

**Proven Management, Award-Winning Evergreen Library, Growing Development Pipeline and Distribution Network – DVNNF is Positioned to Thrive in a Burgeoning Market**

**Introduction:** Devine Entertainment Corporation (“DVNNF”) develops and produces high quality entertainment for distribution globally to educational markets, television broadcast, theatrical film and home video/DVD/VOD (video on demand) markets. DVNNF recently entered into an agreement with NetMovies<sup>1</sup>, representing a landmark movement towards broadening the Company’s operational focus to access the rapidly expanding online distribution market. Devine Entertainment Corporation common shares are traded on the OTCBB under the symbol DVNNF and the Frankfurt Exchange under the symbol 3TD. The URL’s for DVNNF websites are [www.devine-ent.com](http://www.devine-ent.com) and [www.acrosstheriver.tv](http://www.acrosstheriver.tv).



A recent report from PriceWaterhouseCoopers estimates that global spending on entertainment and media will reach \$2 trillion by 2011, driven in large part by the convergence of content delivery across multiple platforms, including online distribution.

DVNNF historically has emphasized cultural and educational programming targeting the children and family markets, but the Company also develops prime-time drama and comedy programs reaching the mainstream primetime and mass markets. As a means to leverage its distribution network, DVNNF also is considering expanding its content offering through the acquisition of complementary libraries and production companies.


**Select Highlights Regarding the DVNNF Library**

- *DVNNF titles have earned 12 EMMY nominations and five EMMY Awards, 110 international film and television awards, five Gemini Awards (Canada’s EMMY)*
- *Mirroring the Disney strategy, the DVNNF library emphasizes evergreen titles such as films on composers / artists / inventors for which there is ongoing demand, particularly for educational use*
- *The evergreen library is dominated by “edutainment” content which also benefits from recurring sales to academia*
- *The oldest film in the library, EMMY Award winning “Beethoven Lives Upstairs”, was made in 1992 and still sells in DVD and broadcast markets*
- *Content is available in English, French and Spanish and has been distributed in over 50 countries*
- *The library includes 28 total films, including 19 HBO original family films representing an investment of \$31 million CAD, all of which has been recouped*
- *“Across the River to Motor City”, developed with \$8.1 million in financing and airing 11/22/07, represents the first move into Canadian primetime television drama*
- *Artists featured in the library include Raffi, Wynton Marsalis, Dean Cain, Amy Brenneman, Tim Curry*

<sup>1</sup> [www.netmovies.com](http://www.netmovies.com); See Murphy Analytics DVNNF Market Snapshot for additional discussion of this agreement

**Distribution:** DVNNF distribution partners include Sony BMG, Rogers Media (the fastest growing Canadian media and communications company), and the Carrere Group (Paris Stock Exchange EPA: CAR), which distributes DVNNF's historical family films worldwide (outside of North America) and the new prime-time "Across the River to Motor City" in France and all other French speaking countries including Belgium and Monaco. DVNNF earns revenue from broadcast licensing agreements, royalties, distribution fees and the sale of distribution rights, the sale of copyright interests, and the sale of home videos. As part of a governmental incentive program, DVNNF also earns federal and provincial tax credits, as much as 65% of certain qualified expenses, up to 35% of a production's total budget, for production within Canada.

**Summary:** Through 9/30/07, DVNNF generated nearly \$6 million in gross revenue and management has stated that revenue growth of 50% annually is achievable for 2008 and 2009. With seasoned management, strong distribution, an evergreen library to provide recurring income and a development pipeline to build the library, Murphy Analytics ("MA") is projecting net income of \$1.03 million for DVNNF for 2007 and \$2.93 million for 2008. Given the profitability already reported by DVNNF in 2007 MA is estimating the appropriate valuation today for DVNNF is \$0.32 per share. Additionally, based on our 2008 net income projections, MA is placing a 12-month target price of \$0.50 on DVNNF.

DVNNF Stock Price 11/15/07:	\$0.147
DVNNF 52-week High	\$0.25
DVNNF 52-week Low	\$0.05
DVNNF - Current Market Cap	\$6,750,000
<b>Murphy Analytics Current Valuation:</b>	<b>\$0.32</b>
<b>Murphy Analytics 12-Month Price Target:</b>	<b>\$0.50</b>

**Please review the important disclosures and disclaimers at the end of this report**

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## DVNNF Management and Board of Directors

