

RELATIONSHIP CAPITAL

INTERNET TRENDS –

*Web 2.0 Summit
San Francisco, CA*

Mary Meeker (marym@kpcb.com) – October 18, 2011

| COLLABORATION | LEADERSHIP | VISION | EXPERIENCE | PASSION |



KPCB (Digital Venture + Digital Growth) 2011 Investments



1. **Globality** – We Aren't In Kansas Anymore...
2. **Mobile** – Early Innings Growth, Still...
3. **User Interface** – Text → Graphical → Touch / Sound / Move
4. **Commerce** – Fast / Easy / Fun / Savings = More Important Than Ever...
5. **Advertising** – Lookin' Good...
6. **Content Creation** – Changed Forever
7. **Technology / Mobile Leadership** – Americans Should Be Proud
8. **Mega-Trend of 21st Century** = Empowerment of People via Connected Mobile Devices
9. **Authentic Identity** – The Good / Bad / Ugly. But Mostly Good?
10. **Economy** – Lots of Uncertainty
11. **USA Inc.** – Pay Attention!
12. **Closing Thoughts**

**GLOBALITY –
*WE AREN'T IN KANSAS
ANYMORE...***

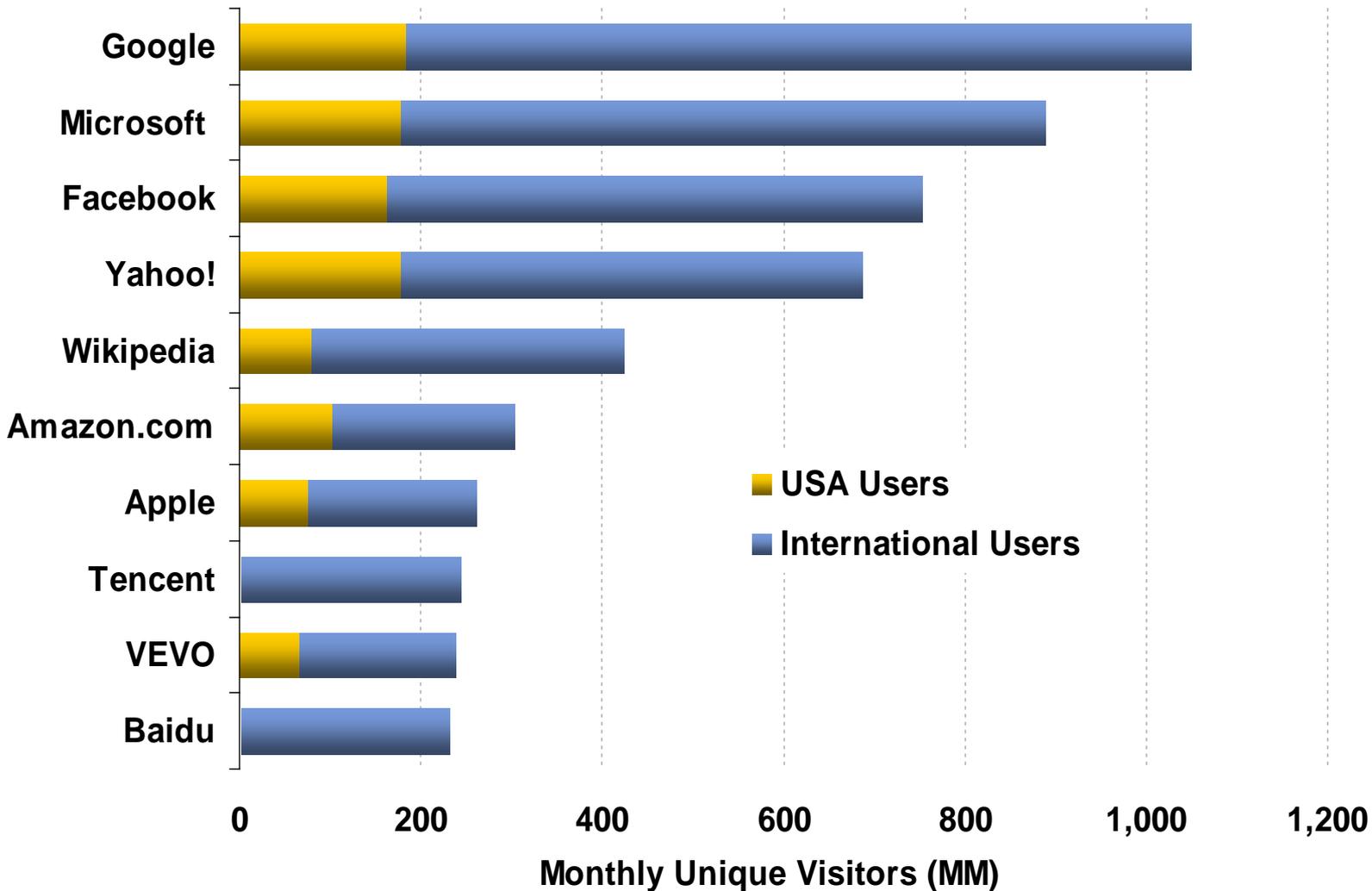
Apple, Google, Amazon.com & Facebook Remain Mega-Leaders; Chinese (& Russian) Companies Continue to Step Up

Rank	Y/Y Trend	Company	Region	2011 Market Value (\$B)	2010 Revenue (\$MM)
1		Apple	USA	\$373	\$76,283
2		Google	USA	177	29,321
3		Amazon.com	USA	108	34,204
4	↑	Facebook	USA	77*	--
5	↑	Baidu	China	46	1,216
6		eBay	USA	42	9,156
7		Tencent	China	41	2,967
8		Priceline.com	USA	24	3,085
9		Yahoo!	USA	20	6,325
10		Yahoo! Japan	Japan	20	2,995
11		Salesforce.com	USA	17	1,657
12		Rakuten	Japan	15	4,286
13		NHN	Korea	10	1,062
14		Liberty Interactive	USA	9	8,932
15	↑	Yandex	Russia	8	447
16		Expedia	USA	8	3,348
17		LinkedIn	USA	8	243
18		Netflix	USA	6	2,162
19	↑	Mail.ru	Russia	6	324
20		Netease	China	6	836
21		Alibaba.com	China	5	854
22		Verisign	USA	5	681
23		Ctrip	China	5	424
24		Sina.com	China	5	403
25		Rackspace	USA	5	781
Total				\$969	\$191,992

Note: 2011 data as of 10/12/2011; *Facebook market value per most recent trades (week of Sep 26) on SharesPost. Source: Google Finance.

81% of Users of Top Global Internet Properties = Outside USA

Top 10 Internet Properties by Global Monthly Unique Visitors, 8/11



Source: comScore Global, 8/11.

In 3 Years, China Added More Internet Users than Exist in USA...

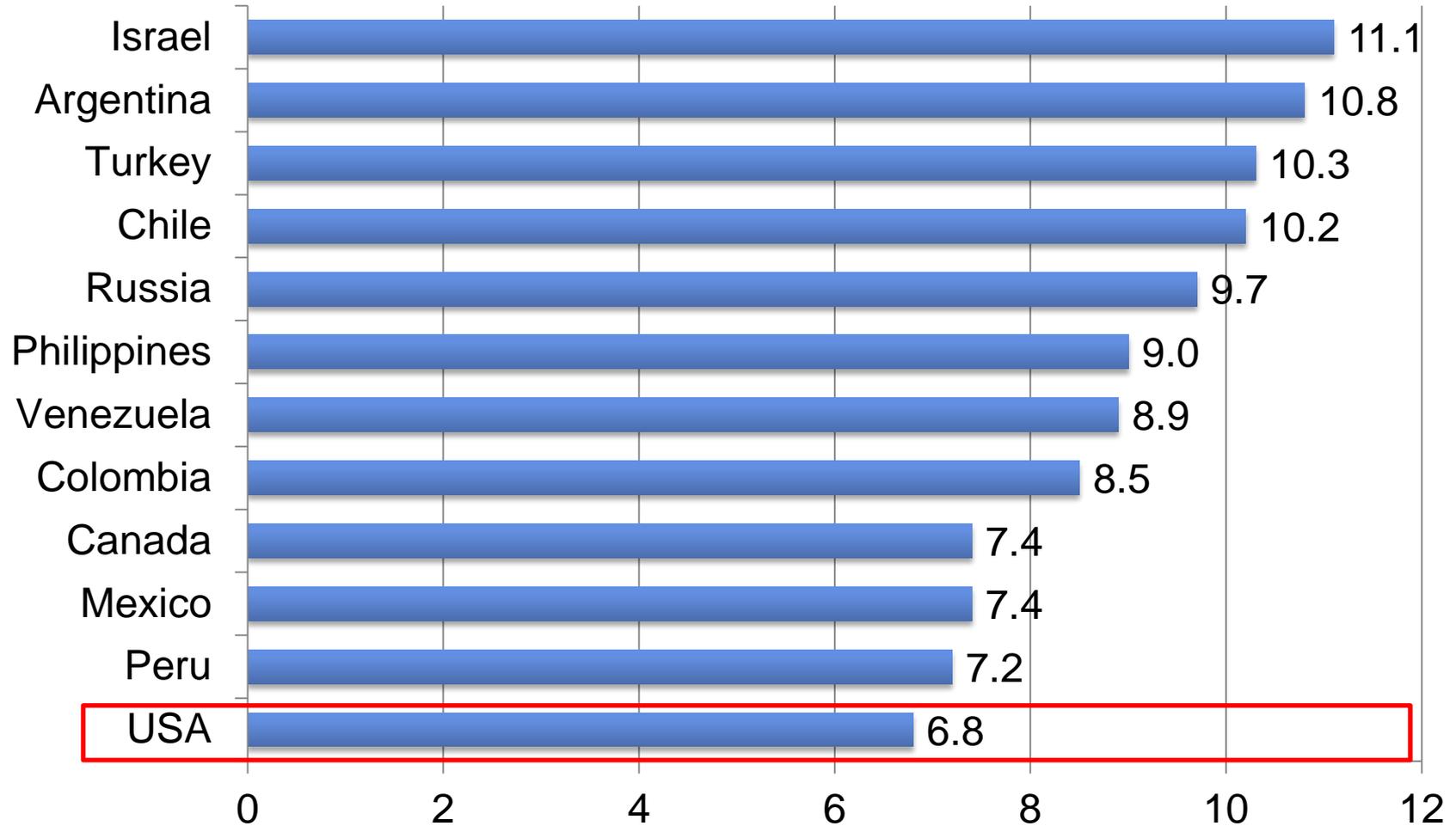
China / India / Nigeria / Russia / Iran = Biggest Adders

Rank	Country	07-10 Internet User Additions (MMs)	2010 Internet Users (MMs)	Y/Y Growth	Population Penetration
1	China	246	459	20%	34%
2	India	42	88	43	8
3	Nigeria	35	45	2	28
4	Russia	25	60	0	42
5	Iran	24	37	31	49
6	USA	22	244	2	79
7	Brazil	21	79	4	41
8	Philippines	18	23	292	25
9	Mexico	13	35	24	31
10	Pakistan	12	29	43	17
	Top 10	457	1,099	16%	29%
	World	693	2,054	13%	30%

Note: *Russia data as of 6/10; all other data as of 12/10. Source: United Nations / International Telecommunications Union.

Social Networkers (October, 2011) Exceed Internet Users (December, 2006) & 70% of Them (800MM) Use Facebook

Hours Spent on Social Networking Sites per User per Month (8/11)



Source: Social Networking users & time spent data per comScore, Internet users data per ITU, Facebook data per Facebook.

If it Plays in Peoria... Take it to Broadway!
Especially in Mobile / Social World...

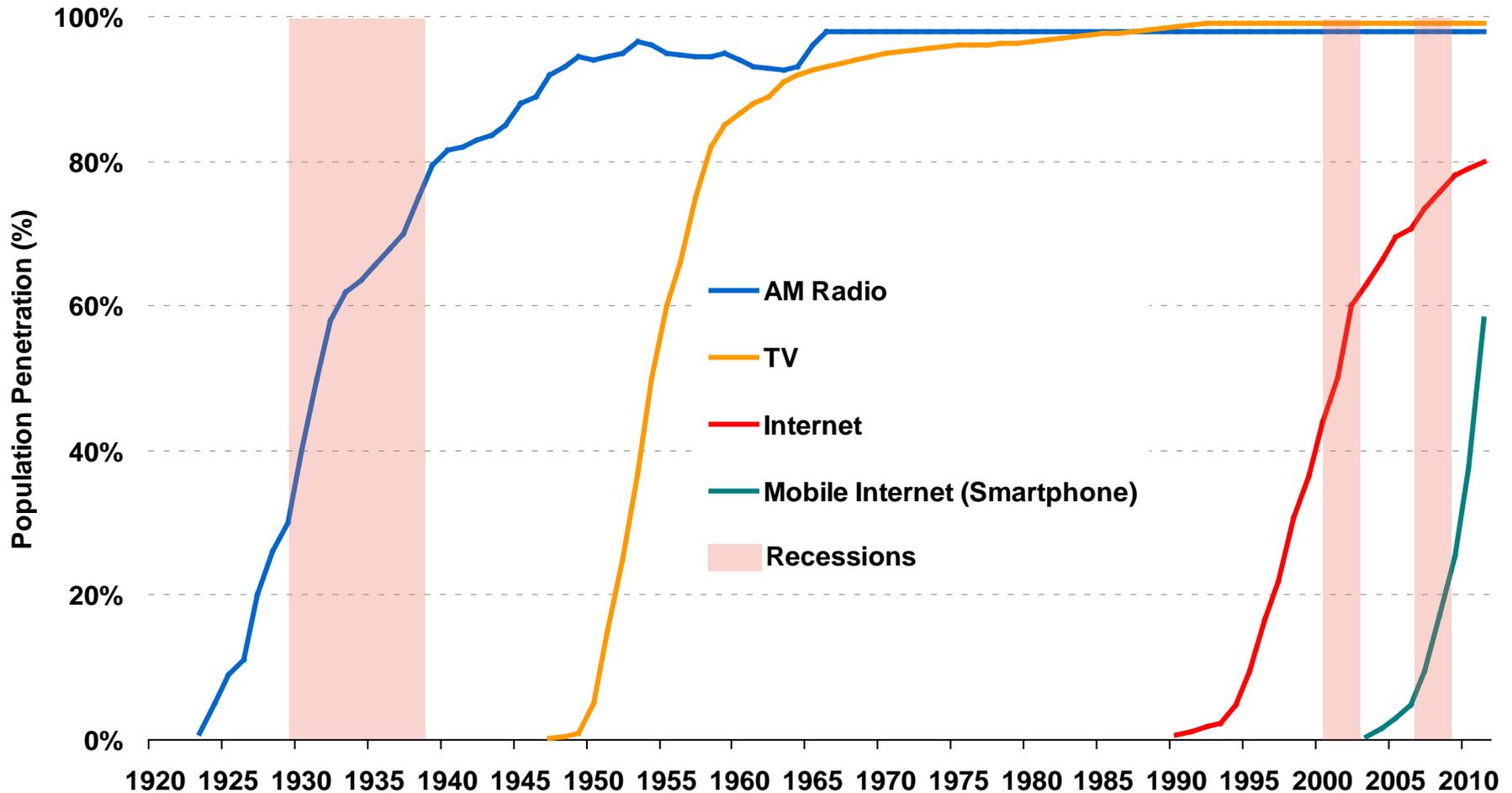
Company	'Test Market' / Origin*	Social Service	Users
 SHAZAM	UK	Sound Recognition / Music Discovery	100MM+
 Spotify	Sweden	Music Discovery & Streaming	15MM+
 waze <small>way to go</small>	Israel	Driving Navigation	7MM+
 SOUNDCLOUD	Germany / UK / Sweden	Sound Discovery & Sharing	7MM+

Note: *Shazam first gained traction in UK, Spotify first gained traction in Sweden, Soundcloud first gained traction in Germany / UK / Sweden, Waze first achieved critical mass in Israel. All of these services have successfully expanded to other regions / countries, including USA.

MOBILE – EARLY INNINGS GROWTH, STILL

Breakthrough Communications Technologies / Services Can Breakout Even During Breakdown Times

Technology Adoption (Measured by Population Penetration) in USA
Radio vs. TV vs. Internet vs. Mobile Internet, 1920 – 2011E



Source: Radio penetration data per Broadcasting & Cable Yearbook 1996, Internet penetration data per World Bank / ITU, Mobile Internet (smartphone) data per Morgan Stanley Research; 3G data per Informa.

