

Schedule Q1

Rev. 02.01



INVESTMENT FUNDS

DETERMINATION OF ADJUSTED BASIS, CAPITAL GAIN, ORDINARY INCOME AND SPECIAL TAX

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Taxable year beginning on _____, 200__ and ending on _____, 200__

Taxpayer's Name

Social Security or Employer's
Identification Number

Part I Computation of Adjusted Basis and Taxable Distributions

60	Column A	Column B	Column C
Entity's Name			
Employer's Identification Number			
1. Adjusted basis of the investment at the beginning of the taxable year	00	00	00
2. Additional investments during the year	00	00	00
3. Less: non-recognized gains on reinvestments (See instructions)	00	00	00
4. Adjusted basis before the credit (Subtract line 3 from the sum of lines 1 and 2)	00	00	00
5. Credit claimed during the year (See instructions)	00	00	00
6. Adjusted basis before distributions of the year (Subtract line 5 from line 4)	00	00	00
7. Exempt distributions received from the Fund or Designated Entity during the taxable year from corporations and partnerships under the Tax Incentives Act (according to Form 480.6B)	00	00	00
8. Adjusted basis before the non-exempt distributions (Subtract line 7 from line 6. If it is less than zero, enter zero).....	00	00	00
9. Non-exempt distributions received during the taxable year.....	00	00	00
10. Adjusted basis at the end of the taxable year: •If line 8 is larger than line 9, enter the difference and do not complete the rest of the form (See instructions). •If line 9 is larger than line 8, enter zero and transfer the difference to line 11.....	00	00	00
11. Excess of distributions over the adjusted basis	00	00	00
12. Distribution you elect to include as ordinary income (See instructions).....	00	00	00
13. Total distribution you elect to include as ordinary income (Add line 12 of Column A through C. Transfer to Part 2, line 2H of the return).....(01)			00
14. Distribution subject to Special Tax (Add line 11, Columns A, B, and C less line 13)			00
15. Special Tax (Multiply line 14 by 10%. Enter the amount here and in Part 4, line 20 of the return).....(03)			00
16. Tax withheld over exempt or taxable distributions (See instructions). Transfer to Schedule B Individual, Part III, line 6.....(10)			00

NOTE: Use Part II, III and IV to determine the capital gain (or loss) attributable to the investment through a fund.
 The losses under Act 46 will not be reported on this schedule. The same will be reported on Schedule D Individual or D Corporation and Partnership, whichever applies.

Part II Determination of Short-term Capital Gain or Loss (Held 6 months or less)

Description of Property	(A) Date Acquired	(B) Date Sold	(C) Sales Price	(D) Adjusted Basis	(E) Sales Expenses	(F) Gain or Loss
			00	00	00	00
			00	00	00	00
			00	00	00	00

1. Net short-term capital gain (or loss) in the sale or exchange of securities of a fund:

- If it is a gain, transfer to Schedule D Individual, Part I, line 2.
- If it is a loss, see instructions(13)

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Part III Determination of Long-term Capital Gain or Loss (Held more than 6 months)

Description of Property	(A) Date Acquired	(B) Date Sold	(C) Sales Price	(D) Adjusted Basis	(E) Sales Expenses	(F) Gain or Loss
			00	00	00	00
			00	00	00	00
			00	00	00	00

1. Net long-term capital gain (or loss) in the sale or exchange of securities of a fund:

- If it is a gain, transfer to Part IV, line 1 of this Schedule.
- If it is a loss, transfer to Schedule Q, Part IV, line 1(b)(14)

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Part IV Special Tax Computation Over Long-term Capital Gain of an Investment Fund

- 1. Long-term capital gain in the sale or exchange of securities of a fund (See instructions).....(15)
- 2. Net short-term capital loss (See instructions).....(16)
- 3. Net capital gain to be recognized (Subtract line 2 from line 1. If it is less than zero, see instructions. If it is larger than zero, transfer to Part 2, line 2P of the return and to Schedule D2 Individual, Part I, line 2(b) if the gain is subject to a 10% tax rate. See instructions).....(20)

