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### SkillAddiction Business Plan

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## Section I: The Industry

SkillAddiction operates in the online skill gaming industry. Skill gaming, as the name indicates, refers to games of skill. In order for a game to be considered a skill game, the outcome of the game must be determined by the player's skill, and have very little chance factor involved – this is the definitive distinction between skill gaming and gambling. In skill gaming, players enter into tournaments against other players of similar rank (skill gaming sites have ranking systems in order to keep the game play fair) to compete for a prize that is determined by the entry costs of the tournament.

As it is an online industry, skill gaming is global in nature. Some countries, such as the United Kingdom, have had skill gaming for approximately seven years. This is a relatively new industry in the United States. In 2006 that the federal legislation, (H.R.4411) The Unlawful Internet Gambling Enforcement Act, was passed. It determined that there is a definitive distinction between gambling and skill gaming. Online gambling for cash is illegal in the United States but this legislation enables U.S. citizens to play online skill games for cash. According to an analyst from DFC Intelligence, the online game market is set to expand from \$3.4 billion in 2005, to \$13 billion by 2011. In 2009, the online game industry reached \$11 billion (“Research and Markets...” 2009). The widespread growth of broadband connections in households, acceptance of online gaming, and new avenues to online gaming have been credited with the market's growth. That is an astounding 44% annual growth rate over the last 5 years. A leading market research firm, Ystats,

predicts that the online gaming industry will continue to grow at a minimum of 11% until 2013 (“Global Online Gaming Report,” 2009).

In 2006, a media and entertainment consulting group released a report specifically about the skill gaming industry – as opposed to the overall online gaming industry discussed in the previous paragraph. They established that, at the time the report was released in 2006, the size of the online skill gaming industry was approximately \$500 million with more than eight million regular players playing for cash. They estimated that, by 2010, the online skill gaming industry would be worth \$1 billion (Media & Entertainment Consulting Network, 2006). To have the dollar value of an industry double in four years is very promising. This upward trend shows no indication of slowing in the near future.

This is an industry that is difficult to break into, and, as a result, there are a few companies that account for the majority of market share. The two largest companies in this industry are King.com, headquartered in the United Kingdom and ranked #848 on the entire internet, and Worldwinner.com, headquartered in the United States and ranked #3,951 on the internet. The last main company in this industry is GameDuell.com, which ranked #19,472 on the internet. It is, however, much smaller, in terms of traffic and player base, than the other two companies previously listed. (Rankings are based on Alexa.com’s internet rankings).

### Porters Five Forces

Three companies hold the majority of the market share for global skill gaming (Figure 12 on p. 20 depicts market share breakdown), the competition is low and the industry is not fragmented. The rapid market growth also makes the firms less competitive, because they are constantly gaining business due to the growing number of consumers, as detailed in the previous section. The three companies offer different gaming portfolios which is the main source of differentiation, decreasing rivalry between the key players in the industry. The main aspect of the industry that makes the level of rivalry greater is low switching costs, which allows consumers to play at multiple skill gaming venues simultaneously. Overall, rivalry in the skill gaming industry is relatively low.

As a new and unique industry, there is a minimal threat of substitutes. The threat of other websites capturing a consumer's interest away from skill gaming is low because skill gaming provides the consumer the added value of tournaments, competition, and the ability to win prizes; which is not found elsewhere. The two main substitutes would be: (1) gambling websites, but those games are based on chance rather than skill, and players interested in competing with their skills are not likely to replace their competing routines with games of chance; and (2) online flash game portals – these are websites that have lots of casual games that players can play, but with no competition. This is likely not a large threat either because players seek out skill gaming websites specifically for the competition and cash jackpot prizes, which flash game portals do not offer.

However, there is a unique architecture to skill gaming communities that encourages consumers to play at multiple skill gaming websites: the ranking systems. Each skill gaming community incorporates a ranking system to ensure fair matching (matching players against other players of a similar skill level). By nature, players reach a "ceiling" in their skill level and are forced to visit the other skill gaming communities in order to continue their personal growth in skill gaming. In a sense, they are substituting one skill gaming website for another.

Most of the firms in this industry are vertically integrated. The larger companies do not purchase the games for their site, but, rather, they create them in-house, or contract game developers to create exclusive games. This gives the skill gaming websites a lot of power over the game developers (suppliers) because there are only a handful of successful skill gaming websites, and many talented game developers that would like to be hired by them.

The buyers in this industry are the players on the websites. There are millions of players, and only three main, international skill gaming websites dominating the market, so the firms do not need to cater to individual players to retain business. The bargaining power of the buyers is low.

Factors that make the top competitors successful in this industry (e.g. large player base, lots of tournaments, large jackpots, and well-made games) make it difficult to attract players once the website is built. These features are very difficult for a new business to gain. Entrepreneurs entering into the skill gaming industry need extensive knowledge of online business, internet

marketing, and search engine optimization.



Figure 1

Figure 1 summarizes the five forces that determine the attractiveness of the skill gaming industry. Low rivalry as well as low power of buyers and suppliers makes this industry appealing. While there are substitutes to skill gaming, the threat is not substantial at this point, so that aspect of the industry is less definitive. The main competitive threat in the industry is the low entry barrier – costs to have a website made are low, which is a threat. On balance, it is a very appealing industry to enter into.

The industry is quickly gaining exposure, showcasing the opportunities that skill gaming presents for new business entrants. However, the barriers to become established in the industry are difficult to overcome. In SA's short time in the industry, at least three industry competitors have failed, including Nowplay.me, Gamebonus.com, and UvMe.com. Refusing to innovate and

challenge traditional mediums of tournament play, gaming portfolios, and player incentives are leading causes for business failures in this industry.

### Industry Trends

Despite the opportunity-filled, rapidly growing, and evolving landscape of the skill gaming industry, the industry developments have been minimal. This is likely because the market is dominated by the three main companies that face little threat of competition. Therefore, they have little pressure to innovate to stay on top.

The main revenue source has remained steady. A poll of the industry leaders shows that it is an industry standard to charge a fixed 25% fee for hosting skill game tournaments. This means that 25% of the players' entry costs that they play to enter into a tournament are taken by the business.

Recent technological developments (e.g. mobile browsing, video game consoles, and TVs) have opened up new avenues for users to reach the skill gaming market.

A common feature of skill gaming sites is regular expansion of their gaming portfolios. In order to maintain a high retention rate of consumers, it is necessary to continually release new games into the community – keeping players interested, competitive, and minimizing the site switching that is caused by the skill rank architecture described previously. It has been the trend to release a new game every 30-90 days.

Another main trend in the industry is that the definition of a 'gamer' is evolving from its stereotypical, narrow definition, of a 'geeky' young male to

one that spans and encompasses all demographics. That demographic is evolving to include men, women, families, couples, young, and old (Hunter, 2008).

### **Success Factors**

One of the reasons King.com and Worldwinner.com, the two leading firms in the industry, are able to remain dominant is because they have a large player base. When players are wagering money on games, they do not want to have to wait for an extended period of time for their tournament to close. As the largest competitors in the industry, they have millions of players and millions of game plays a day. This results in a large number of prizes being won, and tournaments with very large jackpots. Players see that they could possibly win a substantial amount of money from the site – which makes the site more exciting and alluring to prospective players. Furthermore, all competitors in the skill gaming industry derive their main revenue from the fees that are taken out of the entry costs, so, the more cash game plays a site has, the more revenue it accumulates.

An additional feature that players take into account when deciding which site to play on, is the quality of the game (and, more often than not, the quality of the graphics as well). In a skill gaming conference held in July 2009, King.com brought together a large group of women gamers (who make up the vast majority of the players in the industry) to gain insight into their motivation for skill gaming. One of the pieces of feedback they gave was that they “want games to look good and be visually captivating. Vivid colors and animation are



big motivators for women to play with a game. Dull colors and flat graphics are a turn-off” (Johnson, 2009).

In a 2009 interview with King.com CEO Riccardo Zacconi, King’s hockey stick growth pattern (Figure 8) was said to be primarily attributed to an increase in portal partnerships, advertising, and games in its portfolio (“Making serious money...” 2009).

## **Section II: The Company, Concept, and Products or Services**

SA, a business entirely online, has the flexibility to be managed from geographically anywhere with internet access. SA's inception was here at Syracuse University and continues to grow on-site, as well as in Pennsylvania and California.

SkillAddiction is an LLC, and owns the pending trademark to the name. SA’s owners decided to become an LLC in order to protect its creative rights, operate with the intention to protect shareholder interest, and maintain the visionary control while continually developing the application through its startup and growth stages. It is incorporated in Delaware.

Both co-founders of SA are very familiar with the skill gaming industry and have spent considerable amounts of time analyzing both the industry leaders and laggards. After 10,000 tournament plays on competitor sites and over \$4,000 in skill gaming winnings, they identified clear areas of improvement that the existing sites were lacking. These areas were mostly attributed to the rapidly growing industry size that even the main firms could not stay ahead of and the stalled innovation due to market domination by too

few companies. Both co-founders decided that these deficiencies would provide a promising business opportunity to exploit.

## Business Strategy

The core idea behind the creation of this business was to offer players the most possible opportunities to benefit from playing on a skill gaming website. Not only is SA a venue for competing in skill gaming tournaments for cash, but also a site with diversified tournament structures, alternative gaming features, the ability to pursue other prize types (not just cash), and a community structure not previously available to skill gamers.

SA provides a service of games and fair tournaments for players to compete in. All of the games that are currently in SA's portfolio are fun, exciting, and based entirely on skill; there is no chance involved in the score that the player receives. SA provides a fun environment for players of all ages to enjoy. Entertaining players, however, is not a sustainable advantage. SA provides features, all described below, that offer incentive for players to choose to come to SA instead of any of the competitors, and that keep existing players on the site longer.

## Points of Differentiation

SA has several key differentiating factors in product offering that add value for the players, as compared to the main competitors.

### 1. Lower Tournament Fee Structure

- a. **Product** - SA provides a competitive skill gaming environment for players to enjoy and capitalize on of their skills through

multiple tournament structures.

- i. Cash Tournaments - Players enter a tournament with a predetermined cash prize and competitors.
  - ii. Progressive Tournaments - Players enter a tournament with a fixed end date and a progressively increasing jackpot amount.
  - iii. Trophy Tournaments - Players enter tournaments with a set number of levels, similar to NCAA style bracket tournaments. Each level awards a portion of the overall prize to the winners.
  - iv. Grand Trophy Tournaments - Larger scale Trophy tournaments with a substantial cash prize and recognition for the winning player.
- b. **Incentive** - Although tournament play with cash jackpots is something that all websites across the industry offer, at SA more of a player's entry cost is contributed to the cash jackpot. It is a standard across the industry that a fee is taken out of the players' entry costs as revenue for the business, but SA takes up to 10% less than the other businesses in the industry. While the competitors take 25% of players' entry costs, which create the jackpots of the tournaments, SA takes only 15%. SA's fee system takes the least amount of players' entry costs as compared to the rest of the companies

in the industry, and is able to do this because this revenue driver is subsidized by alternate revenue streams not utilized by its competitors, described in depth in Section IV. In a 2-player \$1 tournament on a competitor site, the winner would receive \$1.50, whereas at SA the winner would win \$1.70. For players that are playing hundreds of games a day, this seemingly small difference in prize money can result in over \$100 in a month. In addition, if a player loses a game, which they inevitably will, it takes more wins on a competitor's site to make up for the lost entry cost than at SA. These are factors that skill gamers undoubtedly take into account when deciding where to spend their money.

## 2. **Virtual Currency**

a. **Product** – Players have the option to play in cash games. SA is the first skill gaming website to incorporate a virtual currency system. Players earn tokens for any activity on SkillAddiction, such as signing up, depositing into their account, playing free or cash games, referring friends to the site, etc. They also have the ability to compete in token wagering tournaments, with the intention of increasing their overall account wealth, just as with players participating in cash tournaments.

b. **Incentive**

- i. Players can continually engage their competitive nature without risking personal money.
- ii. Skill Tokens are „spent“ by users to upgrade their accounts, compete in tournaments, and most importantly, redeem cash and prizes. Only *one* of the main competitors in the industry allows members to redeem prizes, but they restrict it to cash players. At SA, all players can redeem prizes. Already, over \$5,000 in prizes have redeemed by players in the community – an indicator of how well-received this feature is. This is vital to the SA community, and in skill gaming in general, because the majority of the user-base is not cash players. On the competitors’ websites, non-paying players are not given an incentive to stay around for very long. This is a factor that encourages players to move on to other gaming sites. At SA, players can earn “Skill Tokens” (the virtual currency) which can then be „spent“ on (traded in for) prizes, as an alternative to cash gaming. SA’s cash players can choose either option.

### 3. **Treasure Hunt – Fun, exclusive feature**

- a. **Product** - Treasure Hunt is a digital picture of a treasure map with prizes hidden randomly behind pixels of the picture that

players „hunt“ for. A picture of the Treasure Hunt map can be found in **Appendix A**. There are approximately 3000 prizes that can be won per day, ranging from 5 tokens to \$100. Players are guided by clues and tips to hunt through the digital landscape, seeking out various prizes and keeping the player interacting with the SA community.

b. **Incentive** - Competitions can inflict natural stress on players - they can be fun, enjoyable, and frustrating. Sometimes, players just need an outlet for 'taking it easy,' a way to relax from competition. The Treasure Hunt enables players to continue a gaming experience without the stress involved. It is also an alternative way for players to win cash or token prizes. This is a fun feature that players cannot find on any other skill gaming website.

4. **Community** – SA’s blog, forum, customer service, and chat are factors that continue to set it apart from the competitors. SA is the only community to incorporate a free forum and chat integration (on a site-wide level) to all of its players. The forum keeps players engaged with one another, facilitates customer inquiries, enables players to increase their gaming knowledge, and provides a calm environment for player interaction between one another. The chat module allows players to interact with one another in real time, grow their relationships, and strengthen their bond with the SA community.

SkillAddiction sets itself apart from competitors by ensuring that customer service is one of the highest priorities. When a player is deciding whether or not to deposit funds into a skill gaming website, they want to be completely sure that the website is trustworthy. One of the best ways to establish and convey the integrity of this organization to the buyers and potential buyers is by providing prompt and personalized responses to customer concerns. Users of the site will be assisted through three methods: the SA Forum, the Contact Us form in the Support section, and SA's chat feature. If a user has a question or concern, they can submit an inquiry and know that it will be answered by the end of the working day. The SA Forum is a place in which players can interact and discuss games, tournaments, or engage in general discussion. It is also a place in which they can give feedback on the site, suggest improvements or features, or request support.

