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National Venture Capital Association

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VENTURE CAPITAL INVESTING INCREASES 50 PERCENT IN DOLLARS IN THE FIRST HALF OF 2010

Clean Technology Investing Doubles from Prior Quarter, Marking Record Investment Level

WASHINGTON, July 16, 2010 – Venture capitalists invested $6.5 billion in 906 deals in the second quarter of 2010, according to the MoneyTree™ Report from PricewaterhouseCoopers LLP (PwC) and the National Venture Capital Association (NVCA), based on data provided by Thomson Reuters. Quarterly investment activity increased 34 percent in terms of dollars and 22 percent in number of deals compared to the first quarter of 2010 when $4.9 billion was invested in 740 deals. In the first half of 2010, venture capital (VC) investments totaled $11.4 billion going into 1,646 deals, a 49 percent increase in dollars and a 23 percent increase in deals from the first half of 2009 when $7.7 billion was invested in 1,340 deals.

Dollars invested in the Clean Technology sector doubled in the second quarter compared to Q1 of 2010, breaking the quarterly record for the sector. The Life Sciences sector (biotechnology and medical device industries combined) saw a notable increase in VC investing during the second quarter, jumping 52 percent in dollars and 36 percent in deals from the prior quarter to $2.1 billion going into 234 deals. Seed and early stage deals also increased notably in Q2 from prior quarters, accounting for a greater percentage of total deals.

Mark Heesen, NVCA President said, "As the exit market begins to show signs of life, venture capitalists are now able to look increasingly at new investments outside their existing portfolio. This dynamic translates into momentum in the seed and early stage sectors where valuations remain reasonable and opportunities are great. Investment in the clean technology and life sciences sectors, which are generally longer term and more capital intensive in nature, are balanced by smaller deals within the information technology sectors creating a diversity of opportunities for success for entrepreneurs, VCs and limited partners alike."

"Venture capitalists are feeling more positive about the economic outlook for investment, based upon the jump we saw in VC funding this quarter," noted Tracy T. Lefteroff, global managing partner of the venture capital practice at PricewaterhouseCoopers. "The quarterly investment total surpassed the $6 billion mark for the first time since Q3 2008 and the number of deals was the highest we've seen since Q4 of 2008. The rise in companies lining up to go public in the Life Sciences space in Q2 was also a likely driver of the strong rebound we saw in investing in this sector during the quarter. And, a $350 million deal, the biggest deal in the second quarter, pushed the Clean Technology sector to its highest total on record. If the markets remain positive, we'll likely continue to see robust investment levels for the remainder of the year, with VC funding in 2010 poised to surpass 2009 levels."

Industry Analysis

The Clean Technology sector, which crosses traditional MoneyTree industries and comprises alternative energy, pollution and recycling, power supplies and conservation, saw a 107 percent increase in dollars over the first quarter to $1.5 billion, marking the largest quarterly investment ever reported for the sector. The number of deals completed in the second quarter remained flat at 71 deals compared with 70 deals in the first quarter. The increase in Clean Technology investments was driven by several large rounds, including seven of the top deals and the fourth largest deal reported by the MoneyTree in the past 15 years.

Biotechnology again received the highest level of funding, rising 59 percent in dollars and 34 percent in deal volume in the second quarter with $1.3 billion going into 139 deals. Medical device investing also increased 40 percent in both dollars and deals over the first quarter with $755 million going into 95 deals in Q2.

Driven by clean tech investing, the Industrial/Energy industry received the second highest level of funding in the quarter with $1.3 billion going into 61 deals. This level of investment represents a 95 percent increase in dollars but a 13 percent decrease in deals compared to the first quarter when $658 million went into 70 deals.

The Software industry had the most deals completed in Q2 with 229 rounds, representing a jump of 43 percent from the 160 rounds completed in the first quarter. In terms of dollars invested, the Software sector was in third place, increasing 43 percent from the prior quarter to $1.0 billion in the second quarter of 2010.

Internet-specific companies received $879 million going into 212 deals in the second quarter, flat in terms of dollars and a 25 percent increase in deals over the first quarter of 2010 when $891 million went into 169 deals. ‘Internet-Specific’ is a discrete classification assigned to a company with a business model that is fundamentally dependent on the Internet, regardless of the company’s primary industry category.

Eleven of the 17 MoneyTree sectors experienced dollar increases in the second quarter, including Computers and Peripherals (48 percent increase), Consumer Products and Services (44 percent), and IT Services (28 percent). Sectors which saw decreases in dollars included Semiconductors (40 percent decrease), Financial Services (22 percent) and Telecommunications (27 percent).

Stage of Development

Seed and Early stage investments rose in the second quarter, rising 54 percent to $2.3 billion. The number of Seed and Early stage deals increased 32 percent to 429 from the prior quarter. Seed/Early stage deals accounted for 47 percent of total deal volume in the second quarter, compared to the first quarter when it accounted for 44 percent of all deals. The average Seed deal in the second quarter was $7.1 million, up from $5.1 million in the first quarter. The average Early stage deal was $4.7 million in Q2, up from $4.4 million in the prior quarter.

