Renaissance Studio, Ltd.

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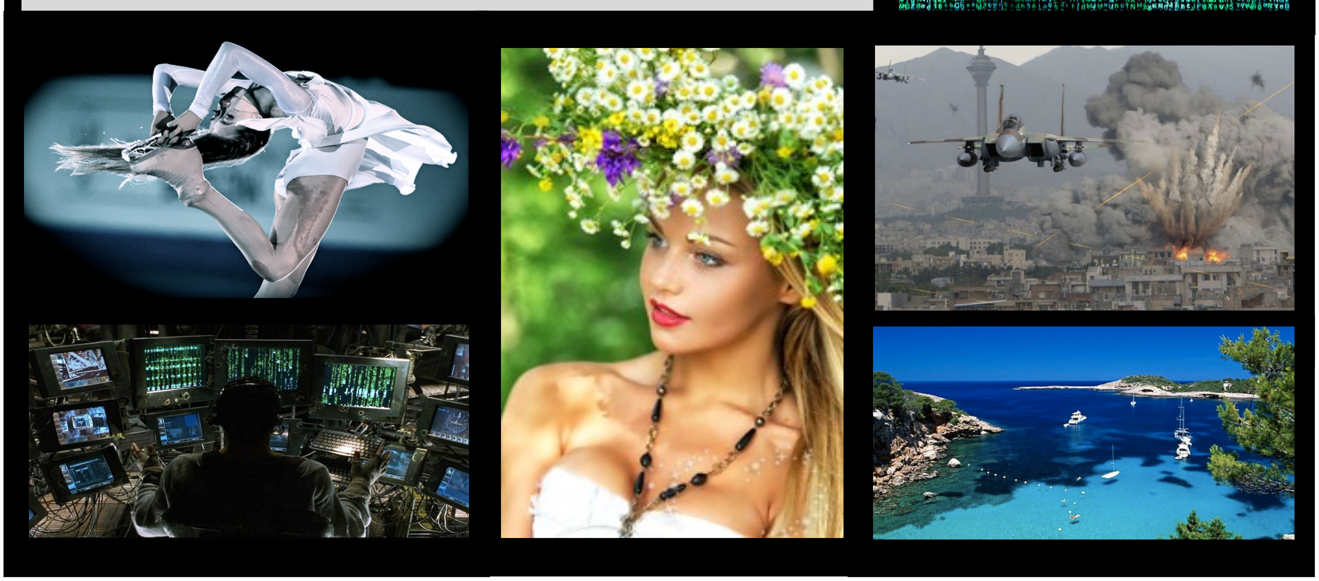
Movie Industry Reality Check



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Movie Industry Reality Check

Extreme dysfunction offers lucrative exploitation opportunities

Overview

Every adult who likes movies is familiar with the recurring frustration of wanting to view a film, checking the listings and finding nothing that inspires them to go to the theater or view by other means. These same adults are mystified that Hollywood produces so few movies that they want to see. According to the MPAA, 90% of people only see two movies in theaters each year on average. This strange and persistent reality represents:

- The largest disconnect between product features and consumer preferences of any industry. No other industry embraces a culture and business practices that systematically ignore the preferences of 85%+ of their potential consumers.
- A very lucrative exploitation opportunity for anyone who develops the means to create movies to match the preferences of the over 85%+ of adults who are being largely ignored by Hollywood. These people are not attracted to the shallow story telling, one dimensional characters and gratuitous/repetitive action, violence, depravity, crude humor, horror, sci-fi, niche indies, super heroes and CGI extravaganzas that dominate modern cinema.

Renaissance Studios, Ltd. ("RSL") has invested many years in a comprehensive analysis of the motion picture industry and the development of the means to exploit its extreme dysfunction and the irrationality of valuation metrics in the public equity markets to deliver extraordinary returns on investment to prescient capital partners.

Movie Industry Reality Check

In truth, there is a massive global shortage of inspiring motion picture content that skillfully matches product features with adult consumer preferences. This huge shortage exists because:

- The movie industry operates in a cult like "Hollywood Bubble" that employs faulty group think mythology and business practices that are largely disconnected from movie concepts, content, common sense and financial considerations. This myopic process typically creates abysmal movies to match industry expectations and mythology rather than consumer preferences. As a result, it produces too many products that very few adults want to see and that lose money for production equity over 80% of the time.
- Movie industry executives collectively believe that 1) distribution and marketing power and 2) " A List" directing and acting talent drive cinematic and financial success. In truth, movie concepts, content and characters are above 80% of the success equation. There are countless directors and actors who can convert a great script into a successful movie. There is no one who can convert a poor script into a successful film.
- Global movie viewing demand is strong and growing because countless billions of dollars have been invested to 1) increase the volume and locations of theaters and 2) expand the digital distribution channels and viewing alternatives through the internet and other means.
- By contrast, almost nothing has been invested to create effective content evaluation metrics and screenwriting methodologies to consistently develop exciting movie projects and film franchises that skillfully match a diversity of compelling resonance elements with the viewing preferences of most adults.
- In effect, the film industry has created huge, global distribution and exhibition pipelines without developing the means to fill them with movies that most people want to see.
- The movie industry fanatically employs faulty content evaluation ("coverage") metrics and screenwriting methodologies that focus on technical elements but largely ignore the viewing preferences of most adults.

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- **EVERYONE** in the insular "Hollywood bubble" aggressively excludes movie content from "unknown sources". This means that everyone in the movie industry is competing for content from the same depleted agency, book and other "usual suspect" "known sources" that produce films that consistently disappoint audiences and lose money for production equity investors over 80% of the time.

Strong evidence of the accuracy of these assertions can be found in the consistently uninspiring films that litter theaters and other exhibition channels and the general void of awe inspiring content.

Hollywood makes the films it wants to make, not the movies that most people want to see.

Movie Industry Financial Track Record

The cinematic and financial folly of relying on antiquated business models and the "usual suspect" "known sources" for content is demonstrated by the very poor financial track record of an industry where over 80% of the products it produces lose money for production equity investors. Please consider the following evidence that strongly supports these assertions:

Recent Significant Failed Entities

- Relativity Media
- Broad Green
- Weinstein - It was failing before the scandal
- Open Road Films
- Paramount Vantage
- Warner Independent Studios
- Wanda Qingdao Studios
- Countless smaller film ventures, film funds and thousands of independent films

On Life Support - Financial Failures Kept Alive By Corporate Sponsors or Capital Partners in Denial

- Amazon Studios - Huge resources but have released 22 films that averaged $11 million in box office revenues. 21 of the 22 averaged $7.5 million.
- Alcon Entertainment
- STX Entertainment
- Virgin Produced
- Miramax
- Global Road Entertainment
- Paramount
- Wanda Film Group
- Legendary Entertainment
- Alibaba Pictures
- Annapurna

Financial Under Performers

- **Lions Gate Entertainment -** Has lost 46% of it public equity market value since October 2015 while the S&P 500 has increased by 36% over the same time period.

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These financial failures generally shared all or many of the following flaws:

- Employed execution teams with industry experience that created a false sense of security for investors despite their poor financial success track records.
- Ignored the viewing preferences of the over 85% of adults who are not inspired by the shallow story telling, one dimensional characters and gratuitous action, violence, depravity, horror, crude humor, sci-fi, niche market indies, super heroes and CGI extravaganza that dominate modern cinema.
- Competed with each other and the studios and other producers to acquire movie content from depleted "known sources" that produce movies that lose money for production equity over 80% of the time.
- Failed to develop effective content evaluation metrics to avoid the above 80% of movies that were obviously dead on arrival. Instead they relied on traditional but faulty "coverage" methodologies that largely ignore the viewing preferences of over 85% of adults and produce the abysmal movies that fill the theaters and lose money for production equity over 80% of the time.
- Relied on third party content sources instead of developing effective screenwriting methodologies to self write and develop cost and earnings effective scripts and film franchises that skillfully match a diversity of compelling resonance elements with the viewing preferences of broad spectrum, global adult demographics.
- Often relied on well known producers or directors to select films for production despite the overwhelming evidence that most of them have no clue how to select and produce films that will consistently achieve strong global market acceptance and financial success.
- Ignored the reality that the skill sets to effectively evaluate movie concepts and content and their global market acceptance and earnings potential are **<u>VERY</u>** different than the ability to produce a movie with strong production values.
- Collectively squandered billions of dollars producing movies that almost no one wanted to see and that were near certain to lose money from inception.
- With very few exceptions, they all failed to create successful and sustainable film franchises.
- Many of them believed that minimizing production equity risk to avoid losses and just being financial intermediaries and/or distributors was a successful business model.
- Largely embraced the industry myth that content is not consequential because "A List" attachments and marketing/distribution power drives financial success.
- Often wasted huge amounts of money on unproductive G&A expenses.
- Ignored the opportunity to create a successful, earnings producing, going concern studio IPO profile that could exploit the above 100x price earnings multiples that Netflix shareholders are enjoying.

Collectively, these entities squandered billions of dollars of capital by employing business practices and strategies that were clearly flawed from inception. Despite this reality, new ventures like Soltice and others continue to raise hundreds of millions of dollars to employ similar, faulty business practices.