If a player feels the need to talk in real time to resolve a concern or question, SA employees have made themselves available through chat to be able to work more closely with the player.

In Figure 2 is a list of the main components of a company's customer service toolbox.

Community Features	King	Worldwinner	Gameduell	SkillAddiction
FAQ Section	✓	✓	✓	✓
Email Contact	✓	✓	✓	✓
Blog	✓	✓	✓	✓
Forum	✗	✓	✗	✓
Real-Time Chat	✗	✗	✗	✓

Figure 2

King and Gameduell's customer service ranks the lowest in this context. They do not offer real-time chat to their players, and they don't have a forum for their players to use. WorldWinner is slightly better because it has a forum, but the forum has restricted availability, which is not conducive for building communities or support systems on the website. SkillAddiction, on the other hand, has ensured that it can help its players in any way possible.

- 5. Fully Integrated Skill Gaming Platform Across Web, Mobile, and Social Platforms** – Currently, no competitor in the industry has taken advantage of the mobile and social platforms to provide a skill gaming experience on. SkillAddiction is looking to gain first mover advantage into the mobile and social skill gaming spaces to provide the first skill gaming experience that is fully integrated across all three media. This will provide SA's player-base the convenience of being able to compete in any capacity that they choose – on their computer, or on the go; against their Facebook friends, or simply right on the home website.

## Challenges

A challenge that SA faces when entering into the skill gaming industry is that most players are drawn to websites that have large monetary jackpots in their tournaments. Some players, mainly the “hardcore” skill gamers that play for large sums of money, would be deterred from playing at SA until the money circulating through the website is larger. What makes this a substantial challenge is that these large jackpots are directly correlated with the size of the player base on the



website. The players create the jackpots, so the larger the player base, the larger the jackpots. In order to draw in players, a site needs to display large jackpots, and in order to achieve large jackpots, a website needs players to create them. This challenge comes simply from being the newcomer in the industry. SA has been addressing this issue by inserting money into the week-long Progressive Jackpot tournaments at the beginning of the week in order to stimulate game play. The amount that is inserted in the tournaments is carefully and analytically chosen to be an amount that will be reached in entry costs so that SA does not lose money.

This is also addressed with marketing efforts. To overcome this challenge, SkillAddiction must launch a large, effective marketing campaign to draw in players.

### **Key Factors Dictating Success**

Most of SA's initial success can be attributed to its owners' previous knowledge of the industry and the players. Both founders have in-depth knowledge of what skill gamers are looking for in a skill gaming site. In addition, extensive research of online marketing and search engine optimization has given SA a presence on the internet that is uncommon for new websites without much financial backing. SA's competitors have not been leveraging the power of search engines and the converting traffic that they bring in. The SA blog and forum has entrenched the website in search engine positions higher than the competitors in keywords that convert traffic into cash players. Figure 3 compares statistics for each site including the

average number of pages a user views, the percent of their traffic leaves right away, the average amount of time spent on the site, and the percent of traffic that comes from search engines.

Company	Page Views per User	Bounce Rate (%)	Time Spent on Site (min)	Search Traffic %
King	15.93	19.1	33.8	9.1
WorldWinner	8.31	44.7	10.8	2.4
Gameduell	6.26	35.1	9.49	3.2
SkillAddiction	27.38	20.46	26.09	37.3

Figure 3

While this may not initially appear as a competitive advantage, search engine traffic is the most abundant and desired traffic, and it is free! As an example, 31.05% of SkillAddiction's traffic for the prior 30 days was from search engines. Only 8.0% of King.com's traffic was from search engines (Alexa statistics). This enables SA to capture new players at a lower cost than its competitors. Furthermore, the industry has not been utilizing social media such as Twitter and Facebook, which has allowed SA to harness more exposure and awareness in the social media landscape than its competitors.

In addition to a strong foundation of knowledge of skill gaming and search engine optimization, the ability to implement innovative features, ideas, and practices to the website and shake up the established standards of the industry is critical to success. Prior to SA, the majority of skill games were developed in-house. A small number of game concepts were licensed from major game development companies, such as PopCap games. However, SA has taken a unique approach to providing quality games for the community: a mixture of in-house production as well as third party licensing partnerships.

This approach has enabled SA to grow its portfolio faster than its competitors, providing its community with new, fun, and popular games more frequently. Figure 4 is a graphical representation of the amount of new games that were released to the respective websites by month. In almost every month, SkillAddiction either released more games, or the same number of games as the top competitors in the industry.

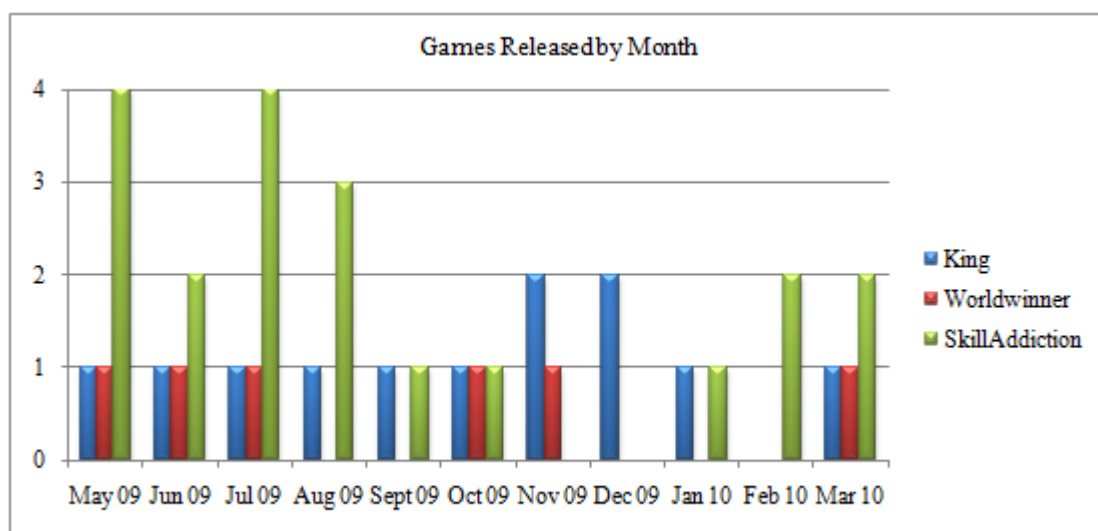


Figure 4

This innovative move has also opened up a completely new revenue option for independent game developers and game development companies. For the first time, skill gaming is a viable revenue stream for game developers. This freshly created demand results in a larger quantity of games available, and higher quality games to select from. SA has secured 20 games under license agreements with 15 gaming companies and individual game developers to date. **Appendix B** includes the names of all of the companies/independent developers, their status as either an established company or independent developer, and their games that SA has licensed for the site, for reference.

SkillAddiction's growth has been steadily increasing daily. Without a substantial marketing campaign, SA has already captured over 50,000 members (Figure 5), hosted over 500,000 tournaments, and has had over 3,000,000 game plays (see Figure 6).

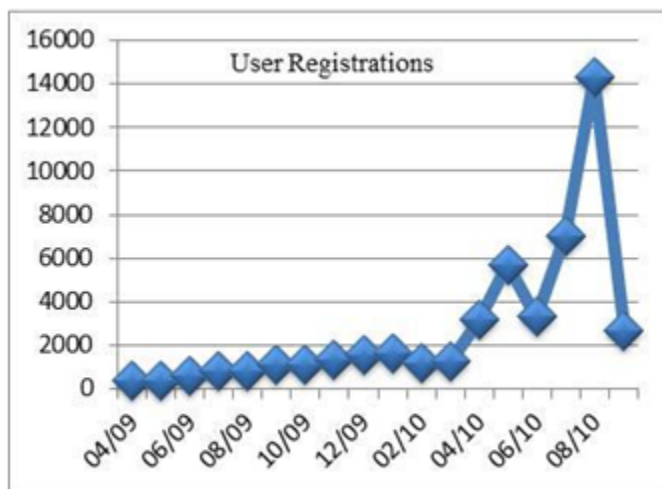


Figure 5

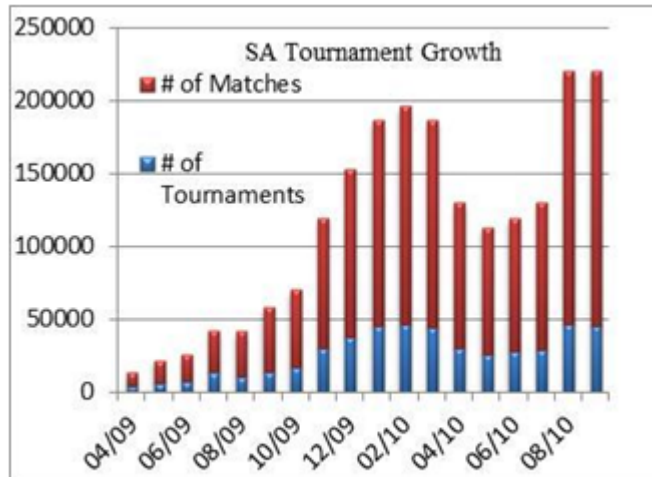


Figure 6

SkillAddiction's growth can also be seen in its monthly revenues. Figure 7 shows SA's monthly revenue from April 2009 until March 2010. More detailed financial info can be found in Section XI.

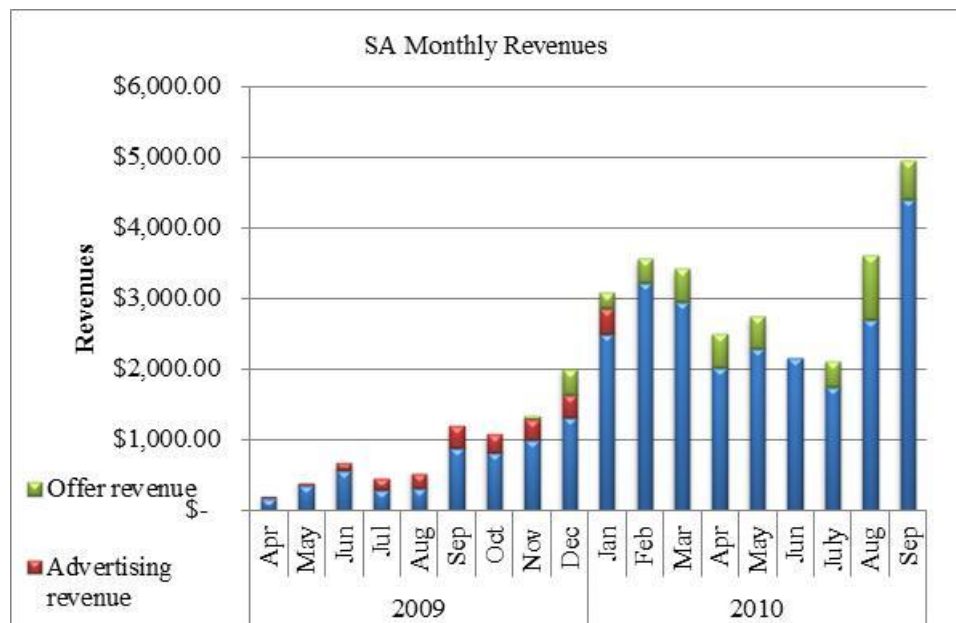


Figure 7

## Growth Predictions

In five years, the first half will be predictable, steady growth as consistent, continuous market share is captured. The next half is likely to include an unpredictable spike in exponential growth. Figure

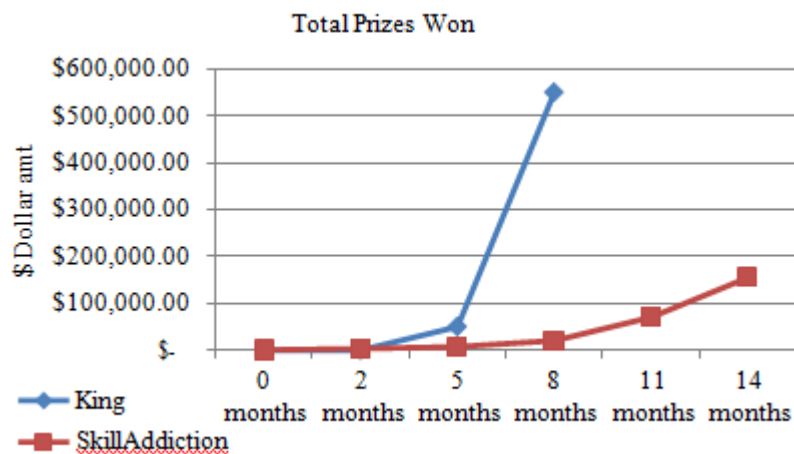


Figure 8

8 is an example of King.com's growth; it is experiencing a tremendous spike in traffic. The growth in King's case measured by the amount of prize money won by its community. Because this is another website in the skill gaming industry, it is possible to compare SA's numbers directly with King.com's. Although SA's

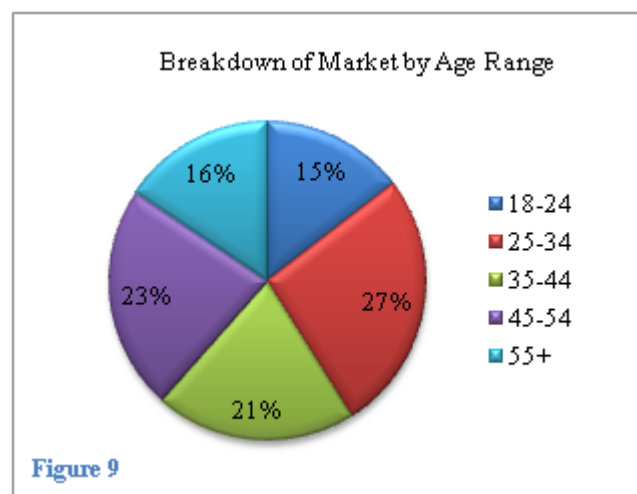
prize amount is notably less than King.com's it is encouraging to see that opportunity exists for a skill gaming business to experience rapid growth. The spike in growth for King.com was a result of substantial financial backing and partnerships with large portals. With increased financial backing, SkillAddiction predicts a similar rapid growth period.

