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**GUIDELINES TO OBTAIN GRANT SUPPORT FOR FILM AND AUDIOVISUAL INDUSTRY PROJECTS, THE
“PROAUDIOVISUAL” FUND.**

CHAPTER I

Regarding General Objectives and Definitions

SECTION I

Objectives

Article 1. The PROAUDIOVISUAL FUND’s general purpose is to promote investment in the film and audiovisual industry by granting support to national and foreign film and audiovisual production projects that foster its internationalization, promote export of the industry’s services, and contribute to the country’s economic development.

Article 2. The specific objectives of the PROAUDIOVISUAL FUND are:

- I. To grant direct support to those film and audiovisual production projects that employ Mexican staff or services provided by Mexican companies;
- II. To strengthen the film and audiovisual industry’s activity by attracting production projects;
- III. To contribute to the creation and preservation of formal jobs in Mexico by housing production projects in the industry;
- IV. To contribute to the execution of creative, design and development activities for audiovisual and/or interactive audiovisual works by Mexican companies or workers by housing production projects in the industry;
- V. To contribute to the improvement of competition conditions in Mexico by supporting production projects in the film and audiovisual industry;

SECTION II **Definitions**

Article 3. For the purposes of these Guidelines, the following definitions shall be used:

- I. Support: economic resources granted by the Federal government through PROMÉXICO to individuals or entities who benefit from the PROAUDIOVISUAL FUND;
- II. Planning (schedule): description of the duration of an audiovisual and/or interactive audiovisual work project, specifying the duration of each production and post-production phase;
- III. CONACULTA: National Council for Culture and the Arts;
- IV. Adhesion Contract: legal instrument that will be executed by PROMÉXICO and the Beneficiary Producer, under the terms of these Guidelines;
- V. Coordination Agreement: legal instrument that shall be executed by PROMÉXICO and State or Municipal Governments or with other Federal Government Programs, to coordinate the granting of support to one cinematographic and/or audiovisual project;
- VI. CGAJ: PROMÉXICO's General Legal Affairs Coordination;
- VII. CPTM: Mexico Tourist Promotion Council;
- VIII. States: Governments of the States of the Mexican Republic;
- IX. Production Phase: stage that involves planning, designing and obtaining the main image that will constitute the finished audiovisual and/or interactive audiovisual work and that includes, without limitation, every work aimed at financing, planning, writing, designing, performing, drawing and capturing the main image that will be part of the finished film or audiovisual work;

- X. Post-production Phase: stage where various physical, chemical and computer media are used to create and/or manipulate the image and/or sound obtained in the main image, to adapt and create the final product that is known as finished cinematographic or audiovisual work; these media include, without limitation, handling, transforming, editing, cutting, assembly, musicalization, encryption, digital development and other work that is done on the main image;
- XI. Support Authorization Record: document that is submitted to the Subcommittee for Support to the Film and Audiovisual Industry, which includes general information on the Production Project and a recommendation from the evaluation bodies authorized by the Subcommittee for the Support of the Film and Audiovisual Industry regarding the type of support to be granted;
- XII. Support Release Record: a document that is submitted to the Subcommittee for Support to the Film and Audiovisual Industry together with the background information for the Production Project that was authorized by said Subcommittee and the recommendation regarding the amount that shall be released, based on the verification of Eligible Expenses that were incurred and invoiced in Mexico;
- XIII. PROAUDIOVISUAL FUND: program for support for the Film and Audiovisual Industry in Mexico, which includes granting federal resources to Beneficiary Producers and which will be executed by PROMÉXICO based on these Guidelines;
- XIV. Eligible Expenses: expenses incurred by Beneficiary Producers to develop audiovisual and film productions and approved by the Subcommittee for Support to the Film and Audiovisual Industry.
- XV. IMCINE: Mexican Film Institute;
- XVI. Film and Audiovisual Industry: group of individuals or entities whose regular or transitory activities are creating, directing, producing, distributing, exhibiting, selling, promoting, rescuing and preserving films and audiovisual works;
- XVII. Progress Report: results report that the Beneficiary Producer shall submit based on the schedule established during the development of the Production Project for the Film or audiovisual

production and that was previously agreed upon with PROMÉXICO through its UARI (Institutional Relations and Support) unit and/or in these Guidelines;

- XVIII. Evaluation Report: opinion issued by IMCINE's Area for Film Production Support containing a technical opinion regarding the analysis and evaluation of film and audiovisual productions that are eligible to receive support from the PROAUDIOVISUAL FUND;
- XIX. Final Report: the last report that the Beneficiary Producer shall submit to PROMÉXICO through its UARI unit to ensure the appropriate follow-up and application of support granted to Production Projects for audiovisual and/or interactive audiovisual works;
- XX. Audiovisual work: finished product that is expressed using a series of associated images, which is fixed on any medium or support, whose creation includes creation, production, assembly and post-production activities and which is destined to commercial exploitation. For the purposes of these Guidelines, the following are examples of audiovisual works:
- Films, full-length and short films
 - Television films
 - Television series and miniseries
 - Animated films
 - 3D films
 - Documentaries
 - Advertisement audiovisual production

This definition does not include reproductions of events or performances of any kind, such as news reports or live performances.

