

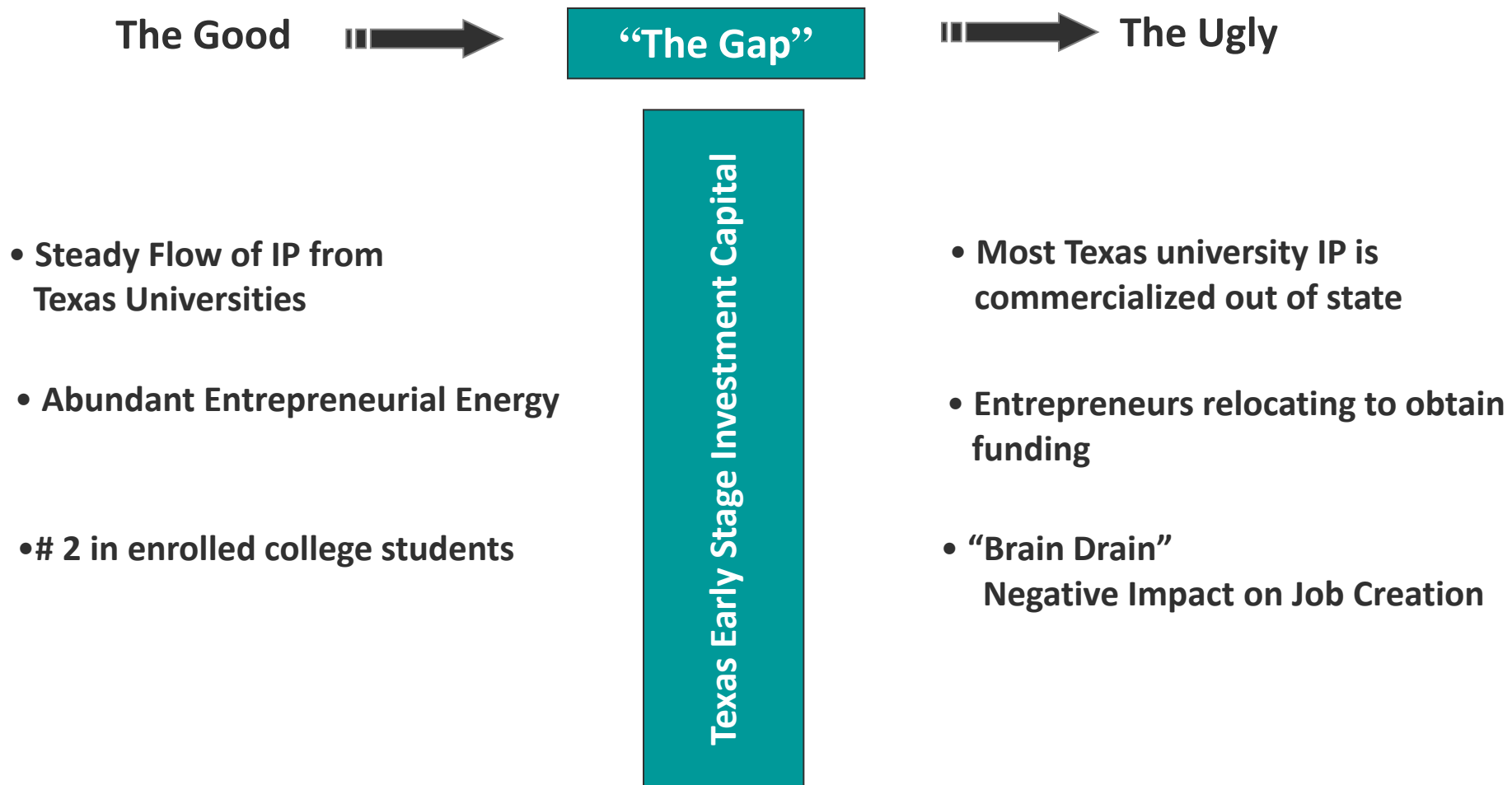


Venture Impact

The Economic Importance of Venture Capital to the Texas Economy

Jon Bayless, General Partner

Texas Entrepreneurial Ecosystem

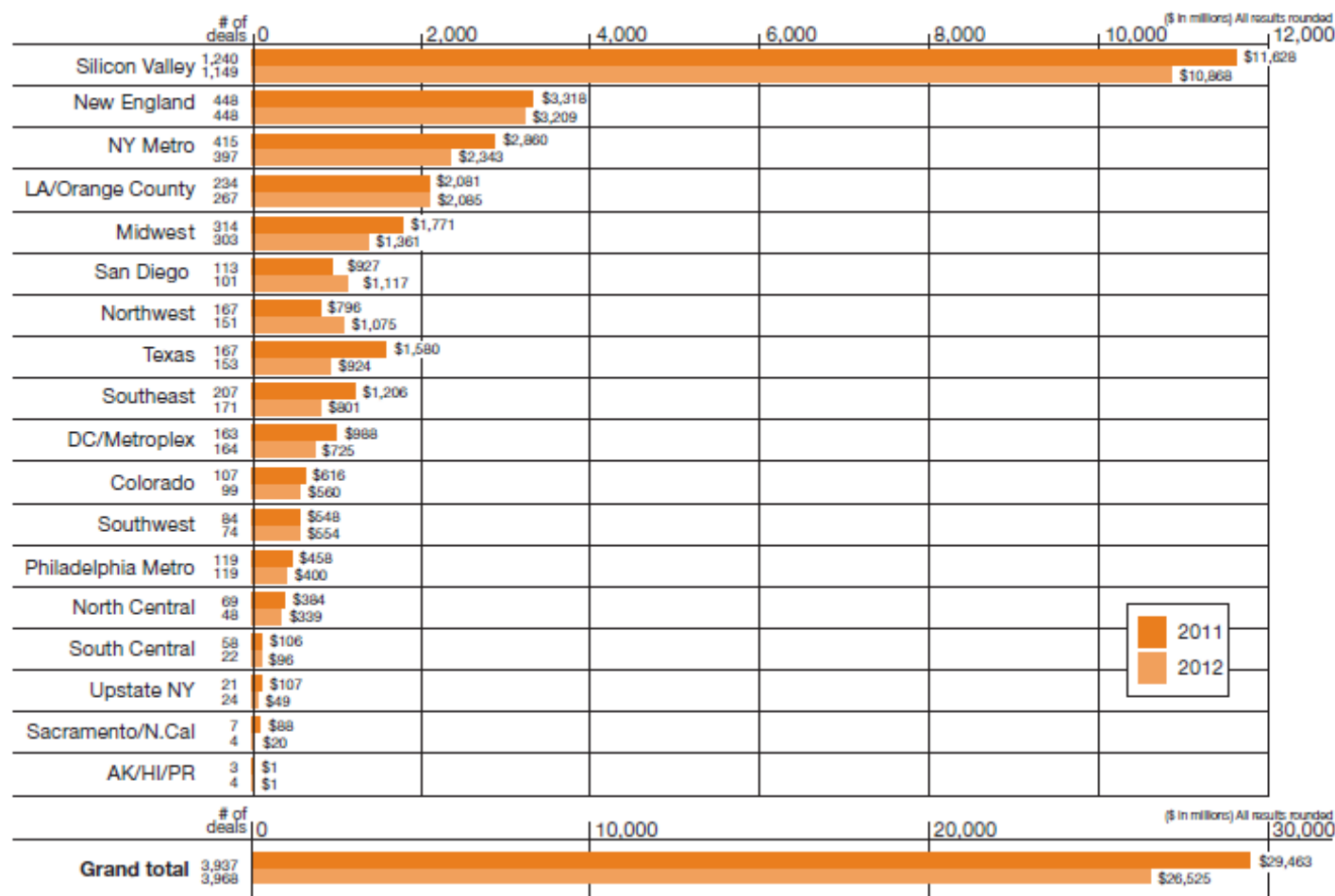


Historically Every \$1 Invested by Local VCs Resulted in \$4 - \$5 from Out-of-State VCs

Texas Drops from 3rd to 8th in Venture Funding

- Venture Capital is declining
- Series A funding is the MOST difficult to acquire
- Many startups leave Texas to go to California, Boston, or New York for funding

Texas Drops to 8th Place Regionally



Source: PricewaterhouseCoopers, National Venture Capital Association
MoneyTree™ Report Q4 2012/Full-year 2012

“Brain Drain”



“Here’s one that few people know about. Sad story.”

