



PROZ II

PUERTO RICO OPPORTUNITY ZONE FUND

“Investing in the future of Puerto Rico”

Opportunity Zones 2.0 Briefing

May 13, 2026

www.monllorcapital.com

PRESENTED BY:



MCP
MONLLOR CAPITAL PARTNERS

What MCP Is Proposing

Puerto Rico has unique structural advantages needed to win the OZ 2.0 rural competition. What we need is a designation strategy that positions us ahead of every other jurisdiction.

THE OPPORTUNITY: Become the MOST ATTRACTIVE of all 56 jurisdictions for this growing tax strategy. Now that it is permanent more financial advisors and high-net-worth investors will jump in. Estimates suggest \$50B-\$100B was invested during the first five years of OZ 1.0 and we expect more during the next five years. This is not like federal funding that sits on the shelf. This is private capital that goes to work.

THE ASK:

Choose at least 150 RURAL census tracts to create an ecosystem for Rural Qualified Opportunity Funds (QROFs). Private capital will then do the job of bringing dollars to those zones in Puerto Rico. We become a destination for U.S. dollars because of the 30% step-up. Avoid census tracts where private capital is already going to invest.

Two Different Programs

Federal OZ vs. Puerto Rico Priority Projects

Key Takeaway: Federal OZ and Act 60 Priority Projects are Two Separate Things:

An OZ investment is not necessarily a Priority Project, and a Priority Project may not have U.S. capital gains as a source of funds.

	Federal OZ	PR Priority Projects
Created by	U.S. Congress (2017/2025)	Puerto Rico Legislature
Administered by	U.S. Treasury / IRS	DDEC
Target investor	Mainland U.S. investors with capital gains	Businesses with defined projects in Puerto Rico
Investor benefit	Federal tax deferral, step-up, exclusion	PR tax decree, credits, exemptions
Cost to Puerto Rico	ZERO	Foregone PR tax revenue

Two Different Programs

Federal OZ vs. Puerto Rico Priority Projects

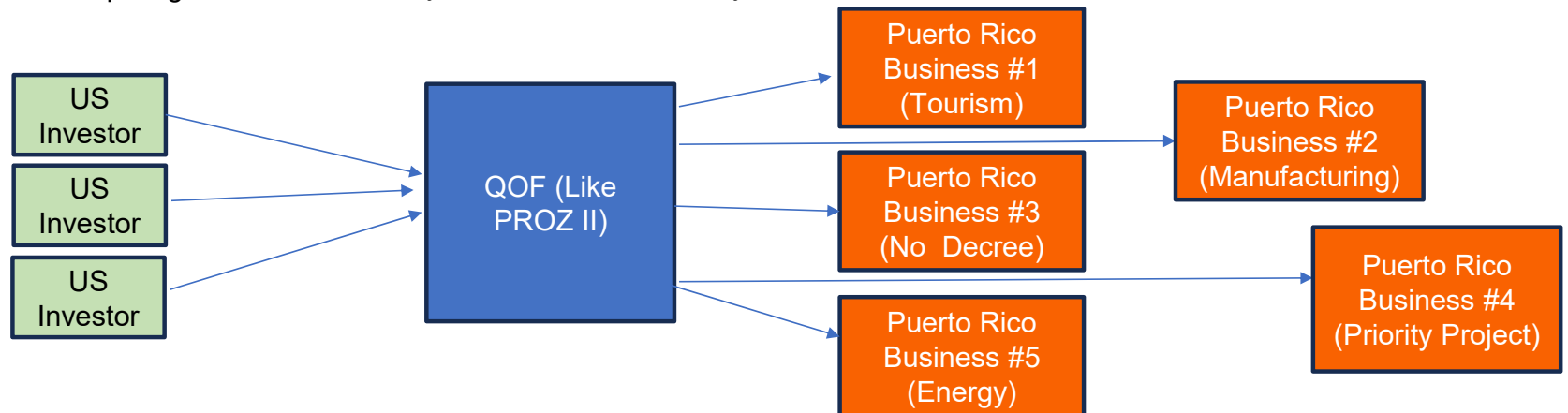
Qualified Opportunity Funds invest in a variety of projects and businesses in Puerto Rico

Example of Typical Qualified Opportunity Fund (QOF) Structure:

Investors are U.S. Taxpayers with recent capital gain.

