

**PIKSEL, INC. (f/k/a KIT digital, Inc.)**  
**26 West 17<sup>th</sup> Street, 2<sup>nd</sup> Fl.**  
**New York, New York 10011**

August 19, 2013

Dear Former Common Stockholder:

Enclosed are materials relating to the issuance of warrants by Pikel, Inc. (the “**Company**”) to the former holders of KIT digital, Inc. common stock, par value \$0.0001 per share (the “**KDI Common Stock**”) (such record holders of KDI Common Stock, the “**Record Holders**”) being issued pursuant to KIT digital, Inc.’s Third Amended Plan of Reorganization, dated August 6, 2013 (the “**Plan**”). All outstanding shares of KDI Common Stock were terminated pursuant to the Plan on the Effective Date (as defined in the Plan). In accordance with the Plan, Record Holders as of August 5, 2013 (the “**Record Date**”) will receive non-transferable warrants (the “**Warrants**”) to purchase up to an aggregate of 61,054,157 shares of series A-2 common stock of Pikel, Inc. (the “**Shares**”) at an exercise price of \$0.205 per Share (the “**Exercise Price**”) for up to aggregate gross proceeds to the Company of approximately \$12,500,000.

Information regarding the Warrants and Shares, including the rights, voting powers, designations, qualifications, limitations and restrictions on or related to the Shares, can be found in the Company’s Amended and Restated Certificate of Incorporation, the Company’s Amended and Restated Bylaws, the Plan, the First Amended Disclosure Statement, dated June 15, 2013, and the Warrant Agreement, dated August 19, 2013, by and between the Company and the Warrant Agent (as defined below) (the “**Warrant Agreement**”) (collectively, the “**Warrant Documents**”). The Warrant Documents have been made available for review at [www.kitd.com](http://www.kitd.com), under the tab “Investors – Plan of Reorganization.” Additionally, KIT digital, Inc. has provided answers to some frequently asked questions related to the Warrants that are located at the same “Investors – Plan of Reorganization” tab of the same website. Before choosing to exercise your Warrants, you should consult with your own attorney and tax advisor to determine the particular legal and tax consequences thereof to you.

Holders of Warrants should be aware that the Company is currently in the process of restating its historical financial statements, and as such, is unable to meet its reporting obligations under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), or provide current financial information to holders of Warrants or Shares. The Company cannot predict when it will complete the restatement of its historical financial statements or when, if ever, information regarding the Company’s financial position will be available to holders of Warrants or Shares. Furthermore, the Company intends to seek to deregister its securities under the Exchange Act as soon as reasonably practicable. Termination of the registration of the Shares under the Exchange Act would substantially reduce the information required to be furnished by the Company to its stockholders and to the Securities and Exchange Commission (“**SEC**”) and would make certain provisions of the Exchange Act, such as the filing of annual and quarterly reports and proxy statements, no longer applicable to the Company. The Company does not currently intend to provide stockholders with annual financial statements following suspension of its reporting obligations under the Exchange Act. Any information that the Company does decide to provide to its stockholders will not be as detailed or extensive as the information KIT digital, Inc. has been required to file with the SEC or has provided to its stockholders in the past. Consequently, if you exercise your Warrants, you will receive from the Company only limited information, financial or otherwise, about the Company and your investment in the Shares.

The Shares are newly issued securities which do not currently trade on any exchange, and the Company does not intend to take steps to list the Shares on any exchange. There will be no public market for the Shares, and the Company does not expect a public market to develop in the foreseeable future. Accordingly, if you exercise your Warrants, you may be required to bear the economic consequences of holding the Shares for an indefinite period of time. Even if you are able to sell your Shares, there can be no assurance that you will realize any return on your investment. The price of the Shares could vary significantly as a result of a number of factors, some of which are beyond the Company’s control. In the event of a drop in the price of the Shares, you could lose a substantial part or all of your investment.

Each Record Holder will receive a number of Warrants equal to the number of shares of KDI Common Stock held on the Record Date represented by a certificate registered in the name of such Record Holder (the

**“Warrant Certificate”**). Each Warrant will entitle the Record Holder to exercise such Warrant to purchase one Share at the Exercise Price (the **“Basic Warrant Exercise”**); provided, that to the extent such Record Holder desires to consummate a Basic Warrant Exercise, he, she or it must exercise all Warrants attributed to such Record Holder. In order to elect to exercise its Basic Warrant Exercise, each Record Holder must fill out the form attached to such Record Holder’s Warrant Certificate (the **“Election Form”**), checking the box electing to exercise its Basic Warrant Exercise, and to return such Election Form and the aggregate Exercise Price for the Basic Warrant Exercise to the Warrant Agent prior to 5:00 p.m., New York City time, on September 18, 2013 (the **“Expiration Date”**).

