



DISCOVER PUERTO RICO'S BUSINESS STAR

Puerto Rico is open for business with a FIVE-POINT PROPOSITION you should consider to bring your company to the island.

1. WORLD CLASS WORKFORCE

Puerto Rico offers highly skilled bilingual professionals in all areas of business and manufacture.

2. COMPETITIVE TAX INCENTIVES

You can benefit from competitive tax incentives and tax credits for a variety of business activities.

3. ADVANCED INFRASTRUCTURE

Puerto Rico is home to countless worldwide corporations from all kinds of fields, some of them with close to six decades of presence in the island.

4. GLOBAL EXPERIENCE

One of the best of the region. The whole island is well connected and equipped with first class services.

5. U.S. LEGAL FRAMEWORK

All the legal aspects of doing business in the states, and Intellectual Property Acts.

Many companies have already taken advantage of the unique opportunities we have to offer. It's time for you to make your business shine.

PUERTO RICO KEY FACTS

Population: 3.9 million

Roads and highways network: 24,000 miles

Ports:

- In terms of volume, the San Juan harbor is ranked 8th in the US
- The Port of the Americas in Ponce (under development) will manage Post-Panamax vessels

Airports

- 4,300 cargo flights per month
- 1,800 passenger flights per week
- The Luis Muñoz Marín International Airport provides service to more than 19 cities in the US and several international destinations in the Caribbean, North America, South America and Europe

Manufacturing:

- Over 50% of the most prominent pharmaceutical companies have operations in Puerto Rico
- In terms of size, Puerto Rico's manufacturing sector is 5th in the world
- In terms of volume, Puerto Rico's biotechnology sector is 3rd in the world
- 13 of the 16 medical device companies in the world have presence in Puerto Rico

Agriculture:

- 5 of the world's largest seed production companies have operations in Puerto Rico
- Puerto Rico is host to the world's only all-seasons mango farm (i.e. year-round production capabilities), allowing constant export to the US, Europe and Canada
- Puerto Rico has the most attractive agricultural tax credits in the western world

Tourism and Entertainment:

- Puerto Rico has the best airway access in the Caribbean, with 20% market share of US inbound seats
- Puerto Rico has 19% market share of Caribbean arrivals, with nearly 8 million passengers per year
- Puerto Rico has the Caribbean's primary port for cruise-ships, with some 1.2 million passengers per year
- Puerto Rico's Convention Center is the largest and most technologically advanced in the Caribbean
- Dorado, Puerto Rico is home to the Dorado Beach, Ritz-Carlton Reserve. An exotic sanctuary style hotel that's a new concept in luxury travel and the only one of its kind in the Americas
- Vieques, Puerto Rico is host to one of only two W Retreat and Spas in the world
- Three of the world's five bio-luminescent bays are located in Puerto Rico

Commerce and Trade:

- Puerto Rico exports \$60 billion a year consisting mostly of medical devices, pharmaceuticals, chemicals, electronic equipment and computers
- Puerto Rico is the 5th largest exporter in Latin America
- Puerto Rico's main export destinations are Germany, Holland, Belgium and Spain



PUERTO RICO OFFERS VERSATILITY IN TERMS OF LOCATION.

- Puerto Rico has a total of 28 million square feet of shopping center space
- Plaza Las Americas is the largest shopping mall in the Caribbean

Banking, Insurance and Credit Unions:

- The banking sector has 33 international entities
- The financial sector's total assets amount to more than \$168.8 billion
- The insurance sector is the 3rd largest in Latin America

Film and Creative Services:

- Puerto Rico has one of the most attractive incentive programs in the world
- There is an average of eight productions filmed every year in Puerto Rico
- More than 61 productions have been filmed in Puerto Rico, including:

The Fast and the Furious 5,
The Rum Diary, The Losers,
The Men Who Stare At Goats,
Bad Boys 2, Amistad,
Contact, James Bond's Goldeneye

Puerto Rico offers versatility in terms of location. The Island has been used to represent places like Miami, Africa, Los Angeles, Dubai, Mumbai, Iraq, Kuwait, Bahamas, Cuba, Central America, Brazil, Colombia, Chile, Hawaii and New Mexico.