### **Section III: Market Research and Analysis**

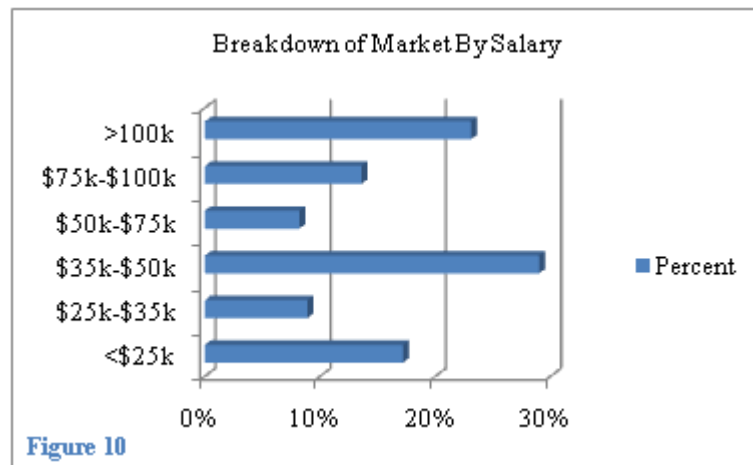
It is very difficult to pinpoint the target consumer of SA because the "online gamer" is continually becoming less distinct. Just a few years ago, the "online gamer" would have been a 18-24 year old male who was technologically savvy and relatively resistant to marketing. However, in recent years, the market has expanded to a wider group of people that spans generations, geographic locations, and socioeconomic status. According to a report published by ComScore, a leading market research company specializing in consumer behavior in a digital context, between 2007 and 2008, the number of female gamers aged 9 – 14 rose from 2.5 million to 4.7 million. The number of online female gamers aged 35+ rose from 19 million to 23 million. Male gamers over the age of 55 rose from 3.9 million to 5.3 million (Hunter, 2008). The market is clearly expanding extremely quickly. Anyone with a computer and an internet connection can play. This growth is promising for anyone in or entering this industry. A leading market research firm, Ystats, predicts that the online gaming industry will continue to grow at a minimum of 11% until 2013 ("Global Online Gaming Report," 2009). A primary reason for this trend is that

online gaming is becoming more socially acceptable. As the group of consumers expands to include more than just the “nerdy” 18-24 year old male, the more people understand that online games are fun for everyone. This, in a way, is becoming a self-fulfilling prophecy, because as more people take part in this industry, the more people know about the industry, the more people find it acceptable as it becomes more mainstream, the more people get involved and become consumers. An additional reason for the increase in online gaming is the innovating uses of its platform. Online gaming is evolving to include educational tools (teaching children, helping to learn languages, refining musical skills), successful advertising media, and company brand-strengthening tools.

Currently, females account for the majority of the online gaming market: around 60% (Hunter, 2008). The distribution of age ranges in the skill gaming industry are displayed in Figure 9. The 25-36 year olds are the largest portion, making up approximately 26.5%, followed by ages 45-54 (22.9%), then ages 35-44 (20.5%). Only 14.6% of the market is 18-24 year olds – the age range that previously dominated. The rest of the 15.6% is over 55 years old (Hunter, 2008).



ComScore also provided statistics that show that online gamers tend to fit into middle- to upper-class salary demographics. As shown in Figure 10, nearly half (45%) of the market has an income over 50,000 per year, while a third (36.8%) earns more than \$75,000 per year (Hunter, 2008).



In summary, the largest segment of this emerging market is women age 25 to 54 with household incomes higher than \$35,000 a year. They are the segment with the greatest sales potential and thus are SA's primary target market.

However, due to competitors' neglect of profitable emerging demographics, such as young adult and middle-aged males, SA has, and will continue to make an effort to appeal to this more diverse group by incorporating games and a website design that is attractive to a wider array of people. SA's website design is clean, fun, and non gender specific. Samples of images from SA's homepage and popular games are provided in **Appendix C**. The main competitor, King.com, on the other hand, limits their attractiveness because the graphics for the games and the website are tailored towards a feminine market (see **Appendix D**), which can be unappealing for a male skill gamer. Therefore, while SA's focused, target consumer is female,



it maintains a website environment and atmosphere that aims to avoid alienating any potential consumers.

### **Buyer Behavior**

ComScore also found that women, on average, have an 18 minute session time and prefer puzzle, card, and arcade games, whereas men have a 15 minute session time and prefer action, card, and strategy games (Hunter, 2008).

In July 2009, King.com brought together a large group of women gamers, ages 24-61, to gather information on the motivations behind their skill gaming habits. Some of the key findings provide excellent insight into the segment market that SkillAddiction plans to target. It reveals some key buying behavior habits and values of the main consumer in this industry.

These women established that:

- (1) they place value and emphasis on graphics – the game simply needs to look good;
- (2) they would like to have the option to donate their cash prizes to charity;
- (3) they believed that playing online games has become sexy and is no longer geeky;
- (4) they enjoy using games as a form of mental exercise;
- (5) they like to spend money on online games; and
- (6) some women play up to 8 hours per day, breaking up

their game play to accommodate their domestic or professional obligations (Johnson, 2009).

When the target consumer sits down at the computer, this is *her* time. It is the break in her day between her career and domestic duties. She does not have anyone else in her purchase decision because it is the time that she is taking for herself.

This consumer will be easy to reach through online marketing. She is familiar with the internet and spends time on it regularly. She, most likely, is already aware of skill gaming, and might also already have an account on another skill gaming site. However, she will, as was previously described, be on the lookout for other gaming sites that she can use to leverage and improve her online gaming skills.

### **Buying Process**

The buying process involves the steps that the consumer takes from the time that he/she identifies their desire to play online skill games to the time that they make a deposit and begin playing skill games for cash. In this industry, the initial deposit is the purchase.

Figure 11 is a diagram that maps out these steps.

- (1) The first step is when the consumer is at their computer and they identify that they have a desire to play skill games on an online skill gaming website.

(2) The second step is their search to find the skill gaming website that they would like to play on. They become aware of skill gaming websites by searching on search engines, viewing advertisements online, or through affiliate programs on websites of which they are already visitors.

(3) The third step is choosing the website and creating an account on it to begin playing games. From this step, consumers split off in two separate directions.

(4) One direction (labeled as “4A”) is when the consumer automatically deposits money into their account to begin playing the tournaments for cash.

(5) The second option (labeled as “4B”) is when the player chooses to participate on the website with a free account, and play only for Skill Tokens. This option involves no risk and allows players to win virtual currency. Many players stay in step 5 – participating on the skill gaming website with a free account – for reasons such as legal restrictions of their country/state, or simply the desire to play casually without monetary stake.

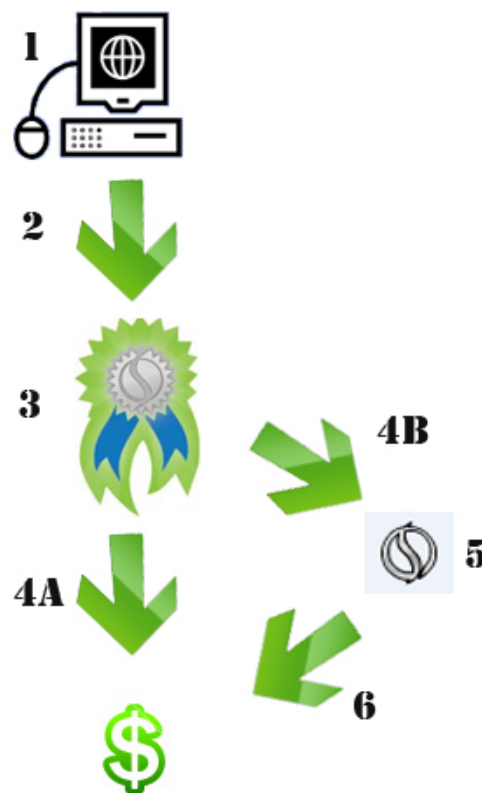


Figure 11

(6) However, there are also many players who, after getting a chance to experience the website and have sampled the selection of games, will deposit money into their account (step 6) to begin entering into cash tournaments.

### Competitors

There are three main competitors of SkillAddiction in the industry: King.com, WorldWinner.com, and Gameduell.com. See **Appendix E** for a complete qualitative analysis of the strengths, advantages and weaknesses of the three top firms and SkillAddiction.

## Section IV: The Economics of the Business

### Revenue Drivers and Profit Margins

SA currently incorporates three revenue drivers.

1. **Tournament Fees** - Players enter a cash tournament and back themselves with small stakes, which is what creates the jackpot to be won. SA will take a small percentage of the entry costs (average of 15%) for hosting the tournament.

Every tournament at SA provides users with Skill Tokens. Skill Tokens are delivered at 50% of the tournament fees collected. However, the liability of a Skill Token's value is not immediately realized. It is measured by the quantity of prizes paid out to the players. This amount can be found in the Income Statement in **Appendix T**. In 2009, tournament fees were at a 89% gross margin.

2. **Advertising** - SA's on-site advertising capabilities provides flexible self-serving ad solutions, for businesses to utilize, to maximize their advertising efficiency and seamlessly engage the SkillAddiction audience. SA has partnered with a startup advertising platform (iSocket) in order to provide efficient and transparent advertising to its advertising partners

SA's current contract requires a fixed \$99 service fee in order to provide up to 2 million advertising impressions. iSocket is an up and coming advertising startup located in Silicon Valley and chose SA as a private beta client (iSocket's most notable client is Techcrunch.com). SA's acceptance enabled a low cost solution, maximizing advertising gross margins at an average of 90%.

3. **Virtual Currency Monetization/Offers** –SkillAddiction's Skill Token (virtual currency) system gives players incentive to complete Offers. Players want to earn tokens to save up for a prize, and when they complete an Offer, Tokens are deposited into their accounts. The Offers include surveys to be taken, websites to sign up on, newsletters to sign up with, and an array of other tasks that bring awareness to various companies that pay for this particular type of exposure. When a player completes an Offer, the company pays SA. SA's Offer platform incorporates real-time adjustment abilities to set the profit margins as desired. As of 9/1/2010, virtual currency monetization is producing a 75% gross margin.

SkillAddiction will be launching a subscription-based gameplay option to

the website by the end of 2010, which will be the fourth revenue driver. The mobile and social skill gaming applications will be the fifth and sixth revenue drivers.

### Fixed Costs

See **Appendix T** (Income Statement) for an in depth look into SA's fixed costs. Figure 14 contains highlights of key fixed costs and their implications for the SA business model.

Annual Fixed Expenses	Current Percentage (2009)	Current Expense (12/31/09)	Projected Percentage (2011)	2 Year Projected Expense (2011)
Payroll	0%	\$0	44%	\$200,000
Server Expense	3%	\$600	1%	\$8,800
Legal & Accounting	0%	\$0	6%	\$27,225
Marketing	19%	\$3,949	27%	\$121,442

Figure 14

Apart from payroll, SA's largest fixed expense is marketing - a vital factor to its business success.

**Server Expense** - SA utilizes cloud server technology, through RackSpace (a leading server host provider), enabling an infinitely scalable solution.

**Marketing Expense** - Multiple marketing tools that assist in capturing players for the SA community (PPC, CPA, CPM, sponsored advertising, other marketing campaigns). Please see **Appendix F** for a complete breakdown of marketing expense.

### Variable Costs

Please see **Appendix T** (Income Statement) for an in-depth look

into SA's variable costs. Below, in Figure 15, are highlights of key variables costs and their implications for the SA business model.

Annual Variable Expenses	Current Percentage (2009)	Current Expense (12/31/09)	Projected Percentage (2011)	2 Year Projected Expense (2011)
<b>Game Commissions</b>	47%	\$1,146	64%	\$154,458
<b>SA Prizes</b>	25%	\$600	30%	\$72,600
<b>Transaction Fees</b>	28%	\$685	6%	\$15,446

Figure 15

**Game Commissions** - SA has in place a revenue share program for the game development partners, listed in **Appendix B**. A percent of the tournament fees collected, agreed upon when initially establishing the partnership, are collected and given back to game partners. The percentage of tournament fees that are allotted to the individual partners ranges from 15% to 50%.

**Merchandise Prizes** – SA's players have the ability to redeem merchandise prizes with their Skill Tokens. The Merchandise Prizes category encompasses any item, won or redeemed, that results in the funds leaving the SA community. The majority of the merchandise prizes on the site have been gift cards that are purchased and sent electronically.

**Skill Cash Prizes** - SA players can choose to exchange their Skill Tokens for “Skill Cash” (non- withdrawable money) to fund their accounts.

### Operating Leverage

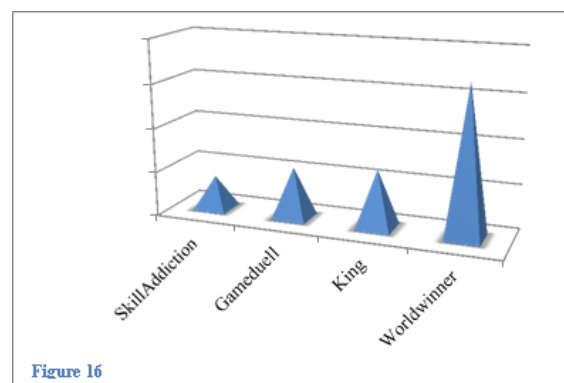
SA's current cost structure is predominantly fixed, resulting in high operating leverage. A high operating leverage cost structure is expected to

remain in place, stabilizing close to a ratio of 65% fixed costs and 35% variable costs. The high operating leverage cost structure can be attributed to the increase in cost per acquisition expense, as detailed in Figure 18. SA continues to rely on a diversified portfolio of revenue drivers and requires high volume to remain profitable.

### Overall Economic Model

The core mission of SA is to provide a competitive skill gaming community for players to leverage their skills with the intention of winning cash and prizes by entering cash tournaments. This focus on cash tournaments has resulted in the largest revenue driver being the tournament fee taken out of each tournament entry cost. This is a standard economic model across all of the websites in the industry.

