

1. What's different about financing my project on BlockFilm?

BlockFilm allows you to post your investment offers through our regulated exempt market dealer partner directly to accredited investors, who purchase digital security tokens representing their participation in your project. These digital securities will provide hard currency (cash, not cryptocurrency) for your project. The ability to raise financing through this type of investment is new to most jurisdictions around the world. If your project is one that resonates with fans, you may also be able to tap into donations and other forms of fan support that increase investor confidence.

2. Is the BlockFilm site an exchange, a crowd-sourcing platform, or both?

Blockfilm is neither an exchange nor a crowd-sourcing platform. It is a platform designed to showcase projects to investors and fans. Projects get access to accredited investors and can issue digital security tokens in hard currency through our regulated exempt market dealer partner, TokenGX (TokenFunder). Fans can support projects by earning or purchasing fan tokens, making donations and via social media.

3. What is a security token?

Security tokens are regulated financial instruments that are a digital representation of the investor's stake in the project. They are issued based on an investment offer defined by the Issuer-producer and governed by the three-way Issuer Agreement among the Issuer, BlockFilm and TokenGX. Producers may issue tokens in the form of equity in the Special Purpose Vehicle company producing the project or its parent company; revenue share in the project itself; or debt (bridge financing) with a set interest rate and terms offered by the Issuer. Producers are welcome to offer investor 'perks' or incentives such as experiences or Executive Producer credits for larger investments.

4. What are equity, revenue share and debt securities?

A content creation company may issue three types of financial securities on the TokenFunder platform: equity, revenue share and debt. An equity-based security provides the investor a number of non-voting shares in the company that owns the project, whether that is a special purpose vehicle or an ongoing production company. A revenue share security grants the investor rights to a percentage of revenues that the company receives on terms defined in the waterfall. A debt security is a loan for a fixed term and a percentage of interest that the company contracts to pay to the investor when the obligation becomes due. Each of the different securities may be resold only to other accredited investors.

5. How do I connect to investors on the platform?

Investors coming to BlockFilm will see the various projects on our platform. They will have access to your public-facing creator page and to your marketing materials. If they wish to explore an investment, they will be taken seamlessly to the TokenFunder platform, where they must go through a first screen that determines whether or not they are qualified to invest. If they decide to invest, they must submit documentary evidence that they are accredited investors. BlockFilm itself provides a place to post your materials but is not involved in your contacts with potential investors.

6. What is the role of the producer in issuing security tokens?

BlockFilm and TokenFunder provide generic term sheets and template agreements, but the producer decides which form of financing is most appropriate for the project and submits an investment proposal that lays out the terms for the investor, including the waterfall that sets out the hierarchy for returning funds to investors. You should seek professional advice if you aren't sure which instrument is best for you. Once the proposal is created and posted on the TokenFunder site, investors can purchase any portion of the raise from a minimum of CAD\$1,000 for smaller raises, and higher token prices commensurate with the project budget. Token prices are set by the producer/issuer in the term sheet. The tokens are recorded with smart contracts on a public blockchain so that the transactions are transparent and

immutable.

If the producer is issuing equity in the form of non-voting shares or a debt instrument, it needs to be clear whether this is in a special purpose vehicle for that project, or in the parent production company. Revenue share instruments should be clearly linked to the project.

7. Why will investors invest in a project?

Investors have a variety of reasons for investing in a project. For example, they may be seeking to diversify their holdings at a time when interest rates are very low, and it can actually cost money to hold cash in the bank. Some high net worth individuals are prepared to take on a higher investment risk that comes with at least some upside potential. Others may wish to support projects that meet their Ethical, Social and Governance (ESG) values, be attracted to the subject matter of your project, or to the film and content creation industry itself, with the unique experiences it can provide.

8. Obtaining approval to submit a project

BlockFilm reviews all projects submitted before posting them. You may submit a project solely for fans, who can support your project in many ways, including, for example, social media posts. If you wish to create an investment offer, our exempt market dealer partner, TokenGX Inc., will perform a regulated due diligence before your project is accepted and offered to accredited investors.

9. Receiving funds from investors

Your financing will be completed and received according to the terms you set in your investment proposal and the underlying smart contracts that your investors purchase. These terms may vary according to the needs and the marketability of your project. When the securities are sold, TokenGX will transfer the funds electronically to your designated bank account according to the contractual arrangements in the investment proposal.

