

[Print](#) | [Close Window](#)**Subject:** FW: 38 Studios**From:** Michael Corso <mcorso@orbdevelopment.com>**Date:** Fri, Jul 10, 2009 12:37 am**To:** <decresce@emc.com>**Attach:** 38 Studios - PPM - 050409.pdf

38 Studios Investor Presentation.pptx

38S Valuation Backup.ppt

Robert DeAngelis.vcf

Ward Mooney.vcf

Please keep confidential

-- Curt's company is 38 Studios LLC and plays in the RPG and MMOG gaming space...closest example of a similar game is World Warcraft (www.worldofwarcraft.com) they do about 125-150MM/month in revenue
Curt's website is www.38studios.com

The basic situation is that there are two possible opportunities

- 1) 1.5-2M 90 day bridge loan secured by a 1st position all asset lien (including all IP and ~4.2M in equipment), absolute pledge of Curt's ~80% interest in the company (which gives positive control in the event of an uncured default). We have already funded a 1.7M loan which is in 1st position so we would just participate out the new capital so everyone is on equal footing regarding the collateral...don't think anyone would go behind us.
- 2) 40-50M development capital loan needed to reach product launch...he currently is working with a Canadian group (CanWorld Finance) on this and should be receiving a commitment letter shortly the CanWorld transaction is what pushed therefore creating the need for the bridge. If this is of interest to anyone on your side we would bump CanWorld assuming the timeline to close worked for Curt

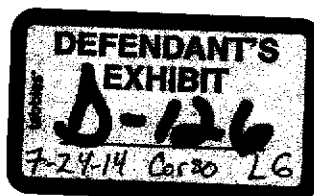
Some other key data points...

- 1) Curt has basically self funded the venture to date...about +20M
- 2) Timing is critical on the bridge or closing of the development transaction
- 3) Curt is not in a position to put anymore money in
- 4) The business does not generate revenue at this time...its pure development except that they have a few games that are being re-release in new version within the next 2-4 months...these are games that were purchased as part of the Big Huge Games acquisition.
- 5) I have attached a few docs for your review, PPM for Class B offering, Exec Presentation and Valuation backup.

Let me know if you need anything else...and please keep the specifics of this email confidential.

Best,

TZ



----- End of Forwarded Message

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PRIVATE PLACEMENT MEMORANDUM

Dated: May 1, 2009

38 STUDIOS, LLC

(a Delaware Limited Liability Company)

Offering of up to 20,161,290 Class B Units ("Class B Units")
Offering Price: \$1.24 per Unit (the "Offering Price")

THIS OFFERING INVOLVES A HIGH DEGREE OF RISK
(See "Risk Factors" in Section III)

THIS MEMORANDUM CONTAINS CONFIDENTIAL INFORMATION

This Private Placement Memorandum (this "Memorandum") relates to an offer by 38 Studios, LLC, a Delaware limited liability company (the "Company" or "38 Studios") to sell an aggregate of up to 20,161,290 Class B Units at a purchase price of \$1.24 per Unit.

The offering (the "Offering") will terminate at 5:00 p.m. Boston Time on June 30, 2009 (the "Termination Date") unless extended by the Company. The Company reserves the right in its sole discretion to accept or reject any subscription, allocate or restrict the number of Class B Units that can be acquired by any subscriber, and withdraw or cancel this Offering at any time.

This Memorandum sets forth the material terms of the Offering and certain other information about the Company. Each prospective investor should examine this Memorandum, the Investor Questionnaire, the Subscription Agreement and the Company's Operating Agreement in order to evaluate the Offering and assure himself or herself that the Offering and the Company's business plan is satisfactory. Prospective investors are invited to request additional information from and pose questions to the Company's senior management. Representatives of the Company will be available to answer questions and provide additional information to the extent it can be obtained without unreasonable effort or expense.

Requests for additional information should be directed to Bill Thomas, Chief Operations Officer, 38 Studios, 5 Clock Tower Place, Suite 140, Maynard, Massachusetts 01754, or at (978) 310-5100.

FORWARD LOOKING STATEMENTS

This Memorandum contains forward-looking statements that are based on the Company's current expectations, assumptions, estimates and projections about 38 Studios and its industry. When used, the words "may," "will," "should," "expect," "plan," "anticipate," "believe," "feel," "confident," "estimate," "intend," "predict," "potential" or "continue" or the negative of such terms or other variations on these words or comparable terminology are intended to identify forward looking statements. These statements describe the Company's beliefs concerning the future based on currently available information and are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks described herein that may cause the Company's actual business results, levels of activity, performance or achievements to be materially different from any future result, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In addition to the risks described herein, important factors to consider and evaluate in such forward-looking statements include: (i) changes in the external competitive market factors which might impact the Company's results of operations; (ii) unanticipated working capital or other cash requirements including those created by the failure of the Company to adequately anticipate the costs associated with the development of the Game (as defined below) and other critical activities; (iii) changes in the Company's business strategy or an inability to execute its strategy due to unanticipated changes in the entertainment and interactive media businesses; and (iv) the failure of the Company to complete any or all of the transactions described herein on the terms currently contemplated. In light of these risks and uncertainties, many of which are described in greater detail elsewhere in this Memorandum, there can be no assurance that the forward-looking statements contained herein will in fact transpire.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, 38 Studios cannot guarantee future results, levels of activity, performance or achievements. The Company's actual results could differ materially from those contained in the forward-looking statements due to a number of risks and uncertainties. Important factors that could cause the Company's actual results to differ materially from its expectations expressed in the forward-looking statements are set forth under the heading "Risk Factors". You should read the cautionary statements as being applicable to all related forward-looking statements wherever they appear. 38 Studios assumes no obligation to publicly update or revise these forward-looking statements for any reason, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

INVESTOR NOTICES

THIS INVESTMENT INVOLVES A HIGH DEGREE OF RISK (SEE "RISK FACTORS" IN SECTION III). THE CLASS B UNITS ARE NOT READILY TRANSFERABLE AND SHOULD BE PURCHASED FOR LONG-TERM INVESTMENT ONLY.

THE CLASS B UNITS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION AND ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION. THE CLASS B UNITS MAY ONLY BE PURCHASED BY ACCREDITED INVESTORS.

THE CLASS B UNITS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION, NOR HAS ANY SUCH COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PRIVATE PLACEMENT MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS MEMORANDUM CONTAINS CONFIDENTIAL INFORMATION AND IS SUBMITTED IN CONNECTION WITH THE PRIVATE PLACEMENT OF THE CLASS B UNITS DESCRIBED HEREIN AND MAY NOT BE REPRODUCED OR USED FOR ANY OTHER PURPOSE. ANY DISTRIBUTION OF THIS MEMORANDUM, IN WHOLE OR IN PART, OR THE DIVULGENCE OF ITS CONTENTS, IS UNAUTHORIZED.

THIS MEMORANDUM CONTAINS INFORMATION WHICH HAS BEEN OBTAINED FROM SOURCES DEEMED RELIABLE BY THE COMPANY. SUCH INFORMATION NECESSARILY INCORPORATES SIGNIFICANT EVALUATIVE AND FACTUAL ASSUMPTIONS. UNLESS OTHERWISE INDICATED, SUCH INFORMATION HAS NOT BEEN INDEPENDENTLY VERIFIED.

THIS MEMORANDUM CONSTITUTES AN OFFER ONLY TO THE PERSON TO WHOM IT IS DELIVERED. DELIVERY OF THIS MEMORANDUM TO ANY OTHER PERSON IS UNAUTHORIZED AND ANY REPRODUCTION OF THIS MEMORANDUM, IN WHOLE OR IN PART, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMPANY, IS PROHIBITED.

THE OFFEREE, BY ACCEPTING DELIVERY OF THIS MEMORANDUM, AGREES TO RETURN THIS MEMORANDUM AND ALL ENCLOSED DOCUMENTS TO THE COMPANY IF THE OFFEREE DOES NOT AGREE TO PURCHASE ANY OF THE CLASS B UNITS OFFERED HEREBY.

NO OFFERING LITERATURE (OTHER THAN THIS MEMORANDUM) OR ADVERTISING IN ANY FORM SHALL BE EMPLOYED IN THE OFFERING OF THE CLASS B UNITS. NO PERSON HAS BEEN AUTHORIZED TO MAKE ANY REPRESENTATION OTHER THAN THOSE CONTAINED IN THIS MEMORANDUM OR THE EXHIBITS THERETO, AND, IF MADE, SUCH REPRESENTATION MUST NOT BE RELIED UPON. PROSPECTIVE INVESTORS ARE NOT TO CONSTRUCT THE CONTENTS OF THIS MEMORANDUM AS LEGAL, BUSINESS OR TAX ADVICE. EACH INVESTOR SHOULD CONSULT HIS PERSONAL COUNSEL, ACCOUNTANT AND OTHER ADVISORS AS TO LEGAL, TAX, ECONOMIC AND RELATED MATTERS CONCERNING THE INVESTMENT DESCRIBED HEREIN AND ITS SUITABILITY FOR HIM.

THE COMPANY SHALL MAKE AVAILABLE TO EACH INVESTOR OR HIS AGENT, DURING THIS OFFERING AND PRIOR TO THE SALE OF ANY CLASS B UNITS, THE OPPORTUNITY TO ASK QUESTIONS OF AND OBTAIN ADDITIONAL INFORMATION FROM ANY PERSON AUTHORIZED TO ACT ON BEHALF OF THE COMPANY CONCERNING THE TERMS AND CONDITIONS OF THIS OFFERING OR ANY OTHER RELEVANT MATTERS (INCLUDING BUT NOT LIMITED TO ADDITIONAL INFORMATION NECESSARY TO VERIFY THE ACCURACY OF THE INFORMATION CONTAINED IN THIS MEMORANDUM) TO THE EXTENT THE COMPANY POSSESSES SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE.

THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY STATE OR OTHER JURISDICTION, IN WHICH SUCH AN OFFER OR SOLICITATION IS NOT PERMITTED BY LAW.

THE COMPANY RESERVES THE RIGHT TO WITHDRAW THIS OFFERING AT ANY TIME.

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The following summary is qualified in its entirety by the more detailed information appearing elsewhere in this Memorandum.

38 Studios, LLC is a development-stage interactive media and entertainment company organized as a Delaware limited liability company on August 28, 2006. The Company operates pursuant to its Amended and Restated Limited Liability Company Agreement dated May 15, 2008 (the “Operating Agreement”). The Company will amend and restate the Operating Agreement on or before the initial closing of the Offering to reflect the terms of the Offering including the rights, preferences and privileges associated with the Class B Units (the “Amended and Restated Operating Agreement”).

B. The Business

Major League Baseball All-Star pitcher Curt Schilling, *The New York Times*-bestselling author R.A. Salvatore, and award-winning artist Todd McFarlane combined their passion for extraordinary achievement to create 38 Studios. The goal of 38 Studios is simple: create original, extensible intellectual property using mass-market games as the “launch platform.”

2. The *Copernicus* Role-Playing Game

38 Studios is currently developing an epic massive multi-player online game (an “MMOG”) code-named “*Copernicus*” (the “Game” or “*Copernicus*”) that aims to redefine conventional multi-player online gaming as it exists today. *Copernicus* is the first IP created by R.A. Salvatore, Todd McFarlane and the designers at 38 Studios. *Copernicus* tells the story of a unique, rich universe under siege; the player begins their heroic journey and must decide between saving the world or destroying it. The Game will introduce the heroes, storylines, and distinctive visual style that characterize the Company’s first IP.

While the initial release of *Copernicus* is expected to be an online game, the Company plans to develop and release versions of *Copernicus* for the PS3, Xbox 360, and PC platforms.



The Company currently intends to control development, production, publishing and distribution of the Game.

