GAMELAYERS, INC.

SERIES A-1 PREFERRED STOCK FINANCING

SUMMARY OF TERMS

This non-binding term sheet outlines the basic terms and conditions pursuant to which Shasta Ventures proposes to invest in GameLayers, Inc. Except with respect to the Section below entitled "Exclusivity and Confidentiality," this term sheet is not intended to create a legally-binding agreement, but to establish a foundation for negotiating a definitive agreement.

Overview:

Issuer:	GameLayers, Inc., a Delaware corporation (the "***Company***").
Amount of Financing:	Up to $1.6 million, with $1.0 million initially from Shasta. An additional amount on or before December 31, 2008 vis a vis the exercise of the "***Warrants***" as described below.
Type of Security:	Series A-1 Convertible Preferred Stock (the "***Series A-1 Preferred***" or "***Preferred***").
Per Share Purchase Price:	To be determined based upon a post-initial closing valuation of $5.0 million and a reserved but unallocated "*stock incentive pool*" of 10.0% (the "***Purchase Price***").
Investors:	$1.0 million initially (equating to 20.0% ownership of the post-Closing fully diluted capital) from Shasta Ventures and its affiliates ("***Shasta***"). Up to an additional $600,000 from existing investors or other investors to be agreed upon by the Company and Shasta, including at least $400,000 from OATV. Investors will also receive "*Warrants*" (as defined blow) constituting an ability to invest up to an additional 40% of the initial amount invested.
Anticipated Closing:	On or before July 15, 2008 (the "***Closing***").
Use of Proceeds:	General working capital.

Terms of Series A-1 Preferred Stock:

Dividends:	The holders of the Series A and Series A-1 Preferred (the "***Preferred***") will be entitled to receive non-cumulative dividends on a pari passu basis and in preference to the holders of Common Stock at an annual rate of 8% of the purchase price paid for such Preferred from legally available funds and when, as and if declared by the Company's Board of Directors (the "***Board***").
Liquidation Preference:	Upon the liquidation, winding up of the Company or a Change of Control (as defined below), holders of Preferred will be entitled to receive on a pari passu basis and in preference to the holders of Common Stock an amount equal to one times the purchase price paid for such Preferred (on a pari passu basis), plus all declared and unpaid dividends (the "***Preference***"). After payment of the Preference, remaining proceeds shall be paid to the holders of Common Stock. A consolidation, merger, acquisition or sale of all or substantially all of the assets of the Company in which the stockholders of the Company immediately prior to such event do not own a majority of the outstanding shares of the surviving corporation will be deemed to be a liquidation for purposes of the liquidation preference (a "***Change of Control***"). The Preferred may convert into Common Stock at the holder's election, and at an initial conversion ratio of one-to-one, subject to adjustment as set forth below.
Automatic Conversion:	The Preferred will convert automatically into Common Stock upon (a) the closing of an underwritten public offering of $30,000,000 or more of the Company's securities ("***Qualified Public Offering***") or (b) the conversion or vote to convert of holders of at least the Threshold (as defined below) of the then outstanding Preferred.

Anti-dilution Protection:	The conversion rate of Preferred will be subject to proportional adjustment for stock splits, stock dividends and the like and on a broad-based weighted average basis for subsequent issuances of Company equity at a purchase price less than the then effective conversion price for such series of Preferred ("***Dilutive Issuances***"). Price-based anti-dilution adjustments to the conversion prices of the Preferred will be subject to customary exceptions.
Voting:	The Preferred will have that number of votes equal to the maximum number of shares of Common Stock issuable upon conversion. Holders of Preferred and holders of Common Stock will vote together as a single class except as provided herein or as required by law.
Protective Provisions:	Without the approval of the holders of that number of shares of Preferred such that the approval of ~~Shasta~~ investors is required (the "***Threshold***") the Company will not take any action that (i) effects a sale or lease of all or substantially all of the Company's assets or which results in a Change of Control, (ii) increases or decreases the number of authorized shares of Preferred, (iii) alters or changes the rights, preferences or privileges of the Preferred, (iv) authorizes the issuance of securities having a preference over or on parity with the Preferred, (v) redeems shares (excluding Common Stock repurchased at the lower of fair market value or cost upon termination of an officer, employee or director or consultant pursuant to a restricted stock purchase agreement in accordance with the redemption terms described herein), (vi) increases the number of shares reserved under the Company's option or stock plans, or authorizes any new option or stock plan, (vii) changes the number of directors, (viii) amends the Certificate of Incorporation or Bylaws of the Company, (ix) authorizes payment of any dividends, distributions or similar action, and (x) acquires any capital stock, instruments of indebtedness, or other securities or assets of another entity. A JAH

Covenants:

Information Rights:	Investors will receive monthly, quarterly, and annual financial statements and annual budgets.
Registration Rights:	Standard post-IPO demand, piggyback and S-3 registration rights.

