

GDC Austin

September 15–18, 2009

Game Developers Conference® Austin
Austin Convention Center | Austin, Texas

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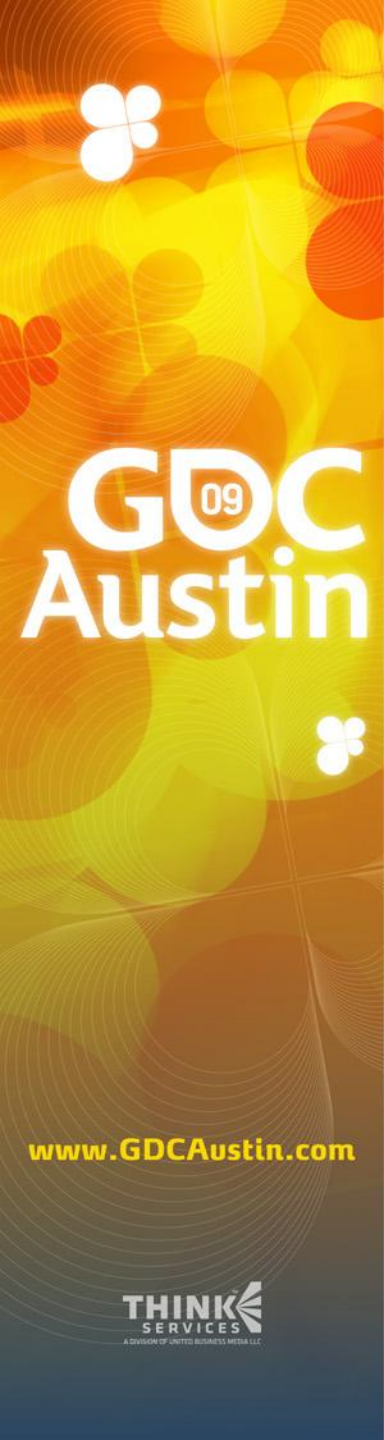
Funding Fundamentals

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Funding Fundamentals

- ④ Convincing the Wealthy to Finance Your Wild Schemes



Who am I?

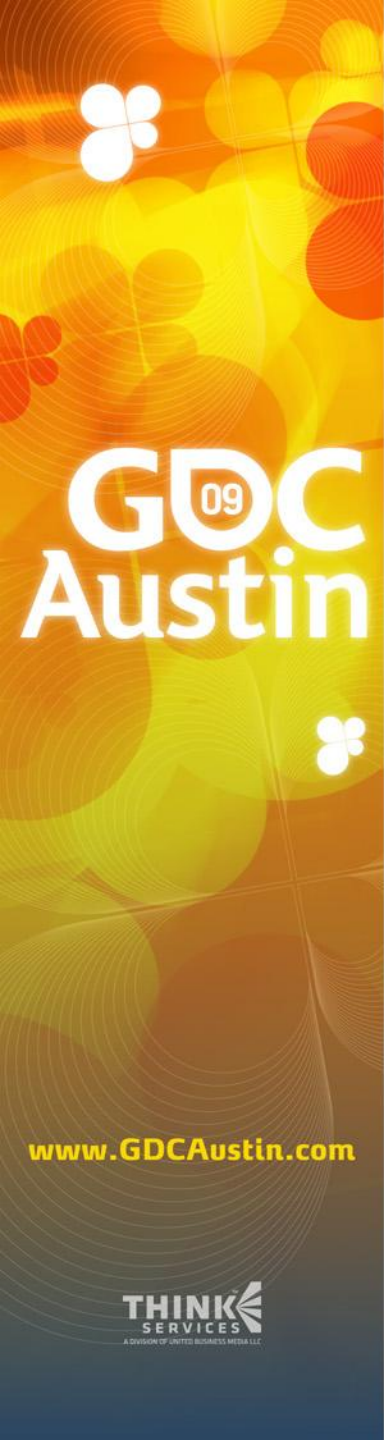
- ⌚ Scott Dodson
- ⌚ Chronic Entrepreneur
 - Tenacious Games
 - Flying Rhino Studios
 - Divide by Zero Games
 - Not an MBA, CPA, Attorney, etc.



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Overview

- ④ Making a Company Fundable
- ④ Structuring an Offering
- ④ Sources/Avenues of Funding
- ④ Closing Successfully



