

Knight Entertainment

DVD Manufacturing & Distribution Services



Written By:



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Introduction:

Thank you for taking the time to review this proposal. Knight Entertainment is a production company located in San Antonio, Texas and Memphis, Tennessee. We have the capabilities to aid you in the creation, manufacturing, and distribution of DVD productions. We would like to promote and provide our services to you in any way that we can. In this proposal we will outline the services we can provide, as well as explain how we will be able to help you to promote and get the word out on your production.

Objectives:

Knight Entertainment (K.E.) would like to work with production in the creation, manufacturing, distribution of a DVD production that is comprised of the material, content, and any related medium that you provide to Knight Entertainment. We offer a range of services, and will outline each in the following sections.

Copyrights and License Agreement:

Prior to the start for any production process, K.E. will require a License Agreement to be signed between the creator and K.E. This agreement will protect the copyrights of all material presented by the creator. We do not ask for exclusive rights, but will ask for rights to use your material for promotional purposes, such as advertisements on other DVD productions, and at events in which K.E. will be promoting productions manufactured and distributed by K.E. We will seek permission from you, the creator prior to use on other productions to insure your image or company image is not affiliated with subject material that you or your company may not agree with or wish to support. The agreement will also outline the payment procedures for all funds due to sales. It will also outline the responsibilities of K.E. to disclose all sales and financial data, or risk the right to use the copyrighted material.

If the content is comprised of material from several artists, we are willing to work out agreements with them as well, and offer them the same conditions as outlined above.

Production and Editing:

K.E. has the equipment and ability to edit and authorize master DVD disks for manufacturing purposes. We can use your material, or we can accept already authorized master disks for manufacturing purposes. We do not charge for this service, and include it in all production packages.

Graphic Art and Package Design:

K.E. has graphic design capabilities, and can create the DVD jacket cover, page inserts, and disk design for manufacturing. We can use your images and material to create the packaging that you desire. If you prefer to design and edit your own packaging, we can send you templates, and samples to create your own packaging. We also include this into all manufacturing packages with no additional cost. We do ask that we have the authority to add our small logo to the back of the production jacket and onto the disk. This is added when we add the bar code data prior to manufacturing.

Disk and Graphic Art Screening Approval Process:

Should you, the creator elect to use the K.E. disk creation or graphic design services as a part of your selected package, we will submit sample packaging and disk samples with a final authorization form. This form will ask for any required edits, or changes required by you, the client, prior to manufacturing and distribution. If there are a lot of required changes, another final screening packed may be sent with another form. We like to insure that you are 100% happy with the production before we send it for manufacturing. We may also submit proofs for your approval via the net, or in e-mail, and then would request an e-mail confirmation of approval.

Manufacturing:

We have several manufactures that we work with to make sure we provide you with the best cost for your production. We can manufacture DVD productions in quantities of 1 to more than 10,000. We have several packages we would like to suggest for your company. These packages range from no initial cost for set up, to nation wide retail store distribution. We can initiate a production for online sale on web sites like Amazon.com, as well as others, and let initial sales drive the determination for broader distribution.

We can package your DVD production in a variety of cases, but we prefer to go with a traditional black DVD case, with a full color wrap. This will all be packaged and shrink wrapped for each DVD. We also have box set capabilities, and traditional CD jewel case capabilities for your productions. We also can also do DVD& CD combination packages.

Manufacturing processes that include initial unit manufacturing requires 4 to 6 weeks of manufacturing time prior to an official release date that you can determine (based on standard dates available for your title). Once manufacturing is complete we will notify you so that we can make arrangements to ship the units to you. Should you decide to use one of our distribution packages, we will work with you to determine the number of units you need for your own promotional and sale needs. K.E. usually requests 150 to 200 units to use for promotional purposes to help support the sales of the production. For small production runs of 1,000 units K.E. will cover all shipping charges for units sent to the distributor, K.E. and you. For shipping of larger quantities, and wider distribution a fee will be charged. This will be covered in the *shipping charges* section in association to *national retail distribution*.

