MEMORANDUM

TO: Whom It May Concern

FROM: Robert Maerz

DATE: February 22, 2016

RE: ASG Entertainment Update

As we move to the end of the first quarter of 2016, I would like to take this opportunity to provide you our shareholders, prospective investors and supporters with the following information:

When an entity is in the process of raising capital, somewhere within the dialog there is always a question about potential liquidity events and when they may transpire. As we have shared with you, there are a number of ways that liquidity events can be created for investors and private corporations. The most notable avenue for liquidity usually entails an Initial Public Offering into the public markets, a partial acquisition or divestiture with an already public entity and thirdly some form of recapitalization.

Many of you have asked about the future plans for ASG Entertainment (ASGE) and when a liquidity event may occur. My answer has always been and continues to be that at the appropriate time when markets and/or corporate conditions are at an optimum, we would certainly consider any of the aforementioned options. In any case, a company will receive a much preferred valuation and pricing if there is a strong upward trend of revenue growth.

Over the last few years at ASGE, we have worked very hard to create and properly capitalize the company and its divisions. At this point in time, we have turned the corner and are now generating revenues. With the completion of our proposed private placement for up to $3M, we will be able to complete our targeted projects and tasks and put ourselves in a very favorable position. We have very strong interest in our television shows and have recently received a preliminary commitment for deficit financing thereof. We very much wish to own the content of our properties and the way we are approaching these television shows, we will be able to retain substantial equity for building future residual and library value.

We have recently finalized the ASGE King Music platform and are very excited about being able to offer many services necessary to equip aspiring musicians with a solid foundation for the enhancement and growth of their careers. Also with this format, investors will now be able to participate not only in the success of ASGE and its multiple divisions but would also be able to participate in the work product of Ronnie King. This opportunity was something that was not available in the past for Ronnie to be able to provide.

Our ASGE Analytics division is now operable thanks to the hard work of Joseph Holleman who we applaud. Through our partial ownership of Magister Technologies, the analytics Trading Platform is operable and is being licensed to trading firms throughout the US. Last year we completed the website for the film service analytics, and upon completion of our pricing model and insurance product, this service will be operable in the very near future.

As far as our ASGE Aspire film division is concerned, the film *Caged No More* opened in theaters in late January 2016 and is planning on opening in additional theaters. We have provided some P&A funds for the film and will be receiving 15% return on our capital provided. We expect to be releasing our feature film *BorderCross* in the very near future and have been in dialog with many distributors that have a strong interest in assisting us with territorial pre-sales and distribution worldwide across selected digital platforms.

Mr. Valerian Owens President of ASGE Sports continues to build his network of promising athletes and we are planning very creative branding opportunities for our prospective athlete clients.

I mention all of the above not only to inform you of our progress but to also make the point that as this year progresses and these projects come to fruition we will be in a much stronger position for a liquidity event than had previously existed. We are currently seeking and considering all opportunities that come our way and welcome the right one that will benefit us all.

I want to bring to your attention the article below that I feel does a comprehensive job of explaining in a factual manner the various time frames that investors can encounter when they provide private equity capital to a company. I think this article can answer many of your questions concerning "how long does it all take". We feel that at ASGE we are now closer than we have ever been in creating a broad appeal for the public markets. With all of our subsidiaries operable and showing revenue growth, we are seeking alignment with strategic partners both public and private.

In closing, I would like to thank you all for your continued support and for those of you who may be considering investing in ASGE we certainly welcome your confidence and are more than happy to discuss any and all information at your convenience.

Respectfully,

ROBERT MAERZ
CHAIRMAN & CEO
ASG ENTERTAINMENT

Venture Capital Exit Times

My two previous posts: Venture Capital Firms are Too Big and Venture Capital Funds - How the Math Works, described how venture capital investors will want to invest too much and exit only for very high returns.

Why are those bad things for entrepreneurs and angel investors?

