

**NÚMERO DE CONTRATO: 2010-000023**

**LOAN AGREEMENT**

**DATED: October 22, 2009**

**PUERTO RICO FILM CORPORATION**

**and**

**ISLA FILM PRODUCTIONS, L.L.C.**

Contract Number <b>Número de Contrato</b>	2010-000023	
Execution Date <b>Fecha de Otorgamiento</b>	October 22, 2009	
Effectiveness Period <b>Período de Efectividad</b>	October 22, 2009 to October 22, 2014	
Name of Parties and Representatives <b>Nombres de la partes y representantes</b>	<b>NOMBRE</b>	
	CORPORATION FOR THE DEVELOPMENT OF THE ARTS, SCIENCES AND CINEMATOGRAPHIC INDUSTRY OF PUERTO RICO, represented by Mariella Pérez Serrano	690-66-0132
	<b>ISLA FILM PRODUCTIONS, L.L.C.</b> represented by its managing member, <b>Isla Films, Inc.</b> , represented by Frances Lausell	660-46-0897
Account Number <b>Número de Cuenta</b>	248-234-00000-81-2002	
Amount <b>Cantidad</b>	\$50,000.00	

*Handwritten signature/initials*

## LOAN AGREEMENT

AS PARTY OF THE FIRST PART: **THE CORPORATION FOR THE DEVELOPMENT OF THE ARTS, SCIENCES AND CINEMATOGRAPHIC INDUSTRY OF PUERTO RICO** (hereinafter referred to as the "**PUERTO RICO FILM CORPORATION**" or the "**Financier**"), a public corporation of the Commonwealth of Puerto Rico, organized pursuant to the provisions of its enabling act, Law Number 121 of August 17, 2001, as amended, represented herein by its Executive Director, Mariella Pérez Serrano, of legal age, married, executive and a resident of San Juan, Puerto Rico, who is duly authorized to appear herein, which authority he shall provide whenever and wherever required; and

AS PARTY OF THE SECOND PART: **ISLA FILM PRODUCTIONS, L.L.C.** (hereinafter referred to as the "**Borrower**"), a limited liability company organized and existing under the laws of the Commonwealth of Puerto Rico, represented herein by its managing member, **Isla Films, Inc.**, a corporation organized and existing under the laws of the Commonwealth of Puerto Rico, represented herein by its authorized representative, Frances Lausell, of legal age, married, executive and a resident of San Juan, Puerto Rico, who is duly authorized to appear herein, which authority she shall provide whenever and wherever required.

The Borrower has applied to the Financier for a credit facility, the proceeds of which are to be used by the Borrower to pay certain outstanding debts and costs incurred or to be incurred in the production of the Picture, as such term is hereinafter defined.

The Financier is willing to provide the credit facility to the Borrower upon the terms and subject to the conditions hereinafter set forth, and upon the execution and delivery of the Loan Documents, as such term is hereinafter defined. Accordingly, the Borrower and the Financier hereby agree as follows:

1. DEFINITIONS: For the purpose hereof, unless the context otherwise requires, the following terms shall have the meanings indicated:

- (a) "Business Day" shall mean any day not a Saturday, Sunday or legal holiday in the Commonwealth of Puerto Rico. Should any payment or prepayment of the principal under the Loan Agreement, or on a Note, become due and payable on other than a business day, the maturity thereof shall be extended to the next succeeding business day.

- (b) "Closing Date(s)" shall mean the date of the execution of this Agreement.
- (c) "Distributor" shall mean the Borrower in its role distributing the Picture. The meaning shall change according to the terms established in any contract or binding agreement signed by Borrower granting the distribution rights to third parties.
- (d) "Draw Request" shall mean a written request by the Borrower to transfer funds from the Financier, on a specific time, from the approved Loan Amount.
- (e) "Escrow Account" shall mean the account set up by Financier for the collection of all gross sales and into which Distributor will cause buyers or exhibitors to deposit its receipts directly.
- (f) "Film Fund Regulations" shall mean the "Regulation for the Administration and Function of the Puerto Rico Film Fund" of July 28, 2005, as amended from time to time.
- (g) "Final Budget" shall mean the estimated cost of producing the Picture, as approved by the Financier and the Borrower, a copy of which, duly initialed by all parties, has been delivered to the Financier prior to the date hereof. b  
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- (h) "Final Shooting Script" shall mean the script from which the Picture is to be made, as approved by the Financier and the Borrower, a copy of which, duly initialed by all parties, has been delivered to and approved by the Financier prior to the date hereof.
- (i) Intentionally Omitted.
- (j) Intentionally Omitted.
- (k) "Laboratory" shall mean such film and/or sound laboratory or laboratories to which the Borrower shall deliver or cause the Distributor to deliver all negative film and sound track recordings exposed and recorded in connection with the shooting of the Picture.
- (l) "Literary Property" shall mean all common law and/or statutory, literary and other properties which form the basis of the Picture or from which it is adapted.

