



PUERTO RICO OPPORTUNITY ZONE FUND

“Investing in the future of Puerto Rico”

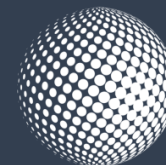
**PUERTO RICO'S FIRST QUALIFIED OPPORTUNITY
FUND FOCUSED ON ESG INVESTING**



OpportunityDb
The Opportunity Zones Database
OZ PITCH DAY

March 23, 2023

PRESENTED BY:



MCP
MONLLOR CAPITAL PARTNERS

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MANAGER BACKGROUND

- **Monllor Capital Partners LLC** (“MCP”) was founded in 2018 as minority owned alternative asset investment manager and advisory firm
- **MCP** brings together a unique skill-set of global experience and local know-how to Puerto Rico

EXPERIENCE

15+ Years

Private Equity Experience

\$4+ billion

Assets under Management

12+ Years

Corporate and Investment Banking Experience

\$25+ billion

Deal Transactions



Global Experience



Local Presence



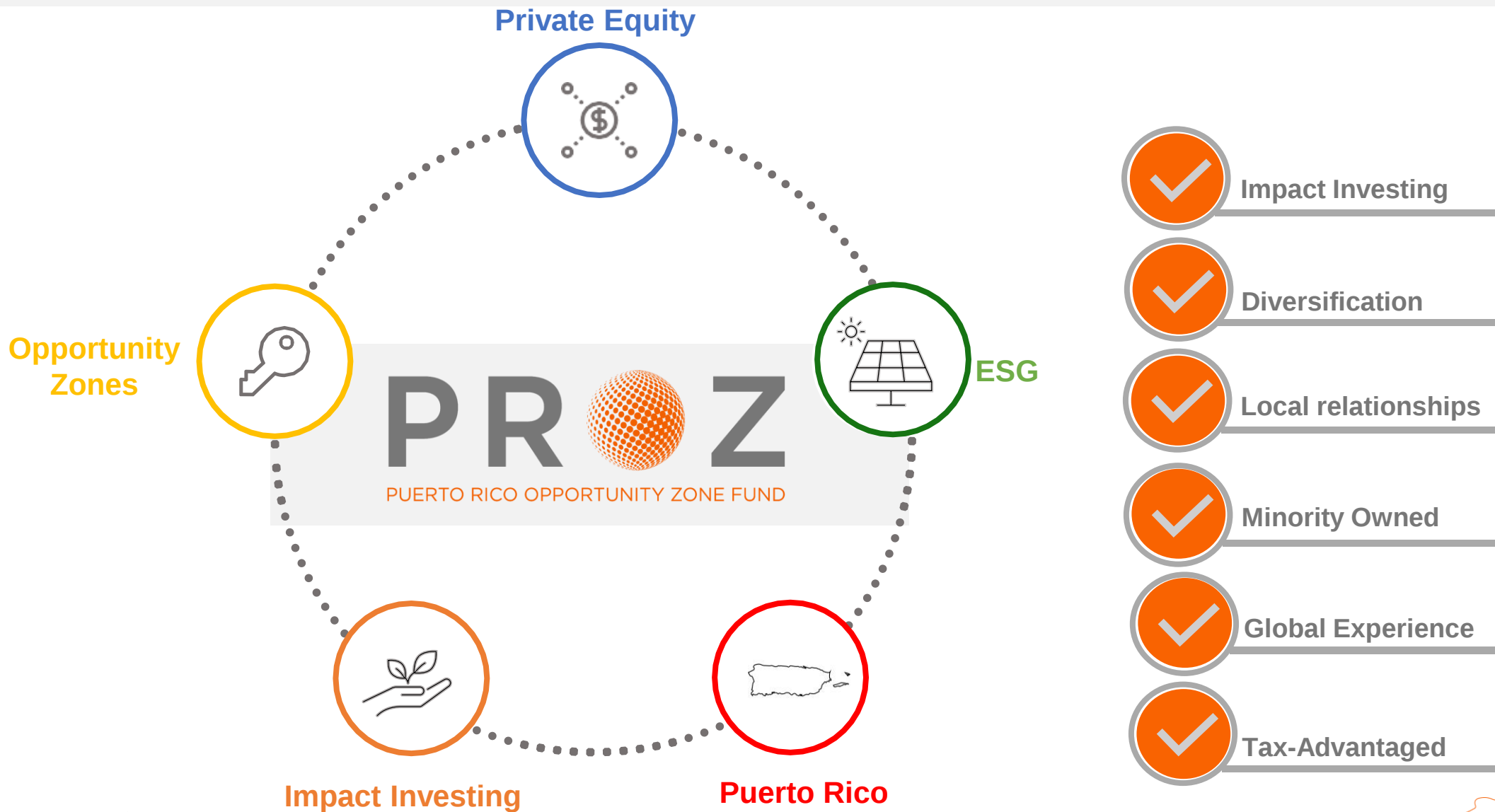
Local Expertise



Local Relationships

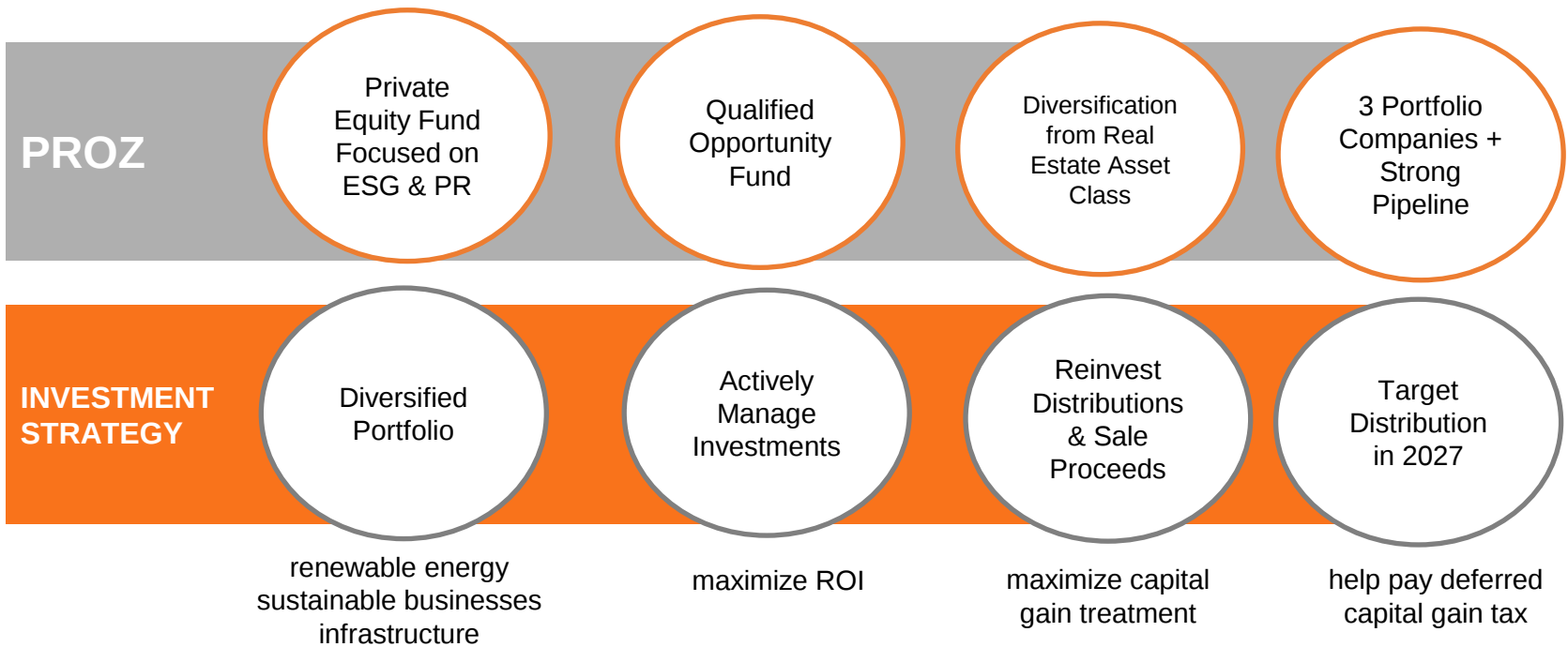
Jose A. Torres
Founder & Managing Partner





FUND STRATEGY

“Investing in the future of Puerto Rico”



