

Buonaiuto, Kenneth

From: Steven O'Donnell <1@risp.dps.ri.gov>
Sent: Thursday, May 31, 2012 6:18 AM
To: Studley, Raymond
Subject: 38 Studios

In addition to having 38 Studios background prepared, make sure they also have a list of names for the EDC Board and background on them so we hit the ground running.

Buonaiuto, Kenneth

From: Kenneth Buonaiuto <174@risp.dps.ri.gov>
Sent: Friday, June 1, 2012 12:55 PM
To: Catlow, Todd
Subject: 38 Studios Executives;
Attachments: 38 STUDIOS EXECUTIVES.doc

Lieutenant Catlow,

See attached list of 38 Studios executives.

Respectfully submitted,

Detective Kenneth S. Buonaiuto
Rhode Island State Police
Financial Crimes Unit
311 Danielson Pike
North Scituate, RI 02857
Phone (401) 444-1205
Fax (401) 444-1041

38 STUDIOS EXECUTIVES

Curt Schilling-Chairman

Jennifer MaClean-Chief Executive Officer

Rick Wester-Chief Financial Officer

Bill Thomas-Chief Operating Officer

Christina Alejandre-Vice President Business Development

Alex Bertie-Vice President Marketing

Jon Laff-Chief Technology Officer

John Blakley-Vice President of Product Development

Buonaiuto, Kenneth

From: Kenneth Buonaiuto <174@risp.dps.ri.gov>
Sent: Friday, June 1, 2012 1:15 PM
To: Catlow, Todd
Subject: 38 Studios Executives;
Attachments: 38 STUDIOS EXECUTIVES.doc

Lieutenant Catlow,

Attached is the updated 38 Studios executives list.

Respectfully submitted,

Detective Kenneth S. Buonaiuto
Rhode Island State Police
Financial Crimes Unit
311 Danielson Pike
North Scituate, RI 02857
Phone (401) 444-1205
Fax (401) 444-1041

38 STUDIOS EXECUTIVES

Curt Schilling-Chairman [REDACTED]

Jennifer MacClean-Chief Executive Officer [REDACTED]

Rick Wester-Chief Financial Officer [REDACTED]

Bill Thomas-Chief Operating Officer [REDACTED]

Christina Alejandre-Vice President Business Development [REDACTED]

Alex Bertie-Vice President Marketing [REDACTED]

Jon Laff-Chief Technology Officer DOB [REDACTED]

John Blakley-Vice President of Product Development [REDACTED]

From: Nicholas Messinger <22@risp.dps.ri.gov>
Sent: Tuesday, June 05, 2012 3:09 PM
To: [REDACTED]
Subject: Fwd: TEMPORARY TRANSFER ANNOUNCEMENT-FINANCIAL CRIMES UNIT

>>> Michael Winqvist 06/05/12 15:08 >>>

TEMPORARY TRANSFER ANNOUNCEMENT

Colonel Steven G. O'Donnell, Superintendent of the Rhode Island State Police and Commissioner of the Department of Public Safety, announces the following temporary transfer to take effect on Sunday, June 10, 2012. This transfer is based on an immediate need for additional personnel for several long-term, labor intensive financial crimes investigations to include but not limited to the [REDACTED], [REDACTED] and a full-scale investigation into 38 Studios.

TROOPER:	Transferred From:	Transferred To:
Trp. Courtney Elliott	Lincoln Barracks	Detective Bureau-Financial Crimes Unit

A Personnel Transfer Order will follow this e-mail transfer announcement.

Authorization: Lieutenant Colonel Raymond B. Studley
Deputy Superintendent/Chief of Field Operations

Buonaiuto, Kenneth

From: Todd Catlow <71@risp.dps.ri.gov>
Sent: Wednesday, June 6, 2012 11:02 AM
To: Buonaiuto, Kenneth
Subject: Fwd: Updated posts 38 Studios

>>> Patrick Reilly 6/1/2012 1:42 PM >>>
FYI.....

We have continued to monitor the posts from the 38 Studios situation. I/A Soscia will continue to do spot checks. There has not been much pertinent activity, however please see the following posts:

Curt Schilling's Facebook page had the following link and the comments posted approximately one hour ago.

Curt Schilling
[http://www.gamasutra.com/view/news/169444/38 Studios Downfall The Gamasutra Report.php](http://www.gamasutra.com/view/news/169444/38_Studios_Downfall_The_Gamasutra_Report.php)
LikeUnlike · Share · about an hour ago · 31 people like this..

COMMENT: Michelle Nichols: I think I would have much more respect for Curt if he actually said something beyond the tune of "Poor me". Let's face it - that's all he's ever really said. I'd like to know the "why" behind the situation. Why did all of this fail so ep...ically? You can't lay the blame solely at the feet of Chafee (and yes, I think he's a moron but that's beside the point). Personally, I don't think he really understood what he was in for (Curt that is). The jump from baseball to gaming is pretty big, especially when there are millions upon millions of dollars at risk, not the mention the livelihood of employees. See More
23 minutes ago · COMMENT: Eric Tucker And I would also like to add, I lost an uncle to ALS. Your work to find a cure to that awful disease speaks volumes about your character. Remember you have support in your corner. 23 minutes ago ·

LikeUnlike.
Write a comment.....RECENT ACTIVITY
Curt and Ben Kucaba are now friends. · Add FriendRequest Sent.

.....

Schilling tweeted this this morning:

Curt Schilling @gehrig38
To whom it may concern. Obviously there is a massive amount of misinformation regarding 38 Studios in the public arena. When we are able to..

COMMENT: 10:04 AM - 1 Jun 12 via LinkedIn · Details 1h tom silvia @tsilvia711
@gehrig38 able too....????? yes please finish what your going to say!

COMMENT: 2h Quori @quoriwow
@gehrig38 if you refuse to speak others will even if mis informed. Get out there stand tall and speak for yourself. Shut them up.

R/S-99

Chafee denies his words scared away investors Governor says he had 'to be honest' with taxpayers; another EDC member resigns in wake of crisis

By KATE BRAMSON and KATHERINE GREGG JOURNAL STAFF WRITERS

PROVIDENCE — As another high-profile member of the state's economic-development board resigned, Governor Chafee on Tuesday denied retired Red Sox pitcher Curt Schilling's accusation that his "devastating" comments about 38 Studios and its first video-game offering scared off potential private investors.

"No, absolutely not," said Chafee at the latest news conference he has held since the company first tumbled into default on a \$75-million state-guaranteed loan. By late last week, the company had laid off all of its employees.

"An investor's not going to be scared away by some governor's comments on this. It just, it defies logic. Investors look at the bottom line: 'Can I make money?'"

Chafee said he had "to be honest" in his dealing with Rhode Island taxpayers, who could be on the hook to repay \$102 million over the next eight years if 38 Studios cannot make its required bond payments.

Chafee has called the company's first video game, released in February, an "abject failure," an analysis he received from a consultant whom he refuses to name. Chafee also has said the company was burning through \$4 million a month, and he disclosed the next game isn't expected to be released until June 2013 — two key "nuggets" that Schilling criticized Chafee for releasing in an exclusive interview over the weekend with The Providence Journal.

Chafee's defense of his administration's oversight of 38 Studios came on the same day he announced that J. Lynn Singleton, president of the Providence Performing Arts Center, has become the latest board member to resign from the Rhode Island Economic Development Corporation. Singleton was one of four remaining board members who voted for the controversial loan guarantee. Singleton has not returned requests for comment.

The governor said a forensic audit of 38 Studios could begin as early as Wednesday.

The state loan guarantee lured 38 Studios to Providence from Massachusetts, despite criticism within the business community and strong opposition by Chafee as he ran for governor.

Now, the company's financial viability hangs in the balance. Both Schilling and Chafee say they don't know if the company will survive.

For the first time, Chafee said Tuesday that EDC officials have received timely, monthly financial reports from 38 Studios all along.

Chafee also said General Treasurer Gina Raimondo was wrong to say 38 Studios could not have run into difficulty overnight.

"The red flags were just not there," Chafee said. "They were making their benchmarks and adhering to the criteria of the loan and trust agreement."

Although Chafee said he did not look at those financial reports himself, the EDC was monitoring them.

"There is a very able staff in charge of that, including an EDC director who was there at the inception of this deal," Chafee said. "So I had some confidence that this was being overseen very competently."

Chafee said he has worked diligently to help the company since it missed a May 1 payment of \$1,125,000 it owed to the EDC and did not publicly acknowledge the missed payment, which put the company into default on its loan agreement, for two weeks.

As Schilling faced short-term cash needs, including the company's mid-May payroll, he was counting heavily on receiving \$8.4 million in state film tax credits. If granted, the company could then sell those credits to anyone with a Rhode Island tax liability to raise quick cash.

Schilling and his top executives said they had been dealing with then-EDC Executive Director Keith W. Stokes, who has since resigned, and it appeared the approval of the credits was moving along. The company believed it would again be eligible for the credits if it emerged from default by paying that late payment.

Yet questions have since arisen as to whether 38 Studios is even now eligible for those credits because it's incorporated in Delaware. By law, such credits are supposed to be limited to companies incorporated in Rhode Island or "formed in Rhode Island."

But Schilling and his team appear to have believed this was a nonissue, in part because 38 Studios, which is headquartered in Rhode Island and registered to do business here, had received "initial certification" letters from the state film office, headed by Steven Feinberg.

State Tax Administrator David Sullivan said initial certification is by no means a guarantee that any company will get tax credits.

"It simply puts a company in the queue," he said, but then they have to meet all other requirements in state law and submit their expenses for review.

Of Schilling's belief that 38 Studios would get the tax credits quickly, with Stokes' help, if it made that missed payment, Chafee said: "I don't think he [Stokes] had that authority. There's a process. Unfortunately, they didn't understand that process. I regret that."

All that said, Chafee repeated his reluctance to award the tax credits: "I want to have the confidence that this is going to lead to some financial footing, and I just haven't gotten that confidence at this point."

Chafee's late-day briefings have drawn praise and caution .

For example, Marion Orr, director of Brown's Taubman Center for Public Policy, said: "This could be a critical opportunity for Governor Chafee to show his leadership skills in a moment of real crisis and uncertainty. He's been quite transparent and straightforward and talking in plain language and seemingly trying to think it through."

Orr said the governor needs to strike "a delicate balance in how far can he go in bashing a company where the voters, the taxpayers, might have to step in if it fails."

Orr said that questions of whether Chafee adequately monitored 38 Studios could also hurt him politically, depending on how this "high drama" plays out.

Journal staff writers Andy Smith and Mike Stanton contributed to this report.
kbramson@providencejournal.com

(401) 277-7470

On Twitter @JournalKate



Chafee

Buonaiuto, Kenneth

From: Kenneth Buonaiuto <174@risp.dps.ri.gov>
Sent: Friday, July 6, 2012 3:03 PM
To: Catlow, Todd
Cc: Brock, Michael; Tellier, Lori
Subject: 38 Studios Investigation Update - Week ended July 7, 2012

- 1) Reviewed subpoenaed BankRI/Corso loan closing documents.
- 2) Began to reviewed subpoenaed EDC documents
- 3) Still awaiting subpoenaed documents from Corso entities
- 4) Will meet with Attorney Robert Flanders and conference call with his client, Row 1 Productions (California Company), next week.

Respectfully submitted,

Detective Kenneth S. Buonaiuto
Rhode Island State Police
Financial Crimes Unit
311 Danielson Pike
North Scituate, RI 02857
Phone (401) 444-1205
Fax (401) 444-1041

Buonaiuto, Kenneth

From: providencejournal Breaking News <providencejournalbreakingnews@ahbelo-news.com>
Sent: Friday, July 6, 2012 4:12 PM
To: Tikoian, David; News, providencejournal.com Breaking
Subject: Documents: R.I. official sought 38 Studios job

PROVIDENCE, R.I. (AP) -- Documents show an official at the Rhode Island agency overseeing the program that provided Curt Schilling's videogame company a \$75-million loan guarantee inquired about a job with the firm about six weeks after the deal was finalized. Emails obtained by The Associated Press under a public-records request show J. Michael Saul, formerly with the state Economic Development Corp., asked 38 Studios' chief financial officer about a finance-director position in December 2010. It's unclear if Saul ever worked

there. <http://news.providencejournal.com/breaking-news/2012/07/documents-ri-of.html> 

For more on this developing story, go to ProvidenceJournal.com.

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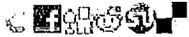
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Or send a request to: A. H. Belo Corporation; Attn: Circulation Digital Opt-Out; 508 Young St., Dallas, TX 75202.

Buonaiuto, Kenneth

From: Gerard Ratigan <gratigan@risp.dps.ri.gov>
Sent: Thursday, June 7, 2012 8:33 AM
To: Buonaiuto, Kenneth; Catlow, Todd
Subject: 38
Attachments: zufwngjgfeez.twitter.png; whccmmnrwgqj.facebook.png; scfaxkimugwu.digg.png; ggonbodfhdyh.reddit.png; alizmkbfnsq.stumbleupon.png; yecmpaviqrgw.delicious.png; rarejxcrurcr.handshakecas2_360_265.png

38 Studios Insiders Have Been Connected Since May 2009



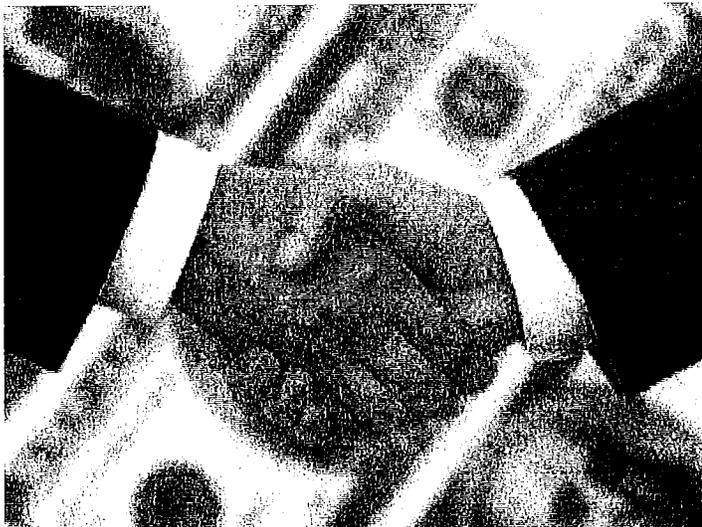
[Email to a friend](#) [Permalink](#)

Thursday, June 07, 2012

Dan McGowan, GoLocalProv News Editor

The lawyer at the center of the deal that brought Curt Schilling's 38 Studios to Rhode Island had a business relationship with a top executive at the video game company a year before a piece of legislation that expanded the EDC's Job Creation Guaranty Program was pushed rapidly through the General Assembly.

On May 29, 2009, Michael Corso, a top tax credit broker whose relationship with House Speaker Gordon Fox helped steer 38 Studios to the Ocean State, struck a deal to purchase credits handed out for the multi-million dollar Stone House hotel project in Little Compton from the Round Pond Management Corporation, whose President was Tom Zaccagnino.



By June of that year, Zaccagnino, who was also the co-managing director at the Wellesley Advisors Corporation in Maynard, MA, had become Vice Chairman and Lead Director of 38 Studios. A month later, Haymarket Capital, an LLC with the same address as the Wellesley Advisors Corporation, was involved with the seven-figure bridge loan a group of Rhode Island investors provided to 38 Studios.