Making a Company Fundable

⌚ I: Structure

C Corp vs. LLC

Shares Authorized/Issued

Cap Table

Building a case for

Pre-Money Valuation

Option Pool

Repurchase Rights



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Making a Company Fundable

⌚ II: Team

CEO critical

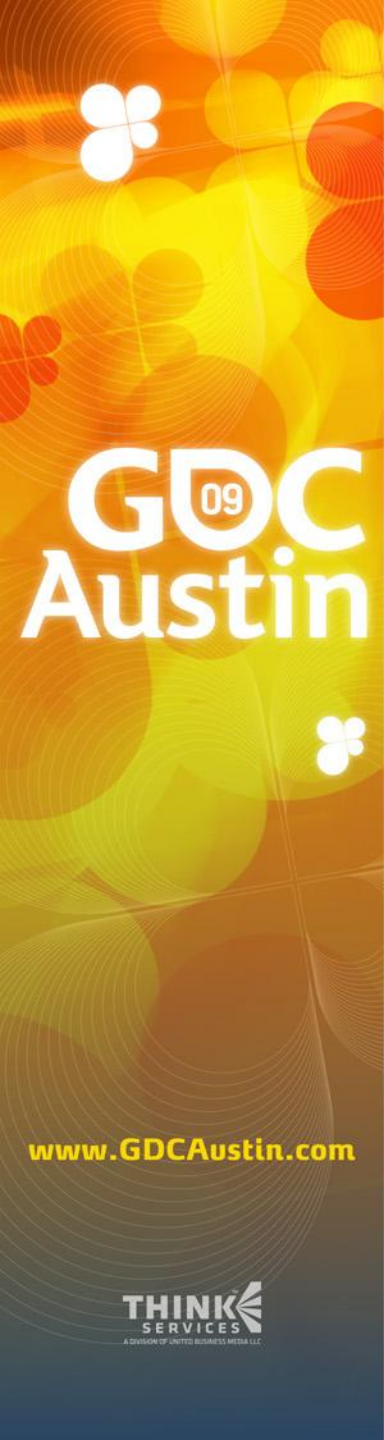
No single-founder companies

Balance of technical/business
founders

Name/track record not to be
underestimated

Augment with Board & AB members,

Third party providers/partners



Making a Company Fundable

III: Market Problem

Define the Market

Find pain in the Market

Support with data



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Making a Company Fundable

④ IV: Documentation

Executive Summary

Fin Plan

Business Plan

④ Product Roadmap/Marketing Plan

④ Market Proof/Customer Traction

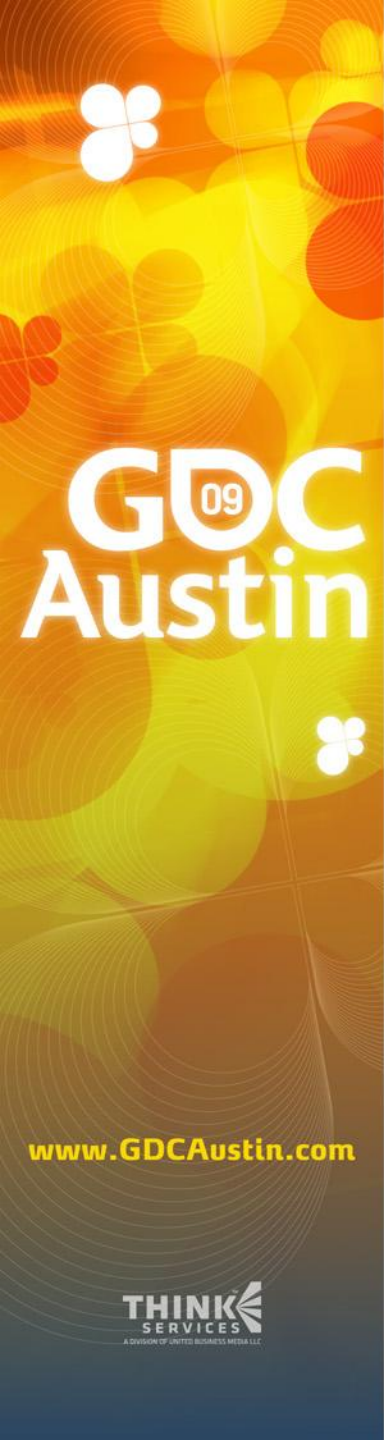
