



## Executive Summary

**ASTRO GAMING is the first lifestyle brand to speak for hardcore video gamers at the forefront of a market currently worth \$42 billion per year and growing over 20% annually.** Building on the example of such billion-dollar brands as Burton, Quiksilver and Nike, ASTRO Gaming delivers purpose-built, high-end video gaming equipment and lifestyle products for the “tech-life” generation.

### **ASTRO: Designers for Hardcore Gaming**

Product design powerhouse **ASTRO Studios** of San Francisco has been at the leading edge of consumer product design for over 14 years. From its 12-year partnership with Nike designing products including the original Triax Running Watches to creating the Xbox 360 for Microsoft, millions of consumers worldwide use ASTRO-designed products on a daily basis.

In addition to the Xbox 360, ASTRO has helped design some of the video gaming industry’s most iconic products including the entire line of Alienware’s Gaming PCs and laptops, and most recently, the Hewlett Packard Blackbird Gaming PC. This decade of frontline insight inspired ASTRO to pursue the professional and hardcore video gaming market for itself. ASTRO launched its first in-house product offering, the A40 Audio System, to critical acclaim in December 2007, and sold out of its 500-piece pilot run in less than 48 hours. It was clear: hardcore gamers wanted hardcore gear. As a result of pure market demand ASTRO Gaming was born.

**ASTRO Gaming is currently raising \$5 million** to capitalize on the momentum created by the A40 Audio System’s successful launch and to fund several key initiatives. ASTRO has a unique opportunity to be *the* leader in the hardcore gaming market and establish itself as the category leader in the rapidly emerging video gaming lifestyle segment. Through expanding its product line, building out the core team, and securing retail, international and OEM distribution, **ASTRO Gaming revenues are conservatively projected to reach \$40 million by 2012.**

### **The Video Gaming Lifestyle**

The ASTRO team has long been at the forefront of *professional video gaming as a lifestyle*. Today, thousands of teams, including fulltime professional gamers, compete in regional, national and international leagues for millions of dollars in prizes and sponsorships. ASTRO Gaming partner Major League Gaming ([www.mlgpro.com](http://www.mlgpro.com)) is the largest of these leagues and their Pro Circuit draws tens of thousands of competitors and fans to competitions throughout North America. Each event is also broadcast live on ESPN.com and Gotfrag.com to an additional quarter million online spectators.

The ASTRO Gaming team, themselves a mix of video game enthusiasts, surfers, snowboarders and cyclists, quickly recognized that the trajectory of the video gaming subculture was surprisingly similar to the early stages of the surf/skate/snow action sports and motorsports lifestyles. Today these youth based industries drive much of popular culture and have spawned several billion-dollar brands, which now look forward to video gaming as a primary venue to connect with their core audiences.

## **Equipment, Not Toys**

As a \$48 billion market, video gaming represents the number one form of entertainment in the world, a market larger than both the music and movies, with **“hardcore gamers” - the top 15% of gamers - purchasing over 55% of all gaming merchandise.**

Amazingly, this key demographic has been all but ignored by consumer electronics manufacturers, a fact which has not gone unnoticed in gaming circles. Hardcore gamers are the ultimate early adopters. The churn rate on the gaming equipment they purchase is often breathtaking as gamers constantly seek out the newest products to not only set them apart as individuals, but also give them a competitive edge.

Gaming peripherals are often manufactured from flimsy, low-end materials and most products currently on the market are barely above “toy” quality. The overall look and fit-and-finish of equipment often seems like an afterthought and components routinely fail when subjected to the demands of professional and hardcore gamers. The general lack of quality, and the lack of attention paid to the underlying gaming culture by major consumer electronics manufacturers, means that no lifestyle brand identity has emerged which speaks to the considerable gaming culture in the way that a brand such as Burton speaks to snowboarders or Quiksilver speaks to surfers. **ASTRO Gaming will be that brand.**

ASTRO Gaming will go well beyond simply designing and creating video gaming peripherals—it will shape the professional video gaming lifestyle. The success of the A40 Audio System, which has quickly become the headset of choice for the pro gaming community, paves the way for ASTRO’s next game-changing product, the A30 Mobile Headset, launching early 2009. In addition, ASTRO Gaming is currently building inventory of branded apparel and collateral as well as completing development work on its line of pro gear, travel bags, backpacks and carrying cases—even a guitar controller bag for Guitar Hero enthusiasts—to allow pro and hardcore gamers to protect and transport their personal systems and peripherals on the go.

