

2010



Annual Report

Inspire. Create. Grow.



Dear Friends and Supporters of Startech:

Innovation and small business start-ups are increasingly seen as the way to economic and job recovery, but that's nothing new to us since Startech posted a strong 2010 with results to prove it.

Startech's mission is to **Inspire** technology innovation and commercialization, **Create** innovation companies, and **Grow** them into viable businesses in the San Antonio, Bexar County and South Texas regional economy.

Startech inspired and created technology innovation by working diligently with its client companies to help them articulate their stories, refine presentation skills, and make informative, well-targeted presentations to prospective funders. Our clients used these capabilities with a number of investment sources such as the South Texas Angel Network, the Texas Emerging Technology Fund, and many others.

Startech portfolio clients raised more than \$67.4M in 2010 and more than \$226M since 2003. Startech's clients continue to grow despite a tough economic climate. This is tangible evidence that Startech's programs deliver benefits to the regional economy and the individual companies and people it serves.

Continuing the trend from 2008 and 2009, all 2010 startups faced the challenge of weak capital markets. It was difficult getting started, obtaining first funding, securing follow-on funding, and remaining solvent. The Angel and Venture Capital communities across the U.S. continue to take a risk-averse stance and are searching to re-define their models of investment. During this difficult time, Startech helps clients look at all sources of funding they may qualify for including equity, debt, and philanthropic sources.

Startech also reinvigorated itself by legally changing its name from the SATAI Network Foundation to Startech Foundation, using just 'Startech' for short and general use. The re-naming from SATAI to Startech included a new logo, which together fully represents the brand of what the organization does best including startups, company creation, technology, growth, inspiration, and South Texas.

As you review the attached measures of success, the economic impact, and our audited financial statements please join me in taking pride in your role of enabling the accomplishments of Startech and the return it brings on your investment. We take pride in earning and maintaining your continuing support.

Sincerely,

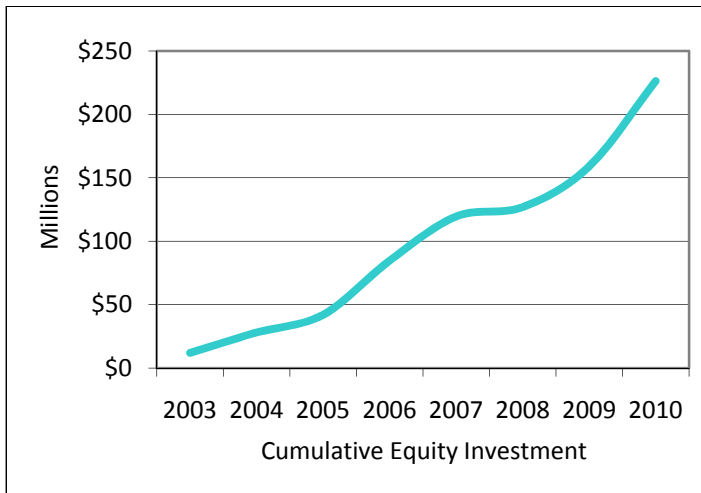
Michael T. Dwyer
Chairman of the Board
Startech Foundation

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Startech At-A-Glance

Startech clients have raised over \$226M in investments since 2003



Startech Successes in 2010

Inspire

- ✓ Served 131 Clients in 2010
- ✓ Hosted or participated in 57 training and/or networking events

Create

- ✓ Served 36 Portfolio Companies in 2010
- ✓ 14 of 36 received investment
- ✓ 556 employed by 37 companies
- ✓ 201 investor pitches by 36 companies

Grow

- ✓ Clients received over \$67M in 2010
- ✓ \$203M direct economic impact
- ✓ \$4.6M tax revenue generated

Ask Startech how we can help you!

Entrepreneurs & Researchers

- ✓ What do I need to know to start an innovation business?
- ✓ How do I prepare and structure my new venture?
- ✓ What funding sources are there and how do I apply?
- ✓ Do you have advisors that can help me?

Investors

- ✓ What are local investment opportunities?
- ✓ How do I become an accredited Angel Investor?
- ✓ Do you help vet investment deals?

Collaborators, Partners, Funding Organizations

- ✓ What opportunities are there to meet start-ups?
- ✓ How do you partner with other organizations?
- ✓ Can we collaborate on special events?
- ✓ How can you help our economic initiatives?

Five Startech clients received \$14.6M in 2010 from the Texas Emerging Technology Fund



\$2.8M



\$3.2M



\$3.1M



\$2.5M



palmaz scientific

\$3.0M

Start your business with a call to Startech today!

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www.Startech1.org

I. Introduction

In 2010, Startech sustained and furthered its mission to:

Inspire innovation and commercialization,
Create innovative companies, and
Grow them into viable businesses in the San Antonio and Bexar County regional economy,

The mission is consistent with San Antonio’s Strategic Plan for Enhanced Economic Development and Startech fills a unique niche in South Texas, Bexar County, and San Antonio. That niche is the third leg of the economic development stool, “growing new businesses organically”, the other two being “attracting new businesses to move into the area”, and “retaining existing business”. Startech focuses on organic growth by means of innovation commercialization to take advantage of the City of San Antonio’s differentiation as a hub for intellectual property in various industries including life sciences, military, high-tech, clean energy and cyber security.

The success metrics indicated in this summary and the metric reports in the Exhibits demonstrate that Startech is successfully filling an exclusive role and providing a significant economic contribution to the local economy.

Startech Innovation Metrics Summary	
Measures of San Antonio Innovation Sector Success 2003 - 2010	
Total clients served	1,093
New direct Innovation jobs created	579
Total \$ raised in seed investments	\$106.5M
Total \$ raised in VC investment	\$ 108.5M
ETF Funding - Institutions	\$11.4M
Total Client \$ raised	\$226.4M

Table 1: Startech Innovation Metrics Summary

The economic impact statement prepared by an independent third party, the University of Texas at San Antonio’s Institute for Economic Development¹, highlights that the jobs generated are high tech positions which pay an average salary of \$59,612 vs. the 2010 median earnings in San Antonio of \$47,698. Startech continues to provide many other value-added services that are well beyond the scope of this economic impact study. The analysis is limited only the employment

¹ Exhibit D-3

gains of the 36 Startech portfolio clients² and not the full list of clients Startech has engaged. The study also does not count the effects of additional variables such as the contributions that all companies have on the region's competitive position. There is a significant, yet unmeasured economic impact from the \$226.4 million raised since 2003, Startech portfolio companies that have been sold, and companies that "graduated" from Startech that continue to operate in South Texas.

To accomplish its mission to *Inspire, Create and Grow* businesses, Startech offers comprehensive services, including consulting, training, and access to multiple sources of funding to assist researchers, inventors, entrepreneurs and startups to turn their innovations into enterprises. Inventors, who typically do not speak the same language as investors, learn the essentials of starting a business and how to prepare and apply for equity investment. Investors, on the other hand, come to the table knowing that the "deals" they are reviewing have been vetted and trained by a quality network of experienced professionals.

As one of its core goals, Startech champions the need for capital formation for all innovation opportunities. From 2003 through 2010, Startech undertook an independent survey to measure progress in that goal using success metrics of its portfolio clients. The combined results of the surveys³ demonstrate a viable startup market and highlight the significant direct investment dollars entering our community.

