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Testimony of:

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Introduction

Chairman Gowdy, Ranking Member Lofgren and members of the subcommittee, my name is Deepak Kamra and I am a general partner of Canaan Partners, a venture capital firm founded in 1987, based in Menlo Park, California and investing in startup companies in the technology and healthcare sectors both here in the United States and globally. In addition to my responsibilities as a venture investor, I also served on the Board of Directors of the National Venture Capital Association (NVCA) based in Arlington, Virginia. The NVCA represents the interests of more than 400 U.S. venture capital firms, which comprise more than 90 percent of the venture industry's capital under management.

Prior to my career as a venture capitalist, I was an entrepreneur and part of a team that founded Aspect Communications, a call center software company that went public in 1990 and today is headquartered in Massachusetts, employing approximately 2,000 people. Of particular interest to this hearing and subcommittee, I am also an immigrant, born in India, raised in Canada, educated at Harvard, and now a U.S. citizen.

I am extremely proud of the work that I do each day, investing time and energy into people who turn visionary ideas into amazing companies that employ thousands of

Americans. As an immigrant, I am here by choice after successfully securing a green card in 1985. But the road was not easy and, due to current U.S. immigration policy, it has become increasingly difficult for today's foreign born entrepreneurs to make the same choice that I did -- to build a ground-breaking startup company in the United States.

It is my privilege to share with you, on behalf of this vital community of immigrants, my story and perspective on the important role that foreign-born entrepreneurs play in U.S. job creation and economic growth, and why the risk we face of losing these individuals and their companies to other countries has never been greater. I also appreciate the opportunity to express support for a new StartUp Visa category which would be an extremely positive step in welcoming the best and brightest entrepreneurs to our shores in a manner that we can manage and monitor well.

I would like to thank the chairman and the committee for holding this hearing in recognition that this issue is a critical one to our country's future. There have been many proposals put on the table, and I am certain that these efforts, including the creation of a Startup Visa category, will send a signal to the world that our country is not only "open for business" but also very eager to welcome highly skilled and highly motivated immigrants who share the dream of succeeding in America. This is a message that unfortunately is not being conveyed today.

My Story

Every immigration story is unique, but the challenges associated with foreign-born entrepreneurs all seem to rhyme in one way or another. Mine is just one example.

I was born in India in 1956 to parents who wanted a better life for our family. Their destination of choice was the United States, but U.S. immigration restrictions ruled out America. So, my parents chose Canada, where we moved when I was 10 years old. I was raised in the province of Ontario and graduated from Carleton University with a Bachelor of Commerce and a concentration in computer sciences. After getting my undergraduate degree, I was accepted at Harvard Business School and moved to Boston at the age of 21 on an F1 visa. Upon graduation from Harvard, I had a job opportunity at

ROLM, a California-based telecom company where I had interned over the summer. Unfortunately, they were not able to secure an H-1B visa for me. So, I had to return to Canada, where I reluctantly took a job with a Canadian company for three years. All the while, I very much wanted to go back to the United States. Fortunately, I made a lasting impression on ROLM which finally did secure the H-1B visa for my return in 1983.

While working for ROLM, I had ideas for startup companies that would develop innovative products for the telecommunications industry. Unfortunately, like many immigrants with entrepreneurial aspirations, I was unable to leave my employer without putting my H-1B visa status at risk. Ultimately, I hired my own lawyer to support my efforts to convert my H-1B to a green card which would allow me to stay in the U.S. permanently. Only after securing my green card was I able to work with a team of co-founders to launch Aspect Communications, a call center software company that went public in 1990 and today has more than $400 million in revenues. I joined Canaan Partners, a technology venture capital firm in 1991 to help entrepreneurs like myself start new companies. And, I proudly became an American citizen in 1994.

The challenges I faced are similar to those faced by many immigrant entrepreneurs today. While the United States was my family's first choice and eventually my own as well, entering the country and remaining here as a company founder was quite trying, despite my motivation to innovate and create significant value for our economy and society. This same story continues to play out time and time again for today's immigrants with entrepreneurial dreams. Unfortunately, the ending is not always a good one for the entrepreneur or for our country. Every time we turn another entrepreneur away, we are forsaking the innovation, jobs and value that their newly-formed companies create elsewhere.

The Start-Up Economy and Immigrant Entrepreneurs: A Powerful Combination

When considering legal immigration reform, it is important to recognize the two elements that have been critical to driving U.S. economic growth and job creation – venture-backed startup companies and immigration. Separately, these elements have helped to

differentiate our country from all others. When harnessed together, they are instrumental in maintaining our global economic leadership.

