

RED VELVET ENTERTAINMENT INC. - EXECUTIVE SUMMARY

Uniting creative talent and investors so that together we can inspire, encourage, and entertain audiences across cultures and generations with exciting, imaginative, and thought-provoking stories.

Red Velvet Entertainment Inc. (“RVE” or the “Company”) offers a unique investor-centric opportunity to participate in the entertainment industry. We are an independent studio with a focus on feature films, reality TV, sitcoms, and dramatic TV series, with future plans to expand to other media platforms. **Our stories have a multigenerational pull that will reflect values and have inspirational themes that cross all boundaries and cultures.**

Filmed entertainment remains a large and attractive global industry. According to PricewaterhouseCoopers, it is more than a **\$92 billion industry and growing**. The industry has outpaced the US economy over the past 112 years, even during times of economic downturn. Largely because of industry consolidation, most of the industry is now centered among just a few major and ‘mini-major’ studios. The main focus of the studios is large budget and “tent pole” films. When they do produce lower budget films, their notorious “studio accounting” reduces investor and producer back-end profits.

At the other end of the spectrum are small independent production companies. Typically, these companies have a primary expertise in producing but must now finance, market, distribute, and manage the long-term success of their projects on their own. This is especially challenging for companies that specialize in inspirational and family media.

RVE is poised to fill this gap in the industry as an independent studio. We provide a comprehensive studio infrastructure consisting of business units focused on film financing, distribution and marketing, and production and post-production services. We use a multi-phase, competitive greenlight process for sourcing and approving projects, operate with independent studio efficiencies, manage each project long-term, and employ comprehensive risk management strategies.

We believe the independent studio model is the best way to build a sustainable entertainment business. As a studio, we generate **revenue from producer fee-based services** throughout the lifecycle of each film and we retain an **equity/net profits interest in each project**. Also, our film and TV product library from the retention of distribution rights will provide **appreciating assets**.

RVE is led by an experienced executive team with targeted executives added as the business requires and revenue supports. **At the head of our Distribution Division is Alan Bailey, who was the Senior VP of Distribution and Finance at Paramount for over 35 years.** We also have a team of dedicated and experienced production executives, including writers, directors, line producers, casting directors, cinematographers, editors, and post production specialists.

Media Consumers are our primary audience. The exceptional box office success of a string of inspirational and family films in recent years evidence a pent-up demand for stories that reflect wholesome values that resonate with this audience. Until recently, except for kids’ films, Hollywood has largely ignored them. Major studios are now seeking ways to reach them, but **RVE has a commitment to this audience and a practical working knowledge of how to serve them that differentiates us.**

Our audience also includes the creative talent (producers, directors, and writers) who seek to serve values-oriented

media consumers. Though we mostly develop and produce our own content, some projects will be co-productions with leading producers, directors, and writers. This approach helps us build a broader pipeline, bring diversity to the slate, produce multiple projects simultaneously with a lean staff, and manage creative risk. **We actively recruit creative leaders and our production team gives us a competitive edge to attract and serve them.**

A key differentiator for RVE is that investors will also be a primary audience.

▪ Challenges with Studio Investing

- Capital requirements are so large that usually only institutional investors can participate.
- No investor input in film selection because Investments are across the studio’s slate.
- Limited impact for values oriented investors.

▪ Challenges with Production Company Investing

- Limited financial and creative risk management from just one producer.
- No sustainable model if a film is not successful.
- Company has only limited long-term management focus on its films as they move to the next project.
- Investors do not have a system or process to source, select, and manage one-off investments.

We are seeking an equity investment of \$47,500,000 to produce a slate of 9 motion pictures through our RVE Film Fund 3. Because we view our investors as members of our team, we have developed an investor-friendly opportunity with the primary benefits:

- **Control in the form of Investment Committee participation.**
- **Attractive ROI potential from film and TV investments plus a bonus in the form of stock RVE.**
- **Comprehensive set of creative and financial risk management strategies**
- **Risk-mitigated film financing structure. Includes:**
 - **Federal Section 181 Tax Incentives.** Investors can deduct the full amount of their investment in the 2016 tax year against either active or passive income; based on the investor’s tax bracket, this generates a tax savings of up to 40% of the investment amount.
 - **State production tax incentives.** Any incentives received go back to the investors against their investment.
- **Given the track record of those involved, the strength of the marketing team, and the growing appetite for great independent Action/Adventure, Super Hero, and Faith Based content, this is an incredible opportunity to be involved with a winning formula for success and a solid ROI.**

For more information, please contact:

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