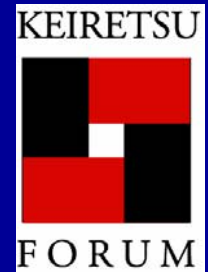


Early Stage Funding For Studios & Gaming Start-ups

Game Developers Conference
March 8, 2007

Matthew C. Le Merle
CEO, Gameplay Holdings LLC
President, Keiretsu Forum SF



Three Questions

- Who has funded a game?
- Who has funded a gaming start-up?
- Who would like to?

Studios/Gaming Start-ups

- Many formed each year
- Most begin with work for hire (WFH)
- Most aspire to more than WFH
 - but get stuck in a rut
- Additional funding required to grow
- Who to approach? How?

Product or Company?

1. Product funding:

- Great team
- Compelling concept

2. Company funding:

- Great team
- Big opportunity/tailwinds
- Bankable business plan

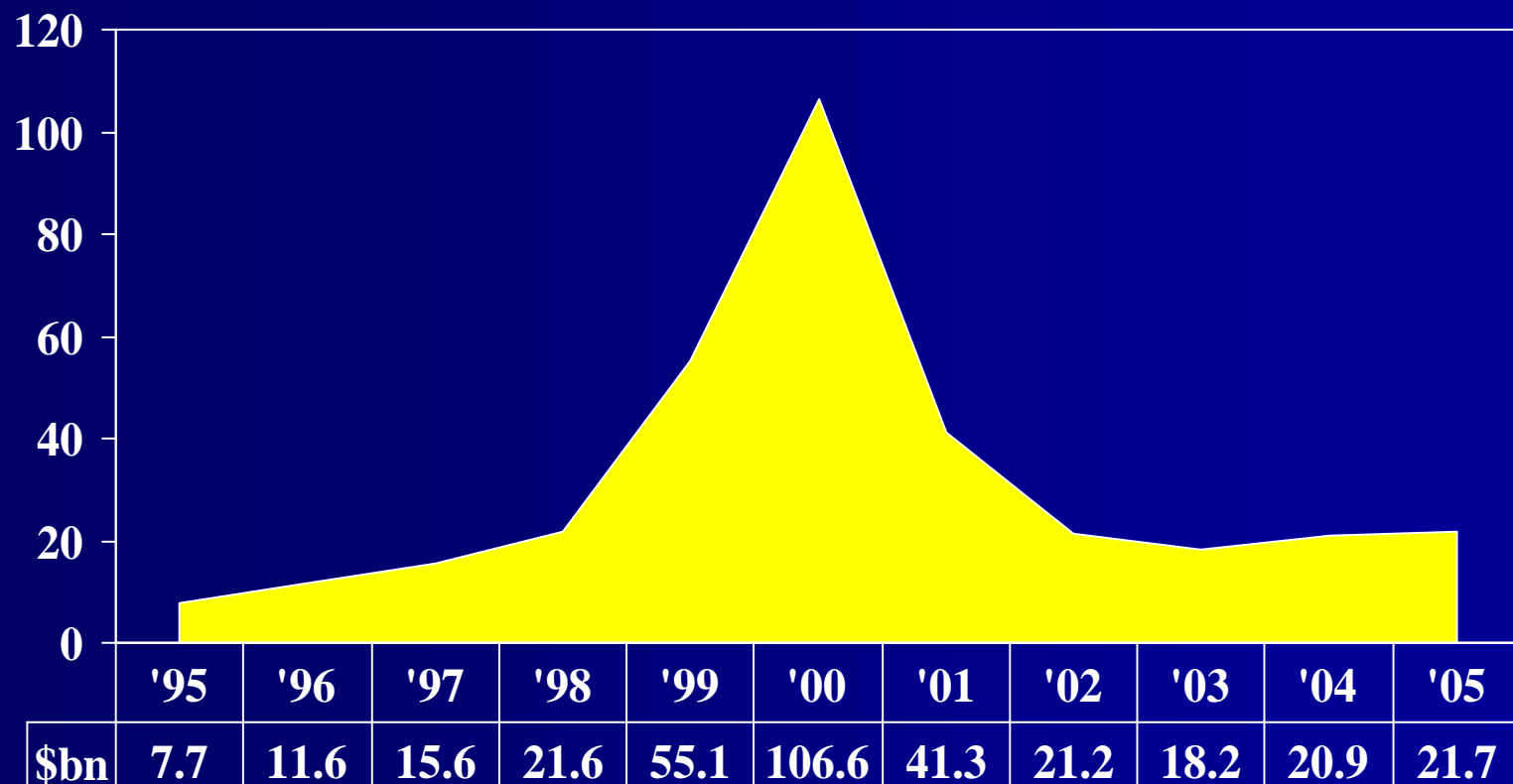
Agenda

- The Company Funding Environment
- Getting Organized
- The Pitch

How To Fund A Company?

1. Founders
2. Family/friends
3. Professional Investors:
 1. *Venture Capitalists*
 2. *Angel investors*
 3. *Corporate Investors*
 4. *Bank loans*

