

CONTRACT NUMBER : 2012-000017

LOAN AGREEMENT

DATED: October 31, 2011

PUERTO RICO FILM CORPORATION

and

BROCHE DE ORO, LLC

related to the project provisionally entitled

"BROCHE DE ORO"

Número de Contrato Contract Number	2011-000017	
Fecha de Otorgamiento Execution Date	October 31, 2011	
Período de Efectividad Effectiveness Date	October 31, 2011 to October 31, 2021	
Nombres de la partes y representantes Name of the parties and/or representatives	NOMBRE CORPORATION FOR THE DEVELOPMENT OF THE ARTS, SCIENCES AND CINEMATOGRAPHIC INDUSTRY OR PUERTO RICO, represented by Mariella Pérez Serrano	660-66-0132
	BROCHE DE ORO, LLC, represented by Frances Lausell	660-77-4270
Account Number Número de Cuenta	248-234-081-2002	
Amount Cantidad	\$500,000.00	

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 she shall provide whenever and wherever required; and

AS PARTY OF THE SECOND PART: **BROCHE DE ORO, LLC** (hereinafter referred to as the “**Borrower**”), a limited liability company organized and existing under the laws of Puerto Rico, represented herein by its President, Frances Lausell, of legal age, single, 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.

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 Motion 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) “Collateral” shall mean the Collateral referred to and defined herein or in any other Loan Document.
- (d) “Collection Account” shall mean the account set up by Financier and Borrower to collect all the proceeds from the sale and exploitation of the Motion Picture throughout the universe and the entity selected to act as

collector must be determined pursuant to a written agreement signed by the parties hereto.

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- (e) "Copyright Mortgage Agreement" means the security interest in the registered copyright of the Motion Picture that Borrower will record in the United States copyright office to protect the interests of Financier as set forth in Section 6 of this Agreement.
 - (f) "Distributor" shall mean the Borrower in its role distributing the Motion 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.
 - (g) "Motion Picture" shall mean that certain motion picture photoplay entitled "Broche de Oro" to be directed by Raul Marchand.
 - (h) "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.
 - (i) "Film Fund Regulations" shall mean the "Regulation for the Administration and Function of the Puerto Rico Film Fund" of September 1, 2006, as amended from time to time.
 - (j) "Final Budget" shall mean the estimated cost of producing the Motion 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.
 - (k) "Final Shooting Script" shall mean the script from which the Motion 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.
 - (l) "Guarantee" shall mean the Guarantees of even date herewith by Frances Lausell in favor of the Financier, as amended or supplemented from time to time.
 - (m) Intentionally Omitted.
 - (n) "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 Motion Picture.
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- (o) "Literary Property" shall mean all common law and/or statutory, literary and other properties which form the basis of the Motion Picture or from which it is adapted.
 - (p) "Loan Documents" shall mean this Loan Agreement, the Note, Guarantee, Copyright Mortgage Agreement, Security Agreement and all other documents executed or to be executed or produced in connection with this Agreement or the financing transactions contemplated herein.
 - (q) "Note" shall mean the negotiable promissory note 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.
 - (r) "Person" shall mean natural or statutory persons, including, without limitation, corporations, associations, companies and partnerships.
 - (s) "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 Motion Picture are to be deposited.
 - (t) "Security Agreement" shall mean the Security Agreement of even date herewith by and between the Borrower and the Financier for the Loan, as amended or supplemented from time to time.
 - (u) "Shooting Schedule" shall mean the schedule showing the scenes to be filmed each day during the principal photography of the Motion 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.
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2. LOAN TERMS: 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 \$500,000.00 (the "Loan"). The Loan will be disbursed from time to time in advances that shall never exceed the total aggregate amount of \$500,000.00. 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".

- (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 Loan from time to time in advances that shall never exceed the total aggregate amount of \$500,000.00. Borrower shall use the funds provided

under the Loan to pay certain outstanding debts and costs incurred or to be incurred in the production of the Motion Picture.