Figure 16 displays all of the main competitors in the industry and the average cost to the player per game. On average, a player will have a \$0.67 fee taken from their entry cost when they're



playing on WorldWinner, \$0.26 on King, \$0.23 on Gameduell, and only \$0.15 on SkillAddiction. Because SA takes less of the entry cost than its competitors, when a player wins a game at SA, they win more per amount spent on entry costs. The reason why SA does this is because the ability to win more prize money per



dollar spent is very appealing to skill gamers. Although the decreased margin causes SA's game revenue to be lower than its competitors, it is subsidized by higher advertising revenue, attained by displaying advertisements to all players. The competitors do not display advertisements to their cash players. SA uses advertising revenue as an opportunity to increase player benefits. Because the advertisements that SA shows are non-obtrusive (always on the sides or bottom of pages, out of the way of site navigation), this system has been well-received by the SA community. They would rather win more per game than have advertisements removed.

After eight months of being online, SA switched from using advertising networks (specifically, Google AdSense and Clicksor Advertising) to seeking sponsored advertising. This switch was made because sponsored advertising tends to be more profitable than advertising networks. In order to accommodate such a switch, create interest in prospective advertisers, and establish business advertising partnerships, SA plans to offer discount advertising spots, which will result in an initial decline in advertising revenue. Once stabilized, it is expected that advertising will remain a 5-10% driver of total revenue.

The lower game revenue is also subsidized by the revenue received from players completing Offers. This is a revenue driver that SA's competitors do not have. The virtual currency system is what motivates players to complete

the Offers. If Skill Tokens were not a currency, but were simply an abstract „prize“ that provided no actual payoff, players would not have a strong enough reason to spend the time to do Offers. It is expected that future developments in the community that provide players with more opportunities to further utilize (essentially, spend) their virtual currency will catapult this revenue driver to SA's second largest source of revenue. The success of the virtual currency system experienced on the site puts SA at a great advantage because it is not a trend that the competitors can adapt to.

Changing an established website's system in order to provide a similar feature would be extremely costly.

Players thoroughly enjoy the virtual currency system, and they have no other option than to come to SA for it, making this feature both a differentiator and a unique, additional revenue source.

The SA community has also been calling for a subscription-based player module (which will be a fourth revenue driver), which is currently being developed in hopes for a late 2010 implementation. This feature will provide SA with an alternate revenue stream that derives from a group of people who currently provide less monetary benefit than cash players.

## **Breakeven**

In early 2011, SkillAddiction intends on breaking even at 70,000 active players.

## Section V: The Marketing Plan

### Marketing Strategy

The specific marketing philosophy of SkillAddiction revolves around building relationships with the players and giving them more of what they want: cash prizes to be won. The business will be positioned in the marketplace similarly to Avis's "We work harder" position; although SA is a smaller company in the industry, it provides the best customer service, and more opportunities to win cash prizes through new, innovative features and a lower fee structure. SA's unique selling proposition is that players benefit more from playing on SA than on any of the other competing websites. SA will be differentiated from its competitors by its gender- and age-neutral game offering, the smaller fee taken out of entry costs which results in larger winnings, its virtual currency system, its unique features such as Treasure Hunt, and its quality of customer service and community features.

All marketing efforts will emphasize these points of differentiation. The majority of the marketing efforts will be executed online because, as an online business, it is the easiest way to entice not just interest, but immediate action. In addition, the demographic of casual gamers, on the whole, spend their time around the internet and would certainly be exposed to many online advertisements and promotions.

The website does not restrict game play from any countries, so the business will be available globally. The advertising, though, will be limited to the United

States initially. In the future, advertising efforts will be expanded to other countries that can participate in cash tournaments.

## Marketing Costs

Figure 17 outlines the cost structure of the marketing plan and how it affects the total amount of players and the total revenue. The average revenue per player is listed below as well.

A comprehensive table detailing the allotment of funds to the individual advertising tactics and how the growth affects the three revenue drivers can be found in **Appendix F**.

	2010	2011	2012	2013	2014
<b>Cost Per Acquisition</b>	\$0.60	\$0.90	\$2.42	\$4.13	\$6.40
<b>Marketing Expense</b>	\$16,588	\$121,422	\$652,391	\$1,652,673	\$4,475,898
<b>Total Players</b>	35,462	170,398	439,703	840,351	1,539,710
<b>Average Revenue per player</b>	\$3.02	\$5.33	\$6.76	\$8.34	\$10.13
<b>Total Revenue</b>	\$107,250	\$907,508	\$2,970,518	\$7,012,512	\$15,592,513

Figure 17

## Marketing Tactics

### Advertising and Sales Promotions

#### **Paid**

SkillAddiction has acquired written agreements, and signed contracts, with several prominent marketing firms, affiliate networks, advertising agencies, and portals; many of which are excited and looking for business in the gaming industry. See **Appendix G** for details on SA's current

partnerships, contracts, and agreements.

### **Unpaid**

Several marketing tactics have been utilized to generate thousands of visits to the SA website. These cost effective solutions are primarily responsible for the growth that SA has received to date. The primary unpaid tactics that have been used are Facebook Connect, which enables SA players to seamlessly integrate their FB account into the SA community; Refer-a-friend, which is a feature that provides incentive to players for inviting their friends to play on the website; and content writing, which continually drives traffic back to the website.

### **Publicity**

In order to get free publicity, SA will continue to contact the owners of skill gaming blogs, or other content driven websites whose subject matter is cohesive with skill gaming to inform them of SkillAddiction. Bloggers and content writers across the internet are continually looking for new, exciting, impactful, and interesting news. SA has, and will continue to provide, such news.

## **Section VI: Design and Development Plan**

From inception, SkillAddiction has been rapidly evolving its applications. There are aspects of the site, both new features as well as simple upgrades to existing features that are constantly under development. Since the

launch of the initial, basic website, many features have been created to keep the site fresh, updated, exciting, and fast-paced. Some of the larger additional features include Trophies (a feature that rewards players for high scores achieved in cash tournaments), Treasure Hunt (a feature in which players search around a digital map for prizes by clicking on pixels), You vs. You tournaments (tournaments in which players are competing with their own average), Facebook Connect (a feature that allows players to link their Facebook account and their SA account), and an entire redesign of the site.

In addition, the owners' close relationship with the players has given them the ability to incorporate unique and innovative features beyond what the core management team had previously planned on developing. SA has accumulated many future product ideas, such as completely new tournament styles, a subscription service, a chat room for the community, a team-oriented multi-player game platform, and new games, which are waiting to be developed.

### **Opportunities and Features**

SA is focused on innovating new features for both the skill gaming market and the casual free player market. The SA product mix will continually expand with the intention of providing more incentives for new players to join and existing players to continue playing in the SA community. Short-term developments planned for the near future are described below:

- **Subscription Service:** Players would pay a monthly subscription which

would give them access to an exclusive section on the website that has special tournaments and other unique features and perks, such as exclusive new game sneak peeks and profile amenities. This feature would allow players to participate in exclusive tournaments structured so that players are allowed unlimited free entries to compete against each other for a cash prize. Many different types of players would benefit from a subscription service. For example, the skilled players that are very competitive and enjoy competing in large-scale tournaments. To get the highest score they possibly can, they will enter the tournament many, many times. In the end, although they may have won a cash prize from the tournament, the amount of money spent on entry costs makes their profit relatively small, considering the amount of time that went into achieving the high score. Participating in this subscription model could potentially make their game play much more profitable. Of the wide array of gamers on the website, there would undoubtedly be enough interest in joining the Subscription Service to make it successful.

- **New Tournament Styles:** Offering new tournaments styles to the SA community is a simple way to further differentiate the website. Certain tournament styles have been suggested by the players of the website as a way to grow the game play options. All future tournament development efforts would revolve around offering the players new and different ways

to earn cash and prizes.

- **Game Development:** Most games currently at SA are licensed from independent game developers. With more capital, the company will put effort towards creating games in-house. When developing games in-house, they are made exclusively for the SA site, and players will not be able to find them on any other website. Furthermore, exclusive games can be tailored exactly to what the community likes and wants in a new game. When licensing games, the options are limited.
- **Game Portfolio Expansion by way of Partnerships:** This industry is in a very rapid growth stage, and there are new games created every day. The larger the skill gaming industry gets, the more game developers will be interested in creating games specifically for skill gaming websites – this creates a positive feedback loop that continues to fuel and grow itself, creating additional opportunities in the industry for skill gaming sites, players, and game developers alike. As more games are created for this industry, the opportunities for SA to expand its game portfolio will become increasingly abundant. Having a large assortment of quality games to choose from is important to players. This growing opportunity to expand SA's game portfolio is important to seize.
- **Facebook Application:** SA will be expanding the game portfolio and skill gaming experience to the Facebook platform. Facebook has seen a substantial amount of the users participating in the social games – in



September 2010, Facebook CEO Mark Zuckerberg revealed that 40% of Facebook's userbase is participating in the social games (Tsotsis, 2010). SA plans to capitalize off of the growing social gaming market by introducing a SkillAddiction Facebook application that incorporates the SA brand and gaming experience.

- **Mobile Skill Gaming Application:** SA plans to enter into the mobile skill gaming market because it is a rapidly growing avenue in the gaming arena, and because it is a logical expansion of SA's current product assortment. The growth in this market is apparent when looking through the market statistics published in reports from year to year. An industry report published by market research company Frank N. Magid Associates, Inc. is referenced in a December 2007 post on MobileCrunch.com (a blog owned by industry leader TechCrunch.com) stating that only 10% of internet users who own cell phones play games on the phones (Kullman, 2007). Just one year later, a report based on responses from 2,000 cell phone users, published by the market research company In-Stat, noted that 29.5% of respondents reported playing games on their mobile phones, and 20% of respondents downloaded games from websites other than their mobile service provider (Meyers, 2008). Between 2007 and 2008, the amount of mobile phone users playing games on their mobile device nearly tripled. These statistics confirm that this sector of gaming is growing rapidly. They also

confirm that it is an attractive market right now to enter. In addition to the appeal of the mobile gaming market on its own, expanding SA's games to be made available on mobile devices is an appropriate development, as an increasing number of people are performing their internet activities (such as checking email and browsing the internet) on their mobile phones.

## **Section VII: Operations Plan**

### **Geographic Location**

The SkillAddiction headquarters does not need to be in any specific geographic location to effectively reach its users because the business is completely online. SA's core management team began at Syracuse University, with programming and design consultants in Romania, India, and Silicon Valley. Dallas, Texas houses the SA servers that power the application. The company's application is able to efficiently serve players from over 190 countries, regardless of where the management team may be. Until there is a necessity to hire a larger management team that requires a workspace, relocating to an office is of low priority. However, SA intends to leverage the Silicon Valley and the City of Syracuse networks to seek out funding opportunities, secure talent for its workforce, and acquire industry professionals to add to its advisory board. SA reaches users from across the

globe. Although the United States accounts for 65.2% of the users, many other countries are represented. In **Appendix I**, a heat map can be found that displays all 190 countries from which SA has drawn players.

### **Capacity Levels and Inventory Management**

SA is powered by the industry leader in cloud computing technology, Rackspace Hosting. Rackspace Hosting's award winning cloud computing technology, backed by over 40,000 servers, guarantees 100% uptime and has maintained this throughout its partnership with SkillAddiction. Moreover, the highly customizable and efficient setup enables instant scalability, growth, load-balancing, and backup services; this completely eliminates the cost of increasing server quantities, efficient balance setups, and complicated database configuration until absolutely necessary. This setup ensures that SA will never miss a beat throughout its growth stages, no matter the sharpness in numbers.

### **Legal Issues Affecting Operations**

SA's operations require the company to implement security and fraud prevention features in order to provide a safe and secure skill gaming environment. Robust security protocols, up to date geographic IP databases, and on-the-fly fraud protection more than meet all of the company's geographic legal obligations. For United States players, specifically, SA is required to inform the IRS of players' earnings that reach an amount above \$600 in any given year.

## **Section VIII: Management Team**

The core management team for SkillAddiction will be comprised of Raymond Williams (Co- Founder) and Taylor Louie (Co-Founder). Please see **Appendix Q** for the salaries of all positions.

### **Raymond Williams: Co-Founder**

Raymond Williams is a graduate of Syracuse University's Whitman School of Management. His entrepreneurial path began in late 1998, at the age of 14, developing simple websites for friends and family members. Web development, marketing, bootstrapping, and the skills needed in a startup environment were all acquired and grown throughout multiple entrepreneurial online ventures. In 2003, he joined the United States Navy. His four-year tour included three military combat tours: Operation Iraqi Freedom II, Operation Talisman Sabre, and Operation Enduring Freedom. He was responsible for amphibious assault operations attached to the USS Boxer. His duty included the oversight of up to 150 military personnel, wartime navigational operations, and primary responsibility for a multi-billion dollar amphibious assault ship during the most enduring operations. Ray left the US Navy in 2007 with 16 medals, including two Navy Achievement Medals.

Immediately after discharge, Ray arrived at Syracuse University and resumed his entrepreneurial pursuit through academics, extracurricular activities, and two internships with JPMorgan Chase. Leveraging the skills acquired in the military and education received, he began to grow his online

presence, consult various online organizations, network with students and mentors, and incubate his own company.

Ray is primarily responsible for applications operations, programming logic, analytics analysis, data mining, optimization, project management, and financial planning. Ray's résumé can be found in **Appendix M**.

### **Taylor Louie: Co-Founder**

Taylor Louie is a senior in the Whitman School of Management, slated to graduate in December 2010. She is double majoring in Retail Management and Marketing, and is also earning a Communications minor in the S.I. Newhouse School of Public Communications. Her work experience and academic studies have given her substantial knowledge of, and exposure to, effective methods of interpersonal communication in work settings. Her experience with personal selling in her sales associate positions at Nordstrom and Equinox Fitness Shop have given her the necessary tools to build effective relationships with both the customers of the website as well as business partners.

She will be responsible for all communications with the users of the website, including but not limited to inquiries, communication on the forum, and prize distribution. She will also be responsible for communications with the independent contractors for the website including daily discussions to ensure timely delivery of development deliverables. In addition, she will be responsible for the communications with current and potential business partners. Taylor's résumé can be found in **Appendix N**.

### **VP of Technology**

SkillAddiction is seeking to hire top web development talent in early 2011 which will be responsible for creating and managing all of the programming and technological development for the website. This employee will also be responsible for seeking out any independent contractors required for future development projects.

### **VP of Marketing**

SkillAddiction is seeking to hire an internet marketing professional in early 2001, who will be responsible for creating and managing efficient marketing campaigns across both traditional (SEM, CPA, sponsored advertising) and unconventional (social media, viral marketing) marketing mediums, and strengthen our business development with strategic partners.