In March of 2010, Zaccagnino and Schilling met with Speaker Fox and former EDC director Keith Stokes in Corso's downtown law office. By May, the General Assembly had expanded the EDC's loan guarantee fund from \$50 million to \$125 million, the exact amount the EDC awarded to 38 Studios later that summer.

Rank-and-file lawmakers have said they were never informed that one company would receive the entire \$75 million.

The rest is history. 38 Studios released its first game, "Kingdom of Amalur: Reckoning," earlier this year and sold over 1.2 million copies. But as it burned through millions of dollars each month working on a second project, the company was unable to make a \$1.125 million payment due to the EDC in March and attempted to pass a bad check to clear the debt.

Ultimately, every employee at 38 Studios was laid off and the company appears to have collapsed. While Schilling has blamed Governor Chafee for scaring away potential investors who could have saved the company, the Governor has maintained that taxpayers deserve to know the details about a company that could leave them on the hook for nearly \$100 million if it dissolves.

Meanwhile, questions remain as to what made the state rush to essentially co-sign a \$75 million loan for a pre-revenue company. Governor Chafee has encouraged every EDC board member who voted for the 38 Studios deal to resign. Stokes also resigned.

On the legislative side, the Speaker's relationship with Corso has also come into question. The Providence Journal reported last week that Fox's partner's hair salon (which he owns a small percentage of) pays rent to Corso.

Corso has also helped Fox raise campaign funds, including hold a private fundraiser for the Speaker at the Peerless Lofts in March of 2007. After GoLocalProv inquired as to who covered the expenses that evening, Fox's spokesman Larry Berman said Fox plans to review his campaign finance reports.

"Speaker Fox has been extremely busy entering the final two weeks of the session, but he will soon be checking the campaign records from five years ago," Berman said. "If corrections are necessary to the report, he will make them."

Dan McGowan can be reached at dmcgowan@golocalprov.com.

Buonaiuto, Kenneth

From: Todd Catlow <71@risp.dps.ri.gov>
Sent: Thursday, June 14, 2012 7:57 AM
To: Buonaiuto, Kenneth; Brock, Michael; Tellier, Lori
Subject: Fwd: 38 Studios

>>> Michael Winqvist 6/13/2012 6:16 PM >>>
Lt.,

From the Colonel, he has been hearing that the employees salaries at 38 Studios were higher than reported as the listed pay was kept low but they were provided significant expense accounts to hide their actual salaries/overall compensation. He wanted me to pass it on to you so you can let the investigating detectives know.

Thanks

Buonaiuto, Kenneth

From: Todd Catlow <71@risp.dps.ri.gov>
Sent: Thursday, June 14, 2012 9:18 AM
To: Ratigan, Gerard
Subject: Re: <http://www.golocalprov.com/news/investigation-edc-board-kept-in-dark-on-true-risks-of-38-studios/>

Tks.

>>> Gerard Ratigan 6/14/2012 8:21 AM >>>
<http://www.golocalprov.com/news/investigation-edc-board-kept-in-dark-on-true-risks-of-38-studios/>

Buonaiuto, Kenneth

From: Michael Dicomitis <michaeld@risp.dps.ri.gov>
Sent: Friday, June 15, 2012 11:14 AM
To: Moynihan, Matthew;Pendergast, Terrence;Dougherty, Diane;Winqvist, Michael;Reilly, Patrick;Hogan, Glen;Soscia, John;Avizinis, Robert
Subject: 38 Studios Schillings memo to RI

For those who might be interested in the 38 Studios saga. The below link is an article from CBS Boston. Schilling gave RI officials a 37 page memo in which painted "a very risky and speculative investment opportunity. 38 Studios officials didn't try to minimized the risk, and included the warning that investors should only sink money into the venture if they could afford to lose it all".

<http://boston.cbslocal.com/2012/06/14/memo-shows-38-studios-was-a-risky-bet/>

Respectfully;

Michael P. Dicomitis
Intelligence Analyst
Rhode Island State Fusion Center
michaeld@risp.dps.ri.gov
(401) 444-1117 (Main)
(401) 444-1320 (Office)
[REDACTED]
(401) 458-1173 (Fax)

Buonaiuto, Kenneth

From: Kenneth Buonaiuto <174@risp.dps.ri.gov>
Sent: Monday, June 25, 2012 12:52 PM
To: Catlow, Todd
Cc: Casilli, Brian
Subject: 38 Studios Investigation Update - Week ended June 23, 2012

38 Studios Investigation Update

1) Row-1 Productions (California Company) [REDACTED] Attorney Robert Flanders, who represents ROW-1 Productions. Attorney Flanders advises that he will set up phone interview between investigators and client after 4th of July Holiday week. Client will be away on vacation until week following 4th.

2) [REDACTED]

Respectfully submitted,

Detective Kenneth S. Buonaiuto
Rhode Island State Police
Financial Crimes Unit
311 Danielson Pike
North Scituate, RI 02857
Phone (401) 444-1205
Fax (401) 444-1041

Buonaiuto, Kenneth

From: Kenneth Buonaiuto <174@risp.dps.ri.gov>
Sent: Thursday, June 28, 2012 3:49 PM
To: Catlow,
Todd, [REDACTED]
[REDACTED]
Subject: Anonymously Received Documents;
Attachments: 38 Studios Private Placement Memorandum.pdf; 38 Studios, LLC Financial Statement Dec. 31, 2008.pdf

Gentlemen,

Attached are two documents that we received anonymously through the mail at State Police Headquarters today. They are the documents referenced in the GOLOCALPROV.com article titled "38 Studios Secret Documents" that was published on the website on June 14, 2012.

Respectfully submitted,

Detective Kenneth S. Buonaiuto
Rhode Island State Police
Financial Crimes Unit
311 Danielson Pike
North Scituate, RI 02857
Phone (401) 444-1205
Fax (401) 444-1041

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 CONSTRUE 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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I. SUMMARY OF THE OFFERING

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

A. The Company

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").

The Company's corporate headquarters and studio is located at 5 Clock Tower Place, Suite 140, Maynard, Massachusetts 01754 and may be reached by telephone at (978) 310-5100. If the Company completes the Proposed Acquisition (as defined and described below), the Company will have an additional office and studio in the Mid-Atlantic region of the United States.

B. The Business

1. Corporate Vision: A Commitment to Entertainment Excellence

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."

38 Studios aims to enable its customers to interact with the Company's original, proprietary intellectual property ("IP") at any time, in any way that they choose, across a range of mediums including the PC, game consoles, mobile devices, books, visual arts, graphical novels, toys, and collectible card games.

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

Issuer:	38 Studios, LLC
Amount of Financing:	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.
Number of Class B Units included in the Offering:	Up to a total of 20,161,290 Class B Units are being offered to qualified investors.
Price:	\$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,

net worth or any other established criterion of value. 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, 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.

See "Capitalization" below for summary capitalization tables.

Closings:

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.

Type of Security:

Membership Interests in the Company classified as Class B Units.

Plan of Distribution:

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 reserves the right in its sole discretion to (i) accept or reject any subscription, (ii) allocate or restrict the number of Class B Units that can be acquired by any subscriber, and (iii) determine the maximum number of Class B Units to be sold in total within the limit set forth herein. In the event the Company holds more than one Closing, it may in its sole discretion accept a part of a subscriber subscription at each Closing. In the event that all or a portion of the subscriber's subscription is not accepted, the subscription payment not accepted will be promptly returned, 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).

Suitability Standards:

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.

Antidilution Protection:

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.

Voting Rights:

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.

Board of Directors:

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.

Protective Provisions:

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,

securities issued in strategic transactions, securities issued in a Qualified IPO, and other customary exceptions) to purchase their pro rata portion of such equity securities. These provisions shall terminate upon the earlier of a change of control of the Company and the Company's initial public offering

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

V. CAPITALIZATION

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.

CURRENT CAPITALIZATION	Class A Units	Class A Unit Options	Total Units (Fully-Diluted Basis)	Pro Rata % (Fully Diluted Basis)
Existing Members				
Curt Schilling	41,250,000	-	41,250,000	82.5%
Douglas Macrae	2,000,000	-	2,000,000	4.0%
Scott Hamilton	13,333	-	13,333	0.03%
Scott Cuthbertson	83,333	-	83,333	0.17%
Issued Options	-	5,807,000	5,807,000	11.61%
Option Pool Balance	-	846,334	846,334	1.69%
Total	43,346,666	6,653,334	50,000,000	100.00%

PRO FORMA CAPITALIZATION	Class A Units	Class B Units	Class A Unit Options	Total Units (Fully Diluted Basis)	Pro Rata % (Fully Diluted Basis)
New Investors		20,161,290		20,161,290	28.74%
Existing Members	43,346,666			43,346,666	61.87%
Issued Options	-	-	5,807,000	5,807,000	8.28%
Option Pool Balance	-	-	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

subscription fees. 38 Studios expects to derive subscription fees for the PC-based version of the Game and retail sales for the console and handheld versions of the Game.

38 Studios hopes to establish and maintain strategic partnerships that will allow communication industry technology to blend customers in online and offline worlds in ways that keep players "in the game" at all times, wherever they are.

38 Studios hopes to effectively utilize market research and media publicity to become the premier player in this market segment. 38 Studios expects to establish in-depth marketing strategies with cable, telecommunications and other companies related to the computer gaming industry through advertising, interviews, and Video On Demand segments. The Company aims to leverage media relationships with networks and companies such as Reebok, Wilson, ESPN, MSNBC, CNN, FOX, and Sports Illustrated to build awareness in global markets.

VII. USE OF PROCEEDS

The net proceeds to the Company from the Offering after deducting expenses incurred in connection with the Offering (including broker commissions and fees and legal, accounting and other related expenses), will be used for general working capital purposes including Game development and production costs. Proceeds from the Offering may also be used for payment of salaries and wages, marketing, advertising and promotion costs, insurance, rent and other general administrative expenses of the Company.

A summary of current budget projections is attached hereto as **Exhibit D**. The amounts set forth in the budget summary represent the Company's current estimates and the actual expenses incurred by the Company may vary significantly depending on numerous factors. The Company's Board of Directors may revise the Company's operating budget and reallocate the net proceeds from the Offering from time to time in its sole discretion. Any such revision and/or reallocation will be in furtherance of the Company's goal to develop the Game and achieve profitable operations.

In the event that the Company consummates the Proposed Acquisition, the Company will likely apply the net proceeds from the Offering to the Proposed Acquisition including using the net proceeds to purchase the assets and operate the business that is the subject of the Proposed Acquisition. Also included in **Exhibit D** is a pro forma summary of consolidated budget projections assuming that the Company completes the Proposed Acquisition. The amounts set forth in the pro forma summary represent the Company's current estimates and the actual expenses incurred by the Company if it completes the Proposed Acquisition may vary significantly depending on numerous factors

Until used for the purposes described herein, the Company will invest such net proceeds in short-term interest-bearing securities.

VIII. KEY PERSONNEL

The business of the Company is managed by a Board of Directors including Brett Close, Gary Jbara, Douglas Macrae, Curt Schilling, Shonda Schilling and Bill Thomas. The Company's key personnel include:

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

400+ backlist titles, many of them New York Times bestsellers. Her career came full circle in her most recent role at Hasbro, where she served as Vice President of Marketing, Publishing, and Tabletop Games with responsibility for brand and business management of the Dungeons & Dragons Role-playing Game in all its brand extensions, most notably overseeing the licensed development of the Neverwinter Nights, Icewind Dale, Baldur's Gate, and Dungeons & Dragons Online computer games. Her breadth of experience also includes toys and board games, having launched the company's first non-licensed miniature figures lines using the D&D and Star Wars brands, as well as relaunching the venerable Avalon Hill board game brand. Mary is also the author of twelve best-selling fantasy novels, serves as a consulting editor for TOR Books (St. Martin's Press's premier fantasy and science fiction book imprint), and is a licensed Integrative Personal Coach.

D. Jon Laff – Chief Technology Officer

With more than a dozen years as an engineer in the video game industry, CTO Jon Laff has a proven track record in software design and technology leadership. Prior to joining 38 Studios, Laff was a senior systems engineer and lead engineer at Electronic Arts' Montreal development house. Laff played a key role in growing the new studio and in developing its first AAA IP title, Army of Two. At EA Los Angeles, Laff was the lead engineer on Medal of Honor: European Assault and the Xbox lead engineer on Medal of Honor: Rising Sun. Prior to Electronic Arts, Laff served as a lead and senior software engineer at VR1/Jaleco Entertainment in Colorado, where he worked on MMO products Lost Continents and VR1 Crossroads, as well as other online titles including Ultracorps and Fighter Ace III. Laff's extensive experience in the game industry spans a broad array of disciplines, including: online and networking, artificial intelligence, animation, audio, game authoring tools, optimization, game play systems, graphics, physics, relational databases and game server architectures. Laff holds two degrees from the University of Colorado at Boulder: a bachelor of science in computer science and a bachelor of arts in mathematics.

E. Jennifer 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. Her 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. 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, is the Chair of the Board of Directors of the IGDA, and is a frequently requested speaker at interactive entertainment industry events.

F. John O'Keefe – Manager, Web Development

John O'Keefe comes to 38 Studios from Mentor Media where he co-created the Azeroth Advisor, the personalized newsletter for players of the World of Warcraft game. Prior to that, he ran operations groups for the electronic publishing arms of Gemstar TV Guide, as well as AT&T

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 "xyzzzy." 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]

Exhibit C - Investor Questionnaire

PROSPECTIVE INVESTOR QUESTIONNAIRE

THIS QUESTIONNAIRE MUST BE COMPLETED AND DELIVERED TO 38 STUDIOS, LLC (THE "COMPANY") BY YOU AS A PROSPECTIVE INVESTOR IN THE COMPANY.

INSTRUCTIONS

The purpose of this Questionnaire is to determine whether you or the entity on whose behalf you are completing this Questionnaire meet the standards imposed by Section 4(2) of, or Rules 501 and 506 under, the Securities Act of 1933, as amended (the "Securities Act"). This offering has not been, and will not be, registered under the Securities Act, or under a comparable securities act of any jurisdiction, and the securities involved in this offering are being sold in reliance upon an exemption from the registration requirements thereof.

Please complete, as thoroughly as possible, sign and date this Questionnaire, and deliver it to the Company. Please contact Bill Thomas at 978-310-5126 if you have any questions with respect to this Questionnaire.

Your answers will be kept strictly confidential, except to the extent disclosure may be required under any federal or state laws. However, each person who agrees to invest in the Company agrees that the Company may present this Questionnaire or a copy hereof to its attorneys or such other parties as it, in its sole discretion, deems appropriate to assure itself that the proposed offer and sale of the Class B Units of the Company will not result in a violation of the registration provisions of the Securities Act or a violation of the securities or "blue sky" laws of any state.