Startech maintains a wide variety of funding sources for entrepreneurs and continues to seek new ways to provide companies with the capital they need. Since 2005, Startech has represented the State of Texas and the Emerging Technology Fund (ETF) in a 31 county area of South Texas. Five companies in San Antonio were awarded and received ETF Funding in 2010. Of particular note, 2010 saw an increased recognition by the community investment and growth in innovation companies, once the ETF "primed the pump". Palmaz Scientific began the year with a successful announcement of \$3.0 million from the Emerging Technology Fund. Viroxis continued the trend with a \$2.5 million. Three new portfolio companies, Incube Venture's Fe3 Medical Inc., Corthym Inc., and Neurolink, Inc. all received significant investment from the City of San Antonio as well as private investors. The total injection from the ETF into local companies in 2010 was \$14.6M, and since 2005 was over \$41M.

Statewide, the Texas Emerging Technology Fund, since its inception in 2005, has invested more than \$193M in 131 early stage companies. These companies were also able to leverage an additional \$400M of private investment.

- **Every \$1 of state investment is amplified by \$4 of private investment.**
- **Companies receiving ETF investment are 30% more likely to get additional funding**
- **Companies receiving ETF Investment average twice the amount of private investment than non ETF awarded companies.**

² A Startech "portfolio client" is defined as a company that has a) been accepted by the South Texas Angel Network (STAN) for presentations; or, b) been recommended for funding before the ETF; or, c) been designated as a "Portfolio Client" due to special circumstances or maturity of the venture.

³ See Exhibit D-1: Startech Success Metrics

Clearly these facts illustrate the Texas Emerging Technology Fund increases the global competitiveness for Texans and creates high-paying, knowledge based job in Texas.

These metrics reflect the tangible results of Startech’s commitment to accelerate the development of an innovation-based infrastructure and capacity for entrepreneurship, capital formation, research, and collaborative networking at local, state, and national levels.

Startech has by virtue of its distinctive capabilities, a unique view of the entrepreneurial world with regard to investment funding, university collaboration, innovation and technology. Startech has a long successful history of creating a collaborative atmosphere between innovative companies, universities, and private research institutions to commercialize new innovations in the life sciences, information technology, engineering, and other fields.

Startech also works with private equity funding sources, whether individual angel investors or groups or institutional investors to provide funding for these innovations. One important and unique skill set Startech exercise, is the bringing together of the elements of innovation generation with further funding from federal, state, and local government agencies. This is accomplished by a combination of direct publicly funded investment vehicles such as the Texas Emerging Technology Fund, Federal SBIR/STTR programs, and a variety of grants issued by federal and private agencies.

Startech has a unique breadth of knowledge and experience in working with innovation companies, universities, private equity institutions, and government agencies in a collaborative manner – all while being the only Texas 501(c)(3), not for profit corporation embedded within a major university in a major city.

II. Re- Naming

On April 30, 2010 SATAI Network Foundation legally changed its name to Startech Foundation, using just ‘Startech’ for short and general use.

This name change was designed to reinvigorate and clarify the brand of Startech and its mission. Additionally, the name change would help eliminate common problems with the old name including the fact that “San Antonio Technology Accelerator Initiative” or ‘SATAI’ no longer represented the organization since the geographic area has expanded over the years to include all of South Texas.

The re-naming of SATAI to Startech included a new logo, which more accurately represents the brand attributes of the organization which include building startups, company creation, technology, growth, inspiration, and South Texas.



III. Accomplishments

Startech commissions a survey of its portfolio clients each year. The results are listed in Exhibit D-1: Startech Success Metrics. The list of current Startech portfolio clients and their contact information is located on the website at www.startech1.org. The year-end 2010 survey produced the following results for its portfolio companies:

Startech Client Innovation Success Metrics 2010		
Measures	2010	Total 2003 - 2010
Total clients served	131	1,093
<u>New</u> high-technology jobs created	23	579
Investor portfolio clients	36	37
Clients securing investment	14	93
Accredited investors in network	66	66
Client presentations to investors	201	1,734
Total \$ raised in seed / Angel investment	\$29.9M	\$106.5M
Total \$ raised in VC investment	\$37.5M	\$108.5M
ETF Funding of Institutions	-	\$11.4M
Total \$ raised	\$67.4M	\$226.4M

Table 2: Startech Client Innovation Metrics Summary

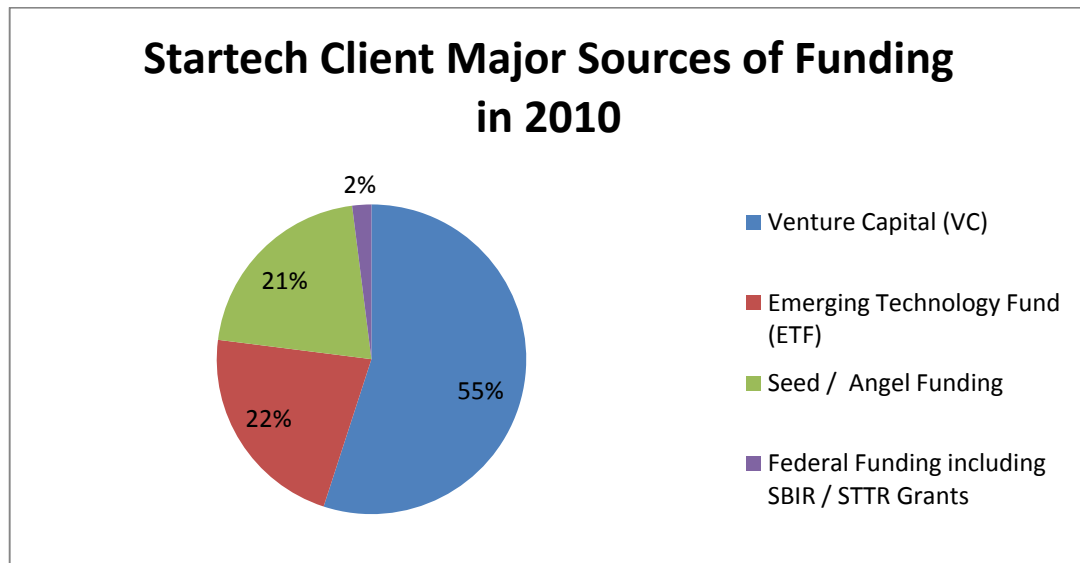


Table 3: Startech Client Major Sources of Funding 2010

This amount of investment brings with it an extraordinary economic development boost to the City of San Antonio, Bexar County and the region.

A. Venture Innovation Services

1. Overview

Venture Innovation Services is focused on locating and developing new entrepreneurial innovation companies with high growth potential. Startech delivers general business consulting, specific instruction, and coaching of entrepreneurs. Startech also supports entrepreneurs with specific, but limited, market analysis and research. In most cases the end goal of this work is preparation for presentations and discussions with members of the investment community, typically angel investors and venture capitalists. The Venture Services team is the foundation of Startech's entrepreneurial services, and carries the responsibility for generating viable "deal flow" to the investment community.

Services offered include assistance and counseling with:

- evaluating the economic potential of a new idea before seeking patent protection—not all new ideas are likely to return enough on investment to pay back the costs of patenting;
- performing patent searches to evaluate the state of the art and provide background information to take to a patent agent or attorney;
- exploring alternative forms of intellectual property protection, including copyright, trademark, and trade secret protection;
- creation of a licensing plan for those clients who do not wish to start a new business entity but prefer to sell their idea to someone who can develop it;
- evaluation of business plans and raising capital, including referrals to more than twenty sources of loan and / or grant funds;
- building a management team, structure a financial forecast, and create and deliver an investor pitch; and
- obtaining non-dilutive funding through the Small Business Innovation Research (SBIR) and Small Technology Transfer Research (STTR) federal programs, assistance with understanding and finding solicitations and agency requirements, proposal review, assistance and advice on commercialization plans and strategies, proposal review, and referral to other Institute for Economic Development offices that can help with government contracting, surveys, and audits.

