Gramarye Media

SECURITY TOKEN OFFERING
WHITE PAPER ADDENDUM – EXHIBITS

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Exhibit 1: The Content Incubation Process

Hollywood depends on branded entertainment — franchises that are perceived as having a "built in audience." As a result, studios depend on a cycle of sequels and remakes, because they are perceived as safer. However, analysts and executives agree: the cycle of sequels and remakes has played out and presents *significant, even existential threats to industry profitability*.

With budgets soaring, original content is risky because it lacks brand awareness. In addition, there is waste "built in" to the Hollywood system. For example, studios spend anywhere from $1m to over $20 million on films that are never actually made. That spend includes anywhere from $250k to over $5m on "big data" analytics without uncovering information that is reliably predictive.

Gramarye addresses these challenges by developing a reliable content engine, a feedback economy to develop and measure audience communities.

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 IPs, most of which are never actually produced. This is a "sunk cost" that must be amortized in the films that are produced.

Gramarye turns the development process into a revenue generator. Instead of a "sunk cost," Gramarye starts at zero plus a projected 20 to 30 percent return. More importantly, we gather immediate, first-hand observational data, not "voodoo analytics."

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 1 percent of all startups succeed, but more than 80 percent of the companies that go through accelerators succeed. Stories are also innovated. They, too, can be innovated reliably.

Gramarye's Content Incubator uses a four-part process.

1. First, Gramarye selects *unpublished book manuscripts with blockbuster DNA* using a 47+ point "checklist" and a team of proven industry veterans.

2. Then, authors work with a team of experts to polish and refine their manuscripts and prepare the IP for adaptation across media channels during a year-long incubation process.

3. Next, Gramarye publishes the content as print, audio, and as enhanced "eBook 2.0" immersive reading experiences using proprietary technology and a proprietary social media platform. The eBooks are layered with interactivity, including AR, music, moving illustrations, story-relevant games, audio narration, community forums, and more. The interactivity allows Gramarye to empower and incent users to share and network. We can track and measure the viral spread of brand awareness and the communities deepen and grow. 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 exactly how and to whom to market.

4. Finally, Gramarye produces the titles that demonstrate a proven, built-in audience as films, television series, games, AR and VR experiences, location-based attractions, and more.

The Gramarye Media Opportunity

Transmedia franchises — a story told through multiple revenue-generating channels, including books, films, toys, games, and more — are worth billions, but with budgets *starting* at over $50 million, the "price of entry" is too high for many independent film investors and even private financial institutions, especially since they can't diversify that investment. Even a near miss means the entire investment is lost. Gramarye instead develops a diversified portfolio of stories further upstream, in their infancy.

Gramarye Media is the world's first cross-media content incubator, connecting communities of investors, writers, mentors, producers, technologists, and artists with audiences hungry for core generational stories. The Gramarye Media team selects our slates with storytellers, investors, and audiences in mind, molding each potential franchise with unique characteristics that drive financial results and take advantage of proven risk-mitigation techniques.

Meanwhile, with film budgets soaring, studios are increasingly risk-averse. They are turning more and more to sequels and remakes. However, *without exception* the executives we talked to agree with financial analyst Vasily Karasyov, who said that "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.

But publishers don't market, they don't gather actionable audience data, and they don't develop their own properties for development. There's a gap between publishing and transmedia development. At Gramarye Media, we take a new approach. We use an incubator model to cultivate original content … with a track record and built-in audience.

We identify and acquire annual diversified portfolios of stories, using a proprietary selection methodology employed by a panel of industry experts. Then, we publish them as digital "eBook 2.0" apps for tablets and smartphones with layers of interactivity to create magical, truly immersive story experiences.

Every Gramarye book app is a "pilot" or a Minimum Viable Product (MVP) for a story franchise, developed at a fraction of the cost of a film. The interactivity allows us to mine rich customer preference data through primary observation of user interaction with a specific story. Our proprietary social media technology allows us to build brand awareness and thriving fan communities. *As a result, we can mitigate some of the*

risk of developing a potential transmedia franchise. We do it while recouping the investment and generating an attractive return.

We add value by building the critical element studios demand: a built-in audience.

In our work at Georgia Tech's Flashpoint Business Accelerator program, we studied both film and traditional publishing analytics. As a result, we are confident that approximately five to seven out of twelve titles in each annual portfolio will break even, and four of those should make enough of a profit to carry the portfolio — and return a profit to investors. *One or two will be hits with transmedia franchise potential.*

Background: Changing Economics in Entertainment

Here's a question for you: when was the last time you saw a movie? Here's another question — when was the last time you saw a movie without a number in the title? If you're tired of the seemingly endless parade of sequels and remakes, you're not alone.

Literally every executive we interviewed agreed with this analysis from Financial analyst Vasily Karasyov of J.P. Morgan and Susquehanna Financial Group: *"The cycle of sequels and remakes have played out,"* and *"films based on previous intellectual properties present a growing risk to film industry profitability."*

"The nature of any IP re-exploitation cycle (be it DVD, CDs, iTunes, or superheroes) is such that despite how long it lasts, it ultimately fades," Karasyov reported.

The problem? Hollywood is now "at the tail end of the process." The studios have milked their most appealing titles. Their remakes are losing their punch, while companies find themselves now turning to second-tier franchises. As a result, the risk to profits "is increasing fast."[1]

At the same time, capital allocated to companies and producers to develop new material is disappearing. Films, books, games, pay-per-view events, and television pilots are green lit—and with budgets that seem astronomical—but the investment to develop the next wave of hits is not there.

- In an industry where content will always be king, the pipelines for new, original development are drying up. For investors, that imbalance equals opportunity.
- Hollywood remains risk averse. Mitigating that risk offers a significant opportunity.
- In the meantime, Hollywood's attempt to move into new media has scarcely begun to tap the potential for brand development and revenue generation.

The irony is, original content is viewed as inherently risky, since it has never been vetted by an audience and has no brand awareness. *Only three of the top 25 films of 2015 were based on original stories* — the rest were sequels, remakes, or based on books, comics, television series, or true-life events (in the case of

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[1] http://deadline.com/2015/09/studio-use-sequels-retreads-played-out-box-office-1201548117/

Straight Outta Compton).[2] Two of those three were Pixar films, which almost doesn't count, since Pixar is essentially its own franchise.

Literally every executive we interviewed agreed: The original 1977 blockbuster *Star Wars* would never be greenlit today — it was not based on existing "branded" content with a built-in audience, it didn't have bankable stars, and it wouldn't generate significant foreign pre-sales.

The Gramarye team believes that is a problem. There will always be a need for those core generational stories. *They all begin with the written word*.

Risk Mitigation: Analytics

With production and P&A (prints and advertising — the costs of distribution) budgets soaring, and modestly-budgeted films disappearing from screens, it's natural that studios and production companies are looking to mitigate risk.

As a part of our work at Georgia Tech's Flashpoint, one of the world's most consistently successful and exclusive business accelerators, we talked to Matt Mardola, Chief Analytics Officer at Legendary Entertainment, who told us: "We are one of the few studios that still takes a chance on original stories, as we did with *Pacific Rim*. But more and more, even we are relying on new takes on familiar brands. We have new King Kong and Godzilla projects coming soon."

When Legendary does produce original content, it leans heavily on what Mr. Mardola calls "the fire hose," the vast amount of social data available from Facebook and Twitter, and on "comps" — comparisons to similar films in similar genres, and on the recent track records of attached talent, the actors and directors. The latter, in fact, is crucial to foreign presales, a key component of funding most films of all budgets. But as Mr. Mardola told us:

"When a story is truly original (such as *Inception*), it's almost impossible to apply meaningful comps. Focus groups are useless — we don't use them at all. Even the big data is skewed. We found that when people go to a movie with another person, 75 percent of them believe they are the one who decided what to see. Obviously, that math doesn't work. (Studios) spend anywhere from $250,000 to $5 million on predictive analytics, and they're not getting any meaningful information. It's biased and unreliable. If they were, you wouldn't see as many box office failures."

