November 30, 2018

The Honorable Thomas Rivera Schatz
President of the Senate of Puerto Rico
The Capitol of Puerto Rico
P.O. Box 9023431
San Juan, Puerto Rico 00902

Dear Senate President Rivera Schatz,

Please find attached Invest Puerto Rico’s 2018 Annual Report. As required by Article 17 of Act 13-2017, the Annual Report provides a detailed overview of the Corporation’s operations and achievements in the past calendar year.

Invest Puerto Rico Inc. (InvestPR) is a non-profit corporation established in 2017 to bolster economic development in Puerto Rico. The corporation attracts new businesses and capital investment to Puerto Rico by promoting the Island as a competitive investment jurisdiction. InvestPR’s vision is to be a transformational and results-oriented accelerator of economic growth in Puerto Rico.

During InvestPR’s inaugural year, the public and private sectors worked together to build the organization from the ground up and set the corporation on the path to success. Key achievements include the establishment of the ground rules for a transparent and efficient organization, setting our strategy with an analytically rigorous sector targeting exercise/research and promotion plan, and beginning the work of building a staff and a broad stakeholder coalition to deliver world-class business attraction outcomes. Additional details on InvestPR’s accomplishments are provided in the report.

In the coming year, InvestPR looks forward to delivering results for Puerto Rico. Though InvestPR will continue to build its organizational capacity in 2019, the primary focus will be on attracting new business and investment. Future promotional initiatives include launching advertising and marketing campaigns, establishing new programs to aid in business attraction, and engaging directly with industry via conferences and investment promotion events, among others.

InvestPR is honored by the opportunity to serve Puerto Rico. With the capacity needed to make an impact and the momentum required to initiate change, InvestPR is poised to attract businesses and investment to the Island, enhancing the vibrancy of the Puerto Rican economy and creating opportunity for all.

Sincerely,

Ella Woger-Nieves
Director of Operations, InvestPR

Calle Palmeras #53 · Edifico Caribe · Suite 601 · San Juan, PR · 00901
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I. A Message from the President of the Board

Puerto Rico has been in the global spotlight for much of the past year following the aftermath of Hurricane Maria in 2017. With this unprecedented and increased awareness of our Island comes an opportunity to attract new investment, new businesses and create new jobs. We must capitalize on this unique moment, and Invest Puerto Rico is the organization that is poised to do it.

Invest Puerto Rico is the recently created non-profit organization that will lead our business and investment promotion efforts around the world, seeking to attract new businesses and new investment to the Island. With the support and expertise from both the public and private sectors, Invest Puerto Rico will uniquely be able to provide the consistent, dedicated business and investment promotion efforts required to compete for capital in the global marketplace.

Puerto Rico is fortunate to have a value proposition that is clear and desirable:

- We offer attractive tax incentives;
- We enjoy the economic stability, benefits and protections that come with being part of the United States;
- We have a privileged geographic location with easy access to the U.S. mainland and Latin America;
- We have an educated, skilled, and bilingual workforce;
- We offer an attractive quality of life enhanced by a tropical climate, a rich history and a vibrant culture; and
- We are experiencing unprecedented levels of investment, building up infrastructure and prioritizing public-private partnerships.

Without a doubt, Puerto Rico is an excellent place to do business, and we are ready to make great strides in the economic development of the Island.

Invest Puerto Rico is prepared to deliver this message around the world, and in the aftermath of Hurricane Maria, its role has taken on even greater importance.

With the right vision and leadership, resources, and policies, we can build back better and set our Island on a path of growth and prosperity.

Thank you for your interest in our organization, and we look forward to working together with so many supporters around the world as we rebuild and reinvigorate the Puerto Rico economy.

Sincerely,

Hon. Manuel A. Laboy Rivera, Eng.
President
Invest Puerto Rico Board of Directors
Secretary
Puerto Rico Department of Economic Development and Commerce
II. About Invest Puerto Rico

Background

In February of 2017, the Legislative Assembly of Puerto Rico passed Act 13, authorizing the creation of Invest Puerto Rico (InvestPR). InvestPR is a non-profit corporation formed to facilitate economic development in Puerto Rico by promoting the Island as a competitive investment jurisdiction and attracting new businesses and capital investment.