According to a 2011 IHS Global Insight report, companies that were founded as small start-ups with venture capital accounted for 12 million jobs and $3.1 trillion in revenues in the United States. These figures equate to 11 percent of private U.S. employment and 21 percent of our country's GDP. Venture-backed companies are responsible for the creation of entire industry sectors here in America including semiconductors, biotechnology, Internet content and software. Today, we are creating the companies that will serve as the cornerstones for cloud-based computing, Internet security, healthcare, social media and new energy. Companies founded with venture capital that are household names today include Apple, Genentech, Starbucks, Facebook, Home Depot and FedEx. With more than 18,000 companies having received venture funding in the last five years, the next generation of successful companies innovating in high technology, life sciences and new energy are poised to follow in their footsteps.

While America's start-up economy would not be what it is today without venture capital, the same can be said for immigrant entrepreneurs. According to *American Made*, a study conducted in 2006 by the National Foundation for American Policy and commissioned by the NVCA, approximately 25 percent of U.S. public companies that were venture financed since 1990 were founded or co-founded by immigrant entrepreneurs. These companies include Intel, Google, Sun Microsystems, eBay, Juniper Networks, WebEx and Watson Pharmaceuticals. Further, a 2006 survey of start-ups backed with venture capital revealed nearly half (47 percent) had immigrant founders. These companies are hiring U.S. workers, paying taxes and creating value for American shareholders every day. The NVCA is in the process of updating this study, and we are highly confident that the interest of immigrants in forming companies in the U.S. remains strong.

As a venture capitalist investing in the most innovative people and ideas globally, I see the power of these entrepreneurs every day. In Canaan Partners' portfolio of more than 65 U.S. startup companies, approximately one in four have at least one foreign born national as a member of the founding team. These companies include:

- **Virsto Software,** whose co-founders included Russian immigrants and serial entrepreneurs Alex Miroshnichenko and Serge Pashenkov. Virsto had 50 employees before being acquired by VMWare this year;
- **Lending Club,** co-founded by Renaud LePlanche of France and Soulaiman Htite of Canada who have created 200 jobs and intend to create another 200 over the next two years;
- **BiPar Sciences,** a company formed by co-founders including the late Ernest Kun, MD DSc from Hungary and Allan Basbaum, PhD from Canada to develop a new class of tumor-selective drugs designed to meet the unmet needs of cancer patients;
- **Zoosk**, founded by Iranians Alex Mehr and Shayan Zadeh, which now employs 130 people, is translated in 25 languages, with members in more than 70 countries and is growing;
- **Instacart** founded by an Indian entrepreneur (via Canada like myself) Apoorva Mehta; and
- **ALDEA Pharmaceuticals**, a healthcare company whose co-founders include Wenjin Yang of Taiwan and Daria Mochly-Rosen Ph.D. of Israel.

Other founders in Canaan's portfolio hail from China, Sri Lanka, Germany, Bulgaria, Turkey, South Africa, Ecuador, the United Kingdom, Egypt and Denmark.

I cannot imagine these entrepreneurs and these companies operating anywhere but in the United States. We also know that the next wave of immigrant company founders are highly motivated and ready to do what these entrepreneurs have done. That is what I find so remarkable about immigrant entrepreneurs: They are invariably some of the most enterprising citizens their home countries have to offer. For that reason alone, they are very well positioned to succeed here.

The Zoosk story is particularly telling in terms of the immigration challenges faced by the founders and the mettle they demonstrated in overcoming those challenges to succeed. After meeting as students in Iran and sharing a dream to start a successful company in America, Alex and Shayan had to hike to Turkey on foot to get student visas for the U.S.

Once here, at the University of Maryland, they developed breakthrough technology for a startup company. However, as entrepreneurs, they could not obtain the H-1B visas required to stay in the United States. Instead, they could only get H-1Bs as employees of a corporation willing to sponsor them. They had no choice but to dissolve their nascent company and go their separate ways. Shayan joined Microsoft while Alex stayed in school, trying to obtain an O-1 visa. In a stroke of serendipity, Alex won a Diversity green card lottery, which gave him permanent residence. He eventually reconnected with Shayan and they developed Zoosk, which has become the world's largest online social dating network. Almost half of Zoosk's revenue comes from outside the U.S., so had Alex not been lucky enough to win that lottery, he may very well have started Zoosk elsewhere. Today, that is more of an option than ever before.

We Are At Risk for Losing the Game

America is at high risk for losing this coveted group of entrepreneurs to foreign countries for two reasons. First, our legal immigration policies have essentially sent a message to these talented people that we do not want them here in the United States. As I discussed, the current path to a green card is fraught with complex requirements, limitations and delays. And it is incredibly difficult for an entrepreneur to obtain an H-1B visa as a founder of his or her own company. Consequently, these immigrants must remain employees of their sponsor corporations – as economic hostages, in a sense - where they do not have time or license to advance their innovations or build their startups around them.