Traditional analytics are not mitigating risk to any significant degree. Film investor and Technology Angel Brad Zataut told us: "If there was a way to get the kind of data you get from a test screening before the film is shot, that would be gold. But there's no possible way to do that."

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[2] http://www.the-numbers.com/market/2015/top-grossing-movies

The Gramarye Media team has discovered that there is a way to gather that data, and that it can help in the risk-mitigation process.

Risk Mitigation: Content with a Track Record and a Built-in Audience

With original content perceived as risky with success essentially unpredictable, studios are turning more to content with a built-in audience — published books, comics, and even games (including Legendary Entertainment's adaptation of the *World of Warcraft* massive multi-player online game). There are problems there, too. As literary manager and executive producer Eddie Gamarra (*The Maze Runner*) said:

"Publishers don't market, except in rare circumstances to bookstores — unless you're (a best-selling author like) Stephen King, they never market to consumers. They don't collect any meaningful data about their audiences. We can't even get real sales figures. I know one (executive) who sends his assistant to Barnes and Nobel and few times a week and tells her to buy copies of every book turned cover out in certain sections, and then tries to option those. He's literally judging books by their covers."

Mr. Gamarra added that even when sales figures are available, they don't mean much. He pointed out that while super hero movies are usually huge hits, the comics upon which they are based seldom sell more than 200,000 copies per month. If only the people who read the comics bought tickets, the films would be box office disasters. Mr. Gamarra pointed out that: "The core fans have an intense enthusiasm and passion for the source material that seems to scale beyond what the sales figures suggest. We need a way to measure that passion."

Emmy Award winning and Golden Globe nominated producer Matt Battagila (*Brothers* and Disney/Marvel's *Thor),* told us: "I've been trying to get the Big Five publishers in New York to hire a development executive to mine their own content for years, because they're leaving literally hundreds of millions of dollars on the table every year. They just keep saying, 'it's not our business.'"

In fact, there is only one publisher focused exclusively on developing content specifically to be developed for other media. Director Michael Mann has recently launched a book imprint with a stable of staff writers to develop content for his own films and television projects.[3]

Likewise, Michael Bay's 451 Media has launched a (thus far unsuccessful) comic line to develop properties for film and toy development.[4] Neither Bay nor Mann mines significant audience preference data from their publishing efforts. The Gramarye Media team perceives an opportunity in the gap between publishing and Hollywood.

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[3] http://deadline.com/2016/03/michael-mann-heat-prequel-novel-michael-mann-books-publishing-imprint-1201721330/
[4] http://www.wired.co.uk/news/archive/2015-08/26/michael-bay-digital-comics-graphic-novels

The Smaller Investor's Dilemma

Hollywood is not the only group impacted by soaring budgets, limited screen real estate, and the growing reliance on blockbusters, sequels, and remakes. As a part of our work at Georgia Tech's Flashpoint Accelerator, the Gramarye team spent a great deal of time interviewing independent film investors. These are the unsung heroes of independent and lower-budget studio cinema — the fuel for the engines of creativity. While the rewards for investing in film can be enormous, the risks are equally high.

Film is one of the few investments that is literally all or nothing. If a film doesn't find its audience, the entire investment is lost. For most independent investors, one miss can take them out of the game. *Without exception*, the investors we talked to who had a bad experience investing in film had invested in only a single project. *Without exception,* the ones who had a generally positive experience had invested in multiple projects in each round. Diversification is important.

The "holy grail" in Hollywood is the ***transmedia franchise***. More than just merchandising, a transmedia franchise tells a consistent and unified story across various media channels, including, for example, novels, film, television, games, graphic novels, and even toys. Each channel offers a new entry point for new audiences, each channel promotes and supports the others, and, most significantly, each channel generates revenue.

While the risks are high, *transmedia franchises can be worth billions of dollars*. While virtually every investor would love to own even a piece of a transmedia franchise, the "cost of entry," and the inability to diversify the investment, locks most independent investors and smaller financial institutions out.

The Gramarye Media Solution

Gramarye Media discovers and incubates the next great story franchises. We add value to diversified portfolios of stories by building that one key element that makes success likely: a built-in audience.

An investment banker recently described the Gramarye solution as: "data analytics and collaborative social/multimedia utilization as risk management and pre-market concept validation." We like to say simply that our goal is to prove a methodology to validate stories with audiences — primary tests that involve direct observation — to see which ones inspire passion and gain traction.

We are building the world's first story incubator, connecting communities of investors, writers, producers, mentors, technologists, and artists to identify annual portfolios or slates of stories when their value is lowest, vet them in the market with audiences and build brand awareness, and then partner to develop the ones with the most traction as films, TV pilots, toys, merchandise, location-based entertainment, and more.

Our vision: to employ exclusive non-subjective selection criteria to mitigate risk from potential franchises by discovering, nurturing, and vetting content, and building measurable brand awareness and buzz before the film is greenlit.

Proprietary Content Selection Methodology

We will begin by selecting annual portfolios or slates of stories in their infancy. We will use a proprietary selection methodology employed by a panel of industry experts (please see biographies of our panel of advisors) to select twelve manuscripts per year.

Each one must have a specific, identifiable audience that congregates, either virtually or in the real world, so that we can market to them at an affordable cost.

To select content, we took a long, heuristic look at story … just as one might when beginning a user-centered design exercise for a software interface or launching a marketing campaign. As a result of that research, we have identified a number of elements that seem to be almost universally successful — or at least an integral part shared in common by the world's most successful IP. In addition to considering such factors as genre, budget, release date, and attachments, we evaluate projects based upon how well they meet the criteria of the following broad categories:

The Art of the Possible
- ❑ Can this project be completed for a reasonable budget?
- ❑ Can this project be completed within a reasonable amount of time?
- ❑ Can this project find the distribution it requires (network, theatres, syndication, bookstores, etc.) to reach its audience?
- ❑ Are there filmable scenes?
- ❑ Is there available music, or can music be acquired/composed affordably?
- ❑ Is there a potential for a branching storyline and/or unlockable content (Gramarye enhanced books)?

Marketability
- ❑ Does this project have a clearly defined audience?
- ❑ Where/how does that audience congregate? *(Can we reach them affordably for marketing?)*
- ❑ Is that audience viable enough to support the budget?
- ❑ Is that audience likely to gravitate to additional elements (games, novels, new media, etc.)?

Cross-media Viability
- ❑ Is this property appropriate for one distribution channel, or can it be expanded through multiple channels? (Our target is a minimum of three channels)
- ❑ Can this property support a larger story told through novels, film, television, games, Webisodes, games, mobile applications, etc.?
- ❑ Can the new/cross-media elements add to the storytelling experience?
- ❑ Can this property support works that are *not* redundant?
- ❑ Can cross-media elements allow for new character/story background and development that matters?
- ❑ Can the new channels add something more than simply slavishly duplicating experiences better told through the old/traditional channel?
- ❑ Can the new elements respect the core story/world/character consistency that audiences

expect within a franchise?

- ❑ Most importantly, *can this property be exploited through multiple channels without diluting the core story or the integrity of the brand?*

Talent

- ❑ Can this property attract talent, both in front of and behind the camera?
- ❑ How interchangeable are the stars?
- ❑ Does this project involve a "found family" or large cast? Audiences, who have a longing for communities of people "like them," respond. In addition to being marketable, it works well — from *M*A*S*H, How I Met Your Mother,* and *Cheers* to *Star Trek, Mad Men, True Blood, Harry Potter,* and *Buffy The Vampire Slayer*. It also keeps our developing franchises from being stalled or delayed by a single actor's price or availability.