The Warrants will expire if not exercised prior to 5:00 p.m., New York City time, on the Expiration Date. After the Expiration Date, unexercised Warrants will be null, void and worthless. The Company will not be obligated to honor any purported exercise of the Warrants received by Continental Stock Transfer & Trust Company (the **“Warrant Agent”**) after 5:00 p.m., New York City time, on the Expiration Date, regardless of when the documents relating to such exercise were sent.

To the extent that a holder of a Warrant (other than any member of the Plan Sponsor Group (as defined in the Plan)) elects to exercise its Basic Warrant Exercise in full (an **“Electing Holder”**), such Electing Holder shall have the right, but not the obligation, to elect on the Election Form (an **“Oversubscription Election”**) to exercise a number of Warrants not exercised prior to 5:00 p.m., New York City time, on the Expiration Date (the **“Remaining Warrants”**) by checking the **“Oversubscription Box.”** Any Remaining Warrants elected for that result in a fractional share will be rounded up to the nearest whole share (the **“Oversubscription Shares”**). Any Oversubscription Election must be made in accordance with the terms of, and the formula set forth in, the Warrant Agreement and on the Election Form, at the time of such Electing Holder’s exercise of his, her or its Basic Warrant Exercise. To the extent that an Electing Holder makes an Oversubscription Election, such Electing Holder shall pay the aggregate Exercise Price for the Oversubscription Shares such Electing Holder has elected to receive, in the same manner and at the same time such Electing Holder makes payment for the exercise of his, her or its Basic Warrant Exercise, as more fully described below. The Company can provide no assurances that each Warrant holder will actually be entitled to purchase the number of Shares issuable upon the exercise of its Oversubscription Election in full. The Company will not be able to satisfy a Warrant holder’s exercise of the Oversubscription Election if the aggregate Basic Warrant Exercise for all Warrants issued is exercised in full, and the Company will only honor an Oversubscription Election to the extent sufficient Shares are available following the exercise of Warrants under the aggregate Basic Warrant Exercise. If an Electing Holder is not issued the number of Oversubscription Shares that such Electing Holder elected to receive, any amounts paid to the Warrant Agent in respect of such unissued shares shall be returned to such Electing Holder as soon as practicable after the Expiration Date by mail without interest or deduction.

Please carefully review the Warrant Documents and the instructions herein, which describe how to exercise the Basic Warrant Exercise and the Oversubscription Election. You will be able to exercise your Basic Warrant Exercise and the Oversubscription Election to purchase Remaining Warrants only prior to 5:00 p.m., New York City time, on the Expiration Date. The exercise of Warrants is irrevocable.

The number of Warrants to which you are entitled is printed on the face of your Warrant Certificate if you are a Record Holder or on your Beneficial Owner Election Form if your KDI Common Stock is held through a broker, custodian bank or other nominee. You should indicate your wishes with regard to the exercise of your Warrants by completing the appropriate portions of your Election Form and/or Beneficial Owner Election Form and returning it to the Warrant Agent or broker, custodian bank or other nominee, as applicable, in the envelope provided pursuant to the procedures described herein.

**YOUR WARRANT CERTIFICATE, ELECTION FORM AND AGGREGATE EXERCISE PRICE (ROUNDED UP TO THE NEAREST PENNY, AS APPLICABLE) FOR ALL BASIC WARRANT EXERCISES (AND ALL WARRANTS EXERCISED PURSUANT TO THE OVERSUBSCRIPTION ELECTION, IF APPLICABLE), MUST BE ACTUALLY RECEIVED BY THE WARRANT AGENT, PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE. ONCE A RECORD HOLDER HAS EXERCISED THE BASIC WARRANT EXERCISE AND THE OVERSUBSCRIPTION ELECTION (AS APPLICABLE), SUCH EXERCISE MAY NOT BE REVOKED. WARRANTS NOT EXERCISED PRIOR TO 5:00 P.M., NEW YORK CITY TIME, ON THE EXPIRATION DATE WILL EXPIRE WITHOUT VALUE.**