BEST
IN CLASS
PARTNERS



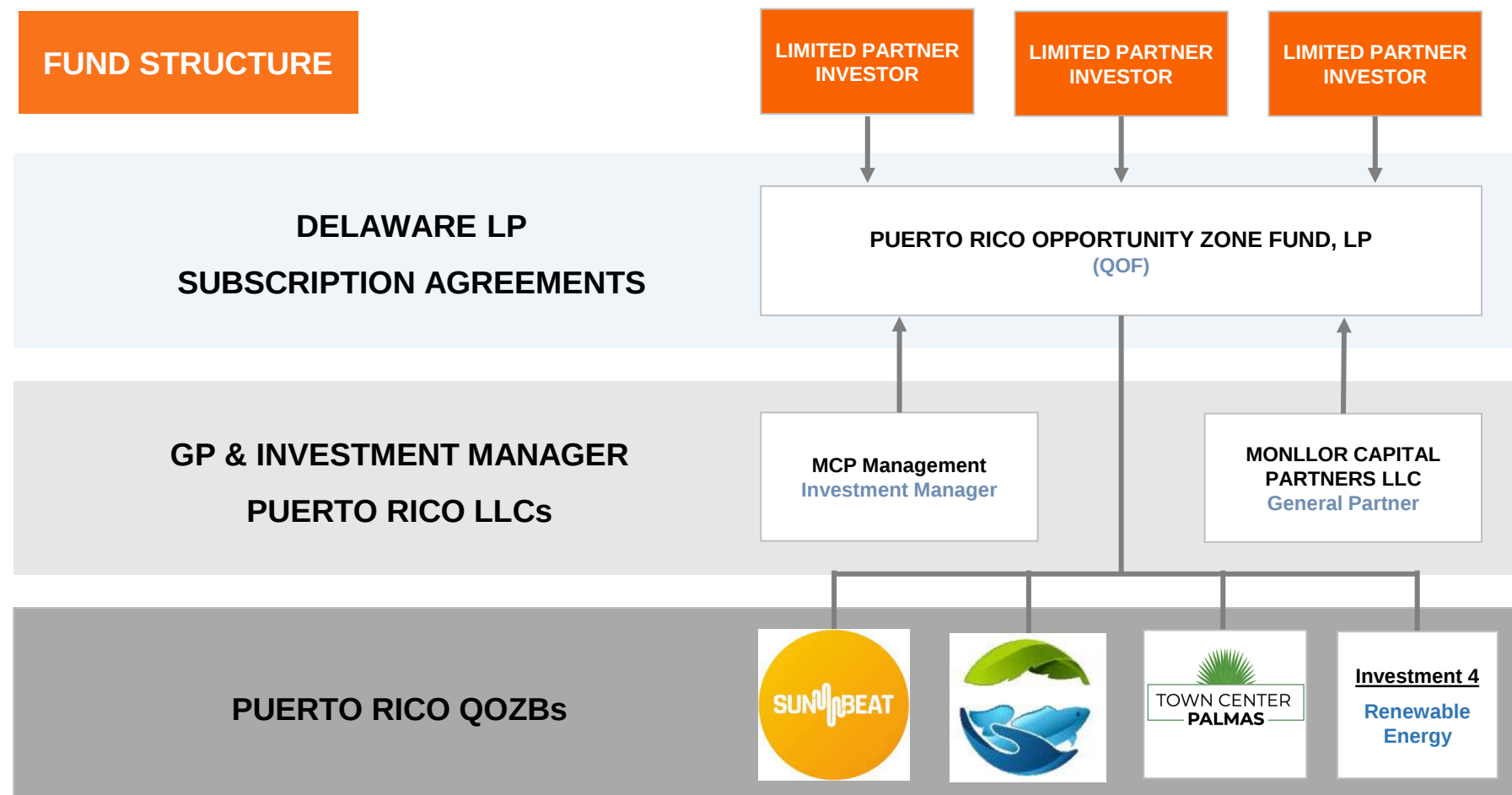
TARGET FUND: \$20,000,000

TARGET RETURN: 15%

MINIMUM INVESTMENT: \$100,000



FUND STRUCTURE



1

Investment in QOF within 180 days from capital gain

2

Invest at least 90% of capital in QOZBs and develop Business Plan with QOZB

3

QOZB up to 51 months to deploy capital based on Business Plan

WHY PUERTO RICO?