10. Is there a minimum investment and do investors need to be accredited?

The minimum investment for security tokens is CAD\$1,000 for smaller raises, and higher token prices commensurate with the project budget. Token prices are set by the producer/issuer in the term sheet and yes, investors who wish to purchase security tokens need to be accredited. This regulatory qualification process happens on TokenFunder's platform. However, there is no minimum for projects, such as social impact films, seeking contribution-based financing.

11. Is BlockFilm seeding any projects with its own capital?

Not at this time. It is possible that at a later stage we will consider such investments.

12. Are producers at liberty to raise money outside of BlockFilm?

Yes, as long as they update their investment proposal with us in a timely fashion. We assume that many projects which have already obtained partial funding will continue to seek financing in their usual way.

13. Are projects being financed by cash or crypto-currency?

Cash, with the same kind of cash flow model as in traditional financing, i.e. funds are held by TokenFunder and released according to milestones set by the project representative (the Issuer) in your investment proposal. We use blockchain technology to ensure integrity, security and transparency of the transactions, but there is no cryptocurrency in project financing.

However:

If producers wish to issue NFTs associated with the project, this would be completely separate from issuance of securities and project funding in cash. NFTs are not securities and are not regulated. The NFT ecosystem is very new and operates in Ethereum cryptocurrency, but these digital tokens offer a promising way to generate additional interest and revenue streams for producers and creators. Unlike the traditional art market, NFTs hold the

potential to extend revenue streams through a flow-through percentage on resales. Once purchased, the funds are deposited in an ether wallet on the Exempt Market Dealer (EMD) site and can be redeemed immediately in the currency of the producer's choice.

14. What are NFTs?

A non-fungible token (NFT) is a unit of data stored on a blockchain (a digital ledger) which can represent a unique digital item, such as art. Unlike cryptocurrencies such as Bitcoin and many network or utility tokens, NFTs are not mutually interchangeable, i.e. not **fungible**, as hard currency is (one \$20 bill has the same value as any other). **Digital art** was an early use case for NFTs, because of the ability of blockchain technology to assure the **unique signature** and ownership of NFTs. **Christie's** made news in the auction industry by selling Beeple's *Everydays: The First 5000 Days* for US\$69.3 million in March of 2021. We believe producers on BlockFilm will find innovative opportunities to create NFTs for digital artifacts and exciting experiences.

15. How do hard cash and BlockFilm funds work together—all in the same corporate entity?

The funds raised through BlockFilm and TokenFunder will all be in cash. Producers are in control of how they manage their NFTs and any ensuing revenues.

16. Could producers finance the entire project through this platform?

Possibly, but many films choose to work with the additional leverage of tax credits, soft monies, etc.

17. How does BlockFilm earn its money?

BlockFilm shares with TokenFunder a 5% commission on funds raised via our platforms, according to a joint agreement that each Issuer who wants to offer security tokens must sign with BlockFilm and TokenFunder. BlockFilm also charges a small transaction fee on donations raised via our platform. In recognition of the contribution of its early adopters to the development of its

platform, BlockFilm has waived fees for general industry vetting services for the first 25 projects submitted and accepted.

18. Are the arrangements for recoupment and return on investment with BlockFilm investors pretty standard?

Yes, and these are designed by producers in their investment proposals.

19. How does the BF investment work with tax credits/soft monies/corridors for national/regional funds?

These arrangements will vary according to the rules in each jurisdiction. To use Telefilm Canada as an example: as of April 1, 2021, Telefilm requires a 5% corridor in the first position in the waterfall. This means that 95% of every dollar of revenue to the project goes to the private investors, until they have recovered their investment. Once this has happened, Telefilm will recoup its investment on the next tranche of revenues. When both the private investors and Telefilm have recouped their initial investments, there is a revenue share. Typically, once the private investors have recouped 120% of their investment, the net profits after that are shared 50/50 among producers and investors, but producers may choose to propose different terms to investors.

20. Why is a tokenized investment appealing to investors?

Tokenization, or fractional ownership, is spreading throughout the economy, notably in real estate and fine art. One reason is that investors like the ability to purchase a piece of an asset without committing to the whole, thus diversifying their risk. In addition, tokens are more liquid than the traditional film market, where it could take up to 7-10 years to exit the investment. Tokens issued through BlockFilm's partner TokenFunder can be resold at any time, but only to another accredited investor. Project valuations could fluctuate for many reasons, such as announcements of star casting, creative team awards, or suddenly achieving high relevance in public discourse--capturing a moment in the zeitgeist.