## 1. Method of Exercise and Payment.

### *Elections by Record Holders*

A Record Holder is a holder of KDI Common Stock whose shares are registered in their name or the books and records of the Warrant Agent, as of August 5, 2013. To exercise your Warrants and the Oversubscription Election, complete your Election Form and send the Warrant Certificate, the properly completed and executed Election Form evidencing the Basic Warrant Exercise and, to the extent applicable, the Oversubscription Election, together with payment in full of the Exercise Price for each Share subscribed for pursuant to the Basic Warrant Exercise and the Oversubscription Election, if applicable, to the Warrant Agent so that it will be actually received by the Warrant Agent prior to 5:00 p.m., New York City time, on the Expiration Date. Payment of the aggregate Exercise Price for the Basic Warrant Exercise and the Oversubscription Election, including all applicable taxes and charges due in connection therewith, will be held in a segregated account to be maintained by the Warrant Agent until the Shares are issued. **All payments must be made in U.S. dollars for the full number of Shares being subscribed for by certified or official bank check, payable to “Continental Stock Transfer & Trust Company (acting as Warrant Agent for Piskel, Inc.)” or by wire transfer of immediately available funds directly to the account maintained by Continental Stock Transfer & Trust Company as agent for Piskel, Inc., for purposes of accepting Warrants pursuant to the Basic Warrant Exercise and, to the extent applicable, Warrants pursuant to the Oversubscription Election, at JPMorgan Chase, Account Name: CST AAF Piskel, Inc. Warrant, ABA # 021000021, Account # 475580893, with reference to the Warrant holder’s name.** Please reference your Warrant Certificate Number on your check.

The Warrant Certificate, Election Form and payment of the aggregate Exercise Price (unless submitted by wire transfer) must be delivered to the Warrant Agent by hand, mail or overnight courier to the following address:

*Continental Stock Transfer & Trust Company  
17 Battery Place, 8th Floor  
New York, NY 10004  
Attn: Corporate Actions Department*

Telephone Number for Confirmation: (800) 509-5586

### *Elections by Beneficial Owners*

A beneficial owner is a holder of KDI Common Stock whose shares are registered in the name of a broker, custodian bank or other nominee. In such case, the broker, custodian bank or other nominee is the Record Holder of the Warrants. To exercise your Warrant, send your completed Beneficial Owner Election Form to your broker, custodian bank or other nominee, instructing such person or institution to exercise your rights and deliver all documents and payment in full of the aggregate Exercise Price on your behalf for each Warrant exercised pursuant to the Basic Warrant Exercise and the Oversubscription Election (as applicable), to the Warrant Agent so that it will be actually received by the Warrant Agent at or prior to 5:00 p.m., New York City time, on the Expiration Date.

## 2. Issuance of Common Stock.

After the Expiration Date, following the receipt of a properly and timely completed and executed Election Form, together with the payment of the aggregate Exercise Price for the Warrants exercised, and after all *pro rata* allocations and adjustments contemplated by the terms of the Warrant Agreement have been effected, the following deliveries and payments will be made to the address shown on the face of your Warrant Certificate or Beneficial Owner Election Form, as applicable, or, if you hold your shares in book-entry form, such deliveries and payments will be in the form of a credit to your account:

- a. *Basic Warrant Exercise:* The Warrant Agent will deliver to each exercising Record Holder each Share exercised for pursuant to the Basic Warrant Exercise. See “*Issuance of Certificates,*” Section 3.3.3 of the Warrant Agreement.

- b. *Oversubscription Election:* The Warrant Agent will deliver to each Record Holder who validly exercises the Oversubscription Election each Share, if any, allocated to such Record Holder pursuant to the Oversubscription Election. See *Issuance of Certificates*,” Section 3.3.3 of the Warrant Agreement.
- c. *Excess Cash Payments:* The Warrant Agent will mail to each Record Holder who exercises an Oversubscription Election any excess amount, without interest or deduction, received in payment of the Exercise Price for Warrants that are exercised pursuant to the Oversubscription Election by such Record Holder. See “*Oversubscription Right*,” Section 3.3.2(c) of the Warrant Agreement.

