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## **OFFICIAL ENGLISH TRANSLATION**

March 4, 2011

### **CIRCULAR LETTER OF THE DEPARTMENT OF ECONOMIC DEVELOPMENT AND COMMERCE NO. 11-01**

**TO: ANY PERSON INTERESTED IN DEVELOPING A FILM PROJECT, AN INFRASTRUCTURE PROJECT, AND ANYONE INTERESTED IN OPERATING A STUDIO AND/OR A LARGE SCALE STUDIO PURSUANT TO THE BENEFITS OF ACT NO. 27 OF MARCH 4, 2011, KNOWN AS THE PUERTO RICO FILM INDUSTRY ECONOMIC INCENTIVES ACT.**

**SUBJECT: DELEGATION OF AUTHORITY TO THE PUERTO RICO CORPORATION FOR MOTION PICTURE ARTS, SCIENCES AND INDUSTRY DEVELOPMENT.**

El On March 4, 2011, the Puerto Rico Film Industry Economic Incentives Act was passed into law (the "Act").

Pursuant to the Act, the Secretary of the Department of Development and Commerce (the "Secretary of Development") is authorized to grant decrees to persons engaged in a Film Project, an Infrastructure Project, and to Studio Operators and Large Scale Studio Operators, to provide certain incentives provided in the Act. Article 3.5 of the Act provides that the Secretary of Development 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 the Act, 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 the Act.

Some of the Powers granted to the Secretary of Development by the Act are, among others:

1. To determine the necessary requirements in order for a location to be considered a Studio or a Large-Scale Studio under the Act;
2. To determine which costs will be considered Puerto Rico Production Expenses under the Act;

3. To approve or deny applications, transfers and/or amendments to Decrees;
4. To determine the tax rate applicable to each Decree, subject to the dispositions of the Act;
5. To collect the fees required under the Act and to determine the use of such funds, subject to the provisions of the Act;
6. To conduct examinations of and request such reports from the Concessionaires as he deems necessary under the Act;
7. To endorse strategic suppliers, as defined under the Act;
8. To authorize the concession of tax credits under the Act, as well as to authorize tax credits over the annual limit, subject to the dispositions of the Act;
9. To certify the completion of an Infrastructure Project under the Act;
10. To impose and reconsider the administrative penalties for misconduct and fraud from the Concessionaire;
11. To authorize the transmittal of the applications filed under Act 362 of September 24, 1999, as well as applications made under the Act; and
12. To establish regulations for the implementation and interpretation of the Act.

Article 3.5 of Act No. 27, specifically establishes that the Secretary of Development will reserve the following Powers, which are non-delegable (the “**Non-delegable Powers**”):

- (i) To designate parcels of land as Film Development Zones;
- (ii) To establish terms and conditions for the transfer of such parcels of land designated as Film Development Zones, as well as to certify such transfers;
- (iii) To promulgate and adopt joint zoning regulations with the President of the Puerto Rico Planning Board, for the development, zoning and use of the parcels designated as Film Development Zones;
- (iv) To approve the exemption of fees for internal revenue, legal aid and notarial assistance stamps and Puerto Rico Registry of Property presentation and recordation vouchers including, but not limited to, internal revenue, legal assistance or any other stamps taxes required by law or regulation for the execution, issuance of any partial or complete certified copy, presentation, recordation or any other operation in the Puerto Rico Registry of Property of public instruments related to parcels within Film Development Zones;
- (v) To establish restrictive conditions to Film Development Zones;
- (vi) To establish quotas or fees in Film Development Zones; and
- (vii) To execute contracts for the development and operation of Film Development Zones.

Based on the aforementioned and pursuant to Administrative Order No. OA-0001-2011 of March 4, 2011, the Secretary of Development delegated to the Film Commissioner all the powers granted to him by the Act, including, without limitation, to the powers mentioned in this Circular Letter and with exception of the Non-delegable Powers mentioned above in subparagraphs (i) to (vii), inclusive.

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For additional information related to the provisions of this Circular Letter or Administrative Order No. OA-0001-2011 of March 4, 2011, please contact the Department of Development and Commerce at (787)765-2900, or the "Film Commissioner at (787) (787)758-4747.

The provisions of this Circular Letter will be effective immediately.

Attentively,

/s/ José R. Pérez Riera

José R. Pérez Riera  
Secretary