

DE LA PEÑA & HOLIDAY LLP
ONE EMBARCADERO CENTER
SUITE 2860
SAN FRANCISCO CALIFORNIA 94111

TELEPHONE 415.268.8000

FACSIMILE 415.268.8180

August 21, 2015

Mr. Chris Roberts, Sandra Roberts and Ortwin Freyermuth
Cloud Imperium Games Corporation; Roberts Space Industries Corp
9255 Sunset Blvd STE 803
West Hollywood, CA 90069

Re: Derek Smart, Star Citizen and Crowd Funding Campaign

Dear Mr. Roberts, et al:

I write on behalf of Mr. Derek Smart, who has been authorized to speak on behalf of various others (collectively referred to herein as "Mr. Smart"), all of whom have backed the development and production of the game Star Citizen through a general crowd-funding campaign, and/or through direct investment and/or backing on your company's website.

In that regard, please be advised that Mr. Smart considers your and your companies' (collectively referred to herein as "You" or "Your") conduct to be deficient in terms of the various representations You made, as well as your capital acquisition and product development. For these reasons, as well as because of retaliatory and potentially defamatory responses against Derek Smart individually and personally, Mr. Smart has taken it upon himself to protect himself and the various backers/investors.

In particular, Mr. Smart is endeavoring to protect the interests of a number of backers/investors in connection with Your activities in Your crowd-funding campaign, specifically charging consumers for a product which was not, and cannot, be delivered. This is true also in connection with Your fundraising efforts on Your website. At all times in this regard, Mr. Smart believes You have, acting alone or in concert with others, formulated, directed, controlled, or participated in various acts and practices, which may constitute misrepresentation, fraud, unjust enrichment, unfair business practices, breach of contract and possible FTC violations (which is a separate issue between You and the FTC, although we understand there have already been several complaints to the FTC). Mr. Smart is also concerned that Your activities constitute unfair or deceptive business practices as set forth in the Consumer Legal Remedies Act.

The facts are as follows. In or about October, 2012, You launched a crowd-funding campaign to raise money from consumers purportedly to produce the Star Citizen video game. In connection with the crowd-funding campaign, You represented that You would deliver the game the consumers expected. Where Derek Smart is concerned, You promised a reward of a finished game for PC with top-of-the-line RSI Constellation spaceship ready to fly + 10,000 Galactic Credits + Exclusive access to the Alpha and Beta + Spaceship shaped USB stick with the game and all digital elements + CD of game soundtrack + Fold-up glossy full color map of the game universe + Set of 5 Ship blueprints + 3-inch physical model of your in-game ship

+Hardcover copy of 'The Making of Star Citizen' including loads of behind the scenes images and info, prelim concept art, development stories + Silver Citizens Card.

Derek Smart continues to await these deliverables, having only received the Silver Citizens Card to date. Further, You represented that You would provide regular updates about the progress of the game, and that You would "show and tell" each milestone. You represented that the consumers' voices would be heard. And that You would treat consumers with "the respect [they] deserve" rather than spending money on public relations. Thereafter, You raised over \$2,000,000.00 on Kickstarter alone. Instead of producing the game or providing the reward deliverables to consumers, however, You instead resumed the funding campaign on Your Roberts Space Industries website, while significantly increasing the scope of the game, engaging in various expenditures – including public relations and various worldwide media events, personal expenditures - which are not attributed to the game's material development.

At that time, however, all of the backers from the original campaign, including Derek Smart, needed an account on Your RSI website for You to fulfill their pledges. Consequently, both campaigns are connected insofar as some individuals did not back the original Kickstarter campaign but, instead, came in during the second RSI campaign. The relevance of this is that, we understand that a number of people have now requested refunds, but, at least for those who pledged money on the RSI site cannot get them due, in part, to the more stringent wording of your Terms of Service. For this reason, as set forth more fully below, Mr. Smart will be demanding that You issue refunds to anyone who asks for one, regardless of which campaign they backed. As it stands, we are aware that numerous consumers have complained about the campaign and few, if any, have received a refund.

