

SETTLEMENT AGREEMENT

This SETTLEMENT AGREEMENT dated May ____, 2009 (the "Execution Date") is hereby entered into between Kisses and Caroms Productions, LLC ("K&C") and Polychrome Pictures, LLC ("Polychrome") (collectively, the "Parties").

RECITALS

WHEREAS, on or about March 23, 2006, K&C and Polychrome entered into an agreement (the "Distribution Agreement"), pursuant to which K&C agreed to allow Polychrome to distribute K&C's film "Kisses and Caroms" (the "Film") in exchange for providing K&C with periodic royalty payments and accountings;

WHEREAS, on or about March 19, 2009, K&C sent a letter to Polychrome alleging, *inter alia*, that Polychrome had failed to comply with certain terms of the Distribution Agreement and purporting to terminate the Distribution Agreement;

WHEREAS, as of the royalty period ending December 31, 2008, it is agreed that Polychrome owes K&C an amount of \$19,641 in royalty payments for the Film;

WHEREAS, the Parties wish to amicably resolve any and all disputes between them pursuant to the terms of this Settlement Agreement (the "Settlement Agreement");

NOW, THEREFORE, in consideration of the following covenants, conditions, promises and representations, the Parties agree as follows:

AGREEMENT

1. DVDs. On the date hereof, K&C shall purchase from Polychrome the DVDs remaining in Polychrome's inventory (estimated to be approximately 9,945 DVDs) at a rate of \$1.50 per DVD. The purchase price for the DVDs (estimated to be \$14,917.50, which is \$1.50 x 9,945) shall be credited against the amount of \$19,641 that Polychrome owes to K&C, leaving a

balance of \$4,723 (the "Balance Payment"). Within thirty (30) days of execution of this Settlement Agreement, Polychrome shall cause the DVDs to be shipped to the residence of Vince Rocca at the following address:

Vince Rocca
XXX
XXX

Shipping and insurance costs shall be paid 100% by Polychrome. Polychrome shall request that the delivery truck to Mr. Rocca's home will include a lift gate and pallet jack for unloading. Prior to shipping the DVDs, Polychrome shall "disable" the existing barcodes on the DVDs without causing the appearance or packaging of the DVDs to be damaged or diminished (a slit in the shrink wrap shall not be deemed significant damage).

2. Balance Payment. Polychrome shall deliver to K&C the Balance Payment in full by wire transfer or cashier's check no later than June 30, 2009 (the "Payment Date"). To the extent it is determined that there are greater or fewer than 9,945 DVDs, the Balance Payment shall be adjusted accordingly at the rate set forth in Paragraph 1.

3. Remaining Return Reserves. Polychrome may retain an amount of \$5,819 in reserve for returns, but this amount shall be liquidated back to K&C at the close of the Third Quarter 2009 and Fourth Quarter 2009 royalty periods (50% for each quarterly period), the statements and payments for which shall be delivered to K&C no later than January 1, 2010 and April 1, 2010, respectively.

4. Library. Within sixty (60) days hereof, Polychrome shall completely remove the Film from its library; provided however, that Polychrome may retain the Film on the Netflix Video on Demand deal until it expires on **April 30, 2010**. K&C's share of any monies received

from Netflix for the Film shall be paid to K&C and reflected on the Second Quarter 2009 royalty statement, which shall be delivered to K&C no later than October 1, 2009. K&C acknowledges that Polychrome shall not be liable for retailers' actions. Retailers shall continue to have the right to deplete their inventory.

5. Termination. The Parties agree that the Distribution Agreement has been terminated and, accordingly, as between K&C and Polychrome, K&C shall own and control all right, title and interest in and to the Film; provided, however, that termination shall not affect Polychrome's obligation to continue to pay K&C its share, as provided for in the Distribution Agreement, of any royalty or other payments derived from the Film as a result of back payments or for any other reason.

6. Representations and Warranties. The following representations and warranties shall apply:

(a) Each of the Parties represents and warrants that it is represented by counsel with respect to the execution of this Settlement Agreement; that it has thoroughly discussed all aspects of this Settlement Agreement with its counsel; that it has carefully read and fully understands each provision of this Settlement Agreement; that it has been given a reasonable period of time to consider this Settlement Agreement; and that it is voluntarily entering into this Settlement Agreement without any threat, duress, coercion or undue influence.

(b) Each of the Parties represents that the individual whose signature appears below as executing the Settlement Agreement has full authority to compromise and release the claims at issue in the Action for the individual or entity on whose behalf said individual executes this Settlement Agreement.

(c) Polychrome represents that, as of December 31, 2008, it has received no funds or payments relating to the Film from any source, except for the amounts reflected on the royalty statements.