Please print or type:

1. General Information

Legal Name of Potential Investor: _____

Business Address: _____

Business Telephone: _____

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
COMPENSATION TOTAL	233,825	3,875,979	6,897,195	11,337,812	14,842,616	16,689,868
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	8.0	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
BENEFITS	190,667	3,069,849	5,562,703	8,892,402	11,193,527	12,102,527
PAYROLL TAX	23,160	575,393	929,193	1,689,556	2,126,770	2,299,480
CONDUCTANCE	19,998	230,736	405,299	755,854	951,450	1,028,715
NON-COMPENSATION EXPENSES	261,334	1,767,405	3,167,459	3,629,509	4,162,717	4,426,311
Production	74,734	344,142	361,187	416,515	467,410	493,475
Equipment	1,759	4,501	3,976	198,184	252,834	276,429
Conductance	15,145	77,306	68,580	87,420	90,000	90,000
Production	40,673	434,081	474,784	498,842	579,285	595,103
Production	28,073	112,964	30,077	0	0	0
Production	4,200	10,309	91,223	122,500	67,500	20,000
Production	14,600	243,811	292,687	539,000	297,000	88,000
Production	9,258	43,650	66,517	115,600	141,700	155,067
Production	7,817	88,998	92,590	211,680	239,085	253,120
Production	2,762	40,780	161,960	473,070	969,540	987,168
Production	10,901	20,503	15,079	19,990	22,623	26,584
Production	0	102,713	1,107,657	205,000	10,000	0
Production	51,412	243,648	346,768	468,184	654,830	951,502
Production	0	0	54,374	197,813	278,053	391,952
Production	0	0	0	75,712	92,858	97,911
CAPITAL	663,288	693,259	2,400,685	801,580	600,202	359,883
Production	456,063	646,576	517,470	782,029	563,570	325,215
Production	207,225	46,683	1,883,215	0	0	0
Production	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
COMPANIMPOYS (P)	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 Full 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/Alloca	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
Other Costs	40,673	434,081	474,784	892,229	1,109,180	1,131,860
Small Property	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, Audit	51,412	243,648	346,768	685,818	1,040,330	1,490,855
Travel/Alloca	0	0	54,374	197,813	278,053	391,952
Contingency/Alloca	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/Alloca	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

38 Studios, LLC

(A Development Stage Company)

Financial Statements and Supplementary Information

December 31, 2008

38 Studios, LLC
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December 31, 2008

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DAVID WASSERMAN, CPA, P.C.
345 Boston Post Road
Sudbury, MA 01776
Tel. (978) 443-5144, Fax (978) 443-5156

To the Board of Directors
38 Studios, LLC

We have compiled the accompanying statement of assets, liabilities, and members' equity- income tax basis of 38 Studios, LLC (a development stage company) as of December 31, 2008, and the related statements of revenues and expenses- income tax basis, changes in members' equity- income tax basis and cash flows- income tax basis for the current quarter and twelve month period ended December 31, 2008, and the accompanying supplementary information- income tax basis contained in Schedules A through K which are presented only for supplementary analysis purposes, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statements and supplementary schedules have been prepared on the accounting basis used by the Company for income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements and supplementary schedules information that is the representation of management. We have not audited or reviewed the accompanying financial statements and supplementary schedules and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the income tax basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's assets, liabilities, equity, revenues, and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

David Wasserman, CPA, P.C.

Sudbury, Massachusetts
April 20, 2009

38 STUDIOS, LLC**(A Development Stage Company)****Statement of Assets, Liabilities and Members' Equity - Income Tax Basis****December 31, 2008**

ASSETS	
CURRENT ASSETS	
Cash	\$ 308,819
Due from Mentor Media, LLC	<u>5,828</u>
Total Current Assets	\$ 314,647
PROPERTY AND EQUIPMENT	
Computer and Office Equipment	533,799
Computer Software	462,830
Furniture & Fixtures	354,448
Leasehold Improvements	<u>269,659</u>
Total Property and Equipment	1,620,736
Less: Accumulated Depreciation	<u>551,040</u>
Property and Equipment, Net	1,069,696
OTHER ASSETS	
Mentor Media- Intellectual Property (Net of Amortization)	1,801,023
Notes Receivable- Long Term	137,124
Security Deposit- Office Lease	<u>120,000</u>
Total Other Assets	<u>2,068,147</u>
TOTAL ASSETS	\$ 3,442,490
LIABILITIES AND MEMBERS' EQUITY	
CURRENT LIABILITIES	
Credit Card Payable	\$ 42,012
Retirement Plan Contributions Payable	35,262
Taxes Payable	51,107
Current Liabilities- Other	<u>5,216</u>
Total Current Liabilities	\$ 133,617
LONG-TERM LIABILITIES	
Note Payable- Credit Line	11,492,851
Note Payable- Mentor Media, LLC	480,000
Accrued Rent Payable	<u>263,310</u>
Total Long-Term Liabilities	<u>12,236,161</u>
TOTAL LIABILITIES	12,369,778
MEMBERS' EQUITY	
Members' Equity (Deficit)	<u>(8,927,288)</u>
TOTAL MEMBERS' EQUITY	(8,927,288)
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 3,442,490

See Accountants' Compilation Report

38 STUDIOS, LLC**(A Development Stage Company)****Statements of Revenues and Expenses - Income Tax Basis****Current Quarter and Twelve Month Period Ended December 31, 2008**

	<u>4th Qtr 2008</u>	<u>YTD</u>
Revenue	\$ 1,003	\$ 10,158
Direct Costs:		
Art Expenses (Schedule A)	479,103	1,903,628
Audio Expenses (Schedule B)	53,462	100,894
Azeroth Advisor Expenses (Schedule C)	42,478	56,368
Design Expenses (Schedule D)	344,898	1,216,559
Engineering Expenses (Schedule E)	342,748	2,305,683
Production Expenses (Schedule F)	176,488	497,568
Quality Assurance Expenses (Schedule G)	<u>29,080</u>	<u>120,721</u>
Total Direct Costs	<u>1,468,257</u>	<u>6,201,421</u>
Operating Expenses:		
Administration Expenses (Schedule H)	912,641	3,016,690
Information Technology Expenses (Schedule I)	121,554	472,780
Marketing Expenses (Schedule J)	119,886	434,948
Web Services Expenses (Schedule K)	<u>105,771</u>	<u>411,695</u>
Total Operating Expenses	<u>1,259,852</u>	<u>4,336,113</u>
Income (Loss) from Operations	(2,727,106)	(10,527,376)
Interest Income	2,019	13,468
Interest Expense	<u>(131,699)</u>	<u>(364,242)</u>
Net Income (Loss)	\$ <u>(2,856,786)</u>	\$ <u>(10,878,150)</u>

See Accountants' Compilation Report

38 STUDIOS, LLC

(A Development Stage Company)

Statements of Changes in Members' Equity - Income Tax Basis

Current Quarter and Twelve Month Period Ended December 31, 2008

	<u>4th Qtr 2008</u>	<u>YTD</u>
Members' Equity (Deficit) at Beginning of Period	\$ (6,071,102) \$	(1,449,834)
Members' Capital Contributions	600	3,400,696
Net Income (Loss)	<u>(2,856,786)</u>	<u>(10,878,150)</u>
Members' Equity (Deficit) at End of Period	\$ <u>(8,927,288)</u> \$	<u>(8,927,288)</u>

See Accountants' Compilation Report

38 STUDIOS, LLC**(A Development Stage Company)****Statements of Cash Flows - Income Tax Basis****Current Quarter and Twelve Month Period Ended December 31, 2008**

	<u>4th Qtr 2008</u>	<u>YTD</u>
Cash Flows from Operating Activities		
Net Income (Loss)	\$ (2,856,786)	\$ (10,878,150)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	139,286	336,708
Amortization	32,191	78,976
Change in assets and liabilities:		
Employee Advance	235	1,569
Due from Mentor Media, LLC	16	(5,828)
Prepaid Rent	29,063	29,063
Notes Receivable- Long-Term	(667)	(3,215)
Deposits- Other	0	14,655
Credit Card Payable	(22,473)	756
Retirement Plan Contributions Payable	8,636	9,116
Taxes Payable	(587)	50,253
Current Liabilities- Other	(7,021)	1,412
Accrued Rent Payable	14,238	68,360
Net Cash Used In Operating Activities	<u>(2,663,869)</u>	<u>(10,296,325)</u>
Cash Flows from Investing Activities		
Acquisitions of Property and Equipment	(87,333)	(518,087)
Mentor Media- Intellectual Property	0	(1,880,000)
Net Cash Used In Investing Activities	<u>(87,333)</u>	<u>(2,398,097)</u>
Cash Flows from Financing Activities		
Proceeds from Capital Contributions	600	3,400,696
Proceeds from Note Payable- Credit Line	2,718,310	8,442,191
Proceeds from Note Payable- Mentor Media, LLC	0	480,000
Net Cash Provided by Financing Activities	<u>2,718,910</u>	<u>12,322,887</u>
Net Increase (Decrease) in Cash and cash equivalents	(32,292)	(371,535)
Cash and cash equivalents at Beginning of Period	<u>341,111</u>	<u>680,354</u>
Cash and cash equivalents at End of Period	\$ <u>308,819</u>	\$ <u>308,819</u>

SUPPLEMENTAL DISCLOSURES

Cash Flows from Operating Activities reflect Interest Payments of \$ 131,699 \$ 364,242

See Accountants' Compilation Report

38 Studios, LLC
Supplementary Information
December 31, 2008

38 STUDIOS, LLC

(A Development Stage Company)

Schedule A - Analysis of Art Expenses - Income Tax Basis

Current Quarter and Twelve Month Period Ended December 31, 2008

SCHEDULE A

ART EXPENSES:	<u>4th Qtr 2008</u>	<u>YTD</u>
Salaries	\$ 411,474	1,465,450
Payroll Tax Expense	27,731	108,359
Employee Benefits	29,336	220,983
Advertising	250	250
Communication Expense	0	40
Computer Expense	176	293
Computer Support Services	0	4,137
Conference Expense	0	4,032
Job Recruitment	0	20,239
Office Supplies	89	920
Relocation Expense	5,323	54,220
Travel, Meals and Entertainment	2,125	14,320
Travel- Conferences	0	4,150
Travel- Job Recruitment	0	3,636
Video Production	<u>2,599</u>	<u>2,599</u>
Total Art Expenses	\$ <u>479,103</u>	<u>1,903,628</u>

See Accountants' Compilation Report

38 STUDIOS, LLC

(A Development Stage Company)

Schedule B - Analysis of Audio Expenses - Income Tax Basis

Current Quarter and Twelve Month Period Ended December 31, 2008

SCHEDULE B

AUDIO EXPENSES:	<u>4th Qtr 2008</u>	<u>YTD</u>
Salaries	\$ 47,500	59,432
Payroll Tax Expense	3,634	4,546
Employee Benefits	1,010	1,010
Computer Expense	0	192
Office Expense	0	33
Relocation Expense	0	27,408
Travel, Meals & Entertainment	925	4,446
Travel- Job Recruitment	<u>393</u>	<u>3,827</u>
Total Audio Expenses	\$ <u>53,462</u>	<u>100,894</u>

See Accountants' Compilation Report

38 STUDIOS, LLC

(A Development Stage Company)

Schedule C - Analysis of Azeroth Advisor Expenses - Income Tax Basis

Current Quarter and Twelve Month Period Ended December 31, 2008

SCHEDULE C

AZEROTH ADVISOR EXPENSES:	<u>4th Qtr 2008</u>	<u>YTD</u>
Outside Services	\$ 42,385	55,718
Credit Card Processing Fees	0	299
PayPal Fees	<u>93</u>	<u>351</u>
Total Azeroth Advisor Expenses	\$ <u>42,478</u>	<u>56,368</u>

See Accountants' Compilation Report

38 STUDIOS, LLC

(A Development Stage Company)

Schedule D - Analysis of Design Expenses - Income Tax Basis

Current Quarter and Twelve Month Period Ended December 31, 2008

SCHEDULE D

DESIGN EXPENSES:	<u>4th Qtr 2008</u>	<u>YTD</u>
Salaries	\$ 250,823	895,222
Payroll Tax Expense	19,157	65,593
Employee Benefits	18,943	152,120
Communication Expense	0	40
Computer Expense	238	847
Conference Expense	0	2,935
Job Recruitment	0	585
Office Expense	43	727
Relocation Expense	47,321	66,029
Travel, Meals and Entertainment	5,789	22,066
Travel- Conferences	548	6,086
Travel- Job Recruitment	<u>2,036</u>	<u>4,309</u>
Total Design Expenses	\$ <u>344,898</u>	<u>1,216,559</u>

See Accountants' Compilation Report

38 STUDIOS, LLC

(A Development Stage Company)

Schedule E - Analysis of Engineering Expenses - Income Tax Basis

Current Quarter and Twelve Month Period Ended December 31, 2008

SCHEDULE E

ENGINEERING EXPENSES:	<u>4th Qtr 2008</u>	<u>YTD</u>
Salaries	\$ 284,333	931,587
Payroll Tax Expense	17,250	62,295
Employee Benefits	22,077	116,379
Communication Expense	0	87
Computer Expense	158	477
Conference Expense	0	2,285
Job Recruitment	2,082	2,666
Office Expense	319	909
R&D Software License Fees	0	1,107,500
Relocation Expense	13,750	65,215
Travel, Meals and Entertainment	1,126	13,171
Travel- Job Recruitment	<u>1,653</u>	<u>3,112</u>
Total Engineering Expenses	\$ <u>342,748</u>	<u>2,305,683</u>

See Accountants' Compilation Report

38 STUDIOS, LLC

(A Development Stage Company)

Schedule F - Analysis of Production Expenses - Income Tax Basis

Current Quarter and Twelve Month Period Ended December 31, 2008

SCHEDULE F

PRODUCTION EXPENSES:	<u>4th Qtr 2008</u>	<u>YTD</u>
Salaries	\$ 111,100	363,622
Payroll Tax Expense	8,499	27,260
Employee Benefits	5,464	46,080
Communication Expense	0	10
Computer Expense	0	90
Conference Expense	0	795
Education and Training	0	498
Job Recruitment	30,000	30,000
Office Expense	5,982	7,243
Relocation Expense	11,514	11,514
Travel, Meals and Entertainment	3,929	7,575
Travel- Conferences	0	289
Travel- Job Recruitment	<u>0</u>	<u>2,592</u>
Total Production Expenses	\$ <u>176,488</u>	<u>497,568</u>

See Accountants' Compilation Report

38 STUDIOS, LLC

(A Development Stage Company)

Schedule G - Analysis of Quality Assurance Expenses - Income Tax Basis

Current Quarter and Twelve Month Period Ended December 31, 2008

SCHEDULE G

QUALITY ASSURANCE EXPENSES:	<u>4th Qtr 2008</u>	<u>YTD</u>
Salaries	\$ 22,500	85,398
Payroll Tax Expense	1,721	6,533
Employee Benefits	2,168	14,604
Education and Training	0	249
Office Expense	76	76
Professional Services- Other	2,450	2,450
Relocation Expense	0	6,406
Travel, Meals and Entertainment	165	3,997
Travel- Job Recruitment	<u>0</u>	<u>1,008</u>
Total Quality Assurance Expenses	\$ <u>29,080</u>	<u>120,721</u>

See Accountants' Compilation Report

38 STUDIOS, LLC

(A Development Stage Company)

Schedule H - Analysis of Administration Expenses - Income Tax Basis**Current Quarter and Twelve Month Period Ended December 31, 2008**