The Qualified Opportunity Fund has no tax decree. May be a P.R. or U.S. Entity.

Puerto Rico Investments MAY be, but do not HAVE TO BE priority projects.



Why U.S. Capital, Not Puerto Rico Capital

Two Programs, Two Investor Audiences

Act 60 Private Equity Fund: For Puerto Rico Taxpayers

- 60% tax deduction on invested capital
- 0% tax on Puerto Rico-sourced capital gains
- No long-term hold requirement
- Best vehicle for investors with Puerto Rico tax liability

QOF / QROF Fund: For Mainland U.S. Investors

- Defer capital gains realized anywhere in the U.S.
- 10-30% basis step-up after five years
- Zero federal tax on appreciation after ten years
- Best vehicle for U.S. taxpayers

Act 60 already captures Puerto Rico investor capital. **An effective Opportunity Zone Strategy unlocks a new pool of mainland U.S. capital that Act 60 alone cannot reach.**

What Changes Under the OBBBA

Element	OZ 1.0	OZ 2.0	Impact on Puerto Rico
Program duration	Sunset Dec 31, 2026	Permanent	New cycle begins 2027
Deferral deadline	Fixed: Dec 31, 2026	Rolling: 5 yrs from investment	Better for investors
Income threshold	80% of area median	70% of area median	Fewer eligible tracts
Contiguous tract loophole	Allowed	Eliminated	Every tract must qualify
Basis step-up	10% at 5 years	10% standard / 30% QROF	Rural=MAJOR ADVANTAGE
Rural fund (QROF)	Did not exist	30% step-up; 50% improvement threshold	Central opportunity for PR
Puerto Rico special rule	100% auto-designated created 863 OZ Tracts	Repealed. Same 25% cap	178 Tracts

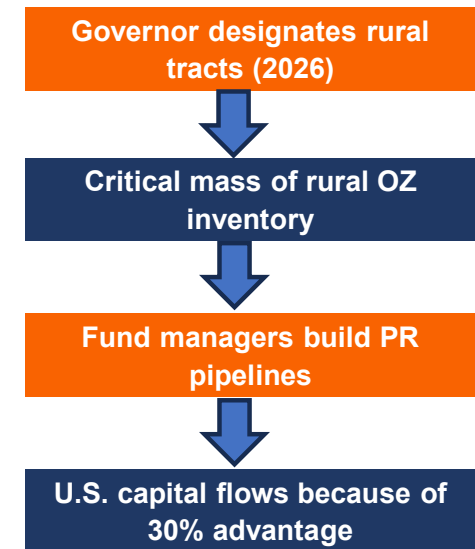
OZ 2.0: The Rules That Govern the Next Decade

OZ 1.0 Map showing 91% coverage of the island's census tracts



The QROF: Why It Changes Everything The 30% Step-Up and the Volume Requirement

	Standard QOF	Rural QOF (QROF)
Original gain	\$5,000,000	\$5,000,000
Step-up at year 5	10%	30%
Taxable deferred gain	\$4,500,000	\$3,500,000
Tax owed (assume 30% combined rate)	\$1,350,000	\$1,050,000
Advantage vs. standard QOF	Baseline	+ \$300,000 saved



- Remember that the 30% “step-up” (discount on taxes) is only available when gains are invested into a QROF.
- The QROF must invest 90% of assets (essentially all) into businesses and projects in RURAL Opportunity Zones.
- **If there are not enough Rural OZs, Fund managers won’t create the QROF – and capital will flow elsewhere.**
- We believe U.S. Capital will flow to jurisdictions that have access to QROFs

Puerto Rico's Strategic Choice

Two Paths. One Decade.

PATH A: Urban Default

- Same 10% step-up as New York, Florida, Texas et al
- Compete for the same capital that can go to thousands of other Opportunity Zones
- No new competitive advantage
- No QROF ecosystem

One of 56 U.S. jurisdictions. No differentiation.

