

Previously Agreed Upon Procedures Colombia Film Fund

1. Introduction.

The Colombia Film Promotion Committee (the “CPFC”) is the decision-making body for the Colombia Film Fund (“FFC”), which provides the cash rebate established by Article 9 of Law 1556 of 2012 for films that are fully or partially filmed in Colombia (the “Cash Rebate”). The Cash Rebate covers 40% of expenses incurred for film services—specialized activities directly related to the pre-production, production, and post-production of film works (the “FSs”)—and 20% of expenses incurred for film logistics services—hotels, food, and transportation (the “FLSs”). Any production company whose film project is to receive the Cash Rebate shall submit an expert opinion, certificate, or report (the “Audit Document”) from an audit firm to prove compliance with the established requirements.

In the context of the foregoing, the Fondo Mixto de Promoción Cinematográfica “Proimágenes Colombia” (hereinafter “Proimágenes”), which administers and manages FFC funds in accordance with Article 4 of Law 1556 of 2012, has established these Previously Agreed Upon Procedures (hereinafter the “PAUPs”). The PAUPs seek to ensure that audits of FFC projects are effective, efficient, and accurate.

2. FFC Rules and Definitions.

In addition to the capitalized definitions and terms written in parentheses in these PAUPs, for all purposes, the definitions set forth in Article 3 of the FFC Resource Allocation Manual shall apply. In the event of any doubts, the meaning set forth by law or applicable case-law shall apply.

Furthermore, these PAUPs shall be applied, read, and/or cited in conjunction with the FFC Rules listed below (hereinafter the “FFC Rules”):

- 2.1. Law 1556 of 2012.
- 2.2. Decree 1080 of 2015 and other regulations implementing Law 1556 of 2012.
- 2.3. The Resource Allocation Manual of the FFC (hereinafter, the “RAM”).

3. Supporting Documents.

The following supporting documents shall be submitted for these PAUPs, without prejudice to any other documents that may be relevant:

- 3.1. Audit Document.
- 3.2. Statements and verification letters.
- 3.3. Appendix 1: List of Trust Company Expenses.
- 3.4. Appendix 2: List of Audit Expenses.
- 3.5. Appendix 3: Execution of the Budget and Minimum Expenditure.

4. Requirements for the Selection of the Audit Firm.

Audit firms authorized to issue the Audit Documents shall be legal persons that meet at a minimum the following requirements:

- 4.1. More than ten (10) years experience in auditing or statutory auditing.
- 4.2. Certified experience in internal or external auditing of public or private firms that are major taxpayers.
- 4.3. Registration with the Central Accountants Board, accompanied by a certificate of the auditor's disciplinary record, issued no more than thirty (30) calendar days prior to the date of submission of the certificate.
- 4.4. Meeting the requirements of these PAUPs, as established in Article 16(4) of the RAM.

5. Aspects to be Verified.

The audit firm shall carefully read the FFC Rules and the CPFC resolution approving the project. It shall also verify, as a minimum, the following:

- 5.1. Compliance with each requirement described in chapter five (proof of payment documents) of the RAM, including the following:
 - 5.1.1. The requirement regarding the certificate issued by the trust company.
 - 5.1.2. Information specifying the percentage difference between the budget of expenses eligible for the cash rebate and the expenses that were paid (based on the summary budget submitted in the project approved by the CPFC).
- 5.2. That the formal printed invoices ("*facturas*") or billing statements ("*cuentas de cobro*") issued by the trust company meet all legal requirements.
- 5.3. Compliance with *parafiscales* obligations and provision of all required health and pension benefits for Colombian personnel employed by the project.

