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July 13, 2012

CIRCULAR LETTER OF THE PUERTO RICO MOTION PICTURE ARTS, SCIENCES AND INDUSTRY DEVELOPMENT CORPORATION NO. 12-03

TO: ALL PERSONS ENGAGED IN A FILM PROJECT APPLYING FOR THE BENEFITS UNDER ACT NO. 27 OF MARCH 4, 2011, KNOWN AS THE "PUERTO RICO FILM INDUSTRY ECONOMIC INCENTIVES FOR THE FILM INDUSTRY ACT".

SUBJECT: CRITERIA TO BE CONSIDERED IN THE EVALUATION OF FILM PROJECT DISTRIBUTION AND EXHIBITION REQUIREMENTS.

Pursuant to Act No. 27-211 of March 4, 2011, the Puerto Rico Film Industry Economic Incentives Act (the "Act"), the Secretary of the Department of Economic Development and Commerce (the "Secretary of Development") is authorized to grant decrees to persons engaged in a Film Project¹, which provide various tax incentives and tax credits. Article 4.1(a)(2) of the Act establishes that a Person may obtain a Grant in connection with a Film Project, provided that "the Film Project is intended for airing, commercial distribution or exhibition to the general public outside of Puerto Rico", with some exceptions. This Circular Letter is intended to clarify the extent of such requirement, establishing the criteria in which the Executive Director of the Puerto Rico Motion Picture Arts, Sciences and Industry Development Corporation (the "Film Commissioner") may rely in order to authorize or deny an application for concession of tax benefits under the Act.

On March 4, 2011, Administrative Order No. OA-01-2011 and Circular Letter No. 11-01 of the Department of Economic Development and Commerce were signed by the Secretary of Development delegating to the Film Commissioner all the powers granted to him under the Act, including the power to approve or deny applications, transfers and/or amendments to Decrees and the power to authorize the concession of tax credits under the Act (the "Administrative Determinations").

Article 4.1(a)(2) of the Act establishes that a Person may obtain a Grant in connection with a Film Project, provided that "the Film Project is intended for airing, commercial distribution or exhibition to the general public outside of Puerto Rico". This requirement

¹ All terms not defined herein will have the meaning given to them in the Act.

is not applicable to feature length films, short films or documentaries. The Film Commissioner will consider, but will not be limited by, the following criteria to evaluate compliance with this requirement:

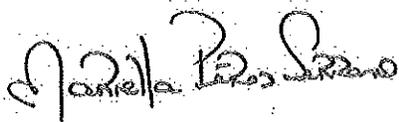
- 1) If the airing, distribution or exhibition outside of Puerto Rico is considered by the Film Commissioner to be incidental or minimal, and /or which is intended for use in Puerto Rico;
- 2) That, considering the content and/or business plan for the Film Project, it can be reasonable to conclude that the intended audience is the public outside of Puerto Rico;
- 3) That at least 80% of the estimated viewers will be non-residents of Puerto Rico;
- 4) Estimated market share of the Film Project in its category broken down by each non-Puerto Rico market that it is distributed;
- 5) Advertisers located outside of Puerto Rico that have shown an interest or already contracted air time for commercials during transmission of the Film Project; and
- 6) The possibility that, in absence of the incentives, the Film Project would not be undertaken in Puerto Rico.

The Film Commissioner may deny entirely or partially an application for the benefits granted under the Act submitted by an applicant whose Film Project is not considered to be intended for airing, commercial distribution or exhibition to the general public outside of Puerto Rico, pursuant to the criteria established in this Circular Letter at the Film Commissioner's discretion. Accordingly, the Film Commissioner may request any evidence deemed necessary with respect to compliance with the criteria set forth herein.

The Film Commissioner adopts this Circular Letter based on the authority granted by the Administrative Determinations.

The provisions of this Circular Letter will be effective immediately.

Cordially,



Mariella Pérez Serrano
Film Commissioner