

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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 In re: : Chapter 11
 :
 THQ INC., *et al.*, : Case No. 12-13398 (MFW)
 :
 Debtors.¹ : Jointly Administered
 :
 : Docket Ref. No. 709
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DECLARATION OF AMIR AGAM IN SUPPORT OF CONFIRMATION OF CHAPTER 11 PLAN OF LIQUIDATION OF THQ INC. AND ITS AFFILIATED DEBTORS

I, Amir Agam, hereby declare, pursuant to section 1746 of title 28 of the United States Code, as follows:

1. I am a Managing Director of FTI Consulting, Inc. (“FTI”). THQ Inc. (“THQI”) and the other above-captioned debtors and debtors in possession (collectively, the “Debtors”) retained FTI on or around November 7, 2012, to provide financial advisory and consulting services. FTI has assisted the Debtors in the financial aspects of their restructuring efforts.

2. I submit this declaration in support of confirmation of the *Chapter 11 Plan of Liquidation of THQ Inc. and Its Affiliated Debtors*, dated April 18, 2013 [D.I. 604] (the “Plan”).

3. Except as otherwise stated, all statements in this Declaration are based upon my review of relevant documents, my discussions with the Debtors and their professionals, including other members of FTI, and my personal knowledge and experience. I am over eighteen (18) years of age and if called upon I would competently testify to each of the facts set forth below.

4. I have more than 14 years of experience advising corporations and other constituents on restructuring transactions. The primary individuals at FTI responsible for day-to-day discussions with the Debtors relating to general restructuring advice, analysis of operations

¹ The Debtors in these chapter 11 cases and the last four digits of each Debtor’s taxpayer identification number are as follows: THQ Inc. (1686); THQ Digital Studios Phoenix, Inc. (1056); THQ Wireless Inc. (7991); Volition, Inc. (4944); and Vigil Games, Inc. (8651). The Debtors’ principal offices are located at 29903 Agoura Road, Agoura Hills, CA 91301.



and cash flow, and the disposition of the Debtors' remaining assets have been Luke Schaeffer and me.

5. FTI is a leading global business advisory firm with over 50 offices worldwide and more than 3,000 professionals. FTI's corporate finance/restructuring segment, which has more than 500 professionals, is one of the leading advisors to companies, directors, creditors, acquirers, and other parties-in-interest involved in financially troubled companies both in and outside of bankruptcy. The Debtors were authorized to employ and retain FTI pursuant to the *Order Authorizing Retention of FTI Consulting, Inc. as Financial Advisor for the Debtors and Debtors in Possession* [D.I. 259].

6. I have reviewed the Priority Claims and Administrative Claims that have been filed and the Debtors' objections to such Claims. The Debtors have far more cash than they need to (a) pay all Allowed Priority Claims, Allowed Administrative Priority Claims, and Allowed Secured Claims, (b) reserve for all Disputed Priority Claims, Disputed Administrative Priority Claims, and Disputed Secured Claims, and (c) reserve for future expenses to be incurred in completing the administration of the Debtors' assets.

7. Currently, the Debtors have the following accrued administrative expenses that must be paid or reserved for (excluding any claim by Zuffa, Inc.):

Unpaid Admin Expenses	Low Claims	High Claims
Post-Petition Payables	\$0.1 million	\$1.1 million
Administrative Royalties & Royalty Reserves ²	0.4 million	0.4 million
Est. Allowed/Reserved Filed Administrative Claims ³	2.4 million	2.7 million
Other Administrative Expenses ⁴	0.7 million	0.8 million

² Excludes amounts that are duplicative of filed administrative priority claims.

³ Estimated allowed or reserved administrative claims are the Debtors' estimates for amounts that will need to be paid or reserved in August 2013 for filed administrative claims. Beyond August 2013 it is expected that additional disputed claims will be objected to, reducing the required reserves.

⁴ Includes potential tax liabilities, estimated administrative expenses not yet filed, and potential KEIP related liabilities.

Unpaid Admin Expenses	Low Claims	High Claims
Estimated Unpaid Professional Fees (excluding Houlihan success fee) ⁵	4.3 million	4.7 million
Houlihan's Success fee ⁶	3.1 million	2.8 million
Total Unpaid Administrative Claims	\$10.9 million	\$12.4 million

8. Priority prepetition claims and miscellaneous secured claims filed with the Court total approximately \$4.8 million. The Debtors' best estimate is that, at the time of the Initial Class 5 Distribution, the total of (a) the allowed amount of these claims and (b) the required reserve for disputed priority prepetition and miscellaneous secured claims will be in the range of \$1.2 million to \$2.0 million. This assumes Zuffa, Inc. is not entitled to a constructive trust. A significant amount of the filed claims are expected to be eliminated as a result of claim withdrawals and objections which have been filed related to these claims.

9. The projected future wind-down expenses of the Debtors through July 31, 2013 are estimated to be approximately \$1.0 million to \$1.5 million, excluding professional fees and expenses. These include employee and contractor costs, insurance premiums, taxes, and other miscellaneous expenses. This brings the total projected expenses to the range of approximately \$13.2 million to \$15.9 million. A reserve must also be established for the ongoing liquidation of assets, prosecution and defense of litigation, monitoring of the wind-down of foreign operations, and objections to claims pursuant to the Plan. The Debtors have suggested to the Committee that the current estimate for an appropriate reserve for future costs should be set at approximately \$6.0 million. This amount may decrease based on developments between now and the Initial Class 5 Distribution date. The Debtor and the Committee will continue to refine these estimates between now and the Initial Class 5 Distribution date.