SCHEDULE H

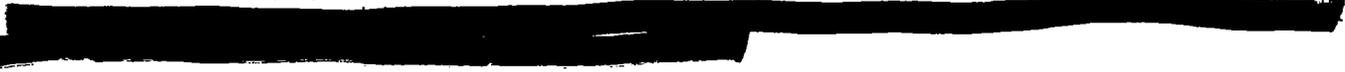
ADMINISTRATION EXPENSES:	4th Qtr 2008	YTD
Salaries	\$ 208,290	936,620
Payroll Tax Expense	9,493	74,727
Employee Benefits	182,948	285,516
Advertising	0	1,000
Amortization	32,191	78,976
Communication Expense	11,039	43,370
Company Functions	0	2,783
Computer Expense	123	9,308
Computer Support Services	0	3,492
Conference Expense	217	5,186
Depreciation	139,286	336,708
Education and Training	3,408	9,045
Equipment Rental	2,793	7,334
Insurance	11,234	14,979
Job Recruitment	535	1,824
Office Expense	11,759	61,390
Payroll Processing Fees	8,261	29,052
Professional Services- Accounting	17,306	84,126
Professional Services- Executive Search	0	15,000
Professional Services- Financial Services	5,600	28,800
Professional Services- Legal	31,589	181,453
Professional Services- Photography Service	1,680	1,680
Professional Services- Other	2,452	11,288
Relocation Expense	9,537	23,533
Rent- Office Space	135,744	442,977
Rent- Rental Properties	0	18,895
Rent- Rental Properties- Furniture	0	2,287
Repairs & Maintenance- Office Space	7,332	22,434
Repairs & Maintenance- Rental Properties	0	1,812
Taxes- Other	2,000	2,200
Travel, Meals and Entertainment	66,075	224,851
Travel- Conferences	0	4,319
Travel- Job Recruitment	224	498
Utilities- Office	11,525	42,144
Utilities- Rental Properties	0	7,083
Total Administration Expenses	\$ <u>912,641</u>	<u>3,016,690</u>

See Accountants' Compilation Report

Buonaiuto, Kenneth

From: Todd Catlow <71@risp.dps.ri.gov>
Sent: Monday, July 2, 2012 8:06 AM
To: Casilli, Brian
Cc: Brock, Michael; Winquist, Michael
Subject: Fwd: 38 Studios Investigation Update - Week ended June 29, 2012

>>> Kenneth Buonaiuto 6/29/2012 3:24 PM >>>

1) 

2) Reviewed 38 Studios 2009 Private Placement Memorandum and 2008 Financial Statements & Supplemental Information.

Respectfully submitted,

Detective Kenneth S. Buonaiuto
Rhode Island State Police
Financial Crimes Unit
311 Danielson Pike
North Scituate, RI 02857
Phone (401) 444-1205
Fax (401) 444-1041

Buonaiuto, Kenneth

From: Raymond Studley <2@risp.dps.ri.gov>
Sent: Saturday, July 7, 2012 7:46 AM
To: Casilli, Brian
Cc: sodonnell@risp.dps.ri.gov
Subject: Re: Fwd: 38 Studios Investigation Update - Week ended July 7, 2012

Ltt

Thanks. This morning the journal is reporting that they received thru an open records request information regarding Mr Saul, former finance director that he while at EDC, sent his resume to 38 for a job. My question is do we have this info and if not why don't we. Also let's find out who gave the journal this info. We, thru the Colonel again need to advise these agencies that this type of information being released hinders our ability to investigate

Please check with fcu and get back to me

#2

-----Original Message-----

From: Brian Casilli
To: Studley, Raymond <2@risp.dps.ri.gov>
Cc: Winquist, Michael <8@risp.dps.ri.gov>

Sent: 7/6/2012 4:51:03 PM
Subject: Fwd: 38 Studios Investigation Update - Week ended July 7, 2012

Lt. Colonel Studley, below is the 38 Studio update - week ending July 7th, 2012.

RS
15

>>> Kenneth Buonaiuto 7/6/2012 3:02 PM >>>

- 1) [REDACTED]
- 2) [REDACTED]
- 3) [REDACTED]
- 4) Will meet with Attorney Robert Flanders and conference call with his client, Row 1 Productions (California Company), next week.

Respectfully submitted,

Detective Kenneth S. Buonaiuto
Rhode Island State Police

Financial Crimes Unit
311 Danielson Pike
North Scituate, RI 02857
Phone (401) 444-1205
Fax (401) 444-1041

Buonaiuto, Kenneth

From: Todd Catlow <71@risp.dps.ri.gov>
Sent: Wednesday, July 11, 2012 7:53 AM
To: Winquist, Michael
Subject: Re: [REDACTED] and 38 Studios

Received.

>>> "Michael Winquist" <mwinquist@risp.dps.ri.gov> 7/11/2012 7:47 AM >>>
Lt,

Today, please send me two short overviews of both [REDACTED] and 38 Studios in anticipation of the Colonel's appearance on newsmakers being taped this Friday. These should be no more than a page each.

Thank You

Buonaiuto, Kenneth

From: Lori Tellier <Lori@risp.dps.ri.gov>
Sent: Wednesday, July 11, 2012 12:14 PM
To: Buonaiuto, Kenneth
Subject: 38 Studios

Ken,

Todd told me not to write the memo regarding the meeting. He wants bullets only...he's taking care of it.
just so you know!

Lori

Buonaiuto, Kenneth

From: Michael Brock <54@risp.dps.ri.gov>
Sent: Friday, July 13, 2012 4:37 PM
To: Catlow, Todd
Subject: Re: 38 Studios - Status of Forensic Audit - 7/13/12

Lt. Catlow,
The below message was forwarded to [REDACTED] and [REDACTED] at the following email addresses:

[REDACTED]
Respectfully submitted,

Detective Michael Brock
Rhode Island State Police
Financial Crimes Unit
311 Danielson Pike
North Scituate, RI 02857
401-444-1054 office
401-444-1041 fax

>>> Todd Catlow 7/13/2012 4:24 PM >>>
Deloitte FAS is no longer engaged by John Savage's firm and/or the RI Economic Development Corporation. Deloitte FAS is in negotiations with Wistow & Barylick who was recently hired by the State to recover money from 38 Studios and third parties that may have financial responsibility to the State. There is no timetable at this point for resumption of the audit.

Respectfully submitted,

Todd Catlow
Lieutenant
Rhode Island State Police
311 Danielson Pike
North Scituate, RI 02857
Office: 401-444-1208
Fax: 401-444-1041

Buonaiuto, Kenneth

From: Todd Catlow <71@risp.dps.ri.gov>
Sent: Wednesday, July 18, 2012 11:54 AM
To: Winqvist, Michael
Cc: Buonaiuto, Kenneth; Brock, Michael; Tellier, Lori
Subject: Fwd: Schilling interview transcript - June 22, 2012
Attachments: WEEI Schilling interview transcript.doc; Todd Catlow.vcf

Capt. Winqvist,

Attached is a transcript from Curt Schilling's interview on WEEI Sports Radio on June 22, 2012.

Respectfully submitted,

Todd Catlow
Lieutenant
Rhode Island State Police
311 Danielson Pike
North Scituate, RI 02857
Office: 401-444-1208
Fax: 401-444-1041

>>> Barbara Redinger 7/17/2012 3:47 PM >>>
Attached.

TRANSCRIPT OF INTERVIEW

DATE: Friday, June 22, 2012

TIME: .

INTERVIEW OF: Curt Schilling

INTERVIEW BY: The Dennis & Callahan Show
WEEI Sports Radio

LOCATION: Boston, Massachusetts

SUBJECT: Interview regarding 38 Studios

****Automatically Generated Transcript (may not be 100% accurate)****

WEEI: Hour two, Dennis & Callahan. If you've been paying even a little bit of attention to anything. You're aware of the 38 Studios plight in Rhode Island and Curt Schilling's company. **Curt Schilling** joins us in the studios. Good morning, Curt.

SCHILLING: Good morning.

WEEI: I would ask how you're doing but I think I have a pretty good idea about that. Instead I'll start with this: When you embarked on this adventure, when you embarked on this business idea, I suppose as you write a business plan, you sit there and think: what's the best it can happen and what is the worst that can happen? Did you consider what the worst could possibly be, and did this scenario ever enter your mind pre-launch?

SCHILLING: Well you always think about it, you have to plan, you have to consider things. You know this was always a potential, but it never in my wildest dreams did I ever expect they'd be either here or close to here up until about two months ago. And then, you know, it all happened so fast and - and it's just been - it's been kind of a surreal, you know, 60 days / 75 days.

WEEI: Yeah, I was gonna ask you, what - what has it been like for you and your family and your employees watching this thing play out so publicly? Like a bad movie? Like a nightmare?

SCHILLING: All of it. Yeah, all of it. The - the - The employees got blindsided, there - there - there was no uh - You know, one of the many, many mistakes I think

that was made or that I made or that we made it is a – it's a leadership team was - was that this – this came out of nowhere for them.

WEEI: Mm.

SCHILLING: And – and, you know, in all honesty we never -- You know they – they - found out because Governor Chafee made a comment on Monday night about 7 o'clock, a public comment which neither side had ever publically commented on anything we were doing, and it was based around keeping the company, he used the word "solvent," –

WEEI: Mm hmm.

SCHILLING: That word –

WEEI: Red flag.

SCHILLING: ...was – Yeah. It was an enormous problem maybe for us. But the employees had no idea, and payday was the next day, and they didn't get a paycheck. And – and it just - it just went downhill from there.

WEEI: Personally this went haywire for you; politically it went haywire, and certainly first and foremost from a business standpoint it went haywire. Let's start with that overview: what happened business-wise that had this thing circling the drain unexpectedly?

SCHILLING: Well, we – we - If you look at the – at the original documentation around the – the bond offering, one of the – the - one of the going concerns from day one, and it always was something we were – we were cognizant of was there needed – we needed to raise capital, a final, what we call the final trunch of capital –

WEEI: Mm hmm.

SCHILLING: ...between the Rhode Island money and – and my investment in the launch of the – of the - - the, MMO. And you know we tried for - for a long time to do that, and it didn't come to fruition. And it's - you know, the challenge is – and – and I – I – I can understand people, you know, questioning validity of – of the comment, but - but the - the scenario and the landscape had changed in the la- in the final probably four to five months dramatically. We launched our first game in February: incredibly well-received; out-performed -- lifetime sales expectations in its first 90 days. So the context and the velocity of the discussions that we were having changed dramatically, and we were in a period of time where we felt like – and we were comfortable with the thought that sometime between mid April in the end of May we would either get it a term sheet or more than one term sheet or – or find one, if not one more investors, and the conversations were around those things.

WEEI: Mm hmm.

SCHILLING: At the same time, the studio down in Baltimore had a - literally we were - we were awaiting literally a Tuesday morning meeting to get a final sign out for a about a 35 to \$38 million publishing deal for the second game for "Reckoning," the second game - the - for - for - or from our first game. And the next morning. The - late the next day after - after the public commentary, the con- the discussion ended completely. It went from kind of a - a what was just a, a kind of a cursory meeting to - to - to give the final pr- har- they - they had already done all their due diligence, and we were - we were talking in detail about terms and completion, and the conversation ended immediately. And - and I knew then we were - we were in - in a world of hurt, but it di- you know - The - the challenge, in - in - in - - first of all, again, the employees got blindsided: they didn't deserve it; it was not how we ever did business with - We - we - the employees were everything, that was - that was what the company was --

WEEI: Mmm.

SCHILLING: ...and it was about. And we were never concerned. ... And I - I don't want to say "concerned," we were never worried about actually getting the money to make the payroll, that was - we were just assuming that there were semantics and some people were getting involved and - and negotiating for things during the discussion around the tax credits just for that reason. And then it became a potential reality that we weren't actually going to get the money and - and I had already funded the company too as far as I could go.

WEEI: Mm hmm.

SCHILLING: And - and it just kind of spiraled out of control.

WEEI: Are you - are you busted now, are you broke?

SCHILLING: I'm - I'm tapped out if - if that helps.

WEEI: So you didn't walk away with -

SCHILLING: No.

WEEI: ... with anything.

SCHILLING: No. No, I put everything in my name was in this company. I - I - I - it - I - I - I believed in it, I believed in what we had built. I mean I um, never took a penny from this company: never took a penny in salary, never took a penny for anything. And um - but it - but it was - it was - it was different, it was - it - What we built was so incredibly different from a company perspective, and what we had was - was a- it was amazing. I mean, it was - it was - I think it

was a dream place to work. And, you know, you'd have to ask employees to – if whether that was true or not, but – but everything we did was built around taking care of – It w- they – it was a lot of lessons I had learned in my career. We – we - we spent five-and-a-half years building a place that - that wasn't a place to work, it was - it was a place to - to belong.

WEEI: Mm.

SCHILLING: It was a very different place, and - and we had invested our - all of the time and money into to making that, and - and we had that.

WEEI: How much of your money did you lose in this venture?

SCHILLING: I - I put in just north of \$50 million dollars I think when all is said and done. I don't have an exact total, I – And that's still – I'm still trying to figure out exactly what the dollar amount is.

WEEI: And got none of that 50 back.

SCHILLING: No. No. Unh unh. I – It was all – all – And - and, you know, it – it, it – I - I don't - It's - it – I don't - I don't want to – I – I mean obviously it's – it's been a challenging couple of months, and, and I couldn't imagine this, but I – I don't - I'm not asking for sympathy, I – I – I – I made - that was my choice –

WEEI: Mm hmm.

SCHILLING: ...I chose to do this, I wanted to build this, I wanted to - to create the jobs and create something that had a very longstanding world-changing effect, and – and I thought we – I mean we were close and we were – we were close to getting there, and it just, it fell apart.

WEEI: Did you follow your heart too much and not your head? I mean, you can - and you made the comparison to your career. You could be passionate about baseball; you can be emotional. Were you too emotional about this company and not – and – and - and – and maybe ... For an example, you talk about how much your employees made, and - and how nice the studio was: were these things that maybe you went overboard on?

SCHILLING: Well, no. No. Jerry, the – the – the - the thing was we - we didn't - if you look at what we - we paid our employees, we didn't out-pay people, we didn't - we didn't buy employees, it was – we - we paid them a very competitive salary in the industry, and they're – they're - they deservedly make a lot of money. I think our average salary in the city was \$86,000 a year.

WEEI: That seems a lot.

SCHILLING: It is.

WEEI: When people hear that—

SCHILLING: It is—

WEEI: ...they say that's a lot of money.

SCHILLING: But these are kids that are unbelievably talented, and - and can work literally anywhere they want, and we were a pre-revenue start-up, and, and so to get them to come to - to work with us and for us, they had either a) be paid more, a lot more than they were currently being paid, --

WEEI: Mm hmm.

SCHILLING: ... or be- believe in what we were building. And we weren't going to overpay them, and we didn't, so - so, you know, we put together an incredible place to work and we - we are the - we have an incredible health and - and benefits plan for the - for the employees and we went overboard to - to take - Not overboard, but we did everything we could do to make sure that they understood that they would never work for someone that cared more about them than - that we need.

WEEI: So that wasn't a mistake to - to pay them what you paid them to, yeah, invest -

WEEI: Relocate them .

SCHILLING: We had - And that's - that--

WEEI: ...and not be more frugal?

SCHILLING: That was the only way we could get the - build the team that we built was—

WEEI: Right.

