WONDER ANIMATION, INC.

Business Plan
EXECUTIVE SUMMARY

The founders of Wonder Animation, Inc. recognize: (1) Stereoscopic 3D has recently begun to outsell traditional/flat animation – the best selling films in the industry; (2) the costs to produce animation, including Stereoscopic 3D, have never been lower; and (3) the demand for Stereoscopic 3D has never been higher – demand is greater than available content.

Veteran business developer, former TransGlobal Ventures Business Development VP, Chris Fure is launching Wonder Animation with a 30-year filmmaker, a sales representative with 40-years of experience, and a Board consisting of active financial services providers and a former Sony Pictures Executive VP.

Specifically, Chris has aligned Don Fox (Midland Production Corp. CEO & Film Director) as Head of Production, Omar Kaczmarczyk (LongTale Int’l Founder & Film Producer) as Head of Distribution, Board Directors Dr. Eric Ball (Oracle Treasurer), Dr. Victor Nee (Putian Fund Developer), and Al Ovadia (former Sony Pictures Head of Licensing), plus Board Advisors Dr. Antonio Tasca (Skopelos Ventures Executive Director) and Dr. Sanford Rosenberg (Media Research Associates President). Chris has also aligned outsource animation services provider Sun Animation (Chennai, India). This offsets Wonder’s risk with (a) developed Stereoscopic 3D content, (b) proven Stereoscopic 3D animation/visual effects skills, (c) established facilities in CA and India, (d) a global network of film buyers, (e) a multi-national finance network, and (f) a license/merchandise strategy that will help brand the company for its optimal IPO or M/A exit.

In its ten-year six-film plan, Wonder will produce developed Stereoscopic 3D animated Family film titles “Galactic Academy” and “Hard Drop”, as well as one sequel and one prequel for each. To maximize Wonder earnings, the films will be distributed and licensed worldwide on a “best bid” basis: the most profitable position.

To compete successfully in the Stereoscopic 3D Animated Family film space, Wonder seeks to produce franchise films that kids not only want to see, but that parents will encourage their kids to see: essentially non-violent, yet thrilling stories, whose main characters grow in some meaningful way. To this end, both “Galactic Academy” and “Hard Drop” present unique original worlds that easily lend themselves to sequels and have original characters and props that are ideal for merchandising. Moreover, their stories are based on perseverance and redemption. They are comedy and/or action stories that will make kids laugh and dream, as well as offer universal character themes about friendship and personal responsibility that all parents support.

With this focus, Wonder will produce its films with the cost-savings derived from foreign outsourcing for modeling and non-bi-ped character, set and prop animation, as well as motion capture data recording for bi-ped character animation: techniques that yield an eighty seven percent (87%) savings over traditional animated film production.

Therefore, through this offering, Wonder seeks to not only produce its two high-quality/low-cost Stereoscopic 3D animated feature films, and develop their sequels and prequels with Wonder earnings, but also launch a brand that will continue to produce popular Family films for years to come. The content will help fill the demand for Stereoscopic 3D films, which recently skyrocketed when DreamWorks’ “Monsters vs. Aliens” marked the first time in history that Stereoscopic 3D Animated films have outsold standard (flat) Animated films. Moreover, the Stereoscopic 3D film market, in terms of available screens, has become the new norm: only nine producers are now making all the animated film offerings in the $3.9B market. Wonder seeks to be the tenth.
MANAGEMENT

VICTOR NEE, Ph.D.: Board Director

Victor has been appointed as advisor to more than 25 Government and Commercial organizations in the People’s Republic of China (PRC), including several PRC Ministries. Victor was asked to serve on the Wonder Animation Board after his dedicated service as Chairman of TransGlobal Ventures, where he also performed as an advisor to Xi’an Film Studios.

Victor remains active in investment and finance, where he works extensively in asset based securitizations. To this end, Victor developed and managed the Putian Fund: an entity that finances the combined commercial interest of the PRC Ministry of Post & Telecommunications and the PRC Ministry of Information.

Victor presently serves on the Board of several companies, including Capital Senior Living, Biomasters, MagneGas, PetroSun, Shannxi Foreign Economic University (China), Beijing Orient Electronics (China), and the Holley Group (China). Over the years, Victor has consulted various foreign government trade ministries and Fortune 500 companies, including American and European investment banks, to create international joint ventures for doing business in China.

Victor obtained his Ph.D. in Aerospace at Johns Hopkins University, and his Bachelor degree at the National Taiwan University. At the University of Massachusetts, Dartmouth, he established the Advance Technology Center, and served as its first Director. He accepted tenure at the University of Notre Dame, where he taught fluid mechanics and created the Applied Engineering Research Laboratory. At Notre Dame, Victor was elected twice by students for the Faculty Award (most inspiring Professor).

Outside of the United States, Victor has been appointed as Honorary Professor at Taiwan University, Academia Sinica in Taiwan, Shanghai Hwadong University, FuJian Normal University, and the Chengdu Electronic University in China. Moreover, Victor has been invited to lecture in Europe, South America, Japan and China.

Victor is listed in "American Men of Science" and is also a member of "American Federation of Musicians". He has published 54 professional papers, owns 52 patents, and has served as an advisor the United States Environmental Protection Agency.

Victor not only adds relationships to Wonder’s vast financial network, but he also serves as an ideal liaison in Beijing for overseeing Wonder’s strategic alignment with Xing Xing.
ERIC BALL, Ph.D.: Board Director

Eric is Vice President and Treasurer of Oracle Corporation, the world’s largest enterprise software company. Eric joined the company in May 2005 and leads a team of 23 in managing the company’s worldwide treasury operations, capital markets activity, investment portfolio, foreign exchange, corporate finance, stock services, and risk management. He also serves on the Board of Oracle Japan, a public company headquartered in Tokyo and listed on the Tokyo Stock Exchange.

Prior to joining Oracle, Eric spent four years as Assistant Treasurer of Flextronics International managing capital markets, corporate finance, insurance, leasing, and credit activity. He also acted as a point-of-contact in investor relations. Before Flextronics, he served at Cisco Systems Inc for two years where he and his team managed corporate finance, stock administration, credit exposures, and financial modeling. He also spent five years at Avery Dennison in the U.S. and England in a variety of corporate and operating financial roles. He began his corporate career in 1988 with six years at AT&T corporate headquarters in treasury and financial consulting roles.

Eric is a graduate of the University of Michigan and holds masters degrees in economics and finance from the University of Rochester, and a Ph.D. from Claremont’s Drucker-Ito School of Management. He has taught finance at Rochester, Rutgers, and USC. He was part of the treasury team at Cisco that won the 2000 Alexander Hamilton Award for overall excellence in treasury, and while at Flextronics was named in 2003 by Treasury & Risk Management magazine as one of the “Top 40 Under 40” in finance.

Eric brings Wonder significant financial knowledge and relationships for its launch and exit, as well as a reaffirming focus to make quality Family films for his young sons Spencer and Carter.
AL OVADIA: Board Director

Al served as Executive Vice President of Sony Pictures Consumer Products. During his tenure at Sony, he was responsible for the global merchandising and branding efforts for some of the most recognized properties in film and television, including *Men in Black*, *Spider-Man* and *Spider-Man 2* feature films, as well as animated films, *Open Season* and *Surf’s Up!* In addition, he worked closely with the Sony Television Animation Group on a number of TV series, including *Jackie Chan Adventures* and *It’s A Big, Big World*.

From 1988 to 1995, Al served as President, Licensing & Merchandising, for 20th Century Fox, where he oversaw worldwide licensing, promotion and product placement for all of the studio’s film, video and television properties, including the enormously successful series, *The Simpson’s*. In addition, while at the company, he engineered the successful launch of internal video game company, Fox Interactive.

Al has served as EVP of Equity Marketing; President of News America Marketing and he has co-founded internet content syndication company, Mediacentrix. Also, Al began his career at NBC where he spent his last four years as VP of Network Creative Services.

Al serves as President of Al Ovadia & Associates, Inc. (www.alovadia.com): a company he launched in March, 2005. Al Ovadia & Associates, Inc. has sold US and Canadian broadcast rights to several kid’s animated programs including *Galactik Football* to US-Hispanic Kid’s Network, Sorpresa!, *Huevocartoon* to Spanish Broadcaster Telemundo (US Only), and *Bernard* to Cartoon Network, YTV and Radio Canada. Al also brokered a deal to place music videos featuring the global phenomenon, *Crazy Frog*, exclusively on Cartoon Network-US. In addition, Al serves as CEO of SalesLife, Inc.: a video game simulation publisher.

Throughout his career, Al has won numerous awards for excellence in both licensing and promotion. He has also served for two terms as a member of the LIMA (Licensing Industry Merchandiser’s Association) Board of Directors.

Al brings Wonder expertise in brand strategy, global licensing and promotional management, as well as, TV, home entertainment, and emerging media distribution: focus that will maximize Wonder’s licensing strategy and domestic (studio) distribution relations, as well as will build the Wonder brand to its greatest potential for an IPO or M/A exit.
ANTONIO TASCA, MSc., Ph.D.: Board Advisor

Antonio (“Tony”) is currently the Executive Director of Skopelos Ventures LLC, a social entrepreneurial advisory firm with operations in Palo Alto CA and Dubai UAE. He also serves on the Board of Directors of three start-ups firms – one each in the US, UK, and Spain, and he teaches as an adjunct professor at a leading European business school.

Prior to Skopelos, he was a Chief for the Zain Group (Dubai UAE), a multi-national company with operations in 25 Middle East and African countries. Prior to Zain he was Chairman of Louis Allen Worldwide (Foster City, CA), an international consultancy with partners in Europe, Latin America, Asia and the Middle East.

Tony holds a MSc from HEC Paris, and a Ph.D. from the Union Institute & University. He has also completed the Executive Program in Management at the University of California at Los Angeles, the Consulting and Coaching for Change Program sponsored by Oxford University and HEC Paris, the Graduate Student Professional Development Program sponsored by the National Training Laboratories, Washington, D.C., and he earned his BSc in Industrial Relations from San Jose State University.

Tony brings his considerable international finance network to Wonder, including investor relations in Dubai, Kuwait, Bahrain, Cairo and Silicon Valley.
The President of MRA, Dr. Sanford (“Sandy”) Rosenberg has twenty five years of experience in working with film, video, and emerging technologies. He has consulted on a variety of media projects including film, television, games, and the web. These have included B2B, C2B and C2C web-based projects. His particular focus has been on the issues of privacy, security, identity, community, and personalization on the Internet.

Sandy specializes in qualitative knowledge-based research, examining the relationship between language, story, structure, symbol, image, emotion, and the user experience, in any media. He has extensive background as an Executive Coach and in business development, particularly in the Entertainment industry. Sandy is also a licensed psychotherapist, as well as an educator, and researcher in the area of symbolic processes, social psychology, and Psychographics.

He is often called upon to lecture on topics ranging from the independent movie business to the structure of moving story, to archetypal psychology, media and the Self. Recently, he presented at the Digital Indies Conference on the Internet, Privacy, Intimacy, and Community.

Member of American Psychological Association and Association for the Study of Sleep and Dreams.

Sandy also serves on a number of boards, and has acted as an advisor to both for-profit and non-profit organizations.

Sandy is a founding partner of Front Street Productions/Front Street Pictures, producer of six films including "We Don't Live Here Anymore," with Naomi Watts, Mark Ruffalo, Laura Dern, and Peter Krause, winner of the screenwriting award at Sundance and released by Warner Indies in the summer of 2004 and "The Deal," with Selma Blair and Christian Slater, released in the summer of 2005.

