



GUIDE

Puerto Rico Tax Incentives Act 60

Infrastructure Investment

Chapter 7 of Subtitle B, formerly Act 185-7

GUIDE

Puerto Rico Tax Compliance Guide

By TCG, Torres CPA Group, CifrasPR, Torres & Soto Tax

Torres CPA Group is a Certified Public Accounting Firm that has been offering Audit, Tax, Consulting, and Financial Outsourcing services for over 38 years. If you require any further information or help, please do not hesitate to contact us. We assist in Accounting, Payroll, and Tax Compliance.

Understanding the Puerto Rico tax system and its interrelation with the United States is crucial for individuals and entities doing business in Puerto Rico. Puerto Rico is not a state; it's a territory, with its own business, tax, and Payroll laws and regulations.

The following White Paper is designed to give an insight on Tax Issues in Puerto Rico. It provides relevant background information, which will be of assistance to organizations considering establishing a business in the Island. Nonetheless, it is highly recommended to seek advice and counsel from qualified professional sources before undertaking any business.

Certain exclusions and exemptions may apply, and when specific problems occur in practice, it will often be necessary to refer to the laws and regulations of Puerto Rico and to obtain appropriate accounting and legal advice.

It is understood that the following overview does not constitute any formal rendering of either legal, accounting, tax, or professional services. If legal advice or other assistance is required, an attorney, CPA or tax adviser should be consulted.

In accordance with IRS Circular requirements, you are advised that any discussion of tax issues in these materials is not intended or written to be used and cannot be used to avoid penalties imposed under Internal Revenue Code, as amended or to promote, market, or recommend to another party any transaction or matter addressed herein.

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Infrastructure Investment

Act 60 Chapter 7 of Subtitle B of the new code (formerly known as Act 185-7)

Eligible Infrastructure Activities

Perform improvements, restoration or reconstruction of existing buildings, or restructuring or new construction in vacant lots in the Historic Areas of Puerto Rico, and rents once they have been improved, restored, reconstructed, restructured or constructed, depending on the case;

Construction or rehabilitation of Social Interest Housing for sale or lease to Low or Moderate Income Families and Middle-Class Homes;

Entities dedicated to the construction, rental or lease of properties to Elderly People who do not have their own home and whose income is within the established limits, those established by the Federal Government;

Social Interest Housing Developers approved and totally or partially subsidized by the Government of Puerto Rico;

Developers of Assisted Housing for the Elderly in Puerto Rico;

Tax Benefits

4% Fixed Net Income Tax Rate

The eligible activities will be subject a preferential tax on net income of four percent (4%), in place of any other income tax. The funds from an insurance policy for the concept of interruption of business (business interruption) to cover the eligible activities will also be considered.

Eligible Activities:

1. Income received for rental of buildings in Historic Areas of Puerto Rico;
2. Income from the sale of properties of social interest;
3. Rental income received by an owner of a Multifamily Project of social interest;
4. Revenue from the sale of residences to the Elderly or Persons with Disabilities;
5. Income from Housing projects under the “Assisted Living” Housing Project for the Elderly;
6. Income from the rental of properties leased to the Elderly;

7. Income for the construction of Rental Housing for the Elderly;

100 % Exemption on Property Tax

Real Estate, Immovable and Movable Property will be fully exempted (100%) on the taxes, at the tax rate that is in effect at the date of signing the Decree, regardless of any later amendment in the Decree.

Eligible properties in Historic Areas, which are planned to improve, restructure, build, restore or rebuild, and the site where it is located, will be declared exempt for the Decreed period.

Social interest properties dedicated to rental as Multifamily Project Housing units that are rented to Low or Moderate Income Families, during the exemption period subject to that the established requirements are met and that the lease reflect a reduction equal to the amount of the property tax that the owner would be required to pay if the tax exemption is not applied.

Properties leased to Low-Income Elderly People, any owner who builds or rehabilitates a real estate property to be leased to a Low-Income Elderly Person, as long as they meet the requirements.

Ownership of housing projects under the “Assisted Living” Housing Project will benefit from the ninety percent (90%) exemption.

90% Tax exemption on Municipal License Taxes

The gross income of eligible activities has ninety percent (90%) of exemption in the municipal taxes, including on the municipal license and any other taxes imposed by any municipal ordinance, including:

Construction or Rehabilitation of Social Interest Housing that are rented to families of Low or Moderate Income.

