



FROM THE DESK OF ANDY HEYWARD
CHAIRMAN & CEO, KARTOON STUDIOS

Dear Friends and Shareholders,

Last Thursday, Kartoon Studios announced the biggest project in the history of the Company. In fact, the biggest project of my career.

....In Producing, Creating, and/or Writing over 6,000 episodes of animated children's content for the last 4 decades, I don't say this lightly.

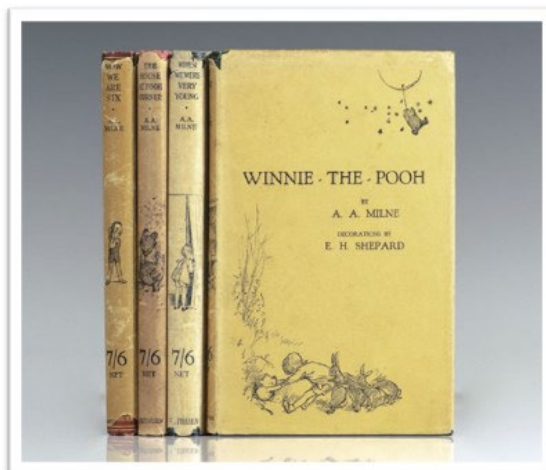
I have had the privilege to work on a number of several very significant brands that became Billion Dollar businesses, including:

Real Ghostbusters, Super Mario Brothers, Sonic the Hedgehog, Strawberry Shortcake, Tom & Jerry, Barbie, Scooby-Doo, Smurfs, Trolls. And today, our company's affiliated Canadian studio, Mainframe produces the #1 animated show in the world, **Cocomelon.**



NONE OF THESE BRANDS, however, compare to the commercial opportunity we believe we are about to embark on, as we are now launching a very special version of what has been ***far more successful than any of the above children's properties.*** Indeed, unimaginable but true, **more successful than all the above combined....**the beloved classic:

A.A. Milne's "Winnie-The-Pooh"





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A.A. Milne's **Winnie-The-Pooh** is a timeless property that has generated over **\$80 BILLION OF REVENUE**, and to this day, it is believed generates \$3-\$6 BILLION in revenue per year.

These original A.A. Milne stories are timeless classics, the characters are enduring, and they are as relevant today, as they were when they first debuted in books and in the London Evening News in 1925, almost 100 years ago.



The size and impact of the brand cannot be overstated—it has generated *more income than **Star Wars***. It has generated *more income than **Mickey Mouse***. *More than **Marvel**, **Peanuts**, **Power Rangers**, **Ninja Turtles**, **Paw Patrol**, and almost every other children's brand ever.*

Today, Kartoon Studios is in the enviable position to tap into the vast brand equity of A.A. Milne's **Winnie-The-Pooh**, and harvest returns for the company and our partners. One might ask, "How can you do that?"

At the end of 2022, the Winnie-The-Pooh copyright fell into Public Domain in the U.S., Canada, Japan, and China, and by 2027, will be in public domain in most of the rest of the world.

Anticipating this opportunity, two years ago, Kartoon Studios began developing a look and style of storytelling based on the original A.A. Milne stories, that would



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be uniquely *original, contemporary, appealing, and protectable*, as well as markedly distinctive from that which the Walt Disney Company had been doing for many years.

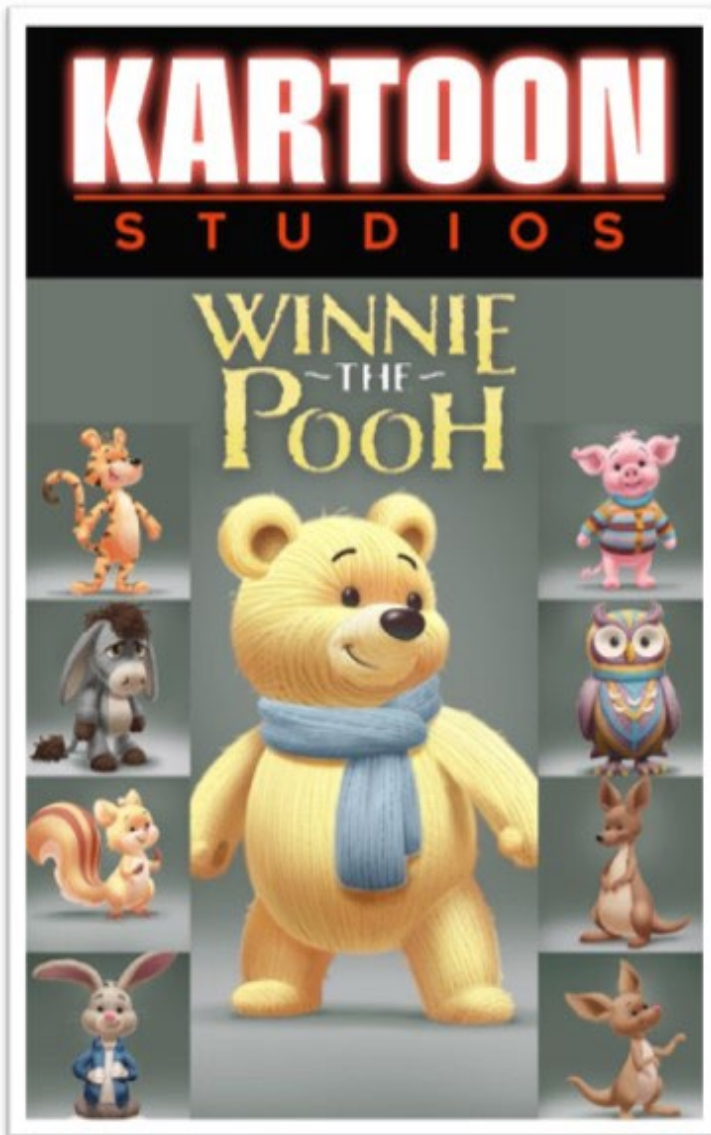
But how to do this so its unique in concept, look, story, and marketing so that we could indeed be truly different, and *perhaps* even superior???



