

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:

DIGITAL DOMAIN MEDIA GROUP, INC., *et al.*,
Debtors.¹

Chapter 11

Case No.: 12-12568 (BLS)

(Joint Administration Requested)

Related Docket No. 6

**INTERIM ORDER ESTABLISHING NOTIFICATION AND HEARING
PROCEDURES FOR CERTAIN TRANSFERS OF COMMON STOCK**

Upon the motion (the "Motion")² of the above-captioned debtors and debtors in possession (collectively the "Debtors") for the entry of an order (this "Order") establishing notification and hearing procedures that must be satisfied before certain transfers of common stock of Digital Domain Media Group, Inc., or of any beneficial interest therein, including Options (defined below) to acquire such stock, (collectively, the "Common Stock") are deemed effective and for related relief; and upon the Katzenstein Declaration; and the Court having jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334; and consideration of the Motion and the relief requested therein being a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and venue being proper pursuant to 28 U.S.C. §§ 1408 and 1409; and it appearing that the relief requested in the Motion is in the best interests of the Debtors' estates, their creditors and all other parties in interest; and the Debtors having

¹ The Debtors in these proceedings and the last four digits of each Debtor's federal or foreign taxpayer identification number, if any, are as follows: D2 Software, Inc. (5602); DDH Land Holdings, LLC; DDH Land Holdings II, LLC; Digital Domain (8392); Digital Domain Institute, Inc. (6275); Digital Domain International, Inc. (9344); Digital Domain Media Group, Inc. (9505); Digital Domain Productions, Inc. (5757); Digital Domain Productions (Vancouver) Ltd. (6450); Digital Domain Stereo Group, Inc. (4526); Digital Domain Tactical, Inc. (6809); Mothership Media, Inc. (2113); Tradition Studios, Inc. (4883); Tembo Productions, Inc. (7634). The Debtors' mailing address is 10250 SW Village Parkway, Port St. Lucie, Florida 34987.

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Motion.



provided appropriate notice of the Motion and the opportunity for a hearing on the Motion under the circumstances and no other or further notice need be provided; and the Court having reviewed the Motion and having heard the statements in support of the relief requested therein at a hearing before the Court (the "Hearing"); and the Court having determined that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein; and upon all of the proceedings had before the Court; after due deliberation and sufficient cause appearing therefor;

IT IS HEREBY ORDERED THAT:

1. The Motion is granted on an interim basis as set forth herein.
2. Any purchase, sale, or other transfer of the Common Stock in violation of the procedures set forth herein (including the notice requirements set forth below) shall be null and void *ab initio*.
3. The following procedures for monitoring the trading of Common Stock (the "Procedures for Trading in Common Stock") are hereby approved:
 - a. Any entity (as defined in section 101(15) of the Bankruptcy Code) or person that currently is or becomes a Substantial Shareholder (defined in paragraph 3(e) below) must file with the Court, and serve upon counsel to the Debtors, a declaration of such status, substantially in the form of Exhibit 1 attached hereto, on or before the later of (i) 40 days after the date of this Notice and (ii) ten (10) days after becoming a Substantial Shareholder.
 - b. Prior to effectuating any transfer of Beneficial Ownership of Common Stock that would result in an increase in the amount of Common Stock of which a Substantial Shareholder has Beneficial Ownership or would result in an entity or person becoming a Substantial Shareholder, such Substantial Shareholder or potential Substantial Shareholder must file with the Court, and serve upon counsel to the Debtors, an advance written declaration of the intended transfer of Common Stock in the form of Exhibit 2 attached hereto (each, a "Declaration of Intent to Purchase, Acquire, or Otherwise Accumulate Common Stock").
 - c. Prior to effectuating any transfer of Beneficial Ownership of Common Stock that would result in a decrease in the amount of Common Stock of which a

Substantial Shareholder has Beneficial Ownership or would result in an entity or person ceasing to be a Substantial Shareholder, such Substantial Shareholder must file with the Court, and serve upon counsel to the Debtors, an advance written declaration of the intended transfer of Common Stock in the form of Exhibit 3 attached hereto (each, a “Declaration of Intent to Sell, Trade, or Otherwise Transfer Common Stock” and with a Declaration of Intent to Purchase, Acquire, or Accumulate Common Stock, each, a “Declaration of Proposed Transfer”).

