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Scott Ticer

Matt Himelfarb

Zack Karlsson

Patrick Sweeney

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Game Pitches in Action

SYMPOSIUM PANEL VI

*Moderator: Mr. Scott Ticer, Co-Founder,
Lone Star Angels*

Panelists

Mr. Matt Himelfarb, Dallas Venture Partners

Mr. Zack Karlsson, Capcom

Mr. Patrick Sweeney, Reed Smith

Mr. J. Holt Foster, Thompson & Knight

Presenters:

Mr. Tim Capper, Mobile MUM

Mr. Chris Daskam, Big Disc Games, LLC

Mr. Paul Nichols, FutureTech Gaming

Mr. Grant Yang, Kumakore, LLC

ZOMBIES IN ACTION

Professor W. Keith Robinson:

Last year, this was one of my favorite parts of the conference, and I am happy to have it back again this year. Before I turn it over to Scott, I do want to take a couple of minutes and acknowledge two students who were instrumental in helping me with the conference and who also wrote the 2012 Video Game Industry Litigation Review paper¹ that is available in the lobby. If you have not picked up a copy of the paper, it chronicles all of the video game litigation that occurred in 2012. Several panelists and legal professionals have told me that they take this paper and use it throughout the year as a reference. So I would like to acknowledge Max Metzler and Tanner Robinson for their effort. Thank you. Now I will turn it over to Scott for our last panel of the day. Scott. . .

Mr. Scott Ticer:

Keith, thank you very much. I really have to take my hat off to Keith. In a previous life, I put on conferences like this as part of the company I sold to Dow Jones. I know how difficult they can be. This is his first year running and producing this conference, and oh my goodness, I have to give him a big round of applause. There were a couple of times that I have talked to this guy really early in the morning, and a couple of times I got emails from him at 3

1. Max Metzler & Tanner Robinson, *2010 Video Game Industry Litigation Review*, 16 SMU SCI. & TECH. L. REV. 1 (2013).

AM. I thought, "Wow!" As you can see, chairing a conference is not for the faint of heart.

We are characterizing this panel as our "mini-Shark Tank." We call it, "Game Pitches in Action." Originally, we had four companies. However, because somebody seized the day, we now have five. Since they did a really impressive job presenting a quick pitch to me, we are adding a fifth presenter—"Zombies in Action." Zombies are pretty popular these days. All I have to do is watch my ten-year-old. He constantly shoots them down, and they get just right back up. Zombies are in and they are going to be one of the last pitches here today.

In front, we have our distinguished panel of "Sharks." Because many of them were in the last group of panelist, there is no need to re-introduce them. Please welcome back Patrick Sweeney, J. Holt Foster, and Zack Karlsson. Also, please welcome Matt Himelfarb. Matt is a distinguished law graduate of this little college called SMU. In his spare time he also got a MBA, while he was going to law school. I have a very soft spot in my heart for JD/MBAs. It is very difficult to accomplish. So, hats off to him. I lived with a law student, my brother, and I married an MBA student; I do not know how you combine the two and do them concurrently. Wow! Professionally, Matt is in an accomplished venture capitalist who has really shown his stuff. He started his venture capitalist career at Trailblazer Capital. Trailblazer Capital is a small fund that primarily manages the growth capital of the Wiley family, a small family that has really made its mark on the entrepreneurial scene in Dallas. At Trailblazer Capital, Matt actually sourced a deal, which means he found it. He performed the due diligence, crafted, and struck the deal between a startup company and GameStop. Just to put the finishing touches on this game company, he helped negotiate the sale of the company to GameStop and found the buyer. That is what I call working a deal from inception to exit. That is what it is all about. My hat is off to you in a big way.

Mr. Matt Himelfarb:

If I could add one thing: I am still really good friends with the founders, too.

Mr. Scott Ticer:

Oh, that is a great sign. He is obviously not a shark that bites because they are still coming back for more. Matt does not bite. Actually, he is a very good venture capitalist. These days he has hung his hat and created a new venture group with the help of a wealthy family called Dallas Venture Partners. They are one of the few shops in town where you can actually get very early stage money. If you have a business idea, or you are looking for a job in a start-up, I would encourage you to check it out. It is a great place to start. We are lucky to have Matt here today. I will let the presenters introduce themselves. The format is that they will pitch for eight to ten minutes. If they go over ten minutes, they will get the hook. At that stage, we are going to turn to the panel to get some comments on the pitch and some comments on what the panelists think about the business idea. So, our first pitcher is Tim Capper. He is the CEO and Founder behind Mobile MUM.

Mr. Tim Capper:

Thanks, Scott. My name is Tim Capper, and I am the CEO of Mobile MUM. We started this company a couple of years ago. It came out of my ten previous years of creating digital games for such children's properties such as *Barney*, *Thomas the Tank Engine*, *Hasbro*, and *Star Wars*. Licensing with those guys was always fun. I have had a lot of experience creating games for other people and their brands, sometimes doing ten to twenty games a year. Our goal was to make money by making great games and trying to primarily communicate to little kids. We were doing a very good job of it, but we were basically working for hire. With the advent of things like the App Store, we could see the cost of getting into this market as a developer and of actually owning your own intellectual property while obtaining the customer at the same time. It started to become something that we were looking for an opportunity to do. We tried a few ideas and made a few games that were successful. But because it is very much a hit-or-miss business in the apps world, we began to look for something a little more robust. That is when we came up with Mobile MUM.

[Video starts]

Girl:

When I was little this was the way that I spent my day. Now I have Mobile MUM, and I can watch things while I play, inside and outside. It is more fun this way, but not all day! Mobile MUM making kids brighter.

[Video ends]**Mr. Tim Clapper:**

So that is an example of the platform that we have developed. We developed something that takes existing kid's brands and existing kid's TV and puts it together with really cool educational games. This connects kids to the outside world, takes them off the couch and gets them to explore the world around them. Our goal is to create a digital kid's channel because we see an unfilled space within that market. We want to become the Nick Jr. of the digital age. Nick Jr. did a smart thing back in the 1980s when cable came around. They noticed that there was a lot of content that they could cheaply acquire and easily distribute. They put it all together and built their own brands and intellectual property around it and created this conglomeration that is currently owned by Viacom. They now make virtually all their money from their own intellectual property.

That is what we want to do. Therefore, we went out and licensed kid's TV content. We did that through our existing relationships with the intellectual property holders and people we have been working with over the last ten years. We have a good rapport with the intellectual property holders; hence, we obtained this great license that supports us in going forward in a cost-effective manner. We are building our platform upon that license. At the same time we are building our own games around all of that content. We created great new channels to deliver our content and games, which are available in the app stores over the web where digital products, like tablets and phones, can download them.

Currently, we are meeting the needs of three different types of customers. First, our brand customers are essentially supporting us right now, and because of that, they need to feel we are monetizing their content and making a profit. Second, we have the parents of the small children who play our games. The parents are the ones buying this app, so they want to feel like they are educating their children and creating a safe environment for them. Parents want more for their children than TV can offer, and that is what we are providing them through Mobile MUM. Lastly, there are the kids. The app has to be fun, and they have to enjoy it. It needs to be something that they want to do.

We are creating all of these things with a great team. I brought most of the team with me from my game-making days. We created games for some of the greatest kid's brands in the market today, including *Jim Henson*, *Hasbro*, *Barney*, and *Star Wars*. We have done a great job in the past with other people's brands, and we are doing it now with our own. I have surrounded myself with a great business and development team. We have people who understand the subscription business, because that is how we are monetizing this company. Additionally, we have people who know about marketing in the kid's brand arena. Furthermore, we also have people who understand how to get into a deal, make it work, and exit.

As I mentioned earlier, we already have our license in place. It is a five-year license covering hundreds of hours of kid's content. We are continually adding to this content. All of this content is currently shown on PBS, Nick Jr., and Sprout. We built the technology to deliver this content over the Internet to apps and tablets. We have soft-launched our app on all the app stores and are starting to see tractions. We have been in the market for less than one year as a product and currently have 18,000 active users. Although that may not sound like a large number, those people use our products multiple times a month. Additionally, that number does not include users who have actually logged in and registered with us. We have seen over 100,000 sessions and 320,000 minutes of usage in the last month. From month-to-month we have seen 40% growth over the month before. Back in September, we had 4,000 sessions and about 20,000 minutes of usage. Therefore, our growth over the last four months is evident.