"The definition of insanity is doing the same thing over and over again and expecting different results."

Companies like Skydance have achieved some success by participating in big budget film franchises but even they 1) often deliver disappointing financial results after theater takes, P&A, G&A, production and other expenses and 2) typically earn uninspiring **<u>risk adjusted</u>** IRRs because of their huge budgets. Skydance also has not created a compelling IPO profile that would deliver a multi billion dollar windfall to its shareholders.

In truth, less than 5% of the films all of these entities produced would have met the RSL green light standards for concept or content reasons or because they had too much capital invested in individual projects that increase

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concentration risks and limit IRRs. Yes, some of the Skydance films made money but much higher **risk adjusted** IRRs could have been achieved by 1) investing that same capital in much more cost effective content with similar revenue potential and 2) focusing on the creation of a compelling IPO profile that offers over 90% of the potential earnings in filmmaking and investment.

The major studios produce over 80% of the financially successful films. They are largely big budget "tentpole" films in well established comic book based, animation or sci-fi franchises. These large financial successes and distribution fees on lesser films generally allow the major studios to post positive earnings in spite of their huge investments in infrastructure, content acquisitions and G&A expenses. However, the risk adjusted IRRs of the studios are dwarfed by the above 30,000%, 5 year ROE that is very plausible in the RSL value proposition.

All of the above is evidence that independent filmmaking that 1) relies on "usual suspect" sources of content or 2) limiting capital at risk in large or small budget movie projects and/or 3) relying on distribution fees is not a path to consistent earnings to drive a compelling IPO profile that can exploit the above 100x price/earnings multiples that Netflix has been enjoying in the public equity markets.

The Renaissance Studio, Ltd. ("RSL") Opportunity

("RSL") was established to create a virtual movie studio that will exploit the extreme dysfunction of the motion picture industry and the irrationality of the public equity markets to deliver exceptional returns on investment to global audiences and prescient capital partners.

The RSL R&D, business model, business plan, content evaluation metrics, screenwriting methodologies and sensational ten film franchise screenplay inventory are complete and RSL is now in its primary equity formation phase. The RSL goal is to raise $15 million of primary equity and convert it into a $6+ billion IPO windfall by 2023. This goal will be achieved if:

- The $15 million of primary equity is raised.
- The RSL films average 50% of the genre average revenues since 2006.
- The RSL IPO receives a 30x price/earnings multiple on the IPO. This is well below the 100x+ P/E ratio that Netflix ("NFLX") is currently receiving and the 180x multiple it was enjoying as recently as July 2018.

You may question RSL's ability to achieve these multibillion dollar goals but please consider that the market equity value of NFLX was about $3 billion in July 2012 and rose as high as $186 billion in June of 2018. This 62x increase in market value was achieved in a time period in which NFLX earnings increased only 15x so 75% of the increase was related to an increased P/E ratio. This irrational valuation behavior represents a huge exploitation opportunity for anyone who can create a compelling IPO profile in the motion picture industry.

Over 90% of the wealth earning potential in motion pictures investments is related to exploiting the irrational valuation behavior of the public equity markets. Therefore, any movie industry investment that does not include a credible IPO end game strategy is leaving over 90% of potential earnings unexploited.

As of this writing, the market equity value of NFLX has lost 31% of its peak market equity value since July 2018 because it is incurring huge amounts of debt to spend billions of dollars to acquire largely uninspiring content from the "usual suspect" "known sources" that produce motion pictures that disappoint audiences and lose money for production equity over 80% of the time.

This problem is obvious to anyone who subscribes to Netflix and exhausts the interesting content in the first week of viewing. The unsound Netflix business model rests on 1) getting people to sign up for subscriptions and continue them long after exciting content options are exhausted and 2) investing billions of dollars to acquire and

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produce content from sources that create content that fails to inspire audiences over 80% of the time.

NFLX currently offers a negative risk adjusted Alpha and there is not enough premium content available to serve the huge magnitude of Netflix's subscriber expectations. Therefore, NFLX is not an attractive investment and its primary value at this point is illuminating the huge public equity market exploitation opportunity for RSL.