10. Based upon the foregoing (and as shown in the table below), the Debtors estimate that they will need cash of between approximately \$19.2 million to \$21.9 million to (a) pay all

⁵ This represents known amounts and reasonable estimates of professional fees and expenses through July 2013.

⁶ This estimate only includes the amount required to be reserved for the Houlihan success fee based on amounts available for distribution to unsecured creditors during the Initial Class 5 Distribution to unsecured creditors. Future distributions will result in additional success fees paid to Houlihan.

Allowed Priority Claims, Allowed Administrative Priority Claims, and Allowed Secured Claims, (b) reserve for all Disputed Priority Claims, Disputed Administrative Priority Claims, and Disputed Secured Claims, and (c) reserve for future expenses to be incurred in completing the administration of the Debtors' assets:

Administrative, Priority and Secured Claims	Low Claims	High Claims
Unpaid Admin Expenses	\$10.9 million	\$12.4 million
Projected Future Wind-Down Expenses	1.0 million	1.5 million
Reserve for Future Operating Expenses	6.0 million	6.0 million
Priority and Secured Claims	1.2 million	2.0 million
Total	\$19.2 million	\$21.9 million

11. Based on the foregoing, exclusive of any amounts reserved for the Disputed Claim of Zuffa, Inc., the Debtors will need approximately \$19.2 million to \$21.9 million in cash to pay amounts that must be paid on the Effective Date and establish adequate reserves. This range will be revised after the final administrative claims bar date post-confirmation and based on developments between now and the Initial Class 5 Distribution date. The goal of the Debtors and the Committee is to make the Initial Class 5 Distribution as soon as possible after the Effective Date. In order to finalize the reserves and to calculate the Class 5 Claims based on which the pro rata distribution of each Holder of an Allowed Class 5 Claim is calculated requires prompt filing of any remaining Administrative Priority Claims and rejection damages claims.

12. The analysis of required payments and reserves above will continue to be revised through the Initial Class 5 Distribution date.

13. I have reviewed the confirmation objection filed by Zuffa, Inc. in which it has alleged that it may have an administrative claim of as much as \$1,913,017.75 and Zuffa, Inc.'s *Request for Payment of Administrative Expense Claim* ("**Zuffa's Administrative Claim**"). The addendum to Zuffa's Administrative Claim does not state that Zuffa, Inc. is owed \$1,913,017.75 for administrative expenses. Rather, Paragraph 9 of the Addendum alleges that "the approximate

amount of the General Unsecured Claim was . . . \$1,913,017.75” Paragraph 10 alleges the right to an administrative claim for “all sums due and owing to Claimant under the Agreement that arose on or after the Petition date” The addendum Paragraph 10 also alleges that as of the date Zuffa’s Administrative Claim was filed Zuffa, Inc. “has not received any Royalty Statement form THQ covering the post-Petition Date period.” Since Zuffa’s Administrative Claim was filed, THQI has provided Zuffa, Inc. with a royalty statement showing that Zuffa, Inc.’s remaining unpaid post-petition royalties held in reserve by THQ were approximately \$47,900. In addition, I understand that during the final analysis of UFC games sold, THQ has identified additional potential royalties to Zuffa of approximately \$311,731. Therefore, Zuffa’s maximum administrative priority royalty claim based on post-petition sales would be no more than \$359,631, subject to reduction as a result of customers credits based on valid discounts, write-offs, and price protection programs. For purposes of establishing the proposed administrative Reserve, the Debtors have used the full \$359,631 amount without any credit.

14. If the Court does not grant the *Debtors’ Objection to Claim No.417 and Request for Administrative Expense Claim Assigned Claim No. 671 to the Extent They Assert Constructive Trust Rights* the Debtors could increase the reserve for potential Disputed Secured Claims (or Administrative Claims if Zuffa, Inc. is now alleging it has an Administrative Priority Claim based on sales made pre-petition) by the \$1,913,017.75 for which Zuffa, Inc. has asserted a constructive trust. This would not impair the Debtors’ ability to fulfill its obligations under the Plan, but would reduce the Initial Class 5 Distribution by this same sum.

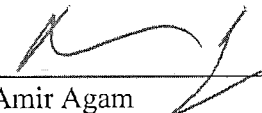
15. The Debtors have far more cash on hand than they need to pay priority and secured claims and establish reserves. In fact, even if circumstances were to change and the Debtors were to revise their estimates to double the current estimates that must be paid on the Effective Date and establish adequate reserves, the Debtors would still have sufficient cash to pay all of these amounts. As of June 28, 2013, the Debtors had cash on hand of approximately \$77.7 million.

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16. In addition to the net cash on hand, the Debtors had certain assets that were not yet liquidated as of June 28, 2013. Those assets included (a) accounts receivable, (b) limited remaining intellectual property and domain names, (d) the Phoenix Data Center, and (e) reserves, deposits and investments. The Debtors estimate that prior to the Initial Class 5 Distribution date, they are likely to collect an additional \$2.2 million to \$2.9 million of proceeds from these assets, increasing available cash that can be used to pay amounts that must be paid on the Effective Date and establish adequate reserves to \$79.9 million to \$80.5 million. THQI also owns the equity in the European subsidiaries which should, at some point in the future, distribute surplus cash to THQI. As I stated in my Declaration dated June 21, 2013 [Docket No. 773] the best information currently available is that the surplus that will be received from the European Subsidiaries is in the range of \$9.1 million to \$15.1 million. Based on the foregoing, the Debtors are able to meet their obligations under the Plan.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: July 11, 2013



Amir Agam

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