### **3. Sale, Transfer or Assignment of Warrants.**

**WARRANTS MAY NOT BE SOLD, TRANSFERRED OR ASSIGNED. ANY PURPORTED TRANSFER OF WARRANTS SHALL BE VOID AND OF NO FORCE OR EFFECT.**

### **4. Commissions, Fees and Expenses.**

The Company will pay all fees and expenses of the Warrant Agent related to it acting in such role in connection with the issuance of the Warrants. You are responsible for paying any other commissions, fees, taxes or expenses incurred in connection with the exercise of Warrants (including with respect to any Oversubscription Election). Neither the Warrant Agent nor the Company will pay such expenses.

### **5. Execution.**

The signature on the Election Form or Beneficial Owner Election Form, as applicable, must correspond with the name of the registered holder exactly as it appears on the face of the Warrant Certificate or Beneficial Owner Election Form, as applicable, without any alteration, enlargement or change whatsoever. Persons who sign the Election Form or Beneficial Owner Election Form, as applicable, in a representative or other fiduciary capacity on behalf of a registered holder must indicate their capacity when signing and, unless waived by the Warrant Agent in consultation with the Company, must present to the Warrant Agent satisfactory evidence of their authority so to act.

### **6. Method of Delivery.**

The method of delivery of Warrant Certificates, Election Forms or Beneficial Owner Election Forms, as applicable, and payment of the Exercise Price to the Warrant Agent for each Basic Warrant Exercise and Oversubscription Election will be at the risk of the holders of Warrants. If sent by mail, we recommend that you send the requisite documents and payments by overnight courier or by registered mail, properly insured, with return receipt requested, and that a sufficient number of days be allowed to ensure delivery to the Warrant Agent and clearance of payment prior to 5:00 p.m., New York City time, on the Expiration Date (or to your broker, custodian bank or other nominee, as applicable, so that such person or entity can make such delivery and clearance of payment to the Warrant Agent prior to 5:00 p.m., New York City time, on the Expiration Date). Because uncertified personal checks may take at least five or more business days to clear, we urge any Record Holder to pay or arrange for payment by means of certified check made payable to “Continental Stock Transfer & Trust Company, acting as Warrant Agent for Pikel, Inc.” to avoid missing the opportunity to exercise your Basic Warrant Exercise and Oversubscription Election should you decide to exercise them.

### **7. Substitute Form W-9 or IRS Form W-8.**

TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, YOU ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES CONTAINED OR REFERRED TO HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL, STATE OR LOCAL TAX PENALTIES, (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTION OR

MATTERS DISCUSSED HEREIN, AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

For purposes of this summary, a “U.S. Holder” is a beneficial owner of a Warrant (other than an entity or arrangement that is treated as a partnership for U.S. federal income tax purposes) that is for U.S. federal income tax purposes: (a) an individual citizen or resident of the United States; (b) a corporation (or other entity treated as a corporation for U.S. tax purposes) organized under the laws of the United States, any state of the United States or the District of Columbia; (c) an estate, the income of which is subject to U.S. federal income tax regardless of its source; or (d) a trust, if (i) a court within the United States can exercise primary supervision over the administration of the trust and one or more U.S. persons has authority to control all substantial decisions of the trust or (ii) it has a valid election in place to be treated as a U.S. person. A Non-U.S. Holder is a person other than a U.S. Holder.

Each U.S. Holder who elects to exercise Warrants (including pursuant to an exercise of an Oversubscription Election) should provide the Warrant Agent with a correct taxpayer identification number (“**TIN**”) on Substitute Form W-9, a copy of which is being furnished to each holder and certify that such holder is not subject to backup withholding. Additional copies of Substitute Form W-9 may be obtained upon request from the Warrant Agent at the address set forth above. Each holder that is a Non-U.S. Holder must furnish the appropriate completed IRS Form W-8 (generally, and IRS Form W-8BEN or W-8ECI, signed under penalties of perjury, attesting to such holder’s foreign status) to the Warrant Agent. Failure to provide the correct information on a Substitute Form W-9 may subject a U.S. Holder to a \$50.00 penalty by the IRS. In addition, the failure to provide such Substitute Form W-9 or applicable Form W-8 will subject a holder to U.S. federal backup withholding tax (currently at a 28% rate) with respect to dividends that may be paid by the Company on Shares purchased upon the exercise of the Warrants (for those holders exercising Warrants).

If you have any questions concerning the issuance of Warrants, please contact the Warrant Agent, 17 Battery Place, 8th Floor, New York, NY 10004, by telephone at (800) 461-0945 (toll-free).

Sincerely,

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Piksel, Inc.