In addition to the 1-on-1 consulting, Startech hosts entrepreneurial workshops and events. A popular program on the calendar is the Startech New Venture Forum. In its fourth year, Startech's New Venture Forum continues to receive outstanding reviews. This forum is a collaborative effort between Startech, the UTSA's Institute for Economic Development, and the private sector.

Entrepreneurs spend approximately 18 hours over 6 weeks participating in an intense workshop on venture startups. Subjects include:

- Overview of Equity Funding
- Management Team
- Intellectual Property & Market Research
- Financials and Contract Preparation
- Investor Presentation & Elevator Pitches
- Term Sheets & The Business Plan

Startech continued to refine the program to improve the workshop content and delivery and in 2010 added a seventh session devoted to Food and Drug Administration regulatory issues designed for Life Sciences ventures.

In the fourth quarter of 2010, Startech took the New Venture Forum on the road in collaboration with the Coastal Bend Business Innovation Center at Texas A&M Corpus Christi. According to the Center's Director Richard Bell, the program was very well received.

Also in 2010, Startech hosted multiple information events and workshops to assist local researchers and entrepreneurs understand and participate in the SBIR and STTR programs.

2. Microsoft BizSpark Network Partnership

Startech continued as Network Partner in the Microsoft BizSpark Program. BizSpark provides startups actively engaged in software-based product or service development, fast and easy access to Microsoft's current full-featured development tools, platform technologies as well as production licenses to bring to market innovative and interoperable solutions for the next generation of user experiences. Additionally, the BizSpark Program is a global program designed to accelerate the success of early stage startups by connecting them to Network Partners: active members of the global software ecosystem who can provide mentorship, guidance and resources.

3. Venture Innovation Services Metrics Highlights

Startech assisted 131 entrepreneurs in 2010. A list of Startech clients in 2010 is incorporated as Exhibit A. Of these, 31 are classified as Startech portfolio clients. Similar to our view in 2010, we are cautiously optimistic that the capital markets will improve in 2011.

B. Network Services

1. Overview

The Network Services unit of Startech provides the entrepreneurs who are our clients with services, support and education. These include programs such as the Service Provider Network; Startech STARS Event; and collaboration with a wide variety of other organizations including political and business leaders, intellectual property generators, service providers, and technology clusters and other innovation-focused organizations.

2. Service Provider Network

The Service Provider Network comprises individuals and companies with domain expertise in relevant areas. Startech and Startech clients use it in a variety of ways. Through arrangement with Startech, select individuals and companies provide assistance to Startech clients free of charge or at a discount. The amount of free services depends on the subject area and the client's particular situation. All service providers have agreed to advise the client in advance both of where the "free/paid" boundary line is and when the client is close to crossing it.

Service provider capabilities include legal, financial, marketing, sales, public relations, organization, staffing, human resources, management and more. Client participation in the Service Provider Network is voluntary, and no obligations are incurred by Startech with regard to any of the service providers.

In 2010, the Service Provider Network expanded to include a specialized service by Frost & Sullivan. This service which is customized to Startech entrepreneurs offers significant savings in the area of market research.

A client is under no obligation to a service provider because it has a relationship with Startech. Startech maintains an arms-length relationship with service providers and clients and makes no recommendations with regard to them.

3. STARS Event

Startech has hosted an annual recognition event since 2004 to recognize and honor individuals and companies making a significant impact in technology innovation in the community. The STARS event has evolved over the years to meet the changing needs of the San Antonio community. Originally a banquet, in 2009 the STARS event became a one-day conference with educational and networking opportunities. In 2010, the conference evolved to become a Statewide Business Plan Competition.

Due to the uncertain economic environment in 2010, the Startech Board of Directors and the ETF staff elected to postpone the Business Plan Competition until 2011. The Emerging Technology Fund agreed to commit a \$1M Grand Prize investment to an ETF qualified winner. Startech has taken the lead in organizing

and planning the Statewide Business Plan Competition which will be in partnership with the seven RCICs, and the Small Business Development Centers of Texas. This event will extend across the entire state of Texas.

A new target date of August 16 & 17, 2011 has been identified, and the event will be held at the University of Texas at San Antonio agreed to become a top sponsor. At the time this report goes to press, the Business Plan Competition is on hold awaiting a final decision to proceed from the State of Texas Emerging Technology Fund.

In addition to the presentations of Business Plans by the semi-finalists and finalists, the event will include a new 'extreme' version of the Elevator Pitch Competition inspirational keynote speakers, and networking opportunities.

Startech's yearly event strategy is focused around the annual STARs event and the quarterly New Venture Forum. In addition, Startech leverages events hosted by numerous partner organizations. For example, Startech joined with the UTSA Center for Innovation and Technology Entrepreneurship at several events and presented funding forums and other industry related events through the course of 2010. In total, Startech hosted or participated in more than 57 events in 2010.

4. Collaboration

The innovation startup community is comprised of more than entrepreneurs and investors. There is an elaborate ecosystem in place for accelerating the growth of the emerging technology industry. Startech does not have nor does it attempt to recreate all of the resources needed to accomplish our mission to *Inspire, Create and Grow* innovation companies. Startech proactively collaborates with a wide variety of other organizations, institutions, municipalities, government agencies and others, to provide the highest and best assistance possible to our clients, partners, and stakeholders, in the most cost effective manner possible.

The ongoing communications and collaboration between the various organizations in the region are at an all time high. Those not involved daily in this extensive network may not see or recognize how effective it is, but it is alive, well and improving every day.

Below is a partial list of the key emerging innovation collaborators Startech regularly works with:

A. Leadership

- City
- County
- State
- University of Texas at San Antonio

B. Intellectual Property Generators

- Cancer Therapy and Research Center (UTHSCSA)
- KCI
- Texas Biomedical Research Institute

- South Texas Technology Management
 - Southwest Research Institute
 - United States Air Force (Institute for Surgical Research)
 - University of Texas Health Science Center at San Antonio
 - University of Texas at San Antonio (Center for Innovation and Technology Entrepreneurship, Business School, Engineering School, Cyber Security)
 - Many private companies:
 - a. independent,
 - b. Government sponsored research and development.
- C. Service Providers
- AT&T
 - Barshop Ventures
 - Brooks Development Authority
 - Cox Smith
 - Frost Bank
 - Jackson Walker
 - KCI
 - Tuggey, Rosenthal, Pauerstein, Sandoloski & Agather
 - Wells Fargo
- D. Technology Clusters and Other Supporting Organizations
- Alamo Heights Chamber of Commerce
 - Alamo Inventors Group
 - BioMed SA
 - Coastal Bend Business Innovation Center
 - Defense Technology Cluster
 - Greater San Antonio Chamber of Commerce
 - Incubators
 - North San Antonio Chamber of Commerce
 - San Antonio Hispanic Chamber of Commerce
 - San Antonio Life Sciences Association
 - Technology Advocates of San Antonio
 - Technology Connexus Association
 - Texas Research & Technology Foundation
 - The Texas Technology Development Center (T3DC)

C. Investment Services

1. Overview

The Investment Services unit of Startech was created in 2005. It is a business unit of Startech formed to coordinate the local, regional and national investment community, in order to provide a pool of capital to client companies.