### **Board of Advisers**

#### **Bill Lilla**

Bill Lilla has spent his entire career building businesses and brands in the consumer goods industry. Mr. Lilla is the President & CEO of the Brim Coffee Company, LLC, the developers of an innovative fortifying technology that adds micronutrients to coffee, corn and soybeans. Mr. Lilla has deep experience in growth companies, start-ups, and brand rejuvenations. He has worked with emerging companies in the coffee, tea, beverage, and food categories. Mr. Lilla's coffee experience started when he served as Executive Vice President at Peet's Coffee & Tea, where he led the development and

implementation of the Company's strategy that led to over \$100 million in revenue growth and a successful IPO in 2001. While at Peet's, Mr. Lilla grew the Company's e-commerce business from \$6 million to over \$4 million. He has also held executive positions with Diageo, plc and Capri Sun, Inc.

### **Mark Bradley**

Mark Bradley is Senior Vice President of NexTag, Inc. He has been responsible for the Company's Worldwide Product Shopping Business since June of 1999. He was the first employee and helped start the company with the two founders. Mr. Bradley is on the board of directors of the companies European, Asian and Indian subsidiaries. He has held several senior executive roles including: Senior Vice President Sales, Senior Vice President Operations in India, General Manager Product Shopping and has also been instrumental in starting many new businesses in the Financial Services Sector, Travel and Education.

### **John Liddy**

John Liddy has over 15 years of managerial experience and currently serves as the entrepreneur in residence for six local colleges and universities. Mr. Liddy also is the Director of the Syracuse Student Sandbox, which is an incubator program for college student run businesses. He has been part of five startup companies, primarily in an operations and finance role. Immediately preceding his tenure as EIR, Mr. Liddy headed a business unit for a publicly traded company where he had full P&L responsibilities for a \$300 million

dollar business and had over 300 employees reporting to him. John received his undergraduate degree from the University of Vermont and received his MBA from the Whitman School at Syracuse University in 2003.

### **Dexter Louie**

Mr. Louie is a partner in the firm Hassard Bonnington LLP. The firm was founded in 1910 and specializes in client representation in five main areas: Litigation, Health Care, Insurance, Employment, Business, Tax and Probate. Mr. Louie practices in the areas of General Liability, Products Liability, Pharmacy Malpractice, Medical Malpractice, and Medical Device Litigation. He graduated from the University of California at San Francisco School of Pharmacy in 1978 (Pharm.D.) and the University of San Diego in 1982 (J.D.). Mr. Louie is licensed by the California State Board of Pharmacy and the State Bar of California. He belongs to the American Bar Association, the Bar Association of San Francisco, the California Pharmacists Association, the Defense Research Institute, and the American Society for Pharmacy Law.

## **Section IX: Overall Schedule**

SA's overall schedule can be found in **Appendix O**. In Figure 18 some key highlights throughout the first three years are described.



Key Highlights	Date Completed	Description
Site launch	04/01/2009	The SkillAddiction application goes live.
Treasure Hunt	08/02/2009	The Internet's first scavenger hunt skill game
1.5 million games played	05/12/10	Leading the way through skill gaming
Securing top programming talent	01/1/11	Adding fuel to the minds behind SA
Hire key management to board	6/01/11	Adding invaluable experience to the SA Team

Figure 18

## Section X: Critical Risk

The highest priority risks to the business are focused around security, fairness, and growth. Growth within the skill gaming industry invokes unwanted attention towards hacking, data manipulation, and communication hijacking. To remain a secure and trustworthy company, as well as provide a safe gaming environment, security will remain a high priority throughout SA's lifespan. SA will continually evolve its game and site protocols in conjunction with updated software, hardware, and new security exploits. Meeting growth expectations requires placing cash management, adoption rate, and sales projections at the forefront of SA's critical risks. Efficient management of these elements will assist in securing SA's ability to become a sustainable and profitable company.

A completed table with all projected risks, their priority levels, and their corresponding strategies can be found in **Appendix P**.

## Section XI: Financial Plan

### Company Snapshot

SA currently utilizes a bootstrapping approach for funding; the initial investment was provided by the current management team. Aside from startup capital, the company has been able to use generated revenue for ongoing operations. The management team has invested a total of \$25,000, broken down as follows: Raymond Williams - 60%, Taylor Louie - 40%.

Like many successful internet companies, SA's founding team has voluntarily foregone salaries in the company's first year. This has enabled SA to cover the fixed costs of application development, fuel community growth, and capture initial market share in the gaming industry.

SkillAddiction's financials are summarized into a snapshot in Figure 19.

	2009	2010	2011	2012	2013	2014
<b>Revenue</b>	\$7,772	\$58,000	\$907,508	\$2,970,517	\$7,012,517	\$15,592,513
<b>Cost of Goods Sold</b>	\$2,431	\$15,440	\$242,504	\$652,978	\$1,267,097	\$2,456,191
<b>Operating Expenses</b>	\$20,390	\$82,763	\$454,352	\$1,367,547	\$3,355,560	\$7,832,788
<b>Net Income</b>	(\$15,049)	(\$2,192)	\$203,764	\$943,284	\$2,386,416	\$5,303,535
<b>Equity</b>	\$25,000	\$925,000				
<b>Debt</b>						
<b>Cash</b>	\$12,732	\$940,659	\$1,268,009	\$2,509,672	\$5,473,531	\$11,984,980

Figure 19

The following financial statements can be found in the Appendix corresponding in the table in Figure 20. For a list of financial assumptions, please see **Appendix**

Q.

Financial Statement	Appendix	Key Notes
Balance Sheet	R	Deferred revenue refers to cash residing in players' accounts that is a liability
Monthly Income Statement	S	Seasonal trends decreases revenue during the Summer season
Yearly Income Statement	T	Marketing remains an integral growth driver and SA's largest fixed expense. Salaries account for the next largest fixed expense.
Monthly Statement of Cash Flows	U	Additional equity from Panassi Business Plan competition
Yearly Statement of Cash Flows	V	Debt is paid down in 2013
Cash Flow Valuation	W	Assumed an expected growth rate of 5% Assumed required rate of return of 50%

Figure 20

## Section XII: Proposed Company Offering

### Valuation

SkillAddiction is currently valued at a \$2.5 million based on the discounted cash flow valuation model shown in **Appendix W**.

### Desired Financing

SkillAddiction is seeking to raise \$900,000 from multiple investment firms to accelerate business growth.

### Fund Utilization

Funds will be utilized to further SA's application development, brand awareness, marketing efforts, strategic partnerships, and additional working capital. The following breakdown indicates SA's current focus, in terms of the current market position.

- Marketing Efforts - \$205,000
- Social Application Development - \$125,000
- Salaries - \$230,000
- Mobile Application Development - \$100,000
- Game Licensing - \$100,000
- Accounting/Legal - \$40,000
- Emergency Funds - \$100,000

### Exit Strategy

The skill gaming industry remains centralized. Although it is not SA's intention to exit immediately, SA will be very well situated for acquisition. An IPO exit is possible, but the interest and size of the current skill gaming industry makes SA an easily identifiable merger and/or acquisition target for several firms. Three companies that are not currently in the industry (EA, AddictingGames, and Google) could become potential buyers of SA in the future. EA owns Pogo.com - the #1 casual games portal (Alexa ranking). Furthermore, Pogo.com embraced skill gaming by engaging in an affiliate partnership with King.com. Should they desire to enter the skill gaming industry more directly, SA would be well positioned as an acquisition target to jumpstart EA's entry. Owned by Nickelodeon, Addicting Games is a top provider of casual games. However, Addicting Games, at this time, is only a free service. Addicting Games' existing resources, talent, and experience place it as a top candidate to enter into the skill gaming industry. Microsoft (Bing)

and Yahoo!, Google's top two competitors, both provide skill gaming opportunities to their audiences. Microsoft has an affiliate partnership with Worldwinner.com, Yahoo! has the same with King.com. Google's impending entry into the gaming market ensures a candidacy for

It is also viable that SkillAddiction's main competitors, King, WorldWinner, and Gameduell would seek to acquire SkillAddiction – diversifying their own game portfolios, increasing community breadth and market share, and ensuring their places as the only dominant skill gaming providers in the industry.

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Appendix A – Treasure Hunt Map





## Appendix B – License Agreements

<b>Name/Company</b>	<b>Status</b>	<b>Game(s)</b>
Alawar Entertainment	Company	Arctic Quest Flower Quest
Ocean Breeze Games	Company	Jadabug Poxxle
David Silver	Independent Developer	ReBound 3
Areagle Games	Independent Developer	Speedway Defense
Beast Games	Independent Developer	Avalanche MIRC
Aggrix	Independent Developer	Sworbs
Terry Paton Games	Independent Developer	BreakIt 3 Solitaire
Bowler Hat Games	Independent Developer	Qrossfire
Cameron McKinnon	Independent Developer	Space Beats
Crystal Squid Ltd.	Company	Crystal Golf Solitaire Monkey Trouble
Millman Games	Independent Developer	SwizzlePop!
Megadev	Company	Bomboozle
Cuatic Games	Company	Scarfit
Photon Storm	Company	Kyobi
Fortunacus Lucas Games	Independent Developer	Twin Botz



## Appendix C – SkillAddiction’s Designs



Search Strategy Action Logic, Puzzle & Cards Arcade Treasure Hunt

**OVER \$75,000 PAID OUT IN CASH PRIZES**

Register

Do you want to register through facebook? [Connect with Facebook](#)

Username

Password

Confirm Password

Email

Confirm Email

First Name

Last Name

Gender


BirthDay

Country

State

I agree with the [Terms and Conditions](#)

[Subscribe me to the Newsletter](#)



Type the two words:

 **reCAPTCHA™**  
stop spam.  
read books.

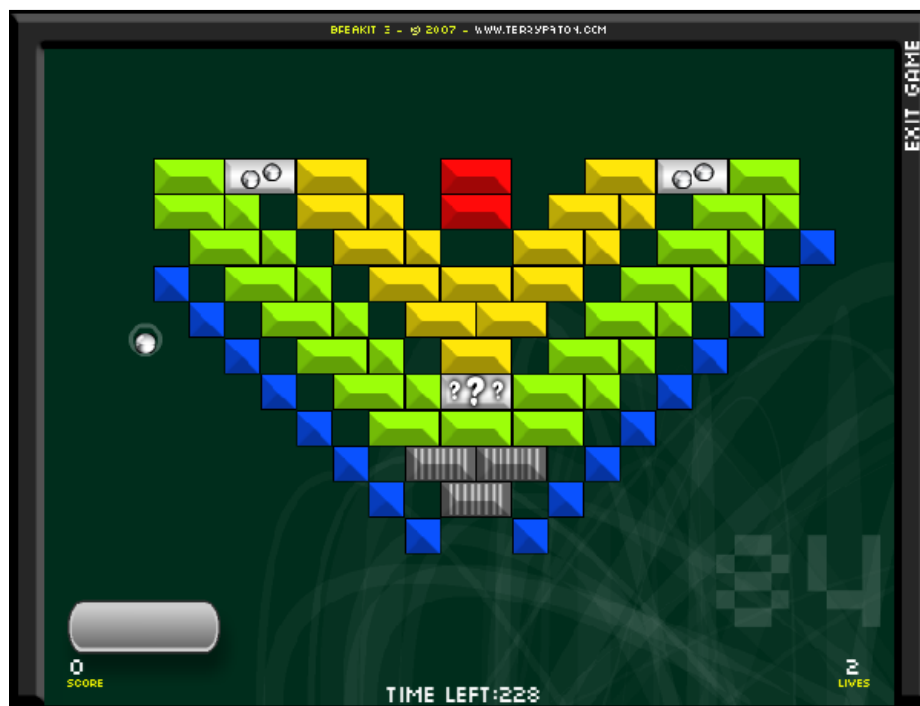
- 50 Free Skill Tokens!
- Up to \$7 and 500 Skill Token Sign on Bonus!
- Unlimited free game play that earns you Cash!
- Complete in over 400 exciting tournaments!
- Thousands of prizes waiting to be won!
- Join and compete with players from over 200 countries
- Free Roll Tournaments!

**Register now!**

[Join Now](#)

Play and win at Skill Addiction - The #1 cash game (and free) skill gaming community!

ADVERTISEMENT



## Appendix D – King.com’s Designs

The screenshot displays the King.com website interface. At the top, there is a navigation bar with links for 'PLAY GAMES', 'MY ACCOUNT', 'COMMUNITY', 'SUPPORT', and 'DEPOSIT'. A login section on the right includes a 'Forgotten your password?' link, a 'Register a new account' link, and a login form with fields for 'Username' (containing 'kapea') and 'Password', and an 'OK' button.

Below the navigation bar, a 'YOUR PLAY GUIDE - 101,601 Players Online' section features a large 'PLAY NOW!' button and four game thumbnails with their respective scores: 'Love Me Love Me Not' (\$68812.80), 'Bejeweled' (\$1205.40), 'Klicker Klacker 2' (\$1051.04), and 'Jungle Bubble' (\$700.00).

To the right, a user profile for 'kapea' is shown, including a green avatar, a list of 'Latest played games' (Mahjong Masque..., Cookie Rookie, Firefly Fant..., Crescendo Ca...), and options to 'Edit avatar', 'Edit profile', and 'Edit castle'. The profile also shows '0 Stars' and a 'Buy Stars' link.

The main content area is divided into several sections:
 

- Top Games**: A tab for 'All games A-Z' is selected.
- PUZZLE GAMES**: Features 'Bomp Bomp' (\$187.95) with a 'PLAY' button and a list of other puzzle games like 'Amazon Survival' (\$691.95), 'Klicker Klacker...' (\$1058.40), 'Pet Rescue' (\$577.50), 'Rainbow Rescue' (\$119.96), and 'Seashell Squee...' (\$280.00).
- STRATEGY GAMES**: Features 'Domino Lineup' (\$98.70) with a 'PLAY' button and a list of other strategy games like 'Amazing Advent...' (\$134.40), 'Bric-a-Brac' (\$140.00), 'Mahjong Masque...' (\$140.00), 'Mahjong Golden...' (\$420.00), and 'Cat Corner' (\$321.30).
- ACTION GAMES**: Features 'Love Me Love Me Not' (\$68812.80) with a 'PLAY' button.
- CARD GAMES**: Features 'Ali Baba' (\$392.69) with a 'PLAY' button.

