



Money for Nothing (and your games for free)

Daniel Greenberg
President, Media Rez

Daniel Greenberg



Game Developer to Studio Head

- Transitioned from a freelance game developer to CEO of a game startup
- Here's how



How do I fund my own game?



How do I fund my own game?

Wrong
Question!



How do I fund my own game studio?



Tightening up the graphics on level 3.



Startup studio funding needs to be continual, not just one project

- early-stage
- high-risk
- research and development
- small business, maybe a micro-business
(like, one person)

The Dilemma of Game Funding

- Savings / Credit Cards
- Friends and Family
- Bank Loans
- Publishing Deal
- Angel Investors / Incubators
- Venture Capital
- Crowdfunding



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Financial
Hole!



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Financial
Hole!
Dilutive!



Are these all the funding sources?



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Free Funding

- Game industry seed money:
 - Unreal Dev Grants \$5M, VR makers, Jams
- Nations directly fund games:
 - Nordic games, UK fund, Army STRI \$50M
- Foundations
 - Robert Wood Johnson games for health
 - IGDA Foundation

Funding scarce for startup game studios, because:

- early-stage
- high-risk
- research and development
- small business, maybe a micro-business (like, one person)

Would you like to tap into:

"...the nation's **largest source of early stage / high risk** R&D funding for small business."