Risk Factors/full PPM



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Structuring an Offering

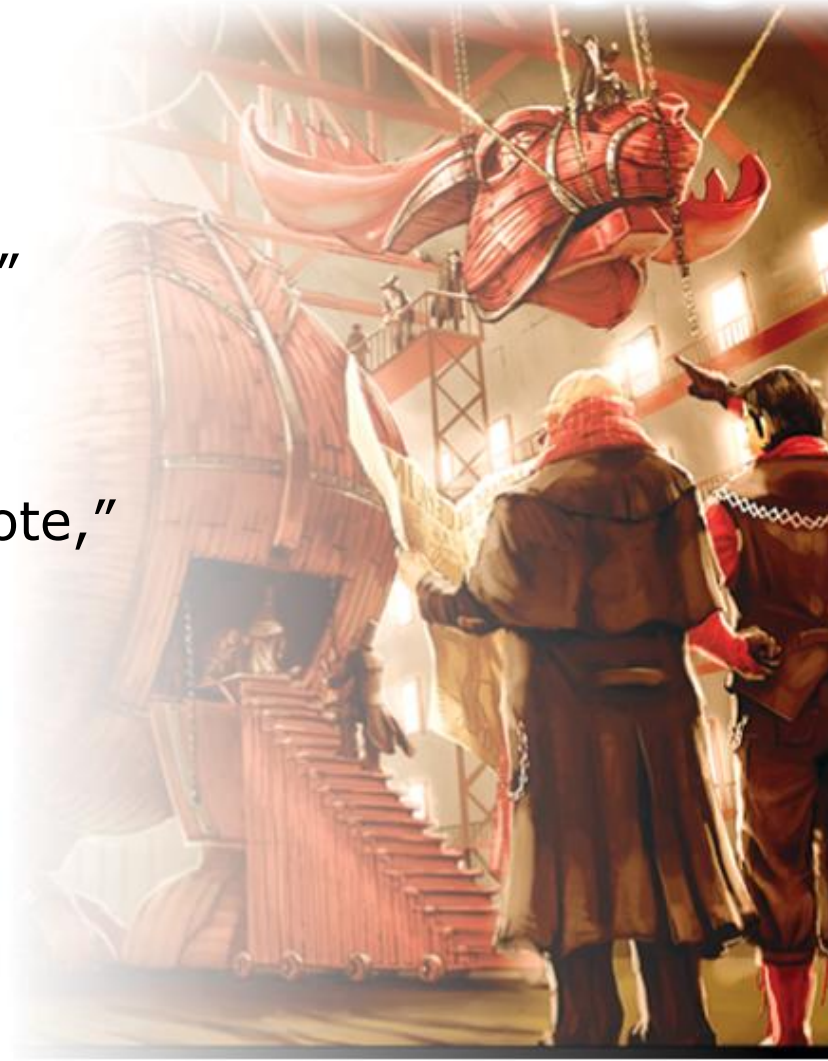
⦿ Basic Offerings

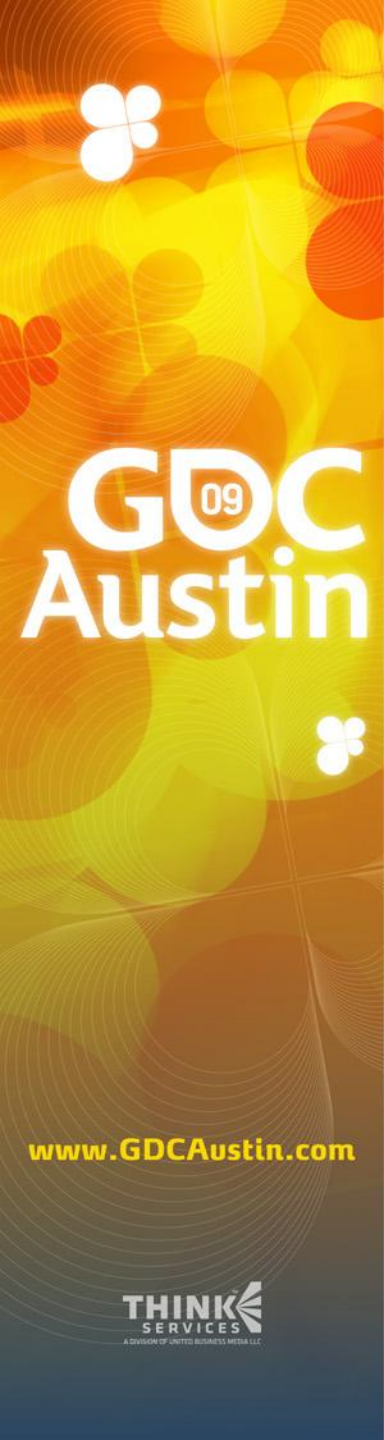
Equity

- ⦿ "Priced Round,"
- ⦿ "Series A"

Debt

- ⦿ "Convertible Note,"
- ⦿ "Debenture"





Structuring an Offering

⌚ Equity

Preferred Series A

Types of Preferences

- ⌚ Liquidation
- ⌚ Conversion
- ⌚ Voting
- ⌚ Dividend
- ⌚ Registration Rights
- ⌚ Anti-dilution



Structuring an Offering

⦿ Debt

Convertible note typical

Lower risk for investor

⦿ first position

No argument over valuation

Interest and/or warrant coverage

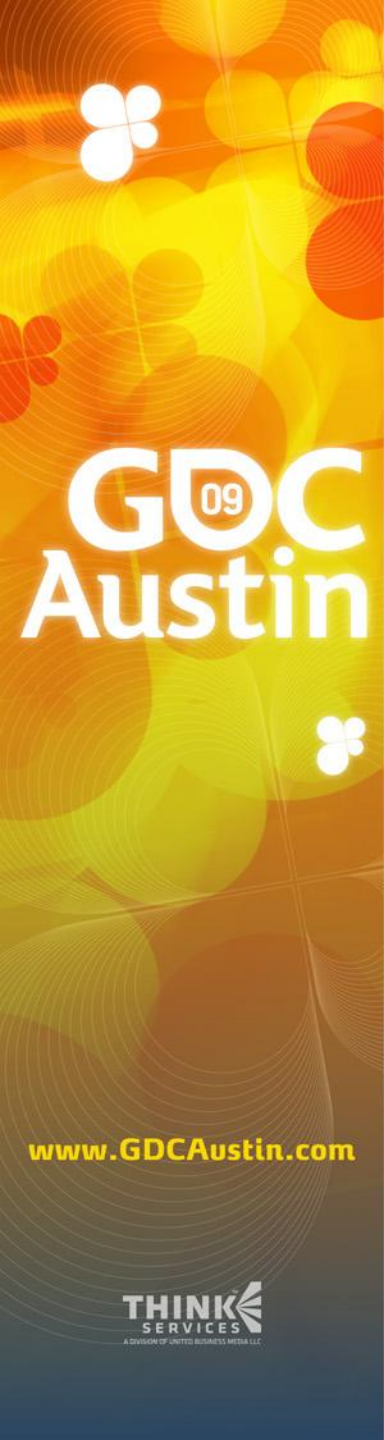
Bridge to a “priced round”



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Sources of Capital

- ④ Two Principal Types of Funders
 - Venture Capital Firms (VCs)
 - Angels
 - All Accredited Investors*