Sandy brings his detailed media and psychographic trend analysis to Wonder, as well as his litany of industry relations.
OMAR KACZMARCZYK: Head of Distribution

Omar has 40 years experience in the film industry, having consulted over 140 international co-productions and independent films worldwide. He has served in executive, financial, and distributor capacities with an invaluable knowledge of the worldwide film market for optimum management of intellectual properties. And, Omar originated the film distribution concept of segmented rights sales that is now the industry standard.

Since the 1980s, Omar has been internationally recognized as a pioneer of innovative motion picture licensing strategies. Working in Zurich with producer Alexander Salkind, he assembled twenty feature films for distribution in the emerging worldwide video market. From 1980 to 1983, this package generated over $20 million dollars in this new, secondary distribution channel for films that is now such a major part of the movie business. These moneys helped finance Salkind’s *Superman* and *Superman II*, the biggest independent movie productions to date. Omar then implemented presale rights licensing for *Superman III*, *Supergirl*, and *Santa Claus: The Movie* starring Dudley Moore. His video sale of the Warner Brothers’ theatrical release of *Supergirl* to International Video Entertainment (IVE) made industry headlines as the first “studio” segmented video deal.

In 1984, for Salkind’s *Santa Claus*, Omar challenged industry leaders with his newly developed segmented rights licensing system, creating a record breaking three-way distribution deal between Tristar, Viacom, and Media Home Entertainment. Considered revolutionary at the time, these segmented rights deals are now the accepted industry distribution sales practice for all of the members of the MPAA, IFTA, and FIAPF.

Arriving in Los Angeles in 1985, Omar consulted with several prominent producers and distributors. He developed foreign distribution operations for Scotti Brothers Pictures, advised Harvey Weinstein at Miramax on foreign sales operations, and created the financing and distribution marketing operations for Noble Entertainment. He again created a record breaking sale for the USA rights to Tarak Ben Amara’s *Pirates*, directed by Roman Polanski.

And as an advisor to Fries Entertainment, Omar expedited an equity investment for the $10 million dollar film *Screamers* with Peter Weller, based on the Phillip K. Dick story, *Second Variety*. With his excellent relationship with Credit Lyonnais, he assisted the financially troubled IVE. He facilitated Carolco’s merger with IVE, creating Carolco/LIVE Entertainment, which became Artisan Entertainment, which is now Lion’s Gate.

Omar sees the global sales potential of *Galactic Academy* (a film with characters that cross all ethnic boundaries), as well as *Hard Drop* (a multi-ethnic cast that supports the Multi-Environment Race Craft – a universally appealing race vehicle). Omar will help ensure that Wonder films reach the greatest possible audience.
DON FOX: Head of Production

Don is a graduate of UCLA film school (BA), USC film school (MFA) and the American Film Institute (post-Grad), where he first developed his skills for Stereoscopic 3D film. So far, Don has successfully created and produced 11 special format films for companies such as IMAX, Iwerks and MGM. To this end, millions of people from around the world have seen his films, and they are currently playing in numerous special venue theaters worldwide.

Drawing on this experience, Don designed and implemented a digital studio capable of producing stereo 3D animated feature films and special effects. With a keen interest and talent for creating children's animated product, Don continues to develop exciting and imaginative family-oriented film properties.

Don's most recent 3D special format project was "Robots of Mars - the Ride", which is currently being released through nWave to theme-parks worldwide. Moreover, Don's expertise in special format films is well-known: he has received two “Outstanding Achievement” awards from the Themed Entertainment Association for his work in this field -- these special format film industry awards are similar in stature to the Academy Awards. Don has also completed the new large format version of “Robots of Mars - 3D Adventure” a stereoscopic, 3D attraction film, which is also being distributed by nWave to theme parks and IMAX theaters throughout the world.

It is from Don’s “Robots of Mars” characters and digital library from which he and Chris Fure developed “Galactic Academy” for the feature film audience.
CHRIS FURE: Head of Development

Chris is the Producer for Midland Production Corp. Chris conceived the Wonder Animation film production strategy and business plan to bring the veteran Special Format film-maker (est. 1978) into the Standard Format (Feature) film space. Chris then recruited Wonder’s management for the Wonder Animation PPM launch.

Chris began his entertainment career in 1990 as the foreign licensor of Megatone Records and then as a producer/licensor for TouchTone Productions. In 1994, Chris launched his own entity Fure Dumont Productions and produced SISTA SISTA for RCA-BMG/Iceberg Records, Hamburg (1994-97). After he and his partners’ successfully placed their act on the 1997 MICHAEL JACKSON “History Tour” (Germany), Chris exited to manage the entertainment holdings of TransGlobal Asset Management. Capitalizing on his TransGlobal Vice President position, Chris developed the business plan to launch TransGlobal Ventures (“TGV”) and, thus, was named a partner, as well as the new entity’s Vice President of Business Development.

During his tenure with TGV, Chris developed/executed many business strategies for its technology producer clients, including a plan for Manex Entertainment and its Academy Award winning visual effects unit to create a strategic production outsource relationship in China. Shortly thereafter, Chris developed the plan for Midland Production Corp. to leverage its 3D digital library and 30-year (11 Special Format film) track-record to become an animated feature film producer – as this idea echoed Midland CEO Don Fox’ ambitions, Chris was named Midland’s producer.

Chris graduated from University of California, Berkeley and holds a MBA from the New York Institute of Technology. Beyond Wonder’s film production strategy and business plan, Chris developed the 3D Animated film properties “Galactic Academy” and “Hard Drop” for Wonder.
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1. Animation Studio Description

1.1 Mission

Wonder Animation’s mission is to build a low-cost Stereoscopic 3D Animation Studio with distribution that produces high-quality feature films, which appeal to both kids and parents.

Wonder recognizes that the 3D Stereoscopic Animated Family Film market is unique, not only because it is the highest grossing film market with a $413.7M average box office, but because the purchase-point is dominated by parents. In other words, parents tend to take their kids to movies they prefer as family outings and as rewards for good behavior. And, parents tend to purchase DVDs to be used as a “time-out”, which occupies their kids’ time, when parents perform chores, or simply need a break for themselves.

Therefore, Wonder realizes that, since such film tickets and DVDs are purchased by parents (not the kids themselves because pre-teens tend not to have income), and are played over and over in the home (as many as 30-50 times during a child’s adolescence), the best selling films are those that offer stories that parents want their kids to see.

To this end, Wonder’s focus group study of parents with 6-14 year old children has identified that parents prefer stories about perseverance and redemption, which inspires children to become stronger (more focused and confident) people, who make good (smart and healthy) decisions. And, further, such study has identified that parents see their children’s sense of personal responsibility (including school performance) and their ability to get along with peers as their primary concern.

Therefore, Wonder developed “Galactic Academy”, since (1) kids 6-10 prefer watching high school students, (2) the school setting is best for inspiring kids to do better in school, (3) the film’s Astronomy theme is best for inspiring kids to become interested in science – a primary driver for good school performance, (4) the story’s moral theme about its hero’s perseverance and redemption will resonate with kids to prove that success in school and life is not easy, but is possible when pursued with a focused flexible effort, and (5) recognizing that (a) little boys love action, the story involves a hero that is the champion of his rocket-board team, and that (b) little girls love relationships, the story involves a heroine that is trying to make sense of her impressions of the hero and his nemesis, who each seek to win her heart.

Moreover, Wonder developed “Hard Drop”, since (1) kids 11-14 prefer watching 20-something pro-athletes and other celebrities, (2) the featured friendship, where one rises above his own fear to help another with a similar fear, is a story that all kids understand, (3) the maturity of the love-interest relationship, which is based on earned respect, offers a good role-model that parents support, (4) the finale of good triumphing over evil without violence gives kids hope in a climate of increasingly violent media, and (5) the story is a roller-coaster ride that all kids will love to see again and again.
1.2 Background

Chris Fure, along with Dr. Victor Nee, and Dr. Eric Ball, Dr. Antonio Tasca, and Dr. Sanford Rosenberg are launching Wonder Animation through the alignment of a 30-year veteran filmmaker (Midland Production Corp.), the founder of an entertainment asset management/distribution firm (LongTale Int’l), and a founder of a brand management/licensing firm (Al Ovadia & Associates).

**Midland Production Corp.** was founded in 1978 by Don Fox. The company’s focus at the time was to exploit the burgeoning theme-park attraction film market: films that, when combined with moving seats and other sensory devices, create a virtual roller-coaster. As a result, Midland launched eleven production companies that produced eleven special format films:

"Escape to Planet Earth"
"Alpha One Cowboy"
"Questor"
"Deep Earth Exploration"
"Smash Factory"
"Mission: Bermuda Triangle"
"Fun House Express"
"Crashendo"
"Wild Arctic"
"Haunted Highway"
"Robots of Mars"

Such films were produced for release by Busch Entertainment, IMAX, SimEx/Iwerks, among others, and have been featured in theme-parks around the world, including world-famous venues such as the Luxor and MGM Grand Hotel in Las Vegas. Note: Busch Ent. applied for and won two “Outstanding Achievement” awards by the Themed Entertainment Association (the equivalent of the “Academy Award” in the theme-park attraction film industry) for both of the films that Midland production companies produced for Busch Entertainment: “Wild Arctic” and “Mission: Bermuda Triangle”. Moreover, Midland companies continue to harvest revenue from its films: three of which have been in continuous play for over ten years: “Fun House Express”, “Smash Factory” and “Crashendo”.

For the company’s 30th Anniversary, Don Fox decided to change Midland’s focus to become a feature film producer. This decision was made not only because Don had honed his film production techniques for the larger effort, but because Don recognized that the theme-park attraction film market was consolidating under studio control – a pattern that was/is driving-out independent producers. Moreover, Don recognized that Stereoscopic 3D Animation was going to be the next “big thing”, due to the inevitable (and increasing) replacement of standard film projectors with digital film projectors – only digital projectors are capable of affordably showing Stereoscopic 3D.

Therefore, as Don was an early pioneer of Stereoscopic 3D production during his graduate work at the American Film Institute and as he most recently perfected his skills during the Stereoscopic 3D production of the theme-park attraction film “Robots of Mars”, Don decided that the time was right to leverage his “Robots of Mars” digital library to offset the risk of a Stereoscopic 3D Animated feature film production. Therefore, Don recruited business developer Chris Fure, who contributed the plan for “Hard Drop” and co-developed the plan for “Galactic Academy”, and now Wonder Animation, Inc.
**LongTale LLC** is an intellectual property asset management services provider located in Los Angeles, USA. LongTale manages worldwide marketing, distribution, and collection of revenues from the licensing of rights to intellectual properties in all formats for release to theatrical, television, home video/DVD, videogames, cell phones, Internet, and other media.

“LongTale International is where motion pictures play forever,” says Founder and Managing Director Omar Kaczmarczyk. “We are building a distribution model that absorbs new revenue streams from all over the globe that will generate wealth into the far distant future. We are a digital democracy where every viewer is counted.”

Kaczmarczyk Filmography (1990s-2000s)

*Low Grounds* (2009) (producer) in pre-production


*Ninja Knights* (2008) (producer) in production

*Bandits* (2008) (producer) in production

*South India Fables* (2008) (series executive producer) in production

*George & The Dragon* (2004) (executive producer)


*The Lost World* (1998) (executive producer)


*Bookeyman: The Return* (1994) (V) (executive producer)

*In Between* (1991) (executive producer) (producer)

*Pale Blood* (1990) (producer)
Al Ovadia & Associates, Inc. is a global entertainment licensing and production resource company whose principal focus is in the areas of distribution, entertainment licensing, third-party promotions, retail development, creative services, marketing and publicity.

The Company’s President, Al Ovadia, has been credited with spearheading some of the industry's most successful licensing campaigns in history including the global launch of The Simpson’s and the enormously successful campaigns for Columbia Pictures’ Spider-Man and Spider-Man 2 motion pictures. All three projects received LIMA's coveted prize of Property of the Year.