- (b) NOTE; MATURITY DATE: The borrowings made by the Borrower under the Loan shall be evidenced by the Note, payable to the Financier, duly executed by the Borrower, and the disbursement checks. Borrower will pay interest on the outstanding principal balance of the Loan from the date of release of the Motion Picture ("Release Date"), until payment in full, at a floating annual rate equal to the base or prime rate that Citibank, N.A., or its successor in interest, announces from time to time as its base or prime rate at its principal offices in New York, New York (the "Prime Rate"). Each change in such floating interest rate shall take effect simultaneously with the corresponding change in the Prime Rate. The maturity date of the entire Loan shall be 60 months from the date of the first disbursement under this Loan Agreement.
- (c) REPAYMENT AND COLLATERAL: Borrower shall repay the Loan to Financier from time to time from the proceeds from the exploitation of the sale, in all formats, of the Motion Picture and its soundtrack album, if any, throughout the world. There shall be no monthly minimum payment amount, but Borrower recognizes that the entire gross revenue or income of the Motion Picture from the aforesaid sources shall be destined to the payment of the Loan, plus any interest earned thereon, until it is paid in full and will cause all exhibitors, licensees, sub-licensees or programmers to deposit directly into the Collection Account. In the event, Borrower, prior to the last day of Principal Photography, evidences, in form and substance satisfactory to the Financier, that it was able to raise private financing for the Picture from a third party in an amount exceeding \$31,255, it shall be able to apply for tax credits, including the loan amounts disbursed hereunder for such application process. Moreover, the private investor will be able to recoup up to \$31,255 on a *pari-passu* basis with Financier; thereafter the private investor's recoupment will be completely subordinated to the full recovery by Financier of the loan amounts disbursed under this agreement. In addition to any and all other collateral created herein or in the Loan Documents, Borrower shall secure the repayment of Loan with the Security Agreement, the Copyright Mortgage Agreement, and the Guarantee executed by the parties identified therein.
- (d) 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.
- (e) MANDATORY PREPAYMENT OF LOAN; DIRECTIONS TO PAY: Borrower hereby irrevocably binds itself to authorize and direct the Distributor and/or pertinent Person to direct the exhibitors, programmers, licensees, sub-licensees or any other Person acquiring any right or title over the Motion Picture and/or its distribution and/or exhibition in any format or

mode, to make payments directly to the Collection Account. All sums received by the Financier from such Collection Account shall be applied by the Financier to reduce the outstanding principal balance of the Loan, plus any interest earned thereon. Any proceeds in excess of the Loan principal amount, plus any interest earned thereon, shall be payable to the Borrower according to the terms of this Agreement and the terms of the Collection Account. Until the Loan, plus any interest earned thereon, is fully paid and discharged hereunder, the Financier shall render to the Borrower, upon its request, a statement of the Borrower's accounts, 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.

- (f) DISPOSITION OF COLLATERAL: There shall be no sale or other disposition of Collateral except with the prior written consent of the Financier.

3. AUDITS:

- (a) 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.
- (b) The Motion 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 Motion Picture will be readily available for evaluation during any such audit(s).
- (c) Borrower hereby binds itself to preserve, in readily accessible form, all work papers, reports, attendance sheets and all other documents related to the Motion 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 payment of the last Draw Request.

4. RELIEF FROM PAYMENT:



(a) After the lapse of a period of 60 consecutive, calendar months, as of the date of the disbursement of the first draw request, if Borrower has not paid in full the amount of the Loan, plus any interest earned thereon, plus other expenses, Financier may (independently of the balance amount owed and after considering whether to extend the maturity of the Loan if the circumstances justify such extension), upon its sole discretion, relieve Borrower of its debt by seizing, in proportion to the then existing debt, the rights, title and interest of Borrower over the Motion Picture, acknowledging any third party rights over the Motion Picture, if and when applicable, in lieu of the foreclosure of the collateral constituted pursuant to the Security Agreement and the Copyright Mortgage Agreement. In the event of the seizing of such rights, title and interest, the seizing shall be proportional to the then outstanding and unpaid balance of the debt, and in the order established in Schedule 12 hereto.