- XXI. Interactive Audiovisual Work: this is an audiovisual work that allows for a continuous dialogue with users and responds dynamically to the user's commands. For the purposes of these Guidelines, the following are examples of audiovisual works:
- Videogames
 - E-learning programs
 - Online or mobile phone games
 - Multimedia audiovisual developments

- XXII. Target Population: producers who are in charge of producing an audiovisual and/or interactive audiovisual work, whether partially or totally on national territory;
- XXIII. Producer: individual or entity that has the initiative, coordination and responsibility of producing an audiovisual and/or interactive audiovisual work or that sponsors it;
- Beneficiary Producer: the producer who partially or totally produces an audiovisual and/or interactive audiovisual work on national territory, whose application for support is approved by the Subcommittee for Support to the Film and Audiovisual Industry and fulfills what is established in these Guidelines;
- XXIV. PROMÉXICO: Public Trust Fund that is considered a Federal State-owned Entity, and which promotes and supports exporting activity and any actions aimed at attracting foreign investment;
- XXV. Production Projects: group of scheduled and budgeted activities aimed at achieving the development of a cinematographic and/or audiovisual work and that are carried out partially or totally in Mexico;
- XXVI. Support Application: form used by the target population to request support from the PROAUDIOVISUAL FUND;
- XXVII. Subcommittee: Subcommittee for Support to the Film and Audiovisual Industry (SAICA, as per its abbreviation in Spanish) that acts as the body authorized by PROMÉXICO's Technical Committee to regulate, judge and approve support applications, and to act as regulatory body based on these Guidelines;
- XXVIII. UAF: PROMÉXICO's Administration and Finances Unit;
- XXIX. UARI: PROMÉXICO's Support and Institutional Relations Unit;
- XXX. UIN: PROMÉXICO's Business Intelligence Unit;
- XXXI. UPINI: PROMÉXICO's Investment and International Business Promotion Unit.

CHAPTER II
Resources and Support Attributes

SECTION I
Regarding Resources

Article 4. Resources from the PROAUDIOVISUAL FUND shall be composed by contributions from various Federal government entities. To manage these resources, PROMÉXICO will grant powers to an Institution from the Promotion Financial System in Mexico, based on the attributes of said program. Said resources will be granted to Beneficiary Producers based on these Guidelines and other applicable laws.

SECTION II
Regarding Support

Article 5. The PROAUDIOVISUAL FUND will grant support to promote the Film and Audiovisual Industry according to the following provisions:

- I. The maximum percentage that the PROAUDIOVISUAL FUND will grant to the Beneficiary Producer will be 7.5% of the total of Eligible Expenses incurred and invoiced in Mexico, with a minimum eligible expense amount of 70 million Pesos per production project or 20 million Pesos during the post-production phase for audiovisual and/or interactive audiovisual works;
- II. The Subcommittee may approve granting supports based on the Support Application submitted, which must specify the Production Project Planning;
- III. The PROAUDIOVISUAL FUND support will be granted after the Support Application has been approved by the Subcommittee and after the Beneficiary Producer has fulfilled any obligations specified;
- IV. Those set forth in the Adhesion Contract.

Article 6. Regarding granting support to Production Projects, resources may be complemented with support granted by other State or Federal Government Programs. To that end, PROMÉXICO, with the purpose of promoting joint responsibility by the public sector in economic development, will try to execute Coordination Agreements with said states, which will set forth each party's rights and obligations.

Support from the PROAUDIOVISUAL FUND granted by PROMÉXICO to the Beneficiary Producer, together with the return of Value Added Tax (VAT) that said Beneficiary Producer would receive from the Ministry of Finance and Public Credit (SHCP, as per its abbreviation in Spanish) or from other federal fiscal authorities, shall never exceed 17.5% of the total Eligible Expenses incurred and invoiced in Mexico.

Article 7. Support granted to Beneficiary Producers from the PROAUDIOVISUAL FUND shall be exercised based on these Guidelines and will be subject to the FUND's budgetary availability and other applicable budgetary laws.

Article 8. Support from the PROAUDIOVISUAL FUND excludes other federal programs granted to the industry; therefore, the Beneficiary Producer may opt for support from the PROAUDIOVISUAL FUND or for support for national film production granted by other federal programs, such as FOPROCINE, FIDECINE and EFICINE.

CHAPTER III

Coverage, Target Population and Eligibility Criteria

SECTION I

Coverage and Target Population

Article 9. The PROAUDIOVISUAL FUND operates on national territory and its target population is the one specified below and it is subject to benefit from support based on the terms of these Guidelines.

Target Population: producers that are in charge of producing an audiovisual and/or interactive audiovisual work, whether partially or totally, on national territory.