**DAVID DEVINE - PRESIDENT, CHIEF EXECUTIVE OFFICER, CHAIRMAN OF THE BOARD.** David Devine was born and raised in Toronto. After earning an Honors BA in English from Victoria College at the University of Toronto and his Masters of Fine Arts in film production from the prestigious UCLA School of Film, Theatre and Television Arts, he established his own company upon returning to Canada and has worked in collaboration with his partner, producer/director, Richard Mozer, since that time. David is the creative head of Devine Entertainment Corporation and has directed 12 of the company's 28 major films. These 28 films have been nominated for 27 EMMY and Gemini awards (winning 5 of each) and over 110 other International awards. Devine's commitment to family-oriented musical entertainment began with *A Young Children's Concert with Raffi*, for Disney, which he produced and directed. Video sales are certified multi-platinum in the U.S. and Canada. Devine also produced and directed a second television special, *Raffi in Concert with the Rise and Shine Band*, an even bigger success, winning Devine a Gemini Award and Grammy and CableACE nominations in the United States. Devine's next project was to produce and direct his first dramatic film entitled *Beethoven Lives Upstairs*. The HBO Special won the 1993 Primetime EMMY Award for Best Children's Program. It was also selected for the Permanent Collection of the Museum of Radio and Television Arts in New York, and the film won its category at numerous film festivals. Devine himself won the International Monitor Award for Best Director. In 1994, Devine Entertainment Corporation launched the CableACE Award-winning series, *The Composers' Specials*, for HBO Original films. Devine co-created the concept and produced the series while directing two of the six: *Rossini's Ghost* and *Bizet's Dream*. *Bizet's Dream* won David his first of 3 Alliance for Children's Television Awards of Excellence. David also produced five of the series' accompanying CD soundtracks with the Slovak Philharmonic. Devine next produced *The Inventors' Specials* for HBO Original films and directed the *Einstein*, *Galileo* and *Edison* episodes. In 1999, David's films were nominated for 9 EMMY Awards; 5 for *Edison: The Wizard of Light* and 4 for *Galileo: On the Shoulders of Giants*. Happily, *Galileo* and *Edison* went on to win 3 EMMY awards and *Edison* also won the Gemini for Outstanding film that year. David next produced *The Artists' Specials* in 2000, six HBO original films for families. He directed three of the films, *Degas*, *Rembrandt* and *Monet*. *Degas* won the prestigious HUMANITAS Award and *Mary Cassatt: American Impressionist* received 2 EMMY nominations, winning 1 EMMY, the fifth EMMY for the company. In 2004, David produced and directed his first feature film entitled *BAILEY'S BILLION\$*, a comedy that tells the story of a dog who inherits a fortune and becomes the CEO of a renowned animal rights foundation. The film stars Dean Cain, Tim Curry, Jennifer Tilly and Jon Lovitz. David is currently Executive Producer of *Across The River to Motor City*, a primetime mystery series for Canada's Citytv network. He is also creating *RUSSELL SPROUT*, a prime time animated comedy series. David is also developing *HUMCHUCKER*, a dramatic feature film, and he is creating *The Writers' Specials*, the latest series in the company's collection of evergreen family entertainment. Devine will also team up with Jonsworth again to produce *RIO GRANDE* in 2008, a one-hour drama series to be produced on the Texas-Mexican border.

**RICHARD MOZER - VICE PRESIDENT, CHIEF FINANCIAL OFFICER, VICE CHAIRMAN OF THE BOARD.** Richard Mozer was born in Venezuela and raised in Florida and Montreal. He studied liberal arts at Cornell University and earned his Bachelors of Fine Arts and Master of Fine Arts degrees at the U.S.C. Film School in Los Angeles. On returning to Canada after film school, Mozer began a long-standing collaboration with producer/director David Devine, joining the company at its inception. Richard has produced 27 and directed 4 of the company's 28 major films. These 28 films have won over 110 International awards including 5 EMMY Awards and 5 Gemini Awards. Mozer himself was nominated in 2000 for an EMMY Award for his direction of *Mary Cassatt: American Impressionist*. The film did win an EMMY for Best Editing. Mozer produced Devine Entertainment's acclaimed series, *The Artists' Specials* and directed a second film in the series, *Goya: Awakened in a Dream*. Mozer produced the landmark children's television concert *Raffi in Concert with the Rise and Shine Band*. The program was an international success, winning the Gemini Award for Best Children's Program and receiving Grammy and CableACE nominations in the United States. Mozer's next project was producing the company's first dramatic film *Beethoven Lives Upstairs*. The HBO Special won the 1993 Primetime EMMY Award for Best Children's Program. It was also selected for the Permanent Collection of the Museum of Radio and Television Arts in New York, and the film won its category at numerous film festivals. In 1994, Devine Entertainment Corporation launched the CableACE Award and Gemini Award-winning series *The Composers' Specials*. Mozer co-created the concept and produced the series while also directing one of the episodes, *Liszt's Rhapsody*. *Liszt* went on to be nominated for a Rockie Award and to win a special jury prize at the 1995 Banff Television Festival as well as a Kid's First Award from the Coalition for Quality Children's programming in the United States. Mozer went on to produce the company's next series, *The Inventors' Specials*, which won 3 EMMY Awards and a Gemini Award among many others. Of the six *Inventors' Specials* films, Mozer elected to direct *Marie Curie: More Than Meets the Eye*. "I wanted to do a film about a woman for a rather simple and self-serving reason," he says with a laugh. "I have two daughters and I could see how they appreciated and identified with the young protagonists in our films. In a way, I pursue the stories with my children as my audience." *Curie* went on to be honored by the American Library Association, the Kid's First Coalition for Children's Television and the Parents Choice awards. In 2004, Richard produced Devine Entertainment's first feature film, *BAILEY'S BILLION\$*, a family comedy that tells the story of a dog who inherits a fortune and becomes the CEO of a renowned animal rights foundation, starring Dean Cain, Tim Curry, Jennifer Tilly, and Jon Lovitz. Richard is currently Executive Producer of *Across The River to Motor City*, a primetime mystery series for Canada's Citytv. He is developing *OCTOBER 7<sup>th</sup>, 1944*, a dramatic feature film and *The Writers' Specials*, the latest series in the company's collection of evergreen family entertainment. Devine Entertainment will also team up with Jonsworth again in 2008 to produce *RIO GRANDE*, a one-hour drama series set on the Texas-Mexican border.