SCHILLING: ...to - to - to do the things. And listen, there's -we absolutely made mistakes, but it - I've - everything I've ever done in my life has been from my heart. And that - I mean that was why I - I didn't - I was able to do I was able to do I think in October, and that was why I was the pitcher I was, because I feel like, you know, my heart pushed me to do some things that... I might not have otherwise done if I was using my head. But, you know, to counter-balance that I surrounded myself with - with incredibly intelligent people -

WEEI: Right.

SCHILLING: ...in the software business and allowed - You know, because this was, you know, it was a place where - where I worked, and, and I was at the office every day for five-and-a-half, almost six years. But - but I had leaders, and,

and I allowed them to lead and -and - do what – what it is they were supposed to do.

WEEI: So what went wrong?

SCHILLING: We didn't raise capital. We did not raise private – we didn't get private capital. And that - At the end of the day when you look at all the things that we did, you know, I – I - I'd put all the money I said I put in, I – I... I guaranteed the things I guaranteed from a loan perspective, and I never took a penny out, and we spent the money exactly how we – we defined in all the documentation with the state. And the one thing that we always listed as a going concern, we couldn't execute on, and we could not raise private capital. And um, for - for a litany of different reasons I'm sure if you ask anybody they'll – they'll give you one or – one or more reasons, but, the hard part and probably the most painful part was we had for the first time in five-and-a-half years were so close, and it just didn't work out.

WEEI: Governor Chafee's comment about solvency, did not immediately flip the landscape?

SCHILLING: Oh yeah, it - it changed, drastically changed. And –

WEEI: And that \$38 million dollars you're going to get the next day went away –

SCHILLING: Yeah, ... deal--

WEEI: ...as a result of that...

SCHILLING: Yeah, all the conversations that we had, stopped at that point.

WEEI: All right. So my question to you is: did he do that intentionally? Was it a slip of the tongue? Was there - was there malice aforethought here?

SCHILLING: I – Well I think you'd have to ask him, I – you know, I – I – Listen, if you look at the last 60 days and you take every comment that the State of Rhode Island made, - And The - the other challenge is that when you - when I say "the State of Rhode Island," I'm – I'm talking about very few specific people, I'm not talking about the taxpayers, and – You know, I think that was one colossal mistake that we made from the outset was not engaging the Providence community, and bringing - literally having - if we needed to have open house, bringing them in to let them see what it is that we were doing.

WEEI: Mm hmm.

SCHILLING: And we were - we were - we were incredibly silent to the point where it caused problems. You know we had our grand opening at a store in Mass. for the launch of our game. Unbeknownst to anybody that wasn't our call, that was

the s- GameStop was the – the store where we had open – where we had the opening, and that was their decision on where we would do that, We wanted to open in Providence locally because that's where we belonged, and ...we made mistakes like that, we just didn't – we ...didn't engage the local community enough to get them to see what it is we were doing. Because we - we have 300 people in the studio who were out in the business community every day at lunch. I mean, we made an impact on that local - in the technology district, a dramatic impact from the day we moved in.

WEEI: Do you think Governor Chafee was disappointed when 38 Studios bailed?

SCHILLING: No. Not at all. No, I - I think – I think he had an agenda and – and executed it.

WEEI: And, and 400 people are out of work.

SCHILLING: Well, yeah, I mean they were. I – I think a majority, if not all or most of them. Again, we had an amazing, amazing team and *Epic* came in at the 12th hour and picked up our entire – almost our entire Baltimore studio as a team. And most - a lot of the - the employees in the - in the Providence studio found work elsewhere. That's - And that's been the hardest thing is I've been in touch with hundreds of them on a -- on almost a daily basis and ...

WEEI: You don't see too many disgruntled employees, and I -

SCHILLING: Well, --

WEEI: ...I've seen –

SCHILLING: And they have every right to be.

WEEI: I've seen reporters—

SCHILLING: Yeah.

WEEI: ...actually trolling on Twitter saying, "Call me." And I've seen a reporter do this: "Call me if you're –

SCHILLING: Yeah.

WEEI: ... laid off, a fired 38 Studios employee and tell me your story. And I've looked for them; you don't see too many employees saying Schilling screwed us.

SCHILLING: They - You know, God bless them, they have every right to be upset. I mean I always told everybody if something we're going to happen, you're going to have a month or two lead time. And I bombed on that one in an epic fashion. And, again, you know, the – there's so many real life stories. You know, people talk about a lot of the incidents that came out in this, you know, we –

we - that we fired everybody by email. Which we ended up terminating people by email, but the reason was that at that point they hadn't received a paycheck in almost three weeks -

WEEI: Mm.

SCHILLING: ...and people were - were out of money. And so there were people that drove an hour-and-a-half both ways to work, and - and they couldn't get to work on a - if we weren't going be able to pay them, and - and - and, you know that we left them without health care, which we didn't. We - we were working diligently at the end to make sure that when -we did it right to make sure their - their he- their healthcare extended past when it was and- and, you know we - we had pushed payables like - And if you talk to entrepreneurs and you talk to business people you - you always want to be caught up on your bills. But you get to a point where you - you'll push things, push payables a month, you'll pu- you know, you push your credit card a month, this and that, we had pushed payables to the point where it was - it was - it was potentially a damaging situation, and - and - that's why again, if we had thought for a second we weren't going to get -tax credit money, we - we - we - it would have been a different com—It was never a consideration.

WEEI: All right, I want to take a - I want to take a 90-second timeout, and I want to ask you about the tax considerations, the loan guarantees, the move for Maynard to Rhode Island, also burn rates as well. Plus we're going to open the phone lines and let you talk to Curt: (617) 779-0850, toll-free number (888) 525-0850. Curt Schilling with you, next.

(BREAK)

WEEI: Welcome back Dennis and Callahan on a free forum Friday. **Curt Schilling** in studio with Dennis and Callahan, we'll open the phone lines and let you talk to Curt if you so choose: (617) 779-0852 / toll free, (888) 525-0850. The loan guarantees, Curt, did the - the lure of the loan guarantees from Rhode Island in any way quench your thirst for seeking out venture capital money?

SCHILLING: Are you talking about the tax credits?

WEEI: Yes.

SCHILLING: No, I mean that was part of -

WEEI: Not the loan guarantee, the 75 million.

SCHILLING: The seventy f- Oh, absolutely. I mean I had put at that point about \$30 million dollars of my own money into the company, and we were looking for ca-- we were looking for investment. And - and when they approached us and talked

about this deal, I mean obviously, it was incredibly attractive because we would have the state as a partner.

WEEI: Mm hmm.

SCHILLING: ... initially thought we would have them as a partner. And - and there are - I mean this is one of the private venture hubs of world, Boston / New England area and California. And - and - and initially that looked like it would be a huge boon because we would have them in our corner and working with us and ... for us, and ...it just never ever materialized I mean they - you know, when we initially signed the deal, you know, the EDC board is - is I think at 12-member board, and the governor can turn over half of that board, so we knew that that some of the board would be moving in and out, which was why we - we made sure up front - when we - when he signed the deal a couple years ago, we told them, you know, they were in first position for all the debt in the senior position so-called, and we made it clear to them at some point we're going to come back and revisit this. Because you're not going to have a - there's no publisher in the world that's going to sign a deal or an investor that's going to subordinate debt. And that was a -that was a very easy conversation to have initially, and when we went back have that conversation last year, it wasn't on the table. And, you know those were hurdles we saw at the outset, but we always envisioned being able to get past them.

WEEI: How do you - how do you go to -- what makes you go to Rhode Island? They call you -You're in Maine and everything's - and you're happy and everything's working out, do you have somebody seeking out one of these deals?

SCHILLING: No, we - it was a conversation that I had with Governor Carcieri, and - at an event for the Band of Brothers. We - we were discussing, and I was talking about my company and we were looking for -for private funding and they were looking to create jobs, and we - we - it was a conversation that we had and we just rolled off of that, and I ended up talking to a couple other people, and - and it just - it just, it came up, and - and we tried to put together a deal that would work that would a), create jobs, and b) help the company with- with payables, with just payroll and development, and - and that's where we ended up.

WEEI: Is there a specific - was there a specific person or group of people in charge of burn rate and did they not do their job well?

SCHILLING: Well you know, listen I - I made a lot of mistakes, and - and I think one of the mistakes is a company that we made. You got to - there were - there were two approaches to this when we first settled in: there were milestones that we have to meet to get the money to draw down on the money. They didn't want to be in the business of software development, so we didn't want to tie those milestones to the product achieving specific places because they didn't have

expertise on staff. So what we did was we - the logical step was to tie them to job creation. In hindsight, that was a big mistake because we ended up putting together a staff ramp that had us ramping up far too fast. And basically, the money they were investing in the company we weren't allowed to use as we needed to use it to ... we had to use of the create and pay jobs. We got too big too fast. And you know, looking back on it, that was - that was probably one on the mistakes that was made right from the outset.

WEEI: As far as Chafee goes, was it him – him? Obviously was against it, so was it like vindication? Why did he want – Did he -do you think in a way he was standing up saying: See, I told you so?

SCHILLING: Well, he did, he - And you can - I mean I'm not making that up, you can go back and read over the last sixty days, his comment. I mean and that – that was the - one of the challenging parts was again, this was our partner – supposed to be our partner, and – and there was not - You know, our first game was a failure. This is not a business --

WEEI: So these are his words.

SCHILLING: Right. And –

WEEI: That's true, we had that story out one day, and in the same story where he says the game's a failure, you have an analyst of the industry, a video game industry analyst saying it was a success.

SCHILLING: Well, *Electronic Arts* actually put a quote out in rebuttal to his comment because they – they said, you know, he said enough we actually now need to comment and make sure people understand that's not the truth. And - and so, as an investor if I'm looking at a potential partnership with this company, the – the - the senior debtor, which is the State, and the biggest partner is - is downplaying the partnership and downplaying the company to an - such a place that I've got to be concerned about becoming partners with them.

WEEI: If you - if you were publicly held company, your stock would have nose –

SCHILLING: Well, - well they – Yeah—

WEEI: ...a no--

SCHILLING: ...it wouldn't have been something somebody – I mean, I would imagine you would have been able take action against somebody saying something like that about your company.

WEEI: So do you think he'll run on this, is that is motivational ...?

SCHILLING: Well this is an I-told-you-so, absolutely. I mean, this is - this is absolutely: If-I had-been- here-this-wouldn't-have-happened, and I-told-you-so, and, you know, I guess that's okay. I don't know.

WEEI: All right, let's open the phone lines, and give you an opportunity to chat with Curt Schilling.

(QUESTION AND ANSWER SEGMENT)

WEEI: Gloria kicks off from East Providence. Hey Gloria, good morning.

GLORIA: Good morning, good morning everyone, and good morning **Curt Warner**.

SCHILLING: Good morning.

GLORIA: I'm - I'm interested in finding out if your relationship with **Epic Games** is really where the intellectual property that the people of Rhode Island paid for it going to end up being -

SCHILLING: You know, I...

GLORIA: ...MML.

SCHILLING: Right. Gloria, I - I don't have the answer to that one. We filed Chapter Seven. The trustee that was appointed to oversee that is, it's my understanding that they are con- total control over every asset that the company owns and controls. And so, all of the technology that was created in proprietary in Baltimore, all of the IP and property that was created in Providence now is in tr -- the hands of trustee to - to - to go out and try and monetize to money for the State.

WEEI: Frank's on Somerville. Frank, you're next with **Curt Schilling**.

FRANK: Hi Curt, I'm just curious about the time line. You were - you were talking about Governor Chafee making those comments on Monday that basically ruined everything.

SCHILLING: May 14th I believe was the date.

FRANK: I think it would really, you know, help people to kind of be in your court if you talked a little bit more about who you were meeting with on Tuesday, and - and where this money was going to - to come from. You know.

SCHILLING: Right.

FRANK: If you were so close to either getting the state film tax credits or this big windfall,

SCHILLING: Right.

FRANK: ...who - where was this money coming from?

SCHILLING: You know what I - I - it ... it's a publisher, a well known publisher, and I - I - I don't know that that it would be okay for me to mention their name. I would imagine if something were to happen and that would have to come out, it would come out, but - but it was a publisher the - one of the - one of the, probably four or five biggest publishers in the world. Not - not the original publisher. It was not *Electronic Arts*, it wasn't the original publisher of the first game. But it was - it was one of the four or five biggest publishers otherwise.

FRANK: And - and when - I'm curious too, it - it seemed from reports that you had missed payroll before that -

SCHILLING: No.

FRANK: Are you saying you didn't miss payroll (inaudible)...?

SCHILLING: No, no, no. Right. So that was - the comment was made on Monday the 14th I believe - if I'm - if I'm not mistaken, it was Monday the 14th, right around that day, the 14th or 15th, and the following - that next morning we - we - payroll was the 15th, and we were in discussions - And that - that publishing deal had nothing to do with us making or not making payroll. That publishing deal was a - a deal that would end up making the Baltimore studio a neutral burn. We - it would cover the cost of that studio for the next two to three years, which reduce the burn rate overall for the company. The... payroll piece was all tied - and - tied to the tax credits, which we - about a month prior to that, mid-April we were in the final stages and processes of - of finalizing and finishing, and and we assumed would be done within a week of mid-April. And then we got the default letter, which was another, you know, kind of a stunning incident: we - we -- they knew a week before that - that - that wasn't - we were not gonna be make - we had a meeting, and we told them, you know, cash is tight, as our partner, we- we, you know, what -here's where we are, and I - we made a mistake, we didn't specifically ask them to give us an extension. And we just assumed based on the conversation that they understood we won't be able to make this payment on the first, but in - sometime in the next 30 to 45 days we should be comfortably able to make that payment along with everything...

WEEI: Was that - was that when the check allegedly ... bounced?

SCHILLING: No, that was - was actually - So - so what happened was the first came and went, and, and the 4th, which was the Friday of the -that May -

WEEI: May.

SCHILLING: ...we got a default letter, which completely blindsided us. And the default letter triggered a lot of other things: we were then immediately ineligible for tax credits and all of this other stuff and we were actually confused as to why we got it, because again, this is our – our partner, and we're trying to work together to make the company successful. They had every right issue it, and ... we've never argued that, but we just assumed based on the conversation

–

WEEI: That they had your best interest at heart.

SCHILLING: Yeah. Absolutely. And so we ended up having multiple discussions. They came back and – and came to the table, and, you know we have a litany of e-mails and where we made multiple agreements in different places: they came back they want an equity; they wanted other things, and we -we acquiesced everything, and we had an agreement multiple times. And then the fraudulent check story popped up, and – and - and that was probably - that should have been the final red light that they -- somebody is doing something very evil here. And that whole story was we had to make the default payment, and – and they – and we have had a couple of special meetings with the EDC, and I told them that I couldn't - they kept just saying – And, and for awhile I – they – they were playing a – a poker game, they believed I had money and just wasn't putting any in the company, and I said I can't do that. And the next night, what we did was we had an investor step up and offer the money based on the State giving the tax credits. And we had our CFO go over to the EDC with a 1.25 million dollar check. He announced he got there: this check does not have sufficient funds. When the certification is acknowledged, and the money – the, the, the buyer and seller will wire the money into our account; at that point the check will be covered; we will give it to you. They - we literally had people on the phone: we had counsel; we had our – our, the buyer, seller and our -our people on the phone, and we were all - it was - it was - it - 'cause this was the last minute thing, we had to have the money in by the wire that day, this was, this was panic time, because now it was really - we may not actually get this money. And the person representing the ECD hung the phone up. Just hung the phone up in the middle of the conversation. And 15 minutes later they issued a press release saying that we had s-issued a fraudulent check. We never issued – we never handed a check to anybody. Our CFO came back to the company with a check in his hand and told us exactly what had happened. And then that's - that was just - that was when it started to become very surreal and, and – and I started to realize that there was something not good going on.