PUERTO RICO has a unique opportunity to rebuild its electric sector, water and infrastructure

Massive need and opportunity for more than \$100 billion in capital over the next decade



Educated Labor Force: Highly skilled, bilingual labor force



Strategic Location: Central location in Atlantic shipping route



USA Jurisdiction: US\$ and Legal



Incentives: Significant Local and Federal tax incentives



Land of OZ: >95% of Puerto Rico is in an Opportunity Zone



Puerto Rico

Population	3.28 million	2020
GDP	\$103 billion	2020



INVESTMENTS & PIPELINE



PORTFOLIO COMPANY: MSI Solar Corp.



MSI Solar Corp, is a Puerto Rico based technology company established to design, sell and service renewable energy products focused on the fast-growing market of energy storage for residential and commercial applications. MSI Solar Corp. operates under the brand name of Sunbeat Energy.

PROZ closed on its first investment in SunBeat Energy on October 25, 2021

- Over 4 months of due diligence
- Meetings with Founders and Senior Manager
- Site Visits
- Second and third follow-on investments in 2022
- Fund LP Co-invested during last follow-on investment in December 2023

Key drivers of all in-one energy storage system

- Leading Li-ion Battery Technology and Smart Inverters
- Ease of installation (3-4x times faster than separate components)
- Ease of communications (battery and inverter same brand & software)
- Added flexibility - can be charged by generators
- Added applications - apartment buildings

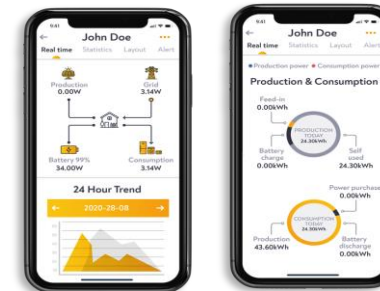
www.SunBeatEnergy.com
In Puerto Rico Since 2020



Up to three
units
in parallel



Monitoring System App



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PORTFOLIO COMPANY: Fusion Properties Management Group, Inc



is the first indoors, hurricane-protected, vertical aquaponic farm operation in Puerto Rico

PROZ closed on its investment in Fusion Farms on November 15, 2021

Closed at Series A+ round valuation:

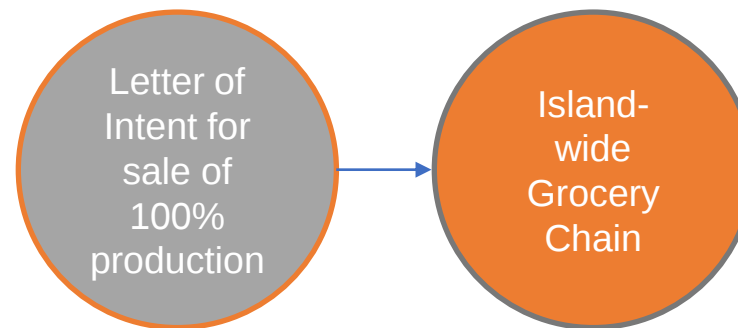
- Proceeds will be used to finish construction of the first commercial scale farm
- Expanding from 1,000 sqft to 10,000 sqft
- Second follow-on investment made in 2022
- Options to make additional follow-on investment at attractive valuation

Key Drivers:

- 9-12 x higher annual yield and 90% less water than conventional farming
- Hurricane and weather mitigation
- Weekly harvests
- Use of rainwater
- Will install renewable energy

Future Expansion:

- Plan to expand operations throughout PR
- LOIs for output for next 2 farms



www.FusionFarms.ag



Currently selling to one of the Grocery Chain's location

PRODUCTS



Basils



Lettuces



Talapia



Mints



Microgreens

PORTFOLIO COMPANY: Palmas Town Center



Ground-up development of retail and mixed-use commercial Class - A real estate in Palmas del Mar Resort in Humacao, Puerto Rico



PROZ closed on a 20% interest of the GP equity in December 2022

- Total Cost: \$21 million (\$1 million GP equity / \$8 million LP equity / \$12 million debt)
- Project Status: Land purchased, land use permit & construction plans under development, PR OZ Priority Project application submitted
- A PROZ limited partner Co-Invested additional 5% of GP equity