Construction of rental housing for elderly people with low income, except for construction excise tax.

Income from housing projects under the “Assisted Living” Housing Project.

The Municipal license tax rate that applies is the rate as of the date of the signature of the Decree, regardless of any later amendment.

100% Exemption on Property in the process of construction

The property in the process of construction will be fully exempt (100%) of tax on the property during the period of construction.

Exempt Businesses and their contractors and subcontractors shall be seventy-five percent (75%) exempt from any contribution, tax, right, license, arbitration, fee imposed by any municipal ordinance on the construction of works to be used within a municipality, without it being understood that such contributions include the municipal patent imposed on the turnover of the contractor or subcontractor of the Exempt Business during the term authorized by the Decree.

Exemption Period

The exemption period for activities in Historic Zones of Puerto Rico will be:

- (1) Five (5) years, when the restoration work is partial, as restoring the facades, and main architectural elements, as entrance hall and the main staircase if any.
- (2) Five (5) years, non-renewable, when a facade restructuring is carried out in a building devoid of historical or architectural value to adapt it to the surroundings of the Historic Zone where it is located.
- (3) Ten (10) years, when a full restoration of the building has been carried out.
- (4) Ten (10) years, when a full restructuring occurs in which more than fifty percent (50%) of new construction elements are incorporated into buildings that lack historical or architectural value to adapt them to the traditional surroundings of the Historic Zone and in new buildings in vacant lots or where ruins lie.
- (5) The Secretary of the DDEC may, upon expiration of the term of ten (10) years of tax exemption of a property, extend the exemption for an additional ten (10) years, provided that the Institute of Puerto Rican Culture certify that such property (1) has not undergone substantial alterations in its original design, (2) deserves to be conserved as part of our cultural heritage for its historical or architectural value, and (3) will remain, upon completion of the work, in accordance with the requirements of the Institute of Puerto Rican Culture.

Social Interest Housing Activities will be in effect while the Housing units are occupied by Low or Moderate Income Families, but may not exceed a term greater than fifteen (15) years, beginning on January 1 of the year following the date of occupation of the Housing unit by a Low or Moderate Income Family.

Activities for the Elderly will be in effect while the Housing units are occupied by the Elderly, but may not exceed a term greater than fifteen (15) years, beginning January 1 of the following year to the date of occupation of the Housing unit by an Elderly Person.

Assisted Living Activities will be in effect as long as the "Assisted Living" Housing Project meets all established requirements, but may not exceed fifteen (15) years, beginning January 1 of the year following the date of the certification as an Eligible Business for the "Assisted Living" Housing Project.

The evaluation criteria will take into consideration the following guiding principles:

Jobs- Activities that encourage the creation of new jobs. It will be taken into consideration if the pay of employees is above the federal minimum wage level.

Harmonious integration- The design and conceptual planning of the Infrastructure taking into consideration the environmental, geographical, physical aspects, as well as the available and abundant materials and products of the place where it will be developed. Safe development will be ensured to prevent catastrophic damage from probable natural disasters.

Commitment to economic activity - The entity will acquire, to the extent possible, raw materials and products manufactured in Puerto Rico for the construction, maintenance, renovation or expansion of its physical facilities. If the purchase is not economically justified taking into consideration criteria of quality, quantity, price or availability in Puerto Rico, the DDEC may waive this requirement.

Commitment to agriculture- The entity that will acquire, as far as possible, agricultural products from Puerto Rico to be used in its operation. If the purchase is not economically justified taking into consideration criteria of quality, quantity, price or availability of these in Puerto Rico, the DDEC may waive this requirement.

Knowledge transfer- The entity, acquiring its services from professionals or companies with a presence in Puerto Rico. However, if this is not possible by criteria of availability, experience, specificity, skill or any other valid reason, they may acquire its services through an intermediary with a presence in Puerto Rico, which the entity can contract directly.

"Services" include the contracting of surveying works, the production of construction plans, as well as engineering, architecture and services related to designs, construction and everything related; economic, environmental, technological, scientific, managerial, marketing, human resources, computer and audit consulting, advertising, public relations, graphic services; and commercial art; security or maintenance of its facilities.

Financial commitment- Demonstrate that they can fund a considerable amount of the income from their economic activity and use the services of banking institutions or cooperatives with a presence in Puerto Rico.

The requirement for Exemption on Income from Leasing of Social Interest Properties

An Entity may receive the benefits, providing a request for exemption and meets the following requirements:

Demonstrate that it complies with the regulations requirement of capital invested in the construction or rehabilitation of the Multifamily Project and a bona fide transaction.