d. The Debtors shall have 21 calendar days after receipt of a Declaration of Proposed Transfer to file with the Court and serve on such Substantial Shareholder or potential Substantial Shareholder an objection to any proposed transfer of Beneficial Ownership of Common Stock described in the Declaration of Proposed Transfer on the grounds that such transfer might adversely affect the Debtors’ ability to utilize their Tax Attributes. If the Debtors file an objection, such transaction would not be effective unless such objection is withdrawn by the Debtors or such transaction is approved by a final order of the Court that becomes nonappealable. If the Debtors do not object within such 21-day period, such transaction could proceed solely as set forth in the Declaration of Proposed Transfer. Further transactions within the scope of this paragraph must be the subject of additional notices in accordance with the procedures set forth herein, with an additional 21-day waiting period for each Declaration of Proposed Transfer.

e. For purposes of these procedures: (i) a “Substantial Shareholder” is any entity or person that has Beneficial Ownership of at least 2.05 million shares of Common Stock (representing approximately 4.5% of all issued and outstanding shares)³; (ii) “Beneficial Ownership” of Common Stock is determined under section 382 of the IRC and related regulations and includes direct and indirect ownership (*i.e.*, a holding company would be considered to beneficially own all shares owned or acquired by its subsidiaries), ownership by such holder’s family members and entities acting in concert with such holder to make a coordinated acquisition of stock and ownership of shares that such holder has an option to acquire; and (iii) an “Option” to acquire stock includes any contingent purchase, warrant, convertible debt, put, stock subject to risk of forfeiture, contract to acquire stock or similar interest, regardless of whether it is contingent or otherwise not currently exercisable.

4. The Debtors shall serve by overnight mail, a notice of the entry of this order substantially in the form of Exhibit 4 attached hereto (the “Notice of Order”) to: (a) holders of shares of Common Stock in excess of 500,000; (b) the entities listed on the Consolidated List of Creditors Holding the 50 Largest Unsecured Claims; (c) transfer agents for any Common Stock; (d) the Securities and Exchange Commission; (e) the Internal Revenue Service; and (f)

³ Based on 45,630,801 shares of Common Stock issued and outstanding as of September 5, 2012.

those parties who have requested service of paper pursuant to Bankruptcy Rule 2002 (collectively, the “Notice Parties”).

5. All transfer agents for any Common Stock shall serve the Notice of Order on all holders of shares of Common Stock in excess of 500,000 (the “Registered Holders”) no later than three (3) business days after being served with the Notice of Order; *provided, however*, that if any transfer agent provides the Debtors with the names and addresses of all holders of such shares of Common Stock registered with such transfer agent no later than three (3) business days after being served with the Notice of Order, the Debtors shall serve the Notice of Order on such holders. Such names and addresses shall be delivered in writing to Pachulski Stang Ziehl & Jones LLP, 919 North Market Street, 17th Floor, Wilmington, DE 19801, Attn: James E. O’Neill, Esquire and Timothy P. Cairns, Esquire.

6. All Registered Holders described in paragraph 5 of this Order shall serve the Notice of Order on any holder for whose account such Registered Holder holds shares of Common Stock in excess of 500,000 and so on down the chain of ownership for all such holders of shares of Common Stock in excess of 500,000.

7. Any entity, broker or agent acting on such entity’s behalf who sells Common Stock in excess of 500,000 shares to another entity shall serve a copy of the Notice of Order on such purchaser of such Common Stock or any broker or agent acting on such purchaser’s behalf.

8. Within three (3) business days following entry of this Order, the Debtors shall (a) publish a copy of the Notice of Order (modified for publication) in *The New York Times* or *USA Today*; and (b) submit a copy of the Notice of Order (modified for publication) to *Bloomberg Professional Service* for potential publication by *Bloomberg*.

