



Gramarye Media

AN ASSET-CLASS SECURITY TOKEN OFFERING (STO)

White Paper Summary

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Executive Summary

Three Pillars for Revenue Generation

Gramarye Media is a disruptive book publisher, a film studio, a game developer, and more. We're the world's first content incubator.

Gramarye Media is the cross-media entertainment studio of the future, the first on the east coast – discovering, incubating, vetting, producing, and distributing original content, including books, films, games, AR and VR, merchandise, and more. We're disrupting the Hollywood studio model.

With budgets soaring, original content is risky because it lacks brand awareness. Meanwhile, analysts and executives agree: the cycle of sequels and remakes is presenting increasing danger to industry profitability. In addition, there is tremendous waste built into the Hollywood system.

Executives and analysts agree: Hollywood spends at least twice what it should making films.

Gramarye has recognized that these issues provide an opportunity for disruption. Our process is based on three core concepts:

1. **Reduce Risk** – Discover *original* content with a built-in, proven audience
2. **Produce Content at a Significantly Lower Cost** for *multiple cross-media channels in concert* to open new opportunities for revenue generation
3. Own access to **Distribution Channels**

All three pillars will generate revenue.

Blockchain Technology

Gramarye makes disruptive use of blockchain technology in two ways:

First, Gramarye's SEC-Compliant STO raise makes us the first major studio funded by a preferred stock offer represented by a Blockchain-based Security Token. It's not just a Gramarye raise – *we're investing in a complete ecosystem of partner companies*, each of which expands our capabilities and returns dividends to token holders while diversifying the investment.

Second, Gramarye uses blockchain utility tokens (which cannot be sold) to provide meaningful rewards and incentives to fan evangelists who spark the viral spread of brand awareness, and to stream content directly to consumers hungry for the core, generational stories that unite us all.



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The Problem: Why Does the Hollywood Model Need Disruption?

During our work at Georgia Tech's Flashpoint business accelerator program, we interviewed dozens of Hollywood Executives. Without exception, they agreed: after decades of waste and overhead built into the system, Hollywood spends at least 2X what they should on a film.

Development Costs

To start a major film studio from the ground up, one would usually start with a development fund of between \$20 million to \$50 million. This is used to develop slates of films, most of which are never made. This is a "sunk cost" that must be amortized in the films that are actually produced.

Studios spend between \$1 million to over \$20 million on *films that are never actually made*.

One C-level studio executive told us that studios (including his) spend anywhere from \$250,000 to \$5 million on big data analytics before greenlighting a film ... without uncovering anything that is reliably predictive.

The Cycle of Sequels and Remakes has "Played Out"

Risk-averse studio executives remain dependent on the cycle of sequels and remakes, even though it is showing signs of diminishing returns. Again without exception, the executives we interviewed agreed with financial analyst Vasily Karasyov of J. P. Morgan who said "the cycle of sequels and remakes have played out," and "films based on previous intellectual properties present a growing risk to film industry profitability."

For the most part, original content is perceived as too risky, because it lacks brand awareness. Every executive we talked to also agreed that the only way to get a project greenlit today is to base it on an existing property, such as a published book or comic, with an audience and a track record.

These costs are over and above the tremendous overhead built into the decades-old studio system, including dated infrastructure, legacy staff, libraries of expensive content stuck in development hell, and more. These are costs that Gramarye Media, operating as a "virtual studio," eliminates.

The executives we interviewed agreed on one more thing...

While the Hollywood model is ripe for disruption, it can't be done from within the system. Gramarye Media is reinventing the studio, and we're doing on the east coast for the very first time.

The two rarest and most valuable commodities in entertainment media are branded content and distribution. Gramarye Media will have both.