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PUERTO RICO: OFFERING ATTRACTIVE TAX INCENTIVES FOR INDIVIDUALS RELOCATING TO PUERTO RICO

The Individual Investors Act (Act 22) seeks to attract new residents to Puerto Rico by providing a total exemption from Puerto Rico income taxes on all passive income realized or accrued after such individuals become bona fide residents of Puerto Rico. This relocation should result in new local investments in real estate, services and other consumption products, and in capital injections to the Puerto Rico banking sector, all of which will accelerate the economy of Puerto Rico.

TAX TREATMENT

Tax exemptions conferred under ACT 22 are valid through December 31, 2035:

Passive Income Exemptions:

- New Residents will enjoy a 100% tax exemption from Puerto Rico income taxes on all dividend and interest income
- Interest and dividends that qualify as Puerto Rico source income will not be subject to federal income taxation under Section 933 of the IRS Tax Code.
- New Resident investors may be able to reduce the tax rate applied on interest and dividend income coming from sources outside of Puerto Rico (including the source country taxation) to 0% or 10%, respectively, by investing through certain Puerto Rico investment vehicles

Capital Gain Exemptions:

- All capital gains accrued after becoming a New Resident will be 100% exempt from Puerto Rico taxes. These gains will not be subject to federal taxes
- All capital gains accrued and unrealized prior to becoming a New Resident will be subject to a tax:
 - (i) at the prevailing tax rate (currently 10%), if such gain is recognized within 10 years of new residence in Puerto Rico, and
 - (ii) 5%, if such gain is recognized after said 10-year period. Such taxes paid may be used as a credit in another jurisdiction that taxes such gains. The U.S. will not tax any prior unrealized gains if recognized after 10 years of residence in Puerto Rico

REQUIREMENT FOR NEW RESIDENTS THAT HAVE NOT LIVED IN PUERTO RICO FOR THE LAST 15 YEARS:

- Physical presence in Puerto Rico for a period of 183 days during the taxable year will create a presumption of residence in Puerto Rico for tax purposes
- Section 937 of the U.S. Internal Revenue Service Code provides additional guidance as to what is generally considered a bona fide resident: (a) no tax home outside Puerto Rico during the tax year, and (b) no closer connection to the U.S. or a foreign country

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PUERTO RICO: MANUFACTURING INCENTIVES ACT

In order to bolster the manufacturing sector as well as other strategic areas, the Island's Government has created an aggressive economic and tax incentives program with the purpose of helping operations in the Island become more profitable to those companies who manufacture here.

Act No. 73 of 2008, known as the Economic Development Incentives Act, provides tax incentives for companies that establish and expand their Island operations, as well as tax credits for creating jobs and investing in research and development.

These incentives were created to ensure the Island's competitiveness in attracting investments and they are an opportunity for companies all over the world, particularly those dedicated to state-of-the-art technologies and added value.

In addition, the law promotes investments on research and development and initiatives from the academic and the private sectors by granting credits and exemptions for these activities. Furthermore, it helps to decrease operational and energy spending for companies moving to the island in order to help their operations remain profitable and efficient.

TAX BENEFITS:

- 4% fixed tax
- 0% to 1% income tax from innovative activities
- Up to 50% tax credit for purchasing local and recycled products
- Up to \$5,000 tax credit for job creation
- Up to 50% tax credit for research and development
- Special rebates for investing in structures, machinery and equipment
- Up to 50% tax credit for investing in efficient energy use and renewable energy machinery and equipment

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PUERTO RICO: DEVELOPING AN INTERNATIONAL EXPORT SERVICES HUB

Puerto Rico has a highly educated and professional labor force that can fulfill the labor market demands for the provision of export services.

The purpose of the Export Services Act (Act No. 20) is to develop Puerto Rico as an international export services center and diversify the drivers of economic growth by encouraging local service providers to expand their services to persons outside of Puerto Rico, and attract new businesses to Puerto Rico.

The Export Services Act applies with respect to any business with an office located in Puerto Rico that is engaged in the exportation of services to non-resident individuals and/or foreign entities.