9. The entry of this Order is conditional on the terms set forth herein. Any party in interest may object to the entry of this Order within ten (10) days after the date of entry of this Order (each, an “Objection”). If any such Objection is timely filed and not withdrawn before such hearing, the Objection shall be heard at the next regularly scheduled omnibus hearing date (the “Hearing”). At the Hearing, the Court may vacate this Order, modify it, or make it final. If no timely Objection is filed (or is filed and subsequently withdrawn), the Court shall enter a Final Order with respect to the Motion at the Hearing. This Order shall remain in effect until further order of the Court. The modification or vacation of this Order shall not impair any action taken pursuant to it prior to its modification or vacation.

10. If this Order becomes final, the Debtors shall serve the Notice of Order (modified as appropriate, the “Notice of Final Order”) to the Notice Parties, as defined in paragraph 4 hereof.

11. All transfer agents for any Common Stock shall serve the Notice of Final Order on all Registered Holders of such Common Stock registered with such transfer agent no later than three (3) business days after being served with the Notice of Final Order; *provided, however,* that if any transfer agent provides the Debtors’ undersigned counsel with the names and addresses of all holders of such Common Stock registered with such transfer agent no later than three (3) business days after being served with the Notice of Final Order, the Debtors shall serve the Notice of Final Order on such holders.

12. All Registered Holders described in paragraph 11 of this Order shall serve the Notice of Final Order on any holder for whose account such Registered Holder holds shares of Common Stock in excess of 500,000 and so on down the chain of ownership for all such holders of shares of Common Stock in excess of 500,000.

13. At least on the first business day of each calendar quarter after the date of the entry of this Order during these Chapter 11 Cases, all transfer agents for any Common Stock shall serve the Notice of Order until a Notice of Final Order has been served, and then the Notice of Final Order, on all Registered Holders; *provided, however*, that if any transfer agent provides the Debtors' counsel, at the addresses set forth above, with the names and addresses of all holders of such shares of Common Stock registered with such transfer agent no later than two (2) business days prior to the expiration of an applicable calendar quarter, the Debtors shall serve the Notice of Final Order on such holders.

14. All Registered Holders described in paragraph 13 of this Order shall serve the Notice of Final Order on any holder for whose account such Registered Holder holds shares of Common Stock in excess of 500,000 and so on down the chain of ownership for all such holders of shares of Common Stock in excess of 500,000.

15. After this Order becomes final as set forth herein, any entity or broker or agent acting on such entity's behalf who sells shares of Common Stock in excess of 500,000 to another entity shall serve a copy of the Notice of Final Order on such purchaser of such Common Stock or any broker or agent acting on such purchaser's behalf.

16. The requirements set forth in this Order are in addition to the requirements of all applicable law and do not excuse compliance therewith.

17. The Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Motion.

18. Notwithstanding the possible applicability of Bankruptcy Rules 6004(h), 7062, and 9014, or otherwise, the terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

19. The Court retains jurisdiction with respect to all matters arising from or related to the implementation of this Order.

Dated: September 12, 2012


THE HONORABLE BRENDAN SHANNON
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT 1

Declaration of Status as a Substantial Shareholder

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:

DIGITAL DOMAIN MEDIA GROUP, INC., *et al.*,
Debtors.¹

Chapter 11

Case No.: 12-12568 (BLS)

(Joint Administration Requested)

DECLARATION OF STATUS AS A SUBSTANTIAL SHAREHOLDER

PLEASE TAKE NOTICE that the undersigned party is/has become a Substantial Shareholder with respect to the common stock in Digital Domain Media Group, Inc., or of any beneficial interest therein, including Options² to acquire such stock, (collectively, the “Common Stock”). Digital Domain Media Group, Inc. is a debtor and debtor in possession in Case No. 12-_____ pending in the United States Bankruptcy Court for the District of Delaware.