SECTION II Producers and Requirements

Article 10. The target population that fulfills the following requirements will be eligible to access support from the PROAUDIOVISUAL FUND:

- I. It falls under the classification described in article 9 of these Guidelines;
- II. Submits to IMCINE's Area for Film Production Support, the original of its Support Application duly completed and signed, including any attachments;
- III. Provide its identification code in the Federal Taxpayers Registry (*RFC, per its initials in Spanish*).
- IV. In the case of Mexican producers, they must have the appropriate fiscal registration and they must submit any documents that certify their legal status and, if applicable, they must submit the agreement executed with a foreign producer to carry out the Production Project or the document that certifies their ownership of the project;
- V. In the case of foreign producers, their incorporation documents must not be contrary to the public rules that are established by Mexican laws and they must be registered fiscally in national territory. If applicable, they may hire production services companies that are already established in Mexico or they may open a company on national territory for such a purpose;
- VI. Its legal representative or attorney-in-fact must have enough powers to execute administration acts or to execute the corresponding Adhesion Contract with PROMÉXICO;
- VII. It is not a beneficiary of support granted by other existing Federal Government Programs for film production (such as FOPROCINE, FIDECINE and EFICINE), but it may benefit from support in kind or cash from State or Municipal Governments as a complement;
- VIII. It is not a beneficiary of support granted by other Federal government programs for the same purpose that involve substituting or duplicating support based on these Guidelines.

SECTION III
Project Eligibility Criteria

Article 11. Audiovisual and/or interactive audiovisual work Production Projects that are submitted to the Subcommittee must fulfill the following criteria:

- I. Fulfill the requirements set forth in these Guidelines;
- II. Create, preserve or improve formal jobs;
- III. Have technical, commercial and financial viability;
- IV. Are carried out partially or totally in Mexico;
- V. Their Budget includes a minimum amount for eligible expenses of 70 million pesos per production Project or 20 million pesos for the post-production phase for audiovisual and/or interactive audiovisual works.

Article 12. The following optional criteria that film and audiovisual production projects meet, may positively affect their analysis and evaluation:

- I. They influence the competitiveness of the Film and/or Audiovisual industry;
- II. They promote regional economic development;
- III. They promote integration between suppliers and service providers in the Film and Audiovisual industry.

CHAPTER IV
Regarding Competent Authorities

SECTION I
Promoting Authority

Article 13. IMCINE's Area for Film Production Support and PROMÉXICO's International Investment and Business Unit (UPINI, as per its abbreviation in Spanish) shall be in charge of promoting the PROAUDIOVISUAL FUND. Both entities will have the following powers and duties:

- I. To promote the PROAUDIOVISUAL FUND among Producers who are eligible for support;
- II. To provide information and advice to Producers who are eligible for support from the PROAUDIOVISUAL FUND.

SECTION II
Receiving Authority

Article 14. IMCINE's Area for Film Production Support shall be in charge of receiving audiovisual and/or interactive audiovisual work Production Projects which are eligible for support from the PROAUDIOVISUAL FUND, and the entity will have the following and duties:

- I. To receive the Support Application submitted by Producers who are eligible to benefit from ProAudiovisual Fund. Said application must be duly completed and submitted both in hard copy and electronic format, and it must include all the documentation and information specified in it;
- II. To assign a folio and create a file for each Support Application received;
- III. To channel Support Applications for interactive audiovisual work Production Projects to authorities that have been approved by the Subcommittee for Support to the Film and Audiovisual Industry, for their analysis and evaluation.
- IV. To send PROMÉXICO, through its UARI unit, printed or electronic copy of every Support Application and the documentation and information specified therein, as well as acknowledgement of receipt.

SECTION III Project Analysis and Evaluation Authority

Article 15. IMCINE's Area for Film Production Support and any authority approved by the Subcommittee for Support to the Cinematographic and Audiovisual Industry will be in charge of analyzing and evaluating audiovisual and/or interactive audiovisual Production Projects that are eligible for support from the PROAUDIOVISUAL FUND. These authorities will be approved based on the attributes and requirements established for that purpose by IMCINE's Area for Film Production Support and PROMÉXICO through UARI, and they will have the following powers and duties:

- I. Evaluation of Audiovisual Production Projects shall be the responsibility of IMCINE's Area for Film Production Support;
- II. Evaluation of Interactive audiovisual Production Projects shall be the responsibility of authorities that are approved according to this article, provided that they are not in an alleged conflict of interest when performing their evaluation duties;
- III. IMCINE's Area for Film Production Support and authorities that are approved by the Subcommittee shall be in charge of analyzing, evaluating and issuing a technical opinion regarding Production Projects that comply with eligibility criteria set forth in these Guidelines;
- IV. Issuance of one Evaluation Report for each Production Project received. Said report must specify the results of the analysis in terms of consequences of the PROAUDIOVISUAL FUND's objectives, as well as eligibility criteria, resulting from the execution of the projects;
- V. Submit the appropriate Evaluation Report to PROMÉXICO through its UARI unit. Said report must include the Production Project's official documentation;
- VI. Put together a file containing the Support Application, any evaluations performed and recommendations issued for each Production Project that was submitted for evaluation.