US Venture Funding



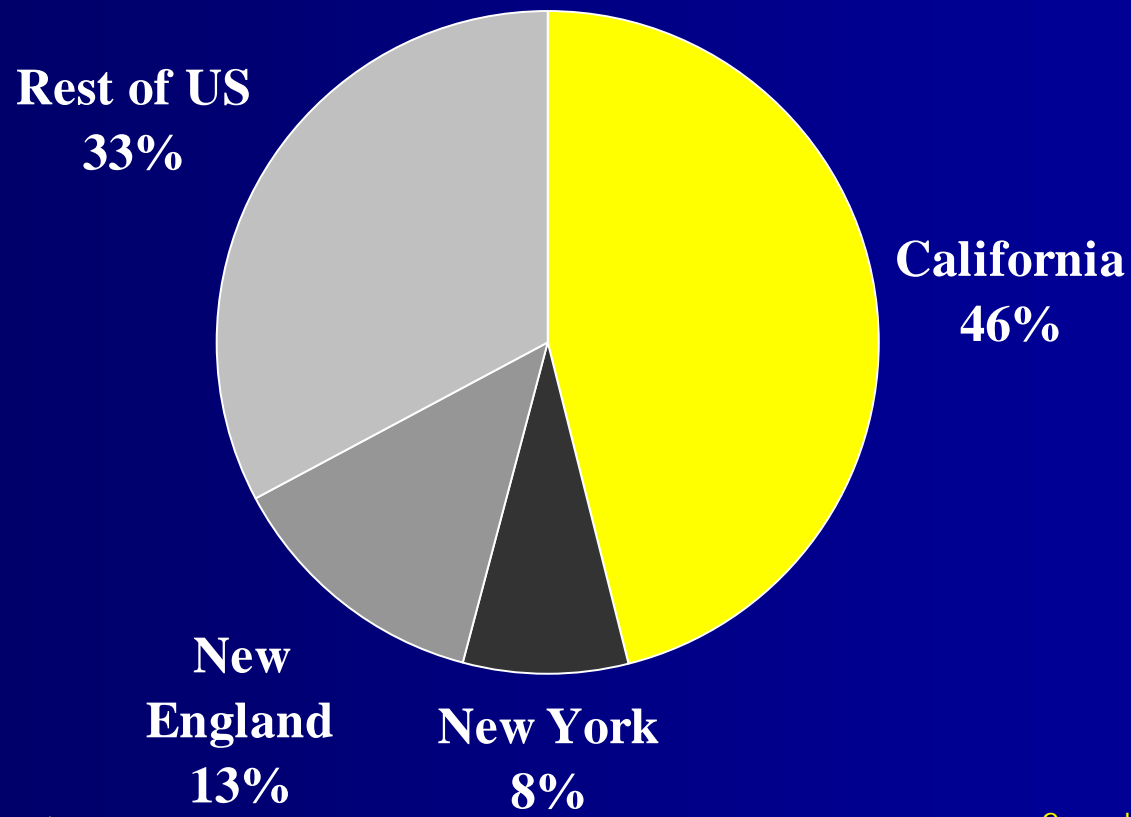
Sources: NVCA/PWC

Gameplay Holdings LLC

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US 2005 By Region

100% = \$21.7 bn



Sources: NVCA/PWC

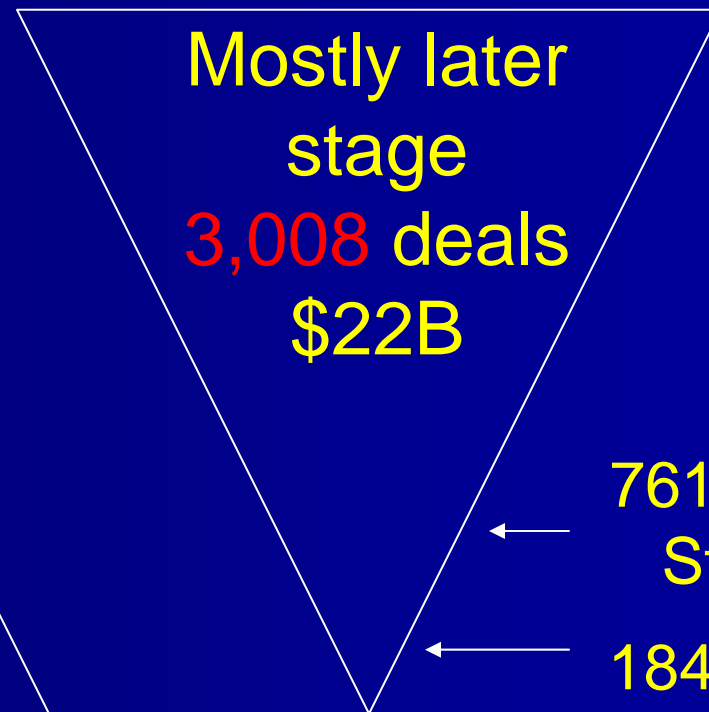
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Angels vs. VC's (2005)

Early Stage Late



Angels



VC's

761 Early Stage
184 Seed

Sources: UNH and NVCA/PWC

Gameplay Holdings LLC

Who Are Angels?

- Successful business people
- Invest own money
- Long term investors (5-7 years)
- Enjoy assisting entrepreneurs
- Seek return commensurate with risk
- Invest alone or in angel groups

Angel \$'s: NorCal 05

Organization	\$m Invested	Deals
Keiretsu Forum	\$ 22.3m	29
Band of Angels	\$ 7.5m	12
Angels Forum	\$ 4.0m	10
North Bay Angels	\$ 3.5m	7
Life Science Angels	\$ 2.3m	7

Source: SF Business Times

Keiretsu Forum Gaming

- Animated Speech
- Arena.net (Guild Wars)
- Guppy Games
- Qube Learning
- Telling Stories
- Telltale

Agenda

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Company Funding

1. Great team
2. Big opportunity/tailwinds
3. Bankable business plan
* * *
4. Bootstrap the company
5. Prepare for fundraising
6. Avoid “top ten entrepreneur lies”

1. Great Team

- Track records
- Reputation:
 - Great gameplay
 - Reliable developers
- Right team for opportunity
- Committed/Passionate

2. Big Oppty/Tailwinds

- Platform/channel agnostic
- Episodic/evergreen
- Downloadable/mobile
- Embedded/dynamic advertising
- Community/common interest networks
- User generated content
- Etc.

