



TERESA M. AMABILE
VICTORIA W. WINSTON

Lean Forward Media

Everyone has a creative opinion, from our investors to those who have been involved in the project in some way. . . . At the end of the day that opinion is judgment, and we need to make the final judgment ourselves.

—Michelle Crames

Jeff Norton and Michelle Crames had just closed the first round of venture financing for their new company, Lean Forward Media (LFM). They were simultaneously ecstatic, relieved, and worried—ecstatic and relieved because they would finally be able to start production on their first children’s interactive DVD feature, but worried because the \$2.2 million they had received was small in comparison to large Hollywood budgets for major animated feature films. The two business partners believed the funding would be sufficient to produce one top-quality DVD title, but they had been planning three in order to establish their company. Thus, the first one had to be that much more breathtaking in order to break into the crowded home-video marketplace. Crames and Norton’s determination to succeed in building a viable, profitable company remained strong. If they could pull it off, they would have brought to the world the first-ever interactive DVD designed to entertain children, engage them actively in the entertainment process, and educate them along the way.

Crames and Norton had explored several options for moving into development of their first title, *The Abominable Snowman*, based on the popular children’s book series of the 1980s, *Choose Your Own Adventure® (CYOA)*. They had obtained considerable input from a creative consultant in the industry, and had received proposals from 11 production companies offering a staggering array of services and price ranges. With this information in hand, they had to decide between two basic approaches for producing the interactive DVD—creating a “virtual studio” with themselves as producers, or partnering with an established studio that included industry veterans who would manage the details of production. The two different production approaches were a bit akin to building one’s own house, and either calling upon outside resources for specialized services, or hiring a general contractor to manage everything.

Creating a virtual studio to produce the DVD would mean hiring an experienced animation production house that would create the film’s visuals by working off a completely developed script and a set of visual designs that Norton and Crames would submit with explicit instructions. In this virtual studio model, Norton and Crames would find and bring together the talent that fit their project, including the director, the character designers, and the voice actors. This option would give them greater creative control and direct creative involvement, and would likely save them money. The second option was to hire an experienced full-service production company that would bring a creative team to the table and manage the day-to-day details. While the partners would continue to be involved and would contribute to and approve all steps, it would be the production company’s job

Professors Teresa M. Amabile and Research Associate Victoria W. Winston prepared this case. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management. Some data in this case has been disguised for purposes of confidentiality.

Copyright © 2005 President and Fellows of Harvard College. To order copies or request permission to reproduce materials, call 1-800-545-7685, write Harvard Business School Publishing, Boston, MA 02163, or go to <http://www.hbsp.harvard.edu>. No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form or by any means—electronic, mechanical, photocopying, recording, or otherwise—without the permission of Harvard Business School.

to handle all aspects of production and produce the animation for the final DVD. Although this option would give them less direct control and involvement in the project, Norton and Crames were impressed with two of the full-service production houses they had interviewed, Cartoon Concepts and Mike Young Productions.

Crames and Norton knew that using a full-service production company was an expensive option, and feared they might have to cut corners on the DVD project should they opt for that solution. Moreover, taking this route meant that they would be less involved in much of the creative work that they both loved, giving many of the creative tasks to others. It was already August 2004 and their opportunity to have a DVD product on the shelves by Christmas of 2005 was in jeopardy. Norton and Crames had to move forward quickly. Which production option should they choose? If they used a full-service production company, which organization should they go with? Whichever option they chose, how should they manage the process?

Building the Idea

Both Crames and Norton had grown up in the 1980s reading dozens of *Choose Your Own Adventure*® books, Crames in Florida and Norton in Canada. *CYOA* books made the reader the “star,” allowing children to make decisions at key choice points that led to dozens of possible endings. The stories were filled with adventure, mystery, and danger, often set in far-off, exotic locations. In the process of being entertained and actively engaged, young readers were exposed to different cultures and interesting geographic information. *Choose Your Own Adventure*® was the number-one selling children’s book series of the 1980s, selling over 150 million copies across approximately 200 titles. The original *CYOA* book was written by Ray Montgomery while owner of Vermont Crossroads, a small, independent publishing company. After selling the idea to a major publishing company, Montgomery wrote or edited over half the series with his wife, Shannon Gilligan. The books were translated into 38 different languages, creating substantial emotional appeal and international brand awareness. In fact, *CYOA* was the most successful children’s book series ever, until that honor was taken over by J. K. Rowling’s *Harry Potter* series.

In the fall of 2001, Crames and Norton met as students at Harvard Business School (HBS) and became friends, as they often found themselves on the same flights between Boston and Los Angeles. (See **Exhibits 1** and **2** for Crames’s and Norton’s resumes.) Both had a long-held interest in the entertainment industry, but by their own admission they needed experience in the field—hence the trips to Los Angeles. Eager to gain some insight into the creative filmmaking process before entering HBS, Norton had left his job at Procter & Gamble (P&G) in the spring and spent that summer developing and producing his own short film. Crames had worked at McKinsey & Company, and then in marketing and business development for a technology start-up. Co-presidents of the HBS Entertainment and Media Club, both were passionate about the entertainment industry and hungry to learn more. They had each decided that spending time in Los Angeles was the best way to build a network and learn the intricacies of the entertainment business.

Using the quiet time on one of those long flights in the fall of 2002, Norton wrote an “issue sheet” about the opportunity he saw for participatory entertainment—narrative stories that let the viewer control the outcome. He had begun to think seriously about how a book property such as *Choose Your Own Adventure*® might get executed using a new technology such as DVD. An issue sheet was a document popular at P&G because it outlined an opportunity in a structured way and captured a recommendation on how to proceed. Crames was enthusiastic when Norton asked her opinion of the idea. They decided to put together a business plan for the spring HBS business plan competition, focused on the *CYOA* book series and implemented through interactive DVD.

Never assuming that the rights to *Choose Your Own Adventure*® would actually be available, Norton called a book agent who tipped him off that Bantam Publishing had recently let the individual book copyrights revert back to the original authors. Investigating records of the U. S. Patent & Trademark Office, Norton realized that authors Ray Montgomery and Shannon Gilligan must have been quietly waiting for years for the trademark and their copyrights to revert back to them. In March of 2003, during one of their many business plan strategy sessions at Cramers's kitchen table, she and Norton agonized over how to best approach the authors of *CYOA* about gaining DVD rights to the series. Cramers recalled:

It was about 10 in the morning and I finally said, "Let's just call them right now." So we telephoned Mr. Montgomery, who actually was there, and explained that we were students at HBS and huge fans of the books. I started to share our vision and plans with him for the interactive DVD series when he stopped me to say, "Your timing couldn't have been better." That hour-long telephone conversation ended with our suggesting that we drive up to Vermont that evening, where the authors lived. We felt it was important to build immediately on the great momentum in that first conversation, so we took Ray and Shannon out to dinner that night.

Montgomery and Gilligan were impressed with the hard work Norton and Cramers had invested in developing an imaginative, comprehensive 32-page business plan that outlined a strategy for bringing stories based on the *CYOA* books to market on interactive DVD. Additionally, the proposal to enter the DVD marketplace nicely dovetailed with Montgomery and Gilligan's desire to relaunch their book series. In their view, what Cramers and Norton lacked in industry experience they made up for with enthusiasm and creativity. Shortly after that meeting, Cramers and Norton proposed a licensing deal that gave the authors a 15% stake in the venture plus a sliding-scale royalty, in exchange for rights to develop DVD properties on over 100 titles in the *CYOA* book series. After a period of negotiations, the terms were accepted. Montgomery and Gilligan additionally offered to serve in an advisory capacity to LFM as the properties were developed, but to allow LFM to retain full creative control of the DVDs.

In the spring of 2003, Norton and Cramers were one of two winning teams out of dozens of entries in the Battle of the Business Plans competition during the HBS Entrepreneurship Conference. Impressed with the LFM plan, an experienced investor committed to kick off a round of seed financing for the business. So, with the promise of some initial financing, the endorsement of many professors and peers, and the DVD rights to a very popular children's book series in hand, Cramers and Norton decided upon graduation from HBS to make a go of Lean Forward Media. Norton explained, "Once we took that initial seed money, it was the point of no return. That was really frightening."

The Industry and Market Opportunity

Cramers and Norton knew that launching a new technology in a fickle market as a team of neophytes would not be easy. The market research they had done in developing the business plan had made the risks obvious. The entertainment industry was notorious for being a very hit-driven business, and success in Hollywood was often described as entirely subjective. Norton and Cramers had heard numerous horror stories about the well-executed production that fell flat with critics or consumers. Cramers observed, "There is a huge consumer component of risk here. Until you launch, you really don't know if 'the dogs will eat the dog food.'"