2. South Texas Angel Network & Private Investment

In 2010, over \$15.27 Million was invested in Startech portfolio clients by early stage/angel investors. This was roughly 22.7% of the total investment received by the portfolio group.

Individual angel investors continue to express interest in reviewing opportunities and, as appropriate, Startech links these entrepreneurs with the investors.

Startech continued the collaboration with other angel investment groups throughout the state of Texas. It has taken an active lead in this effort and is now sharing investment deals with Austin, Dallas and Houston groups. This will continue to be an active program which Startech and the Board of Directors believe will benefit San Antonio and Bexar County by bringing additional capital to the area.

A well publicized event of significance was the move to San Antonio of three ETF funded companies with the attendant creation of an early stage investment fund. Mir Imran and InCube generated a level of interest and was able to secure the initial funding commitments from the City and key private individuals and firms throughout San Antonio. Not only did Texas and the San Antonio area benefit from this move but the creation of the fund helps to insure that these young companies will have additional investment capital for future growth and research.

3. Emerging Technology Fund (ETF)

Startech maintained its position as a “best-practices” Regional Center of Innovation and Commercialization (RCIC). Following the process initiated by Startech in 2005, Startech actively participates in quarterly meetings that included all eight statewide CICs, the Governor’s office, and the statewide ETF Advisory Committee. Startech’s record of collaboration and teamwork continues to be applauded by all involved and emulated by many. Additionally, Startech conducted quarterly meetings of the ETF local screening committee, convened to review ETF applicants prior to voting by the South Texas RCIC Regional Board who recommends ETF applicants for presentation to the full ETF Advisory Council. These committees are comprised of from twelve to fifteen carefully selected volunteers from business, investment, academia, life sciences, information technology, finance, entrepreneurship, and the public sector. Deal flow remained strong during 2010 as evidenced by the need to have additional ‘pitch days’ to review applications during the fall of 2010.

As part of its contractual requirement with the State, the South Texas RCIC created an ETF Regional Board to review the activities of the ETF Local Screening Committee prior to submitting an ETF application to Austin. The South Texas RCIC was successful populating this Board with a variety of academics, economic development professionals, and private sector management. Additionally, two individuals were appointed from this Board from the Corpus Christi metro area in order to enhance geographic diversity to this Board. The members of the local ETF Advisory Board as of December 31, 2010, is incorporated as Exhibit C.

Startech, in its role as the entry point for the Texas Emerging Technology Fund, hosted unique events designed to showcase the successes of entrepreneurship in San Antonio and the south central Texas region.

- In November 2010, Startech took its New Ventures Forum to the campus of Texas A&M Corpus Christi and conducted entrepreneurship training
- In October 2010, Startech hosted a reception with the University of Texas at San Antonio and the UT Health Science Center San Antonio. This event was attended by the business, political, and academic leadership of San Antonio. This reception was designed to welcome the new leadership of the South Texas Technology Management organization and introduce the entrepreneurial community to the STTM.
- In October of 2010, Startech represented Texas and south central Texas on two panels with the National Association of Seed & Venture Funds at the annual conference in Baltimore.

In 2010, the State of Texas through the Emerging Technology Fund invested over \$17.1M in Texas Institutions of Higher Education through what is referred to as “Subchapter F Awards” for Research Superiority Acquisition of Talent. The applications for these funds are prepared by the Institutions and submitted directly to the State of Texas and not through Startech.

In 2010, there were no applications from South Texas for Subchapter F Awards and consequently, no awards.

In a similar manner since 2006 the State of Texas through the ETF has invested over \$67M in Texas Institutions of Higher Education and non-profit entities through “Subchapter E Awards” for Research Grant Matching. Similarly, applications for these funds are prepared by the Institutions or non-profits and submitted directly to the State of Texas and not through Startech.

In 2010, there were no applications from South Texas for Subchapter E Awards and consequently, no awards.

Since the inception of the ETF, over \$150M has been invested statewide through Subchapter E and F Awards. No awards have been sought or made in South Texas since 2007 when \$11.4M was invested in three entities.

4. Small Business Innovation Research Program and Small Business Technology Transfer Program Funding

In July of 2009, UTSA solidified Startech's role in providing consulting services regarding Small Business Innovation and Research grants (SBIR) and Small Business Technology Transfer (STTR) funding to area public and private researchers by transferring US Department of Commerce contracts and personnel from the SBDC Technology Center to Startech. This transfer enhanced the personnel skills, cost savings, and collaboration between Startech, UTSA, UTHSCSA, and other area research facilities.

5. Grant Funding

In 2010 Investment Services launched a new business initiative designed to not only provide Startech with diverse funding but to assist entrepreneurs, academic collaborators, and private institutions in the development of new business. Investment Services searches for appropriate opportunities from the Federal Government and private nonprofit corporations. Startech will then create a small consortium of the client companies, university faculty, private research institutions and state/local governmental agencies to apply for grant funding. A prime example would be a grant application to the Small Business Administration to encourage entrepreneurship on military medicine issues.

6. Venture Capital

A significant number of Startech clients seek Venture Capital funding at some point in their life cycle. Startech maintains relationships with a number of VC firms nationwide. 2010 saw a continuation of VC funding nationally preferring companies with significant customer traction and large market acceptance. Early stage Venture Capital has become almost a rarity. A number of VC firms continue to have active investments in the area, with others looking for opportunities. Startech assists clients with the selection process of appropriate VC, introductions and follow-up.

San Antonio joins the rest of the world in being an underserved early stage Venture Capital market. Many areas of the United States that were VC "served" in the past, are now finding themselves in a situation of being "underserved" due to the reduction in viable VC firms.

7. Corporate/Private Funding

Startech continually seeks new sources of client funding that become available for innovation startups. In 2010, Startech attended the Frost & Sullivan GIL (Growth, Innovation, Leadership) Conference in San Jose. Startech staff participated in panel discussions on merger & acquisition subject together with innovation strategies with potential partners for the Startech client base. Many companies attending the conference are looking for innovative technologies by which those companies can continue to grow.

8. Alternative Funding Sources

Startech works directly with entrepreneurs and early stage companies to make qualified referrals to Startech's local, regional, national, and international network of venture capital funds and other private investors. In addition to the funding sources listed above, the following is a list of additional alternative sources of funding Startech advises clients on:

- Acción Texas
- Angel Investors - Angel Capital Association
- Banks – Traditional lenders & SBA loan Guarantees
- Cancer Prevention & Research Institute of Texas (CPRIT)
- Certified Development Companies
- EDCO Ventures
- Incubators (Non Profit) - UTSA Roadrunner
- Incubators (Non Profit) - Texas Business Incubator Association
- Incubators (Non Profit) – T3DC
- Incubators (For-Profit) - Idea Finishing School
- National Instruments Green Engineering Grant
- POCsparc
- Texas Enterprise Fund
- Texas Small Business Loan Fund
- Texas Technology Development Center / McDermott Fund
- UT Ignition Fund

D. Board of Directors

Startech's Board of Directors is comprised of business, public sector, and community leaders in the San Antonio and Bexar County area. The board meets quarterly, and addresses strategic and policy issues associated with the Startech mission. A list of Startech's board members as of December 31, 2010, is incorporated as Exhibit B.

