

From: Saul, Michael <msaul@riedc.com>
Sent: Thursday, April 22, 2010 10:12 AM
To: tz@38studios.com
Cc: Michael Corso <mcorso@kingstoncap.com>; Stolzman, Rob <RStolzman@apslaw.com>; Hashway, Fred <fhashway@riedc.com>; Cole, Tim <tcole@riedc.com>
Subject: FW: Proposal
Attach: RIEDC Proposal 4-21-10.pdf; ATT215090.htm; image001.gif; ATT215091.htm

Tom,

I will give you a call to discuss our thoughts on Economic Consultant.

Mike

From: Cole, Tim
Sent: Wednesday, April 21, 2010 7:33 PM
To: Saul, Michael; Hashway, Fred
Subject: Fwd: Proposal

Sent from my iPhone

Begin forwarded message:

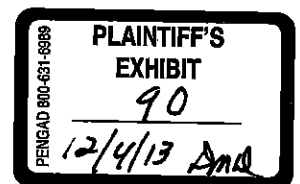
From: "Barry Gilbert" <BGilbert@strategyanalytics.com>
To: "Cole, Tim" <tcole@riedc.com>
Cc: "Harvey Cohen" <HCohen@strategyanalytics.com>, "Michael McMurray" <MMcMurray@strategyanalytics.com>
Subject: Proposal

Hi Tim,

Thanks again for setting up yesterday's meeting with your colleagues at the RIEDC. After reviewing the calendar it quickly became evident that this effort needs to commence immediately if we are to meet the timeframes. As such I put together the attached proposal for your review. For the sake of time I have kept the proposal quite brief though I believe we addressed the requirements articulated on the call. However, if I have missed something please let me know. We are available to discuss/clarify any of the contents or to answer other questions you might have.

Best Regards,

Barry



APS001040

From: Cole, Tim [mailto:tcole@riedc.com]
Sent: Tuesday, April 20, 2010 10:12 AM
To: Barry Gilbert
Subject: RE: Introductions

Does 11:00 tomorrow morning work for you?

Tim Cole
Senior Strategy and Research Manager
Rhode Island Economic Development Corporation
315 Iron Horse Way, Suite 101, Providence, RI 02908
401.278.9100 x193 | 401.273.8270 fax
email tcole@riedc.com <<mailto:tcole@riedc.com>> | web www.riedc.com
<<http://www.riedc.com/>>

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From: Barry Gilbert [mailto:BGilbert@strategyanalytics.com]
Sent: Tuesday, April 20, 2010 9:39 AM
To: Cole, Tim
Subject: RE: Introductions

Tim,

Would this afternoon at 2:00 or 2:30 work, otherwise tomorrow pretty open in morning? Thanks,

Barry

APS001041

From: Cole, Tim [mailto:tcole@riedc.com]
Sent: Tuesday, April 20, 2010 9:15 AM
To: Barry Gilbert
Subject: RE: Introductions

Barry,

We'd like to set up a conference call. Do you have availability today or tomorrow?

Tim Cole
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From: Barry Gilbert [mailto:BGilbert@strategyanalytics.com]
Sent: Friday, April 16, 2010 2:48 PM
To: Cole, Tim
Subject: RE: Introductions

Tim,

The results from all of our engagements are proprietary to the client, however, generally, we were investigating several similar issues to what you identified as requirements. They were looking to

APS001042

identify opportunities and requirements for attracting high tech investments and what options might be best suited to pursue. Hope this helps (albeit a little). Thanks.

Barry

From: Cole, Tim [mailto:tcole@riedc.com]
Sent: Friday, April 16, 2010 11:19 AM
To: Barry Gilbert
Subject: RE: Introductions

Barry,

Thank you for your response. I will be meeting with senior staff today to discuss our options. Based on this meeting we will target two to three firms for further discussions. I will suggest that Strategy Analytics is well positioned based on the knowledge of the video game industry as well as knowledge of comparative knowledge economy industries. I will also highlight that your firm conducted the project for Scottish Enterprise. However, I don't have much more to add on that point. Could you provide a copy of that report, or at least a synopsis of what it covered?

Thanks,

Tim

Tim Cole
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Rhode Island Economic Development Corporation
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APS001043

From: Barry Gilbert [mailto:BGilbert@strategyanalytics.com]
Sent: Wednesday, April 14, 2010 12:45 PM
To: Cole, Tim
Subject: RE: Introductions

Tim,

Here is a response to the questions you presented - please let me know if you would like to discuss these via phone or if you have any questions.