35% Y/Y Global Mobile 3G Subscriber Growth to 936MM (17% of all Mobile Subscribers), Q2:11

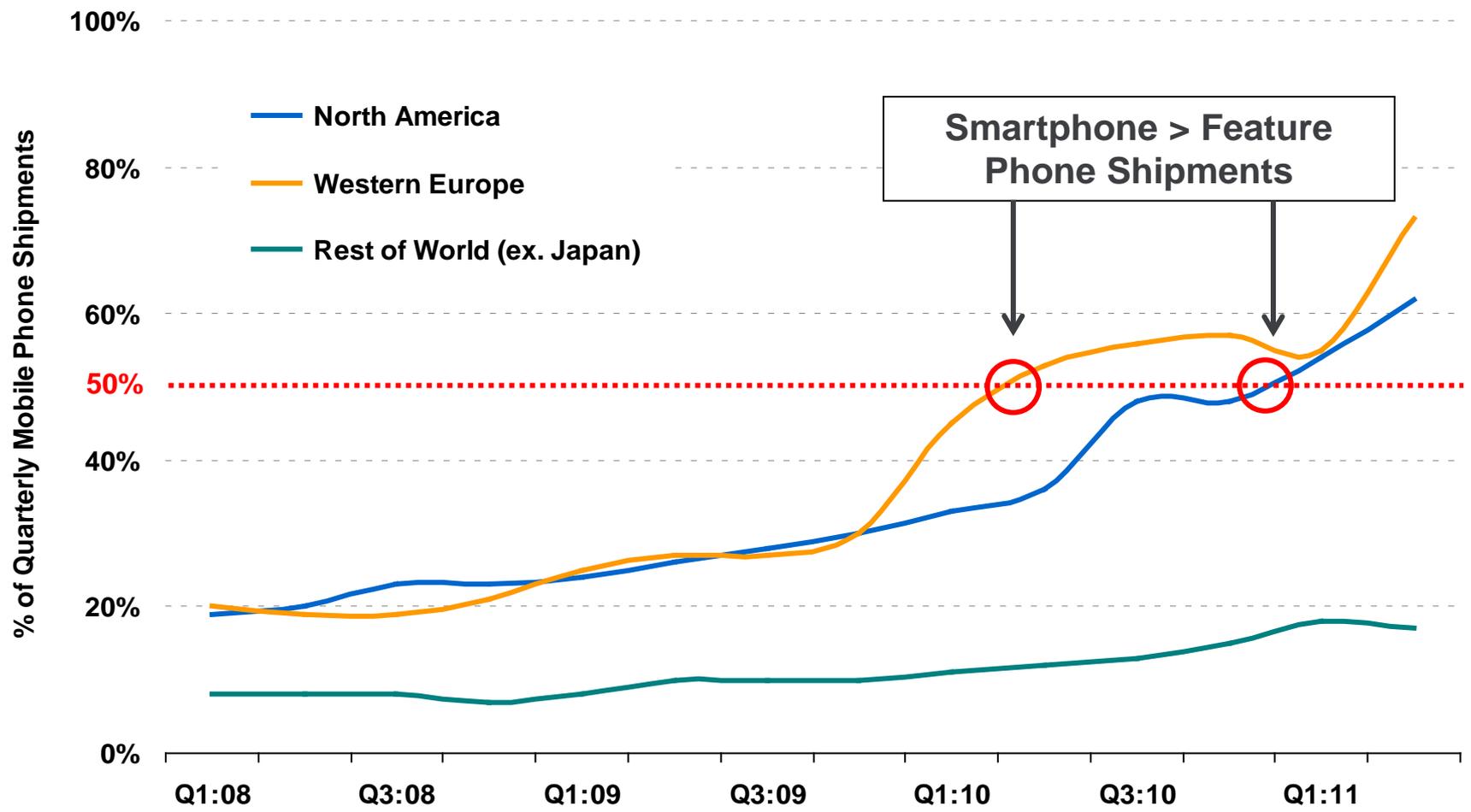
Rank	Country	Q2:11 3G Subs (MM)	3G Penetration	3G Sub Y/Y Growth	Rank	Country	Q2:11 3G Subs (MM)	3G Penetration	3G Sub Y/Y Growth
1	USA	179	56%	26%	16	Canada	15	58%	47%
2	Japan	117	97	10	17	Taiwan	14	48	28
3	Korea	43	82	10	18	Portugal	12	73	21
4	China	40	4	172	19	Turkey	11	17	104
5	Italy	40	47	22	20	Malaysia	10	28	22
6	UK	39	51	35	21	South Africa	9	16	34
7	Germany	33	32	24	22	Sweden	9	69	35
8	Spain	30	53	23	23	Mexico	9	9	85
9	Brazil	28	13	79	24	Philippines	9	10	87
10	Indonesia	27	12	40	25	Saudi Arabia	9	18	18
11	Poland	26	54	24	26	Netherlands	8	40	41
12	France	25	39	29	27	Austria	7	54	29
13	India	23	3	1,050	28	Vietnam	6	6	103
14	Australia	20	71	22	29	Israel	6	58	16
15	Russia	15	7	59	30	Argentina	5	10	102

Global 3G Stats: Subscribers = 936MM Penetration = 17% Growth = 35%

Note: *3G includes CDMA 1x EV-DO and Rev. A/B, WCDMA, HSPA; One user may have multiple mobile subscriptions and may be counted as multiple subscriber. Source: Informa WCIS+.

Smartphones Surpassed Feature Phone Shipments in W. Europe (Q2:10) / USA (Q1:11); ROW to Follow

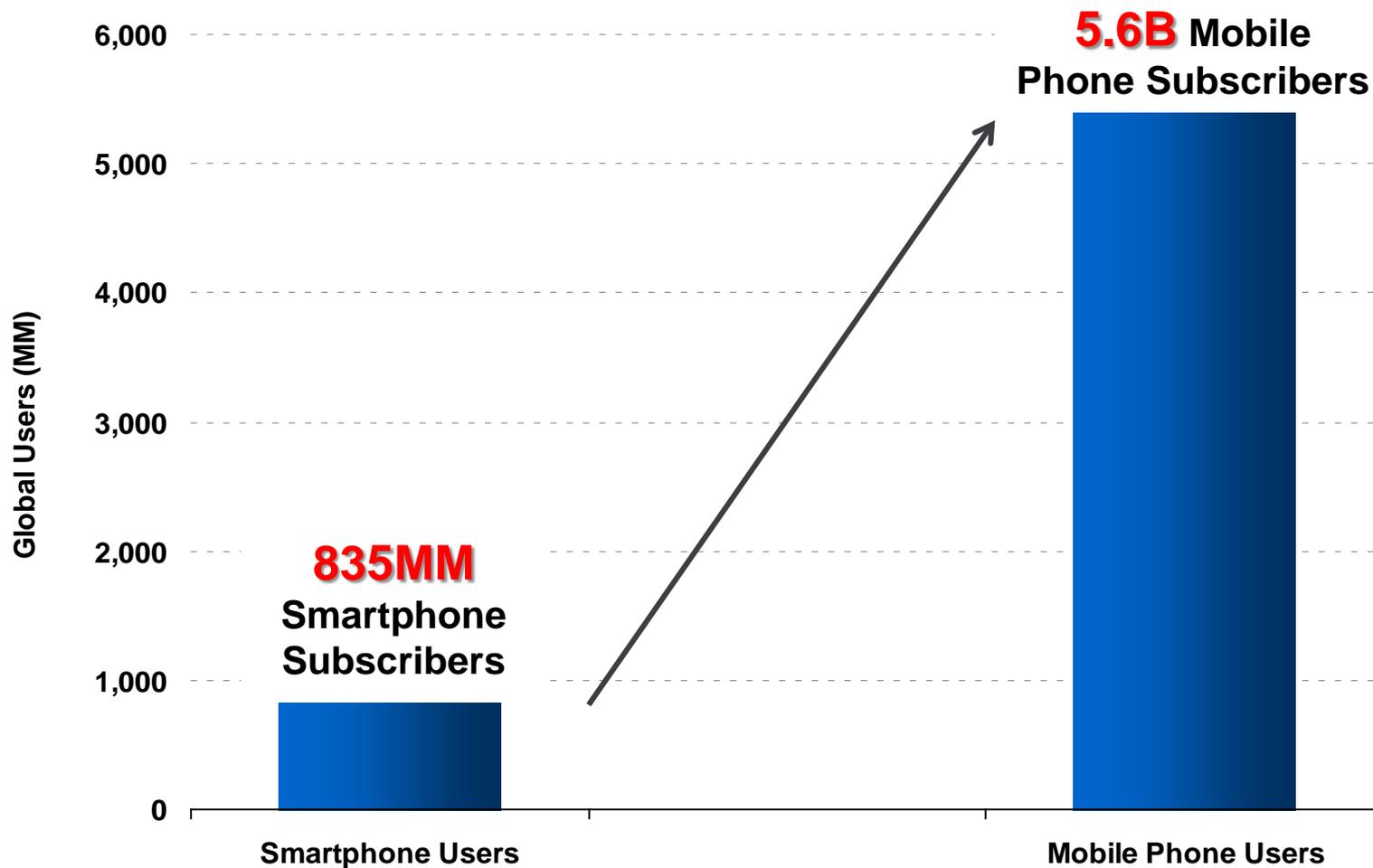
Smartphone Shipments as % of Total Mobile Phone Shipments by Region, Q1:08 – Q2:11



Source: Data per Ehud Gelblum, Morgan Stanley Research. Note: In Japan, smartphone exceeded feature phone in Q4:08.

Despite Tremendous Ramp So Far, Smartphone Usage Still Has Huge Upside

Global Smartphone vs. Mobile Phone Subscribers, 2011E

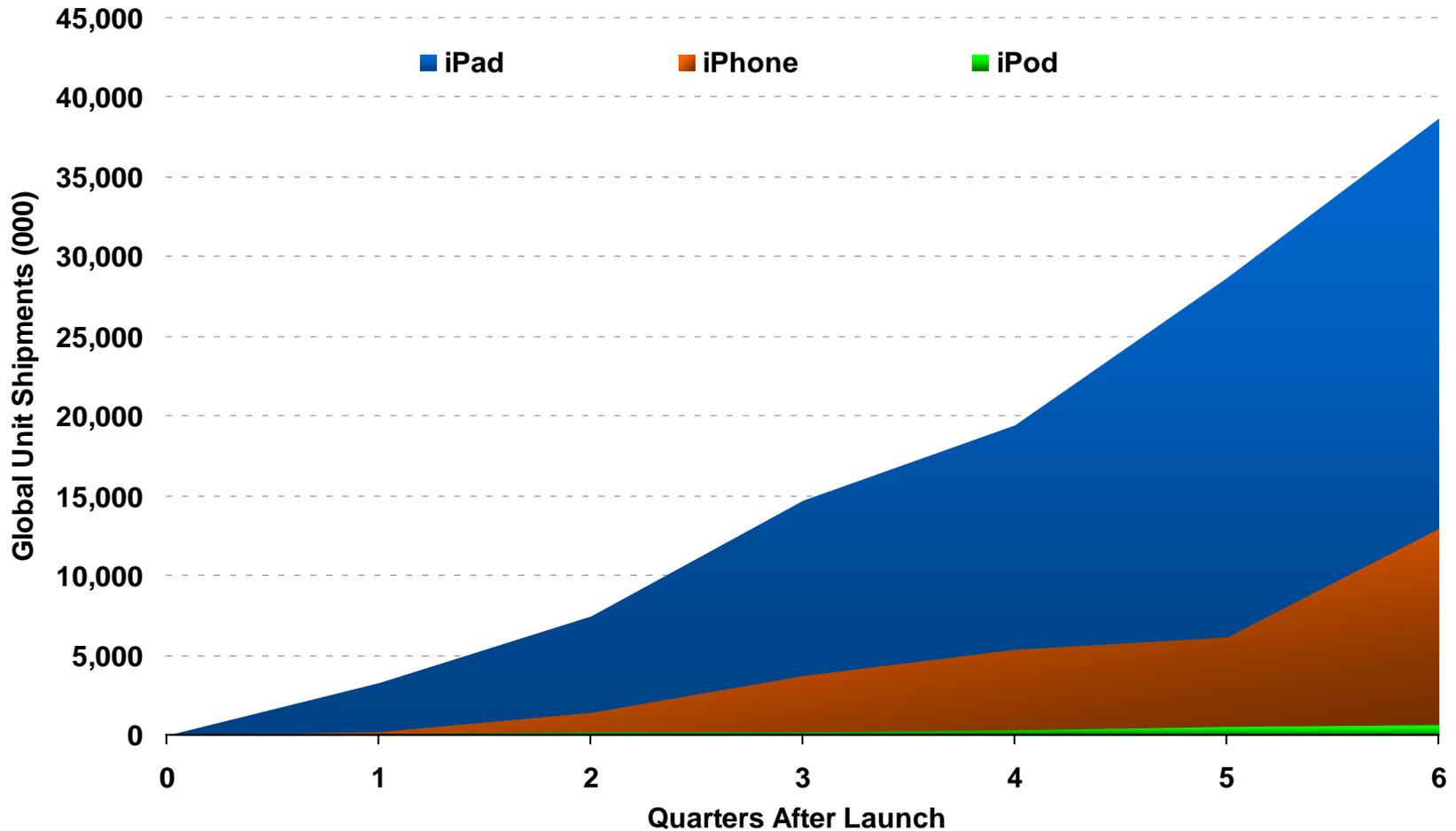


Source: Smartphone subscriber estimates per Morgan Stanley Research; Mobile phone subscribers per Informa (as of Q2:11).

Note: While there are 936MM global 3G subscribers as of Q2:11, not all of them were smartphone users. One user may have multiple mobile subscriptions, therefore actual user #s may be lower than subscriber #s.

iPods Changed Media Industry...iPhones Ramped Even Faster...iPad Growth Leaves "Siblings" in Dust

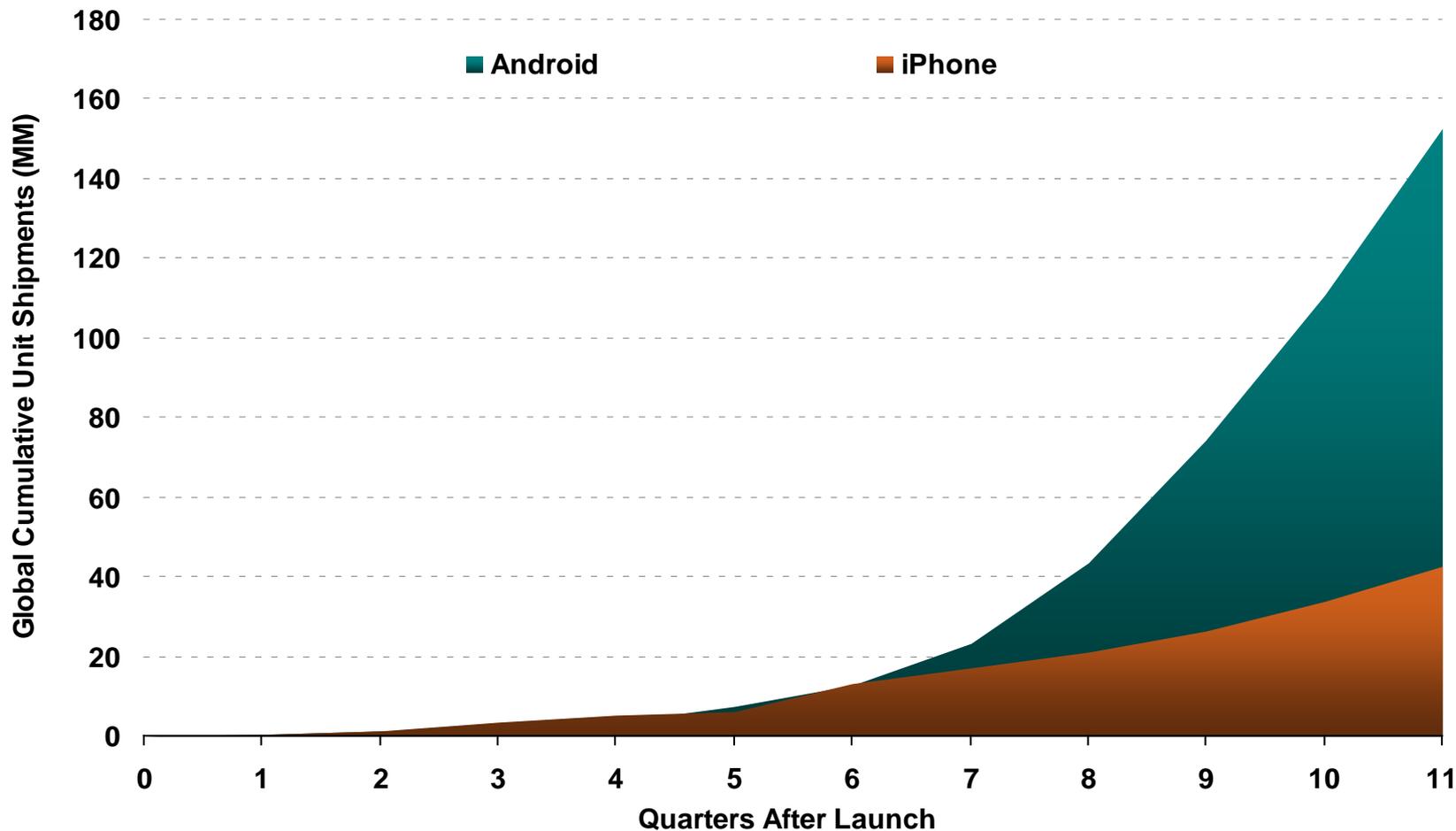
First 6 Quarters Cumulative Unit Shipments, iPod vs. iPhone vs. iPad



Source: Apple, as of Q2:11 (6 quarters post iPad launch).