As you are no doubt aware, crowd-funding is the practice of funding a project or venture by raising many small amounts of money from a large number of people, typically via the Internet. You are also no doubt aware that any and all funds raised from the crowd-funding are to be used specifically for the purpose of developing and delivering the project to backers. Following the rules, therefore, is what makes this practice legal and not, e.g. an "investment" otherwise subject to rules promulgated by the SEC. As you also know, crowdfunding transactions typically involve backers giving a pledge to a project creator, in exchange for a specific reward; e.g. the product or content to be manufactured with the raised funds. Here, You initiated Your Kickstarter campaign, by developing a "homepage" that provided information about the product or content to be created. In addition to information about the final product, the homepage provided information about the total amount of money needed for the project and the number of days left to fund it. That said, Kickstarter's Terms of Use stated that Kickstarter funds must be used on a project with a "clear goal" that "produces" a deliverable. In the event a project reaches its funding goal but is unable to provide rewards to its backers, Kickstarter's Terms of Use state that the project creator must refund the consumers the amount pledged. This You have

not done. Instead, You have continued the crowd-funding campaign on Your RSI website, while failing to deliver the promised product and/or content.

In connection with the above, rather than deliver, You instead represented that money raised would be used primarily for the development, production, completion, and distribution of the game, none of which has occurred. Through the campaign, You also represented that, if You reached Your funding goal, consumers would receive specific reward deliverables. Significantly, by launching a campaign on Kickstarter, You also held Yourself out as abiding by Kickstarter's Terms of Use, which again required You to refund the consumer's money if a reward deliverable was not provided to the consumer. To date You have not done this.

Moreover, You also represented an original projected delivery date of November 2014. That date came and went. Between then and now, You instead increased the scope of the project beyond what was promised and for which you were able to raise the funds, provided sporadic updates, citing a variety of reasons for delays in production; and You have also continued to sell "assets" to consumers for a game that is yet to be completed and which may not ever be delivered, despite Your recent representations suggesting the product will commence roll out over the course of the next year with a full release by the end of 2016, almost two years beyond the original promised date.

Mr. Smart, therefore, remains concerned that, in reality, You have neither the technology, infrastructure or assets to complete the game and instead are using a massive burn rate to benefit Yourself at the expense of consumers. In truth You did not use the money obtained from consumers through campaign primarily for the development, production, completion, and distribution of the game, and did not provide consumers who paid qualifying pledge amounts with specific reward deliverables. As noted above, these are requirements for a Kickstarter and all crowd-funded projects according to FTC guidelines.

You instead have made myriad representations for a game that would include "a rich universe focused on deep space adventure, trading and dogfighting in first person," and you've received millions of dollars as a result. Rather than deliver, You instead continue to sell millions of Dollars worth of pricey luxury ships with promises that more money would lead to bigger, better things for the game. Years later, You do not appear to be closer to release, despite raising \$87.5 million to date. Instead, users are limited to two parts of the game: A hangar for storing and observing spaceships, and a multiplayer dogfighting module called Arena Commander. This is a fraction of what You have promised and neither is the final game promised in 2012. Further, it has recently come to light internally and publicly, that certain parts of the project are now being scaled back and/or cut from the production.

In sum, You have not kept Your promises. You have misled consumers about the project, how You would use funds, providing rewards to backers. You have allowed scope creep and

August 21, 2015

Page Four

feature cuts and you have admitted to in many public statements. And, contrary to Your representations above, i.e. to "hear" the voices of consumers and to treat them with dignity and respect, You've instead attempted to ban Derek Smart and others that have expressed concerns over the game's development and who have sought accountability from You. You have instead canceled his account and others, presumably to silence dissent. You also promised to refund his money, which is something else You have not done. Moreover, You have published patently false statements about him, including but not limited to the implication that he used Your platform to promote himself and his game; the implication that he violated any Term of Service; the implication that he used any of Your forum or chat services; the specific implication that he violated Your Terms of Use Section XX, thus warranting an unsolicited refund; and the statements You have made to the media and in Your forum. He considers several of these statements to be false and defamatory at best, and certainly an attempt to stifle his concerns and free speech.

For these reasons and to avoid legal action, Mr. Smart, among other things, hereby demands the following to occur within the next 30 days:

1. A complete forensic accounting (for which Mr. Smart will pay all costs) of expenses to said consumers who have provided \$87.5 million to this crowd-funded campaign. Absent full disclosure and transparency, Mr. Smart is concerned that Your conduct constitutes prohibited "unfair or deceptive acts," misrepresentations or deceptive omissions of material fact, unjust enrichment, breach of contract and other violations, all to the detriment of those that have "invested" in Your companies and or the product;
2. A completion date for the delivery of the project as promised, now that the Nov 2014 ship date has been missed;
3. A refund for all those who backed the campaign on Kickstarter or your own website, and who are now requesting a refund

Very truly yours,

DE LA PEÑA & HOLIDAY LLP

/s/ dictated but not executed to prevent delay

Keith L. Cooper

KLC:gdr