On the right side, there are two additional sections:
 

- Event Schedule - Ongoing**: Lists events like 'Love Me Love Me Not' (\$68812.80 Royal Cup) and 'Bejeweled 2' (\$1205.40 Jackpot).
- Hot jackpots**: Lists games with high scores, including 'Love Me Love Me Not' (\$68812.80), 'Bejeweled 2' (\$1205.40), 'Klicker Klacker 2' (\$1051.04), 'Jungle Bubble' (\$700.00), and 'Pyramid' (\$700.00).









## Appendix E – Qualitative Competitor Analysis



Leadership	<i>Quality Leader</i>	<i>Performance Leader</i>		<i>Cost &amp; Community Leader</i>
Strengths	<ul style="list-style-type: none"> <li>Quality games</li> <li>New game every 30 days</li> <li>Largest player base</li> <li>Partnerships with large portals</li> <li>Available in 9 languages</li> </ul>	<ul style="list-style-type: none"> <li>2nd largest player base</li> <li>SEO leader (large network of websites)</li> <li>Licenses from mainstream media</li> <li>Partnerships with large portals</li> </ul>	<ul style="list-style-type: none"> <li>3rd largest player base</li> <li>Pronounced advertising campaign</li> <li>Quality games</li> <li>Available in 8 languages</li> </ul>	<ul style="list-style-type: none"> <li>Excellent customer service</li> <li>Diverse game portfolio</li> <li>Flexible game integration</li> <li>Strong community enhancing features</li> <li>"Beyond" skill gaming [additional features to keep users on site]</li> </ul>
Advantages	<ul style="list-style-type: none"> <li>Abundant competition</li> <li>Keeps players "moving" with new games</li> <li>Player community recognition features</li> <li>Able to have large scale tournaments/jackpots regularly</li> <li>High market penetration through partnerships</li> <li>Languages allow for more players</li> </ul>	<ul style="list-style-type: none"> <li>Top revenue earner for players</li> <li>Largest jackpots in industry</li> <li>Reward system for cash players</li> <li>High market penetration through partnerships</li> <li>Leverages well known titles that players are comfortable with</li> </ul>	<ul style="list-style-type: none"> <li>Advertising brings in new players</li> <li>Games are graphically pleasing</li> <li>Strong game development team</li> <li>Players feel secure in competitors matched against</li> <li>Languages allow for more players</li> </ul>	<ul style="list-style-type: none"> <li>Lower cost structure means higher payout per dollar spent on entry costs for players – important to players</li> <li>Smaller company more nimble to react to trends in the skill gaming industry</li> <li>Wide array of tournament styles</li> <li>Virtual currency system</li> <li>Prizes for all players provides incentive for free members</li> </ul>
Weaknesses	<ul style="list-style-type: none"> <li>Expensive to play</li> <li>Narrow in scope (game content)</li> <li>Poor customer service</li> <li>Lack of community atmosphere</li> <li>Not perceived as revenue able (for players)</li> </ul>	<ul style="list-style-type: none"> <li>Graphically unpleasing</li> <li>Isolates users to a single browser (IE)</li> <li>Ranking system is perceived as unfair by many</li> <li>Lack of community features</li> <li>Expensive to play</li> </ul>	<ul style="list-style-type: none"> <li>Expensive to play</li> <li>Confusing player account system</li> <li>Limited tournament styles</li> <li>Lack of community features</li> <li>Small jackpot sizes</li> <li>Site design lacks enthusiasm</li> </ul>	<ul style="list-style-type: none"> <li>Smaller player base</li> <li>Smaller jackpots</li> <li>Only offered in English – alienates players that speak other languages</li> <li>Limited partnerships</li> <li>No "brand name" games</li> </ul>

## Appendix F – Marketing Budget

	SkillAddiction Marketing Revenue and Costs				
	2010	2011	2012	2013	2014
Avg Cost Per Acquisition	\$ 0.60	\$ 0.90	\$ 2.42	\$ 4.13	\$ 6.40
PPC Marketing	\$ 0.60	\$ 1.15	\$ 4.25	\$ 5.05	\$ 5.50
Affiliate Marketing	\$ 0.60	\$ 1.50	\$ 3.00	\$ 8.00	\$ 14.50
Sponsored Marketing	\$ -	\$ 0.80	\$ 2.00	\$ 2.65	\$ 4.60
Premiums	\$ -	\$ 0.15	\$ 0.44	\$ 0.80	\$ 1.00
Total Players	35462	170398	439703	840351	1539710
Premium Players	2837	17040	52764	117649	246354
%	8%	10%	12%	14%	16%
Regular Players	32625	153358	386939	722702	1293356
%	92%	90%	88%	86%	84%
Ad Revenue Per Player	\$ 0.25	\$ 0.50	\$ 0.60	\$ 0.55	\$ 0.50
Offer Revenue Per Player	\$ 0.72	\$ 1.20	\$ 1.55	\$ 2.00	\$ 2.15
Game Revenue Per Premium Player	\$ 25.68	\$ 36.26	\$ 38.38	\$ 41.39	\$ 46.73
Annual Ad Revenue	\$ 8,866	\$ 85,199	\$ 263,822	\$ 462,193	\$ 769,855
Annual Offer Revenue	\$ 25,533	\$ 204,478	\$ 681,540	\$ 1,680,702	\$ 3,310,377
Annual Game Revenue	\$ 72,852	\$ 617,831	\$ 2,025,156	\$ 4,869,622	\$ 11,512,282
Total Revenue	\$ 107,250	\$ 907,508	\$ 2,970,517	\$ 7,012,517	\$ 15,592,513
Previous year Total Players	7815	35462	170398	439703	840351
Players Acquired	27647	134936	269305	400648	699359
Marketing Expense	\$ 16,588	\$ 121,442	\$ 652,391	\$ 1,652,673	\$ 4,475,898

## Appendix G – Marketing Partnerships

Name	Status	Description
eAdvertising	Partner(Pending)  <b>Appendix H</b>	A leading online social media marketing company - gaming sector. Insertion Order has been signed, partnership pending. Brings the SkillAddiction offer to millions of players in the eAdvertising publisher portfolio.
gWallet	Partnered (Publisher/Advertiser)  <b>Appendix I</b>	Innovative virtual currency monetization platform. SkillAddiction and gWallet have partnered to display SkillAddiction's ads across the gWallet network while bringing the gWallet platform to its own players.
Adknowledge	Partnered (Advertiser)	Social media marketing agency in both the social gaming, social media, and content network. SkillAddiction and Adknowledge have partnered to bring SkillAddiction's offer to the European regions.
OfferpalMedia	Partnered (Publisher/Advertiser [pending])	#1 virtual currency monetization agency. OfferpalMedia and SkillAddiction have been partners since November 2009. SA and OfferpalMedia have recently begun negotiations to bring the SA offer to OfferpalMedia's publisher network.
Neverblue Advertising	Partnered (Publisher/Advertiser [pending])  <b>Appendix J</b>	A top affiliate network, SA and Neverblue have been partnered since September 2009 (publisher). An advertising campaign has been discussed, pending credit approval and/or a \$5,000 deposit.
SmileyGamer	Partnered (Portal Partner)  <b>Appendix K</b>	A top 30,000 website (Alexa), SmileyGamer.com and SkillAddiction have partnered to bring skill gaming opportunities to the SmileyGamer audience through a strategic partnership that funnels traffic to the SkillAddiction community, through SmileyGamer.

## Appendix H – eAdvertising Contract

<p>I/We have read and understand the foregoing terms and agree to them.</p> <p>eAdvertising Premium Network</p> <p>By: _____ Signature</p> <p>_____</p> <p>Print Name</p> <p>_____</p> <p>Title</p> <p>_____</p> <p>Date</p>	<p>I/We have read and understand the foregoing terms and agree to them.</p> <p>Advertiser Name</p> <p>By: _____ Signature: Principal</p> <p>_____</p> <p>Print Name</p> <p>_____</p> <p>Title</p> <p>_____</p> <p>Date</p>
<p>Raymond K Williams (RKW) e-Signed 2010-03-22 12:51PM PDT admin@skilladdiction.com SkillAddiction Managing Director</p>	<p>Alex Casanova (AC) e-Signed 2010-03-22 11:52PM PDT acasanova@leadclick.com eAdvertising VP, Operations</p>




Document Integrity Verified EchoSign Transaction Number: 3IP9J0T670IXC

## Appendix I – gWallet Contract

 Fueling Virtual Currency	
<p>11.3. General. This Agreement (the Insertion Orders and these Terms and Conditions) is the entire agreement between the parties regarding its subject matter. It supersedes all prior proposals, agreements, or other communications between the parties, oral or written, regarding such subject matter. This Agreement shall not be modified unless done so in a subsequently dated writing signed by duly authorized representatives of both parties. Any conflicting terms set forth on an Insertion Order shall not be deemed to modify this Agreement unless expressly agreed in a writing signed by authorized representatives of both parties. Neither party shall be liable hereunder by reason of any default, failure or delay in the performance of its obligations hereunder (except for the payment obligations) due to causes beyond the reasonable control of such party, including without limitation fires, flood, severe weather, earthquakes or other acts of God; strikes, lockouts or other labor disputes; civil disturbances, insurrection, riots, war, or governmental action. The section headings contained herein are for convenience of reference only and shall not be considered as substantive parts of this Agreement. If any provision of this Agreement shall be held invalid or unenforceable under applicable law, then such provisions shall be amended to the extent necessary to achieve the objectives of such provision within the limits of the applicable law, and the rest of this Agreement shall remain in full force and effect. The waiver by a party of any breach, violation, or default of a provision of this Agreement will not operate as a waiver of any subsequent breach, violation, or default of that or any other provision. The failure of either party to require performance by the other party of</p>	<p>any provisions of this Agreement shall not affect the full right to require such performance at any time thereafter.</p> <p>11.4. Governing Law and Forum. This Agreement shall be governed by and interpreted in accordance with the laws of the State of California, without reference to conflict of laws principles. All disputes arising out of this Agreement shall be subject to the exclusive jurisdiction of the state and federal California courts in the Northern District of California and the parties agree and submit to the personal and exclusive jurisdiction and venue of these courts.</p> <p>11.5. Independent Contractors. The parties hereto are independent contractors, and nothing in this Agreement are intended to, or should be construed to, create a partnership, agency, joint venture or employment relationship. Neither party is authorized to make any representations, contracts or commitments on behalf of the other.</p> <p>11.6. Notices. Any notice required or permitted to be given by either party under this Agreement shall be in writing and shall be personally delivered or sent by commercial courier service (e.g., DHL), or by first class mail (certified or registered if available), or by telecopy confirmed by first class mail (registered or certified if available), to the other party at its address first set forth above, or such new address as may from time to time be supplied hereunder by the parties hereto. If mailed, notices will be deemed effective five (5) working days after deposit, prepaid, in the mail.</p>
<p>Signature: <u>Raymond K. Williams</u>  <small>Raymond K. Williams (Mar 31, 2010)</small></p> <p>Email: admin@skilladdiction.com</p>	<p>Signature: <u>John Daly</u>  <small>John Daly (Mar 31, 2010)</small></p> <p>Email: jdaly@gwallet.com</p>
<p> Document Integrity Verified <span style="float: right;">EchoSign Transaction Number: 3LE3QA5NU53US</span></p>	

## Appendix J – Neverblue Advertising Contract

☆ **Eva Boucek** Hello Ryan, I have just spoken with Ray from www.skilladdiction.com I know th... Mar 17

☆ **Ryan Gerhardt** to Eva, me [show details](#) Mar 17   Reply 

Hey Ray,

I saw your email from last night and I was just about to reply. (it has been a crazy day) I am definitely interested in setting up a test for the CPL campaign at \$1.50

I have attached our T&C's and Credit Application for you to review and sign. Please fax these documents back to 604-677-5841 when they are completed and signed.


The credit application can sometimes take a little while to be approved, so to speed up the process please ensure that the following steps are taken.

- Please fill in a Dun and Bradstreet number if you have one (<http://www.dnb.com/us/>). Adding a D&B # is the fastest way for your credit application to be approved.
- The next place Neverblue will be contacting is your bank. Please make sure that you bank knows we will be contacting them and please provide up-to-date contact information.
- Neverblue will then be contacting your three trade references. Please make sure you add all of the trade references contact information.
  - Please add contact person's NAME, EMAIL ADDRESS, FAX NUMBER and PHONE NUMBER.
  - Please contact your trade references personally and let them know that they will be contacted by Neverblue.
- All Fields on the credit application must be filled in. **\*D&B # is optional.**

Please let me know if you have any questions.

