



Customer Report 2008

October 20, 2008 update
By Brad Wardell, President & CEO

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Introduction

Stardock turns 15

This year Stardock marks the 15th year since its incorporation. For the first seven years of its existence, Stardock was a developer in the OS/2 market. Most people have never heard of OS/2; suffice to say it was an exciting ride that ended abruptly.

Stardock struggled for a couple of years as it migrated its business to the Windows market. Since then, the company has made it a priority to have as much control over its own destiny as possible. This strategy has resulted in several key changes to how the company does business:

- 1) **Making its business a lot closer to its customers.** In the OS/2 market, its customers bought from resellers and retailers who in turn paid distributors who in turn paid Stardock (sometimes). In the Windows market, most of Stardock's revenue comes directly from the customer.
- 2) **Protecting its platform – Stardock develops for Windows.** Period. It does not, nor does it plan to, support the Mac or Linux markets. Our focus is to help make the Windows platform as successful as possible. Stardock's entertainment group may eventually make console games as well, but when it comes to application software, Windows is the platform.
- 3) **Software as an asset.** Stardock makes software that it then makes available in any channel it can to maximize revenue. Digital distribution is the core of this strategy because it can always sell and distribute its software directly to consumers if other channels aren't available. Users can still purchase Stardock software from 1999 for instance. The benefit to customers is that we can support our software far longer than most software companies can. We are expanding on this to help transition other software publishers and developers to this model.

Why this report

Stardock is a privately held corporation. It does not release its financials to the general public but the company has thrived by being very transparent to its customers. The objective of this report is to let people know what the company is currently doing and what it is planning to do next.

We will look at the 3 primary areas the company is currently focusing on: Impulse, the games, and its Windows desktop software.

We hope you find this report informative and interesting.

-Bradley Wardell
President & CEO.

Impulse

Impulse is a digital distribution platform that makes purchasing, downloading, and using PC software easy. It works on the concept of attaching programs to a user account. Impulse doesn't care whether the program is free or commercial, the idea is that the individual user has certain programs that are associated with him or her.

The concept is to improve the customer experience with Windows software such that when a user purchases a program, that program is theirs forever. There is no searching for CD keys or fumbling for DVDs. Instead, software licenses become an asset of the customer.

At the same time, we also want to help software developers be able to improve the user experience for their customers. Impulse makes it easier for users to purchase software and it also makes it easier for publishers to support their software.

In an age where there is much talk about "digital rights management" (DRM) we are concerned that some may forget that these rights are a two-way street. The aim of Impulse is to help return to some semblance of balance where software isn't about restricting what users can do with it but rather maximizing what a user can do with it.

In an Impulse-driven world, someone who purchases a brand-new PC will be able to download Impulse (assuming it didn't come with the PC), press a button and have their core programs that they own automatically download and install the latest/greatest versions. As a result, a user's software license assets follow them to wherever they go. This in turn makes PC users more inclined to purchase software because they can have a greater confidence that they will have a long-term use of that software.

At its core, Impulse is about changing software licensing from licenses being attached to a particular PC to individuals *owning* their licenses that stay with them permanently. The technology we are developing is designed to give PC users a sense of ownership over the software they buy through licenses following them and not a particular PC.

The Impulse design philosophy

When designing Impulse, our philosophy has been to keep the system vendor neutral. That is, it is a platform first, a brand second.

A developer who uses Impulse Reactor (the platform), for example, can make use of the capabilities of Impulse without having to distribute the Impulse client. By contrast, if you want to use Steamworks presently, you have to also use the Steam client which means, effectively, you become a distributor for Steam. Impulse Reactor, includes a re-distributable DLL called ImpulseReactor.dll instead of the Impulse client. Hence, developers can get all the benefits of Impulse's back-end without being forced to distribute a particular vendor's store.

To encourage the distribution of the Impulse client, which is separate from Impulse Reactor, Stardock has created a distribution partner program in which the distributor receives 15% of the gross of sales

made by users who installed it via that partner. Anyone can become an Impulse affiliate whether they're a blog-owner or a major corporation.

Impulse's objective isn't to beat the competition. Its goal is simply to ensure that one vendor doesn't become a monopoly in digital distribution.

The pieces of Impulse

Impulse comes in three parts:

- 1) The Impulse client
- 2) Impulse Reactor (the backend platform)
- 3) The Impulse publisher UI (MyImpulse)

The Impulse Client

The parts of Impulse users see the most is the client. Released at the end of June 2008, the client is a pretty ambitious program for an initial release.

The launch (known as Impulse: Phase 1), allowed users to purchase and download software and games; provided community features including chat, friends, blogs, and integrated forums; and a host of other smaller features.



Figure 1: Impulse Phase 1 (initial release)

The initial launch of the client was not without its problems. Here are some that we had:

- 1) It was bloated and there was too much stuff on screen.
- 2) Tool too long to load (about 10 seconds) on a typical system.
- 3) Buggy. Random crashes, problems with BITS downloading.

- 4) Too long to update existing programs.
- 5) Not very configurable.
- 6) People didn't like having the Impulse dock installed with Impulse without their permission.
- 7) Not enough "stuff" to choose from.

Three months later came Impulse Phase 2. It addressed many of the criticisms of phase 1:

- Much faster to load (about 5 seconds).
- Included a "Fast load" (stub in memory) option.
- Stable downloading, queuing of downloads.
- User defined sub-categories.
- Integrated galleries and mod channels.
- Multiplayer match-making.
- Cleaner UI.
- Extremely fast downloading.
- Lots of new content added.

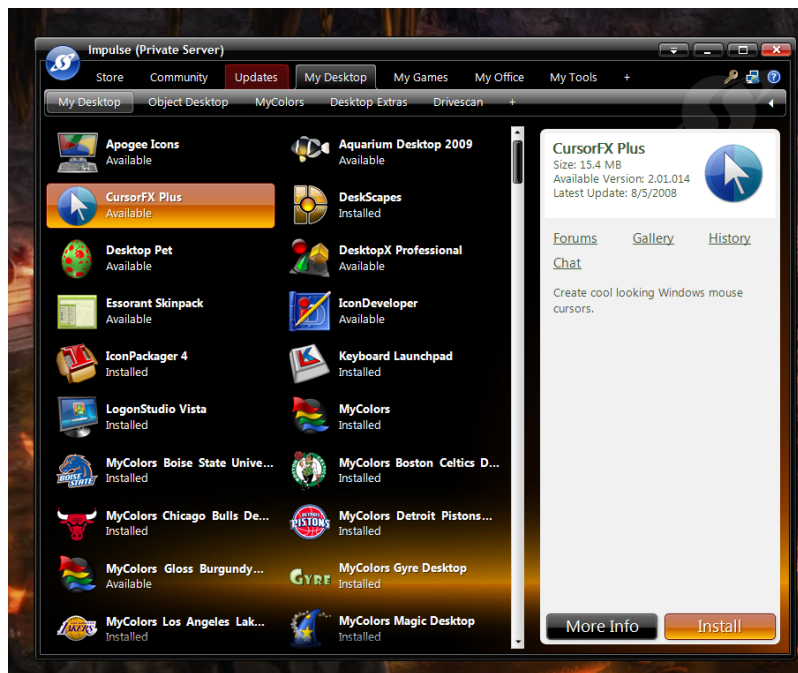


Figure 2: What Impulse looked like 90 days later (Phase 2)

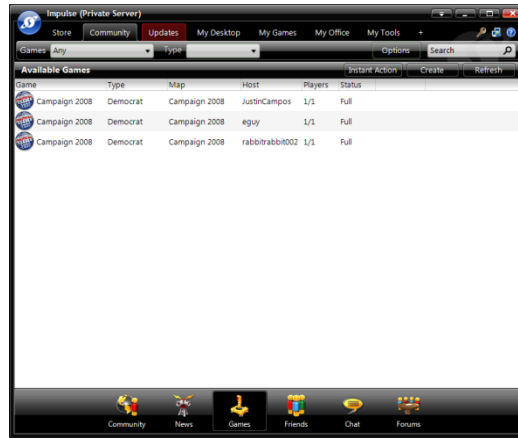


Figure 3: Game match-making with The Political Machine 2008

The Political Machine 2008 became the first program to use Impulse Reactor. Its “Common Virtual Platform” APIs makes it easy for developers to add multiplayer match-making into their games.

