

CLEARSTONE

ONLINE GAMING FUND

PRIVATE AND CONFIDENTIAL

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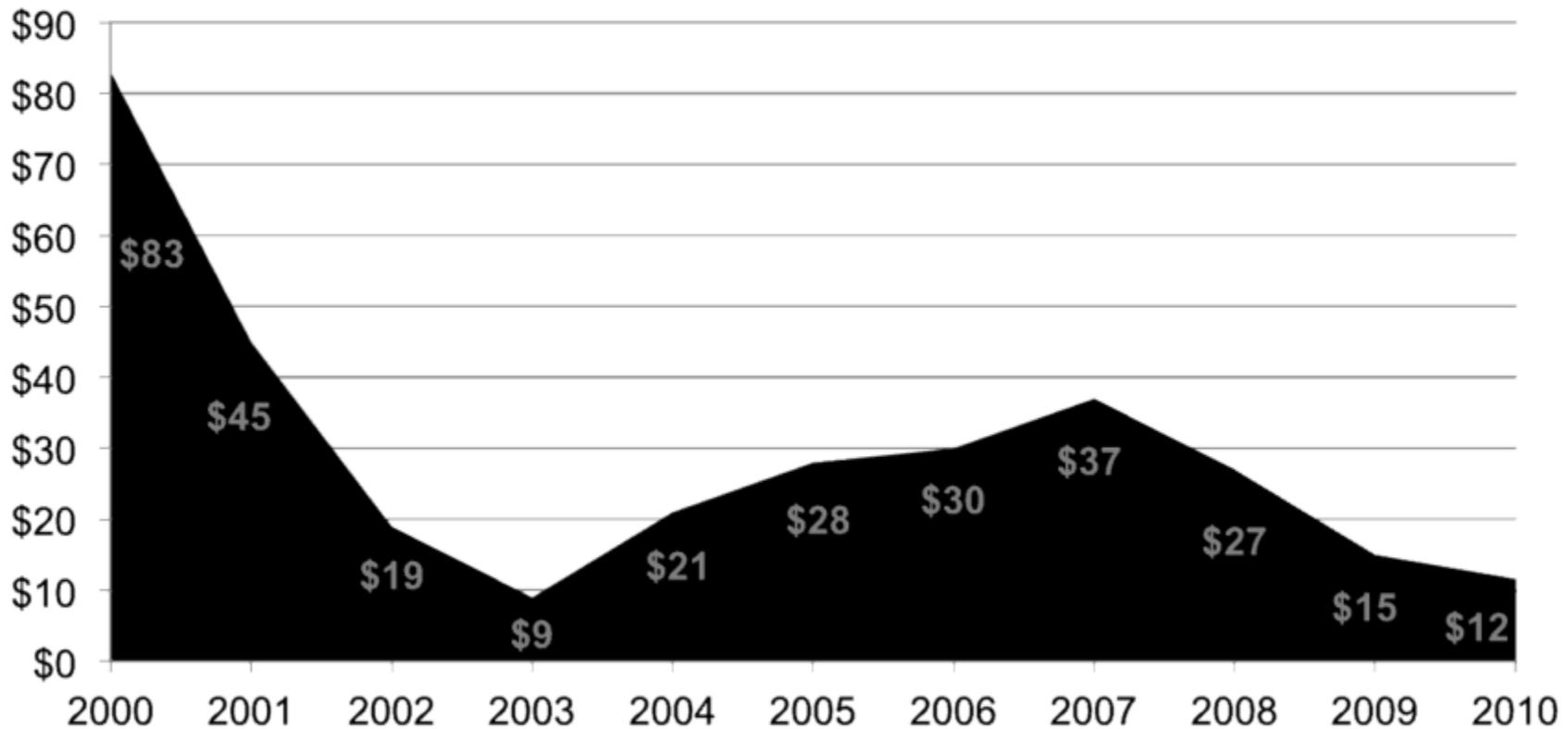
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STATE OF VENTURE CAPITAL