Once we have manufactured the initial production, additional units can be manufactured upon request. This may be required if we find that demand is more than expected, or if demand increases due to content popularity, or successful marketing and advertising.

Online Distribution:

No Cost Online Distribution - For no fee, K.E. can have your production listed for sale on Amazon.com and other retail sites. This plan requires no stock to be made in advance as this is based on an “On Demand” process in which units are made as the production is ordered. Our manufacture and distributor will take out all cost on the front end (35%). K.E. will receive a monthly statement of sales, and a direct deposit each month. K.E. will distribute received funds in accordance to any license agreement signed prior to production release. We can also offer whole sale unit packages to you and content providers in orders of 1 to 200. The price will vary depending on order size.

Extended Online Distribution - For a fee we can extend distribution to more online retail stores, but this will require an initial manufacturing run of at least 100 units. This extended online distribution networks reaches to more major internet retail web sites. Some of the more notable retail web sites that are apart of our network are: Best Buy, Amazon, Barnes & Nobles, E-bay, Circuit City, Sam Goodies, Target, as well as many others. Our traditional store distribution network extends to over 30,000 online and traditional retail store locations; however, this will require a major manufacturing run of the production. See “*National Retail Distribution*” for more information.

Prior to listing online, we will need to set the SRP or “suggested retail price”. This price then is subject to being marked down for retail stores to buy at wholesale. Some retail stores require more of a discount than others, but the average wholesale discount is around 35% to 50%.

Each retail store may require a 90 to 120 day grace period in case a unit is returned by a consumer. After several months, stores then release payment to the distributor based on sales. Those funds are held until a certain bench mark number has been met. Once the number reaches this amount, the distributor will keep 32% for storage, order filling, and distribution. Once K.E. receives payment from the distributor, we then submit payment to the customer based on our agreement.

National Retail Distribution:

K.E. can also provide national retail distribution; however several minimum requirements have to be met in order to get a national retail chain to carry your production.

First we need to devise a marketing strategy and budget based on a manufacturing run of 10,000 units. This budget is to be spent in coordination with retail marketing programs and traditional means of advertising. The retailers like to see a budget of at least \$1 to 1 unit for sale. This budget is up to your advertising department and can be more should you decide to increase spending for your production. By sharing our marketing plan, describing the production and target market, and informing the retailers of the number of people you reach with your broadcast, we will then get a firm commitment from retail chains that wish to carry your production. Once we have an idea of the number of stores that will carry the production, we can then adjust our manufacturing and marketing plan to account for more or less units.

K.E. would suggest at least starting with an online distribution package as we plan out the detail for a major release. This will give us sample units, initial sales numbers, and retail internet links to provide to the retailers before we commit to a large manufacturing run and marketing strategy.

An example based on 10,000 DVD units and a \$10,000 marketing budget will be provided below. As the units are being manufactured, we can then follow out with the marketing plan, and create a buzz about your production.

Note:

Shipping Charges - A budget of at least a \$1,000 will be required for every 10,000 units to provide shipping to all the chains of retail stores should retailers decide to carry your production.

Distribution Charge – Reduced 5% due to additional volume and less number of units stored per units produced. (Down to 27% from 32%)

Package Price Summary:

Note: Prices Vary For DVD packages.

Package 1: No Cost Online Distribution

- DVD Disk mastering / Graphic Design Editing and creation (No Charge)
- DVD Production Listed on Amazon.com and affiliated web sites
- IMDB and Wikipedia entries for each production
- DVD promotion on several popular web pages for cross advertising

Package 2: Extended Online Retail Distribution \$800 DVD

- DVD Disk mastering / Graphic Design Editing and creation
- 100 DVD units (\$700 DVD)
- Product distribution and placement on over 30 retail web stores (\$100)
- IMDB and Wikipedia entries for each production
- DVD promotion on several popular web pages for cross advertising

Package 3: Full Online Retail Distribution \$1,900 DVD

- DVD Disk mastering / Graphic Design Editing and creation
- 1,000 DVD units (\$1,800 DVD)
- Product distribution and placement on over 30 retail web stores (\$100)
- IMDB and Wikipedia entries for each production
- DVD promotion on several popular web pages for cross advertising