Sources of Capital

🕒 VC Overview

Later stage, investments \$3mm+

Follow-on investments

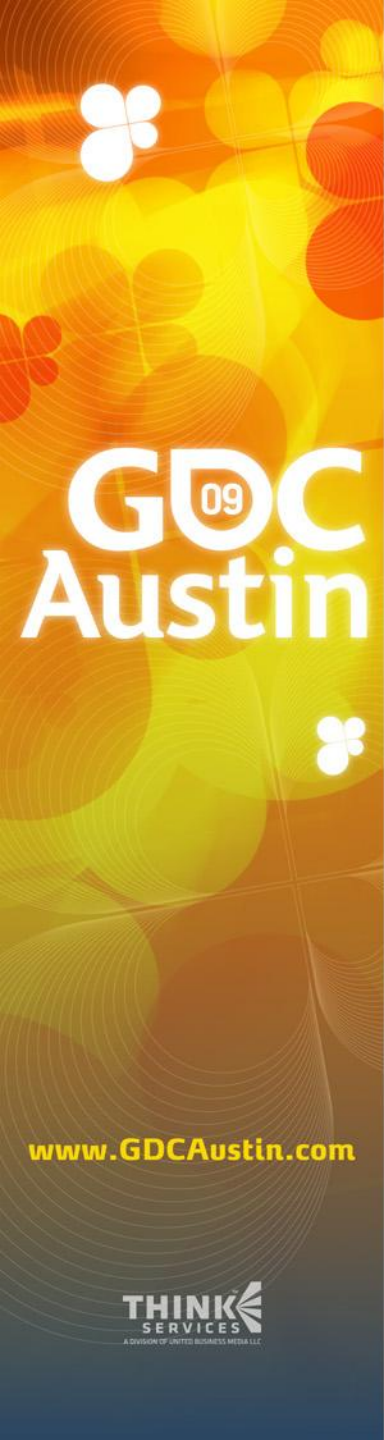
Goal: 7-10X returns

Terms dictated/negotiated

Bottleneck is not capital but the Partner

Liquidation Preference

Entrepreneur needs awareness of
Fund Lifecycle and Focus



Sources of Capital

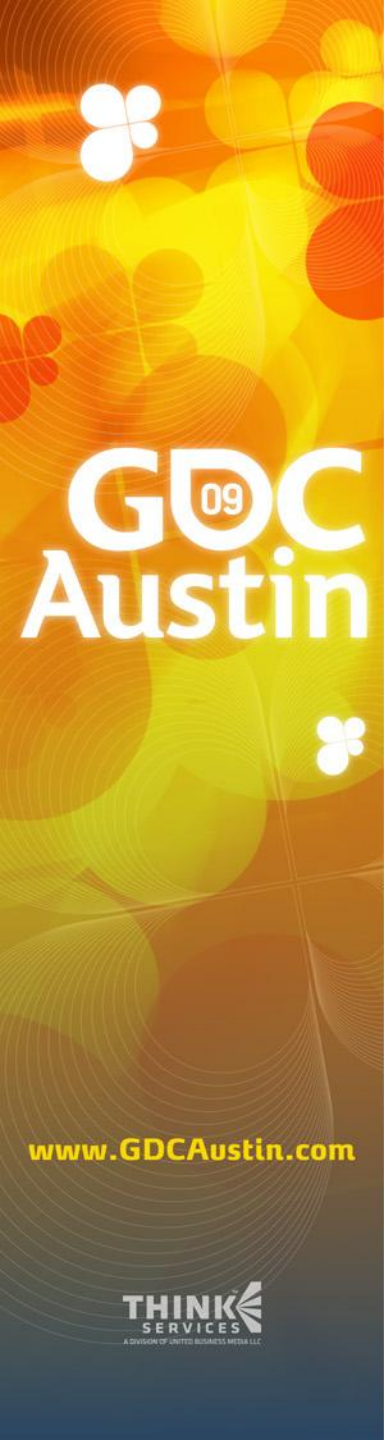
🕒 VCs want:

Opportunities which can be very big
🕒 Growth Strategy: Follow-on or Acquisitions

To work with people they know and trust

Strong, veteran leadership

Flexibility from & degree of control of management



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Sources of Capital

🕒 Angel Overview

Earlier stage

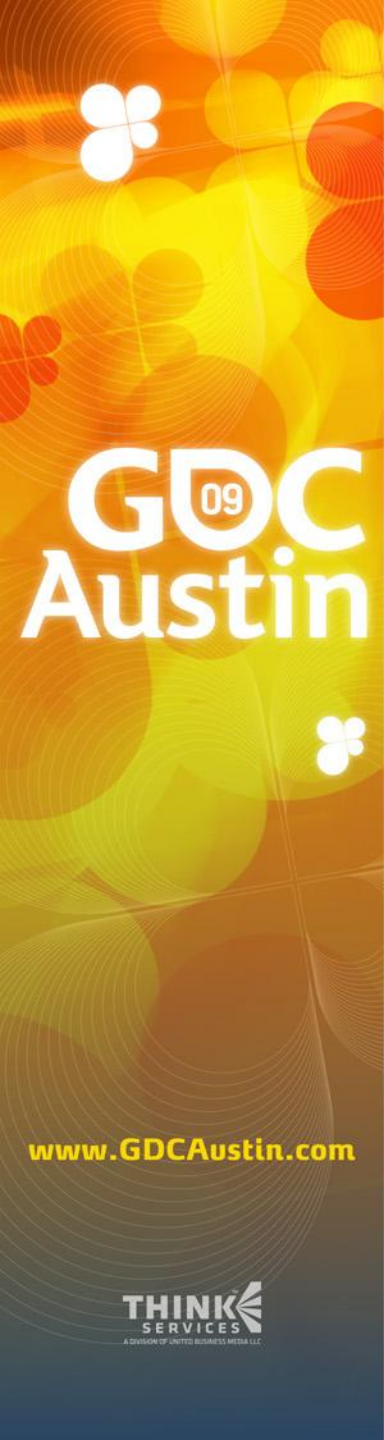
\$10K-\$500K investments (\$25-\$50K avg.)

