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SUBJECT: PRODUCTION GUIDE - FAQ

Let's get right down to it. The first question everyone asks is how much is it going to cost to produce a video DVD? That is a lot like asking, "how high is up?" The answer is therefore somewhere between zero and \$500 Million. You can have it fast, high quality or cheap. Unless you have at least a few thousand dollars in a budget then your only option is to make it yourself.

The first question that we are going to ask you is: do you have a creative idea, plan and budget?

Let's provide some familiar cost benchmarks:

- A home movie is free except for your time and materials;
- A wedding video \$2000-\$5000;
- Used Car Commercial \$8000;
- Web site \$10,000;
- Local sporting event \$15,000;
- Industrial Video \$30,000-\$80,000
- Music Video \$100,000;
- Indie Film \$180,000;
- Prime time TV episode \$1,000,000;
- TV Coverage National Sporting Event \$2,000,000;
- Feature Film \$100,000,000;
- Olympic Broadcast \$500,000,000.

Our xczone.tv commercial DVD productions typically come in at about \$150,000, but we have done philanthropic work.

There are a great number of factors that determine costs, so either we start with a fixed budget and work within it, or we have to ask a lot more questions.

Another question is "how long will it take." Most of our productions span a year or two. People have a tendency to chronically undervalue and under estimate costs, time and resources, while having unrealistic expectations from watching \$200M feature films.

A good rule of thumb:

- A simple video/film will take 1hour to shoot 1 minute of footage and a further hour to edit every minute of that footage. You will need to shoot 10 times more footage than you will eventually use.
- A complex video/film can take 1hour to shoot 1 second of footage and a further hour to edit every second of that footage. You will need to shoot 80 times more footage than you will eventually use.

There is a noticeable difference between someone who knows what they are doing, working with a high-end camera and editing suite, and someone making a home movie with a camcorder. Some benchmarks for quality:

- Hamster videos like those found on utube
- Infomercials
- Commercials
- Broadcast Quality (Standard or High Definition or Film)



\$12,000 camera.....\$200 camera

Do it yourself. You can always get the \$200 video camera and shoot it yourself. Be prepared to invest a substantial amount of your time.

QUESTIONS

How prepared are you?

Do you know what work you are going to contract out or do yourself?

Do you have a well-written proposal and creative plan?

Do you have a business case or a budget?

Who is doing all the project management?

Are you looking to sub-contract out all the work or enter into a joint venture? What is extrinsic or resale value of the product?

Have you thought about:

- Talent (actors, performers, stunts)
- Location and site clearances
- Music and rights
- Travel
- Narration
- Lighting
- DVD Authoring and duplication
- Script & shot lists
- Marketing, sales and distribution
- Contracts
- Legal, Safety and Stunts
- Sets and Props
- Special Effects
- Titling
- Computer Graphics and Animation
- What factors are in your control and what are not.
- Intellectual Property Rights (mutual or exclusive)
- Development costs
- Competing products
- Return on Investment
- Risk
- Technical Feasibility
- Ethics
- Liability
- Sales channel, marketing collateral
- Schedule
- DVD artwork

SAMPLE PROPOSAL

Date:

Dear,

I am pleased to provide the *client* with a rough-order-of-magnitude quote for a production of *your project* scheduled for *date*; based upon our preliminary telephone discussions *dated*.

It is my understanding that you require a *short description of project*. The project is envisioned to start *date* and involve pre-production planning, *number* days of filming on site and subsequent *number of days* of post-production activities at XCZONE.TV facilities. The final product is intended for *broadcast, home use etc.* Final disposition of the completed final-cut be co-owned by the client and the producer, whereas the rights for the raw footage owned XCZONE.TV or co-owned in the case of a negotiated joint venture or co-production.

Based upon this information, I have roughly costed the project at \$CAD including taxes. Please find enclosed an explanation of the production process and a Work Breakdown Schedule (WBS) in the form of a GANTT chart based upon your Statement-of-Work. A concept description (one-sheet) has also been derived from your initial concept. A rate card is attached for any additional work.

I am looking forward to discussing the project further with you. Thank you for considering XCZONE.TV for this work.

Sincerely,

David McMahon www.xczone.tv

Attachments: 2

XCZONE.TV STUDIOS specialize in high impact digital productions for home entertainment, documentaries, training, event coverage, commercial product promotion and multimedia presentations. Whether it is fast-moving action in extreme outdoor conditions, or within a studio

environment. XCZONE is a vertically integrated production company managing all stages of a project from concept to delivery.

PRE-PRODUCTION involves the tasks which ought to occur before filming begins. Good initial research and planning are key factors that can reduce costs throughout subsequent stages of the project, and determine the outcome of the project. Production requirements are identified at the earliest stages. We work closely with the client to articulate the message, style and delivery of the work. The visuals and narrative are developed through the use of story boards, shot lists and scripts.

