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**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

In re:	)	Chapter 11
ATARI, INC., <i>et al.</i> , <sup>1</sup>	)	Case No. 13-10176 (JMP)
Debtors.	)	(Jointly Administered)

**CONSOLIDATED NOTES AND STATEMENT OF LIMITATIONS, METHODOLOGY  
AND DISCLAIMER REGARDING DEBTORS' SCHEDULES  
AND STATEMENTS OF FINANCIAL AFFAIRS**

The above-captioned debtors and debtors in possession (collectively, the “Debtors”) have filed their respective Schedules of Assets and Liabilities (the “Schedules”) and Statements of Financial Affairs (the “SOFAs”) in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”). The Debtors, with the assistance of their advisors, prepared the Schedules and the SOFAs pursuant to Section 521 of title 11 of the United States Code (the “Bankruptcy Code”) and Rule 1007 of the Federal Rules of Bankruptcy Procedure.

The information contained in the Schedules and SOFAs is unaudited. Because the Schedules and SOFAs contain unaudited information, which is subject to further review, verification and potential adjustment, there can be no assurance that these Schedules and SOFAs are complete. While the Debtors’ management has made every reasonable effort to ensure that the Schedules and SOFAs are accurate and complete based on the information available at the time of preparation and filing, inadvertent errors or omissions may exist and the subsequent

<sup>1</sup> The Debtors are Atari, Inc., Atari Interactive, Inc., Humongous, Inc., and California U.S. Holdings, Inc.

receipt of information may result in material changes in financial and other data contained in these Schedules and SOFAs.

Though reasonable efforts were made by the Debtors to file complete and accurate Schedules and SOFAs, inadvertent errors or omissions may exist. The Debtors reserve all rights, but are not required, to amend and/or supplement the Schedules and SOFAs from time to time as necessary or appropriate.

**These Consolidated Notes and Statement of Limitations, Methodology and Disclaimer Regarding the Schedules and SOFAs (the “Notes”) are incorporated by reference in, and comprise an integral part of, the Schedules and SOFAs and should be referred to and reviewed in connection with any review of the applicable Schedules and SOFAs for each Debtor. The Notes and the Schedules and SOFAs should not be relied upon by any persons for information relating to current or future financial conditions, events or performance of any of the Debtors.**

The contents of these Schedules and SOFAs constitute neither a waiver of any rights or claims of the Debtors nor an admission of the existence, amount, nature or validity of potential claims against the Debtors. The Debtors reserve the right to dispute or challenge the status and amount of any claim listed on **Schedules E and F**.

The Schedules and SOFAs have been signed by Robert Mattes for all Debtors who is responsible for oversight of the Debtors in preparing the Schedules and SOFAs. In reviewing and signing the Schedules and SOFAs, Mr. Mattes necessarily relied upon the efforts, statements and representations of the Debtors’ other personnel and professionals. Mr. Mattes has not (and could not have) personally verified the accuracy of each such statement and representation, including, for example, statements and representations concerning amounts owed to creditors, classification of such amounts, and creditors’ addresses.

**GLOBAL NOTES CONTROL** - In the event that the Schedules and SOFAs differ from the Notes, the Notes shall control.

**RESERVATION OF RIGHTS** – Except as set forth in the final order approving the Debtors’ post-petition debtor in possession financing provided by Alden Global Distressed Opportunities Master Fund, L.P. (the “Final DIP Order”), nothing contained in the Schedules and SOFAs or these Notes shall constitute a waiver of any Debtors’ rights or an admission with respect to their chapter 11 cases, including, but not limited to, any issues involving objections to claims, substantive consolidation, equitable subordination, defenses, characterization or recharacterization of claims or contracts, assumption or rejection of contracts under the provisions of Bankruptcy Code chapter 3 and/or causes of action arising under the provision of Bankruptcy Code chapter 5 or any other relevant applicable laws to recover assets or avoid transfers.

**CORPORATE STRUCTURE** - A description of the Debtors’ corporate structure is set forth in the Declaration of Robert Mattes, Chief Financial Officers of Atari, Inc. in Support of Chapter 11 Petitions and First Day Motions, filed on January 22, 2013.