The lease fee for Rented Housing units does not exceed the appropriate amount to cover the administration and maintenance expenses of the rented property, receiving a reasonable rate of return on your capital investment, according to the parameters established by regulations.

The income claimed is derived from the lease fee paid by Low or Moderate Income Families.

The unit rented within the Multifamily Housing Project, or the family that occupies the unit does not receive a direct subsidy for the payment of the rental fee from the Government of Puerto Rico or the Government of the United States of America.

The construction or rehabilitation of the Housing unit has begun after July 1, 2019.

The income claimed derived from the lease fee paid by the Elderly

An Entity may receive benefits providing that:

The construction or rehabilitation of the housing units for the lease has begun after July 1, 2019.

The lease fee for the Housing units does not exceed the amount determined as appropriate to cover the administration and maintenance expenses of the leased property, receiving a reasonable return on capital investment according to the parameters established in the Incentive Regulations.

Must submit a breakdown by cost item prior to the start of construction or rehabilitation works, the lessee of the Housing unit, certified as eligible and a certification that is in compliance with all tax rules and regulations.

Requirement - Exemption on Income for sale of Social Interest properties

An Entity may receive benefits providing that:

The construction or rehabilitation of the housing units for sale has begun after July 1, 2019.

Submits a breakdown by cost item approved before the start of construction or rehabilitation works.

The buyer of the Housing unit is a Low or Moderate Income Family or a Middle-Class Family and is certified as eligible by the mortgagee that originates the permanent mortgage financing.

In the case of Social Interest and Middle Class Housing, for sale or rent, profits not exceeding a maximum of fifteen percent (15%) on the sale price of each unit, nor exceeding the fair market value of the Housing.

When a Social Interest and Middle-Class Housing project is developed, for sale or rent, in an urban center or when it can be accredited as an Investment in Housing Infrastructure of Regional

Impact or Municipal impact, the profit may not exceed twenty percent (20%) on the sale price of each unit, nor exceed the fair market value of the housing unit.

Requirement - Income from Housing projects under the Assisted Living Housing Project

An Entity may receive benefits providing that:

It submits a certification application as an Eligible Business based on the criteria issued through the Incentive Regulations.

If an Entity wishes to promote any “Assisted Living” Housing project, prior to certification, the promoter or applicant must inform in writing of their intention to request the required certification and indicating the project has not completed the certification process.

Requirement- Social Interest Housing Developers subsidized by the Government of Puerto Rico

In Social Interest Housing projects approved and subsidized by the Government of Puerto Rico, its Developer must reserve five percent (5%) of the Housing to allocate them to the Elderly or Persons with Impediments that qualify. If at the end of the Housing project, these units have not been sold, the Developer will be authorized to sell them.

Incentive Program ***General Information***

Providing a business established, or that will be established in Puerto Rico, it may request a Decree from the Secretary of the DDEC when the Entity is established in Puerto Rico to engage in any of the following eligible activities:

The Mission of the Code of Incentives

Convert Puerto Rico in a tourist destination of first order as to a global level, as it promotes the strengthening of municipalities through tourism.

Encourage the promotion and development of Medical tourism and service facilities of physicians in Puerto Rico.

Take intense action to modernize the infrastructure and reduce the costs of energy through the investment in infrastructure and different alternatives of sources of Renewable Energy.

Encouraging the use of technologies that promote the sustainability and production of utilities that are cost-efficient and cleaner than those provided by current infrastructure.

Encourage the service industry to export of all kinds of services and technology.

Develop Puerto Rico as an International Center of Financial Services and Insurance.

Promote Puerto Rico as a unique location for the film industry and related activities, including postproduction.

Offer manufacturing, research, development, and high technology industries incentives so that they can preserve and expand their investment in Puerto Rico.

Promote the exporting of goods and services in a more competitive way to other jurisdictions.

Strengthen the agricultural sector and promote the export and added value of its products.

Strengthen the construction sector to make viable crucial works for the economic recovery and reconstruction of Puerto Rico.

New approach of the Puerto Rico Economic Incentives Act

Leading change to the law of economic incentives is the establishment a Code of Incentives, including the organization by segments and sectors of the industry so that laws can be a group within the same category referred as Chapters.

