

From: Saul, Michael
Sent: Wednesday, April 28, 2010 3:31 PM
To: tz@38studios.com; 'Stolzman, Rob' <RStolzman@apslaw.com>
Cc: Hashway, Fred <fhashway@riedc.com>; Cole, Tim <tcole@riedc.com>
Subject: FW: Revised RIEDC Proposal
Attach: RIEDC Proposal 4-21-10 Revised.pdf

Tom,

Please take a look. I believe it addresses overlapping scope issues and gets 38 a significantly fee reduction. I am having Rob draft a side letter between 38 and EDC regarding 38's obligation to reimburse EDC for this report irrespective of whether we close on the RI credit enhanced financing.

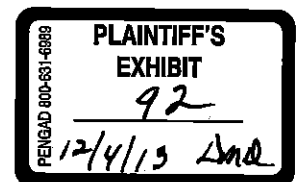
Mike

From: Barry Gilbert [mailto:BGilbert@strategyanalytics.com]
Sent: Wednesday, April 28, 2010 9:58 AM
To: Cole, Tim; Saul, Michael
Cc: Harvey Cohen
Subject: Revised RIEDC Proposal

Tim, Mike,

Attached please find a revised proposal based on the latest input from Jason and Mike's VM this morning. I believe we have addressed the issues and requirements and I am available to discuss the proposal and any issues it raises at your convenience.

On behalf of Strategy Analytics and Perimeter Partners we look forward to working with you and your colleagues at the RIEDC. Thank you.



BRNonPrivileged016441

Regards,

Barry

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Barry Gilbert
Vice President

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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

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April 28, 2010

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

Attn: Tim Cole, Senior Strategy and Research Manager

Re: *Proposal Revisions Concerning Development of a Gaming Cluster in Rhode Island*

Resulting from subsequent conversations with management of the RIEDC Strategy Analytics (SA) is pleased to provide this revised proposal to address the issues surrounding the development of a gaming cluster in Rhode Island. 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 Rhode Island.

SA is well positioned to address the needs of the RIEDC as it explores its options for investment in different clusters. To provide further insight Strategy Analytics is pleased to team up Perimeter Partners' principal Jason Della Rocca in order to address some of the project requirements. Jason will be working directly with SA as a contractor, so his fees have been incorporated into this proposal.

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 subsequent phone conversations with members of the RIEDC on April 20th, 23rd, and 27th including Michael Saul, Fred Hashway, and Tim Cole.

Based on these 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 game cluster in Rhode Island,

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- Provide insight to the gaming industry structure,
- Provide economic impact due diligence 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.

Strategy Analytics' Approach

To accomplish these objectives Strategy Analytics recommends that the following project elements be conducted 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.
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 for attracting, stimulating and retaining a gaming-centric cluster in the state.
3. Provide snapshots of three markets in terms of the development of a gaming community and infrastructure, critical success factors, and a realistic view of the challenges and opportunities presented by the gaming industry segment. As part of this effort an examination of the investment, timeframe, and outcomes will be addressed and used as a benchmark.
4. Conduct an economic impact due diligence exercise to identify the collateral benefits that may be accrued by an investment in a core anchor gaming participant, such as 38 Studios, including an assessment of the potential employment opportunities in the state of RI, the potential for attracting other gaming entities, and provide references to other key gaming markets who have succeeded with similar approaches.

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 with a Question and Answer (Q&A) component. Given the timelines necessary to complete the project

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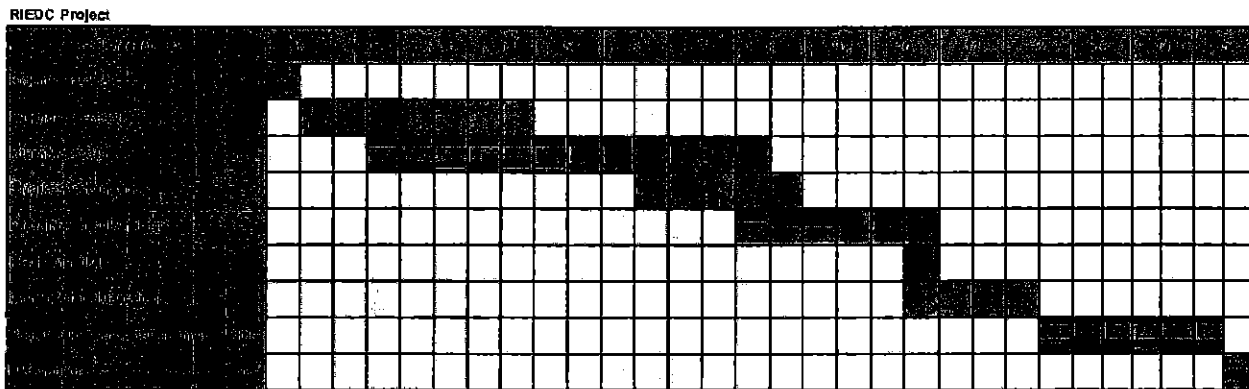
SA envisions an interim meeting at the RIEDC offices to address interim findings and coordinate any mid-course realignment of efforts.

Timeframe

Given a kick-off date of May 3rd Strategy Analytics can complete the above referenced assignment and deliver results on or after Friday, May 21st, 2010. However, SA, working in conjunction with Perimeter Partners, will provide an interim meeting (date to be determined) to provide updates and coordination with other interested parties involved with this initiative.

While this 3 week period is aggressive SA believes it can draw on the necessary resources to complete the assignment along with input from Perimeter Partners within that timeframe. SA will make every reasonable effort to accommodate the RIEDC timelines and provide flexibility in addressing project requirements.

The following time-line chart is provided as a proxy only and examines an estimate of days, or fractions of days for each project component.



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 and Jason Della Rocca, founder and senior consultant at Perimeter Partners. These principals will draw on their resources to assist in completing the different phases of the project under their direction.

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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.

Jason Della Rocca is the founder of Perimeter Partners, a consultancy that provides strategic level guidance and expertise to companies and organizations on the boundary, or perimeter, of the game industry. For nearly nine years, he served as the

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executive director of the International Game Developers Association (IGDA), a professional society committed to advancing the game industry and the careers of developers. Jason was honored for his industry building efforts with the inaugural Ambassador Award at the 8th annual Game Developers Choice Awards. He continues to be an advocate for the expressive power of games and their capacity to change the world.

As a sought after expert on the game industry, Jason has spoken at conferences worldwide (e.g., GDC, Tokyo Game Show, Nordic Game, ChinaJoy, etc), lectured at top universities (e.g., National University of Singapore, McGill, University of Tokyo, Penn State, etc), and has either written for or been interviewed by countless news outlets (e.g., Wired, Edge, Nightline, LA Times, NPR, Wall Street Journal, The Escapist, etc).

Investment Required

The investment required to complete the work outlined in this proposal will be \$48,500.00 plus travel related expenses, 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.

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Acceptance: Rhode Island Economic Development Corporation Proposal

On behalf of the RIEDC:

On behalf of Strategy Analytics, Inc.

Printed: _____

Date: _____