Android 'Phone' Adoption Has Ramped Even Faster than iPhone

First 11 Quarters Cumulative Global Android & iPhone Unit Shipments



Source: Gartner, Morgan Stanley Research, as of Q2:11.

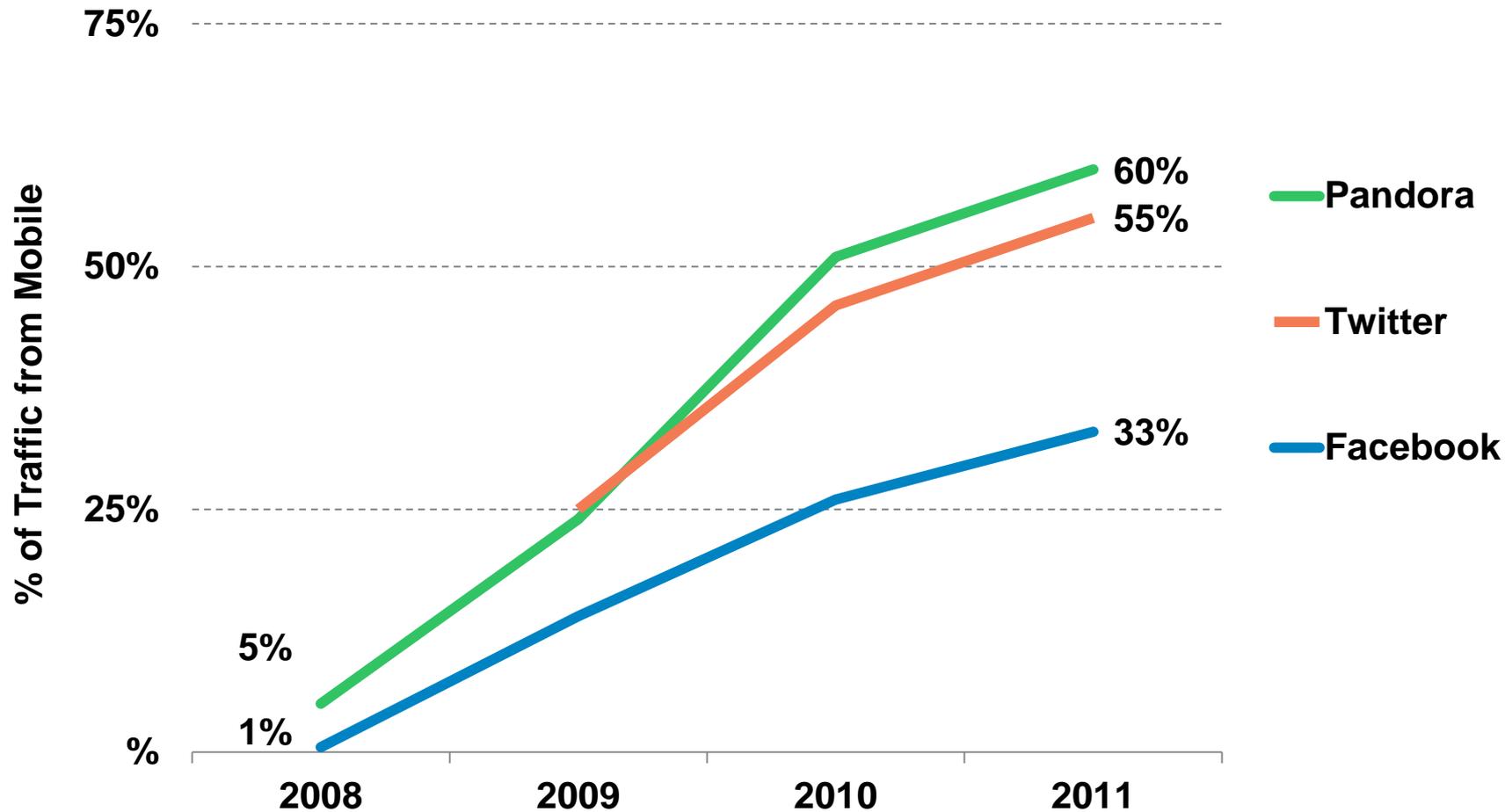
Two Horse Races in Smartphones & Tablets, So Far

	Smartphones		Tablets	
	Apple iPhone	Google Android	Apple iPad	Amazon Kindle
Cumulative Shipments as of Q2:10	129MM	152MM	29MM	16MM ^a
ASP**	\$606	<\$600	\$650	<\$200
Launch Date	Q2:07	Q4:08	Q2:10	Q4:07

Note: a) Kindle shipment estimates per Scott Devitt, Morgan Stanley Research. ** ASP is average selling price, data are estimates for Android and Kindle.
Source: Apple, Morgan Stanley Research.

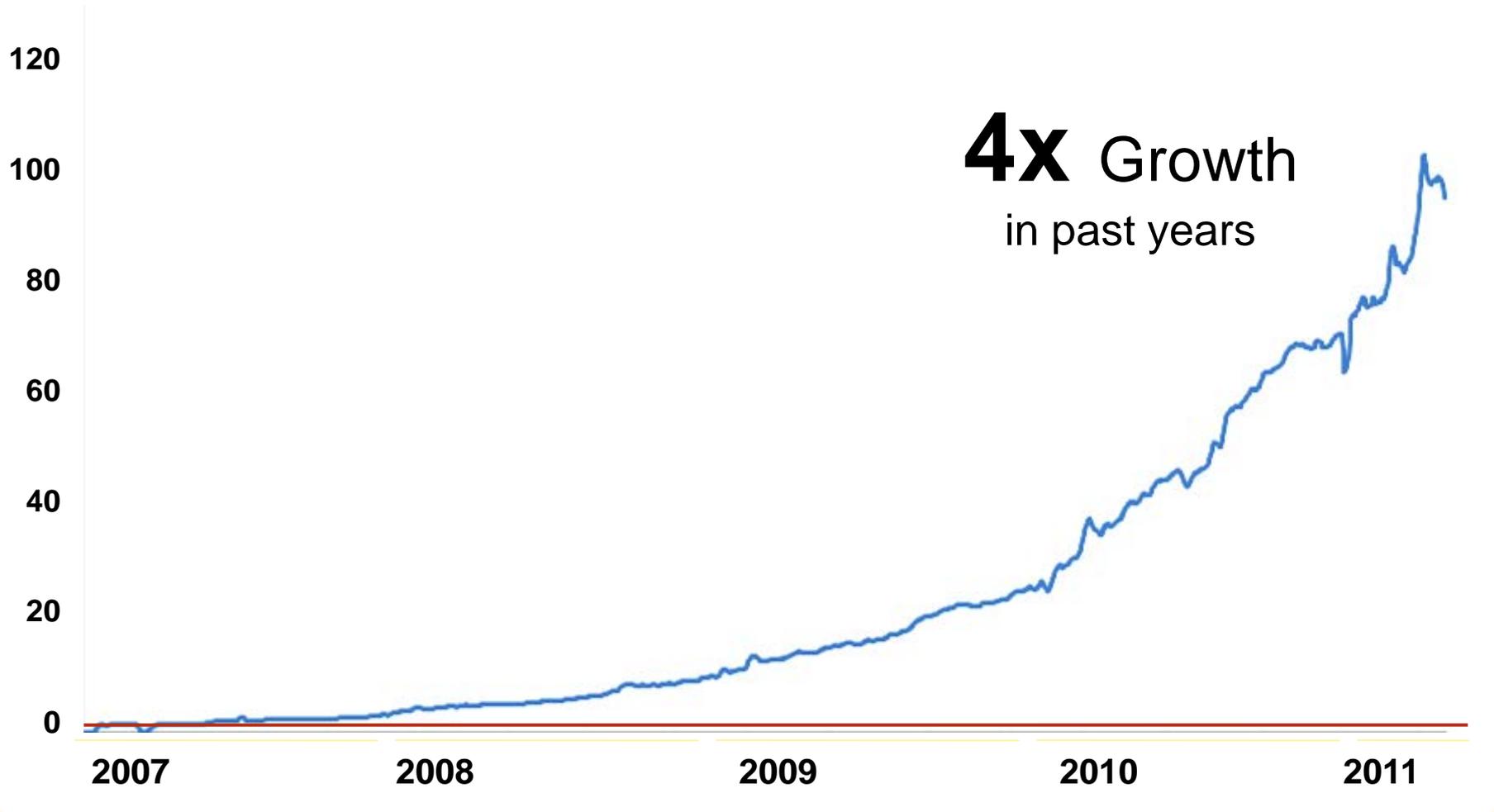
Mobile Usage – Big & Ramping Fast

% of Traffic From Mobile Devices, Pandora, Twitter & Facebook, 2008 – 2011



Source: Pandora S1, Twitter, Facebook.

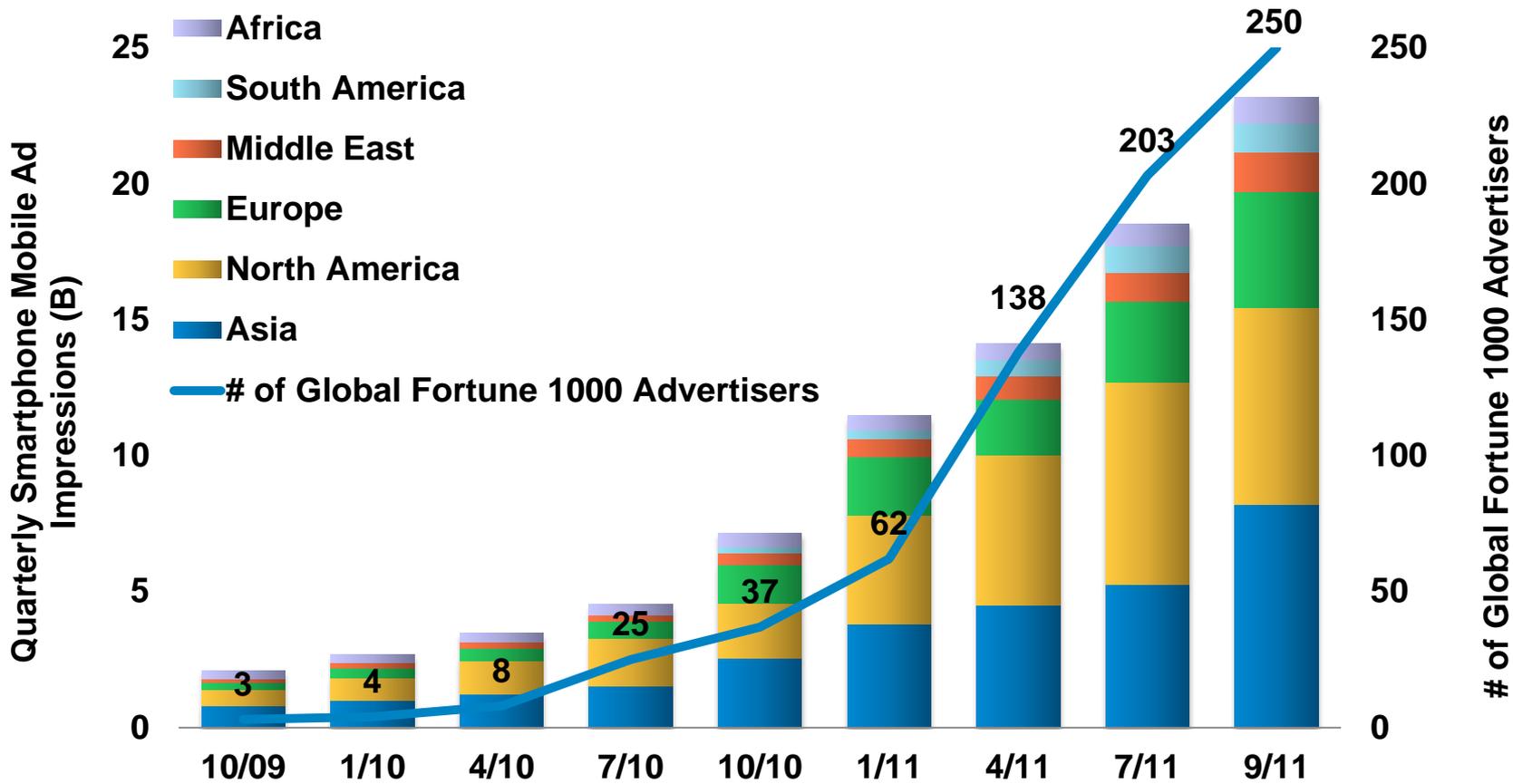
Google US Mobile Queries (Indexed), 2007 – 2011



Source: Google.

Mobile Advertising – Ramping Quickly in all Geographies

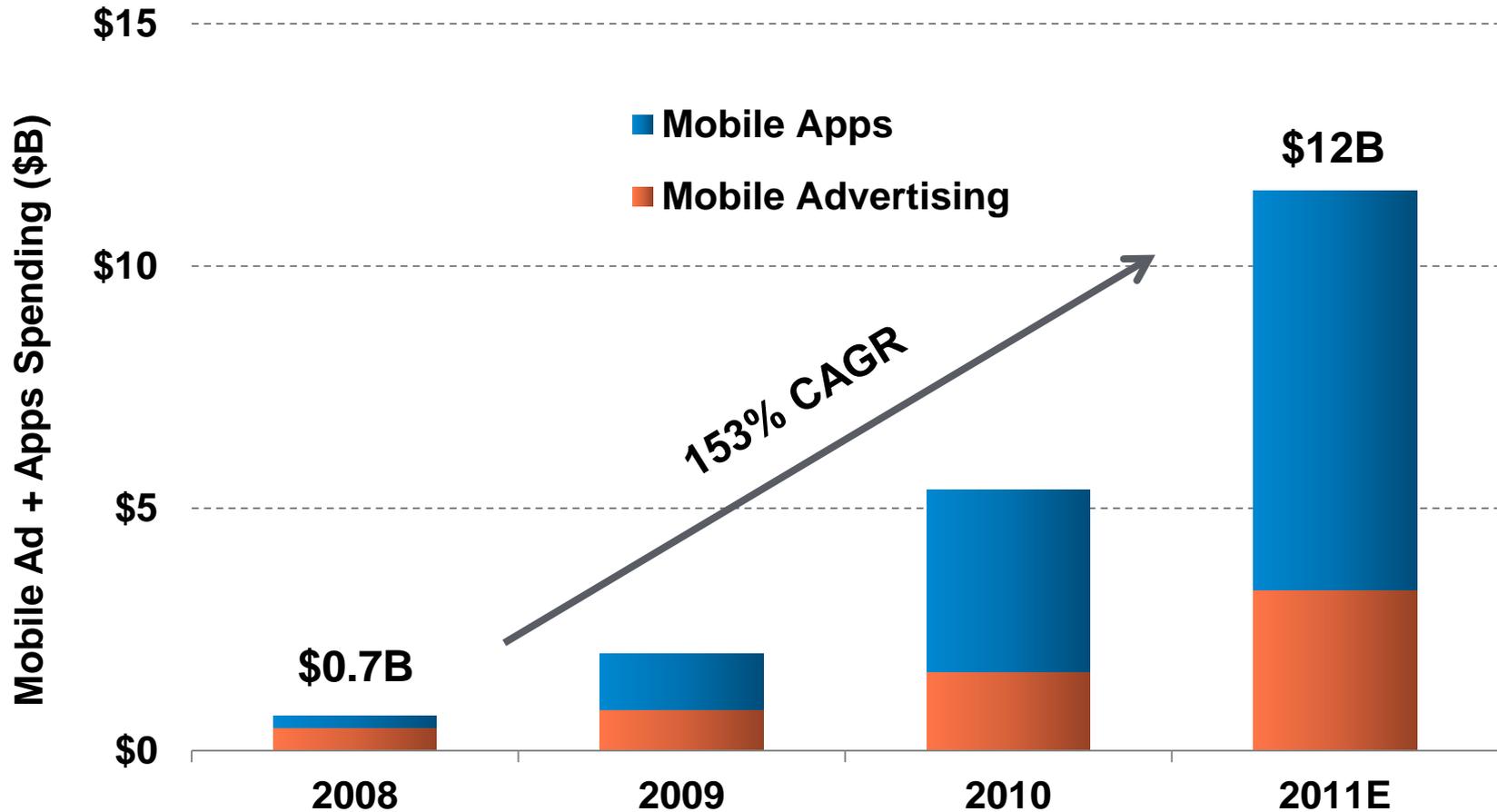
InMobi – # of Fortune 1000 Companies Launching Mobile Ad Campaigns & Quarterly Smartphone Ad Impressions, 10/09-9/11



Source: InMobi.