Thanks,

Barry

STRATEGYANALYTICS
Barry Gilbert
Vice President, Gaming Strategies & Opportunities
Tel: +1 617-614-0701

Strategy Analytics, Inc., a global research and consulting firm, provides timely insights and strategic business solutions to companies operating at the convergence of information, communications and entertainment technologies. With worldwide headquarters in Newton, MA and principal offices in England, France and Germany, Strategy Analytics focuses on market opportunities and challenges in the areas of Automotive Electronics, Digital Consumer, Telematics, Wireless Strategies and Enabling Technologies. For more information, see www.strategyanalytics.com <<http://www.strategyanalytics.com>>

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Strategy Analytics, 19 Rue Pierre Lescot, 75001 Paris, France | Reg. No. 393 657 655 00048

APS001044

From: Cole, Tim [mailto:tcole@riedc.com]
Sent: Wednesday, April 14, 2010 9:53 AM
To: Barry Gilbert
Subject: FW: Introductions

Barry,

Should we anticipate a response from Strategy Analytics?

Thanks,

Tim

Tim Cole
Senior Strategy and Research Manager
Rhode Island Economic Development Corporation
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From: Cole, Tim
Sent: Monday, April 12, 2010 11:08 AM

APS001045

To: 'Barry Gilbert'
Subject: RE: Introductions

Barry,

Thank you for taking the time to respond to our inquiry regarding an economic impact analysis of investing in a video game cluster for Rhode Island. We are vetting several firms in order to recommend a short list for our client. The client firm will be undertaking the independent economic impact analysis that is required by the Rhode Island Economic Development Corporation. The impact analysis will be used to inform our board of the scope of this opportunity as part of the EDC's due diligence process. Please provide an abbreviated response to the questions below that outlines your firm's capabilities and anticipated analytical approach. Note that the timeframe for completion is short term - a matter of a few weeks. Please gauge your responses according to a short timeframe. Your immediate response is appreciated.

Recap of Opportunity:

The EDC is preparing for the passage of a bill allocating \$125 million to a fund that can be used to assist businesses expanding in or relocating to Rhode Island. There is a current opportunity for Rhode Island to gain a significant presence in the video game industry. The EDC is considering an investment of \$75 million from the fund in the form of a bond, which would leverage an estimated 450 video game industry jobs within four years. Further details on project specifics will be provided to the selected firm. The EDC views this as an opportunity to jumpstart a video game cluster in Rhode Island, and seeks an analysis of the economic potential for doing so. The EDC hopes to leverage existing assets in the state, including the Rhode Island School of Design, Hasbro, and local military presence (Naval Undersea Warfare Center, etc.) as well as our proximity to the Boston market in building out this potential cluster. Ultimately the EDC is interested in learning of how this opportunity compares to other possible investments in knowledge based clusters in the state (life sciences and information technology).

Questions:

What is your firm's experience in performing economic impact analysis or return on investment analysis for state governments? (Please reference similar assignments)

What experience and resources does your firm have related to analysis of the video game industry?

How would your firm gauge the 5 and 10 year economic potential of the opportunity described above?

How would your firm compare the opportunity in the video game industry to other possible investment in knowledge industry clusters?

Would your firm be ready and willing to present findings to the EDC Board of Directors?

What is a ball park price based on your responses provided above?

Best regards,

Tim

Tim Cole
Senior Strategy and Research Manager
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From: Barry Gilbert [<mailto:BGilbert@strategyanalytics.com>]
Sent: Friday, April 09, 2010 3:53 PM
To: Cole, Tim
Cc: Michael McMurray
Subject: Introductions

APS001047

Hi Tim,

Just as brief follow-up to my phone message I wanted to provide you with my contact details. I'd be happy to speak with you to find out your interests in the gaming space and provide you with some of our background in the industry. Please feel free to contact me either by email or my direct phone line below. Have a great weekend.

Regards,

Barry

APS001048

April 21, 2010

Rhode Island Economic Development Corporation (RIEDC)
315 Iron Horse Way, Suite 101
Providence, RI 02908

Attn: Tim Cole, Senior Strategy and Research Manager

On behalf of Strategy Analytics (SA) I am pleased to provide the following proposal to address the specific requirements of the RIEDC to assess the economic viability of underwriting investments in the gaming industry. The project will investigate the economic and business case issues associated with investments in the video gaming industry to provide for economic expansion and job growth in the state of Rhode Island. We feel SA is well positioned to address the needs of the RIEDC as it explores its options for investment in different clusters.