(b) If Financier proceeds to take possession of assets and property of the Motion Picture as stated in the above clause 4(a) above, Borrower shall be bound to execute any and all documents or instruments, Financier deems pertinent to assign and transfer all right title and interest to the entire copyright, trademark and all other rights, title and interest of whatsoever nature of Borrower, in the entire universe, whether vested or contingent (including without limitation all exploitation rights in any and all media and by any and all means now known or hereafter invented including, theatrical and non-theatrical rights, all kinds of television, broadcast and cable program rights, (whether by means of digital or analogue transmission) all kinds of videogram and/or multimedia messaging rights, video on demand rights, digital versatile disc rights and all allied and ancillary rights, including without limitation, remake rights, prequel, sequel and format and changed format rights, music publishing and soundtrack record rights, all kinds of internet, on-line, website and interactive rights, screenplay publication rights, merchandising rights and commercial tie-up rights, (including the right of communication to the public by satellite and cable retransmission rights) in and to the screenplay and all and any other material on which the screenplay is based, and in and to the Motion Picture and all allied and ancillary rights therein, the title, characters, names, themes, plots, sequences and situations thereof and therein, all 17 USC §106 (as amended from time to time) rights, absolutely, in any and all languages, for the full period of copyright and all renewals, revivals and extensions thereof (whether the right to such renewals, revivals, or extensions now exists or is hereafter created by laws) and thereafter in perpetuity to the extent permitted by law. Financier will pay no money to Borrower as compensation for the transfer of all or any of the aforementioned rights, title and interest; and all other rights expressed in the Security Agreement and/or the Copyright Mortgage Agreement not mentioned herein.

5. DRAW PROCEDURES: The funds constituting the Loan contemplated hereunder shall be advanced by the Financier upon the Draw Request by the Borrower and pursuant to the following conditions:

- (a) The advances related to this Loan will be made by Financier in favor of Borrower according to Schedule 5(a).
- (b) 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 determines, in its sole discretion, that all conditions precedent for the disbursement of such Draw Request have been met.

6. 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 execute, deliver and perform the Security Agreement, to grant the security interest affecting the Borrower's property contemplated by the Security Agreement, to execute, deliver and perform the Copyright Mortgage Document 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, the execution, delivery and performance of the Copyright Mortgage Agreement, the execution, delivery and performance of the Security Agreement by the Borrower and the grant of the security interests contemplated by the Security Agreement 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 Incorporation or By-Laws 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, the Copyright Mortgage 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 (i) the ability of the Borrower to perform its respective obligations hereunder or concerning the completion of the Motion Picture as contemplated, (ii) the security interests granted to the Financier under the Security Agreement and/or the Copyright Mortgage Agreement, or (iii) the Collateral under the Security Agreement and/or the Copyright Mortgage Agreement.

 (d) SECURITY INTERESTS: The Security Agreement and the Copyright Mortgage Agreement will create and grant to the Financier a valid and perfected first priority security interest in the Collateral (other than statutory lab liens to be discharged in the normal course of business), and no Person has, and thereafter no Person will have, any right, title or interest in or to the Collateral which is or which shall be, prior, paramount, superior or equal to the right, title and interest of the Financier therein or thereto. Furthermore, Borrower shall refrain from creating any third party rights over the Collateral and/or any material or intellectual property related to the Motion Picture without the written consent of Financier.

7. 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) [Intentionally Omitted];

(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 Administración 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 Motion 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.

8. 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 5 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 this Agreement, nor any event which upon notice or lapse of time or both, would constitute such an Event of Default, shall have occurred.

(c) SECURITY AGREEMENT: On or prior to the execution of this Loan Agreement, the Borrower shall have executed and delivered (i) the Security Agreement (and related financing statements); (ii) the Copyright Mortgage Agreement; and (iii) such other agreements and documents as the Financier may reasonably request in order to carry out the intent of this Agreement and the Loan Documents.

(d) ACQUISITION OF RIGHTS TO THE MOTION 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 Motion Picture, and the director and producer of the Motion Picture, all of which agreements shall be valid, binding and continuing in full force and effect.

(e) 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 additional insured 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.

(f) 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 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 Motion Picture or from any breach or non performance of the Borrower's representations, warranties, undertakings, obligations or other provision hereof contained in this Agreement.

(g) 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, to wit, \$625,111, as required by the Film Fund Regulation. Borrower represents warrants and shall evidence to Financier, a contribution, in the amount of \$125,111 to the production costs and expenses of the Motion Picture. The Borrower further represents and warrants that these contributions will be given by the pertinent entities or persons in exchange for units of membership in Borrower, as preferred members.

(h) PERIOD TO START PHOTOGRAPHY: Borrower will have a period of two (2) months, from the signing of this Agreement to start principal photography of the Motion Picture.