That said, Impulse Phase 2 still has things it needs to take care of, such as:

- 1) Impulse still takes too long to load. It should be able to load in less than 3 seconds even without fast load.
- 2) The store needs to be improved. It’s still an awful experience.
- 3) The store lacks freeware. 99% of the software on it is either commercial or demos of commercial programs.
- 4) The .NET stuff is still troublesome – if you leave Impulse running for long periods of time, it will hang.
- 5) Still needs more content.



Figure 4: Impulse store still needed work as of Phase 2

Those five items are things that Impulse Phase 2X is supposed to address (November).

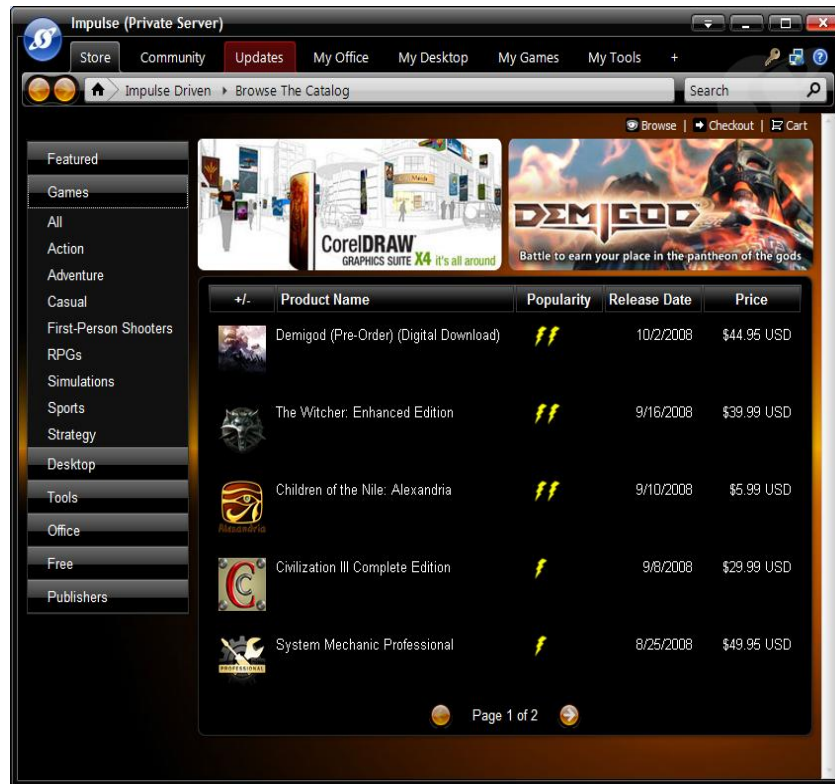


Figure 5: Impulse store for Phase 2X expected for early release in October. See how much more is shown in the screen at once?

Phase 3, due in February, will add rankings, achievements, and much more.

Impulse Reactor

Impulse's power is on the back-end. The Impulse client is a thin application talking to Impulse Reactor.

Programs that want to use the features of the Impulse Reactor (multiplayer match-making, rankings, achievements, chat, IP protection, etc.) can do so by including the ImpulseReactor.dll library to their software.

The SDK for Impulse Reactor is available privately right now to a handful of publishing partners. By February, the plan is to have the SDK publicly available.

MyImpulse

Right now the biggest challenge to Impulse is not from competition but from its own logistical infrastructure. It takes a considerable amount of effort at Stardock to publish new content onto Impulse.

MyImpulse is probably the most ambitious and technologically advanced publisher management tool ever made. With it, developers and publishers can submit their program, name a price, and once they agree to an automated license and term sheet, have it be moderated and then made available to the

public. The entire process is automated, opening up Impulse as a universal distribution system for anyone making quality software.

Stardock is in the process of hiring reviewers from the industry to work as evaluators for submissions and assign an impartial rating to them. Once made available publicly, users will be able to add their own ratings as well.

The goal is to have freeware represent 50% of the total content on Impulse by the end of next June.

The Games

Developing and publishing games

Stardock has been developing PC games since its inception in the early 1990s. Originally an OS/2 game developer, Stardock migrated to the Windows market in 2000 with the release of Entrepreneur/The Corporate Machine.

After the release of Galactic Civilizations (2003), Stardock decided to self-publish in order to have more control over how its titles were marketed and sold.

With the success of Galactic Civilizations II (2006), Stardock began publishing third-party titles as well starting with Ironclad's Sins of a Solar Empire (2008). The company's philosophy on publishing has been to integrate the development and publishing teams together into a single best of both worlds team. This has worked extremely well with Sins of a Solar Empire.

Stardock has moved this philosophy to the next level with Demigod. Developed by Gas Powered Games, Stardock has been intimately involved in the design and development aspects of the game. In return, Gas Powered Games has been heavily involved in the marketing and customer interface elements.

Demigod

Demigod is the biggest project in the works at Stardock presently. GPG's RTS/RPG combo aims to be the "Counterstrike" of real-time strategy while still providing a compelling single-player game as well.



Figure 6: Demigod

Demigod has a 1st Quarter 2009 release date.

Sins of a Solar Empire

The game with no copy protection whatsoever has turned the argument that PC game piracy is the cause of declining PC game sales on its head. Sins, unlike Galactic Civilizations II, doesn't even have activation on updates. The only thing Sins requires is that the user use Impulse to download updates.



Figure 7: Sins of a Solar Empire: Entrenchment

In the next year, Ironclad/Stardock plan to release three mini-expansion packs for Sins of a Solar Empire. The first, called Entrenchment, is due out before Christmas and adds a multitude of new structures to the game.

Once all three expansions are released, we plan to bundle them together and release a traditional expansion pack for those who don't like "micro expansions."

Galactic Civilizations II v2.0

Released in 2006 and having two expansions under its belt, one would think that GalCiv II was at the end of its lifespan – not yet.

This year, we plan to release the biggest free update to a PC strategy game that we're aware of. V2.0 adds a ton of features and is a free update to everyone who has purchased either Dark Avatar or Twilight of the Arnor (the two expansion packs).



Figure 8: GalCiv II v2.0 adds tons of new features

Strategy Game 2010: The fantasy strategy game

Stardock has also been developing a new fantasy strategy game franchise. It has been described on the Internet as “Not-MOM” (as in, Not Master of Magic). It’s a turn-based strategy game that supports random map generation, integrated modding, city building, unit design, tactical combat, multiplayer, incredibly powerful magical spells, and much more.