**KENNETH D. TAYLOR - DIRECTOR.** Ken Taylor was the Canadian Ambassador to Iran from 1977 to 1980. Mr. Taylor is the recipient of the United States Congressional Gold Medal and is an Officer of the Order of Canada. Mr. Taylor is also the recipient of The Harry S Truman Good Neighbor Award, The International Press Club of New York Man of The Year Award in 1980 and has received the Keys to New York City, Los Angeles, San Francisco, Dallas, Miami and many others. Mr. Taylor is currently Chairman of Taylor and Ryan Inc., a public affairs consulting firm. Mr Taylor has been on the board of several corporations both in Canada and the United States. Kenneth Taylor recently stepped down after nine years as Chancellor of Victoria University at the University of Toronto and prior to that was Senior Vice President of RJR Nabisco. Mr. Taylor was

educated at Victoria University at the University of Toronto (B.A.) and the University of California, Berkeley, (MBA). Ken is on the compensation committee of the Devine Entertainment Board.

**BRYSON FARRILL - DIRECTOR.** Bryson Farrill is an independent financial consultant and businessman, engaged in personal investing activities and advising businesses with respect to various manufacturing, resource and commodities ventures. Mr. Farrill had a long and successful career in the securities industry and was formally Chairman of McLeod, Young, Weir, International as well as Chairman of Scotia McLeod (USA). Mr. Farrill was educated at Victoria University at the University of Toronto (B.A) and is on both the Compensation Committee as well as the Audit Committee of the Devine Entertainment Board.

**RON FEDDERSEN - DIRECTOR.** Ron Feddersen has been Executive Principal of The Atticus Group Inc., an interim management services company, since 2003. Prior thereto, Mr. Feddersen was the President of Flehr Associates Limited, a business consulting company. Ron was educated at Bradley University (B.A., MSCE,) in Peoria Illinois.

**ARNOLD TENNEY - FINANCIAL CONSULTANT.** Before joining the team at Devine Entertainment as a Financial Consultant and Corporate Advisor in 2001, Mr. Tenney was Chief Executive Officer of ARC International Corporation from 1971 to 2000. ARC International Corporation was a developer of indoor ice arenas and tennis clubs, as well as an investment company involved in entertainment and cable television whose shares were traded on the American Stock Exchange. Mr. Tenney was a director and Chairman of the Board of Cabletel Communications from 1985 to 2000, which is a leading supplier of broadband equipment to the cable television industry whose shares were traded on both the Toronto and American Stock Exchanges. Mr. Tenney was a director of Ballantyne of Omaha, Inc. from 1988 to 2000 and served as Chairman of the Board from 1992 to 2000. Ballantyne of Omaha, Inc. is a leading manufacturer of commercial motion picture projection equipment whose shares trade on the American Stock Exchange. Mr. Tenney served as a Director for Phillip Services Inc., a Canadian metal recycling company, from 1998 to 2000. Currently, Mr. Tenney is Chairman of Stellar Pharmaceuticals and has been a corporate advisor since 2001. Stellar has proprietary medical products that it sells worldwide. Stellar is a public company listed on the TSX Venture Exchange and the OTC.BB

**GLENN SERNYK - SENIOR VP. MARKETING/DEVINE DIGITAL CONTENT GROUP.** Glenn's career in marketing and developing high-end arts and entertainment products for young people began in 1978, when he joined famed children's recording artist Raffi's Troubadour Records. For the next 10 years, he guided Raffi's extraordinarily successful recording, concert and video career. Following that, he was one of the founding partners of The Children's Group Inc. and introduced Beethoven Lives Upstairs to the market. He subsequently brought the product to Devine's attention, resulting in the EMMY award-winning film. He has overseen the marketing and development of children's and family music and video at BMG Music Canada and at EMI Music Canada. Acting on his interest in all forms of arts for families, he produced, for 6 years, Toronto's First Night family New Year's arts festival (three of those years in SkyDome). Since 1999, he has been on the faculty at the Harris Institute for the Arts, Toronto's leading entertainment business college. Glenn joined the Devine team in 1999.

## DVNNF Target Market Overview

A report entitled “Global Entertainment and Media Outlook 2007 – 2011<sup>2</sup>” from PriceWaterhouseCoopers puts DVNNF’s general market at \$2 trillion by 2011:

*“The global entertainment & media (E&M) industry is experiencing sustained growth and will increase at a 6.4% compound annual growth rate (CAGR) to \$2 trillion in 2011...Double-digit growth is expected for digital and mobile spending in each territory during the next five years rising to \$153 billion by 2011. Spending related to the distribution of entertainment and media on convergent platforms (convergence of the home computer, wireless handset and television) is also growing at double-digit rates and will exceed 50% of global spending by 2011.”*

However, as illustrated in a report from Plunkett Research, Ltd., entitled “Entertainment and Media Industry Trends<sup>3</sup>”, the migration away from traditional distribution is changing this market profoundly:

*“The implications of these changes are staggering. The business models upon which most entertainment companies have traditionally run are becoming obsolete... Revenue from traditional advertising is in jeopardy while revenue from subscription-based business models is soaring. Online advertising is growing at supersonic speed. Television programming schedules are losing relevance while electronic program guides are becoming more and more vital. Traditional media are losing share while new digital media are becoming the norm. Entertainment companies are being forced to radically change to deal with new technologies and new demands from consumers.”*