IP Value

- ❑ Does the property have franchise potential (sequels, spin-offs, Web content, animation, etc.)?
- ❑ Does the IP have distinctive visual, brand, or story elements that will make it instantly recognizable in a new medium? Think of the visuals and sound of the *Star Wars* light sabers or the falling elements of green code in *The Matrix*.
- ❑ Does this property feature iconic, memorable locations?
- ❑ Does this property feature iconic, memorable imagery?
- ❑ Does this property feature a mythic structure (people living lives of consequence in a mythic landscape and the orphan/wanderer/warrior/martyr structure)?
- ❑ Does this property support sponsorship (ads, product placement, events, etc.)?
- ❑ Does this property have merchandising potential: toys, apparel, collectibles, comics, soundtrack CDs, etc.?
- ❑ Does this property have retail potential?
- ❑ Will this appeal to a Young Adult/New Adult audience (our primary targets)
- ❑ Is this one of our preferred target genres?
- ❑ Does this feature memorable/witty/quotable dialog?

This list is only a sample of the factors we consider. The actual "check list" is much longer.

The World's First Story Incubator

Gramarye Media employs cross-disciplinary, industry-leading expert mentors and a proprietary technology platform to systematically incubate unpublished manuscripts.

We select stories that have the fundamental structure requirements to achieve franchise success and add value to the story at every stage of the incubation process to develop franchise potential. Finally, we build the single most critical element needed for franchise success: a built-in audience.

In the past, studios have been "hunters and gatherers," seeking potential franchise IPs. Gramarye shifts the paradigm to an "agricultural" model, *intentionally farming stories with blockbuster DNA*. With budgets soaring and competition for screens getting fiercer, risk mitigation is critical. Specifically:

- Better data is required — predictive, reliable, and unbiased analytics in entertainment media don't exist today.

- Audience bases are unclear — sales figures for books and comics are undependable. These figures indicate store purchases, not consumer purchases.

- Adapting a story across media channels is a challenge — core elements of a story that inspire audience passion and loyalty are often lost in translation when adapted across media channels.

- Success begins early — a clear vision for a cross-media franchise is often missing in the early stages of story development. Our incubation process changes that.

The Gramarye Media process discovers and establishes an intellectual property's cross-media franchise potential early, and then extends and enhances its monetization lifecycle.

IP LIFECYCLE MANAGEMENT

The Gramarye Incubation Process Flow

THE GRAMARYE INCUBATION PROCESS FLOW

Starting early in the life cycle and working with a cross-disciplinary team to develop world class story franchises.
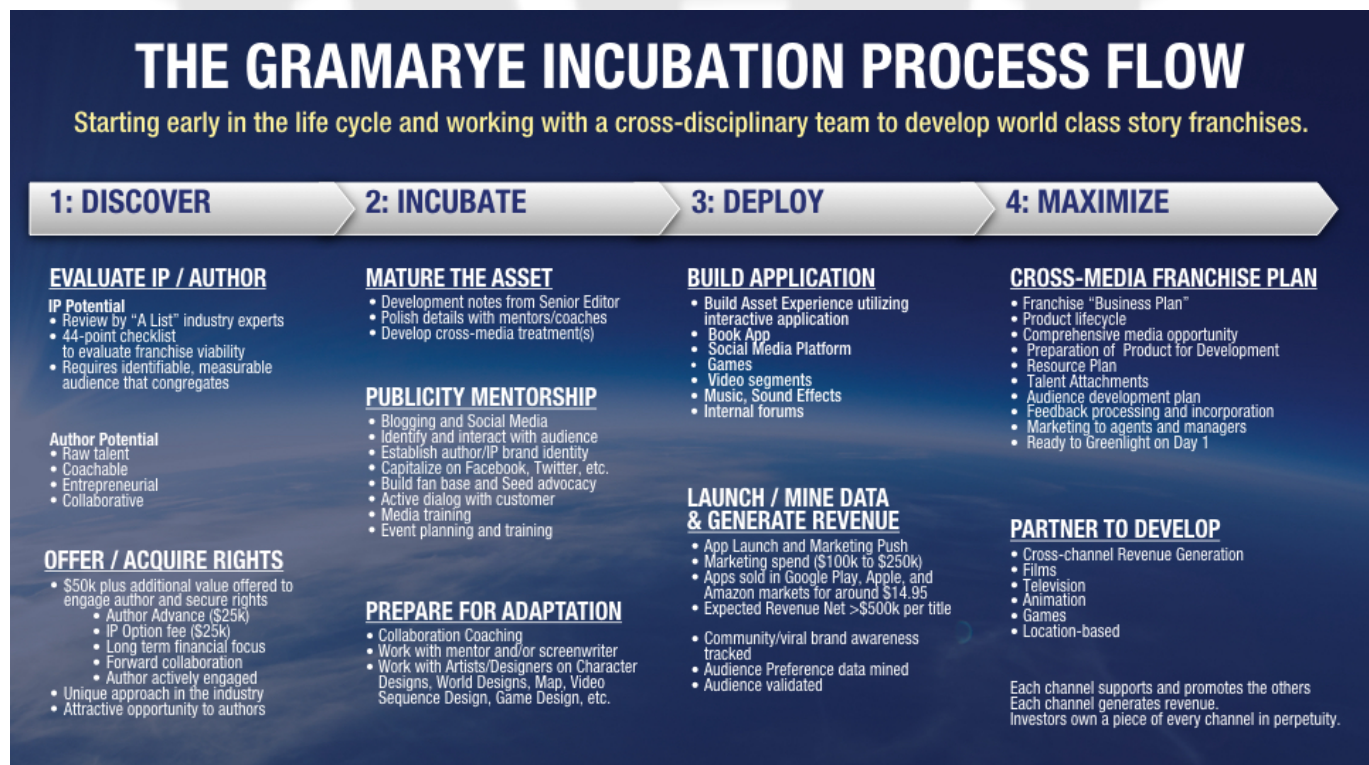
1: DISCOVER → **2: INCUBATE** → **3: DEPLOY** → **4: MAXIMIZE**

EVALUATE IP / AUTHOR

IP Potential
- Review by "A List" industry experts
- 44-point checklist to evaluate franchise viability
- Requires identifiable, measurable audience that congregates

Author Potential
- Raw talent
- Coachable
- Entrepreneurial
- Collaborative

OFFER / ACQUIRE RIGHTS
- $50k plus additional value offered to engage author and secure rights
  - Author Advance ($25k)
  - IP Option fee ($25k)
  - Long term financial focus
  - Forward collaboration
  - Author actively engaged
- Unique approach in the industry
- Attractive opportunity to authors

MATURE THE ASSET
- Development notes from Senior Editor
- Polish details with mentors/coaches
- Develop cross-media treatment(s)

PUBLICITY MENTORSHIP
- Blogging and Social Media
- Identify and interact with audience
- Establish author/IP brand identity
- Capitalize on Facebook, Twitter, etc.
- Build fan base and Seed advocacy
- Active dialog with customer
- Media training
- Event planning and training

PREPARE FOR ADAPTATION
- Collaboration Coaching
- Work with mentor and/or screenwriter
- Work with Artists/Designers on Character Designs, World Designs, Map, Video Sequence Design, Game Design, etc.