8 Acres

Land for Retail and mixed-use development

67,450 SF

Total interior and exterior leasable area

Tenant Mix

Grocery Store - Pharmacy - Retail
Restaurant - Medical - Office

PIPELINE: Renewable Energy

Over 5 GW / \$5 Billion of Opportunities in Puerto Rico near term

- **Puerto Rico Law 17-2019** mandates to achieve generation from renewables of 40% by 2025, 60% by 2010 and 100% by 2050.
- **Integrated Resource Plan (“IRP”)** was approved by the Puerto Rico Energy Bureau (“PREB”) in August 2020 and requires the issuance of Request for Proposals (“RFP”) for new renewable generation to comply with Law 17.
- **PREPA** issued the first of 6 RFPs on February 22, 2021. Second RFP bids were due December 5, 2022.

Renewable Energy Commercial & Industrial

Develop, construct, operate portfolio of C&I Renewable Energy Projects

Portfolio One: 3 x 1 MWac project with Pharmaceutical as off-taker.

Portfolio Two: 4 x 1 MWac with local supermarket chain as off-taker.

Total Cost: \$21 million

Target IRR: 15-20%

Partners: Local EPC/Developer and US based Equity/Tax Equity Financing

Transaction Status: final due diligence and negotiations

Year	Target
2025	40%
2040	60%
2050	100%

Renewable Generation
Less than 3%
as of July 2022



PIPELINE: Infrastructure

Real Estate Single Family



Develop, construction, sale of 2 luxury Town homes

- Total Cost: \$6 million
- Capitalization: \$1.2 million equity / \$4.8 million debt
- Target Project IRR: 35%
- Developer: Stella Group (MCP's Local operating partner)
- Project Status: Land purchased, construction plans finalized, PR OZ Priority Project application submitted
- Construction: 18 months
- Transaction Status: final due diligence and negotiations

Real Estate Multi Family



Develop, construct, sale of 32-unit condo units

- Total Cost: \$14 million
- Capitalization: \$2.6 million equity / \$11.4 million debt
- Target Project IRR: 35%
- Developer: Stella Group (MCP's Local operating partner)
- Project Status: Land under option, construction plans under development, PR OZ Priority Project application in process for submission
- Construction: 30 months
- Transaction Status: due diligence and negotiations

EXECUTIVE SUMMARY OF PRINCIPAL TERMS

The Fund:	Puerto Rico Opportunity Zone, LP, a Delaware limited partnership
The General Partner:	Monllor Capital Partners LLC, a Puerto Rico limited liability company
The Manager:	MCP Management, a Puerto Rico limited liability company
Limited Partners:	An investor committing capital will become a Limited Partner of the Fund
Fund Legal Counsel:	DLA Piper LLP
Tax Advisor:	Kevane Grant Thornton
Fund Administrator:	JTC Americas
Target Size:	\$20,000,000
Investment Minimum:	\$100,000 except as otherwise agreed by the General Partner in its discretion
GP Commitment:	Minimum of 1% of the total Capital Commitments to the Fund
Term:	13 years with potential extensions to allow for 10-year hold period
Investment Period:	10 years
Investment Strategy:	Renewable energy, infrastructure and sustainable businesses in QOZs in Puerto Rico
Management Fee:	2% of total assets under management
Carry:	20% carried interest to GP after 6% hurdle



MCP
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ESG IMPACT

Environmental, Social, and Economic Impact

Improving Economic Activity

Private sector investment will create high paying direct jobs in the local economy. IP value added products create new economic development and tax revenues.



Improving Quality of Living

Food supply security and renewable clean energy for the local communities.