With the formation of Devine Digital Content Group and the announcement on 10/19/07 of a distribution agreement with NetMovies, Inc.<sup>4</sup>, Devine Entertainment Corp. (DVNNF) has taken a landmark step towards broadening its operational focus and award winning entertainment library to effectively address the fast-growing online distribution market. NetMovies, 34% of which is owned by Blockbuster (NYSE: BBI), was founded by John Fanning, who also was the Founding Chairman and CEO of Napster, Inc. In an effort to participate in this movement of content online, DVNNF continues to pursue similar distribution relationships, including partnerships with video-on-demand distributors.

<sup>2</sup> <http://www.pwc.com/extweb/ncpressrelease.nsf/docid/E042C329AE028974852573010051F342>

<sup>3</sup> <http://www.plunkettresearch.com/Industries/EntertainmentMedia/EntertainmentMediaTrends/tabid/228/Default.aspx>

<sup>4</sup> [www.netmovies.com](http://www.netmovies.com); [www.netcapital.com/portcomp.html](http://www.netcapital.com/portcomp.html);

## Select DVNNF Titles in Development

The DVNNF library, reported at an estimated value of \$10 million, is growing with the addition of the following film and television projects:

**“Across the River to Motor City”:** DVNNF’s first prime-time television production is a film-noir miniseries developed at a cost of \$8.3 million. The series, premiering across Canada on November 22, 2007, is receiving growing attention and positive reviews. Synopsis:

*“Across the River to Motor City is a new one-hour, six-part mystery series that spans a period of 40 tumultuous years and reveals how ordinary people extraordinary events. Our mystery is set and the United States are divided by the Ambassador Bridge. Each episode of continually shifts point-of-view between day before President John F. Kennedy up four decades later, the day our hero is*



*are impacted by history's most in Windsor and Detroit where Canada Detroit River and come together at the Across the River to Motor City past and present. Our series starts the made his fateful trip to Dallas and picks accused of murder.”*

**“Humchucker”** Synopsis: *Humchucker is a feature film in development with a finished script. Humchucker explores the “American Myth” gone wrong when an ex-baseball player’s alcohol addiction and demons threatens to drive his prairie town family to the brink of disintegration after his all-star baseball pitcher son chooses to stay in school over a major-league career.”*

**“October 7, 1944”** Synopsis: *“October 7, 1944 is a feature film in development with a finished script. October 7, 1944 is a first hand account of the resistance of Auschwitz. The story is told through the eyes of a teenage boy who was an essential part of the rebellion in this true story. The film is a moving testament to the treatment and invincibility of the human spirit in a very dark time.”*

**“The Writers’ Specials”** Synopsis: *The Writers' Specials are six individual one-hour films comprising a series that explores the lives of six classic literacy geniuses as they cross paths with a young person at a pinnacle moment in their careers.*

- Alexandre Dumas and "The Three Musketeers"
- Mark Twain and "Huckleberry Finn"
- Molière and "The Misanthrope"
- Cervantes and "Don Quixote"
- Edgar Allan Poe: "The Tell-Tale Heart" and "The Purloined Letter"
- Lewis Carroll and "Alice's Adventures in Wonderland"



Alexandre Dumas



Mark Twain



Molière



Cervantes



Edgar Allan Poe







Lewis Carroll




**“Russell Sprout”** Synopsis: *RUSSELL SPROUT is presently in development with a pilot script and mini-bible completed. RUSSELL SPROUT is a half-hour, primetime animated comedy series that follows the antics of a celebrity chef who simultaneously navigates the world of running his own restaurant and starring in his own television cooking show.*






## Awards Earned by the DVNNF Library

### The Inventors' Specials: 6 HBO Original Films

<p><b>Galileo: On the Shoulders of Giants</b></p> <ul style="list-style-type: none"> <li>➤ 4 EMMY Award nominations including Outstanding Children's film</li> <li>➤ 2 EMMY Award wins</li> <li>➤ KIDSFIRST! Endorsement from the coalition for Quality Children's Media</li> <li>➤ Parent's Choice Honor</li> <li>➤ The GOLD CAMERA Award for Outstanding Children's film from the U.S. International Film and Video Festival</li> </ul> 	<p><b>Einstein: Light to the Power of 2</b></p> <ul style="list-style-type: none"> <li>➤ Alliance for Children and Television Award for Excellence for Best Drama</li> <li>➤ SciFest APASE Award for the Advancement of Scientific Education</li> <li>➤ SciFest Youth Jury Award for Most Inspiring Film</li> <li>➤ Parent's Choice Winner</li> <li>➤ Chicago International Children's Film Festival Best in Live Action Film</li> <li>➤ Atlantic Film Festival- Children's Choice for best film</li> </ul> 
<p><b>Edison: The Wizard of Light</b></p> <ul style="list-style-type: none"> <li>➤ 5 EMMY Award nominations including Outstanding Children's film</li> <li>➤ 1 EMMY Award win</li> <li>➤ Gemini Award ( Canada's EMMY!) winner for Outstanding Children's film</li> <li>➤ First Place GOLD CAMERA Award for Outstanding Children's film from the U.S. International Film and Video Festival</li> </ul> 	<p><b>Marie Curie: More than Meets the Eye</b></p> <ul style="list-style-type: none"> <li>➤ First Place Gold Camera Award from the U.S. International Film and Video Festival</li> <li>➤ Parent's Choice Winner</li> <li>➤ KIDS FIRST! Endorsement</li> </ul> 
<p><b>Leonardo: A Dream of Flight</b></p> <ul style="list-style-type: none"> <li>➤ Winner of the Gemini Award</li> <li>➤ KIDSFIRST! Endorsement</li> <li>➤ Parent's Choice Winner</li> </ul>	<p><b>Newton: A Tale of Two Isaacs</b></p> <ul style="list-style-type: none"> <li>➤ Parent's Choice Winner</li> <li>➤ KIDS FIRST! Endorsement</li> </ul>