PRODUCTION Our productions are filmed on standard or high definition HD digital video or 16mm film to produce high quality results at a cost effective price. The equipment is lightweight, unobtrusive and highly mobile.

POST-PRODUCTION is where we craft the final product. The raw footage is transferred directly onto a state-of-the-art non-linear editing (NLE) suite where it is edited and enhanced. Transitions, special effects, 3D animated logos, titling, and sound tracks (music, narration, effects) are added. The product is preserved in high quality digital format throughout the entire production. We can output your video on to tape (miniDV, Beta SP, VHS (NTSC or PAL), in a digital format for CD-ROM or DVD, broadcast on the web, or for use within a presentation or even have it transferred onto film.

PACKAGING DESIGN We can design a four colour packaging material and arrange for replication and shrink wrapping of the video/DVD in any quantities.

Additional information of XCZONE studio capabilities is available from our web site www.xczone.tv



The Producer: XCZONE.TV agrees to provide video/film/multimedia production services for the Client

COPYRIGHT: Client hires the Producer to create a media product intended for a specific use and area (private, home or business). All finished material is delivered to the and copyrighted by the client. Enforcement of copyright infringement is the responsibility of the client. Camera originals, raw, rough and fine-cuts, XCZONE.TV stock footage and edit master media remain the property of Producer. The client may purchase raw footage or recordings used in their production at a discounted rate.

RIGHTS TO INCLUDED MATERIAL: Client warrants that they have the legal rights to anything the Producer will record including live action, voices, photographs, audiotapes, CDs, media, or any other elements delivered to Producer for inclusion in the production. Client warrants and agrees to provide the Producer all copyright music to be included in the video production, with the understanding that the Client will only use the media production for uses specified. The client must provide proof to the producer that the client has secured Synchronization and Master recording Licences for the music. Client shall indemnify and hold Producer harmless for any loss, damage, or liability for any infringement of any rights arising from the use or sale of material that Client hires Producer to produce, edit, or duplicate. The client warrants that no material contains illegal or offensive content nor was obtained through illegal means.

PERFORMER AND LOCATION: Client warrants that they have obtained the necessary performer permissions, event and location licences. XCZONE.TV event and performers waivers apply.

NON-DISCLOSURE AGREEMENT: XCZONE.TV and the client shall sign a mutual NDA applicable to this work.

RESPONSIBILITY FOR CLIENT-FURNISHED MATERIALS AND EQUIPMENT: The client is responsible to provide any Client-Furnished Material or Equipment specified in the contract any in accordance with the WBS. Failure to provide specific Client-Furnished Material or Equipment required for the project in time may result in non-compliance, increased costs or failure to complete scheduled tasks. Furthermore, failure to provide specific Client-Furnished Material or Equipment absolves the producer of any obligations meeting dependent tasks with the WBS. A formal change request must be generated by the client should Client-Furnished Material or Equipment

obligations cannot be met. The Producer shall not be liable for losses or damage of Client Furnished material and equipment owing to causes beyond Producer's control. All 16-mm film transfers, 8-mm film DVD productions and narration are contracted out to a studio that specializes in these types of services. Client acknowledges and agrees that XCZONE.TV and its producers liability for any loss, damage or delay to the film or master video while in transit or in the possession of our contractor, will be limited to the replacement cost of the raw original material provided to the producer.

EDITING DISCRETION: Original material will be edited at Producer's discretion. Certain Photos, 35-mm Slides 8-mm / 16-mm film and printed Material may be cropped in order to fit a normal TV screen. All Edited Master Media of the Clients production are stored at the Producers Studio for the duration of the contract.

LIMITED DUPLICATION AND REPLICATION The producer agrees to provide limited copies of media for the client to review. Additional copies will be subject to a surcharge. Please note that use of a production studio to provide media in quantity is subject to full editing rates \$150/hr because it occupies editing suites and professional resources, thus is not cost-effective. The producer can arrange duplication or replication services at a specialized facility, at incremental cost.

QUALITY OF LOCATIONS The producer shall be responsible for providing a high quality recording-filming or viewing location (studio or outdoors) if called for in the contract. Should the client opt to supply recording-filming locations, then they are responsible for any poor quality artifacts which are associated with the location (poor lighting, environmental factors, backdrop, scenery, acoustics etc). Inadequate viewing-listening locations or facilities used by the client to review deliverables, under this contract, may critically influence client initiated design changes and the quality of the final product. The viewing-listening of deliverables shall occur at a facilities selected by XCZONE.TV. The client shall be required to sign a waiver should they chose alternative locations.

LIMITATIONS OF SCOPE: It is so important that the Producer and the client have the same vision for the end-product in mind and have agreed to the level-of-effort and work-break-down schedule required to deliver the product.