6. Requirements for the Audit Document.

In accordance with these PAUPs, the Audit Document shall:

- 6.1. Be prepared using the form entitled "External Audit Expert Opinion, Certificate, or Report" attached to the RAM.
- 6.2. Include, properly completed, the appendices "List of Audit Expenses" (No. 2) and "Execution of the Budget and Minimum Expenditure" (No. 3).
- 6.3. State all amounts in Colombian pesos, in both the Audit Document and its appendices.
- 6.4. Be drafted to be used by the following specific parties:
 - 6.4.1. The Producer.
 - 6.4.2. Proimágenes.
 - 6.4.3. The CPFC.

For the purposes of the above, the production company shall provide documentation of all expenses eligible for the cash rebate that were paid for the production, including in the pre-production, production, and post-production stages (if applicable).

7. Performance of the PAUPs.

The audit firm shall carefully perform the following PAUPs and list any exceptions it detects as findings in the Audit Document.

7.1. Regarding eligibility:

- 7.1.1. Obtain the list of expenses eligible for the cash rebate (the "EECR") in accordance with the FFC Rules.
- 7.1.2. Obtain from Proimágenes or the production company, and carefully read, the following:
 - Project submission form.
 - Engagement letter from the FSs company (if more than one FSs company was used, an engagement letter from each of the companies).
 - Itemized budget of the EECR.
 - Budget summary tables.
 - Notice by Proimágenes that the project has been selected for the Cash Rebate.
 - Colombia Filming Contract.
 - Contract with the trust company.
 - Certificate issued by the trust company specifying the initial amount of the trust.
 - Certificate issued by the trust company. (Appendix No. 1: List of Trust Company Expenses).
- 7.1.3. Review the contract in order to determine whether it was entered into within a maximum of twenty (20) days from notification by Proimágenes Colombia: If the contract was not entered into within the maximum number of days, the production company shall lose its Guarantee and the Cash Rebate.
- 7.1.4. Review the contract with the trust company in order to determine whether it was entered into no more than three (3) months after the signing of the Colombia Filming Contract.
- 7.1.5. Confirm that the initial amount of the Trust is not less than 10% of the budget of total expenses in Colombia.
- 7.1.6. Inspect the list of EECR to determine whether they exceeded the minimum amount of one thousand eight hundred (1,800) SMLMV, including taxes. If the minimum amount is not complied with, the production company shall lose its Guarantee and the Cash Rebate.
- 7.1.7. Calculate the percentage difference between the final expenses eligible for the Cash Rebate and the approved budget (Appendix No. 3).

A reduction of no greater than 20% of the total budget for expenses in the country eligible for the cash rebate (excluding VAT taxes) is accepted. If the reduction is greater than 20%, the guarantee shall remain in possession of the FFC, as set forth in the RAM.

If the production has not complied with the eligibility rules, there is no need to continue with the PAUPs. The audit firm shall inform Proimágenes of this in order that Proimágenes may report the ineligibility for the Cash Rebate to the CPFC.