InvestPR is one of several key structural reforms outlined in the Puerto Rico Government’s Fiscal Plan, which details a path to regaining economic footing in the face of outmigration and fiscal crisis.

Mission and Vision

Mission

InvestPR is a not-for-profit organization that promotes Puerto Rico as a competitive investment jurisdiction to attract new business and capital investment to the Island.

Vision

InvestPR will be a transformational and results-oriented accelerator of economic development in Puerto Rico.

Functions

InvestPR will focus on attracting new businesses and investment to the Island and helping individuals and businesses establish their operations in Puerto Rico. The Department of Economic Development and Commerce (DEDC) will focus on the retention and expansion of existing and local businesses.

Within its sphere of business attraction, InvestPR will concentrate on three sequential functions:

Image Building

A strong brand is a powerful asset. A positive image can help a location compete for foreign investment and create interest in doing business there. InvestPR will work to build Puerto Rico's image in order to raise its profile and attract investment. The organization will utilize targeted marketing and advertising tools to enhance Puerto Rico's brand as a business-friendly destination. Image building activities include creating a user-friendly and informative website, launching advertising campaigns, and hosting promotion events.

Lead Generation & Targeting

Lead Generation and Targeting activities help to convert the positive brand developed through image building into tangible results for Puerto Rico. InvestPR has identified target industries, sectors, and companies that both align with its priorities and have the potential to add significant value to the economy. InvestPR will engage directly with these target audiences via industry conferences, individual meetings, and investor symposiums in order to share tailored messages about the competitive advantages
of doing business in Puerto Rico and generate investment leads.

**Investor Servicing**

InvestPR is committed to making investing and growing in Puerto Rico easy and cost-effective. It will collaborate with the DEDC to provide a comprehensive suite of services designed to support the unique needs of all potential investors. These concierge services will guide investors through the process of establishing their business in Puerto Rico, from initial concept to site selection to business expansion. Investor services include assistance with site selection facilitation, ancillary relocation services, connection with local suppliers and facilitation of tax incentive approvals.

**Funding**

For FY19, InvestPR is scheduled to receive $4.5 million from the DEDC with more than $3 million already received.

Currently, InvestPR is actively pursuing federal funds including substantial Community Development Block Grant Disaster Recovery (CDBG-DR) funds. InvestPR also aims to generate funds from the private sector. These funds may ultimately come in many forms, but potential sources include:

- Private foundations
- Local business stakeholders
- InvestPR service fees
III. Board of Directors

InvestPR is governed by an eleven-member Board of Directors, appointed by the Governor of Puerto Rico. Three members represent the public sector and eight members represent the private sector. This unique Board composition allows InvestPR to leverage the expertise and strengths of both the public and private sectors, providing much-needed cross-sector representation and continuity across economic development activities for the Island.

Public Sector Members

**Hon. Manuel Laboy Rivera, Eng.**
President of the Board
Secretary: Department of Economic Development and Commerce

**Hon. Luis G. Rivera Marín**
Secretary of State

**Julia Benítez Torres**
Deputy Executive Director of the Puerto Rico Industrial Development Company

Private Sector Members

**Daneris Fernández**
Vice President of the Board
Manufacturing & Life Sciences
CEO & President of DOF Consulting Group

**Adriana Ramirez, Esq.**
Secretary of the Board
Healthcare & Technology
Chief Legal & Compliance Officer of Abarca Health

**Nick Prouty**
Treasurer of the Board
Finance & Real Estate
Founder & CEO of Putnam Bridge

**Ricardo Álvarez-Díaz**
Member at Large
Infrastructure & Export Services
Founder & Principal of Alvarez-Díaz & Villalón Architecture & Interior Design

**Barry Breeman**
Real Estate
Co-Founder & Vice Chairman of Caribbean Property Group

**Edward Calvesbert**
Information Technology
Senior Strategic & Financial Advisor

**Christopher Cardaci**
Aerospace
Deputy General Counsel of SpaceX

**Juan Sabater**
Finance & Private Capital
Partner at Valor Equity Partners
IV. Key Achievements

Organizational "Start Up"

InvestPR was incorporated as a not-for-profit corporation on August 23, 2017, approximately one month before Hurricane Maria struck Puerto Rico. In the immediate aftermath of the storm’s devastation, attention turned from starting up InvestPR to helping the Island stabilize and begin the recovery process.