Global Mobile App + Advertising Revenue = \$12B in 2011E Revenue, Up 17x in 3 Years

Global Mobile App + Advertising Revenue, 2008 vs. 2011E



Source: Gartner. CAGR is compound annual growth rate.

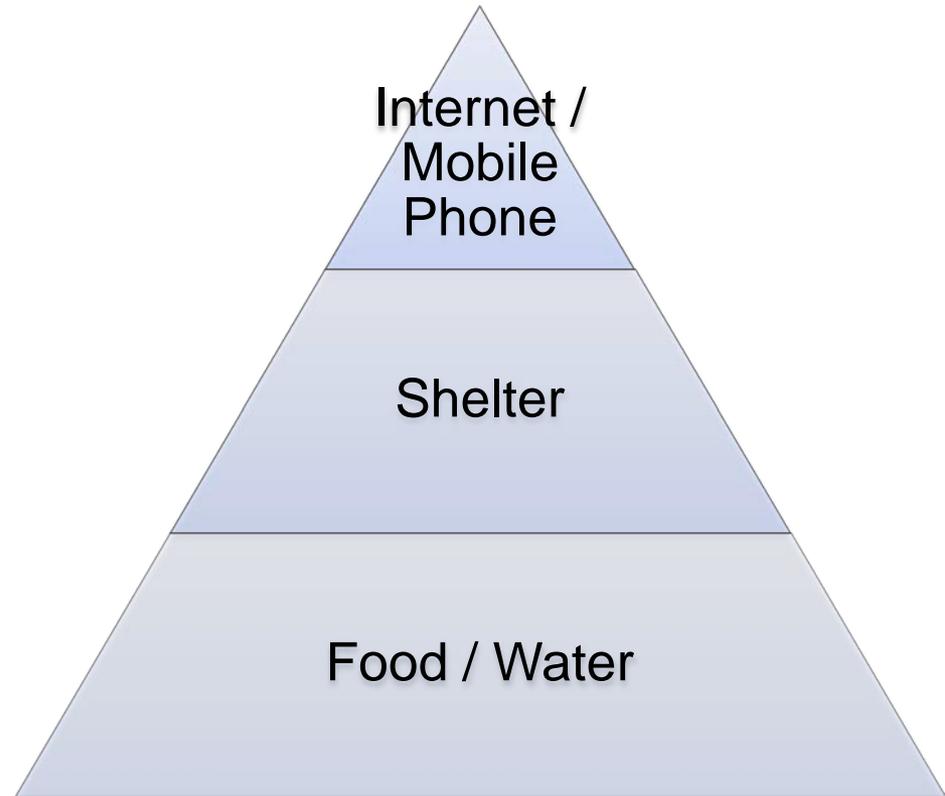
Note: Apple has paid >\$3B \$'s to developers as of 9/11, implying gross app market revenue of \$4B in 3 years; Google indicated during CQ3 earnings call that it expects \$2.5B mobile ad revenue in 2011E

'Hierarchy of Needs' Revisited?

1943 – Maslow



2011 – ? ;)



Note: Created for discussion purposes and a bit of humor. Not intended to discredit Maslow's hierarchy, which we believe to be accurate. Originally presented in Morgan Stanley's "The Age of Engagement" presentation, dated April 2005

USER INTERFACE – TEXT → GRAPHICAL → TOUCH / SOUND / MOVE

Before Steve Jobs...

***computers were utilitarian tools for
computation.***

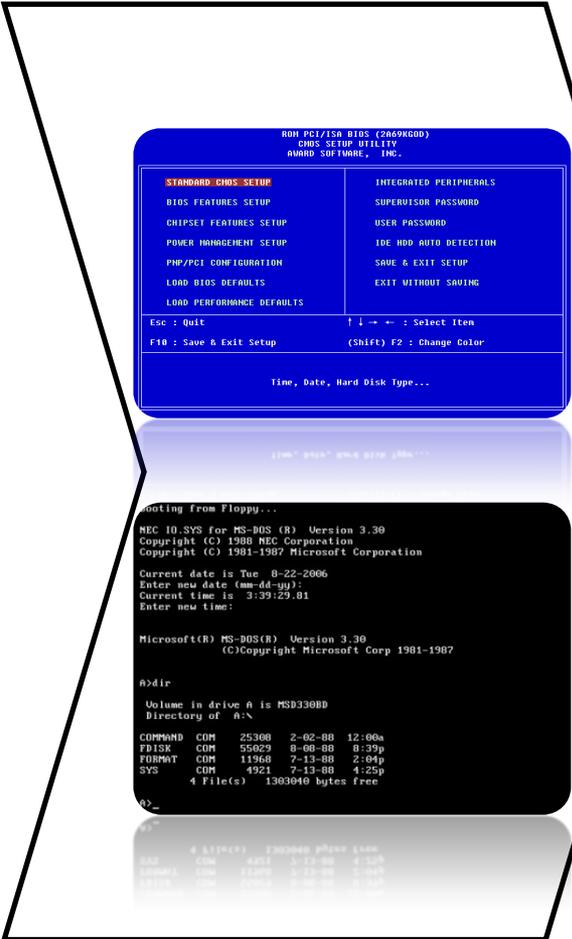
After Steve...

***computers became beautiful objects we could
use in thousands of ways to aim to make life
better.***

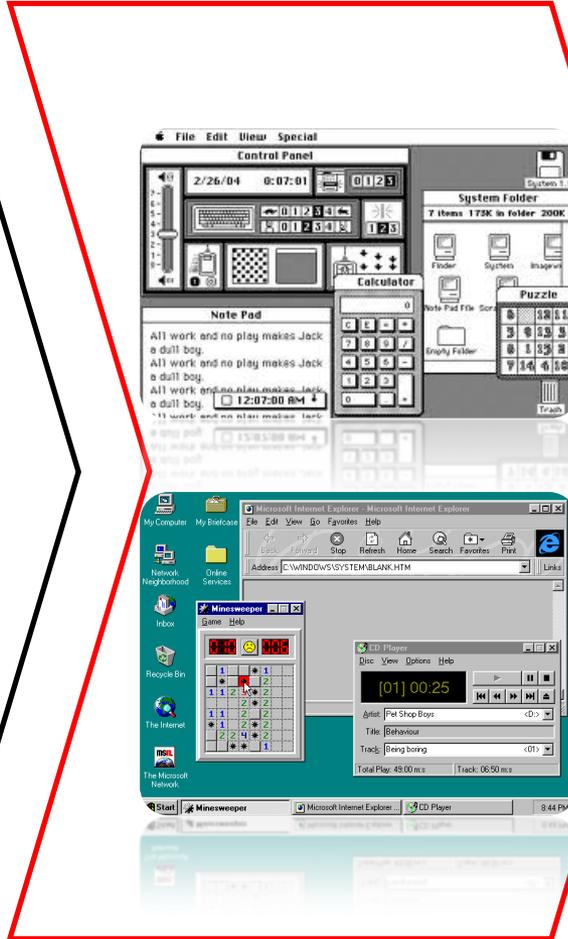
Steve's design aesthetic was second to none.

Natural User Interface Revolution – Now in Touch / Sound / Move Era

1980s
Text



1990s
Graphical



2000s
Touch / Sound / Move



The Next Big Thing(s)? Those Two Big Things on the Sides of Your Head...



Source: Bluetooth enabled devices shipment per iSuppli and Instat, assumes a 2.5 year replacement cycle.

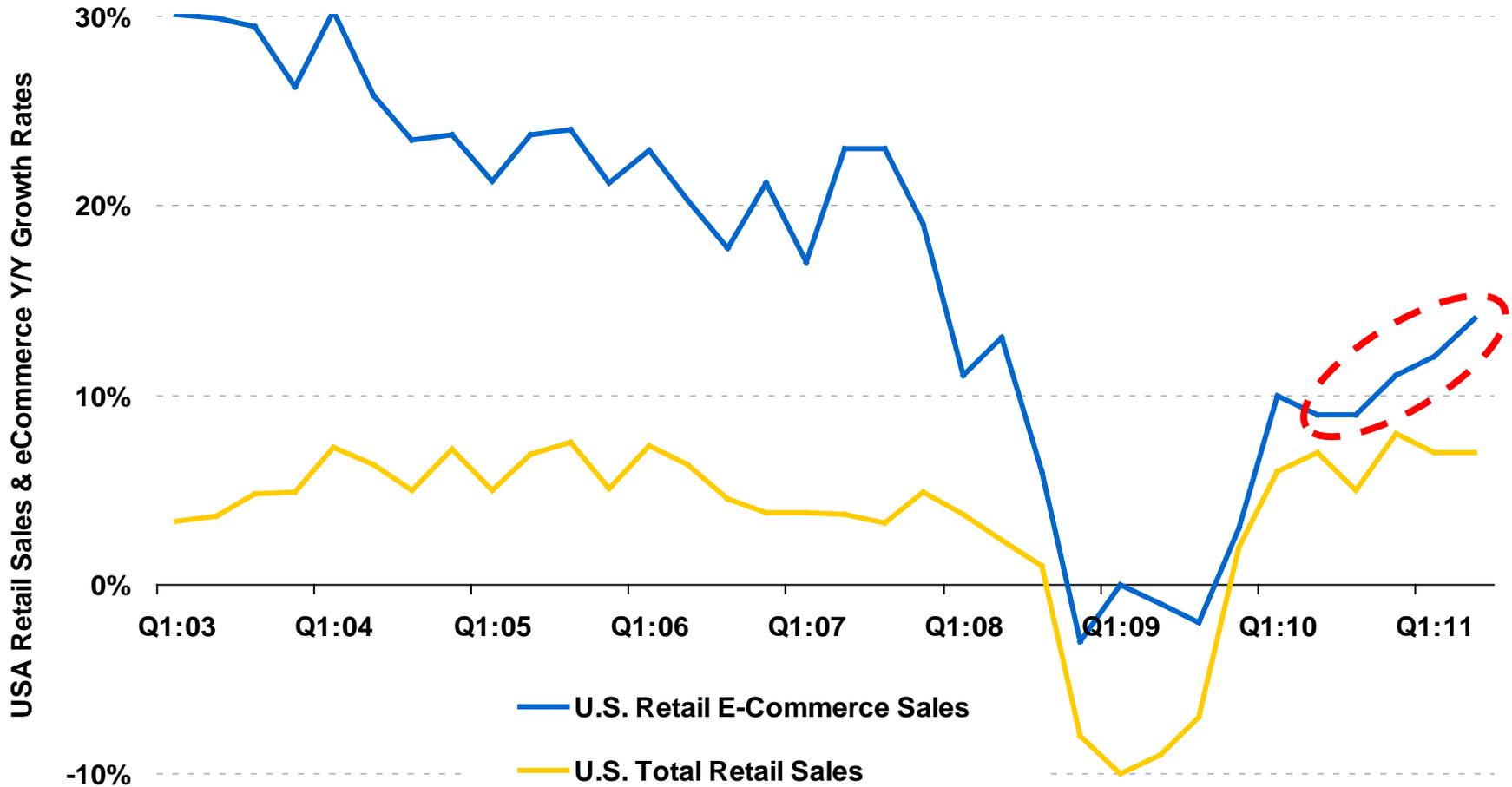
***Sound is going to be bigger than video...
'Record' is the new QWERTY.***

- Alexander Ljung, Founder & CEO, SoundCloud

**COMMERCE –
FAST / EASY / FUN / SAVINGS =
MORE IMPORTANT THAN EVER...**

eCommerce = Four Quarters of Accelerating Growth

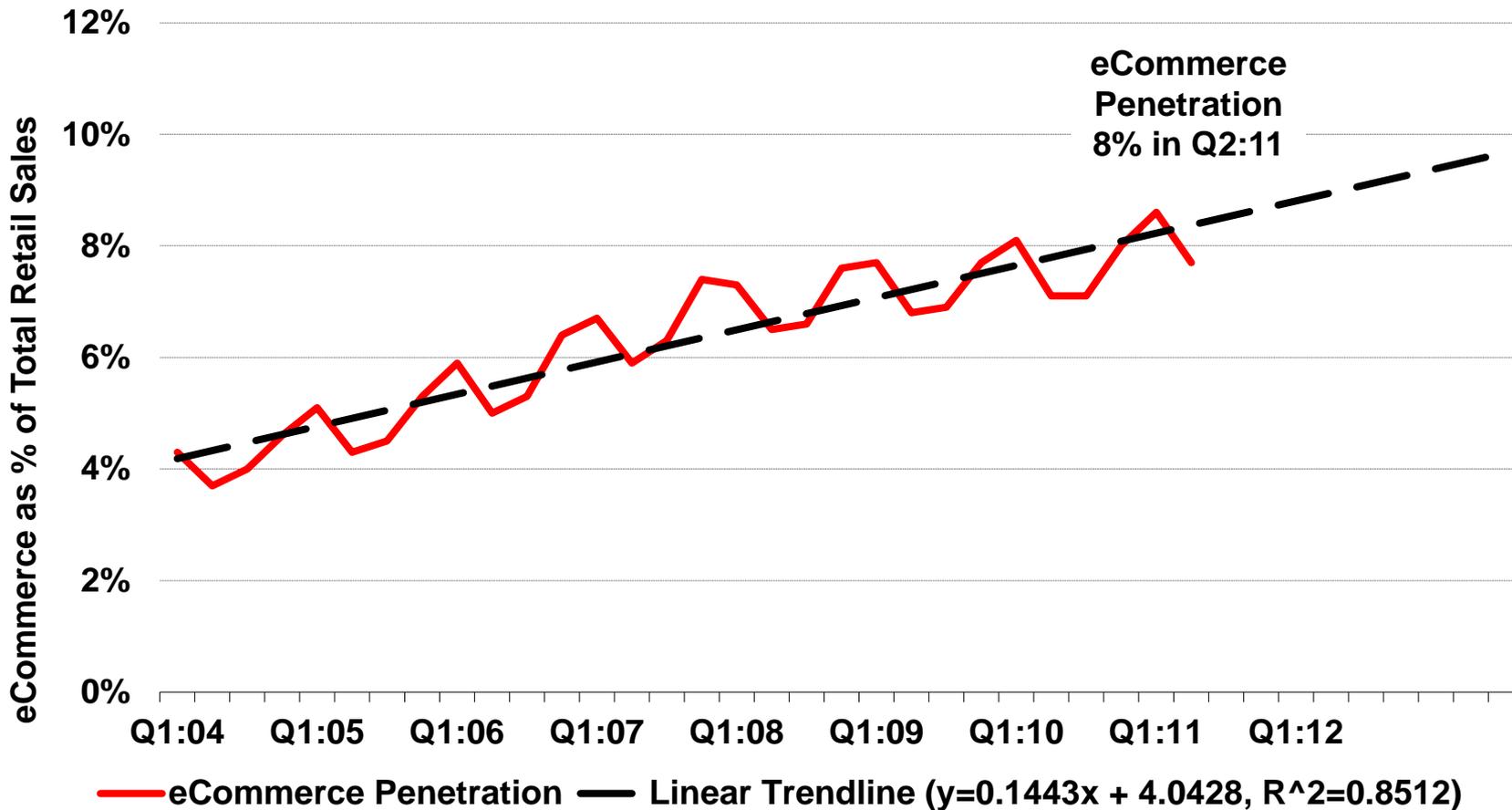
USA Retail Sales & eCommerce Y/Y Growth Rates, Q1:03 – Q2:11