Environmental Impact

Renewable energy eliminates CO2 and are an integral solution to climate change



PUERTO RICO

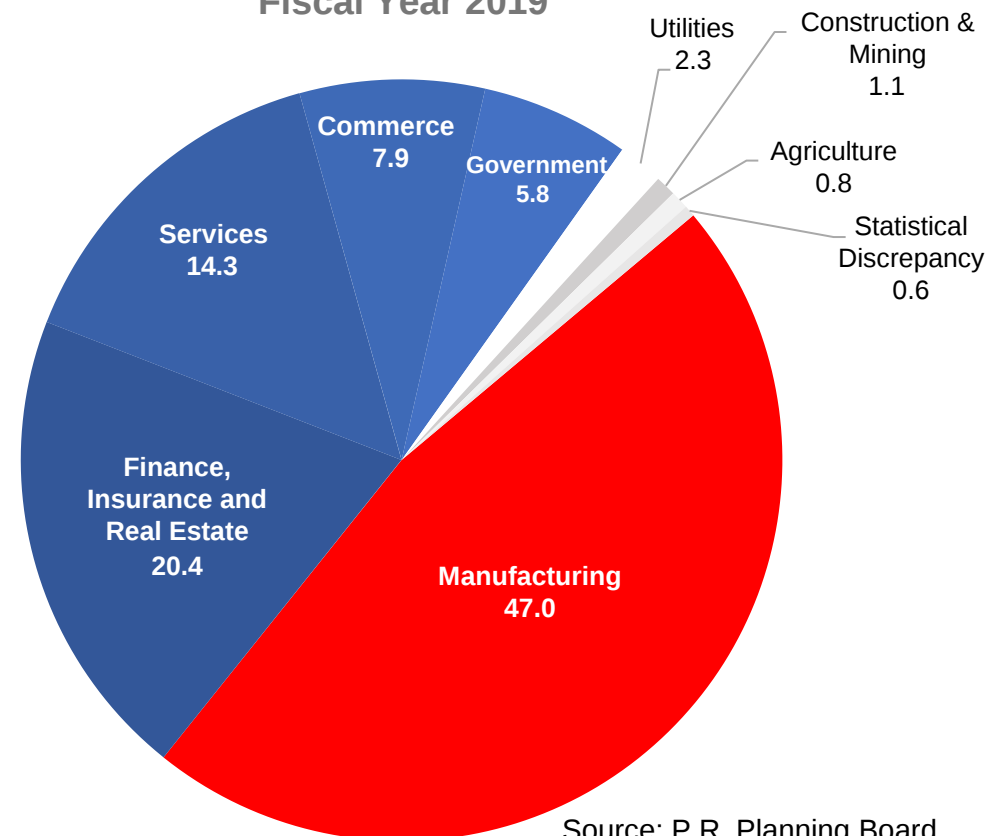


PUERTO RICO

QUICK FACTS:

- **The Commonwealth of Puerto Rico (“Puerto Rico”)** is an unincorporated territory of the United States located in the northeast Caribbean Sea, approximately 1,000 miles (1,600 km) southeast of Miami, Florida.
- **Spanish and English** are the official languages.
- **Puerto Ricans** have been citizens of the United States since 1917.
- **Puerto Rico** does not have a vote in the United States Congress, which governs the territory with full jurisdiction under the Puerto Rico Federal Relations Act of 1950. Puerto Rico does have one non-voting member of the House called a Resident Commissioner.
- **The Puerto Rico Oversight, Management, and Economic Stability Act** (“PROMESA”) is a US federal law enacted in 2016 that established a financial oversight board, a process for restructuring debt, and expedited procedures for approving critical infrastructure projects in order to combat the Puerto Rican government-debt crisis. Through PROMESA, the US Congress established an appointed Fiscal Control Board (“FCB”) to oversee the debt restructuring.

**Gross Domestic Product Share
by Main Economic Sector
Fiscal Year 2019**



ENERGY OUTLOOK

ENERGY QUICK FACTS:

- Imported petroleum products fuel transportation, electricity generation, and industry in Puerto Rico, typically supplying three-fourths of the energy consumed in the commonwealth.
- In Fiscal year 2021, 44% of Puerto Rico's electricity came from natural gas, 37% from petroleum, 17% from coal, and 3% from renewable energy.
- Utility scale renewable generation installed capacity as of June 30, 2019 was 201 MW (97 MW solar, 101 MW Wind, 2.4 MW landfill gas)
- By end of 2027 coal plant needs to be retired, the eliminating 17% of the electricity (amongst the cheapest generation)
- By 2025 residential electric rates are projected to reach \$0.30/kWh.

