

Realm Pictures International

Steal Away Term Sheet

Realm, LLC
Covenant Lane, LLC
12400 Ventura Blvd., #680
Studio City, CA 91604
RealmPictures.co

THIS SUMMARY OF INVESTMENT TERMS HIGHLIGHTS THE PROVISIONS OF THE PROPOSED FINANCING OF COVENANT LANE, LLC (THE COMPANY) THROUGH THE ISSUANCE OF PREFERRED MEMBERSHIP EQUITY UNITS AND CONVERTIBLE PROMISSORY NOTES. THIS SUMMARY DOES NOT CONSTITUTE EITHER AN OFFER TO SELL OR AN OFFER TO PURCHASE SECURITIES.

THERE ARE NO OBLIGATIONS ON THE PART OF ANY NEGOTIATING PARTY UNTIL THE DEFINITIVE DOCUMENTS ARE SIGNED BY ALL PARTIES. THE TRANSACTIONS CONTEMPLATED BY THIS SUMMARY OF TERMS ARE SUBJECT TO THE SATISFACTORY COMPLETION OF THOROUGH DUE DILIGENCE.

YOU SHOULD NOT MAKE YOUR INVESTMENT DECISION SOLELY BASED ON THE INFORMATION CONTAINED IN THIS TERM SHEET. THIS OFFERING WILL BE MADE PURSUANT TO A PRIVATE PLACEMENT MEMORANDUM, WHICH WILL CONTAIN EXTENSIVE DISCLOSURES ON THE COMPANY, ITS SECURITIES, RISK FACTORS, MANAGEMENT AND OTHER MATTERS. ANY DISCLOSURES CONTAINED IN THIS TERM SHEET ARE SUBJECT TO, AND DEEMED SUPERSEDED BY, THE INFORMATION SET FORTH IN THE PRIVATE PLACEMENT MEMORANDUM. YOU SHOULD CAREFULLY REVIEW THE PRIVATE PLACEMENT MEMORANDUM BEFORE MAKING A DECISION AS TO WHETHER OR NOT YOU SHOULD INVEST.

CONFIDENTIALITY: THE TERMS AND CONDITIONS OF THIS SUMMARY SHALL BE CONFIDENTIAL INFORMATION AND SHALL NOT BE DISCLOSED TO ANY THIRD PARTY WITHOUT CONSENT OF COVENANT LANE, LLC EXCEPT WHEN THE COMPANY AND THE INVESTORS MAY DISCLOSE THE TERMS AND CONDITIONS DESCRIBED IN THIS SUMMARY TO THEIR RESPECTIVE OFFICERS, DIRECTORS, PARTNERS, EMPLOYEES, ATTORNEYS AND OTHER ADVISORS AND PROVIDED SUCH PERSONS AGREE TO THE CONFIDENTIALITY RESTRICTIONS CONTAINED HEREIN.

General Information

Issuer	Covenant Lane LLC 12400 Ventura Blvd., #680, Studio City, CA, 91604
Legal Structure	California-based Limited Liability Company (LLC)
Managing Member	Realm, LLC will act as the Managing Member of the Company, with the authority to help run the day-to-day operations, make decisions, and establish contracts and agreements. Realm, LLC is controlled by its founders, Stephen A. Blake and Sonya Blake. Accordingly, Stephen Blake will have full control over the management and activities of the Company.
Registration	SEC Regulation D, Rule 506(C)
Total Capital Raise	\$34,700,000 (USD)
Pre-Money Valuation	\$3.47
Post-Money Valuation	\$34,700,003.47
Intellectual Property	The Company holds the exclusive film rights to the <i>Steal Away</i> screenplay as well as Andrew Ward's book, <i>Dark Midnight When I Rise</i> (HarperCollins).
Qualified Investors	Natural persons or entities that are defined as, "Accredited Investors," under Rule 501 (C) of Regulation D, promulgated under the Securities Act of 1933 as amended (the "Securities Act").
Investment Capital Structure	The Company offers Qualified Investors two types of securities: 1.) Membership Equity Units 2.) Convertible Promissory Notes Investors may purchase either/or both types of securities, simultaneously, pursuant to the terms outlined in this document.
Conditions to Closing	<p>The Company may immediately use up to 20% of funds raised for operational and pre-production expenses. The remaining 80% of funds will remain protected in escrow until the company reaches the minimum amount needed to enter production. However, if the Company fails to raise the Minimum Capital within 24 months, following the initial receipt of an Investor's funds, then the Company will notify the Investor that the Investor may request to reclaim their principal investment less the amount that was immediately used by the Company (i.e., no greater than 20%). This request must be made within 30 business days following the receipt of the Company's notice.</p> <p>In this event, if the film is in fact made, withdrawn Investors may be entitled to receive the remaining balance of their principal investment (including accrued interest for Noteholders) from the film's proceeds pursuant to the terms included in this document. In the event that the film is not made, and the project is cancelled, then the Company will put forth reasonable best efforts to return the remainder of Noteholders' principal and accrued interest.</p>

