

From: Rick Wester
To: Tom Zaccagnino
Subject: In-State plan
Date: Friday, July 30, 2010 4:58:00 PM
Attachments: 38 Studio 6 Year Plan - In-State Loan View - DRAFT - 04.01.pdf

Tom,

This is the Plan that will be attached to the Bond Docs.

Rick

Rick Wester
Chief Financial Officer
38 Studios, LLC

978.310.5198 T
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38 Studios, LLC
Financial Projections - Preliminary Draft
Consolidated Plan - Non GAAP

	Projected December-10 FY2010	Projected December-11 FY2011	Projected December-12 FY2012	Projected December-13 FY2013	Projected December-14 FY2014	Projected December-15 FY2015
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Key Assumptions

Massively Multiplayer Online Gaming (MMO) Division

Division Average Headcount	106	224	347	396	396	396
Division Period End Headcount	150	297	396	396	396	396

MMO #1 - Release date - Fall of 2012

Unit Sales	-	-	2,000,000	1,000,000	1,200,000	1,200,000
Average Price	\$ -	\$ -	\$ 40.00	\$ 30.00	\$ 20.00	\$ 20.00
% to 38 Studios	0.0%	0.0%	30.0%	30.0%	30.0%	30.0%
Subscription Sales						
Average Monthly Subscribers	-	-	600,000	1,000,000	1,200,000	1,200,000
Average Monthly Price	\$ -	\$ -	\$ 12.50	\$ 12.50	\$ 12.50	\$ 12.50
% to 38 Studios	0.0%	0.0%	100.0%	100.0%	100.0%	100.0%

MMO #2 - Release date - Fall of 2016

Role Playing Gaming (RPG) Division

Division Average Headcount	75	80	78	78	78	78
Division Period End Headcount	81	78	78	78	78	78

RPG #1 - Release date - fall 2011

Unit Sales	-	1,729,000	1,436,000	197,000	197,000	197,000
Average Price	\$ -	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00
% to 38 Studios	0.0%	30.0%	33.0%	35.0%	35.0%	35.0%

RPG #2 - Release date - fall 2013

Unit Sales	-	-	-	2,247,700	1,866,800	256,100
Average Price	\$ -	\$ -	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00
% to 38 Studios	0.0%	0.0%	38.0%	38.0%	38.0%	38.0%

RPG #3 - Release date - fall 2015

Unit Sales	-	-	-	-	-	2,922,010
Average Price	\$ -	\$ -	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00
% to 38 Studios	0.0%	0.0%	38.0%	38.0%	38.0%	38.0%

38 Studios, LLC
Financial Projections - Preliminary Draft
Consolidated Plan - Non GAAP

	Projected December-10 FY2010	Projected December-11 FY2011	Projected December-12 FY2012	Projected December-13 FY2013	Projected December-14 FY2014	Projected December-15 FY2015
Income Statement						
Total Net Revenues	\$ -	\$ 20,748,000	\$ 65,455,200	\$ 195,923,040	\$ 218,333,360	\$ 238,265,272
Costs and Expenses						
Development	30,632,203	41,751,195	53,908,945	72,555,774	77,135,368	80,429,348
Operations and Support	-	1,031,250	13,750,000	20,000,000	20,000,000	20,000,000
S, G, & A expenses	4,298,776	4,900,814	7,534,132	21,556,700	23,340,064	23,616,392
Total Costs and Expenses	<u>34,930,979</u>	<u>47,683,259</u>	<u>75,193,077</u>	<u>114,112,474</u>	<u>120,475,432</u>	<u>124,045,740</u>
Operating Income	<u>(34,930,979)</u>	<u>(26,935,259)</u>	<u>(9,737,877)</u>	<u>81,810,566</u>	<u>97,857,928</u>	<u>114,219,532</u>
Interest Income (Expense)	(4,606,406)	(7,977,262)	(8,005,436)	(7,153,242)	(4,305,979)	(3,468,595)
Other income (Expense)	-	-	-	-	-	-
Tax (Expense)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(37,162,172)</u>	<u>(44,300,375)</u>
Net Income(Loss)	<u>\$ (39,537,384)</u>	<u>\$ (34,912,521)</u>	<u>\$ (17,743,313)</u>	<u>\$ 74,657,324</u>	<u>\$ 56,389,777</u>	<u>\$ 66,450,562</u>