WEEI: That more than a few people didn't have your best interest.

SCHILLING: Absolutely. And- and – and at that point now - now it's a little bit of panic because now they're – they're – they're making comments and - and

statements about us that we're - we had committed, basically, check fraud, and - and that was not the case. And, you know, that story comes out and then it's that we, you know, we -- we defaulted on the payment, we tried to issue a fraudulent check, neither of We did default on the payment, but -- but everybody involved knew that that was going to happen. And we didn't issue anybody a fraudulent check. And so now it's like: do I say something publicly because -- one of the things that's happened is I've been, you know, unfathomably quiet for - for two months, which is not how I'm made. But -- but short of being able to us to talk through things and I couldn't do this in sound bites in -- in column inches and - and there was so much going on, and this was changing every 30 minutes. And most importantly to me was my team and their families were being blindsided by something that was going to be a life changing thing, and these are good hardworking honest people...

WEEI: Live changing will take me to my next question. We're gonna take a brief time out. The phone lines are absolutely jammed. Blaine, Joshua, Justin, Donna, John, we'll get to all of your questions for Curt Schilling: I want to know how this has changed your life. We'll be right back.

WEEI: Dennis & Callahan on a free forum Friday: **Curt Schilling** in studio. (ANNOUNCEMENT)

WEEI: Hey, did you know Curt that loan guarantees, tax credits, any economic assistance at all was just for liberals, were you aware of that? Because as soon as this broke. and that's what I gotta answer every time, oh, it's hypocritical for a small government conservative to take any economic assistance, and we know -- And, hell, there was a story in the *Globe* the other day, front page, of all the companies on the waterfront and how much -- and how much have taken in loan guarantees, tax credits, whatever, you know, how much the city, the state, the government has invested in them, and I assume they're all being run by liberals, because conservatives aren't allowed to take --

SCHILLING: Well you -- Listen Jerry, --

WEEI: ...help.

SCHILLING: ...this is - I don't know, because I've heard that as much as anything about me being hypocritical. I'm not sure where my - my stance and, and, and opinion in that we need a smaller government; I don't know how that correlates to this.

WEEI: Mm.

SCHILLING: You know this was -- You know one of the amazing things, these tax credits that that -which were for 2011, were unclaimed tax credits. When the new budget gets passed, that money is lost, and no one had applied for it. And -

and – and - and honestly, if you're looking at how ta- film and tax credits work, or entertainment and film and tax credits work, generally it's a transient company that come from out of state, come, shoot a movie, leave, and go home.

WEEI: Mm hmm.

SCHILLING: ...and - and the money that they will accrue or acquire from the tax credits is money that won't be spent locally. They're - From - from a - from a pers- if you can - The argument: if you don't like tax credits or you don't like the program, that's a completely different argument, and I understand that and if you have a problem that. The program was there for local businesses to use, and in – in a sense we were a dream company to use them because we were local: that money was literally coming out of the budget into our company and going right back into the local economy. Our employees live in Rhode Island, spend the money in Rhode Island, and - and 99 percent of tax credit money was for payroll and development, so all that money was spent locally for rent and all the things that you do to - to keep a company running.

WEEI: Before I went to break I said I wanted to ask you about your family, and – and - and your life: How – how has this entire experience changed the Schilling family? You –you – you –

SCHILLING: Wow.

WEEI: ...in particular and the family in general?

SCHILLING: I – I don't know, I - I really d- I mean it's not over yet: I don't know, or I would imagine that the next foreseeable period of time in our lives is going to be consumed by this. And, you know, becau- And again, I ... I see some of the texters commenting. I - I am not blameless here, and I think I've said it a couple of times, I absolutely am – am part of the reason that this failed, and I sh- as the leader of this company, I ...I, as much as I hate to – to have to – to have to take it, it's on me. And – But, you know, I – I sat down with – with – with my family and explained about a month ago, in – in a – to them that 38 Studios was probably going to fail and go bankrupt and that the money that I had earned and saved during baseball was probably all gone and that it was my fault, and that, you know they might start hearing some things in school and - and things like that. But it was - a conversation I – I certainly – And, and, and let's be clear, we're not talking about terminal illness or, or somebody dying, this is – it - it's - it's - but it's a life changing thing. And, you know, it's not a conversation I'd wish on any father or on anybody. But - but I had to do it and - and explain to them that that this was, you know, part of growing up is being accountable, and this was my decision to do this, and – and I failed, and now life would probably start to change and be very different for us. I - I don't know, honestly, how it's different or how it's gonna, it's - you know obviously, you know, people are – are saying things about me and

about us that - that aren't flattering, and, you know, for whatever that's worth, but - but, you know, life is going to be different.

WEEI: Will - will you be back on ESPN?

SCHILLING: Ask Ian, When?

WEEI: Will - will you be back? When...?

SCHILLING: I - I - Well, we - you know, we had a - we had a discussion and - and we mutually agreed that we would - we would back off and - and let this thing play itself out.

WEEI: Mm hmm.

SCHILLING: So.

WEEI: Does the anger and vitriol surprise you?

SCHILLING: No. No, no, no. No, I mean down -

WEEI: How about the - the, the joy in the...

SCHILLING: No, because it's - it's, you know, ... this is - this is - I've - I've heard some of this before and - and from the comment in '04 that I've never ever been able to walk away from, I've always heard things like this. And it - I - I'm - You know, it - it's - it's painful to hear people wish and hate - I mean, I - I - I've - I've been in a lot of situations in my life and, and in probably the - the 15 or 16 years since I've - I've become a Christian, I don't know that I've - I've ever said I hate somebody. I - I dislike people and I have problems with - but I don't hate. It takes too much energy to hate. But the amount of hatred is ... surprising. Given that - that I've never hit my wife, I've never driven drunk, I've never taken drugs, I've never done steroids, I've never - I've never done things that a lot of people have done. It doesn't mean I'm faultless, I - I - I make mistakes every day and I've done and said a bunch of stupid stuff in my life, but I've never done it maliciously, I've never done it with ill will or evil intent. I believe I've always have a pretty good heart and tried to be good to people. And - and it - it's surprising to some extent, but when you see how other people get put -- And - and part of it is - is the God-given ability I was given put me in a place that not a lot of people get to. And I've always been incredibly appreciative of the fact that I got to experience what I experienced when I played baseball, and - and I thought I was doing something good, incredibly good. I mean, I - I created a company and we created 400 jobs in the worst economy of our lifetime for over five years, and we were, in my mind, we were on our way into building a - literally, a world changing company. And, you know I -- I made a comment when - when I founded the company I wanted to take a shot at getting Bill-Gates rich, and a lot of people

will roll their eyes and have said things about at - at the outset. And the - it wasn't the - for the reason people think, it was because to open up the Shonda Schilling Center for Autism Research for a quarter billion dollars, you have to make a lot of money.

WEEI: Mm hmm.

SCHILLING: And- and we've been impacted and affected by so many things in our life. We've had the ability to be involved with ALS for over 20 years. And we've had - and we have an autistic son; my wife is a cancer survivor. Those are three things that are immensely important to us, and I - I've - And we have tried to do and make sure that the world ends up being a better place when we leave it than it was when we got here, and this was one of the ways to do that. I absolutely - we had a Philanthropic arm of - of 38 Thirty studios and my employees had an amazing heart, and - and a lot of effort, and again as a start-up, a lot of young kids in this company, but they understood that we were building something bigger with much bigger goals and purpose, and - and that was one of them

WEEI: Let's talk to talk to Justin in Peabody. Justin you're next with **Curt Schilling**.

JUSTIN: Hey, good morning guys.

WEEI: Hi.

SCHILLING: Hey.

JUSTIN: Just first of all... I played the game; I thought it was excellent, so.

SCHILLING: Thank you.

JUSTIN: This - the, the whole thing's a shame: I'm disappointed.

SCHILLING: Thank you.

JUSTIN: But, mu I have two quick questions: First of all, I guess I don't understand why if the game was such a success, which it was, especially for anew IP considering the - the good reviews and so on and so forth, why didn't that help more than it did? I mean, obviously you would have estimated it to sell less, and it sold more right.

SCHILLING: Right.

JUSTIN: Why didn't that help?

SCHILLING: Well...

JUSTIN: But my question is, --

SCHILLING: Okay.

JUSTIN: ...I don't completely understand the developer / publisher relationship—

SCHILLING: Right.

JUSTIN: How did the EA come out on this? Did EA make money? Did EA lose money? And then what's your general take on working with EA?

SCHILLING: So - so EA funded the development of the first game to the tune of about 35 million dollars I think it was.

JUSTIN: Okay.

SCHILLING: And EA is - The way it's set up in the - in the developer / publisher world, and this is not specific to EA, is that there's generally something along the lines of a 60 / 40 - 70 / 30 split in their favor -

JUSTIN: Right.

SCHILLING: ...of revenue. That - that - that split is recovered immediately on top of them recouping their investments. So, literally if you have a 70 / 30 split and they give you 30 million for your game, a hundred million of the first hundred million goes to the developer. It- it's a - The game is - the - the industry is set up so independent developers can no longer make big budget products. And - and so, you know, EA, as they should have, got all of the money that came from reckoning and would have got, if we had sold 5 million, they probably would have gotten most of all of that as well. And - and we - that - we, we never we never minced words around Reckoning was our way to announce ourselves to the world and to bring in awareness for the intellectual property and to get our names and - and - and our - our - our ability out there and - and - and all those ways I think it succeeded.

WEEI: We're going to take a quick time-out; then we'll get to Blaine in Providence, Joshua Donna John, more of your questions for **Curt Schilling**. **We'll be right back.**

(BREAK)

WEEI: All right. Callers have been lined up for quite some time. Let's - let's go by the people who waited the longest. Blaine is in Providence, Rhode Island. Hello Blaine, you're next with **Curt Schilling**. Blaine? Blaine? Blaine's not there. Let's see. Joshua. Cambridge. Joshua, good morning.

JOSHUA: Hey, good morning.

WEEI: What's up? Go ahead Joshua.

WEEI: Joshua.

JOSHUA: Hey, okay. How're you doing? Curt, I'm a big Red Sox fan here.

SCHILLING: Thank you.

JOSHUA: I just want to say thanks for all the endorphins in – in the World Series man, that was real great...

SCHILLING: Thank you.

JOSHUA: I'm a big, big, big fan.

SCHILLING: Thanks.

JOSHUA: Let me just ...you a couple of questions, 'cause I'm a little confused.

SCHILLING: Yup.

JOSHUA: I manage a small business in Medford, and, you know, I'm not as business savvy as you and --

SCHILLING: Oh, I'm—.

WEEI: (Laughing)

SCHILLING: Uh no, don't say – I'm not – I'm not business savvy.

JOSHUA: And uh – No, no, it's –it's a very, very small business; it's slightly larger than a lemonade stand. So I – I – I just wanted to understand: you invested 50 million of your own money in the company, --

SCHILLING: Yes.

JOSHUA: ...and then EA gave like another 35 million? So that's like 85. And then, how much did Rhode Island give? I mean, on the record anyway...?

SCHILLING: So – so hold on a second. Yeah. No, no, so EA invested 35 million on the development of the game that was being built in Baltimore. So that was – that was – but –

JOSHUA: Oh.

SCHILLING: That – right. Not that that changes anything, but- but - but for the period of time that that game was being developed it was p- it was paid - the development was paid for by a – by EA. The state ended up – and it was one of the issues, and – and – and I know this is - this sounds whiny but it was a very relevant piece of this. When we initially went to Rhode Island, we were going to be issued 75 million dollars on the bond.

WEEI: Wow.

SCHILLING: And we actually got 49 million from the bond: they held back 26 in reserve...

JOSHUA: Wow, you did a good job. So how much was the total investment?

SCHILLING: I don't have an exact dollar amount, but if you figure my 50, plus—

JOSHUA: Oh, I was just looking for a ballpark—

SCHILLING: - MY 50. Plus – plus we had a small number of... with investors, I'm probably about a hundred and ten in - in the game and both – in - in the Province studio in the game and in problem.

WEEI: You - Now the governor said you weren't eligible for the tax credits because you weren't incorporated in Rhode Island, is that correct?

SCHILLING: Well the problem is that this was - this was the fourth time. We had already been pre certified three separate times before this and received tax credits. So that – that

WEEI: And you weren't registered in Rhode Island then.

SCHILLING: Well, I ...No, --

WEEI: Corporate. ...

SCHILLING: ...we – Right, we were domiciled and headquartered in Rhode Island, I mean, we didn't have an employer outside of Providence or – or... in Maryland, Bal-- and that money was spent in Maryland -- in Providence, all of it. But that was the – the – the – the - one of the multiple times we had already done it before this, and we had been pre-certi—which means we submitted all the applications all stuff that we did, and in the film tax commission, entertainment commission came back and, and was okay with everything. And - and we didn't not divulge any information or hide anything. We did all the things you're legally supposed to do. And again, you know this was a vehicle for us to - to help. keep the company going to get to that public event, and it is it's something any business that qualifies for tax rates should, and - and in a state that has them, you should absolutely go after them. These were unclaimed 2011 credits. No one had applied for them.

WEEI: ...John in Falmouth. John, you're next with **Curt Schilling**.

JOHN: Hey Curt, I want to ask you a couple questions.

WEEI: Shoot.

JOHN: First Curt, you – you say that Rhode Island, the State of Rhode Island was a business partner of yours.

SCHILLING: Right.

JOHN: And then in one breath you say that you can't see how people can make the jump that you're being hypocritical with your - your outspokenness, and you admittedly, you admittedly outspokenness on small government –

SCHILLING: Right.

JOHN: ...and not getting involved private business. How would...

SCHILLING: No, I – I – No, I – Hold on a second, I never said that. I never said - I didn't have a problem with small government getting in - I don't have a pro -- any problem with government helping entrepreneurs and businesses succeed...

JOHN: Yeah, how about the bailout? How about the auto bailouts, Curt?

SCHILLING: What – About – what do you mean?

JOHN: The auto bailouts, do you agree with the auto bailouts, the bank bailouts?

SCHILLING: I don't know enough in detail about any of that stuff other than to know that if they're successful and it works, great.

JOHN: Curt, you – Curt, you – Well, you're not towing your Tea Party line, your right wing line, you're on air.

SCHILLING: Right.

JOHN: ...hundreds of times saying you believe in small less government; that government shouldn't -- Before you started this business, government and small business and large business shouldn't - they shouldn't help one another; you're saying now -- You know what,...?

SCHILLING: No. No, but wait. No, no, you – John, no...

WEEI: John. John, you're – you're –

JOHN: ...that puts you on—

SCHILLING: Hold on a second, you're —

JOHN: Obama should—

SCHILLING: ...No, no, you're lying.

JOHN: ...put you on a commercial—

SCHILLING: You're lying. You're lying.

WEEI: He does that.

SCHILLING: You're lying.

JOHN: Obama should put you on as a commercial.