PLEASE TAKE FURTHER NOTICE that, as of _____, 2012 the undersigned party has Beneficial Ownership of _____ shares of Common Stock. The following

¹ The Debtors in these proceedings and the last four digits of each Debtor’s federal or foreign taxpayer identification number, if any, are as follows: D2 Software, Inc. (5602); DDH Land Holdings, LLC; DDH Land Holdings II, LLC; Digital Domain (8392); Digital Domain Institute, Inc. (6275); Digital Domain International, Inc. (9344); Digital Domain Media Group, Inc. (9505); Digital Domain Productions, Inc. (5757); Digital Domain Productions (Vancouver) Ltd. (6450); Digital Domain Stereo Group, Inc. (4526); Digital Domain Tactical, Inc. (6809); Mothership Media, Inc. (2113); Tradition Studios, Inc. (4883); Tembo Productions, Inc. (7634). The Debtors’ mailing address is 10250 SW Village Parkway, Port St. Lucie, Florida 34987.

² For purposes of this Declaration: (i) a “Substantial Shareholder” is any entity that has Beneficial Ownership of at least 2.05 million shares of Common Stock (as defined herein) (representing approximately 4.5% of all issued and outstanding shares); (ii) “Beneficial Ownership” of Common Stock is determined under section 382 of the IRC and related regulations and includes direct and indirect ownership (i.e., a holding company would be considered to beneficially own all shares owned or acquired by its subsidiaries), ownership by such holder’s family members and entities acting in concert with such holder to make a coordinated acquisition of stock and ownership of shares that such holder has an option to acquire; and (iii) an “Option” to acquire stock includes any contingent purchase, warrant, convertible debt, put, stock subject to risk of forfeiture, contract to acquire stock or similar interest, regardless of whether it is contingent or otherwise not currently exercisable.

table sets forth the date(s) on which the undersigned party acquired Beneficial Ownership or otherwise has Beneficial Ownership of such Common Stock:

<u>Number of Shares of Common Stock</u>	<u>Date Acquired</u>

(Attach additional page or pages if necessary)

PLEASE TAKE FURTHER NOTICE that the last four digits of the taxpayer identification number of the undersigned party are _____.

PLEASE TAKE FURTHER NOTICE that, pursuant to that certain *Order Establishing Notification and Hearing Procedures for Certain Transfers of Common Stock*, this Declaration is being filed with the Court and served upon counsel to the Debtors.

PLEASE TAKE FURTHER NOTICE that, pursuant to 28 U.S.C. § 1746, under penalties of perjury, the undersigned party hereby declares that he or she has examined this Declaration and accompanying attachments (if any), and, to the best of his or her knowledge and belief, this Declaration and any attachments which purport to be part of this Declaration, are true, correct and complete.

Respectfully submitted,

(Name of Substantial Shareholder)

By: _____

Name: _____

Address: _____

Telephone: _____

Facsimile: _____

_____, _____
Dated: _____

EXHIBIT 2

Declaration of Intent to Purchase, Acquire, or Otherwise Accumulate Common Stock

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:

DIGITAL DOMAIN MEDIA GROUP, INC., *et al.*,
Debtors.¹

Chapter 11

Case No.: 12-12568 (BLS)

(Joint Administration Requested)

**DECLARATION OF INTENT TO PURCHASE, ACQUIRE
OR OTHERWISE ACCUMULATE COMMON STOCK**

PLEASE TAKE NOTICE that the undersigned party hereby provides notice of its intention to purchase, acquire, or otherwise accumulate one or more shares of the common stock in Digital Domain Media Group, Inc., or a beneficial interest therein, including Options (as defined herein) to acquire such stock, (collectively, the “Common Stock”) (the “Proposed Transfer”).

PLEASE TAKE FURTHER NOTICE that, if applicable, on _____, _____, the undersigned party filed a Declaration of Status as a Substantial Shareholder² with the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”) and served copies thereof as set forth therein.

¹ The Debtors in these proceedings and the last four digits of each Debtor’s federal or foreign taxpayer identification number, if any, are as follows: D2 Software, Inc. (5602); DDH Land Holdings, LLC; DDH Land Holdings II, LLC; Digital Domain (8392); Digital Domain Institute, Inc. (6275); Digital Domain International, Inc. (9344); Digital Domain Media Group, Inc. (9505); Digital Domain Productions, Inc. (5757); Digital Domain Productions (Vancouver) Ltd. (6450); Digital Domain Stereo Group, Inc. (4526); Digital Domain Tactical, Inc. (6809); Mothership Media, Inc. (2113); Tradition Studios, Inc. (4883); Tembo Productions, Inc. (7634). The Debtors’ mailing address is 10250 SW Village Parkway, Port St. Lucie, Florida 34987.