Expansion stage dollars increased 48 percent in the second quarter, with $2.7 billion going into 277 deals. Overall, Expansion stage deals accounted for 31 percent of venture deals in the second quarter, down slightly from 32 percent in the first quarter of 2010. The average Expansion stage deal was $9.7 million, up from $7.6 million in the first quarter of 2010.

Investments in Later stage deals remained flat at $1.5 billion in the second quarter while the number of deals saw an increase of 14 percent from the prior quarter, rising to 200 transactions. Later stage deals accounted for 22 percent of total deal volume in Q2, compared to 24 percent in Q1 2010 when $1.6 billion went into 175 deals. The average Later stage deal in the second quarter was $7.7 million, which decreased from $8.9 million in the prior quarter.

First-Time Financings

First-time financing (companies receiving venture capital for the first time) dollars rose 7 percent from the prior quarter while the number of deals increased 27 percent, with $1.1 billion going into 281 deals in Q2 2010. First-time financings accounted for 17 percent of all dollars and 31 percent of all deals in the second quarter, compared to 21 percent of all dollars and 30 percent of all deals in the first quarter of 2010.

Companies in the Biotechnology, Software, and Industrial/Energy industries received the highest level of first-time dollars. The average first-time deal in the second quarter was $4.0 million, which dropped from $4.7 million in the prior quarter. Seed/Early stage companies received the bulk of first-time investments in Q2, garnering 63 percent of the dollars and 73 percent of the deals, a six point jump in terms of dollars, however the percent of total deals remained flat.

MoneyTree Report results are available online at www.pwcmoneytree.com and www.nvca.org.

Note to the Editor

Information included in this release or related venture capital investment data should be cited in the following way: "The MoneyTree™ Report by PricewaterhouseCoopers and the National Venture Capital Association based on data from Thomson Reuters" or "PwC/NVCA MoneyTree™ Report based on data from Thomson Reuters." After the first reference, subsequent references may refer to PwC/NVCA MoneyTree Report, PwC/NVCA or MoneyTree Report. Charts and tables displaying the data are sourced to "PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report, Data: Thomson Reuters." After the first reference, subsequent references may refer to PwC/NVCA MoneyTree Report, PwC/NVCA, MoneyTree Report or MoneyTree.

About the PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report

The MoneyTree™ Report measures cash-for-equity investments by the professional venture capital community in private emerging companies in the U.S. It is based on data provided by Thomson Reuters. The survey includes the investment activity of professional venture capital firms with or without a U.S. office, SBICs, venture arms of corporations, institutions, investment banks and similar entities whose primary activity is financial investing. Where there are other participants such as angels, corporations, and governments, in a qualified and verified financing round the entire amount of the round is included. Qualifying transactions include cash investments by these entities either directly or by participation in various forms of private placement. All recipient companies are private, and may have been newly-created or spun-out of existing companies.

The survey excludes debt, buyouts, recapitalizations, secondary purchases, IPOs, investments in public companies such as PIPES (private investments in public entities), investments for which the proceeds are primarily intended for acquisition such as roll-ups, change of ownership, and other forms of private equity that do not involve cash such as services-in-kind and venture leasing.

Investee companies must be domiciled in one of the 50 U.S. states or DC even if substantial portions of their activities are outside the United States.

Data is primarily obtained from a quarterly survey of venture capital practitioners conducted by Thomson Reuters. Information is augmented by other research techniques including other public and private sources. All data is subject to verification with the venture capital firms and/or the investee companies. Only professional independent venture capital firms, institutional venture capital groups, and recognized corporate venture capital groups are included in venture capital industry rankings.

The **National Venture Capital Association (NVCA)** represents more than 400 venture capital firms in the United States. NVCA's mission is to foster greater understanding of the importance of venture capital to the U.S. economy, and support entrepreneurial activity and innovation. According to a 2009 Global Insight study, venture-backed companies accounted for 12.1 million jobs and $2.9 trillion in revenue in the U.S. in 2008. The NVCA represents the public policy interests of the venture capital community, strives to maintain high professional standards, provides reliable industry data, sponsors professional development, and facilitates interaction among its members. For more information about the NVCA, please visit www.nvca.org.

The **PricewaterhouseCoopers Private Equity & Venture Capital Practice** is part of the Global Technology Industry Group, www.pwcglobaltech.com. The group is comprised of industry professionals who deliver a broad spectrum of services to meet the needs of fast-growth technology start-ups and agile, global giants in key industry segments: networking & computers, software & Internet, semiconductors, life sciences and private equity & venture capital. PricewaterhouseCoopers is a recognized leader in each industry segment with services for technology clients in all stages of growth.

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