BUSINESS SERVICES ELIGIBLE TO BENEFIT UNDER ACT NO. 20:

- Advertising and public relations
- Call centers
- Development of licensable computer software
- Distribution centers (hubs)
- Economic, environmental, technological, managerial, marketing, information systems, engineering and other consulting services
- Electronic data processing centers
- Headquarters and/or shared services centers
- Medical and hospital services
- Professional services, such as legal, tax and accounting
- Research and development

INVESTMENT BANKING AND FINANCIAL SERVICES TAX BENEFITS UNDER ACT NO. 20:

- 4% maximum tax rate on income related to exportation of services
- 100% exemption on income tax rate on dividends or profit distributions

- 60% exemption on municipal license taxes
- 90% exemption of real and property taxes
- 20 year tax decree, renewable for an additional 10 year period

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PUERTO RICO: AN INTERNATIONAL BANKING PLATFORM TO EXPORT FINANCIAL SERVICES TO FOREIGN MARKETS

The International Financial Center Regulatory Act (Act 273) seeks to expand the potential market of the International Financial Center of Puerto Rico.

The benefits of an international financial center in Puerto Rico are the expansion of the service sector, as well as the direct and indirect creation of employment and growth in the economic activity. Puerto Rico offers many favorable conditions to perform international financial transactions, such as political stability, the soundness of its banking system, the close economic relationship with the United States, the high degree of professionalism, bilingualism and technical capacity of its human resources, a unified market and monetary system, its privileged geographical position and a properly developed communications network.

To meet the purposes hereinafter mentioned, the law provides for the organization of International Financial Entities (IFE). An IFE is a Puerto Rico entity engaged in traditional banking or financial services for non-Puerto Rican clients. IFEs are under the supervision of the Office of the Commissioner of Financial Institutions.

ELIGIBLE BANKING ACTIVITIES UNDER ACT 273:

- Accepting deposits
- Borrowing money
- Lending
- Letters of credit
- Refinancing
- Foreign currency exchange
- Underwriting
- Trade financing
- Trust services
- Securities brokerage
- Clearinghouse services
- Asset management
- Other financial services

IFEs are generally not permitted to do transactions with local Puerto Rico counterparties, except in certain cases such as these:

- Certain transactions involving the Government Development Bank and the Economic Development Bank of Puerto Rico

- Certain transactions and activities involving securities issued by the Government of Puerto Rico
- Participation in local loan syndications originated by a local bank
- Purchasing of substandard or non-performing loans from Puerto Rico entities

TAX BENEFITS UNDER ACT NO. 273:

- IFEs will enjoy a 4% flat income tax rate on their income
- Distributions from earnings and profits derived from IFEs:
 - Taxed at 6% for shareholders that are Puerto Rico residents
 - 100% exemption from Puerto Rico taxes on such dividends
- Municipalities in Puerto Rico may levy a gross receipts tax of up to 1.5% for financial services
- IFEs will be 100% exempt from all property taxes
- A 15-year tax decree, renewable for two (2) additional 15-year periods

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PUERTO RICO: AN ISLAND WITH A MILLION REASONS TO VISIT

Over 5 million people visit Puerto Rico every year and this number is expected to increase. At this time, there are more than \$580 million invested in tourism projects underway and over \$2.8 billion still under development, such as a diverse array of hotels, resorts, casinos, and golf courses, amid other tourist attractions throughout the Island.

With this in mind, the Government of the Commonwealth of Puerto Rico provides incentives through Act No. 74 of 2010, known as the Tourism Development Act, to facilitate and promote world-class tourism projects.

Incentives

- Tax Credits equal to the lesser of 10% of total project cost or 50% cash from investors, which can be monetized
- 100% exemption on municipal construction excise tax
- 100% exemption on imported goods and sales tax
- 100% exemption on municipal licenses
- 90% exemption on income tax
- 90% exemption on property tax
- The benefits under this law will remain valid for a period of 10 years from the opening date of the eligible tourism project and includes a 10 year extension

BUSINESSES ELIGIBLE TO BENEFIT FROM ACT NO. 74:

- Guesthouse, hostels, hotels, condo-hotels, timeshare vacation clubs, excluding casinos
- Theme parks, golf courses managed by, or associated with, a hotel that is an exempt business, marinas and port facilities in areas that promote and encourage tourism
- Natural resources used as entertainment source
- Other facilities acting as recreational or entertainment sources, which encourage internal and/or external tourism

Project requirements to qualify for these incentives:

- Fully financed by private capital investments
- World-class hotel with at least a four-star rating
- A variety of commercial and recreational establishments

TOURISM INCENTIVES FOR THE ECONOMIC DEVELOPMENT OF MUNICIPALITIES ACT:

Act No. 118 of 2010, known as the Tourism Incentives for the Economic Development of Municipalities Act, intends to facilitate development of world-class resorts in strategic locations.