A DECADE AFTER THE DOT COM BUBBLE BURST, THE VENTURE CAPITAL MARKET IS NOW POISED FOR BREAKOUT PERFORMANCE

**CONDITIONS HAVE IMPROVED
CONSIDERABLY, HELPED BY
A REDUCTION IN CAPITAL
AND FIRMS...**

VENTURE CAPITAL FUNDRAISING IS DOWN 67% IN 2010 VS 2007

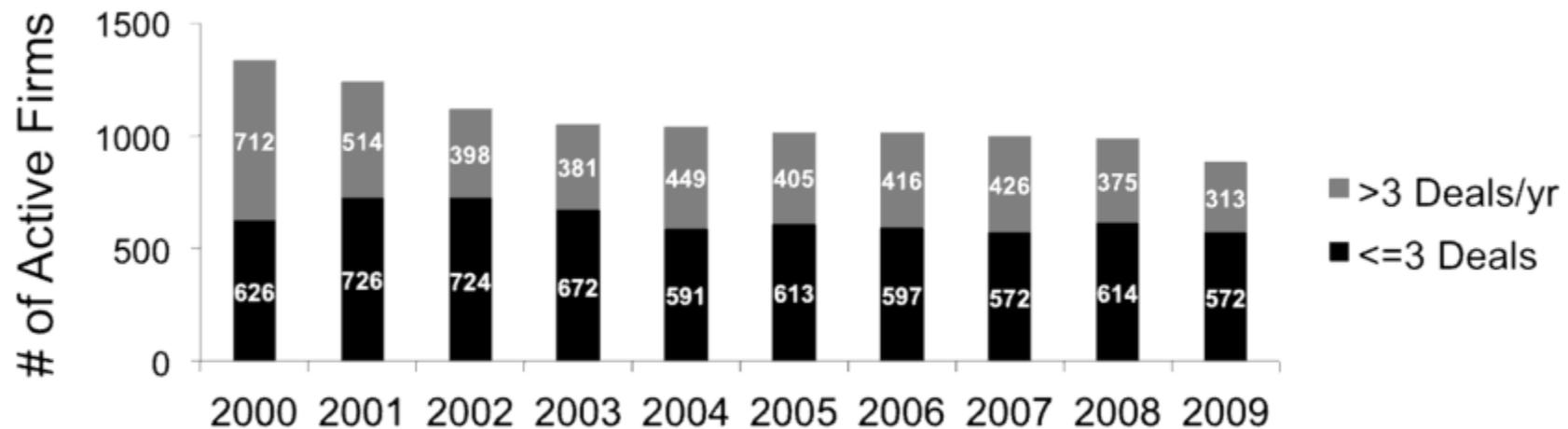


» VC IT funding commitments back to 1996 levels

Source: DowJones VentureSource

ONLY THE STRONGEST FIRMS SURVIVED THE POST BUBBLE SHAKE OUT

Active Information Technology Investors



» Active Investors Down

- 712 active investors in 2000 versus 313 in 2009, a 56% decline

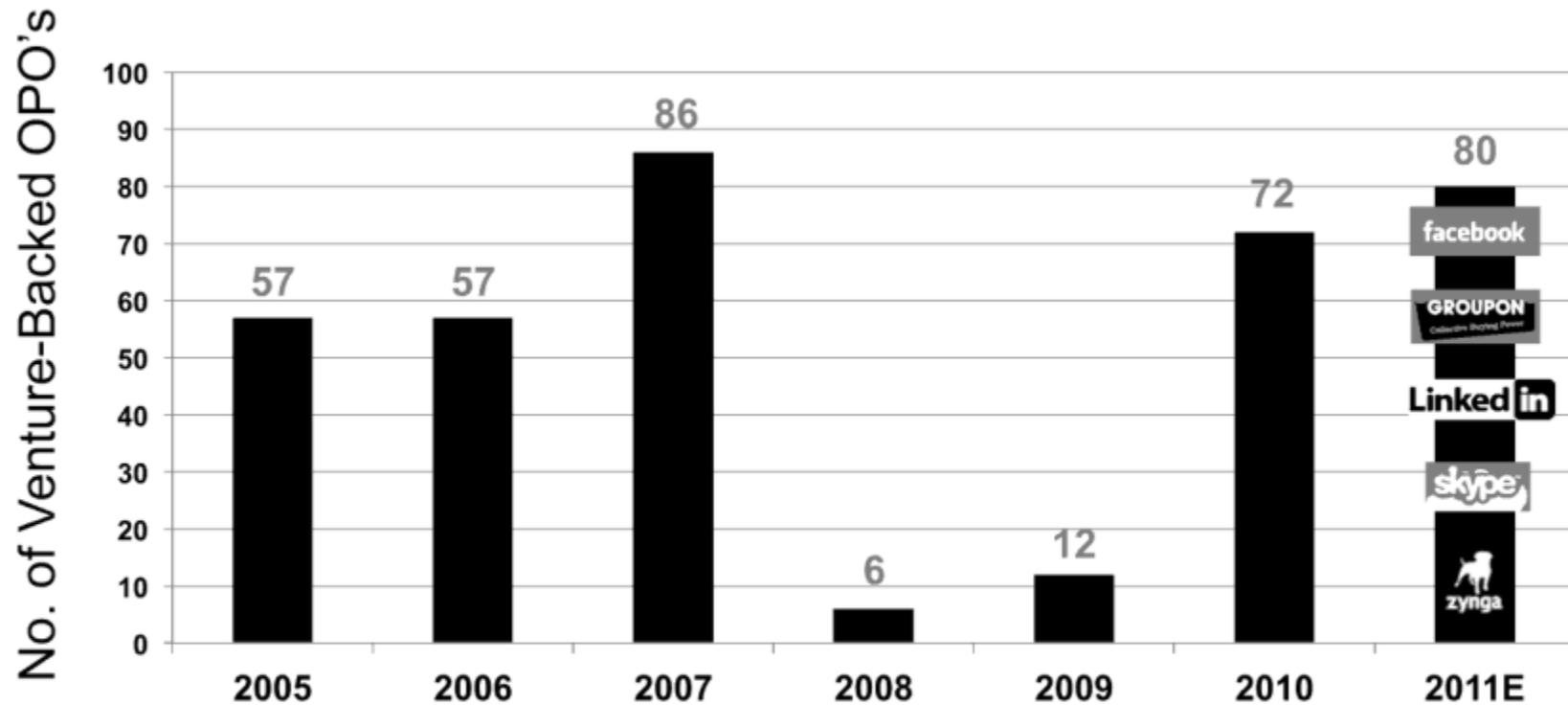
» Average Fund Size Increased

- \$165MM in 2000 versus \$200MM in 2009

Source: DowJones VentureSource

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STRONG PUBLIC MARKET APPETITE FOR GROWTH STORIES



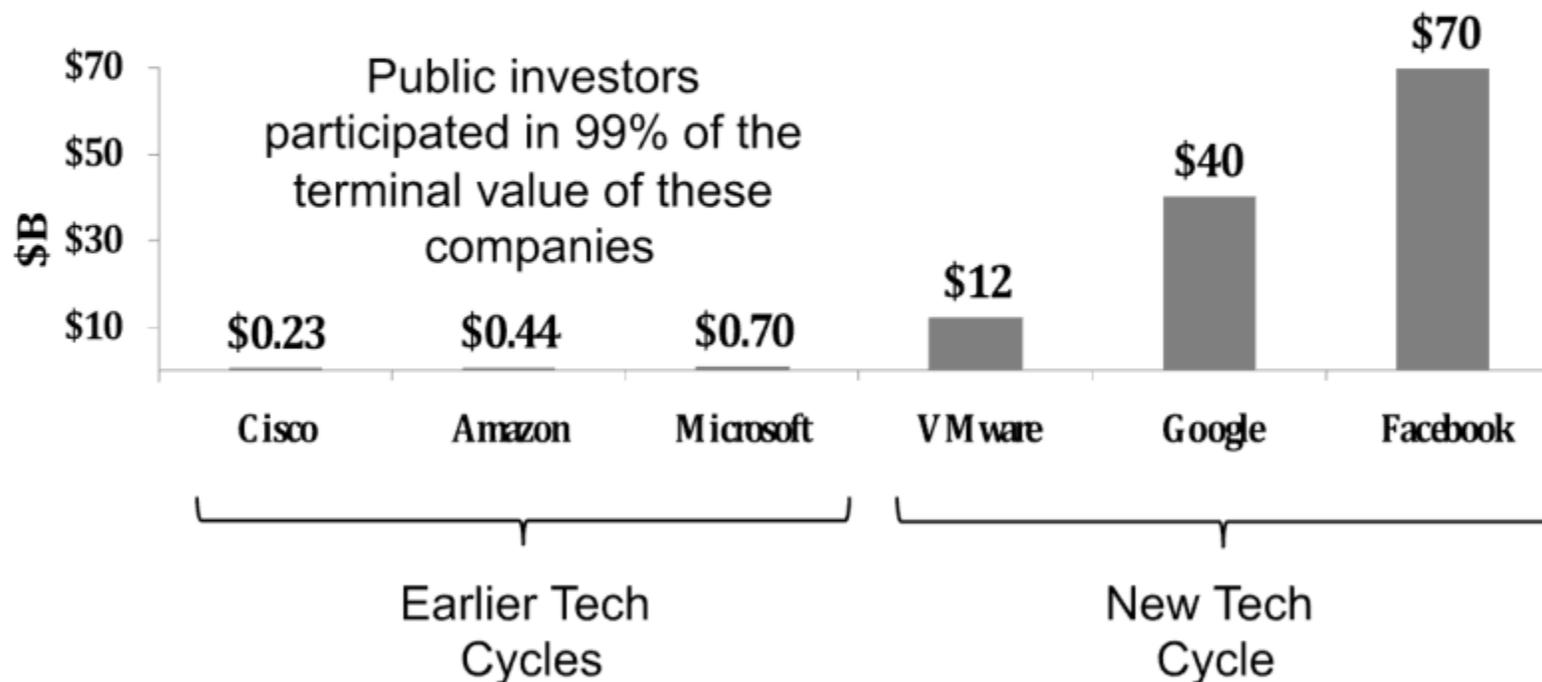
» A new generation of large market cap tech companies will increase the field of potential acquirers

Source: NVCA and Clearstone analysis. Selected IPO's shown in 2011. LinkedIn and Skype have filed for IPO. Facebook, Zynga and GroupOn IPO are market speculation.

**MORE SO THAN EARLIER TECH
CYCLES, PRIVATE INVESTORS ARE
BEING REWARDED FOR POTENTIAL
BREAK OUT VALUE AT IPO**

MORE VALUE ACCRUING TO VENTURE INVESTORS, NOT PUBLIC SHAREHOLDERS

Pre-Money IPO Valuations

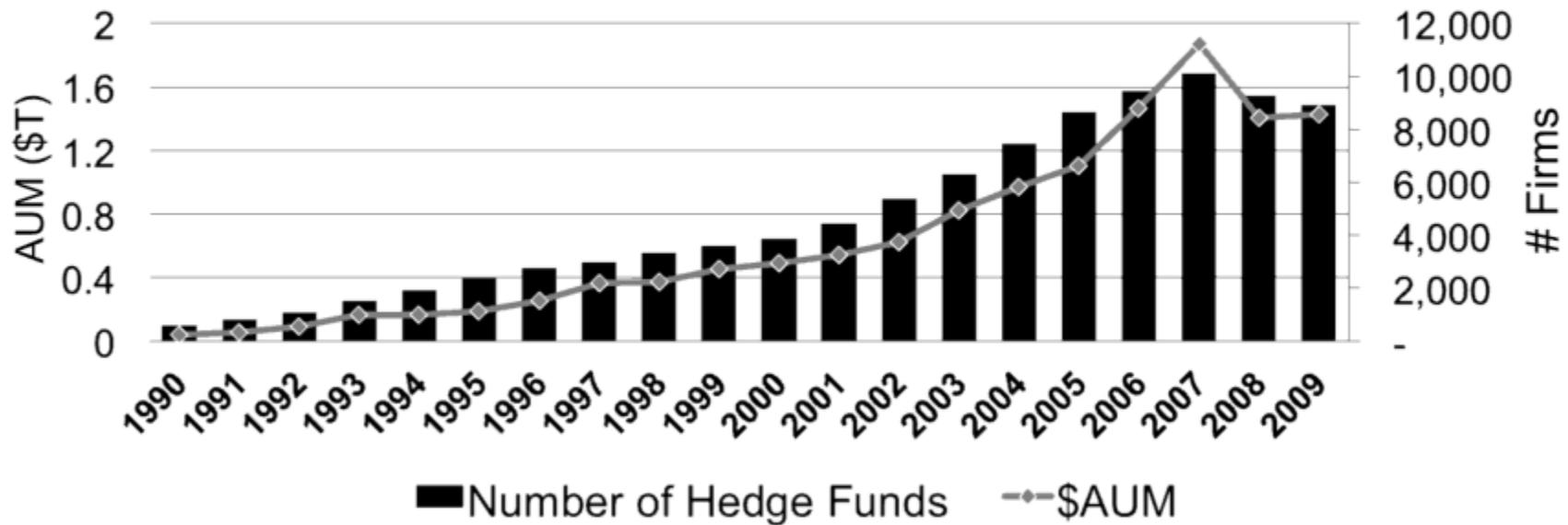


Source: Facebook Pre-Money IPO valuation \$70B per SharesPost private market exchange – February 2011

WHY ARE EARLY STAGE COMPANIES CAPTURING MORE VALUE?