² For purposes of this Declaration: (i) a “Substantial Shareholder” is any entity that has Beneficial Ownership of at least 2.05 million shares of Common Stock (representing approximately 4.5% of all issued and outstanding shares); (ii) “Beneficial Ownership” of Common Stock is determined under section 382 of the IRC and related regulations and includes direct and indirect ownership (i.e., a holding company would be considered to beneficially own all shares owned or acquired by its subsidiaries), ownership by such holder’s family members

PLEASE TAKE FURTHER NOTICE that the undersigned party currently has Beneficial Ownership of _____ shares of Common Stock.

PLEASE TAKE FURTHER NOTICE that, pursuant to the Proposed Transfer, the undersigned party proposes to purchase, acquire or otherwise accumulate Beneficial Ownership of _____ shares of Common Stock or an Option with respect to _____ shares of Common Stock. If the Proposed Transfer is permitted to occur, the undersigned party will have Beneficial Ownership of _____ shares of Common Stock after such transfer becomes effective.

PLEASE TAKE FURTHER NOTICE that the last four digits of the taxpayer identification number of the undersigned party are _____.

PLEASE TAKE FURTHER NOTICE that, pursuant to that certain Order Establishing Notification and Hearing Procedures for Certain Transfers of Common Stock, this Declaration is being filed with the Bankruptcy Court and served upon counsel to the Debtors.

PLEASE TAKE FURTHER NOTICE that the Debtors have 21 calendar days after receipt of this Declaration to object to the Proposed Transfer described herein. If the Debtors file an objection, such Proposed Transfer will not be effective unless approved by a final order of the Bankruptcy Court that becomes nonappealable. If the Debtors do not object within such 21-day period, then after expiration of such period the Proposed Transfer may proceed solely as set forth in this Declaration.

PLEASE TAKE FURTHER NOTICE that any further transactions contemplated by the undersigned party that may result in purchasing, acquiring or otherwise accumulating additional shares of Common Stock or an Option with respect thereto will each

and entities acting in concert with such holder to make a coordinated acquisition of stock and ownership of shares that such holder has an option to acquire; and (iii) an "Option" to acquire stock includes any contingent purchase, warrant, convertible debt, put, stock subject to risk of forfeiture, contract to acquire stock or similar interest, regardless of whether it is contingent or otherwise not currently exercisable.

require an additional notice filed with the Court to be served in the same manner as this Declaration.

PLEASE TAKE FURTHER NOTICE that, pursuant to 28 U.S.C. § 1746, under penalties of perjury, the undersigned party hereby declares that he or she has examined this Declaration and accompanying attachments (if any), and, to the best of his or her knowledge and belief, this Declaration and any attachments, which purport to be part of this Declaration, are true, correct, and complete.

Respectfully submitted,

(Name of Substantial Shareholder)

By: _____

Name: _____

Address: _____

Telephone: _____

Facsimile: _____

_____, _____
Dated: _____

EXHIBIT 3

Declaration of Intent to Sell, Trade, or Otherwise Transfer Common Stock

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:

DIGITAL DOMAIN MEDIA GROUP, INC., *et al.*,
Debtors.¹

Chapter 11

Case No.: 12-12568 (BLS)

(Joint Administration Requested)

**DECLARATION OF INTENT TO SELL, TRADE,
OR OTHERWISE TRANSFER COMMON STOCK**

PLEASE TAKE NOTICE that the undersigned party hereby provides notice of its intention to sell, trade or otherwise transfer shares of the common stock in Digital Domain Media Group, Inc., or a beneficial interest therein, including Options² to acquire such stock, (collectively, the “Common Stock”) (the “Proposed Transfer”).

