



S A F E H O U S E P I C T U R E S

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May 28, 2010

**CLASSMATES: THIS SCHEDULE IS BEING MODIFIED. SEE NOTE
BELOW FROM BILL NATTER, 4 JANUARY 2011**

Captain Henry J. Sanford, USN (Ret.)
Executive Vice President, Chief Financial Officer and Treasurer
U.S. Naval Academy Alumni Association and Foundation
247 King George St.
Annapolis, MD 21402

Dear Captain Sanford,

This is a follow-up to our original cover letter dated January 18th 2010 in which we laid out a budget plan for producing 15 commercial spots 60-90 seconds in length for the Integritas Film Project (see Mr. Finnegan's *Integritas Director's Treatment, Stages 1-3* for the specific creative breakdowns). At that time, we estimated a payment schedule based on filming, posting and delivering all of the Integritas content by November of 2010.

Since that time it has come to light that fund raising for the project will take place over a greater length of time than previously anticipated, with monies accruing in the Naval Academy Foundation Development Division's account earmarked for our project in unpredictable increments. To this end, we have adapted our filming and post strategy so that we can maximize the potential for the project, whatever the fundraising timetable, in the most efficient and cost effective way possible for all concerned.

First, we will contractually define both current and future phases of filming and post production subject to *financial*, rather than *calendar driven* timetables. In both our judgment and Mr. Finnegan's, concentrating early available funds on researching, prepping and shooting the content for the Voices/Faces of America and Voices/Faces of Experience Campaigns and archiving all material for future posting makes the most judicious and financial sense.

In our original payment scheme we estimated:

... *There follows a payment schedule of the funds needed/ dates required:*

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|-----------------------------------|---------------------|---|
| • <i>Pre-production funds</i> | <i>\$150,000.00</i> | <i>By March 1, 2010</i> |
| • <i>Stage 1 shooting costs</i> | <i>\$800,000.00</i> | <i>By May 1, 2010</i> |
| • <i>Post Production costs</i> | <i>\$144,000.00</i> | <i>By June 1, 2010</i> |
| • <i>Stage 2-3 shooting costs</i> | <i>\$300,000.00</i> | <i>By July 1, 2010</i> |
| • <i>Final payment due</i> | <i>\$450,396.00</i> | <i>By November, 2010 (final delivery)</i> |

Following industry standards for a calendar driven commercial contract, where an agreed upon schedule of payments and deliveries allows a production company to carry certain costs for a limited amount of time, our original schedule reflected directorial fees and our production markup paid out in one sum upon final delivery of the product(s). Per Colonel Athen's verbal agreement in his discussions with Mr. Finnegan we are changing our scheme to a "pay-as-you-go" approach, and we make the following amendments:

Contract Schedules

Incremental allotments of monies will be divided into four separate contracts with each contract having its own set of filming or production goals and include its own production markup and directorial fee accounting line. Only in *Contract Four* (post and editorial), will production and directorial fees be withheld, awaiting final delivery of the finished spots (*only insurance will be included in the accounting line*).

At the completion of each contract, you will be given an accounting of how all production monies have been spent. In the event any cost savings has been realized over and above our original estimates, any remaining monies will be credited to the next phase and contract. Additionally, because editing a lot of footage all at once (rather than in stages) represents a considerable financial savings to you as the client, all imagery shot for the various stages will be archived and stored with relevant script notes in an environmental controlled vault to await the final editorial phase. The Naval Academy Alumni Association and Foundation will, of course, own and have complete creative rights to all archived materials.

We therefore break down the Integritas Film project into the following 4 accounting and payment phases:

Contract One <i>(payable on signing of Contract One)</i>	\$130,000.00
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This includes preproduction, travel, research and scouting fees to identify, interview and screen test interviewees for the Voices/Faces of America and Faces/Voices of America campaigns, and potentially some preliminary scouting for the DC area shooting for the branding spot entitled "*Something More*". (*plus production markup, directorial fee and insurance*)

Contract Two <i>(payment schedule TBD)</i>	\$400,000.00
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This includes production, travel, and filming for the Voices/Faces of America and Faces/Voices of America campaigns. (*plus production markup, directorial fee and insurance*).

Contract Three <i>(payment schedule TBD)</i>	\$1,070,000.00
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This includes production, travel, and filming for the five branding spots shot at the U.S. Naval Academy and in Washington D.C. (*plus production markup, directorial fee and insurance*).

Contract Four \$146,075.00
(payable on signing of Contract Four)

This includes Post Production (telecine, on-line, audio and editorial) for all fifteen spots.
(no production markup or directorial fee, just insurance)

Final Payment* \$98,321.00
(payable upon final delivery)

*This includes final post-production markup and directorial post fee, plus a \$25,000 contingency estimate for planned post delivery follow up by Mr. Finnegan and the Stockdale Center with the prelaunch, prescreening events with faculty, coaches and key Academy leaders, and oversight of proposed long form, web viral editing by midshipmen of additional archived footage which did not fit into the commercial length spots but is excellent for on line purposes.

Payment Schedules

Fee payment schedules are subject to the following breakdowns:

- **Contract Two**, the \$400,000 for filming the Voices/Faces of America and Voices/Faces of Experience:
 - Since the nature of the smaller travel shoots planned for these campaigns easily adapt to filming over unspecified periods of time, these monies can be paid out incrementally in any size installments as they are raised. We will adjust our shooting schedule accordingly. However, we will not write a new contract for each payment, but any money up to and including the cap of \$400,000 will be allotted directly to Contract Two. For instance, if the Class of 1964 raises \$100,000 by August 30th and another \$100,000 by November 1st 2010, both payments would be deposited to the Contract Two Production Account, to be expended incrementally as it is made available.

- **Contract Three**, the \$1,070,000.00 for filming the five branding spots in the DC and Annapolis areas:
 - The nature of these shoot days is that considerable cost savings on crew, equipment, travel etc. is realized by shooting these spots all at once. For this reason, no work will be commenced on this phase of the project until the full amount of \$1,070,000.00 is raised and specific written authorization is provided Safehouse. The full amount (\$1,070,000.00) will then be due and payable upon commencement of this phase of the project.

- **Contract Four**, the \$146,075.00 for post production on all fifteen spots:

- Like **Contract Three**, editorial fees must be available all at once for editing and post to commence and will be due in full upon signing of the contract.
- Note: This phase and contract includes provisions for client approvals on rough cuts during the editing process.

- **Final Payment**, \$98,321.00.
 - Like **Contract Four**, due in full upon delivery of completed spots.

Included you will find a standard AICP agreement for Stage one contract for the first \$130,000 to begin preproduction.

Should you have any questions feel free to contact me at any time.

Sincerely,
Stelio Kitrilakis
Executive Producer, Safehouse Pictures

N.B. FROM BILL NATTER TO THE CLASS OF 1964, 4 JANUARY 2011:

THIS SCHEDULE IS CURRENTLY BEING MODIFIED TO PRODUCE A FEWER NUMBER OF "SPOTS" TO STAY WITHIN OUR CLASS GOAL OF \$1.1 MILLION, WHILE STILL ACCOMPLISHING THE ORIGINAL OBJECTIVES OF THE PROJECT (MOST LIKELY GOING FROM 15 TO 10/12 SPOTS).