CAPITAL MARKETS ARE MUCH BETTER INFORMED

Hedge Fund Industry Growth

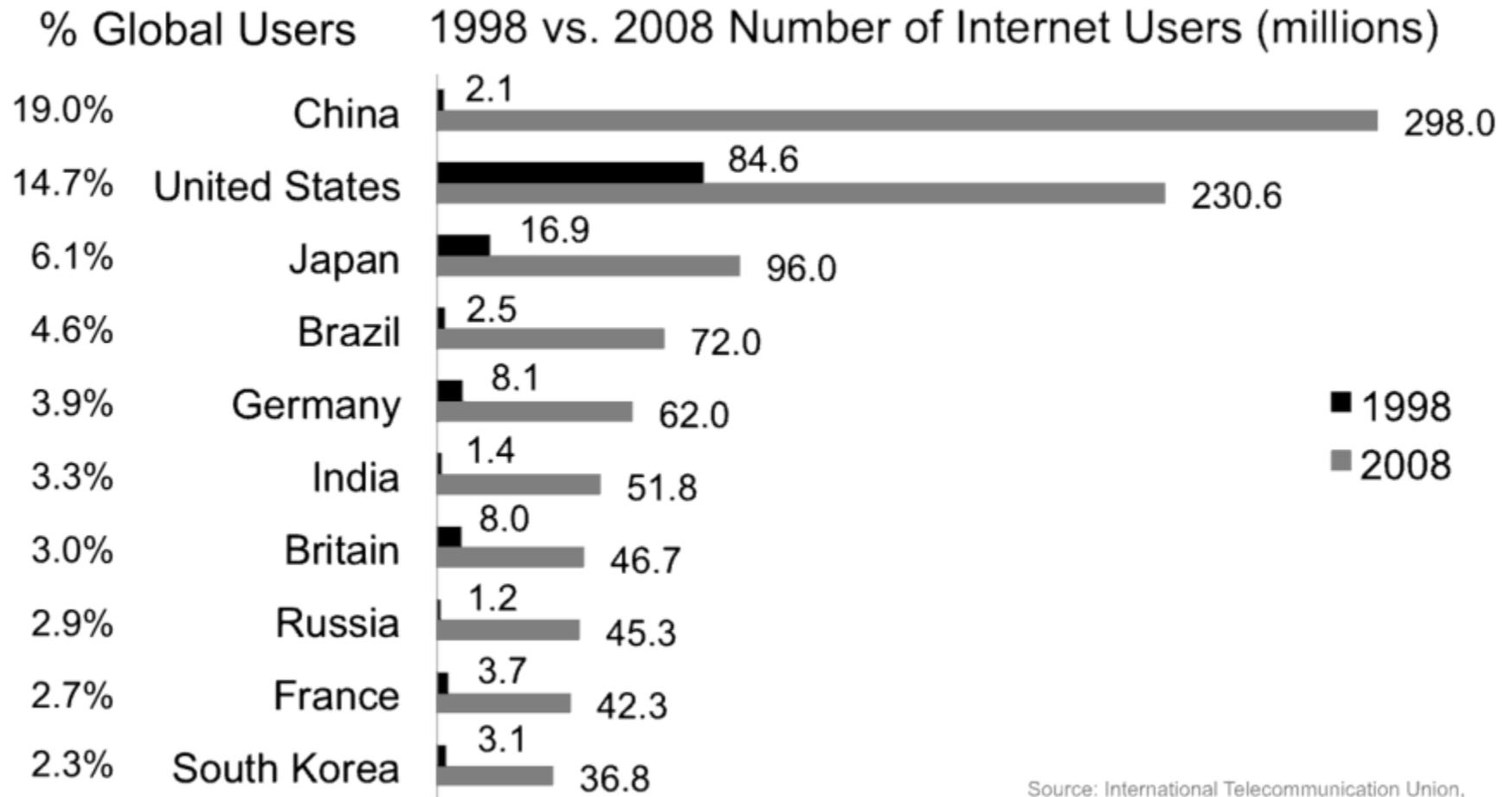


» Better informed investors driving efficiency in the pricing of growth stories

Source: Hedge Fund Research

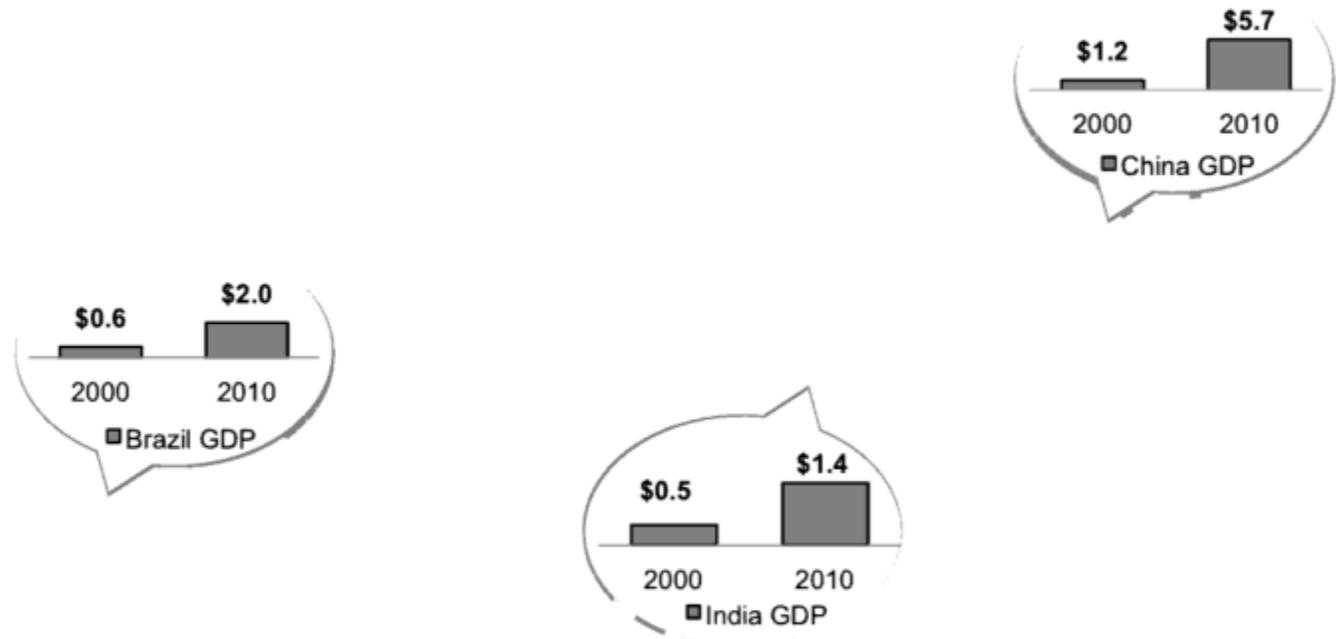
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COMPANIES HITTING CRITICAL MASS FASTER DUE TO INTERNET GROWTH



Source: International Telecommunication Union, World Telecommunication/ICT Development Report

GLOBAL GAINS ARE CAUSING COMPANIES TO GO GLOBAL EARLIER IN THEIR LIFECYCLE



» 2.5 year old GroupOn already has 35 international offices

Source: International Monetary Fund
Amounts in (\$Trillions)

**CLEARSTONE WAS THE EARLIEST
AND MOST SUCCESSFUL FUND
TARGETING THE CONSUMER
INTERNET SECTOR**

FORTUNE MAGAZINES TOP FIVE PERFORMING PRIVATE EQUITY FUNDS

- » Fortune magazine produced an article on September 17th, 2010 presenting “The 5 best and 5 worst private equity funds”
 - The source for the article was the California Public Employees Retirement System (CalPERS)
 - CalPERS is the nations largest private investor
 - Funds judged by net IRR
- » Top 5 performing private equity funds
 - Clearstone Venture Partners 1-B (1999): 154.7%
 - T3 Partners II (2001): 95.6%
 - GCP California Fund (2003): 91.9%
 - WLR Recovery Fund II (2002): 79.5%
 - Permira Europe I (1997): 74.5%

WHY WAS THE FIRST CLEARSTONE SECTOR FOCUSED FUND SO SUCCESSFUL?

A DIFFERENT INVESTMENT APPROACH

» Conventional Fund Strategy

- Invest across a range of sectors, with capital weightings for each sector determined ad hoc and post closing of the fund
- Rely on a few mega hits to drive fund returns
- Fund's investment focus heavily dependent on each partner's personal interests, network, and capacity to do more deals

» Clearstone Sector Fund Approach

- Become 'hub of the wheel' for all investments by positioning the entire fund's resources around one sector
- Switch from 'wild-cattling' for big hits to funding numerous ideas within a known big hit market
- Combine traditional venture capital investing with a highly successful incubation practice

MANY BENEFITS ACCRUE TO SECTOR FOCUSED FUNDS

- » First fund in the sector which caused the fund to become synonymous with the sector
 - Always on the short list of the best entrepreneurs and fellow venture firms
- » Sector focused meant sector smart
 - Assembled the nascent industry's best advisors and thinkers
 - Developed deep and comprehensive understanding of the industry ecosystem
 - Anticipated the industry's future needs – and funded those opportunities early
- » Knew the acquirers and their strategic priorities
- » Nature of sector focused fund allows for stage agnostic investing providing a balanced portfolio with providing earlier liquidity
 - Seed (up to 10 year liquidity cycle), Series A/B (up to 7 year liquidity cycle), and Pre-IPO (under 24 months)

THE CLEARSTONE ONLINE GAMING FUND IS APPLYING THE SAME STRATEGY FOR AN EQUALLY INTERESTING MARKET

THE CLEARSTONE ONLINE GAMING FUND

» Investment focus

- Online gaming sector
- Primarily private companies (15+ investments)
- 3 year investment time frame

» Fund size

- \$150M cap
- \$50M first close (5+ investment opportunities identified)

» Key Terms

- 2.5% management fee with 20% carried interest
- 2% general partner contribution
- Key man provision
- No fault divorce clause

RATIONALE FOR A FUND TARGETING THE ONLINE GAMING MARKET

- » Participate in the massive value creation — and value shifts — created by the explosive growth in online gaming
- » Represents the biggest near term investment opportunity known to the fund's principals
- » No gaming focused funds with few venture capitalists deeply familiar with the sector
- » Global investment opportunities with robust exit options
- » Ability to create a concentrated global stage agnostic portfolio designed to capture the value caused by the industry's growth while providing greater liquidity than typical venture funds
 - Clearstone has a presence in most major gaming markets allowing us to invest globally (Southern California, Northern California, Europe, Middle East, Asia and India)

CLEARSTONE ONLINE GAMING FUND

PRINCIPALS

- » William Quigley (Los Angeles) — Managing Director
 - 14 years experience as venture capitalist and board member – co-founder of Clearstone Venture Partners (successor firm to idealab Capital Partners)
 - Invested in numerous seed and early stage companies. IPOs include eMachines, eMusic, Meru Networks, MP3.com, PeopleSupport, Tickets.com
 - USC, Disney, HBS, Kauffman Fellow, Mid Atlantic VC
- » Brock Pierce (Los Angeles) — Managing Director
 - 13 years experience as an entrepreneur raising more than \$200m
 - Founded Affinity Media, IGE, ZAM, Titan Gaming, EverTune, RevenueAPEX, Digital Entertainment Network, myTaste
 - Acquired more than 30 companies including Xfire, IMI, SkyHi, Thottbot, Wowhead, Allakhazam, Player Auctions, Mysupersales
 - Advisor to the China Youth League

CLEARSTONE ONLINE GAMING POTENTIAL FUND PRINCIPALS

- » Keith McCurdy (Bay Area) — Managing Director
 - 23 years experience in the game business as a senior executive EA, board member of game companies (both public and private), and CEO of multiple game startups
 - 12 years at industry leader Electronic Arts as VP Online, VP Technology, VP Product Development, and Director of Advanced Technology Group
 - Direct operating experience in console, PC, MMO, mobile, casual, and social games
 - Raised venture capital from five venture funds as CEO and several more as a board member (all gaming based startups)
- » Michael Robertson (San Diego) — Venture Partner
 - Raised more than \$100M and orchestrated transactions with a combined value of nearly a billion dollars in public and private markets
 - Founded MP3.com (sold to UMG), DAR.fm, Linspire (sold to Xandros), Gizmo5 (sold to Google)

CLEARSTONE ONLINE GAMING POTENTIAL FUND PRINCIPALS

- » Rachid Sefrioui (Paris) — Venture Partner
 - 12 years experience as venture capitalist and board member – founder of Fina Ventures
 - Invested in New.net, RF Magic, asip, Reef, Entropic, Apogee, CyOptics, Atrenta, General Photonics, OEwaves, Sequoia Communications
 - University of Cleveland, McKinsey, Bowco Investment Management, Wafabank
- » Louis Hsieh (Beijing) — Venture Partner
 - 20 years experience as private equity investor, investment banker, CFO, and board member
 - President of New Oriental Education (NYSE: EDU)
 - Former UBS MD and Head of TMT Asia Pacific, board member of Perfect World (NASDAQ: PWRD)
 - MBA HBS, JD Berkeley, Stanford, JP Morgan, Credit Suisse First Boston, White & Case
- » Jim Armstrong (Los Angeles) — Member of the Investment Committee

