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**ANDY HEYWARD**  
CHAIRMAN & CEO

The Latest News





On July 20, 1969, forty five years ago exactly, the first man landed on the moon. It remains to this day, the greatest scientific achievement of all time.

I was a student doing a summer session in Oxford, England, and remember very well being glued to the TV set in our commons room. Like the whole world, I was hypnotized witnessing this historic occasion. Years later, I had the privilege of getting to know and work with Walter Cronkite, the 'narrator' of that amazing event. Today 45 years later on the anniversary of that special day, I still enjoy science and space, and I marvel at the lessons of this achievement. It took 400,000 people working, to get to that "one small step for man, one giant leap for mankind".



On reflection, one cannot emphasize too strongly, the power of creating **a team of excellence, in achieving results of excellence.**

With that thought in mind, since merging into Baby Genius, 6 months ago, we have focused on building out an infrastructure around extraordinary individuals.

Individuals who know how to win. Human capital doesn't appear on a balance sheet,

or on an org chart, but in the new Genius Brands International, it is our most important asset. This week we announced that **STONE NEWMAN** is joining Genius Brands to become President of our Consumer Products division. That is the group that takes our IP and our characters, and licenses the use of them to companies which make products. Those companies in turn, pay us a royalty on their sales in order to have the use of our characters which drive their sales. The hiring of Stone will prove to be a HUGE event. Stone is an exceptional executive and will be an extraordinary addition to the organization and GBI's ability to bring our characters to the global marketplace. Stone worked for years at Hasbro Toys doing licensing of their many characters and brands. He also ran his own toy company, and most recently ran his own licensing agency, with wonderful brands which will now come with him to be part of the Genius Brands stable. (All this, and he is only 39 years old!!!) What makes this specially exciting is Stone's current licensing business has half a dozen major brands, *ALREADY* generating money. Some are well known like Archie Comics (*The Archies, Sabrina, Josie, Archies After Life*). Others are dynamic electronic properties, already in retail. We are well on the road with Stone, and in the few short days since he joined, he has a number of initiatives already moving forward with both licensees AND retail partners.

In the 1920s, when automobiles became a huge industry, 60 percent of the cost of producing a car was in raw materials and energy. In *today's digital age*, that number can be as low as 2%. **Brain power** has become the 'raw material' for Genius Brands. This human capital inside Genius Brands can not be overstated. Combined with the *social capital* of "Content with A Purpose", our human capital becomes the plutonium we place in our reactor, and becomes the fuel of profit. Stone, very astutely saw that our model of "Content with a Purpose", must equally translate to "**Product with a Purpose**", and that is precisely where we are going.

In addition to being joined by Stone Newman, we are very fortunate to have recently brought on a very accomplished Head of international TV sales, Andy Berman, (aka 'Bermanator'). These two hires complete the migration for GBI from using agents to sell our brands, to **taking control of our own business in-house, and the ability to turn more sales on a higher margin**. Underneath Stone and 'Bermanator's' respective oversights, we have engaged sub agents in the major territories, for both consumer product licensing and media sales. Stone and 'Bermanator's' close coordination insures that the sales to media, efficiently drive consumer product and licensing revenues. You may recall a moving line from the Lord of the Rings Trilogy, (and I paraphrase) *'This is an army that was created for one purpose'*. That is what we have done.

**This trifecta of HUMAN CAPITAL+GREAT BRANDS+CASH provides us with the**

## complete dance card to execute successfully!

Now wrap that entire package inside 'Content with a purpose'. This is what Warren Buffett calls a "moat". The company today is in the enviable position of having no debt, lots of cash, and substantial receivables. In addition to the above, we will shortly announce a major credit facility negotiated with a major bank, providing more 'gunpowder' should opportunities present themselves.

With every week, as we continue the roll-out of our infrastructure, we are making ongoing sales and signing licensees worldwide. Broadcasters, home video distributors, digital distributors, and consumer product manufacturers. Cumulatively, these make our business. (Read:\$\$\$).



Speaking of Warren, **Warren Buffett's "Secret Millionaires Club"** continues to roll out on multiple merchandising fronts. A comic book line through Archie Comics has been created and will shortly be at retail both print and digital.



Oriental Trading is doing a number of fun SMC products, for young kid entrepreneurs, there is a successful publishing license in place, and we are speaking to potential licensees for the exciting SMC Business in a Box concept.



We are in discussions with 2 prominent broadcasters and digital users in the U.S. for new distribution of the SMC content, and the annual entrepreneurial contest which is in over 100,000 2nd-5th grade classrooms, is about to enter its 3rd year, with the finalists brought to Omaha for a day of presenting their businesses to Warren. And speaking of Omaha, Warren has invited us back to the upcoming annual Berkshire Hathaway shareholders meeting to exhibit the SMC brand and products, on the exhibit floor.

**Baby Genius** video content is being presented now around the world, and we are receiving favorable reaction in a number of major territories. This is great stuff, because the content has virtually had no distribution internationally before, so this will all be incremental business. That business will in turn drive the consumer products, so once again we see a virtuous circle. The Baby Genius (ad supported) Digital Jukebox, is about to go live (where kids can call up their favorite songs via a very cool online jukebox product. (Think: Safe Pandora for pre-schoolers) Meanwhile, the brand is being rolled out on the new Comcast service as well as on Netflix, and through our recently announced deal with Leapfrog, the popular kids game platform with over a 5 million user installed base. As is the case with the other brands we license to Leapfrog, including both *SMC*, and *Thomas Edison's Secret Lab*.