Talk to you soon,

Ryan



---

**Ryan Gerhardt**  
Business Development Manager

Email [ryan.gerhardt@neverblue.com](mailto:ryan.gerhardt@neverblue.com)  
Phone +1 250-386-5323 ext 228  
Cell +1 (250) 686-8954

**Toll Free 1-877-532-3436**  
**Fax (604)677-5841**  
**AIM NeverblueRG**

---

**From:** Eva Boucek

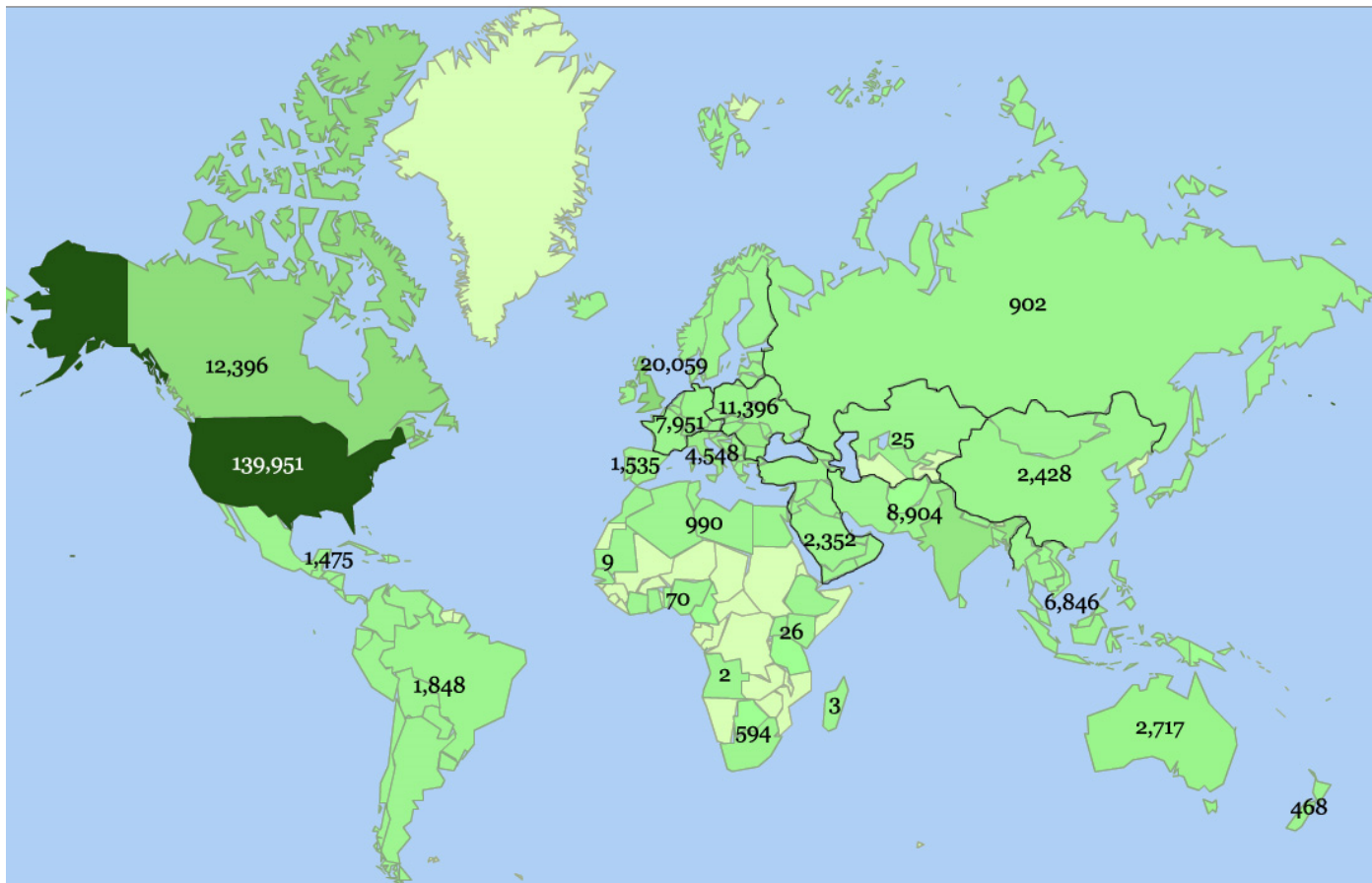
## Appendix K – SmileyGamer.com Partnership

SkillAddiction's strategic partnership with SmileyGamer drives community growth through a mutually exclusive affiliate relationship. The SmileyGamer audience is informed of skill gaming through the home page link (Cash Games), promotional materials (banners, links, email), and in game advertisements.





**Appendix L – Website Traffic Heatmap**





## Appendix M – Raymond Williams’ Resume

### Raymond Williams

[rickwillia@syr.edu](mailto:rickwillia@syr.edu)

*Current Address:*  
311 Chinook Dr Apt #7  
Syracuse, NY 13210  
(619) 971-4261

*Permanent Address:*  
726 Centre St  
Mahanoy City, PA 17948  
(619) 971-4261

### EDUCATION

#### Syracuse University

Martin J. Whitman School of Management, Bachelor of Science Finance  
GPA: 3.845/4.0

Syracuse, NY

Expected Dec 2009

### EXPERIENCE

#### JPMorgan Chase

*CMST Summer Intern*

New York City, NY  
June 2008 – Aug 2008 / June 2009 – Aug 2009

- Exercised project management skills to successfully complete projects across multiple LOBs
- Utilized analytical skill sets to drive business strategy and improvement
- Built and executed project presentations through virtual teams, ~~TelePresence~~, and physical meetings
- Produced tools to automate common tasks, reducing time spent, and eliminating manual errors
- Developed databases that are used to store, analyze, and produce reports for data

#### United States Navy

*E-5 Quartermaster 2<sup>nd</sup> Class*

San Diego, CA  
Aug 2003 – May 2007

- Led a team of 12 military personnel during stress enhanced environments, demanding synchronistic team skill scenarios, and high level project management
- Successfully passed 3 US Navy Navigational audits
- Performed budget analysis and purchased applicable materials on a concise budget, reduced cost, and created efficiency within my departmental guidelines

### LEADERSHIP

- Managed up to 150 personnel at once on multiple projects
- Leading team member who determined methods of approach, controlled, and performed data gathering, analysis, and execution in real-time scenarios
- Directly trained personnel on business knowledge, application, enhanced skill sets, and advanced development
- Directly responsible to high level managers for project development and execution

### AWARDS, ACTIVITIES, AND HONORS

#### United States Navy – Medals

- Awarded 16 medals including: (2) Navy Achievement Medals, (2) Global War on Terrorism Expeditionary Medals, and (1) Navy Unit Commendation Medal

#### Humanitarian Services - Malaysia

*Volunteer*

~~Kemaman~~, Malaysia  
Spring 2005

- Performed restoration of homes to include painting, building, and construction
- Performed restoration of schools and their playgrounds; to include painting, laying asphalt, and play set construction

### SKILLS

- Used various Microsoft Office applications to present data to high level managers
- Developed databases using Microsoft Access
- Utilized Microsoft Excel to perform data analysis, automate tasks, store data, and produce reports
- Proficient in Lotus Notes and Microsoft Outlook

## Appendix N – Taylor Louie’s Resume

**Taylor Louie**  
talouie@syr.edu

*Current Address:*  
405 University Pl.  
Syracuse, NY 13210  
(650) 678 - 4881

*Permanent Address:*  
115 Aragon Blvd.  
San Mateo, CA 94402  
(650) 678 - 4881

### EDUCATION

#### **Syracuse University**

Syracuse, NY

Martin J. Whitman School of Management, Bachelor of Science Marketing & Retail Management  
S.I. Newhouse School of Public Communications, Minor Public Communications  
GPA: 3.75/4.0

May 2011

- Dean’s Scholarship
- Renée Crown Honors Program
- The National Society of Collegiate Scholars
- Selected to participate in Marketing Career Exploration Trip
- Dean’s List – Fall 2007, Spring 2008, Fall 2008, Spring 2009
- Recipient of the Amy Jill Dwyer Memorial Scholarship for 2009-2010 school year (Professor nomination)

### EXPERIENCE

#### **Tramit Urban Boutique**

San Mateo, CA

##### *Assistant Manager*

Aug 2004 – April 2007

- Assisted Buyer’s decisions on inventory for the next season based on projected trends
- Developed strategic merchandise layouts to increase customer awareness
- Performed day-to-day business transactions

#### **Equinox Fitness Shop**

Palo Alto, CA

##### *Sales Associate*

June 2008 – Aug 2008

- Provided personal shopping services for customers
- Managed client purchase history portfolios
- Merchandised store displays and gym floor mannequins to promote specific styles

#### **Nordstrom**

San Mateo, CA

##### *Summer Management Intern*

June 2009 – Aug 2009

- Shadowed Department Manager to learn all management functions
- Provided personal shopping services to create ongoing relationships with customers and ensuring an enjoyable experience

### ENTREPRENEURSHIP

#### **Co-Founder, SkillAddiction**

- Direct and supervise an offshore website development team
- Perform daily oversight to ensure timeline management and project execution
- Maintain awareness of overall business
- Network with potential and existing business partners
- Execute analytical assessments in order to increase company exposure

### LEADERSHIP & ACTIVITIES

#### **Resident Advisor, Booth Residence Hall 2008-2009; Watson Residence Hall 2009-2010**

- Plan and coordinate floor events
- Facilitate floor meetings and discussions
- Mediate roommate conflict

#### **American Marketing Association (AMA)**

- Lead a group of students to create marketing plan for online business

Syracuse, NY Fall 2009

### SKILLS

- Proficient in Microsoft Word, PowerPoint, Excel
- Strong organizational, time management, and teamwork skills



## Appendix P – Critical Risks

Priority	Element	Description	Strategy
High	Cash Management	Maintaining cash reserves to sustain growth, development, and marketing.	Outsourced development, innovative marketing techniques, and strict fund management enables The Company to maintain a cash reserve in case of emergencies. However, investments sought will strengthen the company's ability to mitigate the risk of cash depletion.
Low	Scalability	Provide a scalable product and server solution to sustain growth in product use	SA leverages more than 40,000 servers through <a href="http://Rackspace.com">Rackspace.com</a> 's cloud computing services, enabling the company to infinitely scale in real-time, when necessary
High	Adoption Rate	Business operations as a result of faster or slower adoption rate	SA's flexible application enables real-time expansion/contraction of vital components for quick adaption to new business and market environments
Med	Competition	Reaction to industry competitors, innovation, and pricing differences	An experienced management team, strong community (crowd-sourced) participation, strategic partnerships, and rapid development enable the company to remain at the forefront of industry standards
High	Meet Sales Projection	Ability to meet forecasted sales projections	Innovative marketing campaigns, application features, social media growth, market growth, and a conservative sales projection strengthen the ability to hit sales projections
High	Security	Protection of user information and prevent data corruption	It is SA's policy not to store risky information about its users. Rather, the company utilizes PayPal and Google Checkout for payment processing and 1-way encryption for confidential information about its users
High	Game Integrity	Protection of gaming environment and player integrity	Several security measure are put in place through SA's application programming interface, encrypting pertinent game integrity information, and making it very difficult to manipulate
Low	Data Loss	Prevention of data loss	Leading server technology enables SA to have access to daily backups of its database and backups of server files every 4 hours; all of which have a database of archived backups ready to use at a given moment
Med	Virus / Hacking Attempts	Protection against virus injection and hacking attempts.	Cutting edge firewalls, DDOS prevention, antispam, and antivirus technologies are implemented to secure the integrity of the SA website and applications.

## Appendix Q – Financial Assumptions

Advertising revenue fluctuates between 5-10% of revenues, decreasing in later years

Offer Revenue account for 5-28% of revenues, increasing in later years

Server expenses (Rackspace Hosting) adjust and can maintain SkillAddiction growth

Costs of goods sold includes transaction fees, game partnership costs, and prizes awarded from user game play

General and Administration include office supplies, corporation fees, employee equipment

Legal/Accounting are primarily for US tax purposes and law and regulation awareness

Depreciation is calculated as 5 yr straight line depreciation

Affiliate cost (included in marketing) will depreciate until 2012, where it will then grow due to higher quality and quantity partnerships

Transaction fees are estimated at 2.5% of game revenue [Google & Paypal payment structures]

Game commission fees will increase till 2012 then decrease with more in house development SA prize cost will remain an 8% cost of game revenue

Deferred revenue remains a constant 15% of net sales

Wages and commissions are paid monthly, eliminating carrying a

balance Assume a growth rate of 5% beyond the terminal year

(valuation model) Assume a required rate of return of 50% for valuation (valuation model)

### 2010

Payroll, taxes, and other includes State/Federal taxes, UI, Medicare, and FICA, and employee benefits

Employee benefits are not issued this year

Misc is calculated at 1% of net sales

Debt is secured on 7/1/10 - \$200,000

### 2011

Rent begins in 2011 @ \$12

sq/ft, 200 per employee

(Cupertino, CA) Rent

includes utilities, janitorial services, phone service

Employee benefits are calculated at 15% of payroll

Application Research and Development decreases due to hiring one talented web developer!

### 2012

Employee equipment modernization [G&A, capital expenditures]

Partnership with a major portal secured, increasing growth

### 2013

Employee 401k matching benefit added, up to @2%

Partnership with a major portal secured, increasing growth

Debt paid down  
7/1/2013

### 2014

Employee Benefits are calculated at 18% of salary

Employee equipment modernization [G&A, capital expenditures]

Partnership with a major portal secured, increasing growth.

### Projected Salaries

Job	Amount	2011	Amount	2012	Amount	2013	Amount	2014
Founding Team	2	\$100k	2	\$150k	2	\$200k	2	\$300k
VP Technology	1	\$50k	1	\$70k	1	\$85k	1	\$100k
VP Marketing	1	\$50k	1	\$70k	1	\$85k	1	\$100k
Management					2	\$170k	3	\$300k
IT			1	\$60k	4	\$280k	8	\$640k
App Support			1	\$45k	2	\$104k	5	\$275k
<b>Total</b>	<b>4</b>	<b>\$200k</b>	<b>6</b>	<b>\$395k</b>	<b>12</b>	<b>\$924k</b>	<b>20</b>	<b>\$1715k</b>

## Appendix R – Balance Sheet

	Skill Addition Projected Balance Sheets											
	2009	% Change	2010	% Change	2011	% Change	2012	% Change	2013	% Change	2014	% Change
<b>Current Assets</b>												
Cash and equivalents	\$	12,732	\$940,659	7288%	\$1,268,009	35%	\$2,509,672	98%	\$5,473,531	118%	\$11,984,980	119%
Total Current Assets	\$	12,732	\$940,659	7288%	\$1,268,009	35%	\$2,509,672	98%	\$5,473,531	118%	\$11,984,980	119%
Property, plant, and equipment												
Equipment, fixtures, and other	\$	-	\$ 1,000	100%	\$ 5,800	480%	\$ 19,640	239%	\$ 55,712	184%	\$ 154,570	177%
Accumulated depreciation	\$	-	\$ 200	100%	\$ 1,160	480%	\$ 3,928	239%	\$ 11,142	184%	\$ 30,914	177%
Net Property, Plant, and Equipment	\$	-	\$ 800	100%	\$ 4,640	480%	\$ 15,712	239%	\$ 44,570	184%	\$ 123,656	177%
Total Assets	\$	12,732	\$941,459	7295%	\$1,272,649	35%	\$2,525,384	98%	\$5,518,101	119%	\$12,108,635	119%
<b>Current Liabilities</b>												
Accounts Payable	\$	-	\$ -		\$ -		\$ -		\$ -		\$ -	
Accrued Wages and Commissions Payable	\$	-	\$ -		\$ -		\$ -		\$ -		\$ -	
Deferred Revenue	\$	2,781	\$ 8,700	213%	\$ 136,126	1465%	\$ 445,578	227%	\$1,051,878	136%	\$ 2,338,877	122%
Total Current Liabilities	\$	2,781	\$ 8,700	213%	\$ 136,126	1465%	\$ 445,578	227%	\$1,051,878	136%	\$ 2,338,877	122%
<b>Long Term Liabilities</b>												
Long term notes payable	\$	-	\$ -		\$ -		\$ -		\$ -		\$ -	
<b>Owner's Equity</b>												
Common Stock	\$	25,000	\$950,000	3700%	\$ 950,000		\$ 950,000		\$ 950,000		\$ 950,000	
Retained Earnings	\$	(15,049)	\$ (17,241)	15%	\$ 186,522	-1182%	\$1,129,807	506%	\$3,516,223	211%	\$ 8,819,758	151%
Total Owners' Equity	\$	9,951	\$932,759	9274%	\$1,136,522	22%	\$2,079,807	83%	\$4,466,223	115%	\$ 9,769,758	119%
Total Liabilities and Equity	\$	12,732	\$941,459	7295%	\$1,272,649	35%	\$2,525,384	98%	\$5,518,101	119%	\$12,108,635	119%