Chapters:

1. Incentives of general application
2. Individuals
3. Export (Goods and Services)
4. Financial and Insurance Services
5. Visitor Economy
6. Manufacturing, including the component of Research and Development
7. Infrastructure
8. Farming
9. Creative Industries
10. Entrepreneurship

11. Transport air and sea service activities

12. Other

Clause of Validity

The changes established by the new Code of Incentives are of prospective application and do not affect the companies or individuals with Decrees, credits, or incentives granted before its approval.

This Act shall enter into force immediately after for its approval on July 1, 2019. They will receive applications for new Decrees under the previous law of incentives until December 31, 2019.

The impositions provided by this Act shall remain in force during the term in which the Decrees issued remain valid.

Bill Of Rights For Decree Holders

The Decrees constitute a contract between the Government of Puerto Rico, the Exempt Business and its shareholders. The terms and conditions to be agreed upon in the contract will be honored during the validity of the Decree of exemption tax subject to complying with its terms and conditions.

The Decrees are valid in all Puerto Rico, including its municipalities. When one Business starts operations in a new municipality, they do not need to request an amendment to the Decree to perform the activities covered by the Decree.

When a new law is approved, or regulations are adopted, which provides much favorable terms and conditions, the Business may request an amendment that reflects the benefits or better terms for the Business and its shareholders.

Every Exempt Business and its Shareholders will have the right to:

Receive a worthy treatment, considered an impartial by part of all the officials and employees of the DDEC in any management issues.

Negotiate with the Secretary of DDEC in the matters of economic development and Decrees concerning matters of tax and accounting nature, you will need the endorsement of the Secretary of the Treasury.

A clear and expedient process for obtaining a Decree.

Guarantee the confidentiality of the information they submit to the DDEC.

The Business and its Shareholders have the right to know the purpose for the requesting of the information, how it will be used and the consequences of not providing it.

That they may be assisted by any person authorized to represent them, except that in the case of Professional Certificates, these will have to be licensed lawyers or public accountants authorized in Puerto Rico.

They will be notified by letter of any amendment to Decree made by DDEC as a result of any audit that demonstrates non-compliance. The DDEC will inform the nature of the modification of the Decree and the grounds for the changes, allowing to be heard within the framework of the due process of law.

Administration of the Decrees

The Office of Incentives for Businesses in Puerto Rico (“Office of Incentives”), attached to the DDEC, will be responsible for processing, evaluating, and supervising requests for incentive Decrees, Decrees granted and requests for amendments.

Nature of the Decrees

The Decrees grants are considered a contract between the DDEC, its shareholders, and the Government of Puerto Rico, the contract is the law between the parties.

It shall be the obligation of any government agency or instrumentality, public corporation or municipality, to honor and respect such contractual obligations in any administrative or judicial forum.

The contract is construed liberally, in a way consonant to promote the socioeconomic development of Puerto Rico.

A Business that possesses a Decree will perform its operations as represented in its application unless a request for change is filed and approved by the DDEC.

The date of effectiveness of the Decree shall be the date of submission of the request or a time later agreed.

Creation of Jobs Requirements

Businesses with an annual volume, actual or projected, more than three million dollars (\$3,000,000.00) need to hold at least for Export of Services & Goods, one (1) employee full-time equivalent; Manufacturing, three (3) employees full-time equivalent; Other activities will not require the creation of jobs.

A qualifying employee is any individual resident of Puerto Rico that the Business hires as an employee, whether full- time, part-time or temporary, to participate directly in the activities covered by the Decree.

For purposes of determining the number of direct employees equivalent maintained during the year, the entity must add the total hours worked by all the direct employees during the year and divide by two thousand eighty (2,080).

Vacation hours and other authorized working licenses may be taken into account as hours worked. However, hours of time extra, over 40 hours per week, will not be considered.

An employee resigns and dismissal

In cases in which a regular employee resigns or is dismissed, the Business will have a period of ninety (90) days to hire a new employee. If the Exempted Business hires a new employee during that period, the days on which the vacancy took place will be considered hours worked in the computation of two thousand eighty (2,080) hours.

Reaching Threshold Volumes

In cases in which the requirement of employment is imposed as a result of reaching the current annual volume of more than three million dollars (\$3,000,000.00), after the granting of the Decree:

During the first six (6) months, you should keep twenty five percent (25%);

then after six (6) months but before the twelve (12) months, you must keep fifty percent (50%);

then after twelve (12) months but before the eighteen (18) months, you must comply with seventy-five percent (75%);

then after the eighteen (18) months, you must abide by a hundred percent (100%) of the arranged requirement.