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The Solution: Disrupting Hollywood With A New Business Model

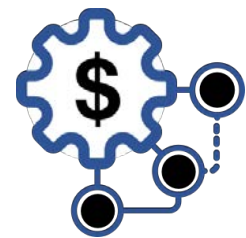
The Gramarye model is based on three core ideas:



#1 Risk
Mitigation



#2 Cost
Reduction



#3 Multiple
Revenue Streams

Risk Reduction



Gramarye, a graduate of Georgia Tech's exclusive Flashpoint business accelerator, applies the "Silicon Valley" process (rigorous process for reliable innovation) to content. Fewer than 10 percent of all startups

succeed, but more than 80 percent of the companies that go through accelerators succeed, according to a study made by the Institute of Public Administration at Pennsylvania State University.¹

Stories are also innovated. They, too, can be innovated reliably.

As a part of our work at Flashpoint, we conducted literally thousands of interviews with active participants in fan communities – from online forums to fan conventions and even ticketed Harry Potter and *Star Wars* pub crawls – to better understand what attracts them. That research helped shape our selection criteria. The larger point is this: *when those communities form, they are worth billions.*

We provide the content likely to attract those communities and we provide an opportunity for them to thrive and grow. When we discover and prove a community forming around a story, we develop cross-media franchises. When we discover and prove a community forming around a story, we develop cross-media franchises.

¹ <http://www.nytimes.com/1988/10/23/nyregion/small-businesses-share-an-incubator.html?pagewanted=all>



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Risk Reduction Methodology: A 4-Step Process

1. Content Selection

We begin by selecting unpublished book manuscripts that seem to have the “DNA” to become cross-media franchises. A team of “A List” industry veterans with deep uses our selection “check list” to select diversified portfolios of stories for incubation. *In short, we will shift Hollywood’s “hunter/gather” model of looking for original content to an agricultural model, “growing” content for potential franchises.*

2. Content Development

Selected titles go through a year-long incubation process, inspired by our own experiences at Flashpoint and Pixar’s story development process. The incubation process is also led by our team of “A List” industry veterans. The incubation process ends with four deliverables:

1. An edited, polished manuscript that maximizes the story’s potential
2. A development package, including treatment (and possibly script), production art, budgets, etc.
3. An author trained to collaborate and shepherd a project through cross-channel development
4. An eBook 2.0 app ready for distribution

3. Publishing

After the incubation process, Gramarye publishes the content as hardcover and/or trade paperback books and as enhanced “eBook 2.0” immersive reading experiences using proprietary technology and a proprietary social media platform. The eBooks are layered with interactivity, creating truly immersive “wow” reading experiences. The interactivity allows Gramarye to empower and incent users to share and network. We can track and measure the viral spread of brand awareness as the communities grow.

4. Data Mining

The interactivity also allows Gramarye to mine data to identify key inflection points and more, and to track the information by age, sex, and location. This allows Gramarye to better understand fan passion and adapt in a satisfying way, to better create and target merchandise, and to know exactly how to market. More importantly, since our tests are primary and based on direct observation and measurement, we uncover data that is more likely to be reliably predictive. We are tracking viral spread of brand awareness and actual audience congregation around a specific intellectual property, not a comp.

We use this process instead of the traditional Hollywood development process, which leads to millions of dollars wasted on films that aren’t actually produced. More, *our incubation process actually generates revenue.* Instead of starting with a \$20 million to \$50 million “hole” that must be amortized in the films that are actually produced, we start at breakeven, plus a 20 to 30 percent return.



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Lower-Cost Production

The incubation process enables us to eliminate the “sunk costs” of development. As a part of the same process, we can eliminate much of the overhead built into the traditional studio system. We also take advantage of a lower cost of business in Georgia and some of the nation’s most generous tax incentives.

We will build an advanced virtual production facility, allowing us to significantly reduce the costs of tentpole/event films. Most significantly, this technology lets us create assets that can be used across various media channels, including film, television, animation, games, AR/VR, location-based, and even merchandise. Each represents a new revenue stream for the same basic below-the-line cost.



Distribution

Along with branded content, *distribution is, quite literally, the rarest commodity in entertainment.* Gramarye will use proceeds from the STO to make key investments in an ecosystem giving us full access to theaters, television, streaming, brick and mortar and online book retailers, and more.