**DESCRIPTION OF CASES** - On January 21, 2013 (the “Petition Date”), the Debtors each filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code in the Bankruptcy Court. Pursuant to an order entered on January 24, 2013, the Debtors’ chapter 11 cases are jointly administered. Notwithstanding the joint administration of the Debtors’ chapter 11 cases, each of the Debtors has filed its own Schedules and SOFAs. The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code.

**BASIS OF PRESENTATION** - The Schedules require the Debtors to report assets at current market values. Due to the difficulty in accurately determining the current market value of the Debtors’ tangible and intangible assets, including the copyrights, trademarks, domain names, and goodwill, the Debtors have reported their tangible assets on a net book value basis and listed the value of all intangible property as “unknown”. In addition, the amounts shown for total liabilities exclude items identified as “unknown” or “undetermined” and, thus, ultimate liabilities may differ materially from those stated in the Schedules and SOFAs.

For these and other reasons, the Schedules and SOFAs may not reconcile to the Debtors’ books and records recorded in accordance with International Financial Reporting Standards (“IFRS”). Furthermore, these Schedules and SOFAs do not purport to represent financial statements prepared in accordance with IFRS and do not necessarily reflect the amounts that would be set forth in a financial statement prepared in accordance with IFRS. Unlike the consolidated financial statements, these Schedules and SOFAs reflect the assets and liabilities of each separate Debtor, except where otherwise indicated.

Additionally, the Debtors have provided all known claims against third parties and projected obligations against the Debtors in their gross amounts, without giving effect to potential offsets. In some instances, the Debtors may have reported an amount owing to a third party (**Schedule E** or **F**) which is expected to be offset in whole or in part by a deposit, retainer or prepaid amount reported on **Schedule B**. The Debtors make no representation of the value ultimately realizable from or the collectability of any assets presented herein.

**ESTIMATES** - To close the books and records of the Debtors as of the Petition Date, management was required to make estimates and assumptions that affected the reported amounts of assets and liabilities. Actual results could differ from those estimates.

**CAUSES OF ACTION** - Despite their best efforts to identify all known assets as described above, the Debtors may not have set forth in their Schedules and SOFAs all of their filed or potential claims and causes of actions against, and potential recoveries from, third parties, or the values of any such claims. The Debtors reserve all rights to assert any and all such claims and causes of action, whether or not listed in these Schedules and SOFAs, and nothing contained in these Notes, the Schedules or SOFAs shall constitute a waiver of any such claims or causes of action or in any way prejudice or impair the assertion of such claims or causes of action.

**RECHARACTERIZATION** - The Debtors have made reasonable efforts to correctly characterize, classify, categorize, and designate claims, assets, liabilities, executory contracts, unexpired leases and other items reported in the Schedules and SOFAs. However, due to the complexity and size of the Debtors’ business and operations, the Debtors may have improperly characterized, classified, categorized or designated certain items. The Debtors thus reserve all of

their rights to recharacterize, reclassify, recategorize or redesignate items reported in the Schedules and SOFAs at a later time, as additional information becomes available. However, such rights are subject to the limitations placed on the Debtors in the Final DIP Order.

**CLAIMS DESCRIPTION** - Any failure to designate a claim on the Schedules as “disputed,” “contingent” and/or “unliquidated” does not constitute an admission by the Debtors that such amount is not “disputed,” “contingent” and/or “unliquidated.” The Debtors reserve all rights to (i) dispute, or assert offsets or defenses to, any claim reflected on the Schedules on any grounds, including, but not limited to, amount, liability, priority, status, description or classification or (ii) amend the Schedules to designate any claim as “disputed,” “contingent” and/or “unliquidated.” Claim amounts that could not be readily quantified by the Debtors are scheduled as “unliquidated.” The description of a claim amount as “unknown” is not intended to reflect upon the materiality of such amount.