Goal: 3-10X returns

Many closing conversations

Company must authorize the offering

🕒 Adapting to early or large angel OK

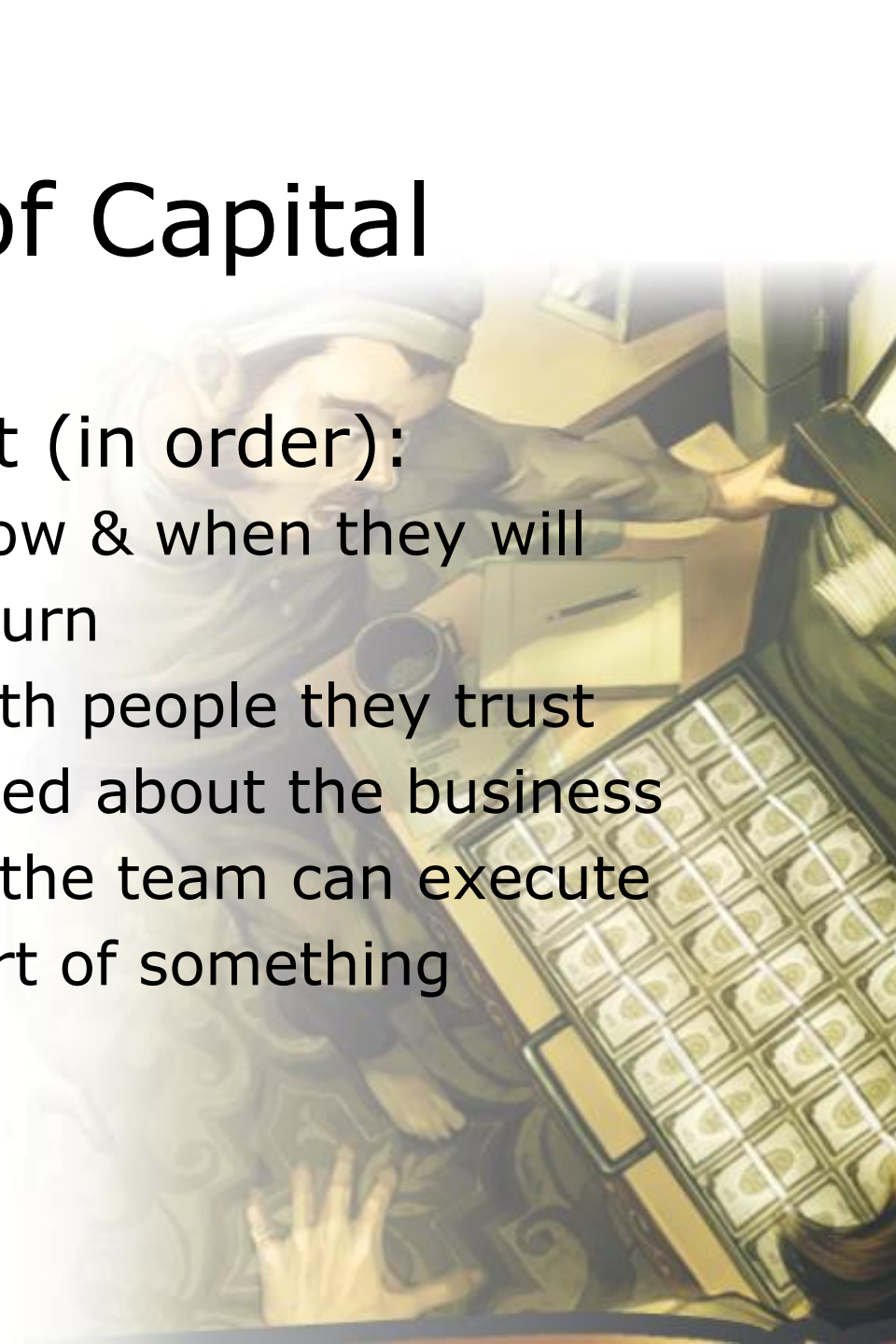
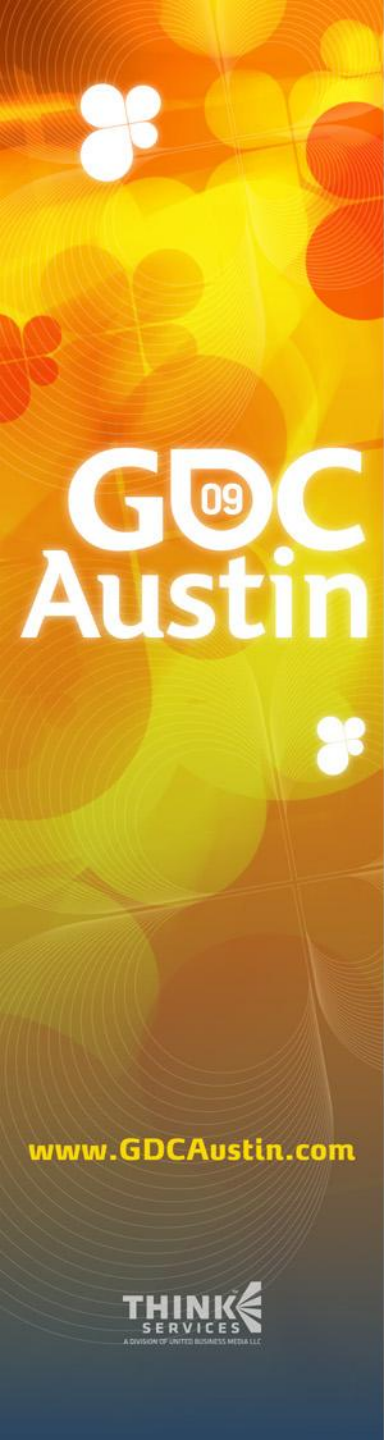


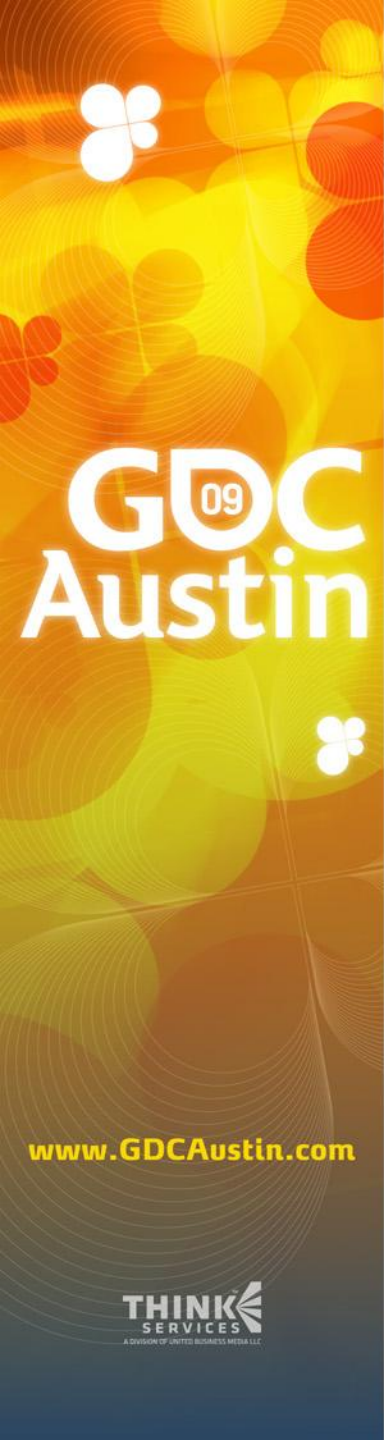
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Sources of Capital