Since its launch in January of 2005, Al Ovadia & Associates, Inc. has quickly become a resource for both domestic and international production companies providing a one-stop shop for both broadcast sales and licensing. To this end, Al Ovadia brings Wonder the expertise to position its brand and maximize its licensing for optimal shareholder value.
1.3 Objectives

Wonder Animation’s objectives are as follow:

A. Create best-selling feature films that kids love and parents support.
B. Enter the 3D Animated film space before it is saturated with competing films.
C. Release films that can harvest significant merchandise.
D. Launch a franchise that can be exited through a major studio.

The market for kids (age 7-14) is $50 billion, which is the largest children’s market and is the primary focus for Disney. Wonder believes it can compete effectively in this market by not only producing films that kids love and parents support with “Galactic Academy” that serves the 7-10 age group and “Hard Drop” that serves the 11-14 age group, but also by employing significant cost saving techniques, such as motion capture data recording and outsourcing to high-quality/low-cost foreign service providers.

Presently, as the 3D market is expanding by more than 100% per year, a unique opportunity exists for the relatively few Stereoscopic 3D producers that exist. It is inevitable that all future animated films will be produced in Stereoscopic 3D, since standard (flat) films are a natural by-product of 3D production – you get both for the price of one. Therefore, there has never been a better time for Wonder to exercise its Stereoscopic 3D expertise than right now.

Also, merchandise license sales are the greatest potential-growth revenue stream if a film not only performs well in theaters, but also on DVD and TV. This is only true for films with unique and easily-adaptable-to-toy/game characters and props (i.e. vehicles), which parents support. As an example, the first three “Star Wars” films set box office records with nearly a billion dollars in theatrical sales, but Lucasarts’ merchandise licensing earned more than $10 billion – note: Wonder does not forecast a 10:1 merchandise earning, but rather a conservative <1:1 ratio. This earning is assured due to the film’s focus on both kids and parents: as with box-office and DVD sales, parents are the primary purchase decision makers for their pre-teen children’s toys, games, apparel and other potential film merchandise.
1.4 Strategy

Wonder Animation recognizes the following:

- 3D Animated Family film market averages $364.4M.

  www.boxofficemojo.com

**3D Family Animation (2005-10)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Title</th>
<th>Box Office (millions)</th>
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</thead>
<tbody>
<tr>
<td>2010</td>
<td>Toy Story 3</td>
<td>$1,063.2</td>
</tr>
<tr>
<td>2009</td>
<td>Ice Age: Dawn/Dinosaurs</td>
<td>$886.7</td>
</tr>
<tr>
<td>2009</td>
<td>Up</td>
<td>$731.3</td>
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<tr>
<td>2010</td>
<td>Shrek Forever After</td>
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<td>2010</td>
<td>Despicable Me</td>
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<td>2010</td>
<td>Tangled</td>
<td>$558.4</td>
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<tr>
<td>2010</td>
<td>How to Train Your Dragon</td>
<td>$494.9</td>
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<td>2009</td>
<td>Monsters vs. Aliens</td>
<td>$381.5</td>
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<td>2009</td>
<td>A Christmas Carol</td>
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<td>2010</td>
<td>Megamind</td>
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<td>2005</td>
<td>Chicken Little</td>
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<td>2008</td>
<td>Bolt</td>
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<td>Cloudy w/ Meatballs</td>
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<td>Meet the Robinsons</td>
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<td>2010</td>
<td>Legend of the Guardians</td>
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<td>2010</td>
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<tr>
<td>2008</td>
<td>Fly Me to the Moon</td>
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</table>

- 3D Animated Family films have become nearly a $4B market in 2010, and are on pace to grow again in 2011.

- Reuters reports that the Stereoscopic 3D Animated feature film market has out-grown traditional/flat Animated feature films in 2009.
• Stereoscopic 3D now enjoys the most Box Office sales ever made from a film with the release of “Avatar”: in less than 7 weeks, it has already grossed more than $1.8B (http://boxofficemojo.com/movies/?id=avatar.htm).

• Walt Disney Co. estimates the market for boys aged 7-14 is $50 billion per year.

• Studio Daily reports that the current Stereoscopic 3D market of ~3,000 cinemas will expand to over 5,000 from the current order Cinemark has placed with RealD.

Wonder sees the key drivers behind its launch are:

• Growth of the Stereoscopic 3D market.
• Increasing demand for Stereoscopic 3D Family content.
• Increase in remote access to Stereoscopic 3D cinemas.
• Increasing demand for producers capable of producing Stereoscopic 3D content.
• Adoption of digital projectors by cinemas (Stereoscopic 3D can only be played on a digital projector – the lowest operating cost projector available).

And, Wonder sees the key elements of its production strategy are:

• Motion Capture Data Recording for bi-ped character animation.
• Foreign Outsource animation for sets, props, and non-bi-ped characters.
• Original characters, sets and props for merchandise/spin-off media license.
• Large Format 3D production that can be reformatted to other standard formats.
• Alignment with global brand sponsor (i.e. Encyclopedia Britannica for “Galactic Academy”).
• Family storyline that does not contain violent content.
• Family storyline that contains moral themes (i.e. “personal responsibility”).

Switch & Beamer, watercolor
1.5 Ownership

Wonder Animation controls the “Galactic Academy” and “Hard Drop” copyrights, as well as all of its character, set and prop art. Moreover, Wonder will only produce original content that is either developed in-house or assigned to the entity by one of its partners.

Wonder is structured as a Delaware C Corp.

Wonder Management team equity owners:

Don Fox, Head of Production
Chris Fure, Head of Development
Omar Kaczmarczyk, Head of Distribution

Dr. Victor Nee, Board Director
Dr. Eric Ball, Board Director
Al Ovadia, Board Director
TBD, Board Director
TBD, Board Director

Dr. Antonio Tasca, Board Advisor
Dr. Sanford Rosenberg, Board Advisor

1.6 Board: 9 voting members

Equity Financier: 1 seat

Wonder Board: 5 seats

Wonder Management: 3 seats

*Time Flyer, Universe exploration*
2. Film Description

2.1 “Galactic Academy” Summary

Log-line: failing high school rocket-board champ turns around by coming up with fun way to pass and becomes school hero.

Target Audience: Families with 6-10 year old children.

Galactic Academy Rocket-board team champion Switch has failed his Astronomy exam and, thus, is thrown off his team. When his love interest (Electra) reminds him that he can choose his own destiny, Switch decides to get serious about his studies. He then convinces Professor Spellman to let him do an extra credit assignment for the upcoming summer Astro Meet. Switch’s assignment is to check-out a campus Time Flyer and catalog the Universe: Big Bang to End of Milky Way.

However, Switch’s rival Flair seizes the opportunity to win Electra’s heart by promoting his own achievements on the Astro Meet Quiz team and by diminishing her expectations of Switch. Here, to bolster his position at both the Astro Meet and with Electra, Flair develops an elaborate plan to cheat during the Quiz team competition and to steal Switch’s completed assignment before it is turned-in. Note: due to Flair’s mischaracterization of Switch, Electra misinterprets a poorly timed call to Switch and loses interest. Thus, she decides to date Flair.

Switch then has Beamer track down the chip that stores his assignment like a blood hound. After an epic chase sequence, Beamer leads Switch to Flair, who is sitting with Electra. The confrontation exposes Flair as a cheater to Astro Meet officials and restores Switch’s credibility with Electra. Switch is, thus, able to present his assignment at the Astro Meet, where he achieves top honors and dedicates the award to Electra for inspiring his best effort.

MAIN CHARACTERS

Switch: Student and Rocket-board team champ at Galactic Academy. He’s bright, but a bit careless: which explains how he failed his Astronomy final exam. However, he’s quick-witted, charismatic, and has a supportive circle of friends.

Beamer: Switch’s Robot dog with a single wheel for legs. He’s Switch’s truest friend, and the friend of anyone who wants to play ball. Beamer (who was built by Switch) has many gadgets,
including an automatic ball dispenser, and a video device for recording. He is also a blood-hound who catches the scent that saves the day.

Spellman: Switch’s Astronomy professor. Beyond teaching Astronomy, Professor Spellman is also the leader of Galactic Academy’s participation in the annual Astro Meet. Thus, Spellman recruits the best representatives for the annual Quiz Team, Lab Expo, and other events, including the Newbot Pavilion presentation: Switch’s assignment.

Electra: Female Robot and Love Interest for Switch. She’s a model “straight A” student, and is Switch’s moral compass. She inspires Switch to give his best effort by conveying the moral theme of the story: “you only get out what you put in”.

Rusty: Large Robot student who’s one of Switch’s best friends. He’s laid-back (a bit of a “slacker”), confident with the ladies, and a great surfer. Thus, he pressures Switch to show up for their planned summer beach trip to the Terrellian Dunes.

Bean: Skinny Robot student who’s another best friend of Switch. He’s a meticulous planner whose skills are overlooked due to his social awkwardness. He’s nervous around his love interest (Trix) and, thus, is eager to take (poor) dating advice from Rusty.

DJ: Robot student who has a carousel CD player instead of a vocal box. He communicates by spinning different songs. As a result, he’s the comic relief who captures the mood of every situation.

Lurnix: Round Robot administrator. He’s the head of Galactic Academy and, thus, is most concerned with GA’s reputation. He puts tremendous pressure on Professor Spellman to field a strong team for the Astro Meet and to, further, beat GA’s arch rival: Constellation High.

Trix & Jules: Electra’s best friends (also robots), who accompany the gang to the Terrellian Dunes and, thus, serve as extras in Switch’s film. Bean pines for Trix, and Jules is dating Rusty.

Flair: Member of the Astro Meet quiz team and the ultimate villain – he’s popular, voted most likely to succeed and, thus, believes he can get away with anything.

THEMES

Main Theme: “You only get out what you put in” – an encouragement for kids to study hard

Main Message: Hero’s philosophy is to “Live life to the fullest” and, thus, he seeks a life where he is in control of his own fate.

Sub-Theme: “Good plans make things work” – an encouragement for kids to prepare well.

Sub-Message: Hero’s friend learns “It’s best to be yourself”, allowing him to find confidence in speaking to his love interest.
2.2 “Hard Drop” Summary

Log-line: 15 year-old boy watches 3D comic book “hard drop” on his tablet PC, where he’s entertained by MERC racing drama.

Target Audience: Families with 10-14 year old children.

Visual: Multi-Environment Race Craft (“MERC”): a future single-occupant vehicle that launches from orbit, unfolds wings for aerial course, unfolds wheels for ground course, unfolds skis for water course and folds-up again for underwater course – an ideal original visual for licensing as a toy, racing e-game, theme-park attraction, and other spin-off products.

Setting: Earth 2080: the merc series is the highest rated and attended sporting event. Media moguls have signed individual MERC pilots to exclusive representation deals and have dedicated crews to broadcast/license each pilot’s performance.

Theme: Coming to terms with misplaced feelings of responsibility: a MERC pilot (“gaines”) loses his will after inadvertently causing a pile-up accident that took the life of his younger brother (a competing pilot) Joe. Gaines is only able to reconcile his emotional unrest when he helps his former crew chief (“Setro”) come to terms with a similar crisis: Setro’s misplaced feelings of responsibility for pushing the team’s replacement pilot (“Ford”) too hard, which resulted in her career-ending injury.