**TOTALS** - All totals that are included in the Schedules and SOFAs represent totals of all the known amounts included in the Schedules and SOFAs and exclude items identified as “unknown” or “undetermined.” To the extent that there are unknown or undetermined amounts, the actual total may be materially different than the listed total.

**CONFIDENTIAL INFORMATION** - There may be instances in which certain information has been omitted from the Schedules and SOFAs due to the nature of an agreement between a Debtor and a third party or concerns about the confidentiality or commercially sensitive nature of certain information. There are certain instances where names, addresses, and/or other identifying information have been omitted from the Schedules and SOFAs. Due to the Debtors’ concerns for the privacy of individuals, the Debtors have deemed it appropriate to exclude such identifying information from the Schedules and SOFAs. The Debtors, however, have retained, and can make available, certain information in appropriate circumstances and to appropriate parties subject to the assurance of confidentiality.

**COURT ORDERS** - The Bankruptcy Court entered orders authorizing (but not directing) the Debtors to make payments in respect of certain prepetition claims and obligations, including, but not limited to, certain wages and employee benefits, taxes and withholdings, obligations related to certain insurance programs, including workers’ compensation, and payments to critical vendors. (See additional detail under **Schedules E and F** below). The Debtors have made and/or plan to make payments to certain creditors pursuant to these orders. Accordingly, the actual balances as of the date of the Schedules and SOFAs or subsequent dates may be less than the Petition Date balances.

**INSIDERS** - In connection with SOFAs questions 3c and 21, the Debtors identified as insiders all of Debtors’ boards members, officers, affiliate debtors, affiliate non-debtors, all board members of the affiliate companies, and BlueBay Value Recovery (Master) Fund Limited. Such individuals have been included in the SOFAs for informational purposes only. The listing of an individual as an “insider” is not intended to be, and should not be construed as, a legal characterization of such party as an “insider” and does not act as an admission of any fact, claim, right or defense, and all such rights, claims, and defenses are hereby expressly reserved. Furthermore, the Debtors do not take any position with respect to: (a) such person’s influence over the control of the Debtors; (b) the management responsibilities or functions of such individual; (c) the decision-making or corporate authority of such individual; or (d) whether such

individual could successfully argue that he or she is not an “insider” under applicable law, including, without limitation, the federal securities laws, or with respect to any theories of liability or for any other purpose.

**INTERCOMPANY TRANSACTIONS** - The Debtors’ books and records include numerous accounts that reflect receivables from, and payables to, other Debtor entities and the Debtors’ European affiliates. The transactions that gave rise to these account balances span over a thirteen-year period in some instances. The Debtors have not performed an analysis, in a bankruptcy context, to determine if all prior transactions were properly recorded or if the resulting balances are accurate. The balances contained in the Schedules are consistent with the balances reflected in the books and records of the Debtors as of the Petition Date, unadjusted and without setoff.

**SPECIFIC NOTES** - These Notes are in addition to the specific notes set forth in the Schedules and SOFAs of the individual Debtor entities. The fact that the Debtors have prepared these Notes with respect to a particular Schedule or SOFA and not as to others does not reflect and should not be interpreted as a decision by the Debtors to exclude the applicability of such Notes to any or all of the Debtors’ remaining Schedules or SOFAs, as appropriate. Disclosure of information in one Schedule, one SOFA or an exhibit or attachment to a Schedule or SOFA, even if incorrectly placed, shall be deemed to be disclosed in the correct Schedule, SOFA, exhibit or attachment.

## NOTES TO SCHEDULES

**SCHEDULE A – REAL PROPERTY** - The Debtors do not own real property.

**SCHEDULE B13 – STOCK AND INTERESTS IN INCORPORATED AND UNINCORPORATED BUSINESSES** - California U.S. Holdings, Inc. (“CUSH”) has an ownership interest in two Debtor and one non-Debtor dormant entities as detailed herein. In addition, Atari, Inc. and Atari Interactive, Inc. own a 100% interest in the non-debtor dormant entities listed in **Schedule B.13**. The Debtors have not obtained separate valuations for the non-debtor dormant entities they own, but estimate that the Debtors’ interests in such entities have no value. Accordingly, the Debtors have reported the “Current Value of Interest in Property, without Deducting any Secured Claim or Exemption,” as “\$0” in all cases.