-Small Business Association



US Seed Investments FY 2010

VC 408



US Seed Investments FY 2010

VC 408

STTR 920

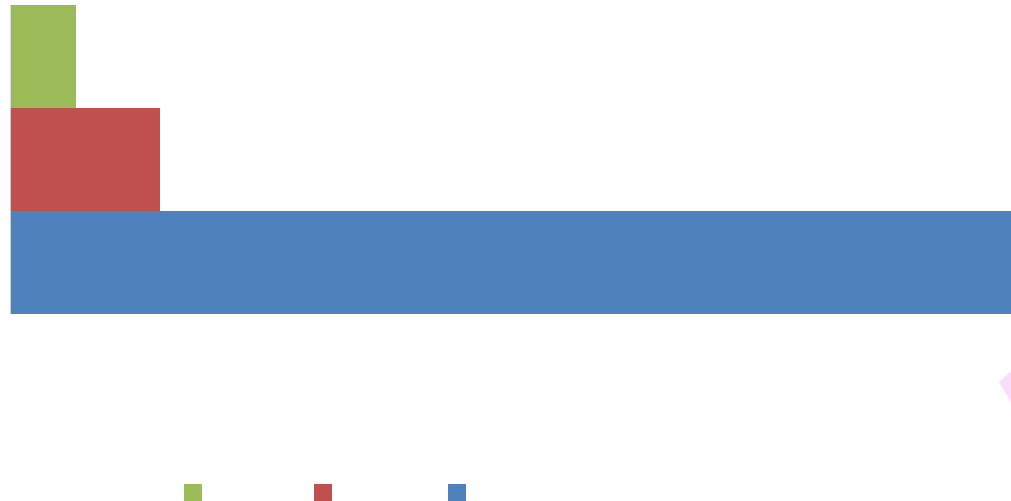


US Seed Investments FY 2010

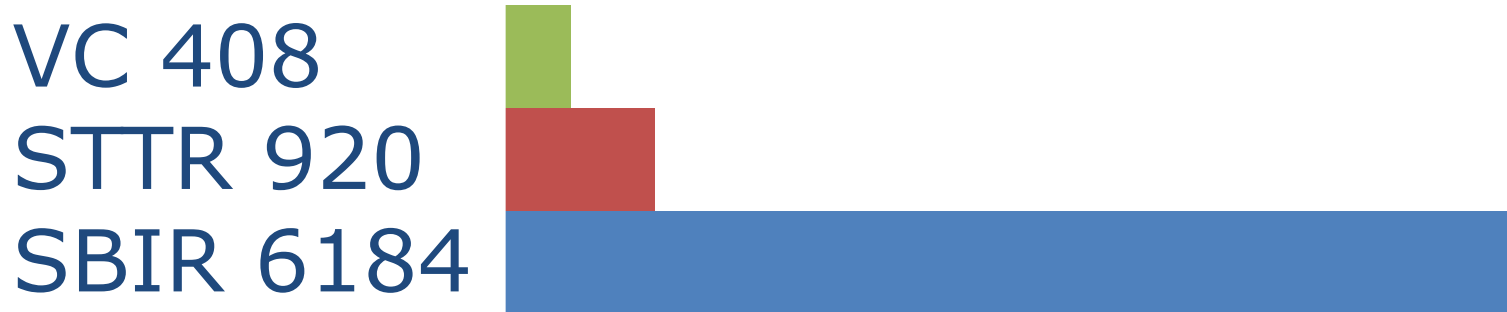
VC 408

STTR 920

SBIR 6184



US Seed Investments FY 2010



**Far more seed investments made by
SBIR/STTR than by VCs- Over 7000
investments worth over \$2 Billion**

Who could possibly be so awesome?



Who could possibly be so awesome?



Purpose of SBIR

"...to provide funding for some of the best early-stage innovation ideas -- ideas that, however promising, are still too high risk for private investors, including venture capital firms."

-SBIR founder Roland Tibbetts

Why would they fund games?



Why would they fund games?

- Stimulate technological innovation;
- Meet federal research and development needs;
- Increase private sector commercialization of innovations;
- Foster entrepreneurship by socially and economically disadvantaged persons



But why would they fund games?

17 JAN 2013

VIOLENT GAMES LEGISLATION INTRODUCED TO US CONGRESS

368 Utah's Jim Matheson aims to make the ESRB the law, and not voluntary.

BY COLIN MORIARTY → Yesterday, President Barack Obama **outlined a series of plans** to help stem the growing tide of violence in the United States, including a series of autonomous executive orders and a set of legislative suggestions to Congress. As we pointed out when examining Obama's speech, gaming (and the media sphere generally) were largely ignored, with the exception of a \$10 million study – which Congress may never pass – examining the effect of violent media on America's youth.

But in the United States, it's Congress's role to create laws and legislation, and Utah Democrat Jim Matheson **has done just that**. With the 113th United States Congress freshly sworn-in, the legislative maelstrom has begun unabated with **H.R. 287**, entitled the "Video Games Ratings Enforcement Act".

Connecticut Considers Violent Videogame Tax

ANDY CHALK | 5 FEBRUARY 2013 5:23 PM

119

Money raised by the proposed tax will help fund "education concerning the danger of violent videogames."

Connecticut State Representative Debralee Hovey has introduced a bill in the state legislature that would see an extra ten percent charged on all sales of videogames with an ESRB rating of M (Mature) or higher. Money raised by the tax would go to the state's Department of Mental Health and Addiction Services "to educate families on the warning signs of videogame addiction and antisocial behavior."

Hovey's district includes Newtown, the site of the horrific Sandy Hook Elementary School massacre that left 27 people, mostly young children, plus the shooter dead in December 2012. Reports that the shooter's favorite videogame was "Call of Duty" were widespread but hardly surprising, given that it's one of the most popular entertainment franchises on the planet, but the proposed bill would go beyond just violent videogames like first-person shooters to cover everything M-rated or higher, including games like *Family Guy: Back to the Multiverse*, *The Testament of Sherlock Holmes*, *Wing Commander* and a whole bunch of mobile phone stuff including something called *Fart Machine*.

Connecticut isn't the first state to consider a violent videogame tax; Oklahoma, Pennsylvania, New Mexico and Wisconsin have all previously considered similar taxes, although none have been implemented.



Because games solve problems

9 Ways Video Games Can Actually Be Good For You

The Huffington Post | By Drew Guarini



Posted: 11/07/2013 8:51 am EST | Updated: 11/07/2013 6:12 pm EST

9.4k	1843		56	199
Like	Share	Tweet	LinkedIn	Comment



Your mother was wrong. Video games aren't bad for you. They're actually making your life better.

Despite hand-wringing over a supposed connection between violence and video games ([hint: there isn't any](#)), numerous academic studies indicate that playing video games has many psychological and even physical benefits.

Taken together, it turns out video games actually make you a better human being.

