions included in section 5 of Law No. 221, and such revenues shall be deposited in a special account kept by the Secretary of the Treasury separate from the General Fund, with the following purposes:

- (a) Forty percent (40%) of the taxes paid by the Concessionaire, in accordance with the Decree, and deposited in the aforementioned special account kept by the Secretary of the Treasury, shall be assigned by the Selection Committee to infrastructure projects to be developed in municipalities neighboring the municipality in which a Project is built. Within the first six (6) months after the enactment of this Law, the Selection Committee shall adopt rules establishing standards and procedures to use the funds in the special account established in this section, but at least one fourth (1/4) of these funds shall be assigned to projects located in Vieques, another fourth (1/4) to projects in Culebra and one fourth (1/4) shall be utilized in accordance with section (d) of this Article. The last fourth (1/4), as well as any remaining or unused funds, shall be used for developments in municipalities adjacent to the municipality in which a Project is built. The Selection Committee shall have the discretion to identify infrastructure projects (including renewable energy projects) and the amount of funds from the aforementioned account that it will assign to each project, provided that the Committee will do this in accordance with the regulations passed hereunder.
- (b) The remaining thirty percent (30%) of the taxes paid by the Concessionaire, in accordance with the Decree, and deposited in the aforementioned special account shall be divided in three (3) equal shares and distributed by the Secretary of the Treasury, as follows:
  - (i) one third of these funds shall be passed on to the Puerto Rico Tourism Company annually;
  - (ii) one third of these funds shall be passed on to the Roosevelt Roads Naval Station Lands and Facilities Redevelopment Authority, created by virtue of Law No. 508 of September 29, 2004, annually;

- (iii) and the other third of these funds shall be passed on to the Office of the Commissioner of Municipal Affairs annually. These funds shall be distributed annually by this agency to municipalities with less than forty thousand (40,000) inhabitants through competitive proposals to develop ecotourism projects;
- (c) The remaining thirty percent (30%) of the taxes paid by the Concessionaire in accordance with the Decree and deposited in the aforementioned special account shall revert to the General Fund every year.
- (d) The Green Triangle is hereby created as a new ecotourism destination. The Green Triangle shall be made up of ecotourism projects in the municipalities of Vieques and Culebra and the area surrounding the El Yunque Tropical Forest within a fifteen (15) mile radius. The Selection Committee shall identify the projects and the amount of funds to be used in developing these ecotourism projects from the funds assigned for such purposes, in accordance with section (a) of this Article.
- (e) Unless otherwise provided in this Law, the amounts to be paid by the Concessionaire, in accordance with the preferential tax rates set forth herein, shall be paid in the manner and form established in the Puerto Rico Internal Revenue Code for the payment of income tax.

#### Article 10.-**Special Rules.-**

The following special rules shall govern the gaming operations carried out in the tourist Facilities from the date on which the Facilities commence operations through to the expiration date set forth in the Decree:

- (a) The Selection Committee shall establish a particular proportion of slot machines for every authorized player in the Facility.
- (b) The number of authorized players per game shall be established by regulations to be prepared by the Puerto Rico Tourism Company. Although this number shall never be less than the number authorized under section 3 of Law No. 221.
- (c) The Tourism Company must submit to the approval of the Legislative Assembly, any new games it may deem necessary to comply with the purposes of this Law. New games shall be established solely by law. The Tourism Company shall detail what new game is intended, the rules of the game, a payment schedule, a statistical assessment of the theoretical percentages of the new game, and any other information it may deem pertinent.

- (d) The Facility shall be exempt from the maximum betting limits provided in Article 13 of Law No. 221.
- (e) The Facility shall be authorized to operate twenty-four (24) hours a day, seven (7) days a week and every day of the year.
- (f) The Executive Director shall carry out any oversight, investigation or audit he may deem necessary of the gaming operations under way at the Facility, in order to verify that they are in compliance with the provisions of this Law or any other applicable law or regulation. The Concessionaire shall be responsible for reimbursing the Puerto Rico Tourism Company for the costs of any investigation or audit.
- (g) The Facility's operations shall be subject to all of the provisions of Law No. 221 that are not in conflict with the provisions of this Law. If, during the life of the Decree, Law No. 221 is amended or repealed, any new provision that is not in conflict with this Law or with the Decree shall be considered applicable to the Facility, only if the law amending or substituting the aforementioned law contains specific language establishing the applicability of the law to the Facility.

Once the Decree has expired and the special gaming rules are therefore no longer deemed applicable, the Facility shall be subject to all of the provisions set forth in Law No. 221, or any subsequent law regulating gaming in Puerto Rico at the time, and any regulations in effect by virtue of such law.