But their market research had also pointed to considerable opportunity. They realized that the market was ripening, with DVD player penetration projected to reach over 80% of households by 2005. DVD was the most rapidly adopted consumer technology ever, with new DVD feature films, including many children’s animated titles, being released every Tuesday. (See **Exhibit 3** for growth in consumer adoption of DVD technology.) Norton and Crames believed their project to be unique, as there were no interactive DVD movies on the market. Yet in principle, DVD technology was ideal for interactivity. The random-access nature of the DVD format permitted “branching” to multiple story lines, so the viewer could participate in the development of the story by the click of the DVD remote control. At key points in the plot, the story line could take one of two alternate directions. The DVD could store multiple scenarios and allow the viewer to jump instantly to a new story line. Thus, the format enabled participatory entertainment—an entirely new form of home entertainment.

Despite a crowded \$2.2 billion market for noninteractive, standard, children’s made-for-video releases (see **Exhibit 4**), the market was demanding education-based content for children. Focused initially on geography, adventure, and travel, *CYOA* was well-positioned to fill that need. With busy lives and hectic schedules, parents often used home video products and television as a surrogate “babysitter.” They faced a dearth of entertainment products with developmental or educational value. Parents were actively looking for quality content for their children. And those parents who were current consumers of entertainment products for their children were the original readers of the *CYOA* series at the height of the series’ popularity in the late 1970s and early 1980s (see **Table A**).

Table A Original Readers Are Parents Now

	1983	2003	2005	2008
Original Fans	Ages 8-15	Ages 28-35	Ages 30-37	Ages 33-40
Children	n/a	Ages 0-8	Ages 2-9	Ages 5-12

Source: Lean Forward Media Business Plan.

Based on their market research, Norton and Crames saw an opportunity to create an experience that was both entertaining and educational in its content, with a format that would get children actively involved rather than passively viewing. They set out to develop a brand that would be trusted by parents as developmental entertainment for their children, putting the children in control of an interactive experience. Thus, Crames and Norton summarized the guiding principals for Lean Forward Media as “Entertain. Engage. Educate.”

Getting Off the Ground

In June 2003, Norton started to set up the foundation for Lean Forward Media. He and Crames had agreed that, while he built the infrastructure, she would accept the position she had been offered in the Warner Brothers Telepictures Division. This would not only keep their burn rate low, as only one of them would need to be paid by LFM, but would also expand their opportunity to learn from additional industry experience. During these initial few months, Crames continued to support LFM by working late at night and on weekends. (She had been careful to disclose her venture with Norton to her employers at the outset, and to keep her two sets of activities separate.) Norton set up an advisory board and continued to network and gain advice from a broad range of people involved in the industry.

It was clear to both Norton and Crames that the initial creative and structural approach they took to translating the *CYOA* books into interactive DVDs would become very important. They were faced with several fundamental decisions that would have a substantial impact on the final products. For instance, the book series had been written in the second person, with the reader participating first-hand in the adventures by making decisions as he or she went along. Crames and Norton felt that the DVDs, like all films, needed characters that the viewers could relate to, and that those same characters should appear across the different *CYOA* films. So they developed four characters—three children ages 8, 14, and 18, plus their uncle—taking great care to consider the gender, ethnicity, and age mixes that might result in the broadest appeal for their target market of children ages six to eleven.

Norton used a creative brief, another tool he was familiar with from his P & G days, to anchor these decisions. The creative brief outlined a series of assumptions or “truths” from which the creative work would develop. A separate creative brief was prepared for each book, helping to guide the writer who would draft the script. The brief established basic information or “ground rules” unique to the story line, such as relationships between characters or geographic boundaries and limitations. In Norton’s experience at P&G, creative briefs had helped to both focus the creative energy in the agreed-upon direction and neutralize confrontation during the numerous review processes. He hoped that employing the same tool at LFM would simplify the creative process.

In July 2003, Norton asked three writers to get to work on the screenplay adaptations of three *CYOA* books, *The Abominable Snowman*, *The Case of the Silk King*, and *The Lost Jewels*. While he was not sure which would be first to market, he hoped that having multiple titles under development simultaneously would shorten the learning curve, allow the “competing” writers to spur each other on, and increase the probability of getting the first DVD out quickly. Writer Shawn Tanaka (a close friend of Norton’s) was given the *Snowman* assignment, Jeff Schwartz and Nancy Moss worked on *Jewels*, and Schwartz additionally started on *Silk King*. All the writers had some experience but to varying degrees, and none had written for children. The writers were particularly interested in the writing credit that being affiliated with the *CYOA* project might bring. Norton spent hours discussing the project with each writer, gave each writer the original book and a creative brief, and told them to start writing.

At the same time, Norton and Crames continued the important task of raising enough seed financing to carry them through their first milestone, the production of a working demo prototype. They anticipated that a total of \$250,000 would satisfy that objective. Norton explained the necessity of creating the demo: “Developing a working demo prototype was key to Lean Forward Media’s ongoing success. We had come to understand that the concept of multiple story lines ending in multiple places was not intuitive, and that the best way to help both our future investors and our potential business partners to see that was through a demo.”

Producing the Demo

By August, the partners had secured \$175,000, which, while not the full amount needed, was enough to begin demo production with an anticipated completion date of mid-December 2003. So Crames and Norton brought in Charles Wachter, a young director who had graduated the year before from NYU’s graduate film school, to direct the demo, with Tanaka writing the script. Montgomery and Gilligan provided a list of their best-selling titles, and Norton and Crames decided to focus the demo on *The Abominable Snowman*, because it was a recognizable title with a “creature feature” appeal. Moreover, Tanaka had already made considerable progress on the *Snowman* script.

Norton and Crames hired character designers to sketch out alternative ways of portraying their story's protagonists. They placed considerable importance on test marketing such aspects of the characters as their height, their hair color, and whether or not they wore glasses. They also hired and oversaw storyboard artists and background artists to prepare what was called the "show package," the visual components of the demo that would then be sent to an animation production house for creation of the film. Because the voice recording for animated films was typically done before the animation, they hired voice actors in Los Angeles. One of their advisors introduced Crames and Norton to one of many high-quality foreign animation houses, located in Asia. To meet their intended demo completion date, the show package would have to be sent to Asia by early October.

Demo production proved harder and far more complex than the partners had anticipated. Norton, who managed script development on the project, had worked with Tanaka to select an interesting story thread from the full-length script that might best demonstrate the concept of participatory entertainment. The demo script was then crafted off that single branching story line. Wachter, serving as both director and producer, managed over two dozen contributors to the project. The process was almost derailed the night before the script had to be sent to the voice actors, when the team realized that some of the logic had to be fixed and that the script was too long (27 pages rather than the requisite 16). It was essentially rewritten overnight.

The *Snowman* demo introduced the child characters of Crista, Benjamin, and Marco, with Uncle Rudy serving as narrator (a role played by a well-known Hollywood actor). The DVD started with a nonanimated introduction by Uncle Rudy, explaining the concept behind the CYOA stories and how the viewers could use their remote control to make decisions as the story unfolded. The DVD then launched into the animated portion—an abbreviated episode with the children and a Sherpa hiking through the Himalayas, trying to find and rescue their Uncle Rudy. Two sets of decisions were presented in the demo, resulting in a total of four potential endings. (By contrast, the full-length DVDs were envisioned as having more than 20 possible endings.) For budgetary reasons, the demo was short, 8.5 minutes in total, with only 3.5 minutes of the story line fully animated. The remaining story line then reverted to storyboards (drawings of scenes, with accompanying voices). The demo was packaged with a mock-up of a small educational magazine entitled *Global Village*, which featured maps of the Himalayas, the history of Mount Everest treks, and the history of the Sherpas, the people of Nepal. While the demo was not perfect, Norton felt that it showcased the LFM concept while still keeping the project on budget.

By November 2003, Crames had given notice to Warner Brothers in order to join LFM full-time. She explained, "It had been draining going back and forth between Warner Brothers and Lean Forward Media. There was all this great momentum starting to happen at LFM as we were working on the demo and it was amazing, and I felt like I was not part of it." With Crames at LFM full-time, she and Norton ran the business very much as a collaborative partnership, initially sharing all business-related decision-making and brainstorming on all creative issues. In their view, their partnership was built on mutual trust, admiration, and a shared goal. They felt that being able to "tag team" as they did gave them much more flexibility. Norton explained, "We're co-CEOs. The model we aspire to is the two heads of Google.¹ We're both involved in all areas of the business. There may be a slight focusing on responsibilities, but not by much. We are both take-charge people."