<p><b>Raffi In Concert with the Rise and Shine Band</b></p> <ul style="list-style-type: none"> <li>➤ Gemini Award Winner for Best Children's Program</li> <li>➤ Grammy Award Nomination for Best Children's Record</li> <li>➤ Parent's Choice Gold Award- Best Children's Television</li> <li>➤ American Library Association Honor</li> <li>➤ Certificated Multi- Platinum Video Sales U.S. and Canada</li> </ul>	<p><b>A Young Children's Concert with Raffi</b></p> <ul style="list-style-type: none"> <li>➤ Parent's Choice Gold Award- Best Children's Television</li> <li>➤ Parent's Choice Classic Award- Best Children's Program</li> <li>➤ Action for Children's Television Award</li> <li>➤ American Library Association Honor</li> <li>➤ Finalist, CFTPA Awards- Best Variety Program</li> <li>➤ Certified Multi- Platinum Video Sales U.S. and Canada</li> </ul>	
		

<b>Beethoven Lives Upstairs - An HBO Original Film</b>	<b>The Composers' Specials: 6 HBO Original Films</b>
<ul style="list-style-type: none"> <li>➤ Winner of the Primetime EMMY Award for Outstanding Children's film</li> <li>➤ Winner of the Monitor Award for Best Director- David Devine</li> <li>➤ Winner of The New England Children's Film Festival, Boston</li> <li>➤ Award of Excellence from the U.S. National Board of Film Review</li> <li>➤ Winner of the Blue Ribbon for best Original Children's film from The American Film and Video Association</li> <li>➤ Two U.S. International Film and Video Festival GOLD CAMERA Awards for Best Children's film and Best Director (David Devine.)</li> <li>➤ DOVE Foundation Award- Best Children's Film</li> <li>➤ American Library Association's Honor as Best Children's Film</li> <li>➤ Selected for Permanent Collection of the Museum of Radio and Television Arts, New York</li> <li>➤ Special Event screenings at the Boston Museum of Fine Arts, the San Antonio Museum of Fine Arts, The Art Gallery of Ontario and The Pacific Archives Museum at the University of California, Berkeley</li> </ul> 	<p><b>Bach's Fight for Freedom</b>  <b>Bizet's Dream</b>  <b>Handel's Last Chance</b>  <b>Liszt's Rhapsody</b>  <b>Rossini's Ghost</b>  <b>Strauss: The King of 3/4 Time</b></p>  <ul style="list-style-type: none"> <li>➤ CableAce Award Winner for Best Children's Series</li> <li>➤ Gemini Award for Best Youth Series</li> <li>➤ The Alliance For Children and Television Award of Excellence Winner- Bizet's Dream</li> <li>➤ Parenting Magazine Best Children's Video of the Year- Bizet's Dream</li> <li>➤ KIDS FIRST! Awards for all six HBO Original films</li> <li>➤ The American Library Association recommends to all U.S. Public schools and libraries to stock the Composer's Specials videos/ DVD's.</li> <li>➤ The Family Channel's Seal of Quality</li> </ul>

<b>The Artists' Specials: 6 HBO Original Films</b>	
<p><b>Degas and the Dancer</b></p> <ul style="list-style-type: none"> <li>➤ Winner of "THE HUMANITAS" Prize</li> <li>➤ Parent's Choice Winner</li> <li>➤ Winner of the Folder Sheat Awards for Best Children's Production</li> <li>➤ American Library Association's "Best Video of the Year" – Editors Choice Booklist Magazine</li> </ul>	<p><b>Mary Cassatt: American Impressionist</b></p> <ul style="list-style-type: none"> <li>➤ 1 EMMY Award</li> <li>➤ 2 EMMY nominations including one for Richard Mozer as Best Director</li> <li>➤ American Library Association Notable Children's video award</li> <li>➤ KIDSFIRST! "All Star Rating"</li> </ul> 
<p><b>Goya: Awakened in a Dream</b></p> <ul style="list-style-type: none"> <li>➤ Writers Guild of Canada Top Ten Award</li> </ul>	<p><b>Monet: Shadow of Light</b></p> <ul style="list-style-type: none"> <li>➤ Top 5 Video of the Year, KidsFirst!</li> </ul>
<p><b>Winslow Homer: An American Original</b></p> <ul style="list-style-type: none"> <li>➤ American Library Association Notable Children's Video Award</li> <li>➤ KIDS FIRST! Coalition of Quality Children's Media- "Top 5 Rating"</li> <li>➤ KIDS FIRST! Coalition of Quality Children's Media- "All Star Rating"</li> <li>➤ Selected for a special screening at the Washington National Gallery of Art</li> </ul>	<p><b>Rembrandt: Fathers &amp; Sons</b></p> <ul style="list-style-type: none"> <li>➤ KIDS FIRST! Coalition of Quality Children's Media- "All Star Rating"</li> <li>➤ Selected as Best Video by Today's Librarian</li> </ul>

