

Here It Comes!

For most of the world there is an undeniable anticipation building toward the end of 1999. The Millennium! For most of us in the merchandising business, whether you are a licensee or licensor, the anticipation building is more in line with the "Millennium Falcon." As the year of great anticipation winds to a close and *Episode I* arrives on screens across the globe, our business truly enters a new era.

STAR WARS forever changed the licensing business. Without a lot of fanfare, it was the original "event movie" and created a licensing franchise that has grown to have real "brand" power. As our industry matures into a marketing tool, we are looking at

the full circle. With *Episode I* the industry once again looks for new ways to develop business, and to leverage the equity of George Lucas's storytelling ability into products and profits.

Creative dealmaking – equity swaps, sky high royalties and steep projections are all part of the equation as we look to enter this new era of licensing. At some point, even for a sure thing, the cost can become too much. So we must not forget that the consumer has to see real value in each product or we risk alienating those very consumers that make our business possible.



E P I S O D E I

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Episode I has been undoubtedly one of the most sought after licenses, and the licensing program includes two apparel heavyweights: **GIANT MERCHANDISING** will produce imprinted T-Shirts bearing scenes from the long awaited film and **BRIEFLY STATED**, a leading manufacturer of boxer shorts and children's sleepwear, was granted the license to produce boys and mens boxer shorts. Kyle Alpern, Briefly Stated's Vice President of Licensing and Marketing says "We are extremely excited to have this opportunity to work with the great people at Lucasfilm.

To be associated with the top boy's property of the year, paves the way for us to enter the next millennium on a very positive note."

Star Wars: Episode I: The Phantom Menace opens nationwide on May 21, 1999. The merchandising wave for the biggest boys property of the year will begin at the 1999 MAGIC Convention in Las Vegas.

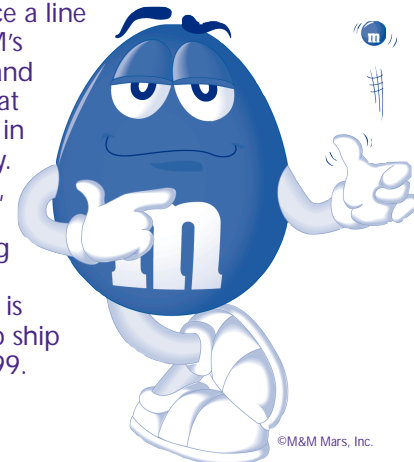
Look for T-Shirts and Boxer Shorts on store shelves in early to mid May, 1999.

The Official Electronics for the New Millennium

Polyconcept, USA, a category leader in manufacturing and marketing novelty consumer electronics, is following up their successful 1998 launch of the CRAYOLA childrens' electronic line with a partnership with the M&M Mars company to produce a fun line of M&M electronics. Introduced to the trade at CES in January, product will be available in the 4th Quarter 1999, with the full line rolling out in early 2000. "Associating our company with the Official Candy of the New Millennium, is a terrific opportunity for us," says Richard Rahmlow VP of Sales for Polyconcept USA. The full line of consumer electronics featuring the loveable M&M characters includes a

special edition clock, a telephone, and a TV remote control unit. All products will hold or dispense M&M candies.

In addition, Warren Industries will introduce a line of M&M's games and puzzles at Toy Fair in February. The line, already receiving strong reviews, is slated to ship Mid 1999.



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Building Q

Licensing / Marketing

This Will Make You Feel Better

If you sometimes
get discouraged,
consider this fellow:
He dropped out
of grade school.
Ran a country store.
Went broke.
Took 15 years
to pay off
his bills.
Took a wife.
Unhappy marriage.
Ran for House.
Lost twice.
Ran for Senate.
Lost twice.
Delivered speech
that became
a classic.
Audience indifferent.
Attacked daily
by the press
and despised
by half the country.
Despite all this,
imagine
how many people
all over the world
have been
inspired
by this awkward,
rumped,
brooding man
who signed his name
simply,
A. Lincoln.

NEW Business

This is a relationship business, and it is a privilege to have long term clients that we've built over the years. The fun is in the journey, and each of these relationships had to begin with a first step, which is why new business is always so exciting.

Additions to client roster in the second half of 1998 were **AD SUTTON & SONS**, and **COLLECTIBLE CONCEPTS GROUP**.

AD SUTTON & SONS joins the Building Q lineup with a vast knowledge of the licensed product industry. In business for over 80 years, A.D. Sutton is a top manufacturer of diaper, travel, messenger bags, and duffel bags. The company offers a complete line of NASCAR product, covering all the top teams and drivers. In addition, their current stable of licenses includes: Little Me, Healthtex, Rawlings and Teletubbies Diaper Bags. New for 1999 is Little Bear. Maurice Sendak's loveable literary character has come to life on Nickelodeon and now will be featured in a full line of bags and backpacks shipping mid 1999, just in time for Back to School. The trade reaction has been strong, as Little Bear's ratings and video sales continue to show strong results.