As progress has been made in the recovery, InvestPR began to return focus to “starting up” the organization in 2018, and detail of key organizational achievements is included in this section.

Governance & Policy Development

To facilitate the development of a transparent, responsible, and compliant organization, InvestPR created a robust set of policies and procedures to govern its operations.

InvestPR developed these documents with both the future state and the current needs of the organization in mind, including the proper use and procurement of Federal and non-Federal funds.

In addition, InvestPR adopted detailed Ethics and Conflicts of Interest Policies, along with various other policies that are more operational in nature, such as Financial Management and Board Committee Guidance Policies.

Organizational Design

In order to make InvestPR an efficient, lean and effective organization, InvestPR undertook a rigorous organizational design process, including both “top-down” and “bottom-up” analyses. In the “top-down” approach, InvestPR conducted a benchmark study to determine the appropriate size, structure, and roles for the organization in relation to peers. In the “bottom-up” approach, InvestPR identified the particular needs and capabilities that the organization would require to deliver on its mandates.

Through these two approaches, InvestPR arrived at a future-state organizational structure which will allow the agency to perform the critical tasks associated with promoting Puerto Rico as an ideal place to invest and do business, while remaining nimble and responsive to prospective businesses and investors. The high-level organizational chart is included in Figure 2 below.

![Figure 2 - InvestPR High-Level Organizational Chart](image-url)
InvestPR will have staff dedicated to marketing, business development, and investor support; will be supported by back office finance and administrative staff; and will be guided by a Senior Leadership team dedicated to attracting new business and investment to Puerto Rico.

Hiring & Recruitment
In July, InvestPR made its first hire by bringing on Ella Woger-Nieves as the Director of Operations. Ms. Woger-Nieves is a native of Puerto Rico and brings nearly 20 years of experience in strategic marketing and management consulting as well as experience working with Fortune 500 companies in strategic sectors like life sciences and financial services. InvestPR brought on Ms. Woger-Nieves to lead the formation of the organization, including the planning of the promotion strategy, engagement with key stakeholders, and other critical operational tasks required to form and stand-up InvestPR as a functional entity.

InvestPR is currently identifying potential candidates to fill out its senior leadership team. Hiring of senior leadership and other new staff is expected to commence in the first months of 2019.

Budgeting
InvestPR developed a detailed budget of expenses for FY19. The budget was based on benchmarking peer organizations, detailing the promotion efforts and operational tasks required to fulfill its mandate.

Work Plan
To guide this fiscal year, InvestPR has developed a detailed work plan including a focus on business attraction (e.g., critical business development and investor support tasks) as well as general operational and administrative tasks. High-level components include:

Business Development and Investor Support Tasks
- Updating and integrating online promotion efforts (including website and social media)
- Leveraging targeted digital and print publications
- Attending 10+ selected conferences and trade-shows
- Planning and hosting InvestPR events in Puerto Rico, on U.S. mainland, and around the world
- Establishing a world-class investor support function

Operational and Administrative Tasks
- Reaching target staff levels to deliver service
- Establishing back-office and support operations
- Annual reporting and compliance requirements
Promotion Plan

With the increased awareness of Puerto Rico that has arisen around the world comes an opportunity to attract new investment, new businesses, and new jobs. However, the competition for these investments, businesses, and jobs is fierce. Global foreign direct investment (FDI) has leveled off in recent years, while the competition for this FDI has increased. In 2001, there were approximately 400 national and sub-national investment promotion agencies (IPAs) around the world. Now, that number has increased by approximately 50%.

In this crowded landscape, InvestPR must be strategic in order to stand out and compete.