Realistically, the client and producer's vision must evolve with the project together. Formal design review and change management procedures are the mechanism which allows the client and producer to manage the scope and content of a project from concept to delivery. The WBS shall be traceable to the clients SOW. The "one-sheet" shall accurately represent the spirit of the clients vision as articulated in their concept description.

MILESTONES AND FORMAL DESIGN REVIEWS

DEVELOPMENT STAGE The client shall provide a signed description of the product and services requested and a Scope-of-Work (SOW). The producer then shall prepare a work-break-down schedule (WBS) and "one-sheet" concept description for client review and approval. The client may choose to modify tasks or time lines within the schedule and the producer will regenerate the WBS for approval.

The client shall have one opportunity to submit changes before they will incur an hourly surcharge. Submissions by the producer are valid for 30 days. The client and producer shall schedule (according to the WBS) a formal Development Review to be held at specific time and facilities chosen by the producer or elsewhere under a signed waiver. No work shall proceed until this review occurs and the client and provided sign approval to proceed. A milestone payment is often associated with the completion of this stage.

PRE-PRODUCTION STAGE Once the WBS, SOW and concept are both signed off, then story-boards and shot lists are constructed. It is very important that the client explicitly describe the details of all of the stylized shots. It may not be possible to return to the location to pick-up overlooked shots unless pick-up or reshoot time is specifically written into the WBS. The choice of shots must conform to the level of effort in acquiring those shots agreed to in the WBS and SOW. The locations, talent, performers are chosen and scouted at this stage. The script, narrative and music selection is provided by the client, or created by producer as agreed. The client and producer shall schedule (according to the WBS) a formal Development Review to be held at specific time and facilities chosen by the producer or elsewhere under a signed waiver. No work shall proceed until this review occurs and the client and provided sign approval to proceed. A milestone payment is often associated with the completion of this stage.

PRODUCTION

The business of filming, taping, shooting or recording multimedia source material is referred to as principle photography. The producer shall obtain the necessary footage required to complete the project as specified in the script and shot list; subject to environmental conditions, live-action uncertainties or force major. The client may participate during production and may add clarification to the photography or sound in so much as this direction remains within scope. The client understands that deviation from the agreed script, scope or schedule during production by adding, subtracting or modifying shots previously agreed to in the script or shot list shall constitute a formal change initiated by the client and may result in an incremental increase in costs, waiver or failure to complete planned shots. If the client halts, delays or disrupts the filming (production) either directly or indirectly or through inaction then they are liable for all costs incurred by xczzone.tv.

(eg., for example xczzone.tv flies out for a film shoot and you and your team don't show, then you will be billed for the full cost of travel, salaries and expenses as if the film shoot took place, even though there is no end-product)

PRODUCTION REVIEW

At the end of principle photography, the client and producer shall schedule (according to the WBS) a formal Production Review to be held at specific time and facilities chosen by the producer, or elsewhere under a signed waiver. No work shall proceed until this review occurs and the client and provided sign approval to proceed. The completeness and quality of the raw footage and recordings from principle photography are assessed against the SOW, script and shot list. Often a contingency is budgeted within the WBS for any pick-up shots. Any work above and beyond this contingency shall constitute a formal change initiated by the client and may result in an incremental increase in costs, or waiver. Any further review of raw footage or additional pick-up film or recording sessions, after this production review is deemed to be an increase in scope and is subject to an incremental costs based upon time and materials at industry rates (\$150/hr). A milestone payment is often associated with

the completion of this stage.

POST-PRODUCTION

Once all the source multimedia material has been collected post-production may begin. The producer prepares the project in a series of steps including: review, logging, assembly, rough-edit, fine edit, special effects, colour correction, titling, transitions, sound texture, music, mixing etc. The complexity and effort assigned to each of the tasks are derived from the WBS whereas the style, pace and vision is drawn from the concept description. The producer shall be given the discretion to complete the post-production tasks for delivery of a interim draft end-product (rough-cut), without supervision by the client.

Once an interim draft (rough-cut) version of the project is ready the client and producer shall schedule (according to the WBS) a formal post-production design review to be held at specific time and facilities chosen by the producer or elsewhere under a signed waiver. No work shall proceed until this review occurs and the client and provided sign approval to proceed. The client reviews the product at the producer's facilities and is given a copy of the draft product non-broadcast quality format to review off-site. The rough-cut is validated against the script for accuracy and any discrepancies are noted. The client has a given time limit (depending upon previously agreed schedule) to review the draft product and provide written changes, questions or comments to the producer. The producer shall acknowledge receipt or seek clarification of the modifications within 48hours of receipt of the changes. Any changes must remain editorial in nature and shall be limited to scheduled and agreed post production tasks IAW the WBS. Often a contingency is budgeted within the WBS for additional post-production effort. Any work above and beyond this contingency shall constitute a formal change initiated by the client and may result in an incremental increase in costs, or waiver. The producer shall make the editing changes to the product requested by the client within the bounds of the contingency and WBS. A fine-cut edit version of the product is prepared. A milestone payment is often associated with the completion of this stage.