7. Event of Default. Simultaneously herewith, Eugene Taylor, on behalf of Polychrome, has executed and delivered to K&C's attorney, to be held in escrow, a confession of judgment in the amount of \$4,723.00, a copy of which is attached as Exhibit A (the "Confession of Judgment"). In the event that Polychrome fails to deliver to K&C the Balance Payment in accordance with Paragraph 2 of this Settlement Agreement ("Event of Default"), Polychrome shall have ten business days after receiving written notice thereof to cure such Event of Default. If an Event of Default occurs and is not timely cured as aforesaid, the Balance Payment of \$4,723.00 shall become immediately due and payable, and K&C shall be entitled to release the Confession of Judgment from escrow and enter judgment for the Balance Payment plus interest at the rate of 9% from June 30, 2009 against Polychrome,. K&C shall be entitled to receive from Polychrome, in addition, any reasonable attorneys' fees and disbursements incurred in collecting such judgment. Polychrome hereby agrees to waive any and all defenses to the entry of the judgment under New York CPLR § 3215(i), including without limitation defenses based on fraud in the inducement, duress, coercion, and lack of jurisdiction, except the defense that entry of judgment is barred by the terms of this Settlement Agreement.

8. Notification. Any notices required by this Settlement Agreement shall be provided by electronic or overnight mail to:

For K&C:

Jeremy S. Goldman, Esq.
Frankfurt Kurnit Klein & Selz, P.C.
488 Madison Avenue, 9th Floor

New York, New York 10022
Email: jgoldman@fkks.com

For Polychrome:

Arnold J. Holland, Esq.
Lightyear Entertainment
434 Ave. of the Americas, 6th Fl.
New York, NY 10011
Email: arnie@lightyear.com

9. Governing Law. This Settlement Agreement shall be governed and interpreted in accordance with the laws of the State of New York. Any dispute arising hereunder shall be determined by the Supreme Court of the State of New York, County of New York, and all parties consent to the personal and subject matter jurisdiction of said Court for that purpose. No provision hereof which may be construed as unenforceable shall in any way invalidate any other provisions hereof, all of which shall remain in full force and effect.

10. No oral modification. This Settlement Agreement shall not be changed, modified or terminated except in a writing signed by the Parties hereto, and any purported oral modification, whether or not supported by consideration, shall be unenforceable absent such a writing.

11. Entire Agreement. This Settlement Agreement reflects the entire agreement between the Parties hereto and supersedes any and all oral agreements, promises, discussions or representations had or made by or between the Parties before the Execution Date of this Settlement Agreement, except as set forth specifically herein.

12. Counterparts. This Settlement Agreement may be signed and submitted in counterparts. Electronically transmitted signatures shall have the same effect as originals thereof.

13. Further Acts. Each Party to this Settlement Agreement agrees to perform any further acts and execute and deliver any further documents that may be reasonably necessary to carry out the provisions of this Settlement Agreement.

14. Remedies Not Exclusive. No right or remedy hereunder is exclusive of any other right or remedy. Each and every right and remedy shall be cumulative and shall be in addition to and without prejudice to every other remedy given hereunder or now or hereafter existing at law and equity, and may be exercised from time to time as often as deemed expedient, separately or concurrently.

15. General Release. Each Party releases and forever discharges the other, contingent upon Polychrome making timely deliveries of the Balance Payment and the DVDs as provided for herein, completely, absolutely and finally, from any and all, legal, equitable or other, claims, counterclaims, demands, damages, injuries, liabilities, setoffs, defenses, contracts, accounts, suits, debts, agreements, actions, causes of action, sums of money, reckonings, bonds, bills, specialties, covenants, promises, variances, trespasses, damages, executions, judgments, findings, controversies and disputes, and any past, present or future duties, responsibilities, or obligations, of any nature whatsoever, whether liquidated or unliquidated, known or unknown, disclosed or undisclosed, from the beginning of time to the date hereof. This Settlement Agreement (and its release, when effective as provided herein) is intended as the full settlement and compromise of each, every and all claims, acts, demands, damages, debts, liabilities, accountings, obligations, costs, rights of action and causes of action, of every nature and kind, which each has against the other (except for the express obligations and limitations contained in this Agreement), and each, subject to the foregoing exception, expressly waives any and all

rights which it has or may have under any law within the United States which may be similar to the provisions of Section 1542 of the Civil Code of the State of California, which Section provides that:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUSTHAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

For the purpose of this Release paragraph, all references to Polychrome shall encompass each of its affiliates, shareholders, members, partners, principals, officers, directors, employees, agents, representatives, attorneys, advisors, predecessors, successors and assigns.

Dated: New York, New York
May ____, 2009

KISSES & CAROMS PRODUCTIONS, LLC:

By: _____
Vince Rocca

POLYCHROME PICTURES, LLC

By: _____
Eugene Taylor


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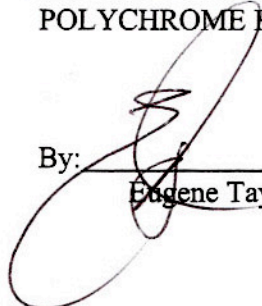
Dated: New York, New York
May 20, 2009

KISSES & CAROMS PRODUCTIONS, LLC:

By: 

Vince Rocca

POLYCHROME PICTURES, LLC

By: 

Eugene Taylor