In order to build brand recognition in a crowded field around the world, promotion efforts must be targeted, and messages must be focused and consistent. To this effect, InvestPR developed a detailed Promotion Plan with three overarching objectives:

1. Create Awareness
2. Generate Leads
3. Facilitate Action

To build this Promotion Plan, InvestPR conducted a detailed sector analysis to determine which sectors are poised for growth, and where InvestPR should focus its near-term promotion efforts.

Sector Analysis & Strategy

A study was commissioned to better understand what industry sectors Puerto Rico is better poised to attract investment from given the current global landscape as well as the Island's competitive advantages. All private sector industries were evaluated across a range of factors, including global, competitive advantage, and local criteria.

The following criteria were used to evaluate each private sector industry:

**Global Criteria**

**Growth Forecast**
The growth forecast for each industry was evaluated in both the U.S. economy and the global economy. Data from the U.S. Bureau of Labor Statistics and the United Nations were used to get a glimpse into industries that will be needing more workers in the future.

**Tradability**
Each industry was evaluated according to scholarly research that had been conducted regarding its tradability—the characteristic that it can be provided or consumed off the Island.

**Global FDI Trend**
The trend of FDI greenfield projects around the world since 2003 was also evaluated to better understand potential advantages and drawbacks of each industry.
Competitive Advantage Criteria
Access to U.S. Law and Stability
Each industry was evaluated according to the relevance of Puerto Rico’s unique advantage of being part of the United States.

Post-Hurricane Uncertainty
All industries were evaluated to determine the degree to which uncertainty after Hurricane Maria would have a negative impact. Particular focus was given to aspects related to energy, infrastructure, talent, and business continuity.

Tax Code Advantages
A study was conducted to determine the benefit-cost ratio of a number of Puerto Rico’s tax incentives and the relative benefit to each industry.

Shipping Costs
Each industry was evaluated by considering the cost required to export the goods or services off the Island.

Local Criteria
Direct Benefit to Rural Areas
Each industry was evaluated to understand its ability to potentially generate employment in rural areas.

Regional Multiplier Effect
Industries were evaluated according to the economic activity and employment multipliers that they offer, which induce additional jobs in an economy.

Industry Size
Each industry was evaluated according to the size of the existing workforce in Puerto Rico. The existing size of an industry workforce can be used to indicate the economic relevance of an industry in a particular economy.

Sector Employment Trend
The employment trend in Puerto Rico from 2001 to the present was evaluated for each industry to understand potential advantages and drawbacks of each industry.

Stakeholder Support
The DEDC’s Economic Development Plan was evaluated to understand which industries are being currently addressed by the DEDC.

Results
The results of the analysis indicated that there were four sectors where Puerto Rico could be best poised to attract investment:

- Knowledge Services
- Leisure & Hospitality
- Manufacturing
- Agriculture

Of these, the Knowledge Services sector was determined to be where InvestPR could have the greatest near-term impact through its promotion efforts, while Discover Puerto Rico (the “DMO”) and the DEDC would be better equipped to have more immediate impact in the other identified sectors in the near-term.

Additional detailed analysis of the subsectors within the Knowledge Services sector was also conducted.
in order to determine where InvestPR should concentrate its near-term efforts.

Over 50 subsectors (based on the 4-digit North American Industry Classification System codes) were evaluated according to global, competitive advantage, and local criteria, similar to the process conducted in the general Sector Analysis.

The additional analysis revealed these four Knowledge Services subsectors for InvestPR to target:

- Consulting & Technical Services
- Business Support Services
- Computer, Data & Software
- Finance & Insurance

By identifying the general sector and specific subsectors that InvestPR should focus on, the organization can maximize its impact and strategize about how to enact its Promotion Plan.

With its target subsectors identified, InvestPR can now focus on executing a strategy to deliver its Promotion Plan.

**Messaging: Strategy & Value Proposition**

To compete in a crowded global landscape for new investment and new businesses, InvestPR must bring to the world its value proposition in a focused and consistent manner.