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INVESTMENT FUNDS

DETERMINATION OF ADJUSTED BASIS, CAPITAL GAIN, ORDINARY INCOME AND SPECIAL TAX

INSTRUCTIONS TO COMPLETE SCHEDULE Q1

GENERAL INFORMATION

Schedule Q1 is designed in order to facilitate the taxpayer the determination of the adjusted basis of the investment, the taxable distributions and the special tax applicable to them, of a Fund or Designated Entity under the Capital Investment Fund Act (Act 3 of October 6, 1987, as amended); Puerto Rico Capital Investment Funds Act of 1999 (Act 46 of January 28, 2000); Puerto Rico Tourism Development Act of 1993 (Act 78 of September 10, 1993, as amended); Puerto Rico Agricultural Tax Incentives Act (Act 225 of December 1, 1995, as amended); Puerto Rico Solid Waste Authority Act (Act 70 of June 23, 1978, as amended); a special partnership engaged in the production of feature films; and the Puerto Rico Internal Revenue Code of 1994, as amended (Code).

Also, it facilitates the determination of the gain in the sale, exchange or other dispositions of securities under the above mentioned laws.

While you keep the investment in the funds or directly, you must include this Schedule with your income tax return to determine all the investments owned. For this purposes, several columns are provided where you will inform each investment separately.

The terms Fund and Designated Entity include a special partnership engaged in the production of feature films, to the extent that the use of these terms is not contrary to the provisions of Subchapter K of the Code.

PART I - COMPUTATION OF ADJUSTED BASIS AND TAXABLE DISTRIBUTIONS

Enter the entity's name and the employer's identification number where you own the investment.

Line 1 - Adjusted basis of the investment at the beginning of the taxable year

Enter on this line the balance of the adjusted basis of your investment in a Fund or Designated Entity at the beginning of the year.

The balance of the adjusted basis at the beginning of the year will be the cost or other basis determined according with Section 1114 of the Code, reduced by:

- a. the credits allowed in previous years for your investments in a primary issuance of eligible proprietary interest (see the definition of this term provided under primary issuance of eligible proprietary interest),
- b. the distributions that do not exceed the adjusted basis in the investment (exempt distributions) made by a Fund or Designated Entity to its investors,
- c. the gains not recognized in the sale or exchange of stocks or shares in a Capital Investment Fund or Designated Entity, if the taxpayer, within a period of 90 days beginning in the date of said sale, exchange or other disposition, invests the total of the product of such sale in stocks or shares of another similar Investment Fund or Designated Entity, and
- d. the credit claimed against the income tax for the loss from the sale, exchange or other disposition (including the redemption or liquidation) of the investment.

Line 2 - Additional investments during the year

Enter your investment in the Primary Issuance of Eligible Proprietary Interest of the Fund or Designated Entity during the taxable year.

Primary Issuance of Eligible Proprietary Interest means the first date in which a security, share or stock of a Fund or Designated Entity is available to the public.

Line 3 - Less: non-recognized gains on reinvestments

The investment will be reduced by the non-recognized gain in the sale, exchange or other disposition that is not from donation or inheritance, of an investment in eligible proprietary interest from the Investment Fund or Designated Entity in which the taxpayer, within a period of 90 days beginning in the date of said sale, exchange or other disposition, invests the total of the product of said sale in stocks or shares of another Fund or Designated Entity.

Line 5 - Credit claimed during the year

Enter the amount of credit related with the investment that you could claim during the taxable year in the return. This amount is determined adding line 10,

Part III and line 9, Part IV of Schedule Q.