Note: eCommerce sales excludes travel, auto and auctions. Source: U.S. Census Bureau, comScore.

eCommerce Continues to Gain Share from Offline... at 8% Share of USA Commerce with Lots of Headroom

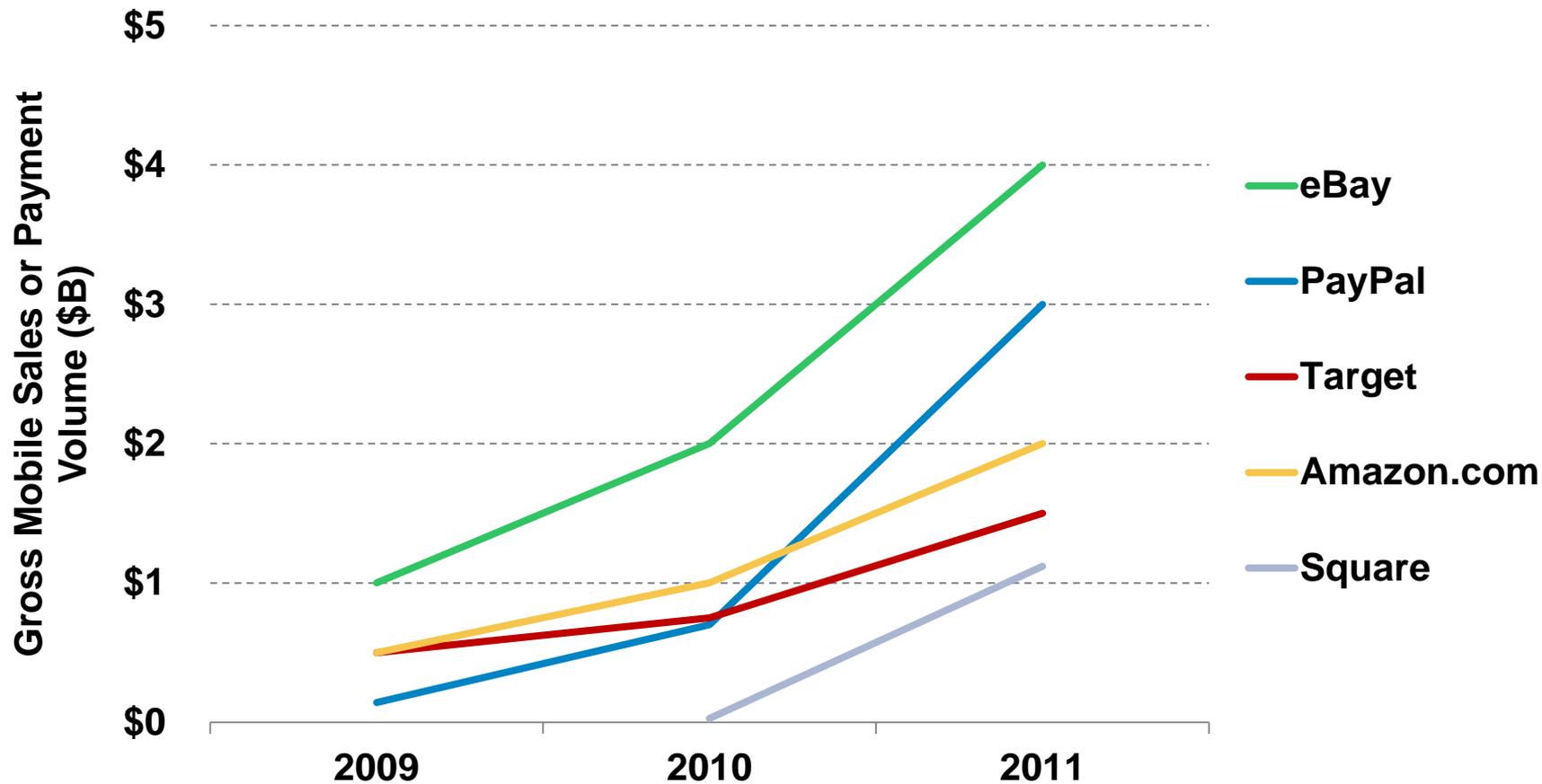
USA eCommerce % Share⁽¹⁾ of Total Retail Sales, Q1:04 – Q4:13E



Note: (1) : e-Commerce share is shown as a percent of DOC's Total Retail Sales excluding Food Service & Drinking, Food & Bev. Stores, Motor Vehicles & Parts, Gasoline Stations and Health & Personal Care Stores
Source: US Dept. of Commerce, comScore.

Mobile Commerce = *We Have Lift Off!*

**Mobile Sales or Payment Volume –
eBay / PayPal / Amazon.com / Target / Square, 2009-2011E**



Note: Amazon.com disclosed 2010 mobile gross sale, 2009 / 2011 data are KPCB estimates.
Source: eBay, Amazon.com, Target, Square.

KP CB Old Magazine Paradigm Finally Comes Alive = It's a Bird, It's a Plane? It's Click & Buy (on Mobile Device)...

The Foyer
SALE STARTS in 2 Days, 12 Hours | [remind me](#) | Share this sale. Earn \$25 when friends buy

Lucita Lamps, Pair
\$169.00 + \$9.95 Shipping
[Shop](#)

PIVE ROOMS IN FIVE DAYS

The Foyer

Your foyer is the first impression of your home. You need it to set the stage. Read on to learn how the right pieces and some simple style tweaks can create a welcome update to your entryway.
Want an elegant greeting? A classic demilune table flanked by romantic sconces and paired with a stately gilded mirror conveys a sophisticated, traditional elegance, yet extends a warm welcome to all who enter.

SHOP NOW! MOVE YOUR CURSOR OVER ANY DOT TO PURCHASE THE ITEMS YOU LOVE IMMEDIATELY.

Love these *Room Ideas*? Click our Like button for more sales like this. [Like](#) 455 people like this.

Sarreid Encore Chest, Cobalt
\$2,290 Retail | \$1,099 Our Price

Vintage Print Gallery, Blue Haeczel
\$400-\$480 Retail | \$189-\$229 Our Price

Global Form Addison Side Chair, Red
\$345 Retail | \$179 Our Price

JETSETTER Search Jetsetter

Featured Sales | Calendar

Banyan Tree Mayak...
Mexico
Flash Sale 1 day left

Explore in 360
32 properties

Europe for the Holidays
12 properties

LET'S GO LEAF-PEEPING
Fall Foliage Hotels
12 properties

Hotel Bosque del Mar
Guanacaste, Costa Rica

In a Mobile-ized / Transparent World = Pricing Matters A LOT!

Reasons for In-Store Purchase Abandonment Among USA Smartphone Users, 7/11



Source: comScore US smartphone user survey, 7/11.

Note: the same survey also indicated that 50% of USA smartphone users have used their smartphones to find a nearby store. So while mobile Internet is helping drive foot traffic to local stores, it is also helping make pricing info more transparent for the consumers.

Local Commerce = Rejuvenated by Mobile

Coupons + Demand Generation

20MM+ Users*

GROUPON

livingsocial

Google offers
beta

plum district

Payments + Inventory Management

2MM+ Users*

Square

OpenTable™

ZocDoc

Reviews + Business Information / Leads

40MM+ Users*

yelp

Google places

Angie's list

Zaarly

Buy and sell anything
with people nearby.

Check Ins + Driving Foot Traffic

15MM+ Users*

foursquare

shopkick

Facebook Places
Who. What. When. And now where.

Gowalla

LOCAL COMMERCE

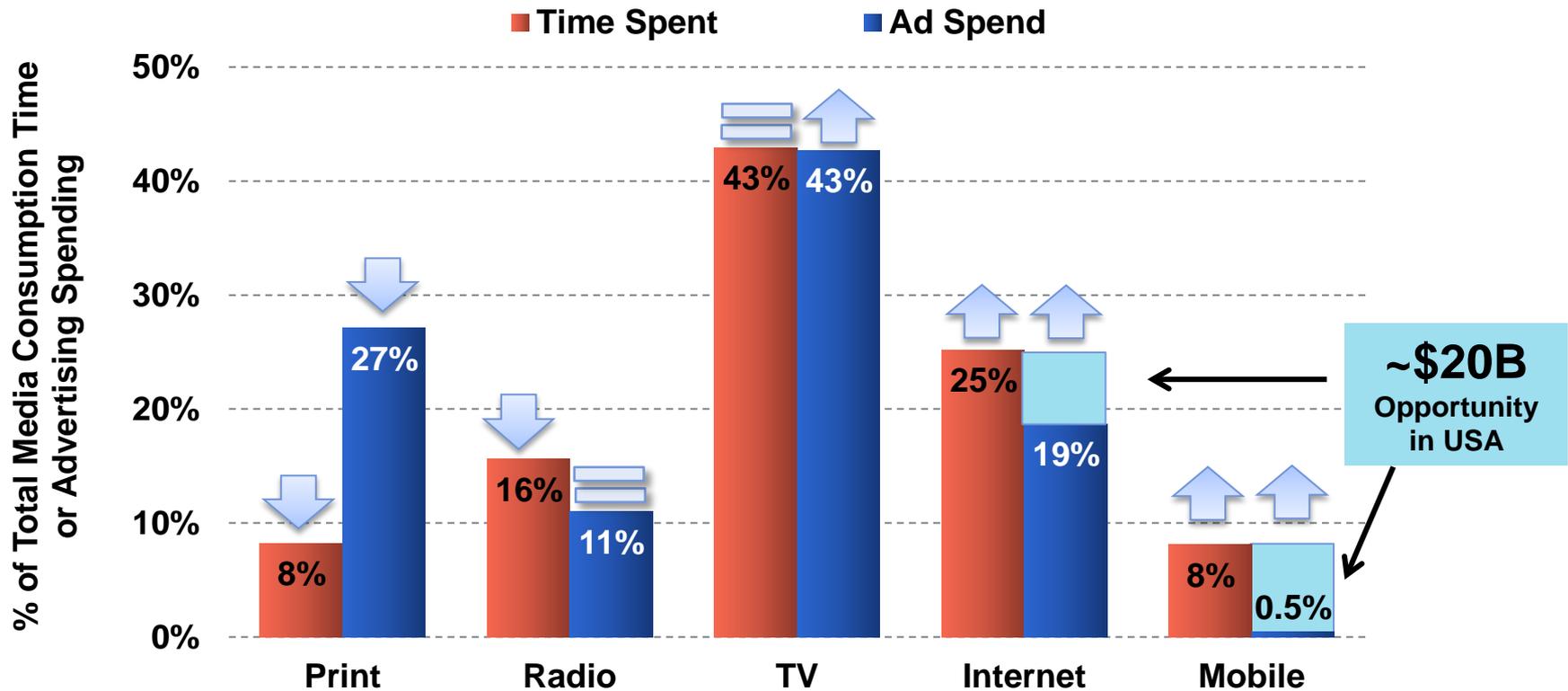
Note: *Users are comScore USA's aggregate monthly unique visitor data for companies listed under each category.
Total USA local advertising for 2011E is \$68B, per Morgan Stanley Research.

ADVERTISING – LOOKIN' GOOD...

Media Time Spent vs. Ad Spend Still Out of Whack

Internet / Mobile (upside...) vs. Print (downside...)

% of Time Spent in Media vs. % of Advertising Spending, USA 2010



Note: Print includes newspaper and magazine. \$20B opportunity calculated assuming Internet and Mobile ad spend share equal their respective time spent share. Source: eMarketer, 3/11.

Advertising \$s Follow Eyeballs – Ad Revenue per User = \$49 in 2011E vs. \$0 in 1994E

	1995E	2011E
Global Internet Ad Revenue	\$55MM	\$73B
Ad Revenue per User	\$9	\$49
Global Internet Users	6MM	1.5B

Source: Global online ad revenue per Jupiter Communications (1995), ZenithOptimedia (2011). Internet users per Morgan Stanley estimate (1995) and comScore (2011). We note that comScore reports a lower global Internet user # than International Telecommunications Union.

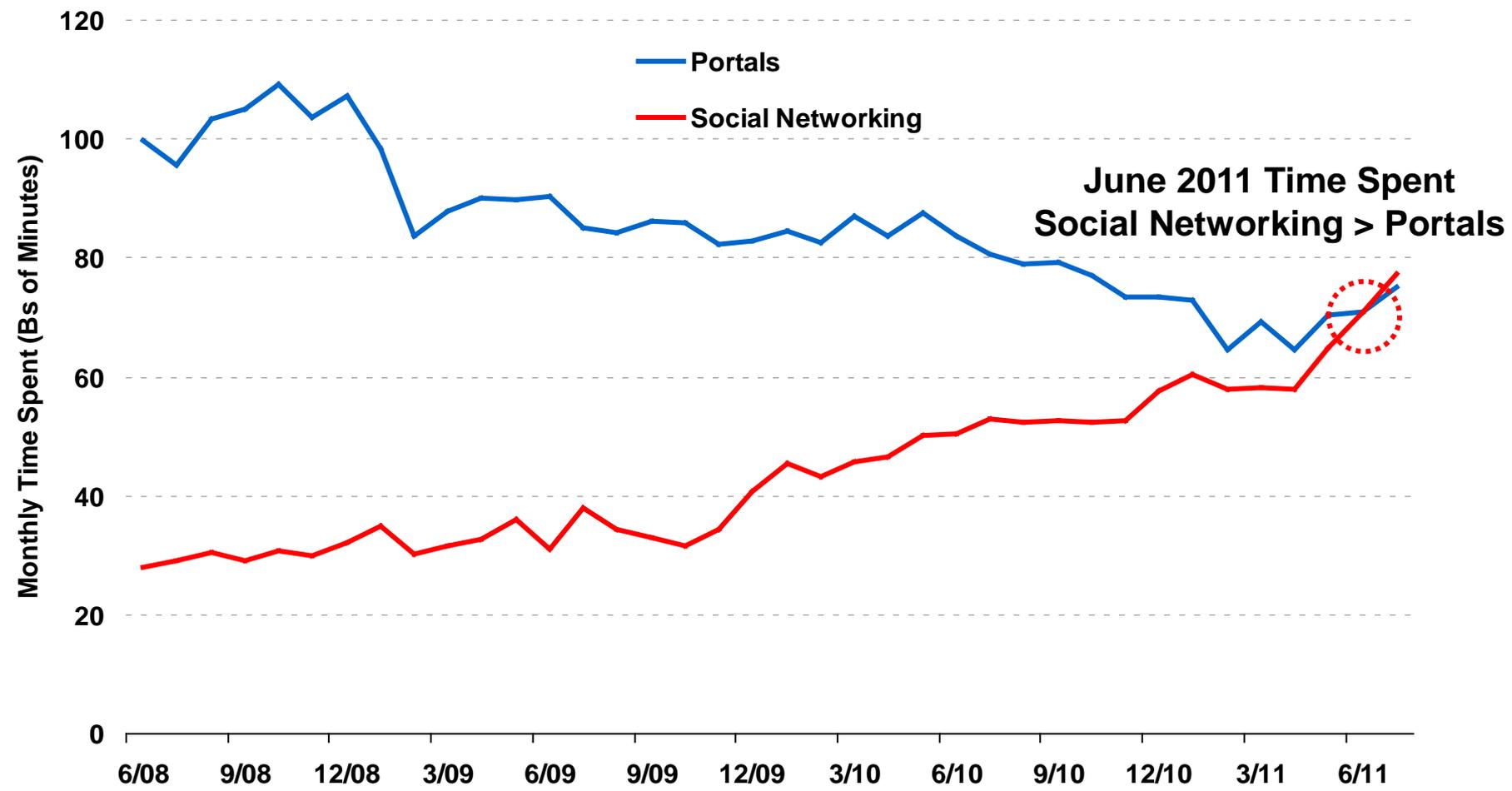
Google Paid Clicks & Cost-Per-Click Continue to Grow Rapidly; Mobile Helping

	Q2:10	Q3:10	Q4:10	Q1:11	Q2:11	Q3:11
Gross Advertising Revenue (\$MM)	\$6,562	\$7,032	\$8,167	\$8,306	\$8,716	\$9,335
<i>Y/Y Growth</i>	23%	22%	26%	28%	33%	33%
Aggregate Paid Clicks (MM)	12,651	13,157	14,669	15,245	15,004	16,876
<i>Y/Y Growth</i>	15%	16%	18%	17%	18%	28%
Cost per Click (CPC - \$)	\$0.52	\$0.53	\$0.56	\$0.54	\$0.58	\$0.55
<i>Y/Y Growth</i>	7%	6%	7%	10%	12%	4%

Source: Google, Morgan Stanley Research.