## **The Competition**

For anything beyond the most basic peripherals, professional and hardcore video gamers must confront a deeply fragmented market with very few products that actually meet their specific needs. Large consumer electronics manufacturers such as Microsoft and Sony currently dominate the video gaming market, yet they are constrained by glacial development cycles and mass-market retail margin pressures that render them unable to quickly respond to new trends and developments in the gaming world.

## **The Opportunity**

In 2007 alone, the worldwide market for video gaming hardware, software and accessories was \$48 billion. The explosive growth of the market tells the tale: 2007 figures were up 43% over 2006, and the first half of 2008 is tracking up 35% over 2007. **The video gaming market is conservatively projected to reach \$68 billion by 2012.** Simply the “Accessories” category was worth \$5.3 billion worldwide in 2007. **Despite the market size, current video game industry figures report no lifestyle product revenue** for such staple products as apparel and gear bags. These types of products represent a critical element of for all youth performance brands such as Burton, Vans, Quiksilver, Nike and Oakley. **ASTRO Gaming will fill this market void.**

## **The A\* Team**

**Co-Founder and President Brett Lovelady** is the visionary designer and driving force behind ASTRO Gaming and the ASTRO brand. As the Founder of ASTRO Studios and Design Director for projects including the Xbox 360, Alienware PCs & laptops, Nike Triax Watches and the original iPaq for Compaq, Lovelady's products have garnered two BusinessWeek Design of the Decade awards, among many others. His concept for ASTRO Gaming has drawn a broad range of video gaming industry experts, brand development specialists and designers to help realize his vision for video gaming: the professional video gaming lifestyle.

### **Jordan Reiss – Co-Founder/Vice President**

A former M&A banker and private equity investor, Reiss received his MBA from Stanford University's Graduate School of Business in 1999. Prior to joining Astro, Jordan was Vice President of Timbuk2 Designs where he created and ran the company's award-winning e-commerce business, receiving recognition from *CIO Magazine* for being one of the Top 50 Web Businesses of 2001. After selling Timbuk2 in 2003, Jordan joined forces with ASTRO Studios to spearhead the "ASTRO Products" initiative – culminating in the formation of ASTRO Gaming in August 2006.

### **Kurt Dammerman – Director of Engineering**

With his MS in Product Development from Stanford University, Kurt has been working within the Product Development and Program Management fields for more than 10 years. He was a Design Engineer with IDEO and has extensive experience in the consumer electronics and furniture industries. Kurt was the first member of the iPod Core Technologies group, and built the team that managed the development of many iPod components and interaction elements. Kurt also periodically teaches Product Development classes at both Stanford and CCA.

### **Alex Birch – Director of Program Management**

ASTRO'S newest addition has a solid foundation in the action sports industry with 15 years of global product line management for Bonfire Snowboarding Apparel, Burton Snowboard Bindings and Adidas International's Adventure/MTB footwear. For the past two years, Birch has been at Griffin Technology, the industry leader in accessories for the iPod and iPhone, where he was the Global Director of Product Management and Marketing, overseeing a staff of twenty eight. Alex is joining ASTRO in August, 2008.

### **Josh LaTenderesse – Producer/Industry Relations**

A uniquely qualified consumer electronics and gaming industry veteran, LaTenderesse joined ASTRO in 2006 with an extensive audio/video background. After helping establish Monster Cable's Canadian operations, he changed gears and co-authored *Gaming Hacks* for O'Reilly Publications, and wrote an A/V advice column called "The Hook Up" for the staggeringly popular web-comic, *Penny Arcade*. More recently, he was the PC Editor for GamesRadar.com and a contributing editor for the world's best-selling PC gaming magazine, *PC Gamer*.

### **Adam Berry – Creative Director**

As the Creative Director of ASTRO Gaming, Barry is responsible for development of the ASTRO Gaming brand and all new products. A seven year ASTRO Studios veteran, his contribution to the Alienware Area 51 tower and laptop led to ASTRO's development of the critically acclaimed Xbox 360 gaming console, controller, and accessories.