- (m) "Loan Documents" shall mean this Loan Agreement, and all other documents executed or to be executed or produced in connection with this Agreement or the financing transactions contemplated herein.
- (n) "Note" shall mean the negotiable promissory note or notes duly executed and delivered by the Borrower to the Financier evidencing the borrowing made by the Borrower pursuant to this Loan Agreement, payable to the Financier, dated the date of the loan and in the principal amount of same.
- (o) "Person" shall mean natural or statutory persons, including, without limitation, corporations, associations, companies and partnerships.
- (p) "Picture" shall mean that certain feature-length theatrical motion picture photoplay entitled.
- (q) "Production Bank Account" means a bank account at a Puerto Rico bank into which all funds to be used by Borrower in the production of the Picture are to be deposited.
- (r) "Shooting Schedule" shall mean the schedule showing the scenes to be filmed each day during the principal photography of the Picture as approved by the Financier, the Borrower, and the Distributor, a copy of which, duly initialed by all parties, has been delivered to the Financier prior to the date hereof.

## 2. CREDIT FACILITIES TERMS:

(a) Subject to all the terms and conditions contained in this Loan Agreement, the Financier agrees, to make available to the Borrower a credit facility in the total aggregate amount of **\$50,000.00** (the "Credit Facility" or the "Loan"). The Credit Facility consists of the following: (i) **Credit Facility-I** (the "CF-I") will be disbursed from time to time in advances that shall never exceed the total aggregate amount of **\$50,000.00**. These funds are allocated from the special funds created pursuant to Chapter VII of Puerto Rico Law Number 121 of August 17, 2001 in the books of the Department of Treasury of Puerto Rico under the name "Funds of the Corporation for the Development of the Sciences, Arts and Cinematographic Industry of Puerto Rico".

2.1 CREDIT FACILITY-I

(a) AMOUNT: Subject to the terms and conditions hereof, and relying on the representation, covenants, and warranties of the Borrower contained herein, the Financier agrees to loan or advance to the Borrower monies under the CF-I from time to time in advances that shall never exceed the total aggregate amount of **\$50,000.00**. Borrower shall use the funds provided under the CF-I for the payment of Screen Actors Guild ("SAG") deposit in connection with the production of the Picture.

(a) NOTE; MATURITY DATE: The borrowings made by the Borrower under the CF-I shall be evidenced by the CF-I Note, payable to the Financier, duly executed by the Borrower, and the disbursement checks. The Loan made hereunder shall not bear interest. The maturity date of the entire Loan shall be 60 months from the date of the total disbursements of the Loan or the disbursement of the last draw request, whichever happens first.

(b) REPAYMENT AND COLLATERAL: Borrower shall repay the CF-I to Financier from time to time exclusively from the Borrower's entire share of the proceeds from the exploitation of the sale, in all formats, of the Picture and its soundtrack album throughout the world. There shall be no monthly minimum payment amount, but Borrower recognizes that all gross revenue or income of the Picture from the aforesaid sources shall be destined to the payment of the CF-I until it is paid in full.

3. OTHER TERMS COMMON TO CREDIT FACILITIES:

(a) OPTIONAL PREPAYMENT OF LOAN: Upon at least five (5) days' prior written notice to the Financier, the Borrower may at its option repay the Loan hereunder, in whole or in part, from time to time.

(b) FINANCIER'S STATEMENTS: Until the Loan is fully paid and discharged hereunder, the Financier shall render to the Borrower, upon its request, a statement of the Borrower's account, prepared from the Financier's records, showing in reasonable detail for the subject month and cumulatively to date, the amount of the Loan, charges and amounts collected from all sources.

(c) AUDITS: Borrower shall engage an accountant, acceptable and consented to, in writing, by Financier,

to maintain accurate books of accounts and records of all its business transactions under this Agreement including, but not limited to, a record of all payments received, or credits granted. Furthermore, Borrower shall engage a payroll company, to keep all payroll accounts, process, prepare and deliver payroll payments, in compliance with Puerto Rico law. These books and records shall be kept in Borrower's place of business and, at all times during normal business hours and upon reasonable advance notice, the Financier or its duly authorized agents or auditors shall have access to such books and records and may copy or may cause to be copied such extracts as may be deemed necessary by Financier.