BUILD APPLICATION
- Build Asset Experience utilizing interactive application
- Book App
- Social Media Platform
- Games
- Video segments
- Music, Sound Effects
- Internal forums

LAUNCH / MINE DATA & GENERATE REVENUE
- App Launch and Marketing Push
- Marketing spend ($100k to $250k)
- Apps sold in Google Play, Apple, and Amazon markets for around $14.95
- Expected Revenue Net >$500k per title

- Community/viral brand awareness tracked
- Audience Preference data mined
- Audience validated

CROSS-MEDIA FRANCHISE PLAN
- Franchise "Business Plan"
- Product lifecycle
- Comprehensive media opportunity
- Preparation of Product for Development
- Resource Plan
- Talent Attachments
- Audience development plan
- Feedback processing and incorporation
- Marketing to agents and managers
- Ready to Greenlight on Day 1

PARTNER TO DEVELOP
- Cross-channel Revenue Generation
- Films
- Television
- Animation
- Games
- Location-based

Each channel supports and promotes the others
Each channel generates revenue.
Investors own a piece of every channel in perpetuity.

Vetting Content with Audiences — eBook 2.0

Presenting eBook 2.0 … and the most powerful way to vet IP, mitigate risk, and build brand awareness while generating revenue, even before the first frame is shot.

Once we select the twelve titles, how do we pick the winners? The answer is simple. We don't. We let the audience decide. Our vision is to deploy each story manuscript as stand-alone eBook apps for smartphones and tablets sold to consumers through the Amazon, Apple, and Google Play stores. Gramarye Book apps go far beyond the capabilities of present eBooks, however, to create magical, deeply immersive story experiences. Each book app is layered with interactivity that allows us to:

- Inspire, empower, and track thriving fan communities
- Inspire viral shares to build brand awareness
- Mine deep audience preference data

Each app will be a "pilot" or an "MVP" (minimum viable product) for a potential tentpole franchise. Best of all, the slate of stories can not only pay for itself, it can actually generate revenue.

Gramarye Book Features

We believe that books are magic wardrobes into new worlds. We were the kids who stayed up way past our bedtimes, just lost in a story. We want to recreate that feeling. We want to make the Magician's Book from Narnia, or a volume from the library at Hogwarts. In short, we want to make a magic book.

Gramarye is more than an eBook. It expands storytelling and enhances expression. It's a technology platform for a new kind of publishing. Gramarye lets us learn from the reader and adapt the experience in real time. Gramarye Lets us create and connect communities around a story … or even a learning experience.

We've added all kinds of subtle interactive elements and surprises. Some you might not notice, at least not at first. Some are a little more … obvious. For example? Gramarye Books have a music soundtrack … a low and subtle mood setter for each chapter. We can also add author commentary, like the director's commentary option on a DVD.

Maybe you find a beautiful painted illustration … but when you tap it, it comes alive in a segment of Hollywood-quality video. It's as if every Gramarye book comes with the movie version built right in!

There's a map at the beginning of the book that lets you track the characters, so you always know exactly where they are at any point in the story. You can also use the map to access story-relevant games that make you feel like they are actually a part of the story. The games unlock side stories or new content.

We've found all kinds of little surprises we can add, just to remind the reader that they're not reading an ordinary book. For example? There's a synopsis. If you start a book, then have to set it aside for a while, you can read a synopsis that'll remind you of what's happened in the story … but only up to the point where you've read! No spoilers with Gramarye. The same thing happens with the character glossary.

You can even switch to the audio version, and then switch back, and the book and the synopsis will keep up.

Parents can toggle a control to make a book written for adults more appropriate for younger readers … effectively making an R rated book PG or PG 13. The book even measures a user's reading speed at any given time, so we can time little special effects and surprises. For example, maybe the book is a jungle adventure, and our hero hears a lion roar off in the distance. We can play a low, subtle sound effect right as the reader's eye touches that sentence. It's a magic book.

Proprietary Social Media Technology

We have found that fans of specific stories like to congregate with others who share their passions.

Gramarye Media employs a proprietary social media platform that provides incentives (such as unlockable content, in-game help, and badges) for users to share favorite passages on Facebook, Twitter, Goodreads, and by email and text message. The social media shares appear in a user's content feed, not in the ad space, and is customized for each user.

The platform allows us to identify and reward key influencers, and to track the viral spread of brand awareness. Each Facebook user has an average of 245 friends, of which 7.5 percent see any given post. It's reasonable to assume friends share common interests. Past experience with this proprietary technology has shown that we can expect 1.5 additional sales per user.

In addition, we have added in-book discussion forums, helping us build thriving fan communities. The communities help us prove a story's potential for development as potential tentpole media franchises.

Audience Preference Data Mining

With our games, users can pick a few of their favorite characters to complete a side story, and then chose how they interact with each other. Are they friendly? Angry? Funny? Flirtatious? Then we can track that by age, sex, and geographic location. If you've read about how online games can be used to mine data, you'll have an idea of the wealth of truly significant marketing data that can be gathered.[5]

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[5] For example: http://toucharcade.com/2015/09/16/we-own-you-confessions-of-a-free-to-play-producer/

The difference is, we use our data mining to test a story's viability as a potential tentpole franchise, not as a means to sell in-game items. Some of the information we can gather includes:

- Total units (of each book app) purchased
- Units purchased for:
  - iPhone
  - iPad
  - Android Phones
  - Android Tablets
  - Surface Tablets
  - Kindle Tablets
- Total purchases by:
  - Sex
  - Age
  - Geographic location
- Individual user data:
  - Sex
  - Age
  - Geographic location
  - Occupation
  - Number of Facebook Friends
  - Number of Twitter followers
  - Facebook Page Likes (indicating other interests — books, music, games, movies, etc.)
- Date purchased
- Date launched for the first time
- Percentage of book completed
- Number of sessions
- Length of sessions
- Length of time between sessions
- Average reading speed?
- Number of different reading speeds (implying different environments)?
- Did the reader stall?
- If so, where?
- Number of shares:
  - By email
  - Facebook
  - Twitter
  - Goodreads
  - SMS
- What was shared:
  - Passage/quote (list all)
  - Book Trailer

- o Image (list all)
- o Game Scores (list all)
- o Badges Earned (list all)
- o Music clips (list all)
- o Narration clips (list all)
- Number of comments read
  - o List of comments read
- Number of comments posted
  - o List of comments posted
- Visits to Forums/Community
  - o List of threads visited
  - o List of threads where posted
- Visits to App Facebook Page
- Visits to Goodreads Page
- Total community interactions
- Passages revisited/reread:
  - o Number
  - o List
- Dialog chosen for in-game merchandise
- Games played
- Player asked for help from friends?
  - o When/how?
- Player shared high scores
- Playable characters selected
- Equipment/Vehicles/Costumes Selected
- Preferred character relationships
- Did the user complete the games?
  - o If no, where did the user stall?
- Audio narration accessed:
  - o Yes/No
- Audio narration time
- Character Dictionary accessed
- Synopsis accessed
- US English Dictionary accessed
- Music/Sound effects on
- Unlockable content accessed

This information helps demonstrate a reader's level of engagement with a story, and helps demonstrate the traction a film, television series, game, or line of toys (for example) might have with audiences.

Generating Revenue

During the incubation process, we generate revenue by selling the book apps through online stores, including Amazon, Apple, and Google Play. The develop process, instead of being a sunk cost that must be amortized across the films that are actually made, instead breaks even and makes a projected 20 to 30 percent return, while generating meaningful, predictive primary data.

This is revenue recognized before we make a single film.

While it is impossible to predict meaningful numbers, we project that the most meaningful returns will come from developing the break-through "hits" across media channels.

Transmedia is more than mere merchandising — it is a single story told through multiple channels, each of which:

- Provides a new entry point for new audiences
- Supports and promotes the others
- Generates revenue

More information about the Gramarye Media development process follows in the next exhibit.

Exhibit 2: Cross-Channel Media Development

After the incubation process is complete and titles emerge for further development, Gramarye Media's production process is designed to produce at a lower cost while opening new channels for revenue generation.

Despite countless mergers and acquisitions, the entertainment industry is still struggling to master cross-channel exploitation of intellectual properties, allowing for costs to be shared across multiple projects without suffering brand dilution.