We are using a freemium model, and we are already starting to see revenue coming through to the point where it is covering our server costs. This validates the monetization method that we are currently using. Our main goal is to get more users as fast as we can.

Now we are looking to raise money. Previously we funded Mobile MUM from within using our own money. We need this capital in order to help us compete with people like Nick Jr. We do not believe we can achieve this with the bootstrapping approach we are currently using. Our goal is to have hundreds of thousands of active monthly users.

We also want to do more product development. The game that was shown at the beginning of the video is not currently out. We want to do more social networking with parents through Facebook, and we want to create se-

cure ways for them to see what their kids are watching. This is important because the kids might be at daycare, and the parents might want to see what their kids are doing and what they are working on. We have a lot of plans in place for the product.

We are also doing some interesting things on the business development side as well. We are negotiating a contract with one of the two largest carriers in the United States to make Mobile MUM the kid's channel on their phones. Mobile MUM would be pre-installed by the carrier so that the app would be a part of their family plans. This would allow us to be carrier-built. That is a big opportunity because it would create hundreds of thousands of units with our app pre-installed within the first year.

We are talking to a lot of children's tablet companies whose products are available at Best Buy or Toys"R"Us. If we succeed in making a deal with one of these companies, it will result in three to four hundred thousand installs in one year. Those are some of the business development things that we are doing. At present, these deals are in the beginning stages.

We are also talking to people such as Apple TV and Google. They are seeking to enter the children's market, and so they want a robust children's channel that is digital anywhere within the United States, and potentially worldwide. Although companies such as Apple TV and Google are interested in our product, we do not currently have enough viewers to close a deal with them. That is why we are currently seeking an investment from you. The increased cash flow will make us impressive in front of these companies.

We are Mobile MUM. We want to be that icon that is being installed right now on a phone, smart TV, or kid's tablet near you. We want to be the kid's channel for the digital age. Making kids brighter with Mobile MUM. Thank You.

Mr. Scott Ticer:

Tim, thank you very much. Now I am going to turn to our panel. Anyone with questions or comments can jump in.

Mr. Zach Karlsson:

I'll start. Initially on your pitch: you did a great job. I think your manner, the tone of your pitch, and your confidence in your material was very good. However on your presentation, you need to go over it with a spellchecker, there are errant commas and apostrophes. Furthermore, there are capitalization errors and brand names that are mislabeled. If you are going to pitch your game idea, you are going to need to put a little bit more work refining it and making sure you do not have any glaring errors in it.

The other thing I want to comment on is that in your PowerPoint presentation you list loyal user acquisition at \$1.50; but loyal user acquisition is almost \$3 now, and that is for free games. You are talking about a subscription model, so your mathematical assumptions are a little scary for me. A nice round number like \$3 million makes me think that you are backing into that number. Then, when I see a customer acquisition number that I do not think is as accurate, it concerns me. It makes me wonder about the accuracy of the math that has gone into the calculation.

Last comment I want to make about the pitch: the video you showed did not tell me enough about what your product is. It was interesting, but it took me approximately eight slides to start to wrap my head around what it is that you are trying to present. That is way too many slides.

Turning to the game idea: this is not a space where I play, but I think you live or die by the content and by keeping it relevant. I think it will be hard to get all of those brands to play nicely together and to make sure there is enough money coming into this system where they are going to want to give you their content. I think you have a real challenge, but because I do not play in this space, it is hard for me to say whether this is a good idea. However, I think it has more challenges than you put on the screen during your presentation.

Mr. Tim Clapper:

Can I answer some of those questions? First, as far as the loyal users go, that has been tested out with our apps. We have done market research about what it takes to acquire customers. We did not perform the market research during the Christmas space last year because that is a bad time to do it and we are not a Christmas app. Since we are a subscription app, we can do the research over time. Due to the market research, we know that the customer acquisition number is accurate.

Secondly, on the brands that we do have, we have had that license in place and locked down for five years. We have a license with the largest independent distributor of videos in the United States. We have a great license deal because we are not paying any money up front. We pay the royalties based upon the number of views behind the cash flow.

Mr. Holt Foster:

To echo Zack's comment, I think you have the data in your slides, but you need to articulate earlier what you do. It could just be as simple as reordering your slides, but I had the same issue of not knowing what your product was about in the beginning. It is not an insult. I think you have an interesting idea and I think you have the data to relay what you do. But you must get people to understand what you do within the first two seconds. After that, you are trying to convince them why it is the next best thing, as opposed to them trying to figure out what you are doing. If they do not know what your business is about in the beginning, then instead of listening to the details about the opportunities you are presenting to them, they are trying to connect the dots and figure out what story you are pitching.

I think some of the licenses you have locked up are very impressive because those are remarkable licenses. I would go into a little more detail; maybe itemize the licenses out for the people you are pitching too, because those are some very impressive franchises that you have managed to license. During your pitch you may want to go into more detail about those licenses. Investors are looking to figure out during a pitch how much the venture is going to cost them or if it is already sunk money. You may want to address what the barriers of entry to Nick Jr. are in case they want to enter into this space. How do you beat them to this space? Or what will happen if a com-

pany such as PBS decides they are done with licensing and want to create their own app?

I think it is a compelling pitch. The information is there, but if you clean up the presentation a bit, you will be relaying a much more compelling story. It really is impressive that you have already procured those licenses. Most people who pitch to investors say, "We hope to get a franchise such as *Cat and the Hat* and this or that," but you have gone over that mountain and you have that content for five years. That is interesting because that says you were able to sell your idea to those companies, whose franchises are precious gold to them. You want to make it more compelling so that investors ask themselves, "How can I get in on this?"

Mr. Tim Clapper:

I understand. Your comments on the video's focus are interesting because we do not normally pitch the game side of Mobile MUM. Our pitch is normally very much focused on the video side of the app because that is who we are typically talking to. The video side of the app is much more of a fundamental. However, this was a game pitch, so we put a little bit more into the pitch about the game. That is why it does not match the rest of the content because typically the emphasis right up front is the video side of it. But thank you for your comments.

Mr. Matt Himelfarb:

I'll echo some of the comments from earlier. I did not understand the video at all. I have now seen your pitch five or six times, and you keep getting better and better as a presenter, so bravo. However, I have a question. I have been scratching my head about this for a while now. The approach has always been to get people in with the content as well as name brands like *Sid the Science Kid* and *The Cat in the Hat*. The games make it sticky. Yet, you say that you would like to be a platform-play, much like Nickelodeon, so why bother creating the games yourself? Could you license some of these games, and make it sticky that way? It would be a little less capital-intensive.

Mr. Tim Capper:

That is one approach, and that is definitely something we could do. However, you then get into trouble with companies like Apple because they perceive you as an app store on the App Store. To them, you are basically reselling games.

Mr. Matt Himelfarb:

A whole other ecosystem exists, as an alternative to Apple.

Mr. Tim Capper:

Right.

Mr. Matt Himelfarb:

It is called Android.

Mr. Tim Capper:

Right, it is not something we have considered.

Mr. Matt Himelfarb:

Okay, thank you.

Mr. Zach Karlsson:

I have one last question. You put a bunch of metrics up that indicate growth of 30-40%. However, you did not present a number that shows actual revenue growth. The second piece of information we would be interested in is when the \$3 million would earn out if we gave it to you? You do not have a projection of how long it would take for us to earn that money out, or at least be cash flow neutral. Would it take six months, nine months, or longer?

Mr. Tim Capper:

Okay.

Mr. Holt Foster:

I had a question about the games part of it, as well. Obviously, you have the content, and you spoke about how you are going to make it sticky with the games. However, I would have liked to see a better example of how the game works, or more of an idea of how the game is going to be developed. Do you develop it internally as part of the \$1.2 million? You talk about building a platform—but not necessarily the game development arm. Will you outsource that? I would like to see a little bit regarding that aspect.