The Picture's production and all its business transactions under this Agreement may be audited, in an external audit, by a firm of accountants provided by Financier at its own expense. Borrower consents that all books and all records, whether financial or other, related to this Agreement and the production of the Picture will be readily available for evaluation during any such audit(s). Borrower hereby binds itself to preserve, in readily accessible form, all work papers, reports, attendance sheets and all other documents related to the Picture so they can be evaluated by Financier, its officers, employees, agents and representatives, or through the aforesaid external auditor, or the Office of the Comptroller of Puerto Rico. Said documents shall be preserved for a period no less than six (6) years from the certification of the last Draw Request.

4. DRAW PROCEDURES: The funds constituting the Loan contemplated hereunder shall be advanced by the Financier upon the Draw Request by the Borrower.

- (i) A first advance related to this Loan will be made by Financier in favor of Borrower according to Schedule 3(i).
- (ii) Advances related to this Loan by Financier shall be made in a period no greater than seven (7) working days, as of the day the Financier's field auditor certifies the Draw Request. The Financier may, at its sole option, choose to advance funds hereunder through a direct deposit mechanism into the Production Bank Account.

REPRESENTATIONS AND WARRANTIES: The Borrower represents and warrants to the Financier that:

(a) ORGANIZATION; CORPORATE POWERS, ETC.:

(i) the Borrower is a limited liability company duly organized, validly existing and in good standing under the laws of the Commonwealth of Puerto Rico,

(ii) the Borrower has the corporate power and authority to own its properties and assets and to carry on its business as now being conducted and is qualified to do business in every jurisdiction wherein such qualification is necessary, and

(iii) the Borrower has the corporate power to execute, deliver and perform this Loan Agreement, to borrow hereunder, and execute and deliver the Note, and to assume the obligations and give the warranties, representations and undertakings herein contained.

(b) AUTHORIZATION OF BORROWING, ETC.: The execution, delivery and performance of this Loan Agreement by the Borrower, the borrowing hereunder by the Borrower, the execution and delivery of the Note by the Borrower, and the execution and delivery of the Guaranty by the Guarantor(s) have been duly authorized by all requisite corporate action and will not violate any provision of law, any order of any court or other agency of government, the Certificate of Organization or Operating Agreement of the Borrower, or the provision of any indenture, agreement or other instrument to which the Borrower is a party, or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute (with or without due notice and/or lapse of time) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Borrower, other than as a result of this Loan Agreement or the Security Agreement.

(c) LITIGATION: There is no action, suit or proceeding at law or in equity or by or before any governmental instrumentality or other agency or any investigation of the affairs of the Borrower now pending, or, to the knowledge of the Borrower, threatened against or affecting the Borrower or any properties or rights of the Borrower which, if adversely determined, would materially affect the ability of the Borrower to perform its respective obligations hereunder or concerning the completion of the Picture as contemplated.

(d) TAX CREDITS: Borrower represents and warrants that the funds disbursed under this Loan Agreement shall not be used, directly or indirectly, by Borrower and/or any of its subsidiaries or affiliates and/or any of its stockholders,

directors, officers, representations, or agents to request, solicit or access or cause the grant of any tax credits under the law for the development of the Puerto Rico Film Industry, Law No. 362, dated December 24, 1999, as amended from time to time.

(e) OTHER REPRESENTATIONS:

(i) That no employee or official of Financier, including members of its Board of Directors, has any pecuniary interests, directly or indirectly, by himself or through a member of his family or third person, in the execution and performance of this contract pursuant to Law 12 of July 24, 1985, as amended from time to time, also known as "Government Ethics Law";

(ii) That none of Borrower's officers or employees occupy any regular position or is a trustworthy employee ("empleado de confianza") within any agency, instrumentality or public corporation of the Commonwealth of Puerto Rico, including without limitation, the University of Puerto Rico or any municipality;

(iii) That no officer of the Borrower has been convicted of a crime: (a) against the public trust, and/or treasury function, or (b) that involved state or federal public funds or property. The Borrower expressly recognizes that this is an essential condition of this Agreement and in the event this warranty ceases to be correct, in whole or in part, the Financier can terminate this Agreement and the Borrower shall reimburse to the Financier all monies disbursed under this Agreement;

