

**GOVERNMENT OF PUERTO RICO
COMMITTEE OF PRIORITY PROJECTS IN OPPORTUNITY ZONES
SAN JUAN, PUERTO RICO**

August 19, 2019

RESOLUTION 19-01

**TO APPROVE AND ADOPT THE INITIAL PRIORITY PROJECTS
WITHIN OPPORTUNITY ZONES LIST**

In accordance with the faculties conferred by Act No. 60-2019, also known as the "Incentives Code of Puerto Rico" ("Code"), the Committee of Priority Projects in Opportunity Zones ("Committee") informs that, on a duly held meeting, the following resolutions were adopted with the unanimous consent of the members of the Committee:

WHEREAS, as it is known, the "Tax Cuts and Jobs Act" introduced a series of changes to the existing federal tax legislation, including federal legislation in the form of qualified opportunity zones under Sections 1400Z-1 and 1400Z-2 of the Federal Internal Revenue Code of 1986, as amended ("IRS Code"). Under the Opportunity Zones modality, investors may defer the taxation of capital gains resulting from the sale of an asset, carried out before January 1, 2027, if they invest an amount equal to the profit derived from said sale in a qualified opportunity fund.

WHEREAS, Puerto Rico unique treatment under this federal legislation represents one of the best economic development tools with remarkable potential for new investment in the Island.

WHEREAS, the Code provides for the following incentives to opportunity funds that invest in Puerto Rico:

- A fixed 18.5% income tax rate and 0% on eligible distributions to its owners;
- A transferable investment credit of up to 25% of the amount invested on an Opportunity Fund;
- 25% exemption on real and personal property taxes (which may be increased to 75%);
- 25% municipal license and municipal construction tax exemption (which may be increased to 75%); and,
- An expedite permits process, among other benefits.

WHEREAS, in consideration of the above, the Code established that it is the public policy of Puerto Rico to make the Island an attractive investment destination for qualified opportunity zone funds that invest in priority projects ("Priority Projects") located in qualified opportunity zones ("Qualified Opportunity Zones"), which have been designated for Puerto Rico as such, under Section 1400Z-1(b)(3) of the IRS Code.


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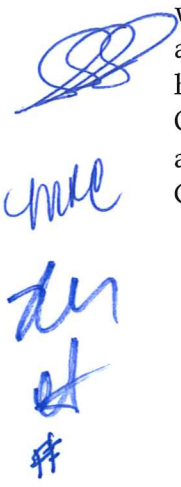
WHEREAS, Section 6070.60 of the Code requires that the Committee issue a list of all commercial activities or eligible businesses per geographic area, which shall be recognized as Priority Projects within Qualified Opportunity Zones.

WHEREAS, a Priority Project, as defined by the Code in Section 6070.55, is a trade or business, or other revenue generating activity which contributes to the diversification, recovery or social transformation of the community in the eligible zone.

WHEREAS, generally, a commercial activity is defined as any activity engaged in the primary purpose of making a profit. This is a general term that encompasses all the economic activities carried out by a company during the course of business. Commercial activities, including operating, investing and financing activities, are ongoing and focused on creating value for shareholders.

WHEREAS, in order to benefit from the tax incentives, an eligible business must request a grant of tax exemption with the Secretary of the Department of Economic Development and Commerce ("DEDCC"), pursuant to Section 6070.60(a)(3) of the Code.

FURTHER RESOLVED, that based on Puerto Rico key economic indicators, such as, but not limited to, labor force data, employment payroll data and consumer index, in conjunction with recent studies of Puerto Rico economic trends prepared by the U.S. Bureau of Labor Statistics, as well as by the Economic Development Bank of Puerto Rico and the Puerto Rico Planning Board, and in accordance with the criteria established in Section 6070.60(a)(1) of the Code, the Committee has determined that the following commercial activities shall qualify as Priority Projects within Qualified Opportunity Zones as defined in Section 6070.55(a)(23) of the Code, to the extent they are not eligible for tax benefits under any of the acts designated in Section 6070.55(a)(20)(B) of the Code:

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1. Development (acquisition of property and construction thereon and/or substantial improvement of existing property) of residential real property that is a Low-Income Housing Project as defined in Section 42(g) of the United States Internal Revenue Code of 1986, amended, or by the Puerto Rico Department of Housing, for sale or rent.
 2. Development (acquisition of property and construction thereon and/or substantial improvement of existing property) of residential and/or commercial real property for sale or rent.
 3. Development (acquisition of property and construction thereon and/or substantial improvement of existing property) of industrial real property for sale or rent.
 4. Substantial improvement of an existing commercial property for sale or rent.

FURTHER RESOLVED, that the activities herein described shall be considered Priority Projects within the Puerto Rico Qualified Opportunity Zones, as designated in Section 1400Z-1(b)(3) of the IRS Code and endorsed by the Committee.

FURTHER RESOLVED, that the activities herein described shall enjoy a minimum of 5% reimbursement of the eligible percentage in tax credits, as per Section 6070.56 (i)(7).

FURTHER RESOLVED, that the activities herein described will be in effect until the Committee amends this Resolution, but never less than one (1) year, pursuant to Section 6070.60(a)(1) of the Code.

FURTHER RESOLVED, notwithstanding the foregoing, and as expressly recognized in the alluded section of the Code, the Committee has the authority to amend this Resolution, from time to time, in order to include additional commercial activities, eligible business or geographical areas.

FURTHER RESOLVED, that the determinations in this Resolution regarding the commercial activities that shall qualified as Priority Projects, do not represent or constitute a final determination to grant, or not, a tax exemption decree under Section 6070.54 et seq. of the Code, since such faculty resides with the Secretary of the DEDC.

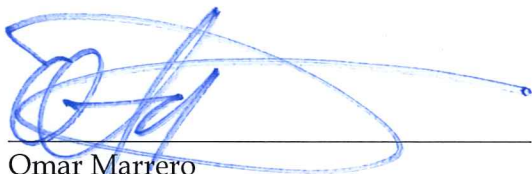
Agreed and authorized as of the date first set forth above.



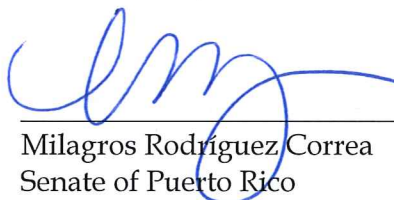
Manuel Laboy Rivera
Department of Economic Development
and Commerce



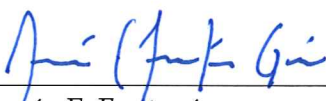
Antonio "Tony" Soto Torres
Puerto Rico House of Representatives



Omar Marrero
Chief Financial Officer of Puerto Rico
Fiscal Agency and Financial
Advisory Authority



Milagros Rodríguez Correa
Senate of Puerto Rico



Fermín E. Fontanés
Public Private Partnerships Authority