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Beyond Gramarye: Funding an Entertainment Ecosystem

Proceeds from the sale of Mythos tokens will be used to fund the operations of Gramarye Media and to build our technology, production, and distribution capabilities. We're not stopping there. We are also using the proceeds to invest in other entertainment entities, most of which are based here in Georgia. Mythos is not just a security to fund Gramarye; it will fund and sustain an entire entertainment ecosystem.

- **Sequence:** Gramarye will acquire a minimum 30 percent stake in a new entity created to fill the product vacuum left by the major studios by creating a disruptive new motion picture distribution and finance company. In addition to financial upside, Gramarye ensures worldwide theatrical and streaming distribution of all its films.
- **The Creative Media Industries Institute (CMII)** at Georgia State University is arguably the single most advanced virtual production facility on the planet, featuring Virtual production to support live performances driving 3D characters in virtual worlds, layering virtual characters and objects over real world environments, an augmented Reality CAVE Lab, a walking VR Lab, best-in-Class Editing, Color-Correction, and Post-Production Suites, "Lagless" Music and Dialog Recording, and more.
- **ConcentraQ** helps power Gramarye's powerful social media and tracking capability. ConcentraQ enables real visibility into social influence and endorsement activities from the ground up — starting at the individual consumer level. It provides tools for brand marketers that seamlessly integrate into promotions, giving prospects and customers the opportunity to easily endorse brands/products within in their social spaces.
- **The Story Plant/The Fiction Studio** is a prestigious traditional publisher giving Gramarye access to brick and mortar bookstores, as well as online retailers, for our quality hardback and trade paperback books.

All of these partners enhance Gramarye's capabilities, creating a thriving entertainment ecosystem that is stronger than the sum of its parts.

Token holders benefit in three key ways:

1. Additional revenue for faster and larger dividends opportunities
2. More activity to potentially increase token value on the open markets
3. Risk reduction through investment diversification



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Security Token Offering: Introducing the Mythos Token (MYT)



Gramarye Media will create the **Mythos (MYT)** token, a preferred stock offering represented by a blockchain-based token built on the Ethereum platform.

The initial tokens (each representing a preferred stock share) will be minted in a limited amount (1 Billion coins) and released according to development needs over a 10-year period. The initial issue shall be limited to \$10 million for accredited investors, followed immediately by a second round of \$165 million.

This STO will be a fully-compliant security, offered with the assumption that the tokens may increase in value and earn dividends as well as granting other privileges to investors.

We intend to be in full compliance of any and all pertinent regulations, and we shall amend the terms of the STO as required by any securities trading regulations applicable to cryptocurrency transactions, now and in the future, as required by law.

The Mythos coins (tokens) shall be offered to accredited investors beginning with a pre-sale under a Simple Agreement for Future Equity (SAFE) with a discount of 30 percent.

The initial \$175 million token release will be addressed to accredited investors in compliance with SEC regulations for securities issue. The remaining tokens shall be held in reserve to fund future productions. Gramarye Media will make every good faith effort to ensure that additional tokens are released *only* when we have confidence that the new productions will raise the value of the existing tokens sufficiently to offset any potential dilution effects. Further releases shall be issued according to the financial activity of the enterprise, with buy-backs conducted as appropriate to support the token market value.

Token Benefits

Tokens are issued with the assumption that they can be freely traded in compliance with all relevant currency and securities regulations, and that they will increase in value over time.

At the end of each fiscal year in which we recognize a net profit, Gramarye Media will give token owners the right to vote to distribute dividends equal to 15 percent of net profits proportionally in the form of bonus tokens or cash.

Token holders shall have the right to purchase additional tokens in subsequent releases before the general public. In addition, Token Holders shall be entitled to privileged access to content, including production art, online talent interactions, production art, scripts, and more.



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Mythos Token at a Glance

Tokens minted:	1B
Token Platform	Ethereum
Prerelease tokens (SAFT)	(soft cap \$500k)
Tokens released in Year 1:	\$175MM (Two Rounds)
Tokens released in Year 2 (projected):	\$175MM
Tokens reserved for Gramarye Team	150MM
Issue Price:	\$1/one token
Payment Accepted:	ETH, Most international fiat currencies
Issue Platform:	TBD (As wide as possible)
Pre-release SAFE Sale Date:	June, 2018
Sale Date:	Targeted for November, 2018
Discount Offer	30 percent

All tokens shall be tradable, subject to relevant securities laws.