Well, it turns out those can be extremely bad. These VC tenancies mean that:

1. Venture capital exit times are extremely long - much longer than you probably realize

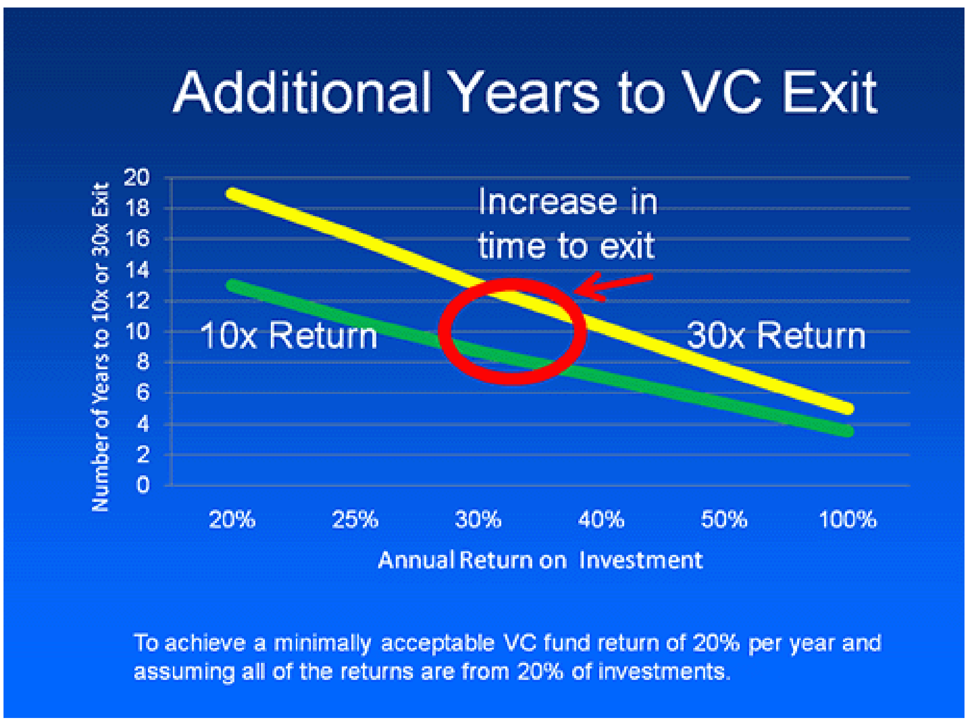
2. The risks of actually achieving an exit decrease dramatically

This post describes why these factors make venture capital exit times so long.

Time Required to Generate 10x to 30x Returns

If the successful venture capital investments need to return 30x on average, or at the very least 10x, to generate a minimum VC fund return of 20% per year, how does that affect venture capital exit times?

The graph below shows venture capital exit times required to generate a minimally acceptable VC fund return from the winning investments.



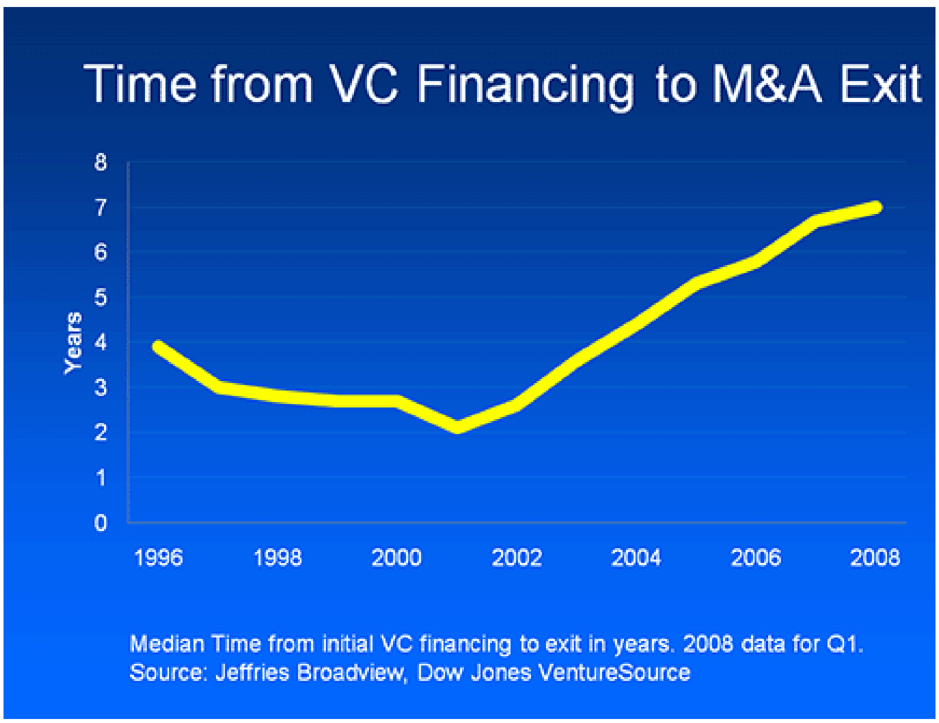
Some companies will create increases in share value faster than 30 or 40% per year, but these are extremely rare. Everyone who has run a company knows that generating consistent 30 to 40% annual increases in value requires a great deal of hard work and some luck.