However, the integrated cross-channel message delivery formulas that advertising and marketing began to master at the end of the 1990s can be applied to entertainment, allowing one property to be turned into multiple channels (and multiple points of entry for audience attraction), each with their own revenue generation streams.

Seeing Opportunity

Exploiting a property through multiple channels increases the odds of success. Even if a film doesn't find its audiences, a game, novel, or comic almost offers another opportunity. All of which increase demand for the film on digital stream later, increasing its after-market value. Each channel opens a possible connect between idea and audience and opens avenues for ROI. More, each channel builds the brand—and creates demand for the other channels.

While individual networks may be bleeding viewers to competitors and new media, overall viewership remains high — especially when DVR and online views are considered. Box office returns remain significant, while streaming continues to open significant post-theatrical channels for revenue generation.

Alone, though, these traditional and emerging channels only scratch the surface of a brand's potential to generate revenue. Again, by simultaneously developing material for multiple media channels, risk is reduced while the potential for return grows dramatically. The book and film *Sea Biscuit* were developed in concert. Because of the advance buzz for the film, the book became a bestseller. The film, then, could boast that it was based upon the bestselling book. Both projects fed each other, both building the brand and generating revenue, without significantly increasing the costs of the film itself.

Warner Brothers has recently restructured its DC Comics to better tell stories through multiple channels. Warner and DC are staying ahead of the trend curve, just as Disney did with its acquisition of Marvel. Both of those examples, however, depend upon existing libraries of properties, rather than sharing the IP development cost across multiple channels. The American Girl series started as self-published books before blossoming into the toy, retail, and media giant we know today. The celebrated works of J. R. R. Tolkien, Dr. Seuss, and Charles Shultz generate astonishing revenue years after the deaths of the original artists. The *Star Trek* and *Star Wars* franchises continue to thrive across channels.

Imagine the potential if those brands had been planned for cross-media success from the beginning. Angel Investors seldom have a chance to be a part of a J. K. Rowling empire when she is still writing longhand in those Scotland coffee shops, or a Superman when he is still the brainchild of two talented young men. We're looking to change that.

Gramarye Media's model reduces risk significantly while increasing return by keeping costs in check and using our backgrounds in entertainment and integrated marketing to introduce a formula for developing cross-media content for both traditional and new media.

Key Issues

Even the most successful studios and media conglomerates are facing something of a potential crisis. While blockbuster hits and even modest successes are generating record revenue, the studios have chosen to allocate more of their monies to the production of blockbusters rather than to developing new material. Looking at the box office of films like *Star Trek, Avatar, Transformers,* and *Toy Story 3,* it's hard to argue with that strategy. Nonetheless, the strategy opens a gap—and a window of opportunity.

The capital allocated to companies and producers to develop new material is disappearing. Films, books, games, pay-per-view events, and television pilots are green lit—and with budgets that seem astronomical—but the investment to develop the next wave of hits is not there.

- *In an industry where content will always be king, the pipelines for development are drying up*. That imbalance equals opportunity.

- *In the meantime, Hollywood's attempt to move into new media has scarcely begun to tap the potential for brand development and revenue generation.*

In the 1990s and the early part of this decade, integrated marketing was the "Holy Grail" of advertising, communications, public relations, and consulting firms. The idea was to focus brand messages, even when they are communicated through multiple channels.

Traditionally, messages became diluted when broadcast through television commercials, magazine ads, publications campaigns, collateral, live events, and public relations campaigns. When the efforts weren't carefully coordinated, messages could even work at cross-purposes, confusing audiences and creating a vague perception of an otherwise strong brand.

With the concept of integrated marketing, firms learned to coordinate their messages even when delivered through diverse channels and by multiple vendors. Now, messages support and enhance each other, and firms get more "bang for their buck" by using and repurposing assets across media channels.

More importantly, the diverse pieces interlock to tell a consistent story, whether a constituency sees one piece or several. Each channel supports and builds upon the others.

In marketing, the integrated model ensures that all disciplines are consistent, providing multi-tiered communications programs with one unified strategic vision delivering consistent messaging to enhance brand equity, drive sales and category supremacy, and shape consumer perceptions.

Despite decades of cross-channel development in entertainment, integration of digital media is still rudimentary, and even traditional cross-media spin-offs are more of an afterthought than a part of the initial strategy.

At the height of its popularity, the original cast of *Star Trek* made motion pictures while a new generation made a successful television series set nearly a century later. All this happened decades after its animated adventures and before its unprecedented success on DVD. The series inspired multiple spin offs, countless novels, dozens of games, and, of course, toys and games — and anchors the new CBS All Access streaming service. As the evergreen *Star Wars* saga continues with annual films, plans are underway for new animated *and* live action television projects, while the game, novel, toy, and comic projects have never been stronger.

In these cases, success in one channel was used to promote other channels, both emerging and established. But the cross channel happened almost as an afterthought. It wasn't planned for in the beginning—meaning the additional sources of revenue incurred their own development costs and took years to see rewards.

Parallel Development reduces costs, opens significant new sources of ROI

Parallel development of multiple projects for distribution across different media channels allows us to reuse assets, and to produce additional content without significantly increasing costs. For example, a digital stunt created for a television pilot or film can be reused in digital games for PC, mobile, AR/VR, and console game systems.

Sets created for a television series can be reused in games and Webisodes—as can footage shot there. More, writers crafting films and episodes can expand their stories by writing or at least outlining novels. This way, novels will expand the mythology and character resonance of a series, not contradict it.

The cost for the asset remains the same, or virtually so, but can be billed across multiple production products, achieving economy of scale and increasing the potential channels for revenue generation. *While each component has its own budget, the combined "buying power" and sharing of resources, production assets, and talent allows for far richer and more economical development of cross-channel content.*

Cross Media Revenue Generation

The following illustrate just a few potential revenue sources that can be generated by a television project or film coupled with initial online media development:

- Sponsored streaming media
- Game sales, or sponsored games and Webisodes delivered to mobile phones
- Facebook and Social Networking content
- Twitter content
- Weekly podcasts with sponsored content
- Snag as you view music, game, or product purchases
- Product placement
- Music placement
- Online ad revenue

The best way to take advantage of these opportunities is to plan for them from the very beginning. Cross-media development is a key part of our creator-driven incubation process, and one of the primary reasons for the mentorship program. We empower the creator to prevent brand dilution.

Tactics: Low Risk/High Return

Gramarye Media is designed to mitigate risk by spreading investment dollars over multiple projects. While it is obvious that successful film, television, and new media projects that generate positive revenue are profitable enough to offset losses from unsuccessful ones, television remains tied to an increasingly impossible set of economics. It's time to look at ways to reinvent this model. There are three ways to accomplish this:

1. Increase the likelihood of success.
2. Decrease costs. Television and film production is often inherently wasteful; reducing costs obviously makes potential returns that much higher. The same is true for game and new media development and even publishing.
3. Find new ways to generate additional revenue, opening additional channels of potential return without incurring significant additional cost.

1.) Stack the Deck

As discussed, our incubation process is designed to create and vet passionate fan bases before we shoot a single frame of film. Additional projects created alongside of our books, pilots, games, and features will allow each to promote the other—a game drives a viewer to a pilot, which drives viewers to Webisodes and mobile content, which drives audience to novels, which drives audience to the game.

We work in a convergent development model to co-develop multi-platforms to ensure best experience (and to lower development costs). As mentioned, we're not looking to simply move existing content into a new media space; we intend to create cross-channel properties that expand storytelling in a way that's meaningful to the audience.

2.) Decrease Costs

Ironically, the second is likely the easiest. First, the majority our projects are designed to be shot in Georgia where tax breaks and lower costs of doing business lower costs significantly. With the new 30 percent tax credit in Atlanta, for example, significant additional dollars are available to enhance quality and create additional content. We also take advantage of opportunity zone credits.

