



**At EMAK Worldwide, Inc.:**

**Media and investor inquiries:**

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## **EMAK Worldwide CEO Issues Optimistic Letter to Stockholders**

**LOS ANGELES, Jan. 4, 2010** –EMAK Worldwide, Inc. (OTC: EMAK) Chief Executive Officer Jim Holbrook today issued the following letter to EMAK's stockholders and interested members of the investment community.

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January 4, 2010

Dear Fellow EMAK Stockholders,

The purpose of this letter is to provide you with an update on EMAK Worldwide's business performance and my vision for the future.

EMAK has transformed into a differentiated and nimble network of marketing agencies, offering a better alternative to the big ad agency holding companies and a more reliable marketing partner than small mom and pop agencies.

**Where We Are:**

The management team has worked hard to rationalize, upgrade, build, integrate and renegotiate every aspect of how we operate across our businesses. No stone has been left unturned, all while taking significant and deliberate steps to maximize EMAK's cash from operations.

I have made annual promises to stockholders about the profits we would make, and I have delivered on every one of them. I hope you find this letter to be informative about our future as well.

From a corporate perspective, EMAK has been through a difficult time recently, fraught with expensive and distracting legal assaults by my predecessor.

From a business perspective, the reality is that our legacy promotional products segment is a declining one. Our Burger King business was a good cash generator for a long time, but today's kids are getting older younger, costs are rising in China and the quick service restaurant industry is touting value menus over kids meals, thereby creating a low-margin, low-volume and

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low value-added opportunity for the marketing of kids premiums. Due to these factors, along with declining volumes and diminished margins industry-wide, our margins in the promotional products business have plummeted by more than two-thirds over the past decade. Our Burger King relationship ended with no reasons given for our dismissal, without so much as even a formal agency review after a 25-year relationship.

Strategically, the management team recognized the shift in the promotional products segment and worked diligently to build up a new and more attractive platform for EMAK. This platform emphasizes the agency services business, with higher margins and significantly better prospects for growth. It is a \$400 billion industry, and it's growing. Going forward our promotional products segment must take a supporting role to the marketing services segment.

As proof of our attractiveness in the marketing services industry, our lead agency Upshot was able to land two new clients in the beer and spirits category, Corona and Wild Turkey, almost immediately after losing the Miller beer business following its merger with Coors. Further, we launched the agency Neighbor, which has attracted power clients like Safeway and Jamba Juice, and it, too, continues to grow.

### **Where We Are Going:**

EMAK's future can certainly be very bright. We will strive to double the business again in the next several years, to well over \$50 million in revenues, and to generate 20% EBITDA margins and commensurate levels of cash flow.

My financial objectives are based on the assumption that we can put the corporate disruptions behind us, and that we can get EMAK to one common equity ownership class, thus becoming a viable investment again. This is my goal in working with the preferred stockholder and trying to negotiate a preferred conversion to common that is fair to all.

So what will EMAK look like?

EMAK has the foundation to be a network of potent marketing services agencies. Upshot is the cornerstone, with more than 15 years in business and an impressive client roster. The agency we started two years ago, Neighbor, will contribute strong growth and profits, as well. We have recently added to our network a digital agency Emerge, which has been accretive since day one and which puts us firmly into the white-hot digital space. And we continue to manage Equity Marketing and Logistix.

We will be well-positioned against the big ad agency holding companies. These dinosaurs are vulnerable because of their over-reliance on the TV ad business, high fees and crushing overhead. Their clients want smart marketing, marketing that delivers results, at a fair price and with no added bureaucracy. That's what our teams do – "marketing that works." That's what this management team has built.

To me, our future comes in two distinct flavors. While this is not official guidance, it is my informed view of where we are heading.

The first scenario is less attractive than the second because it is based on the assumption that we will continue to move sideways, distracted by expensive and fruitless litigation and held back with a complex capital structure. We will make money, and we will survive, but in a compromised way:

### **Scenario 1: EMAK Marketing Services Five-Year Plan (in millions of dollars)**

Fiscal Year	Revenues	Op Expenses	EBITDA
2010	23	21	2
2011	25	22	3
2012	30	26	4
2013	33	28	5
2014	37	31	6

The second scenario is much more exciting and it represents what I want for EMAK. If we clear away the distractions and simplify the capital structure, we will grow or absorb other agencies in the specialized areas of mobile marketing, public relations, shopper marketing and others. We have a plan that builds over the next five years into segments that are attractive, under-served and growing. As we focus on driving the businesses, birthing new agencies, absorbing smaller shops and delivering “marketing that works” to demanding clients, we can clearly thrive:

**Scenario 2: EMAK Marketing Services Five-Year Plan (in millions of dollars)**

Fiscal Year	Revenues	Op Expenses	EBITDA
2010	28	24	4
2011	33	27	6
2012	40	32	8
2013	50	39	11
2014	60	45	15

And there is upside to this plan, because as we get to one common ownership class, we could augment Scenario 2 and accelerate our scale, using equity as currency to make acquisitions.