(i) COPYRIGHT MORTGAGE DOCUMENT: On or prior to the execution of this Loan Agreement, the Borrower shall have executed and delivered the Copyright Mortgage Agreement. This document has to be filed with the Copyright Office of the United States within ten (10) days of filing for copyright registration for the final product of the Motion Picture. If final product of the Motion Picture is registered with the Intellectual Property Register of Puerto Rico or any counterpart to the Copyright Office of the United States in any other country, the same covenant set forth hereinbefore shall apply.

9. 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 Motion Picture, a company presentation credit in the form of "*This Motion 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.

10. USE OF LOAN FOR PRODUCTION: The Borrower agrees to photograph and otherwise produce the Motion Picture with due diligence and in accordance with the Final Budget, to complete production thereof and deliver the Motion Picture not later than 365 calendar days as of the date of the first disbursements of funds under this Loan Agreement. The Borrower agrees that the Loan proceeds hereunder shall be used by the Borrower only to finance production of the Motion Picture as permitted by this Loan Agreement or approved in writing by the Financier.

11. 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 6 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 6 above. The Borrower shall furnish the Financier evidence satisfactory to the Financier of such insurance.

a) COMPLETION OBLIGATION: Perform each and all the material covenants, representations and warranties on its part to be performed hereunder and all other agreements material to the Motion Picture. The Borrower shall make available to Financier an "answer print" within the term of 180

calendar days after the end of principal photography. The Motion Picture shall be commercially released by no later than August 1, 2012. The Borrower shall be bound to make available or cause to be made available immediately to Financier, upon its request, screeners of the Motion Picture, in the shape or form such screener might be available at the time of such request. The Borrower agrees that the Motion Picture's production and all its business transactions in furtherance of the production of the Motion Picture may be reviewed and examined by Financier. The Borrower consents that all books and all records, whether financial or otherwise, related to this Agreement and the production of the Motion Picture will be readily available for such evaluation, within a reasonable period of time, upon Financier's request. In the event the Borrower fails to comply with this covenant, the Borrower binds itself to pay to Financier the amount of \$500.00 per day of each non-compliance.

(e) STATEMENTS; REPORTS, ETC: Borrower is obliged and compels to submit to Financier the following Statements and Reports until the Loan, plus any interest earned thereon, is paid in full:

- (i) Quarterly statement of income and expenses pertaining to distribution of the Motion Picture.
- (ii) Bimonthly statements of income and expenses for the first four (4) months of the Motion Picture's theatrical release in any market and for every market.
- (iii) Annual financial statement of the Motion 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.
- (v) Copies of all accounting statements and reports to be furnished to the Borrower under any Distribution Agreement and agrees to cause the Distributor to provide to the Financier the same rights of audit of the Distributor books and records relating to the Motion Picture as are granted the Borrower by the Distributor.

(f) 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.

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

(h) NOTIFICATION OF CHANGES: Borrower shall notify Financier within ten (10) days of any change in production related to changes in the director, producer, photography director, cast or executive producer.

 (i) PRINCIPAL PHOTOGRAPHY: Once principal photography commences, the Borrower shall submit to the Financier the daily call sheet and locations' map and directions before the production office closes for the day's work. The Borrower can submit to the Financier these documents via email. In the event the Borrower fails to comply with this covenant, Borrower shall pay to Financier a penalty of \$100.00 for each such non-compliance. Once principal photography commences, the Borrower shall submit to the Financier the previous day's production report. The production report will be submitted the next shooting day before the crew's break for lunch. In the event the Borrower fails to comply with this covenant, Borrower shall pay to Financier a penalty of \$100.00 for each such non-compliance.

(j) QUALITY CONTROL: Quality Control ("QC") provisions:

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- i. Once the Motion Picture is edited in post production, a Quality Control session must be done both internally, at the professional post production facility where layback, color correction and/or laydown has taken place, and at a reputable lab that makes deliveries for both the domestic and international markets.
 - ii. QC on materials is contingent on deliverables and all masters created for such purpose. It is understood that the process of QC for a film print or negative will be different to that of a digital master.
 - iii. QC on digital materials is also contingent on recording equipment used during the production, and on the pre-determined final format of the project, in which post production processing of files must be considered.
 - iv. Acceptable formats for finished product:
 1. If the Motion Picture is shot on celluloid and completed in film, the laydown to a digital master shall be no less than 1080p HD/D5 quality, and color corrected for the medium.