**Strategy**

It is key for InvestPR to prioritize, focus on, and repeat core messages to build a brand and capitalize on increased awareness. InvestPR’s messaging strategy will focus on:

- **Touting Competitive Differentiators**
  Highlighting Puerto Rico’s key competitive differentiators, tailored to target sectors

- **Dispelling Rumors**
  Correcting misperceptions following economic uncertainty and natural disasters

- **Reassuring through Support**
  Creating awareness of the tools and support InvestPR will provide to assist with the decision and relocation

- **Sharing Success Stories**
  Building credibility by showcasing case studies and testimonials of companies that have already relocated and have been successful
Value Proposition

The value proposition is the key component of the messaging—it forms the basis for why someone would consider Puerto Rico.

Each subsector or industry will have its own detailed value proposition and messaging, but there are several broad, clear messages that are applicable across the board.

Attractive Tax Incentives
Puerto Rico offers unique incentives for export services, manufacturing, technology, software development, R&D and more.

Stability of U.S. Jurisdiction
When you conduct business in Puerto Rico, you are doing business in the United States with all the benefits and protections that entails.

Prime Geographic Location
Puerto Rico has a privileged location, serving as a gateway between the Americas with easy access to the U.S. mainland.

Attractive Quality of Life
Puerto Rico’s tropical climate, rich history and vibrant, welcoming culture make the island a great place to live and work.

Educated, Skilled Workforce
Puerto Rico has a bilingual, STEM-trained workforce of U.S. citizens with a highly competitive wage rate.

Unprecedented Investment
Puerto Rico is receiving billions of dollars of federal funds to support the island’s long-term recovery and improve key infrastructure.

Channels: Prioritizing the Mix

To be most effective and to increase chances of near-term success, InvestPR has developed an approach that prioritizes certain promotional channels. A general overview of these channels is provided in Figure 3.

The first priority will be to leverage the website and personal networks. The current website will be reassessed and refreshed to create a fully engaging portal to effectively deliver actionable information to investors and to capture opportunities. Personal networks will be leveraged in order to use the most trusted and effective channels first, helping InvestPR to more easily overcome challenges that it may face.

The next priority will be to advertise and earn coverage in various digital and print media, as well as to attend relevant conferences. InvestPR will target up to 20 publications both online and in print via advertisements. The target publications will include well-known general business media, as well as more niche publications that are tailored to target subsectors. In addition, InvestPR will attend 10 to 12 domestic and international conferences and trade shows—again both general business and industry-specific—in order to take advantage of the networking and relationship building that can only take place in person.
The final priority will be to host a series of events in target locations approximately once per quarter. These events will focus on high-priority locations and will be tailored to companies, individuals, and relevant brokers who are most likely to have a desire to capitalize on Puerto Rico's value proposition. InvestPR will seek collaborative opportunities with relevant organizations and other stakeholders, and will also ensure that attendees receive the information and level of support that they require in order to make the decision to invest or open a business in Puerto Rico.
Stakeholder Engagement

Economic development is a team sport. It requires collaboration to thrive. Effective engagement with critical stakeholder groups is essential for InvestPR. Not only will effective stakeholder engagement allow InvestPR to hone its efforts and strategies, but it will also create an opportunity to recruit stakeholders as advocates and partners.

In this effort, InvestPR has been engaging with various stakeholders across the Island to help disseminate InvestPR’s goals, initiatives, and actions, while also listening and learning about opportunities for collaboration and ways that InvestPR can support the efforts of others. Key stakeholder groups are illustrated in Figure 4 below.

A sample of stakeholder groups InvestPR has met with includes:

- Discover Puerto Rico (DMO)
- Puerto Rico Chamber of Commerce
- Puerto Rico IT Cluster
- Parallel 18
- Pharmaceutical Industry Association
- Puerto Rico Products Association
- Puerto Rico Manufacturers Association
- Puerto Rico Home Builders Association
- Puerto Rico Private Sector Coalition
- Blockchain Advisory Council
- Endeavor Puerto Rico
- Office of the Government’s Chief Innovation Officer
- Office of the Government’s Chief Investment Officer

In the coming years, InvestPR will continue to reach out to stakeholders to align business development initiatives among the public sector, private businesses, non-profit groups, and academic institutions in order to maximize the impact of promotion and ensure Puerto Rico is an ideal destination for investment.