PATH B: Rural QROF Strategy

- 30% step-up available nowhere else at this scale
- Attract mainland fund managers to build PR-focused QROFs
- Investment in municipalities that have seen little private capital in decades
- **Puerto Rico as premier rural OZ destination in the U.S.**

One of a kind. A lasting competitive advantage.

The cost of defaulting to Path A: a lost decade. The cost of Path B to Puerto Rico: zero.
The next opportunity to reset is 2036.

- Much of Puerto Rico will be deemed "Rural" (green areas on map)
- 243 of 710 low-income census tracts are rural.
- There are very "investable" places on the Island that are not in the metro areas.



The Three-Filter Selection Framework

Choosing the Right 178 Tracts

Puerto Rico has 712 eligible tracts. The governor may designate just 178 (25%). We propose two filters:

1

Economic Development Alignment

Does the selection promote economic development in Puerto Rico by fostering investment, innovation, and job creation?
Does the selection attract capital from off the island?
Does the selection improve the quality of life for Puerto Ricans?

2

Rural Eligibility

Does the tract qualify as rural under the OBBBA definition (outside cities and urbanized areas with populations over 50,000)?
Only rural tracts can anchor QROF formation and attract the capital that will seek the 30% tax discount.

Filter 1: Economic Development Alignment

Start With the Goal, Not the Map

Tract designation is economic development policy. Begin with Puerto Rico's development priorities.

The Right Questions:

- Which municipalities have chronic unemployment and limited private investment?
- Where are workforce housing shortfalls most severe?
- Which rural corridors align with Puerto Rico's agricultural, industrial, or energy goals?
- Where will OZ capital reinforce existing public investment creating a multiplier effect?

What to Avoid:

Designations driven by developer lobbying or political considerations. This is what most states did in 2018. The result was capital flowing to tracts already on a development trajectory, not to communities that needed it.

Puerto Rico has 178 designations. Each one is a policy choice with a ten-year consequence.

Filter 2: Rural Eligibility

The QROF Requires It

A tract qualifies as rural if it is outside a city or town with a population over 50,000 and outside any adjacent urbanized area. **No Homework here – U.S. Treasury already gave us the list.**

712

Eligible low-income tracts in Puerto Rico

243

Qualify as rural (34% of eligible pool)

178

Tracts Puerto Rico may designate

Puerto Rico's Structural Advantage:

No mainland rural state offers Puerto Rico's combination: a single regulatory environment, island-scale geographic coherence, and concentrated rural tract inventory that fund managers can build a QROF around.

Here's the list of eligible census tracts from US Treasury: <https://www.irs.gov/pub/irs-drop/rp-26-14-appendix.xlsx>

The Timeline

The Preparation Window Is Now

April 6, 2026

Treasury publishes official OZ 2.0 eligible tract list and rural map.

May 30, 2026

Deadline for submission of tract recommendations to DDEC

July 1, 2026

Governor nomination window opens. 90 days to submit to Treasury.

Late 2026

Treasury certifies nominations. Official OZ 2.0 list published. Funds finalize OZ 2.0 strategies.

Jan 1, 2027

Designations take effect. QROF investment cycle begins.

Dec 31, 2028

OZ 1.0 tracts expire. Only OZ 2.0 zones remain.

2027-2036

Ten-year QROF investment cycle. Puerto Rico builds track record and investor base.

2036

Next redesignation. Puerto Rico arrives with a decade of performance.

This program costs Puerto Rico nothing. The capital is from the mainland. The incentive is federal. The only input required is the clarity to make the correct 178 tract designations.

What Winning Looks Like

Capital, Jobs, and a Ten-Year Head Start

Puerto Rico-Based QROFs Raising U.S. Capital

Puerto Rican and mainland fund managers build Puerto Rico-focused pipelines. Capital flows into agriculture, manufacturing, hospitality, renewable energy, and workforce housing.

Jobs Where They Are Needed Most

Investment reaches Utuado, Naguabo, Arecibo, Yauco, Culebra and other rural municipalities. Those jobs are a direct result of a designation decision made in 2026.

A Replicable Model

The cycle repeats in 2036. Puerto Rico arrives with an effective process, a track record, an established investor base, and a QROF ecosystem already in place.

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