- 🕒 Angels want (in order):
 - To know how & when they will see a return
 - To work with people they trust
 - To be excited about the business
 - To believe the team can execute
 - To be a part of something





Sources of Capital

⦿ Specifics

Personal: Founders, Friends and Family

Network, BoD, AB

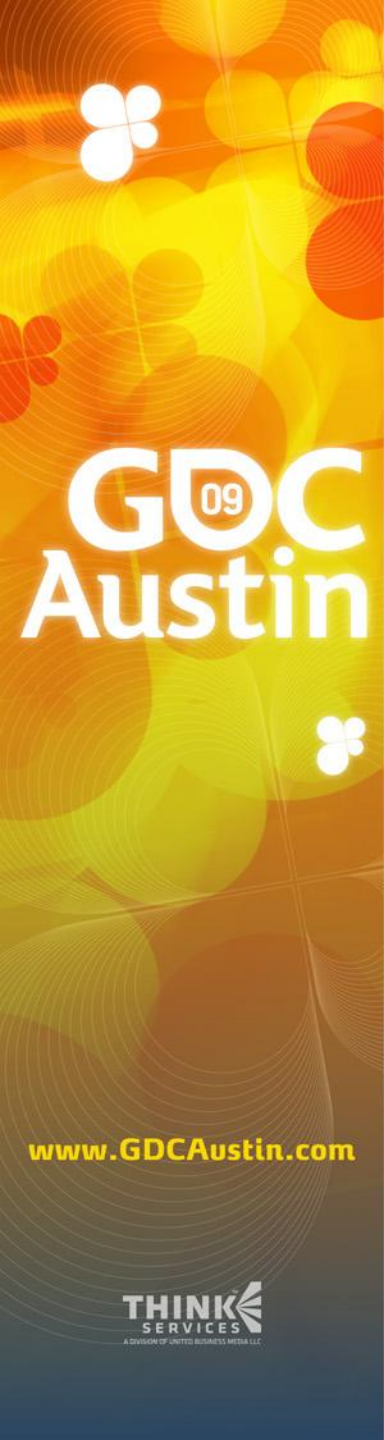
Angel Groups

⦿ Keiretsu, NWEN, AoA, Tech Coast Angels

VC's

⦿ thefunded.com, entrepreneur.com/vc100

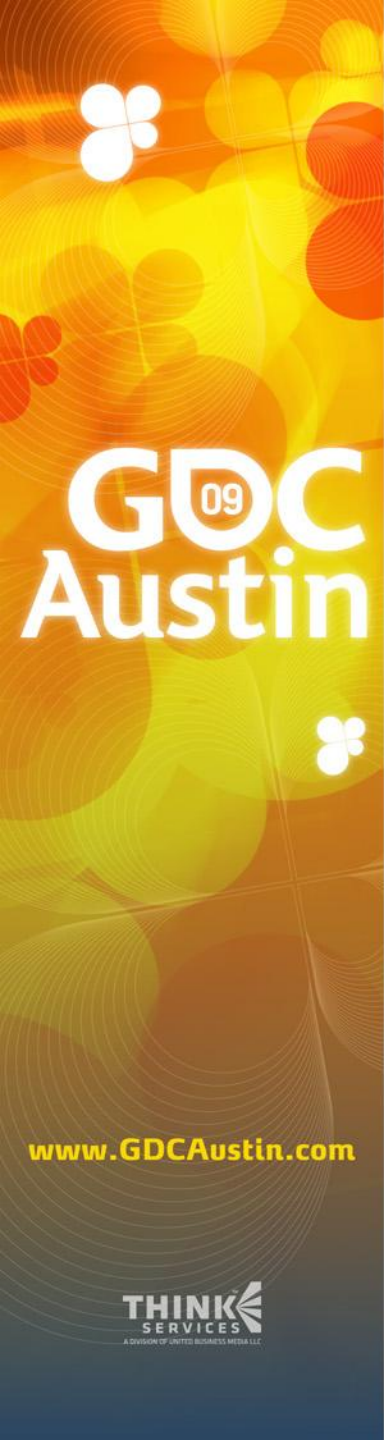




Being Successful

- ⌚ Conditions
- ⌚ Techniques
- ⌚ Pitfalls
- ⌚ Qualities
- ⌚ Summation



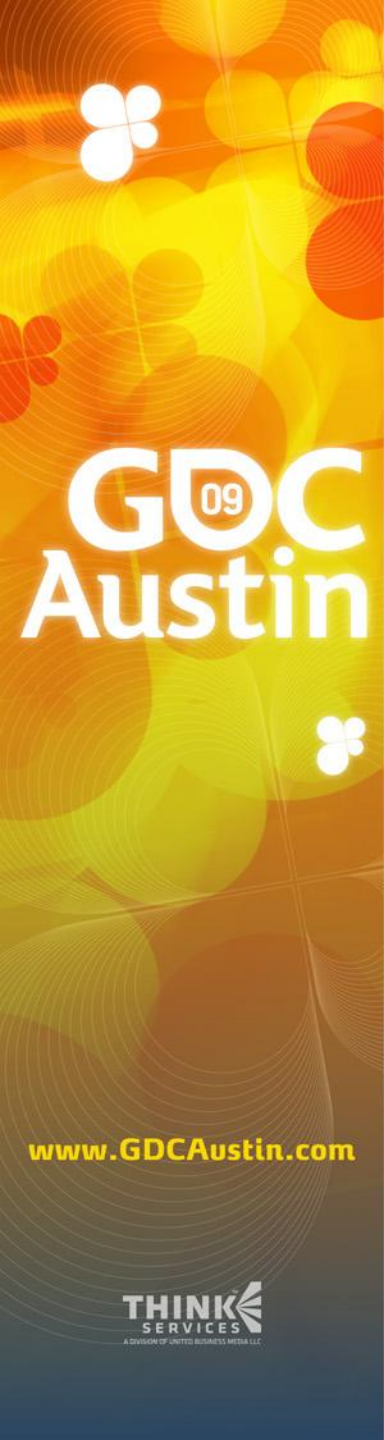


Being Successful- *Conditions*

- ⌚ Skin in the game
- ⌚ Team/Directors/advisors enrolled & engaged
- ⌚ A great pitch
 - 1) Practice!
 - 2) Get FeedbackRepeat 1 & 2
- ⌚ Marathon not a Sprint
- ⌚ Show traction over time



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Being Successful- *Techniques*

