

Gray State/MEG
Motion Picture Rights
Option/Purchase Agreement Deal Memo

This Option/Purchase Agreement Deal Memo is made this 25th day of July 2014.

BETWEEN: MEG, LLC (Michael Entertainment Group) [hereinafter "Producer"]

AND: David Crowley and entity to be later designated [hereinafter "Owner"]

Purpose: MEG and GRAY STATE plan to enter into an option and purchase agreement for the acquisition of the theatrical motion picture (the "Picture") rights, to the original screenplay, currently known as "Gray State," written by David Crowley (the "Work").

1. Option: Owner grants Producer an exclusive option to acquire the worldwide exclusive theatrical motion picture and subsidiary rights to the Work (the "Rights").
 - a. Option Term: 12 months; right to second option with 9-month term if Picture is in active development or pre-production.
 - b. Option Price: \$35,000, not applicable to Purchase Price.
 - c. Second Option Price: \$35,000.
 - d. Purchase Price: 5% of the total Budget, with a floor of \$300,000 and a ceiling of \$900,000 less prior deductible payments.

2. Rights Granted: Provided Producer actually produces and distributes the Picture, makes all payments required to Owner and except as expressly reserved, upon exercise of the Option as may be extended, Producer shall acquire the Rights. If Producer fails to exercise any of the prequel, sequel, digital and audio or audio visual rights within 5 years of the release of the theatrical motion picture, such rights will revert to Owner and Owner's only obligation to Producers will be to pay Producers 5% of the net profits derived from the exploitation of such right or rights.

3. Owner Retained Rights:

- a. The rights to the Work shall not include derivatives and ancillary rights to Existing Materials, e.g., Gray State trailer and footage, existing characters, the Gray State website, and social media (Facebook, Twitter).
- b. During Option period, Producer shall have right to license Existing Materials from Owner, but shall not administer, modify, publish or otherwise use without consideration and Owner's written consent.

4. Owner Written Sequel/Prequel Publishing Rights:

- a. Owner has the right to publish, but not prior to the expiration of the Second Option, if exercised, in all media.
- b. Producer shall have first right of refusal to sequel if it purchases Work.
- c. Owner represents that no sequel exists at this time.

5. First Negotiation/Last Refusal: Provided Owner produces and distributes the Picture Owner grants Producer rights of first negotiation and last refusal to acquire:

- a. Sequel and Prequel rights;
- b. Reserved Rights; and
- c. Any other ancillary or derivative rights.

6. Owner Set Up Bonus: Applicable against the Purchase Price payable on execution of an agreement:

- a. Major studio: 5% of Budget with \$50,000 floor; \$75,000 ceiling.
- b. Mini-major: 5% of Budget with \$30,000 floor; \$50,000 ceiling.
- c. Cable/Network: 5% of Budget with \$15,000 floor; \$25,000 ceiling.

8. Rewrites; Consultant Fee; Travel Expenses:

Owner shall have meaningful consultation with Producer and any other screenwriter regarding any rewrites of the Work. Owner will be entitled to consultant fee for services during Option period(s) or production.

- a. Owner will have right of first refusal to write any polishes.
- b. Owner's fee per WGA for any rewrites or polishes.
- c. If Owner is rendering services, Producer will pay Owner travel and accommodation expenses MFN with Producer or Director.

9. Contingent Compensation. Owner will be entitled to contingent compensation, amount equal to 5% Adjusted Gross on a MFN basis with Producer and/or Director, from all sources, revenue streams and exploitations.

10. Credit: Owner will receive the following credits on the picture and in all paid advertising and promotion materials whenever and wherever the Producer and/or Director are credited, except for individual award and congratulatory ads:
- a. "Written by" print and screen credit equal in all aspects to credit accorded to any other screenwriter, director, or producer and accordance with the rules and regulations for authors of original works.
 - b. If Major Studio production, Owner will received a Producer credited equal in all aspects to the credit accorded to screenwriter, director, or producer.
 - c. Writing credits will be determined according to WGA Rules and Regulations, whether or not the Picture is subject to WGA.
12. Assignment: Any assignment by Producer of the optioned Rights is subject to meaningful consultation with Owner and acceptance by assignee of all terms of this Deal Memo.
13. Other standard provisions: The parties to this Deal Memo contemplate the execution of a more formal agreement including all the terms of this Deal Memo and all standard terms and conditions for agreements of this type, including but not limited to:
- a. Passive payments for all TV or other media works created based on the Picture.
 - b. Standard audit provisions.
 - c. Inclusion of Owner on Producers insurance policies as "additional insured."
 - d. Invitation to Owner and a guest to all premieres, including film festivals, on an MFN basis with producer and director.
 - e. Indemnification.
 - f. Representations and Warranties.
 - g. Force majeure.
 - h. Enforcement of Agreement in Minnesota or California. Consent to personal jurisdiction.
 - i. Attorneys fees' to prevailing party if enforcement action.
 - j. Turnaround rights.
 - k. Breach and default.

UNDERSTOOD & AGREED:

(Tbd) LLC

MEG, LLC

By: _____
DAVID CROWLEY

By: _____
MICHAEL O'DONNELL