Tokens will be placed on as many exchanges as possible to ensure maximum value and tradability. Gramarye Media will cooperate with all broker-dealers and platforms officially registered to trade tokens when investors are able to resell Mythos tokens on the open market (one year after initial investment/purchase per Rule 144).

Sufficient Ethereum gas will be added to the smart contracts to ensure smooth operations and rapid transactions. All smart contracts will be audited.



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Return on Investment

Tokens holders benefit from the upside of Gramarye Media, as well as an entire ecosystem of partner companies that together create a sustainable creative industry.

The preliminary financial information covers an initial 9-year period and illustrates a high-level overview of the complete ecosystem investment, including ROI and allocation of funds.

This model shows revenue earned during the incubation process; however, it does NOT include any projections for revenue from cross-media development of successfully-incubated titles, since that may require a separate raise or a future release of tokens.

It also does NOT include television production, merchandising, toys, etc. (which we assume to be the most significant revenue generated) because we have found no reliable way to project it.

Sources & Uses of Funds			IRR	Year 0 CF	Total Cash Flow
Incubation / Pipeline R&D					
	ebook Revenue				\$310,843,684
	eBooks Development			-\$14,000,000	
	eBook Apps Sales			-\$7,500,000	
	Development Facilities & Technology for Cross Media			-\$10,000,000	
	Overhead Allocation	75%		-\$12,375,000	
Film & TV Production & Distribution					
	Film Investment Revenue				\$54,145,534
	Film Production Revenue				\$177,604,500
	Film & TV Development & Facilities			-\$44,000,000	
	Overhead Allocation	10%		-\$1,650,000	
Ecosystem Investments					
	ConcentraQ Revenue (Technology)			-\$500,000	\$9,275,808
	The Story Plant Revenue (Book Publishing)			-\$2,500,000	\$11,066,724
	Sequence Revenue (Film Distribution)			-\$80,000,000	\$155,780,000
	Overhead Allocation	15%		-\$2,475,000	
Total			28.44%	-\$175,000,000	\$718,716,250

The complete financial pro forma deck can be downloaded from the Gramarye STO document library at: <https://www.gramaryemedia.com/wp-content/uploads/Gramarye-Return.xlsx>



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Team and Contact

John Adcox, CEO, has over 20 years of experience in advertising, marketing, integrated media strategy among others. He has previously worked with AT&T, Mercedes-Benz, IBM, Pfizer and Microsoft among others.

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Alice P. Neuhauser, President, has extensive experience in financial management for the entertainment industry. She was involved in the production of *Terminator 2*, *The Bank Job*, *Total Recall*, *The Forbidden Kingdom*, and *Brothers*, among others. She was the original developer of Manhattan Beach Studios.

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Marcus Rodriguez, COO, is a Wall Street veteran with more than 24 years of experience working with Hedge Funds, Broker-Dealers, and Investment Advisors. Marcus acted in the capacity of President, CCO, COO, FINOP for numerous firms over his career, including Chicago Securities, Global-American Investments and Direct Access Brokerage.

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Don Dudenhoeffer, Chief Creative Officer, has more than 20 + years of experience in creative design and implementation. He led the first design team to win an Emmy award in interactive TV. He works with emerging technologies in interactive TV, mobile devices, video distribution etc.

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Irtaza Barlas, PhD, Chief Innovation Officer, was the Principal Investigator on DARPA-funded research on Self-Aware Processing Systems. His PhD thesis focused on distributed AI systems for engineering applications.

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Arthur Stepanyan, Executive Director, Blockchain, is actively involved in the startup ecosystem as an advisor. He is currently engaged in promotion of blockchain and cryptocurrency technologies.

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Jerome Deutsch, Business Advisor, has more than 30 years of capital markets management, strategic planning, product development and marketing experience in the institutional investment, high-net worth and private investment markets. for firms including Wells Fargo, UBS Financial Services and Charles Schwab.

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