PLEASE TAKE FURTHER NOTICE that, if applicable, on

_____, ___, the undersigned party filed a Declaration of Status as a Substantial

¹ The Debtors in these proceedings and the last four digits of each Debtor’s federal or foreign taxpayer identification number, if any, are as follows: D2 Software, Inc. (5602); DDH Land Holdings, LLC; DDH Land Holdings II, LLC; Digital Domain (8392); Digital Domain Institute, Inc. (6275); Digital Domain International, Inc. (9344); Digital Domain Media Group, Inc. (9505); Digital Domain Productions, Inc. (5757); Digital Domain Productions (Vancouver) Ltd. (6450); Digital Domain Stereo Group, Inc. (4526); Digital Domain Tactical, Inc. (6809); Mothership Media, Inc. (2113); Tradition Studios, Inc. (4883); Tembo Productions, Inc. (7634). The Debtors’ mailing address is 10250 SW Village Parkway, Port St. Lucie, Florida 34987.

² For purposes of this Declaration: (i) a “Substantial Shareholder” is any entity that has Beneficial Ownership of at least 2.05 million shares of Common Stock (as defined herein) (representing approximately 4.5% of all issued and outstanding shares); (ii) “Beneficial Ownership” of Common Stock is determined under section 382 of the IRC and related regulations and includes direct and indirect ownership (i.e., a holding company would be considered to beneficially own all shares owned or acquired by its subsidiaries), ownership by such holder’s family members and entities acting in concert with such holder to make a coordinated acquisition of stock and ownership of shares that such holder has an option to acquire; and (iii) an “Option” to acquire stock includes any contingent purchase, warrant, convertible debt, put, stock subject to risk of forfeiture, contract to acquire stock or similar interest, regardless of whether it is contingent or otherwise not currently exercisable.

Shareholder with the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”) and served copies thereof as set forth therein.

PLEASE TAKE FURTHER NOTICE that the undersigned party currently has Beneficial Ownership of _____ shares of Common Stock.

PLEASE TAKE FURTHER NOTICE that, pursuant to the Proposed Transfer, the undersigned party proposes to sell, trade, or otherwise transfer Beneficial Ownership of _____ shares of Common Stock or an Option with respect to _____ shares of Common Stock. If the Proposed Transfer is permitted to occur, the undersigned party will have Beneficial Ownership of _____ shares of Common Stock after the transfer becomes effective.

PLEASE TAKE FURTHER NOTICE that the last four digits of the taxpayer identification number of the undersigned party are _____.

PLEASE TAKE FURTHER NOTICE that, pursuant to that certain Order Establishing Notification and Hearing Procedures for Certain Transfers of Common Stock, this Declaration is being filed with the Bankruptcy Court and served upon counsel to the Debtors.

PLEASE TAKE FURTHER NOTICE that the Debtors have 21 calendar days after receipt of this Declaration to object to the Proposed Transfer described herein. If the Debtors file an objection, such Proposed Transfer will not be effective unless such objection is withdrawn by the Debtors or such action is approved by a final order of the Bankruptcy Court that becomes nonappealable. If the Debtors do not object within such 21-day period, then after expiration of such period the Proposed Transfer may proceed solely as set forth in this Declaration.

PLEASE TAKE FURTHER NOTICE that any further transactions contemplated by the undersigned party that may result in selling, trading or otherwise

transferring shares of Common Stock or an Option with respect thereto will each require an additional notice filed with the Bankruptcy Court to be served in the same manner as this Declaration.

PLEASE TAKE FURTHER NOTICE that, pursuant to 28 U.S.C. § 1746, under penalties of perjury, the undersigned party hereby declares that he or she has examined this Declaration and accompanying attachments (if any), and, to the best of his or her knowledge and belief, this Declaration and any attachments, which purport to be part of this Declaration, are true, correct, and complete.