<https://www.miragentherapeutics.com/10/Founders>

Dr. Eric Olsen founded and runs the molecular biology/hear lab at UTSW. Miragen is his latest company that spun out of the lab. Myogen, which was sold to Gilead Pharmaceutical in 2006, was his first. He couldn’t find investors here so started both companies in Colorado where investors were interested.

It was a \$2.5 Billion exit...

“Brain Drain”



“I’m in San Francisco this whole week due to the issues mentioned below. I’ve spent 10 weeks here since September hiring folks... and will be setting up an office here where most of our engineering and marketing will be. And if our investors are here or from NYC/Boston, which is most likely, then HQ and board meetings will be held here.

I say this as a proud 7th generation Texan on both sides of my family – it is painful. I’d move heaven and earth to prove to the folks on the coasts that Texas has what it takes to be a true innovation center – and it starts with engineers and risk capital of which Texas is lacking, especially outside of Austin. Texas VC and early stage risk capital is a joke compared to our economic might as the 9th largest economy in the world. I’ve raised \$2.5mm of angel money and it has not been easy... It is embarrassing but more importantly costs Texas high paying jobs.

Go get em and shake the trees in Austin to keep Texas as a center of innovation.”

“Brain Drain”



“RiseSmart, a job Internet service... I helped formed this company and did a lot of hand holding for 2 years only to have a funded client ... vaporize because it had to move to California...”

The lack of capital not only affects the companies but the service providers necessary for a technology community that can’t make a living any more and have had to abandon the space and move on to other things”.

Importance of Series A Funding

- *“The number of startups getting seed funding in 2012 jumped by 65% over the previous year to a total of 1749, according to a recent report by [CB Insights](#).”*
- *“The explosion in seed funding, without a corresponding explosion in investors willing to lead the next round (Series A), may mean that you can’t get a second round and will be “orphaned” or die.”*
- *“Only 40% of seeded companies get follow-on financing.”*

C. Richard Kramlich
Chairman & Co-Founder
NEA

The Importance of Venture Capital to the Texas Economy



- *"Texas is facing a shortage of startup capital. Capital has not flowed to Texas as freely as possible because the state's major institutional investors, including UTIMCO, have not adequately supported our state's venture community by committing large amounts of capital to the state's venture capital funds."*
- *"Despite our entrepreneurial culture, our vast research and development capabilities, and our wealth of talented human capital, we have a woefully inadequate amount of start-up capital to take advantage of the investment opportunities that exist within our state's borders."*
- *"Entrepreneurs built successful companies like Dell Computer, Compaq Computer, Brinker International (Chili's Restaurants), and Whole Foods Markets."*

The Importance of Venture Capital to the Texas Economy, cont.