Survey of Municipalities

Many of Puerto Rico’s municipalities are working both collectively and independently to attract investment and spur economic development in their region. InvestPR is committed to identifying and amplifying these grassroots efforts.
According to Article 20 of Act 13-2017, InvestPR is required to complete an Inventory of the Municipalities of Puerto Rico by September 30 of each year. The objective of the survey is to understand the strengths, services, and economic development incentives offered by municipalities across the Island. InvestPR uses the survey results to develop strategies to capitalize on and further develop municipalities’ strengths.

In September 2018, InvestPR conducted the inaugural Inventory of the Municipalities via an online survey. InvestPR received responses from all corners of the Island and gained insight into the municipalities’ strengths in the areas of infrastructure, talent, quality of life, and business support. Some common themes emerged:

**Infrastructure**
- Urban municipalities offer public transportation systems to enhance citizen mobility and connect neighboring cities.
- Post-Maria, rural municipalities are pursuing additional financial aid for the rehabilitation of buildings and improvement of public housing to promote economic development and job creation.

**Talent**
- Each year, thousands of students graduate from Puerto Rico’s top-tier universities and colleges.
- WIA-funded programs help bridge the gap between employers, people seeking employment, and service providers. Additionally, local labor organizations provide workshops and financial assistance to eligible workers.

**Quality of Life**
- Cultural and recreational centers and heritage sites offer a wide range of programs and activities, creating a sense of community and contributing to the vibrancy of municipalities.

**Business Support**
- Municipalities offer broad array of support including for- and not-for-profit organizations to assist with economic development.
- Tax incentives and policies that promote urban development (e.g. Urban Centers Revitalization Act of 2002) are important components of enhancing economic development in municipalities.
V. Moving Forward

Community Development Block Grant Disaster Recovery (CDBG-DR) Assistance

InvestPR is currently in the final stages of pursuing Federal CDBG-DR funds for use in its promotion efforts in the wake of Hurricane Maria. This effort has been conducted in close coordination with DEDC, and InvestPR will likely ultimately become a sub-recipient of DEDC for these funds.

With these additional funds, InvestPR will be able to multiply its current efforts as well as undertake promotional efforts similar to those outlined in the Promotion Plan for additional industry sectors.

The funding will be used to develop tailored strategies for identified target subsectors, implement and monitor these initiatives, and supporting the investors that result from these efforts.

Key Performance Indicators

Establishing key performance indicators (KPIs) will be instrumental to InvestPR’s success. KPIs will enable the agency to assess its operations, refine its strategy, and increase overall effectiveness.

InvestPR will develop a portfolio of KPIs that assesses the effectiveness of efforts at all stages of the business attraction pathway:

Marketing

Marketing KPIs will track the reach and impact of InvestPR’s advertising efforts and include indicators such as the number of media impressions generated and the number of unique visitors attracted to the website.

Pipeline

Pipeline KPIs will measure how well InvestPR is converting advertising and marketing initiatives into tangible opportunities and include indicators such as the number of new leads generated and the number of new business opportunities documented.

Outcome

Outcome KPIs will assess the impact of InvestPR’s efforts on Puerto Rico’s economy and include indicators such as the number of new businesses established, number of new jobs created, and amount of new investment generated.

Opportunity Zones

Opportunity Zones are a new community development program established by Congress in the Tax Cuts and Jobs Act of 2017 to encourage long-term investments in low-income urban and rural communities nationwide.

Opportunity Zone investments offer a variety of benefits, including a deferral of reinvested gains until earlier of December 2026 or sale of investment in O-Zone Fund, a reduction of reinvested gain by 15% if an investment is held for 7 years and 10% if it is held for 5 years, and federal
income tax-free appreciation if an investment is held for at least 10 years.

Because 94% of the Island has been designated as an Opportunity Zone, Puerto Rico is an excellent place to utilize the program. InvestPR will tout this competitive advantage to both spur investment in the Island’s economically distressed communities and to incentivize potential investors to capitalize on the many benefits of establishing operations in Puerto Rico.