38 Studios is an early-stage company and is dependent on the proceeds of the Offering to continue the development of the Game. (See "Development Schedule")

3. Creating an Entertainment Powerhouse

38 Studios is still in the development phase of the Game and its initial IP. However, the Company is currently finalizing legal documentation with a leading worldwide developer and publisher of interactive entertainment software for the purchase of substantially all of the assets (the "Proposed Acquisition") of one of its subsidiary game development companies (the "Target Company"). When the Company consummates the Proposed Acquisition (if ever), the Company expects to add up to 76 additional employees (at an additional monthly payroll expense of approximately \$750,000). While the Company's estimates are preliminary and speculative, the Company estimates that its 2009 revenue would increase by approximately \$4,000,000. Consolidated pro forma financial information including the Company's revenue models incorporating sales of *Copernicus*-related products and revenues generated by the Proposed Acquisition are available upon request.

The Company expects that the Proposed Acquisition will close, if ever, prior to the initial closing of the Offering. However, there can be no assurance that the Company will consummate the Proposed Acquisition.

If 38 Studios completes the Proposed Acquisition, the Company will have development teams at its original studio in Maynard, Massachusetts, and at the current location of the Target Company. Between the two studios, the executive team boasts a combined total of more than 100 years of game development experience at top-tier companies including Electronic Arts, Sony Online Entertainment, and Comcast.

Together, 38 Studios hopes that the two studios will share a company culture built around a commitment to excellence and a singular vision for creating and exploiting new IP on multiple entertainment platforms.

4. The Azeroth Advisor

38 Studios currently publishes the *Azeroth Advisor*, an electronic newsletter designed and personalized for subscribers of the MMOG *World of Warcraft*. 38 Studios purchased the rights to the *Azeroth Advisor* together with the other assets of Mentor Media, Inc. in May 2008.

5. Additional Information

Additional information about the Company's business strategy can be found in the Corporate Vision Presentation attached hereto as **Exhibit A**.

C. The Offering

This Offering is for an aggregate of up to 20,161,290 Class B Units at a purchase price of \$1.24 per Unit. The purchase and sale of the Class B Units shall take place at one or more closings. The offering will terminate at 5:00 p.m. Boston Time on June 30, 2009 unless extended or closed earlier by the Company in its sole discretion.

D. Use of Proceeds

The net proceeds of the offering shall be applied to game development and launch costs including personnel compensation, marketing costs, general administrative costs and expenses. The Company may also use the proceeds in connection with the consummation of the Proposed Acquisition. (See "Use of Proceeds" in Section VII).

E. Risk Factors

This offering involves a HIGH DEGREE OF RISK. The Company is an early-stage company and requires months of development and launch activities before realizing any revenue from the Game.

Assuming successful completion of this Offering, under the Company's current financial projections, the Company expects to need additional funds in 24 months and there is no assurance that funds in the amount needed by and on terms satisfactory to the Company will be available at that time. The amount of additional funds which the Company will require after the expenditure of the proceeds of this offering may be substantial. The Company is highly dependent upon Curt Schilling, R.A. Salvatore and Todd McFarlane. An investment in the Company cannot be readily liquidated. For a more complete description of the risks associated with the Offering, see "Risk Factors" in Section III.

PROSPECTIVE INVESTORS SHOULD READ THIS ENTIRE MEMORANDUM FOR A COMPLETE UNDERSTANDING OF THIS OFFERING AND SHOULD NOT RELY UPON THE FOREGOING SUMMARY.

II. **TERMS OF OFFERING AND PLAN OF DISTRIBUTION**

<i>Issuer:</i>	38 Studios, LLC
<i>Amount of Financing:</i>	An aggregate of up to \$25 million, representing an approximately 28.75% ownership position, on a fully diluted basis, including Units reserved for an employee and consultant incentive option pool.
<i>Number of Class B Units included in the Offering:</i>	Up to a total of 20,161,290 Class B Units are being offered to qualified investors.
<i>Price:</i>	\$1.24 per Unit. This price represents a fully-diluted pre-money valuation of \$62 million and a fully-diluted post money valuation of \$87 million.

The offering price is not related to the Company's asset value,

See "Capitalization" below for summary capitalization tables.

The purchase and sale of the Class B Units shall take place at one or more closings, the first of which shall occur on or about May 1, 2009.

Membership Interests in the Company classified as Class B Units.

The offering period will terminate at 5:00 p.m. Boston Time on the Termination Date, unless extended by the Company. The Company may consummate the Offering and the purchase and sale of the Class B Units at more than one closing (each, a “Closing”) prior to the Termination Date. The Company reserves the absolute right to withdraw this Offering at any time. In the event that the Company elects to withdraw or cancel this Offering, all subscription payments received and held by the Company for a pending Closing will be promptly returned to the respective investor, without interest.

The Company is using one or more brokers in connection with this offering. There will be a sales commission or other remuneration paid to such brokers in connection with the sale of the Units offered hereby in an amount up to a maximum of 5% of the aggregate amount of gross proceeds of the Offering (subject to a minimum fee of \$200,000).

The Class B Units will only be offered and sold to “accredited

investors" as defined in Rule 501 of Regulation D under the Securities Act of 1933, as amended (the "Securities Act"). Accredited investors include

- (i) certain institutional investors;
- (ii) the executive officers and directors of the Company;
- (iii) natural persons whose individual net worth, or whose joint net worth with their spouse, at the time of purchase exceeds \$1,000,000;
- (iv) natural persons who have had individual (not joint) income in excess of \$200,000 in each of the last two years and who reasonably expect to have individual (not joint) income in excess of \$200,000 in the current year;
- (v) natural persons who have had joint income with their spouse in excess of \$300,000 in each of the last two years and who reasonably expect to have joint income with their spouse in excess of \$300,000 in the current year; and
- (vi) entities in which all of the equity owners are accredited investors described in clauses (i) through (iv) above.

III. RISK FACTORS

PURCHASE OF THE CLASS B UNITS IS A HIGH-RISK INVESTMENT

The securities offered hereby are SPECULATIVE and involve a HIGH DEGREE OF RISK. The Class B Units should be purchased only by persons who can afford to lose their entire investment. Prospective investors, prior to making an investment decision, should carefully consider, along with other matters referred to herein, the following risk factors:

A. History

38 Studios has a limited operating history. The likelihood of success of the Company must be considered in the light of the problems, expenses, difficulties, complications, and delays frequently encountered in connection with a developing business, and the competitive environment in which 38 Studios operates.

B. Product Development Risks

Video game development schedules are long and release dates are subject to a number of market forces. The development timeframe for the Game from the start of production to the

initial distribution date is 60 months; the Company believes that the initial distribution date for the Game will be approximately 30 months from the date of the Offering. In addition, the creative process inherent in video game development makes the length of the development cycle difficult to predict, especially in connection with products involving new technologies, learning and development tools. If an unanticipated delay affects the release of the Game, the Company may not achieve anticipated revenues on schedule, if ever. For example, if the Game is delayed until after an important selling season. A delay in introducing the Game could also require the Company to spend more development resources to complete *Copernicus*, which would increase the Company's costs and lower its margins, and could affect the development schedule for future products.

C. Rapid Technology Changes

Technology changes rapidly in the interactive entertainment industry. The Company must continually anticipate and adapt the Game to emerging technologies. The Company is designing the Game for multiple platforms including personal computers, X-Box 360, Playstation 3 and multiple handsets. A decision to incorporate a given technology, whether existing or emerging, commits resources to that technology and that technology's success or failure could enhance or reduce the Game success.

D. Competition

The interactive entertainment industry is highly competitive. It is characterized by the continuous introduction of new titles and the development of new technologies. The competitors in the market vary in size from very small companies with limited resources to very large companies with considerable financial, marketing and product development resources. Two principal factors of competition in the video game industry include the ability to select and develop popular titles and the ability to adapt products for use with new technologies.

Successful competition in the video game market is also based on price, product quality, product enhancements, brand recognition, access to retail shelf space, marketing support and access to distribution channels.

The MMOG market is dominated by Blizzard Entertainment and its blockbuster MMOG, *World of Warcraft*. Blizzard is perched atop the MMOG market with approximately 61% of the active worldwide subscribers of MMOGs as of December 2008. However, other MMOGs with less market share -- such as Everquest 1 (1.6%), Everquest 2 (1.4%), Star Wars Galaxies (1.4%), and Ultima Online (1.1%) -- have been commercially successful even though they trail Blizzard's *World of Warcraft*. (See "Risk Factors" in Section III).

The Company competes with numerous companies licensed by the platform manufacturers to develop or publish software products for use with their respective systems. These competitors include Activision, Atari, Capcom, Electronic Arts, Konami, Namco, SCi Entertainment, Sega, Take-Two Interactive Software, THQ, Ubisoft Entertainment and Vivendi Universal Games, among others. The Company expects to face additional competition from the entry of new companies into the video game and interactive media markets, including entry by well-financed, diversified entertainment companies.

Competitors with greater resources are able to spend more time and money on concept and focus testing, game development, product testing and marketing. Distribution networks are segmented, the barriers to entry are high and some of the Company's competitors may have better access to these markets. There is also intense competition for shelf space among video game developers and publishers, many of whom have greater brand name recognition, significantly more titles and greater leverage with retailers and distributors than the Company does. The Company's success will depend on its ability to successfully execute competitive strategies.

The barriers to entry in the PC market are lower because there are no publishing agreements with or royalties to be paid to the hardware manufacturers.

Large, diversified entertainment, cable and telecommunications companies, in addition to software companies, are increasing their focus on the interactive entertainment software market, which will likely result in consolidation and greater competition.

Competitors also include providers of alternative forms of entertainment, such as providers of non-interactive entertainment, including movies, television and music, and sporting goods providers. If the relative popularity of video games were to decline, our revenues, results of operations and financial condition likely would decline.

If the Company is unable to compete successfully, loss of sales, market share, opportunities to license marketable intellectual property and access to next-generation platform technology would result. The Company could also experience difficulty hiring and retaining qualified developers and other employees. Any of these consequences would significantly harm the business, results of operations and financial condition.

E. Launch

The Company plans to simultaneously launch the Game in the U.S. and Europe and then launch the Game according to a staggered, sequential order of other markets; this may be difficult to manage and could be more expensive than launching the Game in fewer markets.

F. Doing Business in a Foreign Country

International development, sales and operations are subject to a number of risks including:

- problems obtaining or enforcing intellectual property rights;
- the time and costs associated with translating and localizing the Game for foreign markets;
- foreign currency fluctuations;
- unexpected changes in regulatory requirements, including import and export control regulations; and

- difficulties and costs of staffing and managing foreign operations or licensing to foreign entities.

Any of these foreign commerce-related risks could adversely affect costs, results of operations and the financial condition of the Company.

G. Intellectual Property Protection

The Game and the various components thereof that are subject to intellectual property rights owned or licensed by the Company are susceptible to infringement, particularly through unauthorized copying of the Game and piracy. However, MMOGs are less susceptible to piracy than other game formats because the key intellectual property is stored on the Company's central servers (requiring authentication for player access) and is not distributed to users in a medium that is easily reproduced such as a DVD. Infringement of the Company's intellectual property rights would adversely affect revenues through lost sales or licensing fees, particularly where consumers obtain pirated copies. Moreover, the Company's reputation could be damaged to the extent consumers are wrongly led by infringers to believe that low-quality infringing material originated from the Company.

Preventing and curbing infringement through enforcement of the Company's intellectual property rights may be difficult, costly and time consuming. Enforcement of the Company's intellectual property rights may not be cost-effective, especially where the infringement takes place in foreign countries where the laws are less favorable to rights holders or are not sufficiently developed to afford the level of protection the Company desires.

H. General Business Risks

38 Studios is a development stage company with limited revenue to date. There can be no assurance that the Game and the Company's other products will produce significant revenues or earnings for the Company. To the extent the Company completes the Proposed Acquisition, the Company will own a catalog of previously launched successful games and expects that it will generate immediate revenue from such existing games. Among the risks associated with the Company's products are achievement of product cost and development objectives, and management of the Company's marketing and sales program.

I. Need for Additional Funds

The Company will almost certainly require additional capital in order to complete the development and marketing of the Game. The Company expects to raise additional capital through further equity and/or debt offerings. Future offerings will likely result in the dilution of ownership of the Company to investors purchasing Class B Units under the terms of this Offering.