IV. Financial Report

A. Introduction

The Startech Foundation operates as a 501(c)(3) non-profit corporation. Since 2007 and during 2010, Startech staff member payroll and benefits were administered by UTSA. As such, UTSA completed all governmental filings concerning payroll and employee matters. The Startech Foundation is responsible for all other tax related matters.

Startech has utilized office space and administrative support from the Institute for Economic Development (IED) of the University of Texas at San Antonio (UTSA) since 2003. These services have been partially provided to Startech as a “contribution in kind” (see Fair Market Values below).

The UTSA- Startech relationship is governed by a Sponsored Program Agreement structured such that the Startech Board of Directors retains full control over Startech, its mission, brand, and finances and any other aspects of Startech. Personnel direction is implemented through a Personnel Committee that is comprised of a majority of Startech Board members and with IED/UTSA membership to implement decisions of that committee. This agreement has worked flawlessly since its inception in July of 2007.

Startech has an ongoing commitment to broaden its base of support. Local government funding of Startech — from the City of San Antonio, the State of Texas and Bexar County — has been important to our ongoing operations and resulting successes. As such, in 2010, no funding source of Startech represents more than 50% of total funding.

Startech ended the 2010 calendar year with \$345,409 in Total Assets, of which \$213,177, or 62 percent, was in cash and cash equivalents. It ended the year with \$84,173 in liabilities, comprising accruals from normal operations and deferred revenue. The difference between Startech’s assets and liabilities left the organization with \$261,236 in Total Net Assets. There are no restricted Net Assets.

UTSA provided in-kind contribution of office space and technical support. The value was calculated using a fair-market-value approach of \$33,684. The remaining \$14,212 came from investment income, program revenue, and fundraising contributions.

Startech’s 2010 expenses totaled \$635,585. As a service organization, the largest expense was Salary and Benefits at \$429,953, representing 68% percent of total expenses. The difference between revenue and expenses represents a negative Change in Net Assets of \$120,897. Startech began the 2010 year with \$382,133 in Net Assets and ended 2010 with \$261,236.

Startech’s consolidated audited financial statements are incorporated as Exhibit E.

B. Economic Impact

Startech contracted with UTSA's Institute for Economic Development (IED) to conduct an independent Economic Impact Study to calculate the direct, indirect and induced impact of Startech portfolio company operations and investment on the regional San Antonio and Bexar County economy. IED used the well established IMPLAN 2007⁴ input-output software model to run its calculation and updated for the calendar year 2010.

The results were exceptional. In 2010, the Startech portfolio contributed \$203 million of total impact in the local economy. Additionally in the same period, Startech portfolio companies generated \$4.2 million in government tax and non-tax revenue.

These figures demonstrate an exceptional return on the City of San Antonio's total investment of \$3.6 million and Bexar County's \$220,000 investment since Startech's inception.

- **The governmental revenue generated by the Startech portfolio has yielded a positive cash-on-cash ROI on the city's and county's investments**
- **Each \$1 invested in Startech in 2010 generated \$20.05 in tax and non-tax revenues.**
- **Each \$1 of city and county investment generated \$881.30 in total economic impact in 2010.**

The full report on the Measures of San Antonio Technology Sector Success and results of the economic impact study is attached as Exhibit D-2 and D-3.

⁴ IMPLAN 2002 Professional© is a product of the Minnesota IMPLAN Group, Inc. and a nationally accepted model to conduct economic impact studies.

V. Conclusion

Startech clients have generated a substantial economic impact by garnering over \$226 million of equity investment since 2003. All of these dollars are incremental investment into the region. These funds were largely held in investment accounts before being put to work paying salaries and helping companies get started.

Using the best analytical tools available, operated by independent third parties, we estimate that there are 1,013 jobs created in San Antonio and Bexar County as a result of the 36 portfolio clients in 2010. Startech is proud of its partnerships with the City of San Antonio, Bexar County, UTSA, the State of Texas, and others, all of which allow Startech to leverage these investments for more gains in the future.

Startech continued to realize significant achievements in 2010 and remains the primary point of access in San Antonio, Bexar County, and South Texas for:

- innovation entrepreneurs of all types;
- investors looking for investment grade deal flow;
- networking opportunities for business professionals;
- media seeking innovation and technology subject-matter experts; and
- other organizations to collaborate with to achieve our common missions.

As the Startech staff and board directors look forward to the coming year, we are confident that with the continued help and support of Startech's stakeholders and the innovation community, Startech will continue to build upon these successful programs, proven to be so important to San Antonio's and Bexar County's innovation future.

Respectfully,

A handwritten signature in black ink on a light yellow background, reading "Jim Poage".

Jim Poage
President and CEO
Startech Foundation

Exhibits

- A. Startech Foundation 2010 Client List
- B. Startech Foundation Board of Directors
- C. South Texas Regional Center of Innovation and Commercialization Board
- D. Measures of San Antonio Innovation Sector Success Metrics & Economic Impact
 - D-1 Success Metrics
 - D-2 Economic Impact Summary
 - D-3 2010 Economic Impact Report (Including Appendix A)
- E. Fiscal Year 2010 Audited Consolidated Financial Statements

Exhibit A
Startech Client List 2011

Acquity	Harden, Crystal E.	Respiratory Motion
Admittance Technologies	Hatziyannakis, Jim	Rochal
AdviTech	HerdX f/k/a Coretell	Rolancion, LLC
Aerotrlicity	Hoonbelly	RSH Ventures
Agulent	Huddleston, C	Ruffo Sr., Christobal
Alvarez, Jesus S.	Idea Finishing School	Sae SeaFun
American Stem Cell	IDFM	SAI Global
Aqua Chlor	IDZ	Sane Ventures
Aquabank	InCube	Sarcio
AquaOil	Incyte	SciBlue
Azaya Therapeutics	Indeed	Seegra Solutions
Azgardabio, Inc.	Inner Geo	Seno Medical
Bazaarvoice	Integrated Neuro	Shaefer and Associates
Bio2 Medical	InterDisciplinary	Smart Bear
Blue Fish Development Group	Invictus Engineering, Inc.	Smith, N
Bluecast Solutions Inc.	Kapur, Sarit	Socialware
Bodagle	Keller, Deborah I.	Solace Solutions
Bonner, William B.	KeraPlast	SolarWinds
Briskin, J	Klemstein, Robert C.	Spartacus
BuzzStream	Knutson, Christopher W.	Speer Medical Devices, Inc.
Caisson Biotech	Kremmer, Chad E.	Springbox
CelAccess	Latakoo	Streamline
Challenge Games	Livingston Lures	Sub See
Chronic Care Management, LLC	Maswadi, Saher	Surgical Design Solutions
Corhythm	McKenzie, Shirlyn B.	Tactical Info
Cortez, Sergio	Metric Medical Devices	TechZel IT
Crow, Brady A.	National Asphalt Services	TerViva Texas, Inc.
Dachis Group	Neurolink	Texas GeoPower
DeadEye	Norwell	Tocquigny
Denim Group	Onix	Today's Rancher
DiFusion	Origin Partners	Tool
Digital Proctor	Otherinbox	Top 200 Rx
eHawk	Overawe	TraumaTec
Elucidated Solutions, Inc.	Pancratz, D	Vast.com
E-Metro Tel	Pasgon	ViroXis
Enhanced Geothermal	Pass2Play	Virtual Health Check
ERRA	Patterson, A	Voxelogix
Eureka Ranch	Pawaa Software	VS Technologies
Evestra, Inc.	Paxton, J	Westlake Products, Inc.
Fe3 Medical	PHluorescent Technology, Inc.	Wilson Sonsini Goodrich & Rosati
Fiesta Partners	Pronucleotein	Wilson, P
Freenet Project	R Technology	Xeris Pharma
GRIDbot	Recycling Organics	ZenaAries LLC
Guzman-Perez, Antonio	Resist Flow Technology, LLC	