Respectfully submitted,

(Name of Substantial Shareholder)

By: _____

Name: _____

Address: _____

Telephone: _____

Facsimile: _____

_____, _____
Dated: _____

EXHIBIT 4

Notice of Order

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:

DIGITAL DOMAIN MEDIA GROUP, INC., *et al.*,
Debtors.¹

Chapter 11

Case No.: 12-12568 (BLS)

(Joint Administration Requested)

**NOTICE OF (A) NOTIFICATION PROCEDURES APPLICABLE TO
SUBSTANTIAL HOLDERS OF COMMON STOCK, (B) NOTIFICATION
AND HEARING PROCEDURES FOR TRADING IN COMMON STOCK, AND
(C) ALLOWING A HEARING ON THE PROSPECTIVE APPLICATION THEREOF**

**TO: ALL ENTITIES (AS DEFINED BY SECTION 101(15) OF THE BANKRUPTCY
CODE) THAT HOLD COMMON STOCK OF DIGITAL DOMAIN MEDIA
GROUP, INC.**

PLEASE TAKE NOTICE THAT on September ____, 2012 (the “Petition Date”), Digital Domain Media Group, Inc. and certain of its affiliates (collectively, the “Debtors”), filed chapter 11 petitions with the Court under Title 11 of the United States Code (the “Bankruptcy Code”). Subject to certain exceptions, section 362 of the Bankruptcy Code operates as a stay of any act to obtain possession of or exercise control over property of the Debtors’ estates.

PLEASE TAKE FURTHER NOTICE THAT on the Petition Date, the Debtors filed the *Motion of the Debtors for the Entry of Interim and Final Orders Establishing Notification and Hearing Procedures for Certain Transfers of Common Stock* (the “Motion”).

¹ The Debtors in these proceedings and the last four digits of each Debtor’s federal or foreign taxpayer identification number, if any, are as follows: D2 Software, Inc. (5602); DDH Land Holdings, LLC; DDH Land Holdings II, LLC; Digital Domain (8392); Digital Domain Institute, Inc. (6275); Digital Domain International, Inc. (9344); Digital Domain Media Group, Inc. (9505); Digital Domain Productions, Inc. (5757); Digital Domain Productions (Vancouver) Ltd. (6450); Digital Domain Stereo Group, Inc. (4526); Digital Domain Tactical, Inc. (6809); Mothership Media, Inc. (2113); Tradition Studios, Inc. (4883); Tembo Productions, Inc. (7634). The Debtors’ mailing address is 10250 SW Village Parkway, Port St. Lucie, Florida 34987.

PLEASE TAKE FURTHER NOTICE THAT on _____, 2012, the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”) entered the *Order Establishing Notification and Hearing Procedures for Certain Transfers of Common Stock* approving the procedures set forth below in order to preserve the Debtors’ Tax Attributes (as defined in the Motion) (the “Order”).

PLEASE TAKE FURTHER NOTICE THAT pursuant to the Order, the following procedures shall apply to holding and trading in the common stock of Digital Domain Media Group, Inc., or a beneficial interest therein, including Options (as defined herein) to acquire such stock, (collectively, the “Common Stock”):

a. Any entity (as defined in section 101(15) of the Bankruptcy Code) or person that currently is or becomes a Substantial Shareholder (defined in paragraph e below) must file with the Court, and serve upon counsel to the Debtors, a declaration of such status, substantially in the form of Exhibit 1 attached to the Order, on or before the later of (i) 40 days after the date of this Notice and (ii) ten (10) days after becoming a Substantial Shareholder.

b. Prior to effectuating any transfer of Beneficial Ownership of Common Stock that would result in an increase in the amount of Common Stock of which a Substantial Shareholder has Beneficial Ownership or would result in an entity or person becoming a Substantial Shareholder, such Substantial Shareholder or potential Substantial Shareholder must file with the Court, and serve upon counsel to the Debtors, an advance written declaration of the intended transfer of Common Stock in the form of Exhibit 2 attached to the Order (each, a “Declaration of Intent to Purchase, Acquire, or Otherwise Accumulate Common Stock”).