1. 'Mario' Is Like Steroids For Your Brain



Govt game funding is growing

ABOUT

MARKET ANALYSIS

GAME DEVELOPMENT

LEARNING RESEARCH

Federal Grant Program Manager Tells Game Developers: 'The Culture Has Changed'

By Christopher B. Allen - Apr 24, 2015

GAME DEVELOPMENT



Game firms looking to develop learning games are more likely looking at venture capital firms than the federal government for startup funding, but a grant program from the U.S. Department of Education may be exactly where they ought to be looking.



Upd

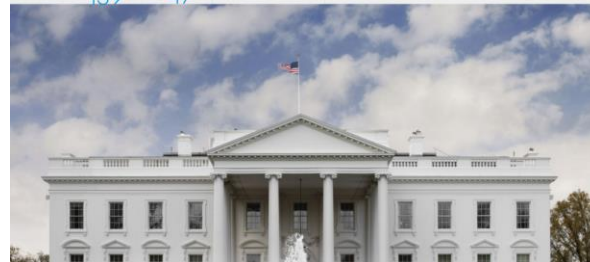


DIGITAL TRENDS



THE U.S. GOVERNMENT ISN'T ALL THAT CONCERNED ABOUT VIOLENT VIDEO GAMES ANYMORE

By Will Fulton — April 23, 2015



What is this SBIR thing?

- SBIR: Small Business Innovation Research
- STTR: Small Business Technology Transfer
- Administered by US Small Business Association
- NOT an SBA loan
- Grants and Contracts



Grants and Contracts

- OK, maybe they can fund a game, but how are they sustainable for starting and running a company?



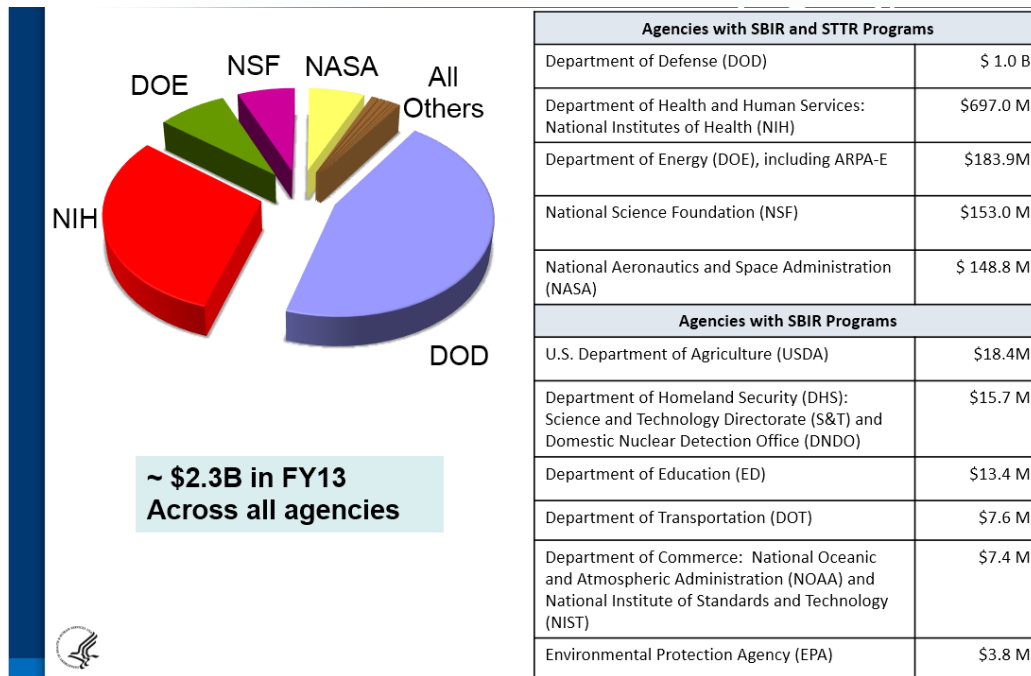
Grants and Contracts

- OK, maybe they can fund a game, but how are they sustainable for starting and running a company?
- SBIR/STTR designed to build companies. Not products

The Magic of Indirect Costs

- Fringe Benefits
 - Health insurance, business insurance, courses
- Overhead (NIH cap 40% for first grant)
 - Rent, phones, supplies, accountant, etc.
- Fee (up to 7% of total grant)
 - \$1.5 million Phase II grant = \$100,000

Which govt. agencies fund SBIR?