Exhibit B

Startech Foundation *Board of Directors* December 2010

Board Members

Mr. Tim	Bannwolf	Attorney	Winstead PC
Mr. Bruce	Barshop	President	Barshop Ventures, LLC
Mr. John	Bray	Attorney	Cox Smith Matthews, Inc.
Mr. Albert	Carrisalez	Director, External Affairs	UTSA
Mr. Paul	Castella	President & CEO	Targeted Technology Ventures, Inc.
Ms. Stephanie	Chandler	Partner, Attorney at Law	Jackson Walker LLP
Mr. Craig	Clement	Executive VP & Partner	Advitech
Mr. John	Dickson	Principal	Denim Group, Ltd.
Mr. Rene	Dominguez	Director	SA Economic Development Dept.
Mr. Jim	Dublin	President & CEO	Dublin & Associates
Mr. Mike	Dwyer ¹	Entrepreneur, Investor	
Dr. Brian	Herman	VP of Research & Professor	UTHSCSA
Mr. Bradley	Hunt	Principal	WHY Group, LLC
Mr. Steve	Lutz	Executive Director	AT&T
Mr. Scott	Mullen	Senior FI Executive	North Highland Group
Mr. Joe	McKinney	Vice Chairman	Broadway Bank
Mr. James	Poage ²	President & CEO	Startech
Mr. David	Spencer	President	Speer Medical
Mr. Klaus	Weiswurm	CEO	ITM Instruments Technology

Board Observers

Mr. Ramiro	Cavazos	President	Hispanic Chamber of Commerce
Mr. Blake	Hastings	Vice President in Charge	Federal Reserve Bank San Antonio
Mr. Robert	McKinley	Vice President	UTSA / IED
Mr. Adrian	Perez	Coordinator	SA Economic Development Dept.
Mr. Richard	Perez	President	Greater Chamber of Commerce
Mr. Joe	Sanchez	Director, External Affairs	Air Intelligence Agency/Lackland
Mr. Duane	Wilson	President	North Chamber of Commerce

¹ Chairman of the Board

² Secretary Treasurer of the Board



Exhibit C

South Texas Regional Center of Innovation and Commercialization Regional Board 2010

Board Members

Mr.	Bill	Archer	Vice President for Global Marketing	Frost & Sullivan
Mr.	Craig	Clement ¹	EVP & Director	AdviTech
Mr.	Mike	Culberson	Vice President	Corpus Christi Economic Dev. Corp
Mr.	Richard	Danysh	Partner	Bracewell & Giuliani LLP
Mr.	Cory	Hallam	Senior Assoc. VP for Research	University of Texas San Antonio
Mr.	John	Hill ²	President	Tech Sage Solutions
Ms.	Judy	Ingalls	Owner	The Coach Approach, LLC
Mr.	Marcel	Johnson	Vice President	The Greater Chamber of Commerce
Mr.	David	Marquez	Executive Director	Bexar County Economic Dev. Dept.
Mr.	Daniel	Perugini	Vice President for Research	University of TX Health Science SA
Mr.	James	Poage ³	President & CEO	SATAI Network

¹ Chairman of the Board

² Vice-Chairman of the Board

³ Regional Director



Exhibit D-1

**Measures of San Antonio Technology Sector Success
Success Metrics
2003 – 2010**

MEASURE	2003-2009	2010	TOTAL
Total Clients Served	962	131	1,093
New high-tech jobs created	556	23	579
Investor portfolio clients	32	5	37
Clients securing investments	79	14	93
Rounds of investments	112	21	133
Accredited investors in network	60	66	66
Client presentations to investors	1,533	201	1,734
Total seed investment in Startech portfolio companies	\$76.6M	\$29.9M	\$106.5M
Total VC investment in Startech portfolio companies	\$71.0M	\$37.5M	\$108.5M
Subtotal	\$147.6M	\$67.4M	\$214.0M
Institutional Emerging Technology Fund Awards	\$11.4M	\$0	\$11.4M
TOTAL INVESTMENT	\$159M	\$67.4M	\$226.4M

ECONOMIC IMPACT STUDIES	2003-2009	2010	TOTAL
Direct Output	\$643.2M	\$123.6M	\$766.8M
Direct Employment (annual)	AVG. 265	446	N/A
Fiscal Tax Revenue	\$26.7M	\$4.6M	\$31.3M

Exhibit D-2
Economic Impact Summary
Economic Impact of Startech Portfolio Clients
On the San Antonio and Bexar County Economy
2003 – 2010

Economic Impact Summary			
Year	Economic Impact	Fiscal Impact	Employment
2003 – 2005	\$174.9M	\$4.4M	854
2006	\$226.7M	\$5.7M	1,112
2007	\$260.5M	\$6.5M	1,217
2008	\$233.3M	\$5.4M	1,085
2009	\$209.0M	\$4.7M	980
2010	\$202.7M	\$4.6M	1,013
TOTAL 2003 – 2010	\$1.3B	\$31.3M	n/a

Startech
2010 Economic Impact Study

Performed by:

Center for Community and Business Research
Institute for Economic Development
The University of Texas at San Antonio

February 2011

To appropriately determine the potential economic impact of the Startech, formerly the San Antonio Technology Accelerator Initiative (SATAI), the organization contracted with the University of Texas at San Antonio’s Center for Community and Business Research to identify the direct, indirect and induced impacts associated with 2010 employment activities of Startech assisted companies.

Startech, a nonprofit 501(c) 3 Texas corporation, was formed to “foster accelerated development of the technology industry.” Startech provides consulting services, serves as the regional portal to the State of Texas’ \$180 million Emerging Technology Fund, manages a network of regional investors (San Antonio Angel Network) and serves as a unified voice for technology related activities in the region. Though the organization provides varying levels of assistance to area businesses, only those for which Startech provided extensive services are analyzed in the report. Startech refers to these companies as “portfolio clients.” In 2010, there were 31 portfolio clients. These companies employed 446 individuals (See Appendix A). These jobs served as the basis for determining the direct, indirect and induced economic impact Startech assisted companies had during the year. A breakdown of the jobs by company industry classification is provided at the end of this report.

Based on the assumptions outlined at the end of this report, the estimated impact of Startech is as follows:

Economic and Fiscal Impact results

Table 1

Estimated Impact for Operations at County level (2010)

	Economic Impacts			Total
	Direct	Indirect	Induced	
Output	\$123,569,724	\$42,822,485	\$36,316,738	\$202,708,947
Employment	446	264	302	1,013
Payroll	\$26,587,273	\$12,663,482	\$10,159,404	\$49,410,159

	Fiscal Impacts			Total
	Direct	Indirect	Induced	
Other Non-tax Local Governments Revenues				\$400,748
Estimated Local Governments Revenues				\$2,136,008
Estimated State Government Revenue				\$2,073,433

Based on the provided information, Startech-assisted companies had a direct economic impact of over \$123 million and a total economic impact in excess of \$202 million. The 446 jobs from these companies also resulted in the support of 566 additional jobs. Because of the high-tech

nature of the companies assisted, it is estimated that the Startech assisted companies pay their employees an average of \$59,612. In addition, Startech assisted companies are estimated to yield an additional \$4.2 million in state and local revenues.