New Projects

Customer Resource Management (CRM) System
InvestPR is currently implementing a comprehensive Customer Resource Management (CRM) system. The system will allow for marketing efforts to become more directly linked and aligned with business development efforts to help InvestPR see and understand the sources of the most productive leads.

Once complete, the CRM will allow InvestPR’s marketing, business development, and investor support to be more efficient and effective and will allow for proper tracking of marketing and business development efforts.

The system will also facilitate seamless integration with other economic development entities including the DEDC, improving the customer-service experience across the board.

Private Promoter Program
As outlined in Act 13-2017, InvestPR will take over the Private Promoter Program that is currently run by the Puerto Rico Industrial Development Company.

The program is intended to utilize and incentivize private individuals to undertake promotion efforts to attract new businesses and new investment to Puerto Rico.

InvestPR will be redesigning and relaunching the program this coming spring to increase its reach and effectiveness. The Private Promoter Program provides a unique opportunity to utilize the expertise and networks of individuals in the private sector to multiply InvestPR’s promotion efforts, resulting in even more leads and potential opportunities to attract new businesses and investment to the Island.

EB-5 Center
The United States offers a unique incentive for prospective foreign investors called the EB-5 (Employment-Based Fifth Preference Category). By investing $1 million and supporting a designated number of jobs, a foreign investor can become a lawful permanent resident of the United States and a candidate for U.S. citizenship.

Puerto Rico is a particularly attractive destination for foreign investment because most of the Island is a “targeted employment area” (TEA). In targeted employment areas, investors are eligible to receive the
same benefits by contributing a lower threshold of investment — $500,000 rather than $1 million.

InvestPR will develop and run an EB-5 Center to facilitate this program and encourage this form of investment as a unique way to bring new investment and jobs to the Island.

Conclusion

InvestPR has made tremendous progress in its inaugural year. Throughout the year, the public and private sectors worked together to build InvestPR from the ground up and set the organization on the path to success.

InvestPR looks forward to delivering results in the coming year. In 2019, InvestPR will build its organizational capacity, and dive into the work of attracting businesses. This includes launching InvestPR’s advertising campaigns, creating new programs to aid in business attraction, and hosting investment promotion events.

With the capacity needed to make an impact and the momentum required to initiate change, InvestPR is poised to attract businesses and investment to the Island, thereby enhancing the vibrancy of the Puerto Rican economy and creating opportunity for all.
VI. Appendix

Included in this appendix are InvestPR's:

- Independent Auditor's Report
- Financial Statements
Invest Puerto Rico Inc.

Financial Statements
June 30, 2018

Together with Independent Auditors' Report
Invest Puerto Rico Inc.
June 30, 2018

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Independent Auditors' Report

To The Board of Directors of
Invest Puerto Rico Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Invest Puerto Rico Inc., (a non profit Corporation) which comprise of the statement of financial position as of June 30, 2018, and the related statement of activities and changes in net assets and cash flows for the nine-months then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Invest Puerto Rico Inc. as of June 30, 2018, and the results of its operations and cash flows for the nine-months period then ended in accordance with accounting principles generally accepted in the United States of America.

AFS-CPA Group, LLC
AFS-CPA Group, LLC
License Number LLC-280
San Juan, Puerto Rico.
November 30, 2018

By: Antonio Secola, CPA Lic# 3550

AFS-CPA GROUP, LLC
Certified Public Accountants
License Number LLC-280
<table>
<thead>
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<th>Current Assets:</th>
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<td>Without Donor Restrictions</td>
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<td>With Donor Restrictions</td>
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</tr>
<tr>
<td>Total Net Assets</td>
<td>$ 502,407</td>
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The accompanying notes are an integral part of this financial statement.
Invest Puerto Rico Inc.
Statement of Activities and Changes in Net Assets
For the nine-months period ended June 30, 2018