Mr. Tim Capper:

Sure.

Mr. Holt Foster:

Thank you.

Mr. Tim Capper:

Okay, thank you.

Mr. Scott Ticer:

Thanks very much, Tim.

Mr. Paul Nichols:

First, I want to thank everyone for sacrificing naptime after lunch to stick around and watch the presentations. My name is Paul Nichols. I am the CEO of Future Tech Gaming. With me today are two of our other members, Matt Hatcher and Will Beasley. Will is an engineering student here at SMU and the founder of the business. One day last fall, Matt and I were walking around the business library, and we saw what looked like a lost toddler. We said, "Look another engineering student wandered into the business school." We went up and talked to him and found out that he had this really great idea. His idea was so intriguing that we started developing a business plan for him, which we intended to enter into the business plan competition. From there, we started this business, and have had some tremendous gains. In fact, we have worked through the grey area of development; so we are very happy. Another one of our members, James Moats, could not be here because he is recruiting a couple of programmers for us today. James recently did some presentations at the White House for technology and is a very strong member of the team. Next, one of our mentors, Carl Dorvil, is the CEO of Group Excellence, a future Fortune 500 Company, and is also a member of DFW's Forty-Under-Forty. He is an excellent man and an avid gamer. Jeremy Vickers is also one of our mentors. He is the Dow's Regional Chamber of Commerce Director of Innovation, and over the past few months we have

been meeting with them regularly to get feedback. Our two attorneys are Shaw Sareen and Colin Cameron. Colin is a graduate of SMU Dedman School of Law and is based out of Chicago. By day, Colin is an intellectual property attorney, and by night, he is a hipster attorney. In his spare time, Colin runs his own personal injury practice strictly for people on bicycles. He is an interesting person.

Together, we are Future Tech Gaming, and we are presenting a technology called Future Play. Future Play enables gamers to access their console devices with a smart phone or a tablet from anywhere on the planet without having to go through a cloud service. For instance, if you were in San Antonio, and your game console was in Dallas, you could access the game on your console and play it with your tablet. You will have full graphics, full game play, and everything will be fully connected. Presently, mobile gaming does not give serious gamers such an option. The only mobile games available are those like *Angry Birds* and *Words with Friends*—which I enjoy playing—but for people who are accustomed to a certain level of gameplay and intricate nature, there is not currently anything out there for them. This technology directly addresses that.

Further, gaming consoles are location-dependent; you cannot drag your Xbox around. You can try, but you will not look very professional. Also, cloud gaming is inherently flawed by certain latency issues. Cloud gaming is a tremendous opportunity with a large number of titles, but as far as game play goes, it does not really match up with console gaming. To reiterate, Future Play allows you to remotely access and play all of your games, and it eliminates all of the latency spikes from online play, network play, and land play.

Future play works differently from cloud gaming technology. Cloud gaming basically works like this: You have a device, like your tablet; the device goes to the Internet server and then to the cloud gaming server. What Future Play does is a little bit different. It is an app that works as an intermediary between the console, or tablet device, and the Internet. The arrow on the slide represents the connection between the two Future Play apps, one on the console and one on the device. Our proprietary technology facilitates that communication, not just over the server, but also simultaneously to each other.

Concerning the market, in the United States alone there have been roughly 57 million consoles sold for Xbox and PS3. It is forecasted that number will increase by 65% in 2013. Also, mobile games have jumped 96% over the past five years and will have a tremendous boom over the next four years, up to 2.5 billion. The market is there. There are a lot of people hungry to play the games. Roughly a quarter of all gamers are satisfied with the current state of mobile gaming. However, the same gamers in this particular set of surveys recognized that game play is a little clunky and they do not have full functionality. Also, significant is that fact that another 25% bought the full version of the free games that they played.

As far as sales marketing is concerned, we are looking for strategic partnerships right now. The gaming conferences and licensing are options, but the strategic partnership is mainly what we are looking for. As far as the pitch is concerned, we are looking to develop the rest of this concept within an established company and with an established set of developers.

Regarding competition, we have broken it down into a few different attributes. Spawn Labs is a tremendous company and a great opportunity with great distribution, titles, etc. The one thing Spawn Labs does not have is the same level of gameplay experience for the people who are playing it. Plus, it is unproven. It is supposed to launch in Summer 2013, so we will see how the market responds at that time. Gaikai is already established, but they have struggled to meet forecasts. They have good titles, but again, latency is an issue. Also, gameplay is not what users are considering the expected average. OnLive is a little bit different in the titles it offers and in the way that it operates. However, OnLive took a serious hit and failed to meet any of its forecasted financial goals.

We are trying to develop our exit strategies, to co-develop the rest of the product with an established company, and to look to console manufacturers and game developers for partnerships. However, if that does not happen, we will have to do this on our own. One of the first things we did as a business was develop a subscription model to support the company going forward. This is strictly based on what we did in November, which was making Future Play work with games using the Unreal gaming engine. This only represents Unreal and no other engines. The scalability is that adapting it for the Halo title, for instance, would add 100% to that revenue. Adapting it to *Portal* games—*Portal 1* and *Portal 2*—would add 125%. *FIFA 13*, alone, would add 175% to that revenue. *Black Ops 2* is obviously a huge game and would add 300%. We are looking to add titles, and that is what we are hoping to do with strategic partnerships. That is really what we are offering and looking for. Adding those four titles to our existing Unreal engine pushes the total to over \$50 million.

Finally, for us, the proof of concept has already been completed, and we are moving forward trying to add more gaming engines. That is what we need our partnerships and our capital to do. We are not specifically looking for a set amount of money. Roughly, \$500,000 would cover our expenses going forward until we go to market with the subscription model, but our preference would be to co-develop with another company. On our own and at the current rate, go-to-market is estimated for 2014, and first revenue would also be in 2014 with free cash flows and investment return in 2015. Moreover, there have been some questions in the past about where that money would go, so during Year One, our burn rate would be roughly \$42,000 a month. When we add the rest of the programming team, which is who T.J. is interviewing today, our burn rate would be roughly \$53,000 a month. To give you a little bit of a comparison, I think OnLive's burn rate is roughly \$5 million a month. That is approximately what it costs for cloud gaming to have their servers running and maintained without any interruption.

I am Paul Nichols; this is Future Tech Gaming, and if you have any questions I would love to answer them.

Mr. Scott Ticer:

Paul, I know the venture capitalists are chomping at the bit to make some comments on this one.

Mr. Paul Nichols:

In full disclosure this is our first attempt at presenting, and we are really anxious to hear back from everyone because I have done my research.

Mr. Scott Ticer:

In full disclosure, everybody should know that Spawn Labs is the company Matt funded and has taken to axe.

Mr. Paul Nichols:

Yeah.

Mr. Scott Ticer:

However, there is an old saying in Silicon Valley that there are no new ideas, but always new entrepreneurs and better ways to do things.

Mr. Matt Himelfarb:

I have a lot of questions, but first, I have a few tips. To start with, in a presentation, make sure you have all of your facts checked.

Mr. Paul Nichols:

Okay.

Mr. Matt Himelfarb:

OnLive's burn rate right now is zero.

Mr. Paul Nichols:

Oh, right.

Mr. Matt Himelfarb:

They sold at auction. They actually sold for \$5 million. They are completely caput. The second thing I would counsel you to do is to check the intellectual property. During the Spawn deal, I saw they had some pretty robust patents pending at the time of acquisition, so I would be very careful there. All of that aside, I am interested to see your company's twist on this. My first question is: Is this entirely app-centric, meaning is there any hardware that connects to the box or console?

Mr. Paul Nichols:

No, there is none.

Mr. Matt Himelfarb:

Okay, then how are you virtualizing? In other words, is a client downloaded to the Xbox or the PlayStation?

Mr. Paul Nichols:

There is a free download from the app store or whatever market store you would have for Xbox or PS3. Then, there would also be a free download on your mobile device.