COLLECTIBLE CONCEPTS GROUP is a new company formed by the acquisition of several smaller collectible marketers. Their initial line of James Bond collectibles will carry forward, and for 1999 they are offering a complete line of AUSTIN POWERS — hitting the market just in time for the new movie this summer! CCG, which markets high end collectibles direct to consumers also has developed a line of Austin Powers product being offered to retail. This multiple sku line is generating much excitement while fueling CCG's resurgent growth.

Client News & Previews

APPAREL, FOOTWEAR AND ACCESSORIES

AD SUTTON & SONS A premier manufacturer of travel, sport, messenger bags, and backpacks AD Sutton is a fashion leader. Diaper Bag brands include LITTLE ME and HEALTHTEX, and in '99 look for the debut of TELETUBBIES Diaper Bags. Their product line includes licensed bags for NASCAR, its teams and drivers, and RAWLINGS. In 1999, the juvenile line is anchored by LITTLE BEAR.

BRIEFLY STATED The leader in the manufacturing and marketing of fashion boxer shorts, sleepwear, loungewear and neckwear for men and boys in all fabrications. SCOOBY DOO leads the category at retail. Hot product launches for 1999 include WCW and STAR WARS: EPISODE I.

BUY RITE Novelty Jewelry & Accessories targeted to a teen and pre-teen audience. Their line of TEEN MAGAZINE jewelry is receiving rave reviews! WORLD WRESTLING FEDERATION and SOUTH PARK lanyard keychains and necklaces have made this line a category.

GIANT MERCHANDISE The dominant maker of imprinted wearables (T-shirts and fleece) in terms of innovation, creativity, quality product and smart distribution strategies. Giant is simply the best in both building and maintaining property growth. Impressive 1999 line-up includes RUGRATS, ARTHUR, LOONEY TUNES, & STAR WARS: EPISODE I.

VIDA SHOES A full-service footwear company with multi-tiered distribution and capabilities in Men's, Women's and Children's segments. Look for a line of licensed plush slippers in '99, DR. SEUSS extensions and new additions like PINK PANTHER. In the children's division, CARTER'S FOOTWEAR is off to a strong start, & LITTLE BEAR leads the way with a full line hitting retail shelves in time for Back to School.

ELECTRONICS AND SOFTWARE

POLYCONCEPT USA An industry leader in the manufacturing of consumer electronics, novelty audio and telephones, lighters, CD and multimedia storage and gift products. Known for innovative designs, high quality products and excellent worldwide distribution. Licenses include The Beatles, and Crayola Children's Electronics, and M&M's - "The Official Electronics for the New Millennium."

ROMTECH A manufacturer and marketer of computer games. In 1999, Romtech strives to add familiar licenses to their current stable of games. Their initial licensed product launch will be a SKI-DOO and SEA-DOO summer and winter racing games. Romtech prides itself as being the leader in "family friendly" games - games that are fun and easy to use for the entire family.

FOOD

FRANKFORD CANDY & CHOCOLATE COMPANY A manufacturer of candy, with tremendous mass distribution of their line of food filled containers (tins). Capabilities include the sourcing of food items including popcorn, chocolates, gummy bears, lollipops, and more to compliment the license featured on the tin. Their 1999 line of mass market tins will feature RUGRATS, CURIOUS GEORGE, and WOODY WOODPECKER.

COLLECTIBLES

COLLECTIBLE CONCEPTS GROUP Focused on the growing collectibles industry, Collectible Concepts Group produces a broad range of items within the collectibles and entertainment industry. Their line of JAMES BOND collectibles includes replicas from many of the 007 movies. In 1999, CCG will launch a line of collectible products featuring AUSTIN POWERS.

FINANCIAL SERVICES

MBNA The leading issuer of co-branded and affinity credit cards, MBNA is targeting partnerships with established mailing lists and well defined enhancements. New programs for '99 includes partnerships with the LIONEL TRAINS and BIG DOG.

PUBLISHING

MODERN PUBLISHING A leading player in children's Coloring & Activity Books, Story, Puzzles Books, and Work Books featuring the FISHER PRICE brand, HOT WHEELS, BARBIE, Classic Disney titles, CABBAGE PATCH KIDS, TELETUBBIES and WCW.

SOCIAL EXPRESSION/SEASONAL

CLASSIC BALLOONS A leading manufacturer of mylar balloons that views its product line as a greeting card with air. LITTLE BEAR leads the way in 1999 to go along with proven hits such as NFL, Major League Baseball, Suzy's Zoo and Boynton.