It is scheduled to go into beta prior to June 2009.



Figure 9: Fantasy strategy game in development

Society

Stardock is working on a massively multiplayer RTS called Society. On a basic level, it is a real-time strategy game that could be described as Total Annihilation meets The Sims. Because of the immense infrastructure required for it, this game will be vaporous for the foreseeable future as we build up our IT infrastructure.

Policy on DRM

Digital Rights Management is one of the most misunderstood concepts in the industry. DRM has become a catch-phrase for basically any type of copy protection. Stardock's position isn't anti-DRM or anti-copy protection but rather anti-stupid-DRM and anti-stupid-copy protection.

Broadly speaking, Stardock's position is that companies/individuals have every right to protect their intellectual property any way they want. However, we feel the most effective way to increase sales is to protect IP in a way that doesn't seem to punish legitimate customers.

Stardock's software and games don't require users to keep their CDs in the drive for instance. That only punishes legitimate customers. It's annoying to keep track of a CD and a pirate certainly doesn't have to worry about that since they're running a cracked version. So you actually end up better off if you're a pirate.

Similarly, DRM that has arbitrary activation limits for the lifetime of a product are counter-productive. A pirate doesn't have to worry about such limitations because they're running a cracked version. Yet the legitimate customer is stuck in the situation where they can't use a game or program because, a year later, they've bought a new PC and run out of activations. That's madness.

Customer concerns: Legitimate and illegitimate

There is no solution to the issue of protecting intellectual property (IP) that will satisfy all parties. There are customers who will accept nothing less than publishers acquiescing to a quasi-honor system for purchasing software. That doesn't work.

At the other end of the spectrum, there are publishers who want customers to have an always-on Internet connection to play a single-player game. They have every right to require this if they want, but it will cost them tremendously in terms of goodwill and sales.

So what are the issues people have with DRM?

- **Legitimate complaint:** They don't want the copy protection to interfere with their enjoyment or use of the software or game.
- **Legitimate complaint:** If a program wants to have a limited activation system, then it needs to provide a way to de-authorize other computers (ala iTunes).
- **Legitimate complaint:** A program should not be installing drivers or other hidden files on the system that use system resources.

- **Legitimate complaint:** Activation-based DRM means that if the publisher goes out of business or simply stops supporting their content that the customer can no longer use their legally purchased item.
- **Legitimate complaint:** Having an arbitrarily low limit on personal activations makes the program feel like it's being rented.
- **Legitimate complaint:** Requiring the user to always be online to play a single-player game. Though we do think publishers have the right to require this as long as they make it clear on the box.
- **Borderline:** Requiring the user to have an Internet connection to install a game. If the game makes this explicit on the box, that's one thing. Customers should be able to make informed purchasing decisions.
- **Illegitimate complaint:** Keeps people from installing the program on as many PCs as they own. I own an office full of PCs. I don't think Microsoft would be happy if I installed Office on all of them. If I'm only using one of those machines at a time, that's fine.
- **Illegitimate complaint:** Keeps people from easily having LAN parties with one copy of their game. We allow this but demonizing publishers who frown on this seems unreasonable.
- **Illegitimate complaint:** Requires people to get updates through a specific source (Steam, Impulse, publisher secure website, etc.). This is one of our biggest pet peeves. If a game ships and there's some bug found that materially affects gameplay, then sure, put out a patch wherever. However, we've had users complain loudly that Sins of a Solar Empire v1.1 (essentially a free expansion pack) requires Impulse to download. Publishers have every right to make sure the people downloading updates are legitimate customers.
- **Illegitimate complaint:** Makes it harder for people to resell programs. (Not saying reselling programs is right or wrong, only that it is not the function of DRM to make it hard or easy to do this, it's a separate issue.)
- **Illegitimate complaint:** DRM is just wrong in principle, you buy something, you own it and should be able to do whatever you want. This is a view held by some but the person who makes the thing has the right to distribute it how they want. If I spend \$5 million making a game, someone paying \$50 doesn't "own" it. There has to be some middle ground on serving customers and protecting IP holders. Users who disagree and want to stick with this principle have my respect but we believe a balance needs to be made that is satisfactory to most users and most publishers.

Stardock's position is that IP holders have the right to do whatever they want with their IP. That doesn't mean what they do is necessarily a good idea or good business.

For our games, we will continue the policy of releasing our retail games without any copy protection or DRM on the disc. However, we will require customers who want updates to download them from us and to make sure those updates are meaningful – not just bug fixes but actual improvements based on player feedback.

On other games, we think it's legitimate if publishers want to require activation to install them. I don't pretend to know whether the sales lost by users who have no Internet connection is greater than the sales gained from less piracy. I don't think there's any problem requiring a user to type in a unique serial number on installing a program.

We do think there's a problem having a user be told they can't use a program anymore because they installed it three or five times over the course of a year – and this isn't an obscure problem. There's plenty of software, not just games, where this has become a significant and obnoxious issue.

We are going to add IP protection services to the Impulse Reactor platform so that publishers at least have an alternative to methods like SecureROM, Tages or Steamworks. As a practical matter, most game publishers who want to protect their IP have few options right now.

The Gamers Bill of Rights

In August Stardock and its development partners announced the Gamers Bill of Rights initiative. The idea was to try to get the PC game industry to standardize on a set of principles that we can abide by to improve the customer experience.

Below are the 10 principles as originally posted:

- 1) Gamers shall have the right to return games that don't work with their computers for a full refund.
- 2) Gamers shall have the right to demand that games be released in a finished state.
- 3) Gamers shall have the right to expect meaningful updates after a game's release.
- 4) Gamers shall have the right to demand that download managers and updaters not force themselves to run or be forced to load in order to play a game.
- 5) Gamers shall have the right to expect that the minimum requirements for a game will mean that the game will play adequately on that computer.
- 6) Gamers shall have the right to expect that games won't install hidden drivers or other potentially harmful software without their consent.
- 7) Gamers shall have the right to re-download the latest versions of the games they own at any time.
- 8) Gamers shall have the right to not be treated as potential criminals by developers or publishers.
- 9) Gamers shall have the right to demand that a single-player game not force them to be connected to the Internet every time they wish to play.
- 10) Gamers shall have the right that games which are installed to the hard drive shall not require a CD/DVD to remain in the drive to play.

Since then, we have had an amazing level of support from the publisher and developer community. However, to move forward, we need to get more specific to get to a place that most users and most publishers can agree on.

Below is an *interim* edition based on that initial feedback.

1. Gamers shall have the right to return games that are incompatible or do not function at a reasonable level of performance for a full refund within a reasonable amount of time.
2. Gamers shall have the right that games they purchase shall function as designed without defects that would materially affect the player experience.
3. Gamers shall have the right that games will receive updates that address minor defects as well as improves game play based on player feedback within reason.
4. Gamers shall have the right to have their games not require a third-party download manager installed in order for the game to function.
5. Gamers shall have the right to have their games perform adequately if their hardware meets the posted minimum requirements.
6. Gamers shall have the right not to have any of their games install hidden drivers.
7. Gamers shall have the right to re-download the latest version of the games they purchase.
8. Gamers have the right to use their games without being inconvenienced due to copy protection or digital rights management.
9. Gamers shall have the right to play single player games without having to have an Internet connection.
10. Gamers shall have the right to sell or transfer the ownership of a physical copy of a game they own to another person.