c. Prior to effectuating any transfer of Beneficial Ownership of Common Stock that would result in a decrease in the amount of Common Stock of which a Substantial Shareholder has Beneficial Ownership or would result in an entity or person ceasing to be a Substantial Shareholder, such Substantial Shareholder must file with the Court, and serve upon counsel to the Debtors, an advance written declaration of the intended transfer of Common Stock in the form of Exhibit 3 attached to the Order (each, a “Declaration of Intent to Sell, Trade, or Otherwise Transfer Common Stock” and with a Declaration of Intent to Purchase, Acquire, or Accumulate Common Stock, each, a “Declaration of Proposed Transfer”).

d. The Debtors shall have 21 calendar days after receipt of a Declaration of Proposed Transfer to file with the Court and serve on such Substantial Shareholder or potential Substantial Shareholder an objection to any proposed transfer of Beneficial Ownership of Common Stock described in the Declaration of Proposed Transfer on the grounds that such transfer might adversely affect the Debtors' ability to utilize their Tax Attributes. If the Debtors file an objection, such transaction would not be effective unless such objection is withdrawn by the Debtors or such transaction is approved by a final order of the Court that becomes nonappealable. If the Debtors do not object within such 21-day period, such transaction could proceed solely as set forth in the Declaration of Proposed Transfer. Further transactions within the scope of this paragraph must be the subject of additional notices in accordance with the procedures set forth herein, with an additional 21-day waiting period for each Declaration of Proposed Transfer.

e. For purposes of these procedures: (i) a "Substantial Shareholder" is any entity or person that has Beneficial Ownership of at least 2.05 million shares of Common Stock (representing approximately 4.5% of all issued and outstanding shares)²; (ii) "Beneficial Ownership" of Common Stock is determined under section 382 of the IRC and related regulations and includes direct and indirect ownership (i.e., a holding company would be considered to beneficially own all shares owned or acquired by its subsidiaries), ownership by such holder's family members and entities acting in concert with such holder to make a coordinated acquisition of stock and ownership of shares that such holder has an option to acquire; and (iii) an "Option" to acquire stock includes any contingent purchase, warrant, convertible debt, put, stock subject to risk of forfeiture, contract to acquire stock or similar interest, regardless of whether it is contingent or otherwise not currently exercisable.

PLEASE TAKE FURTHER NOTICE THAT, upon the request of any entity, the notice, claims, and balloting agent for the Debtors, Kurtzman Carson Consultants, LLC ("KCC"), will provide a form of each of the required declarations described above and a copy of the Order in a reasonable period of time. Such declarations are also available at [[http:// -----](http://-----)].

FAILURE TO FOLLOW THE PROCEDURES SET FORTH IN THIS NOTICE SHALL CONSTITUTE A VIOLATION OF, AMONG OTHER THINGS, THE AUTOMATIC STAY PROVISIONS OF SECTION 362 OF THE BANKRUPTCY CODE.

ANY PROHIBITED PURCHASE, SALE, TRADE, OR OTHER TRANSFER OF COMMON STOCK IN THE DEBTORS OR OPTION WITH RESPECT THERETO IN

² Based on 45,630,801 shares of Common Stock issued and outstanding as of September 5, 2012.

VIOLATION OF THE FINAL ORDER SHALL BE NULL AND VOID *AB INITIO* AND MAY BE PUNISHED BY CONTEMPT OR OTHER SANCTIONS IMPOSED BY THE BANKRUPTCY COURT.

PLEASE TAKE FURTHER NOTICE THAT the requirements set forth in this Notice are in addition to the requirements of applicable law and do not excuse compliance therewith.

Dated: September __, 2012

PACHULSKI STANG ZIEHL & JONES LLP

Debra I. Grassgreen (CA Bar No. 169978)
Robert J. Feinstein (NY Bar No. RF-2836)
Timothy P. Cairns (DE Bar No. 4228)
Maria A. Bove (NY Bar No. MB-8687)
919 North Market Street, 17th Floor
P.O. Box 8705
Wilmington, DE 19899-8705 (Courier 19801)
Telephone: (302) 652-4100
Facsimile: (302) 652-4400
Email: dgrassgreen@pszjlaw.com
rfeinstein@pszjlaw.com
tcairns@pszjlaw.com
mbove@pszjlaw.com

[Proposed] Counsel to the Debtors and Debtors in Possession