This act will grant a rebate on net income tax payment rates from tourist facilities' gambling operations.

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PUERTO RICO: GATEWAY FOR INSURERS AND REINSURERS TO THE US AND LATIN AMERICA

Due to its many advantages, including direct access to the US and other international markets, Puerto Rico is a sound gateway for insurers and reinsurers wishing to enter the Latin American insurance and financial markets.

Since 2005, the international insurers and reinsurers division of the Office of the Commissioner of Insurance of Puerto Rico has sought to promote Puerto Rico as an important member of the international insurance arena. The Government of Puerto Rico adopted this initiative as part of its economic agenda.

LEGAL BACKGROUND

Act No. 399 and Act No. 400 in Chapter 61 of the Puerto Rico Insurance Code were adopted in order to establish the basis for the International Insurance Center (IIC), which provides a competitive environment for insurers and reinsurers to cover risks outside of Puerto Rico, under a secure and flexible regulatory system, with attractive tax benefits. Act No. 98 provides a long-term tax status that will guarantee the tax treatment of international insurers and reinsurers for an initial period of 15 years, renewable for two additional 15-year periods.

International insurance entities have various alternative ways to organize and operate within the IIC. These options include operating as an international insurance holding company, as an international insurer or a branch of an international insurer and protected cell arrangements.

TAX TREATMENT

Tax exemptions conferred under the International Insurers and Reinsurers Act of Puerto Rico include:

- Exemption from premium taxes
- Exemption on dividends and other profit distributions made by the International Insurer and International Insurer Holding Company
- Exemption on municipal franchise and real and personal property taxes
- Exemption from withholding taxes on payments of dividends and other profit distributions made to third parties, and from filing tax returns with the Puerto Rico Internal Revenue Service
- Isolation of the proceeds and benefits paid by international insurers because of liquidation procedures from income taxes
- \$1.2 million tax exemption on net income. Exemption

applicable at the individual cell level for Protected Cell Company arrangements and at the company level. Preferred 4 % tax rate on net income, guaranteed by a decree effective over a renewable period of 15 years

BUSINESS OPPORTUNITIES

The International Insurance Center is a platform for the following business activities, among others:

- Alternative risk management strategies as captive or associated captives insurers
- Insurers or reinsurers vehicle to enter Latin America or US markets
- Special purpose vehicles
- Vehicle for integrated insurance plans
- Corporate reorganization using international insurers holding companies
- Segregated assets plans to serve high net worth individual markets
- Securitization programs

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PUERTO RICO: AN ISLAND THAT GENERATES NEW OPPORTUNITIES

Interested in attracting companies that are looking to invest in alternate energy sources, the Commonwealth of Puerto Rico approved two legislative projects on energy policy. This legislation aims to diversify energy sources, ensuring the Island's energy source remains affordable, viable and sustainable.

This new legal framework sets Puerto Rico on a course towards a transcendental energy reform. The renewable energy reform plan contemplates the creation of a renewable energy portfolio, green energy incentives to build a new industry, as well as new regulations for the construction and operation of wind and solar energy farms.

ACT NO. 82 OF 2010, KNOWN AS THE ENERGY DIVERSIFICATION ACT, ESTABLISHES:

- Mandatory objectives that will help reduce conventional energy use and increase that of renewable energy
- The creation of the first Renewable Portfolio Standard in Puerto Rico, establishing rules promoting generation of renewable energy, with compulsory short and long term goals: 12% renewable energy production by 2015, 15% by 2020 and requirement for retail energy providers to establish a plan to reach 20% renewable energy production by 2035

ACT NO. 83 OF 2010, KNOWN AS THE GREEN ENERGY INCENTIVES ACT:

- Encourages the creation of a new, strong and robust renewable energy industry
- Creates new incentives to encourage investment in renewable energy
- For companies dedicated to the production of renewable energy on a commercial scale, the law also provides tax benefits in the form of:
 - Significant partial exemptions from income, property and municipal taxes
 - Super depreciation of buildings, structures, machinery and equipment
 - Eligibility for tax credits related to the use of locally manufactured products, job creation, and research and development
- Establishes the Green Energy Fund, which helps create a new industry, as well as liberates individuals and businesses from dependence on fossil-based fuels

THE GREEN ENERGY FUND PROVIDES:

- \$290 million for renewable energy production incentives over the next 10 years, starting with \$20 million on July 1, 2011
- Reimbursements for the installation of renewable energy generating equipment of up to 40% for residential and small businesses, and up to 50% for medium sized businesses and industries
- Access to Renewable Energy Certificates (RECs) to help finance renewable energy projects at a utility scale level

A REC is a personal asset that is marketable and negotiable. It can be bought, sold, assigned and transferred between individuals for any lawful purpose, and as a whole, indivisible asset, it is equivalent to one (1) Megawatt-hour (MWh) of electricity generated by a source of sustainable or alternative renewable energy

The Green Energy Fund is an investment in the future, to preserve our natural resources and the environment, as well as for the enjoyment of the next generations to come.