## Appendix S – Yearly Income Statement

	Skill Addiction Projected Income Statements											
	2009	%	2010	%	2011	%	2012	%	2013	%	2014	%
<b>Revenue:</b>												
Gross sales	\$ 7,772	100%	\$58,000	100%	\$907,508	100%	\$2,970,518	100%	\$7,012,517	100%	\$15,592,514	100%
Game revenue	\$ 5,668	73%	\$48,000	83%	\$617,831	68%	\$2,025,156	68%	\$4,869,622	69%	\$11,512,282	74%
Advertising revenue	\$ 1,694	22%	\$ -	0%	\$ 85,199	9%	\$ 263,822	9%	\$ 462,193	7%	\$ 769,855	5%
Offer revenue	\$ 410	5%	\$10,000	17%	\$204,478	23%	\$ 681,540	23%	\$1,680,702	24%	\$ 3,310,377	21%
Net sales	\$ 7,772	100%	\$58,000	100%	\$907,508	100%	\$2,970,518	100%	\$7,012,517	100%	\$15,592,514	100%
<b>Direct cost:</b>												
Transaction fees	\$ 685	28%	\$ 1,200	8%	\$ 15,446	6%	\$ 50,629	8%	\$ 121,741	10%	\$ 287,807	12%
Game commission fees	\$ 1,146	47%	\$ 9,600	62%	\$154,458	64%	\$ 364,528	56%	\$ 584,355	46%	\$ 920,983	37%
SA Prizes	\$ 600	25%	\$ 4,640	30%	\$ 72,601	30%	\$ 237,641	36%	\$ 561,001	44%	\$ 1,247,401	51%
Merchandise	\$ 120	5%	\$ 1,160	8%	\$ 13,613	6%	\$ 53,469	8%	\$ 140,250	11%	\$ 311,850	13%
Cash	\$ 480	20%	\$ 3,480	23%	\$ 58,988	24%	\$ 184,172	28%	\$ 420,751	33%	\$ 935,551	38%
Cost of goods sold	\$ 2,431	100%	\$15,440	100%	\$242,504	100%	\$ 652,798	100%	\$1,267,097	100%	\$ 2,456,191	100%
Gross profit (loss)	\$ 5,341	69%	\$42,560	73%	\$665,004	73%	\$2,317,720	78%	\$5,745,420	82%	\$13,136,323	84%
<b>Expenses:</b>												
Server	\$ 600	3%	\$ 1,200	3%	\$ 8,800	2%	\$ 24,000	2%	\$ 80,000	2%	\$ 175,000	2%
Misc	\$ -	0%	\$ 580	1%	\$ 9,075	2%	\$ 29,705	2%	\$ 70,125	2%	\$ 155,925	2%
Marketing	\$ 3,949	19%	\$16,588	40%	\$121,442	27%	\$ 652,391	48%	\$1,652,673	49%	\$ 4,475,896	57%
Application research and development	\$ 15,841	78%	\$20,000	48%	\$ 12,000	3%	\$ 18,000	1%	\$ 30,000	1%	\$ 42,000	1%
Legal and accounting expense	\$ -		\$ 1,740	4%	\$ 27,225	6%	\$ 89,116	7%	\$ 210,376	6%	\$ 467,775	6%
Payroll	\$ -		\$ -	0%	\$200,000	44%	\$ 395,000	29%	\$ 924,000	28%	\$ 1,715,000	22%
Payroll taxes, benefits, and other	\$ -		\$ -	0%	\$ 49,700	11%	\$ 98,158	7%	\$ 248,094	7%	\$ 511,928	7%
General & Administrative	\$ -		\$ 1,000	2%	\$ 15,000	3%	\$ 42,500	3%	\$ 100,000	3%	\$ 210,000	3%
Bank account fees	\$ -		\$ -		\$ 350	0%	\$ 350	0%	\$ 350	0%	\$ 350	0%
Depreciation and amortization	\$ -		\$ 200	0%	\$ 1,160	0%	\$ 3,928	0%	\$ 11,142	0%	\$ 30,914	0%
Rent	\$ -		\$ -		\$ 9,600	2%	\$ 14,400	1%	\$ 28,800	1%	\$ 48,000	1%
Total Operating Expenses	\$ 20,390	100%	\$41,308	100%	\$454,352	100%	\$1,367,547	100%	\$3,355,560	100%	\$ 7,832,788	100%
Total Operating Expenses (% of revenue)	\$ 20,390	262%	\$41,308	71%	\$454,352	50%	\$1,367,547	46%	\$3,355,560	48%	\$ 7,832,788	50%
Income from Operations	\$ (15,049)	-282%	\$ 1,252	3%	\$ 210,652	32%	\$ 950,172	41%	\$ 2,389,860	42%	\$ 5,303,535	40%
Interest Expense	\$ -		\$ 3,444	8%	\$ 6,888	1%	\$ 6,888	0%	\$ 3,444		\$ -	
Net Income Before Tax	\$ (15,049)	-282%	\$ (2,192)	-5%	\$ 203,764	31%	\$ 943,284	41%	\$ 2,386,416	42%	\$ 5,303,535	40%
Tax Expense	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
Net Income	\$ (15,049)	-282%	\$ (2,192)	-5%	\$ 203,764	31%	\$ 943,284	41%	\$ 2,386,416	42%	\$ 5,303,535	40%



## Appendix T – Yearly Statement of Cash Flows

	Skill Addition Projected Statements of Cash Flows											
	2009	%	2010	% Change	2011	% Change	2012	% Change	2013	% Change	2014	% Change
<b>Cash Flows From Activities</b>												
Net Income	\$ (15,049)		\$ (2,192)	85%	\$ 203,764	-9396%	\$ 943,284	363%	\$ 2,386,416	153%	\$ 5,303,535	122%
<b>Adjustments to Net Income for CF</b>												
+ Depreciation Expense	\$ -		\$ 200		\$ 1,160	480%	\$ 3,928	239%	\$ 11,142	184%	\$ 30,914	177%
Change in Accounts Payable	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
+ Change in Accrued Liabilities	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
Change in Deferred Revenue	\$ 2,781		\$ 5,919	113%	\$ 127,426	2053%	\$ 309,452	143%	\$ 606,300	96%	\$ 1,287,000	112%
Total Adjustments	\$ 2,781		\$ 6,119	120%	\$ 128,586	2001%	\$ 313,380	144%	\$ 617,442	97%	\$ 1,317,913	113%
Net Cash Flow From Operations	\$ (12,268)		\$ 3,927	132%	\$ 332,350	8363%	\$ 1,256,664	278%	\$ 3,003,859	139%	\$ 6,621,449	120%
<b>Cash Flows From Investing</b>												
Capital Expenditures	\$ -		\$ 1,000		\$ 5,000	400%	\$ 15,000	200%	\$ 40,000	167%	\$ 110,000	175%
Net Cash Used by Investments	\$ -		\$ 1,000		\$ 5,000	400%	\$ 15,000	200%	\$ 40,000	167%	\$ 110,000	175%
<b>Cash flow from financing</b>												
+ Equity issues	\$ 25,000		\$ 925,000	3600%	\$ -	-100%	\$ -		\$ -		\$ -	
- dividends	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
+ Debt issues	\$ -		\$ -	100%	\$ -		\$ -		\$ -		\$ -	
- Debt Repayment	\$ -		\$ -		\$ -		\$ -		\$ -		\$ -	
Net cash flows from financing	\$ 25,000		\$ 925,000	3600%	\$ -	-100%	\$ -		\$ -		\$ -	
Net Change in Cash	\$ 12,732		\$ 927,927	7188%	\$ 327,350	-65%	\$ 1,241,664	279%	\$ 2,963,859	139%	\$ 6,511,449	120%
Beginning Cash Balance	\$ -		\$ 12,732		\$ 940,659	7288%	\$ 1,268,009	35%	\$ 2,509,672	98%	\$ 5,473,531	118%
Ending Cash Balance	\$ 12,732		\$ 940,659	7288%	\$ 1,268,009	35%	\$ 2,509,672	98%	\$ 5,473,531	118%	\$ 11,984,980	119%



## Capstone Summary

In mid-2008, after having partaken in over a year of skill gaming themselves, Ray Williams and Taylor Louie decided to start their own skill gaming website. The industry was clearly in its early growth stages, and the current structure of the industry produced two dominant websites that were not facing much of a threat from other competitors. This lack of competition had created some stagnancy in the industry, and the players were not getting the optimal gaming experience.

Immediately following this decision, the gears were put into motion. Neither founder had enough programming expertise to create a skill gaming website, so they began interviewing web developer candidates. After months of development, a bare-bones version of the website was launched to the public on April 1, 2009. Initial growth was slow but steady. Without the funds for large-scale marketing efforts, funded by the founders at this point, energies were focused towards free marketing initiatives – submitting articles and press releases around the internet about the website, and optimizing keywords in the content on the website in order to move up the search results pages on large portals like Google, Yahoo!, and Bing. They also worked hard to create partnerships with game development companies and independent developers in order to bring more games to the website.

For the first year of operation, the company was run out of dorm rooms and coffee shops, with an emphasis on building out the website application with as many new features and games as possible to differentiate from, and improve upon, the industry leaders' current offerings. In April 2010, SkillAddiction entered into, and won first place in the Panasci Business Plan Competition, hosted by the Whitman School of Management. The prize was \$25,000. This was a milestone for SkillAddiction not only because these were the first funds acquired to grow the website that had not come from the founders' pockets, but also because it marked the time in which external resources made themselves available. Shortly after the competition, SkillAddiction was invited to spend the upcoming summer (2010) in a business incubator in downtown Syracuse, which was supported by an \$8,000 grant to help the company grow.

Towards the end of the summer in the incubator, the connections made began to have a tremendously positive impact on SkillAddiction. The founders were introduced to venture capitalists in Upstate New York as well as angel investors in New York City.

In the middle of August 2010, the fund raising process officially began. For much of September and October the team traveled to New York City nearly weekly presenting their investment pitch to any investment group that would listen. Currently, the team is in talks with multiple investment teams. The funds raised in this round will go towards building the website out with more features,

Facebook and Mobile Applications, game licensing, a large marketing push, and salaries for a VP of Technology and VP of Marketing.

On November 5, 2010, SkillAddiction made its first large media appearance. In a full-page color spread, Raymond and Taylor graced the front page of the CNY section of Syracuse's Post-Standard newspaper.

SkillAddiction is poised, in the midst of a rapidly growing industry, on the brink of tremendous success. The co-founders' backgrounds in gaming and strong connections with current customers have allowed them to build an application that has been proven, as the early non-marketing-fueled growth and positive feedback would suggest, to be a destination that is both fun and addictive and a necessary addition to the skill gaming industry. With mentorship and funding, SkillAddiction is ready to go far.

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The remainder of this Capstone Summary is dedicated to providing a high-level overview of skill gaming to give you, the reader, a better understanding of the core of this business.

Because this is still a very new industry to the United States, it is still fairly unknown by the overall public. Skill gaming is a type of online gaming in which players enter into tournaments, sometimes backing themselves with small wagers, to compete against each other in casual games that test their physical dexterity, analytical thinking, fast reactions and mental endurance. The types of casual games that skill gaming websites host tend to last around 3-5 minutes in

duration, and are played solitarily. Casual game staples of skill gaming websites are Solitaire (1 and 3 card), brick breaker –type games, and match-3 games (of which Bejeweled is essentially a creator in addition to being the most popular). Skill gaming websites pair players up based on their skill level (determined by a website’s ranking algorithm) and provide to them the exact same version of the game – for example: both players in a given Solitaire tournament will receive the exact same layout of cards.

Website users can play the games for free (zero entry cost) for as long as they choose. Although they are not winning cash prizes, they are still able to earn a virtual currency (on SkillAddiction, the virtual currency is called Skill Tokens) that they can save and spend on material prizes. If a player decides that they want to compete for a cash prize, they will be required to fund their account. Most skill gaming websites utilize online payment gateways, like Paypal.com, for their transactions. So, a player will “deposit” an amount of money into their account (typically it is either \$5, \$10, or \$20) by making a payment to the website through Paypal. They are always able to view their account balance, and it is always completely up-to-date.

On the following page is a picture that outlines the step-by-step of the flow of a skill gaming tournament with a cash entry cost and jackpot. The structure for free tournaments is the same, however, no money in their account is being spent, and there is no cash jackpot to be won. First, player #1 comes to the website, browses the game catalog, and selects the \$1 Solitaire Tournament to

play. The \$1 is taken from her account and put into the jackpot. She plays the game of solitaire, and then her score is recorded in the tournament. Next, player #2 comes to the website, selects the same \$1 Solitaire tournament, and the \$1 is taken from his account and put into the jackpot. He plays the exact same layout of Solitaire that player #1 received and his score is recorded in the tournament. Their scores are then compared, and the player with the higher score is automatically awarded the jackpot prize.



You'll notice that the jackpot prize is less than the sum of the two entry costs. That is because SkillAddiction takes a small percentage out of every entry cost – this is the website's main revenue driver, discussed in detail in the business plan.

It is important to note that these two game plays do not need to happen simultaneously, because it is just the scores that are compared; the players are not competing in real time.

The prize money, won in this tournament, is automatically reflected in the winner's account. They can either continue entering into cash tournaments with the money that they've won, or they can make a withdrawal and have the money sent to their bank account through an online payment gateway (Paypal.com).