Prices

Electricity	Puerto Rico	United States	Period
Residential	27.68 cents/kWh	16.32 cents/kWh	Sep-22
Commercial	30.06 cents/kWh	13.45 cents/kWh	Sep-22
Industrial	28.30 cents/kWh	9.24 cents/kWh	Sep-22

PR Utility has not been paying any debt service during debt restructuring.
Electric prices are expected to rise post debt restructuring.

Reserves

Reserves	Puerto Rico	United States	Period
Crude Oil	0 billion barrels	42 billion barrels	2019
Natural Gas	0 trillion cu ft	465 trillion cu ft	2020
Recoverable Coal	0 million short tons	251,539 million short tons	2021

Electric Generation

Total Generation	18 billion kWh	4,165 billion kWh	2021
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Source: EIA Last Updated: December 15, 2022

POLICY ADVANTAGE

The “*Puerto Rico Energy Public Policy Act*” was signed into law May 2019 (“Act 17-2019”)

Public Policy

- The Act formally declares the end of PREPA’s monopoly.
- The Act establishes key guiding for the electric grid based on efficiency, quality, continuity, adaptability.
- Conversion of public lighting to LED.

Energy Goals

- Eliminate use of coal-based energy companies by no later than January 1, 2028, which currently accounts for 18% of the generation.
- Provide for the integration of consumer through net metering or tariff designs which promote behind the meter generation.
- Reaching 40% compliance with the Renewable Portfolio Standard by year 2025; 60% 2040; and 100% compliance by year 2050.

Transfer of Operations and Assets

- By December 31, 2019, the Puerto Rico Electric Power Authority (“PREPA”) must have delegated or transferred the operation, administration, and/or maintenance of the energy transmission and distribution system to a private Concessionaire.
- On June 2020, PREPA announced a 15-year contract with Luma Energy (a consortium between ATCO Ltd. and Quanta Services Inc.) for operation, maintenance, repair, restoration of PREPA’s electric transmission and distribution system.
- PREPA issued a request for qualification for managing, operating maintaining and decommissioning PREPA’s 3,600 MW of fossil fueled owned generation.

Actual Renewable Generation

2020	2021
2.5%	3.0%

Renewable Portfolio Standard

2025	2040	2050
40%	60%	100%

P.R. TAX INCENTIVES: ACT 60

PUERTO RICO ACT 60-2019 (ACT 60) IS KNOWN AS THE INCENTIVES CODE

Incentives available for renewable energy, manufacturing, tourism, and agriculture, among others

TAX INCENTIVES INCLUDE

- 4% Income tax rate is applicable to exempt income
- 50% Exemption on municipal taxes
- 100% Tax exemption on distributions and excises and sales taxes to certain articles
- 75% Exemption on real and personal property taxes on property

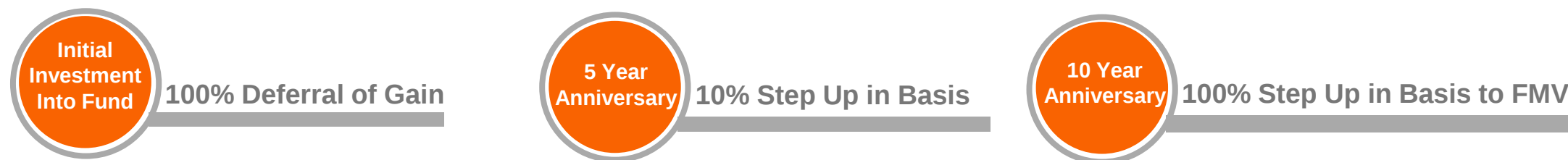
PUERTO RICO: THE LAND OF Qualified Opportunity Zones



QUALIFIED OPPORTUNITY ZONES



THREE ULTIMATE TAX BENEFITS



Sample QOZ Investment Timeline

180 days	5 years *	7 years *	December 31, 2026	10 years
Investment of capital gains in QOF within 180 days of capital gain event	Receive 10% basis step up in basis of gain invested	Receive additional 5% basis step up for total of 15%	Latest date for deferred gain recognition on gains invested	If sold after 10 years, at sale, basis step up to fair market value, eliminating capital gain on appreciation