Speaking of *Thomas Edison's Secret Lab*, we are busy writing scripts, and about to begin animation, as we adhere to our strict discipline of achieving 75% pre sales before we greenlight series animation. I'm enclosing a link below to our *Thomas Edison's Secret Lab Style Guide*, which will be very informative for people to see **how** entertainment content gets interpreted and brought to concrete consumer products in the marketplace. Edison, will be a perfect example, of the whimsy and fun in a brand, while still bringing enrichment.

Our recently announced deals with Comcast, Sony, BMG, Netflix, BMG, and American Public Television, are just the tip of the iceberg of the business

infrastructure of key clients, as GBI grows. We will shortly announce a deal with a major music digital distribution partner, and another for a new home video distribution partner. Simply put,

***GENIUS BRANDS IS AMIDST A DRAMATIC AND CONTINUING  
GROWTH SPURT.***

One which in the end, is built on enriching kids IP, **by our human capital.**

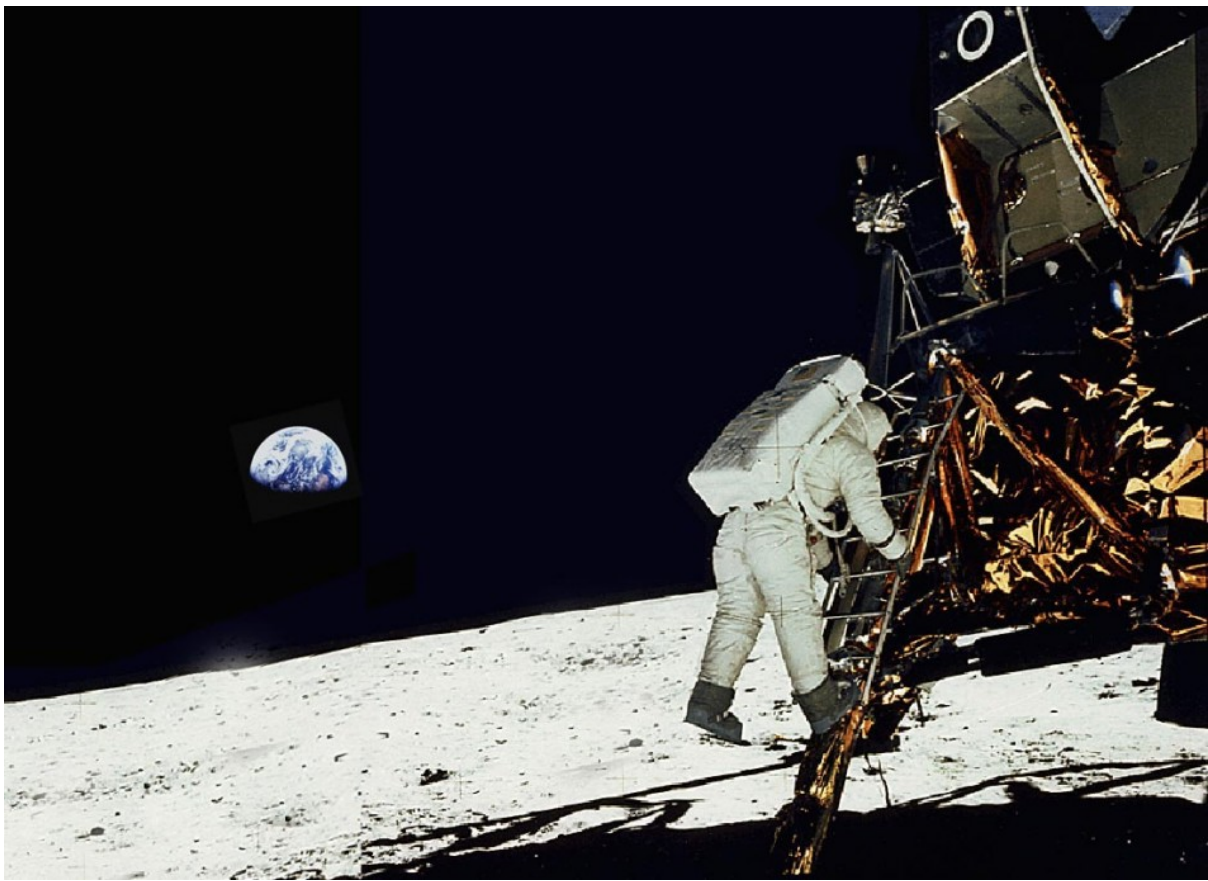
I would be remiss if I didn't caution that there will be ups and downs of stock price along this road. They are unpredictable and asymmetrical, and often have no correlation to anything going on with the company or its brands. My job as your CEO and Chairman, is to keep my eye on the ball, and insure that we continue to build value, assets, and earnings. That is exactly what we are doing, and I pledge to keep you informed as we continue on this road, of all that we are doing.

The company is on a growth spurt and we believe patience will be richly rewarded. As we contemplate the amazing achievement that took place 45 years ago today, we must never forget that extraordinary results are accomplished by extraordinary people. With the exceptional human capital that has been recruited inside Genius Brands, we remain more excited than ever about our own ambitions to bring content with a purpose to today's media consuming youth.

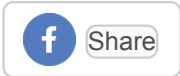
Best,

A handwritten signature in black ink, appearing to read 'Andy', with a long, sweeping tail that extends downwards and to the right.

Andy Heyward  
Chairman & CEO



*Thomas Edison's Secret Lab - Style Guide*



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