SCHILLING: Hold on a second. You —

JOHN: The government of Rhode Island-

SCHILLING: Wait a minute --...

WEEI: John. John, I'm going to put you on hold so we can have a conversation—

JOHN: You got —

WEEI: ...I'm not hanging up on you, I'll get you back on the air. You're on hold because you're talking over everybody.

SCHILLING: If you're gonna — if you're gonna call me out for a quote, please do, that's fine, I — I — and if you disagree with me and you want to argue with me, that's fine. Do not put words into my mouth and make me say things I didn't say. I am for smaller government, always have been for smaller government. But you're — you're making comments that I made that I didn't make.

JOHN: No, Curt, that — that's — See, Curt? I mean, Curt, you're a good talker, you're a fast talker, and that — and instead of blaming Governor Chafee, you should blame more of yourself for the ...

SCHILLING: I — I ...

WEEI: Oh shut up, John. He just sat there—

SCHILLING: I did —

WEEI: ...and blamed himself for an hour. If you're paying attention. You know, why did - why did Rhode Island hand over, you know, the 49 million to get you to move there with 400 employees. Is that that difficult a concept?

WEEI: Understand? No.

WEEI: I'm pretty sure, you know, GM, you know, it didn't move somewhere and take their business and their tax base to somewhere else. Every city, does every city, every state not have an economic development office?

SCHILLING: I - I - I don't know if they do or not, but we, you know, when we were talking about you know - one of the other falsehoods around this was that Massachusetts walked away from us: we were never in - in - we never got in - we had one conversation with people in the state of Massachusetts and it wasn't about anything specific. There was no bartering back and forth - excuse me, or multiple conversations, we had initial discussion looking at what the state did offer, or- or what offer was in the - in the interest in offering to help small business. It was never a point-specific conversation: they came out and saw the studio, loved it, but it never went past that initial conversation. And the conversation with Rhode Island went -

WEEI: This is from the Fortune Magazine in - now, July's Fortune Magazine. It says: Schilling has been an outspoken conservative loudly endorsing limited government. But he basically begged Massachusetts for subsidies, and when that failed, took a massive loan guarantee from Rhode Island.

SCHILLING: Yeah, I mean there's not -

WEEI: Did you beg?

SCHILLING: No, I - and -

WEEI: ...Massachusetts for subsidies?

SCHILLING: ...and - No. And, and again, that's - that's another reason why I had been as quiet as I had been. I mean there - there's - there's just no - there's so much misinformation and -and - and - you know, you just heard him say that I absolutely am to blame for this, there - I - I absolutely bare part of the responsibility, a lot of responsibility for the company failing. And - and I don't know how many other ways I can say that. And - and in all honesty, the state was our partner: there was - there was - they have every incentive and every reason for us to - to want to be successful.

WEEI: Right.

SCHILLING: They didn't -- we weren't asking them to give us another loan, we were taking advantage of the things that they had - mechanisms they put in place to help

businesses succeed. We didn't ask them for another bailout or a handout. I'm not sure how many ways you can say it.

WEEI: We're up against the top of the hour. Can you stick for one more segment, or do you have to go?

SCHILLING: I'm all right.

WEEI: Okay. Hour three, D & C, Curt Schilling, more of your phone calls....

SCHILLING: Maybe we'll talk some Red Sox.

WEEI: Yeah, we'll talk a little Red Sox too.

(BREAK)

WEEI: Hour three, D & C. (Advertisement / golf tournament)

WEEI: All right, phone lines continue to be jammed. Let's talk to Donna in New Hampshire. Donna, you're next. Donna?

DONNA: Good morning. Yes, I here. Hi, I'm here.

WEEI: Go right ahead Donna.

DONNA: Okay. I – First of all, before I get to my question, I just wanted to say thank you for staying beyond the 8 o'clock here; I've been on hold for 40 minutes, so I'm late for work now, so it makes it worthwhile.

WEEI: Okay. Good.

DONNA: Because I wanted to thank you Curt for your contributions in bringing the World Series to Boston. But my –

SCHILLING: Thank you.

DONNA: ...question is you mentioned how you put 50 million dollars investment of your own funds, and to the average fan like me, that sh- we always say: oh, that's just a drop in the bucket.

SCHILLING: Right.

DONNA: Do you feel personally obligated to assist some of the employees that we – have hear - heard in news reports are, you know, losing their homes and –

SCHILLING: Right.

DONNA: ...and whatnot.

SCHILLING: Yeah. Yeah, I - I feel personally obligated to everything. I mean I - I - I don't know how else to put this. I mean this has been a devastating thing for - for families. You know, one of the things that - that we did when we moved the company was we entered into - to a business deal with a company to - to handle the move. We spent about 3.2 million dollars moving what was about a 160 families. We - we worked with a company to assume the mortgages of the homes that the people were moving from, pay closing on that sale and pay closing on the new one, and - and - and reimburse them for up to 25 thousand dollars loss of their home. But wh- it was one of the thing - We had to do that.

WEEI: You had to do that.

SCHILLING: Well, because it - it was- it was about the team: it didn't matter - If we moved the company and had money, and the people didn't come with us, the team wasn't going to be there. These - It was always my understanding that when we entered into this deal that the ... company would assume the mortgages and pay - we - and, and we would pay them for the mortgages until the house sold. And we - I think we did it for almost a hundred homes. And at the e- When we went - when we filed Chapter 7, there were seven families still in the que in the process. And - and - the - those people are being now called on to pay two mortgages, and they can't do that. This could be financially devastating for those families. And so we're, you know, again once the - once of the bankruptcy got filed, it was up to the - it's up to the trustee to try and make that right. And so my ho- my hope is that that will be one of the senior priorities for - for anything that happens from a monitory perspective, those employees will be made whole in addition to the wages that weren't paid at the end. And that's, you know, obviously I feel - I don't know any other way to put it, I mean, I'm devastated that that that anybody is in that situation.

WEEI: So in this gaming industry, which I don't understand, if you said we're gonna pay you 90 thousand dollars, whatever the average salary happens to be, but you gotta get to Rhode Island yourself, and you got - ... they wouldn't come..

SCHILLING: Well that wasn't an option, I never even considered that as an option because again, this was about if we're not gonna overpay you, there's things we have to do. From a health care perspective, we had the best - as good a health care plan as any company in the world. We took care of - Because again, this was not - this - One of the things that I learned when I played baseball was that that when my wife and kids were healthy and happy and things for good, then it - then life was good, and - and the game was fun, and - and that wasn't corr- there was no correlation to the - to my paycheck. And I know that sounds very, I don't know, ...but because I was always making obscene amounts of money to play baseball, but I assume that carries, no matter how

much you're making, if your wife's healthy and your kids are healthy and happy, --

WEEI: Then life's good.

SCHILLING: ...then you – then life is good. And you're – you're an incredibly productive person at work. And so we tried to make sure that everything was taken care of for the employees and their families so when they came to work they could be the creative people we hired to get. And - and that – that, again, that this collapsed as fast as it did, and blindsided the employees the way it did, is – is – is one the most devastating pieces to this.

WEEI: Jim's in New Hampshire; you're next with **Curt Schilling**. Good morning Jim.

JIM: Hi. I wanted to first thank Curt for 2004. I waited a long time for that, and it was – it was well worth the wait.

SCHILLING: Thank you.

JIM: That – that said, I've got a little problem with – with what I'm hearing today.

SCHILLING: Right.

JIM: And Curt, you keep referring to the State of Rhode Island as your "partner." Uh, you know, at the end of the day, I don't think that they were stockholders; I don't think—

SCHILLING: Right.

JIM: ...that they would have benefited from profits of the company.

SCHILLING: Oh, no, that's – that's incorrect actually, they would have. They - they w- The way that the – the everything was structured that – that when the company was telling ... when the MMO went out and – and we – we made money, they were going to be beneficiaries of us being successful, absolutely.

JIM: So it was the truth there was this partnership.

SCHILLING: There – Yes, absolutely. Absolutely. Yes.

JIM: Okay. And –

WEEI: Okay?

JIM: ...you know, the – the – I – I – I guess that that clarifies that. I guess—

SCHILLING: Yeah.

JIM: ...the other part that I – that, you know, you keep talking about tax money that would have been lost, but –

WEEI: Tax credits.

JIM: ...but the tax payers – tax credits –

SCHILLING: Right.

JIM: ...at the – at the end of the day, the – the tax – the tax money as a taxpayer is lost, it – it stays in our pockets.

SCHILLING: Right.

WEEI: No –

JIM: The fact that tax money feels like it has to be spent is what ... government.

SCHILLING: Right. No, I - it was my understanding that the money was budgeted and - and allocated, andI mean I'm - I'm – I'm not thoroughly - I'm not sure that I'm -- that I'm - I'm doing it justice, but it was budgeted and already allocated. And if - if the budget, the 2012 budget had gone through, that those - that – those – that - that would have been lost. But – but my - I guess my bigger point was that it was money sitting out there for businesses, Rhode Island businesses to use that nobody had claimed. And so we didn't push somebody out of the way or deny anybody else receiving the capital to – And – and, again, the - I think one of the bigger things was we were a local company: those tax credits weren't going to be put into the pockets of employees going to another state to spend it, all that money was being put right back into the Rhode Island economy, which I thought was an incredibly beneficial thing for that for – and – and a kind of a rarity.

WEEI: And, and as an entrepreneur, would it not be your fiduciary duty to claim that to try to make your company as good as it possibly could be...?

SCHILLING: Well, abso- It's – it's not – Listen, the – the bond deal, the tax credits, any entrepreneur, any business owner that would have had access to doing those things, --

WEEI: Would have done the same.

SCHILLING: ...would have done the same thing.

WEEI: Mike's in Newburyport. Mike, you're next with Curt. Mike? Mike? Put Mike on hold. Because I wanted to hear what his question was. Let's see, Christine is in Rhode Island. Christine, good morning, you're with Curt.

CHRISTINE: Hi. Hi Curt, how are you doing?

SCHILLING: All right. Yeah, thank you. I'm all right.

CHRISTINE: The first thing I'm not going to do is thank you for 2004: what I'm going to do is thank you for coming out and finally speaking about this.

SCHILLING: Thank you.

CHRISTINE: Listen, I just want to explain something really quickly: What you have to understand here with the animosity is Rhode Island was one of the hardest hit states with the economic crush.

SCHILLING: Yup.

CHRISTINE: Our motto is "Hope."

SCHILLING: Yup.

CHRISTINE: That's what we saw in you.

SCHILLING: Yup.

CHRISTINE: The blame-game has got to stop, number one. We can't blame you; you can't blame Rhode Island.

SCHILLING: Right.

CHRISTINE: In the end it's the taxpayer that suffers, and --

SCHILLING: Absolutely...

CHRISTINE: ...the employees that suffer.

SCHILLING: Yup.

CHRISTINE: And that's -- You know, nobody is really -- People are mad, --

SCHILLING: Right.

CHRISTINE: ...okay, --

SCHILLING: And they should be.

CHRISTINE: ...I'm not going to lie on that.

SCHILLING: No, they should be. They should be, absolutely, yes...

CHRISTINE: And they should be, absolutely. But what I want you to understand, I'm not going to belittle you, I'm not going to scream at you and accuse you of anything, but what I am going to tell you is you have to understand that a lot of us are already sitting here saying: Oh my God, what are we going to do? And then we looked at you – and I know this is a heavy burden to bare, but we looked at you as: Hey, it's Curt Schilling, he's awesome, we're gonna – we're gonna do this. And then, boom. Do you understand what I'm getting at?

SCHILLING: Absolutely.

CHRISTINE: And this is where it's coming from. Nobody is trying to upset you, but I just hope you understand it –

SCHILLING: No, I – and listen, --

CHRISTINE: ...from my point of view.

SCHILLING: No, I understand. And – and – and I understand the animosity as well. You know, the challenge for me is, - and, and you're right, it - the - the hard thing to say is – is, for me is -is that – that there is a blame-pire, this failed, and there's the reasons it failed, and there are people at fault, and - and I am one of those people. And so when I say the State of Rhode Island, it's sounds like I'm pawning off of the – the guilt and blame. But –but, you know, part of this is, if you remember, after - after Governor Chafee went into office, he came by the studio and – and - and he had made a public comment that, you know, he was against the deal before he got elected, but now that he was in the office he was gonna do everything he could do to help this company succeed. And that absolutely unequivocally never ever happened in any possible way, and – and - and that's not - that's not the sole reason this company failed. It's not. And, and again, I - I can say – I'll keep repeating it: I was – You know, I'm responsible for s- a part – absolutely a part of this. It just - it's - it's - it's crushing and devastating to – to – to – to have seen it fall and fail exactly the way it did after five years of building this thing..

WEEI: How many - how many copies of the game sold?

SCHILLING: As of about a month-and-a-half ago, it was about 1.3 m- a little over 1.3 million.

WEEI: I'm looking at a quote from Chafee where he called it a "flop."

SCHILLING: Yeah.

WEEI: And there's a -- an analyst of the industry who said just the opposite --

SCHILLING: Well, he did -- Yeah.

WEEI: ...that it was a success. I -- I - you know I know you're - you're getting killed here from callers and -- and texters, but I - I just have a question for them: Why would Chafee call it a "flop?" Why would he say it failed?

SCHILLING: The - you know, that's one of the things...

WEEI: He wanted it to—

SCHILLING: Yeah.

WEEI: ...to fail. He was happy that it failed. He's happy that you failed. He's a politician to the court, and this is a big political victory.

SCHILLING: Yeah. I mean, I -- I -- I don't know - I don't know how to -- how to -- Like I said, it -- it - it -- there was -- there was a lot of situations where I think he could've helped us succeed and -- and probably the one thing at the end that- that I -- and I said this earlier that people don't understand is we had an investor at the end that would right a 15 to 20 million dollars check, told the State, told the governor he would write this check. His o- his ask of the State was to be in senior position for the debt and for the State to issue the 6 million dollars in tax credits to clean up the mess that we had gotten into over April and May. If they -- If that happened, he would come in and save the company.

WEEI: And the g- governor said? Nothing.

SCHILLING: Nothing.

WEEI: He was - we got caller who want to talk about the Red Sox.

SCHILLING: Yes. Please.

WEEI: I -- I know you don't watch each and every game, but do you want to do that Dino—

WEEI: Sure.

WEEI: ...when we come back?

WEEI: We'll take a 90-second time out—

WEEI: Yup.

WEEI: ...and we'll talk a little Red Sox –

SCHILLING: Yup.

WEEI: ...with Curt Shilling next.

SCHILLING: Yup.

(TALK ABOUT THE RED SOX)

38 STUDIOS DISCUSSION BEGINS)

WEEI: Talk to Kristen in Chelmsford. You're next with Curt Schilling. Hey Kristen.

KRISTEN: Good morning.

WEEI: Morning.

KRISTEN: Cut, I just wanted to say from another, I'm a woman that's been in business for over 30 years, and I'm a small business owner, and the only state I will not work in is Rhode Island. I worked all over the country—

SCHILLING: That would have been good advice about three years ago hon.

KRISTEN: Yeah.

SCHILLING: No, I'm – I'm kid – I'm kidding.

KRISTEN: I just think –

SCHILLING: No.

KRISTEN: ... don't realize how difficult it is to go into Rhode Island and work. It's - it's – it's just, it's different. And I just wanted to say I –

SCHILLING: All right.