21. What happens to returns/net profits when tokens change hands?

The new owner of the token immediately begins to receive any returns. The pricing of the token would likely reflect any applicable discounts or bonuses, depending on the timing of the returns.

22. Is there a preference being given to Canadian-set films?

No.

23. What rights are producers granting BlockFilm to their projects?

None whatsoever, except the right to showcase the project on BlockFilm to help the project garner support, investment and contributions, where applicable.

24. Who will be the initial audience for the investment offers and how will they be sourced?

Producers should reach out to potential investors to promote their project and the advantage of tokenized investment. TokenFunder will be reaching out to approximately 2,000 investors currently active on its site and a mailing list of another 20,000. BlockFilm will also work on its own networks, social media and earned media to promote the availability of the offers.

25. Are people investing, contributing or both?

People who qualify to purchase security tokens (accredited investors) are investing on TokenFunder's platform, where project details are not visible to the general public. If the project is visible to the general public on BlockFilm (and that is the producer's decision), then it can receive donations. This will happen through earning or purchasing fan tokens or making donations on BlockFilm. TokenFunder will also have a donation button on each project so accredited investors may choose to donate as well. Some hybrid projects may choose to solicit both investors and supporters.

26. When do you expect the site to be fully functional and populated?

We have begun to finance projects through a hybrid offline/online process and we will build out the functionality of our site as we learn what works and what does not. The site will continue to evolve, but we expect that there will be enriched functionality for investors and fans in successive releases over the next few weeks, including engaging video content.

INFORMATION REQUIRED FOR PROJECT SUBMISSION

27. Why am I being asked for comparable gross revenue information?

Investors like context. Seeing box office receipts for comparable films provides an idea of what net proceeds may be expected for a theatrical release—although the pandemic disruption does make it much more difficult to assess these projections. By comparing the gross receipts of three comparable films and calculating the net proceeds in relation to the budget, the investor gains understanding of the project’s investment potential.

28. What happens if I cannot find comparable gross receipts?

For theatrical releases, Box Office Mojo produces lifetime gross receipts for both studio and independent films. Please use this resource. If your film never has a theatrical release and goes straight to streaming or to TV, enter a URL for the film and/or estimate lifetime revenues from sources that you consider reliable. If you have already secured a sales agent, then please provide sales estimates.

29. What happens if the film project has lower revenues than production costs?

If, over time, a project does not produce sufficient revenues to cover its production costs, then the film company pays investors less than their original invested amount, in proportion to their investments. What investors will receive depends on the type of security that they purchase.

30. Are film securities regulated by the government?

Yes. Securities issued by film companies are subject to the laws and regulations of the jurisdiction where the film company is domiciled, and investors wishing to purchase them must also comply with their own local laws.

31. Can investors trade a purchased security?

For the moment, these trades can only happen directly between accredited investors, who can perform these transactions on the TokenFunder platform.

32. Do investors receive a tax credit?

In cases where an investor has purchased a security whose value is less than its purchase price, and where the investor decides to sell the security at a lower price, the difference is considered a capital loss. In many countries, a capital loss reduces taxes paid on personal income. Please consult a tax lawyer in your jurisdiction to learn more.

33. What are my risks?

Securities are issued by the company that owns the intellectual property rights to the project, and it is liable for any obligation it has incurred under those securities. Under securities laws, you must list the potential risks of your particular project on the Term Sheet which defines your offering.

Your project may or may not face one or more of the following non-exhaustive examples of risks, which we are providing here **strictly for illustrative purposes:**

- The Issuer has no previous production experience in the film/media industry
- The Issuer may not obtain a completion bond for the project
- Because the film/media production business is highly speculative, the project may never achieve profitability
- If the project is produced, the Issuer may enter into distribution agreements, which may decrease profits
- The project may not succeed if it receives unfavorable reviews
- The project will be subject to the risks associated with distribution of films/media projects.
- The project will be subject to the risks associated with production of films/media projects
- The project may become subject to the risks inherent in international sales
- The Issuer may not be able to attract distributors to distribute the project which could significantly affect revenues
- The Issuer may abandon the project's development, production or distribution prematurely
- The project may infringe the intellectual property rights of others, and resulting claims against the Issuer could be costly and require the Issuer to enter into disadvantageous licence or royalty agreements