



CONFIDENTIAL

STEM FOCUSED CHILDREN'S BRAND WITH AWARD WINNING TV PROGRAMMING AND AFFILIATE ANIMATION STUDIO. LIFETIME REVENUE OF OVER \$7M AND STRONG RELATIONSHIPS, WITH BRANDS INCLUDING NASA, NETFLIX, AND NBC UNIVERSAL, FOR FUTURE PROGRAMMING AS WELL AS MERCHANDISING.

Rock Creek Advisors the ("Placement Agent") is contacting you regarding a bridge debt financing for Space Race, LLC ("the Company").

This Offering and Executive Summary Memorandum (the "Memorandum") provides information regarding the proposed transaction. The bridge financing, fully collateralized by their existing IP, will enable the Company to meet short term liquidity needs and growth plans.

Disclaimer

This Memorandum contains information regarding the Company's business and operations, and the information contained herein has been prepared for the purpose of providing interested parties with general information to assist them in their evaluation of the Company's business. Nothing contained in this Memorandum is, or shall be relied upon as, a promise or representation as to the past or future performance of the Company or their products.

OVERVIEW

Space Racers, the children's brand owned by Space Race LLC, is a STEM focused, space-themed and critically acclaimed show which is distributed throughout the world. The series features engaging characters that are spaceships, each one having a distinct personality and special skills. The stories combine elements of space exploration, science and educational themes. The primary target audience for Space Racers is three to eight year old boys and girls.



MARKET OPPORTUNITY & SOLUTION

STEM Focused Children's Programming and Educational Entertainment

The high demand for STEM jobs in the USA has spurred an increase in the need to educate the population regarding STEM. Additionally, it has been reported that U.S. corporations are now investing \$350 billion annually in education (mostly STEM). This has created a vast market for STEM related entertainment that both appeals to the general population while also being able to communicate a message. Many TV programs, including large network backed science programs, and other forms of entertainment including YouTube shows have been successful at accomplishing their desired goal but have largely been created for kids older than 7. There is a growing need in the market to younger children, primarily in the 3-5-year age group about various STEM concepts. Additionally, the rise of video based content has further increased demand for physical merchandise which has proven to be a sound business model. Space Race is leveraging this merchandising market by manufacturing and selling products connected to the lovable space themed characters for children in this age category. It's this merchandising market that the company wants to expand on and needs financing to fund this growth.

Solution

The reaction to the Space Racers show has been very positive. Space Racers won several awards in children's broadcasting, including the APT Programming Excellence Award and a Parents' Choice Recommended Award. Additionally, Space Racers was named as an award recipient of a NASA grant to fund science education and help finance part of our production. More recently, with NASA's approval, the Kennedy Space Center commissioned, and agreed to pay for, the production of a Space Racers stage show to be performed at Kennedy. In addition, Space Race has entered conversations to partner with some of its key personnel in the creation of Stardust Animation (described below).

PRODUCT DETAILS & COMPANY STRATEGY

About 1,000 minutes of core animation, with an estimated value of ~\$30,000 per minute (leading to a total valuation for the Company of \$30-\$50 million).

- Launched in 2014 on public television, Space Racers is an award-winning show and brand
- STEM focused, space-themed and critically acclaimed, the show is distributed throughout the world and supported by NASA
- The Company is now selling merchandise in the forms of toys and consumer products on Amazon
- Expansion into China -- show has begun streaming on Tencent Video. Airing on CCTV as of Dec 2019
- NASA STEM grant recipient for content production
- Distributed on linear TV, YouTube and SVOD (e.g. Netflix) throughout the world
- Award-winning show with a dedicated, growing following with global appeal for 3-8 year old audience
- Distribution in over 155 countries and territories and 35 languages
- Across all platforms, shows viewed more than 10,000,000 times
- The Company has outright ownership of the IP and the commercialization potential
- Stardust Animation is an affiliate of Space Race with a 100% remotely operated animation production pipeline
- Stardust can create 2D & CG animation of any style, budget and detail and have produced multiple series and films – spanning from pre-school to localized Anime to film-level CGI



FINANCIAL & BRAND METRICS

- Robust library of 90 x 11' high-end CGI animated episodes
- The Company has raised over \$11 million in private capital and has generated (and reinvested) over \$7 million in revenue.
- The Company has approximately \$200k - \$250k of merchandising inventory at retail prices
- 2 Million+ media impressions during 2017 Eclipse Campaign
- 20,000 Season One Educator Toolkits distributed



The upside potential in this business, and one in which the debt holder can participate in if they want to structure their investment with additional terms, is the monetization of the brand through merchandising. The company plans to use the money raised through this financing to continue to produce content to enhance the brand, to sell branded products such as toys and apparel, and to support the operating expenses of the business. Alternatively, Space Race might license the brand in specific regions and/or products to sell additional consumer products.