Plot: Eighteen months after Gaines’ tragedy, his former MERC team (“Fastbreak”) is purchased by a new owner (“Faith”), who negotiates her new team’s sponsorship with a media mogul (“Sinclair”). Sinclair’s deal requires Faith’s alignment with setro, who demands complete control of team, including the pilot. So, against her better judgment, Faith signs Setro, who then brings back Gaines through good-intentioned manipulation. Gaines’ does well in the trial for Faith and Sinclair’s blessing, but then drops out of the first race due to emotional unrest. This significantly jeopardizes both Faith and Sinclair, who then demand that Setro immediately sign an available, but less capable pilot (“Ford”) to save their investments. When Ford proves not to be a winner, Gaines encourages Setro to mentor Ford as Setro mentored Gaines at the beginning of his career. Setro takes Gaines’ advice to heart and repeats to ford the philosophy he instilled in Gaines. During the very next race, Ford is doing remarkably better, but as Setro is pushing her to trust herself in taking chances, she crashes. Setro is devastated. Knowing what Setro is going through and feeling responsible, Gaines arrives and shares his personal understanding of his tragedy. Through his expression, Gaines has an emotional catharsis as he realizes he can learn to live with his experience. As a result, Gaines convinces Faith to allow him to race again to help Setro come to terms with his demons. For his courage and selflessness, Faith falls for Gaines.

Sub-plot: as MERC circuit ratings are very competitive and, thus, crash footage is extremely valuable, an unscrupulous media mogul (“Goldman”) pays illegal cash bonuses to his sponsored pilot (“Conrad”) to cause accidents. In fact, it was one of Conrad’s intentional bumps that caused Gaines to crash and create the pile-up that killed his brother Joe. Moreover, to ensure favorable future ratings for his network (“Synthnet”), Goldman also gives cash bribes to other pilots who drive recklessly (or do something exceptionally risky) to switch their media sponsor to Synthnet.
Therefore, when Gaines comes back after interim pilot Ford’s career-ending injury to win the first race against Conrad, his successful and seemingly risky race maneuver gets Goldman’s attention. Goldman attempts to offer Gaines a bribe, but is turned down. However, when Goldman further attempts to bribe Gaines, Fastbreak’s license and Gaines’ career are placed in jeopardy with the MERC Series Committee. Moreover, during the championship race, when Conrad attempts to bump Gaines in the final stretch for the win, Gaines is ready and bumps back just as they’re crossing the finish line. The two go down, spinning and tumbling in a spectacular, highly-rated accident -- or was it? Gaines MERC Series Committee testimony then determines whether he can continue his career and whether Faith can keep her team.

CHARACTERS

Tyler Gaines: “Fastbreak” MERC pilot & male love interest. He’s talented, humble and revered by his fellow racers. However, he’s battling the demons of misplaced responsibility, which has shattered his former world and caused him to withdraw: not be “responsible”. On this note, the only quality he has that’s stronger than his self-doubt is his loyalty. Therefore, when his dear friend/mentor Josh Setro is in trouble, he responds without hesitation. He’s immediately attracted to Adrienne Faith, but does not act upon it – his self-doubt prevents him from initiating.

Adrienne Faith: “Fastbreak” MERC owner & female love interest. She’s driven, savvy and an opportunist. She also suffers from loneliness (a desire to be one of the gang), which makes her unexpectedly sympathetic to those who are banished. This is what draws her to Tyler Gaines, especially when he demonstrates the courage to help Josh Setro. Her attraction to Tyler is based on earned respect, not sex appeal. This leads her to stand-up for Tyler’s reinstatement, despite her sponsor’s protest and the media’s confusion.

Josh Setro: “Fastbreak” MERC crew chief. He’s focused, calculating and a natural leader. He brought up Tyler Gaines from the minor league circuit and made him a champion with his philosophical approach to winning: “winning is not settling for less.” His style is to inspire his pilots to trust themselves in taking chances, while he focuses on fine-tuning their choices. Josh is also a deal-maker, used to getting his way. He’s not above manipulation if he thinks it’s the right thing to do, but will never intentionally hurt anyone. As consequence, he’s seen and loved as a father figure.

Michael Sinclair: “Fastbreak” MERC sponsor & CEO of Nascom Media Corp. He’s shrewd, commanding and a marketing visionary. He puts tremendous pressure on Faith, but also rewards well when her team wins.

Cyrus Goldman: “Powerout” MERC sponsor & CEO of Synthnet Media Corp. He’s corrupt, aggressive and shortsighted in the pursuit of ratings. He will go to any expense to sponsor reckless drivers.

Lia Ford: “Fastbreak” MERC interim pilot & former financee of Gaines’ younger brother, Joe. She’s ambitious, fearless, and thinks of Gaines as a brother, but suffers from a lack of instinctual talent as a racer.

Linc Conrad: “Powerout” MERC pilot & Gaines’ nemesis. He’s shallow, greedy and dangerous on the track. He has a weakness for the night-life and beautiful ladies.

PRODUCTION DESIGN

Style: The “Hard Drop” story is portrayed with slick, glossy characters, sets, props and visual effects. Each scene change is framed like a page in a comic book.
2.3 Techniques

PRODUCTION

Wonder will launch with the Astronomy themed “Galactic Academy” film because Don Fox came up with a proprietary technique to turn static 2D Hubble Space Telescope images into dynamic 3D sets. In other words, Don came up with a method that can turn a flat digital image photographed by Hubble into a fully navigable set that perfectly blends with the GA Production’s animation. This is a breakthrough technology that can qualify “Galactic Academy” for a technical Academy Award.

Wonder will use motion capture data recording to animate all its bi-ped (two legged) characters, as such produces a ~30:1 savings over traditional animation. In other words, non-name actors will portray the film’s character movements on a color-stage, where they wear a special (joint-reference) stage-color suit. The data from the reference points can then be translated easily to the animated models, allowing them to move with perfect flow and perspective. This technique, more than any other, allows $75M+ Animated films to be produced for less than $15M.

Wonder will continue its robot character/world theme from “Robots of Mars” for “Galactic Academy” because robot characters are not only the best ambassadors of science for the story, but also because (1) they cross all racial/ethnic lines for worldwide release, (2) they are easy to reproduce as merchandise in the form of toys, games and other media, and (3) they are inexpensive to animate – robot parts are interchangeable and, thus, more than 70 original characters can be constructed from 12 unique male and 8 unique female models.

And regarding “Hard Drop”, Wonder will film its characters in live-action on a color stage with props. Each image will be stylized to appear like a comic book character and, thus, is layered against computer animated sets and visual effects that mirror that look of the stylized characters and props.

The production will incorporate standard live-action photography book ends to open and close the film: the 15 y/o observer (comic reader) in his suburban home.
STORY

Wonder Animation recognizes parents as the purchase-point decision-makers for their family’s entertainment and, thus, Wonder uses the following formula to achieve both parent support and child interest:

A. **Demographic** is chosen: for instance, 6-10 year olds enjoy watching high school students, while 11-14 year olds enjoy watching young celebrities (athletes and artists).

B. **Setting** is defined for the chosen demographic: for instance, for Wonder’s developed film “Galactic Academy” (6-10 year olds), an alien-world high school setting was chosen, while Wonder’s developed film “Hard Drop” (11-14 year olds) focused on the biggest media sensation of its future era (international world of motor-sport).

C. **Characters** are conceived to identify with the broadest spectrum of personalities: for instance, for “Galactic Academy” robots were chosen to represent all racial groups and can be portrayed in a variety of personalities as high school students (geek, jock, slacker, misfit, etc.), while “Hard Drop” will enjoy a multi-national human cast that is also portrayed in a variety of personalities for their race team roles (owners, sponsors, crew, pilots, etc.).

D. **Conflict** between the characters is then identified: for instance, in both “Galactic Academy” and “Hard Drop”, all of the main characters had issues to work out during the course of the story.

E. **Plot** is then woven with an arc that allows the conflicts to interact, manifest and then achieve resolution through deliberate action: for instance, in both “Galactic Academy” and “Hard Drop”, story resolution is a web of social activity that follows changing conditions due to character choices.

F. **Message** is finally conveyed to kids by witnessing the consequences of each character’s chosen path: for instance, in both “Galactic Academy” and “Hard Drop”, each child watching the story walks away with a clear understanding of why the heroes made their choices and why the villains met their end – this is why Wonder films will win parent support and, thus, enjoy word-of-mouth for continuous play across multiple generations.

3. Industry Analysis

3.1 Animated Film

3D Stereoscopic Animated Family films constitute the most robust market in the motion picture industry. They average over $413.7M in box office sales per title, which beats the average box officer performance by all films by more than 5:1.

DreamWorks release of “Monsters vs. Aliens” marks the first time that Stereoscopic 3D Animation is outselling standard (flat) Animation. Therefore, Stereoscopic 3D Animated films are now being produced in record numbers and their ability to be shown in traditional theaters has no limit in the future, as all upgraded projectors are digital and, thus, are capable of showing 3D – note: digital hard-drive projectors are far less expensive and far easier to maintain than analog reel projectors.

Finally, Animated films enjoy far greater DVD and merchandise sales over live-action films. This is because their original characters have no physical limit in the animated space and, thus, can best play to a child’s imagination – this creates a demand for kids to see over and over again. Moreover, their “original” character nature lends best to merchandise licensing, due to the nature
of their simple copyright structure and physical model profile. Note: a standard (flat) animation is a natural by-product of Stereoscopic 3D animation. Thus, DVDs can be sold with both versions, in the event the audience does not wish to view the film in Stereo 3D.

3.2 Competition

Pixar/Disney, DreamWorks/Paramount, Blue Sky/Fox, dominate the 3D Animated space, while Animal Logic/Warner Bros., Illumination/Universal and Sony Animation are late comers. Moreover, the space was defined (and mostly remains populated) by Independent 3D Animation producers: DreamWorks Animation performed an IPO to remain separate from Paramount, and Pixar now runs all of Disney’s animated productions, having merged on their own terms; also Blue Sky and Animal Logic were picked up on an exclusive deal by Fox and Warner Bros. Only Sony and Universal have developed teams that remain under their control. Regarding non-picked-up Independents, only two are available: nWave and Crest. Wonder seeks to be the third.

<table>
<thead>
<tr>
<th>Status</th>
<th>Producer</th>
<th>Distributor</th>
<th>Earning (millions)</th>
<th>Films</th>
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</thead>
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<tr>
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<td>Pixar</td>
<td>Disney</td>
<td>$1,782.3</td>
<td>2</td>
</tr>
<tr>
<td>IPO – Ind.</td>
<td>DreamWorks</td>
<td>Paramount</td>
<td>$1,605.1</td>
<td>3</td>
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<tr>
<td>Excl. Deal – Ind.</td>
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<td>Fox</td>
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<td>1</td>
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<tr>
<td>Owned</td>
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<td>Illumination</td>
<td>Universal</td>
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<td>Columbia/Sony</td>
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<tr>
<td>Excl. Deal – Ind.</td>
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<td>Warner Bros.</td>
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<tr>
<td>Independent</td>
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<td>LionsGate</td>
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<tr>
<td>Independent</td>
<td>nWave</td>
<td>Summit Ent.</td>
<td>$41.4</td>
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</table>

Additionally, Vivendi is expected to get involved with Animated production to feed their electronic-game partnership with Activision. Vivendi’s play is expected because the company just earned $6B from its 20% sale of NBC Universal and because the Animated film market is presently enjoying a renaissance from the perfection and embrace of Stereoscopic 3D digital projection.

In general, the major studios can afford to make $75-100M films, but such films rarely (if ever) require such large funding. The inflated budgets are essentially production company profit and payment for lavish facilities, prior to film release. Moreover, while Animated film budgets are ever lowering due to outsourcing and technical advancement, such as motion capture data recording, the major producers are not lowering their budgets. Instead, their budgets are inflating to match film performance in the market place.

In this light, Wonder is most competitive because it believes in a different model for its investors. Wonder prefers to create long-term relations with its partners and, thus, will allow them to enjoy the same cost savings that the production company enjoys. Therefore, Wonder has lowered its budget to reflect the true cost, which benefits from both foreign outsource savings and the
extraordinary savings derived from motion capture data recording. This creates real value for Wonder’s investment partners.