Mr. Matt Himelfarb:

What have you gotten your latency down to?

Mr. Paul Nichols:

Matt, to answer your question, compared to what has been published from the other cloud gaming, it is significantly faster.

Mr. Matt Himelfarb:

Spawn's was forty milliseconds.

Mr. Paul Nichols:

Correct.

Mr. Matt Himelfarb:

Human threshold for perception is sixty milliseconds. When you have consoles it is especially important for first person shooter; fast twitch games to have extremely low latency. If you do not have it right within that threshold, you are going to be limited in your market. Specifically, the types of games that people can play on your system will be limited.

Mr. Paul Nichols:

Actually, that was one of the questions I had when researching Spawn. I imagine that is an ideal scenario, but if you have a bunch of different people on the same connection, like at Starbucks, does that number change? With our software the number does not change. It lies to the user essentially. Also, with the subscription model, it looks like we want to go head-to-head with the cloud gaming systems, but in reality we could also partner. One of the exit strategies we have discussed is that this software could enable or facilitate cloud gameplay for the gaming experience. That is something else we could do.

Mr. Zach Karlsson:

I have a couple of things to add. Your team introduction is too long; you listed fifteen or twenty people including your lawyers and several other people. You do not need all of that. It is useful only if it is relevant to your pitch. For instance, your mentors, in particular, are interesting. But I do not need you to go through all of the others. Moreover, in addition to OnLive being bankrupt, Gaikai is owned by Sony, and you said that they are struggling. I do not characterize a \$380 million exit as struggling. Again, I would tighten that up and be careful about what information you share.

Mr. Paul Nichols:

To clarify, the reviews indicate that gamers are not fully satisfied with the service.

Mr. Zach Karlsson:

I think that is my next point. There is not enough money entering the game-playing model. There is a scalability problem and a variety of other things needed to satisfy the content creators. The profits and losses in all of these cases have been upside down; which, in my opinion, is why OnLive has gone under. Further, Gaikai's biggest asset was Dave Perry himself and not the actual technology. Also, "significantly lower" is not an answer to the question, "How low is your latency?" It is an equivocation. You need to have hard facts because a lot of us have been down this road before, and there is a lot of skepticism about how the model works. I was given a free OnLive console, and I have never turned it on. Unless our companies were, strategic

partners, I would not think there is enough money entering the model because it is often subscription based. If you are talking about offering unlimited access to content for \$9, \$12, \$15, even \$20 per month, I am looking at discrete unit sales on TripleA content of \$60 per discrete unit. This is really what you are talking about when you are going after the shooter market, which is why you are trying to keep the latency down. There is not enough money in that model to incentivize me to give you front line pricing content. There is just not enough money in it. Therefore, for me to be interested in something like this, even as a licensor, you would need to prove to me that it works. You said you finished your proof of concept. You would need to put it up there. I would need to see that it works even in a closed environment, even in a video. You would need to show that it works and what the experience is. Then, you would need to solve the math problem of how you push enough money into this model because if I get a \$38 royalty statement, we are done.

Mr. Paul Nichols:

Understandably. There were a couple of comments I wanted to address head on. With the sticking the attorneys and everything at the front. . .

Mr. Zach Karlsson:

I know they are part of the audience.

Mr. Paul Nichols:

That was the result of feedback I received two days ago. Someone told me, "It is really good these days to put everything at the front so they know who they are dealing with." Because of that, I literally switched it this morning from one to the other. Concerning showing the proof of concept on video, two different people told us that it is better to leave that to the imagination because it may not live up to the expectation of the viewer. It was just a matter of feedback, and I wish we had spoken to you first because that would have been a little bit better.

Mr. Zach Karlsson:

That is entirely accurate feedback in certain cases. If your video does not meet the expectation, then do not show the video. The moral of the story is to make your video meet the expectation.

Mr. Paul Nichols:

Right.

Mr. Holt Foster:

That is exactly what I was going to say. You go through a great deal of data, but we are here to hear a pitch about a company. We do not care about a roster. If the technology can be met, a lot of people think this can fill a niche. However, people are skeptical about whether the technology is there to do it. You can grab people pretty quickly if you can start it and say, "Boom! Here it is!"

Mr. Paul Nichols:

Show it.

Mr. Zach Karlsson:

Yes, show me. Do not tell me.

Mr. Zach Karlsson:

This technology exists in the market. I will not tell you just how much money we made on OnLive, but I gave them a lot of content. I will tell you that I made less than the amount of billable hours in this room. We did not make a lot of money off the entire service in its entire lifetime. You need to prove that you can beat that.

Mr. Holt Foster:

Along the same lines of the showing, I think you probably should have a little bit more information about the intellectual property and whether it is patentable and where you are in that process.

Mr. Paul Nichols:

Okay.

Mr. Zach Karlsson:

Make that clear because it is such a heavy technology.

Mr. Paul Nichols:

We have filed, but it is still pending.

Mr. Holt Foster:

That is something you definitely want in there. A pending patent is an asset. Therefore, if you have some protectable intellectual property, that is something that the money backers really want to know. Something else that is a little unclear is what you mean by "titles." I guess what you are saying is that if you currently have a deal with Epic and that you could run games that are on the Unreal engine. Is that what you are saying?

Mr. Paul Nichols:

The way we incorporate the Unreal engine into our software allows any Unreal game engine or any title using the Unreal engine to operate with our software.

Mr. Holt Foster:

Okay, gotcha.

Mr. Paul Nichols:

That may not have answered your question directly, but that is why we are also looking for partnerships.

Mr. Holt Foster:

Your technology works with Unreal based games?

Mr. Paul Nichols:

Yes.

Mr. Holt Foster:

Nothing else yet, as of today?

Mr. Paul Nichols:

Right.

Mr. Holt Foster:

That is still pretty impressive.

Mr. Paul Nichols:

Our next step will be adding more titles of engines.

Mr. Holt Foster:

Understood.

Mr. Zach Karlsson:

Have you spoken with Microsoft or Sony about this?

Mr. Paul Nichols:

No, I have not.

Mr. Zach Karlsson:

Are they willing to let you run an app on their platform that connects to something that is not on their platform? Having gone through that conversation with them, I can tell you it will not be a pleasant conversation. They do not like that. They view you as Apple's product using their bandwidth. They tend to take a dim view of that. You might want to figure out if they will let you do that because it is their closed platform. They sometimes do not let you do those kinds of things.

Mr. Paul Nichols:

Okay, that is great feedback. Are there any other questions?

Mr. Scott Ticer:

I think that is all. Thank you.

<Audience Applauds>

Mr. Scott Ticer:

Our next presenter is Grant Yang.

Mr. Grant Yang:

My name is Grant Yang, and I would like to first start the presentation with information about my background and how I entered the gaming business. Up until about three years ago, I was a mid-level patent associate at an international law firm's Tokyo office. A good friend of mine called me and asked me to join a company named Newtoy as intellectual property counsel. Newtoy is the developer of the game *Words with Friends*. I accepted the offer, as it seemed an excellent opportunity to transition into the gaming industry.

Subsequent to my transition, Zynga acquired Newtoy,² and I transitioned from an intellectual property counsel position to a product manager. In this role, I became active in developing and launching games. Besides *Words with Friends* for the iOS and Android, I launched almost every mobile SKU that the studio made during my employment there. Some of these games are *Hanging with Friends* for iOS—which was number one in the App Store on

2. Leena Rao, *Zynga Buys Mobile Gaming Developer Newtoy*, TECHCRUNCH (Dec. 2, 2010), <http://techcrunch.com/2010/12/02/zynga-buys-mobile-gaming-developer-newtoy>.

all three charts³—and *Hanging with Friends* for Android. I also worked on early stages of *Matching with Friends* and *Jam with Friends*.

Regardless of working on such successful projects, I decided to leave Zynga. My primary motivation was the desire to create my own asynchronous games. I, along with my technical co-founder, decided to start a self-funded MVP. While we were looking for ideas, we realized that there were a lot of available tools for client-side technology. However, a completely opposite picture existed on the server-side and the backend side. There was not a single good solution for games. We saw it as an opportunity, and this is how Kumakore Backend Services came into existence. It is a “backend as a service,” or “Baas” for short.

