Contacts:
Lisa Peterson, Porter Novelli for PwC US, 512-241-2233, lisa.peterson@porternovelli.com
Channa Brooks, Tenor Communications for NVCA, 302-368-2345, channa@tenorcom.com
Laura Schooler, PwC US, 646-471-3229, laura.schooler@us.pwc.com

VENTURE CAPITAL INVESTMENT DECLINES IN Q3 2010 DESPITE STABILITY OF FIRST-TIME FINANCINGS

Fewer Large Clean Technology Deals Contribute to Quarterly Drop in Investment Dollars

WASHINGTON, October 15, 2010 – Venture capitalists invested $4.8 billion in 780 deals in the third quarter of 2010, according to the MoneyTree™ Report from PricewaterhouseCoopers and the National Venture Capital Association based on data provided by Thomson Reuters. Quarterly investment activity decreased 31 percent in terms of dollars, and fell 19 percent in number of deals compared to the second quarter of 2010 when $6.9 billion was invested in 962 deals. The decrease in dollars invested was in large part due to the absence of large rounds in the Clean Technology sector, which drove last quarter's higher investment levels. Yet with few exceptions, investment in all industry sectors slowed this quarter. Still, venture investors continued to invest more into first-time deals versus follow-on rounds suggesting a confidence in today's entrepreneurs and innovators.

"While overall funding in traditionally strong sectors like Life Sciences and popular Clean Technology were down, Biotechnology continued to bring in significant funding while Software took the lead as the top generator of VC dollars in Q3," said Tracy T. Lefteroff, global managing partner of the venture capital practice at PwC. "Compared to the third quarter of 2009, investing remained relatively flat; however, despite declines for the quarter, funding remains on course to pass investment levels of 2009."

"Despite investment declines, there are reassuring signs of stability in the third quarter numbers," said Mark Heesen, president of the NVCA. "While the burgeoning clean technology industry will experience significant investment volatility as the sector matures, the established software and life sciences sectors continue to benefit from a steady commitment of venture capital dollars being put to work within meaningful pockets of innovation. Cloud computing, social media and security continue to show tremendous promise on the IT side while medical advances abound in biotechnology and medical device fields. But what is even more reassuring is that first time financings are holding strong, evidencing that venture investors are making a steady stream of new bets and filling the innovation pipeline, driving our industry and our future economy."

Industry Analysis
The Software industry regained its position as the number one industry sector for investment with $1.0 billion going into 190 rounds. Still this level represented a 13 percent decrease in dollars and a 21 percent decline in deal volume from the second quarter when $1.1 billion went into 242 rounds.

The Biotechnology industry received the second highest level of funding for all industries in the quarter with $944 million going into 108 deals. This level of investment represents a 32 percent decrease in dollars and a 29 percent decrease in deals compared to the second quarter when $1.4 billion went into 152 deals. Medical Devices and Equipment saw a 27 percent decline in dollars and an 18 percent decline in deal volume in the third quarter with $573 million going into 82 deals. This sector ranked third overall for the quarter.

The Clean Technology sector, which crosses traditional MoneyTree industries and comprises alternative energy, pollution and recycling, power supplies and conservation, saw a 59 percent decrease in dollars to $625 million compared to the second quarter when venture capitalists invested $1.5 billion. The number of Clean Technology deals completed in the third quarter also declined by 26 percent to 58 deals compared with 78 deals in the second quarter. The decrease in Clean Technology investments was driven by a lack of large rounds, which has been seen in previous quarters. This quarter three of the top 10 deals were in Clean Technology.

Internet-specific companies received $661 million going into 154 deals in the third quarter, a 25 percent decrease in dollars and a 28 percent decrease in deals over the second quarter of 2010 when $878 million went into 214 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.

Fourteen of the 17 MoneyTree sectors experienced dollar declines in the third quarter, including Media and Entertainment (23 percent decrease), Networking and Equipment (57 percent), Electronics/Instrumentation (27 percent) and Semiconductors (1 percent). The three industries that experienced increases in investment were Healthcare Services (157 percent increase), IT Services (15 percent) and Telecommunications (3 percent).

Stage of Development
Dollars and deal volume declined across all stages of investment in the third quarter of 2010. However, most deals – 35 percent of the total deal volume – were completed in the Early stage with $1.3 billion going into 271 rounds of financing. This is consistent with the second quarter when Early stage deal volume also accounted for 35 percent of all venture deals. The average Early stage deal in the third quarter was $4.8 million compared to $4.9 million the second quarter.

Seed stage deals accounted for 11 percent of the total deal volume with $307 million going into 87 deals compared to the previous quarter when $774 million went into 113

deals. The average Seed stage deal was $3.5 million down from $6.8 million in the second quarter.

Expansion stage companies raised $1.6 billion going into 224 deals. Overall, Expansion stage deals accounted for 29 percent of venture deals in the third quarter compared to 31 percent of all deals in Q2. The average Expansion stage deal was $7.0 million, down from $9.3 million in the second quarter of 2010.

Investments in Later stage deals decreased 4 percent in dollars and 5 percent in deals to $1.7 billion going into 198 deals. Later stage deals accounted for 25 percent of total deal volume in Q3, compared to 22 percent in Q2 2010 when $1.7 billion went into 209 deals. The average Later stage deal in the third quarter was $8.4 million, which decreased slightly from $8.3 million in the prior quarter.

First-Time Financings

First-time financing (companies receiving venture capital for the first time) in the third quarter remained relatively steady with $1.2 billion going into 255 deals compared to the second quarter when $1.2 billion was invested in 288 deals. This marks the fourth consecutive quarter when more than $1 billion was invested in companies for the first time. These first rounds accounted for 26 percent of all dollars and 33 percent of all deals in the third quarter, compared to 15 percent of all dollars and 25 percent of all deals in the third quarter of 2009, just one year ago.

Companies in the Software, Biotechnology, and IT Services industries received the highest level of first-time dollars. The average first-time deal in the third quarter was $4.8 million, compared to $4.3 million one quarter ago. Early stage companies received the bulk of first-time investments, garnering 45 percent of the dollars and 54 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 "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 **PwC 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. PwC is a recognized leader in each industry segment with services for technology clients in all stages of growth.

About PwC

PwC (www.pwc.com) provides industry-focused assurance, tax and advisory services to build public trust and enhance value for its clients and their stakeholders. More than 163,000 people in 151 countries across our network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

© 2010 PwC. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers LLP, a Delaware limited liability partnership, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

About Thomson Reuters
Thomson Reuters is a leading source of information for businesses and professionals. Through a wide range of products and services, Thomson Reuters helps clients make better decisions, be more productive and achieve superior results. Thomson Reuters has headquarters in New York and employs more than 50,000 people worldwide.

###