KRISTEN: ... I got tired of listening to people who don't understand that side of it...

SCHILLING: I appreciate that. And – Again, I appreciate it, but I also understand the anger. And – and the anger though when you – when you sit around, it's as much about, if not more so about the misinformation people believed to be true, rather than the actual facts of what happened.

WEEI: Can we do some basic arithmetic here because we have two or three texters, two or three callers that keep saying, "Where did the money go," asking where all the money went. He put 50 million dollars and he sold all these – Can you just explain that --

SCHILLING: Right. Where—

WEEI: So – so --

SCHILLING: ...the money went. We'll assume that – that – we'll use the most hypothetical business case you could ever assume, and we'll assume that every Game of Reckoning that sold for 60 bucks –

WEEI: Yes.

SCHILLING: ...we got 100% of that money.

WEEI: Right.

SCHILLING: Which we got none of it. But – but, anyway, that - that one -- there's about 70 to 75 / 78 million dollars from the Reckoning sales.

WEEI: Explain where that money get – went.

SCHILLING: That actually – the- the – that, --

WEEI: Again, --

SCHILLING: Generally –

WEEI: Go over it again.

SCHILLING: Well, well generally the wholesale pri – the – the – the developer will get about 30 to 35 dollars a game as opposed to the 60. That – that money was EA's: all of that money was EA's. So – so 38 Studios never saw a penny of that - sales of that product. I put in about 50, the State put in another 49, and I had probably between 5 and 10 million dollars from high net worth investors: that's a 110 million dollars. Every penny of that went into the – the payroll and development of the products, the game, building up the building, all the things that went to – to making the business go and move and grow. All of it.

WEEI: Pretty basic math.

WEEI: Yeah.

WEEI: Yeah.

WEEI: Well. And, and – and you have said that the company's been audited. I mean, wh –

SCHILLING: Okay. So –

WEEI: Here's – here's –

SCHILLING: Yes.

WEEI: ...here's what people want to know: what's the legal – what are the legal ramifications, --

SCHILLING: So, --

WEEI: ...what is the fallout?

SCHILLING: Here's what – From - from inception we had pr- PWC, Price Waterhouse Cooper as our auditor, which is not a common thing. It's very expensive, and as start-up, generally you don't put that kind of money. But we always wanted to make sure when we sat in front of an investor, and you sit in front of sophisticated investors that they don't have - they don't want to -- they don't need to bring in an independent ... auditor to - you want to have a Triple A five star independent: PWC is one of those. From inception we always had one. About a month-and-a half / two months ago, Governor Chafee demanded an independent audit, which under the bond agreement they were allowed to do once a year. The auditor came in and then they had – the, the - the results of that audit, they didn't like, so they audited it a third. And that's when you started to hear conversations around working with the State Police and bringing in foren-- I mean, that was where I started to realize that people can say anything they want and imply anything they want ju – for - for no reason. Because the auditor, their independent auditor went back and said there's four problems: the first is that he's invested every penny that he said he has; he's guaranteed the loans that he said he has; the company - he has never taken a penny from the company, ever, and the company has spent the money exactly how they said they were going to spend in the bond document. And they were so unhappy at the results they ordered a third independent audit, and when the same one came back it was a- there was a fourth one. And - and it's almost like they're - they're trying so hard to find something that they're going to find something: there's nothing to find. I never did anything illegal; I never – Again, I never took a p- I didn't get rich from this company, I - I actually did the opposite of that. And - and that was - that was – You know, that - when those conversations started, it was an incredibly uncomfortable time.

WEEI: And - and I think what – And - and we're hearing from a lot of – a lot of entrepreneurs are – can – can – can sympathize with you because a lot of people who have taken a chance and, you know, risked it all, lost it all.

SCHILLING: Yeah.

WEEI: And I – I - you still need 'em. I mean, you still – we still need entrepreneurs, we still need people who –who take changes out there, and a lot of – You're hearing from a lot of them today saying, hey, I followed my dream, I'm broke –

SCHILLING: Yup.

WEEI: ...you know, I sympathize. But, you know, what do you do now? What do you do now? I know you'll be back – Are you going to be back on ESPN?

SCHILLING: I – Yeah, I mean I – I hope so. I – I – I –Again, I've really - my - my faith has gotten me through. You know, I - I - it was amazing, I – I - I did a lot of praying during this. Initially it was to - I was praying for this company to get saved and these peoples' jobs to get saved, and the future of the company to be there. And eventually it got to the point where I just wanted God to show me the path. Th- Whatever - whatever it is, I needed to end. The – the stress was - was - I've never been through anything like this before in my life and I wouldn't wish this on anybody, and - and the employees, that's what they had to endure, I just wanted - I wanted a pass, and then I wanted Him to give me the strength to keep my head up and walk it. And that's what I'm doing right now: it's literally day-to-day: I'm waking up and I don't know what tomorrow's going to bring. And so, you know, I'm coaching Gabby's softball travel team, I'm coaching one of Garrett's teams and – and I'm trying to – to be as strong as I can be for my wife and my kids.

WEEI: So are you more like **Terry Francona**, a player's manager, or **Bobby Valentine**, whatever he is manager of a softball team...?

SCHILLING: I – I – Well, you know what, I – it's – I'm in a incredibly pivotal time in the boys' lives: they're 16 to 18-years-old. It - to me it's as much about teaching them to be men and - and to be leaders as it is a- to – about the game of baseball.

WEEI: Well this is a hell of a life lesson, no question...

SCHILLING: Yeah, it is. It is. And – and – and they, you know, they're – the kids are incredibly respectful. With my son being on the team, it adds a little twist, and I'm incredibly proud of the way he carries himself. A lot of talented kids in Medfield, and my daughter who is 14 playing on an 18 travel team is an exceptional athlete and she's - she's going to be a four-year varsity player and hopefully go to college and play and pitch, and incredibly proud of both of them. But that's - that's where a lot of Shonda and I's time is getting soaked up right now, which I'm – I'm grateful for.

WEEI: Well thanks for taking some time to spend an hour and a half with us today. I think you answered questions –

SCHILLING: Thank you guys.

WEEI: You – you laid it out as clearly and as concisely as I think you possibly could. Not everybody heard or understood or ga- or gathered it when they keep saying: where's all the money? We know where the money went at this point. Curt Schilling, thanks for the time.

SCHILLING: Thank you guys.

WEEI: Good luck going forward.

SCHILLING: Thank you.

WEEI: Curt Schilling with Dennis and Callahan....

(END OF INTERVIEW)

Buonaiuto, Kenneth

From: providencejournal Breaking News <providencejournalbreakingnews@ahbelo-news.com>
Sent: Tuesday, July 24, 2012 6:15 PM
To: Tikoian, David; News, providencejournal.com Breaking
Subject: R.I. EDC executives, board ignored warnings on 38 Studios

PROVIDENCE, R.I. -- Internal documents from the R.I. Economic Development Corporation released moments ago to The Journal indicate the agency's executives and its governing board ignored warnings about the advisability of loaning money to videogame company 38 Studios. <http://bit.ly/LLUv32> 

For more on this developing story, go to ProvidenceJournal.com.

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Buonaiuto, Kenneth

From: Kenneth Buonaiuto <174@risp.dps.ri.gov>
Sent: Friday, August 3, 2012 9:25 AM
To: Catlow, Todd
Subject: 38 Studios Investigation Update;

- 1) [REDACTED] Review of records to being next week.
- 2) Mike Rossi, ex-employee of electrical contractor (SYNET) that worked for 38 Studios and Tazza Cafe' (Corso's Restaurant), interviewed by Det. Buonaiuto and Brock. Rossi claims SYNET did work for Tazza that was paid for out of SYNET's 38 Studios project budget.
- 3) Det. Buonaiuto and [REDACTED] interviewed President and Chief Estimator of SYNET. Interviews confirmed work for 38 Studios and Tazza Cafe'. Company documents provided by Chief Estimator support Rossi's claim that Tazza Cafe' work may have been paid for with 38 Studios funds.
- 4) [REDACTED]

Respectfully submitted,

Detective Kenneth S. Buonaiuto
Rhode Island State Police
Financial Crimes Unit
311 Danielson Pike
North Scituate, RI 02857
Phone (401) 444-1205
Fax (401) 444-1041

Buonaiuto, Kenneth

From: providencejournal Breaking News <providencejournalbreakingnews@ahbelo-news.com>
Sent: Wednesday, August 8, 2012 5:13 PM
To: Tikoian, David;News, providencejournal.com Breaking
Subject: U.S. judge moves 38 Studios bankruptcy case to R.I. state court

WILMINGTON, Del. -- A federal judge Wednesday granted a request by lawyers for the state of Rhode Island to move the 38 Studios bankruptcy case to state court in Providence. <http://bit.ly/MQmpYD> 

For more on this developing story, go to ProvidenceJournal.com.

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Buonaiuto, Kenneth

From: providencejournal Breaking News <providencejournalbreakingnews@ahbelo-news.com>
Sent: Thursday, August 9, 2012 4:10 PM
To: Tikoian, David; News, providencejournal.com Breaking
Subject: Rhode Island court approves receiver for Schilling's 38 Studios

A Superior Court judge Thursday approved Governor Chafee's request to have Richard J. Land named the receiver for 38 Studios, the defunct Providence video-game company, the governor's office said. Land has served as a court-appointed receiver for a variety of businesses. <http://news.providencejournal.com/breaking-news/2012/08/rhode-island-co-8.html> 

For more on this developing story, go to ProvidenceJournal.com.

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Buonaiuto, Kenneth

From: Todd Catlow <71@risp.dps.ri.gov>
Sent: Wednesday, September 5, 2012 11:11 AM
To: Buonaiuto, Kenneth
Subject: Re: Fwd: RE: 38 studios

Thanks Ken.

Respectfully submitted,

Todd Catlow
Sergeant
Rhode Island State Police
311 Danielson Pike
North Scituate, RI 02857
Office: 401-444-1208
Fax: 401-444-1041
>>> Kenneth Buonaiuto 09/05/12 8:57 AM >>>
Lieutenant Catlow,

FYI: We will be having a 38 Studios Investigation update meeting this Friday (9/7) at the USAG's office at 2pm.

Respectfully submitted,

Detective Kenneth S. Buonaiuto
Rhode Island State Police
Financial Crimes Unit
311 Danielson Pike
North Scituate, RI 02857
Phone (401) 444-1205
Fax (401) 444-1041


Looks like Friday at 2 works well for everyone. Therefore, let's plan to meet then at my office.

From: Patrick Youngs [mailto:PYoungs@riag.ri.gov]
Sent: Wednesday, September 05, 2012 8:35 AM
To: Dambruch, Stephen (USARI)
Cc: kbuonaiuto@risp.dps.ri.gov; 
Subject: RE: 38 studios

Buonaiuto, Kenneth

From: Kenneth Buonaiuto <174@risp.dps.ri.gov>
Sent: Wednesday, September 5, 2012 11:45 AM
To: Catlow, Todd
Subject: Re: Fwd: RE: 38 studios

No, all of the initial Synet, Inc. interviews have been done. [REDACTED]

[REDACTED] they have all been reviewed and nothing nefarious was discovered.

Respectfully submitted,

Detective Kenneth S. Buonaiuto
Rhode Island State Police
Financial Crimes Unit
311 Danielson Pike
North Scituate, RI 02857
Phone (401) 444-1205
Fax (401) 444-1041

>>> Todd Catlow 9/5/2012 11:17 AM >>>
Are there any loose ends that need to be tied up before Friday?

Respectfully submitted,

Todd Catlow
Sergeant
Rhode Island State Police
311 Danielson Pike
North Scituate, RI 02857
Office: 401-444-1208
Fax: 401-444-1041

>>> Kenneth Buonaiuto 09/05/12 8:57 AM >>>
Lieutenant Catlow,

FYI: We will be having a 38 Studios Investigation update meeting this Friday (9/7) at the USAG's office at 2pm.

Respectfully submitted,

Detective Kenneth S. Buonaiuto
Rhode Island State Police
Financial Crimes Unit
311 Danielson Pike
North Scituate, RI 02857
Phone (401) 444-1205
Fax (401) 444-1041

>>> "Dambruch, Stephen (USARI)" <[REDACTED]> 9/5/2012 8:40 AM >>>

Buonaiuto, Kenneth

From: providencejournal.com <providencejournalbreakingnews@ahbelo-news.com>
Sent: Friday, September 14, 2012 12:44 PM
To: Tikoian, David;providencejournal.com
Subject: Breaking News Alert: R.I. Gov. Chafee says he won't consider defaulting on 38 Studios bonds

The Providence Journal
Breaking News - Alert
Friday, September 14, 2012

 WARWICK, R.I. -- Governor Chafee on Friday said no one in his administration is exploring whether Rhode Island should default on the bonds that were sold to raise cash for the now-defunct video-game company of former Red Sox star Curt Schilling. <http://bit.ly/Q8U9Sc> 

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Buonaiuto, Kenneth

From: providencejournal.com <providencejournalbreakingnews@ahbelo-news.com>
Sent: Friday, September 28, 2012 4:00 PM
To: Tikoian, David;providencejournal.com
Subject: Breaking News Alert: R.I. State Police still investigating 38 Studios

The Providence Journal
Breaking News - Alert
Friday, September 28, 2012

 Col. Steven G. O'Donnell, superintendent of the Rhode Island state police, said his detectives are still investigating 38 Studios for possible state criminal charges, even as the U.S. attorney in the state has dropped its investigation. <http://bit.ly/PwPidS> 

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Buonaiuto, Kenneth

From: David Tikoian <4@risp.dps.ri.gov>
Sent: Friday, September 28, 2012 4:01 PM
To: O'Donnell, Steven
Subject: Fw: Breaking News Alert: R.I. State Police still investigating 38 Studios
Attachments: Mail

Colonel, FYI.

Major David P. Tikoian
Rhode Island State Police
Inspecting Officer
Office: 401-444-1004
Cellular: [REDACTED]

Buonaiuto, Kenneth

From: providencejournal.com <providencejournalbreakingnews@ahbelo-news.com>
Sent: Friday, September 28, 2012 4:00 PM
To: Tikoian, David;providencejournal.com
Subject: Breaking News Alert: R.I. State Police still investigating 38 Studios

The Providence Journal
Breaking News - Alert
Friday, September 28, 2012

 Col. Steven G. O'Donnell, superintendent of the Rhode Island state police, said his detectives are still investigating 38 Studios for possible state criminal charges, even as the U.S. attorney in the state has dropped its investigation. <http://bit.ly/PwPidS> 

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Buonaiuto, Kenneth

From: Todd Catlow <71@risp.dps.ri.gov>
Sent: Wednesday, October 10, 2012 8:22 AM
To: Buonaiuto, Kenneth
Subject: Re: 38 Studios meeting with RIAG;

Ok. I can make it.

>>> Kenneth Buonaiuto 10/10/2012 8:18 AM >>>
Lieutenant Catlow,

Patrick Youngs is available this afternoon at 1:00pm at the RIAG's Office if the time is good for your schedule.

Respectfully submitted,

Detective Kenneth S. Buonaiuto
Rhode Island State Police
Financial Crimes Unit
311 Danielson Pike
North Scituate, RI 02857
Phone (401) 444-1205
Fax (401) 444-1041