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2. If the Motion Picture is shot on celluloid but completed in digital format, the digital master shall be no less than 1080p HD/D5 quality.
 3. If the Motion Picture is shot in digital format at 4k, a 4k version must be used when outputting to film for theatrical release and kept as a master file in its own hard drive(s); if there is not going to be an output to film, the digital master can be generated from the 2K version of the Motion Picture. Acceptable codecs are upgraded on a regular basis and the guidelines for the latest technology should be employed for the best possible quality.
 4. If the Motion Picture is shot at 1080p HD/D5 quality, it may be used to output to film for theatrical screening, and the digital master shall be no less than 1080p HD/D5 quality.
 5. If the Motion Picture is shot at 720p (1080i) the digital master shall be no less than 720p. This digital format should not be used as 1080i, or up converted as it will nullify its quality for delivery purposes. Unless 720p is used for specific purposes (documentary, deterioration of pixels when enlarged as a "look", etc.), it should not be considered prime candidate for film output. 720p is acceptable for broadcast and DVD.
 6. If the Motion Picture is shot at less the 720p it will be limited as to potential distribution avenues.
- v. Distribution guidelines and deliverables:
- i. The deliverables sample guidelines reflect the current standards for both buyers and distributors. The distributor has the last word as to deliverables. The Borrower agrees to furnish the Financier with:
 1. Access to the print, IP and negative, and subtitling digital files (if the Motion Picture will be exhibited/has been finished in film);
 2. NTSC HD masters (D5 or HDCAM), according to the post production final output decision and original materials), texted and textless;
 3. PAL HD masters (D5 or HDCAM), according to the post production final output decision and original materials), texted and textless, or access to materials from which PAL masters can be generated.
 4. Digital subtitling files.
 5. EPK and Behind the Scenes materials.
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(k) WEEKLY COST REPORT: The Borrower shall submit to the Financier a weekly cost report beginning with the first week of pre-production until the period in which the accounting books close. The cost report shall include payroll, "actuals", and loss and damage. The weekly cost report will be submitted the first shoot day of the week. In the event the Borrower fails to comply with this covenant, Borrower shall pay to Financier a penalty of \$100.00 for each such non-compliance.

12. 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) LIMITATION ON SECURITY INTEREST: Create, assume or suffer to exist any security interest, mortgage, pledge, encumbrance, assignment, lien or charge of any kind upon the Collateral equal or superior to the security interests granted to the Financier under the Loan Documents, or which interferes in any way with the Financier's rights hereunder or with respect to the Collateral, other than statutory laboratory liens to be discharged in the normal course of business.

(b) 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.

13. 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) Not causing the distributors, exhibitors, licensees, sub licensees or any other person obtaining a right to exploit the picture to deposit the income generated by the exploitation of the picture directly into the Collection Account;

 (v) Default in the payment of principal on the Loan hereunder, plus any interest earned thereon, 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 Security Agreement and/or the Copyright Mortgage Agreement, the Note or any other agreement or instrument between the parties hereto relating to this transaction;

 (vi) 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;

(vii) 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;

(viii) 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;

(ix) Not filing for copyright registration with the Copyright Office of the United States within 30 days of finishing the Motion Picture and/or not filing the Copyright Mortgage Document within the time frame set in Section 6 hereof.

(x) 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.

14. 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, plus any interest earned thereon, immediately due and payable and all costs in connection therewith and/or pursue any remedies available to the Financier under this Loan Agreement, the Note, the Security Agreement, the Copyright Mortgage Agreement and/or any other documents executed in connection therewith and/or under applicable law.

15. 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), or transmitted by electronic mail (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
E-mail: mperez@puertoricofilm.com

(b) If to the Borrower, at:

Frances Lausell
Broche de Oro, LLC
Calle Cacique 2203

Santa Teresita
San Juan, Puerto Rico 00913

Tel. 787-728-1400
Fax 787-728-1407
E-mail - domoreprod@gmail.com

16. CONFLICTS WITH OTHER AGREEMENTS: Any covenant or agreement of the Borrower under the Security Agreement and/or Copyright Mortgage Agreement shall be deemed to be cumulative and not in conflict with the provisions of this Loan Agreement.