But as time moved on, a natural division of labor developed. Norton started doing more of the creative and production work, while Crames became the point person on fundraising and legal

¹ Co-founders Sergey Brin and Larry Page of Google, an Internet-based search engine, were famous for their shared role as co-presidents of the company.

issues. They found that there was so much activity and important detail that each major task had to be handled full-time by just one person so things didn't fall through the cracks.

Working together daily gave Norton and Cramés time to think about the business beyond the first DVD series. Cramés explained:

We don't mean for this to be a single project. We are working on this project but we are also thinking about laying the groundwork for growth. How do we use this first title to build something greater? Our daily focus needs to be to get this first title out the door but we also need to think beyond that. We need to utilize this category to go beyond *Snowman*.

Norton added:

We don't want to be the *Choose Your Own Adventure*® company. We are creating capabilities on how to tell interactive stories, and that then becomes a natural place where we build value moving forward. We aspire to be like companies such as Leap Frog,² which has some interesting technology but also has a great brand that carries over from product to product. We want something that kids will want and that parents will recognize as quality.

By January, Cramés and Norton had shared copies of the demo prototype and the LFM business plan with several potential investors, including venture capitalists, angel investors, and strategic partners. (See **Exhibit 5** for part of the package.) Feedback on the demo was very positive. For example, when a Hollywood director with years of experience in children's animated features saw the demo, he remarked that he was impressed with its overall professional quality. Because Cramés and Norton realized that ultimately, LFM could only succeed if they produced a product that children liked, they held focus groups with children and parents to show them the demo and gauge their reactions to the *Choose Your Own Adventure*® DVD concept. The children reacted quite positively, typically watching all of the different possible choices. The positive reactions in these focus groups convinced them that, despite their "do-it-yourself" demo production, they had created a reasonably professional product with great potential. One of the parents at a focus group remarked, "My kids exhausted all the stories and watched it over and over. They've been singing the theme song for the last three weeks."

Securing Financing

The completion of the demo prototype coincided with the close of LFM's first round of seed financing. By February 2004, Cramés and Norton had raised almost all of the intended \$250,000, most of which had been expended in the production of the *Snowman* demo. While constantly thinking about creative development, Cramés and Norton continued their quest for attractive funding. This process proved to be much harder than they had anticipated. Through an HBS professor, they learned about the Venture Bowl, the largest business-plan competition in the country, organized by The National Institute for Entrepreneurship. Sponsors of the competition included NASDAQ, *Forbes* magazine, and the venture fund Carrot Capital. Not only would the winning team, announced in late April, be called upon to ring the opening bell at the NASDAQ, but they would additionally be selected to negotiate with Carrot Capital for funding that could exceed \$1 million.

On Saturday, April 24, Norton and Cramés were named as first-place winners of the Venture Bowl 2004 competition (see **Exhibit 6**) and began negotiations with Carrot Capital on what ultimately

² Leap Frog was a leader in children's educational products that included toys, interactive games, and videos.

became \$1.5 million in financing. Carrot Capital was an attractive funding source for Cramés and Norton because it had a reputation for working well with very early-stage companies such as LFM. Moreover, the managing director, David Geliebter, was an entrepreneur and thus, with the Carrot financing also came business expertise. Carrot insisted on LFM establishing a board of directors, placing two of its members and an outside industry expert on that board (in addition to Norton and Cramés). By early summer 2004 the \$1.5 million from Carrot Capital was in place as well as an additional \$500,000 from new investors. Cramés and Norton had also received almost \$250,000 more from their initial angel investors, for a total of just over \$2.2 million.

Building the Format

While the winter of 2003–2004 had been heavily focused on obtaining the necessary financing to allow LFM to start production on its first three full-length (90-minute) DVDs, this period also served as a time to refocus on the creative product. With the demo behind Cramés and Norton, all creative energy was set on getting *Snowman*, *Jewels*, and *Silk King* ready for production, a process that continued to be fraught with problems and learning experiences. In particular, the process of laying out story logic in a creative brief, developed for the demo, proved inadequate to guide full-length scripts. When they consulted Montgomery and Gilligan on story development, Cramés and Norton learned that the structured nature of the interactive storytelling required more organization and prior planning than they had anticipated. Norton said:

The biggest thing we had learned at this point was that the writing of interactive stories was terribly complex and demanded structure and an outline. On our first attempts we had sent the writers off with no more than the book and a creative brief, and just asked them to write. It wasn't possible with this format of writing.

Shawn Tanaka, the writer assigned to *Snowman*, had worked closely with Norton beginning in the summer of 2003 to understand the writing structure requirements for the interactive stories. Norton remarked, "Together, through a lot of trial and error, we learned the writing process for *Choose Your Own Adventure*® scripts the hard way." Tanaka had produced four drafts of the full-length *Snowman* script in the 10 months he had been involved in the project, each one requiring significant restructuring. Tanaka remarked:

This was really a maze. It was not normal writing where, within the traditional Hollywood script format, you write a three-act structure. We had five story arcs going on simultaneously, each with five separate endings. It made everything so scattered, it was all over the map. Initially it was daunting to condense it down to something that was manageable.

In the first iterations of the *Snowman* script, Tanaka had started by writing multiple linear story lines with little internal consistency across them; in some stories, something happened that was logically impossible in the context of other stories. Because children viewing the DVDs would, ideally, try out all or many of the story branches, it was important not to confuse them. As the writing process unfolded, Norton realized that, for interactive stories, parts of the "story universe" had to be held constant. Where there was variability in the individual story lines, it had to be based solely on events caused by the viewer's choices. This discovery led Norton to craft the "series bible," an extensive document which outlined the basics of story structure and how to handle interactive storytelling. It also led him to develop a "story tree," which helped to manage script development by mapping out each of the many story lines in advance. (See **Exhibit 7** for the *Snowman* story tree.)

Early on, Crames and Norton had estimated that bringing the three DVD titles to market would take a minimum of \$3 million—\$1 million per title. By early 2004, based on their experience producing the demo, they re-estimated the cost of using the same production model for a full-length feature at \$1.35 million per title. (See **Exhibit 8**.) Thus, with the \$2.2 million they had in hand by early summer 2004, the LFM partners realized that they had to scale back their initial three-DVD project plan to the single *Snowman* project. Although the decision to scale back to a single initial title was difficult, neither Crames nor Norton was willing to jeopardize the quality of production to allow for more titles on such a constrained budget.

Soon after financing closed, the new board of directors recommended the use of an entertainment industry creative consultant to give Norton and Crames an outside perspective and additional professional guidance. Halle Stanford was hired to advise on script development, help choose writers, establish reality checks on plans, and evaluate production options. Stanford came to the assignment with over 20 years as both an industry executive and a producer. She organized days of brainstorming with Crames and Norton, where they would think through the rules of logic that were so important to holding the multiple story lines together. The trio considered how to handle a myriad of questions children would have about the story's characters, such as how the characters came to be on their own, whether their parents were alive or dead, and how they had access to airplanes to fly around the world.

The work with Stanford helped to pull things together for Crames and Norton, solidifying the framework that they had known was important but had struggled to develop on their own. Moreover, in working with Stanford, the partners realized that there were experienced outside resources available to help them through all stages of product development. They also came to other realizations. Norton explained:

By July we had sat through enough meetings and learned enough to know that we really needed to hire professional writers moving forward. My attitude was that we were going to make rookie mistakes, so let's be sure that everyone around us isn't a rookie. For instance, in one of our initial scripts there was a scene where the kids are on an airplane and they use a champagne bottle as a weapon. They shake it up and a cork hits someone in the forehead. It's a very funny scene, but the professionals helped us to realize that it would never make it to television or a reputable DVD, because it's children playing with alcohol and using the cork as a weapon—it's "imitable behavior."

With Stanford's guidance, Norton and Crames interviewed a number of professional writers and eventually hired Doug Wood to write the script for *Snowman*. Wood had spent a number of years at the major studios—including Warner Brothers and Universal—as an executive overseeing animated features. He had started his career as an actor with Chicago's Second City improv group and had more recently written for children's movies and series such as *Scooby Doo* and *Little Einstein*. About joining the *Snowman* effort, Wood remarked:

I had trouble connecting with the project until I read the actual *Snowman* book and suddenly "got it." The book is quirky and weird and charming. I am generally in favor of keeping as much of the source material intact as possible, but I could clearly see that there were many things in the book that wouldn't successfully transfer into an interactive DVD, especially the fact that the book's protagonist is the reader.