POTENTIAL VENTURE ADVISORS

- » *John Pleasants* — President of Disney Interactive, Former CEO of Playdom, COO of Electronic Arts
- » *John Schappert*— COO of Electronic Arts
- » *Sean Ryan* — Head of Facebook Games
- » *Steve Chang* — President of Zynga Game Studio
- » *Neil Young* — President of Ngmoco/DeNA
- » *John Batter* — Co-President of Dreamworks Interactive
- » *David Wallerstein*— EVP International of Tencent
- » *Ed Fries* — Founder of Xbox
- » *Howard Marks* — Founder of Activision, Acclaim, Former SVP for Playdom
- » *Nolan Bushnell* — Founder of Atari and Chuck E Cheese
- » *Jeffrey Pollack* — Former Commissioner of the World Series of Poker

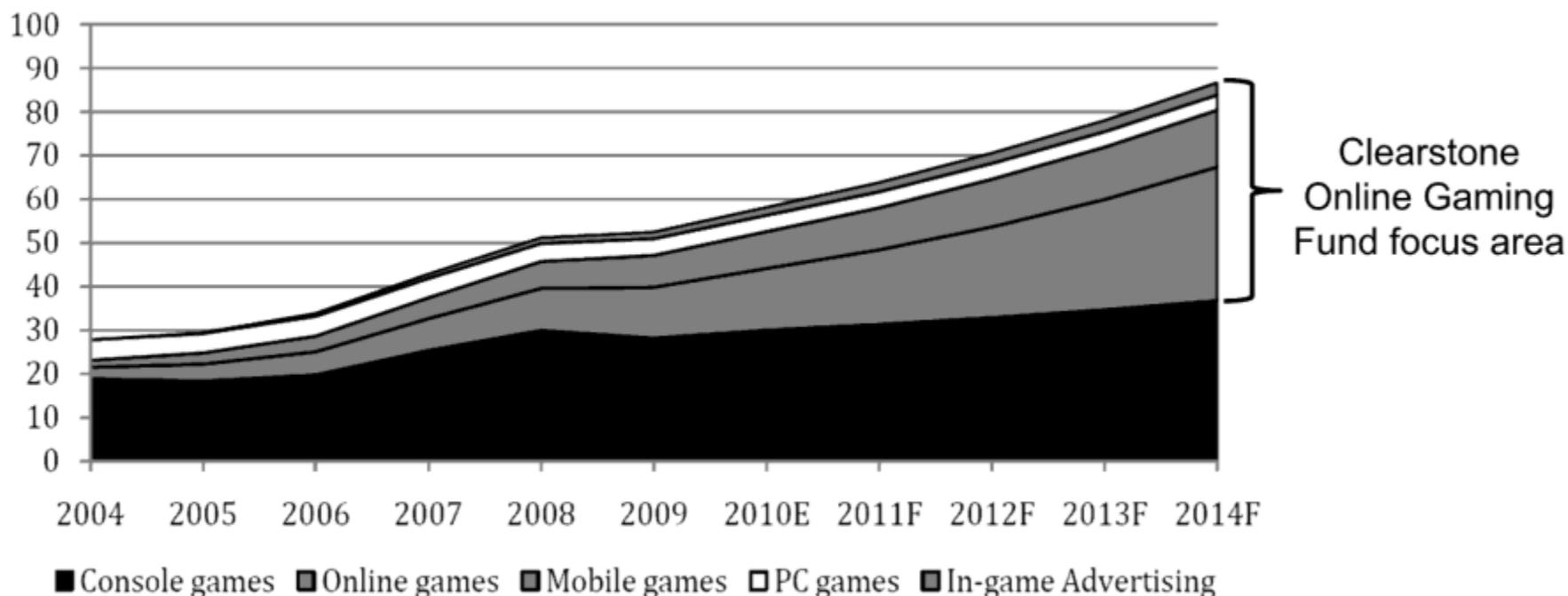
POTENTIAL VENTURE ADVISORS

- » *Wade Davis* — Chief Strategic Officer of Viacom, Co-Founder of Think Equity, Lazard
- » *Jack Kennedy* — EVP of Digital Media for News Corp
- » *Steve Eskenazi* — Former Managing General Partner of Walden Ventures
- » *Shawn Fanning* — Founder of Napster, Snowcap, Path
- » *Brad Serwin* — COO of Playdom, Former General Counsel of Sands Resorts
- » *Karl Meta* — Founder of Playspan
- » *Shervin Pishevar*— Founder of SGN and prominent angel investor
- » *John Borthwick*— Founder of Betaworks, EVP of Time Warner
- » *Mike Huskins* — Executive Recruiter for Facebook, Zynga, Glam
- » *Ross Levinsohn* — EVP of Yahoo Americas

TRENDS DRIVING GROWTH IN THE ONLINE GAMING MARKET

GLOBAL GAMING MARKET IS EXPECTED TO HIT \$87 BILLION BY 2014

Global Video Games Sector Revenue (\$B)



» The console gaming market is flat, with overall market growth being driven by online and mobile games

Source: Digi-Capital

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ONLINE GAMING IS CREATING MASSIVE VALUE, FASTER THAN EVER IN HISTORY



Valued at \$67B
40% Traffic Game-related
(Social Network)



Valued at \$10B
275M Monthly Actives
(Social Game Publisher)



\$1B in Game Sales
30M Users
(Etailer of Games)



\$55B Market Cap
\$3.2B 2010 Run-rate
(Social Gaming Network)



Valued at \$10B (est.)
Revenue 2010: \$860M (est.)
(Game Publisher)



Valued at \$5.5B
\$1.5B 2010 Run-rate
(Mobile Game Publisher)

DISTRIBUTION AND BUSINESS MODEL UNDERGOING MAJOR TRANSITION

The Old Model (1980+)



Retail

Packaged Software



Console/PC



The NEW Model (2010+)



Free-to-Play
Virtual Goods



Web/Mobile

Source: DFC Intelligence & iGaming Business

THE MARKET HAS REALIZED THE VALUE SHIFT FROM RETAIL TO FREEMIUM



Tencent 腾讯



Year Founded

1982

1998

2007

Value

\$7B Market Cap

\$55B Market Cap

Valued at \$10B

Revenue

\$3.7B

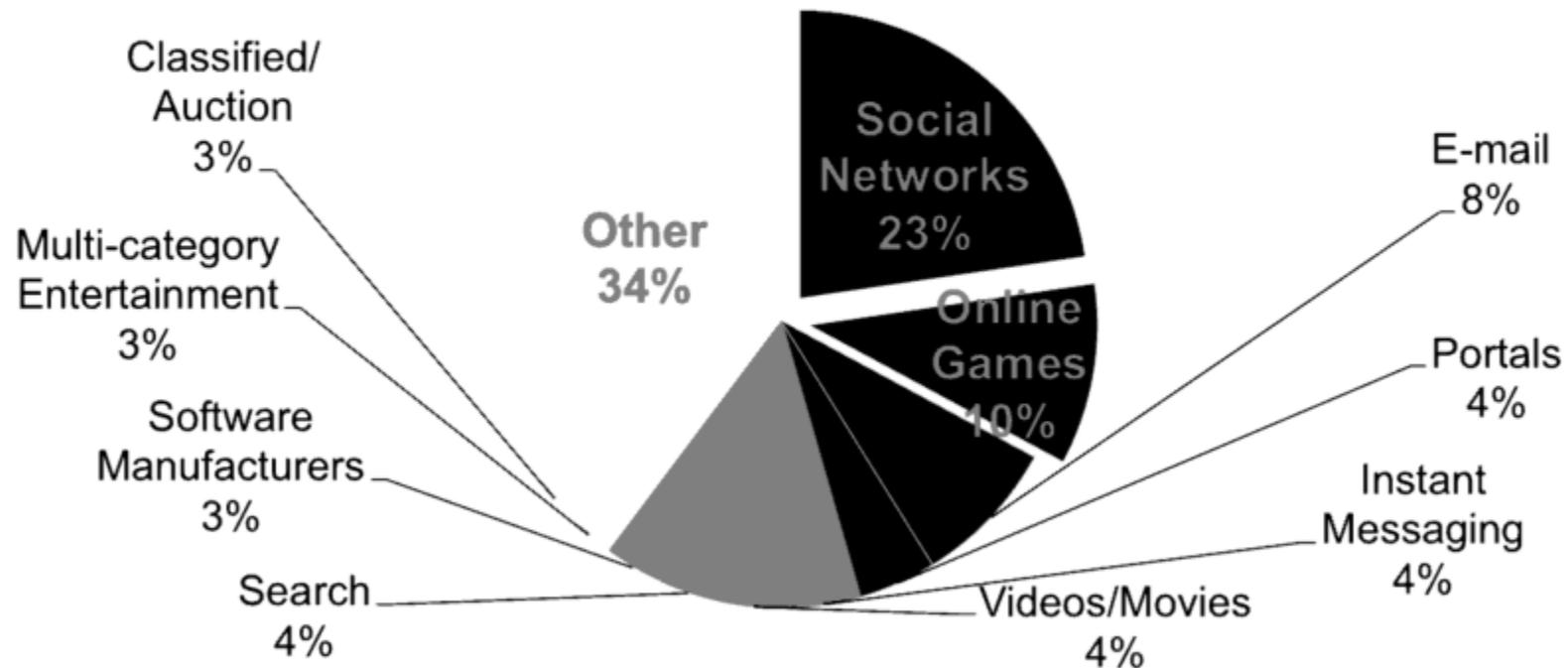
\$3B

\$1.8B*

Source: CrunchBase, Google Finance, Forbes, company filings, equity research
* Forecast 2011 Revenue

SOCIAL NETWORKING AND ONLINE GAMING NOW ACCOUNT FOR 33% OF TIME ONLINE

Share of Time Online



» Social networks and online games grew 31% in 2010 and now account for 33% of all time online