Market Standoff: Standard post-IPO market standoff for all security holders.

Board of Directors: The Board of Directors will consist of up to five directors as follows:

(i) Two (2) directors designated by the holders of the Preferred, one of whom shall be designated by Shasta, initially Rob Coneybeer, and one of whom shall be designated by OATV (together, the "***Preferred Directors***");

(ii) Two (2) directors designated by the holders of Common Stock, one of whom shall be the then-current Chief Executive Officer; and

(iii) One (1) independent director with relevant industry experience, reasonably agreed upon by the holders of the Threshold of Preferred and the holders of a majority of the Common Stock (the "***Independent Director***").

Right of First Offer: Investors will have the right in the event the Company proposes to offer equity securities to any person (other than Permitted Additional Securities) to purchase that number of such equity securities so as to maintain their percentage ownership in the Company (which percentage shall include any shares of Common Stock held by Investors).

Co-Sale Right and Right of First Refusal: Investors will have co-sale and first refusal rights (on a pro-rata basis) with respect to all transfers of shares of Common Stock now or hereafter acquired by certain significant holders of the Company's common stock, subject to customary exceptions for transfers in connection with estate planning and similar matters. This right will terminate immediately prior to a qualified IPO or a "change of control."

***Directors and Officers Indemnification*:**	The Company will, if necessary, bolster its Certificate and bylaws to provide indemnification of its officers and directors to the fullest extent permitted by law, and will covenant to keep such indemnification in place for so long as any representative(s) of Shasta serves on the Company's Board and three years thereafter. The Company will also enter into indemnification agreements with its directors on customary terms.
Directors and Officers Liability Insurance:	The Company will use commercially reasonable efforts to procure directors and officers' liability insurance in an amount that is reasonably agreed upon by the Board. Such coverage is intended to be kept in place for so long a representative of Shasta serves on the Company's Board and for a term of three years thereafter.
Future Transfers:	The Company will not require the opinion of Shasta before authorizing the transfer of stock or the removal of Rule 144 legends for routine sales under Rule 144 or for distributions to partners.
Warrants:	The Company will issue "*Warrants*" to each Investor that will be exercisable on or before December 31, 2008. Such Warrants will entitle each Investor to purchase that number of shares of Series A-1 Preferred Stock as equals 40% of the amount purchased by such Investor at the initial Closing, at a per share price equal to that paid for the Series A-1 Preferred at the initial Closing. If not exercised, such Warrants will terminate and be of no further force or effect. Warrants are transferable with the unanimous consent of the Board.
Employee Matters:	
Option Pool	The current equity incentive pool will be increased prior to the Closing to provide for an unallocated pool of at least 10.0% of the Company's post-Closing fully-diluted capital stock.
Stock Vesting:	Unless otherwise agreed by the Board of Directors, all stock and stock equivalents issued after the Closing to employees, directors, consultants and other service providers will be subject to vesting as follows: 25% to vest at the end of the first year following such issuance, with the remaining 75% to vest monthly over the next three years.
Founder Stock Vesting:	Vesting of Founders' stock will continue to vest as agreed upon in the Series A financing.

Assignment of Inventions and Confidentiality Agreement:	All prior and current employees and consultants will have entered into a form Proprietary Information and Inventions Agreement acceptable to Shasta.

Conditions:

Conditions Precedent:	The consummation of the financing is subject to the following conditions: 1. Completion of legal documentation satisfactory to Shasta and its counsel. 2. Satisfactory completion of due diligence by Shasta.
Purchase Agreement:	Series A-1 Preferred will be issued pursuant to a Stock Purchase Agreement with customary representations and warranties, covenants reflecting the provisions herein, and appropriate closing conditions, including an opinion of counsel for the Company. Such documents are to be drafted by counsel to the Company.
Finders' Fees:	No finders' fees will be payable. The Company and the Investors agree to indemnify each other against finders' fees.
Expenses:	The Company to pay the reasonable fees and expenses of counsel to Shasta in an amount not to exceed $25,000.00.
Exclusivity and Confidentiality:	Until the 30th day after execution of this Term Sheet (the "***Expiration Date***"), unless approved in writing by Shasta, the Company and each principal stockholder of the Company (i) will deal exclusively with Shasta in connection with the issue or sale of any equity or debt securities or assets of the Company or any merger or consolidation involving the Company, (ii) will not disclose the terms of this term sheet to any third party, (iii) will not solicit, or engage others to solicit offers for the purchase or acquisition of any material license or equity or debt securities or assets of the Company or for any merger or consolidation involving the Company, (iv) will not negotiate with or enter into any agreements or understandings with respect to any such transactions and (v) will promptly inform Shasta of any such solicitation or offer.

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