SECTION IV
Operating the Fund

Article 16. PROMÉXICO, through its UARI unit, shall be in charge of operating the fund to support production projects that are eligible, with the following and duties:

- I. To receive the Support Application, the Project's official documentation and the Evaluation Report issued by IMCINE's Area for Film Production Support and/or the corresponding authority according to article 15 of these Guidelines.
- II. To put together a file for each Production Project that is submitted;
- III. To prepare the Support Authorization Record for the Subcommittee for Support to the Film and Audiovisual Industry;
- IV. To request that UAF provide information on resource availability before each session held by the Subcommittee for Support to the Film and Audiovisual Industry;
- V. To request the appropriate legal opinion from CGAJ;
- VI. If applicable, to request missing or additional information that is needed to put together the Support Authorization Record, the legal opinion and/or the file;
- VII. To notify the Beneficiary Producer of the support that was authorized by the Subcommittee;
- VIII. To integrate the registry of FONDO PROAUDIOVISUAL Beneficiary Producers and operate said registry based on applicable provisions;
- IX. To request that CGAJ executes the Adhesion Contract with the Beneficiary Producer and, if applicable, the Coordination Agreements with the States or other Federal Government Programs;
- X. To verify that the PROAUDIOVISUAL FUND Beneficiary Producers comply with the requirements set forth in these Guidelines throughout the process, and to verify that they comply with their fiscal obligations.

SECTION V
Resource Administrative Authority

Article 17. PROMÉXICO, through its UAF (Administration and Finance) unit, shall be in charge of administrating resources contributed by Federal Government entities, which are destined for the PROAUDIOVISUAL FUND according to the terms of these Guidelines and in compliance with applicable laws and regulations, with the following duties:

- I. Inform the UARI unit on the availability of resources that will be granted through the PROAUDIOVISUAL FUND before each session held by the Subcommittee;
- II. Receive from the UARI unit the request to transfer resources authorized by the Subcommittee to the Beneficiary Producer;
- III. Instruct the office in charge to execute the payment or transfer of resources that was authorized to the beneficiary producer;
- IV. Inform the UARI unit after completing the transfer of resource to the Beneficiary Producer's bank account and to provide the corresponding transfer receipt.

SECTION VI
Regulating Authority

Article 18. The Subcommittee for Support to the Film and Audiovisual Industry shall be the authority in charge of regulating the PROAUDIOVISUAL FUND, and it shall rule, survey and supervise compliance with laws, and authorize or reject Support Applications.

Article 19. The Subcommittee for Support to the Film and Audiovisual Industry will be constituted by:

- I. The Head of PROMÉXICO's UIN unit, which will preside;
- II. The Head of PROMÉXICO's UARI unit;
- III. The Head of PROMÉXICO's UPINI (International Investment and Business Promotion) unit;
- IV. The Head of PROMÉXICO's UAF unit;
- V. The Head of the Mexican Film Institute (IMCINE);
- VI. The Head of the Council for Mexico's Tourist Promotion (CPTM) and
- VII. The Director General for Domestic Trade and Digital Economy at the Ministry of Economy.

Article 20. Full members may each appoint a representative in written form based on the following:

- I. In the case of the Subcommittee's President, the representative must be of immediate lower hierarchical level;
- II. In the case of every other member of the Subcommittee, representatives may be of immediate lower hierarchical level, but they must occupy at least the position of Area Director in every case.

Representatives will have the same powers as full members. If the representative attends a session of the Subcommittee when the full member is attending, he/she shall have voice but no vote.

Article 21. The Head of UARI will act as Technical Secretary of the Subcommittee and if absent, his/her representative will act as Technical Secretary for that specific session. During every session, the Technical Secretary will draft the minutes and follow up on any agreements adopted by him/her, and will inform the corresponding authorities of their opinions through written memorandum or electronic means.

Article 22. PROMÉXICO's General Coordinator of Legal Affairs will act as legal advisor for the PROAUDIOVISUAL FUND and will attend its sessions, where he/she will only have voice.

Article 23. Also, the following will be permanent invitees to the Subcommittee's sessions, where they shall have voice but no vote:

- I. A representative for the Ministry of Economy's Head Office;
- II. The Head of PROMÉXICO's Internal Control Entity; and
- III. A representative for the National Council for Culture and the Arts.

In addition, the Subcommittee may invite representatives for public and/or private bodies or institutions who relate to projects or matters discussed in sessions, who will have voice but no vote.

Article 24. The Subcommittee may meet when at least four of the seven full members or their representatives are attending.

Article 25. The voting system will be based on relative majority of attending members or their representatives. In case of a tie, the President of the Subcommittee, or if applicable, his/her representatives, will have casting vote for decisions regarding the corresponding agreements.

Article 26. The Technical Secretary for the Subcommittee for Support to the Film and Audiovisual Industry, together with the President of the Subcommittee, will call sessions for said Subcommittee for Support to the Film and Audiovisual Industry ten business days in advance for ordinary sessions and five days in advance for extraordinary sessions, and said call can be done electronically, with acknowledgement of receipt received electronically as well.

Article 27. The Subcommittee for Support to the Film and Audiovisual Industry will have the following powers and duties:

- I. To approve or reject support to Production Projects for which a Support Approval Record and/or Support Release Record is submitted, justifying the cause and determining which changes or conditions are additional to the approval of support to the cinematographic and audiovisual Production Project.
- II. To cancel support granted when Beneficiary Producers fail to comply with any of their obligations;
- III. To authorize interactive audiovisual Production Project analysis and evaluation authorities, based on the attributes and requirements set forth by IMCINE's Area for Film Production Support and PROMÉXICO through its UARI unit.
- IV. To hold ordinary sessions on a quarterly basis and to determine extraordinary sessions when required;
- V. Any other powers and obligations needed to fulfill the objectives of the PROAUDIOVISUAL FUND, according to what is set forth in these Guidelines.