This edition of the Gamers Bill of Rights is still being discussed with various publishers. The goal is to provide more precision in what is and isn't acceptable.

For example, take the issue of digital rights management (DRM), activation, and other methods to protection intellectual property. If a game requires an Internet connection to install, then there should be no problem with Internet-based activation or zero-day file updating since the connection is there. But if a game does update on the first day, then it should provide value-add such as enabling the user to get the latest/greatest edition of the game.

If the game does not require an Internet connection to install, then activation or other forms of on-line activation become problematic. Publishers, at some point, will need to make the decision as to whether to require an Internet connection to use the game and if so, put it on the box so users can help make more reasonable purchasing decisions.

We also address the issue of being able to resell games. This right, however, needs to be understood in context. The user has the right to sell their physical copy of their game but the publisher is not automatically burdened with creating some sort of user-friendly system. For example, someone may want to sell their physical copy of an MMO but the MMO does not have to allow the user to transfer their MMO character necessarily or if they do support this, they are not required to invest in the creation of some user friendly transfer mechanism that is free to use.

To use an analogy, a person who buys a book can resell their copy of the book. But they don't expect the publisher to have to be involved in that transfer. Similarly, if someone wants to physically transfer their

ownership of a physical copy of a game, they have the right to do that. But the publisher is not obligated to aid in that transfer.

We also clarified the issue about “games being released in a finished state”. PC games are quite occasionally released with defects that materially affect the game experience (i.e. constantly crashing, missing content, etc.). All PC games will have problems on some percentage of users. Materially affecting the game experience means it is a problem that occurs on the majority of user machines and prevents the user from getting the full experience out of the game.

The Software

Object Desktop

The most popular of Stardock's products is [Object Desktop](#). People are often unaware of just how popular Object Desktop and its related technologies are. They are probably on your computer right now in some form or other.

Object Desktop is the name of the consumer product that includes Stardock's most popular desktop enhancement utilities. These utilities allow users to change the look and feel of the Windows GUI.

More importantly, Object Desktop is really a suite of technologies that are licensed in many forms to companies looking to "skin" their GUI. If you've seen a "skinned" UI on some program where it has been done very well, odds are it's been done under the covers with Stardock's technology.

Evaluation of Object Desktop

Over the past few years, we've not been terribly happy with the progress Object Desktop has made.

Let's take a look at the major programs:

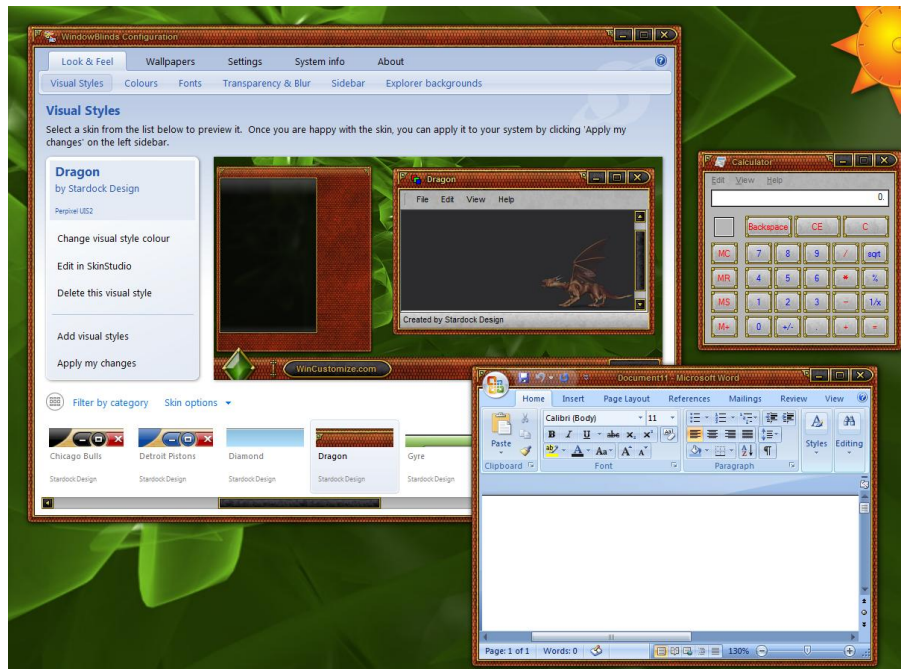


Figure 10: WindowBlinds 6

WindowBlinds remains the most popular program of Object Desktop. It gets the most development resources behind it and continues to own the desktop customization market per se. The only realistic competitor it had, Style XP, no longer functions even on the latest version of Windows XP. Uxtheme patching for Vista is quirky and limited, and Windows 7 is going to require people go back to the drawing board theme-wise.

That said, WindowBlinds still suffers from some problems:

- 1) Most of the skins for it are not very good.
- 2) The back-porting of Windows Vista features into Windows XP means that for some people, the Windows XP experience is not as smooth as it could be (i.e., a skin made for Vista and tested mostly on Vista may be flakey on XP).
- 3) Vista is a lot less ugly than XP so WindowBlinds isn't as compelling on its own as it used to be. The increased sales of the program are largely due to the quality of WindowBlinds increasing, resulting in a higher conversion rate.

That said, WindowBlinds is likely to continue to grow. The glass Aero™ look does get old after awhile and skin authors are getting better at getting the most out of the application to thanks to improvements in SkinStudio.

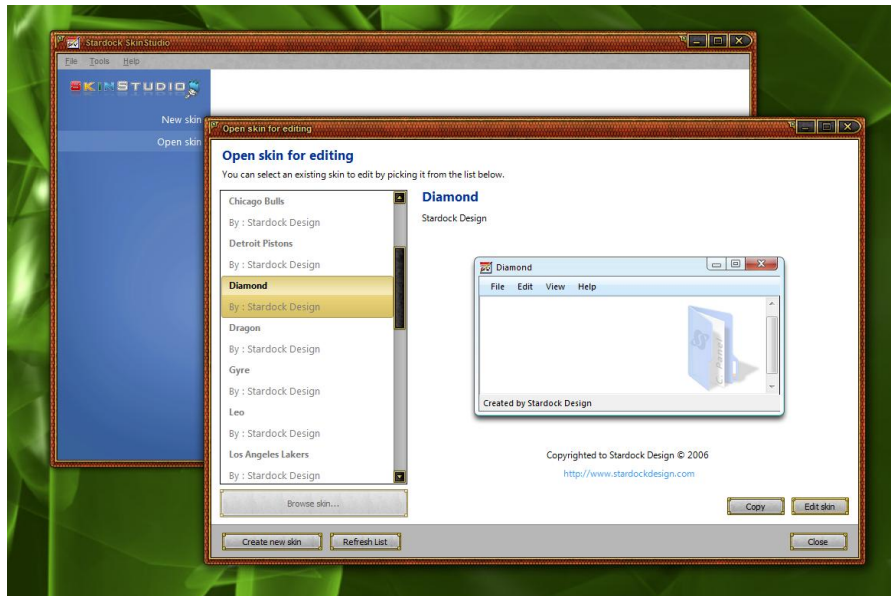


Figure 11: SkinStudio

SkinStudio is perhaps the most important program in Object Desktop that people aren't aware of.

Here's the problem: Making a modern Windows GUI skin is a lot of work; it can take literally weeks to make one. The answer to this problem is SkinStudio. Down the line, we want to make it increasingly easy for people to make high quality skins. We haven't gotten there yet, but we've come a long way.