Background and Objectives

The RIEDC wishes to undertake a study to determine the feasibility of investment in the video game industry and explore options for stimulating the Rhode Island economy. Our proposal is based on email correspondence and a subsequent phone conversation with members of the RIEDC on April 20th, including Michael Saul, Fred Hashway, and Tim Cole.

Based on our discussions and understanding of the RIEDC requirements we view the core objectives of the study as follows:

- Provide an objective assessment of the overall opportunity for RI to leverage key educational, industry, and government assets to attract a video gaming industry cluster,
- Provide insight to the critical success factors necessary for attracting, retaining, and growing a video gaming cluster in Rhode Island,
- Provide insight to the gaming industry structure,
- Provide due diligence support on a possible investment in 38 Studios as an initial anchor studio in RI, and,
- Provide results and present key findings to the RIEDC board by Mid-May.

Strategy Analytics' Approach

To accomplish these objectives Strategy Analytics recommends that the following project elements be executed concurrently in an effort to meet the rigorous timelines required, including:

1. Perform a review of Rhode Island's assets that are vital for attracting a gaming cluster and to provide a defensible foundation on which to build a business case for investment. This initiative would involve a review of the core educational assets, such as URI, RISD, and Brown, key industrial assets that serve as a support mechanism for gaming, such as Hasbro, and evaluate government resources (both State and Federal) that provide various levels of support for the market sector.

As part of this component SA would develop a comparison with other markets, such as Baltimore, which successfully launched MicroProse and Big Huge Games (BHG), and was able to grow these efforts supported by local educational programs and talent pools and examine the conditions that were necessary for success. This phase will require interviews with educational institutions, leading game developers, and other relevant parties that serve as catalysts for the gaming markets.
2. Provide an overview of the industry structure of the gaming industry and examine elements that are considered critical success factors in both short and long-term horizons.
3. Conduct a due diligence exercise on 38 Studios, including where they are in the completion stage of their MMOG initiative, an understanding of their capital requirements and uses, and a multi-year pro forma exercise on capital requirements.¹

Deliverable

SA envisions the deliverable to include a written high level summary report of approximately 20-25 pages produced in Microsoft Word or in an Adobe PDF format along with a 2 hour on-site PowerPoint presentation to the RIEDC board.

Timeframe

Given a kick-off date of April 26th Strategy Analytics can complete the above referenced assignment and deliver results on Friday, May 14th, 2010. While this 3 week period is

¹ In order to complete a due diligence exercise SA will require access to materials that are considered proprietary and confidential. SA will execute an NDA to facilitate this process.

aggressive SA believes it can draw on the necessary resources to complete the assignment within that timeframe.

Strategy Analytics Experience and Credentials

Strategy Analytics believes it possesses the requisite set of capabilities to provide the RIEDC with a solid basis on which to make an informed and defensible decision, including:

Experience	In working with business planners to provide creative visions for the future and defensible business planning assumptions that identify market potential, relative competitive positions, and critical success factors for achieving potential, and evaluate risk versus opportunities in emerging wireless businesses. <i>SA has provided global leaders across multiple industry segments with the insights to develop successful new products and services in highly competitive, rapidly evolving markets for nearly thirty years.</i>
Expertise	In exploring commercial, industrial, and consumer markets worldwide for information on adoption rates, willingness to pay, applications drivers, and barriers to adoption and use for wireless products and services. <i>SA applies a portfolio of market research methodologies to gather qualitative and quantitative information and insights to meet the specific requirements of each project.</i>
Knowledge	Of user decision behaviour, support requirements, applications needs, and adoption criteria. <i>SA has combined information from its knowledge bases developed through the SA syndicated programs in Gaming and Entertainment, with insights gained in working with leading gaming participants to meet the business planning needs of our clients.</i>
Objectivity	In assessing the critical success factors, relative strengths and weaknesses, market opportunities, and business risks inherent in emerging businesses facing strategic stakes in global competition. <i>SA focuses on providing objective information and forecasts under alternative scenarios to create defensible information to support planners launching new wireless services and products.</i>

Project Team

The project will be led by Barry Gilbert, Vice President of Strategy Analytics Gaming Strategies and Opportunities service along with Harvey Cohen, President of Strategy Analytics. These principals will draw on internal resources to assist in completing the different phases of the project under their direction.