Today, the BaaS market is relatively new and small compared to the mobile game market.⁴ Yet, this is expected to change in the near future as the market conditions will demand more BaaS services. Today, most of the application usage consists of games. The top ranked games, which usually have a major server component, are offered on a freemium basis. This model of distribution of games is expected to continue to grow, and by 2016 to reach 93% of the games in stores.⁵ This means micro-transactions, virtual coins, and the need for monitoring inventory in consumables will become prevalent and require major server component.

In the current market, there is a need for technology which can help you to obtain MVPAL. Compared to the client side, where there are 1.5 million developers on the Unity game engine,⁶ services have nothing encompassing for game developers. The reason lies in differences between expertise among game developers and server technology. The game developers usually apply C++ and C-Sharp type of technology while on the server side PHP, Python and Ruby are most popular. Thus, one of the few potential overlaps between the two sides is the developer, who may be proficient in both ends of the system. However, our fruitless efforts have shown that it is difficult to find somebody who could basically build the entire system.

This is the primary reason why game developers need BaaS tools. Currently, some of the BaaS players in the market provide services like data

3. Danny Cowan, *Top-Grossing iOS Games: Hanging with Friends Climbs Iphone Charts*, GAMASUTRA (Jun. 15, 2011), http://www.gamasutra.com/view/news/35266/TopGrossing_iOS_Games_Hanging_With_Friends_Climbs_iPhone_Charts.php#.US7HQzD3DIc.

4. *Backend as a Service (BaaS) Market Worth \$7.7 Billion by 2017*, PR NEWswire (Oct. 17, 2012), <http://www.prnewswire.com/news-releases/backend-as-a-service-baas-market-worth-77-billion-by-2017-174561931.html>.

5. Yannick LeJacq, *Freemium Games Make Up 80% of \$10B Mobile App Market in 2012: Flurry Report*, INTERNATIONAL BUSINESS TIMES (Dec. 13, 2012, 3:24 PM), <http://www.ibtimes.com/freemium-games-make-80-10b-mobile-app-market-2012-flurry-report-936872>.

6. *Fast Facts*, UNITY3D, <http://unity3d.com/company/public-relations/>.

storage, some push, and analytics.⁷ All freemium games will need this to support features like virtual currency, achievements, and leader boards. However, other companies took an alternative approach by adding in business logic, which basically is a tool allowing you to write third-party server logic on their own BaaS. But again, this method faces the problem of finding people proficient with both sides of the process to write this out for you.

Thus, due to absence of available solutions in the market, we developed Kumakore, a backend service provider. This is a niche service for game developers. It is designed to provide all the backend services a developer might need to create his game, including the ones required for freemium games. Also, our system has a feature designed to address raising discovery costs through sharing a user base with other people willing to use our platform. Raising discovery costs is something that other BaaS providers do not address. Instead, they purely provide a service.

Our competitive advantage is that we make games on our BaaS. This distinction is very important because usually when you have a server backend it is architected by server people. They architect it in a way that is scalable, and the application programming interface (“API”) is written in a very generic way. You are basically putting data on the cloud, and taking data off the cloud. There is not a log of logic in that. But for us, we are doing very specific API calls, and very specific types of interactions between virtual currency and inventory. Because we make games, we know all edge cases that exist, which are numerous, especially if you’re dealing with moves. For example if you are making a clone of Instagram or Twitter, the arrival time of the data is not important. It can arrive at any time. It is not going to make a difference to the user. But if you are playing an async game, for instance, like *Words with Friends*, it is very important that all your devices are synched up. You cannot get a move that is out of place or else it ruins the game. So there are a lot of edge cases, especially when you go across the platforms. This is what distinguishes our BaaS from others.

Currently, we have *Makkhi*, which is really a single-player game. We did that on contract to flush out our game production, which was released on both iOS and Android. We also have an unannounced async game that is in beta testing now. I would include it in our presentation, but I do not want to show it until it is released. That game actually uses our BaaS system. Our goal is to open up our platform to developers with the resources we have. We base our revenue estimates on app adoption. Every day, developers submit about 100-200 games to the App Store.⁸ In our first year, we are aiming to attract about 50-100 developers to ensure a beta process. This initial step requires less than half a day’s worth of game developers. And by the second year, we want to increase the number of app developers to 600 with an as-

7. See, *It’s Not Our Backend, It’s Yours: Every Feature that Your App Demands*, KINVEY, <http://www.kinvey.com/features>.

8. *App Store Metrics*, 148APPS.BIZ (Sep. 2012), <http://148apps.biz/app-store-metrics>.

sumption that only 10% have a real traffic. With such numbers, we estimate that we can attain six days' worth of games that are out there. We are raising \$1.2 million, but only \$600,000 is required to get the project moving. The rest of the funds would be a buffer and mainly used for purposes of standardizing our system for usage across more games and platforms.

As expected, our main expenditures are salaries and operating expenditures. The latter is intended for continuing the process of architecting an increasingly generic system in a more user-friendly manner. Marketing expenses are the only item which may look out of proportion. This is because we expect to do our full marketing push by Year Two, after the game developers, who are our main customers, ensure that the server functions correctly.

Our team consists of my co-founder, who was a graphics lead at ATI, and me. He started in the business by pushing the envelope in console and PC games and then later moved to mobile. Our chief server architect is Daniel Bretoi who has scaled large solutions before. He has worked on certain types of BaaS focused purely on analytics called *KissMetrics* and *Kissinsights*. This is my presentation and thank you for your attention.

Mr. Scott Ticer:

Thanks, Grant. That was great. You get the prize so far for coming in under the time limit.

Mr. Zach Karlsson:

That was a great pitch, really well done. You made a great presentation. The timing was right, you hit all the right points and your tone was professional.

I love this idea. It is a problem I deal with on a daily basis. I have forty-five different companies with which I have to work and obtain licenses. Some of them have shifted their focus, some are trying to pivot out of games, and some are trying to pivot into games. It is like herding cats trying to keep all this technology together and keep it all working properly. While I have some favorites that I enjoy working with, generally having a plug-and-play solution that handles a lot of the issues on the backend that I just do not want to deal with is a real business opportunity. It is a market need that does exist, and I like that about your idea.

I also like the product-oriented approach your company will take, which reminds me of Charge Boost. This company has greatly benefited from taking an advantage of market conditions and supplying a demanded product. Recently, Charge Boost conducted a second round of financing and raised \$19 million. Kumakore elicits the same positive feelings in me as did Charge Boost. But one of my concerns is an ability to opt-out from some of the functions like social discovery tool. Can I opt-out of that?

Mr. Grant Yang:

Yes, you can opt-out of anything you want.

Mr. Zach Karlsson:

I do not want to provide my users to some other indie developer. But I can opt-in if I want?

Mr. Grant Yang:

Yes. You can opt-in if you want.

Mr. Zach Karlsson:

You mentioned that you were going to use pricing that is similar to other BaaS. What is that pricing? What is your model?

Mr. Grant Yang:

Well.

Mr. Zach Karlsson:

I do not need to know the number; just what model you are using. Is it based on monthly active users?

Mr. Grant Yang:

We basically came down to a choice between the “average revenue per user” model and “daily active users” (DAU) model. The company was inclined to adopt DAU because it allowed making projections for revenue under different scenarios. Moreover, this model draws a clear line between responsibilities of a client and service provider. If a client was not monetizing on its active users it is their shortcoming and not a failure on the server side.

Mr. Zach Karlsson:

That was really good. We should talk later.

Mr. Scott Ticer:

I actually was not going to ask if you guys were in or out. But Zach, did you bring your checkbook?

< Audience Laughs >

Mr. Scott Ticer:

Our next presenter is Chris Daskam. He has come all the way from Milwaukee. Is that right?

Mr. Chris Daskam:

Yes, down from the cold. It is about twenty degrees there right now. Let me begin by thanking SMU for inviting me to present the next big franchise in disc golf video games.