Percent of Net Revenues

Total Net Revenues	0%	100%	100%	100%	100%	100%
Costs and Expenses						
Development	0%	201%	82%	37%	35%	34%
Operations and Support	0%	5%	21%	10%	9%	8%
S, G, & A expenses	0%	24%	12%	11%	11%	10%
Total Costs and Expenses	<u>0%</u>	<u>230%</u>	<u>115%</u>	<u>58%</u>	<u>55%</u>	<u>52%</u>
Operating Income	<u>0%</u>	<u>-130%</u>	<u>-15%</u>	<u>42%</u>	<u>45%</u>	<u>48%</u>
Tax/Other Expense	<u>0%</u>	<u>38%</u>	<u>12%</u>	<u>4%</u>	<u>19%</u>	<u>20%</u>
Net Income(Loss)	<u>0%</u>	<u>-168%</u>	<u>-27%</u>	<u>38%</u>	<u>26%</u>	<u>28%</u>

38 Studios, LLC
Financial Projections - Preliminary Draft
Consolidated Plan - Non GAAP

	Projected December-10 FY2010	Projected December-11 FY2011	Projected December-12 FY2012	Projected December-13 FY2013	Projected December-14 FY2014	Projected December-15 FY2015
Cash Flow						
Operating activities						
Net Income	\$ (39,537,384)	\$ (34,912,521)	\$ (17,743,313)	\$ 74,657,324	\$ 56,389,777	\$ 66,450,562
Non-Cash	1,415,417	2,148,277	1,983,598	1,958,693	1,992,338	2,066,881
Changes in Operating Accounts						
Accounts receivable	-	(10,374,000)	(5,989,800)	(32,616,960)	(5,602,580)	(4,982,978)
Prepaid and Other Assets	819,619	339,225	(50,000)	(50,000)	(50,000)	(50,000)
A/P, Accrued, Debt Interest	774,519	608,520	1,638,569	5,571,801	6,327,410	1,392,893
Total Operating Activities	(36,527,829)	(42,190,499)	(20,160,946)	49,520,858	59,056,945	64,877,357
Investing Activities						
Fixed Assets	(2,144,055)	(2,840,502)	(891,522)	(2,144,055)	(2,941,438)	(1,115,149)
Financing Activities						
Bank Line	-	-	-	-	-	-
Capital Leases	-	-	-	-	-	-
Distribution Advances	12,477,997	13,131,925	(6,322,128)	-	(25,000,000)	-
Outside Debt	75,000,000	-	-	(10,714,286)	(10,714,286)	(10,714,286)
In-State Tax Credits						
Debt to Affiliates	(11,579,078)	-	(1,460,000)	-	-	-
Equity	11,923,663	-	20,000,000	60,000,000	-	-
Change In Cash	49,150,698	(31,899,075)	(8,834,596)	96,662,517	20,401,221	53,047,922
Cash, Beginning of Period	4,923,899	54,074,596	22,175,521	13,340,925	110,003,442	130,404,663
Cash, End of Period	\$ 54,074,596	\$ 22,175,521	\$ 13,340,925	\$ 110,003,442	\$ 130,404,663	\$ 183,452,585
BS Proof	-	-	-	-	-	-

