

September 11, 2012

Dear Digital Domain Media Group Supplier:

We appreciate our relationship with you and, as such, wanted to let you know about an important Company announcement.

As you may now know, on September 11, 2012 DDMG announced that as part of its previously announced strategic realignment, and to ensure the long-term future of its core business and facilitate a sale of assets, it has filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware in Wilmington ("Court") and is also seeking ancillary relief in Canada, pursuant to the *Companies' Creditors Arrangement Act (CCAA)* in the Supreme Court of British Columbia, Vancouver Registry (the "Canadian Court"). DDMG also announced that it has entered into a purchase agreement with Searchlight Capital Partners L.P. ("Searchlight") to acquire Digital Domain Productions and its operating subsidiaries in the United States and Canada ("DDPI"), including Mothership Media ("Mothership"). As is standard, the sale is subject to the receipt of higher and better offers and Court approval.

The decision to file for Chapter 11 and CCAA was not easy, nor was it entered into lightly. DDMG has been working diligently to reduce costs and deal with its long-term debt issues and as you know has already implemented various strategic realignment initiatives. However, it was determined through working with DDMG's Senior Noteholders and other parties that the use of these proceedings provides the most viable course of action for creditor recovery while also ensuring identification of buyers who recognize the value of DDPI and Mothership.

In order to ensure we have working capital during this time, our Senior Noteholders, led by Hudson Bay Master Fund Ltd., have agreed to provide DDMG with up to \$20 million in debtor-in-possession financing. If approved by the Court, DDMG, DDPI and Mothership will have access to the funds to pay normal operating expenses going forward, such as employee wages and benefits, payments to vendors and suppliers, and other obligations.

What does this mean for you? The Bankruptcy Code provides **priority status** for post-petition goods and services that you provide to us from the filing date (September 11, 2012) forward. Therefore, you can be assured that we can and will pay for the goods and services you provide to us going forward.

Unfortunately, federal law prohibits payment for goods and services received before the filing date (September 10, 2012 and back) except pursuant to a Plan of Reorganization that is accepted by creditors and approved by the Court. We want you to know that we are working toward a Plan of Reorganization as quickly as prudently possible. You will receive instructions on how to file a claim in the coming weeks. We sincerely regret any hardship this may cause.

In the weeks ahead, you can expect to receive various notices from the Bankruptcy Court alerting you to the filing, informing you of the meeting of creditors, as well as a notice of "Bar Date," which is the date by which all claims must be filed. Do not be alarmed by these notices. They are standard and must be sent to all parties that may have a monetary claim against the company. Moreover, receipt of these notices does not mean that a party does in fact have a claim.



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We value our relationship with you and I want to thank you personally for your patience during these proceedings. We will do our best to keep you fully informed of our progress.

Please review the attached FAQ with additional questions. We also invite you to call our toll-free reorganization hotline at 866-927-7084. For access to Court documents and other information about our Chapter 11 case, please visit www.kccllc.net/DDMG.

On behalf of our entire management team, we would like to thank you in advance for your continued support.

Sincerely,

Michael Katzenstein
Chief Restructuring Officer, Digital Domain Media Group

DDMG Vendor/Supplier FAQ

1. When will I be paid?

Unfortunately, federal law prohibits payment for goods and services received before the September 11, 2012 filing date except pursuant to a Plan of Reorganization that is accepted by creditors and approved by the Court.

Goods and services received after the filing date can and will be paid for in the ordinary course of business. In fact, the Bankruptcy Code gives **priority status** to such payments. This means that **you will receive payment** for post-petition goods and services on the same terms as existed when we filed.

2. How do I make sure I get paid under the terms of a Plan of Reorganization?

Early in the bankruptcy case, DDMG will file a schedule of all known creditors and the amount DDMG believes each creditor is owed. If you appear on the schedules and agree with the scheduled claim amount, and such claim is not listed as “disputed, contingent, or unliquidated,” you do not need to do anything and your claim will be paid under the terms of the plan. If you do not appear on the schedules, you are scheduled with a disputed, unliquidated or contingent claim, or if you disagree with the scheduled amount of your claim, then you **must** submit a claim. You will receive a claim notice in the mail in the coming weeks with instructions from the court about how to submit a claim. [say that such information will also be posted on the kcc site?]The Court will eventually set a deadline for all claims to be filed. This deadline is known as the Bar Date. You will receive notice of this deadline once it is set. If the Company determines you have a valid claim, your claim will be treated as described in the Plan of Reorganization. No plan has been filed or approved by the Court at this time, so we cannot say how creditors will be treated.

3. Do I need an attorney to file a claim?

You are not required to hire an attorney to file a claim but you may choose to do so.

4. What if I have an uncashed check from DDMG for work performed before September 11, 2012?

Unfortunately, federal law requires the Company to cancel any checks for pre-petition goods and services that have not been cashed or deposited by the September 11, 2012 filing date unless the check relates to a claim that the Company has received court authority to pay. If your check is cancelled, you may have to file a claim unless your claim amount is properly identified by the Company on schedules that will be filed with the Court. You will receive instructions about whether and how to file a claim in the coming weeks. We sincerely regret any hardship this may cause.