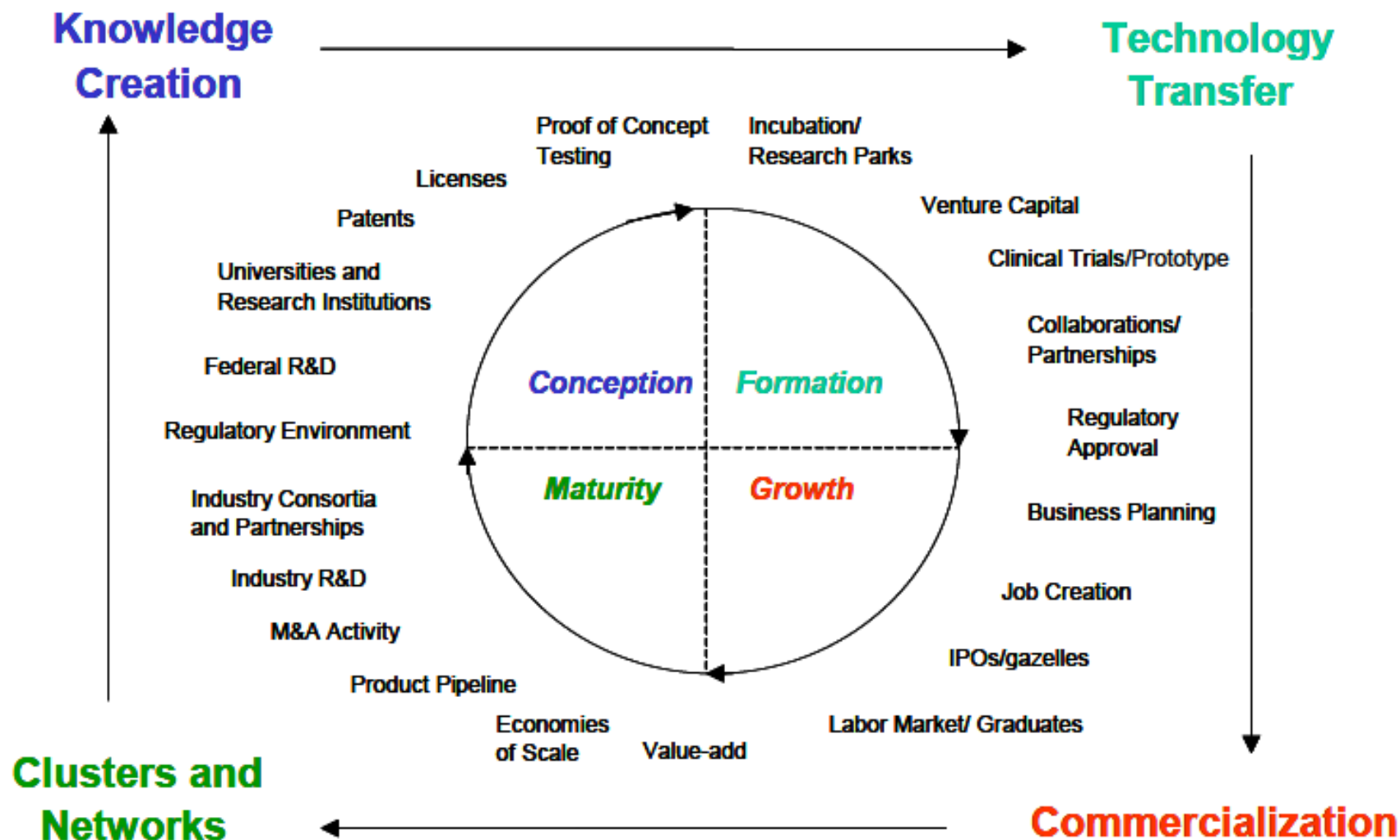


- *"Texas is now at a competitive disadvantage to states like California, New York, and Massachusetts in its ability to create and fund the companies that will drive our economy for the next several decades."*
- *"every \$22,700 invested in Texas-based companies created a new job, making Texas venture capital significantly more efficient in creating jobs than either California (\$56,000 per job) or Massachusetts (\$49,000 per job)."*
- *"In addition to employing our citizens, Texas' venture-backed companies generated \$188.1 billion in sales which, in turn, generated multi-billions in tax revenues for the state."*

Bob Boldt, former CEO and CIO, UTIMCO

Trey Thompson, former Managing Director – Private Markets, UTIMCO

Virtuous Cycle of Innovation



Source: Milken Institute

Summary

- All major Texas submarkets have strong research institutions, substantial IP and a strong and growing level of patent activity
- Research and innovation is the fuel for our economy
- New businesses require IP and capital
- There is a large unmet need for early stage capital in Texas

Appendix




















Sevin Rosen Fund Overview



A History of Success

Including \$1.4 billion in exits since 2004

SRF by the Numbers	
250	Companies built by Sevin Rosen Funds over 30 years
\$45 Billion	Aggregate annual revenues of portfolio companies ⁽¹⁾
115,000	Jobs created by portfolio companies ⁽¹⁾
52.3%	IRR from investing \$1M in each Sevin Rosen Fund since 1981

SRF Highlights					
	\$500M M&A Citrix	10x		\$325M M&A AT&T	3x
	IPO	2x-11x		\$68M M&A HP	8x
	\$425M M&A Cisco	26x		\$138M M&A Tokyo Electron	15x
	IPO	13x		\$750M M&A Vitesse	23x
	\$136M M&A Broadcom	12x		\$750M M&A Cisco	49x
LightSpeed	\$160M M&A Cisco	10x		IPO	139x
	IPO	11x		\$225M M&A Access Health	20x
	IPO	39x		IPO	51x
	IPO	10x		IPO	11x
	IPO	21x		IPO	36x

Diverse Group of Emerging Winners

Top-line growth, category leaders, explosive markets, IPO pipeline

Most Recent Fund



- First \$85 million payment from Bristol Myers Squibb
- Part of \$964 million arthritis drug partnership