Time Spent on Social Networking Sites Surpassed Portals, June 2011, USA

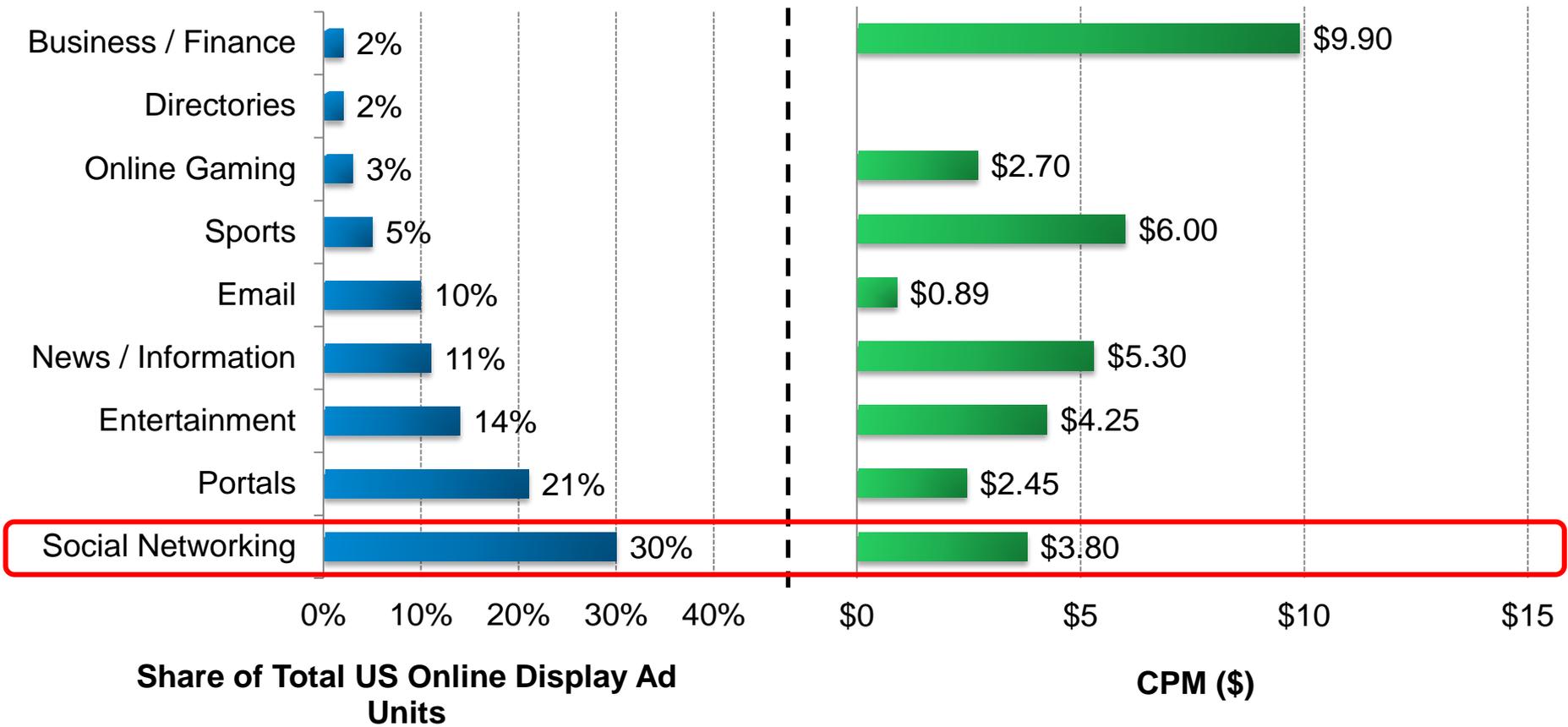
USA Monthly Time Spent, Portals vs. Social Networking Sites, 6/08 – 7/11



Source: comScore Media Metrix USA panel-only data.

Social Networking CPMs = Have Begun to Punch Closer to Their Weight

**Share of Total USA Online Display Ad Units (as of 8/11) + CPM (as of Q3:11),
by Top Publisher Categories**



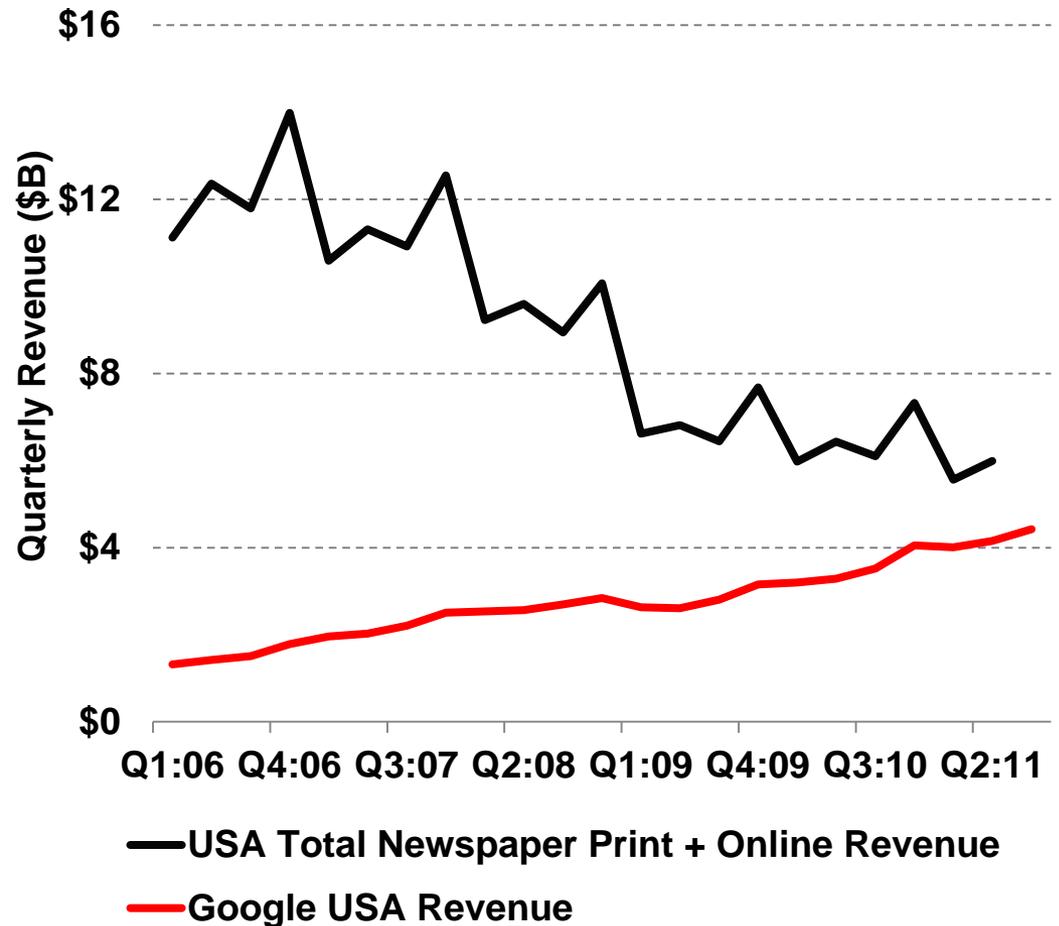
Source: comScore, Display ad unit share as of 8/11, CPM data per Vivaki, as of Q3:11.

CONTENT CREATION – CHANGED FOREVER...

Content Commoditization – Value Shift from Creators to Aggregators

- Newspapers, once the bastions of content creation / curation, are experiencing 5th straight year of declining revenue.
- With undifferentiated products, price is competed down to marginal cost. And the marginal cost for digital content is \$0.
- How does one create differentiated content in an economically viable manner, when few want to pay for it? – For insights, check out Joanne Bradford’s Web 2.0 presentation.

USA Total Newspaper Print + Online Revenue vs. Google USA Revenue, Q1:06 – Q2:11



Source: Demand Media.

Note that Search = ~50% of USA Online Ad Revenue (\$15B based on Q2 run rate) in 2011 vs. <5% in 2001;

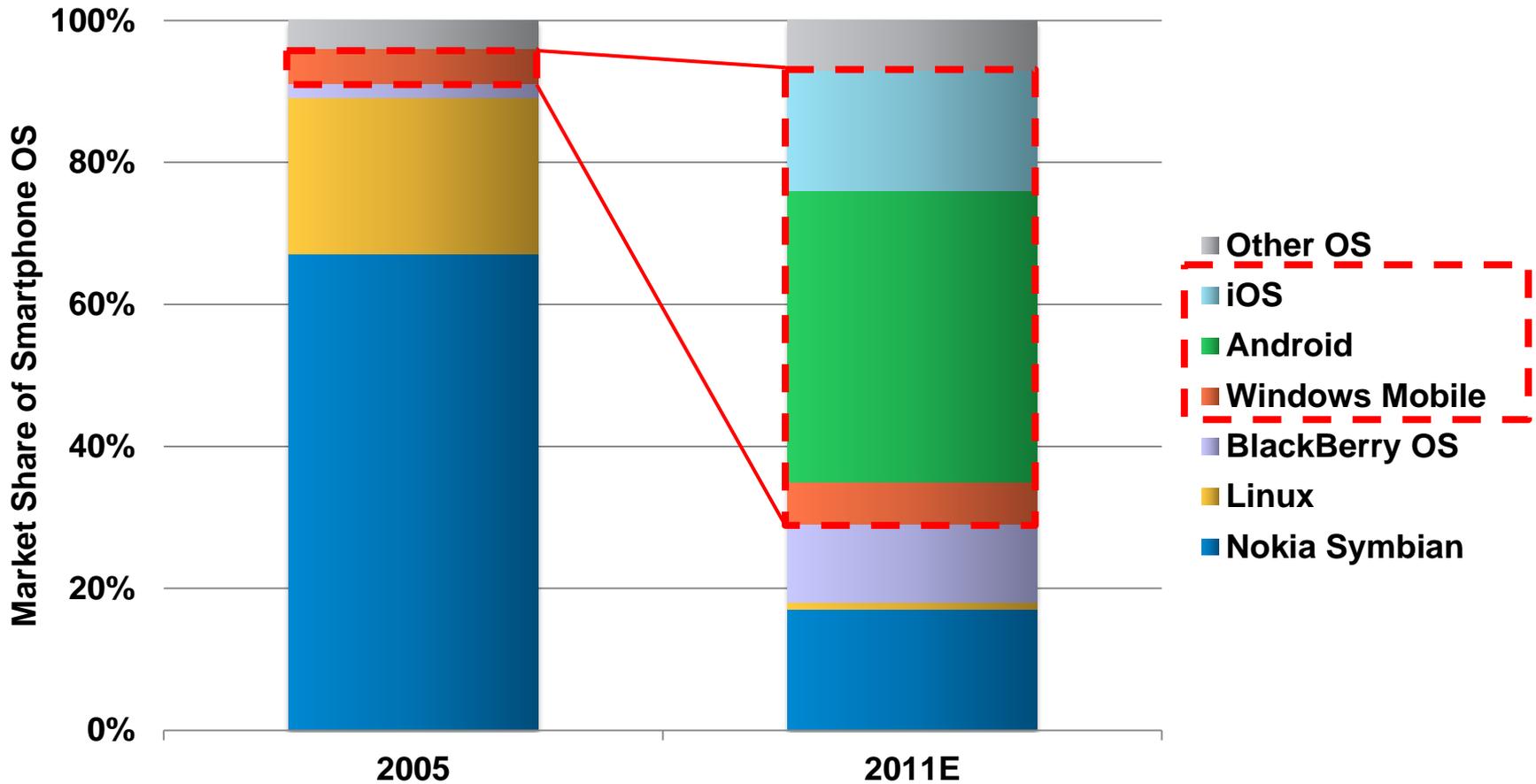
Display = 23% of Online Ad Revenue (\$7B) in 2011 vs. 62% in 2001

TECHNOLOGY / MOBILE LEADERSHIP – AMERICANS SHOULD BE PROUD

- **Smartphones + tablets outshipped PCs (notebooks + desktops) in Q4:10.**
- **Windows operating system fell to installation on <50% of Internet-enabled devices in Q2:10.**

'Made in USA' Smartphone Operating Systems = 64% Share from 5% Five Years Ago

Smartphone Operating System Market Share, 2005 vs. 2011E



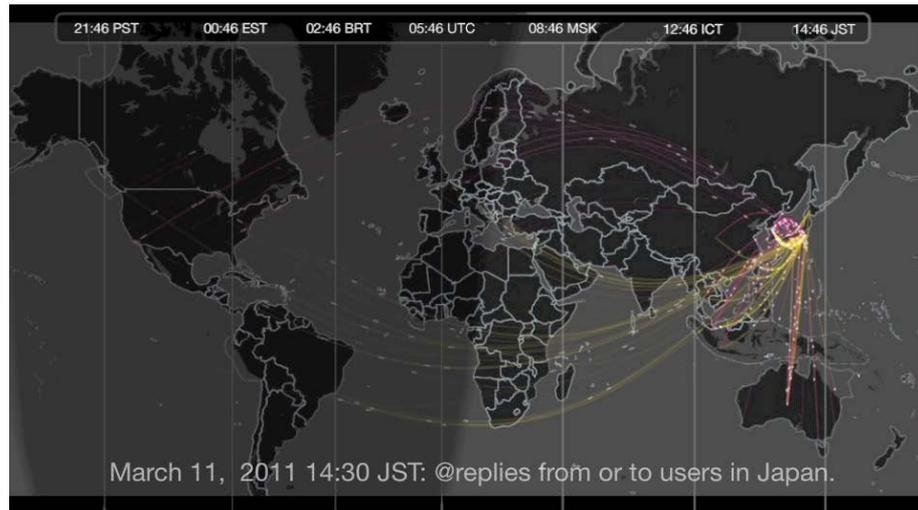
Source: Morgan Stanley Research, Gartner.

- **Pace of innovation in Silicon Valley may be unprecedented.**
- **Intensity / focus / leadership of USA-based companies (Apple / Google / Amazon.com / Facebook) may be unprecedented.**
- **Combination of technology improvements and elegant design may be unprecedented.**

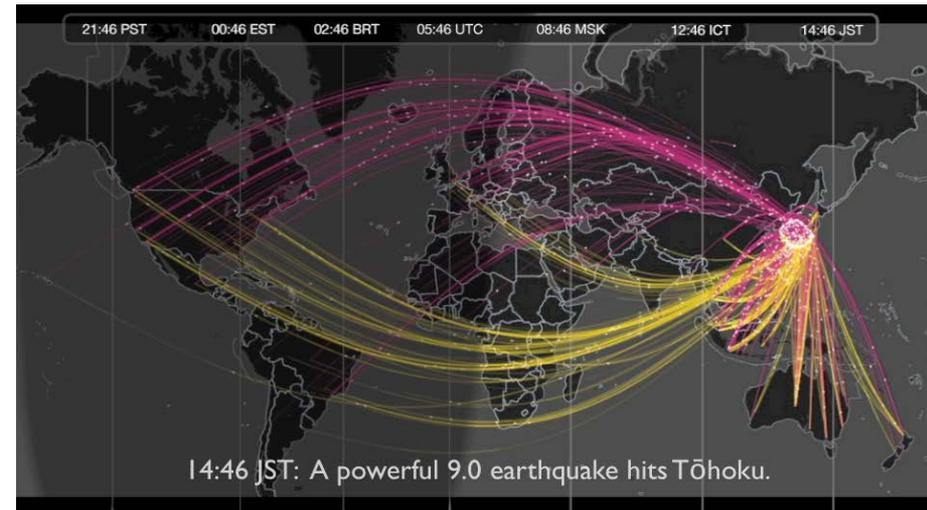
**MEGA-TREND OF 21ST
CENTURY =
EMPOWERMENT OF PEOPLE VIA
CONNECTED MOBILE DEVICES**

16 Minutes Before / After Japan Earthquake on 3/11/11 Snapshots of @replies From & To Twitter Users in Japan

2:30pm Japan Time
Before Earthquake / Tsunami



2:46pm Japan Time
After Earthquake / Tsunami



In 140-character bites, the story unfolded: the shock and terror; the sense of human frailty mixed with lifesaving information; the messages of those seeking comfort and those seeing some kind of divine retribution, all mixing at hyper-speed.