(iv) The Borrower has filed, for the 5 years immediately preceding the date of this Agreement, income tax returns and it owes no monies in connection therewith to the Commonwealth of Puerto Rico or it is complying with a payment plan for any outstanding income tax owed. In the event Borrower came into existence within the 5-year period prior to the date of this Agreement, then the stockholders and directors of Borrower shall provide the aforesaid certification, in their personal or corporate capacity, for such time period of actual existence, as a supplement to Borrower's certificate. The Borrower expressly recognizes that this is an essential condition of this Agreement and in the event this warranty ceases to be correct, in whole or in part, the Financier can terminate this Agreement and the Borrower shall reimburse to the Financier all monies disbursed under this Agreement;

(v) The Borrower warrants to and shall, as an essential and necessary condition of this Agreement, show and deliver, when requested by the Financier or any authorized

representative thereof, the certifications and documents that evidence Borrower's financial and tax situation;

(vi) the Borrower warrants and shall, as an essential and necessary condition of this contract, show and deliver, when requested by the Financier or any authorized representative thereof, the certifications and documents that evidence Borrower's financial and tax situation; that each person contracted or recruited to work within Puerto Rico in any task or job related to the Film object of this contract shall be eligible to work in Puerto Rico, pursuant to the laws and regulations of the Department of Immigration and Citizenship of the United States of America;

(vii) the Borrower is not a party to and will not be a party to any contract, agreement, verbal or otherwise, with any agency or public corporation, of the Commonwealth of Puerto Rico, that would constitute a conflict of interest with this Agreement and/or the actions, duties and/or responsibilities to be undertaken by Borrower under the Agreement. Moreover, the Borrower does not and shall not represent any private interest in any case or matter that would imply: (i) conflict of interest with the Financier or (ii) a conflict of interest with the public policy of the Financier;

(viii) the Borrower, if a natural person, does not have nor has reason to believe there should be any debt outstanding regarding child support payments under the government program known as Administracion para el Sustento de Menores (ASUME) and shall, as an essential and necessary condition of this contract, show and deliver, when requested by the Financier or any authorized representative thereof evidence thereof;

(ix) the Borrower does not have any action, suit, litigation, arbitration, investigation or other proceeding of or before any court, arbitrator or governmental or regulatory official, body or authority of the Commonwealth of Puerto Rico, and to the best knowledge of the Borrower, threatened against Borrower, nor does Borrower know or have reason to know of any basis for any such action, suit, litigation, arbitration, investigation or proceeding; Borrower is not aware of any claim, event, occurrence or conflicting contracts with any agency of the Commonwealth of Puerto Rico that would require Borrower to give notice to Financier.

(x) Unless the Financier otherwise expressly agrees in writing, all materials incorporated in the Picture will be original in the person(s) notified to the Financier by the Borrower except insofar as they may be in the public domain;

(xi) That the Borrower shall comply with all the terms of this Agreement.

5. CONDITIONS OF LENDING: The obligation of the Financier to lend or advance any and all sums hereunder is subject to the following conditions precedent:

(a) REPRESENTATIONS AND WARRANTIES: At the time of each and every borrowing hereunder, the representations and warranties set forth in Section 4, above, shall be true and correct on and as of such date with the same effect as though such representations and warranties had been made on and as of such date.

(b) NO DEFAULT: At the time of any borrowing hereunder, the Borrower shall be in compliance with all the terms and provisions set forth herein on its part to be observed or performed, and no Event of Default specified in Clause 9, below, nor any event which upon notice or lapse of time or both, would constitute such an Event of Default, shall have occurred.

(c) ACQUISITION OF RIGHTS TO THE PICTURE: The Borrower shall have entered into agreements (and shall have provided original, fully executed counterparts thereof to the Financier) for the acquisition of exclusive motion picture and related exclusive production, distribution and exploitation rights in and to the Literary Property, and deal memos for the employment of the principal performers in the Picture, and the director and producer of the Picture, all of which agreements shall be valid, binding and continuing in full force and effect.

(d) INSURANCE: The Borrower has caused to be furnished to the Financier insurance certificates which shall remain at all times in full force and effect showing the Financier and the Government of the Commonwealth of Puerto Rico as an additional insured (except that the Borrower need not name the Financier as an additional insured under the errors and omissions policy, if to do so would materially increase the cost for such insurance) and loss payee and showing full and complete coverage including, but not limited to, film producers' indemnity (cast and preproduction cast insurance); all risks negative including faulty camera, stock and processing; use and occupancy (extra expense insurance); props, sets, wardrobe and miscellaneous equipment insurance; third-party property damage (care custody control) liability; Workmen's Compensation and Employer's Liability; comprehensive general auto liability; errors and omissions and all such other normal types of motion picture production insurance as the Financier may reasonably require.