17. 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.

18. 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.

19. GOVERNING LAW: This Loan, the Security Agreement, the Note, the Copyright Mortgage Agreement 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 Puerto Rico and the Borrower hereby consents to the jurisdiction of all courts (whether State or Federal) in Puerto Rico.

20. WAIVER: Any failure or any delay on the part of the Financier, in exercising any right, power or privilege hereunder, under the Guarantee, Security Agreement, Note or Copyright Mortgage Document shall not 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.

21. AMENDMENT: No modification, amendment, or waiver of any provision of this Loan Agreement, the Guarantee, the Security Agreement, the Note, or the Copyright Mortgage Agreement 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.

22. SEVERABILITY: In case any one or more of the provisions contained in this Loan Agreement, Guarantee, Note, Security Agreement, or Copyright Mortgage Agreement 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.

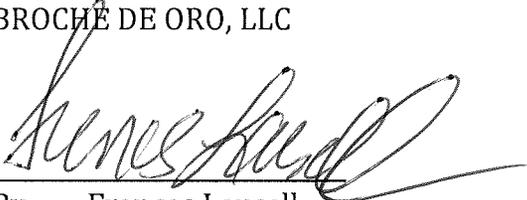
23. COUNTERPART EXECUTION: This Loan Agreement may be executed in two or more counterparts, each of which shall constitute an original, but when taken together shall constitute but one agreement.

24. 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:

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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.
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IN WITNESS WHEREOF, the parties have executed this agreement on this 31st day of October, 2011.

BORROWER:
BROCHE DE ORO, LLC

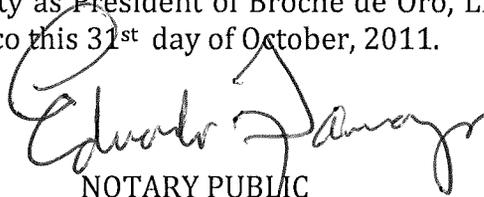

By: Frances Lausell
President

LENDER:
PUERTO RICO FILM CORPORATION


By: Mariella Pérez Serrano
Executive Director

Affidavit number 6625

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, single, executive and resident of San Juan, Puerto Rico, in her capacity as President of Broche de Oro, LLC; both personally known to me, in San Juan, Puerto Rico this 31st day of October, 2011.


NOTARY PUBLIC



Schedule 5(a)
 To Loan Agreement
 For Broche de Oro

Advance:	Amount:	Deliverables and/or Milestones
1 st	\$251,374	<p>The repayment for the development financing (\$50,000) has been retained.</p> <p>5% of the each of the producer's and director's salaries shall be retained and can only be paid from the 4th disbursement monies.</p> <p>Once all deliverable items pertaining the actual production phase have been validated by the PRFC. These include a revised budget, latest script revision and shooting schedule.</p> <p>Be advised that additional deliverable items can be asked for at any time after the advance has been disbursed. These include a pre-production weekly calendar highlighting casting, rehearsals, tech scout and final pre-production meeting. When principal photography begins you will be required to hand in daily call sheets and location maps the date prior to the shooting date and production reports the date after the shooting date. These can be distributed by email.</p>
2 nd	\$89,313	<p>Once 50% of expenses for the 1st advance have been accounted for.</p> <p>All deliverable items pertaining the actual production phase have been validated by the PRFC. Be advised that additional deliverable items can be asked for at any time after the 2nd advance has been disbursed. When principal photography begins you will be required to hand in daily call sheets and location maps the date prior to the shooting date and production reports the date after the shooting date. These can be distributed by</p>

		email.
3 rd	\$89,313	<p>Once the remaining 50% of expenses for the 1st advance have been accounted for; and 50% of expenses for the 2nd advance have been accounted for.</p> <p>All deliverable items pertaining the actual production phase have been validated by the PRFC. Be advised that additional deliverable items can be asked for at any time after the 3rd disbursement has been disbursed.</p>
4 th	\$20,000	<p>Once the remaining 50% of expenses for the 3rd advance have been accounted for 5% from producer's and director's salaries can only be paid for from these monies.</p> <p>All deliverable items pertaining the actual production phase have been validated by the PRFC. Be advised that additional deliverable items can be asked for at any time after the 4th advance has been disbursed.</p>