Finally, as the major studios and their partners are racing to fill the demand for Stereoscopic 3D Animated films, Wonder will be a strong acquisition target because it is already well ahead of the game by being partnering Don Fox: the pioneer of Stereoscopic 3D Animated film for his production and release of “Robots of Mars” (www.RobotsOfMars.com).

3.3 Market Needs

The theatrical market not only demands more Stereoscopic 3D Animated films, but it also demands more large format films: films that can play in IMAX theaters, including the lucrative Science/Center Museum niche market ($40.8M average earning).

Therefore, recognizing that the natural by-product of a Stereoscopic 3D film is a 2D film (instead of printing both left and right perspectives, you just print one) and that the natural by-product of a large format film is a standard format film (like with television adaptation, the larger image can be edited to only show the slimmer image), Wonder has decided to produce its films as a large format Stereoscopic 3D Animated film to satisfy four market needs:

- 3D Large Format Animated Film
- 2D Large Format Animated Film
- 3D Standard Format Animated Film
- 2D Standard Format Animated Film

On this note, it is likely that Wonder’s films will more than break-even on its Stereoscopic 3D Large Format Animated film release alone, allowing all other releases to be pure profit.

4. Marketing

4.1 Target

Wonder Animation has targeted the largest market for Animated film: Family films that appeal to 7-14 year old children. This market is estimated by Disney to be over $50 billion.

Wonder plans to be competitive in this market by producing films that enjoy Parent Preference.

Moreover, Wonder plans to cast its net as wide as possible for a worldwide release by portraying characters that cross all ethnic/cultural bounds and whom embody technology (robots in “Galactic Academy”; multi-racial, tech-savvy characters in “Hard Drop”). On this note, Wonder realizes that parents see robots as good ambassadors of science, but also that kids see robots as gadget role-models; similarly, futuristic society will have to rely more heavily on science and have a mastery of technical gadgets – never before have kids been raised with access to (and a love of) so many technical gadgets.

Wonder will target boys with its exciting visuals, including rocket-boards, time flyers, MERCs and prank humor, but the production team will also target girls with relationship issues, career ambition, and right-from-wrong determination. Of course, Wonder believes both genders will respond to both targeted stimuli, as well as the extraordinary never-before-seen space images that the productions will enjoy.
4.2 Promotion

For “Presented by” sponsorship credit, Encyclopedia Britannica has offered a $7M release promotion for “Galactic Academy”: 100,000 annual subscriptions, which enjoy a fair-market value of $69.95, to be given away to the first 100,000 families who attend “Galactic Academy” at a Science/Center Museum. Therefore, the first 200 Science Center/Museums that rent the film will get to give-away 500 subscriptions ($35,000 value) to their first 500 family attendants. This guarantees significant performance by the film in the market, which averages $40.8M. Moreover, Encyclopedia Britannica is willing to promote their sponsorship to their 20M registered users, as well as make the “Galactic Academy” site available to their 85M annual unique visitors.

Wonder Animation films will also cross-promote its site WonderDiscovery.com. WonderDiscovery is being developed as an edu-tainment site for elementary school children that will include both science education materials that supplement Wonder Animation film themes, as well as interactive games.

In co-operation with Encyclopedia Britannica (EB), Wonder will donate its DVDs to the 600,000+ US public elementary schools, along with an EB study guide that offers grade-specific material for 2-6 grade. EB will add links for further information to its study guide. Therefore, Wonder Animation will invite school teachers to show its DVDs and lead a study guide discussion, as well as assign study guide homework. In the homework, kids will be invited to log-on to WonderDiscovery.com for free to complete their assignment, as well as play its interactive games. For kids who wish to continue to play the games and learn more, a subscription will be required.

The interactive games will also be made available as mobile apps for the Apple iPhone/iPad and Google Android markets. The nature of the games will be to accumulate points with correct answers and fastest times to win free WonderDiscovery.com subscriptions or any other digital/package offered by EB. The first batch of games will have level of difficulty and type of challenges, which would allow users to purchase more games as add-on packs, while accumulating more points. Players will be encouraged to also engage in co-op gaming with friends, where points can be shared.

Regarding “Hard Drop”, it is a natural for identity placement as the signage on the individual MERCs and sponsor logos on each driver’s flight suits will advertise both fictional brands and paid sponsorships from existing brands. Such cross-promotion will lead to significant promotional trades, such as McDonald’s branding a MERC team in exchange for releasing MERC “Happy Meals”.

4.3 Star

Unlike live-action film production, Stars can be aligned without much expense. Where live-action film production can require a Star to be on-set for months at a time, where they must endure life in a trailer as they wait for their cue to perform a single scene on a meticulously prepared/lighted set (often just getting to a single scene a day), animated film is far less intrusive and is far more efficient: it is simply voice-over work that can be performed in any recording
studio, where-ever the star happens to be, and it can occur when-ever the Star has the time. Moreover, the Star can complete all their effort in a single 4-hour sitting or two.

In this light, the Star will read from their script, while watching the film’s animatic: a slide-show of the film that has been illustrated by graphic artists. The reading will also follow (or rather “dub over”) pre-recorded place-holder tracks, which were pre-recorded by an interim cast member. Therefore, a Star can go from one scene to the next at their preferred pace and, thus, often finish their entire effort in a single day.

Therefore, instead of paying a Star millions of dollars for 9-12 weeks or their time, we can simply pay them tens of thousands of dollars for a day or two, and yet get the same benefit of their Star power for film marketing.

Sought Cast fpr “Galactic Academy”:

Elijah Wood as “Switch”

Kirsten Dunst as “Electra”

William Shatner as “Professor Spellman”
4.4 Branding

Wonder Animation believes its largest growth potential comes from brand management. Such management will not only issue toy, game, apparel, and other general merchandise licenses for each film release, but it will also spin-off other media, such as comic books and novels, a televised series, and theme-park attractions.

By aligning Encyclopedia Britannica (or another international brand) as a sponsor for “Galactic Academy”, Wonder becomes positioned to create a series of “Galactic Academy” films with themes that can be supported by the sponsor: Encyclopedia Britannica has not only offered to promote “Galactic Academy” with $7M in promotional funding and exposure to its 20M registered website users, but it has also expressed interest to create a “Galactic Academy” themed study guide and (perhaps) other content that will target its 85M annual unique visitors.

Moreover, by selling and/or trading ID placement on the “Hard Drop” driver suits and MERCs, Wonder becomes positioned to launch iconic campaigns that can take on a life of their own. This can occur from MERC props that end up touring at Science Center/Museums long after the film has been released.

This brand exposure will be among Wonder’s greatest asset and, thus, serve as a significant earning during any exit event to a major studio or another content manager.

5. Operations

5.1 Product

Wonder Animation’s films target the Family market: an audience that constitutes the largest market for Stereoscopic 3D Animated feature films. Wonder differentiates itself from its competitors through its low cost in producing product, and also in our focus on creating both thrilling films for kids, but also character films that parents support: non-violent stories about “personal responsibility” and “friendship loyalty” that parents want their children to embrace.

The principal product we produce for our Distributor(s):

- Stereoscopic 3D Animated standard format feature films.
- Traditional/flat Animated standard format feature films.
- Stereoscopic 3D Animated large format feature films.
- Traditional/flat Animated large format feature films.
- Stereoscopic 3D Animated DVD format feature films.
- Traditional/flat Animated DVD format feature films.
- Stereoscopic 3D Animated television format feature films.
- Traditional/flat Animated television format feature films.
- Animated character models for electronic gaming.
- Animated character models for traditional/board gaming.
- Animated character models for toys.
- Animated character models for apparel.
- Animated character models for general merchandise.
- Animated character models for specialty merchandise.
- Animated character models for spin-off electronic media.
- Animated character models for spin-off print media.
5.2 Production Plan

For “Galactic Academy” Wonder Animation will produce:

- Animatic (storyboard version of film with character voices)
- Character, Set and Prop Model-packs
- Bi-ped Character Motion Capture Data Recording
- Compositing and Rendering of fully Animated Shots
- Original Pop Music Composition & Recording (DJ Character)
- Post-Production Editing

Wonder’s Outsource Partners (and any subcontractors) will produce:

- Character, Set and Prop Models
- Non-bi-ped Character Animation
- Set and Prop Animation
- Some Animated Visual Effects (“key hole” shots, etc.)
- Original Symphonic Score Composition & Recording
Wonder’s plan for “Hard Drop” is essentially the same, except all Characters will not be animated, they will be shot on a color stage and then be modified to appear animated and, thus, blend into Wonder’s and its Outsource Animation Partner’s comic-book style animation.

Wonder operations will occur in Los Angeles CA, Berkeley CA. Management offices will be located in Los Angeles for Omar Kaczmareczyk and his staff, and Production offices will be located in Berkeley for Don Fox, Chris Fure and the American Wonder Animation crew.

Regarding the American crew, Don and Chris will hire their team on a contract basis for each film production. This strategy saves cost because few positions are required for an entire production – i.e. graphic artists are not required for post-production, editors are not required for pre-production, etc.

Therefore, the Wonder payroll will only cover essential year-round operators.
6. Exit

6.1 Sale

At the first opportunity, Wonder will entertain a sale of its individual film franchises, and the entire Wonder operation. In other words, Wonder will pursue the Pixar model, where it produced six Animated Family films with original characters and was purchased for $7.4 billion by Disney.

6.2 Franchise

Wonder intends to build franchises for “Galactic Academy”, “Hard Drop”, and its future developed content: brands with digital assets that can be spun-off into sequels and other media. By building an ongoing concern for any (if not all) of its titles, Wonder can exit to a major studio or large content manager with an additional brand management sale value.

In this light, the “James Bond” and “Star Wars” brands are worth far more than their individual films. And, as both “Galactic Academy” and “Hard Drop” were written for easy sequel and other media spin-offs, such developed franchises can offer Wonder its greatest potential: a non-forecast earning.
7. Conclusion

7.1 Value Proposition

Chris Fure has aligned the pioneer of stereo 3D Animation, Midland Production Corp. CEO Don Fox, and his production facility for Wonder Animation. Partnering with LongTale Int’l founder Omar Kaczmarczyk, Chris and Don are now launching Wonder under the proven management of Dr. Victor Nee and Dr. Eric Ball, along with Board Advisors Dr. Antonio Tasca and Dr. Sanford Rosenberg. Moreover, recruiting veteran studio executive and licensing mogul Al Ovadia, Wonder is assured of creating value through cost-effective production that finds the greatest possible market.

In short, “Galactic Academy” targets the highest demand market (3D Family Animation) with the most finely honed marketing to its purchase-point decision-makers: parents.
8. Appendix

8.1 Film Industry Info.

DISTRIBUTION

The main functions of a film distributor:

- Plan, implement and fund the marketing campaign and publicity, including advertising, press releases and screenings.
- Handle bookings in movie theaters.
- Ship film to movie theaters.
- Collect cash receipts and handle all related accounting.
- Maintain up-to-date reports on the movie's performance in each market.
- Provide subtitling or dubbing for foreign markets.
- Handle editing for ratings, censorship, and so on.

Movies are distributed domestically (US and Canada) or to foreign territories.

Domestic Distribution

There are three ways to distribute a movie domestically:

- Make a distribution deal with a major distributor that has well-known name, marketing clout, a network of connections and a proven track record.
- Make a distribution deal with a "mini-major" such as Miramax or New Line Cinema. These distributors are each attached to a major studio and have access to its connections.
- Make a distribution deal with a smaller independent distributor that demands less control, but has less money and fewer connections.