## DVNNF Capitalization

**Recent Financing:** On 10/11/07, DVNNF announced the completion of the private placement of units containing a total of 6,475,000 warrants, priced at \$0.10 CAD and expiring 4/11/09. The sale generated \$647,500 CAD in proceeds to be used in the development of the film and television production pipeline, marketing and distribution, and general working capital. CEO David Devine and CFO Richard Mozer purchased a combined 23% of the units, and continue to own a combined 27% of DVNNF common shares.

**Working Capital Deficit:** As a result of various defaults associated with convertible debentures issued since 1996, DVNNF reported \$4.9 million in current liabilities versus total current assets of \$1.5 million. DVNNF reports that it remains in ongoing communication with the debenture holders and that DVNNF expects to settle these obligations in the normal course of business. Given that these creditors seem to have cooperated with DVNNF in the past, MA is assuming it is reasonable to expect they will continue to do so in the future.

**Film Production Loan:** The production of the first six episodes of “*Across the River to Motor City*” was debt financed by a wholly owned subsidiary of DVNNF. This loan, which bears interest at Prime plus 1%, is collateralized with future revenue from the series, but without recourse to DVNNF. The loan had a balance of \$2.1 million as of 6/30/06 and \$1.8 million 9/30/07.

**Preferred Stock:** DVNNF reports \$495k in 9.1% non-voting redeemable preferred shares.

### Estimate of Outstanding and Fully Diluted Share Count:

MA Estimate of DVNNF Outstanding and Fully Diluted Common Share Count as of 11/13/07	
Common Shares Issued and Outstanding	45,921,149
Stock Options Outstanding (weighted average price: \$0.16; years: 2.46)	4,780,000
Warrants Outstanding (weighted average price \$0.25 and years 1.43):	7,999,166
1,519,290 Convertible Debentures	3,301,600
Warrants Issued 10/11/07 (\$0.10 CAD price, expire 4/11/09)	6,475,000
MA estimate of fully diluted share count:	68,476,915

## Overview of Canadian Production Tax Credits

As part of a governmental incentive program, DVNNF earns federal and provincial tax credits – up to 65% of certain qualified expenses and up to 35% of a production’s total budget, for entertainment production within Canada. To illustrate the impact of this credit, DVNNF explains that a particular series employing eighty crew members may incur \$4 million CAD in labor expense and generate a \$1.2 million CAD labor tax credit.

## Conversion Calculator for Canadian and U.S. Dollars

Approximate Exchange Rates as of 11/5/07:

$$\begin{aligned} \$1 \text{ USD} &= \$0.9337 \text{ CAD} \\ \$1 \text{ CAD} &= \$1.0711 \text{ USD} \end{aligned}$$

As an indicator of how this relationship has changed, the chart below illustrates that approximately \$0.65 USD had the buying power of \$1.00 CAD five years ago, while it takes \$1.0711 USD to convert to \$1.00 CAD today.



## Murphy Analytics Estimate of Future Potential DVNNF Cash Flows

Assumptions - All Amounts in USD					
					<b>Notes</b>
Annual Revenue Growth through 2009				<b>50.00%</b>	Analyst Estimate; DVNNF Guidance
Annual Revenue Growth from 2009 - 2010				<b>33.00%</b>	Analyst Estimate
Selling / General / Administrative Expense Growth				<b>15.00%</b>	Analyst Estimate
Film/Television/Program/Recording Expense Growth for 2008				<b>25.00%</b>	Analyst Estimate
Film/Television/Program/Recording Expense Growth 2009- 2010				<b>40.00%</b>	Analyst Estimate
Equipment Expense Growth				<b>15.00%</b>	Analyst Estimate
Stock-Based Compensation Expense Growth				<b>15.00%</b>	Analyst Estimate
2007 Revenue and Expense Projections are based on DVNNF guidance and Analyst Estimates					
MA Estimate of DVNNF Revenue / Expense / EBITDA Projections - All Amounts in USD					
		<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Projected Gross Revenue</b>		\$6,250,000	\$9,375,000	\$14,062,500	\$18,703,125
<b>Operating Expenses</b>					
Selling / General / Administrative Expense		(\$670,000)	(\$770,500)	(\$886,075)	(\$1,018,986)
Stock-based compensation		(\$40,000)	(\$46,000)	(\$52,900)	(\$60,835)
Film / Television / Program / Recording Expense		(\$4,500,000)	(\$5,625,000)	(\$7,875,000)	(\$11,025,000)
Equipment Expense		(\$5,500)	(\$6,325)	(\$7,274)	(\$8,365)
<b>Total Operating Expenses</b>		<b>(\$5,215,500)</b>	<b>(\$6,447,825)</b>	<b>(\$8,821,249)</b>	<b>(\$12,113,186)</b>
<b>Net Income</b>		\$1,034,500	\$2,927,175	\$5,241,251	\$6,589,939

For the full year 2007 projections, MA has estimated revenue and expenses based on DVNNF guidance in recent statements. For revenue projections through 2009, MA is assuming management's expectation of 50% is achievable given the pipeline and expanded distribution network. Because of the nature of the terms of financing for new development, and because of historical tax-loss carryforwards, MA is assuming tax and interest expense will be negligible for the next few years.