There can be no assurance that additional capital from any source will be available when needed or on terms acceptable to the Company. The availability of additional financing may be dependent on the relative success and progress of the Company and may be offered on more favorable terms than offered herein. In order to obtain additional financing, the Company may

be required to dilute the equity investment of its then current members, including those investors purchasing Class B Units in this Offering.

J. No Minimum; Class B Units are Sold on "Best Efforts" Basis

The Class B Units are being offered by the Company on a "best efforts" basis and no minimum amount of proceeds is required to be raised before the Company may use the proceeds of the Offering. No assurance is given that any specific portion of Class B Units offered hereby will be sold. The description of the "Use of Proceeds" set forth herein shows the proposed use of the net proceeds assuming the sale of all of the Class B Units offered hereby. To the extent that less than all of the Class B Units offered hereby are sold, the Company will need to adjust its planned use of proceeds to compensate for the reduction in receipt of funds. The allocation and prioritization of uses of proceeds will be undertaken by the Company's Board of Directors and senior management based on their opinion, from time to time, as to the likely proceeds from this Offering and the then-existing needs of the Company.

K. Dependence on Key Personnel

The success of the Company's business will be significantly dependent upon the skills and continued commitment of Curt Schilling, the Company's founder, Todd McFarlane, the artistic visionary of *Copernicus*, and R.A. Salvatore, the master fantasy author of the Game. The development of the Game as well as the effectiveness of marketing are dependent on key people. The loss of any one of them could diminish the success of the Company's games and their ability to attract an audience and following. Any change in the key personnel could also extend the development timeframe and thereby require additional resources.

The Company's ability to grow and succeed is dependent upon its ability to attract and retain skilled game developers, artists, software engineers, and experienced management and marketing personnel. Its inability to do so would materially and adversely affect the Company's business.

L. Absence of Liquidity

There is not now, nor is there likely to be in the near term, any public market for the sale of the Class B Units. Accordingly, any investment in the Company cannot be expected to be liquidated, if at all, even in an emergency. Further, an investor may be unable to sell his Class B Units for a price approaching his original investment.

M. Determination of Offering Price

The offering price for the Class B Units was established by the Company and bears no relationship to the assets or book value of the Company. No assurance is given that the Company's Class B Unit could be sold for the offering price or for any amount. Factors considered in establishing the price include the following: management's estimate of the business potential and prospects of the Company's products in development, recent industry comparable, the present status of the Company's marketing efforts, and consideration of the above factors in relation to valuations of comparable companies and the current condition of the industry and the economy as a whole.

N. Minority Interest

As the majority Unit holder, Curt Schilling controls the Company and the Board of Directors. Purchasers of the Class B Units offered hereby will be minority members of the Company and will not have any control over the management of the Company other than with respect to the voting rights provided in the Amended and Restated Operating Agreement. The day to day operation and all decisions concerning the operation of the business of the Company shall be borne by the Board of Directors.

O. Risks Inherent in the Video Game and Entertainment Industries

The video game, interactive media and entertainment industries, particularly the business of producing and distributing proprietary video games is highly speculative and inherently risky. There is no guarantee of the economic success of any video game since the revenue derived from the production and distribution of a video game depends primarily upon the video game's acceptance, which cannot be predicted. The commercial success of a video game also depends upon the quality and acceptance of other competing games released into the marketplace at or near the same time, the availability of alternative forms of entertainment and leisure time activities, general economic conditions, and other tangible and intangible factors, all of which can change at any time and cannot be predicted. As a result, there is a risk that any project undertaken by the Company will not be commercially successful, which would result in costs not being fully recouped or anticipated profits not being realized.

P. Integration of the Target Company

In the event that the Company completes the Proposed Acquisition, game development and human resources related to the acquired assets of the Target Company will need to be integrated into the Company. Such integration activities may be time consuming and costly and could become a distraction for management of the Company and interfere with its development plans for *Copernicus*.

IV. DESCRIPTION OF SECURITIES

As the Company is a Delaware limited liability company (an "LLC"), its investors whose subscriptions are accepted by the Company become "Members". Rather than receive stock, investors in an LLC receive "Membership Interests". Pursuant to the current Operating Agreement, the Company currently has one class of Membership Interest: Class A Units. On or before the initial Closing, the Company will amend and restate the current Operating Agreement to reflect the terms of the Offering including the rights, preferences and privileges associated with the Class B Units. Except as noted below, each Member will have the same voting rights under the Amended and Restated Operating Agreement: each Member shall be entitled to one vote for each Class A Unit or Class B Unit held by such Member. Except as expressly noted below under "Protective Provisions", Members holding Class B Units will vote together with holders of Class A Units as a single class and will not be entitled to separate class voting. As of the date of this Memorandum, the Company has issued Class A Units to four Members and has not issued any Class B Units. Investors subscribing to the Offering whose subscriptions are

accepted by the Company shall become Members of the Company with the rights and privileges described in the Amended and Restated Operating Agreement.

The Company is offering up to 20,161,290 Class B Units. The sale price of the Class B Units has been determined by the Company and does not necessarily bear any relationship to the Company's book value, assets, past operating results, financial condition, generally accepted accounting principles or any other established criteria of value. The Company has not declared or paid any dividends or made any distributions with respect to its Units since its inception and intends, for the foreseeable future, to retain earnings, if any, to finance the development and expansion of its business and the Game. (See "Risk Factors" in Section III).

Distributions:

Cash to be distributed to holders of Units ("Members"), upon a liquidation or winding up of the Company or as otherwise determined by the Board of Directors, shall (after satisfying the Company's debts and obligations) be distributed to Members as follows:

(i) first, one hundred percent (100%) to Members holding Class B Units, to the extent of and in proportion to the cash contributed by such Members to the Company in exchange for such Class B Units,

(ii) second, one hundred percent (100%) to Members holding Class A Units, to the extent of and in proportion to the cash contributed to the Company by such Members in exchange for such Class A Units, and

(iii) thereafter, in proportion to the respective number of Units held by each Member.

Allocations of Profit and Loss:

Profits and losses shall be allocated to Members in such amounts and proportions as are necessary for their respective adjusted capital account balances to equal their respective "Target Capital Account Balances" as of the close of such fiscal year.

As used herein, "Target Capital Account Balance" shall mean the amount a Member would then be entitled to receive if the Company were to sell its non-cash assets at book value, satisfy its debts and obligations in accordance with their terms, and then liquidate and distribute cash to Members in accordance with the distribution provisions described above.

The Class B Units will be subject to a broad-based weighted average adjustment (i.e., including all convertible securities then issued and outstanding including all options and convertible debt instruments) to reduce dilution in the event that the Company issues additional equity securities (other than securities reserved under employee equity incentive plans, securities issued pursuant to acquisition transactions, securities issued to financial institutions or lessors in connection with commercial credit arrangements, equipment financings or similar transactions, securities issued in strategic transactions, and other customary exceptions) at a purchase price less than the Offering Price, subject to proportional adjustment for splits, dividends, recapitalizations and the like.

Each Unit shall have one (1) vote. Except as expressly noted below under “Protective Provisions”, Members holding Class B Units will vote together with holders of Class A Units as a single class.

The size of the Company's Board of Directors shall initially be set at six (6) members, each of whom shall be elected by a vote of the Members holding a majority of the Units issued, outstanding and entitled to vote thereon (voting together as a single class). The directors will include: Brett Close, Gary Jbara, Douglas Macrae, Curt Schilling, Shonda Schilling and Bill Thomas.

Consent of the holders of at least a majority of Units (voting together as a single class) shall be required to sell all or substantially all of the assets of the Company or merge with, or consolidate into, another entity.

For so long as at least 1,000,000 Class A Units remain outstanding, consent of the holders of at least a majority of the Class A Units (voting as a separate class) shall be required for any action that (i) alters or changes the rights, preferences or privileges of the Class A Units, (ii) increases or decreases the authorized number of Class A Units, (iii) creates (by reclassification or otherwise) any new class or series of Units having rights, preferences or privileges senior to or on a parity with the Class A Units, (iv) results in the redemption or repurchase of any Class A Units (other than pursuant to equity incentive agreements with service providers giving the Company the right to repurchase Units upon the termination of services), (v) results in any merger, corporate reorganization or other transaction that results in a change in control of the Company, or any transaction in which all or substantially all of the assets of the Company are sold, unless the cash and/or equity consideration in the transaction is greater than \$250 million, (vi) increases the authorized size of the Company's Board of Directors to more than

six (6), or (vii) results in the reclassification of units junior to the Class A Units into units having rights and preferences or privileges senior to or on a parity with the Class A Units.

For so long as at least 1,000,000 Class B Units remain outstanding, consent of the holders of at least a majority of the Class B Units (voting as a separate class) shall be required for any action that (i) alters or changes the rights, preferences or privileges of the Class B Units, (ii) increases or decreases the authorized number of Class B Units, (iii) creates (by reclassification or otherwise) any new class or series of Units having rights, preferences or privileges senior to or on a parity with the Class B Units, (iv) results in the redemption or repurchase of any Class B Units (other than pursuant to equity incentive agreements with service providers giving the Company the right to repurchase Units upon the termination of services), (v) results in any merger, corporate reorganization or other transaction that results in a change in control of the Company, or any transaction in which all or substantially all of the assets of the Company are sold, unless the cash and/or equity consideration in the transaction is greater than \$250 million, (vi) increases the authorized size of the Company's Board of Directors to more than six (6), or (vii) results in the reclassification of units junior to the Class B Units into units having rights and preferences or privileges senior to or on a parity with the Class B Units.

Information Rights:

So long as an investor continues to hold at least 250,000 Units, the Company shall deliver to such investor audited annual and unaudited quarterly financial statements. These provisions shall terminate upon the earlier of a change of control of the Company and the Company's initial public offering.

Inspection Rights:

The Company shall keep such books and records, in addition to any documents and information required to be furnished to a Member under Delaware law, at the principal office of the Company for examination and copying by any Member or Director, at such Member's or Director's reasonable request and expense, during ordinary business hours. These provisions shall terminate upon the earlier of a change of control of the Company and the Company's initial public offering

Pre-Emptive Rights:

Each Unit holder shall have the right in the event the Company proposes to offer equity securities to any person (other than securities reserved under equity incentive plans, securities issued pursuant to acquisition transactions, securities issued to financial institutions or lessors in connection with commercial credit arrangements, equipment financings or similar transactions,

Right of First Refusal: The Company first, and the Members second, shall have a right of first refusal on any proposed sales of Units by any Member to a third party. These provisions shall terminate upon the earlier of a change of control of the Company and the Company's initial public offering.

The capitalization of the Company as of the date of this Memorandum and the pro forma capitalization of the Company, giving effect to the issuance of all Class B Units offered in the Offering are set forth in the following table.

PRO FORMA CAPITALIZATION	Class A Units	Class B Units	Class A Unit Options	Total Units (Fully Diluted Basis)	Pro Rata % (Fully Diluted Basis)
<i>New Investors</i>		20,161,290		20,161,290	28.74%
<i>Existing Members</i>	43,346,666			43,346,666	61.87%
<i>Issued Options</i>	-	-	5,807,000	5,807,000	8.28%
<i>Option Pool Balance</i>	-	-	846,334	846,334	1.21%
Total	43,346,666	20,161,290	6,653,334	70,161,290	100.00%



VI. NATURE OF THE COMPANY'S BUSINESS

A. Company Vision

The goal of 38 Studios is simple: create original, extensible IP using mass-market games as the "launch platform." 38 Studios brings talent, industry experience, new concepts, and passion to differentiate itself from all other developers in the video game market. The vision of the Company's founder, Curt Schilling, is to combine the best available creative and artistic talent -- Todd McFarlane -- with the best story teller -- R.A. Salvatore -- to create a revolutionary and proprietary MMOG.