The RSL Business Model & Strategy

An understanding of the RSL value proposition is vitally important but the purpose of this document is to convey a reality check on the extreme dysfunction of the motion picture industry to highlight the RSL exploitation opportunity. A summary of the RSL value proposition can be found in the RSL White Paper at the link below. **You may have to copy and paste the web address into your browser to access the file**:

http://nebula.wsimg.com/2841f8fa281af4149d638480f485ad8f?AccessKeyId=9E533268DA51246EF35E&disposition=0&alloworigin=1

Please invest 30 minutes to review the RSL White Paper as an important point of reference for this document. The RSL White Paper reveals a very clear and plausible business model and plan that includes the following key success elements:

- Do not embracing the faulty conventional wisdom, culture and business practices of the movie industry and start exploiting their dysfunction.
- Do not rely on third party content sources that result in movies that lose money over 80% of the time.
- Do not invest capital to fund or distribute third party projects that do not meet RSL green light standards.
- Employ advanced content evaluation metrics that focus on matching movie product features with adult consumer preferences to insure strong and consistent global market acceptance and profitability.
- Elevate "green light" standards to avoid concepts and content without broad, global market appeal.
- Employ screenwriting methodologies that skillfully match product features with adult consumer preferences.
- Write, develop and produce sustainable film franchises with strong, global cinematic and earnings potential.
- Create a consistently profitable, going concern studio with a compelling IPO profile by 2023.
- Embrace the RSL metrics, methodologies, business model & content inventory that will achieve these goals.

RSL Content Inventory

The RSL metrics and screenwriting methodologies have been employed in thousands of hours of advanced screenwriting to create an initial inventory of 16 screenplays. This inventory includes a major pentalogy, a major trilogy and the primary films in 8 other film franchise profiles. Brief summaries can be found at the link below. **You may have to copy and paste the web address into your browser to access the file:**

http://nebula.wsimg.com/0a98731c52ca731463369061f0a9df83?AccessKeyId=9E533268DA51246EF35E&disposition=0&alloworigin=1

Key features of the RSL movie projects and franchises can be summarized as follows:

- Thought provoking, high concept, triumph of the human spirit stories that often feature sensational female protagonists who are immersed in the most exciting scenarios of the modern world.
- All RSL scripts meet the RSL green light standards so they are very high certainty of financial success scenarios as compared to the content from the "usual suspect" "known sources" of the movie industry that

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produce films that fail to achieve box office and earnings success over 80% of the time.

- Films that almost all global adults will want to see, that no one will want to end and that will resonate in the minds of viewers long after they are seen.
- Often involve insightful scenarios that light a path to a much better world.
- Can all be produced on budgets of less than $35 million in genres that have averaged above $400 million in box office revenues since 2006 to insure strong and consistent earnings.
- Movies that are designed for all adults but especially the 85%+ of adults who are not inspired by the shallow story telling, one dimensional characters and gratuitous/repetitive action, violence, depravity, crude humor, horror, sci-fi, super heroes and CGI extravaganzas that dominate modern cinema.
- Include a broad diversity of compelling resonance elements that skillfully match the viewing preferences of broad spectrum international adults.

Collectively, these screenplays and franchises represent the most valuable content inventory in the motion picture industry if maximizing risk adjusted IRRs are the financial and investment goals. They are, in effect, a very cost and capital effective, multi franchise starter kit for a Marvel studios like scenario with much lower capital investment requirements and exponentially greater IRR potential. They are also a strong cinematic and earnings foundation for a compelling, $6+ billion IPO profile by 2023.

Summary

The purpose of this document has been to:

- Expose the faulty culture, mythology, business practices and conventional wisdom of the movie industry that result in movies that consistently fail to inspire large global audiences and seldom earn positive risk IRRs for production equity investors.
- Reveal the comparative superiority of the RSL business model, business plan, methodologies, strategies, content and film franchise profiles.
- Highlight the very lucrative opportunities to exploit the dysfunction of the movie industry and the irrationality of the valuation metrics in the public equity markets to deliver a multibillion dollar IPO windfall to insightful capital partners.

To accomplish this goal, RSL has developed a digital age business model and a180 page business plan that will avoid all of these mistakes to minimize risks, optimize global market acceptance, establish exciting film franchises, manage risks, insure strong earnings and create a compelling IPO profile by 2023.

Unlike other movie venture scenarios, RSL does not rely on third parties for content that fails over 80% of the time. RSL has developed and employed advanced content evaluation metrics and screenwriting methodologies to write and develop all of its own movie projects and film franchises to skillfully match consumer preferences to insure strong and consistent global market acceptance and profitability. RSL recognizes that exploiting the public equity markets through a compelling IPO is the source of 90%+ of potential earnings in film ventures.

The RSL value proposition will not inspire timid or unimaginative minds that cling to the belief that parroting the faulty and discredited conventional wisdom and prevailing business practices of the movie industry is the path to career and financial success.

RSL is designed for prescient professionals and capital partners who grasp the obvious reality that exploiting rather conforming to the status quo of the movie industry and the equity markets is the best path to maximizing IRR, ROE and Alpha results.

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