SECTION VII
Follow-Up Authority

Article 28. PROMÉXICO, through its UARI unit, will be in charge of following-up on the support granted by the PROAUDIOVISUAL FUND to audiovisual and/or interactive Projects that are approved by the Subcommittee. To do so, they will have the following powers and obligations:

- I. To execute the Adhesion Contract with the Beneficiary Producer together with PROMÉXICO's CGAJ;
- II. To establish the procedure the beneficiaries must follow to prove Eligible Expenses according to what the Subcommittee authorized;
- III. To receive Progress and/or Final Reports and include evidence for Production Projects' Eligible Expenses with fiscally valid documents, which will be submitted by the Beneficiary Producer.
- IV. If applicable, to request the Beneficiary Producer to provide any missing or additional information that is needed to complete the Support Release Certificate;
- V. To complete and submit the Support Release Certificate for the Subcommittee's approval;
- VI. When the Subcommittee has approved the Support Release Certificate, notify the UAF unit so they can transfer resources to the Beneficiary Producer;
- VII. To notify the Beneficiary Producer and PROMÉXICO's UAF unit regarding support release approval so that the latter can transfer resources;
- VIII. To inform the Subcommittee for Support to the Film and Audiovisual Industry of any failure to comply and to proceed accordingly.

CHAPTER V
Regarding the Proceedings

SECTION I
Submission of Support Applications

Article 29. To Access information on PROAUDIOVISUAL FUND's support, the Producer must contact IMCINE's Area for Film Production Support via e-mail or phone, to request information, which will be sent electronically.

Article 30. The Producer must submit the Support Application on hard copy and electronic files to IMCINE'S Area for Film Production Support. Said application must include the Production Project's Eligible Expenses total amount to be incurred in Mexico, as well as any documentation and/or appendixes specified in the application.

IMCINE's Area for Film Production Support will issue an acknowledgement of receipt specifying the date of receipt and folio of the application.

It will also send PROMÉXICO through its UARI unit a printed or electronic copy of each and every Support Application received, together with the documentation and information specified therein, as well as the acknowledgements of receipt for the applications, within a maximum period of three business days upon receipt.

IMCINE's Area for Film Production Support will channel Support Applications for Audiovisual Production Projects to one of the authorities that have been approved based on what is set forth in Article 15 of these Guidelines, for their analysis and evaluation, which must be completed within a maximum period of three business days upon receipt.

SECTION II
Project Evaluation

Article 31. IMCINE's Area for Film Production Support will be in charge of evaluating and issuing a technical opinion on film and audiovisual Production Projects that fulfill eligibility criteria set forth in articles 11 and 12 of these Guidelines, and will issue an Evaluation Report.

Authorities that have been approved based on what is set forth in article 15, will be in charge of evaluating and issuing a technical opinion on interactive audiovisual works that fulfill eligibility criteria set forth in articles 11 and 12 of these Guidelines, and will issue an Evaluation Report.

Article 32. The Production Project Evaluation Report issued by IMCINE's Area for Film Production Support or by authorities that have been approved based on article 15 of these Guidelines, must include the following information:

- I. Technical, commercial and financial viability of projects that have applied for PROAUDIOVISUAL FUND's support;
- II. A description of any consequences of executing the Production Project, in terms of PROAUDIOVISUAL FUND's specific purposes, based on article 2 of these Guidelines;
- III. Every element that was taken into consideration to issue a recommendation regarding the convenience or inconvenience of granting PROAUDIOVISUAL FUND's support to the Production Project;
- IV. A recommendation to support the grant to the Production Project. Also, the recommendation must specify the total amount for Eligible Expenses to be made in Mexico, with the details of each evaluation element that was taken into consideration for such purpose.

Article 33. Regarding film and audiovisual Production Projects, IMCINE's Area for Film Production Support must submit the Evaluation Report to its UARI unit within a maximum period of ten (10) business days, starting on the date that the Support Application was received.

Regarding interactive audiovisual Production Projects, the authorities that have been approved based on what is set forth in article 15 of these Guidelines, must submit the Evaluation Report to the UARI unit within a maximum period of ten (10) business days starting on the date that the Support Application was received by IMCINE's Area for Film Production Support.

SECTION III

Resolution Regarding Project Support

Article 34. Production projects that have been evaluated by IMCINE's Area for Film Production Support and/or by any authorities that have been approved based on what is set forth in article 15 of these Guidelines, will be considered by the Subcommittee for Support to the Film and Audiovisual Industry, for their resolution.

In order to comply with what is set forth in this article, the UARI unit will gather information for each Production Project and include it in the Support Authorization Certificate, which must be submitted to the Subcommittee's Technical Secretary.

The cases that are submitted to the Subcommittee for resolution must be received by the UARI unit at least ten (10) business days before the date of the following session.

Article 35. The Subcommittee for Support to the Film and Audiovisual Industry, as regulating authority of the PROAUDIOVISUAL FUND, will analyze Production Projects evaluated and verify the viability of granting support in terms of its consistency with and contribution to Mexico's Film and Audiovisual Industry's priorities, and based on these Guidelines and their provisions. Furthermore, the Subcommittee must authorize or reject granting support from the PROAUDIOVISUAL FUND and, if applicable, to determine any additional requirements to grant support and issue a resolution that must be documented in the minutes of the Subcommittee's sessions.