B. 38 Studios' Visionaries

1. Todd McFarlane -- Artistic Visionary. Over 150 million copies of his comic books have been sold. His creation of the iconic comic book character "Spawn" is published in 16 languages and distributed in more than 120 countries. His website www.spawn.com generates more 300 million+ hits a month.
2. R. A. Salvatore -- Founder of "The World". His books regularly appear on *The New York Times* best-seller lists and have sold more than 15,000,000 copies in the U.S. alone. R.A.'s most recent original hardcover, *The Two Swords*, Book III of The Hunter's Blade Trilogy debuted at # 1 on The Wall Street Journal best-seller list and at #4 on The New York Times best-seller list. His books have been translated into numerous foreign languages, including German, Italian, Finnish, Greek, Hungarian, Turkish, Croatian, Bulgarian, Yiddish, Spanish, Russian, Polish, Czech, and French. One of R.A.'s most famous, or infamous, stories revolves around his assassination of one of science-fiction's most famous and iconic characters in *Vector Prime* (Star Wars: The New Jedi Order, Book 1).
3. Curt Schilling -- Founder and Executive Visionary. Curt has 8 years of video game industry experience, and has participated in MMO development through his long partnership with Sony Online Entertainment. His leadership is seen on and off the field, and he is noted as a player spokesman and advocate for his teammates and sport. His preparation skills and ability to focus are extraordinary even amongst professional athletes, and have carried over into his business activities. He excels in the most intense and pressure packed environments.

C. Product Description

38 Studios is producing *Copernicus*, a Massive Multi-player Online Role Playing Game (an "MMORPG"), based on original intellectual property including characters and storyline. 38 Studios will fuse communications technology and previously unused media outlets and methods with a story written by one of the world's premiere fantasy authors, R.A. Salvatore, and artwork created by Todd McFarlane. The first edition of *Copernicus* is expected to be completed and

released in late 2011. By then, the Company hopes to be a leader in the computer gaming industry.

38 Studios plans to develop and launch *Copernicus* for three distinct platforms -- the PC, gaming consoles and handheld devices -- and across the globe in an effort to increase its competitive advantage. The Company aims to support these platforms in ways that bring products to an ever-expanding audience of players.

In addition, if the Company completes the Proposed Acquisition, it expects to re-release certain previously-released console games as digital downloads.

1. PC-Based Games. The initial target market will consist of the estimated 30,000,000 worldwide MMOG subscribers. With the primary platform as the PC and personal computers becoming fixtures in more and more homes across the world, 38 Studios is developing a title that takes advantage of hardware advances while staying within system specs that will maximize the potential market.
2. Console Games. The new generation of gaming consoles, exemplified by PlayStation 3, bring a new level of interconnectivity and performance to the console landscape. Consoles are finally capable of delivering the depth of content needed for the cutting-edge game world 38 Studios is developing, and it is crucial to reach out to this growing market segment. The console market continues to expand, and 38 Studios will be a part of bringing this genre to these players.
3. Handheld Devices. Though handheld platforms have limitations that preclude running the full version of 38 Studios' game, the portability that these devices offer will be harnessed to keep players immersed in the game's universe. 38 Studios is investigating ways to integrate mini-games playable on handheld devices that allow players to stay connected to their characters, participating in social or economic aspects of the game while away from their PC or console. 38 Studios will support new hardware and distribution methods whenever it makes sound business sense to do so, keeping the focus firmly on innovation in the MMOG space.

D. Ancillary Products

The Company intends to market products ancillary to the Game including, for example:

- a toy line from McFarlane toys
- comic books written by R. A. Salvatore and drawn by Todd McFarlane
- a prequel book to the story of *Copernicus* for fans of both authors and fans of the fantasy genre

E. Pre-Launch Activities

The Company hopes that pre-launch activities -- including the marketing of the foregoing ancillary products as much as two years before the release of the Game -- will allow 38 Studios to brand its proprietary intellectual property rights and give *Copernicus* a competitive advantage. Other pre-release activities may include weekly Video On Demand shows where Todd McFarlane reveals and discusses concept art and R. A. Salvatore talks in-depth about the lore and history of our iconic characters. The Company hopes that such pre-release activities will provide a stage to make 38 Studios' story rival the popularity of the most famous and beloved fantasy properties of all time.

F. Development Schedule

The timeline for game production involves high-level development phases and major milestones through 2011. The phases represent an optimized approach based on rigorous software engineering and development methodologies applied to the game development process. 38 Studios' executive team and developers previously employed this approach to deliver numerous shipped titles at a variety of publishers, including Electronic Arts, Midway, and Sony Online Entertainment. This approach is detailed in the Corporate Vision Presentation attached hereto as **Exhibit A**. Below is a brief summary of the major milestones and their current status:

MILESTONE	SCHEDULED COMPLETION DATE	STATUS
Concept Kickoff	Nov 06	COMPLETE
Concept Completion Review	Feb 08	COMPLETE
Prototype Kickoff	Feb 08	COMPLETE
Prototype Completion Review	Oct 08	COMPLETE
Vertical Slice Kickoff	Oct 08	COMPLETE
Vertical Slice Completion Review	Dec 08	COMPLETE
Pre-Production Kickoff	Dec 08	COMPLETE
Pre-Production Completion Review	Jul 09	PENDING
Production Kickoff	Oct 09	PENDING
CLOSED LIVE REVIEW	Nov 10	PENDING
Production Completion Review	Dec 10	PENDING
Post Production	Feb 11	PENDING
OPEN LIVE REVIEW	Apr 11	PENDING
ALPHA : Complete	Jun 11	PENDING
BETA: Complete	Aug 11	PENDING
RTM	Sep 11	PENDING
Final / LIVE	Oct 11	PENDING

G. Sales and Marketing Strategy

The MMOG industry in the United States is projecting revenues of nearly \$6 billion in the year 2009. The two main revenue streams in the MMOG market consist of retail sales and





A. Brett Close – President and CEO

Brett Close, a video game industry veteran with more than 15 years of experience, is known for consistently delivering highly successful products by building exceptionally effective teams and organizations across a variety of industries, including: video games and entertainment products, scientific/business software, and pharmaceutical/bio-tech products. Brett joined 38 Studios from Midway Games, where he served as head of the Austin studio and Global Director of Midway Production, overseeing multiple products lines, including *BlackSite: Area51*. Brett is an expert in the intersection of technology, game design, and software development after having held a number of technical and managerial roles in the software industry. Earlier in his career as a development director at Electronic Arts, Brett was responsible for all technical aspects of development and production for the award-winning *Medal of Honor* game franchise based out of EA's Los Angeles studio. He honed his skills at Devil's Thumb/VR-1/Jaleco Entertainment in Boulder, Colorado, where he began his game career as a software engineer and technical director. He quickly worked his way up to senior producer for the *NightCaster* Xbox launch and eventually became general manager of the Boulder studio. Brett holds a master's degree in electrical engineering and computer science and a bachelor's degree in chemistry from the University of Kansas. He also studied philosophy and chemistry at Universität Dortmund in Germany. An avid athlete, musician, and environmentalist, Brett is a respected industry leader known for both encouraging and establishing a true work-life balance in the game development environment. Brett currently serves as an advisor to Governor Deval Patrick on the Massachusetts Information Technology Collaborative, is a member of the MIT Enterprise Forum SIG on Interactive Entertainment, and is an avid participant in the Massachusetts Technology Leadership Council.

B. Bill Thomas – Chief Operations Officer

Bill brings 33 years of executive and operational experience to 38 Studios. He has set up, developed, and funded operations in the Middle East, Asia, and the United States. As chairman and CEO of Fortune 500 subsidiaries, Bill has built and executed strategic-development plans for globalization of financial service organizations, as well as funding medical and environmental services start-up companies. He has served as consultant for such conglomerates as Westinghouse, Lockheed, Boeing, Raytheon, Hyundai, LG Group, Samsung, Daewoo, HSBC, Bechtel, and Texas Instruments; negotiated joint ventures for entertainers like John Denver, Michael Jackson, Tony Bennett, Phil Collins, and the Everly Brothers; and provided leadership for market development, licensing, and trademark for the Malaysian-based American Polo Club USA's penetration of the US market. Bill's extensive experience with working across cultures as well as at all levels of government and commercial organizations provides him with knowledge of and access to a multitude of financial and operational resources.

C. Mary Kirchoff – Chief Marketing Officer

Industry veteran Mary Kirchoff brings immense and diverse experience to 38 Studios. She began her career in the gaming industry as an editor at TSR, birthplace of the industry-changing Dungeons & Dragons role-playing game. She was instrumental in the development and branding of the Dragonlance and Forgotten Realms fantasy worlds and brand extensions through creation and stewardship of an industry-making shared-world novels program with more than

and Ziff Davis. John has been a gamer since the pinnacle of gaming technology was grid paper and a mechanical pencil. Moving to computer gaming as quickly as possible, his vocabulary was greatly expanded by words like “plugh” and “xyzyzy.” Starting with Wizardry and continuing through the most current MMOGs, John’s love affair with role-playing games has reached dizzying new heights.

G. Brandon Franks – IT

Brandon has a diverse field of experience, coming to 38 Studios from The Engineering Institute, where he implemented a process to provide courtroom materials for all cases and trials, including one that resulted in one of the largest product liability judgments in history, and maintained all aspects of IT pertaining to a sister company's completion of a military vehicle project. Prior to that, Brandon worked in academia, serving as Applications Programmer for the University of Arkansas' Computing Services. Brandon also has experience in mass transportation, serving as a QC technician/QA manager for Northwest Arkansas Regional Airport during the 5th longest runway expansion project in the US since 1975. Brandon has 25 years of gaming experience, having programmed his first BASIC game on his TI-99 in the early 80s. This early fascination with games was instrumental in his pursuit and completion of his BS in computer systems engineering. From his beta testing of Meridian 59, sometimes credited as the world's first graphical MMO, to today's current and future MMO titles, Brandon continues to explore all aspects of the gaming world.

IX. LITIGATION

The Company is not currently involved in any litigation or administrative proceeding believed to be material to the development of the Company's business objectives or the Offering.

X. FACILITIES

In September 2006, the Company leased approximately 30,000 square feet of office and studio space at 5 Clock Tower Place in Maynard, Massachusetts for a period of 6.5 years.

If the Company completes the Proposed Acquisition, the Company will have an additional 14,000 square feet of office and studio space in the Mid-Atlantic region of the United States.

The Company has no plans at this time to acquire any additional space.

XI. FINANCIAL STATEMENTS

Attached hereto as **Exhibit E** is the preliminary unaudited balance sheet of the Company as of December 31, 2008 and the related statements of income and cash flows for the fiscal year then ended.



XII. HOW TO SUBSCRIBE FOR CLASS B UNITS IN THE OFFERING

Persons desiring to purchase the Class B Units offered hereby must execute and deliver to the Company:

- (i) the Subscription Agreement relating to the Class B Units attached to this Memorandum as **Exhibit B**;
- (ii) the Investor Questionnaire attached to this Memorandum as **Exhibit C**; and
- (iii) a Check made payable to 38 Studios, LLC in the amount of the Class B Units subscribed for by such person.

The Subscription Agreement and the Investor Questionnaire set forth certain terms and conditions of the purchase and sale of the Class B Units. In addition, such documents contain representations and warranties of the prospective investor. For example, each investor will represent and warrant to the Company that, among other things, (i) he or she understands that the Offering has not been registered under the Securities Act (or any state securities laws), (ii) that the Class B Units must be held indefinitely unless they are subsequently registered thereunder (or an exemption from registration is available), and (iii) he or she intends to acquire and hold the Class B Units for his or her own account for investment, and not with a view to the distribution thereof. Such representations and warranties will be relied upon by the Company to comply with its obligations under the applicable securities laws. Therefore, care should be taken in reading and completing the Subscription Agreement and the Investor Questionnaire to ensure accuracy and completeness.

Subscription Agreements are not binding upon the Company until accepted by the Company. In the event that the Company accepts a subscription of Class B Units (or a portion thereof), the subscriber will be required to execute and deliver to the Company a counterpart signature page to the Amended and Restated Operating Agreement as a condition precedent to the Closing.