38 Studios, LLC
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	Projected December-10 FY2010	Projected December-11 FY2011	Projected December-12 FY2012	Projected December-13 FY2013	Projected December-14 FY2014	Projected December-15 FY2015
Balance Sheet						
Assets						
Cash	\$ 54,074,596	\$ 22,175,521	\$ 13,340,925	\$ 110,003,442	\$ 130,404,663	\$ 183,452,585
Accounts Receivable	-	10,374,000	16,363,800	48,980,760	54,583,340	59,566,318
Prepaid and Other Assets	639,225	300,000	350,000	400,000	450,000	500,000
Fixed Assets	1,941,033	2,633,258	1,541,182	1,726,544	2,675,644	1,723,912
Intellectual Property	-	-	-	-	-	-
Long-term Assets	400,000	400,000	400,000	400,000	400,000	400,000
Total Assets	\$ 57,054,855	\$ 35,882,779	\$ 31,995,907	\$ 161,510,746	\$ 188,513,646	\$ 245,642,815
Liabilities						
A/P and Accrued Liabilities	\$ 1,335,402	\$ 1,943,921	\$ 3,582,490	\$ 9,154,291	\$ 15,481,701	\$ 16,874,593
Bank Debt	-	-	-	-	-	-
Capital Leases	-	-	-	-	-	-
Distribution Advances	18,190,203	31,322,128	25,000,000	25,000,000	-	-
Long-term Liabilities	281,014	281,014	281,014	281,014	281,014	281,014
Outside Debt	75,000,000	75,000,000	75,000,000	64,285,714	53,571,429	42,857,143
Debt to Affiliates	1,528,620	1,528,620	68,620	68,620	68,620	68,620
Total Liabilities	96,335,239	110,075,684	103,932,125	98,789,640	69,402,763	60,081,370
Equity	(39,280,384)	(74,192,905)	(71,936,218)	62,721,106	119,110,883	185,561,445
Total Liabilities and Equity	\$ 57,054,855	\$ 35,882,779	\$ 31,995,907	\$ 161,510,746	\$ 188,513,646	\$ 245,642,815
Proof	-	-	-	-	-	-

38 Studios, LLC
Financial Projections - Preliminary Draft
Consolidated Plan - Non GAAP

	Projected December-10 FY2010	Projected December-11 FY2011	Projected December-12 FY2012	Projected December-13 FY2013	Projected December-14 FY2014	Projected December-15 FY2015
Metrics						
Revenue	-	20,748,000	65,455,200	195,923,040	218,333,360	238,265,272
EBITDA	(33,515,562)	(24,786,981)	(7,754,279)	83,769,259	99,850,266	116,286,413
<i>EBITDA % of Revenue</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>42.8%</i>	<i>45.7%</i>	<i>48.8%</i>
EBITDA- Pro Forma (1)	(33,515,562)	(24,786,981)	(7,754,279)	91,269,259	107,350,266	123,786,413
<i>EBITDA Pro Forma % of Revenue</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>46.6%</i>	<i>49.2%</i>	<i>52.0%</i>
Operating Income	(34,930,979)	(26,935,259)	(9,737,877)	81,810,566	97,857,928	114,219,532
<i>Operating Income % of Revenue</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>41.8%</i>	<i>44.8%</i>	<i>47.9%</i>
Operating Income - Pro Forma (1)	(34,930,979)	(26,935,259)	(9,737,877)	89,310,566	105,357,928	121,719,532
<i>Operating Income % of Revenue</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>45.6%</i>	<i>48.3%</i>	<i>51.1%</i>
Net Income	(39,537,384)	(34,912,521)	(17,743,313)	74,657,324	56,389,777	66,450,562
<i>Net Income % of Revenue</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>38.1%</i>	<i>25.8%</i>	<i>27.9%</i>
Revenue per Head	N/A	64,636	147,588	397,410	442,867	483,297
Total Cost per Head	180,522	148,546	169,545	231,465	244,372	251,614
Monthly Cost per Head	15,043	12,379	14,129	19,289	20,364	20,968
Monthly Cost per Head - Pro Forma (1)	15,043	12,379	14,129	18,021	19,097	19,700

(1) - Pro Forma amounts exclude estimated accruals for a founding employee bonus plan.