One only needs to look at Super Wings, a South Korean-Chinese-American animated television series which successfully built merchandising off the animated airplane characters and has reportedly generated over \$1 bn in merchandise sales in the last few years. Similarly, some big brands (including PAW Patrol, Peppa Pig, Disney Cars, Dora the Explorer, and Thomas the Tank Engine, as examples) have made billions of dollars doing the same.

Space Race's current plans are to launch and build the brand merchandising through Amazon and other e-comm avenues. Once the online momentum has taken shape and retail stores reopen post pandemic restrictions, the company plans to launch the branded merchandising into brick and mortar retail as well.

Space Race has the strategic, licensing and marketing plans, along with the right management team to build this brand into a billion dollar business.

BRIDGE LOAN PROCESS

The Company is seeking financing (in the form of a bridge loan or other financing structure) between \$1 and \$5M, with a term of up to 2 years, to fund operating expenses and growth plans. The Company assets available for collateral include Space Racers 90 CGI animated episodes, merchandise inventory and all intellectual property.

i. Important Dates

The following dates and deadlines apply to the proposed Bridge Loan.

Indication of Interest Deadline:	January 8, 2021 at 5 p.m. (EDT)
Proposed Closing of Financing:	January 15, 2021

The key dates in the Bridge Loan Process may be modified by the Placement Agent in consultation with the Company.

ii. Due Diligence and Participation

To participate in the Bridge Loan Process as a potential lender, conduct due diligence upon the Company and subsequently submit an indication of interest, a party (each an “Interested Party”) must deliver the following to Placement Agent:

- (A) executed confidentiality agreement in form and substance substantially similar to the form confidentiality agreement attached hereto as composite and incorporated herein by reference (the “Confidentiality Agreement”);
- (B) a statement and other factual support demonstrating to the Placement Agent’s reasonable satisfaction, after consultation with the Company, that the Interested Party has a *bona fide* interest in providing financing to the Company; and
- (C) sufficient information, as determined by the Placement Agent in consultation with the Company, to confirm that the Interested Party has the financial wherewithal and any required corporate, legal or other authorization necessary to close the financing, including, but not limited to, an acceptable form of financial disclosure.

Upon satisfactory receipt of the items above, the Placement Agent will deliver to such Interested Party access to information from the Agent’s confidential electronic data room concerning the Company (the “Data Room”). The Agent will deliver a list of all current Interested Parties to the Company as each Interested Party is added.

Until the business day immediately preceding the Indication of Interest Deadline, the Placement Agent will provide any Interested Parties such due diligence access or additional information as the Placement Agent determines to be reasonably requested and appropriate under the circumstances. If any such due diligence material is in written form and has not previously been provided to any other Interested Parties, the Placement Agent will provide such materials to all Interested Parties to the extent practicable.

iii. General Bid Deadline

An Interested Party that has interest in providing a bridge loan shall contact Rock Creek Advisors no later than January 8, 2021. Contact information is listed below.

iv. Interested Parties

An Interested Party should provide the following information:

- (i) Amount of financing to be provided (up to \$5 million),
- (ii) The term of the financing (up to 2 years),
- (iii) Rate of interest applicable to the financing,
- (iv) Fees to be paid in conjunction with the financing,
- (v) Collateral required by the bidder to secure the financing, and
- (vi) Other material terms and conditions applicable to the financing

v. Terms of Collateral; "As Is, Where Is"

Collateral included in the financing is provided on an "as is, where is" basis with all faults and without representations or warranties of any kind, nature or description by the Placement Agent, its successors or assigns, whether written or verbal, whether express, implied or by operation of law, except and solely to the extent expressly set forth in the financing agreement of the successful Interested Party or Parties, as applicable. Each Interested Party shall be deemed to acknowledge and represent that it has had an opportunity to conduct any and all due diligence regarding the Company prior to providing its Indication of Interest, that it has relied solely upon its own independent review and investigation in making such Indication of Interest.

vi. Closing

Except to the extent of any contrary provision in the financing agreement with the successful Interested Party or Parties, as applicable, the closing (the "Closing") shall occur on or before January 15, 2021.

SAFE HARBOR STATEMENT

This Memorandum contains forward-looking statements. These statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by words or phrases such as "will," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates" and similar statements. Among other things, the business outlook and statements provided by management contain forward-looking statements. Statements that are not historical facts, including statements about the Company's beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. The Placement Agent or any of its affiliates do not undertake any obligation to update any forward-looking statement, except as required under applicable law.

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