Article 36. The Subcommittee's Technical Secretary will send notice of the Subcommittee's resolution to the appropriate individuals via mail and/or electronically within a maximum period of five (5) business days.

SECTION IV

Execution of Legal Instruments for Support Ratification

Article 37. To ratify support, the Beneficiary Producer must execute the Adhesion Contract and its appendixes in triplicate. The signature of said Agreement will take place at PROMÉXICO's General Legal Affairs Coordination's offices.

If the Beneficiary Producer fails to execute the Adhesion Contract based on the notice sent to him/her establishing the period to do so, support for the project will be cancelled without any liability for PROMÉXICO, and the UARI unit must inform the Subcommittee.

Article 38. The signed Adhesion Contract and the aforementioned documentation will be submitted to the UARI unit for custody and completion of the corresponding file within a maximum period of five (5) business days.

Article 39. For any legal purposes, once the Adhesion Contract with PROMÉXICO has been signed, the Beneficiary Producer will agree to submit to the jurisdiction of the Federal Courts of Mexico City, waiving any other venue to which they may be entitled due to their current or future address.

SECTION V

Follow-Up and Verification

Article 40. The Beneficiary Producer will inform the UARI unit regarding fulfillment of Eligible Expenses that were authorized by the Subcommittee, based on the following provisions:

- I. The Beneficiary Producer will generate Progress Reports for the Production Project which was granted support from the PROAUDIOVISUAL FUND. Said reports must include proof and documentation of Eligible Expenses, and they must be submitted in the formats and times established in the Adhesion Contract.
- II. Fiscally valid documents that are submitted to prove authorized Eligible Expenses must include every document submitted or to be submitted for a Value Added Tax (VAT) refund to the Ministry of Finances and Public Credit (SHCP, as per its abbreviation in Spanish) or to other federal fiscal authorities, in the format and times established in the Adhesion Contract.
- III. All fiscal documents specified in the previous section must be duly examined by a reputable, Independent Public Accounting Firm.
- IV. The document report must specify the documents and the Value Added Tax (VAT) amount that are the object of the refund from the Ministry of Finances and Public Credit (SHCP) or to other federal fiscal authorities and based on the applicable provisions. Therefore, support to be granted by the PROAUDIOVISUAL FUND to the Beneficiary Producer will comply with what is set forth in the second paragraph of article 6 of these Guidelines;
- V. Final Reports must be submitted to the UARI unit within a maximum period of twenty (20) business days, starting on the date when UARI receives written notice, the completion of production and based on the approved Planning. Said reports must include proof and

documents of Eligible Expenses, and they must be submitted in the formats and times established in the Adhesion Contract.

Article 41. The UARI unit will review Progress Reports and/or the Final Report, verify the veracity of the information, estimate the percentage to grant based on what is established by the Independent Public Accounting Firm described in article 40, sections III and IV of these Guidelines, so that any support granted by the PROAUDIOVISUAL FUND to the Beneficiary Producer complies with what is set forth in the second paragraph of article 6 of these Guidelines. UARI will also complete the Support Release Certificate and present it during the Subcommittee's following session, so that the latter can approve the release of support.

SECTION VI **Support Granting**

Article 42. When support from the PROAUDIOVISUAL FUND has been approved based on the process set forth in these Guidelines, resources will be given to the Beneficiary Producer when the following conditions are met:

- I. The Adhesion Contract is executed;
- II. UARI receives Progress Reports and/or the Final Report, proof of Eligible Expenses incurred, invoiced and duly audited in Mexico and a simple or digital copy of said proof;
- III. The Subcommittee has authorized the release of support based on the proof of expenses provided;
- IV. There is budgetary availability;
- V. Any other condition that the Subcommittee establishes.

Having fulfilled what is set forth in this article, the UAF unit will be requested to transfer resources to the Beneficiary Producer's bank account.

Article 43. When the Production Project authorized covers several fiscal years, the Beneficiary Producer may provide proof of Eligible Expenses for each phase, at the end of each fiscal year, based on the approved Planning and according to the procedure established by UARI, the Adhesion Contract and the periods established for each fiscal year's budgetary closing.

CHAPTER VI
Rights, Obligations and Default

SECTION I
Rights and Obligations of Beneficiary Producers

Article 44. Beneficiary Producers will have the following rights:

- I. To receive guidance from IMCINE's Film Production Support Area and from PROMÉXICO's UARI unit regarding Support Application, requirements and what is set forth in these Guidelines regarding the correct application of PROAUDIOVISUAL FUND's support;
- II. To receive support authorized by the Subcommittee in a maximum percentage of 7.5% of Eligible expenses incurred and invoiced in Mexico for the Production Project based on what is set forth in these Guidelines;
- III. To request the Subcommittee for Support to the Cinematographic and Audiovisual Industry, through a letter addressed to UARI, the approval of changes to previously approved Production Projects, specifying the Beneficiary Producer's information, the changes requested, the causes for said changes and their impact on the Production Project, considering that they must not compromise the Production Project's goal;
- IV. To be treated with fairness and equality.