By the end of the summer, Crames and Norton felt they had learned a great deal about managing writers and the creative process. Norton said, "In anything that is creative and that people have different visions for and are passionate about, there will be conflict. But what we have here is a

situation where everyone has the same objectives, so that conflict is constructive, not destructive. Michelle and I began to learn what to fight about with our writers.”

Producing Snowman

Crames and Norton prided themselves on being what Norton described as “sponges for information.” He explained, “Michelle and I just sit there and listen and we take what is useful and learn something new from every meeting. We then build it into our institutional knowledge.”

In the 18 months since they had started LFM, Norton and Crames had received creative input from multiple sources. Montgomery and Gilligan, as the *CYOA* authors, had continued to provide advice along the way. Those involved in the early stages of the project, such as writer Tanaka, had brought their own viewpoints on the creative content of the products. And the LFM investors, both Carrot Capital and some of the individual investors, had played a significant role in shaping the creative process and creative decision-making. Because children’s entertainment was an area with which everyone was familiar in some way, there had never been a shortage of opinions.

Though cognizant of their neophyte status and eager to learn from those with more experience, Crames and Norton had made a deliberate decision to take an atypical approach to the entertainment business in some respects. For instance, most Hollywood producers worked on a fee basis, being paid for a project regardless of its outcome. For Crames and Norton, it was entirely different. Because they wanted to build a company, and not just launch a successful single product, they had early on decided not to take a producer’s fee but instead to hold equity in the company.

As Crames and Norton faced their next big learning hurdle, producing their first full-length DVD, they were uncertain about which approach to take and how to manage the risk. How best to get *Snowman* produced was clearly the single most important decision they had had to wrestle with since they had started the company. They recognized that the complexity of the multiple *Choose Your Own Adventure*® story lines made this an unusual project.

Although Norton and Crames had initially expected to self-produce *Snowman* utilizing an Asian animation house as they had so successfully done with the demo, their board had asked them to consider a broad variety of production alternatives. These fell into two main categories: creating a “virtual studio” (producing the DVD themselves with the help of outside resources, much as they had done with the demo), or contracting with a full-service production facility that would manage the production process. With the first alternative, they would serve as hands-on producers. With the second, they would share responsibilities with the production company, who would manage the day-to-day process. The partners saw pros and cons to both approaches. (See **Exhibit 9**.)

Norton and Crames solicited and received bids from 11 firms, including those that provided animation only, those that did full-service production, and those that could offer both. (**Exhibit 10** presents basic information on the *Snowman* production bids.) Each bid was an initial estimate. Once LFM decided to move forward in negotiations with a particular firm, that firm would prepare a more specific price and contract terms which, ideally, would protect LFM from cost overruns during production.

The virtual studio option had considerable appeal. Norton and Crames had already invested significant time in figuring out the importance and implementation of consistent logic across all story branches. No one else in the industry knew how to produce the “branching logic” that *Snowman* demanded, because no one else was creating film-length interactive DVDs. Because it was very difficult to grasp the implications of this requirement, Crames and Norton were concerned that such

a complex assignment could not simply be passed off to an outside resource. In addition, their work on the demo had allowed them to develop considerable skill in all aspects of production. Using offshore animation resources for feature films and television was a widely accepted approach within the entertainment industry. Most major U.S. studios relied on overseas capabilities to handle the very labor-intensive task of animation, providing the animation house with detailed character designs and script instructions to ensure that the end product was accurate. This method included precise “mouth movement” instructions, ensuring that non-English-speaking artists could accurately capture the facial motions of the animated characters for each syllable they would utter.

Crames and Norton believed that creating a virtual studio was an investment not only for LFM but also for each of their careers. Their commitment to building LFM well beyond a single title would be aided by the learning and skills that each would undoubtedly gain in self-producing *Snowman*. That said, it held risk. Norton remarked:

Our being producers rather than executive producers would teach us an awful lot, as well as be a ton of fun and personally self-gratifying. The problem is that self-production is bucking the odds and certainly increasing your risk. Production as a process can be very messy. Every link in the chain affects something else. If we make a rookie mistake, we’re gone [snaps fingers] . . . bye-bye. But then this whole thing is risky, and self-production is incredibly exciting and instructive. At the end of the day, we are the ones responsible for implementing our business vision and our creative vision, so I’m inclined to just go for it.

Buoyed by the success of their demo DVD, both Crames and Norton felt confident that they could build their own production capability, working with foreign animators and using many outside resources. They had established an excellent working relationship with their demo director, Charles Wachter, and were convinced that he could create a successful full-length DVD with the right outside consultation, a good line-up of vendors, and their own tight oversight. Moreover, their research had identified many reputable resources that would make self-production a viable alternative. They had worked successfully with an overseas animation house in creating the virtual studio for their demo, and they felt comfortable in their ability to learn new things and follow their innate creative instincts. Writer Wood remarked on Jeff and Michelle’s ability to produce *Snowman* on their own:

I have a lot of confidence in Jeff and Michelle. The way they’ve approached everything so far makes a lot of sense; they seem to be making all the right choices. The animation medium is difficult and they’re going to find out that every day they are solving problems they couldn’t even anticipate. If you haven’t done it before, it’s tricky. But they’re so smart and so prepared, I think they can realize their goal.

In addition, although it involved considerable uncertainty, creating the virtual studio seemed to be the least expensive option. Norton was willing to take the gamble and stated, “I don’t want to feel forced to embrace the safe option.” Crames tended to be more cautious. She explained, “How can we systematically eliminate risk? There is so much risk in this business as to whether the customer will actually like the end product, so why introduce additional risk into the production process?”

The option of using a full-service production house presented several advantages, but some disadvantages as well. In order to systematically evaluate this option, Crames and Norton personally met with or held telephone conference calls with all of the full-service companies and made a matrix of the decision criteria that mattered to them. They evaluated the studio’s capabilities, the quality of the team, the cost, the risk involved in working with the studio, and their own “gut feeling” about the studio. How they would work with the firm, and what role the firm saw for itself, was of particular importance. Norton explained:

With some of the studios that we looked at, I was very concerned that they would hijack the process. It's all about our wanting to be involved in executing the vision. When I worked at Procter & Gamble, about 40% of my job was with advertising agencies. Agencies view themselves as having unique and special skill sets. In general, agencies resent the client; they resent being told what to do. Ad agencies resent that young kids out of college are approving their advertising. It's an attitude that basically says that the whole process would work out a lot better if we (the client) would just leave them alone. The ad agencies I worked with didn't want joint collaboration or to come up with ideas together. They saw the process as one where they would make proposals to us and our role was to approve them. Some of the production places we've looked at for *Snowman* seem to take that attitude, but others are willing to sit in a room and spitball with us, and that's very important to me.

Being able to "spitball," to brainstorm collaboratively and hopefully create a better product through that process, was very important to Norton. If he and Crames were to go with a full-service production house, versus maintaining all control and involvement by building production (and further production expertise) in-house, he wanted to be sure that he wasn't relegated to a distant "client" role.

By early August 2004, Norton and Crames had narrowed down the full-service production option to two firms: Cartoon Concepts and Mike Young Productions, two well-established and respected production houses. Cartoon Concepts was well known for animation production and its knowledge of the DVD medium along with film and television. It had a long history of working on children's titles, including interactive projects for a major studio, software productions for an Internet superstore, and a major toy-based made-for-DVD series. Its experience in developing entertainment for children of all ages was renowned.

Cartoon Concepts submitted a feasible bid of \$1.87 million, but the budget would cover only a 75-minute DVD versus the 90 minutes that had been initially specified by LFM. Additionally, Cartoon Concepts wanted a piece of the back end—a common request in Hollywood—which gave the production house incremental income based on revenues. Crames and Norton were not opposed in principle to a request for revenue sharing, because it indicated that Cartoon Concepts had an interest in the overall production. Moreover, LFM's creative consultant had strongly recommended they work with Cartoon Concepts due to its stellar reputation in the industry.

Crames and Norton were confident that the quality of *Snowman* would be excellent with Cartoon Concepts handling production, but they shared a concern regarding their own role in that process. Cartoon Concepts followed the more standard model in the industry where clients, as executive producers, were quite removed from the day-to-day process. While the executive producers approved production at various junctures throughout the process, how that process unfolded was left entirely to the production house. Crames explained, "Concepts made us afraid to ask questions. They seemed to remind us that we were new to this. . . . They are part of a star culture where the attitude is that their work speaks for itself and they don't need to answer questions."