④ Creating Urgency

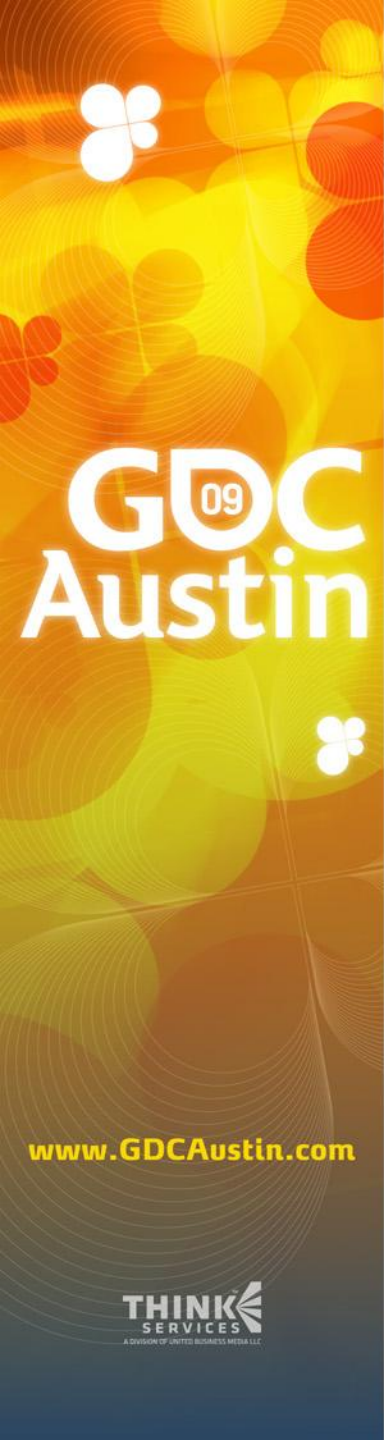
Small Tranches

Closing Dates

- ④ Valuation only increases when your round is closed

Process of Soft/Hard Circling
Events

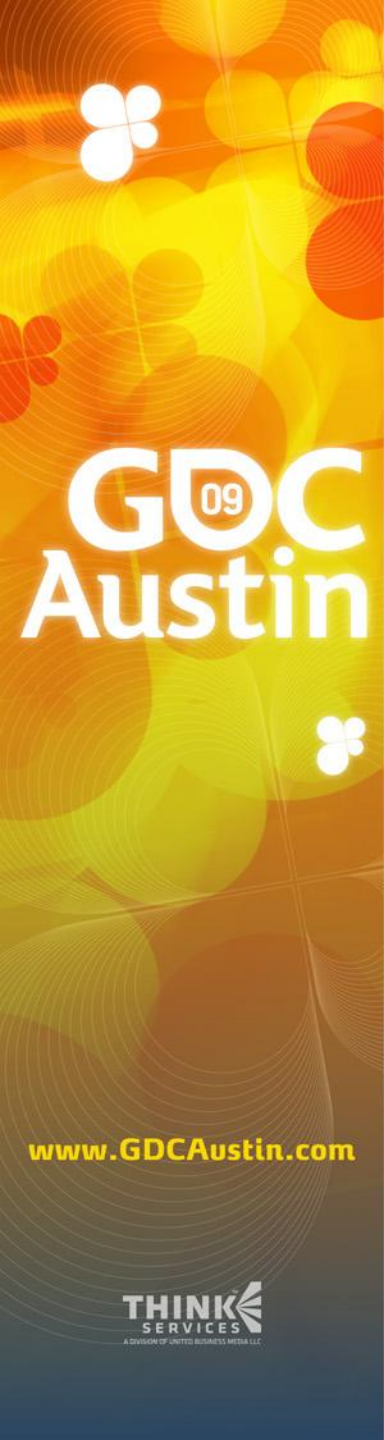




Being Successful- *Pitfalls*

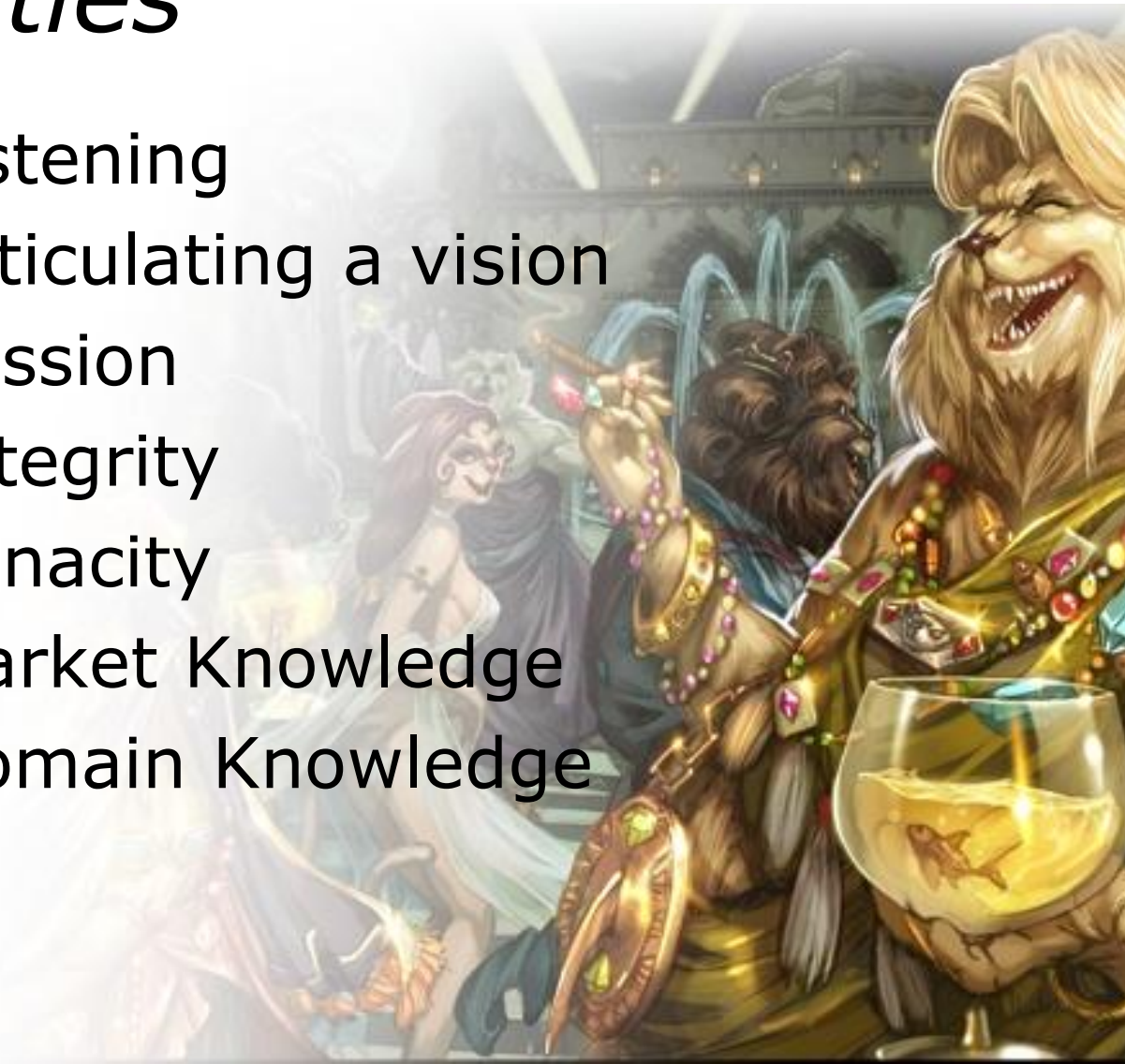
- ⌚ Don't have a pitch deck that looks like this
- ⌚ Communicate jargon-free
- ⌚ Focus on the Business not the Product
- ⌚ Never stop expanding your prospects