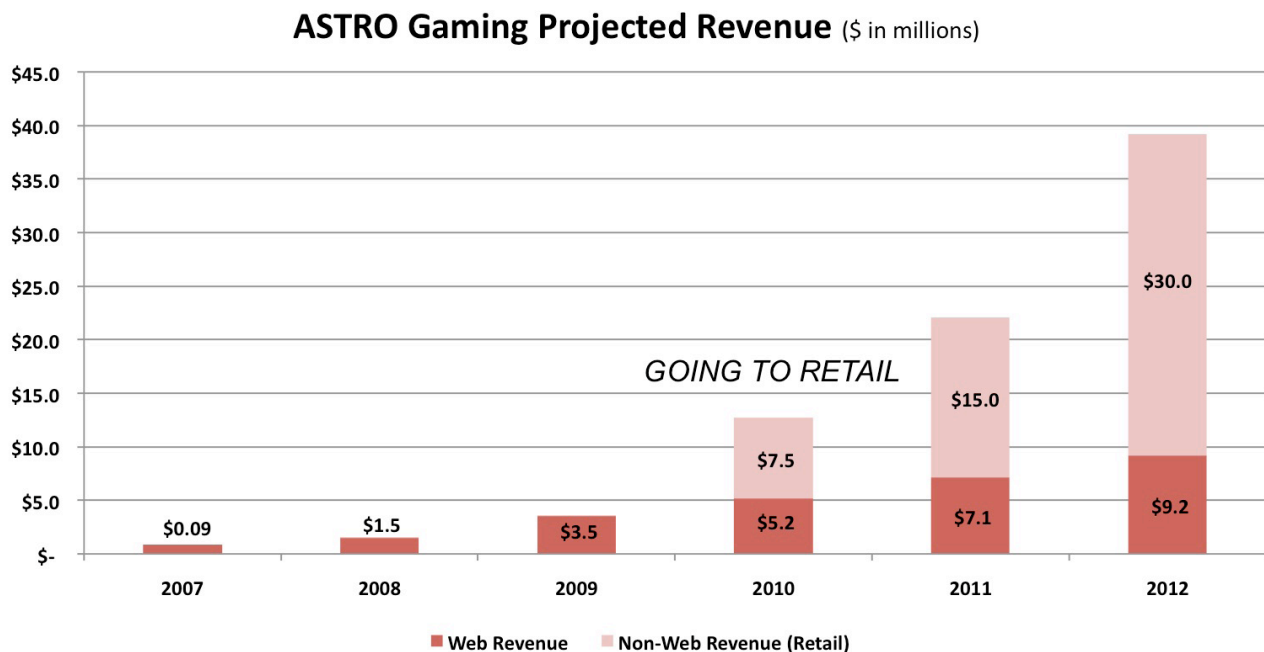
## ASTRO: Momentum is Building

After closing on \$1.25 million of seed funding in August, 2006, ASTRO Gaming built its base team and completed initial product R&D, prototyping and testing. The company launched a first-generation “pre-orders only” website and solidified its manufacturing and supply chain infrastructure. While further crafting its brand identity and finalizing the design of its initial product offerings, ASTRO was selected as the official headset of Major League Gaming - “the largest organized league and international sanctioning body for the world's fastest growing competitive sport: *professional video gaming*.”

Following the close of an additional \$1.5 million of launch capital, ASTRO released a pilot run of its flagship A40 Audio System for the '07 Holiday season. Selling out within 48 hours and hailed by critics, the A40 Audio System has received multiple Editors' Choice awards—*Official Xbox Magazine* rated it a 9 out of 10, saying, “You won't find a better designed 3<sup>rd</sup>-party peripheral for you Xbox 360 than the A40 Audio System.”

By mid-April 2008, the first production run was complete and [www.astrogaming.com](http://www.astrogaming.com) was officially open for business. Since launch, orders have increased at an average rate of over 25% *per month* with over \$600,000 of revenue booked to date and a current annualized run-rate of over \$1.75 million. **ASTRO Gaming now seeks \$5 million of third-round investment to aggressively build and scale its operations.**

Future revenue projections are based on two more years of direct-to-consumer growth followed by a major rollout to retail for holiday 2010:



*"Our company lives at the epicenter of technology, lifestyle and design. Our products are specifically designed for the underserved hardcore gaming professionals and driven by our commitment to improve the sport of video gaming."*

– **Brett Lovelady, Co-Founder, ASTRO Gaming**

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