3. Bankable Business Plan

- Pitch first – iterate/synthesize
- Write plan second
- CEO not “committee”
- Powerful executive summary
- Keep rest simple/short
- Have others read it
- Listen & iterate

4. Bootstrap The Company

- Work for hire contracts (bootstrap)
- Prototype products
- Vertical slices
- Concept treatments
- Web presence
- Team and advisors
- Don't break current employer contracts

5. Prepare For Fundraising

- Watch other CEO's pitch
- Talk to others: “been there, done that”
- Get buzz going early:
 - Reputation for great gameplay
 - Reputation as reliable developer
- Know most common questions/answers
- When you start fundraising, really start

6. Avoid “Top Ten Entrepreneur Lies”

“There are lies, there are
damn lies . . .
...and there are business
plans”

Top Ten Entrepreneur Lies

1. “Our projections are conservative”
2. “Our market is \$56 billion”
3. “Our contract with (Big company) is going to be signed next week”
4. “If we only sell 40% of the company we’ll still have control”
5. “There is no competition in our space”

Sources: Bill Reichert

Top Ten Entrepreneur Lies

6. “We’ve assembled a world-class team”
7. “Our sales cycle is 3 to 6 months”
8. “We have the first mover advantage”
9. “All we have to do is get 2% of the market”
10. “I’ll be happy to hand over the reins to a new CEO”

Sources: Bill Reichert

Agenda

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The Pitch

1. Use the 10/20/30 rule
2. Know your message
3. Know your audience
4. Know your timing
5. Tell good stories:
 - Passionate
 - Personalized
 - Entertaining

1. 10/20/30 Rule

- 10 Slides
- 20 Minutes
- 30 Point Font:
 - This is 30 point

2a. Know Your Message

- Your pitch: executive summary
- Kept simple
- Kept short
- Delivered with passion
- Focused on investor proposition

2b. Know Your Message

1. Problem
2. Solution
3. Business model
4. Underlying magic/technology
5. Marketing & sales
6. Competition
7. Team
8. Projections & milestones
9. Status & timeline
10. Financial deal and likely exits

Sources: Guy Kawasaki

3. Know Your Audience

- Family, Friends, Angels, VC's?:
 - Do your research
- Their needs/wants:
 - You as their solution
- Listen carefully
- Don't let down your guard:
 - Watch out for “informal last question”

4. Know Your Timing

Only:

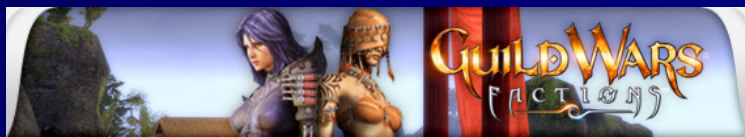
- 10 minute pitch
- 10 minutes of questions

5. Tell Good Stories

Stories that are:

- Passionate, Personalized, Entertaining
- Support you core message
- Make your pitch simple and clear

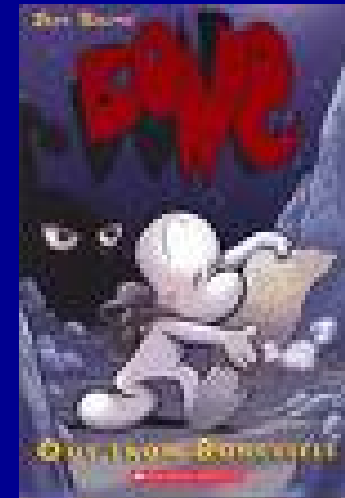
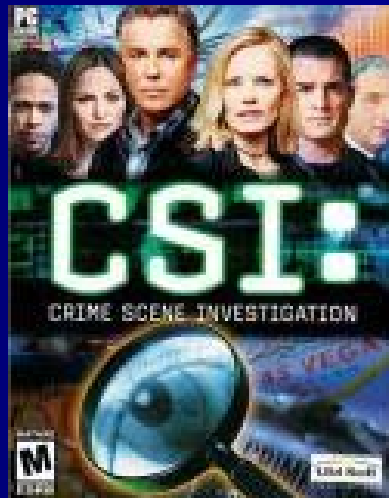
Case Study: Arena.net



Case Study: Qube Learning



Case Study: Telltale



Key Takeaways

- Lots of money out there
- Don't forget the angels
- Design for tailwinds
- Avoid the big ten lies
- Make simple compelling pitches

What Next?

Slides, Questions, Comments:
mlemerle@gmail.com

Ready For Angels:
matthew@keiretsuforum.com

Help Getting Ready:
www.gameplayholdings.com