Our projects will be designed for non-intrusive product placement opportunities, including music, cars, mobile phones, computers, home electronics, clothing, travel products, fast food, and more.

More, our projects will take advantage of new technology, including digital filming and motion capture virtual stunt work. If production and digital post production is done in Georgia, we can reduce costs more by taking additional advantage of the tax incentives and lower cost of business. Digital assets, including virtual sets, special effects, and virtual stunts, can be repurposed for additional projects, such as games, without adding significant additional costs.

3.) Multiple Distribution Channels Increase Potential Revenue

Properties like *Star Wars, Dora the Explorer,* and *Twilight* have traditionally generated large portions of their revenue through spin-off products. With the advent of streaming, mobile apps, and computer and video games, potential spin off revenue is higher than ever. IP broadcast opens even more revenue potential.

However, only small percentages of audiences read spin-offs or play games. We hope to change that by ensuring that the novels are set *in continuity* with the primary projects, and while they are not necessary for the casual viewer, they impact the ongoing storyline and provide additional story depth. In other words, each channel is a new point of entry to a larger story, as well as a stand-alone revenue source.

We'll even do the same with the games. How? Members of our writing staff write the novels. The game developers work closely with our creative team, ensuring that the writers have input into the game stories, and vice versa.

Perhaps most importantly, the digital assets we create for projects can be repurposed for use with existing game engines to create computer, console, and digital/mobile games. This method doesn't add significant additional costs to the series budget but does open additional channels to generate revenue.

Exhibit 3: Gramarye Books in Education

According to a study by the National Assessment of Educational Progress and the National Center for Education Statistics reported in *The Washington Post*, learning to read by the end of third grade is crucial, because that's the point at which children start using reading to learn other subjects.

> *"Learning basic reading skills could lift 171 Million people out of poverty."*
>
> —*Arvind Krishna. Senior VP/IBM Researcher*

Those who are proficient in reading by the end of third grade are much more likely to graduate from high school, and to be economically successful as adults. But about two-thirds of students in fourth grade don't meet reading proficiency standards. And those numbers are much higher for students who come from low-income households.

Four of every five students who come from low-income households don't meet reading proficiency requirements, a new report from the Annie E. Casey Foundation finds. The numbers are worst among minority communities:

- 83 percent of African-American fourth graders don't meet proficiency standards
- 81 percent of Hispanic and Latino children fall short
- More than nine in 10 dual-language learners are below proficiency by fourth grade, the report finds.

Students from higher-income households aren't faring significantly better, according to the report.[6]

A high school reading coach (whose name is not given in the article) suggests that, in her more than 20 years in education, she has found that literacy-education issues fall into four areas:

1) A disconnect between the demands of the "real world" and literacy skills.
2) A strong correlation between third-grade reading performance and future success.

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[6] http://www.washingtonpost.com/blogs/govbeat/wp/2014/01/30/low-income-students-falling-behind-on-reading-proficiency/

3) A growing discrepancy between reading level and grade level for struggling readers as they get older.
4) A scarcity of reading-intervention materials.

She adds: "I have taught in high schools, tech schools, junior colleges, and colleges. Many people are astonished when I tell them the literacy skills needed in tech schools are much higher than high schools, and even more advanced than many college classes.

"When the reading requirements for both white- and blue-collar jobs are so rigorous, none of today's students can afford to fall behind.

"Reading proficiency as early as the third grade can have a dramatic impact on future success. Sadly, I have personally seen how struggling readers who start off as little as one year behind continue to slip even more as they move through the next grades."[7]

Why do students stop reading?

Some children have significant physical learning disabilities, including but not limited to dyslexia. Others simply don't like to read. The Reading is Fundamental Web site reports that many children give fairly consistent reasons for not reading:

1. **It's boring.** Children have this response to reading that is assigned at school frequently. We need to use other interests, like music, sports, movies, and games, to engage their interests.
2. **I don't have the time.** Kids are busy. School, friends, sports, homework, television, and chores all compete for their time. We need to offer enough "fun" to make it a priority, and use "walled garden" social media to make it a shared activity — something they do with their friends — and bring positive peer pressure.
3. **It's too hard.** For some children, reading is a slow, difficult process. Our solutions must adjust the content up or down to ensure that we don't frustrate the child.
4. **It's not important.** Often children don't appreciate how reading can be purposeful or relevant to their lives.
5. **It's no fun.** For some children, especially those who have difficulty reading, books cause anxiety. Even for children with strong reading skills, pressure from school and home that emphasize reading for performance can make reading seem like a chore.[8]

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[7] http://www.takepart.com/article/2013/06/25/importance-literacy-kids-cant-fall-behind
[8] http://www.rif.org/us/literacy-resources/articles/children-who-can-read-but-dont.htm

Scholastic, meanwhile, lists ten specific reasons why nonreaders don't read:

Reason 1: Reading Gives Them a Headache or Makes Their Eyes Hurt
Recent research suggests that nearly half of people who are labeled as learning disabled actually suffer from scotopic sensitivity (meaning they have trouble adjusting to low, flickering, inconsistent, or other less-than-optimal light conditions).

People with light sensitivity find reading difficult and sometimes painful when the material is printed on glossy paper. Fluorescent lighting or other lights that cause glare on the page make reading even more difficult. High-contrast print, such as black letters on white paper, is the most difficult for light-sensitive people to read. Unfortunately, such high-contrast print is the most common format for texts and other school materials.

Students who are generally cooperative but start to wiggle and squirm when asked to read independently may be signaling that reading is uncomfortable. They may squint, frown, rub their eyes, try to shade their books, hold their books far away or very near to their faces, blink rapidly, or lose their place repeatedly when reading. Often schools mislabel scotopic readers as dyslexic (they may or may not suffer from dyslexia, as well) and give strategies that don't work, because the glare and discomfort remain.

Reason 2: They Can't Read as Fast as Their Peers (and Get Left Behind)
Students should be encouraged (and enabled) to read at their own pace, even if it means that those slower readers don't cover as much ground as their quicker classmates. While they are reading at their own individual pace, they *will* learn to read. Since the classroom is not always an appropriate environment for this, another solution is required.

Reason 3: They Fear They'll Have to Read Out Loud and Others Will Laugh
Kids can be cruel, and their thoughtless teasing can cause lasting anxiety. It's important to build enduring confidence in a student's ability without the added burden of peer pressure.

Reason 4: They Expect to Be Tested on What They Read — and to Fail the Test
Students must see that reading isn't a chore, a competition, or a test. It's a lifelong skill that we use to gain information, find a new perspective, and tickle our brains or our funny bones. As a young student wisely pointed out, "You don't have to discuss the crap out of everything you read. Some things you just read. That's it."

The article doesn't suggest abandoning tests or assessments, just changing the format.

Reason 5: They Believe They Have to Finish Every Reading Selection, No Matter How Long or Difficult
Forcing kids who don't read well to finish material that is far above their ability level or that has no relevance to them can ruin reading for them. Good readers will tackle anything because they know that they will be rewarded by gaining a new perspective, acquiring new knowledge, or entering a completely new world. Poor readers don't experience those rewards, so it's difficult to convince them that reading can be enjoyable.

Reason 6: They Fear Their Opinions Will Be Wrong
So many teary students have reported the same experience: A teacher asked them to write their opinion about a book or story. The student worked hard on his or her essays and expected high marks for effort and content. Their teachers assigned either a D or an F that was inexplicable to the student. Those teachers sent a clear message: Your opinion is worthless.