XIII. EXHIBITS

- A. Exhibit A - Corporate Vision Presentation
- B. Exhibit B - Form of Subscription Agreement
- C. Exhibit C - Investor Questionnaire
- D. Exhibit D - Budget Summary
- E. Exhibit E - Financial Statements

Exhibit A - Corporate Vision Presentation

Exhibit B - Form of Subscription Agreement

[To be provided to investors separately]

PROSPECTIVE INVESTOR QUESTIONNAIRE

INSTRUCTIONS



If applicable:

Spouse's Name: _____

Home Address: _____

Date of Birth: _____ Home Telephone: _____

Dollar Amount of Class B Units To Be Purchased: \$ _____

2. Qualification as Accredited Investor

(a) Are you a natural person whose current individual net worth or joint net worth with your spouse exceeds \$1,000,000?

Yes _____ No _____

(b) Are you a natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with your spouse in each of those years in excess of \$300,000 and do you reasonably expect to achieve the same income levels in the present year?

Yes _____ No _____

(c) Are you a director or executive officer of the Company?

Yes _____ No _____

(d) Are you or, if applicable, the entity on whose behalf you are completing this Questionnaire:

(i) a bank as defined in Section 3(a)(2) of the Securities Act or a savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act, whether acting in its individual or fiduciary capacity?

Yes _____ No _____

(ii) a broker or dealer registered pursuant to Section 15 of the United States Securities Exchange Act of 1934?

Yes _____ No _____

(iii) an insurance company as defined in Section 2(13) of the Securities Act?



Yes _____ No _____

(iv) an investment company registered under the United States Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of such Act?

Yes _____ No _____

(v) a small business investment company licensed by the United States Small Business Administration under Section 301(c) or (d) of the United States Small Business Investment Act of 1958?

Yes _____ No _____

(vi) a plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions for the benefit of its employees which has total assets in excess of \$5,000,000?

Yes _____ No _____

(vii) an employee benefit plan within the meaning of the United States Employee Retirement Income Security Act of 1974, as amended ("ERISA"), for which all investment decisions are made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser?

Yes _____ No _____

(viii) an employee benefit plan within the meaning of ERISA which has total assets in excess of \$5,000,000?

Yes _____ No _____

(ix) a self-directed employee benefit plan within the meaning of ERISA, with investment decisions made solely by persons that are accredited investors as set forth in this question 2?

Yes _____ No _____

(x) a private business development company as defined in Section 202(a)(22) of the United States Investment Advisers Act of 1940?

Yes _____ No _____

(xi) an organization described in Section 501(c)(3) of the Internal Revenue Code, a corporation, a Massachusetts or similar business trust, or a partnership, with total assets in excess of \$5,000,000?

Yes _____ No _____

If your answer to the preceding question was "yes", was the entity on whose behalf you are completing this Questionnaire formed for the purpose of investing in the Company?

Yes _____ No _____

If so, how many persons are beneficial owners of the equity securities or equity interests of such entity?

(xi) a trust with total assets in excess of \$5,000,000 whose purchase is directed by a person who has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the prospective investment in the Company?

Yes _____ No _____

If your answer to the preceding question was "yes", was the entity on whose behalf you are completing this Questionnaire formed for the purpose of investing in the Company?

Yes _____ No _____

If so, how many persons are beneficial owners of the equity securities or equity interests of such entity?

(e) Are you completing this Questionnaire on behalf of an entity in which all of the equity owners are accredited investors within the meaning of Rule 501 promulgated under the Securities Act who are within one of the categories of accredited investors described in one of the paragraphs of this question 2?

Yes _____ No _____

The foregoing statements are true, accurate and complete to the best of the undersigned's information and belief, and the undersigned hereby agrees promptly to notify and supply corrective information to the Company if, prior to the consummation of its investment in the Company, any of such information becomes inaccurate or incomplete.

For Execution by Natural Person(s)

Signature of Prospective
Investor

Please Print Name

Executed at _____
City State

on this ____ day of _____, 2009.

For Execution by Corporate, Partnership or Trust Prospective Investor

Name of Corporation, Partnership or Trust (Please Print)

By: _____

Title: _____

Signature of person making the investment decision on behalf of the entity.

Executed at _____
City State

on this ____ day of _____, 2009.



Exhibit D - Budget Summary

A. Budget Summary of 38 Studios (without effect of Proposed Acquisition)

Descript/Name	FY2006 Actual	FY2007 Actual	FY2008 Actuals	FY2009 BUDGET	FY2010 BUDGET	FY2011 BUDGET
REGULAR EMPLOYEES (FTE)	20.0	42.0	65.0	114.0	141.0	149.0
Art	6.0	14.0	17.0	31.0	36.0	36.0
Design	4.0	10.0	15.0	18.0	22.0	22.0
Engineering		3.0	11.0	20.0	22.0	22.0
Production	1.0	2.0	4.0	5.0	6.0	6.0
Mkt/PR		1.0	1.0	3.0	3.0	3.0
WEB		0.0	3.0	5.0	5.0	6.0
IT	2.0	4.0	5.0	6.0	6.0	6.0
Administration(ADM)	7.0	6.0	7.0	8.0	8.0	9.0
Audio (AUD)		0.0	1.0	3.0	6.0	6.0
Quality Assur (QA)		0.0	1.0	10.0	15.0	16.0
Community Mgmt(CM)		0.0	0.0	2.0	4.0	7.0
Customer Svc (CS)		0.0	0.0	1.0	2.0	4.0
Advizor	0.0	0.0	0.0	0.0	0.0	0.0
Cop Platform	0.0	0.0	0.0	2.0	6.0	6.0
COMPENSATION TOTAL	233,825	3,875,979	6,897,195	11,337,812	14,842,616	16,689,868
Employee [Reg] Salary	190,667	3,069,849	5,562,703	8,892,402	11,193,527	12,102,527
BENEFITS	23,160	575,393	929,193	1,689,556	2,126,770	2,299,480
PAYROLL TAX	19,998	230,736	405,299	755,854	951,450	1,028,715
Contingency/Inflation	0	0	0	0	570,870	1,259,147
NON-COMPENSATION EXPENSES	261,334	1,767,405	3,167,459	3,629,509	4,162,717	4,426,311
Travel & Entertainment	74,734	344,142	361,187	416,515	467,410	493,475
Employee-Related	1,759	4,501	3,976	198,184	252,834	276,429
Communications	15,145	77,306	68,580	87,420	90,000	90,000
Office Space	40,673	434,081	474,784	498,842	579,285	595,103
Rental Prop Expenses	28,073	112,964	30,077	0	0	0
Job Recruitment	4,200	10,309	91,223	122,500	67,500	20,000
Relocation Expenses	14,600	243,811	292,687	539,000	297,000	88,000
General	9,258	43,650	66,517	115,600	141,700	155,067
Office Expenses	7,817	88,998	92,590	211,680	239,085	253,120
Marketing Expenses	2,762	40,780	161,960	473,070	969,540	987,168
Insurance	10,901	20,503	15,079	19,990	22,623	26,584
Research & Development	0	102,713	1,107,657	205,000	10,000	0
Prof Svcs, Legal, Acctng	51,412	243,648	346,768	468,184	654,830	951,502
Azeroth Advizor	0	0	54,374	197,813	278,053	391,952
Contingency/Inflation	0	0	0	75,712	92,858	97,911
CAPITAL	663,288	693,259	2,400,685	801,580	600,202	359,883
Fixed Assets	456,063	646,576	517,470	782,029	563,570	325,215
Other Assets	207,225	46,683	1,883,215	0	0	0
Contingency/Inflation	0	0	0	19,551	36,632	34,668
Total Cost [EBITDA]	1,158,447	6,336,642	12,465,339	15,768,901	19,605,536	21,476,063
Cummul Total [EBITDA]	1,158,447	7,495,089	19,960,428	35,729,329	55,334,865	76,810,928
Mean \$/Head / mo [EBITDA]	49,211	14,642	20,833	13,688	12,702	12,314

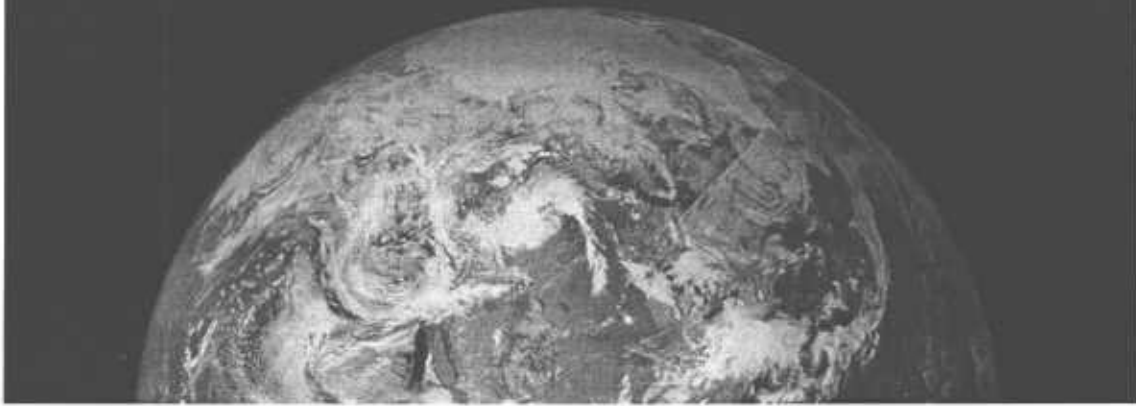


B. Pro Forma Consolidated Budget Summary (assuming the completion of the Proposed Acquisition)

Descript/Name	FY2006 38 Studio Actual	FY2007 38 Studio Actual	FY2008 38 Studio Actual	FY2009 BUDGET	FY2010 BUDGET	FY2011 BUDGET
EMPLOYEE FTE SUMMARY	20.0	42.0	65.0	190.0	217.0	225.0
REGULAR EMPLOYEES FTE)	20.0	42.0	65.0	190.0	217.0	225.0
COMPENSATION TOTAL	233,825	3,875,979	6,897,195	16,612,297	22,165,348	24,305,509
Employee [Reg] Salary	190,667	3,069,849	5,562,703	13,029,253	16,715,949	17,624,949
BENEFITS	23,160	575,393	929,193	2,475,558	3,176,030	3,348,740
PAYROLL TAX	19,998	230,736	405,299	1,107,486	1,420,856	1,498,121
Contingency/Inflation	0	0	0	0	852,513	1,833,700
NON-COMPENSATION EXPENSES	261,334	1,767,405	3,167,459	5,507,441	7,292,222	7,876,369
Travel & Entertainment	74,734	344,142	361,187	699,455	852,725	878,790
Employee-Related	1,759	4,501	3,976	310,423	388,618	412,213
Communications	15,145	77,306	68,580	154,920	180,000	180,000
Office Space	40,673	434,081	474,784	892,229	1,109,180	1,131,860
Rental Prop Expenses	28,073	112,964	30,077	0	0	0
Job Recruitment	4,200	10,309	91,223	122,500	67,500	20,000
Relocation Expenses	14,600	243,811	292,687	539,000	297,000	88,000
General	9,258	43,650	66,517	364,550	473,500	486,867
Office Expenses	7,817	88,998	92,590	357,840	433,965	448,000
Marketing Expenses	2,762	40,780	161,960	817,010	1,833,480	1,866,816
Insurance	10,901	20,503	15,079	39,368	44,010	50,757
Research & Development	0	102,713	1,107,657	205,000	10,000	0
Prof Svcs, Legal, Acctg	51,412	243,648	346,768	685,818	1,040,330	1,490,855
Azeroth Advlzr	0	0	54,374	197,813	278,053	391,962
Contingency/Inflation	0	0	0	121,515	283,860	430,259
CAPITAL	663,288	693,259	2,400,685	925,453	808,516	576,334
Fixed Assets	456,063	646,576	517,470	902,880	759,170	520,815
Other Assets	207,225	46,683	1,883,215	0	0	0
Contingency/Inflation	0	0	0	22,572	49,346	55,519
Total Cost [EBITDA]	1,158,447	6,336,642	12,465,339	23,045,191	30,266,087	32,758,212
Cummul Total [EBITDA]	1,158,447	7,495,089	19,960,428	51,491,128	81,757,214	114,515,426
Mean \$/Head / mo [EBITDA]	49,211	14,642	20,833	12,552	12,326	12,343