Where is the disk golf video game today? The sport of disc golf has been steadily growing year after year. Despite this fact, the video game market has seen the creation of only a few small, relatively unsophisticated titles. To put it in terms of disc golf, there is a lonely basket out there with a disk sitting in it just waiting for a big video game to be made. I see a huge opportunity.

The video game industry is a multi-billion dollar industry. More importantly, the disc golf video game is an open market. Currently, there are many sports games available: baseball, football, basketball, the *NBA 2K* franchise, *Tiger Woods PGA Tour*, soccer, bowling, and even cricket. There is a big need for new and fresh sports games, and the disc golf video game is going to fill that need. Disc golfers are very loyal to their sport. For example, players that are serious about the sport—and who are crazy like me—might even throw in the wintertime.

My name is Chris Daskam, and I am the founder of Big Disc Games. I am a marketing graduate of the University of Wisconsin. My most recent experience was with a large company, Frito-Lay. In fact, I see some members of the audience enjoying their chips as we speak. This experience enabled me to bring a big brand experience to Big Disc Games. In addition to contributing my experience, I work with a team on new product launches, distribution, and cost control on the finance side.

The idea for a disc golf video game began as a personal project. It was something to do for fun. It was something to kick around. But it eventually solidified into a vision for a franchise of video games on all platforms: mobile, console, and PC. Big Disc Games was formed to meet this challenge head on.

Let me introduce two members of the Big Disc Games Team: Chuck Nicholson and J.T. Hamman. Chuck is a software engineering graduate from SMU, who is now a veteran in the game industry. He is an excellent advisor, who counsels me on endgame strategy, processes, and platforms. J.T. Hamman, founder of Dogleg Disc Golf, is responsible for graphic design, logo, and the conceptual design for the video game.

However, the interest in producing a franchise disc golf video game is not limited to our team alone. A number of important companies and developers in the disc golf market have approached Big Disc Games with an interest in forming strategic partnerships. For instance, we are currently negotiating with Most Wanted Entertainment about prototypes and demos. A lot of effort has been placed in building relationships with the top disc golf manufacturers from across the world. We are currently pursuing multi-year exclusive agreements with all of these manufacturers and companies. To this end, I have been in close contact with Brian Graham, executive director of the Professional Disc Golf Association (PDGA), to craft a multi-year agreement. Innova Disc Golf ("Innova") is the largest disc golf manufacturer in the world. The CEO of Innova, Dave Dunipace, was one of the first people to express strong interest in working with Big Disc Games to create a disc golf video game. We are also in talks with Discmania, Innova's European subsidiary, which currently owns the market in Europe. Some of the many companies that we would like to work with on the next big franchise of disc golf video games include MVP Disc Sports, which is a local company in Michigan; Rip Disc Golf; Prodiscus, which is a Finnish company that has expressed considerable interest in a partnership; Gateway Disc Sports; Vibram Disc Golf; Dynamic Discs; Grip Equipment; and Latitude 64.

Disc golf should be a video game because it is a global sport. Approximately twelve million discs are sold every year, and that number is growing. Over one million disc golfers play the sport worldwide, including competitors. There is a distinct difference between recreational disc golf players like myself and those professional players that compete in tournaments. Competitors are very avid about the sport and compete for a purse or a prize.

Several trends suggest that disc golf is a growing sport. Membership in disc golf associations is increasing. PDGA membership grew by 62% from

the year 2000 to 2011, and it has now reached over 18,000 members.⁹ International growth is at 11%.¹⁰ Admittedly, it is difficult to estimate what the non-member growth of the sport is, but such a number might be extrapolated from the number of courses being built and the number of international companies producing disc golf products. A staggering 5000 courses exist worldwide, and that number is increasing.¹¹ The sport of disc golf is played in forty-five countries.¹² Even if it is not as widely recognized as some sports, disc golf is a legitimate sport with its own world championship.¹³ Professionals are playing this sport all across the world.

With regard to the video game that we plan to make, the vision is to have the game feature actual disc golf courses very similar to *Tiger Woods PGA Tour* and other sports games. The game might also feature professional disc golfers such as Will Schusterick, who is the 2012 United States Disc Golf Champion. Big Disc Games has been in contact with Will, and he is very supportive of this project. The professionals, like Will, are going to be one of the keys to the game's success. The game needs to be as realistic and yet as fun as possible. The game could also feature actual discs and gear. Each disc has a unique flight pattern. That might come as a surprise to those who are unacquainted with disc golf and who think Frisbee is a Frisbee. However, discs are manufactured for particular uses very much like clubs and balls are for the sport of golf. There is more depth to this sport than simply throwing a Frisbee. There are angles. There are different shots and different throws. Feet positioning is important. Every player's technique is a little different.

The game will feature game modes, similar to those in other sports games, such as bonus games, an online environment, live stat tracking, and different throwing techniques. We reached out to fans through our Facebook page to ask them what they would like in a video game about disc golf. Bonus games were a highly requested feature. This game will truly be built by video gamers, by disc golfers, and by followers of the disc golf video game page. The online environment would enable players to compete against anyone in the world. A player could register her PDGA number to see not only real-time stats of how she is doing in tournaments but also game stats. Putting this kind of information in players' hands would encourage competi-

9. *Disc Golf and PDGA Demographics*, PROF'L DISC GOLF ASS'N, available at http://www.pdga.com/files/documents/2012_Disc_Golf_and_PDGA_Demographics.pdf (last visited May 22, 2013).

10. *Id.*

11. *Id.*

12. *See 2009–2012 PDGA International Demographics*, PROF'L DISC GOLF ASS'N, available at http://www.pdga.com/files/documents/2009_-_2012_International_Demographics_3.pdf (last visited May 22, 2013).

13. *See PDGA Disc Golf World Championships*, PROF'L DISC GOLF ASS'N, <http://www.pdga.com/world-championships> (last visited Mar. 4, 2013).

tive banter among friends. The game would also feature the multiple types of throws, some of which have funny names. As these game modes make evident, there is some real depth to the game.

In addition to game modes, the game will likely include an ecommerce market where players can purchase additional game content. For example, the "disc creator" is a potential game feature, which would allow a player to create and personalize a disc in the video game and then purchase a physical replica from a manufacturer. Dynamic Discs is one such manufacturer, which can hot stamp any imaginable design on to a disc and then ship it to the customer. Another feature would enable players to create disc golf courses, to customize a course, or to modify the built-in courses. "Game Face" is another feature, which would allow a player to create her own character. The game could benefit from additional content such as instructions for playing disc golf and the rules of the sport. The idea would be to encourage game owners to go outside and throw, and then when they are not throwing, to play the video game.

Our marketing strategy for the console version of the game is aimed at big box retailers, which are crucial to the console market. We are also looking at the mobile market, PC, as well as iPhone and Android. Partnerships may be formed with disc golf manufacturers to package the game with the disc. This dovetails with the ecommerce within the game itself, which was previously mentioned. The marketing strategy also includes plans for big launch parties across the United States, and across the world, to launch the video game.

To sum up my list of accomplishments thus far, I have eleven disc golf manufacturers who have expressed serious interest in providing funding in exchange for in-game sponsorship. Some of these partnerships will also be used to promote the game and the sport through their respective websites. Multiple developers have contacted me. I have over 2500 Facebook "likes." My total global reach on the Facebook page is over 750,000 people. This is a big accomplishment. We are heading in the right direction.

Big Disc Games is looking for an investment of \$1.5 million, which will be used to develop the game on multiple platforms: mobile, PC, and all consoles. The investment would help cover professional services such as accounting, legal counsel, and marketing. Funding would also support anything that we need to do to create the franchise and to create the game.

You should invest in Big Disc Games. I am passionate about and believe in the sport of disc golf. A disc golf video game could have revenue-generating capability on a global scale. We have a thorough game plan for success. We have design documents and some small concept commitments from disc golf sponsors, and we are currently pursuing multi-year deals. Video game developers have expressed an interest in working with Big Disc Games. We are currently a small three-man team, and we are looking to do something bigger. I am Chris Daskam with Big Disc Games, and I thank you for your time.