All such policies shall provide that they cannot be terminated or materially altered without giving the Financier at least thirty (30) days' written notice thereof.

(e) INDEMNITY: The Borrower agrees to indemnify and save harmless, the Financier, its licensees, assignees, and affiliated companies or agencies, and the officers, directors, employees and agents of all the foregoing and the government of the Commonwealth of Puerto Rico, against and from all costs, claims, awards, damages (including the Financier's legal costs) and/or liabilities whatsoever arising directly or indirectly, in the production of the Picture or from any breach or non performance of the Borrower's representations, warranties, undertakings, obligations or other provision hereof contained in this Agreement.

(f) CAPITAL INVESTMENT: As an essential condition of this Agreement Borrower has to show evidence of capital investment of at least 20% of the total approved production budget as required by the PRF Regulation. Borrower represents, warrants and has evidenced to Financier, a contribution, in the amount of \$325,100, to the production costs and expenses of the Picture.

(g) PERIOD TO START PHOTOGRAPHY: Borrower will have a period of three (3) months, from the signing of this Agreement to start principal photography of the Picture. b

(h) CREDITS: The Puerto Rico Film Corporation or its nominee will have the right to be accorded the last credit in the end credits of the Picture, a company presentation credit in the form of "*This picture was financed in part by the Puerto Rico Film Corporation*" together with its logo. This credit and logo will also appear in all paid advertising (subject to all customary exclusions). The Film Corporation, or its nominee, will also be accorded an "Executive Producer Services provided by '*Puerto Rico Film Corporation*'" together with its logo credit in the end credits, position to be at the Producer's discretion. The Puerto Rico Film Corporation logo will appear in the opening credits, alone, full size, full color, for a minimum of 5 seconds. 500

5. USE OF LOAN FOR PRODUCTION: The Borrower agrees to photograph and otherwise produce the Picture with due diligence and in accordance with the Final Budget, to complete production thereof not later than May 2011 and to deliver the Picture. The Borrower agrees that the Loan proceeds hereunder shall be used by the Borrower only to finance the SAG deposit.

6. AFFIRMATIVE COVENANTS: The Borrower covenants and agrees that from the date hereof and until payment in full of the

principal of the Note, unless the Financier shall otherwise consent in writing, that the Borrower will:

(a) CORPORATE EXISTENCE; PROPERTIES, ETC: Do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights and franchises and comply with all laws applicable thereto or its business and operations.

(b) NOTICE OF MATERIAL EVENTS: Promptly give notice in writing to the Financier of any action or event which, in the reasonable judgment of the Borrower, exercised in good faith, might materially and adversely affect the repayment of the Loan or the security interests granted to the Financier under the Security Agreement and/or the Copyright Mortgage Agreement.

(c) NOTICE OF LITIGATION: Promptly give notice in writing to the Financier of all litigation or other proceedings commenced on and after the date of this Loan Agreement (including, without limitation, any proceedings relating to the assessment or collection of taxes, imposts or duties), affecting the Borrower or the Collateral, and furnish to the Financier, from time to time, as and when requested by the Financier in writing, all information concerning the status of any such litigation or other proceeding, and furnish to the Financier, from time to time, all information concerning the status of any such controversy, claim, suit or other proceedings.

(d) INSURANCE: Maintain or cause to be maintained, without expense to the Financier, the insurance referred to in Section 5, above, and such other customary insurance, all as the Financier may reasonably require, to be underwritten by insurance companies acceptable to the Financier. The Financier shall be named as a loss payee on all physical damage insurance and an additional insured on all other insurance to the extent provided for in Section 5, above. The Borrower shall furnish the Financier evidence satisfactory to the Financier of such insurance.

(e) COMPLETION OBLIGATION: (i) Perform each and all the material covenants, representations and warranties on its part to be performed hereunder and all other agreements material to the Picture.

(f) STATEMENTS; REPORTS, ETC: Borrower is obliged and compels to submit to Financier the following Statements and Reports until the Loan is paid in full:

(i) Quarterly statement of income and expenses pertaining to distribution of the Picture.

(ii) Bimonthly statements of income and expenses for the first four (4) months of the Picture's theatrical release in any market and for every market.

(iii) Annual financial statement of the Picture, audited by a certified public accountant duly authorized to practice such profession in Puerto Rico.