Package 4: Nation Wide Retail Distribution Upgrade \$23,500

- \$10,000 Advertising / Marketing Plan to Attract Retailers (\$10,000)*
- 10,000 DVD units (\$12,500 DVD)
- \$1,000 Shipping Allowance (\$1,000)
- IMDB and Wikipedia entries for each production (No Charge)
- DVD promotion on several popular web pages for cross advertising (No Charge)

Package 5: Full Retail Distribution \$23,600 DVD

- DVD / Graphic Design Editing and creation (No Charge)
- Product distribution and placement on over 30 retail web stores (\$100)
- \$10,000 Advertising / Marketing Plan to Attract Retailers (\$10,000)*
- 10,000 DVD units (\$12,500 DVD)
- \$1,000 Shipping Allowance (\$1,000)
- IMDB and Wikipedia entries for each production (No Charge)
- DVD promotion on several popular web pages for cross advertising (No Charge)

**This price may vary and is intended to run in coordination with retail marketing programs and existing marketing plans for your company.*

Please see price and sales chart list on the next page for more details on cost, charges and returns.

Projected Return On Sales Chart:

No Cost Internet Distribution								
Units	Initial Cost		Units Received (KE)		Units Received (C)		Units For Sale	
0	\$0.00		0		0		0	
Sales Price & Numbers								
SRP	Total Cost						Final Return Per Unit	
\$16.95	35%	\$5.93	0%	\$0.00	0%	\$0.00	65%	\$11.02
Sales Projections								
Units Sold	Return	Total	KE	(C)	KE	(C)	Upgrade	Net
100	\$ 11.02	\$ 1,102	50%	50%	\$551	\$551		\$ 1,102
250	\$ 11.02	\$ 2,754	50%	50%	\$1,377	\$1,377	\$2,000	\$ 754
500	\$ 11.02	\$ 5,509	50%	50%	\$2,754	\$2,754	\$2,000	\$ 3,509
1000	\$ 11.02	\$ 11,018	50%	50%	\$5,509	\$5,509	\$2,000	\$ 9,018

No Cost Internet Distribution (Third Party)								
Units	Initial Cost		Units Received (KE)		Units Received (C)		Units For Sale	
0	\$0.00		0		0		0	
Sales Price & Numbers								
SRP	Total Cost						Final Return Per Unit	
\$16.95	35%	\$5.93	0%	\$0.00	0%	\$0.00	65%	\$11.02
Sales Projections								
Units Sold	Return	Total	KE	(C)	Third Party	KE	(C)	Third Party
100	\$ 11.02	\$ 1,102	30%	45%	25%	\$331	\$496	\$275
250	\$ 11.02	\$ 2,754	30%	45%	25%	\$826	\$1,239	\$689
500	\$ 11.02	\$ 5,509	30%	45%	25%	\$1,653	\$2,479	\$1,377
1000	\$ 11.02	\$ 11,018	30%	45%	25%	\$3,305	\$4,958	\$2,754

The top chart shows the initial cost, and possible returns for the no cost package. The numbers are based on a \$16.95 suggested retail price, and a 50/50 split between Knight Entertainment and the creator which can be subject to change based on the agreement between Knight Entertainment and the creator. The “Upgrade” represents the idea of allowing initial sales of a popular title roll into a 1,000 unit extended distribution package. This will then allow all parties a few promotion units to distribute to further promote the title.

The second chart represents an additional 25% coming out for third party interest. This may be for content providers, or music providers of the content on the production. Once again these numbers are subject to the agreement prior to distribution.