Mr. Scott Ticer:

Thank you, Chris. I reviewed these pitches beforehand, and Chris stands out for having the most improved pitch. Before I turn the discussion over to the panel, I would like to emphasize that Chris listens well. He is like a sponge for information. I have never seen anyone turn matters around so quickly, get on a plane, and make it all happen in short order. Thank you for participating in this symposium.

Mr. Chris Daskam:

Thank you. Thank you for your endorsement. My goal is to build the team and to build the network. I am open to suggestions from the panel as to how to really get this project moving. I will open it up to the panel.

Mr. Scott Ticer:

Holt?

Mr. Holt Foster:

First, you look better without the mustache than with the mustache.

Mr. Chris Daskam:

My wife thinks the same thing as well.

Mr. Holt Foster:

You have a clear passion for the industry and the potential for the game. But, your pitch needs to convince an investor that there is a segment of the market that will buy this. An investor needs to be convinced that you can truly monetize this project. In-game sponsors only take a project so far. You are going to need people to buy units. The project may not be far enough along for this advice to apply, but adding a demo or some other attention-grabbing device to your presentation would help potential investors better comprehend your concept. More tangible facts are needed to suggest that there is a group of people clamoring to buy this game as soon as it hits store shelves. Your figure concerning the one million disc players confused me. Does that figure encompass only professional players? Out of the one million people in the world play the sport, significantly fewer people will buy a game about it. A successful pitch needs compelling numbers to back it. For example, if fifty billion people played the sport and you could capture 1% of the market, then the video game would be in every home in America. But, I fear one million disc golf players may not be sufficient. Does your figure include only professional disc golf players?

Mr. Chris Daskam:

That figure includes the current total population of disc players as estimated by the PDGA. More than one million players exist worldwide.

Mr. Holt Foster:

I fear that what may be a great sport to a million people worldwide may not be the subject of a console or PC game that enough people would willing to buy. A mobile app may be different. Something else to consider is that your estimated budget of \$1.5 million will not cover all of the platforms you listed. One and one-half million dollars might be sufficient for a mobile app, but not for console or PC titles. Producing games on those platforms can cost as much as \$10 million to \$20 million.

Mr. Chris Daskam:

I understand that \$1.5 million represents a figure on the very low end of the spectrum. The first development phase will focus on producing a good quality game for mobile devices because it is a cost effective way to test the market for a disc golf game.

Mr. Holt Foster:

You should consider further modifying your pitch to make it clear that your initial focus will be on the mobile platform. It represents significantly less risk to an investor if you are trying to produce a mobile app game for \$1.5 million, as opposed to trying to produce a TripleA title with the same amount. This is especially true where less than a million people may be interested in purchasing the game. Does that make sense?

Mr. Chris Daskam:

Yes. Absolutely. Thank you.

Mr. Zach Karlsson:

I apologize in advance for my remarks. I love that you are passionate about this sport. I think that is where the best games come from. I am also passionate about sports that no one else plays. But the math does not work here, and I cannot make it work.

First, I want to offer you a little feedback on your presentation. I think your pitch is good generally. You should remove the bullet point about launch parties because it does not make a compelling business story. You can throw a launch party, but that is not a part of your business plan. You talked a little bit about the number of disc golfers in other countries. Where are these players concentrated? Is there an amazing market in Lithuania? Or is there a concentration somewhere such that I can limit my exposure to one language? Or can I do a test market somewhere? If there is a pocket of interest somewhere then I want to know where that pocket is located. Your pitch also featured a huge list of brands and people that you are currently negotiating with. That is not as interesting to me unless you close deals or have things that are specifically signed up. I am a businessman. I put a lot of irons in the fire. Interest in a project is good, but interest often fails to materialize into actual business relationships. With that in mind, be careful how you present your partnerships. It might be a good idea to highlight a couple of strategic partners that you are farther along with. That would make for a better and more compelling business story.

With regard to the numbers underlying your business model, \$1.5 million will probably fund the development of a mobile app. It should allow you to produce a decent mobile app even if you use a Hungarian developer like Most Wanted Entertainment, which is one of the only developers on your list that I was familiar with, and I have been doing this for a while. Delving further into some of the quantitative aspects of your business model, we will assume that a mobile app can be developed for \$1.5 million. For the purpose of this exercise, we will assume that you publish your game on Apple's iOS platform to begin with. Although 58% of devices run Android, those devices only account for 22% of revenue for the mobile market. Next, assume that

there are a million total worldwide players and that we will generously assume that half of those players own a mobile device and will buy your game. This also assumes that the game is free initially and that some in-app monetization scheme allows you to earn money on the backend. These assumptions lead to a base number of 500,000 units. If users attach at a rate of 10%—which is a really good attach rate for people converting into paying users—your app might have 50,000 paying users. Assuming your average revenue per user is \$2, \$3, or even \$4—which is an absurdly high figure—your business will take in \$200,000 per month gross, which does not include operational costs. It would take seven months of monetization to earn back an investment of \$1.5 million. But that estimate does not account for operational costs, user acquisition costs, and the costs of running a live team. These additional costs leave you with a negative cash flow. You would be underwater the whole way through the project. These numbers suggest that you will need to pursue a different way to finance this.

If you think there is a market for a disc golf video game, I recommend that you consider using Kickstarter. Crowd funding is meant for these kinds of passion projects that appeal only to a certain niche. However, professional investors will not back you because the math just does not work. With Kickstarter, you might be able to raise \$100,000–\$200,000 and develop the video game with a couple of guys in a garage and get it out there. You could then use the revenue to pivot into some of these other markets. One and one-half million dollars in development spending might produce a mobile app, but it will not produce a console game or a PC title. Leading with a PC title would be even more difficult to justify quantitatively.

In closing, I do not want to dampen the ardor you have for this project, but I do not see how this project could be successfully financed.

Mr. Chris Daskam:

That is very good advice. Thank you for the information. Your points are taken very seriously. As negotiations with the big names PDGA and Innova progress, this is the type of direction and feedback that is very helpful.

Mr. Zach Karlsson:

The only other way you could fund this would be to develop the game as an “advergame.” An exclusive sponsorship deal with one of the companies you are negotiating with might provide enough funding to produce the game. However, an independent investment in the game would not make sense.

Mr. Chris Daskam:

I agree with you absolutely. We are investigating the financials for developing a game on mobile devices. We are also seriously exploring our options with Kickstarter. We have a videographer in the family, who is adept at making pitch videos for Kickstarter. We have begun developing some dialogue for a potential video as well as made other preparations. Thank you for your comments.

Mr. Matt Himelfarb:

I also want to applaud you for your passion. Another idea to consider would be to take on a software developer as a co-founder. Small communi-

ties are typically inordinately passionate communities. There are most likely web boards, blogs, and other common means through which disc golfers communicate. You need to find somebody that is a passionate disc golfer that is also a very good developer. You need to take that person and make them your technical co-founder. Otherwise, your project is never going to get off the ground. I concur with Zach that your focus should be on producing the game as a mobile app. A disc golf video game will never be a TripleA title console game on a budget of \$1.5 million. You will not get there. If a mobile app succeeds, it might be possible to pursue a console title at that point. However, it is not possible before then.

Professor W. Keith Robinson:

Chris, thank you. And now for our final pitch.

Mr. Patrick Holleman:

This is a last minute pitch. I was only supposed to speak yesterday about Kickstarter, but I had this pitch lying around just in case I happened to run into a venture capitalist in the elevator.

First off, I am a game designer, not a venture capitalist. Yesterday, I spoke about a game design textbook series that we Kickstarted because we want to change the way that people learn game design. We want to make game design separate from development, and we have had a lot of success. People are enjoying the new curriculum we are building. We are striving to let game design become the art that we believe that it is.

While that does not have a lot to do with *Zombie Country*, it is important to know that I am a game designer because this pitch is made for game producers. Producers want to see different things than venture capitalists do, and I would love feedback so that I can change this pitch to focus on venture capitalists instead of game producers who are more concerned with business and how it works. Again, I am a game designer, I do not know the business side of things, but I would love to be educated.