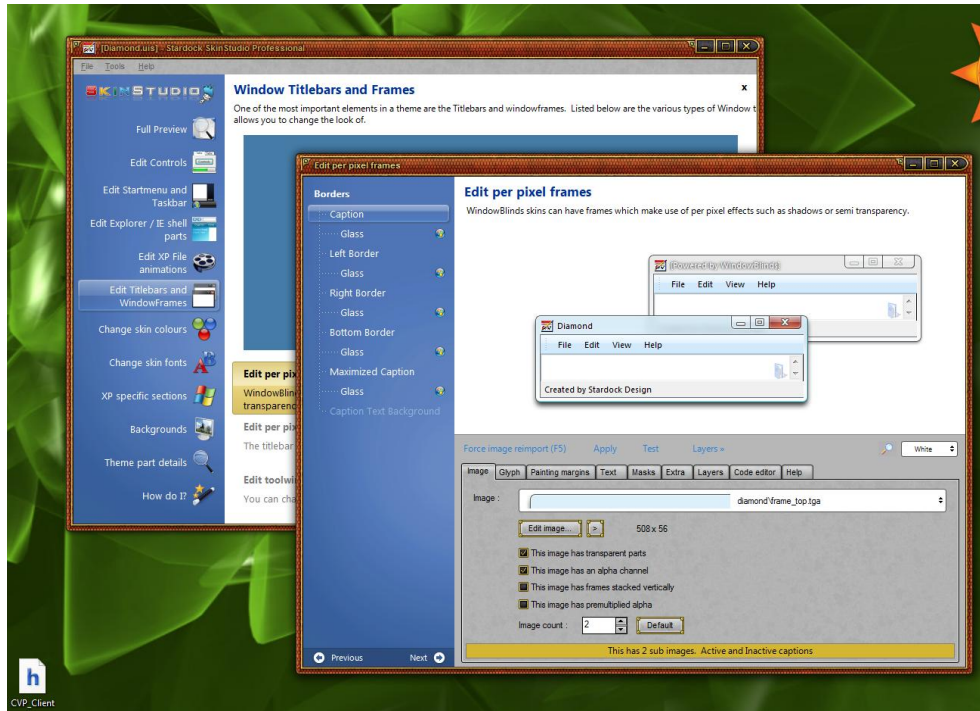


Figure 12: SkinStudio in action

SkinStudio's UI was designed and implemented by the WindowBlinds team. The older versions of SkinStudio were developed by a different team and had a radically different UI. The new version is a much simpler, easy to understand UI given WindowBlind's complexity.

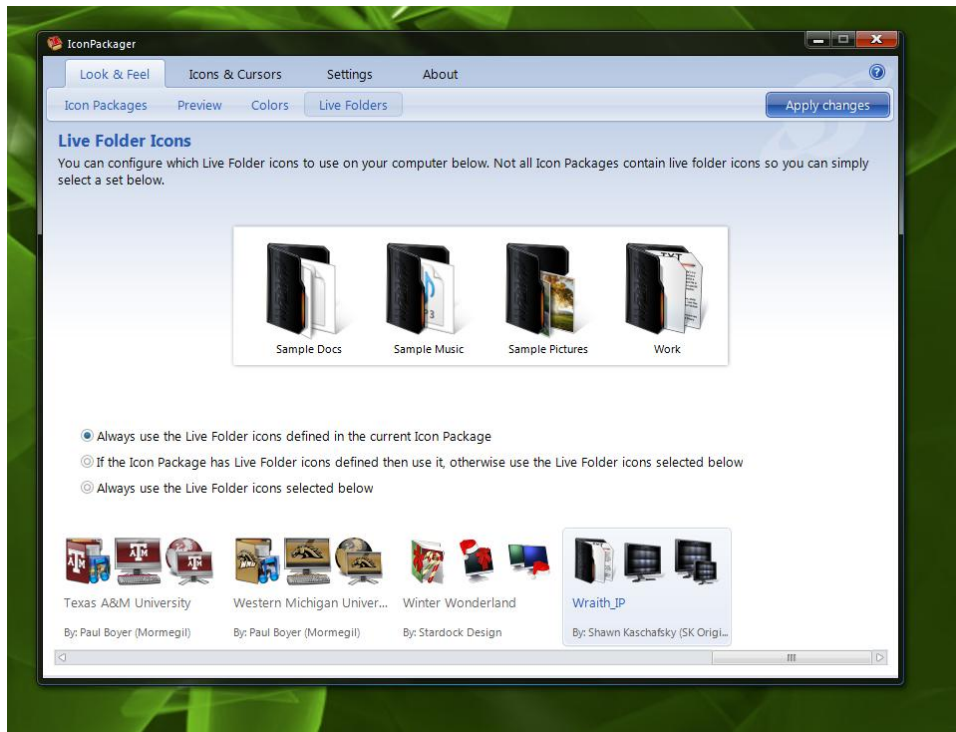


Figure 13: IconPackager

Right behind WindowBlinds, IconPackager is probably the application in Object Desktop that gets the most attention. Version 4 was the most significant update to IconPackager yet – by necessity.

The challenges IconPackager faces are significant:

- 1) The icons in Windows Vista are really good, decreasing the desire for people to change them.
- 2) Any replacement set of icons has to be as good as those in Vista to be compelling.
- 3) The amount of time and effort to create 256x256 icons is significant, and the high resolution reduces the number of people capable of creating artwork (it's one thing to make things that look good at 32x32 and another to do it at 256x256).
- 4) Windows Vista adds "live folders" which dramatically reduces the number of ways folders can be represented. Only a code change by Stardock or Microsoft will address this. Stardock will probably wait until Windows 7 to look at changing how Live folders work, but is currently working with Microsoft on this issue.

Due to the above, IconPackager has begun adding features that traditionally were left to icon creation tools:

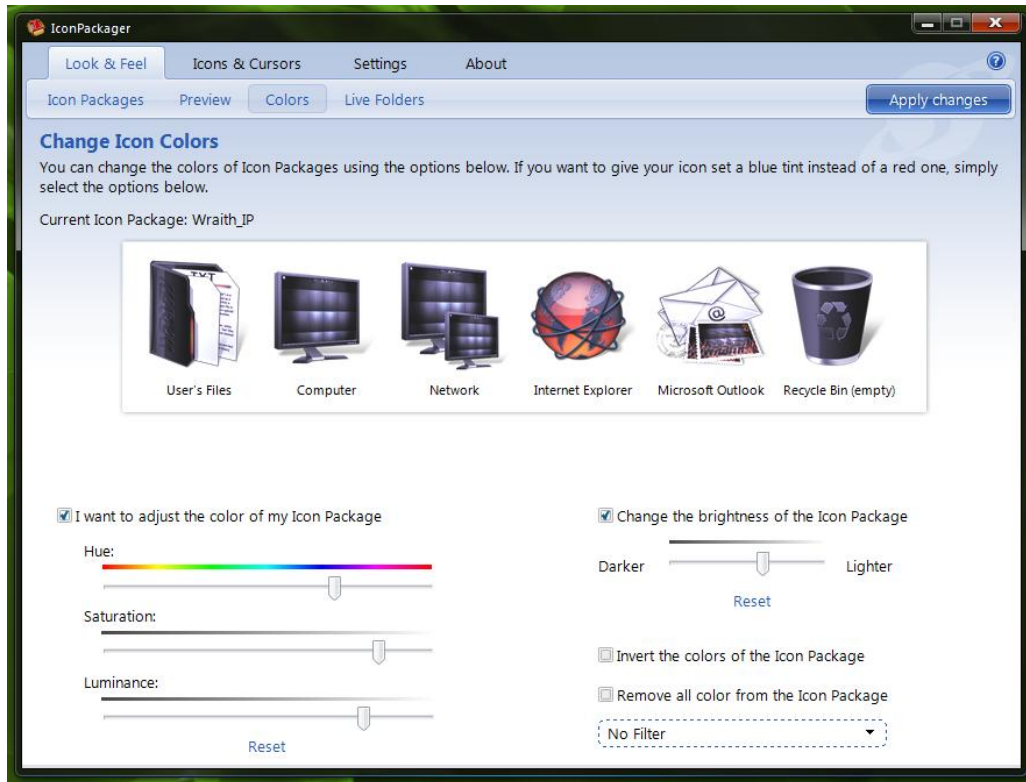


Figure 14: IconPackager adding effects

That is, if we can't get as much content made, we can do more with the content we have. I suspect that the future of icon sets will be in the world of commercial artists. A "good" icon package requires about 100 icons to be reasonably complete. Each icon takes on average 30 minutes to do. That's 3,000 minutes (50 hours). If you have a "day job" that's a lot of weekends and mind you, that's to produce a quick and dirty icon package. A very high quality package might require four to five times that investment.

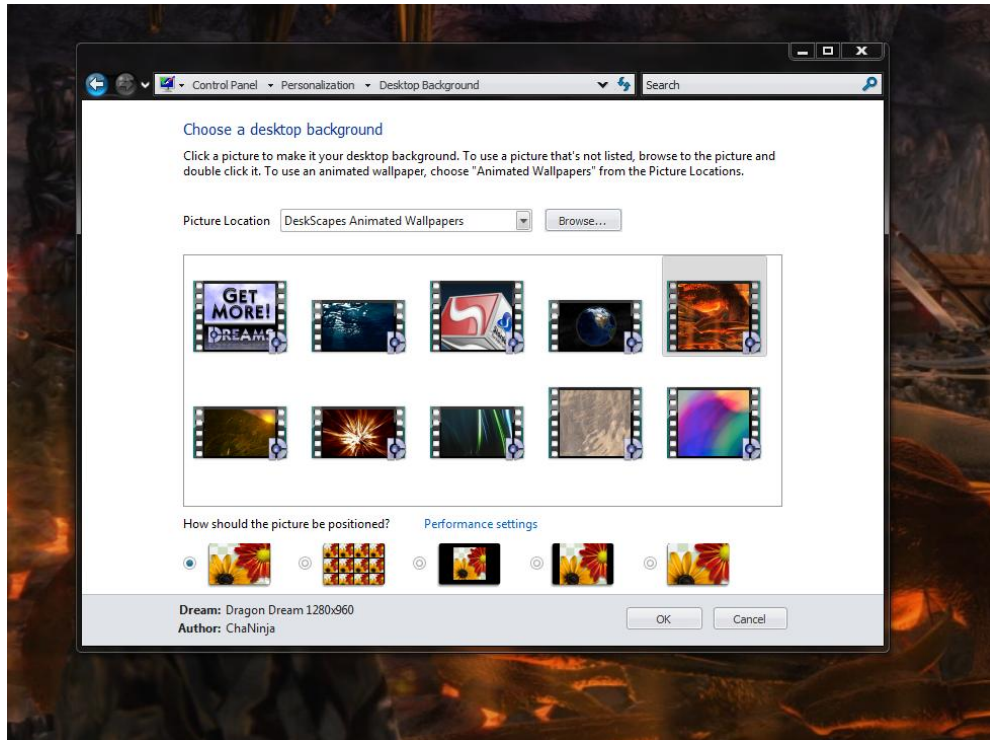


Figure 15: DeskScapes

DeskScapes is one of the most popular programs in Object Desktop. In essence, it lets Windows Vista users have animated wallpaper and do so without slowing down your computer. That said, DeskScapes can slow your computer down depending on the animated wallpaper you choose. This is due to the fact that some people make 1080p animated wallpapers which, as you can imagine, will tax your system if they're in WMV format since decoding the movie is intensive. That has nothing to do with DeskScapes, however. It would be like saying Photoshop is slow because someone loaded a gigabyte sized file into it.

Right now, we're working on a Windows XP version as well as preparing for Windows 7 to make sure that users can get the most out of DeskScapes regardless of what OS they have.

We have high expectations for DeskScapes as time goes on and systems become increasingly powerful. We are also adding more interactive features (i.e., let your desktop tell you what's happening across the world visually). Stay tuned.

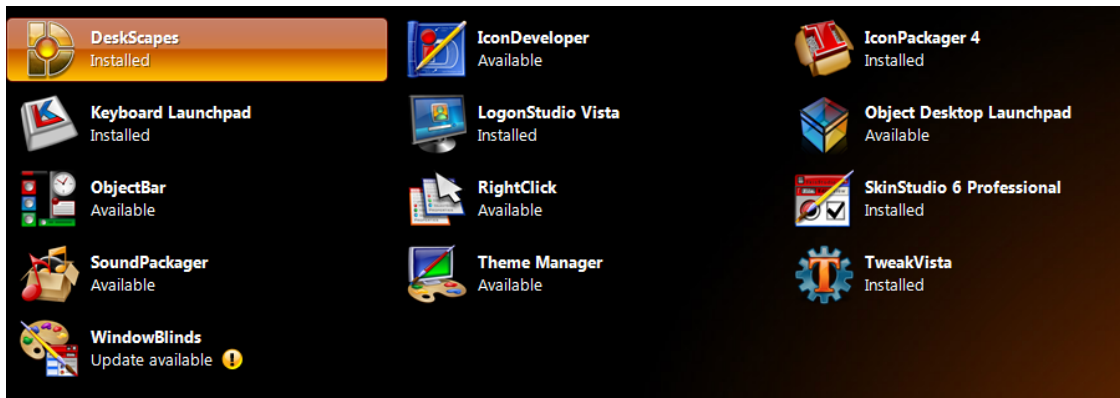


Figure 16: Some of the programs of Object Desktop

My main complaint about Object Desktop 2008 has been the lack of functionality and consistency in the experience. What I mean is that while Object Desktop is the defacto standard when it comes to changing how Windows looks, the package has not maintained its cutting edge when it comes to adding new functionality to Windows.

To be fair, a lot of that is because a great deal of time has been spent making it work on Windows Vista. Another reason is that people just won't pay for productivity anymore. It's shocking but true. Years ago, the most popular programs of Object Desktop were Control Center, Object Edit, and ObjectZIP. We had to discontinue these programs because the number of people who were willing to *pay* for them dwindled over time.

Control Center had the best virtual desktops around but there were free ones that were "good enough;" the same held true for Object Edit and ObjectZIP. By contrast, programs like WindowBlinds have no "free" competition that are remotely "good enough."

What Stardock needs to continue to explore is how to develop software that adds functionality that doesn't have "free" competitors that are "good enough" and are things people want.

DesktopX 4.0 is an area where we plan to explore this further. Stay tuned.

The Docks

Most Dells now ship with the Dell Dock, which is a re-branded version of Stardock's MyDock technology. MyDock is not based on ObjectDock but instead was developed from scratch for re-branding and pre-loading. It's easier to use and has strong core set of features.