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PUERTO RICO: FILM AND MEDIA PRODUCTION INCENTIVES

Building on the proven 10-year track record of one of the earliest and most competitive incentive programs in the industry, Puerto Rico recently solidified its position as one of the leading jurisdictions for the production of film, television and other media with the enactment of the Puerto Rico Film Industry Incentives Act of 2011. The Act brings Puerto Rico's production cost structure in line with other leading jurisdictions through innovative and competitive tax incentives.

In acknowledgment of the importance of complementing a low cost structure with state-of-the-art specially dedicated infrastructure, the Act provides numerous incentives for the development and operation of related infrastructure, specifically high-capacity production studios.

Puerto Rico offers an amazing variety of locations in one small island. Colonial Spanish forts, modern architecture, urban city settings, tropical rain forests, deserted islands, beaches, dry forests, huge caverns and a unique mix of people.

Behind the camera you will find a variety of talent who have taken part in more than 60 major productions that have been filmed in Puerto Rico. Recent productions include Universal Pictures' "Fast and Furious 5", Disney's "Pirates of the Caribbean: On Stranger Tides" and Warner Bros' "The Losers".

PRODUCTION INCENTIVES

- 40% tax credit on all payments to Puerto Rico Resident companies and individuals
- 20% tax credit on all payments to qualified Non-Resident individuals
- Eligible projects: feature films, short films, documentaries, television projects, series in episodes and mini series, music videos, national and international commercials, video games, recorded live performance and original sound track recordings and dubbing
- 100,000 minimum spending requirement per project (\$50,000 for shorts films)
- No principal photography requirements (full or partial development, pre-production may qualify)
- No per project or individual wage caps
- No cap on qualified Non-Resident individuals

INFRASTRUCTURE INCENTIVES

- 25% tax credit on development or expansion cost of eligible infrastructure projects
- Minimum investment of \$1 million per project
- Maximum aggregate annual cap of \$10 million and lifetime cap of \$150 million for all infrastructure credits

PREFERENTIAL TAX TREATMENT

Persons engaged in film projects, infrastructure projects, as well as operators of studios and other purpose-built media facilities (including their suppliers), are eligible for preferential tax rate or exemptions

- 4% to 10% income tax rate
- 100% exemption on dividend taxes
- 90% exemption and municipal and state property taxes
- 100% exemption on municipal license taxes, excise taxes and other municipal taxes

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PUERTO RICO: RUM INDUSTRY

The Puerto Rico rum industry is synonymous with quality, making us the ideal place to produce rum. We offer corporations the best incentives, business climate and support programs like no other place in the world. One of these is Rums of Puerto Rico, which drives the message of quality and excellence behind every rum produced in Puerto Rico to consumers in the US.

Currently, rum is the 3rd spirit distilled in the US with 13.3% market share. Puerto Rican rum has a 77% volume share of this amount. This increase has been mainly driven by the growing trends in flavored and spiced rums. Flavored rums, the development of high-end products and a rise in demographics are expected to be industry growth drivers.

LEADING PUERTO RICAN RUM BRANDS:

- Bacardí
- Don Q
- Barrilito
- Trigo

RUM MANUFACTURING IN PUERTO RICO

The Rums of Puerto Rico program focuses on driving the sale in the US of our locally produced rum by promoting:

- Top quality with a product that is aged by law
- Image as the best rum producer in the world
- Refunds to brands, for the purposes of marketing and promotion, of taxes paid for the sale of Puerto Rican rum in the US
- Unique tax benefits and incentives

PUERTO RICO PROVIDES INCREASING BUSINESS OPPORTUNITIES within the local rum industry supply chain, in order to solidify it and create a business cluster (i.e. bottler, glass, R&D, sugar cane mills, etc.) with sustainable globally competitive technology.

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