Chart 2 – Extended & Full Retail Return Charts

Extended Cost & Unit Distribution								
Units	Initial Cost		Units Received (KE)		Units Received (C)		Units For Sale	
1,000	\$2,000.00		200		200		600	
Extended Sales Price & Numbers								
SRP	Wholesale Discount		Wholesale Price		Distribution Discount		Final Return Per Unit	
\$16.95	35%	\$5.93	65%	\$11.02	32%	\$3.53	67%	\$7.38
\$16.95	50%	\$8.48	50%	\$8.48	32%	\$2.71	67%	\$5.68
Extended Sales Projections								
Range	Units Sold	Qty.	Per Unit	Return	Investment	Profit	Return	Units Left
Low	60%	360	\$5.68	\$2,044.17	\$2,000	\$44	2.21%	240
Low	75%	450	\$5.68	\$2,555.21	\$2,000	\$555	27.76%	150
Low	90%	540	\$5.68	\$3,066.26	\$2,000	\$1,066	53.31%	60
Low	100%	600	\$5.68	\$3,406.95	\$2,000	\$1,407	70.35%	0
High	60%	360	\$7.38	\$2,657.42	\$2,000	\$657	32.87%	240
High	75%	450	\$7.38	\$3,321.78	\$2,000	\$1,322	66.09%	150
High	90%	540	\$7.38	\$3,986.13	\$2,000	\$1,986	99.31%	60
High	100%	600	\$7.38	\$4,429.04	\$2,000	\$2,429	121.45%	0
Full Retail Cost & Unit Distribution								
Units	Initial Cost		Units Received (KE)		Units Received (C)		Units For Sale	
10,000	\$23,500.00		200		200		9,600	
Full Retail Sales Price & Numbers								
SRP	Wholesale Discount		Wholesale Price		Distribution Discount		Final Return Per Unit	
\$16.95	35%	\$5.93	65%	\$11.02	27%	\$2.97	72%	\$7.93
\$16.95	50%	\$8.48	50%	\$8.48	27%	\$2.29	72%	\$6.10
Full Retail Sales Projections								
Range	Units Sold	Qty.	Per Unit	Return	Investment	Profit	Return	Units Left
Low	60%	5760	\$6.10	\$35,147.52	\$23,500	\$11,648	49.56%	3,840
Low	75%	7200	\$6.10	\$43,934.40	\$23,500	\$20,434	86.95%	2,400
Low	90%	8640	\$6.10	\$52,721.28	\$23,500	\$29,221	124.35%	960
Low	100%	9600	\$6.10	\$58,579.20	\$23,500	\$35,079	149.27%	0
High	60%	5760	\$7.93	\$45,691.78	\$23,500	\$22,192	94.43%	3,840
High	75%	7200	\$7.93	\$57,114.72	\$23,500	\$33,615	143.04%	2,400
High	90%	8640	\$7.93	\$68,537.66	\$23,500	\$45,038	191.65%	960
High	100%	9600	\$7.93	\$76,152.96	\$23,500	\$52,653	224.06%	0

These two charts represent the possible returns for extended and nation wide release packages. Item entries are explained in the section on the following page. Please contact Knight Entertainment if you have any questions. His contact information is posted at the end of this document.

Chart Description:

Units – Number of units manufactured.

Initial Cost – Cost to manufacture units.

Units Received (KE) – Units sent to Knight Entertainment for promotional purposes.

Units Received (C) – Units sent to creator for promotional purposes.

Units for Sale – KE Units and Mania Units subtracted from the total number of Units.

SRP – “Suggested Retail Price” is set prior to distribution. This price can vary and is set by the client. KE suggest a price near \$16.95 to stay competitive.

Wholesale Discount – Discount for retailers by percentage and cost based on SRP.
This discount may vary between 35% (Low) and 50% (High)

Wholesale Price – The price after applying Wholesale Discount

Distribution Cost – Distribution cost per unit

Final Return Per Unit – Final Return after applying all cost.

Range – Low = Low Wholesale Price High = High Wholesale Price

Units Sold – Percentage of total units sold

Qty. – Number of units sold based on percentage to total.

Unit Price – Final Unit Price

Return – Unit Price multiplied Number of Units Sold

Investment – Initial cost

Profit – Investment subtracted from Return

Return – Return on Investment based on cost and profit.

Units Left – Number of units left. Units Sold subtracted from Total Units.

In Conclusion:

By working together we can get your production to market for a reasonable price and offer you a great marketing tool and financial growth opportunity for your company.

For any questions contact: Knight Entertainment (901)634-0866 or info@knient.com