This is especially true when you realize that these are not just the increases in the overall enterprise value, but instead the increase in the **value per share** of the company. The difference of course is the additional dilution from any future financings or employee equity plans.

The **8 to 10 years** shown in the graph above seems almost impossibly long. Could venture capital exit times really be that long?

The fascinating graph below shows actual venture capital exit times for US VCs. It shows that the median time from when a VC initially invested to an M&A transaction had been pretty stable in the late 1990s at around three years. The time to exit dipped to about two years in 2000. This was at the peak of the tech equity bubble when the velocity of transactions was incredibly high.

In the years since the tech bubble burst, venture capital exit times have steadily climbed to where they are now at seven years.



The practical implication of the data in this graph is more complicated than it appears on the surface.

What this Means for Entrepreneurs and Angels

To really understand how the decision to accept VC money will affect the founders, friends and family investors and angels, have another look at the graph above. Notice that graph shows that today the **median** venture capital exit time is seven years.

When you look quickly at the data, it might be tempting to think that the decision to add VC investors would add seven years to the time to exit, on average. A closer look shows that the real implications are quite different.

A Simple Model

The table below is a simple model to illustrate what is actual happening.

			(millions of dollars)						Years
Years from Startup	**0**	**2**	**4**	**6**	**8**	**10**	**12**	**16**	**Invested**
	Friends & Family	**Angel Investors**	**VC Series A**		**VC Series B**	**VC Series C**		**M&A Exit**	
Friends & Family 1	$0.1								16
Friends & Family 2	$0.1								16
Angel 1		$0.1							14
Angel 2		$0.1							14
Angel 3		$0.1							14
Angel 4		$0.1							14
Angel 5		$0.1							14
VC 1			$2		$2				12
VC 2			$2		$2	$1			12
VC 3					$2	$2			8
VC 4					$2	$2			8
VC 5						$2			6
VC 6						$2			6
VC 7						$2			6
VC 8						$2			6
Total $	**$0.2**	**$0.5**	**$4**		**$8**	**$13**			
Median Number of Years VCs Were Invested									**7**
Average Number of Years VCs Were Invested									**8**
Average Number of Years Angels Were Invested									**14**
Average Number of Years Friends and Family Were Invested									**16**
Average Number of Years Founders Were Invested									**16**

Most VC financings involve multiple VCs. As rounds progress from series A to B to C and the rounds get larger, the number of VC investors in each round tends to increase. There is a strong tendency for VCs in an earlier round to participate in the next round.

When does each type of investor actually invest?

The friends and family investors invest at startup, in year zero. The angels invest at year two (in this example).

The company progresses and decides to accept a VC series-A round in year four. Things go well and the company accepts subsequent series-B and -C rounds in years eight and ten. Things continue to go well and the VCs approve an exit that will give each of the VC investors the return they need in year sixteen.

What was the actual hold period for each investor type?

The first VC investment was in year four. So, the series-A VCs were invested for twelve years, the series-B VCs for eight years and the series-C VCs for six years.

There were two VCs in the series-A round, two new VCs in the series-B round and four new VCs in the series-C round.

This combination of VC investments totaled $25 million, the actual amount shown in the graph in the post Venture Capital Firms are Too Big.

So this model correctly illustrates median amount invested by VCs prior to an M&A exit. It also correctly shows the median time from investment to exit of seven years, the current time in graph above.

But, let's look a little closer at What's Happening to the Angels and Entrepreneurs

What this example shows is that **the decision to accept VC investment increases the time to exit by approximately 12 years, not the median time of 7 years.**

When VC investment was added to the corporate DNA, the **time to exit increased to somewhere around sixteen years after the entrepreneurs started and twelve years after the angels invested.**

This is, of course, just a model. There is no actual data available to prove this. But this model is a reasonably good approximation of what really happens to exit times when venture capitalists invest.

My next post will continue the exploration of venture capital exit times. This is also a main theme in my new book "Early Exits - Exit Strategies for Entrepreneurs and Angel Investors - But Maybe Not VCs."