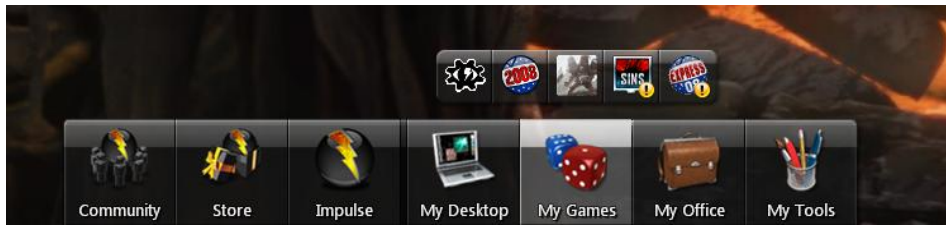


Figure 17: MyDock

Besides the Dell Dock, there is also an Impulse branded version of MyDock. The Dell Dock is arguably superior because it has a number of exclusive features that the Dell team came up with (we maintain a strict policy of not back-porting features that a partner thinks up).

MyColors

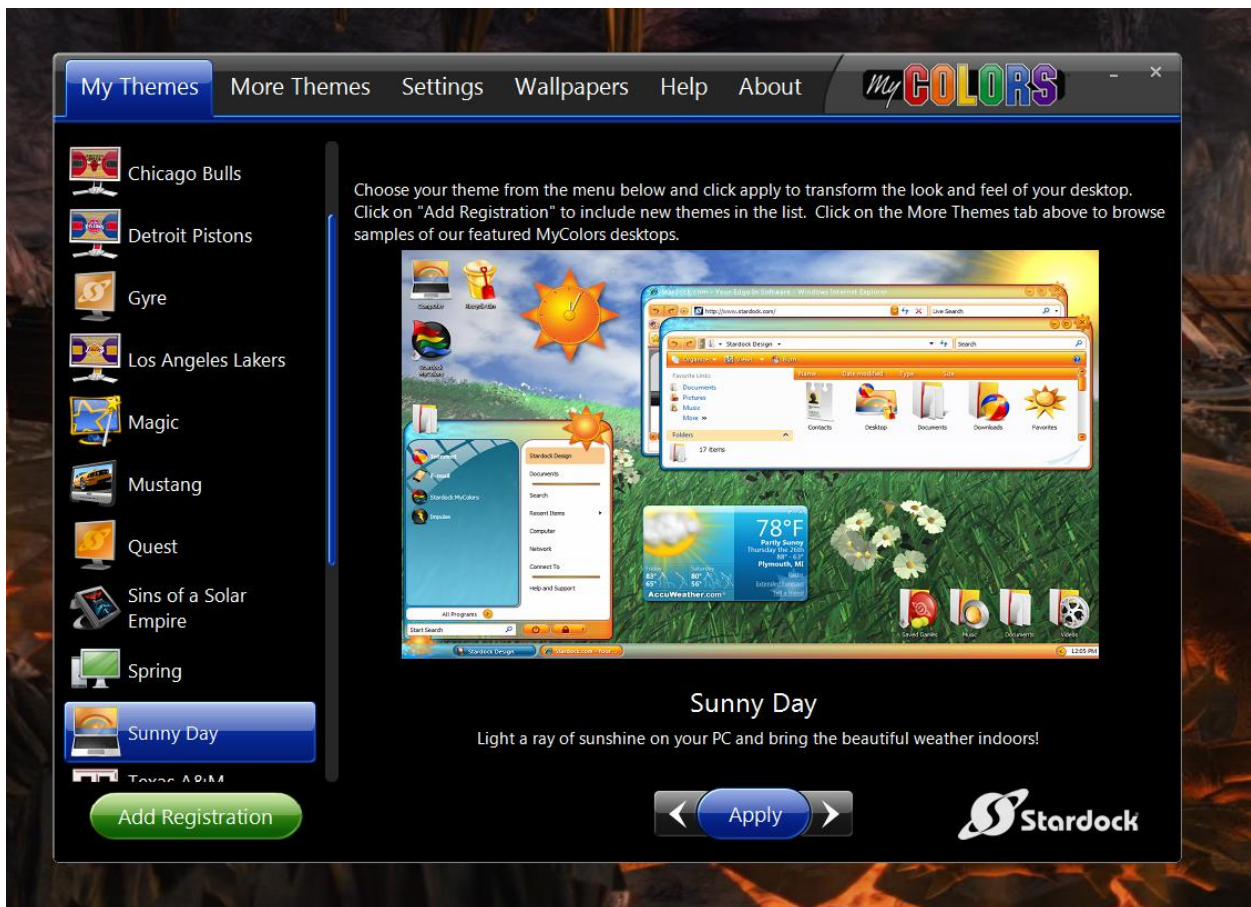


Figure 18: MyColors client

MyColors is essentially the opposite of Object Desktop. With Object Desktop, users buy the suite of programs, then go out and find free content that is designed for them.

With MyColors, users are buying the content and the software is free. A MyColors theme works on Windows XP, Windows Vista, and Windows 7 (when available). A typical MyColors theme will change the Windows GUI, the icons, the wallpaper, add gadgets, a media player and more. It's pretty compelling.

The challenge with MyColors themes is the content:

- 1) You have to have enough content for users to choose from
- 2) The content has to be high enough quality for users to want it

Overall, in my opinion, the MyColors content has been a mixed bag. Some of it is really good.



Figure 19: MyColors theme

For instance, the NBA themes are top-notch. The NHL and College themes are also quite good (though the screenshots could be vastly improved).

On the other hand, some of the themes are just not that attractive.