Article 45. The Beneficiary Producer will have the following obligations:

- I. To execute the Adhesion Contract with PROMÉXICO, through UARI, attaching the documentation established in these Guidelines;
- II. Based on the amount for Eligible Expenses and the Production Project Planning that was approved by the Subcommittee, the Beneficiary Producer must submit documents for Eligible Expenses incurred in Mexico, duly verified by a reputable, Independent Public Accounting Firm.

This proof of Eligible Expenses must, in every case, comply with fiscal requirements established by valid Mexican laws;

- III. To comply with the provisions of Mexican laws regarding qualification as a Beneficiary Producer according to what is set forth in these Guidelines;
- IV. To have an account at a banking institution that is established in national territory, to receive resources that are transferred by the PROAUDIOVISUAL FUND;
- V. To prove Eligible Expenses through the Final Report upon completion of the Production Project that was approved by the Subcommittee to receive support from the PROAUDIOVISUAL FUND based on what is established in the Support Application, the Adhesion Contract and what is set forth in these Guidelines;
- VI. To deliver the report from the reputable, Independent Public Accounting Firm regarding proof according to what is established in article 40, sections III and IV of these Guidelines.
- VII. To accept and facilitate supervision and inspection visits when requested by the Subcommittee, PROMÉXICO, the Ministry of the Public Function, through the State's Internal Control Entity, or any other competent authority, with the goal of verifying the project's development, based on what is set forth in these Guidelines;
- VIII. To maintain the validity of approvals and/or registries requested according to applicable laws during the validity of the execution of the Production Project with support from the PROAUDIOVISUAL FUND;
- IX. Any other obligations established in the Adhesion Contract and these Guidelines.

SECTION II

Causes of Non-Compliance and Sanctions

Article 46. To verify Beneficiary Producers' compliance with their expenses, the Subcommittee may order visits, supervision, inspection or an extended documentation request, on a case-by-case basis.

This, notwithstanding the information that Beneficiary Producers must submit according to these Guidelines, the Support Application, the Adhesion Agreement and any other documents that are used as proof.

Article 47. The Subcommittee may issue preventive or corrective measures; partially or totally cancel approved support; or terminate or force the early termination of the Adhesion Contract when the Beneficiary Producer incurs in any of the following causes of non-compliance:

- I. The eligible expenses incurred and invoiced in Mexico for the Project are lower than 70 million Pesos per production Project or 20 million Pesos during the post-production phase for audiovisual and/or interactive audiovisual works;
- II. In case the Producer cannot prove satisfactorily to the Subcommittee the expenses in accordance with these Guidelines, or when the Production fails to provide the appropriate fiscal invoices as determined by Mexican law when submitting prove of Eligible Expenses;
- III. They do not accept supervision or inspection visits as requested by PROMÉXICO, the Internal Control Entity, the Ministry of the Public Function or any other competent entity or authority, aimed at verifying that the support granted is being applied appropriately;
- IV. They do not accept the expanded request for missing or additional documents;
- V. They submit false information in any document and/or procedure that they must complete for the purposes set forth in these Guidelines;
- VI. Their expense proof does not match the Production Project that is the subject of support or does not fulfill valid fiscal requirements in Mexico;
- VII. Failure to comply with any other obligation or legal duty set forth in these Guidelines, the Adhesion Contract and any other instruments they execute to obtain support or any other legal or administrative provisions applicable in national territory;

Article 48. The UARI unit, depending on the severity of the causes for non-compliance established in the previous article, may:

- I. Request that the Beneficiary Producer, within the period established, rectifies any omissions or irregularities noticed during supervision or inspection visits regarding proof for expenses or any documentation that is part of the project;

- II. Submit to the Subcommittee's consideration the return or total cancellation of support, whichever applies;
- III. Provide information regarding non-compliance with obligations towards PROMÉXICO to any agency or entity that has Federal government programs for the Film or Audiovisual Industry, as well as State or Municipal Entities with which it executed coordination agreements;
- IV. Begin any legal actions according to applicable laws, if the results from the Progress Reports, the Final Report, the visits and/or audits performed by any of the authorities specified in these Guidelines show that there is non-compliance with any administrative procedure or with what is set forth in approved project or applicable legal instruments, or that the Beneficiary Producer does not provide truthful information to the UARI unit.

SECTION III **Indicators**

Article 49. The PROAUDIOVISUAL FUND will have the following indicators:

I. Impact Indicators:

- a. Job Creation.
 - i. Average annual amount of jobs per production supported:
Total number of jobs / Number of productions supported in one year.
 - ii. Average support amount granted per job created:
Total support granted per year / Number of jobs created per year.
- b. Creation of Better Jobs.
 - i. Average monthly salary for individuals who work in productions supported by the PROAUDIOVISUAL FUND (Pesos).
- c. Increase in Expense in the Film and Audiovisual Industry.
 - i. Amount for expenses made in productions supported by the PROAUDIOVISUAL FUND.
- d. Contribution to Export Increase.
 - i. Percentage of the approved Production Project carried out in Mexico and destined for the foreign markets.

- ii. Value of the approved Production Project carried out in Mexico and destined to foreign markets (amount in Pesos).