– LATimes, 3/11/11

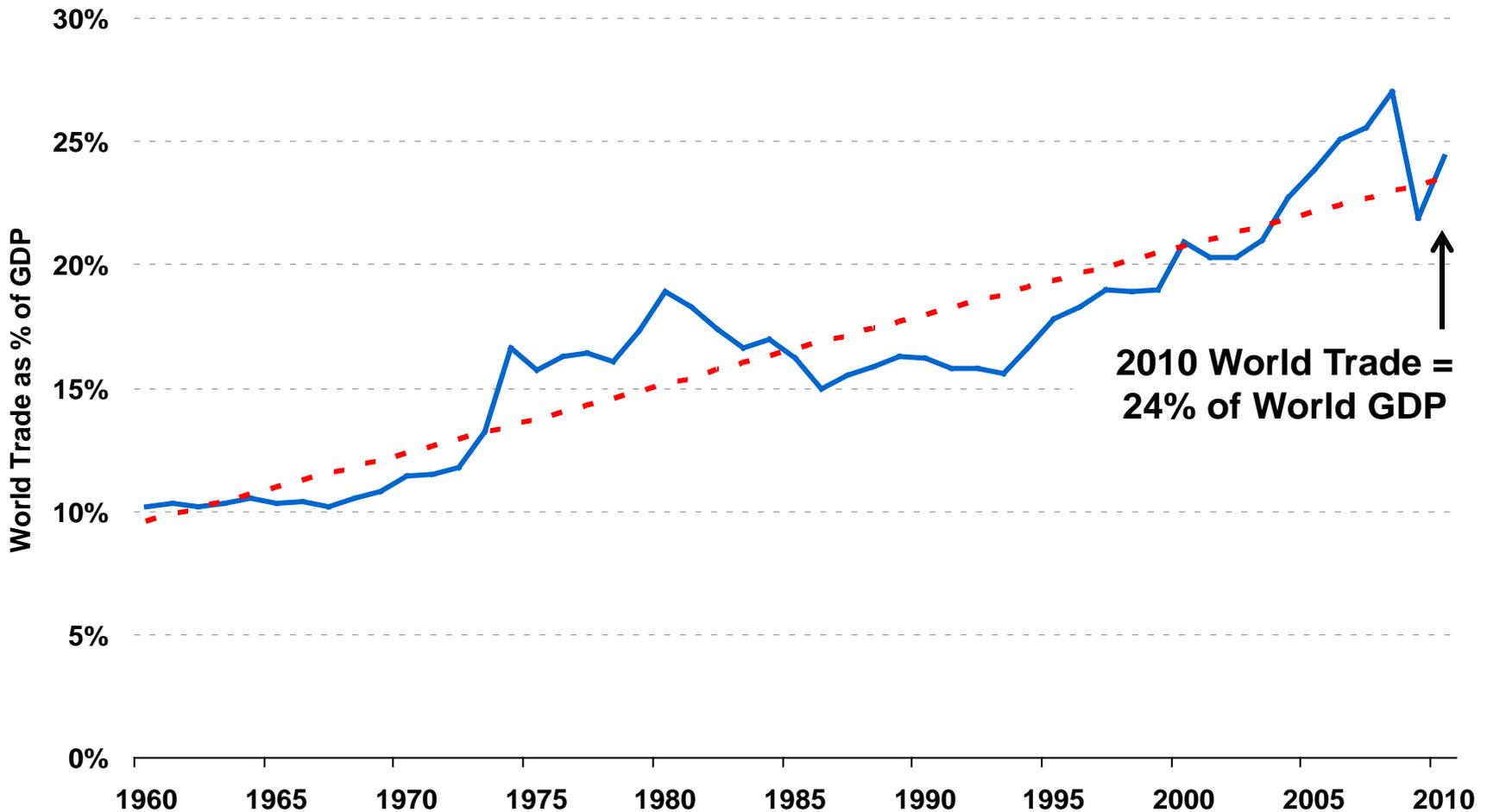
Note: Yellow lines indicate tweets coming out of Japan; Pink lines indicate tweets coming into Japan. Source: Twitter.

- **85%** of world's population covered by commercial wireless signals, providing greater reach vs. electrical grid (80%).*
- **200MM+** farmers in India receiving government payments / subsidies via mobile devices.**

Source: *GSM Association, United Nations. **There are 90MM Kisan credit card users and 118MM job card users, both of which do not require bank accounts but utilize mobile phones as identity verification / payment confirmation, per Ministry of Rural Development, Government of India.

Global Economies / People = Increasingly Connected / Co-Dependent

World Trade as % of World GDP, 1960 - 2010



Note: World trade calculated as the sum of all countries' imports (or exports). The biggest trading partners of USA includes EU nations, Canada, China, Mexico, Japan and South Korea. Source: Trade data per World Trade Organization (WTO), GDP data per United Nations (UN).

AUTHENTIC IDENTITY – THE GOOD / BAD / UGLY. BUT MOSTLY GOOD?

Authentic Identity – The Good / Bad / Ugly. But Mostly Good?

With 800MM global active Facebook users...50% that log on in any given day...with an average of 130 friends...and an average of 80 community pages / groups / events...and more than 250MM photos uploaded per day and 350MM active mobile users...*

And 835MM smartphone users (likely ramping to 1.4B within two years)...

It's hard to hide. The 'truth' is often just a photo/click–send away.

'Clean, well-lighted place to do business?' 'People are basically good?'

In a world with tremendous uncertainty – owing to the rapid ramp in always-on, connected citizens of the world, perhaps, the world is on the cusp of being safer than ever?

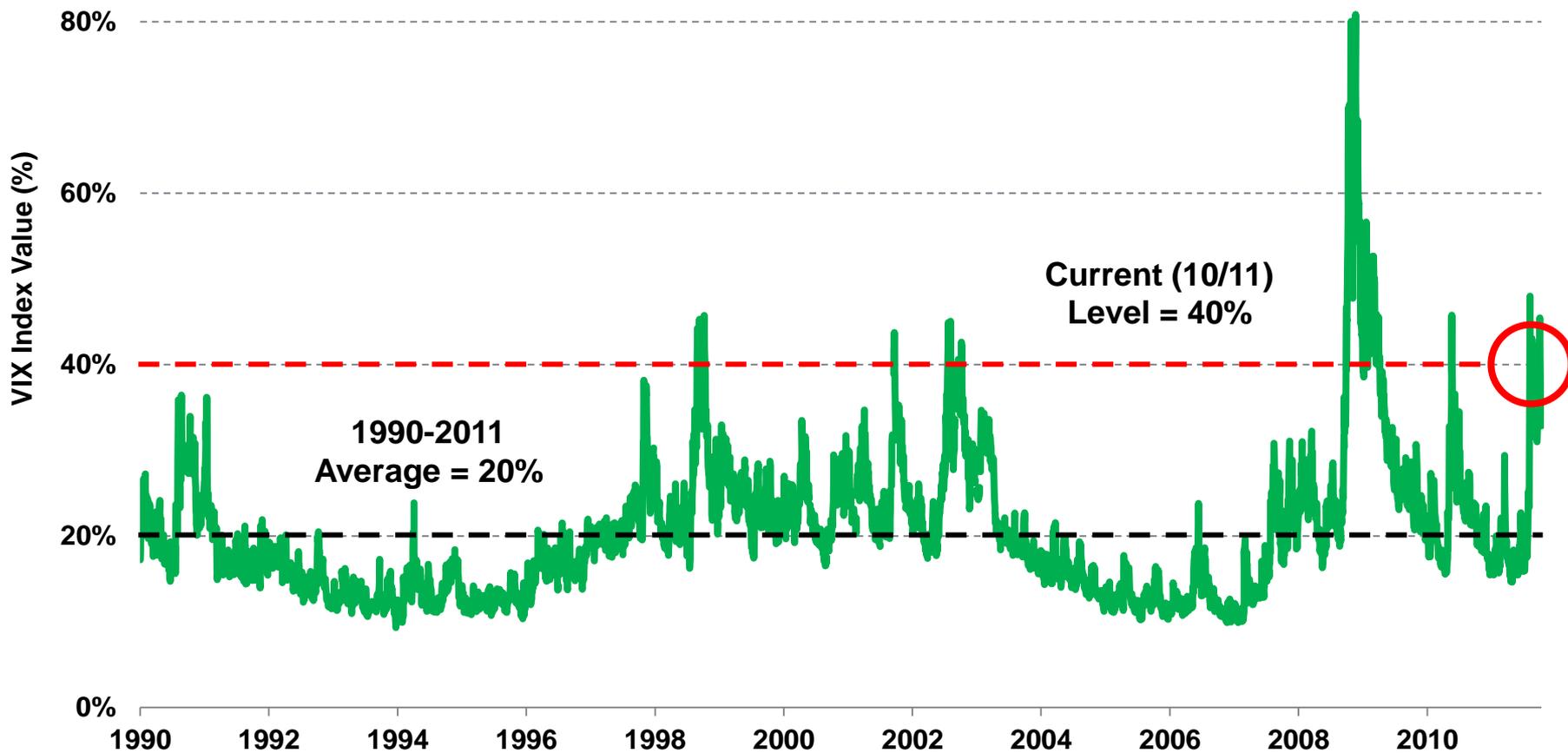
There are lots of sacrifices. This is new terrain.

Only time will tell how all this plays out...

ECONOMY – LOTS OF UNCERTAINTY

Stock Market Volatility = 2x Historical Average, Illustrating Uncertainty

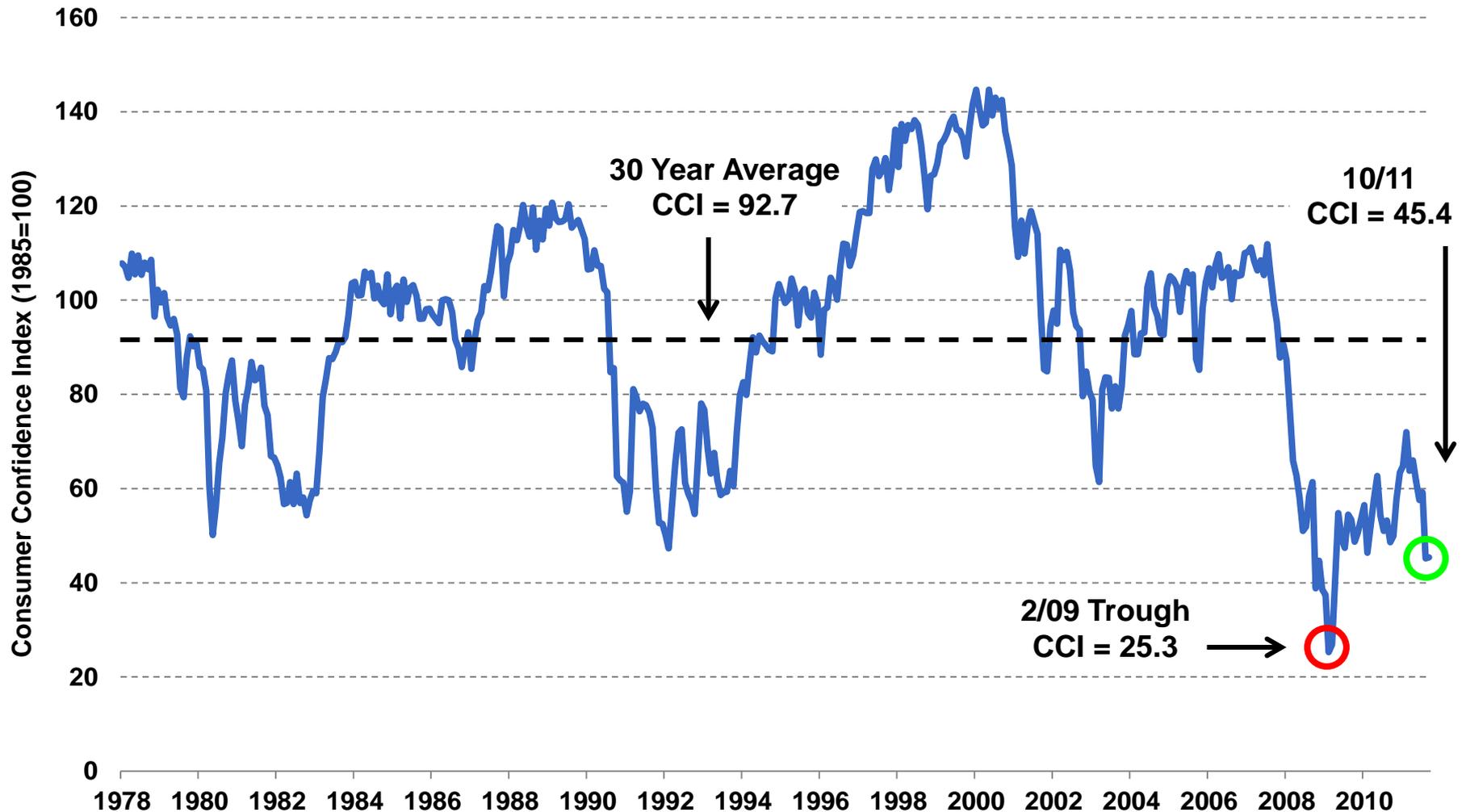
Chicago Board Options Exchange (CBOE) Volatility Index (VIX), 1990 – 2011 YTD



Note: Data as of 10/11. VIX is a measure of implied volatility of S&P 500 index options.
Source: CBOE, Morgan Stanley Research.