(iv) Annual financial statement of Borrower, audited by a certified public accountant duly authorized to practice such profession in Puerto Rico.

(g) FURTHER ASSURANCES: Upon the request of the Financier, duly execute and deliver and record or file in any public registry, or cause to be duly executed and delivered and so recorded or filed at the cost and expense of the Borrower, as the case may be, such further instruments as may be necessary, proper or desirable, in the sole reasonable judgment of the Financier, to carry out the provisions and purposes of this Loan Agreement or the Loan Documents and do all things necessary to preserve the security interests of the Financier under the Loan Documents.

(h) ACCESS: At all times permit the Financier access to the production site(s) to watch production of the Picture and to review rushes, rough cuts, and any other materials requested by the Financier relating to the production of the Picture. Upon such visits the Financier shall be provided copy of the call sheet and production reports.

(i) NOTIFICATION OF CHANGES: Borrower shall notify Financier and/or within fifteen days (15) of any change in production related to changes in the director, producer, photography director, cast or executive producer. Any question or query pertaining to the project may be addressed to ZZZ Consulting.

7. NEGATIVE COVENANTS: The Borrower covenants and agrees that from the date hereof and until payment in full of the principal of and interest on all sums due hereunder, whether or not represented by a Note, unless the Financier shall otherwise consent in writing, the Borrower will not, either directly or indirectly:

(a) PROHIBITION OF AMENDMENTS OR WAIVERS: Amend, alter or modify, or cause to or suffer any amendment, alteration or modification of any film license agreement, any pay television/syndication exploitation agreement, any production-distribution agreement, or any completion guaranty so as to materially adversely affect the Financier's rights in the collateral without the Financier's consent, or waive (by

agreement, action or inaction) any material rights under any agreements, so as to adversely affect the Financier's rights in the collateral.

(c) SALE OF ASSETS; CONSOLIDATION; MERGER, ETC.: The Borrower will not (i) sell, lease, transfer or otherwise dispose of all or a substantial part of its properties and assets, or (ii) change its corporate name or trade name without giving prior written notice of at least sixty (60) days of such event to the Financier.

8. DEFAULTS:

(a) EVENTS OF DEFAULT: Any of the following events are herein called "Events of Default":

(i) Borrower's failure to make any payment due and payable hereunder for a period of sixty (60) consecutive calendar days after the lapse of the due date for such payment hereunder;

(ii) Any representation or warranty made herein, in the Loan Documents, or any other agreement or instrument between the parties hereto relating to this transaction proving to be false, incorrect, or misleading in any material respect;

(iii) Any report, certificate, financial statement or other instrument furnished in connection with this Loan Agreement, and the Loan Documents, the borrowings hereunder or the grant of the security interests contemplated by the Security Agreement and/or the Copyright Mortgage Agreement proving to be false or misleading in any material respect;

(iv) Default in the payment of principal on the Loan hereunder, as and when due and payable; default in the due observance or performance of any material covenant, condition, representation, warranty or agreement on the part of the Borrower to be observed or performed pursuant to the terms of this Loan Agreement, the Note or any other agreement or instrument between the parties hereto relating to this transaction;

(v) The Borrower (A) applying for or consenting to the appointment of a receiver, trustee or liquidator (or equivalent under applicable law), of the Borrower, or all or substantially all of its respective properties or assets, (B) admitting in writing its inability to pay its debts as they mature, (C) making a general assignment for the benefit of creditors, (D) being adjudicated a bankrupt or insolvent,

or (E) filing a voluntary petition in bankruptcy, or a petition or an answer-seeking reorganization or an arrangement with creditors or taking advantage of any bankruptcy, reorganization, insolvency, readjustments of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law or if corporate action shall be taken by the Borrower for the purpose of affecting any of the foregoing;

(vi) An order, judgment or decree being entered, without the application, approval or consent of the Borrower by any court of competent jurisdiction, approving a petition seeking reorganization of the Borrower or of all or a substantial part of the properties or assets of the Borrower, or appointing a receiver, trustee or liquidator of the Borrower and such order, judgment or decree continuing unstayed and in effect for any period of sixty (60) days;

(vii) A claim being made by any governmental or taxing authority or any private party for the payment of money in excess of \$5,000 against the Borrower, pursuant to which said claimant has perfected the right to take possession of the property of the Borrower by attachment, garnishment, execution, lien, levy or any proceedings of a similar nature, and which proceedings have not been stayed or set aside by the posting of a bond or otherwise for a period of thirty (30) days from the date of perfecting thereof;

(viii) Any other occurrence, act or failure on the part of the Borrower which under applicable law constitutes a material breach of this Loan Agreement, the Loan Documents, or any other agreement or instrument between the parties hereto.