7.2. Regarding the FSs:

- 7.2.1. Review the formal printed invoices, billing statements, and receipts for payments made by the trust company and verify that the amount of the expense has been properly incurred and paid.
- 7.2.2. In the case of FSs expenses that have been billed by means of billing statements, verify that the billing statements were issued only by Colombian natural persons registered under the simplified tax system ("*regimen simplificado*") and that the issuer thereof is a member of the technical or artistic personnel or has performed work related to screenwriting or script editing. In this regard, the following must be taken into account:
 - All other FSs and FLSs shall be billed by means of a formal printed invoice.
 - Legal persons shall provide proof that they have registered offices in Colombia, meaning the address of their headquarters in the country. Colombian natural persons shall reside in Colombia, i.e., they shall present proof of a permanent address in the country and shall be residents of the country. This means continuous or discontinuous presence in Colombia for at least 183 calendar days during the calendar year of the expenditures.
 - Any Colombian natural person who files income tax returns in Colombia meets these requirements.
 - No payment to a foreign natural person is subject to rebate.
- 7.2.3. Confirm that companies providing FSs prove their compliance with *parafiscales* obligations and their provision of all required health and pension benefits for Colombian personnel.
- 7.2.4. If the expenses are for payments to Colombian personnel employed for the project, confirm compliance with *parafiscales* obligations and provision of all required health and pension benefits. If a company is hired to provide personnel for the project, such company's compliance with those obligations shall be individually verified for each worker.
- 7.2.5. For FSs for productions that are shot in countries other than Colombia, review the production reports or calls to verify that the expense was paid for services provided in Colombia. Furthermore, verify that in the list of EECR, the EECR have been prorated to exclude services provided outside Colombia.
- 7.2.6. Verify that the expenses are not related to the activities specifically excluded by the Law, including the following:
 - The purchase of any kind of goods.
 - Per diem payments to technical or artistic personnel.
 - Any expense from the promotional stage of the film.
 - Services by the audit firm.
 - Fees charged by the trust company.
 - Payments for the Value Added Tax (VAT) (please note that other taxes are eligible for the Cash Rebate).
- 7.2.7. Verify that the expenses were not for services provided in kind (transactions that do not involve money or that are not measured in monetary terms).
- 7.2.8. Verify that the expenses are not for refunds, insurance claims, credit memos received for discounts, returns, and billing errors.
- 7.2.9. Verify that the expenses were not invoiced or paid before the Colombian Filming Contract was signed, nor of the constitution of the trust.

- 7.2.10. Verify that expenses were incurred within a maximum of six (6) months from the date of the contract. If the same project has both production and post-production activities, this time limit is extended to a maximum of twelve (12) months. In the case of animation projects, the time period established shall be twenty-four (24) months.

Any expense that does not comply with the above conditions must be reported as NO subject to rebate.

7.3. Regarding the FLSs:

- 7.3.1. Inspect the formal printed invoices and receipts for payments made by the trust company and verify that the amount of the expense has been properly incurred and paid. No FLS may be charged by billing statement.
- 7.3.2. Verify that all FLSs have been billed by means of a formal printed invoice. Legal persons shall provide proof that they have registered offices in Colombia, meaning the address of their headquarters in the country.
- 7.3.3. Confirm that companies providing FLSs prove their compliance with *parafiscales* obligations and their provision of all required health and pension benefits for Colombian personnel.
- 7.3.4. Verify that the expenses are not related to the activities specifically excluded by the Law, including the following:
- The purchase of any kind of goods.
 - Per diem payments to technical or artistic personnel.
 - Any expense from the promotional stage of the film.
 - Services by the audit firm.
 - Fees charged by the trust company.
 - Payments for the Value Added Tax (VAT) (please note that other taxes are eligible for the Cash Rebate).
- 7.3.5. Verify that the expenses were not for services provided in kind (transactions that do not involve money or that are not measured in monetary terms).
- 7.3.6. Verify that the expenses are not for refunds, insurance claims, credit memos received for discounts, returns, and billing errors.
- 7.3.7. Verify that the expenses were not invoiced or paid before the Colombian Filming Contract was signed, nor of the constitution of the trust.
- 7.3.8. Verify that expenses were incurred within a maximum of six (6) months from the date of the contract. If the same project has both production and post-production activities, this time limit is extended to a maximum of twelve (12) months. In the case of animation projects, the time period established shall be twenty-four (24) months.

Any expense that does not comply with the above conditions must be reported as NO subject to rebate.

7.4. Other activities:

- 7.5.1. Confirm that the certificate issued by the FLSs company demonstrates that there are no outstanding payments for the work performed in Colombia. If this is not the case, notify Proimágenes.

7.5.2. Obtain a signed letter from the legal representative of the production company stating that he or she recognizes that the film work must include a credit, in accordance with the instructions of Proimágenes, and that the film must be released within a period of two (2) years.

7.5.3. For post-production FSs, confirm that the expense was incurred for services provided in Colombia.

7.5. Concluding PAUPs:

Complete the Audit Document with its attached appendices: No. 2, "List of Audit Expenses," and No. 3, "Execution of the Budget and Minimum Expenditure."