Only \$2.3 B? Why not go for the other 96.5% of the R&D budget?



Only \$2.3 B? Why not go for the other 96.5% of the R&D budget?

- Because that goes mostly for big companies and universities
- Funding agencies rarely award that money to small businesses
- My advice: start with SBIR



What SBIR is not:

- A loan
- A dilutive investment
- An end to your IP

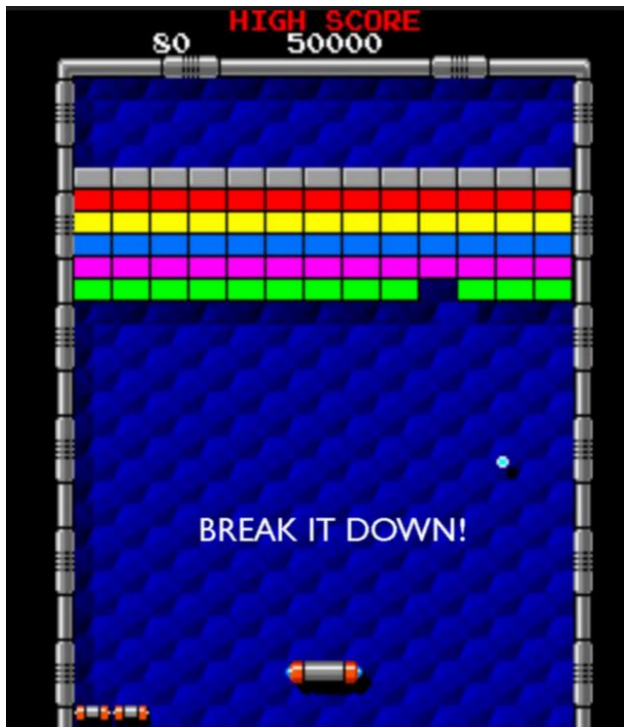


What SBIR is not:

- A loan – No repayment
- A dilutive investment – No loss of company
- An end to your IP – Keep IP rights



Break it down for me



Break it down for me

- They pay you to make it
- You sell it and you keep the money



Break it down for me

- They pay you to make it
- You sell it and keep the money
- They sometimes even help you sell it



What SBIR is:

- Small Business
- Innovation
- Research



What SBIR is:

- Small Business – under 500 employees; for-profit; over 50% US owned
- Innovation – must be novel
- Research – must add to R&D



What's the SBIR catch?



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- Real product is the research – not tech
- Must meet federal R&D needs
- Takes a long time – 9 mos to decide
- Requires grant writing (or hiring one)
- Award rate is only about 10-20%

What's the SBIR catch?

- Real product is the research – not tech
- Must meet federal R&D needs
- Takes a long time – 9 mos to decide
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- Award rate is only about 10-20%
- (Compare to about 1% award rate for VCs)

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- Phase I (6-12 mos) \$150,000
- Phase II (2 years) \$1,000,000



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- Phase I (6-12 mos) \$150,000
- Phase II (2 years) \$1,000,000
- In reality, up to:
 - Phase I \$225,000
 - Phase II \$1,500,000



What are these Phases?

- Phase I: Feasibility study, proof of concept, get pilot data
- Phase II: Efficacy study, build prototype

What are these Phases?

- Phase I: Feasibility study, proof of concept, get pilot data
- Phase II: Efficacy study, build prototype
- In reality:
- Helps to have pilot data before Phase I
- Helps to make a prototype during Phase I

I'm just a game developer, not a researcher...



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- That is a feature, not a bug.
- You can hire the researchers you need
- You want funding reviews saying:
"The game development experience instills a high level of confidence they can complete the work proposed."

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toss my application, right?



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- No! You can apply as a one person company
- Describe how you will hire employees or contract with subs or partner with others by the award date – using grant money.

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- Describe how you will hire employees or contract with subs or partner with others by the award date – using grant money.
- Protip: make a deal with a University research department.

Partnering

- Principle Investigator (PI)
- Other Investigators



I'm not a PhD and I don't know research. So I can't be a PI?



I'm not a PhD and I don't know research. So I can't be a PI?