Terms of Securities

Membership Equity Units

<u>Total Number of Units:</u>		
Available for Purchase	10,000,000	Non-Voting Equity Share
Retained by the Managing Member	1	Voting Equity Share
Price Per Unit	\$3.47	
Minimum Investment Amount	\$25,000	Minimum unit purchase of 7,204.61 (\$25,000/\$3.47).
Fractional Units	Yes	Preferred Membership Equity Units may be fractionalized.
Return of Principal Investment	Yes	Equity Investors' principal investments will be paid back in full before any distributions are made to the Managing Member and/or other profit participants.
Preferred Return on Investment	20%	In addition to recovering 100% of their investment, Equity Investors will also receive an aggregate 20% non-compounding preferred rate of return on their principal. This preferred return will be regarded at the same priority as the recoupment of the principal investment in the revenue waterfall. Thus, if an Investor invests \$1,000,000, he/she will receive \$1,200,000 before any distributions are made to the Managing Member and/or other profit participants.
Profit Participation	50%	Following Equity Investor and/or Noteholder recoupments, preferred return and/or accrued interest payouts, the settling of film-related costs, and any preceding waterfall distributions, up to 50% of the film's total net profits (collectively representing the "Investors' Pool") will be set aside for distribution to Equity Investors. The Investors' Pool will be distributed on a pro-rata basis commensurate with the proportion of Equity Investors' respective investments to the final tallied production budget of the film. Note that if Equity Investors were to collectively invest 100% of the film's final tallied budget, then the full Investors' Pool would be paid out; if Equity Investors were to collectively invest, for example, 50% of the film's final tallied budget, then 50% of the Investors' Pool would be paid out. Illustrative examples are outlined below.

Example of Profit Participation

Equity Investment	% Total Budget and Investors' Pool	% Total Net Profits Due to Equity Investor(s)
\$34,700,000	100%	50%
\$27,760,000	80%	40%
\$17,350,000	50%	25%
\$978,540	2.82%	1.41%

Post-Recoupment Restructuring	Yes	Once Equity Investors and/or Noteholders are paid back their principal investment(s), plus preferred returns and/or accrued interest respectively, the Company will issue additional shares to the Managing Member to make the Managing Member's percentage of ownership in the Company commensurate with the difference between the percentage of total net profits due to Equity Investors (see table above) and 100%. Thus, if Equity Investors were to collectively invest 80% of the film's final tallied budget, they would be entitled to 80% of the Investors' Pool, which equals 40% of the film's total net profits. In this case, the Company would issue additional shares to the Managing Member to bring the Managing Member's percentage of ownership in the Company to 60% (100% - 40% = 60%).
Redemption Rights	None	The Company does not have the right to redeem its preferred membership units.

Terms of Securities

Convertible (Non-Participating) Promissory Notes

Max. # of Notes Available for Purchase	1,388	Assumes 100% of the capital raise is through the issuance of Convertible Promissory Notes.
Interest Rate	5%	All notes will carry a fixed annual interest rate of 5%.
Interest Compound Frequency	Annual	5% interest will be compounded annually until Maturity.
Periodic Interest Payments	Zero	Notes will not pay periodic interest payments. Thus, all notes are sold at a discount and all accrued interest will be due at Maturity.
Maturity	60 Months (5 Years)	Unless a note is earlier repaid, by the Company or converted by the Noteholder, the outstanding principal amount and unpaid accrued interest will become due and payable on or after the date. This would be 60 months from the conclusion of the rescission period (defined in the "Investor Rights" section below).
Min. Investment/Note Value	\$25,000 (\$USD)	Each note will carry an indivisible value of \$25,000. Thus, the minimum (min.) investment via Convertible Promissory Notes is one note, or \$25,000. An investment of \$1,000,000 would purchase 40 notes.
Face Value Per Note	\$31,907 (\$USD)	Given the Company will not be issuing periodic interest payments, Notes will be sold at a discount based on an annual 5% compounded return. Thus, the face value of each note, held to Maturity is $\$31,907.04 = [(\$25,000.00 (1.05)^5)]$. If a note is converted or called by the Company prior to Maturity, its face value will decrease proportionally.
Rights of Conversion (Debt-to-Equity)	Yes	Noteholders may convert some (or all) of their total held notes into Preferred Membership Equity Units during the defined Conversion Period (outlined below). Conversion into equity units requires Noteholders to surrender their note(s) and all warranties contained in the Convertible Promissory Note Purchase Agreement (including any accrued interest).