My view of the future is based on a very disciplined EMAK platform:

- EMAK functions as a **team** of marketing agencies
- EMAK’s agencies engineer **marketing that works**
- EMAK is relevant because most marketing is ineffective; our agencies do “marketing that works”
- EMAK is different because we put our **agencies first**, unlike the big holding companies
- EMAK is different because we help grow our agencies, and we launch new agencies, rather than overpaying for them
- EMAK is different because we invest to teach our people how to be **client catalysts** and **consumer advocates**

**In Conclusion:**

Our strategy is clear: EMAK uniquely fills the need for “marketing that works” – engaging consumers and building clients’ businesses.

Our positioning is relevant: EMAK’s platform of “marketing that works” is in demand by smart marketers.

Our model is uncommon: EMAK’s approach of “agencies first” will attract the best people and, thus, the best marketers.

We have the resources: EMAK’s current core team and infrastructure are in place to support aggressive growth.

**I pledge my commitment to you, the stockholders.** My priorities are:

- To continue the successful EMak transformation and growth agenda,
- To work hard to get to one ownership class and a simplified capital structure, in a way that is fair to all shareholders, and voted on by all shareholders,
- To list EMak on the OTCQX exchange as soon as warranted,
- To continue to communicate with you in a timely manner, following our historical reporting schedule, and
- To build lasting value for all shareholders.

Thank you for your continued interest and support of EMak. Please feel free to send me your questions and comments at [jim.holbrook@emak.com](mailto:jim.holbrook@emak.com).

Jim Holbrook  
Chief Executive Officer  
EMak Worldwide, Inc.

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Management believes that current market conditions favor EMak as a new kind of agency network where its agencies unite to provide marketing that works, engaging consumers and driving business results for its clients. The initiatives as outlined in Holbrook's letter, combined with EMak's strong balance sheet, will position EMak to make significant progress in the coming months and years.

Additional materials from the Company are available at EMak's website, [www.emak.com](http://www.emak.com), on the home page under "Featured Investor News and Materials" and also under "Recent News and Events" on the Investor Info page.

### **About EMak Worldwide, Inc.**

EMak Worldwide, Inc. is the parent company of a family of marketing services agencies including Equity Marketing, Logistix, Neighbor and Upshot. Its agencies are experts in "consumer activation" by offering strategy-based marketing programs that directly impact consumer behavior. The agencies provide strategic planning and research, consumer insight development, entertainment marketing, design and manufacturing of custom promotional products, kids marketing, event marketing, shopper marketing and environmental branding. The Company's blue-chip clients include Kellogg, Kohl's, Kraft, Macy's, Procter & Gamble and Safeway, among others. Headquartered in Los Angeles, EMak has offices in Chicago and Hong Kong. More information about EMak Worldwide is available on the Company's website at [www.emak.com](http://www.emak.com).

*Certain expectations and projections regarding the future performance of EMak Worldwide, Inc. discussed in this news release are forward-looking and are made under the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These expectations and projections are based on currently available competitive, financial and economic data along with the Company's operating plans and are subject to future events and uncertainties. Management cautions the reader that the following factors, among others, could cause the Company's actual consolidated results of operations and financial position in 2009 and thereafter to differ significantly from those expressed in forward-looking statements: the Company's dependence on a single customer; the significant quarter-to-quarter variability in the Company's revenues and net income; the Company's dependence on the popularity of*

*licensed entertainment properties and the ability to license, develop and market new products; the Company's dependence on foreign manufacturers; the Company's need for additional working capital; the negative results of litigation, governmental proceedings or environmental matters; and the potential negative impact of past or future acquisitions. The Company undertakes no obligation to publicly release the results of any revisions to forward-looking statements, which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. The risks highlighted herein should not be assumed to be the only items that could affect the future performance of the Company.*

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