II. Management Indicators:

- a. Number of Supported Projects per year;
- b. Increase of federal contributions compared to state contributions (times);
- c. Annual variation rate for the number of support applications served;
- d. Average time to deliver resources to Beneficiary Producers (from date of application);
- e. Number of final reports authorized as ratio of applications served during the corresponding fiscal year;
- f. Number of supported projects that have been completed.

CHAPTER VII

Surveillance and Follow-Up

Article 50 PROAUDIOVISUAL FUND's resources may be reviewed by PROMÉXICO's Internal Control Entity, the Ministry of the Public Function and/or independent auditors that are hired for such purpose; the Ministry of Finances and Public Credit; the Federation's Superior Auditor and any other authorities that are competent to do so as part of their powers.

Article 51 Administrative, civil or criminal obligations that result from appropriations to Federal Public Finance that, if applicable, are incurred by federal or local public officials, as well as private officials, will be sanctioned based on applicable laws.

CHAPTER VIII

Regarding Internal and External Evaluation and Physical-Financial Progress

SECTION I

Internal Evaluation

Article 52 The PROAUDIOVISUAL FUND, through the UARI unit, will comply with what is set forth in Guidelines issued by the Ministry of Finances and Public Credit (SHCP), the Ministry of the Public Function (SFP) and the National Council for the Evaluation of Social Development Policy (CONEVAL, as per its abbreviation in Spanish) to carry out any internal evaluations it deems appropriate.

SECTION II

External Evaluation

Article 53 PROMÉXICO, through its UARI unit, will order external evaluations to the PROAUDIOVISUAL FUND based on what is set forth by the SHCP, SCP and CONEVAL in their respective Guidelines and in the Annual Evaluation Program for the corresponding fiscal year.

SECTION III **Financial Advances**

Article 54 PROMÉXICO, through its UAF unit, will send Government Entities which made contributions, a report on financial advances for the PROAUDIOVISUAL FUND with the periodicity that is established for the latter based on applicable laws.

PROMÉXICO, through its UARI unit, will create a list of Beneficiary Producers and Production Projects that have been approved by the Subcommittee, with the goal of identifying and avoiding duplicities in the Federal government granting support to audiovisual film and/or interactive audiovisual production.

CHAPTER IX
Transparency and Publication

SECTION I
Transparency

Article 55 No public officials working for PROMÉXICO and, in general, the Ministry of Economy, the Ministry of Public Education, CONACULTA, IMCINE, CPTM or its equivalent in other States, nor their spouses or relatives and step-relatives up to the fourth degree, be eligible to receive support from the PROAUDIOVISUAL FUND, according to the Federal Law for Public Officials' Administrative Responsibilities and other applicable federal and state laws that establish public officers' responsibilities.

SECTION II
Publication and Promotion

Article 56 To guarantee transparency during the execution of resources, the following actions will be taken:

- I. PROMÉXICO will publish these Guidelines for any interested party on the following website www.promexico.gob.mx;
- II. During the execution of actions that are inherent to the publication and promotion of the FUND, PROMÉXICO will ensure that official stationery and documentation includes the following legend: *"This program is public, it is not sponsored nor promoted by any political party and its resources are obtained from taxes paid by every taxpayer. The use of this program for political, electoral, profit and other purposes different to those established is strictly forbidden. Any individual who makes incorrect use of this program's resources will be reported and sanctioned based on applicable laws before competent authorities"*;
- III. Also, Beneficiary Producer must clearly and expressly specify in the finished audiovisual work and in identical form PROMÉXICO's participation through the PROAUDIOVISUAL FUND;
- IV. Any information regarding amounts and Beneficiary Producers will be published according to the terms of the Law for Transparency and Access to Public Government Information and any other applicable legal provisions.

CHAPTER X

Complaints

Article 57 Beneficiary Producers and the public in general may file their claims regarding the execution of the PROAUDIOVISUAL FUND and the application of these Guidelines in writing before the following authorities, following this order:

- I. PROMÉXICO's Internal Control Entity, at Camino a Santa Teresa 1679, Colonia Jardines del Pedregal, Delegación Álvaro Obregón, México, D.F., 01900;
- II. The Ministry of the Public Function, at Insurgentes Sur 1735-10, Colonia Guadalupe Inn, Delegación Álvaro Obregón, 01020, México, D.F.

They can also contact PROMÉXICO by telephone at (52) 55 5447 7000 or by e-mail at contactociudadano@promexico.gob.mx

Any complaints must be filed using the forms provided at PROMÉXICO's Internal Control Entity Units, at PROMÉXICO's representative offices in other States, at Delegations, at the Ministry of Economy's offices and at State Control Bodies.

Article 58 For administrative purposes, PROMÉXICO's General Legal Affairs Coordination will be in charge of interpreting these Guidelines.

Article 59. Any matter that is not included in these Guidelines will be resolved by the Subcommittee for Support to the Film and Audiovisual Industry.

PROVISIONAL ARTICLES

FIRST. These Guidelines will become valid the day following their approval by the Technical Committee for the Public Trust Fund that is considered a State-owned Entity called PROMÉXICO.

SECOND. The provisions of these Guidelines shall be applicable to subsequent fiscal years, provided that they are not contrary to what is established in the corresponding Expense Budget for the Federation and as long as these Guidelines are not changed or substituted.