In those cases in which the requirement of employment is imposed as a result of the annual projected volume, the provisions will be applied in the year following the taxable year in which the Business reached the amount of more than three million dollars (\$ 3,000,000.00).

Other Business Employee

The Secretary will take into consideration the employees at full-time equivalent of the entity providing services to the employees who have been hired by another Business that provides services directly related to the activities covered by the Decree, including those working under a lease of employee's contract.

Compliance Flexible

A business that fails to comply with the requirement of employment provided for a year tax:

If met with at least eighty percent (80%) of the jobs required, it is deemed in compliance. This exception will not be able to be used in more than three (3) occasions during the validity of the Decree.

If the Business has not complied with at least the eighty percent (80%) of the jobs required, it must request the Secretary to allow complying with the requirement during following year. The request shall contain the reasons for the failure, the corrective measures to adhere to for the fulfillment of the provision of jobs. This cannot be used more than two (2) times during the validity of the Decree.

Employee require amendment

Any Exempt Business with a Decree granted under Law 73, Manufacturing; Law 20, the exportation of Services & Goods, or Law 135 Young Entrepreneur, may request one amendment to the Decree.

Filing of Reports & Compliance

Reports Required for Exempt Businesses and their Shareholders:

Businesses must file and pay income tax return annually, regardless of the amount of their income gross or net income.

All Shareholders must file and pay the annual income tax return.

Businesses will comply with the obligation to maintain in Puerto Rico, accounting segregating their exempt operations, as well as all supporting records and files.

Businesses and Shareholders will comply, pay, and submit all require declarations, rules, and regulations in force concerning the taxation and collection of all kinds of contributions.

Businesses, will annually file electronically with the Office of Incentives, no later than thirty (30) days after the date prescribed by law for the filing form of tax on income, including the extensions granted by a report of compliance.

All Shareholders under a Decree, must annually file electronically with the Office of Incentives, not later than thirty (30) days after the date prescribed by law for the filing form of tax on income, including the extensions granted by a report of compliance.

The Office of Incentives will create an audit of compliance concerning the terms and conditions of the Decree granted every two (2) years or less.

Payment subject to withholdings

Business payments in excess of \$500 for services performed within Puerto Rico are subject to a ten percent (10%) withholding. The amount withheld should be deposited at the Puerto Rico Treasury Department on or before the tenth (10) day of the month following the close of the month in which the tax was deducted subject to specific exclusions and exemptions. The amount withheld or deposited will be credited against their income tax liability.

Non-compliance with the Obligation to Withhold

If the withholding agent does not withhold the tax imposed, unless the person receiving the income has satisfied his or her tax liability, the withholding agent will be impose.

Tax Responsibility

Any Person obliged to deduct and withhold the tax imposed, must respond to the Secretary of the Treasury for the payment and will not have to answer any other Person as to any payment.

Accounting Records

The Exempt Business will have an obligation to maintain, in Puerto Rico, separately, the accounting related to its exempt operations, as well as the supporting records and necessary files.

System of Compensation for Accidents of Work Fund Insurance, Workers' Compensation

The exemptions and tax benefits will not include fees payable under the Law System of Compensation for Accidents of Work Fund Insurance.

Administrative Fines

The Director may impose an administrative fine of ten thousand dollars (\$10,000) on any exempt business that fails to file any of the reports that the Secretary or the Director may require, or if file them after the expiration date.

The filing of an incomplete report will be considered as not filed, if the agency concerned notifies the Exempt Business from any omission in the required report and the Exempt Business does not submit the missing information within fifteen (15) days of being notified, or does not reasonably justify the lack thereof.

Other Benefits

Flexible Tax Exemption

The entities will have the option to choose the specific years to be effective under their Decrees and will notify the DDEC no later than the filing income tax date, including the extensions granted. An Exempted Entity that opts for this benefit, will have the period of exemption extended for purposes of the tax on income by the number of taxable years they have not enjoyed a Decree.

Automatic benefit Application

The other terms, conditions, and benefits contained in the new Code that do not conflict with the current Decree will apply to the Exempt Business without needing to file an amendment.

Businesses with previous eligible activities

If by the date of submission of the application of Decree, the Entity is dedicated to an activity eligible through any time during the period of three (3) tax years prior to the date of submitting the application, the "time base", the entity can enjoy the fixed rate on income only in regard to the increase of net income of the activity. The base period requirement will include any operation under another legal name, or with other owners.

