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VENTURE CAPITAL INVESTING HAS MODEST START IN 2010, AMIDST ECONOMIC AND MARKET UNCERTAINTY

Clean Technology Investments Rebound in Q1 2010, Jumping 87% from the Prior Quarter

WASHINGTON, April 16, 2010 – Venture capitalists invested $4.7 billion in 681 deals in the first 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 decreased 9 percent in terms of dollars and fell 18 percent in number of deals compared to the fourth quarter of 2009 when $5.2 billion was invested in 832 deals. Yet the quarter represented a higher start than the first quarter of 2009 when venture capitalists completed 635 deals for $3.4 billion.

The Life Sciences sector (biotechnology and medical device industries combined) saw a notable decrease in venture capital (VC) investing during the first quarter, dropping 26 percent in dollars and 21 percent in deals from the prior quarter to $1.3 billion going into 160 deals. Despite the drop in overall investing, investments in the Clean Technology sector rebounded, jumping 87 percent in terms of dollars and 44 percent in the number of deals from the fourth quarter of 2009.

"Life Sciences continues to be the number one sector for VC investing, with biotechnology being the absolute single-industry leader in dollars invested over the past four quarters," noted Tracy T. Lefteroff, global managing partner of the venture capital practice at PricewaterhouseCoopers. "Venture capitalists continue to exhibit great confidence in the Life Sciences sector, as well as Clean Technology, as they outperformed all others in venture capital investing in the first quarter. VCs are upholding the belief that the prospects for liquidity are good in these areas, and we continue to see IPO filings for VC-backed companies in each of these sectors."

Mark Heesen, NVCA President said, "Despite a great deal of economic uncertainty in the first quarter, the venture capital industry moved forward with a more active start than it did in 2009, which bodes well for the remainder of the year. With health care reform passed and an improving exit market, we are expecting venture investment to increase moderately throughout the rest of 2010. However, we still anticipate investment levels to mirror that of the mid-1990's as many venture firms will be focused on fundraising this year. Investments in clean technology and life sciences will likely drive the overall levels, but likely not far past the $20 billion mark for the year."

Industry Analysis

The Biotechnology industry received the highest level of funding for all industries in the quarter with $825 million going into 99 deals. This level of investment represents a 24 percent decrease in dollars and a 14 percent decrease in deals compared to the fourth quarter when $1.1 billion went into 115 deals. Medical Devices and Equipment saw a 29 percent decline in dollars and 30 percent decline in deal volume in the first quarter with $517 million going into 61 deals. This sector ranked fourth overall for the quarter in terms of dollars invested.

The Software industry had the most deals completed in Q1 with 144 rounds, although this represented a drop of 25 percent from the 193 rounds completed in the fourth quarter. In terms of dollars invested, the Software sector was in second place, declining 29 percent from the prior quarter to $681 million in the first quarter of 2010. The drop in the number of deals in the first quarter puts Software at the fewest number of deals since the fourth quarter of 1995.

The Clean Technology sector, which crosses traditional MoneyTree industries and comprises alternative energy, pollution and recycling, power supplies and conservation, saw a 87 percent increase in dollars over the fourth quarter to $773 million. The number of deals completed in the first quarter increased 44 percent to 69 deals compared with 48 deals in the fourth quarter. The increase in Clean Technology investments was driven by several large rounds, including five of the top 10 deals.

Internet-specific companies received $807 million going into 158 deals in the first quarter, a 14 percent decrease in dollars and a 19 percent decrease in deals over the fourth quarter of 2009 when $941 million went into 196 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.

Eight of the 17 MoneyTree sectors experienced dollar declines in the first quarter, including Media and Entertainment (29 percent decrease) and Networking and Equipment (53 percent). Sectors which saw increases in dollars included Semiconductors (52 percent increase), Industrial/Energy (12 percent), Telecommunications (89 percent), Electronics/Instrumentation (73 percent), Financial Services (47 percent), and IT Services (14 percent).

Stage of Development

Seed and Early stage investments declined in the first quarter, dropping 30 percent to $1.4 billion. The number of Seed and Early stage deals dropped 24 percent to 299 from the prior quarter. Seed/Early stage deals accounted for 44 percent of total deal volume in the first quarter, compared to the fourth quarter when it accounted for 47 percent of all deals. The average Seed deal in the first quarter was $5.4 million, up from $4.0 million in the fourth quarter. The average Early stage deal was $4.6 million in Q1, down from $5.6 million in the prior quarter.

Expansion stage dollars increased 9 percent in the first quarter, with $1.8 billion going into 224 deals. Overall, Expansion stage deals accounted for 33 percent of venture deals in the first quarter, up from 29 percent in the fourth quarter of 2009. The average Expansion stage deal was $7.8 million, up significantly from $6.6 million in the fourth quarter of 2009.

Investments in Later stage deals remained flat in dollars and fell 20 percent in deals to $1.5 billion going into 158 rounds. Later stage deals accounted for 23 percent of total deal volume in Q1, compared to 24 percent in Q4 2009 when $1.5 billion went into 197 deals. The average Later stage deal in the first quarter was $9.8 million, which increased significantly from $7.8 million in the prior quarter.

First-Time Financings

First-time financing (companies receiving venture capital for the first time) dollars and deals decreased 14 percent with $972 million going into 208 deals. First-time financings accounted for 21 percent of all dollars and 31 percent of all deals in the first quarter, compared to 22 percent of all dollars and 29 percent of all deals in the fourth quarter of 2009.

Companies in the Software, Biotechnology, and Financial Services industries received the highest level of first-time dollars. The average first-time deal in the first quarter was $4.7 million, which is unchanged from the prior quarter. Seed/Early stage companies received the bulk of first-time investments, garnering 56 percent of the dollars and 73 percent of the deals, but fell short of fourth quarter percentages when they accounted for 65 percent of the dollars and 77 percent of the deals

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

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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.

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