- You can!
- You can partner with researchers to fill the research gaps in your resume
- You manage the project
- Multiple Investigators - Researchers can also be investigators

Can't I just hire a PI?

- **SBIR** – only if they are “primarily employed” at your company
- **STTR** – you can contract for a PI who is not your employee, but you must give the non-profit research institution partner at least 30% of the work/grant money (but no more than 60%). #complicated

A ton of registrations required

- ❑ DUNS Number (Company)
- ❑ System for Award Management (SAM)
- ❑ Grants.gov (Company)
- ❑ eRA Commons (Company and all PD/PIs)
- ❑ SBA Company Registry at SBIR.gov
- ❑ Payment Management System



Limitations of STTR

- Formal Cooperative R&D Effort
 - Minimum 40% by small business
 - Minimum 30% by U.S. research institution
- U.S. Research Institution
 - College or university; other non-profit research organization; Federal R&D center
- Intellectual Property Agreement
 - Allocation of rights in IP and rights to carry out follow-on R&D and commercialization



Dept Ed / Institute of Education Sciences

The winning 2013 IES SBIR awards for games this year are:

Phase I

- [*World Explorer*](#), CurriculaWorks, Lynn Krause
- [*Readorium Rising Reader: Smart Nonfiction Comprehension Software for Students in Grades 3-5*](#), Mtelegence, Harriet Isecke
- [*Transmedia: Augmented Reality Game for Essential Transfer of Science*](#), Second Avenue Software, Victoria Van Voorhis
- [*Science4US: Game-Based K2 STEM Education for Teachers and Students*](#), vKidz, Inc., Catherine Christopher

Phase II

- [*Hall of Heroes: An Interactive Social Tutoring System to Improve and Measure Social Goals for Students in Preparation for Transition to Middle School*](#), 3C Institute for Social Development, Melissa DeRosier ([video](#))
- [*Go Games: Meeting Common Core Standards with Tablet-Enhanced Multiplayer Role Play Games*](#), Filament Games, Beth Quinn ([video](#))
- [*Empires: The First Socially-Networked Story-Based Math Game*](#), Imagine Education, Scott Laidlaw ([video](#))
- [*Teachley: MathFacts – Design and Development of Intervention Software for Promoting Single-Digit Operational Fluency*](#), Teachley, LLC, Kara Carpenter ([video](#))
- [*Numbershire II: Development of a Second Grade Game-Based Integrated Learning System to Target Whole Numbers and Operations in Base Ten and Operations in Algebraic Thinking*](#), Thought Cycle, LLC, Marshall Gause ([video](#))

Fast Track (Phase I & II)

- [*Dynamic E-Learning to Improve Postsecondary Transition Outcomes for Secondary Students with High Functioning Autism*](#), 3C Institute for Social Development, Debra Childress
- [*Mission US: An Interactive Solution for Middle School History Learning*](#), Electric Funstuff, David Langendoen
- [*SciSkillQuest: A Standards-Based Game to Develop Students' Scientific Skills, Academic Mindsets, and Learning Strategies in Science*](#), Mindset Works, Inc., Lisa Sorich Blackwell



Downside:

- Time
- Patience required
- Speed of government
- Slow govt./research vs fast game cycles
- Govt. audits – get specialized accountant

Meeting govt needs sounds boring



Meeting govt needs sounds boring

- SBIR might not be the program for you



Meeting govt needs sounds boring

- SBIR might not be the program for you
- Except...



Meeting govt needs sounds boring

- SBIR might not be the program for you
- Except...
- Some SBIR companies are making games that look and feel indistinguishable from entertainment games

Bottom Line:

- After learning curve-- much easier to use same methods on future grants
- Good for stream of grants & products
- Mixed funding sources
- VCs give more and dilute less for products already built

“Serious” Games

- Games that make people better and make the world a better place.
- Games do not need to be made “serious”
- Games ALREADY perform massive pro-social functions.
- I wanted to prove it.

Why are you giving away secrets to your potential competitors?

- That is the way of game developers- the best spirit of GDC and the IGDA
- Also- don't think of it as cutting the pie smaller...

Make the pie bigger for everyone.



More SBIR info: www.sbir.gov

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