Option 3 has worked well for eclectic movies, but is not as appropriate for mainstream movies that benefit from wide-scale advertising and opening in a large number of theaters. Option 2 sometimes offer better terms, as such distributors have a good reputation for standing behind their movies, and are more interested in working with movies that have smaller budgets. "Shakespeare in Love" is good examples of a successfully distributed film by a mini-major. Option 1 will play well in more markets than independent distributors typically serve.

There are eight major distributors: Disney, Sony, Paramount, MGM, Universal, Fox, Warner Brothers and Dreamworks. Between them, they distribute over 200 movies each year in many different countries. In addition to movie revenue, these distributors all have television, cable and video connections that provide further income and prolong the life of a movie well beyond its theatrical release.

Financial Options There are several ways in which a distribution deal can be constructed:

- Distribution only -- Producers pay all the production costs and keep all the profits, using the studio only as a hired distributor.
- Negative Pickup -- The studio pays the actual cost of producing the film when it is completed, and guarantees to distribute the film.
- Studio/Distributor Financing--The studio pays all production costs as they are incurred.

The following worksheet from "The Producer's Business Handbook" illustrates the differences between these three relationships.
<table>
<thead>
<tr>
<th></th>
<th>Studio Producer</th>
<th>Negative Pick-up</th>
<th>Distribution Only</th>
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<tbody>
<tr>
<td>Gross Box Office</td>
<td>50,000,000</td>
<td>50,000,000</td>
<td>50,000,000</td>
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<tr>
<td>Film Rental (50%)</td>
<td>25,000,000</td>
<td>25,000,000</td>
<td>25,000,000</td>
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<tr>
<td>Distribution Fee (35%)</td>
<td>(8,750,000)</td>
<td>(8,750,000)</td>
<td>(8,750,000)</td>
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<tr>
<td>P/A Distribution Expense</td>
<td>(20,000,000)</td>
<td>(20,000,000)</td>
<td>(20,000,000)</td>
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<tr>
<td>Distributors Theatrical Net</td>
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<td>(3,750,000)</td>
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<tr>
<td>Video Gross income</td>
<td>75,000,000</td>
<td>75,000,000</td>
<td>75,000,000</td>
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<tr>
<td>Video Distribution Fee (35%)</td>
<td>(26,250,000)</td>
<td>(26,250,000)</td>
<td>(26,250,000)</td>
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<tr>
<td>Marketing Expenses</td>
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<td>(5,952,381)</td>
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<tr>
<td>Distributors Video Net</td>
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<td>42,797,619</td>
<td>42,797,619</td>
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<tr>
<td>Premium Cable Gross</td>
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<td>5,500,000</td>
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<td>PC Distribution Fee (25%)</td>
<td>(1,375,000)</td>
<td>(1,375,000)</td>
<td></td>
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<tr>
<td>Direct Distribution Expenses</td>
<td>(150,000)</td>
<td>(150,000)</td>
<td>(150,000)</td>
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<tr>
<td>Distributors PC Net</td>
<td>3,975,000</td>
<td>3,975,000</td>
<td>5,350,000</td>
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<tr>
<td>Network Gross</td>
<td>7,000,000</td>
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<td>7,000,000</td>
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<tr>
<td>Network Distribution Fee (25%)</td>
<td>(1,750,000)</td>
<td>(1,750,000)</td>
<td></td>
</tr>
<tr>
<td>Direct Distribution Expenses</td>
<td>(200,000)</td>
<td>(200,000)</td>
<td>(200,000)</td>
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<tr>
<td>Distributors Network Net</td>
<td>5,050,000</td>
<td>5,050,000</td>
<td>6,800,000</td>
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<tr>
<td>Major Foreign Territories</td>
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<td>75,000,000</td>
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<tr>
<td>Foreign Distribution Fee (45%)</td>
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<td>Direct Dist Expenses</td>
<td>(2,000,000)</td>
<td>(2,000,000)</td>
<td>(2,000,000)</td>
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<tr>
<td>Distributors Foreign Net</td>
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<td>39,250,000</td>
<td>39,250,000</td>
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<tr>
<td><strong>TOTAL DISTRIBUTORS NET</strong></td>
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<td>87,322,619</td>
<td>90,447,619</td>
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<tr>
<td>Production Financing Expense</td>
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<td>(2,250,000)</td>
<td>(2,250,000)</td>
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<tr>
<td>Negative Cost</td>
<td>(20,000,000)</td>
<td>(20,000,000)</td>
<td>(20,000,000)</td>
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<td><strong>Producer's Gross</strong></td>
<td>62,822,619</td>
<td>65,072,619</td>
<td>68,197,619</td>
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<td>Studio Burden</td>
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<td></td>
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<td>Talent Participation</td>
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<td>(9,760,893)</td>
<td>(10,229,643)</td>
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<td>55,311,726</td>
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<td><strong>STUDIO'S SHARE</strong></td>
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<td><strong>PRODUCER'S SHARE</strong></td>
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<td>27,655,863</td>
<td>57,967,976</td>
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</tbody>
</table>

*Source: "The Producer's Business Handbook", John J. Lee Jr., Focal Press*

In general, the more money a studio contributes to a movie, the more control they have over its creation and the higher the profit they retain.
Foreign Distribution

Many years ago, domestic box office was the largest revenue source a movie could have. However, in 1994, international theatrical revenue outperformed domestic box office, and now accounts for approximately 55% of the total movie gross. For animated movies the foreign market is particularly accessible, because animated characters are much easier to dub than real actors in live-action films.

Foreign markets require different distribution methods than those used in the US. Although some studios offer both domestic and foreign distribution, it is not uncommon for a producer to make separate deals with individual foreign territories.

When foreign distribution is handled by a major studio, the studio calculates its foreign distribution fee based on the total foreign revenue generated by the movie. However, the actual cash received from the foreign distributor may be significantly less because the distributor deducts its expenses before forwarding the balance. This means that the studio's percentage is actually larger than formally stated.

When a producer uses a foreign sales agent to place a movie directly with a foreign distributor (thus bypassing the studio), it is possible for the distributor to be asked to make a cash payment and a minimum revenue guarantee. In return, the sales agent received a distribution fee in the range of 20-25% of gross revenues. The cash payment is available to the producer immediately, and is often used to finance a movie's completion.

Home Video

For many movies, particularly those aimed at children, home video is even more lucrative than the original theatrical release. "A Bug's Life" earned $358M at the box office, but made a further $578M in video sales. Video now accounts for more than half of the motion picture industry's theatrical revenues, and accounts for 62% of Animated Family title earnings.

The distribution fees for home video are usually handled in one of two ways:

- 50/50 Net Deal -- The distributor deducts their expenses from the gross revenues and splits the remaining revenue with the Producer.
- A Royalty Deal -- The distributor is responsible for all expenses, and pays Producer a royalty of 20-25% of the wholesale price for each tape or DVD sold. Since the price for consumers is usually less than the rate charged to video rental outlets, the royalty rate for these "sell-through products is lowered to 10-15%.

The royalty approach is usually more beneficial for the filmmaker, but the 50/50 approach is sometimes preferable, if large sales volumes are expected.

According to "Video Store Magazine," Animated titles account for 34% of all video sales. This is by far the best-performing market segment. Next are non-Animated Family films with 24%, followed by Comedies with 22%. By comparison, Action films only garner 8% of the market, and Dramas only achieve 4%.

Domestic Television

The distribution fee for arranging a broadcast license on domestic television is usually 25%, but can be anywhere from 10% to 40% based on the film’s demand. The remaining revenue is paid to the Producer.
Merchandising

Licensed Merchandising usually includes the major manufacturers in the following categories: toys, crafts, model kits, pc and video games, gifts, apparel, collectibles and publishing.

A hit Family movie can generate millions of dollars by selling items such as toys, clothing, food, music and games. For example, "Bug's Life" had 60 marketing partners, including McDonalds, Mattel, Sony, Dr Pepper and Nestle. And, "The Lion King" made $1 billion in merchandise license sales.

Wonder Animation has aligned Al Ovadia on its Board to build its brand and merchandise licensing to its highest potential. Mr. Ovadia is the former head of Consumer Products for Sony Pictures, where he managed the licensing for “Spider Man”, “Men in Black”, among other films. Prior to his Sony post, Mr. Ovadia was the head of Fox Licensing and before that a VP at NBC (Network Creative Services). Mr. Ovadia was interviewed on behalf of “Galactic Academy” for Kidscreen Magazine (next page).

Note: since Mr. Ovadia’s October 2007 interview with Kidscreen Magazine, the “Galactic Academy” film strategy has shifted to its present (feature film) form.
Galactic Academy presents unique 20-year opp

It's not often that licensees are presented with a 20-year opportunity on a new property, and that's what Al Ovadia (Al Ovadia & Associates) and fellow executive producer Bruce Ausbach (Brubach Co.) are counting on as they take 10-film series Galactic Academy to market. With the first 44-minute CGI picture in the final stages of financing and slated to debut late next year, a new title in the Encyclopedia Britannica-sponsored series should roll out every two years. And Ovadia is looking for toy, video game and home entertainment partners that want to tap into the growing edutainment trend for the long haul.

The plan is to eventually evolve Galactic Academy into an umbrella brand that parents looking to help their kids learn through play will come to trust. "If you look at the normal proposition in movie licensing, titles tend to be six weeks at retail and out," says Ovadia. However, he notes, most educational films are exhibited for at least three years, and the Galactic Academy series is being refreshed every two with films focusing on science topics ranging from geology to biology. The titles will play in schools, at large-format theaters and on TV year-round, and will also get classroom support via study guides that are targeted for distribution in some 300,000 schools across the US.

The films are being created by Midland Productions, producer of large-format, Imax-type films and 4-D amusement park rides that incorporate film, lights, sound and movement. In the first astronomy-themed pic, Universe, kids in grades three to six will be introduced to Galactic Academy student Switch (and his robot dog Beamer), who finds himself in an academic competition against his archival. During the course of the film, Switch traces the evolution of the universe from the Big Bang to present day. Educational advisors are a key part of scripting, says Ovadia. And on Universe, the team has enlisted the help of a professional astronomer to get the facts straight.

With a 20-year rollout, says Ovadia, it's likely that the first group of kids will end up sharing the property with their children.
Disney Aiming to Crack Pre-Teen Boys Market

by: The Burrell Report

May 20, 2009 | about stocks: DIS

The Walt Disney Company (DIS) wants a bigger piece of the action in the pre-teen boy market, so it hired an anthropologist to sort through the dresser drawers of a 12 year old.

Venturing into territory never before seen by human eyes, much less smelled by human noses other than his mother’s who—let’s face it—had no choice, Kelly Peña eventually found a Black Sabbath T-shirt scrunched into a corner on the top shelf.

When confronted with the artifact, the boy confided that “wearing it makes me feel like I’m going to an R-rated movie.”

Disney hopes these and other penetrating psychological insights into a most assuredly confused demographic can help it recreate a time when Davy Crockett drove millions of boy-dollars its way, while hopefully countering its reputation as a provider of girl-friendly fare like (ew!) Hannah Montana.

Early results of Peña’s work are apparent on Disney XD, a new cable channel and Web site featuring urban skateboard parks populated by unassuming, nonthreatening boys, and on its TV hit ‘Aaron Stone,’ where one character is quite average as a basketball player.

Peña had suggested to producers that today’s boys relate to characters that are trying to grow and improve themselves. “Winning isn’t nearly as important to boys as Hollywood thinks,” she told the New York Times.

Boys in the 6 to 14 age range drive $50 billion in global sales per year, according to market researchers, but it’s a tough market to crack, a fact to which News Corporation can attest after its Fox Kids Network failed famously in the late 1990s.

Despite Peña’s intrepid work to date, results have been modest. Disney XD has bumped its prime-time audience by 27% among kids between 6-14 years of age, but most of that has come from girls. Viewership among the boys is up 10%.