**SCHEDULE B16 – ACCOUNTS RECEIVABLE** - **Schedule B16** for Atari, Inc. includes the net accounts receivable balance for: (i) The Digital, Mobile and Licensing segment and (ii) the Retail segment. The balances listed reflect the Debtors’ reserves for uncollectable amounts. Customers with credit balances resulting from price protection credits, product returns, or other adjustments are listed as “unliquidated” general unsecured claims on **Schedule F**.

The Debtors have retained, and can make available, detailed customer level account information in appropriate circumstances and to appropriate parties, subject to the assurance of confidentiality.

**SCHEDULE B.22 – PATENTS, COPYRIGHTS AND OTHER INTELLECTUAL PROPERTY** - Collectively, the Debtors own 577 copyrights, 116 registered trademarks, 7 patents, and 878 domain names. These assets are associated with the 619 game titles owned by the Debtors. In addition, the debtor maintains a large database of digital customers that have downloaded game titles and/or accessed the Atari web site. These intellectual property assets were either internally developed or acquired in the ordinary course of the Debtors’ business in the years preceding the bankruptcy. The books and records of the Debtors do not ascribe a fair value, or in many cases even a book value, to these intellectual property assets. **Schedule B.22** provides a detailed list of each intangible asset owned by each Debtor entity. However, due to the complexity of developing a fair value for each asset and the absence of such information in the Debtors’ books and records, the Debtors have listed the value of each intangible asset as “unknown”.

In 1999 and 2000, the Debtors’ acquired several portfolios of game titles and the related intellectual property from Accolade, Inc., GT Interactive Software, Inc., Hasbro, Inc., Hasbro U.K. Limited, and Hasbro Internet Holdings, Inc. Many of the intellectual property assets listed on Schedule B.22 were acquired in connection with these 1999 and 2000 transactions. Out of an abundance of caution, and to assist with the concurrent efforts to sell corporate assets, the Debtors recently performed a detailed chain-of-title analysis to confirm ownership of each asset. Certain of the assets on **Schedule B.22** were not specifically listed in the acquisition documents. The Debtors believe this was an oversight. In addition, some of the schedules from the original transaction documents could not be located. Notwithstanding these findings, the Debtors assert full legal title to all of the intellectual property on Schedule B.22 based on their knowledge of the historical facts and information they have received from the Patents and Trademark office and other third parties. No party has challenged the Debtors’ ownership or use of these assets since the acquisitions thirteen to fourteen years ago.

**SCHEDULE B.23 – LICENSES, FRANCHISES AND OTHER GENERAL INTANGIBLES** – The Debtors license intellectual property, including music, logos, artwork, source code and other items from third parties in connection with the development and distribution of digital, mobile and retail games. The licenses listed on **Schedule B.23** include only those license agreements wherein the Debtors are the licensees. The licenses listed on **Schedule B.23** were either assigned to the Debtors or negotiated in ordinary course of business. The books and records of the debtors do not ascribe a fair value, or in many cases even a book value, to these license agreements. Due to the complexity of developing a fair value for each license and the absence of such information in the Debtors’ books and records, the Debtors have listed the value of each license as “unknown”.

**SCHEDULE B28 – OFFICE EQUIPMENT, FURNISHINGS, AND SUPPLIES; AND SCHEDULE B29 – MACHINERY, FIXTURES, EQUIPMENT, AND SUPPLIES USED IN BUSINESS** - The Debtors maintain fixed asset registers at asset level detail. However, due to the significant length of records at asset level, **Schedules B28 and B29** provide fixed asset values by asset category. The Debtors do not have current appraisals or other valuations of its fixed assets. Accordingly, **Schedules B28 and B29** include the aggregate net book value by category location as of January 21, 2013.