NOTE: This analysis solely looks at the economic impacts of the employment gains of Startech portfolio clients as provided by the corporation and does not analyze any added benefits associated with enhanced research capabilities, human capital contributions or any other contributions such companies could have on the region's competitive position. Nor does the report include the potential effects of unaccounted cash infusions associated with corporate acquisitions.

ASSUMPTIONS

Some of the assumptions made for this analysis included:

- We used the IMPLAN 2009 data for Bexar County. The values were updated to the year 2010 using price indexes from the software, based on BLS data.
- Table 1 depicts the corresponding economic and fiscal impacts and table 2 the total amount of jobs based on the information provided.
- The estimated state revenue includes 84% of total sales tax revenues, and the following taxes: motor fuels, motor vehicles licenses, severance, among others. The estimated local government revenue includes property taxes and 16% of total sales taxes.
- The sector with NAICS 333314 had to be imported from state averages because the IMPLAN data for 2009 did not include any values for this sector; it is a new industry for the County that will show up in the 2010 IMPLAN database.
- The average salary for each firm represents a regional average compensation estimated by Federal agencies.
- The actual impacts are larger than the ones presented in this study, as capital expenditures have not been included, according to the information provided to us.
- The study used the software IMPLAN version 3¹ input-output model with type SAM multipliers. These multipliers include non-industrial transactions like income transfers from governments to households and to firms. We also used the Econometric RPC multipliers.

¹ IMPLAN version 3 is a product of the Minnesota IMPLAN Group, Inc. (MIG).

Appendix A Employment data

2010 Firm	2002 NAICS codes	Type of business	EOY 2010 Total Number of Employees
1	334510	Electromedical and electrotherapeutic apparatus manufacturing	12
2	339113	Surgical appliance and supplies manufacturing	7
3	325411	Medicinal and botanical manufacturing	5
4	541710	Scientific research and development services	11
5	334510	Electromedical and electrotherapeutic apparatus manufacturing	14
6	541710	Scientific research and development services	2
7	339113	Surgical appliance and supplies manufacturing	11
8	339112	Surgical and medical instrument manufacturing	5
9	541613	Management, scientific, and technical consulting services	5
10	541712	Scientific research and development services	10
11	541710	Scientific research and development services	6
12	541511	Custom computer programming services	73
13	339113	Surgical appliance and supplies manufacturing	1
14	541710	Scientific research and development services	25
15	511210	Software publishers	12
16	541511	Custom computer programming services	3
17	621999	Medical and diagnostic labs and outpatient and other ambulatory care services	5
18	334510	Electromedical and electrotherapeutic apparatus manufacturing	10
19	339113	Surgical appliance and supplies manufacturing	16
20	511210	Software publishers	5
21	334510	Electromedical and electrotherapeutic apparatus manufacturing	5
22	541710	Scientific research and development services	6
23	334210	Telephone apparatus manufacturing	64
24	336991	Motorcycle, bicycle, and parts manufacturing	2
25	339112	Surgical and medical instrument manufacturing	14
26	516110	Internet publishing and broadcasting	5
27	333314	Optical instrument and lens manufacturing	6
28	339113	Surgical appliance and supplies manufacturing	75
29	325411	Medicinal and botanical manufacturing	2
30	339116	Dental laboratories	9
31	561499	Business support services	20
Total			446

FINANCIAL REPORT

**THE STARTECH
FOUNDATION**

DECEMBER 31, 2010

CONTENTS

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Carneiro, Chumney & Co., L.C.

CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
The Startech Foundation
San Antonio, Texas

We have audited the accompanying Statements of Financial Position of The Startech Foundation (Startech) (formerly SATAI Network Foundation) as of December 31, 2010 and 2009, and the related Statement of Activities for the year ended December 31, 2010 (with summarized financial information for the year ended December 31, 2009), and the Statements of Cash Flows for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of Startech's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year's summarized financial information for the Statement of Activities has been derived from Startech's 2009 financial statements and, in our report dated February 23, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with United States generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Startech's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Startech as of December 31, 2010 and 2009, and the changes in its net assets for the year ended December 31, 2010, and its cash flows for the years ended December 31, 2010 and 2009, in conformity with United States generally accepted accounting principles.

Carneiro, Chumney & Co., L.C.

February 22, 2011

THE STARTECH FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

	2010	2009
ASSETS		
Cash and cash equivalents	\$ 213,177	\$ 290,522
Investments	126,575	126,550
Accounts receivable	--	12,870
Prepaid expenses	2,624	2,806
Property and equipment, net	5,067	9,100
	<hr/>	<hr/>
TOTAL ASSETS	\$ 347,443	\$ 441,848
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 1,000	\$ 91
Accrued expenses	83,173	59,624
Total Liabilities	<hr/>	<hr/>
	84,173	59,715
Net Assets:		
Unrestricted	263,270	377,958
Temporarily restricted	--	4,175
Total Net Assets	<hr/>	<hr/>
	263,270	382,133
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 347,443	\$ 441,848

The accompanying notes are an integral part of these financial statements.

THE STARTECH FOUNDATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2010

(With Summarized Financial Information for the Year Ended December 31, 2009)

		Temporarily Restricted	<u>Totals</u>	
	<u>Unrestricted</u>		<u>2010</u>	<u>2009</u>
Unrestricted:				
Support and Revenue:				
Contributions	\$ 7,625	--	7,625	\$ --
Grants	--	475,000	475,000	589,980
Investment income	88	--	88	187
In-kind revenue	44,374	--	44,374	33,684
Program Services Revenue:				
Investment services	6,500	--	6,500	6,780
Enterprise services	--	--	--	420
Special events, net of direct expenses of \$8,208 for 2010, and \$60,644 for 2009	(8,208)	--	(8,208)	44,856
Net assets released from restriction	479,175	(479,175)	--	--
Total Support and Revenue	<u>529,554</u>	<u>(4,175)</u>	<u>525,379</u>	<u>675,907</u>
Expenses:				
Salary and benefits	429,954	--	429,954	545,951
Legal and professional	27,927	--	27,927	21,830
Occupancy	33,684	--	33,684	33,684
Travel and meetings	25,023	--	25,023	18,076
Program expenses	22,361	--	22,361	12,875
Other	22,693	--	22,693	24,109
Marketing	57,574	--	57,574	11,768
Office supplies	11,375	--	11,375	20,012
Depreciation	6,558	--	6,558	6,067
Insurance	7,093	--	7,093	7,587
Total Expenses	<u>644,242</u>	<u>--</u>	<u>644,242</u>	<u>701,959</u>
Change in Net Assets	(114,688)	(4,175)	(118,863)	(26,052)
Net assets, beginning of year	<u>377,958</u>	<u>4,175</u>	<u>382,133</u>	<u>408,185</u>
NET ASSETS, END OF YEAR	<u>\$ 263,270</u>	<u>--</u>	<u>263,270</u>	<u>\$ 382,133</u>

The accompanying notes are an integral part of these financial statements.