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seed Money</td>
<td>$ 500,000</td>
<td>$ -</td>
<td>$ 500,000</td>
</tr>
<tr>
<td>Contributions from Directors</td>
<td>2,500</td>
<td>-</td>
<td>2,500</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$ 502,500</td>
<td>-</td>
<td>$ 502,500</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank Charges</td>
<td>- 93</td>
<td>-</td>
<td>93</td>
</tr>
<tr>
<td><strong>Changes in Net Assets</strong></td>
<td>$ 502,407</td>
<td>-</td>
<td>$ 502,407</td>
</tr>
<tr>
<td><strong>Net Assets at the beginning of the year</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net Assets at the end of the year</strong></td>
<td>$ 502,407</td>
<td>$ -</td>
<td>$ 502,407</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of this financial statement.

3

23
Invest Puerto Rico Inc.
Statement of Cash Flows
For the nine-months period ended June 30, 2018

Cash Flows from Operating Activities:
Cash received from (paid for):
  Seed Money $ 500,000
  Contributions from Directors  2,500
  Bank Charges (93)

Net Cash Provided by Operating Activities  502,407

Cash and Cash Equivalents, beginning of the year

Cash and Cash Equivalents, end of the year $ 502,407

The accompanying notes are an integral part of this financial statement.
Invest Puerto Rico Inc.  
Notes to Financial Statements  
June 30, 2018

(1) Organization and Nature of Operations:

Invest Puerto Rico Inc. (from now on referred to as the “Company”) is a non-for-profit corporation created pursuant to the provisions of Act 13-2017, known as "Enterprise Puerto Rico" and organized under the laws of the Commonwealth of Puerto Rico in August 23, 2017, pursuant to the General Law of Corporations of 1995, as amended. The purpose of the Corporation is to promote Puerto Rico as an ideal place to conduct business and its primary task is to attract new investors capable of injecting new capital to the Puerto Rican economy.

(2) Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies followed by the Corporation:

(a) Basis of Accounting

The financial statements of the Company have been prepared based on the accrual method of accounting in adherence to the generally accepted accounting principles of the United States of America. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

(b) Basis of Presentation

In accordance with Statement of Financial Accounting Standards all not-for-profit organizations are required to provide a statement of financial position, a statement of activities and changes in net assets, and a statement of cash flows. It is also required the classification of an organization’s net assets and its revenues, expenses, gains, and losses based on the existence or absence of imposed restrictions. Accordingly, the net assets of the Company and changes therein are generally classified and reported as follows, depending on the circumstances and applicability each year:

- Net Assets without Donor Restrictions - This category consists of net assets that are not subject to donor-imposed or legal stipulations, that is, net assets that are not restricted by donor-imposed or legal stipulations.

- Net Assets with Donor Restrictions - This category consists of net assets that are subject to donor-imposed or legal stipulations, that is, net assets that are restricted by donor-imposed or legal stipulations.

The Corporation currently does not have funds with restrictions.

(c) Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows the Corporation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

There were no cash equivalents as of June 30, 2018.
Invest Puerto Rico Inc.
Notes to Financial Statements
June 30, 2018

(2) Summary of Significant Accounting Policies (Continued):

(d) Income Taxes

The Company is organized as a non-profit corporation; accordingly, no provision for income tax is recognized.

(3) Income Taxes:

Subsequent to June 30, 2018, the Company requested tax exemption from Puerto Rico Income Taxes under the provisions of Chapter 10, Subchapter A of the Internal Revenue Code for a New Puerto Rico of 2011 (the new code). Management expects that the tax exemption approval process be completed within the next 12 months and accordingly, no provision for income tax has been recognized in this financial statement.

(4) Subsequent Events:

Management has evaluated subsequent events occurring through June 30, 2018, the date financial statements were available to be issued and concluded that there were no subsequent events required to be disclosed.

(5) Concentrations:

The Company maintains its cash account with one financial institution secured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. As of June 30, 2018, the Corporation had $252,407 of uninsured cash balance.

Substantially all funds received during the nine-months period then ended on June 30, 2018 originated from an Agreement for Transfer of Seed Money dated March 29, 2018 from the Department of Economic Development and Commerce of Puerto Rico.