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Creating an Entertainment and Economic Powerhouse

- DFC Intelligence forecasts that worldwide online game revenue will grow from \$4.5B in 2006 to surpass \$13B in 2012. (DFC Online Game Markets Forecast 2007)

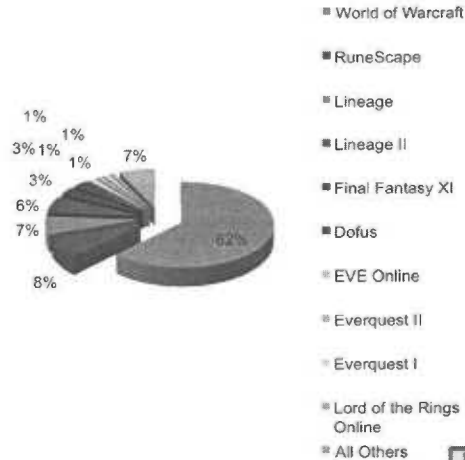
MMO Subscriptions Market Share-April 2008

- "We think that games fit within a larger category of discretionary spending that encompasses all entertainment and leisure. In a recession, we think that the number of hours spent by consumers engaging in leisure and entertainment activity is likely to *increase*, with a shift from higher cost forms of leisure and entertainment to lower cost forms." -Wedbush Morgan

- Massively Multiplayer Online game (MMOG) as core experience for immersive world

- Only one clear leader in massively multiplayer games
- Space for strong alternative to World of Warcraft
- Goal to be Top 3 MMOG

- "Project Copernicus" IP created to scale across movies, TV, books, comics, toys, console, mobile platforms
 - World-wide distribution
 - Epic fantasy experience translates across cultures



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MMO - 2008 - 2012

Strong Sector Performance: Industry Trends

Explosive Growth of an Emerging Art Form

- Global sales of video game software reached \$32 billion in 2008 (Media Control GfK Int'l)
- In 2008, industry saw revenue growth of 20% over 2007 (NPD)
- 10% annual compound growth predicted through 2012 (PricewaterhouseCoopers)
- Subscription-based MMOG market continues to strengthen
 - 22% aggregate growth in 2008, 27% growth in non-WoW categories
 - NA/EU subscription MMOG market will top \$2B annual revenue in 2013 (Screen Digest, 3/09)

Top Hollywood Talent Moving to Games

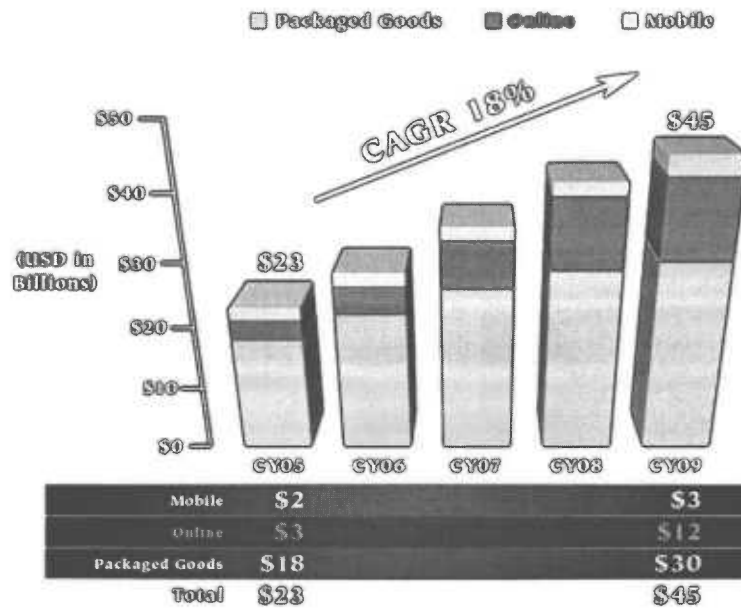
- Avi Arad, ex-CEO of Marvel (1996-2006) now working primarily on movies based on game IP
- Gore Verbinski (Director, *Pirates of the Caribbean* franchise)
- Peter Jackson (Director, *Lord of the Rings*, *King Kong*)
- Jerry Bruckheimer starting games venture focused on original IP, funded by MTV



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Strong Sector Performance



Source: 3A estimates; previous industry estimates derived using different methodology for online & mobile
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Next-Gen Entertainment

Compelling Story



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Corporate Vision: Changing Entertainment

Develop a Trans-Media Entertainment IP

Original world from R. A. Salvatore and Todd McFarlane

- Massively Multiplayer Online Game
- Console and Handheld Games
- Web Experience
- Offline Entertainment-books, toys, comics



Multiple Products Create Complimentary Online Entertainment Experience

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38 STUDIOS

Corporate Vision: Complementary Product Lines



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Product Interaction

Each Product Connects to the Others

Cross-Product Features

- Achievements and actions in one *Copernicus* product have effects in other products.
 - Examples-special items unlocks, character titles, special character customization options.
- Special events occur across the entire product line. The arrival of a dragon in the MMOG is tied to a prophecy in a prequel RPG.
- Offline products (books, comics), provide deeper narrative, enhanced product trials.



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Product Interaction

Each Product Supports the Others

Creating a Cross-Product Social Network

- MMOGs connect players socially and create exciting worlds to inhabit. The *Copernicus* product ecosystem takes that model and stretches it across many products.
- Players never leave their friends behind when playing new *Copernicus* games.
 - Unified web experience auto-populates friends, tracks achievements, manages guilds, updates content.
- The stronger their bond with this network, the stronger player loyalty to the products and IP.

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MMO-388 00001

Example Customer Experience

Novel, RPG, and MMOG

Reader Purchases *Copernicus* Novel

- Inside novel is a great R. A Salvatore story and a code granting a unique pet (described in novel) in the MMOG.
- The reader decides to try out the MMOG, taking advantage of a special trial offer in the novel.

MMOG Player Discovers RPG

- An interesting NPC in the MMOG has a link to more detailed story. Following the link, the player learns they can adventure with this character in the RPG.
- The player purchases the RPG on a console and follows the progression of the MMOG story through downloadable content.



Multi-Product Business Case

Multi-Product Strategy Increases Revenue and Extends Life of IP

New Customer Acquisition

- Multiple product lines reach beyond game audience.
- Online and offline product tie-ins offer cost-effective acquisition campaigns.

Reduced Churn

- Greater interest in IP and attachment to story acts as significant churn reduction tool for core MMOG.

Greater Revenue Per Player

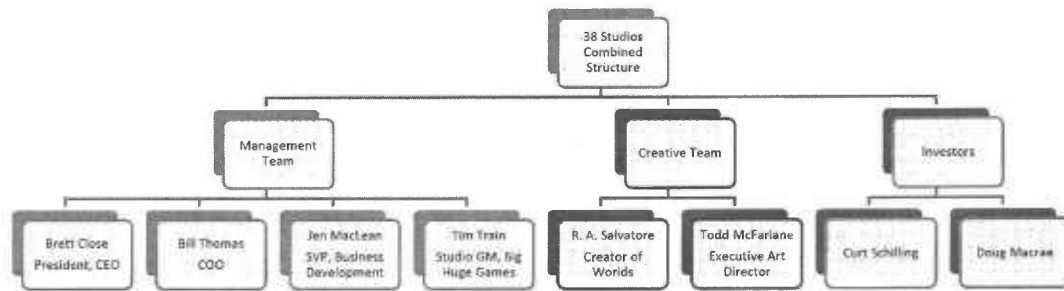
- Use of downloadable content expands story across RPG and RTS products.
- Alternative platforms (web, mobile), for interaction with IP extend opportunities for additional player transactions.

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Management Team



WWW.38STUDIOS.COM

Corporate Structure

Build a Family of Developers

Multiple teams of experts, each immersed in the same IP

- R. A. Salvatore and Todd McFarlane—Creative Visionaries
- 38 Studios—MMOG developer
- Big Huge Games—RPG and RTS studio

Shared specialty resources create economies of scale

- Web Services
- Cinematics
- Usability And QA

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Proven Developer Experience

Extensive Experience in MMO Design & Development

Lead Content and UI Designers from:

- *EverQuest* and expansions
- *EverQuest II* and expansions
- *World of Warcraft*

Selected Titles from other 38 Studios Team Members

- *Medal of Honor* 10
- *EverQuest II* 7
- *Lord of the Rings: Shadows of Angmar* 6
- *Untold Legends: Dark Kingdom* 5
- *Goldeneye: Rogue Agent* 3

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Proven Developer Experience

Expertise in RPG and RTS Genres

Lead Designers from:

- *Morrowind, Oblivion*
- *Rise of Nations, Rise of Legends, Catan, Civilization II*

Selected Titles from other Big Huge Games team members:

- *Titan Quest*
- *Fallout 3*
- *Age of Empires III: The Asian Dynasties*
- *Tomb Raider: Anniversary / Underground*
- *Star Wars: The Force Unleashed*
- *Fable*

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Executive Biography: Brett Close

Brett Close – President and CEO

Brett Close is known for consistently delivering highly successful products by building exceptionally effective teams and organizations across a variety of industries, including: Video games and entertainment products, scientific/business software, and pharmaceutical/bio-tech products. Brett joins 38 Studios from Midway Games, where he served as head of the Austin studio on BlackSite: Area51, and as Global Director of Midway Production.

Brett was a driving force behind the renowned Medal of Honor franchise, operating as the Senior Director of Development of the Electronic Arts, Los Angeles studio. At VR-1/Jaleco Entertainment in Boulder, Colorado, Brett was the Studio General Manager, Senior Producer, and Engineering Director leading the delivery of a variety of products including Nightcaster, a Microsoft Xbox launch title. He holds a master's degree in electrical engineering and computer science, and a bachelor's degree in chemistry from the University of Kansas and studied philosophy and chemistry at Universität Dortmund in Germany. An avid athlete, musician, and environmentalist, Brett is a respected industry leader in encouraging and establishing real work-life balance in the game development environment.

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Executive Biography: Bill Thomas

Bill Thomas – Chief Operations Officer

Bill brings 33 years of executive and operational experience to 38 Studios. He has set up, developed, and funded operations in the Middle East, Asia, and the United States. As chairman and CEO of Fortune 500 subsidiaries, Bill has built and executed strategic-development plans for globalization of financial service organizations, as well as funding medical and environmental services start-up companies. He has served as consultant for such conglomerates as Westinghouse, Lockheed, Boeing, Raytheon, Hyundai, LG Group, Samsung, Daewoo, HSBC, Bechtel, and Texas Instruments; negotiated joint ventures for entertainers like John Denver, Michael Jackson, Tony Bennett, Phil Collins, and the Everly Brothers; and provided leadership for market development, licensing, and trademark for the Malaysian-based American Polo Club USA's penetration of the US market. Bill's extensive experience with working across cultures as well as at all levels of government and commercial organizations provides him with knowledge of and access to a multitude of financial and operational resources.

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Executive Biography: Jen MacLean

Jen MacLean – Senior Vice President of Business Development

Jen comes to 38 Studios from Comcast, where she served as Vice President and General Manager, Games, responsible for management of all games products, strategy, and business development for the United States' largest cable company. She also held roles in sports and entertainment as part of Comcast's interactive team, negotiating and managing partnerships with Fox Sports, Major League Baseball Advanced Media, Real Networks, and Microsoft.

Jen's extensive and varied experience in online content and interactive entertainment began in 1992 at Microprose Software. She joined AOL in 1996, where she held numerous positions in the AOL brand programming division, including Programming Director for the Games Channel. While at AOL, Jen managed multiple partners and products, including Electronic Arts, Kesmai, Engage Games Online, and Mythic Entertainment.

Jen earned a BA in international relations from Johns Hopkins University and an MBA with a concentration in international business from the Columbia Business School. Jen was named one of the "Game Industry's 100 Most Influential Women" by Next Generation, one of the "Top 20 Women in Games" by Gamasutra, a 2008 Game Industry Hero, is the Chair Emeritus of the Board of Directors of the IGDA, and is a frequently requested speaker at interactive entertainment industry events.