Just don’t tell that to the boys!

“Galactic Academy” targets 6-10 age kids

“Hard Drop” targets 10-14 age kids
FOX SIGNALS EXHIBITORS IT WANTS TO KICK GLASSES

LAS VEGAS — Fox wants to draw a line in the digital sand. Like most other majors, the studio already has signed on to co-finance the rollout of digital projection systems in theaters worldwide. But Fox has quietly begun alerting exhibitors not to expect payments for costs associated with the use of special glasses when its 3-D pics play in digital auditoriums.

With digital installation payments running into the tens of millions, the additional cost of $1 million-plus per picture to pass out glasses to 3-D patrons might seem like a simple incremental and necessary expense. But the costs associated with the theaters’ digital-equipment rollout has come at a tough economic time for studio companies, and execs believe measures must be taken to prevent their partnership with exhibition from traveling down too slippery a slope. It’s unclear whether other studios will quickly follow Fox’s lead in rebuffing exhibitor calls for co-payments on the costs of 3-D glasses.

AMC chief Gerry Lopez — who’s attending his first ShoWest since his recent appointment to lead the nation’s second-largest theater chain — said he was disappointed to learn of the development.

“It would be disappointing if such a promising technology would devolve into that kind of discussion right now,” Lopez said. “More unites exhibition and distribution than separates us, and we should focus on that.”

In the short run, it’s possible that select distributors might be tempted to mimic Fox’s stance, while others will feel a need to accommodate theater operators.

For instance, it’s hard to imagine DreamWorks Animation and its distribution partners at Paramount playing hardball on the issue even as DWA chief Jeffrey Katzenberg exhorts exhibitors to hasten their rollout of 3-D technology. DWA just released the animated feature “Monsters vs. Aliens” in a mix of 2-D and 3-D venues, and its entire upcoming slate is tagged for 3-D productions.

But Fox also has a big 3-D title looming. On July 1, it will release the 3-D family adventure “Ice Age: Dawn of the Dinosaurs.”

“They should reconsider their position until we see how the 3-D rollout goes,” a distribution exec at one of Fox’s rival studios said.

At an afternoon session at ShoWest on Monday, Katzenberg offered a rave appraisal of his studio’s release of “Monsters.”

The 3-D animated feature rang up $59.3 million domestically from a mix of 2-D and 3-D screens. But in a sign that positive word-of-mouth from 3-D patrons spread through the weekend, those 2,000-plus screens accounted for 55% of the daily gross Friday, 56% on Saturday and 58% on Sunday.

Exit surveys showed 38% of those who saw “Monsters” in 2-D had wanted to see it in 3-D but couldn’t because of sellouts and a lack of 3-D screens. ᵇ

Production of a Stereoscopic 3D film creates a standard 2D (flat) film as a by-product — so both markets are covered in one production.
Cinemark and Real D 3D Announce Exclusive 1,500 Screen Digital 3D Partnership

1,500 new RealD 3D screens to be installed; over 5,000 committed RealD screens is turning point in 3D

Press Release
July 2, 2008  Source: Studio Daily

Cinemark Holdings, Inc. and RealD 3D, the global leader in 3D, announced today that Cinemark will add up to 1,500 RealD 3D screens to its circuit, bringing RealD’s committed 3D platform to a game-changing 5,000 worldwide screens. Cinemark’s global deployment of its greatly expanded 3D platform, with RealD as its exclusive digital 3D provider, comes as an unprecedented slate of top-tier 3D films is announced for 2009 and 2010. The parties expect to commence the roll-out upon completion of the Digital Cinema Implementation Partners (DCIP) initiative.

The consummation of the announced deal is subject to completion of definitive agreements and is contingent upon DCIP finalizing the necessary digital cinema conversion arrangements.

“Cinemark has always been committed to new, exciting, premium experiences for our cinema guests,” said Alan Stock, CEO of Cinemark Holdings, Inc. “Our partnership with RealD 3D brings amazing 3D visuals to our screens in time for a roster of great 3D films from the leading talents in cinema.”

“We are thrilled that Cinemark has chosen RealD to make this breakthrough commitment to 3D,” said Michael Lewis, chairman and CEO of RealD. “Cinemark and RealD together can now bring a premium 3D experience to moviegoers throughout the United States and Latin America, who will truly have the ‘best seat in town’. This expansion of our RealD 3D platform also means that RealD has passed the 5,000 screen milestone: a game-changing number for 3D and for the business of movies.”

“RealD is building a groundbreaking 3D platform which paves the way for the release of such films as our upcoming ‘Journey to the Center of the Earth, which, in the 3D version, is the first live-action narrative 3D film ever released,” said Dan Fellman, President Domestic Distribution, Warner Bros. Pictures. “The 5,000 screen milestone is a huge win for studios and exhibitors alike.

Current market of ~2,000 3D screens will increase to 5,000+ by time “GA” is released.
THE THIRD DEGREE: 3-D, EXHIBITION'S KILLER APPLICATION, GOES GLOBAL


The Princess Quay cinemas, which sit atop a scenic tri-level shopping complex in the Northern England town of Kingston Upon Hull, regularly play the hottest Hollywood movies — but their projectionists have never run a single foot of film through the sprockets of a projector.

The 11-screen complex was constructed from the ground up by Vue Cinemas, the third-largest exhibitor in the U.K., as a model for the future of exhibition in the post-film age. “It was 100% digital, no 35mm projectors running; we had a library server and everything,” says Mark de Quervain, sales and marketing director at Vue Entertainment, which also operates 66 theaters in the U.K. and one each in Portugal and Taiwan. “So it was pretty much the first digital multiplex in Europe.”

There were nay-sayers, he recalls, who warned it was too soon to go all digital. They argued theatrical trailers and some movies weren’t available in digital, which could cost them if a hot ticket came along that was available only on celluloid.

“It really was a good test to understand the staffing, training, the technical, how many films are available in digital, how many trailers can you get in digital and so on,” de Quervain says. “We had reported at last year’s (Cinema Expo International) that trailers were difficult to get a hold of in digital but it’s getting easier all the time.”

In rapid succession during the past year, major movie distributors including Disney, Fox, Sony and Warner Bros. have begun making most trailers and movies available in digital as well as film. As exhibitors gather in Amsterdam for Cinema Expo — which runs June 22-25 — there’s no more pressing question than when to convert to digital and how to pay for it.

So far, conversion of analog screens to digital in developed countries worldwide hasn’t happened as quickly as expected. Anthony Marcoly, president of sales and distribution at Walt Disney Studios Motion Pictures International, says most of the close to 2,500 digital screens outside the U.S. are one-offs in multiplexes specifically added to show 3-D movies.

As in the U.S., conversion to all digital presentation won’t occur until financing sources open, and that depends on the global credit crisis. That isn’t stopping aggregators from doing deals in Europe, Asia, Russia and elsewhere based on the U.S. model of “virtual print fees” paid by studios to pay back the cost over time. The money needed now has to be borrowed, and that has not been possible since last fall. So while multiplexes worldwide rush to offer 3-D on at least one or two screens per location, the existing theaters are still firmly in the analog world.

The U.K., where booming box-office is up more than 16% for the first quarter, is a good example. By global standards, it has been a leader in digital and 3-D but since the economic crisis hit, conversion there to 2-D digital “essentially, more or less, ground to a halt as I think it probably did in most territories at the tail end of the autumn of last year,” says Phil Clapp, CEO of the U.K.’s Cinema Exhibitors Assn.

That didn’t mean the end of all digital, though. “The focus in the recent past has been on installation of digital 3-D screens,” says Clapp, who projects that by year’s end there will be about 600 digital 3-D sites from a total of 3,600 screens in the U.K.

Disney alone, which will be showing “Up” in Amsterdam in 3-D, will offer 17 new 3-D movies during the next couple years, according to Daniel Frigo, executive vp and GM at Disney
International, who says the booming U.K. box-office so far this year has been fueled by 3-D movies. “We had ‘Bolt’ recently released across Europe and what was fascinating was the box-office for 3-D was anywhere between 30% and 50% of the total take on far fewer prints. That was just tremendous.”

Exhibitors have taken notice. “Every multiplex in the U.K. will have a 3-D screen by Christmas,” predicts Martin Dowley, managing director of Digital Cinema Media, which provides preshow advertising to cinemas.

Dowley notes digital eliminates the cost to ship the cans of celluloid, makes it easier to offer advertisers last-minute content changes that can be beamed to theaters. He says their research shows U.K. audiences “are loving the 3-D experience,” and his company plans ads in 3-D as well. It’s not just happening in the U.K. or Western Europe. Across developing Eastern Europe, Russia, India and China there’s a theater building boom and they all are including one or two 3-D ready screens. The opening of new theaters is inevitably followed by a rise in box-office in that territory.

“We see 3-D worldwide grossing two and a half times the 2-D screens,” Disney’s Marcoly says. “That’s been the incremental factor (in digital conversion). Is that going to continue? We’ll see. But obviously right now from the consumer there’s a big appetite for 3-D.”

Imax CEO Richard Gelfond calls Europe “a key territory for us,” but says they have developments all over the world. They have two new Imax theaters opening in Austria and a joint venture in Japan to open their first Imax theaters outside of a museum. He says by the end of 2011, Imax will have 41 sites in China.

An Imax theater opened two years ago in Hong Kong is producing “excellent results,” according to Bob Vallone, director and Gm of Lark International Multimedia, which operates as Studio City Cinemas and United Artists Cinemas and controls the city’s largest advance ticket vendor.

“When we open a new movie, Imax is huge,” says Vallone, who worked for UA for many years in the U.S. before relocating to Hong Kong. “It does 10%-15% of the total box-office for that particular movie at a premium price.”

Vallone says 3-D is also very popular, with 80% of patrons choosing 3-D over 2-D for DreamWorks’ “Monsters vs. Aliens” when given a choice.

The box-office has remained strong in Hong Kong despite the credit crunch, Vallone says, but they’ve felt a difference at the candy counter. “A lot has to do with the economy,” he adds. “People say they really still want to go to the movies but once there, they’re doing more sharing. They’re buying one popcorn instead of two and sharing. Most of our customers are young and a lot have been directly impacted by losing jobs or reduction of their jobs. There’s a definite impact on discretionary spending.”

Wonder Animation is in the right place at the right time, with focus on 3D.
Article: 3D helps failing theater chain return to solvency.

3D HELPS CARMIKE ERASE RED INK IN Q2

FROM THE HOLLYWOOD REPORTER, 8-4-09

Carmike Cinemas bounced back into the black in the second quarter thanks in part to premium ticket prices on 3D admissions.

The Columbus, Ga.-based circuit Monday posted a $2.8 million quarterly profit that compared with $2.2 million in red ink for the same period last year.

Second-quarter revenue climbed 13% to $133.1 million.

“We benefited from a very strong film slate, including two high-profile 3D motion pictures — ‘Monsters vs. Aliens,’ which was released at the end of the first quarter by DreamWorks Animation, and Disney/Pixar’s ‘Up,’” Carmike chief David Passman said.

Average admission charges rose almost 6% to $6.50 in the quarter, and average concession sales fell 2% to $3.23.

Carmike CFO Richard Hare said the circuit “once again achieved a significant reduction in total general and administrative expenses,” lopping costs by more than 18% in the latest quarter.

Carmike operates 247 theaters with 2,285 screens in smaller and mid-sized markets in 35 states, including 499 3D auditoriums.

“The second half of 2009 looks promising, as several widely anticipated 3D movies will be released that we believe should play well on Carmike’s leading digital-3D theater platform,” Passman said. ᵃ

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There is plenty of demand for 3D Films and, thus, Wonder’s releases

Trix & Jules, watercolor
Big news on the 3D front. Sources indicate that George Lucas is set on rereleasing the
“Star Wars” franchise in new 3D conversions beginning in 2012. Although 3D versions
have been rumored for some time, Lucas purportedly was waiting until there were
enough screens available to make the release a sizable event.