Source: Nielsen as of June 2010

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SOCIAL NETWORKING DRIVING MASS MARKET ADOPTION OF ONLINE GAMES

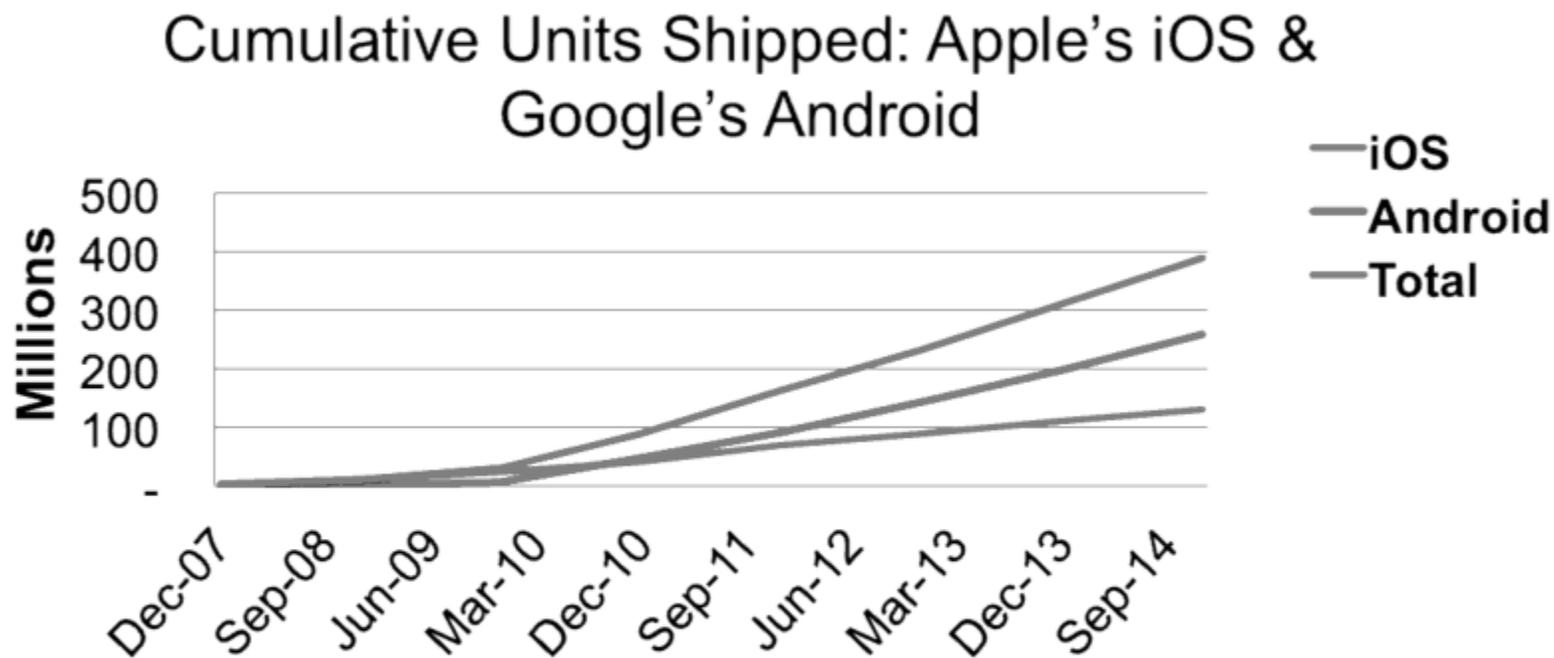
Rank	Name	Category	Monthly Active Users (MAUs)
1	City Ville	Games	93M
2	Farm Ville	Games	50M
3	Badoo	Dating	46M
4	Texas Hold'Em Poker	Games	38M
5	Causes	Philanthropy	22M
6	BandPage	Utility	19M
7	FrontierVille	Games	19M

- » Facebook's userbase is 662MM
- » 4 of the top 7 and half of the top 40 Facebook applications are games

Source: AppData, March 2011

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ONLINE GAMING FUND

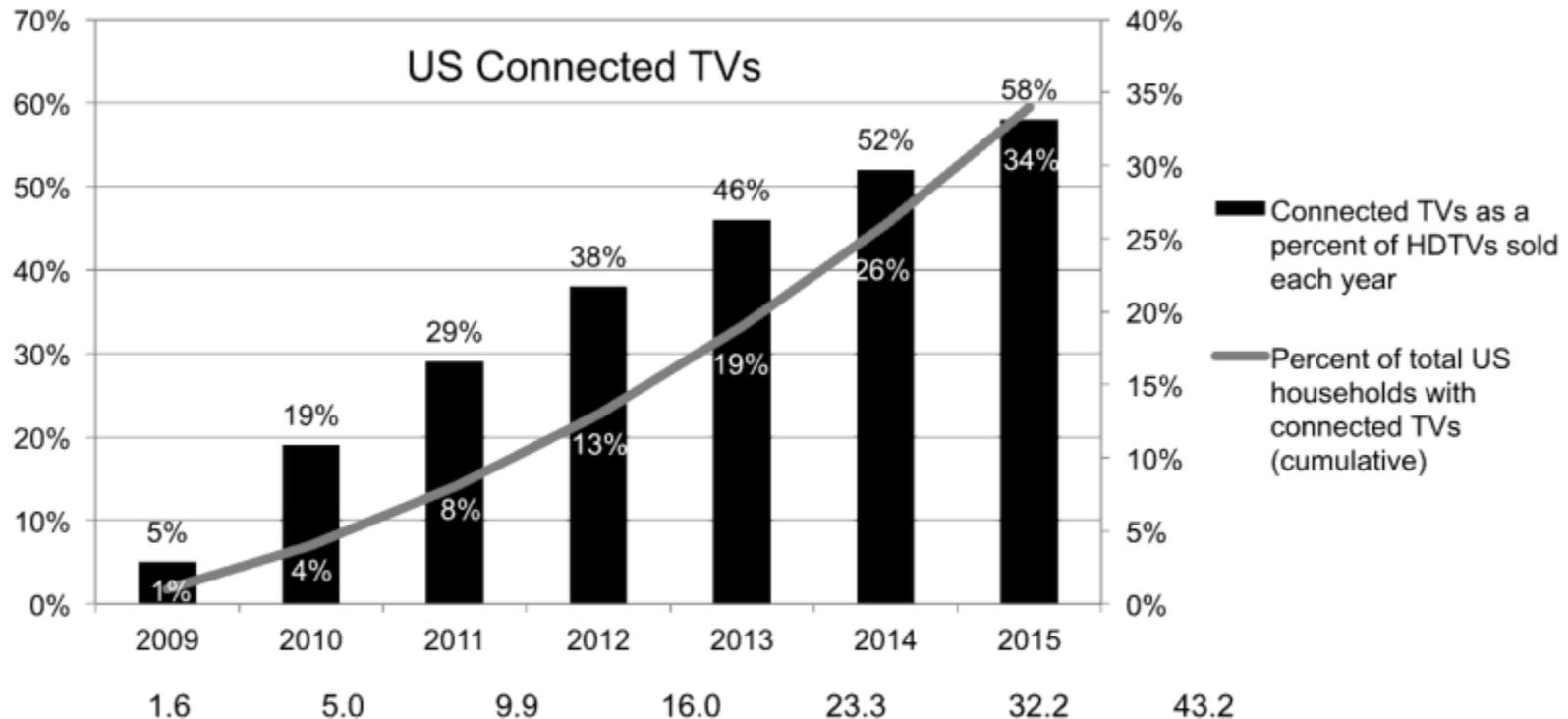
MOBILE GAMING IS THE FASTEST GROWING SEGMENT OF THE ONLINE GAMING INDUSTRY



- » Smart-phone proliferation is putting a “game console” in millions of consumers’ pockets
- » Apple has generated over 10 billion app downloads; over 70% of all mobile consumer applications downloaded are mobile games

Source: Gartner

CONNECTED TVs – GROWING OPPORTUNITY FOR ONLINE GAMING



» One third of US households are expected to have connected TVs by 2015 opening up a large potential market for online gaming

US connected TV households (millions)

Source: Forrester

REPRESENTS A WORLDWIDE PHENOMENON



CHINESE FIRMS BECOME MORE ACQUISITIVE DUE TO GOVERNMENT'S 5-YEAR PLAN

- » China recently released its 12th 5-year plan covering 2011 to 2015
- » The new plan contains a huge push towards globalization, with a provision for 500,000 Chinese companies to have international offices by 2015
- » Government wants creative companies (including gaming firms) to increase share of GDP from less than 2% today to 5% by 2015
- » Chinese gaming companies likely enter global markets via acquisition
 - This trend has already begun with Tencent's \$472M acquisition of Riot Games



Creative Industries Share of GDP



Source: China Daily

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TARGET RICH ENVIRONMENT WITH A DIVERSE GROUP OF ACQUIRERS

Company	Acquired By	Category	Acquisition Price
Playdom	Disney	Casual Gaming	\$763.2M
Riot Games	Tencent	Free-to-Play Developer	\$472M
ngmoco	DeNA	Mobile Gaming Platform	\$400M
Playfish	EA	Casual Gaming	\$300M
Playspan	Visa	Payment System	\$190M
Slide	Google	Casual Gaming	\$182M
Wagerworks	IGT	Online Casino Gaming	\$90M
Mochi Media	Shanda	Casual Gaming Network	\$80M
Jambool	Google	Payment System	\$70M