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The Visionaries

R. A. Salvatore - *Executive Creator of Worlds*

- More than 15 million books sold in the U.S.
- Global audience, with translations in more than 14 languages

Other achievements:

- Creator of Drizzt Do'Urden, one of modern fantasy fiction's most beloved characters
- Entrusted by George Lucas with the *Star Wars* IP novels
- 10+ *New York Times* and *Wall Street Journal* bestsellers, broad international distribution
- Cross-media experience

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The Visionaries

Todd McFarlane - *Executive Art Director*

- Created *Spawn*, featured in comics, TV, movies
- 150 million comics sold in 120 countries

Other achievements:

- Career began in 1984 at Marvel / Epic Comics
- Formed *McFarlane Toys* in 1994
- Extensive experience in licensed IP, including *Spiderman*, *Halo* properties
- Grammy winner, video and animation

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The Visionaries

Curt Schilling - *Founder and Chairman*

- Proven leader with unique perspective on building winning teams.
- 7 years of development / studio experience with SOE.

Other achievements:

- Boston Red Sox pitcher; 20-year major league career
- 2004 & 2007 World Championship team member
- 200+ career game winner; 3,000+ career strikeouts
- 6x All-Star
- 2001 World Series MVP
- 1993 NLCS MVP

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Valuation Analysis



Exit Strategy

- Management is well aligned with outside investors - desire for greatest possible liquidity event
- Potential for exit in years 2010 - 2014
- Multiple viable exit alternatives include:

IPO	Strategic Sale	Distributions / Recap
<ul style="list-style-type: none"> • Sector specific success stories in public equity market <ul style="list-style-type: none"> – NCSoft – Shanda Interactive – The9 – Glu Mobile • Projected industry growth apart from WoW supports potential for additional successful issuances • 38 Studios creating a broad ranging entertainment company beyond its initial game 	<ul style="list-style-type: none"> • Sector specific success stories in M&A market <ul style="list-style-type: none"> – EA acquisition of Mythic – EA acquisition of JAMDAT – News Corp. acquisition of IGN – Elevation acq. of VG Holdings • Growing investment appetites by major publishers, media companies and private equity firms in online game sector (i.e. EA / The9, Francisco Partners / F9E, WPP Group / WildTangent) 	<ul style="list-style-type: none"> • Significant forecasted free cash flow • Distributions alone over years 2010-2012 would deliver significant return on capital • Subscription-based revenue could support modest debt leverage



Summary of Public Comparables

(\$ in millions)

Current Comparable Trading Analysis											
Online Companies	Market Cap	Enterprise Value	Sales	Gross Margin	EBITDA	Enterprise Value/					
			CAGR		Margin	Revenue			EBITDA		
			'06 - '08E	LTM	LTM	LTM	2007E	2008E	LTM	2007E	2008E
NCSoft	\$1,581	\$1,260	17.5%	74.3%	18.6%	3.5x	3.1x	2.5x	18.9x	15.4x	9.8x
NetEase.com	2,288	1,856	7.8%	82.3%	65.8%	6.4x	6.3x	5.6x	9.7x	9.5x	9.0x
Shanda Interactive	2,035	1,802	28.7%	63.4%	39.5%	7.6x	6.1x	5.1x	19.1x	13.5x	12.0x
The9	1,147	1,032	47.0%	47.6%	43.6%	7.7x	5.7x	3.8x	17.6x	14.1x	9.6x
Mean	\$1,763	\$1,488	25.3%	66.9%	41.9%	6.3x	5.3x	4.3x	16.3x	13.1x	10.1x
Median	1,808	1,531	23.1%	68.9%	41.5%	7.0x	5.9x	4.5x	18.2x	13.8x	9.7x

Shanda Interactive Trading Analysis at IPO									
Online Companies	EBITDA	Sales				Enterprise Value/			
	Margin	CAGR	Pricing			Revenue		EBITDA	
	LTM	LTM - +2	Sales	EBITDA	P/E	+1	+2	+1	+2
Shanda Interactive	33.7%	58.4%	9.1x	27.0x	23.3x	5.5x	3.6x	13.6x	8.4x

Notes:
Enterprise Value includes equity market capitalization, book value of debt, minority interest and preferred stock, net of cash and/or investments.
2007 and 2008 Revenue, EBITDA, EPS and Long-Term Growth Rate projections are Street or DMO Capital Markets estimates.
LTM data excludes extraordinary and non-recurring items, per form for closed acquisitions with available financials.



Summary of Transaction Comparables

(\$ in millions)

Announced	Closed	Acquirer / Target	Transaction Value	Revenue Multiple
22-May-07	Pending	Electronic Arts / The9 (MMOG developer) <i>The9 announced a private placement with Electronic Arts for gross proceeds of \$167 million; Electronic Arts would get 15% of the common shares of the The9.</i>	1,113.3	8.2 x ⁽¹⁾
20-Jun-06	24-Jul-06	Electronic Arts / Mythic Entertainment (MMOG developer) <i>Electronic Arts entered into an agreement to acquire Mythic Entertainment from TA Associates, AE Capital Partners and other shareholders on June 20, 2006. Upon completion of the acquisition, Mythic Entertainment became EA Mythic, a wholly owned studio dedicated to developing MMOGs.</i>	125.0	4.5 x ⁽²⁾
5-Nov-05	5-Nov-05	Elevation Partners / Pandemic Studios and Bioware (video game developers) <i>North American developers Bioware and Pandemic merged in a \$280 million deal crafted by Elevation Partners, the private equity firm headed up by former EA president John Riccitiello. The new operation will consist of a holding company, called VG Holdings, with Riccitiello as CEO (now Greg Richardson) and the current heads of Bioware (Greg Zeschuk and Ray Muzyka) and Pandemic (Andrew Goldman and Josh Resnick) as senior executives.</i>	280.0	6.5 x ⁽²⁾
7-Sep-05	4-Oct-05	News Corp / IGN Entertainment (online services provider) <i>Fox Interactive Media entered into a definitive agreement to acquire IGN Entertainment for a reported deal value of approximately \$850 million in cash, plus assumed liabilities, on September 7, 2005. On completion IGN Entertainment will be folded into Fox Interactive Media unit.</i>	747.7	13.0 x

Mean:	\$566.5	8.0 x
Median:	513.9	7.3 x

Source: Company filings and publicly available information.

(1) EA purchased a 15% equity stake for \$167 million, which was grossed up to 100%, equivalent to a \$1,113 enterprise value.

(2) Proprietary industry knowledge.



Comparable Public Companies Analysis

(\$ in millions, except per share data)

(in millions, except per share data)				Market Data				Value/Model Data												Long-Term					
Ticker	Equity Value	Enterprise Value	6/22/2007 Price	52-Week		Enterprise Value / Revenue						Enterprise Value / EBITDA						Price / Earnings			Projected EPS Growth Rate	P/E to Growth			
				High	Low	LTM			2008E			LTM			2008E			LTM					2008E		
						2007E	2008E	2009E	2007E	2008E	2009E	2007E	2008E	2009E	2007E	2008E	2009E								
Online																									
NCSoft	NCST	\$1,529.4	\$1,260.3	\$64.57	\$79.40	\$45.90	3.5x	3.1x	2.5x	18.9x	15.4x	9.8x	30.2x	31.4x	22.2x	(3.7%)	NM	NM	NM						
NetEase	NTES	2,280.0	1,896.1	17.06	23.10	15.66	6.4x	6.3x	5.6x	9.7x	8.5x	9.0x	13.6x	14.8x	13.6x	18.3%	0.8x	0.8x	0.7x						
盛大互动	SIDA	2,094.0	1,800.0	27.94	30.03	12.80	7.6x	6.1x	5.1x	10.1x	13.5x	12.0x	18.5x	18.3x	16.7x	27.5%	0.8x	0.7x	0.6x						
畅游	NCTY	1,147.4	1,032.4	45.11	48.56	20.75	7.7x	6.7x	5.6x	17.8x	14.7x	9.6x	27.0x	26.8x	17.9x	24.5%	1.1x	1.1x	0.7x						
						Mean	6.2x	5.2x	4.3x	14.2x	12.1x	10.1x	24.1x	22.6x	17.8x	17.4%	0.8x	0.8x	0.7x						
						Median	7.0x	5.9x	4.5x	18.2x	13.6x	9.7x	21.8x	22.6x	17.3x	21.3%	0.8x	0.8x	0.7x						
Mobile / Wireless Content																									
Gameoft	GFT.FP	\$552.0	\$526.9	\$7.85	\$3.18	\$4.57	5.3x	4.0x	3.0x	NM	NM	11.9x	NM	41.9x	16.5x	NA	NA	NA	NA						
吉姆比	GLUU	423.7	345.7	13.09	14.80	9.75	6.4x	5.0x	3.3x	NM	NM	NM	NM	NM	NM	25.0%	NM	NM	2.1x						
						Mean	5.9x	4.6x	3.2x	NA	NA	11.9x	NM	41.9x	16.5x	25.0%	NA	NA	2.1x						
						Median	6.8x	4.5x	3.2x	NA	NA	11.9x	NM	41.9x	16.5x	25.0%	NA	NA	2.1x						
Traditional																									
Activision	ATVI	\$5,836.8	\$4,881.7	\$18.01	\$21.43	\$10.47	3.2x	3.2x	2.4x	22.4x	17.3x	16.6x	NM	NM	25.0x	23.7%	2.4x	2.4x	1.1x						
Electronic Arts	EA	15,276.5	12,264.5	46.00	59.85	40.94	4.0x	4.0x	2.9x	35.3x	NM	13.7x	NM	NM	27.1x	19.2%	4.6x	3.2x	1.4x						
Midway Games	MMYY	565.5	642.1	6.13	11.20	5.73	4.0x	2.8x	2.4x	NM	NM	NM	NM	NM	19x	NA	NM	NM	NM						
Take-Two Interactive	TTWO	1,518.8	1,420.3	20.81	24.80	9.08	1.6x	1.7x	1.0x	NM	NM	13.5x	NM	NM	24.8x	16.1%	NM	NM	1.5x						
THQ	THQ	2,309.1	1,751.2	32.29	36.76	19.98	1.7x	1.7x	1.4x	8.0x	15.5x	11.2x	28.9x	26.0x	18.3x	18.0%	1.6x	1.4x	1.1x						
Ubisoft	UBI.FP	2,940.9	2,210.0	49.90	70.54	41.10	3.1x	2.5x	2.1x	23.6x	9.0x	7.1x	NM	NM	36.1x	32.0%	NM	2.1x	1.1x						
						Mean	2.9x	2.6x	2.0x	23.6x	13.6x	12.4x	26.8x	26.0x	26.7x	21.9%	2.6x	2.3x	1.2x						
						Median	3.1x	2.7x	2.2x	26.0x	13.6x	13.6x	28.9x	26.0x	26.3x	19.2%	2.4x	2.3x	1.1x						
						Mean	4.8x	3.8x	3.0x	30.8x	43.5x	41.6x	35.1x	24.4x	22.3x	0.2x	1.8x	1.7x	1.0x						
						Median	4.8x	3.8x	2.7x	19.8x	34.1x	11.8x	27.8x	26.8x	20.8x	0.2x	1.8x	1.6x	1.0x						
Combined																									

Notes:

1. Includes 10% equity market capitalization, book value of debt, minority interest and preferred stock, net of cash and affiliated investments.
2007 and 2008 Revenue, EBITDA, EBITDA EP and Long-Term Growth Rate projections are based on S&P Capital Markets estimates.
LTM data excludes extraordinary and non-recurring items, and is based on closed acquisitions with available financials.