Consumer Confidence = Well Below Historical Average, Illustrating Uncertainty

The Conference Board Consumer Confidence Index, 1978 – 2011 YTD

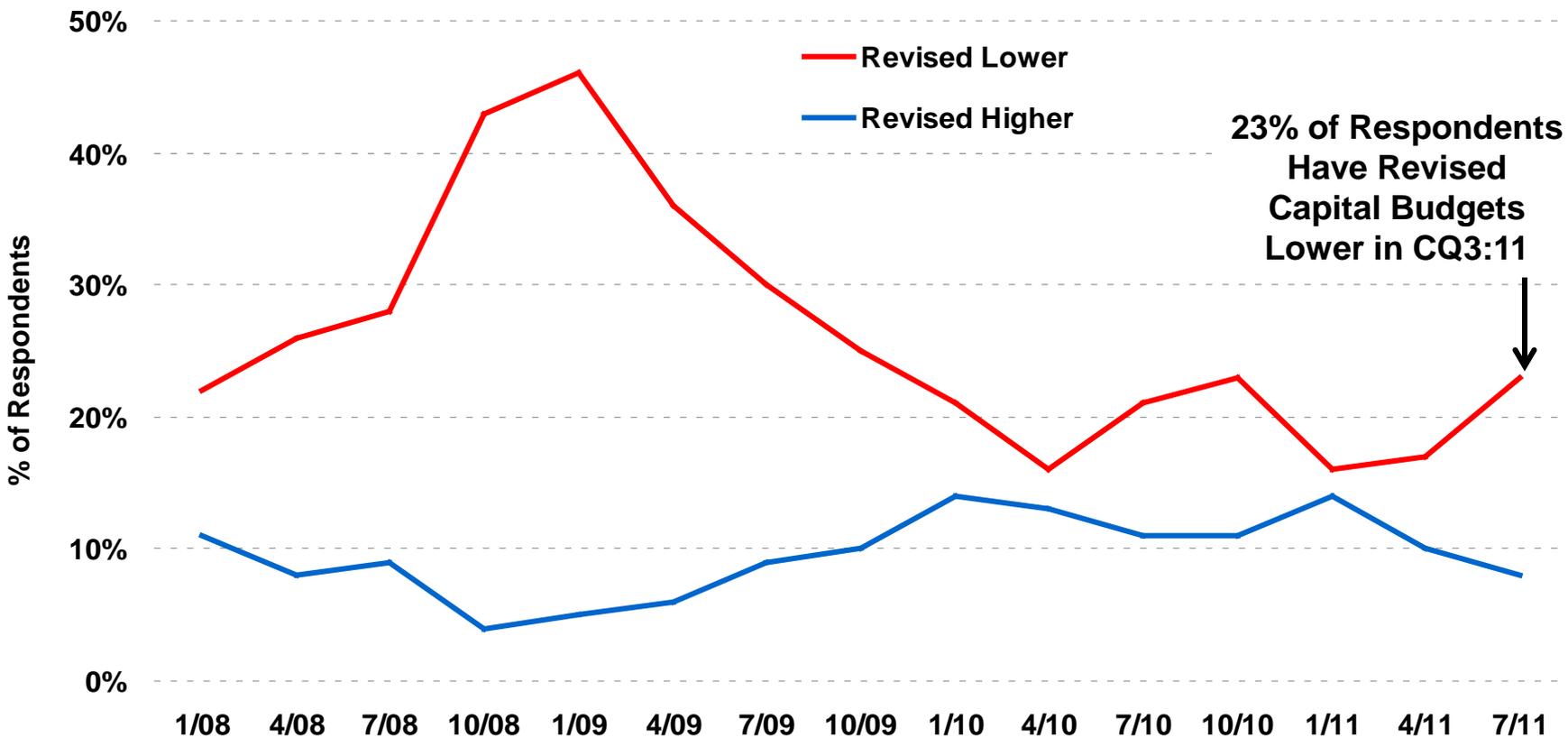


Note: Index started in 1967 / benchmarked to 1985=100. The Index is calculated each month on the basis of a household survey of consumers' opinions on current conditions and future expectations of the economy. Source: The Conference Board, 10/11.

USA Corporate Capital Spending Budgets = Being Revised Down, Illustrating Uncertainty

Survey Results of Corporate Capital Spending Budget Revisions, 1/08 – 7/11

Think about your company's overall capital budget for the current quarter, have there been any adjustments made over the past 90 days?



Source: ChangeWave Research.

GDP Growth Forecasts = Being Revised Down, Illustrating Uncertainty

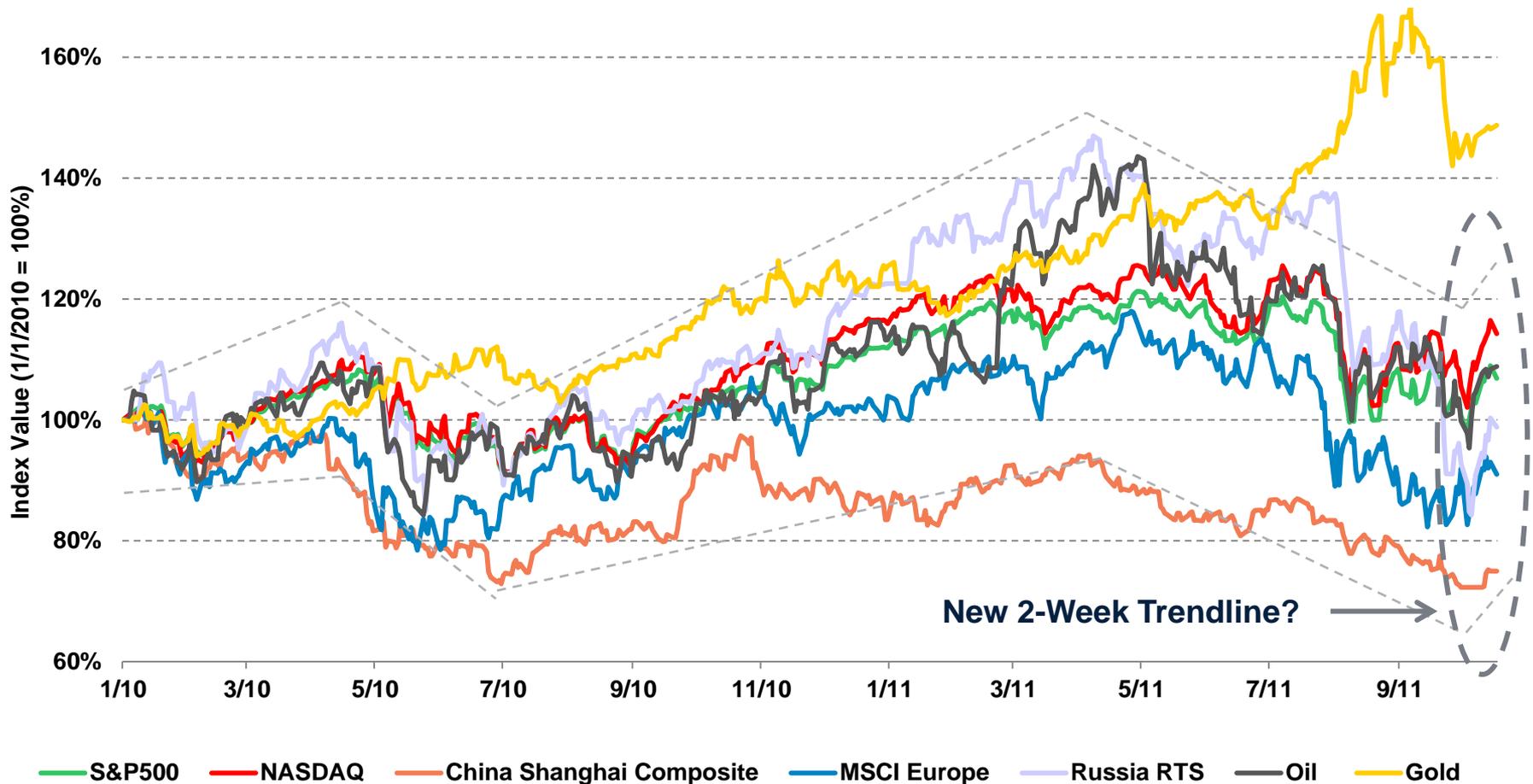
Country / Region	2009	2010	IMF Forecasts, 9/11		Difference from 6/11 IMF Forecasts	
			2011E	2012E	2011E	2012E
USA	-3.5%	3.0%	1.5%	1.8%	-1.0%	-0.9%
Euro Zone	-4.3	1.8	1.6	1.1	-0.4	-0.6
UK	-4.9	1.4	1.1	1.6	-0.4	-0.7
Japan	-6.3	4.0	-0.5	2.3	0.2	-0.6
China	9.2	10.3	9.5	9.0	-0.1	-0.5
India	6.8	10.1	7.8	7.5	-0.4	-0.3
Russia	-7.8	4.0	4.3	4.1	-0.5	-0.4
Brazil	-0.6	7.5	3.8	3.6	-0.3	0.0
Developed Markets	-3.7	3.1	1.6	1.9	-0.6	-0.7
Emerging Markets	2.8	7.3	6.4	6.1	-0.2	-0.3
World	-0.7	5.1	4.0	4.0	-0.3	-0.5

Note: Data is annual GDP percent change. Source: IMF World Economic Outlook, 9/11.

Stock Markets = Often Leading Indicators of Economic Activity

Russia -33% from 52-Week High; Oil (-24%) / China (-23%) / Europe (-23%) / S&P500 (-12%) / Nasdaq (-9%)

Stock / Commodity Markets Performance (% Change From 1/10), 1/10 – 10/11

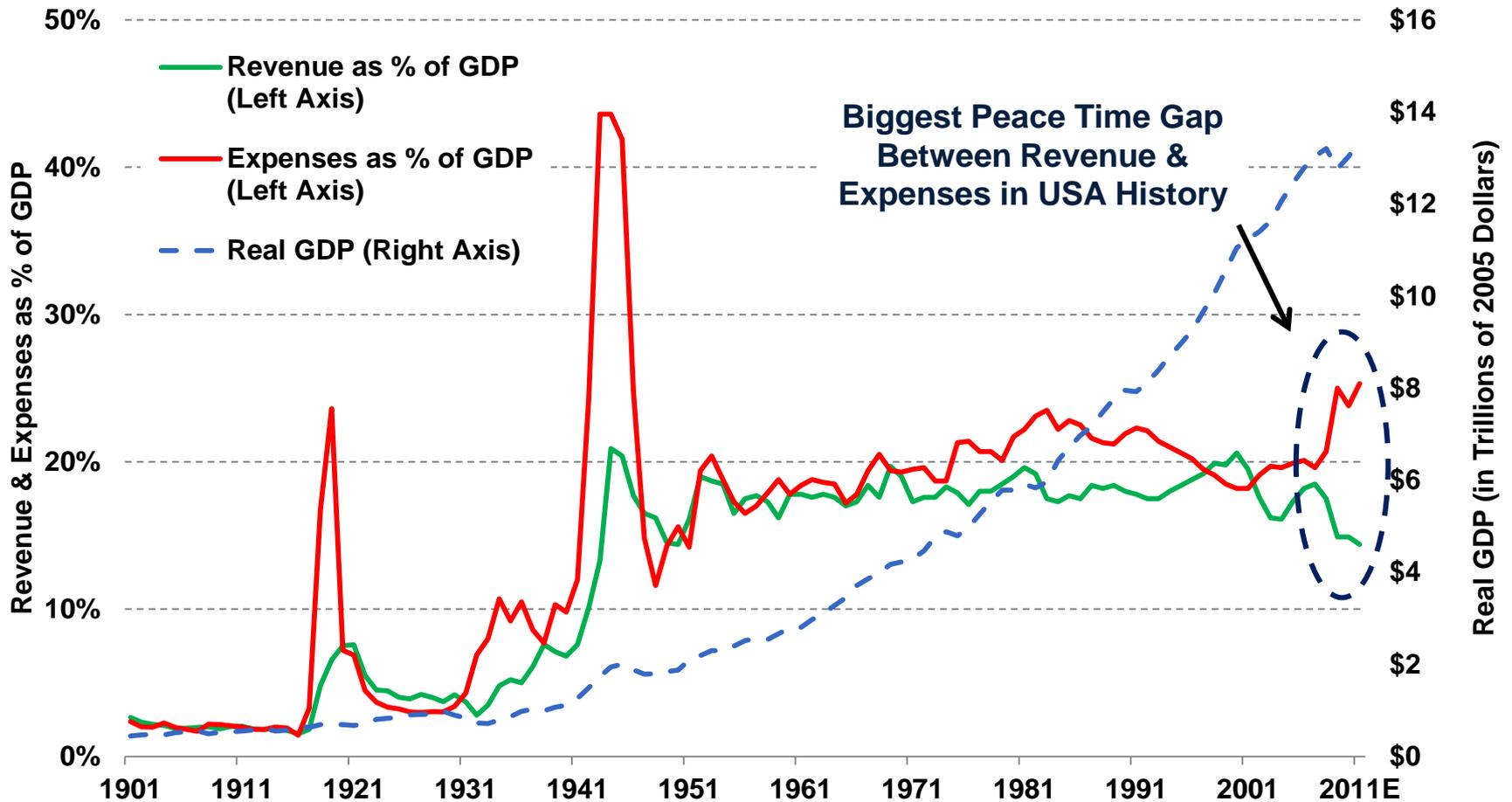


Note: All values are indexed to 1 (100%) on Jan 1, 2010. Data as of 10/17/11.
Source: Morgan Stanley Research, Yahoo! Finance.

USA INC. – PAY ATTENTION!

America's Revenue & Expenses as % of GDP Over 110 Years; Current State = Revenue Problem? Spending Problem?

USA Inc. Revenue & Expenses as % of GDP, 1901 – 2011E



Source: 1910 – 1930 per Census Bureau, 1940-2010 per White House OMB. Real GDP adjusted for inflation, in 2005 dollars.

America's Income Statement – -60% Net Margin in F2010

USA Inc. Profit & Loss Statement, F1995 / F2000 / F2005 / F2010

	F1995	... F2000	... F2005	... F2010	Comments
Revenue (\$B)	\$1,352	\$2,026	\$2,154	\$2,163	On average, revenue grew 3% Y/Y over past 15 years
Y/Y Growth	--	11%	15%	3%	
Individual Income Taxes*	\$590	\$1,005	\$927	\$899	Largest driver of revenue
<i>% of Revenue</i>	44%	50%	43%	42%	
Social Insurance Taxes	\$484	\$653	\$794	\$865	Payroll tax on Social Security + Medicare
<i>% of Revenue</i>	36%	32%	37%	40%	
Corporate Income Taxes*	\$157	\$207	\$278	\$191	Fluctuates significantly with economic conditions
<i>% of Revenue</i>	12%	10%	13%	9%	
Other	\$120	\$161	\$154	\$208	Includes estate & gift taxes / duties & fees; relatively stable
<i>% of Revenue</i>	9%	8%	7%	10%	
Expense (\$B)	\$1,516	\$1,789	\$2,472	\$3,456	On average, expense grew 6% Y/Y over past 15 years
Y/Y Growth	--	5%	8%	-2%	
Entitlement / Mandatory	\$788	\$937	\$1,295	\$1,984	Significant increase owing to aging population + rising healthcare cost
<i>% of Expense</i>	52%	52%	52%	57%	
Non-Defense Discretionary	\$223	\$335	\$497	\$431	Includes education / law enforcement / transportation...
<i>% of Expense</i>	15%	19%	20%	12%	
"One-Time" Items	--	--	--	\$152	Includes discretionary spending on TARP, GSEs, and economic stimulus
<i>% of Expense</i>	--	--	--	4%	
Defense	\$272	\$294	\$495	\$694	Significant increase owing to on-going War on Terror
<i>% of Expense</i>	18%	16%	20%	20%	
Net Interest on Public Debt	\$232	\$223	\$184	\$196	Decreased owing to historic low interest rates
<i>% of Expense</i>	15%	12%	7%	6%	
Surplus / Deficit (\$B)	-\$164	\$237	-\$318	-\$1,293	USA Inc. median net margin between 1995 & 2010 = -8%
Net Margin (%)	-12%	12%	-15%	-60%	

Note: USA federal fiscal year ends in September; *individual & corporate income taxes include capital gains taxes. Non-defense discretionary includes federal spending on education, infrastructure, law enforcement, judiciary functions... Source: White House Office of Management and Budget.

America's Debt Level Relative to Other Countries – You Do the Math...

Rank	Country	2010 Gross Government Debt (\$MM)	% of GDP
1	Japan	\$12,009	220%
2	Jamaica	19	143
3	Greece	436	143
4	Lebanon	53	134
5	Iraq	97	120
6	Italy	2,445	119
7	Belgium	452	97
8	Singapore	214	96
9	Ireland	196	95
10	USA	13,707	94
11	Portugal	213	93
12	Iceland	12	92
13	Germany	2,759	84
14	Canada	1,324	84
15	France	2,110	82

Rank	Country	2010 Gross Government Debt (\$MM)	% of GDP
16	Hungary	\$105	80%
17	Israel	168	77
18	UK	1,699	76
19	Egypt	161	74
20	Austria	272	72
21	Sudan	47	72
22	Brazil	1,397	67
23	Jordan	18	67
24	Côte d'Ivoire	15	67
25	India	1,046	64
26	Netherlands	497	64
27	Cyprus	14	61
28	Spain	848	60
29	Uruguay	23	57
30	Pakistan	100	57

Note: Ranking excludes countries with gross government debt less than \$10MM in 2010. Gross government debt includes intragovernment obligations (such as Treasuries held by the Social Security Trust Fund in US' case).

Source: The International Monetary Fund (IMF).

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CLOSING THOUGHTS

Economy – *Often darkest before dawn.* At least we know what the problems are. Now we need the resolve to fix them. Across-the-board sacrifice needed.

Tech Industry – Wow! Unprecedented times! *If you can keep your head when all about you are losing theirs... **

*Rudyard Kipling - 'If'

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