Equity Units Available for Conversion 7,204.61 At the time of purchase, a fixed number of preferred membership units will be set aside to be available for conversion during the defined Conversion Period (outlined below). This number will be a function of the principal investment divided by the equity unit price. Thus, each note represents 7,204.61 total preferred membership units (\$25,000/\$3.47).
 (Units/Note)

Conversion Period Noteholders can exercise their unilateral right of conversion from debt to equity at any time during the Conversion Period. Once a Noteholder converts to equity, they will surrender their note(s) and receive the fixed number of Preferred Membership Equity Units that were set aside, with their principal investment, at the time of closing (see “Equity Units Available for Conversion” section above). These Preferred Membership Equity Units will adhere to the same terms outlined in the “Preferred Membership Equity Units” section above. However, each will carry an adjusted preferred rate of return and profit participation privileges pursuant to the schedule below.

Conversion Period Schedule

Event	Trigger Events (Completion of...)	Profit Participation	Preferred Return
1	Financing	50%	20%
2	Pre-Production	40%	16%
3	50% of Production	30%	12%
4	100% of Production	20%	8%
5	Post-Production	10%	4%

Debt to Maturity	Unilateral	Noteholders may hold their notes until the stated Maturity date. The earmarked equity units that are not converted, during the Conversion Period, will be distributed to the Managing Member once all Equity Investors and/or Noteholders are paid back their principal investment plus preferred returns and/or accrued interest, respectively.
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Callable Rights	Unilateral	The Company reserves the right to prepay the principal amount plus any accrued interest on each note prior to the note's stated Maturity date. The Company will notify Noteholders of its intent to call said note(s) at least five business days in advance (i.e., the "Notification Period"). The Noteholder will have the option to convert their note(s) into equity during the Notification Period.
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Liquidation Preference		Noteholders shall have preference upon liquidation over the Managing Member and all Equity Investors.
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Investor Rights

Transferability (Assignability)	No	Preferred Membership Equity Units and Convertible Promissory Notes are not transferable or assignable; they may not be pledged as collateral.
Information Rights	Yes	The Company will share regular progress reports and semi-annual financial reports to its Equity Investors and Noteholders. Investors will also be granted at-will auditing rights.
Preemptive Rights	Yes	If, for any unforeseen reason, the Company must increase the value of its Total Capital Raise, Equity Investors may be granted a “First Right of Refusal” to purchase additional equity interest to maintain their percentage ownership share in the Company.
Right of Rescission	3 Business Days	Investors may reclaim their investment principal for up to 3 business days following the date that their funds are transferred to the Company.
Distribution Waterfall Schedule		The following Distribution Waterfall Schedule dictates a fixed percentage of net income that will be allocated to Equity Investors and Noteholders until they are paid back their principal investments plus preferred returns and/or accrued interest, respectively. It will also remain in effect, as long as, the Company is distributing net income to both Equity Investors and Noteholders. If only one investor type remains (i.e., either 100% Equity Investors or 100% Noteholders), then that investor type will be entitled to 100% of the net income distributions until they recover their full principal investment plus preferred returns or accrued interest.

Distribution Waterfall Schedule

Net Income Distribution %	Security Classification	Return
25%	Preferred Equity Units	Principal x 120%
	Converted Debt-to-Equity Units	Principal x (100 + Adj. Preferred Rate of Return)
75%	Debt to Maturity	Principal + Accrued Interest

Example:	
1.) Equity Investor:	\$1,000,000 investment \$1,200,000 due
2.) Noteholder:	\$1,000,000 investment \$1,276,282 due at Maturity
End of Year 3 Net Income for the Company (after the Conversion Period has ended):	\$1,000,000

Distribution Waterfall:	
Equity Investor Payout: \$1,000,000 x 0.25	\$250,000 will be distributed towards the \$1,200,000 due
Noteholder Payout: \$1,000,000 x 0.75	\$750,000 will be distributed
The adjusting the amount due at Maturity:	\$526,282

For additional, please direct inquiries to:

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