GEMMY INDUSTRIES The market leader in seasonal animation products. Gemmy offers high value items at affordable prices. PEANUTS Halloween animatronics were hot in '98 as were FROSTY THE SNOWMAN and RUDOLPH holiday animatronics. SOUTH PARK's Chef and Cartman are new for '99 along with a singing and dancing animatronic ELVIS PRESLEY. Everyday animatronics are strong with KIDSONGS making its animatronic debut in '99.

CREATIVE ZONE Creative Zone designs, develops and manufactures a wide variety of children's room decor/housewares, lunch bags, and toy related products. Strengths are its design and product development and sourcing capabilities.

TOYS AND GAMES

PASTIME A manufacturer of craft and activity kits targeted for girls 6-12. In business for over 30 years, Pastime is known for their high quality products that appeal to both the retail trade and consumer alike. Their line of SABRINA activity kits was a "Toy of the Year" finalist in '98. CABBAGE PATCH KIDS craft and activity sets hits the shelves in 1999.

WARREN INDUSTRIES Warren is a market leader of jigsaw puzzles, board games card games, and flash cards. Warren has a proven track record of manufacturing, marketing and distributing high quality, innovative products. Current licenses include LEGO, KODAK, COCA-COLA, SESAME STREET, POWER RANGERS, and LOONEY TUNES. Warren will produce games and puzzles in 1999 featuring M&M's the DISCOVERY CHANNEL, and CURIOUS GEORGE.

Surprisingly enough, not every Toy designer dances on the piano keys in the window of FAO Schwarz, but they do have an elevated sense of theater that brings an element of magic, a sense of wonder and absurdity, attention to the fun in every product they work on.

Product Development Q (PDQ) can solve a single design or engineering problem, or coordinate an entire team development effort from concept to sourcing for production. With a constant eye on overhead to net profit, PDQ can perform any or all of the functions that you expect from the most extensively staffed R&D department.

How we can help you..

Most companies separate the development cycle into conceptualization, design, engineering and production only to find that segmented development doesn't flow together. Time and money are lost in connecting what should have been a unified, planned, team process.

PDQ has the experience to plan, manage, and deliver on schedule and budget while still giving you the creative new product solutions necessary.

- PDQ makes your organization more efficient, by balancing the speed, quality and cost of products.
- PDQ understands the design process and can create flexible solutions that are tailor-made to your existing processes, systems and materials.
- PDQ knows the licensing and marketing environment for which your products are being created
- PDQ offers complete project management or specific task assignment.

For more information on PDQ services and capabilities call Lee Volpe, President at 609-424-0605.



Trade Show Happenings

1999 TOY FAIR

BE SURE TO VISIT THESE EXCITING SHOWROOMS:

MODERN PUBLISHING Introducing new - WCW coloring and activity books, also new titles for FISHER PRICE, BARBIE, HOT WHEELS, TELETUBBIES, DISNEY, and more...

GEMMY INDUSTRIES is a great showroom to visit. Animatronics make the place come alive. NEW for 1999 is KIDSONGS, ELVIS, singing and dancing CARTMAN and CHEF from South Park, and great line extensions for Rudolph, Frosty the Snowman as well as a wide variety of proprietary product like the talking Christmas Tree.

PASTIME introduces new Cabbage Patch Kids craft and activity sets...

POLYCONCEPT USA follows up their strong 1998 introduction of CRAYOLA kids electronics with new designs, and a broader line for 1999.

WARREN INDUSTRIES will be introducing their new line of M&M's branded games and puzzles, a new line featuring the DISCOVERY license, and great new designs for the COCA-COLA, KODAK and LOONEY TUNES lines.

WINTER MAGIC:

AD SUTTON A new booth for MAGIC...it's just like a new suit, it always feels good! Highlighting their program will be the juvenile line of LITTLE BEAR. They will be showing new designs within their, RAWLINGS and NASCAR lines as well as the new diaper bag sets including TELETUBBIES.

BRIEFLY STATED A new look for this years show, with a new booth and an exciting new product line. Briefly Stated will be showcasing their boxer shorts, loungewear and sleepwear lines for SCOOBY DOO, CURIOUS GEORGE, WCW, and STAR WARS: EPISODE I.

GIANT MERCHANDISING This multi-tiered licensee covers the market - Specialty, Mid-tier and Mass. In addition to carry forward programs with Scooby Doo, Rugrats, and Peanuts, new for 1999 is Scholastic's ANIMORPHS, Nickelodeon's CAT/DOG, and the line is anchored by STAR WARS: EPISODE I - The Phantom Manace!

Building Q is a marketing consulting company specializing in licensing. We provide a range of services designed to guide manufacturers through the development of profitable licensing programs

Building Q is a facilitator in the development of strong licensee/licensor relationships. We provide licensors with a comfort that our clients know the drill and are prepared to work toward the common goal - success of the given property. Our clients understand that the long term equity that we bring to most relationships is built on quality, truthfulness, and the trust that the recommended licensing programs make good sense for their core business.

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