Comparable Public Companies Analysis

(\$ in millions, except per share data)

Ticker	Operating Performance				Revenue						Financial Data			Leverage		
	LYM Operating Margins				Revenues		EBITDA		EPS		Debt/		Debt/			
	Gross	EBITDA	EBIT	Net	LTM	2007E	2008E	LTM	2007E	2008E	LTM	2007E	2008E	Total Cap.	Equity Value	
Online																
NCSoft	74.3%	18.6%	12.8%	11.2%	\$359.0	\$411.9	\$498.0	\$66.7	\$61.8	\$126.9	\$2.16	\$2.16	\$3.81	0.7%	0.2%	
NetEse.com	82.3%	55.8%	61.7%	58.6%	289.9	294.1	330.2	190.7	194.4	230.3	1.23	1.14	1.26	17.8%	3.9%	
Shanda Interactive	62.4%	39.5%	31.5%	32.2%	238.3	294.7	390.9	94.2	133.8	149.7	1.71	0.82	1.67	43.8%	13.5%	
Tha9	47.6%	43.6%	27.3%	30.8%	134.9	181.1	272.9	58.8	73.3	108.1	1.67	1.63	2.52	0.0%	0.0%	
Mean	68.9%	41.9%	32.3%	33.2%	\$255.5	\$295.4	\$362.5	\$102.6	\$120.8	\$147.8	\$1.89	\$1.44	\$2.31	16.6%	4.4%	
Median	68.9%	41.9%	29.4%	41.4%	264.1	294.4	340.3	89.5	107.9	139.2	1.89	1.38	2.10	9.3%	3.9%	
Mobile / Wireless Content																
Gameoft	93.7%	6.4%	2.3%	6.3%	\$98.6	\$131.3	\$172.8	\$6.3	\$22.8	\$44.2	\$0.08	\$0.08	\$0.40	0.1%	0.0%	
Glu Mobile	67.1%	(3.2%)	(10.4%)	(16.6%)	53.8	66.3	105.2	(1.7)	1.0	13.3	(0.49)	(0.28)	0.27	0.0%	0.0%	
Mean	80.4%	1.6%	(4.1%)	(5.1%)	\$76.2	\$100.3	\$139.0	\$2.3	\$11.9	\$28.7	(\$0.20)	(\$0.10)	\$0.33	0.0%	0.0%	
Median	80.4%	1.6%	(4.1%)	(5.1%)	76.2	100.3	139.0	2.3	11.9	28.7	(\$0.20)	(\$0.10)	0.33	0.0%	0.0%	
Traditional																
Activision	35.4%	14.4%	8.4%	8.7%	\$1,513.0	\$1,613.0	\$2,025.2	\$218.3	\$282.6	\$391.2	\$0.33	\$0.14	\$1.11	0.0%	0.0%	
Electronic Arts	60.6%	10.9%	8.1%	5.8%	3,061.0	3,061.0	4,280.4	337.0	361.0	698.8	0.55	0.51	1.77	0.0%	0.0%	
Midway Games	18.9%	(33.7%)	(38.6%)	(44.4%)	161.2	222.7	270.1	(54.3)	(28.1)	(10.7)	(0.79)	(0.80)	(0.18)	81.5%	26.3%	
Take-Two Interactive	24.7%	2.6%	(9.6%)	(15.6%)	900.5	1,259.8	1,403.2	25.6	29.9	104.6	(2.17)	(2.60)	0.63	0.0%	0.0%	
THQ	34.3%	28.2%	9.2%	7.4%	1,028.9	1,028.9	1,265.6	289.8	113.3	156.8	1.12	0.77	1.67	8.9%	0.0%	
Ubisoft	65.6%	10.4%	0.7%	(0.9%)	720.2	865.7	1,068.3	74.7	148.5	310.5	(0.14)	0.39	1.38	36.7%	14.9%	
Mean	40.6%	5.5%	(4.3%)	(9.9%)	\$1,250.5	\$1,334.8	\$1,727.1	\$148.5	\$172.9	\$251.9	(\$0.18)	(\$0.21)	\$1.04	19.7%	6.9%	
Median	30.6%	10.6%	3.4%	2.4%	1,026.7	1,143.4	1,359.4	149.5	170.9	224.0	0.09	0.25	1.11	0.0%	0.0%	
Combined																
Mean	68.0%	17.0%	8.5%	8.3%	\$723.1	\$782.6	\$1,007.8	\$109.8	\$128.7	\$200.0	\$0.44	\$0.36	\$1.35	16.1%	4.9%	
Median	62.1%	12.7%	6.3%	6.8%	324.5	353.3	423.5	70.7	97.5	139.2	0.44	0.58	1.32	0.0%	0.0%	

Notes

Electronic Arts' revenue excludes equity market capitalization, book value of total debt, minority interest and preferred stock, net of cash and affiliated investments.
 2007 and 2008 Revenue, EBITDA, EBIT and Long-Term Growth Rate projections are Street or BMO Capital Markets estimates.
 LTM data excludes extraordinary and non-recurring items, pro forma for closed acquisitions with available financials.



Selected M&A Transaction Analysis

(\$ in millions)

Announced	Closed	Acquiror / Target	Transaction Value ⁽¹⁾	Revenue Multiple
11-Jun-07	Pending	CDC Games / OPTIC (<i>online games publisher</i>)	NA	NA
22-May-07	Pending	Electronic Arts / The9 (<i>MMOG</i>)	1,113.3	8.2 x ⁽¹⁾
31-May-06	Pending	Oberon Media / i-play (<i>mobile games publisher</i>)	\$115	NA
20-Jun-06	24-Jul-06	Electronic Arts/ Mythic Entertainment (<i>MMOG</i>)	125.0	4.5 x ⁽²⁾
8-Dec-05	16-Feb-06	Electronic Arts / JAMDAT (<i>mobile game publisher</i>)	673.6	8.7 x
5-Nov-05	5-Nov-05	VG Holdings / Pandemic Studios and Bioware	280.0	6.5 x ⁽²⁾
7-Sep-05	4-Oct-05	News Corp / IGN Entertainment (<i>provider of online gaming entertainment services</i>)	747.7	13.0 x
20-Apr-05	20-Apr-05	Jamdat / Blue Lava Wireless (<i>mobile game publisher and developer, Tetris license</i>)	136.8	11.5 x
21-Mar-05	25-May-05	Apax Partners / Hit Entertainment (<i>TV entertainment producer and distributor</i>)	582.5	4.6 x

Mean:	\$472.0	8.1 x
Median:	431.3	8.2 x

Source: Company filings and publicly available information.






(1) EA purchased a 15% equity stake for \$167 million, which was grossed up to 100%, equivalent to a \$1,113 enterprise value.

(2) Proprietary industry knowledge



Selected Comparable Venture Capital Raises

(\$ in millions)




Company	Business Description	Date of Raise	Round	Amount Raised	Investors	Significant Agreement / Event	Press Release Date
 Funcom	Provides games with a focus on role-playing (RPG) and massively multiplayer online (MMO) products.	8/25/2005	6	\$0.2	Nordic Venture Partners	Digital River, a global leader in e-commerce outsourcing, today announced it has signed an e-commerce agreement with Funcom. Through Digital River's Sale Network, Funcom will offer downloadable buy-now versions of select software titles, including its popular Anarchy Online - Ultimate Edition, Anarchy Online - Shadowlands and Anarchy Online - Alien Invasion products.	5/17/2005
		4/27/2004	5	\$5.4	Northzone Ventures		
 Jagex	Jagex is a developer and publisher of massively multiplayer online games.	10/25/2005	1	NA	Insight Venture Partners	Jagex announced its 3D Java online adventure game RuneScape attracted a record 90,000 players online simultaneously this past week. The Company also said the game broke the 2 million active player count for the first time.	12/27/2004
 K2 Network	K2 Network is an online game publisher and community service management company.	6/15/2007	6	\$16.0	Intel Capital Greylock Partners Khosla Ventures Novel TMT Ventures	Announced an agreement with Samsung Electronics to publish the action-packed massively multi-player online role-playing game, Red Stone.	
 Mythic Entertainment	Develops and publishes multiplayer online role-playing games.	6/1/2001	1	\$3.0	Abandon Entertainment	Mythic today announced that "Dark Age of Camelot: Shadowed Isles," its first expansion pack to "Dark Age of Camelot," was the top-selling online game for December 2002; since its release in early December 2002, the game has sold over 110,000 copies.	2/9/2003
		3/21/2003	2	\$22.0	TA Associates		
 Rad 5 Studios	Developer of online multiplayer games; creates original for online game operators and distributors	11/17/2006	1	\$18.5	Benchmark Capital Sierra Ventures	WEBZEN announced that it had signed an exclusive worldwide agreement with Rad 5 Studios to publish a new MMOG property.	2/2/2007

Source: Venture Source



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Selected Comparable Venture Capital Raises

Company	Business Description	Date of Raise	Round	Amount Raised (\$ in millions)	Investors	Significant Agreement / Event	Press Release Date
 Real Time Worlds realtime worlds	Provider of entertainment software; produces online video games	1/1/2003	1	NA	Individual Investors	Real Time Worlds today announced that it has obtained a studio-wide license for Unreal Engine 3.	9/23/2005
		5/13/2004	2	\$1.9	Creative Industries Management Scottish Enterprise	Real Time Worlds announced that it has signed a partnership agreement with Microsoft that will see a number of exclusive titles developed for the new Xbox 360 system.	6/21/2005
		12/8/2006	3	\$31.0	New Enterprise Associates		
 Perpetual Entertainment PERPETUAL ENTERTAINMENT	Developer of networked multi-player and massively multi-player games for the PC and consoles	11/10/2003	1	\$4.5	Manitou Ventures Mobius Venture Capital	Announced that it had secured the exclusive worldwide rights from Viacom Consumer Products to develop and publish a massively multiplayer online game based on Paramount Pictures' Star Trek franchise (although the article was released on September 7th, 2004, an article published five days later on September 13th refers to this event as having occurred two months prior).	9/7/2004
		9/13/2004	2	\$6.5	Chengwei Ventures Manitou Ventures Mobius Venture Capital Softbank Capital Partners		
		8/30/2005	3	NA	Mobius Venture Capital	Announced Gods & Heroes: Rime Rising, a new massively multi-player game designed by Stig Hedlund, the lead designer of Diablo II to be launched in the fall of 2005.	3/9/2005
 Turbine turbine	Provider of massively multi-player online role playing games	12/15/2003	5	\$18.0	Highland Capital Partners Polaris Venture Partners	Vivendi Universal Games (VU Games) announced that it had entered into a production agreement with Turbine Entertainment Software Corp. to develop "Middle-Earth Online." Bob Davis, of Highland Capital, was "impressed with Turbine's ability to win the exclusive rights for the development of games such as Lord of the Rings and Dungeons and Dragons."	5/9/2003
		2/8/2005	6	\$30.0	California Technology Ventures Columbia Capital Highland Capital Partners Polaris Venture Partners Tudor Ventures		
		7/31/2006	7	\$7.0	California Technology Ventures Columbia Capital Highland Capital Partners Polaris Venture Partners Tudor Ventures		

Source: Venture Source



Selected Comparable Venture Capital Raises

(\$ in millions)

Company	Business Description	Date of Raise	Round	Amount Raised	Investors	Significant Agreement / Event	Press Release Date
 WildTangent	Provides of online games and custom published games through established, broad distribution	1/1/1999	1	\$2.0	New Millennium Partners	WildTangent and Indigo Moon Productions announced a strategic partnership agreement to create the next generation of gaming applications. Indigo Moon will license WildTangent's well-known Web Driver technology to create retail quality 3D and interactive games.	8/22/2000
		2/15/2000	2	\$17.0	Greylock Capital Madrona Venture Group New Millennium Partners		
		12/20/2000	3	\$34.0	Accenture Technology Ventures ATI Technologies Greylock Capital IDG Ventures Pacific Madrona Venture Group Mikemore Technology Ventures New Millennium Partners Sony Washington Mutual	WildTangent announced that they have entered into custom licensing agreements with a leading online game publication and two major entertainment sites. TheGlobe.com's Happy Pappy, Exupor Entertainment and freedoder.com will be using WildTangent's 3D, multimedia creations to generate additional site traffic and provide an incentive for return visitors.	11/8/2000

	Round 1	Round 2	Round 3
Average Raise Amount:	\$7.0	\$12.7	\$32.5

Source: Venture Source