Reason 7: They Always Get Put Into the "Slow" Group, Which Makes Them Feel Stupid
Finding ways for slow readers to shine can be an effective way to help students understand that there are multiple forms of intelligence and that reading is one of many skills, but not necessarily an indicator of intelligence or the ability to learn.

Reason 8: They Believe They Are Too Far Behind to Ever Catch Up
When students read below grade level, they don't understand that increasing their skills to the next level isn't as hard as they think. A ninth grader whose test score places him at a fourth-grade level, for example, thinks he will run out of time before he can catch up with his peers. So first explain that a grade level in reading doesn't correspond to a calendar year. It is just a measure of how well a student reads a specific level of complexity in vocabulary and sentence structure.

Reason 9: They Have No Interest in the Material They Are Required to Read
Struggling readers will blossom if we give them material that is so interesting they can't resist reading it. That's the trick: finding something so compelling that students forget they are reading.

Reason 10: They Get Lost and Can't Remember What They Have Just Read
Many struggling students who can technically read quite well don't understand what they are reading. They somehow missed the important point that when we read, we must create a mental reference. Without that reference, words are just words.[9]

In a personal interview with the Gramarye team, an Instructional Designer at Georgia State University confirmed the reasons listed above, and added four more she has identified in her own work and research:

Reason 11: Some students genuinely have learning disabilities
Many of those, such as dyslexia, can be overcome with training and technology.

Reason 12: Students would rather be doing something else
Reading has to compete with "lower effort" activities such as movies and television, computer games, and social media.

Reason 13: Reading is a lonely/solitary experience
Generally speaking, reading is a solitary experience, done when students would rather be with their

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[9] http://www.scholastic.com/teachers/article/10-reasons-nonreaders-dont-read-—-and-how-change-their-minds

friends. More, this is a time when children are "off in the world" for the first time, and crave the comfort of a parent, teacher, or friend.

Reason 14: The characters in books don't "look like me"

Again, generally speaking, boys like to read about boys, and girls like to read about girls (although girls are at least somewhat more likely to read a book about a boy). More, children prefer to read books where the main character is more or less close to their own race, age, etc. In other words, they want a main character they can identify with. *She admits that this last issue is anecdotal but she considers it common enough to be significant.*

Finally, she notes most non-readers cite *at least* three to four of these reasons; children seldom mention only one. Addressing one or a few is unlikely to have a significant impact.

To succeed and attract non-readers to reading while there is still time to intervene in a life path, a Gramarye Media Book must address all (or at least most) of these issues, as well as the five listed by Reading is Fundamental, to have a significant, measurable impact, both in the short and long term.

For purposes of discussion, some of the similar points are combined.

Gramarye Books as a Teaching Tool

We believe that some of the most important applications may be in education. More specifically, Gramarye can help children improve their reading skills — especially those "at risk" children who have fallen far behind — and even inspire a life-long love of reading.

Gramarye can help at-risk children succeed in school … and in life.

To have a meaningful impact, an Gramarye solution should address as many of these issues as possible. Here are the points from the three lists described above, explored one by one.

1. It's boring/They have no interest in the material they are required to read

The material itself, with or without enhancements, must be engaging enough to not only hold a child's attention, but also to compel them to prioritize it over other activities and distractions, and proceed even when their abilities and limitations make it difficult.

Solution: As a part of our research into a non-subjective content evaluation criteria, we took a deep, heuristic look at story — the same sort of study one might do before developing a user-centered design approach to software, or before developing a strategic marketing plan.

Specifically, we looked at elements, both in terms of content and structure, that seem to be universally successful, across demographic and genre lines. Most of these elements, including concepts like found family, mythic structure, wish fulfillment, iconic visuals and locations, etc., should work here, too.

In addition, we look at the genres and story elements that are most popular among both boys *and* girls, and

developed the following list:

- Action/Adventure
- Mysteries
- Fantasy
- Humor
- Superheroes

With that in mind, we have identified potential stories that hit at least three, and possibly all, of these genres. Here's one example:

A young boy or girl (*the reader will be able to choose a main character and his or her friends from an ethnically diverse list*) is sent to stay with her grandfather for the summer while her parents are away on business. She misses her friends, and Grandpa is boring, even though he lives near the ocean, where the coast is dotted with mysterious caves.

But our hero meets new friends … a multicultural group that seem glad to welcome a new kid. They are over when s/he finds a stash of old comic books in the attic, featuring characters they've never heard of before. More, the comics have ads on the back cover for strange devices … x-ray spectacles, decoder rings, a hidden camera, a hypnosis disk, and more. They decide to order some, just for kicks.

When the gadgets arrive in the mail, our hero and the new friends find a surprise. They really work! As the story unfolds, we'll learn that the comics are actually a cover … a secret spy organization uses them to distribute orders to agents, and to allow them to get equipment.
When our hero used the credit card her dad gave him or her, the sender recognized his account … because Jenny's father, like her grandfather before them, is a spy! The main character's father is on a mission: to rescue the mother!

There's another element, too. The evil spies that captured the lead character's mother have come to the town were Grandpa lives. They're looking for treasure that pirates left behind. But pirates left other surprises, too — traps, puzzles, and maybe even a ghost or two.
Now, the kids are caught up in a grand adventure, where they must solve mysteries and use their gadgets (and their science, math, and reading/writing skills) to decipher puzzles. More, the choices they make shapes the direction of the story, teaching valuable lessons about the consequences of even causal decisions.

2. I don't have time

Solution: When an activity is compelling enough, kids make time. We'll combine the things they'd rather be doing … listening to music, playing games, watching movies, and hanging out with their friends … to make reading a priority. Since tablets and Smartphones are easily portable, they can be a part of other activities, like time in the car, quiet time, waiting for a soccer game to start, riding the bus, etc.

Finally, the social media element (with strict parent/guardian/teacher controls) allows kids to exert positive peer pressure and competition, and to share their favorite parts with their friends, making it a fun relational activity.

3. It's too hard/They can't read as fast as their peers (and get left behind)

Solution: Reading shouldn't frustrate children. It also shouldn't be too easy and risk losing the attention of more advanced readers. Our titles can adjust in real time based on observations of the reader's behavior.

The built-in games will allow us to test reading comprehension as a part of the games. For example, the story might tell the reader to use the jade key, the silver key, and the gold key in order to open a treasure chest. In the game, they have to do just that.
Those "tests," along with our provisionally-patented reading speed algorithm, will allow us to accurately gauge a student's ability, and adjust the content up or down in real time while the child is using the app.

In addition to helping kids learn, this allows the reader to use the book again and again as their skills improve and get a slightly different experience each time.

Both the stories and games/learning exercises will be carefully structured to encourage students to learn how to derive the meaning of unfamiliar words from the context and to practice every day in order to improve their reading rate.

4. It's not important

Solution: We need to show real-world applications, even in a fantasy or adventure story. For example, the story will allow the student to make decisions that shape the outcome of the story. This is an important way to show that even the simplest decisions can have meaningful consequences.
The stories must also emphasize the simple fact that the characters *succeed because of their skills and knowledge* — and because of their friendships and cooperation with other characters with different skills and talents (even those who seem "different") — showing that all of these have applications in the real world.
We can also use in-app notifications to create a sense of urgency … as though the story itself is reaching out to the child and calling them back in. They are, after all, the hero, and what they do matters.

5. It's no fun

Solution: Our titles must deliver the fun — by rewarding reading performance with games, videos, music, and more. The features of the Gramarye Media platform work together seamlessly to create magic, immersive reading experiences. The learning exercises may be designed to teach and improve skills, but the simple truth is clear: they are games and they're fun.

We can increase the fun by including badges, virtual trophies, and more for game scores, finishing chapters, etc. In other words, we provide milestone rewards to recognize individual progress, and allow

children to share with their friends, parents, and teachers in the "walled garden" social media experience. We'll even provide a virtual showcase for their achievements.