- \$28 million projected for this year
- 230% year-over-year growth
- Resold by HP as desktop solution for Halo Telepresence



- Tracking to \$25 million in 2010 revenues
- 60% year-over-year growth
- 12 million registered users — adding 300,000 per month



- Projecting \$12 million in 1st year CPG bookings @ Kroger
- Kroger alone = \$50 million in 2011 recurring revenue



- Tracking to \$12 million in 2010 revenues
- Year-over-year growth of 58%



- On track to exceed \$10 million in 2010 revenues
- Supplying Sprint's enterprise femtocell deployment



- World's only 3G CMOS power amplifier
- 1st design wins with large customers
- Production rev in Q3'10; bankers engaged

Earlier Funds



- Tracking to \$800 million revenues in 2010
- Dominant in multiple carrier equipment categories
- S-1 planned for 2011



- Projecting \$60 million in 2010 revenues—double 2009
- 1,750 licensed customers in 67 countries
- S-1 planned for 2011-12



- \$65 million projected in 2010 revenues
- Tier-1 carrier customers in 5 continents
- S-1 planned for 2011-12



- \$56 million in 2009 recurring revenues
- Telecom Expense Management share leader by 2x
- S-1 filed 2010



- Tracking to \$52 million in 2010 revenues; up 33% yoy
- 200 million antennas shipped; limited competition
- S-1 planned for 2011



- \$27 million run rate by year end—up 120% from 2009
- Current nodes worth \$125 million
- \$300 million in backlog

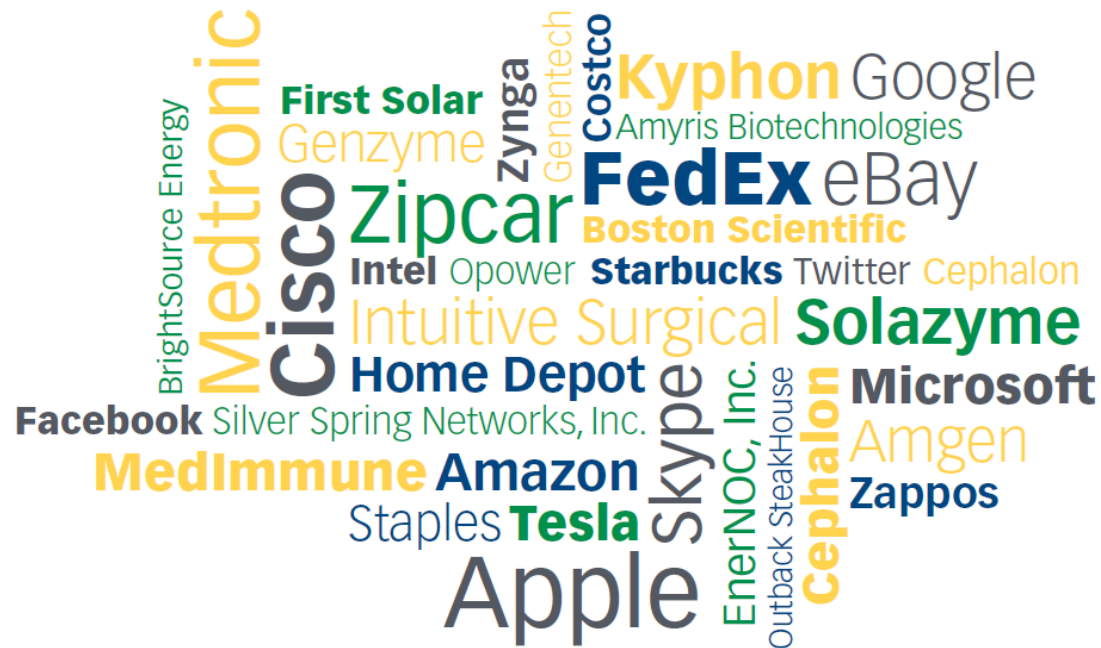


- Unparalleled 19% efficiency with proprietary Si-ink
- Central to JA Solar's strategy and differentiation
- Unique capital-efficient, lower-risk strategy