» \$2B in M&A and financing in the trailing 12 months with activity accelerating

Source: TheFunded

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HISTORY OF CLEARSTONE

SOME OF OUR NOTEWORTHY INVESTMENTS



THE CLEARSTONE TEAM

- » Team of 13 investment professionals with significant venture, operating and technical experience
 - *William Quigley* — Fund I, II, III, Online Gaming Fund
 - *Jim Armstrong* — Fund I, II, III, Online Gaming Fund
 - 15 yrs VC exp, UCLA, U of Texas MBA, Austin VC
 - *Bill Elkus* — Fund I, II, III
 - 28 yrs PE/VC exp, Harvard JD, MIT Sloan MBA, BCG
 - *Brock Pierce* — Online Gaming Fund
 - *Sumant Mandal* — Fund II, III
 - 10 yrs VC exp, 7 yrs operating exp in India, Kellogg MBA
 - *Keith McCurdy* — Online Gaming Fund
 - *Michael Robertson* — Online Gaming Fund
 - *Rachid Sefrioui* — Online Gaming Fund
 - *Louis Hsieh* — Online Gaming Fund
 - *Vish Mishra* — Fund II, III President of TiE
 - *David Stern* — Fund III
 - 4 yrs VC exp, Idealab, Universal, various Bay Area startups

HISTORICAL PERFORMANCE OF THE CLEARSTONE FUNDS

Portfolio Investments Made	83
Number of Exits	36
Aggregate Cost of Exits	\$ 217M
Aggregate Proceeds on Exits	\$ 942M
Portfolio Companies Today	20
Aggregate Cost of All Investments	\$628M
Value/Cost	\$ 1.233B / \$ 628M
IRR (Gross)	Greater than 100%

Source: Overall fund performance as of December 2010

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RECENT CLEARSTONE EXITS AND PORTFOLIO COMPANY EVENTS



Clearstone led Series A investment in Meru Networks, a wireless equipment company, went public in 2010 with a \$300M market cap



Clearstone public company Internet Brands taken private by Hellman and Friedman for \$640M



Clearstone digital content archiving company acquired by Iron Mountain for \$110M



Clearstone real time predictive analytics company acquired by VMWare for \$100M



Clearstone incubated eDiscovery software company acquired by EMC for \$100M



RECENT CLEARSTONE EXITS AND PORTFOLIO COMPANY EVENTS



Clearstone online media delivery company acquired by Juniper Networks for \$70M



Clearstone incubated ad network acquired Newscorp's Fox Audience Network (FAN)



Multi-year agreement with Alcatel Lucent to be exclusive provider of next generation cellular backhaul technology for major US wireless networks

PROPRIETARY INVESTMENT OPPORTUNITIES AVAILABLE TO THE CLEARSTONE ONLINE GAMING FUND

INVESTMENTS OPPORTUNITIES: XFIRE



» Xfire

- Acquired Xfire from Viacom in August 2010 (Viacom paid \$110M in 2006)
- Xfire is the leading social gaming platform for hardcore gamers
- 18m registered users with \$40M invested in the Xfire infrastructure
- Growing organically at 225,000 new users per month
- Game recommendation engine and monetization platform
- Focus on the Free-to-Play games market (\$7B market by 2015)
- Growing list of network partners including: Riot Games, GamersFirst, Funcom, SGInteractive
- Eric Schmidt and many other prolific angel investors

» Opportunity to lead the Series A

- Spun out of Viacom by Brock Pierce and William Quigley

» Brock Pierce, William Quigley, and John Maffei have assigned their Pro Rata rights to the fund

INVESTMENTS OPPORTUNITIES: TITAN GAMING



» Titan Gaming

- Titan Gaming is a skill based casual game publisher
- Skill gaming is the most lucrative business model in the video game industry
- Skill gaming monetizes game play by powering tournaments for cash and virtual currency
- Games may integrate and leverage the Titan Platform within 1 day
- Over 150,000 hours in platform development
- Over 500,000 tournament matches since launching Dec. 2nd, 2010
- Growing list of AAA network launch partners (Playdom, Lockerz, Xfire, ZAM)
- Raised \$1M in 2010 from Eric Schmidt and many other prolific angel investors

» Opportunity to lead the Series A

- Acquired by Brock Pierce and William Quigley

» Brock Pierce, William Quigley, and John Maffei have assigned their Pro Rata rights to the fund

INVESTMENTS OPPORTUNITIES: ITEMBAY

» Itembay

- Itembay is the second largest secondary market trading platform for virtual goods South Korea
- Itembay has systemwide revenues north of \$400M annually
- Itembay is about to merge with IMI (a subsidiary of IMI Exchange) in Korea
 - Combining the businesses will substantially increase the operating profits of both businesses by rationalizing pricing in line with other industries

» Stage: Pre-IPO

- » Opportunity: Term sheet signed to buy 6% of the company well below market pricing
- » Relationship: Brock Pierce has orchestrated the merger and is close friends with the founder

INVESTMENTS OPPORTUNITIES: IMI EXCHANGE



» IMI Exchange

- IMI Exchange is the largest global secondary market trading platform for virtual goods with operations in South Korea (Itemmania) and China (SkyHi)
- IMI Exchange has systemwide revenues north of \$500M annually
- Industries most experienced management team

» Current Investors: Oak Investment Partners and Goldman Sachs

» Stage: Pre-IPO

» Opportunity: Invest in upcoming round and secondary positions

» Relationship: Brock Pierce is the founder and board member

INVESTMENTS OPPORTUNITIES: REVENUE APEX



- » Revenue APEX — Financing the Internet Media and Gaming Properties
 - Specialty finance business focused on a large sector that lacks access to traditional bank financing
 - Market: Internet Advertising, Gaming, Mobile Apps, and Direct Response Marketing Industries
 - Market size: \$50B
 - Financing mechanism: Asset based lending, invoice discounting / factoring, business cash advance
 - Double-digit IRRs available at scale
 - Proprietary underwriting and origination processes developed
- » Opportunity to lead the Series A
 - Brock Pierce and William Quigley are founders
- » Brock Pierce, William Quigley, and John Maffei have assigned their Pro Rata rights to the fund

INVESTMENTS OPPORTUNITIES: LATE STAGE DEALS

» Opportunity to buy secondary market shares in:



**PLEASE CONTACT
WILLIAM QUIGLEY
FOR MORE INFORMATION**

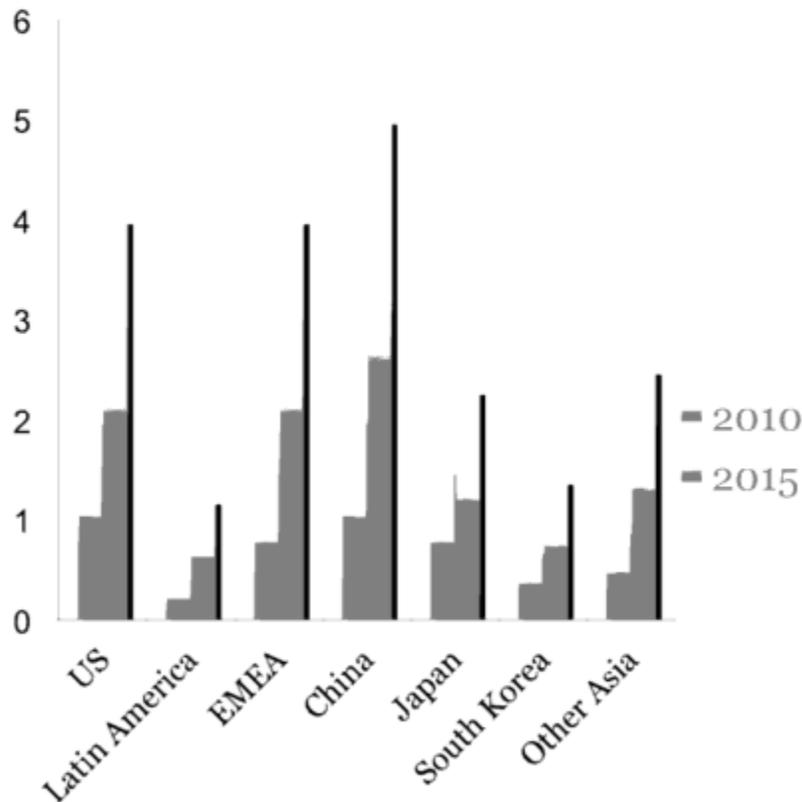


APPENDIX

ONLINE GAMING VERTICALS

ONLINE GAMES: \$30B MARKET BY 2014

Estimated Worldwide Market Size of Social Games \$B



- » Video game distribution has shifted from console to online and mobile
- » Shift has created opportunities throughout the value chain, from game developers, to middleware, to distribution platforms
- » Companies are experiencing profitable growth with 20% - 50% margins and YoY revenue growth rates of 100%+
- » Market size expected to be \$30.6B by 2014 (21.3% CAGR)

ONLINE GAMES: SOCIAL NETWORKING DRIVING MASS MARKET ADOPTION

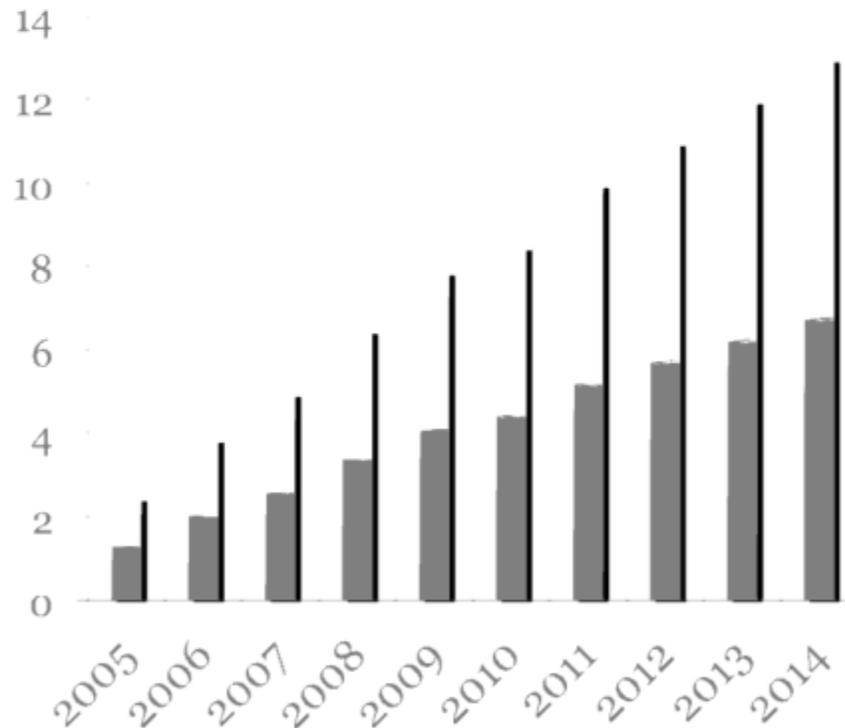
- » Casual gaming has become one of the world's fastest growing phenomena
 - Zynga has 258M MAUs
 - Zynga's CityVille acquired 100MM MAUs in 41 days
- » 40% of Facebook users playing games
- » Four of the top ten Facebook applications are games
- » Development costs of less than \$500K are significantly lower than console game development costs