6. Reading Gives Them a Headache or Makes Their Eyes Hurt/Learning Disabilities

Solution: In 2014, a Dutch designer released a font called Dyslexie, which helps people with dyslexia read better. Our team has discovered that additional tweaks, such as allowing parents and teachers to work with students to adjust the leading and kerning (the space between lines of text and individual letters) makes the experience even better for readers with physical limitations.

Also, parents and teachers can help students adjust the brightness, contrast, and more, to create an ideal, customized reading experience that won't hurt their eyes or make them physically uncomfortable.

With additional research and experimentation, we may be able to help children overcome a number of different learning disabilities, including those of children with physical limitations.

7. They fear they'll have to read out loud and others will laugh

Solution: We can use the device's microphone to allow students to practice reading aloud (for example, a password or a magic phrase in a game) in a private, low-pressure environment. Speech recognition software allows the app to provide feedback (i.e. the correct phrase opens the magic door or fools an enemy spy). When the children speak into the microphone, the characters in the story can respond, prompt them to try again, or offer helpful hints.

Children can keep practicing until they achieve the desired outcome. As students improve, we can increase the difficulty and length of the read-aloud passages. When they get better, we can let them share their recordings with friends and parents or teachers to showcase their achievements.

Finally, the built-in dictionary can offer an audio pronunciation guide, allowing children to tap an icon next to the definition to hear how a word should be pronounced and to practice their phonetics skills.

8. They expect to be tested on what they read — and to fail the test

Solution: While no one likes tests, kids today have been playing video games since they could walk, and sometimes even earlier. Our tests both look and work like fun video games, and they make young readers feel like they are actually participating in the stories. The story excites young readers; the games make them the heroes.

One of the keys to designing successful games is to make the goals within reach of the player's ability ... but just barely. Kids who play video games are used to having to try more than once, and sometimes many times, to "beat the level" before they can continue the game. Our exercises, created by professional game designers, will feel more like games than tests, encouraging kids to keep trying until they "win." It's fun!

As mentioned above, the games can help with reading aloud skills as well. Children must speak the magic phrase correctly to open the chest within the time limit, for example. We can automatically raise or lower the time limit based on analysis of the student's ability. The "pressure" of the game situation helps build confidence for other situations, such as reading aloud in class.

As with the stories themselves, the app will be able to automatically scale the difficulty of the games up or down based on the child's reading speed, progress, and measured ability so children are never so frustrated that they give up. They'll *want* to keep going.

Once again, we'll award virtual trophies for successful play, and allow children to share.

9. They believe they have to finish every reading selection, no matter how long or difficult

Solution: While the story should be exciting enough to make kids want to keep reading — and unlock the next music clip, video segment, or game — the story is divided into digestible "nuggets," short chapters that can be enjoyed quickly, and returned to later.

Each chapter is a milestone to be celebrated — with a badge or an award — when completed. However, each chapter ends on a mini cliffhanger, encouraging the child to return to the story … soon!

The book includes a synopsis, so that children can refresh their memories when they're ready for the next chapter, but only up to the point they've read. They can't skip ahead and cheat!

10. They fear their opinions will be wrong

Solution: The traditional approach is (at best!) counter-productive. With maturity and practice, their reading and writing skills will improve and they will be better able to appreciate literature that demands a more sophisticated approach. Our goal is to make them question and explore and think for themselves.

Children will be asked their opinions in the context of the story itself. In some cases, they may be able to select from a menu of responses and then elaborate on why they made that decision in their own words. In other instances, they'll need to type or speak their answers. In any case, they'll see the consequences of their actions, and have the opportunity to make different choices next time.

The important consideration is to remember that children must be encouraged to think and share, and to understand that this is a safe place to explore and question, even when they're afraid. Sometimes there is more than one answer.

Children will also be able to share their thoughts and feelings with parents, teachers, and other students — in their class or around the world — using the built-in "walled garden" social media experience.

11. They always get put into the "slow" group, which makes them feel stupid/They believe they are too far behind to ever catch up

Solution: Since the book adjusts automatically to the individual reader's level of ability, students have no reason to feel they are behind their friends. The adjustments are both seamless and invisible. In fact, positive peer pressure, in the form of shared badges and trophies, encourages children to keep up and earn their own rewards.

Since the difficulty increases as the reader demonstrates improvement, children should come closer to their more advanced classmates and friends quickly. The games, videos, music, and awards, as well as the story itself, encourages and incents children to read.
Finally, the built-in dictionary can help students learn to sound words out phonetically, and to deduce the meaning of words from context.

The most important thing to remember: we provide children with help at every step of the way.

12. They get lost and can't remember what they have just read

Solution: The book includes a synopsis, so that children can refresh their memories when they're ready for the next chapter, but only up to the point they've read. They can't skip ahead and cheat!
Connecting the text to visual images, videos, and the artwork in games — as well as to sounds — helps children make mental associations with what they just read, adding both to their comprehension and retention.

More importantly, the games are designed to reinforce reading comprehension and retention. Children use the information they've gleaned from the story to solve mysteries, navigate mazes, and complete quests in the game segments. This function, too, adjusts up or down to the student's capability and raises the difficulty bar slowly as abilities improve.

13. Students would rather be doing something else

Solution: As mentioned, reading has to compete with "lower effort" activities such as movies and television, computer games, and social media. Gramarye titles combine video, music, games, and social media, using them to enhance the reading experience, making the story more immersive and engaging.

The games are more than entertainment. We use the games to validate learning before "unlocking" the next chapters. In addition, the games can provide valuable measurement.
More, the games are also important elements of the learning process itself. There was a famous University of Texas study that talked about how people learn. Basically:

- People retain about 10 percent of what they read.
- People retain about 20 percent of what the read and hear.
- People retain 50 percent of what they read, see, and hear.

Present enhanced eBooks add video and audio, and that's great, because it raises comprehension to up to 50 percent. *But we can do better.*

The same University of Texas study showed that **people remember more than 90 percent of what they read, see, hear and** *do.* Our "app within an app" game capability allows us to create interactive activities so that children *learn by doing.*

Activities coupled with text and rich media increase retention and offer more bang for education dollars. 90 percent learning retention is incredible. More, the reading speed algorithm can verify that a student is reading, and notify parents or teachers of the student's progress.

Finally, additional content, including video, music, and games, can reward children for successfully completing chapters and improving their skills.

14. Reading is a lonely/solitary experience

Solution: The social media component lets learners collaborate and form virtual study groups. They can learn while "hanging out with their friends," or while reaching out for the comfort of a teacher or parent's present … all without closing the book. Children can share their thoughts, their achievements, and even their favorite parts of the book with their friends, making reading a social experience — and, again, bringing positive peer pressure to play.

15. The characters in books don't "look like me"
Children look for a character they can relate to.

Solution: Some Gramarye titles will allow the user to choose the main character from a number of boys and girls of various races and representing different cultures. The story will adjust to fit the chosen "lead" character, and even the illustrations in the games will change to reflect the reader's choice. The video segments will be shot from the lead character's point of view, so he or she is never actually seen. This helps make children feel like they are actually a part of the story.

Most importantly, the children will feel a connection to the character, which will help drive home the message that these skills are important, and the choices you make can shape your entire life. Gramarye Books combine text, video, music, games, social media, and more surprises to make an engaging and truly immersive reading experience that helps readers get lost in a story. It's important to note that these components aren't just a laundry list of features; *the Gramarye suite of functions integrate seamlessly to create an experience unlike any other.* Gramarye is more than the sum of its parts. It *is* a magic experience.

We also believe it's the most complete teaching solution ever conceived to help children read better — and fall in love with books. The research shows why kids stop reading. We can help them start again and keep growing their skills. *In other words, Gramarye lets children have fun while putting them on a path to success in life.*

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