* As of 1/1/2022 these benefits are no longer available

QUALIFIED OPPORTUNITY FUNDS

QUALIFIED OPPORTUNITY ZONE FUNDS

- A Qualified Opportunity Zone Fund (“QOF”) is an investment vehicle which is organized as a corporation or partnership for the purpose of investing (at least 90% of its assets) in qualified opportunity zone assets or businesses.
- A qualified opportunity zone asset/property can be (so long as acquired after December 31, 2017):
 - Stock in a domestic corporation that is a QOZ business
 - Any capital or profits interest in a domestic Partnership that is a QOZ business
 - Tangible asset used in the trade or business of a QOZ business, where the QOF substantially improves the asset

QOZF BENEFITS TO THE TAXPAYER/INVESTOR

- Taxpayers may defer paying tax on capital gains, if such capital gains are invested in a QOF, within 180 days from the gain. The deferral period ends the earlier of when the tax-payer sells its interest in the QOF or December 31, 2026.
- Investments held for 5 years prior to December 31, 2026 will also qualify for a 10% increase in the tax-payer’s tax basis of the amount of the deferred gain.
- Any taxpayer that holds its investment for a minimum of 10 years, can achieve no capital gain tax on the appreciation of its investment.

QUALIFIED OPPORTUNITY ZONES: PUERTO RICO

PUERTO RICO OZ LAW

To attract more investments to Qualified Opportunity Zones in Puerto Rico, Act 21-2019, known as the Act for the Development of Opportunity Zones of 2019 (PR-QOZ Act), was enacted on May 14, 2019 (now part of the Act 60 of July 1, 2019 – Puerto Rico Incentives Code). As local counterpart to the U.S. QOZ provisions, the PR-QOZ Act provides for additional incentives for investment in Puerto Rico. Final PR OZ Regulations were issued in October 2020.

MAIN ASPECTS OF PR-QOZ ACT

Amended the PR Internal Revenue Code to provide the same federal tax incentives in the local tax jurisdiction for PR tax-payer with capital gains that invest in a **QOF that invest only in PR**.

LOCAL OZ TAX BENEFITS FOR PRIORITY PROJECTS

Some of the additional benefits provided by the Puerto Rico OZ Law for Priority Projects (which do not benefit from other Act 60 tax incentives):

- 15 years exemption period
- 18.5% flat income tax rate on income derived from eligible activities by an exempt business
- 100% tax exemption on dividend distributions from earnings and profits generated from eligible activities
- 100% tax exemption on subsequent dividend distributions, no implicit dividend
- 18.5% withholding tax rate on royalties paid by the exempt business to a non-resident party
- 25% exemption on i) Municipal License Tax, ii) Personal Property Tax, iii) Real Property Tax, and iv) Municipal Construction Excise Tax (May be increased by the Municipality up to 75%)
- Up to 25% transferrable investment credit
- Net operating losses from eligible activities are available against other OZ Exempt Business

QOZ BENEFITS SAMPLE CALCULATION

QOF After-Tax Returns Benefits

After-tax gains on a QOF investment can be more than double those of a similar investment without the QOZ benefits.

This table illustrates an investor's potential after-tax returns in a QOF Investment compared to the investment of capital gains in a traditional investment, both appreciating at 15%.

- Assumes 23.8% Federal Long Term Capital Gains Tax rate.

**Assumes investment is held for at least 5 years before 12/31/2026 to receive a 10% step-up in basis is applied to original capital gain invested and same Federal Capital Gains Tax rate

***Assumes 10-year holding periods, annual rate of investment appreciation of 15% and Federal Capital Gains Tax rate of 23.8%.

The amounts shown do not include impact of fees and carry in either investment. Only use to illustrate the potential tax benefits of QOF investments prior to any fees and carry structures.

	Traditional Investment	QOF Investment
Invested Capital Gain	\$1,000,000	\$1,000,000
Less: Capital Gain Tax (23.8%)*	(238,000)	0
After-Tax Investment	762,000	1,000,000
Year 10 Value (assumes 15% annual investment appreciation)	3,082,735	4,045,578
Less: Year 10 Capital Gains Tax (23.8%)*	(552,335)	0
Year 10 After-Tax Value	2,530,400	4,045,578
Less: Cap Gains Taxes on Invested Gains Due on 12.31.26**	0	(214,200)
Total Year 10 After-Tax Value	\$2,530,400	\$3,831,378
Total Year 10 After-Tax Net Gain***	\$1,530,400	\$2,831,378

85% higher after-tax gain