With the help of both talented artists and the newest AI tools, the characters, backgrounds, and the world were created to be '*yarn-like*', something soft and cuddly for kids, that lends well not just to storytelling, but equally important, to *licensed consumer products*, grounded in 4 pillars of plush, apparel, publishing, and electronics.



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To harness the value of A.A. Milne's classic, we have assembled an all-star creative and blue-chip business team, some of which were announced yesterday.

We will launch the show through an important streaming platform (**Amazon Prime Video** via Kartoon Channel's subscription product @\$3.99/month). We will concurrently launch physical distribution through our venture with Alliance Entertainment, one of the largest independent physical distributors of film, video, games, electronics and toys in the country. (Alliance is also one of the largest such distributors to Walmart, Barnes & Noble, and Amazon). The brand launch will be Christmas Eve, December 24, 2025, timed to the 100th anniversary of the first publication of Winnie-The-Pooh in the London Evening News.

We will launch with a **Christmas movie**, followed by a series of **5 holiday specials**, and over ***a hundred episodes***, rolled out over the following 3 years.

The **Consumer Products** team is led by one of the most proven executives in the licensing industry who was previously Vice President, Consumer Products and Recreation for Paramount Pictures, RYAN GAGERMAN, having led the global team there on ***Transformers***, as well as the ***Strawberry Shortcake*** brand previously



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working for myself at DIC Entertainment, which generated over \$5 billion in retail sales. The Head Writer is SAM MORRISON, one of the lead writers of *Peppa Pig*.

I have been fortunate to be a part of the creation of several mega-hit franchises of children's entertainment, themselves generating billions of dollars, through content sales, and royalties from licensing of consumer products based on the characters. But all the brands I've worked on to date, pale in comparison to the opportunity now ahead, that our specific adaptation of A.A. Milne's Winnie-The-Pooh offers for Kartoon Studios.

We have been fortunate to introduce the property to an investing group who have enthusiastically joined us to fund the animated movie, specials, and series. The particular beauty of this for our shareholders is that this \$30 million investment is project-based, and non-dilutive to the company, adding neither debt to the balance sheet, nor dilution to any of our shareholders.

Concurrent with the announcement, the Company will be in the marketplace immediately to secure contracts in all categories of products that our POOH will appear on. This means generating money from advances against royalties on product sales.

Creatively, ***Kartoon Studios' Winnie-The-Pooh***, is an 'oasis of goodness', where simple values of *kindness, family, friendship, and loyalty*, are celebrated. The stories will be happily told in Seussian rhyme. We begin right away, with a vast pre-existing multi-generational, global audience who love the A.A. Milne brand. With even a small fraction of the success of the existing Pooh, and hundreds of products to be launched, the Kartoon Studios brand can become very profitable. It is rare that a venture of such noble cause, can *also* carry so much opportunity, with a 'once in a generation' de-risked financial profile. Please enjoy a peek below at some of the characters....in the coming days we will be sharing with you a deeper look at what is coming as well as a peek into the amazing



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Christmas story told as never before.... as we walk with you into **Kartoon Studios'**
Winnie-The-Pooh.

Sincerely,

A handwritten signature in black ink, appearing to read "Andy", written over the printed name.

Andy Heyward

Chair and CEO, Kartoon Studios





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**"In the Hundred Acre Wood, where stories unfurl,
Lives a bear named Pooh, a whimsical pearl.
With a heart full of honey, and friends by his side,
Adventure awaits in each tale's gentle tide.**

**There's Piglet, so
timid, with courage so
true,
And Eeyore, whose
gloom hides a heart
that's not blue.
Tigger bounces with
joy, bouncing high in
the air,
While Rabbit tends to
his garden with care.**



**Kanga and Roo, a duo so sweet,
And wise old Owl, with tales to repeat.
Christopher Robin, the boy with a grin,
Guides them along, through thick and through thin.**

**In the land of enchantment, where dreams come alive,
These characters thrive, in stories that strive,
To teach us of friendship, of love, and of play,
In the timeless world of Winnie-The-Pooh, they'll
forever stay."**



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