If the investor generates credits for investments in one or more Funds and one or more Designated Entity, the credit claimed will be determined separately with respect to each Fund or Designated Entity according with the following formula:

$$\frac{\text{Entity's credit}}{\text{Total credit from all entities}} \times \text{Line 10, Part III, Schedule Q}$$

The investment credit allowed will not be applicable, neither will be available in case that the investor acquires securities from a Fund or Designated Entity, in primary issuance, in order to substitute other securities from a Fund that were sold, exchanged or transferred in any form by such investor and for which the investor will not recognize, totally or partially, the gain derived from said sale, exchange or transfer, by reinvesting the total of the product from the sale or disposition of the investment, in eligible proprietary interest from another Fund or Designated Entity, within a period of 90 days beginning in the date of the sale or disposition of such investment.

Neither, the credit will be available in case that the Secretary of the Treasury, upon examining the transaction that generates the credit, determines that the substance does not evidence a legitimate purpose and on the contrary, it reveal the mere intention of the investor of avoiding the income tax.

The taxpayer who wants to benefit from the credit for his or her investment, must submit with his or her return:

- a. a certification of the Fund or Designated Entity in which the taxpayer made his or her investment, stating the total of the investment of the corresponding taxable year. If you own investments in more than one Fund or Designated Entity, a certification for each one of them will be required, and
- b. a summary of the Funds or Designated Entities in which the taxpayer made his or her investments, the amounts generated as credits for the investment in each Fund or Designated Entity, the years in which the credits were generated, the amount of the credits used, the amount of credits available, and the remaining years for the carryover of each credit.

Enter on this line the amount of the credit claimed in this year that will include the credit for the investment during the year and the balance of credits carryover to this year, according to the limitations provided by the Code.

Line 7 - Exempt distributions received from the fund or designated entity during the taxable year from corporations and partnerships under the Tax Incentives Act

Enter on this line the distributions received from a Fund or Designated Entity created under Act 3, of exempted businesses under the Puerto Rico Tax Incentives Act of 1987 or Act 46 of Puerto Rico Capital Investment Funds of 1999. This amount is informed in the Informative Return-Income Subject to Withholding (Form 480.6B) that you will receive from the withholding agent .

Line 9 - Non-exempt distributions received during the taxable year

Enter on this line the amount of non-exempt distributions received. This information is informed in the "Declaration of the Tax Withheld at Source on Distributions from Capital Investments Fund" that each withholding agent will provide to the investor not later than February 28 of the year following the calendar year for which the withholding was made.

Line 10 - Adjusted basis at the end of the taxable year

If line 8 is larger than line 9, enter the difference and do not complete the rest of the form. This amount will be the adjusted basis of the investment at the beginning of the next taxable year (Schedule Q1, Part I, line 1). If line 9 is larger than line 8, enter the difference on line 11 and continue with the form.

Line 11 - Excess of distributions over the adjusted basis

The distributions made by a Fund or Designated Entity to its investors (except the distributions in liquidation) will not be subject to the tax imposed by the Code up to the amount of the adjusted basis of the investment in the Fund or Designated Entity. The total of the exempt distributions will reduce the adjusted basis of the investment in securities of the Fund or Designated Entity owned by the investor at the date of the distribution. This adjusted basis will never be less than zero.

In the case in which the distributions exceed the adjusted basis, the excess of the non-exempt distributions over the adjusted basis indicated on line 8, are taxable distributions. In case of distributions made by an established Fund or Designated Entity under Act 78, only the 10% of the distributions that exceed the adjusted basis of the investment will be subject to tax.

Line 12 - Distribution you elect to include as ordinary income

The taxable distributions made by a Fund or Designated Entity established under Act 3 or Act 46, are subject to a special tax equal to a 10% that is withheld at source at the moment of the distribution.

In the case of a Fund or Designated Entity established under Act 3 or Act 46, the taxpayer may choose that this tax will not be applicable to the distributions received from a Fund or Designated

Entity during a particular taxable year. For those purposes, this person must include as ordinary income in his or her return corresponding to the taxable year for which he or she chooses that the income tax over distributions will not be applicable, the total of all distributions made in that taxable year over the ones which the 10% withholding was made.