Mike Young Productions was less experienced at feature-length DVD production and video game development, important components of the assignment. Not only was DVD fairly new to the market, but using the technology in the interactive manner that the *CYOA* series demanded could lead to technical glitches along the way. While *CYOA* was by no means a traditional video game, understanding and being familiar with the interactive nature of the medium was considered a plus by Crames and Norton. But Mike Young Productions did have years of experience working on animation and children's productions, such as *Clifford the Big Red Dog* and *He-Man and the Master of the Universe*. An initial bid on the project from Mike Young Productions came in at \$1.9 million, with

a total cost to LFM of over \$2.2 million. This was a feasible option only if they found a way to reduce the budget or defer some of the costs.

Compared to Cartoon Concepts, Mike Young Productions seemed to have a different attitude about the role that the client might play in the production process. In particular, the company seemed open to the collaborative “spitball” creative sessions that Norton sought. In one of their initial meetings, Crames and Norton were impressed as Mike Young director Bob Doucette, working from their ideas, sketched his interpretation of the four key characters in the *Snowman* story. He was eager to hear their thoughts, expand on their ideas, and answer any questions that they had. He also addressed their concern that timing on the project might be tight, by creating a detailed work chart that identified and scheduled each step in the production process.

The work chart did three things for Norton and Crames. Besides suggesting the professionalism that Mike Young Productions could bring to the project, it also highlighted just how complex and detail-laden the production process actually was. In addition, it made Norton and Crames realize that several significant uncertainties lay ahead for the project. For instance, Wood’s script, which was nearly finished, might have scenes that, once detailed production planning began, would prove to be infeasible to produce within the established budget. Wood’s contract did not include any rewriting or reworking of the script. Any such work would have to be done by Crames and Norton themselves or at incremental cost.

The Decision

The Abominable Snowman DVD would have to be produced and out on the market by mid-October of 2005 in order to make Christmas 2005 sales. If this opportunity were missed, it could compromise further funding for additional titles. Working backwards on their production schedule, Crames and Norton realized that they had exactly one week to decide between the two production approaches and the various production vendors in order to make their deadline. Of one thing they were certain: they were unwilling to lower substantially their production standards. Early on in the process, they had heard the old saying, “Good, fast, and cheap. You can have two but you can’t have all three.” They weren’t willing to make those tradeoffs.

Exhibit 1 Michelle Crames Resume

experience		
2003 – present	LEAN FORWARD MEDIA, LLC	LOS ANGELES, CA
	Co-Founder, Co-CEO. Founder of high growth entertainment company focused on creating interactive DVDs for children. Secured rights to most popular 1980s book series, CHOOSE YOUR OWN ADVENTURE®. Closed \$2 million Series A round led by Carrot Capital. Won 2004 Venture Bowl, nation’s largest business plan competition.	
summer 2003 – fall 2003	WARNER BROS. /TELEPICTURES	BURBANK, CA
	Global Trainee. Rotated thru various TV production groups to gain understanding of and help grow business in high-profile program run by Warner Bros. Senior Executive Management.	
summer 2002 – winter 2003	THE WALT DISNEY COMPANY	BURBANK, CA
	Summer Intern/Part-Time Consultant, Walt Disney Studios. Identify and analyze opportunities for the Live Family Entertainment division. Launch new initiatives to support 20% annual growth. Structured corporate alliances spanning 47 countries, and developed new sponsorship models.	
summer 2002	CONTENTFILM	NEW YORK, NY
	Summer Intern. Worked with head of start-up independent film company launched in 2001 by October Films founder and Academy Award winning producer of Wall Street.	
summer 2001	ARTS TO LIFE, INC.	NEW YORK, NY & MILAN, ITALY
	Acting Executive Director. Performed business development, devised marketing goals, and managed day-to-day operations for niche start-up company specializing in luxury educational travel/entertainment programs.	
1999 – 2001	EQUIDITY, INC./EQUALFOOTING.COM	WASHINGTON, DC
	Vice President, Business Development and Online Marketing. Developed business strategy and led execution for company serving construction and manufacturing businesses named in Newsweek’s top 100 b2b websites.	
	<ul style="list-style-type: none"> • Negotiated key alliances, including Yahoo!, Microsoft, Thomas Publishing, and SBA. • Identified strategic partners vital to development of brand and led targeting, negotiation, and implementation of \$0.5MM – \$8MM investments, co-marketing and joint development initiatives. 	
1997 – 1999	MCKINSEY & COMPANY, INC.	WASHINGTON, DC, NEW YORK, NY & LONDON, UK
	Served as an integral part of consulting case teams serving major firms in the U.S. and abroad.	
	<i>Business Analyst & Media Specialist</i>	
	<ul style="list-style-type: none"> • Developed new marketing channel for financial services client with customer acquisition costs of 80% less than traditional channels; represented a \$220M 5 year NPV. • Led client task force of 30 people to execute \$15M marketing project for new consumer product launch. • Collaborated on global branding study to refine image and value proposition for professional services company. • Selected from among Senior Analysts to develop external web presence and new media strategy for the firm. 	
education		
2001 – 2003	HARVARD BUSINESS SCHOOL	BOSTON, MA
	Received Masters in Business Administration, June 2003. Recipient of Second Year Honors. Selected by Entrepreneurship faculty for the Robert F. Jasse Award, recognizing the 2 nd Year student most exemplifying leadership and entrepreneurship skills. Elected Co-President of Entertainment & Media Club. Member of High Tech, Venture Capital, and Entrepreneurship Clubs. 99 th Percentile GMAT score.	
1992 – 1997	CORNELL UNIVERSITY, ENGINEERING AND HOTEL MANAGEMENT	ITHACA, NY
	Bachelors of Science in Operations Research and Industrial Engineering and Hospitality Management, <i>highest distinction</i> . Outstanding Senior Award. National Scholar. First Student to serve as University Assembly President. Teaching Assistant.	
leadership & recognition	Named The 2004 Forbes’ Magazine’s Future Capitalist • Delegate to 2000 Congressional Small Business Summit • First Lady’s Office/State Department Program, Advisory Committee	
community	Girls, Inc., <i>Volunteer</i> • Volunteer to raise awareness of AIDS in Africa	
personal	Amateur Stand-Up Comic. Enjoy kickboxing, writing, music, art, and film (member of Independent Feature Project, GenArt, and SIGGRAPH). Familiarity with French. Traveled extensively in six continents. Dropped out of high-school to attend college at 16.	