Zombie Country is essentially *Farmville* by day with zombie attacks by night. Unlike *Farmville*, however, it is not free to play. It is a \$10 digital download game with four planned sequels and multiple content expansion packs. It is for both personal computers and tablets, but our focus is on tablets. We have done mockups on tablets to work on the control scheme, and, at least from a game designer perspective, it works beautifully. It is a time management real time strategy game, and target audience is the same audience as *Plants vs. Zombies*. Our goal is to appeal to both casual and hardcore players by making the game accessible, but also deep. Our theme and our game design are what make the game deep and give the game legs. We want the game to last seven years, so our theme and game design have a lot of depth and we are doing them right. We are pretty far along on this project. The platform is already done, and we are working with a production company called Island Officials.

The game itself plays like a slow, real-time strategy version of *Farmville* mixed with *Dungeon Keeper*. Because everything happens in real-time, the player must manage their time and resources carefully. The

gameplay looks like *Starcraft* or *Supreme Commander* in that the player uses right-clicks for everything. The user interface has resources in the corner, and the layout is standard for a real-time strategy game. On a tablet, the player right-clicks by tapping with two fingers and makes choices with a ring menu. In fact, it works better on a tablet than it does on a personal computer, which is not something you see every day.

Now I am going to go through some gameplay. During the day, the player farms crops and sells them for resources and money. Crops take time to harvest, like *Farmville*, but time is more compressed in our game because it is not free to play. There is no play/time wall. As the farm develops, the player sells crops, hires people, builds fences, develops new crops, and builds up the farm into a fortress. As night is falling, zombies come out. For example, here, a zombie with a bomb—called a bombie—attacks the fence keeping him out and blows it open. This initiates a combat event. The farm character uses his fast grow ability to make a kudzu, which acts like a secondary wall. The sentry character uses an alarm ability, which accelerates the moment of nearby units. Since time management is important in this game, unit move speed is a big part of the game. Once the units are in place, they can use their combat abilities. The player must manage how each unit uses its abilities though, because abilities have cool-downs and lag-times before they launch. Everything in this game is cool-down driven because it is a time management game.

This slide shows how our system works. Our system is what we have under the hood, what makes our game unique, and what keeps us from being knocked up by Zynga too easily. One of the key issues of game design is how operations are streamlined. In our game, keeping a unit on one task will make him exponentially better at that task. Unlike other games, here, it is better to streamline characters instead of making them into jacks-of-all-trades.

These slides show other game design features, but they are not relevant to our discussion right now.

This game can succeed for many reasons: our use of zombies, which are extremely popular right now; our cartoonish art; our simple, but deep, gameplay; and the ease and affordability of generating tons of content. Unfortunately, our content generation pivots on the mapmaker. We have a producer ready who can make this project right away, but we cannot afford to hire a senior programmer. We need to temporarily hire a high-level person to create the mapmaker feature. Once this is done, our designers can take over and it is no problem because the mapmaker is designed so that we can make a lot of content very quickly. Once we have the mapmaker, a four or five-man team will only need one or two months to design the first wave of content for approval and recapitalization.

These are the phases of our project cycle. Of course the cost and time have been low-balled, but these are still realistic estimates that we have worked out with our producers. We plan on generating a strong fan base with an affordable first game available through digital download. This game will

make more money from its expansions. Because we can make a lot of content very quickly, we can sell each piece at a cheap price. If we have fans, they will never stop playing because each expansion will modify the gameplay by about 25%. The transition from the base game through the expansions will be like the transition from *Farmville* to *Frontierville*.

We need \$80,000 for the senior level programmer to create the mapmaker. That amount, however, will not buy a lot of equity, but it will buy some, and we do plan on making a lot of money. The other buy-in is \$570,000. This buy-in will help the marketing budget and support the project in a more long-term way. It will give an investor more equity, but it is a slightly bigger risk.

Mr. Matt Himelfarb:

First off, I would like to clarify that, from a venture capitalist's perspective, this process takes a long time. On that point, I think the show *Shark Tank* does my profession a bit of a disservice. In real life, we do not just throw out offers. It can be thirty days before we make any agreements or before we even validate whether we like it or not. After that, the actual process of investing can take three months.

I wear two different hats. I wear the game enthusiast hat, where I like to play games from time to time, and my evil venture capitalist hat. My game-playing hat tells me that your game is pretty cool, and I would like to check it out. However, my evil venture capitalist hat tells me that you have an interesting concept, but you need to polish it up a little more before you present it to investment professionals. I do not think you have thought through the monetization enough. The game itself also needs to be refined; a pitch like this will need something close to a demo or a finished product for investors to examine. Still, the game sounds cool!

Mr. Patrick Sweeney:

I think you are a quirky, kooky, gamer guy and it comes across as really interesting to the venture capital folks. I also think that you have a great idea, but you need to walk investors through the monetization more than you have—you need to break down the numbers. Additionally, there is a big disparity between \$80,000 and \$570,000. If you are going to ask for that much, you must walk them through how exactly you will use that money. Otherwise, it may sound like giving \$80,000 is flushing money down the drain. Admittedly, it is a little boring, but that is what venture capitalists do for a living, and what they need to see in a pitch.

I thought your presentation was funny and entertaining, but you will likely need to be further along with a demo for some of these people.

Mr. Holt Foster:

I loved the presentation and I would play this game; but I do not know if I would pay \$10 to play this game. We need to hear about your competitors' monetization plans, their numbers, and what you plan on doing similarly and differently. I think something like that would go a long way.

Mr. Zack Karlsson:

We have one or two zombie games, and I do not hate this idea. As a game design, I think it works okay. I think \$10 is more than you are going to get. A \$10 price is hard to hold unless you have an existing franchise, especially on a tablet. On a tablet there are only three price ranges: \$0.99, up to \$4.00, and over \$4.00. Being in the over the \$4 price range already exponentially reduces the number of people even looking at your game. You need to go through the math. While luring \$80,000 may not be a big deal, you need to tell me what you are spending that on other than one senior programmer, and you need to tell me how far my \$80,000 gets me. Also, when you are talking about expansion packs, be careful what you bite off in your pitch. Saying that you plan four expansion packs looks like you are throwing in the kitchen sink. Finally, you need a demo of some kind.

When you said you needed \$80,000 to create a mapmaker, I thought “not a chance.” It is expensive and difficult to make editors. If you are going to do this, download *Unity* and take a look at it. *Unity* is not that complicated. It is even fairly easy for designers who do not have a lot of programming ability to use. In that case, you may not even need a senior programmer. If you have to, do your game in *Unreal*. You can get *Unreal* for free, or almost free, until you ship. The main thing is you need something to show to investors. You have to put something in their hands, like a portion of a level, to show them how fun your game is. Once you do that, you can tell them that if you had money to make an editor, you could build content. That will show them that you know how long it takes to develop this stuff because you know how long it took to build that level.

The last point I want to make is that I think you are pitching to dead air if you bring this to venture capitalists. They are looking for technology, ideas, game models, and monetization. Venture capitalists are not interested in one more piece of content that will give them a 20% return or a 25% return in a best-case scenario. They want multipliers, and this is not the kind of idea you want to pitch to them.

Mr. Patrick Holleman:

That is exactly what I wanted to know. Thank you so much.

Mr. Scott Ticer:

Thank you, everyone. I really appreciate all of the hard work of the pitchers. They all deserve a big round of applause for having the guts to get up on stage. That will wrap up our games pitch section. Thank you very much.

Professor Xuan-Thao Nguyen:

Well, all good things must come to an end. We want to say thank you so much from us at the SMU Dedman School of Law, the Guildhall, and the Center for American International Law. Thank you so much for spending time with us during the last two days. We hope you fill out the evaluation and send us any of your comments. We want to improve our program and

make sure that every year is better than the last. Your feedback helps us to innovate. So please spread the word. We are glad you all came, and we will see you next year.