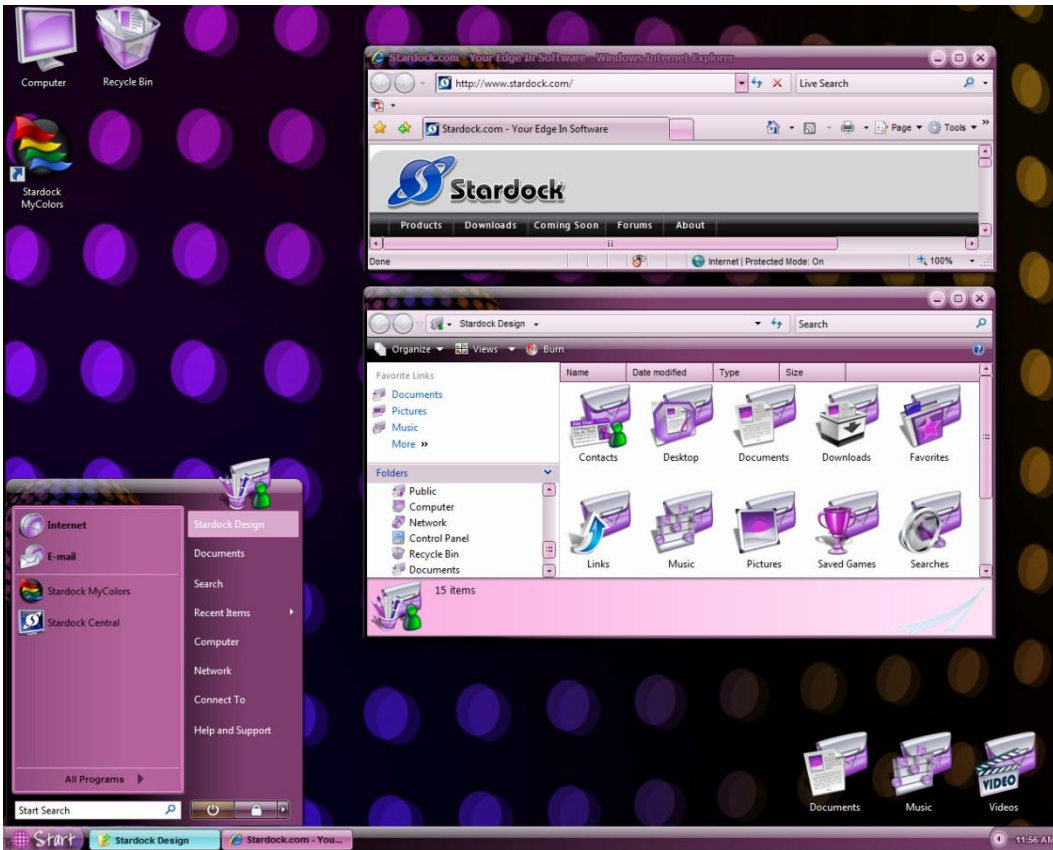


Figure 20: Some MyColors themes are not my style

The biggest challenge with MyColors so far hasn't been making good themes for it. The problem has been *presenting* them on the website well.

For instance, the success of MyColors has attracted quasi-competitors like "Hyperdesk." Hyperdesk is Windows XP only and works only through patching system binaries with new resources. The Hyperdesk website presents their themes much better than the MyColors website even though, on average, the MyColors themes are significantly superior visually (because of the technology – resource patching is never going to do as well as a freeform skinning engine).

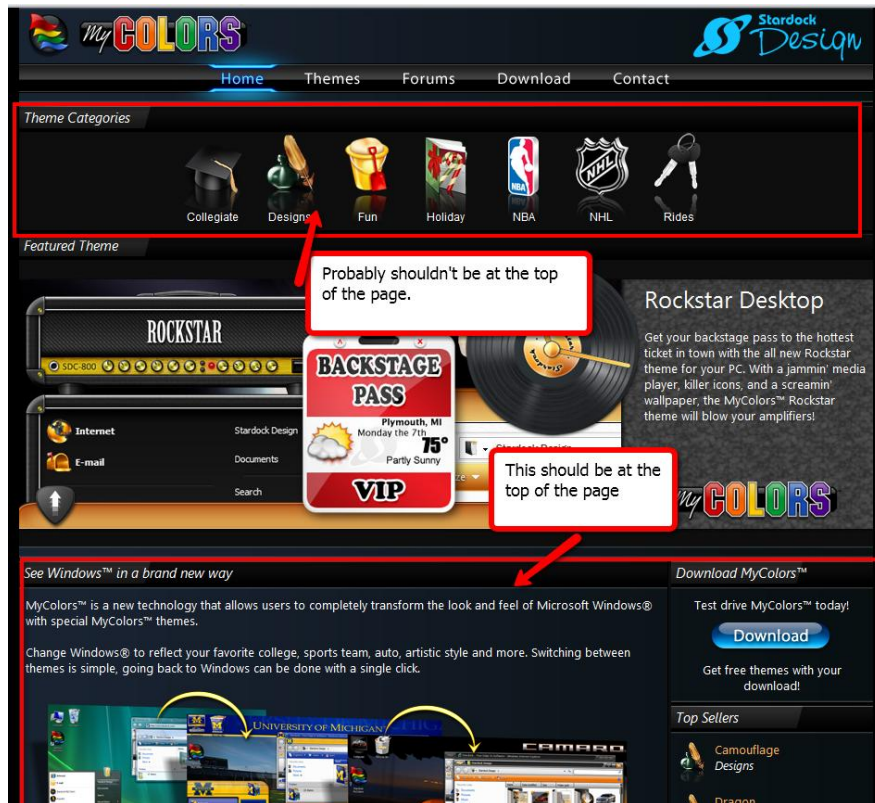


Figure 21: New MyColors website

The new MyColors website is a major improvement over the old one but could still be improved. One might think, “Well if you know these are problems, why don’t you fix them?” Unfortunately, there’s only a limited amount of resources spread across a lot of different websites. If you’re a good web designer who knows Javascript and is willing to relocate to Michigan, send us your resume (jobs@stardock.com). 😊

Stardock Customer Survey 2008 Results

Every year Stardock sends out to its customers a survey asking them for their opinions on Stardock's software, the direction the company is taking, and what kind of computing environment they are working with. This year, the survey was sent to approximately 2.4 million Stardock customers. Below are some of the results:

Who are Stardock users?

- 95% male
- 33% 20 to 30 years old, 28% are 31 to 40
- 63% are in the United States (24% are in Europe, 9% are in Canada)
- 67% described themselves as expert or power users.
- 51% currently have Windows XP and don't plan to upgrade to Windows Vista
- 40% have upgraded to Vista (of which 25% who have say they are unhappy with it)

Which Stardock programs are they using?

- 45% have Galactic Civilizations
- 43% have Sins of a Solar Empire
- 28% have WindowBlinds
- 22% have ObjectDock
- 22% have Object Desktop

What do you think of Impulse?

- 52% Have not tried it, do not know what it is.
- 24% I have tried it, like it.
- 7% I have tried it, think it needs work

How do you purchase software?

Today:

- 58% in a box
- 42% digitally

How about 5 years from now?

- 76% digitally
- 24% in a box

What do Object Desktop users want more of?

- 42% want Object Desktop to provide more utility
- 35% want Object Desktop to add more eye candy
- 23% want Object Desktop to provide windows extensions

Most popular wishes from Object Desktop users were:

- a. Registry cleaner
- b. Anti-spyware
- c. Defragging
- d. CD/DVD burning

What do gamers want Stardock to focus on?

- More strategy games
- Real-time role playing games

What they *don't* want us to work on:

- Action games (first person shooters)
- Simulations
- MMORPG's

What does Stardock need to work on to improve most?

1. Documentation
2. Faster update speeds
3. Better web based support

What parts of Impulse do you want us to fix/improve/get rid of?

1. Get rid of the Impulse dock
2. Make it load faster
3. Make the UI cleaner, less "bloated"

What would make you purchase more software in general (not just Stardock software)?

- 38% LOWER prices
- 30% better quality at the *initial* release
- 17% less copy protection/DRM
- 5% better support

What platforms would you like to see Stardock support in the future?

- 72% Stay PC Windows-only
- 7% Xbox 360
- 5% Playstation 3
- 4% MacOS

Linux, PSP, Windows Mobile, Wii. And iPhone were also options.

What is your overall opinion of Stardock?

(despite receiving this spammy email asking your opinions?)

- 91% Very positive or somewhat positive
- 7% neutral
- 2% somewhat negative to very negative

Conclusions

This document is by no means comprehensive, but hopefully it'll give you a decent overall view what Stardock is working on.

If you want to keep up on what's happening at Stardock, here are some of our more popular websites:

- www.stardock.com
- www.wincustomize.com
- Dream.wincustomize.com
- www.joeuser.com
- www.impulsdriiven.com
- www.vistathemes.com
- www.xpthemes.com
- www.sinsolasolarempire.com
- www.demigodthegame.com
- www.galciv2.com
- www.objectdesktop.com
- www.windowblinds.net
- www.objectdock.com

See you next year!

- Brad Wardell, President & CEO, Stardock Corp.