Harvey Cohen is the Founder and President of Strategy Analytics. He is a leading visionary and strategist in marketing and technology subjects who has worked as a trusted advisor and counselor to successful multi-national companies in the US, Europe and the Far East during the past 20 years.

Mr. Cohen's primary focus is the analysis of key strategic and tactical marketing and technology issues affecting the successful growth of businesses in highly competitive environments. He has extensive experience in assessing requirements and issues critical to the commercial development of advanced information technology services and products. Working with service providers, hardware manufacturers, and software developers, he provides business planning support, analysis and forecasts of emerging markets ranging from portable communicators to advanced semiconductors and software products for electronic commerce. His work has included studies of emerging technologies in the consumer electronics, financial services, healthcare, retail, utilities, and manufacturing sectors.

Prior to forming Strategy Analytics in 1996, Mr. Cohen was President of Technology Applications Group and President of BIS Mackintosh, firms specializing in marketing information and analysis for technology businesses. He also spent nine years at Data Resources, Inc., where he consulted with Fortune 500 firms in support of market and strategic planning activities.

Mr. Cohen holds an SM in Management from the Sloan School at MIT, an MS in Materials Science from Ohio State University and an SB in Materials Science from MIT.

Barry Gilbert was among the original founding members of Strategy Analytics. He left the firm as part of an acquisition of a SA subsidiary by Bowne (NYSE:BNE) in New York and rejoined the firm to lead the development of new programs. While away, Barry served as COO of Current Analysis, Inc., a competitive intelligence firm based in Washington DC. Previously, Barry held executive level positions with Giga Information Group (now part of Forrester Research) where he was Vice President of Quantitative Research and a member of the executive management team. Barry's participation in technology research, publishing, and consulting spans over 25 years. He has served in leadership roles at IDC, Market Information Center, Computer Intelligence/InfoCorp and Bowne.

Barry holds a BA from the Johns Hopkins University and an MBA from the Clark University's Graduate School of Management.

Investment Required

The investment required to complete the work outlined in this proposal will be \$62,500.00, with 50% billed upon-project approval and the final 50% upon completion. Terms are Net 30.

This proposal is subject to the Terms and Conditions on the next page.

Terms and Conditions

Validity of Quotation

This proposal is valid for 30 days from the date of submission though Client recognizes that the project delivery dates are contingent on a project kick-off of April 26th.

Timely Delivery

SA will take all reasonable steps to ensure that the timescales called for by the proposed study are met in accordance with the agreed schedule, but no liability can be accepted for the consequences of delays, howsoever caused.

Dependent Methodology

We believe that the methodology proposed in this document represents the optimal approach to meeting RIEDC's requirements. Should the client wish to proceed only with part of this project, SA reserves the right to re-submit a revised proposal reflecting the requested changes. Such changes may affect the schedule, the resource requirements, professional fees, travel, and/or SA's ability to deliver all of the requirements requested by the client.

Project Changes

SA recognizes that the RIEDC may desire to make modifications to the proposed work either prior to or during the course of the proposed project. In the event the Client requests changes to the project once the project is initiated, SA reserves the right to re-submit a revised proposal reflecting the requested changes. Changes may affect the schedule, the resource requirements, professional fees, travel, or all of these.

Disclaimer of Warranties: Limitation of Liability

Although reasonable efforts will be made by SA to ensure the completeness and accuracy of the information contained in written and oral reports in connection with the proposed study, **no liability can be accepted by SA for the results of any actions taken by the Client in connection with such information, opinions or advice.** SA will take all reasonable steps to ensure that the timescales called for by the proposed study are met in accordance with the agreed schedule, but no liability can be accepted for the consequences of delays, howsoever caused.

Except as expressly specified herein, SA makes no warranties of any kind, express or implied, statutory or otherwise, including without limitation, any implied warranties of accuracy, completeness or adequacy of such services or of their merchantability or fitness for a particular purpose. SA and its suppliers' total liability with respect to the services provided hereunder, under all theories of liability and regardless of the form of action, shall be limited to a sum equal to one half of the professional fees paid by the client for the consulting services giving rise to the claim. In no event shall SA be liable for special, indirect, incidental or consequential damages, even if it has been advised of the possibility of such damages.