## Select Publicly Traded Comparables

Following are publicly traded comparables with operations generally more or less similar to those of DVNNF:

Select Publicly Traded Comparables for DVNNF								
Company Name	Ticker	Approximate Market Cap	Estimated Annual Revenue	Estimated Annual EBITDA	Estimated Annual Net Income	Price / Trailing Revenue	Price / Trailing Net Income	Price / Trailing EBITDA
4 Kids Entertainment Inc.	KDE	\$198,000,000	\$62,796,000	(\$10,097,000)	(\$5,006,000)	3.2	n/a	n/a
Image Entertainment Inc.	DISK	\$95,650,000	\$98,282,000	(\$9,885,000)	(\$12,896,000)	0.97	n/a	n/a
Lion's Gate Entertainment Corp	LGF	\$1,250,000,000	\$1,003,026,000	\$4,715,000	(\$22,035,000)	1.25	n/a	265.1
Navarre Corp.	NAVR	\$83,580,000	\$689,054,000	\$19,073,000	\$8,869,000	0.12	9.4	4.4
Peace Arch Entertainment Group Inc.	PAE	\$64,500,000	\$68,816,000	n/a	\$8,800,000	0.94	7.3	n/a
Time Warner Inc.	TWX	\$63,660,000,000	\$45,169,000,000	\$8,975,000,000	\$6,345,000,000	1.4	10.0	7.1
Walt Disney Co.	DIS	\$61,840,000,000	\$35,364,000,000	\$8,334,000,000	\$4,592,000,000	1.7	13.5	7.4

\*Data taken from Capital IQ via Yahoo! Finance as of 11/14/07; Analyst Estimates

## Conclusion

The risks of an investment in DVNNF include the difficult nature of estimating demand for entertainment content, the potential for volatile operating performance, the ongoing need for financing, intense competition from larger and better capitalized companies, no assurance to ongoing access to Canadian tax incentives, exposure to currency fluctuations, dependence on key personnel, and other risks not listed here or contemplated by the company or the analyst.

Although 2006 was not a strong year for DVNNF in terms of reported revenue, it did mark the beginning of a new vision and strategy reflected in the development of "Across the River to Motor City". While this expanded vision does expose DVNNF to additional production and development risk, the uncertainty is mitigated in part by the Canadian tax credits, the use of project specific, non-recourse financing, and by the evergreen DVNNF library which adds predictability to the revenue stream. As evidenced by the 2007 results, the expanded corporate strategy is working quite effectively for DVNNF. DVNNF has stated that it expects to earn between \$0.02 and \$0.03 per outstanding share for 2007. As reflected in the table presenting projected cash flows, MA is estimating that DVNNF will earn \$1.03 million for 2007, or approximately \$0.0225 per outstanding share (45.92 million).

Although the valuation multiples reflected in the table of comparables may be conservative relative to some other sectors, the potential for volatility due to production risk seems to justify these levels. Given the projected revenue growth for 2008 and 2009, MA is assuming an appropriate multiple for DVNNF is at the high end of the range of comparables. MA is relying primarily upon a price / net income based valuation for DVNNF. Assuming 2007 net income per outstanding share of \$0.0225 and a price/net income multiple of 14x, MA is estimating that an appropriate price for DVNNF right now is approximately \$0.32. MA is estimating 2008 net income of \$2.93 million, or approximately \$0.043 per fully diluted share (68.48 million). Applying the same 14x net income multiple produces a potential price of \$0.60. Because the multiple MA is utilizing is based on trailing twelve month net income, MA is discounting this \$0.60 price by 20%, producing a 12-month target price of \$0.50 for DVNNF.

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The Analyst for this report Patrick J. Murphy, CFA, has 15 years of investment and transaction analysis across a range of asset classes including microcap equities, commercial real estate debt and equity, municipal derivatives and public finance, venture capital, fixed income, commercial MBS and mortgage REIT's. In addition to his work with Murphy Analytics, Mr. Murphy also provides research to a broker/dealer and serves as a consultant to a municipal derivatives advisory firm. Mr. Murphy is an alumnus of the University of Notre Dame (1991), with an undergraduate degree in Economics, and earned a Masters Degree in Finance from St. Louis University in 1997. Mr. Murphy is a CFA Charterholder and a member of the CFA Society of St. Louis.

I, Patrick J. Murphy, hereby certify that all views expressed in this report accurately reflect my personal views about the Company, and that no part of my compensation was or will be related to the views expressed in this report.