THE STARTECH FOUNDATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Cash Flows from Operating Activities:		
Change in net assets	\$ (118,863)	\$ (26,052)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	6,558	6,067
Decrease in accounts receivable	12,870	44,630
Decrease in prepaid expenses	182	4,229
Increase in accounts payable	909	26
Increase (decrease) in accrued expenses	23,549	(1,342)
(Decrease) in deferred revenue	--	(50,000)
Net Cash (Used in) Operating Activities	<u>(74,795)</u>	<u>(22,442)</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(2,525)	--
Purchase of investments	(25)	(60)
Net Cash (Used in) Investing Activities	<u>(2,550)</u>	<u>(60)</u>
Net (Decrease) in Cash	(77,345)	(22,502)
Cash and cash equivalents, beginning of year	<u>290,522</u>	<u>313,024</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 213,177</u>	<u>\$ 290,522</u>

The accompanying notes are an integral part of these financial statements.

THE STARTECH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

Note 1: Nature of Activities

The Startech Foundation (Startech) (formerly SATAI Network Foundation) is a nonprofit organization whose mission is to inspire technology innovation and commercialization, create technology companies, and grow them into viable businesses in the San Antonio regional economy. Startech began operations in 1999 as a grass roots community effort to develop the San Antonio technology economy; it began significant operations in 2001 through a grant from the city of San Antonio.

Startech is a technology accelerator with a single point-of-entry to assist researchers, investors, entrepreneurs and other companies, to turn their innovations into enterprises. Delivery of comprehensive enterprise development services, know-how and advice benefit the business objectives of those technology-based opportunities seeking support. The Startech staff provides value-added services for individuals and companies to fully support the Inspire, Create, and Grow continuum.

Startech is also designated as the South Texas Regional Center of Innovation and Commercialization of the Texas Emerging Technology Fund.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. The financial statements accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Startech's financial statements are prepared in accordance with United States generally accepted accounting principles (GAAP). Under these principles, net assets and revenue, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, Startech's net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets that are limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled by actions of the organization, pursuant to purpose stipulations.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash deposits and various short-term (3 months or less) investment vehicles.

Investments

Investments in marketable securities are carried at fair value (which approximates cost for 2010 and 2009) based on quoted market prices. Increases or decreases in fair values are recognized as investment income (loss) in the period in which they occur.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Accounts receivable for the years ended December 31, 2010 and 2009 were \$0 and \$12,870, respectively. Management has deemed that an allowance for doubtful accounts is not necessary.

THE STARTECH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

Note 2: Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are stated at cost if purchased, or at fair value as of the date of contribution. Depreciation on property and equipment is calculated using the straight-line method over the estimated useful lives of the assets. Startech follows the practice of capitalizing all expenditures for fixed assets of \$5,000 or more. Depreciation expense for the years ended December 31, 2010 and 2009 was \$6,558 and \$6,067, respectively.

Fair Value of Financial Instruments

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification defines fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurements, and expands disclosures about fair value measurements. An instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that Startech has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Revenue

Contributions and grants are available for unrestricted use unless specifically restricted by the donor or grantor.

Federal Income Tax Status

Startech is exempt from federal income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code. Startech adopted the provisions of FASB ASC topic 740-10-25, *Income Taxes – Overall – Recognition*, which requires recognition and disclosure of uncertain tax positions in the financial statements and footnotes. Management of Startech believes it has no material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

THE STARTECH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

Note 2: Summary of Significant Accounting Policies (Continued)

Summarized Financial Information

The Statement of Activities includes certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with Startech's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

Note 3: Concentration of Credit Risk for Cash Held in Bank

Financial instruments which potentially subject Startech to a concentration of credit risk consist principally of cash.

Startech maintains multiple bank accounts in San Antonio, Texas. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At various times during the year, there were balances in the bank that were over the FDIC limit. However, at December 31, 2010 and 2009, Startech had no uninsured balances.

Note 4: Investments

Investments at December 31, 2010 and 2009 consist of private treasury money market mutual funds and are recorded at fair value, which approximates cost. There were no unrecognized gains or losses.

	<u>2010</u>	<u>2009</u>
AIM Investments-Treasury-Private	\$ <u>126,575</u>	\$ <u>126,550</u>

Note 5: Property and Equipment

Property and equipment at December 31, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Website	\$ <u>20,725</u>	\$ <u>18,200</u>
Total Property and Equipment	<u>20,725</u>	<u>18,200</u>
Less: Accumulated depreciation	<u>(15,658)</u>	<u>(9,100)</u>
Net Property and Equipment	\$ <u>5,067</u>	\$ <u>9,100</u>

Note 6: Grants Revenue

Grants revenue consisted of:

	<u>2010</u>	<u>2009</u>
City of San Antonio	\$ 200,000	\$ 300,000
State of Texas	245,000	240,000
Bexar County	30,000	40,000
Other	--	<u>9,980</u>
	\$ <u>475,000</u>	\$ <u>589,980</u>

THE STARTECH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

Note 7: Fair Values of Financial Instruments

Startech uses fair value measurements to record fair value adjustments to certain assets and liabilities, to determine fair value disclosures. For additional information on how Startech measures fair value, refer to Note 2: Summary of Significant Accounting Policies. The following represents the fair value hierarchy for the balances of the assets of Startech, measured at fair value on a recurring basis as of December 31, 2010.

The following methods and assumptions were used by Startech in estimating the fair value disclosures for financial assets.

Investments were valued at the net asset value (NAV) of shares held by Startech at year end. The \$126,575 balance at December 31, 2010 is considered a Level 1 financial instrument.

Note 8: Concentrations

Concentration of Revenue and Other Support

Approximately 90% and 86% of Startech's total support and revenue were received from three supporters for the years ended December 31, 2010 and 2009, respectively.

Note 9: Temporarily Restricted Net Assets and Net Assets Released from Restrictions

Temporarily restricted net assets totaled \$0 and \$4,175 at December 31, 2010 and 2009, respectively, and represented funds to be used for a client server network.

Net assets of \$475,000 in 2010 and \$580,000 in 2009 (representing city, county, and state grants), were released from grantor restrictions due to fulfillment of general purpose. Additional net assets of \$4,175 and \$5,805 were released in 2010 and 2009, respectively, for purchases towards a self-sustained client server network.

Note 10: In-Kind Contribution

Office space, furniture and equipment, and technical support are provided to Startech at no charge from the University of Texas, San Antonio (UTSA). The estimated value of the facilities has been calculated at \$1.36 per month per square foot for office space, estimated replacement value for furniture, and actual costs to UTSA for equipment and support. This value is reflected in the accompanying financial statements as in-kind revenue and occupancy expense of \$33,684 for both 2010 and 2009. Startech also received \$10,690 and \$0 worth of in-kind services related to marketing and accounting services donated for the years ended December 31, 2010 and 2009, respectively.

Note 11: Functional Expenses

Startech facilitates collaboration between industry, academia, government, and institutions to foster the acceleration of the development of the San Antonio regional technology economy. Expenses related to this service are as follows:

	<u>2010</u>	<u>2009</u>
Program expenses	\$ 473,686	\$ 528,646
Supporting Expenses:		
Management and general	104,859	108,993
Fundraising	<u>65,697</u>	<u>64,320</u>
Total	\$ <u>644,242</u>	\$ <u>701,959</u>

THE STARTECH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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Note 12: Employee Retirement Plan

Startech employees participate in a teacher retirement plan administered and offered through UTSA. Startech contributes 6.58% of an employee's salary. All employees completing three months of service are eligible to become a participant in the plan. Employer contributions for 2010 and 2009 were \$22,089 and \$26,067, respectively.

Note 13: Subsequent Events

Subsequent events were evaluated through the date of this report, which is the date the financial statements were available to be issued.