5. Can a supplier re-submit past invoices and get paid for them now?

No, the provisions of the U.S. Bankruptcy Code prohibit that, and filing for protection under Chapter 11 automatically triggers a halt or “Automatic Stay.” This bars, among other things, all collection actions against DDMG for monies past due.

6. Will I be paid for work performed or services provided after the filing date?

Goods and services provided to the Company after the filing date can and will be paid for in the ordinary course. In fact, the Bankruptcy Code gives **priority status** to

such payments. This means that **you will receive payment** for post-petition goods and services on the same terms as existed when we filed.

7. What if I wait to submit an invoice until after the filing date?

Services provided before the filing date will be considered pre-petition and are subject to the “Automatic Stay” that is triggered by the Chapter 11, regardless of when you submit your invoice. Waiting to submit an invoice until after the filing date will not allow you to be paid for the work performed pre-petition.

8. Why should I/my company continue to do business with DDMG?

You will be paid in full for all goods and services provided after the filing date as required by the U.S. Bankruptcy Code. We view our suppliers and vendors as partners and while we apologize for any hardship this may cause, we hope to be able to work with you for many years to come. Moreover, pre-petition claims will be resolved through the Company’s Plan of Reorganization.

9. Given the uncertainty of the situation, I want to renegotiate my terms with DDMG.

Due to the protection the courts provide to suppliers post-petition, we are an even better credit risk today. We cannot afford to pay more for goods and/or services. Our ability to purchase from you on favorable terms and at competitive prices is critical. We expect in the months and years ahead to be as good a customer to you as we have been in the past. We hope you will continue to work with us.

10. I want my merchandise back, and I’m sending someone to get it.

Taking back goods from a company that has filed Chapter 11 is against the law. Check with your legal counsel before taking any such action.

11. Who should my lawyer contact if he/she has questions for counsel?

Jason Rosell, Esq.
Pachulski, Stang, Zeihl & Jones
780 Third Ave., 36th Floor
NY, NY 10017
212-561-7700 ph

12. How do I file a proof of claim?

A complete list of creditors, including your company, is being prepared. A noticing agent will send official notice of the filing and the first creditors’ meeting to all listed creditors. Sometime after the first creditors’ meeting, the Court will set a deadline for filing proofs of claim and you will be mailed a notice telling you of the deadline, or bar date, along with a claim form. All claims will be filed with Kurtzman Carson Consultants. If you wish to file a proof of claim sooner, please call our reorganization hotline at 866-927-7084, or visit www.kccllc.net/DDMG and click on “Court Documents” for a proof of claim form and filing information.

13. As an unsecured creditor, who is looking after my interests?

The U.S. Trustee, an arm of the Justice Department, will most likely appoint a committee of unsecured creditors to oversee the interests of all unsecured creditors in the case. The U.S. Trustee will send out notice of the meeting to form the

committee to all unsecured creditors. That organizational meeting typically takes place within the first two weeks of the case.

14. Why did you file for Chapter 11?

The decision to file for Chapter 11 and CCAA was not easy, nor was it entered into lightly. DDMG has been working to diligently to reduce costs and deal with its long-term debt issues and as you know has already implemented various strategic realignment initiatives. However, it was determined through working with DDMG's Senior Noteholders and other parties that the use of these proceedings provides the most viable course of action for creditor recovery while also ensuring identification of buyers who recognize the value of DDPI and Mothership.

15. Do you have enough money to stay in business?

Yes, our Senior Noteholders, led by Hudson Bay Master Fund Ltd., have agreed to provide DDMG with up to \$20 million in debtor-in-possession financing.

16. How long will the Company be in Chapter 11?

At this juncture it is too early to say. However, our goal is to work through this as quickly as possible.

17. Which entities are included in the filing?

The Debtors in these proceedings are: D2 Software, Inc.; DDH Land Holdings, LLC; DDH Land Holdings II, LLC; Digital Domain; Digital Domain Institute, Inc.; Digital Domain International, Inc.; Digital Domain Media Group, Inc. ; Digital Domain Productions, Inc.; Digital Domain Productions (Vancouver) Ltd.; Digital Domain Stereo Group, Inc.; Digital Domain Tactical, Inc.; Mothership Media, Inc.; and Tradition Studios, Inc.; and Tembo Productions, Inc.

18. Where can I find Chapter 11 case information?

DDMG has set up a special reorganization hotline for inquiries at 866-927-7084 or you can visit www.kccllc.net/DDMG.

19. How can I get a copy of the petitions?

Copies of the Chapter 11 petitions and other documents filed with the Court will be available shortly after the filing at www.kccllc.net/DDMG. The petitions are also accessible at the Court's website, www.deb.uscourts.gov, through an account obtained from Pacer Service Center at (800) 676-6856.