



December 20, 2011

CIRCULAR LETTER OF THE PUERTO RICO MOTION PICTURE ARTS, SCIENCES AND INDUSTRY DEVELOPMENT CORPORATION NO. 11-02

TO: ALL PERSONS ENGAGED IN A FILM PROJECT, AN INFRASTRUCTURE PROJECT, AND TO STUDIO OPERATORS AND LARGE SCALE STUDIO OPERATORS INTERESED IN THE BENEFITS UNDER ACT NO. 27 OF MARCH 4, 2011, KNOWN AS THE "PUERTO RICO FILM INDUSTRY ECONOMIC INCENTIVES ACT".

SUBJECT: EVALUATION OF TAX GRANT APPLICATIONS BY THE FILM COMMISSIONER.

Pursuant to Act No. 27-211 of March 4, 2011, the Economic Incentives for the Film Industry Act ("Act 27"), the Secretary of the Department of Economic Development and Commerce (the "Secretary") is authorized to grant decrees to persons engaged in a Film Project, an Infrastructure Project, and to Studio Operators and Large Scale Studio Operators, which provide various tax incentives and tax credits. Article 3.5 of Act 27 provides that the Secretary may delegate to the Executive Director of the Puerto Rico Motion Picture Arts, Sciences and Industry Development Corporation (the "Film Commissioner") any of the powers granted to him by Act 27, except for matters related to designation of the geographic areas as Film Development Zones pursuant to the provisions of Articles 6.1 and 8.4 of Act 27.

On March 4, 2011, Administrative Order No. OA-01-2011 and Circular Letter No. 11-01 of the Department of Economic Development and Commerce (the "DEDC") were signed by the Secretary delegating to the Film Commissioner all the powers granted to him under Act 27, including the power to approve or deny applications, transfers and/or amendments to Grants and the power to authorize the concession of tax credits under Act 27 (the "Administrative Determinations"). Article 3.2(b) of Act 27 establishes the criteria that should be considered to evaluate a tax Grant application. Article 3.2(b)(6) of Act 27 further stipulates that such criteria shall include any other factor to be established by the Secretary through regulation or circular letter consistent with promoting the best interests of Puerto Rico and/or the purposes of Act 27. In addition, pursuant to the Administrative Determinations and Article 3.4 of Act 27, the Film Commissioner has the

authority to request all the information and/or documentation necessary for purposes of evaluating tax decree applications.

Consistent with the abovementioned provisions and the authority conferred to the Film Commissioner by Administrative Order No. OA-01-2011 and Circular Letter No. 11-01 of the DEDC, the Film Commissioner will require disclosure of any subsidies, donations or assigned fund appropriations from the Government of Puerto Rico, its political subdivisions and instrumentalities or any public or quasi-public corporation (the "Public Support") as part of the application of a Grant. The Film Commissioner shall consider such Public Support in evaluating Grant applications and may deny entirely or partially an application for the benefits granted under Act 27 for a Film Project that has received substantial Public Support.

Any terms not defined herein will have the meaning given to them in Act 27. For additional information related to the provisions of this Circular Letter or Administrative Order No. OA-01-2011 and Circular Letter No. 11-01 of March 4, 2011, please contact the Film Commissioner at (787) 754-4747.

The provisions of this Circular Letter will be effective immediately.

Attentively,



Mariella Pérez Serrano
Film Commissioner