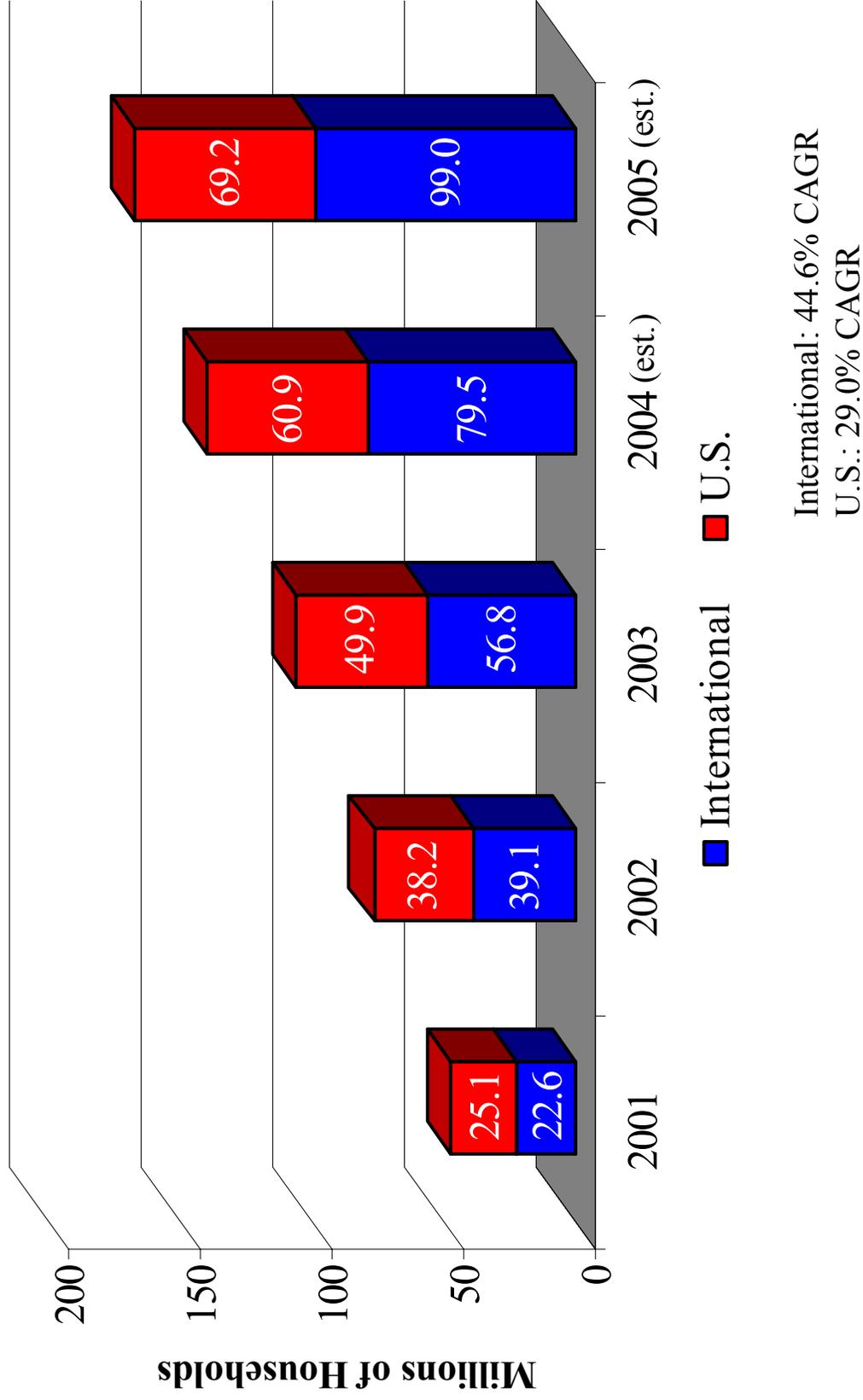
Source: Company documents.

Exhibit 2 Jeff Norton Resume

- education**
- 2001 - 2003 **HARVARD BUSINESS SCHOOL** **BOSTON, MA**
Awarded Master in Business Administration degree, June 2003. Represented Harvard on the first place team two years in a row at the Babcock Marketing Case Competition. Co-President of Entertainment & Media Club.
- 1993 - 1997 **QUEEN'S UNIVERSITY** **KINGSTON, ON, CANADA**
Bachelor of Commerce Degree (Honors), minor in Film Studies. Dean's List distinction. President of Student Government. Director of Marketing and Reporter for "Studio Q", a weekly television news and lifestyle show.
- experience**
- Aug. 2003 - **LEAN FORWARD MEDIA LLC** **LOS ANGELES, CA**
Present
Co-Founder, Operating Manager
Founded company to develop and produce interactive DVD movies for \$2.2 billion children's made-for-video market.
- Acquired Entertainment Rights to best-selling CHOOSE YOUR OWN ADVENTURE book series.
 - Raised an initial seed round of financing, and led creative development and production of a demo prototype DVD.
- summer 2002 **REGENT ENTERTAINMENT INC.** **LOS ANGELES, CA** *Intern*
Supported both the C.O.O. and the C.F.O. of a start-up, Academy Award winning, mini movie studio.
- Analyzed Regent's operations and recommended new processes and systems to improve top line growth.
 - Reviewed incoming scripts for creative and commercial potential, and made recommendations to management.
- 2001 **JEFF NORTON FILMS** **TORONTO, ON, CANADA**
Independent Producer - "Open Invitation"
Generated an original conceptual treatment for the show and collaborated with a screenwriter to develop the idea into a dark comedy narrative in three acts.
- Led all aspects of the production including: budgeting and fundraising, hiring the creative team, casting professionals, mobilizing the physical production of a forty-five person crew, and supervising post-production.
- 2000 - 2001 **THE PROCTER & GAMBLE COMPANY** **CINCINNATI, OH**
Sr. Assistant Brand Manager, Liquid Dish Category (Dawn/Ivory/Joy)
Led a multi-functional team to deliver record profit and +2 pts of market share in Fiscal Year 00-01.
- Led the development of a new advertising campaign that included six new national television spots.
 - Created a nationally advertised partnership with UNICEF. Led a team of 10 people to execute the initiative, which donated over 4 million Tuberculosis vaccines to children around the world.
 - Developed and tested the marketing concept for a new dish care product to be launched in 2003.
 - Coached junior colleagues and established a Mentorship Program within the Business Unit.
- 1997 - 1999 **PROCTER & GAMBLE INC.** **TORONTO, ON, CANADA**
Assistant Brand Manager, New Business Development
Dryel At-Home Dry Cleaning- Launch Date: 8/99.
Led the national introduction of new technology by educating consumers, retailers, and stakeholders.
- Initiated a successful Public Relations campaign that delivered +25% media impressions vs. objective.
- Febreze Fabric Refresher** – Launch Date: 3/99.
Championed the launch of a category-creating product and achieved double the volume and profit vs. objective.
- Led a 12-person multi-functional team to develop and execute the marketing plans with excellence.
- Bounce Fabric Conditioner**
Revived sales of declining business by developing and executing 1998-99 marketing plans.
- Launched "Alternative Uses" campaign, an integrated marketing program that encouraged consumers to expand their consumption of dryer sheets. Invented the "freshness sachet" device to increase consumption.
- personal** Enjoy movies and filmmaking, reading, photography, running, writing, and trying to get my golf score under 100.

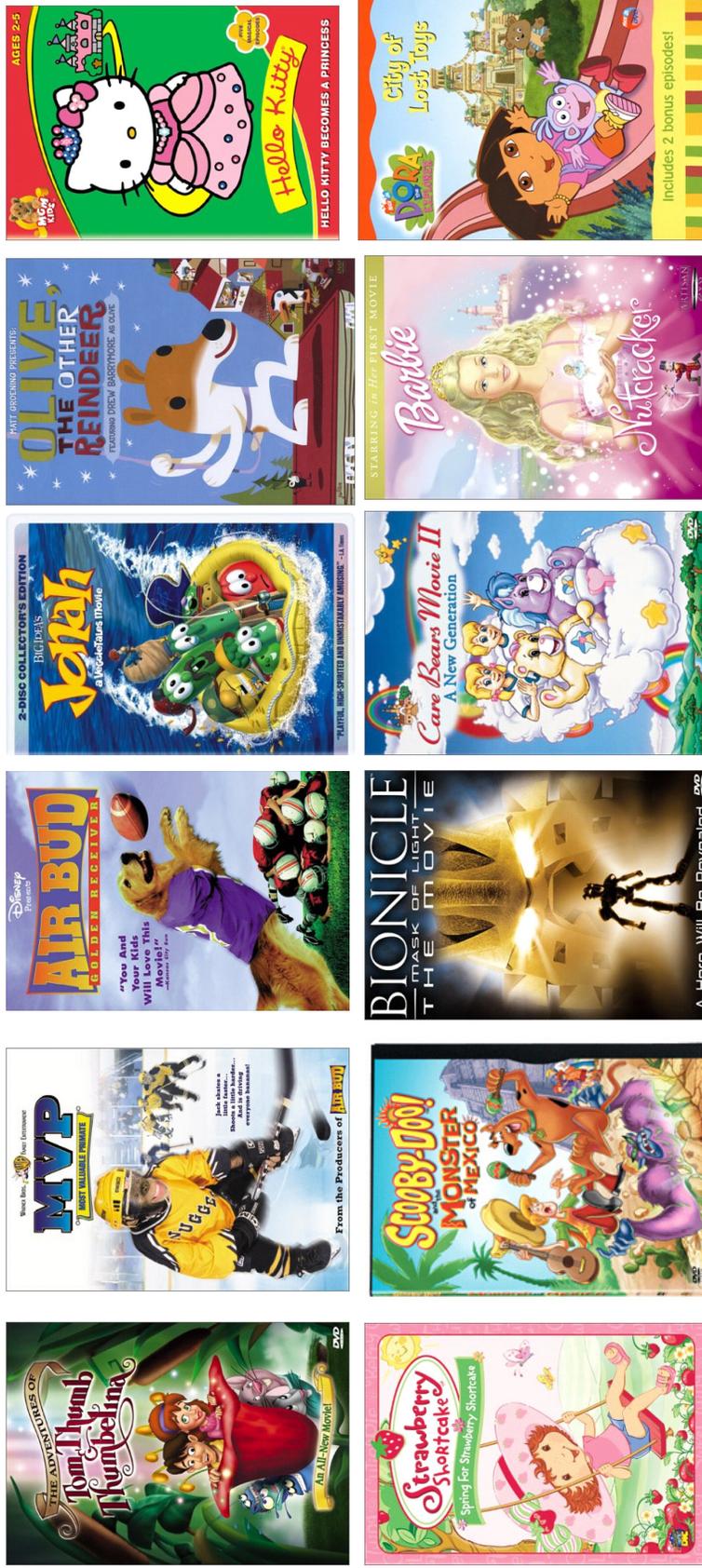
Source: Company documents.