**SCHEDULE D – CREDITORS HOLDING SECURED CLAIMS** – In April of 2008, Atari S.A. (f/k/a/ Infogrames Entertainment S.A.) (“Atari S.A.” or the “Parent”) as lender entered into a credit agreement with Atari, Inc. providing access to financing of up to \$20 million. Atari S.A. also obtained a lien on the assets of Atari, Inc. (excluding certain intellectual property) as security for the credit agreement. As described above, the Debtors have not assigned a value to the Debtors’ assets, including those assets that serve as collateral for Atari S.A.’s credit agreement. The Atari S.A. secured claim has been included in these schedules as an unliquidated secured claim, subject to the Committee Investigation Rights (as defined in the Final DIP Order). Furthermore, as of the Petition Date, Atari Europe SAS, as borrower, and Atari S.A., as guarantor, are party to that certain credit agreement, dated as of April 21, 2006, as amended from time to time, with BlueBay Value Recovery Fund (“Blue Bay”), as successor to the original lender, Banc of America Securities Limited (the “Parent Facility”). In April of 2009, as a condition to an increase to the commitment under the Parent Facility and extension of the maturity, Atari Inc. pledged its intellectual property rights including the exploitation rights and related brands in respect of the “Test Drive Unlimited” game. As of the Petition Date, the outstanding principal balance on the Parent Facility was EUR 21,978,966.60, plus accrued and unpaid interest. None of the Debtors are directly obligated under the Parent Facility.

**SCHEDULE E7 – TAXES AND CERTAIN OTHER DEBTS OWED TO GOVERNMENTAL UNITS** - The Debtors have included on **Schedule E7** outstanding payroll taxes due as of the Petition Date and certain delinquent franchise taxes due to various states. The payroll tax portion of these claims has been paid post-petition in accordance with the order entered by the Court regarding payment of pre-petition wages.

**SCHEDULE G – EXECUTORY CONTRACTS** - In preparing **Schedule G**, the Debtors categorized contracts by type for ease of reference only and do not intend such categorization to denote any significance. The Debtors reserve their rights to reclassify or recharacterize any and all agreements and relationships set forth on **Schedule G**.

The Debtors have attempted to provide complete lists of all agreements that might be considered executory contracts. The inclusion on **Schedule G** of any particular agreement or contract does not constitute an admission that (i) such agreement or contract is an executory contract under the Bankruptcy Code, (ii) such agreement or contract is valid and enforceable, (iii) such agreement or contract was in effect on the Petition Date, or (iv) such agreement or contract is severable or unified. The Debtors reserve all rights with respect to such agreements or contracts, including, without limitation, the right to seek or contest any characterization of any such agreements or contracts on any available basis. The Debtors will supplement **Schedule G** if they identify additional agreements that may constitute executory contracts. Omission of an agreement or contract from **Schedule G** does not constitute an admission that such omitted agreement or contract is not an executory contract. The Debtors' rights under the Bankruptcy Code with respect to any omitted agreements or contracts are not impaired by the omission.

The party name for certain contracts might not reflect name changes enacted subsequent to contract origination. The party names on **Schedule G** are as per the contract or any addenda thereto. If more than one Debtor is party to a contract, such contract is set forth on each applicable Debtor's **Schedule G**.



## NOTES TO SOFAS

**SOFA 1 – INCOME FROM EMPLOYMENT OR OPERATION OF BUSINESS - SOFA 1** includes the revenue recorded by the company in accordance with the IFRS. In the nine-month period ended 12/31/12 and fiscal year ended 3/31/12, the Debtors elected to report on a gross basis, without netting the commissions due to distributors in the retail segment. In the prior fiscal year, (ending 3/31/11) revenue is reported net of digital commissions.

**SOFA 3(b) - PAYMENTS MADE WITHIN 90 DAYS TO ANY CREDITOR; AND SOFA 3(c) - PAYMENTS MADE WITHIN ONE YEAR TO OR FOR THE BENEFIT OF CREDITORS WHO WERE INSIDERS<sup>2</sup>** - The Debtors have neither completed a reconciliation of Petition Date obligations nor compared their records to proofs of claim. Accordingly, the column entitled “Amount Still Owing” is not complete.

