

Saul, Michael

From: Saul, Michael
Sent: Wednesday, March 31, 2010 5:26 PM
To: 'Michael Corso'
Cc: tz@38studios.com; Hashway, Fred; Esten, Sean; Stokes, Keith; 'Stolzman, Rob'
Subject: RE: due diligence

Michael...more of a planning session to frame and agree on a Due Diligence Plan. Let's plan on a 10.00 start and a 12:30 departure. Some random thoughts for Friday's discussion:

- Company will need to prepare a loan memorandum for the banks. Tom, I am sure, knows what needs to be in this document (e.g. ownership, mgt. team, industry description, competition, risks & how mitigated, P&L projections, current balance sheet, budget on Copernicus, monthly cash forecast through completion and any capitalized interest period, etc.).
- I would like a walk through of the projections when we meet Friday.
- Recent industry analysis. Two recent analyses by prominent industry analysts. Recent (last 24 months) industry success and failures of other RPG and MMOG companies.
- Bank syndicate strategy. I plan to suggest a local agent with a bank group of 3-4 local RI banks and 1-2 industry banks. Would Silicon Valley have an interest?
- Economic Impact Analysis (who, when, how much, etc.)
- Feasibility on Big Huge/EA projections.
- Explanation and copy of Big Huge/EA contract.
- Plan for presentation to RIEDC board (Econ. Impact, Industry Consultant review of projections, Industry Analyst, Agent Bank, Mgt., etc.)
- Evidence of equity investments and terms and conditions, if any, on invested capital.
- Explanation of how to successfully be a Publisher vs. getting published. I want to understand connections, if any, needed with platform companies, marketing, etc. (i.e. all the risks EA & Activision are good at that 38 Studios as a start up needs to be equally good at?)
- Any valuations done for private equity.
- Get some definition on Excess Cash Flow formula.
- Get some definition on establishing investment fund. We were thinking of governance of three... Company Rep, Industry Rep and EDC Rep.
- Evidence of any key employment contracts or options granted to key management.

Again, this is a planning session to organize our due diligence. Following Friday's meeting we will create a plan draft and responsibilities.

Mike

From: Michael Corso [mailto:mcorso@kingstoncap.com]
Sent: Wednesday, March 31, 2010 1:46 PM
To: Saul, Michael
Cc: tz@38studios.com; Hashway, Fred; Esten, Sean; Stokes, Keith
Subject: Re: due diligence

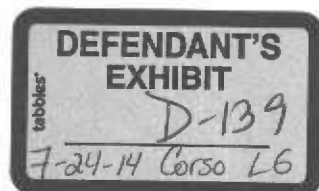
Michael:

10:00 am on Friday works. Do you have a list of items that you would like to review?

Michael

On 3/31/10 1:17 PM, "Saul, Michael" <msaul@riedc.com> wrote:

3/31/2010



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Michael,

I would like to see if we could get back up to Maynard Friday morning (say 9:30 or 10:00 start) to begin our due diligence. On Friday, we would like to review and understand the financial projections and reach agreement on the timing and scope of remaining due diligence. If Friday does not work please provide some alternate dates and I will have Peg Degnan coordinate here. I would be bringing Fred Hashway and Sean Esten from our office. Sean is a member of our finance team.

Thanks.

Mike

J. Michael Saul

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