The net income of time base shall be subject to the ordinary rates, which will be adjusted by twenty five percent (25%) annually, until reduced to zero (0) at the fourth year.

Investor Resident Individual Trusts

Trusts for Benefits of the Trustee

A Resident Investor Individual with Decree may establish trusts under the laws of Puerto Rico and may elect that the trusts be treated as trusts for the benefit of the trustor ("grantor trust") for purposes of income tax in Puerto Rico.

The election will be made in accordance with the rules established, irrespective of whether the trust is not considered for the benefit of the trustor under the applicable income tax rules.

The nature of income, gain, loss, deduction or credit included in the income attributable to the settlor shall be determined as if was made directly from the source as if trust made it, or accrued in the same way the trust earned it. An election made, once made, may only be revoked by the procedure established by the Secretary of the Treasury.

Revocable Trusts

An Investor Resident Individual may establish a revocable or irrevocable trust under the laws of Puerto Rico, as determined by the trustor in the articles of incorporation; in the absence of a provision in this regard, it shall be presumed irrevocable. Revocable trusts established following this provision may only be revoked by the trustors, or by the trustor who retains this power in the articles of incorporation.

Trusts granted outside of Puerto Rico

The provisions of any Trust validly granted outside of Puerto Rico, by an Investor Resident Individual to which a Decree is issued, may not be challenged by any person based on any Puerto Rico Law or Regulation that could be contrary to or inconsistent with the provisions of said Trust. This will continue to be applicable after the termination of the exemptions granted provided that the Decree has not been revoked.

A Resident Investor Individual to whom a Decree is issued may freely transfer or donate in life, and in its sole discretion, all or part of their assets to the trusts, irrespective of whether they are tangible or intangible movable or immovable property, of the location of said assets, and of any legal or regulatory provision in Puerto Rico that is contrary or inconsistent with said transfer, donation, testamentary disposition of the flow and/or the terms and conditions of said Trusts.

Conversion of exempted businesses under Laws of Previous Incentives

Businesses exempted under Laws of Previous Incentives may apply to the new provisions, provided that they can demonstrate that they comply with all the legal applicable requirements. The benefits granted in the converted Decrees may not be greater than those provided under the new law.

Businesses that as of July 1, 2019, have not begun operations, may apply to convert the remainder of the period of the Decree, to adjust its Decree according to the benefits granted under the new Code.

Businesses whose Decrees were granted on or before July 1, 2019, and have begun enjoying the exemption may apply to convert it according to the benefits granted under the new Code.

The conversion will have to be requested within a term of twelve (12) months from July 1, 2019, and can be reset to the first day of the taxable Year but never before July 1, 2019.

Revenues accrued for the business until the date of effectiveness of the conversion, which is distributed after the date effective of the conversion, will be subject to treatment tax which is arranged in the law under which they were accumulated.

The other terms, conditions, and benefits contained in the new Code which do not represent a conflict will apply to Exempt Businesses automatically.

Exempt Business Ownership Transfers

The transfer of the Decree, or the Shares or majority ownership of an Exempt Business to another person who, in turn, will continue to devote himself to the Activity to which he was previously engaged in a substantially similar manner, will require the prior approval of the Secretary of the DDEC.

Making a transfer without prior approval will void the Decree at the time of the transfer. Notwithstanding the preceding, the Secretary of the DDEC may approve any transfer made without its approval with retroactive effect.

Any transfer request must be approved or denied within sixty (60) days following its filing. The denial of a transfer request must be made in writing and will detail the reasons why it is rejected. Any transfer request that is not authorized or denied within this period will be considered approved.

The following transfers will be authorized without prior consent:

The transfer of the assets of a descendant to his estate or the assignment by legacy or inheritance;

The transfer of Shares of the Exempt Business when the said transfer does not directly or indirectly result in a change in the domain or Control of the Exempt Business;

The pledge or mortgage granted in the ordinary course of business to provide a guarantee of a bona fide debt does not prevent any transfer of Control, title or interest under the said contract, however, this shall be subject to notification;

The transfer by operation of law, by order of a court or a bankruptcy judge to a trustee. Any subsequent transfer to a third person other than the same debtor or bankrupt above will be subject to the notification provisions.

The Exempt Business will report any transfer of the exceptions to the Secretary of the DDEC within thirty (30) days of being made.