Due to concerns over the confidential nature of the data, **SOFA 3(b)** lists the total payroll funded for each payroll period and does not provide employee level detail. Payroll and related payments to insiders are detailed by person on **SOFA 3(c)**.

**SOFA 3(b)** and **SOFA 3(c)** do not include transfers between Debtors – intercompany transfers – within the 90-day period or one-year period, respectively. It is the position of the Debtors that such transfers are not “payments to creditors”; rather, many are transfers resulting from operation of the Debtors’ consolidated, centralized cash management system. However, the Debtors have retained and can make such information available in appropriate circumstances and to appropriate parties.

Some SOFAs do not include **SOFA 3(b)** and/or **SOFA 3(c)**. With respect to **SOFA 3(b)**, all such instances are because the Debtor had no disbursements to individual creditors in excess of the \$5,850 reporting threshold. The absence of **SOFA 3(c)** indicates that the applicable Debtor did not make any disbursements to insiders within the one-year period.

**SOFA 9 - PAYMENTS RELATED TO DEBT COUNSELING OR BANKRUPTCY** - Atari, Inc. made the payments detailed on its **SOFA 9** on behalf of all of the Debtors, as the services these professionals provided and continue to provide were and are for the benefit of all of the Debtors. Accordingly, the box labeled “None” has been checked on the **SOFA 9** of each Debtor other than Atari, Inc.

**SOFA 13 – SETOFFS** - The Debtors routinely incur setoffs resulting from ordinary course of business transactions with their vendors. This includes, but is not limited to, the Debtors’ retail customers netting price protection credits against receivable balances due to the Debtors. Such setoffs are consistent with the ordinary course practices in the Debtors’ industry. Additionally, it would be overly burdensome and costly for the Debtors to list all such normal setoffs. Therefore, **SOFA 13** excludes such setoffs.

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<sup>2</sup> As the term “insider” is defined in the Bankruptcy Code.

**SOFA 19(b) – BOOKS, RECORDS, AND FINANCIAL STATEMENTS – AUDITS WITHIN TWO YEARS** - Deloitte Touche was engaged to audit the consolidated books of Atari SA, the non-debtor parent. As such, the extent of their review of the debtor subsidiaries was determined based on their audit plan and may be limited. Deloitte was not engaged to audit the books of any debtor individually in accordance with generally accepted auditing standards.

**SOFA 19(d) – BOOKS, RECORDS, AND FINANCIAL STATEMENTS – ISSUED TO THIRD PARTIES** - Prior to filing for chapter 11 protection, the Debtors' parent company engaged in capital solicitation initiatives designed to raise capital for the consolidated group. In connection with these efforts, information was shared with potential investors that included certain accounting and financial data of the Debtors. However, it would be overly burdensome to attempt to identify the parties solicited that received information about the Debtors specifically. Accordingly, **SOFA 19(d)** excludes the parties solicited by Atari S.A. The parties listed in **SOFA 19(d)** include only the institutions and their advisors contacted to solicit DIP financing and other U.S. creditors that were sent financial information about the Debtor-operations only.

**SOFA 20(a) INVENTORIES – INVENTORIES TAKEN** - The Debtors take annual counts of their retail game inventory in the Cinram warehouse facility located in La Vergne, Tennessee, in connection with their fiscal year-end close. The last inventory was taken on or about March 31, 2012. The Debtors record an obsolescence reserve to reflect the diminished value of older game titles that are slow moving or have lost market value. As of the Petition Date, the book value of inventory was \$542,165, net of \$491,452 in obsolescence reserves.

**SOFA 24 TAX CONSOLIDATION GROUP** - Atari, Inc. and Humongous, Inc. were included in the consolidated tax return (Form 1120) of their parent company, CUSH in each of the six years prior to the Petition Date. Atari Interactive, Inc. prepared its own standalone Form 1120 during the same period. As discussed above, the Debtors' consolidate their operations into Atari, S.A. for financial reporting purposes. However, for tax purposes, Atari S.A. does not consolidate the U.S. subsidiaries. Accordingly, the only tax consolidation is between CUSH and its two U.S.-Debtor subsidiaries.