ACCEPTANCE REVIEW

Once a draft (fine-cut) version of the project is ready, the client and producer shall schedule (according to the WBS) a formal Acceptance Review to be held at specific time and

facilities chosen by the producer or elsewhere under a signed waiver. No work shall proceed until this review occurs and the client has provided sign approval to proceed. A contingency for level-of effort and time is budgeted within the WBS for the client to review the fine-cut at the producer's facilities. Final changes are made on-the-spot by the producer at the editing suite under the direction of the client. Any changes must remain fine-editorial in nature and shall be limited to the tasks agreed to in the task. Any work above and beyond this contingency shall constitute a formal change initiated by the client and may result in an incremental increase in costs, or waiver. At the end of this session (time and resource limited in the WBS) the content of the project is frozen. All that remains is for the producer to create a (1) master copy in the format agreed to within the contract. The producer shall deliver the "final-cut" master copy in broadcast-quality format (specified in contract) to the client according to the dates specified in the original or mutually revised WBS. A milestone payment is often associated with the completion of this stage.

FORMAL ACCEPTANCE

The project is deemed to be formally accepted at each stage if a.) The client signs off that it is accepted or b.) the producer has provided the deliverable in accordance with the original (or mutually revised) WBS, script, shot list, and concept description and satisfied those modifications within scope of the WBS (allotted contingencies).

FORMAL CHANGE REQUESTS

Desired modifications to a product at any stage are subject to formal change management. Often time and resources to perform minor modifications are scoped within the work schedule. Tracking and formalizing changes is particularly important if the changes exceed the level-of-effort, time or materials agreed to in the WBS, or there has been a change in the script. Any further desired changes, after the client has formally reviewed the product, accepted delivery or exhausted planned contingencies for changes must be submitted in writing to the producer as a formal change request. Changes of this nature are deemed to be an increase in scope and are subject to an incremental costs based upon time and materials at industry rates. The producer will provide a contract amendment to the client for the additional work. Any extraneous stylistic changes requested by the client, including video or music editing

changes insertions, or deletions, shall be considered increase in scope and costed as new work. Currently editing costs are \$150 per hour. Reopening a project after a stage of production has passed is a costly affair. Any insertions, deletions, corrections or additions after the project is completed, delivered and accepted are considered to be a new project and contract.

Should the producer fail to meet obligations (work item, task or schedule deadlines) under the terms of the contract or tasks in accordance with the WBS as a result of their own fault, then a formal change request must be raised by the producer for the client's review. The client is entitled to reasonable compensation equal to the value of the uncompleted work. Conversely the producer may raise a formal change request to the client to review and approve for work beyond the original scope of the project if they feel it would enhance the quality or the end-product or save costs, etc.

The WBS shall be revised and validated after every formal change request.

Delays in production are costly. There are missed opportunities, weather changes, equipment on extended rental, availability of crews, and studio time to consider. It also takes time to load current projects on these systems. During extended delays both facilities, resources and personnel are reassigned to new projects and may be unavailable to take-up prolonged jobs.

Client induced delays will immediately cause the WBS dates to slip at least by an equal amount. A formal change request will be generated on behalf of the client outlining the impact of the delay. This delay may incur incremental costs or invalidate the contract if certain tasks can no longer be achieved within budget and on time. It is the purgative of the producer to take an equivalent amount of time as the client's delay to retool and re-initiate work. This is reflected in the WBS. The producer has the right to take on new work from other clients. This new work may now assume a higher priority than this project. This also will be reflected in the WBS.

Delays longer than 30 days shall cause all project activities to stop. A new start date will be subject to negotiation. The project will be closed if delays extend longer than 60 days or total delays accumulated for this project exceed 90 days. All client supplied material or equipment and a copy of the deliverable corresponding to the last accepted

milestone will be shipped to the client. A broadcast copy of material would only be provided to the client if the client formally accepts the final-cut and pays-out the last remaining milestone in the contract. The client's project will be off-loaded from the editing systems. A surcharge will apply if the client chooses to reinitiate the project.

NON-PAYMENT OF MILESTONES

Payment is due at each milestone delivery. After 30 days of non-payment the project will be closed. All client supplied material or equipment and a copy of the deliverable corresponding to the last accepted milestone will be shipped to the client. A broadcast copy of material would only be provided to the client if the client formally accepts the final-cut and pays-out the last remaining milestone in contract. The client's project will be off-loaded from the editing systems. A surcharge will apply if the client chooses to reinitiate the project.