## DEVINE ENTERTAINMENT CORPORATION

 INTERIM CONSOLIDATED BALANCE SHEET  
 (Unaudited - Prepared by Management)

ASSETS	September 30 2007 -----	Dec 31 2006 -----
Current		
Cash	\$ 216,471	\$ 268,001
Accounts receivable (Note 3c)	996,193	82,699
Subscription receivable	--	132,296
Inventory	64,823	88,236
Film tax credits receivable (Note 5)	214,284	2,051,568
Prepaid and sundry assets	80,674	131,406
	-----	-----
	1,572,445	2,754,206
Advances receivable (Note 4)	554,079	494,550
Investment in film, television programs and recordings (Note 6)	7,508,687	9,490,501
Long term receivable (Note 18)	175,097	175,097
Property and equipment (Note 8)	16,475	20,405
	-----	-----
	\$ (9,826,783)	\$ (12,934,579)
	=====	=====
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 1,529,100	\$ 1,492,953
Film Production Loan (Note 7)	1,807,705	2,121,527
Convertible debentures (Note 9)	1,519,290	1,519,290
Advances (Note 10)	90,000	--
Deferred revenue	--	4,342,643
	-----	-----
	(4,946,095)	(9,476,413)
SHAREHOLDERS' EQUITY		
Capital Stock (Note 11)	\$ 12,341,277	\$ 12,330,949
Preferred Shares (Notellic)	494,550	494,550
Contributed surplus (Note 12)	1,313,509	1,267,449
Deficit	(9,268,648)	(10,634,602)
	-----	-----
	(4,880,688)	(3,458,346)
	-----	-----
	\$ 9,826,783	\$ 12,934,759
	=====	=====

See accompanying notes to interim consolidated financial statements.

## DEVINE ENTERTAINMENT CORPORATION

**INTERIM CONSOLIDATED STATEMENT OF OPERATIONS**  
(Unaudited - Prepared by Management)

Three months ended	Nine months ended		September 30,	
	2007	2006	2007	2006
REVENUE	\$ 2,032,153	\$ 84,255	\$ 5,996,636	\$ 363,529
EXPENSES				
Operating	269,576	287,420	510,896	675,995
Stock-based compensation	--	--	29,260	26,784
Amortization				
- film, television programs and recordings	1,364,572	28,426	4,095,691	199,508
- equipment	1,215	1,687	3,930	5,058
Interest	(1,238)	(1,880)	(9,095)	(14,202)
	<u>1,634,125</u>	<u>315,653</u>	<u>4,630,682</u>	<u>893,143</u>
INCOME (LOSS) BEFORE INCOME TAXES	398,028	(231,398)	1,365,954	(529,614)
Provision for Income Taxes	--	--	--	--
NET INCOME (LOSS) for the period	<u>\$ 398,028</u>	<u>\$ (231,398)</u>	<u>\$ 1,365,954</u>	<u>\$ (529,614)</u>
EARNINGS (LOSS) PER SHARE (Note 14)				
Basic	<u>\$ 0.01</u>	<u>\$ (0.01)</u>	<u>\$ 0.03</u>	<u>\$ (0.01)</u>
Fully Diluted	<u>\$ 0.01</u>	<u>\$ (0.01)</u>	<u>\$ 0.03</u>	<u>\$ (0.01)</u>
WEIGHTED AVERAGE				
SHARES - BASIC	<u>39,376,529</u>	<u>39,076,771</u>	<u>39,355,816</u>	<u>37,003,668</u>
- FULLY DILUTED	<u>39,376,529</u>	<u>39,076,771</u>	<u>39,355,816</u>	<u>37,003,668</u>

See accompanying notes to interim consolidated financial statements.

## DEVINE ENTERTAINMENT CORPORATION

 INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS  
 (Unaudited - Prepared by Management)

Three months ended	September 30,		September 30,	
	2007	2006	2007	2006
	----	----	----	----
<b>OPERATING ACTIVITIES</b>				
Net income for the period	\$ 398,028	\$ (231,398)	\$ 1,365,954	\$ (529,614)
Shares issued to settle accounts payable	--	--	--	--
Stock based compensation	16,800	--	46,060	26,784
Shares issued for services rendered	--	--	--	--
Amortization - film, television programs and recordings	1,364,572	28,426	4,095,691	199,508
- Equipment	1,215	1,687	3,930	5,058
- financing charges	--	--	--	--
Operating expenses paid in common shares	--	--	--	--
Change in non-cash components of working capital (Note 19)	(1,806,722)	1,761,550	(3,235,794)	2,126,716
	(26,107)	1,560,265	2,275,841	1,828,452
<b>FINANCING ACTIVITIES</b>				
Repayment of bank loans	363,192	--	(313,822)	--
Advances	90,000	~	90,000	~
Issuance of shares on conversion of warrants	--	--	--	--
Issuance of shares for services	~	~	10,328	27,765
Issuance of shares on exercise of the options	--	2,500	--	2,500
	453,192	2,500	(213,494)	30,265
<b>INVESTING ACTIVITIES</b>				
Investment in film, television programs and recordings	(364,606)	(1,503,200)	(2,113,877)	(1,883,839)
Shares issued on Private Placement	--	--	--	507,500
Purchase of property and equipment	--	(1,067)	--	(3,105)
	(364,606)	(1,504,267)	(2,113,877)	(1,379,444)
<b>CHANGE IN CASH</b>	<b>62,479</b>	<b>58,498</b>	<b>(51,530)</b>	<b>479,273</b>
CASH, Beginning of period	153,992	660,765	268,001	239,990
CASH, End of period	216,471	719,263	216,471	719,263
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>				
Interest paid	\$ --	\$ --	\$ --	\$ --
Income taxes paid	\$ --	\$ --	\$ --	\$ --

See accompanying notes to interim consolidated financial statements.