38 Studios, LLC
Financial Projections - Preliminary Draft
Consolidated Plan - Non GAAP

	Projected December-10 FY2010	Projected December-11 FY2011	Projected December-12 FY2012	Projected December-13 FY2013	Projected December-14 FY2014	Projected December-15 FY2015
Period End Headcount						
Development	231	335	374	374	374	374
Operations and Support	-	40	100	100	100	100
S, G, & A expenses	17	19	19	19	19	19
Total	<u>248</u>	<u>394</u>	<u>493</u>	<u>493</u>	<u>493</u>	<u>493</u>
<i>Growth from Prior Period</i>	<i>78.4%</i>	<i>58.9%</i>	<i>25.1%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>
Percent Period End Headcount						
Development	93%	85%	76%	76%	76%	76%
Operations and Support	0%	10%	20%	20%	20%	20%
S, G, & A expenses	7%	5%	4%	4%	4%	4%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
Average Headcount						
Development	181	283	355	374	374	374
Operations and Support	-	20	70	100	100	100
S, G, & A expenses	13	18	19	19	19	19
Total	<u>194</u>	<u>321</u>	<u>444</u>	<u>493</u>	<u>493</u>	<u>493</u>
<i>Growth from Prior Period</i>	<i>113.8%</i>	<i>65.9%</i>	<i>38.2%</i>	<i>11.2%</i>	<i>0.0%</i>	<i>0.0%</i>
Percent Average Headcount						
Development	93%	88%	80%	76%	76%	76%
Operations and Support	0%	6%	16%	20%	20%	20%
S, G, & A expenses	7%	6%	4%	4%	4%	4%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

38 Studios, LLC
Financial Projections - Preliminary Draft
Consolidated Plan - Non GAAP

	Projected December-10 FY2010	Projected December-11 FY2011	Projected December-12 FY2012	Projected December-13 FY2013	Projected December-14 FY2014	Projected December-15 FY2015
Financing						
Distribution Advances - Paid-back on release revenue						
RPG #1	12,477,997	3,131,925	(21,322,128)	-	-	-
MMO #1	-	-	-	-	-	-
RPG #2	-	10,000,000	15,000,000	-	(25,000,000)	-
Total Period Advances	<u>12,477,997</u>	<u>13,131,925</u>	<u>(6,322,128)</u>	<u>-</u>	<u>(25,000,000)</u>	<u>-</u>
Advances Balance	<u>18,190,203</u>	<u>31,322,128</u>	<u>25,000,000</u>	<u>25,000,000</u>	<u>0</u>	<u>0</u>
Equity Financing						
Member 1	10,923,663	-	-	-	-	-
Member 2	-	-	-	-	-	-
Other Members	-	-	-	-	-	-
Series B Members	1,000,000	-	-	-	-	-
Financing/IPO	-	-	20,000,000	60,000,000	-	-
Total Equity Financing	<u>11,923,663</u>	<u>-</u>	<u>20,000,000</u>	<u>60,000,000</u>	<u>-</u>	<u>-</u>
Investor Debt/ Debt Financing						
Note Payable - Credit Line	-	-	-	-	-	-
Director Note	(287,000)	-	-	-	-	-
RA Note	-	-	(1,460,000)	-	-	-
Conversion to Equity	(10,747,231)	-	-	-	-	-
Mentor Media	(544,847)	-	-	-	-	-
Total Investor Debt Financing	<u>(11,579,078)</u>	<u>-</u>	<u>(1,460,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Outside Debt Financing						
Debt Financing - 7 year payback starting 20	80,000,000	-	-	-	-	-
Debt Payments	(5,000,000)	-	-	(10,714,286)	(10,714,286)	(10,714,286)
Tax Credit Sales to Debt to 2012	-	-	-	-	-	-
Total Outside Debt Financing	<u>75,000,000</u>	<u>-</u>	<u>-</u>	<u>(10,714,286)</u>	<u>(10,714,286)</u>	<u>(10,714,286)</u>
Outside Debt Balance	<u>75,000,000</u>	<u>75,000,000</u>	<u>75,000,000</u>	<u>64,285,714</u>	<u>53,571,429</u>	<u>42,857,143</u>

38 Studios, LLC
Financial Projections - Preliminary Draft
Consolidated Plan - Non GAAP

	Projected December-10 FY2010	Projected December-11 FY2011	Projected December-12 FY2012	Projected December-13 FY2013	Projected December-14 FY2014	Projected December-15 FY2015
In-State Tax Credit Analysis						
Total Costs	13,072,829	35,988,580	62,997,614	99,013,586	104,615,077	107,428,440
Less Real Estate Related - @28sq. ft. gros	560,000	1,408,400	2,324,000	2,324,000	2,324,000	2,324,000
less discount of:						
0%						
Credit Cost Base	<u>12,512,829</u>	<u>34,580,180</u>	<u>60,673,614</u>	<u>96,689,586</u>	<u>102,291,077</u>	<u>105,104,440</u>
Credit %						
0%						
Total Credit %	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(2,502,566)</u>	<u>(6,916,036)</u>	<u>(12,134,723)</u>	<u>(19,337,917)</u>	<u>(20,458,215)</u>	<u>(21,020,888)</u>
Tax Credit Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Interest Expense on Debt						
Distribution Advances and Debt Balance	93,190,203	106,322,128	100,000,000	89,285,715	53,571,429	42,857,143
Interest @ ---->	<u>4,182,479</u>	<u>7,974,336</u>	<u>8,000,000</u>	<u>7,142,857</u>	<u>4,285,714</u>	<u>3,428,571</u>
8%						