(b) REMEDY ON DEFAULT: In the case of the happening of an Event of Default which, if curable, remains uncured for a period of fifteen (15) days (unless a longer period is specifically designated above) from the date on which the Borrower first is on notice thereof (whether by notice from the Financier or otherwise) then, at any time thereafter during the continuance of any such event, the Financier may, by written notice to the Borrower, declare all of the then outstanding portion of the Loan immediately due and payable and all costs in connection therewith and/or pursue any remedies available herein or under applicable law to the Financier under this Loan Agreement, the Note, the Security Agreement, the Copyright Mortgage Document or any other documents executed in connection therewith, including but not

limited to the execution of the Collateral in the Security Agreement.

9. [INTENTIONALLY OMITTED]  
10.

11. NOTICES: Any notice shall be conclusively deemed to have been received by a party hereto and be effective on the third day after which it is deposited with the United States mail, registered or certified, return receipt requested (postage prepaid), or transmitted by facsimile (with proof of receipt and a copy by regular U.S. Mail), addressed to such party at such address or such other address as any of them may later designate by written notice:

(a) If to the Financier, at

Mariella Pérez Serrano  
Executive Director  
Puerto Rico Film Corporation  
P.O. Box 362350  
San Juan, PR 00936-2350.  
Fax Number: 787-756-5706  
Email: mperez@puertoricofilm.com

(b) If to the Borrower, at

Isla Film Productions, L.L.C.  
1509 López Landrón  
Piso 8  
San Juan, PR 00914  
**Email: isladigital@aol.com**

12. [INTENTIONALLY OMITTED]

13. SURVIVAL OF COVENANTS, AGREEMENT, REPRESENTATIONS AND WARRANTIES: All covenants, agreements, representations and warranties made herein and in the Certificates delivered pursuant hereto and in the Loan Documents shall survive the making by the Financier of the Loan and the execution and delivery to the Financier of the Note and shall continue in full force and effect so long as the Loan, or any interest, cost, or other payment obligations set forth herein are outstanding and unpaid.

14. SUCCESSORS AND ASSIGNS: Whenever in this Loan Agreement any of the parties hereto are referred to, such reference shall be deemed to include the successors and assigns of such party, and all covenants, promises and agreements by or on behalf of the Borrower which are contained in this Loan Agreement or the Loan Documents shall bind the successors and assigns of the Borrower

and shall inure to the benefit of the successors and assigns of the Financier.

15. DOCUMENT PREPARATION EXPENSES; ATTORNEYS' FEES: The Financier agrees to pay all costs and expenses in connection with the preparation, execution and delivery of this Agreement and the other Loan Documents to be delivered hereunder, including the reasonable fees and out-of-pocket expenses of Eduardo Tamargo, Esq., counsel for the Financier, with respect thereto and all costs and expenses, if any, in connection with the enforcement of this Agreement, the other Loan Documents and the other documents to be delivered hereunder and any extensions, renewals, amendments and modifications thereof and supplements thereto.

16. GOVERNING LAW: This Loan, the Note, and any other agreement or instrument between the parties hereto relating to this transaction shall be construed in accordance with and governed by and enforced in accordance with the laws of the Commonwealth of Puerto Rico and the Borrower hereby consents to the jurisdiction of all courts (whether State or Federal) in the Commonwealth of Puerto Rico.

17. WAIVER: Neither any failure nor any delay on the part of the Financier, in exercising any right, power or privilege hereunder, under the Security Agreement, under the Note or under the Copyright Mortgage Document shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise of any right power or privilege.

18. AMENDMENT: No modification, amendment, or waiver of any provision of this Loan Agreement, the Security Agreement, the Note, or the Copyright Mortgage Document nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Financier, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in the same, similar or other circumstances.

19. SEVERABILITY: In case any one or more of the provisions contained in this Loan Agreement, or in the Note, should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby.

20. COUNTERPART EXECUTION: This Loan Agreement may be executed in two or more counterparts, each of which shall constitute an

original, but when taken together shall constitute but one agreement.

21. ADDITIONAL DOCUMENTS: Each of the parties hereto agrees to execute any additional documents which may be required or be desirable to fully effectuate the purposes and intents of this agreement or to carry out the obligations of the parties hereunder, provided that they are not inconsistent with the provisions of this agreement.