Compounding the fact that the United States is seemingly unwelcoming of these entrepreneurs is the reality that we are no longer the only destination for high tech, high growth start-up companies. In addition to investing in the United States, Canaan Partners also has offices in Israel and India. The latter is where I initiated our global investment strategy in order to fund those entrepreneurs who are unable to come to the U.S. Even though the opportunity, infrastructure and market potential for starting a company in the United States remains far superior to that of any other foreign country, options for entrepreneurs in many other countries are improving as governments realize the power of

the startup company on their local economies. Whereas 10 years ago, America was the only choice, today it is merely the preferred choice among many. Worse, for a growing group of immigrants who can't obtain visas, America isn't a choice at all.

Support for a StartUp Visa Category

For me and many other immigrant entrepreneurs, the H-1B visa is not a workable solution for starting a company here. Entrepreneurs who are truly serious about building a new company must engage in that endeavor full time. It's not something you can do while keeping "your day job" at a high performing corporation.

Creating a category of visa specifically for foreign-born entrepreneurs who wish to start and build a company in the U.S. would not only welcome the best and brightest innovators to our shores, but it would do so in a way that could be well managed and monitored so that the intention and spirit of the visa is not compromised. Including criteria that the entrepreneur visa candidates receive legitimate funding will ensure proper vetting takes place, and a subsequent requirement for proof of job creation or additional company growth will allow the government to monitor results. As Congress considers the parameters around which the criteria would be based, there are several items to consider:

First, the dollar threshold of investment must take into account that the funding market continues to evolve. Before pursuing venture capital investment, entrepreneurs today often seek funding support from angel investors, and friends and family. And, with the enactment of the JOBS Act by Congress in 2012, we may see crowd funding platforms emerge as viable sources for entrepreneurs as well. In recent years the cost of "getting off the ground" for technology companies has fallen considerably. Many entrepreneurs even "bootstrap" their way to their first venture capital investment. Yet, these lower levels of seed funding do not in any way impact the exponential promise of growth for the company. For example, Kabam, a gaming software company in our portfolio, received an initial round of $500,000 and today has an annual revenue run rate of more than $200 million. And there are many companies that start with even smaller seed

rounds – perhaps from an angel investor – before we have the opportunity to invest. For these reasons, it is important that the required first round of funding for any StartUp Visa be at an acceptable level and not too high to qualify the founders of these types of seed stage companies.

Secondly, it is important that the ongoing monitoring of the entrepreneur's progress and milestones required for permanent residency account for the high risk nature of these companies. Ironically, one of the principles that has made America so successful in innovation and entrepreneurship is our acceptance of failure. In the venture capital world, we are very accustomed to an idea or company changing course midstream, pivoting to another technology or market, or indeed failing altogether. Overcoming setbacks are a way of life on the path to ultimate success. For example, Renaud LaPlanche, the immigrant founder of Lending Club, first founded a software company called TripleHop Technologies which had offices in the North Tower of the World Trade Center. All of TripleHop's computers and software code were destroyed in the September 11th attacks. But Renaud and his team regrouped and rebuilt, selling his very successful company to Oracle in June 2005. He then went on to start Lending Club.

Not all company setbacks are as catastrophic as TripleHop's but they all require recovery time. And more often than not, like Renaud, the company founder, goes on to ultimately succeed time and time again. So while we fully support the establishment of a monitoring process, it should allow for reasonable flexibility, so company founders can learn their lessons, regroup when necessary, and refocus when conditions change or new opportunities arise.

The concept of a StartUp Visa category is an exciting one – but only if it can be accessed in the manner in which it was intended and leave little room for abuse. This is a fine line to walk, but it can be done. That is why I stand with my venture capital colleagues to offer guidance when setting thresholds, parameters and benchmarking as to what is most practical. We welcome the opportunity to contribute to the proposal process in this manner.

Conclusion

I speak on behalf of myself and innovative company founders like Alex Mehr and Shayan Zadeh when I express how lucky we were to have successfully run the U.S. immigration gauntlet – and secure the opportunity to found and fund companies here in the United States. But luck shouldn't have anything to do with it. Our country must approach immigrant entrepreneurs with a renewed sense of vigor, purpose and enthusiasm. We desperately need to change our policies on legal immigration so that any highly skilled individual in engineering, science, technology, or entrepreneurship can come here and thrive. We should not just "allow" these individuals to come to our country; we should encourage and welcome them – and reinforce the notion that the U.S. is indeed the best place to live work and innovate. Only then will we ensure that we remain a global economic leader.

A StartUp Visa category – along with practical thresholds and monitoring - should be considered as part of any immigration reform policy. Doing so would unequivocally support entrepreneurship and innovation here in the United States – which would in turn drive job creation and economic growth. As we look to our future, we must remember our past and foster that which has made this country great. Thank you for recognizing that reforming our highly skilled, legal immigration policy should be a Congressional priority. We appreciate the bipartisan support that this committee has given to this discussion and we are enthusiastic about its potential. The venture capital industry stands ready to work with you to once again attract highly motivated, highly skilled talent to our shores. In our collective opinion, there is no other option.

Thank you once again for this opportunity and I am happy to answer questions.