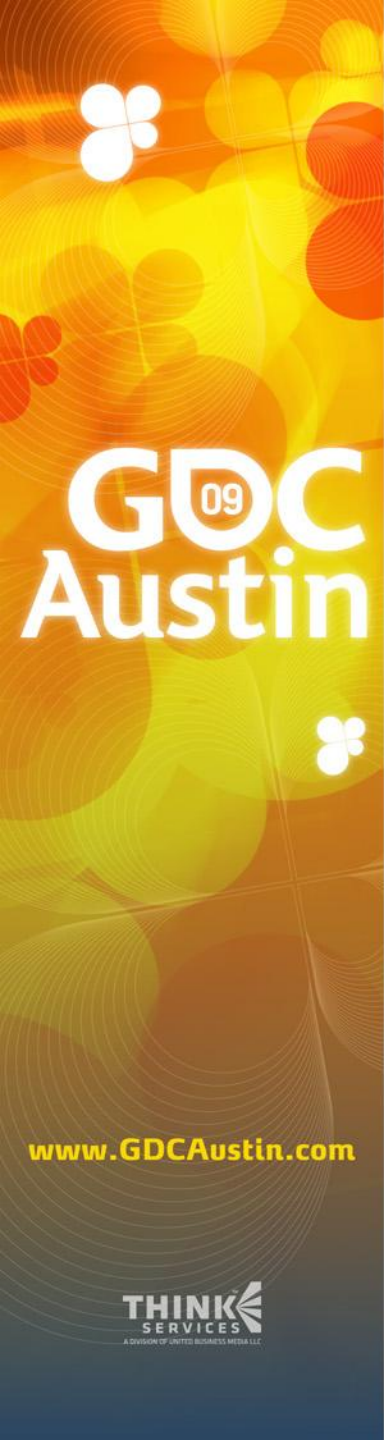




Being Successful- *Qualities*

- ④ 1) Listening
- ④ 2) Articulating a vision
- ④ 3) Passion
- ④ 4) Integrity
- ④ 5) Tenacity
- ④ 6) Market Knowledge
- ④ 7) Domain Knowledge





Being Successful- *Summation*

- ⌚ Investors are investing in *you*
- ⌚ Must be willing to put yourself on the line
- ⌚ Win-Win proposition between investor and Entrepreneur
- ⌚ It's a co-op game not a competition!



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