Borrower has delivered at the moment of signing this contract to the Financier the following documents on its behalf and on behalf of all owners, partners, directors or shareholders:

1. Certification of filing of Income Tax Return for the past 5 years issued by the Department of Treasury of Puerto Rico.
2. Certification of Debt issued by the Department of Treasury of Puerto Rico.
3. Certification of debt for real property issued by the Center of Collections for Municipal Income (CRIM by its acronym in Spanish).
4. Certification of debt for concept of unemployment, temporary incapacity and social security for drivers issued by the Department of Labor and Human Resources of Puerto Rico.
5. Borrower shall also file original of its Certificate of Organization and Certificate of existence issued by the Department of State of Puerto Rico.
6. Certification of debt for concept of municipal patents for industry commerce and services.

IN WITNESS WHEREOF, the parties have executed this agreement on this 22<sup>nd</sup> day of October 2009.

BORROWER:  
ISLA FILMS PRODUCTIONS, LLC  
By: ISLA FILMS, INC.

  
\_\_\_\_\_  
By: Frances Lausell  
President

LENDER:  
PUERTO RICO FILM CORPORATION

  
\_\_\_\_\_  
By: Mariella Pérez Serrano  
Executive Director

Affidavit number 6491

Acknowledged and subscribed to before me by Mariella Pérez Serrano, as Executive Director of Puerto Rico Film Corporation, of legal age, married, executive and resident of San Juan, Puerto Rico and by Frances Lausell, of legal age, married, executive and resident of San Juan, Puerto Rico, in her capacity as President of Isla Films, Inc., managing partner of Isla Film Productions, L.L.C., both personally known to me, in San Juan, Puerto Rico this 22<sup>nd</sup> day of October 2009.

*Eduardo Tamargo*  
NOTARY PUBLIC



**CERTIFICATE OF CORPORATE RESOLUTION**

The undersigned, Secretary of **ISLA FILMS, INC.**, a Puerto Rico corporation (the "Corporation"), does hereby certify that pursuant to a Unanimous Consent of the Board of Directors of the Corporation, the following resolutions were unanimously adopted:

**RESOLVED** that the following actions of Frances Lausell (the Authorized Representative"), on behalf of and as Authorized Representative of the Corporation, acting as Managing Member of Isla Film Productions, L.L.C. ("IFLLC") are in the best interest of the Corporation and are hereby approved, affirmed, ratified and adopted as the true and lawful actions of this Corporation:

(i) The negotiation with the Corporation for the Development of the Arts, Science, and Film Industry of Puerto Rico (hereinafter, the "PRFC") of: (i) an investment in IFLLC in the total aggregate amount of \$1,000,000, and (ii) a credit facility in the amount of \$50,000 under such terms and conditions as the Authorized Representative deems necessary and/or convenient, to allow IFLLC produce the film provisionally entitled "América".

(ii) In connection with the aforesaid credit facilities and investment to execute any and all documents the Authorized Representative deems pertinent, necessary and/or convenient, including, but not limited to, the following documents and/or instruments:

1. Term Sheet
2. Operating Agreement
3. Guaranty
4. Subscription Agreement(s)
5. Loan Agreement
6. Financing Statements

**FURTHER RESOLVED**, that in order to effectuate the foregoing, such person may execute such other instruments and perform such other acts as such person

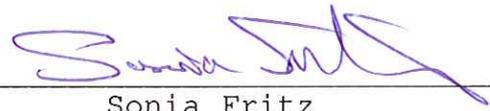
may determine to be necessary or desirable and in the best interests of the Corporation, such execution or performance being conclusive evidence of such determination.

**IN WITNESS WHEREOF**, I have hereunto set my hand and affixed the seal of the Corporation in San Juan, Puerto Rico, this 26<sup>th</sup> day of October 2009.

**ISLA FILMS, INC.**

(SEAL)

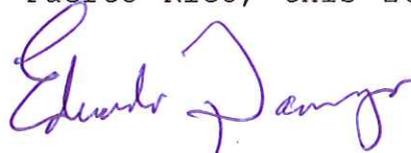
By: \_\_\_\_\_



Sonia Fritz  
Secretary

Affidavit Number 6494

Acknowledged and subscribed before me by Sonia Fritz, of legal age, single, property owner and resident of San Juan, Puerto Rico, in her capacity as Secretary of ISLA FILMS, INC., to me personally known; in San Juan, Puerto Rico, this 26<sup>th</sup> day of October 2009.



NOTARY PUBLIC