Exhibit 3 Consumer Adoption of DVD Technology



Source: Lean Forward Media Business Plan.

Exhibit 4 Samples of Successful Children's Made-for-Video Products^a



Source: Lean Forward Media Business Plan.

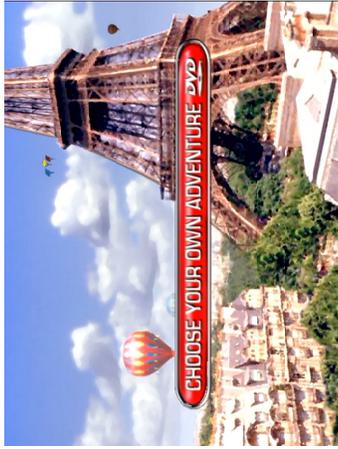
^aMade-for-video means that the movie had never appeared in theaters.

Exhibit 5 Presentation to Potential Investors (Accompanied by *Abominable Snowman* Demo Prototype)

CHOOSE YOUR OWN ADVENTURE

Entertain

- Fast paced action adventure, with cinematic look, tone, and feel (Spy Kids, Indiana Jones)
- Best in class animation
- Engaging interactive screenplays
- Recognized name brand voice talent



© Property of Lean Forward Media LLC

Source: Company documents.

Exhibit 5 (continued)

CHOOSE YOUR OWN ADVENTURE

Engage

- You control the adventure!

Press to choose

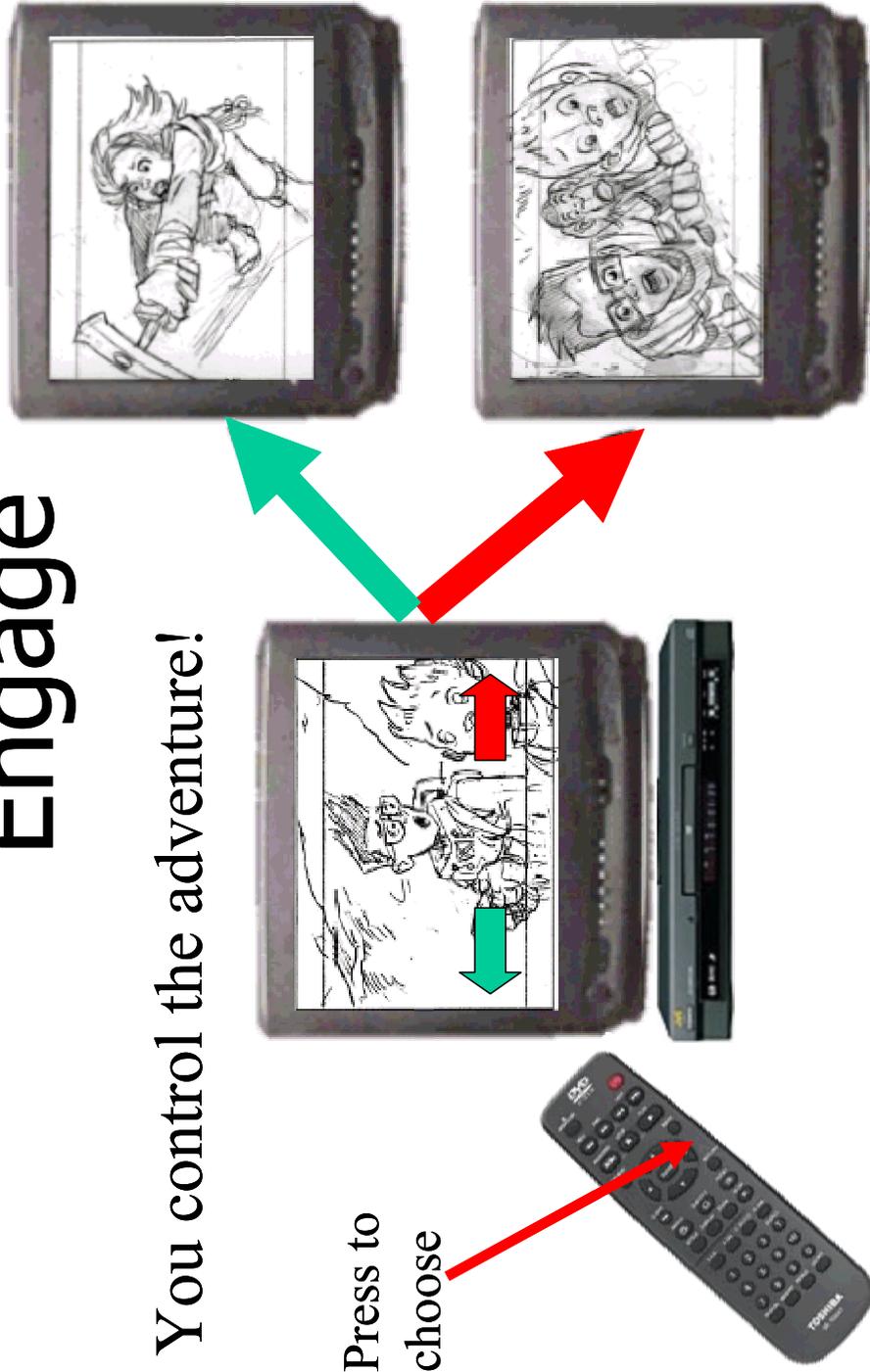


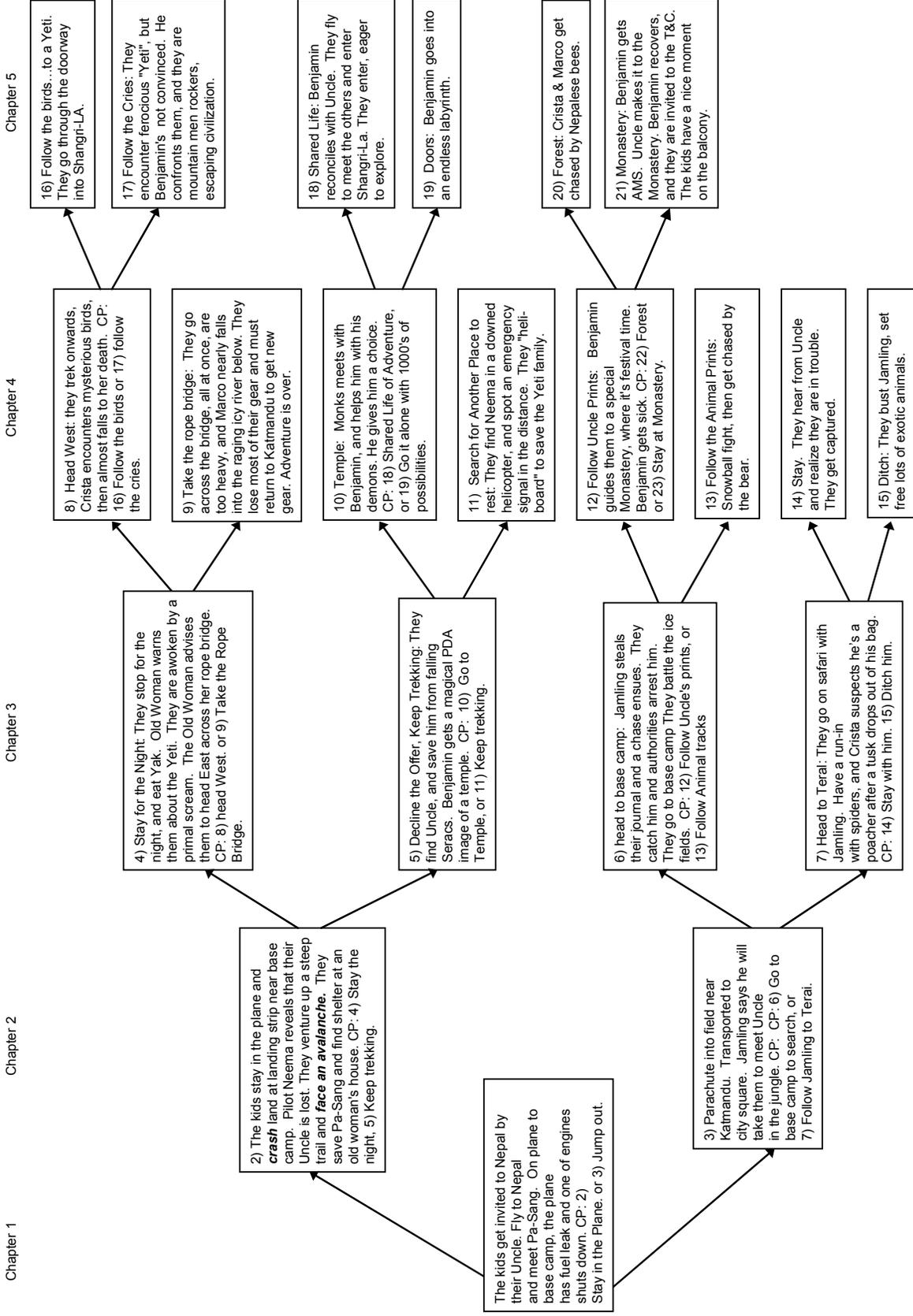
Exhibit 6 Jeff Norton and Michelle Crammes Open NASDAQ on April 27, 2004