- (h) This Law, and any rules or regulations enacted by virtue hereof, does not, and will not, authorize, the establishment of video lottery machines, games or systems, or similar electronic systems. Under no circumstance may such games, machines or systems be established hereunder, nor can this Law be interpreted to authorize such businesses.

**Article 11.-Certification.-**

No later than June 30 of every year, the Concessionaire must present to the Commissioner a certification attesting that the Concessionaire has substantially complied with the provisions and obligations detailed in the Decree and that he possesses a current and valid gaming license, in accordance with Article 13 of this Law. The Commissioner may conduct any and all investigations or audits he may deem necessary to verify that the Concessionaire has substantially complied with the parameters established in the Decree. The Concessionaire shall cooperate with any reasonable request for information or inspection by the Commissioner in relation to

such investigations or audits. The Concessionaire shall be responsible for reimbursing the Office of the Commissioner of Financial Institutions for the costs of any such investigation or audit.

#### **Article 12.-Limitation to the Preferential Tax Treatment**

The provisions on the preferential tax treatment contained in the Decree, in accordance with Article 6 of this Law, shall solely and exclusively apply to the Concessionaire's gaming revenues at the Facility and shall not constitute an impediment for the Concessionaire to request and obtain tax benefits or concessions for any other component of the Project by virtue of any other applicable law.

#### **Article 13.-License**

Once the Decree has been issued, the Commissioner shall be authorized to issue a license for the Concessionaire to operate the Facility, as long as the Concessionaire: (a) meets, to the Commissioner's satisfaction, the conditions set forth in section 3(a) (2) and section 3(a)(3) of Law No. 221; (b) has presented a duly sworn application to the Commissioner demonstrating that he meets all of these conditions; (c) has paid the fees required for the application and any other amount required by the Commissioner to cover the expense of any investigation conducted or to be conducted by the Commissioner to determine whether the Concessionaire meets gaming license requirements. The Facility shall not commence to operate until the Concessionaire has obtained a gaming license, in accordance with this Article. Once the initial gaming license has been issued, the Concessionaire shall be responsible for the annual gaming license payment, pursuant to Article 7 of Law No. 221, or any other subsequent law.

#### **Article 14.-Proviso.-**

No tourism project already in existence or effectively in the process of being constructed in Puerto Rico as of the date of enactment of this Law may apply for a Decree or for the benefits granted hereunder.

#### **Article 15.-Violations.-**

In addition to, and without limiting, any other consequence that may arise in accordance with Law No. 221, any violation by the Concessionaire, his agents or employees, of any provision of this Law or of regulations established by virtue of this Law, or of the Decree, shall be considered a breach of the Decree and shall constitute grounds for the possible suspension or revocation of the gaming license and/or the imposition of the penalties established in Article 7 of this Law. Acceptance of the Decree and of the gaming license shall constitute an agreement on the part of the Concessionaire to be bound by any and all regulations in effect, or that may be amended or promulgated in the future, in accordance with this Law or by virtue of Law

No. 221. It is the Concessionaire’s responsibility to stay informed about the contents of all the regulations and any amendments.

**Article 16.-Solution of Controversies.**

The Parties to the Decree expressly submit themselves to the jurisdiction and competency of the General Court of Justice of Puerto Rico to resolve any controversy arising in relation to, or based on, the Decree. Nevertheless, they may agree to resolve their controversy through an alternative conflict solution process in Puerto Rico.

**Article 17.-Regulations.-**

The Commissioner and the Executive Director, in accordance with their competencies and powers hereunder, and in their respective areas of competency, must adopt, modify or revoke any regulations they deem necessary or convenient to fulfill the purposes of this Law, in compliance with Law No. 170 of August 12, 1988, as amended, known as the Uniform Administrative Procedures Act.

**Article 18.-Severability.-**

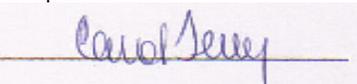
If any provision of this Law or any application of such provision to any person or circumstance is held to be invalid, null, unconstitutional, or unenforceable in any way, the validity, legality and enforceability of the remaining provisions or of any other application of this Law shall not be affected, and this Law shall be interpreted as if such invalid, illegal or unenforceable provision had never been a part hereof. To this end, the provisions of this Law are severable.

**Article 19.-Effectiveness.-**

This Law shall take effect immediately after its enactment.

.....  
*President of the House*

.....  
*President of the Senate*

<p><u>CERTIFICATION OF TRANSLATION</u></p> <p>I, Carol G. Terry, a US-Court-Certified-Interpreter, Certificate No. 03-001, and translator with an MA in Translation from the University of Puerto Rico, do hereby certify that, to the best of my knowledge and abilities, the foregoing is a true and correct translation of the original document in Spanish.</p> <div style="text-align: center;">  <p>Carol G. Terry</p> </div>
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