Venture Capital

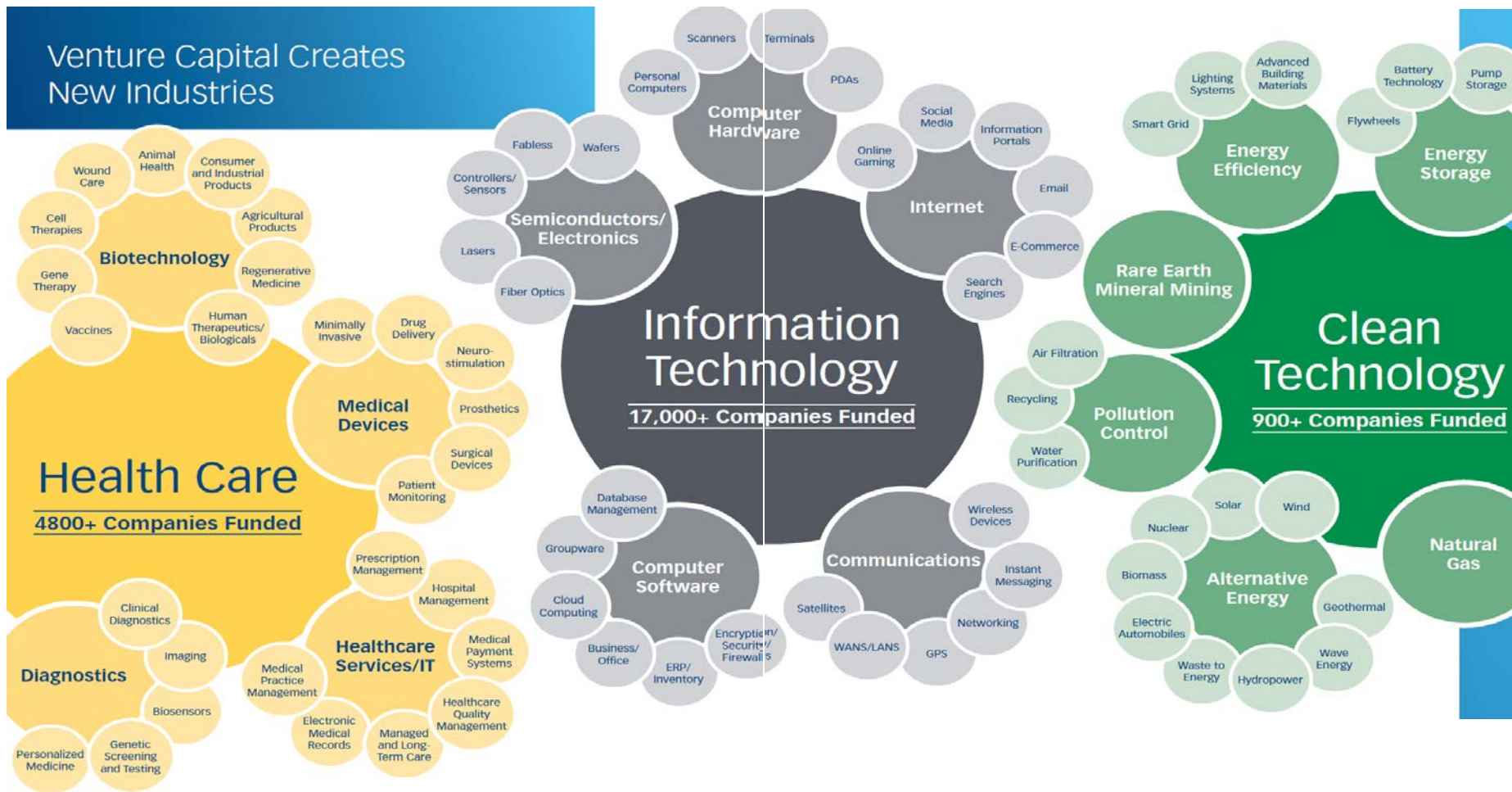
The venture capital industry drives U.S. job creation and economic growth by helping entrepreneurs turn innovative ideas and scientific advances into products and services that change the way we live and work.

Companies Founded With Venture Capital:



Ground Breaking Innovation

Venture Capital Creates
New Industries



Venture Capital's Impact on America

- Venture capital activity has a significant impact on the U.S economy
- Venture capital is a catalyst for job creation, innovation, technology advancement, international competitiveness
- Venture-backed companies accounted for 11.87 million jobs and over \$3.1 trillion in revenue in the United States
- Represents 21% of GDP and 11% of private sector employment

Source: 2011 Venture Impact study, produced by IHS Global Insight