©2004 Alan Perlman Photography+Digital Imaging

Source: http://www.nasdaq.com/reference/200404/market_open_042704.stm.

Exhibit 7 Abominable Snowman Story Tree



Chapter 5

Chapter 4

Chapter 3

Chapter 2

Chapter 1

Source: Company documents.

Note: CP= Choice Point; Crista, Benjamin, and Marco are the children; Pa-Sang is the Sherpa guide; Jamling is an evil poacher; Neema is the Uncle's pilot.

Exhibit 8 Estimated Single Title Production Costs (Extrapolated from Demo Costs)

Pre-production	
Story Acquisition	\$ 50,000
Script	\$ 25,000
Record/D. cut	\$ 6,000
A List Voice	\$ 50,000
Voice (10)	\$ 25,000
BG design	\$ 4,000
Character Design	\$ 5,000
Prop design	\$ 1,500
Animatic	\$ 5,000
Timing/Checking	\$ 70,000
Pre-Production Total	\$ 241,500
Main Production (animation)	\$ 750,000
Post-production	
DVD Authoring	\$ 23,750
Video post production	\$ 14,250
Audio post production	\$ 28,500
3D Effects	\$ 10,000
Titles Sequences	\$ 20,000
Music	\$ 30,000
Dubs	\$ 700
Post-Production Total	\$ 127,200
Production Total	\$1,118,700
Production Overhead	
Travel/Living	\$ 10,000
Contingency	\$ 33,334
<i>Production Staff</i>	
Director (part-time)	\$ 38,000
Executive Producer/Producer Fees	\$ 64,283
Co-Director	\$ 27,550
Director - Overseas	\$ 27,550
Production Assistants (2)	\$ 14,693
Production Manager	\$ 12,857
Production Staff Total	\$ 184,933
Total Overhead	\$ 228,267
Per Title Total	\$1,346,967

Source: Company documents.

Exhibit 9 Crames and Norton's Involvement under Alternative Production Scenarios

Steps in Production Process	Scenario #1: Virtual Studio^a	Scenario #2: Partnership with Studio
Script writing	Hire writer & collaborate on script development; collaborate with writer on final polish	Collaborate on writer selection, help oversee script development, collaborate with studio on final polish ^b
Voice talent	Audition and hire voice actors	Review short list of voice talent selections made by producer, collaborate on final selection
Visual design of characters and backgrounds	Hire designers, collaborate on iterations of work & oversee all work	Approve designer, review iterations of work, approve final designs
Character tightening and turnarounds	Oversee multiple iterations on characters and creation of all angle shots for all characters	Make changes and approve final designs
Expression models and mouth shots	Oversee multiple iterations on all character development	Make changes and approve final designs
Sound recording	Hire sound studio, oversee recording process and adding of sound effects	Approve sound studio, collaborate on recording process, approve sound as final
Storyboarding (sketching out the sequence of scenes)	Hire & oversee storyboard artists, approve as roughs and then as clean-ups	Approve storyboard artists, make changes, approve as final
Animatic timing/checking	Coordinate all timing on sound track with boards	Review and approve prior to animation release
Overseas production of animation	Hire animation house and communicate throughout 15-week process; review work in stages as it is done.	Review and approve finished work
Retakes	Identify and oversee the fixing of all mistakes and redirection	Help identify and sign off on the fixing of all mistakes and redirection
Lock	Determine that visuals are complete	Review and sign off on visuals as complete
Animation/sound mixing	Oversee the mixing of sound effects and music with the animation	Review and approve cut
Post production	Select video and audio post houses and oversee titles, credits, kyrons, 3D effects and final mix on levels	Approve video and audio post houses, collaborate on titles, credits, effects and final mix, sign off on final product

Source: Casewriter, from company documents.

^a As producers, Norton and Crames would work with one or more experienced industry consultants to help them with each of these tasks.

^b Note that Norton and Crames had deviated from this process in the *Snowman* production. By the time they had to make the virtual studio/partnership-with-studio decision, they had already hired a writer, given him feedback on multiple drafts, and gotten his final script.

Exhibit 10 *Snowman* Production Alternatives—Estimated Costs (U.S. Dollars)

Production Company	Location	Animation Only ^a	Full-Service Production ^b	Total Production Cost to LFM ^c	Comments
Studio 1	Canada	not applicable	\$1,971,866	\$2,471,866	Based on 90 minutes of 2D animation. \$500K in combined Canadian tax credits discounts bid of \$2,061,616 to \$1,971,866. Access to tax credit requires Studio 1 to own the copyright. Responsible for a highly-rated and acclaimed PBS series.
Cartoon Concepts	US	not applicable	\$1,869,450	\$2,100,000	Based on 75 minutes of 2D animation. Includes a \$300K investment by them which would be treated as a back-end participation (behind distribution, royalties and fixed cost) to be negotiated. Does not include budget for SAG ^d actors as they are a non-SAG shop and it would have to be budgeted for separately. World class traditional and CGI ^e animation.
Studio 2	Asia	not applicable	\$1,200,000	\$1,400,000	Based on 75 minutes of 3D CGI production (can do a 2D finish).
Mike Young Productions	US	not applicable	\$1,900,000	>\$2,200,000	Based on 90 minutes of 2D animation.
Studio 3	US	not applicable	\$1,700,000	\$1,900,000	Based on 90 minutes of 2D animation.
Studio 4	Asia	\$850,000	not applicable	\$1,500,000	Produced <i>Snowman</i> demo for LFM. Bid based on 80-85 minutes of 2D animation at demo quality. Will commit to finishing the main animation even if time overruns. Expect payment upfront in order to pre-pay artists and lock in lower rate. Continuously produces new types of animation, focused on digital content.
Studio 5	Asia	\$1,143,925	not applicable	\$1,870,000	Based on 90 minutes of 2D (with some 3D effects) but requires LFM to front \$172K in extra production (mostly post production) costs. Collaborated for several years with Walt Disney, Paramount and Warner Brothers.
Studio 6 ^f	Asia	\$631,800	not applicable	\$1,608,350	Based on 80 minutes of 2D animation. Executed several Disney projects, feature films and television series.
Studio 6	Asia	not applicable	\$779,625	\$1,670,175	Based on 80 minutes of 2D animation. Executed several Disney projects, feature films and television series.
Studio 7	US	not applicable	\$1,095,000	\$1,806,000	Based on 75-80 minutes of 3D animation. Company does mostly video games; husband and wife team; would be dedicated to project with all work done in the U.S.
Studio 8	US	not applicable	\$1,900,000	\$2,200,000	Based on 90 minutes of 2D animation. Has produced TV series and programming for leading networks. Has produced for interactive and web platforms and received awards which include Oscar, Emmy and Clfo.

Source: Company documents.

^a "Animation only" involves using the production company only for the labor-intensive animation portion of the process.

^b "Full-service production" involves using the production company in a "full-service" model (e.g., to provide a director, a line producer, and other key staff).

^c Indicates the total cost for the *Snowman* project to LFM (adding services not covered by the production company).

^d SAG – Screen Actors Guild union.

^e CGI – Computer Generated Images.

^f Studio 6 presented two separate bids, one as animation only and the other as full-service production.