Fox, which released all six original “Star Wars” films, also would release the 3D
versions.

After that, each film would be released in order at the same time in consecutive years,
depending on how well the first rerelease does.

Each conversion takes at least a year to complete, with Lucas overseeing the process to
make sure each is as perfect as possible. He has said that the “Avatar” experience
convinced him that “Star Wars” is ready for the state-of-the-art 3D treatment.

Starting with “Phantom Menace,” Lucasfilm would use several higher-end conversion
houses to work on the project. By late winter or early spring in 2012, the exhibition
industry should have all the 3D screens anyone could want for such a release.

At present, pics are limited to 2,000-2,500 3D locations owing to an insufficient installed
base of projectors and screens. Movie theaters are adding 3D screens at a clip of 500 a
month in the U.S. Foreign exhibitors also are pushing into 3D as quickly as possible now
that financing for the installations is flowing.

Also pushing the timetable is a potential breakthrough in 3D TV technology. With
Samsung penetrating the market with 50,000-plus 3D-equipped sets and Sony recently
sending its version to market, the home-viewing experience could be primed for 3D DVD
versions of the films by the time the new 3D theatrical releases have run their course.

Lucas purportedly is lining up the theatrical rereleases as a leadin to the ultimate home-
viewing experience. Beyond that, the property would launch to other 3D media.

In the meantime, Lucas plans a comprehensive Blu-ray Disc set of the six films next year,
which would include upgraded picture and sound quality, new deleted scenes and special
features.

“Star Wars” will further build out 3D Theaters, beyond what “Avatar” generated.
9.2 Endorsement

Cannes Film Festival: Marche de Film

September 10, 2010

Chris Fure, Head of Development
Wonder Animation, Inc.
1630 Shattuck Avenue
Berkeley, CA 94709

RE: CANNES INTEREST – GALACTIC ACADEMY

Hello Chris,

I wanted to touch base with you and inform you that GALACTIC ACADEMY had a strong presence in the Marche de Film, Cannes. There were many conversations about your film from our displayed poster.

Below is a list of ten specific buyers who expressed an interest in acquiring GALACTIC ACADEMY for their territory. While some of the buyers were willing to discuss immediate terms, we really needed a start/finish date to maintain integrity with the conversation.

<table>
<thead>
<tr>
<th>Company: E1</th>
<th>Company: Front Row</th>
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<tbody>
<tr>
<td>Contact: Sejin Park</td>
<td>Contact: Sami Sbili</td>
</tr>
<tr>
<td>Territory: United Kingdom</td>
<td>Territory: Middle East</td>
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<th>Company: Film Export Home Video</th>
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<td>Contact: Antonio Giannattasio</td>
<td>Contact: Lucie Urbanova</td>
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<tr>
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<td>Territory: Czech &amp; Slovak Republics</td>
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<tr>
<td>Contact: Ludovica Stoppa</td>
<td>Contact: Daria Rusykhine</td>
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<tr>
<td>Territory: Italy</td>
<td>Territory: Russia</td>
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<th>Company: Luxor</th>
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<td>Contact: Aranzazu Ibanez Mingueuiga</td>
<td>Contact: Eugene Kozlov</td>
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<td>Territory: Latin America</td>
<td>Territory: All Rights Ex-USSR (CIS+Baltics)</td>
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<th>Company: Mindvision</th>
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<tr>
<td>Contact: Umit Zafer</td>
<td>Contact: Gilbert Costa</td>
</tr>
<tr>
<td>Territory: Turkey</td>
<td>Territory: China</td>
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</tbody>
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Sincerely,

Sam Nada

sam@longtale.com
9.3 Cost Saving Technique Detail

MOTION CAPTURE DATA RECORDING

Description: live-action photography of bi-ped character action on a color-stage, by actors wearing color-suits with reference points attached to joints and other key areas. When the photography is completed, the computer is told to ignore the “color” and, thus, only reveal the reference points. The reference points are then keyed to the animated character model and, thus, the computer (not a human) animates the model in the scene.

Benefit: the technique eliminates the most costly elements of animation: fluidity and perspective. In other words, the photographed-data allows the actor’s natural motion to fully animate the models according to the required scene. Moreover, the technique creates perfect movement and proportion for the characters in reference to each scene’s other elements. This saves over 90% of the traditional animation budget.

OUTSOURCE ANIMATION

Description: delegating modeling as well as non-bi-ped character, set, and prop animation to a foreign animation team. The foreign team is given model-packs (three perspective 2D drawings of characters, sets and props).

With this art, the foreign team can produce a 3D model, which is rigged to follow motion capture data. Moreover, the outsource team is given detailed storyboards that correctly identify how each scene is laid-out and what action occurs, so they can perform non-bi-ped character, set and prop animation.
May 2011

**Wonder Animation Partner Sought in India**

**Omar Kaczmarcyk** – LOS ANGELES, CA: Next door to Pixar is a small Berkeley CA team that pioneered 3D CGI Animation in 2003 with the large format (IMAX) theme park attraction film “Robots of Mars” ([www.RobotsOfMars.com](http://www.RobotsOfMars.com)), which has been seen by millions of kids. The team is headed by Don Fox: UCLA BA (Film), USC MFA (Film), and post-grad work at the coveted American Film Institute, where he specialized in 3D – Don’s team has produced eleven theme park attraction films since 1978.

In 2005, Don began speaking with Chris Fure, a business developer from TransGlobal Ventures. Don wanted to do a 3D feature based on his robot characters. Chris analyzed the market and determined that James Cameron’s production of “Avatar” in 3D would inevitably grow the stereoscopic market worldwide. Therefore, Chris and Don decided to put together a business plan for Wonder Animation ([www.WonderAnimation.com](http://www.WonderAnimation.com)).

Wonder Animation’s goal was to identify its market, create viable story content, find a promotional partner, and then build a team that would compete. This process began when Chris did a focus group study on families with kids 6-10: the wealthiest audience in the film market. Chris discovered three things: (1) kids 6-10 liked watching high school aged young adults; (2) parents were the primary decision makers for their family entertainment; and (3) parents felt the Animated Family market rarely spoke to how they wished to raise their children. Exploring this last sentiment, Chris found that parents wanted three things for their kids: (a) to do well in school; (b) to make lifelong friendships; and (c) to learn to pick themselves up after set backs. This was Chris’ “ah ha” moment, as he then defined the “Parent Preference Niche” for Wonder Animation.

Working with Don, Chris outlined a story for Don’s robot characters. It would take place at Galactic Academy: a high school for robots. The story would be developed as a franchise where each screenplay would carry a science theme to excite kids about learning in school. Moreover, the first story would focus on an athlete (a rocket-board champion) that was failing and, thus, needed to turn around his grade to not let down his friends on the Galactic Academy Rocket-Board team. Finally, Chris and Don chose the subject of Astronomy, as Don had worked out a technique that could take static 2D Hubble Space Telescope images and turn them into dynamic 3D sets – an amazing visual that Don was working on for his next IMAX theme park film. So, Chris came up with the idea of a Time Flyer that the hero could pilot to witness the Big Bang, and then go forward in time to see the formation of the stars, planets, and ultimately the demise of the Milky Way via its growing Black Hole at its galaxy core. Note: to make sure their science was right, Chris and Don brought aboard HCRO Astronomer Dr. James R. Forster as their Technical Advisor. Finally, the story was rounded out with comical characters who, like the hero, learned something about life/relationships by going through their personal ordeals.

So, after working with an established Family genre screenwriter/editor, Don and Chris produced a viable script. Their next step was finding a promotional partner. To this end, Chris conceived of a new marketing campaign that would create generational exposure for “Galactic Academy” and, thus, instantly turn the film into a franchise. In short, he proposed to donate five copies of the DVD and its companion Study Guide to every US public elementary school, with separate home-work assignments for grades 2-6, as well as a teacher-led discussion notes for each grade. Chris realized that if teachers chose to show the film as an introduction to Astronomy, he could inspire up to 4.7 million kids per year for a generation or more to follow the characters and Wonder Animation brand. Moreover, he
could significantly increase Wonder’s DVD sales/rentals as parents would want to watch the film with their kids to help them with their homework – Chris realized that kids (unlike adults) enjoy seeing popular titles over and over again. Moreover, he realized that parents typically build home libraries of DVDs that they wouldn’t mind for their kids to see over and over again. So, with this strategy in place, Chris aligned Encyclopedia Britannica (EB), who was more than willing to create the needed Study Guide and offer links for more information – EB and Wonder share the same demographic, and EB.com has 20M registered users, which they offered as a promotional tool for “Galactic Academy”.

So, when Chris and Don were ready to align their producer, they called me. Chris knew of my reputation as the pioneer of Segmented Rights licensing, as a leader in India Co-productions, and as the head of sales for the first DC Comics film franchise “Superman”; Chris also knew I have produced over 20 films and was beginning the production of my next: the DC Comics title “Blood”. Conversely, I knew of Don’s pioneer status for 3D CGI, as well as Chris’ development reputation at TransGlobal Ventures. So, I took a close look at “Galactic Academy”. As a parent, the script instantly spoke to me, and I immediately saw the promotional potential for Chris’ public school strategy with Encyclopedia Britannica. As a result, I have been promoting the film’s development at Cannes and am currently working to align their partner in India. ##

Contact: info@WonderAnimation.com

*Quiz Team, watercolor*
October 2010

**Wonder Animation Welcomes Al Ovadia and Omar Kaczmarczyk**

Wonder Animation, Inc. has aligned Al Ovadia as a Board Director and Omar Kaczmarczyk as Head of Distribution. They join Head of Production Don Fox, and Head of Development Chris Fure, as well as Board Directors Dr. Eric Ball (Oracle Corp Treasurer) and Dr. Victor Nee (Putian Fund Developer).

Al is the former EVP of Sony Pictures Consumer Products, where he was responsible for global merchandising and branding for “Spider Man”, “Spider Man 2”, “Men in Black”, “Open Season”, among others. He was also the former President of 20th Century Fox Licensing & Merchandising, where he oversaw the studio’s worldwide licensing, promotion and product placement, as well as launched the video game company Fox Interactive. Presently, Al is launching children’s animated programming via his own entity Al Ovadia & Associates.

“As Wonder focuses on producing animated films with licensable properties, Al is an ideal Director,” says Wonder Head of Development Chris Fure. “Licensing has the greatest growth potential from a revenue perspective and, thus, there’s no one better able to realize it.”

Omar has 40 years of experience, involving 140 productions. As a distributor he pioneered Segmented Rights sales, which are now a standard in the industry. As a financier, he raised funds for Salkind’s “Superman” and “Superman II”. He also sold presale rights to fund “Superman III”, “Supergirl” and Salkind’s “Santa Claus: the Movie”. Omar also developed foreign distribution for Miramax, Scotti Brothers Pictures, and Noble Entertainment. Omar produced four films in 2008 and is currently producing the DC Comics title “Blood”, in addition to “Galactic Academy” with Wonder.

“Omar is key to offsetting risk for future Wonder film productions through foreign pre-sale,” says Wonder Head of Production Don Fox. “If all our future releases are produced on foreign pre-sales, Wonder’s shareholder risk is reduced to zero.”

“Both are welcome additions to the team, from both a profit and knowledge capture perspective,” says Wonder Board Director Dr. Eric Ball.

Wonder is producing “Galactic Academy” for kids 6-10, and “Hard Drop” for kids 10-14. Both properties have unique licensing potential and both can be easily franchised into multiple sequels.

Contact: [info@WonderAnimation.com](mailto:info@WonderAnimation.com)