38 Studios, LLC
Maynard
Financial Projections - Preliminary Draft
Revenues

	Projected December-10 FY2010	Projected December-11 FY2011	Projected December-12 FY2012	Projected December-13 FY2013	Projected December-14 FY2014	Projected December-15 FY2015
MMO Revenue Detail						
MMO #1	\$ -	\$ -	\$ 46,500,000	\$ 159,000,000	\$ 187,200,000	\$ 187,200,000
MMO #2	-	-	-	-	-	-
Total Net Revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,500,000</u>	<u>\$ 159,000,000</u>	<u>\$ 187,200,000</u>	<u>\$ 187,200,000</u>

MMO #1 - Subscription Model

Average monthly Subscribers	-	-	600,000	1,000,000	1,200,000	1,200,000
Months	-	-	3	12	12	12
Price pr Month	\$ -	\$ -	\$ 12.50	\$ 12.50	\$ 12.50	\$ 12.50
% to 38 Studios	0.0%	0.0%	100.0%	100.0%	100.0%	100.0%
Subscription Revenue	<u>-</u>	<u>-</u>	<u>22,500,000</u>	<u>150,000,000</u>	<u>180,000,000</u>	<u>180,000,000</u>
Unit Sales	-	-	2,000,000	1,000,000	1,200,000	1,200,000
Retail Price	\$ -	\$ -	\$ 40.00	\$ 30.00	\$ 20.00	\$ 20.00
% to 38 Studios	0.0%	0.0%	30.0%	30.0%	30.0%	30.0%
Distribution Revenue	<u>-</u>	<u>-</u>	<u>24,000,000</u>	<u>9,000,000</u>	<u>7,200,000</u>	<u>7,200,000</u>

38 Studios, LLC
Baltimore
Financial Projections - Preliminary Draft
Revenues

		Projected December-11 FY2011	Projected December-12 FY2012	Projected December-13 FY2013	Projected December-14 FY2014	Projected December-15 FY2015
RPG Revenue Detail						
RPG#1	\$	\$ 20,748,000	\$ 18,955,200	\$ 2,758,000	\$ 2,758,000	\$ 2,758,000
RPG#2		-	-	34,165,040	28,375,360	3,892,720
RPG#3		-	-	-	-	44,414,552
Total Revenue	\$	<u>\$ 20,748,000</u>	<u>\$ 18,955,200</u>	<u>\$ 36,923,040</u>	<u>\$ 31,133,360</u>	<u>\$ 51,065,272</u>
RPG #1						
Unit Sales		1,729,000	1,436,000	197,000	197,000	197,000
Retail Price	\$	40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00
% to 38 Studios		30.0%	33.0%	35.0%	35.0%	35.0%
	\$	<u>\$ 20,748,000</u>	<u>\$ 18,955,200</u>	<u>\$ 2,758,000</u>	<u>\$ 2,758,000</u>	<u>\$ 2,758,000</u>
RPG #2						
Growth from RPG #1		30%	30%	30%	30%	30%
Unit Sales		-	-	2,247,700	1,866,800	256,100
Retail Price	\$	-	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00
% to 38 Studios		0.0%	38.0%	38.0%	38.0%	38.0%
	\$	<u>-</u>	<u>-</u>	<u>\$ 34,165,040</u>	<u>\$ 28,375,360</u>	<u>\$ 3,892,720</u>
RPG #3						
Growth from RPG #2		30%	30%	30%	30%	30%
Unit Sales		-	-	-	-	2,922,010
Retail Price	\$	-	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00
% to 38 Studios		0.0%	38.0%	38.0%	38.0%	38.0%
	\$	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 44,414,552</u>