

RECOUPMENT OF INVESTMENT

**FOR THE FEATURE FILM
"THE SLEEPING NEGRO"**

This agreement (the "Agreement"), is made as of this day of EFFECTIVE DATE, by and between The Sleeping Negro, LLC, with an address of 1 LMU DRIVE MSB-8111 LA, CA 90045 ("Production Company"), and INVESTOR NAME ("Investor").

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements hereinafter set forth and intending to be legally bound, Investor and Production Company (each a "Party," and collectively, the "Parties") agree as follows:

- 1.0 **FUNDS.** Funder shall provide to Production Company the amount of \$[AMOUNT] for use in the production of the feature length motion picture currently entitled The Sleeping Negro (the "Picture"), to be directed by Skinner Myers.
- 2.0 **SHARE OF REVENUE.** Subject to the terms and conditions hereof, the Investor shall recoup their Investment and Revenue received by the Production Company in relationship to the Picture shall be allocated, in the following manner and order of priority:
 - 2.1 First, if necessary, Production Company shall have the right to repay any first priority indebtedness incurred by Company provided that such debt is used by Production Company towards the production of the Picture.
 - 2.2 Then, a percentage of the remaining amounts of Gross Proceeds shall be allocated on a continuing basis to a reserve fund for payment of residuals as required by any applicable guild and/or union agreements (IE, 6.2% for **SAG**);
 - 2.3 Then, to the sales agent(s) for payment of the sales agency fees and expenses and for legal fees incurred in connection with the negotiation of all distribution and/or sales agency agreements;
 - 2.4 Then, to a reserve to pay for such working capital or reserves as Company reasonably determines to be necessary or appropriate for the proper operation of the Company 's business, which shall be liquidated on an on-going basis every six (6) months, provided that Company shall be permitted to withhold a reasonable amount for the purposes herein, including for tax preparation; Not to exceed a total reserve of U.S Six Thousand Dollars (\$6,000.00)
 - 2.5 Then, Company shall have the right to repay any first priority indebtedness incurred by Company up to \$40,000, plus all applicable fees and interest, in connection with the Picture.
 - 2.6 Then, one hundred percent (100%) to the investors (including Investor and all In-Kind Contributors), *pro rata pari passu* until such investors shall have been distributed an aggregated amount equal to their investments, plus fixed premium of twenty percent (20%);
 - 2.7 Then, any deferred amounts that are payable in connection with the Picture shall be paid out on a *pari passu* and proportionate basis from Adjusted Gross Proceeds;
 - 2.8 Thereafter, the balance shall be considered "**Net Profits**" and Investor shall receive Investor' s Proportionate Share of fifty percent (50%) of such Net Profits (the "**Investors' Net Profits**") on a *pari passu* basis with other investors (including In-Kind Contributors), in perpetuity. The remaining fifty percent (50%) of Net Profits shall be distributed within the sole discretion of the Company (the "**Producer Net Profits**").
 - 2.9 For the avoidance of doubt, none of the costs and expenses outlined herein may be deducted more than once.
 - 2.10 "**Proportionate Share**" shall be defined as the proportionate amount that the Investor's Investment represents against the total investments in the Picture (including In-Kind Contributions).
 - 2.11 It is understood and agreed that Company shall be permitted, within its sole discretion , to accept investors on an "in-kind" basis on the same terms as provided for cash investors in connection with the Picture (collectively "**In-Kind Contributions**" or "**In-Kind Contributors**"), provided that (i) any In-Kind Contributions shall be granted on an arms-length basis and Company shall use best commercial efforts to assign the reasonable fair market value to any such In-Kind Contributions , and (ii) in no event shall such In-Kind Contributions when taken with all cash investments exceed the Maximum Capitalization without Investor's prior written consent.