You must submit with your return a written notification stating your decision that you do not choose the 10% of tax. Upon making this election, the amount deducted and withheld over said distributions will be allowed as a credit against the income tax imposed by the Code over the total of income informed in the return filed for said taxable year. Once the above mentioned option is exercised, it will be final and irrevocable concerning all the distributions made during the taxable year under the election and with respect to the Funds or Designated Entity for which the same had been made.

Enter on this line the total of distributions that you elect to include as ordinary income or the taxable distribution from a Fund established under Acts 78, 225 and 70.

Line 15 - Special Tax

The special tax over non-exempt distributions that exceed the adjusted basis of the investment in a Fund or Designated Entity established under Act 3 or Act 46, are subject to a special tax of 10%.

The taxable distributions made by a Fund established under Act 78 will be taxed according to the applicable provisions of the Code.

Compute the 10% of the amount indicated on line 14 and enter on this line. This is your special tax. Transfer this amount to Part 4, line 20 of the return.

Line 16 - Tax withheld over exempt or taxable distributions

If the distributions were subject to the 10% withholding, enter on this line the tax withheld over this distributions informed in the informative declaration that will provide you every person that makes such withholding, not later than February 28 of the year following the calendar year for which the withholding was made.

PART II - DETERMINATION OF SHORT TERM CAPITAL GAIN OR LOSS

The gain (or loss) from the sale, exchange or other disposition of an investment in a Fund or Designated Entity is determined as follows:

- Consideration received in the sale or disposition
- Less: Adjusted basis of the investment in the

date of the disposition =

Gain (or Loss)

If the received consideration exceeds the basis, there will be a gain. If the basis exceeds the consideration, there will be a loss. For these purposes, the term consideration includes cash or other property received.

Line 1 - Enter the sum of Column F. If it is a gain, it will be taxed as ordinary income and must be transferred to Schedule D Individual, Part I, line 2. If it is a loss, it will be taken against the long-term capital gain (Part IV, line 2 of this schedule). If you have no long-term capital gain, transfer the loss to Schedule Q, Part IV, line 1 (a), in order to determine the credit and carryover for losses from the sale, exchange or other disposition of investment.

PART III - DETERMINATION OF LONG TERM CAPITAL GAIN OR LOSS

The gain derived from the sale, exchange or other disposition of the investment in the fund held for more than 6 months, that is not a transfer for donation or inheritance, including the transfer of an investment in eligible proprietary interest to a Fund or Designated Entity because of the total liquidation of the incentives complementary program corresponding to the Fund or Designated Entity, will be considered as a long-term capital gain.

Line 1 - Enter the sum of Column F. If it is a gain, transfer to Part IV, line 1 of this schedule. If it is a loss, transfer to Schedule Q, Part IV, line 1(b).

PART IV - SPECIAL TAX COMPUTATION OVER LONG TERM CAPITAL GAIN OF AN INVESTMENT FUND

In case of a long-term capital gain attributable to an investment in a Fund or Designated Entity established under Act 3, Act 46 or Act 78, a 10% tax is imposed on the total amount of the net long-term capital gain that exceeds the net short-term capital loss.

In the case of a long-term capital gain from the sale, exchange or other disposition of an investment under Acts 70 and 225, the total amount of said gain that exceeds the short-term capital loss, will pay 20% of tax.

Line 1 - This amount comes from Part III, line 1 of this schedule.

Line 2 - Enter the net short-term capital loss from Part II, line 1 of this schedule, if any.

Line 3 - If the amount of this line is less than zero, transfer this net short-term capital loss to Schedule

Q, Part IV, line 1(a).

Regarding the capital gains, the person will have the option that the 10% tax over the gain from the sale, exchange or other disposition of stocks or shares of a Fund or Designated Entity during a particular taxable year does not be imposed.

For those purposes, this person will include as ordinary income in his or her return, the capital gain corresponding to the taxable year for which you choose that the above mentioned special tax will not be applicable. You must include with said return a written notification stating your decision that the 10% special tax does not be applied.

Once the option is exercised, it will be final and irrevocable regarding the gains derived, during the taxable year of the election, of the sale, exchange or other disposition of stocks or shares in a Fund or Designated Entity.