Source: AppData

MOBILE GAMES: \$13B MARKET BY 2014

Mobile Games Revenue (\$B)



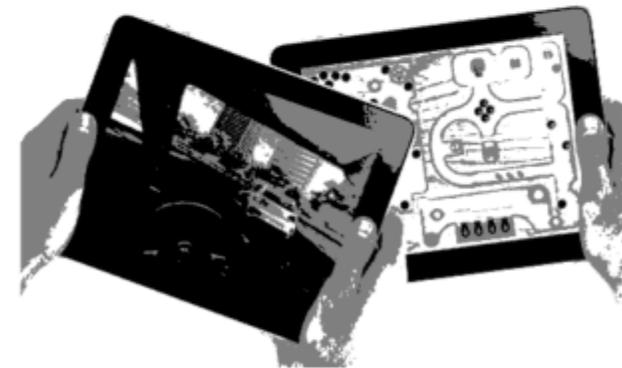
- » Apple alone has generated over 10 billion app downloads from its app store
- » Apps = Games. 70% to 80% of all mobile consumer applications downloaded are mobile games, and 60% to 70% of these downloaded games are free
- » Mobile gaming revenues are being driven by micro-payments, advertising and download fees
- » Mobile gaming to reach \$13.1B by 2014 (12.3% CAGR)
- » In Japan 53% of 2009 spending occurred on a mobile phone

Source: Gartner & Digi-Capital

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MOBILE GAMES: FASTEST GROWING SEGMENT OF THE ONLINE GAMING INDUSTRY

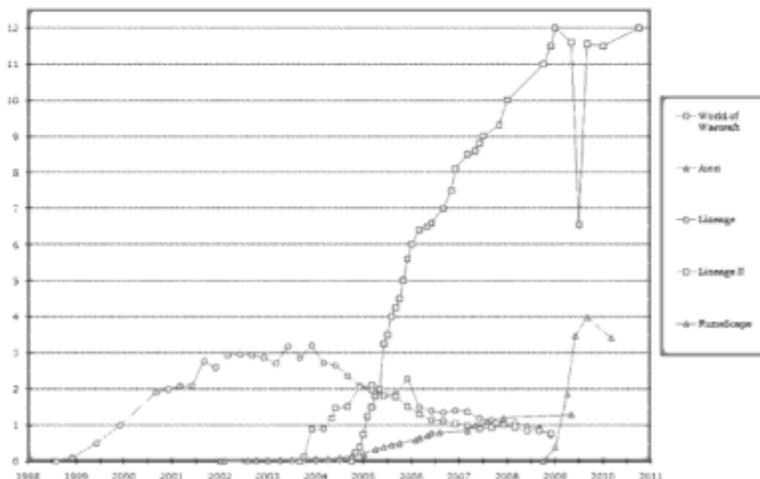
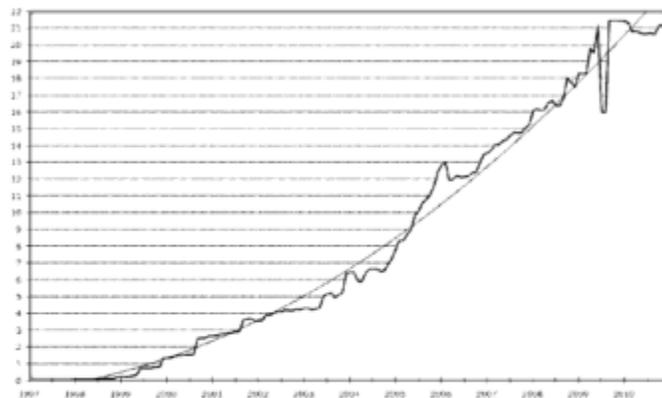
- » Developed world mobile broadband penetration via 3G and 4G networks is increasing rapidly, from 5% in 2005 to 51% in 2010
- » Globally nearly 500M people were accessing the internet through mobile devices in 2009, up from only 100M in 2005, projected to be 1.4B by 2014
- » 101.2M smart-phones shipped during Q4 2010 which represented an 89% growth Y/Y
- » Smart-phone users spending 47% of their time accessing maps, games, social networks, utilities, and more
- » Seven out of the top ten paid apps are games



Sources: AppsFire, Canals, International Telecommunication Union, PwC

MMOS: 20 MILLION GLOBAL SUBSCRIBERS

MMO Subscribers (M)



- » MMOs have over 20M global subscribers, and numbers are expected to reach 30M by 2012
- » Slower growing historical MMO market relied on subscription revenues
- » Market is shifting to browser-based games with “freemium” models, a business model that allows majority of users free play, while the minority pay for virtual goods with micro-payments
- » Market size \$8B in 2010
 - \$3.6B in revenues generated by companies serving the South America, North America, and European markets in 2010

Source: Digi-Capital, MMOData.net

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MMOS: GROWTH MARKET WITH HEAVY USAGE

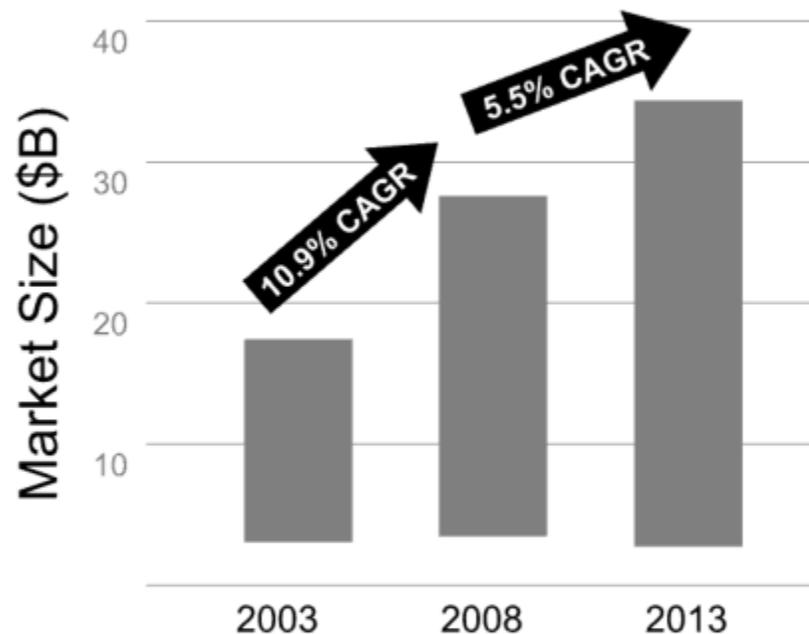
- » MMOs are video games with thousands of simultaneous players
- » MMO gamers are the most hardcore gamers, with each player spending an average of 5.5 hours a week playing massively multiplayer online games, compared to 4.9 hours for console players and 4.8 for casual gamers
- » Hardcore gamers tend to be 35+ years old and highly monetizable
- » Fantasy MMOs such as World of Warcraft dominate the market, but the recent success of other genres suggest a large greenfield opportunity



Source: Digi-Capital, Gamesindustry.com

CLEARSTONE
ONLINE GAMING FUND

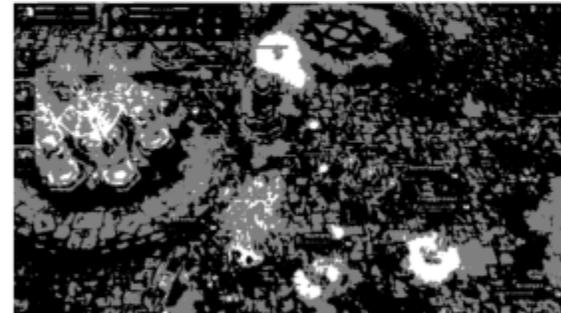
CONSOLE & PC GAMING: RETAIL BUSINESS TRANSITIONING ONLINE



- » The console game market is mature, and undergoing change as more games are being distributed online and via PCs
- » Games are coming unbundled from traditional gaming consoles such as Nintendo's Wii and Microsoft's Xbox.
- » Nevertheless, the market is expected to grow as manufactures release their 8th generation platforms in 2014
- » The console market size is \$28.2B in 2009 growing to \$36.8B by 2014 (5.5% CAGR)
- » PC gaming market size \$3.8 billion in 2009

CONSOLE & PC GAMING: RETAIL BUSINESS TRANSITIONING ONLINE

- » 54% of US households own a console or handheld system
- » Nintendo's Wii currently dominates the 7th generation market with 46% unit volume market share, followed by Microsoft's Xbox at 28%
- » Next, 8th, generation of consoles to release in 2014
- » Concern exists about 9th generation consoles due to rise of downloadable content via providers such as OnLive
- » PC gaming market expected to shrink due to the meteoric rise of online games and wireless games