- 3.0 **GROSS PROCEEDS.** "Gross Proceeds" with respect to any period shall mean all cash, revenues, funds and receipts received, credited to or earned by the Company in connection with the Picture in any and all media worldwide during such period, including without limitation, in connection with the exploitation of the Picture in any and all media worldwide. Notwithstanding the foregoing, excess cash received from any monies raised through a "Kickstarter" fundraising campaign and non-recoupable grant monies shall not be included in the definition of Gross Proceeds, provided that any such monies shall be utilized by Production Company solely in connection with the production, completion, promotion, delivery and/or exploitation of the Picture.
- 4.0 **ACCOUNTING.** The Company shall maintain complete books and records with respect to the distribution and exploitation of the Picture. The Company shall render to Investor, on a quarterly basis for the first two (2) years after initial distribution of the Picture, a written statement of monies due Investor, if any, hereunder (the "Investor Statement") and such Investor Statement shall be accompanied by remittance of any amount shown to be due to Investor thereon. Thereafter, Investor Statements and payments shall be provided semi-annually for as long as the Picture generates Gross Proceeds. If any error is made by the Company in any Investor Statement, it may be corrected by the Company within six (6) months thereafter by making any necessary deductions or additions on subsequent Investor Statements, or at the Company's option by rendering an Amended Investor Statement. Each Investor Statement shall be rendered within sixty (60) days following the end of each accounting period and shall include payment of the applicable amounts payable to Investor. Any Investor Statement rendered by the Company hereunder shall be deemed conclusively true and correct and binding upon Investor, and shall constitute an account stated and be incontestable unless Investor delivers to the Company in writing specific objections, setting forth specific transactions or items objected to and the basis of such objections, within two (2) years from the date of such Investor Statement. Any recovery by Investor shall be limited to those items specifically objected to in writing by Investor within said two (2) year period.
- 4.1 Investor shall have the right, at Investor's sole cost and expense, to engage a certified public accountant to examine the books and records of the Company. Such examination shall be made during reasonable business hours, and upon reasonable advance written notice, at the regular place of business of the Company where such books and records are maintained. Such examination shall not be made more frequently than once each calendar year and no more than once with respect to any accounting period. With respect to any accounting period for which the Company has rendered an Investor Statement, such examination shall be permitted only for a period of two (2) years from the date such Investor Statement was received by Investor. In the event that such audit(s) reveal a discrepancy in favor of Investor of five percent (5%) or more (but not less than U.S. \$5,000), Company shall reimburse Investor for the reasonable costs of such audit(s).
- 4.2 If Company has entered into a CAMA, Company shall be relieved of its obligations to provide Investor with Investor Statements as provided for herein. Responsibility will be taken by CAMA.
- 5.0 **WARRANTIES AND REPRESENTATIONS.** Investor hereby warrants and represents to Production Company that Investor has the complete authority and power to enter into this Agreement.
- 6.0 **ASSIGNMENT.** Investor shall have the right to assign this Agreement or any part hereof, however, any such assignment shall be made specifically subject to the terms and conditions and obligations of this Agreement. Production Company shall have the right to assign this Agreement or any part hereof, however, any such assignment shall be made specifically subject to the terms and conditions and obligations of this Agreement.
- 7.0 **NO EQUITABLE RELIEF.** In the event of a breach of this Agreement by Production Company, the rights and remedies of Investor shall be limited to the right to recover monetary damages, if any, in an action at law and in no event shall Investor be entitled to enjoin or restrain the distribution or exhibition of the Picture, or the use, publication, or dissemination of any advertising issued in connection therewith and Investor irrevocably waives any right to equitable or injunctive relief.
- 8.0 **INDEMNIFICATION.** The Parties shall indemnify and hold harmless each other, their parent, affiliate and subsidiary companies and their directors, employees, agents, shareholders, licensees and assigns from all third party claims, liabilities, damages, costs and reasonable legal fees arising from any breach or alleged breach of any warranty, representation or agreement made by The Parties of this Agreement that has been determined by a court of competent jurisdiction in a final adverse judgment, or settled with both Party's prior written consent, not to be unreasonably withheld.
- 9.0 **AGREEMENT.** This Agreement shall be governed by and construed in accordance with the laws of the State of California. The parties agree and consent that the jurisdiction and venue of all matters relating to

this Agreement will be vested exclusively in the federal, state and local courts within the State of California. This Agreement contains the entire understanding of the Parties relating to the subject matter herein and supersedes all other agreements between the Parties whether written or oral relating thereto and may not be modified or amended except by written instrument executed by both of the parties hereto. A waiver by either Party of any provision of this Agreement in any instance shall not be deemed to waive such provision for the future. All remedies, rights, undertakings, and obligations contained in this Agreement shall be cumulative and none of them shall be in limitation of any other remedy, right, undertaking, or obligation of either Party. Should any provision of this Agreement be determined to be void, it shall not affect the validity of any other provision of this Agreement.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement with the full power and authority to enter into and perform the rights and obligations contained herein as of the day and year first above written.

IN WITNESS WHEREOF, the parties have executed this agreement as of [EFFECTIVE DATE]

IN WITNESS WHEREOF, the parties have executed this agreement as of [EFFECTIVE DATE].

COMPANY:

The Sleeping Negro LLC

Founder Signature

Name: [FOUNDER_NAME]

Title: [FOUNDER_TITLE]

Read and Approved (For IRA Use Only):

INVESTOR:

By: _____

Investor Signature

By: _____

Name: [INVESTOR NAME]

Title: [INVESTOR TITLE]

The Investor is an “accredited investor” as that term is defined in Regulation D promulgated by the Securities and Exchange Commission under the Securities Act.

Please indicate Yes or No by checking the appropriate box:

☐ Accredited

☐ Not Accredited