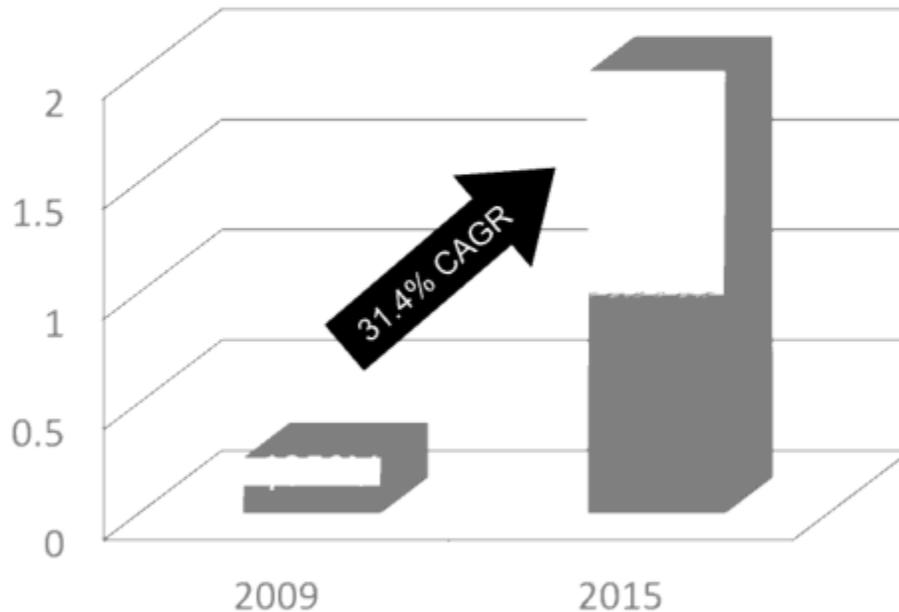


Source: Nielsen & Digi-Capital

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FREE 2 PLAY (F2P) GAMES: FREEMIUM TREND EXPECTED TP BECOME DOMINANT

Free to Play Market (\$B)



- » Market grew 89% to \$250 million in 2009, up from \$132 million in 2008
- » Revenue growth being driven by willingness of consumers to buy virtual goods and ease of payment options (e.g. Visa's PlaySpan or Facebook's Credits)
- » Converting free players to paying ones is a key business model driver
- » Profitable conversion rates can be as low as 9% or as high as 40%
- » English based F2P games: \$250 million in 2009, expected to reach \$2 billion by 2015 (34.1% CAGR)

Source: DFC Intelligence, Digi-Capital.

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FREE 2 PLAY (F2P) GAMES: FREEMIUM TREND EXPECTED TO BECOME DOMINANT

- » F2P games defined as games that require a downloadable client
- » Video gaming is quickly evolving to “freemium”
 - Bring players in the front door with zero friction then monetize them with models such as virtual goods, offers, ads and subscriptions
- » A growing young gamer population who are familiar with F2P games
- » Increased number of major AAA titles and brands switching to F2P

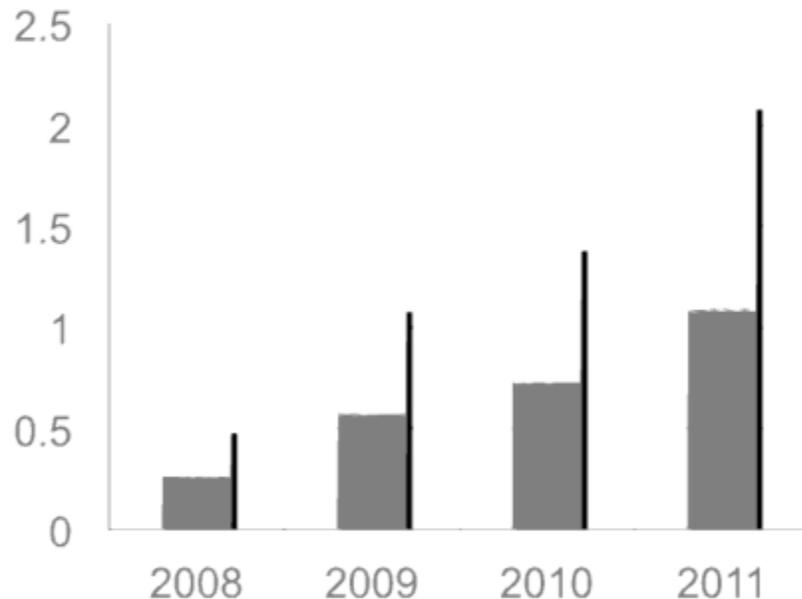


Source: Digi-Capital

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VIRTUAL GOODS: DOMINANT BUSINESS MODEL FOR F2P GAMES

US Virtual Goods Market (\$B)



- » The worldwide virtual goods market is several times larger than the \$1.6 billion number in the U.S. for 2010
 - The virtual goods market started earlier in Asia and has continued to skyrocket in that region
- » US virtual good revenues \$500MM in 2008 growing to \$2.1BB in 2011
- » Secondary market trading for virtual goods is a \$2.7B market in 2010, growing to \$4B by 2012
 - 18% CAGR globally, 30% CAGR in China

Source: Inside Network.

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VIRTUAL GOODS: DOMINANT BUSINESS MODEL FOR F2P GAMES

- » Virtual goods is the dominant model for the F2P market
- » 58% of F2P players purchase in-game digital goods
- » The median F2P expenditure on virtual goods is \$75 per person
- » In-game currency, virtual gifts, weapons, and wearables are the most popular types of virtual goods
- » North American women over the age of 25 are spending the most money on virtual goods

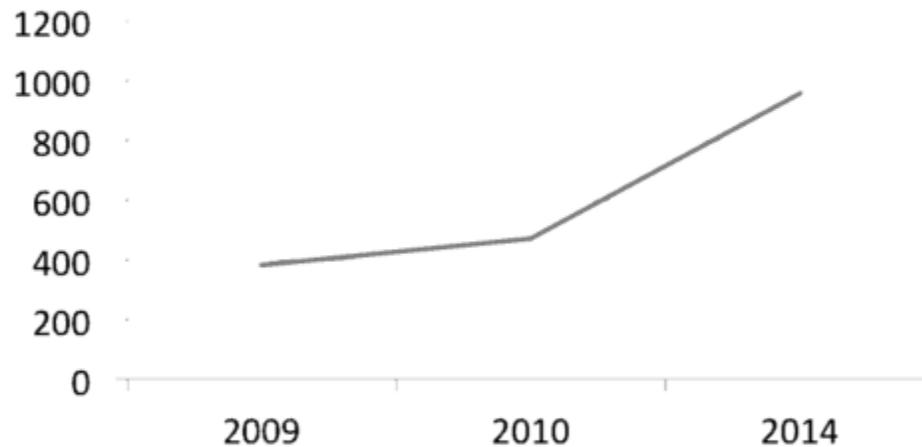


Source: VGMarket, PlaySpan

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SKILL GAMING: REAL MONEY WAGERING IS A GROWING TREND

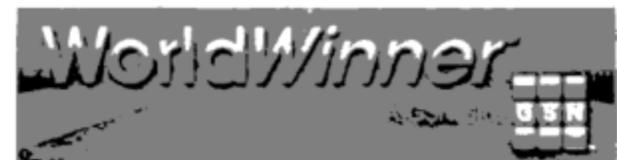
Online Skill Gaming Market (\$B)



- » Skill games are competitive online games, where winning is determined by skill rather than chance
- » Skill games are by definition not games of chance, enabling them to operate in U.S., European and Asia-Pacific markets
- » Skill based market targets women 35+ years old
- » Online skill gaming market generating \$382M globally in 2009, expected to rise to \$472M in 2010, and \$957M by 2014

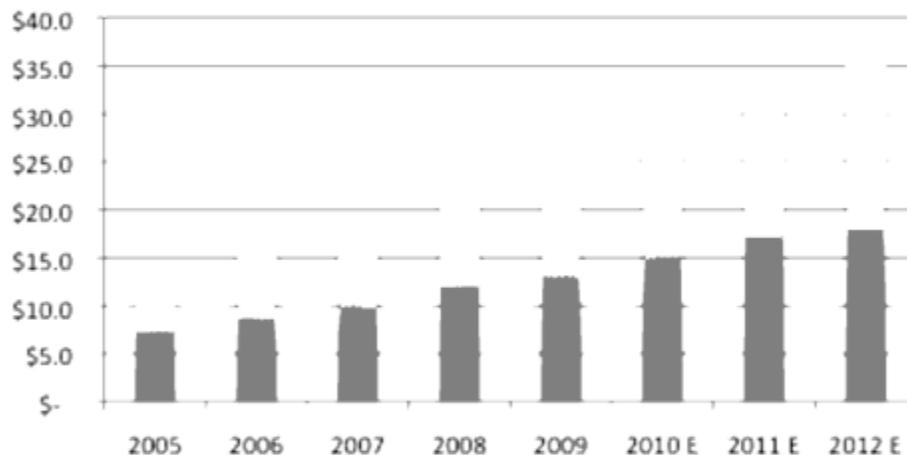
SKILL GAMING: RESEMBLANCE TO SUCCESSFUL ONLINE GAMBLING BUT LEGAL

- » Online skill games include a variety of business models: scaled commission fee (rake), entry fees for tournaments, interest on players fund invested and micro-transactions
- » Skill-based gaming fits perfectly in these overarching industry trends and has an extremely high ARPU
 - Wagering between friends is already prevalent — but inconvenient
- » Fastest emerging business model in Asia
 - 20% of video game revenue in Taiwan generated by skill gaming
 - 10% of video game revenue in China generated by skill gaming



ONLINE GAMBLING: ENORMOUS MARKET POISED FOR LONG TERM GROWTH

Global Online Gaming Yield (\$B)



- » The U.S. outlawed online gambling in 2006, making Europe the largest legal online gambling market
- » Regardless of legality, 2008 Internet gambling revenue for offshore companies was estimated to be \$5.9B from players in the U.S. and \$21B from players worldwide
- » The global legal online and offline gambling market totaled \$335B in 2009
- » Online gambling's share of the total gaming market to reach 9% penetration and increase to \$34 billion by 2012 (11% CAGR between 2008 and 2012)

ONLINE GAMBLING: ENORMOUS MARKET POISED FOR LONG TERM GROWTH

- » Online gambling uses the Internet and mobile devices to enable wagering, casino games, poker, lotteries, and bingo
- » Continues to cannibalize offline gambling and surpassed offline in terms of growth
- » Currently legal in many parts of the world today and legislation in the US likely to open some or all of the largest gambling market in the world
- » Live online casino and inplay sports betting has increased at a CAGR of over 172% since 2006



GAMIFICATION: INCORPORATING GAMING MECHANICS INTO BUSINESS MODELS

- » New industries emerging utilizing gaming as a business model rather than a product
- » Gaming is one of the most lucrative business models and can be applied to other industries
- » Game mechanics are being incorporated into many products to increase engagement
- » Facebook is interesting because of games
- » Lottery mechanics being combined with e-commerce with companies like Bidfire, Swoopo, and Big Deals

