



Contacts:

Lisa Peterson, Porter Novelli for PricewaterhouseCoopers, 512-241-2233, lisa.peterson@porternovelli.com

Clare Chachere, PricewaterhouseCoopers, 512-867-8737, clare.chachere@us.pwc.com

Joshua Radler, Thomson Financial, 646-822-7323, joshua.radler@thomson.com

Emily Mendell, National Venture Capital Association, 610-565-3904, emendell@nvca.org

Q2 2006 VENTURE CAPITAL INVESTING REACHES HIGHEST LEVEL SINCE 2002 AT \$6.3 BILLION

Quarterly Strength Driven by Biotech Dollars and Seed/Early Stage Deals

WASHINGTON, July 25, 2006 – In the second quarter of 2006, venture capitalists invested the highest dollar amount into the most deals since Q1 2002, according to the MoneyTree Report by PricewaterhouseCoopers and the National Venture Capital Association based on data by Thomson Financial. During the quarter, venture investing grew to \$6.3 billion in 856 deals, representing a 2% increase in dollars and a 5% increase in deals from the prior quarter. The increase was driven by strength in the Biotechnology, Industrial/Energy, and Networking & Equipment sectors, all showing solid gains in the quarter. Seed/Early stage deals and Expansion stage dollars both showed solid growth from Q1 2006. And, first-time financings reached a five-year high.

Mark Heesen, president of the National Venture Capital Association, said, “It appears as if the venture capital industry is slowly ratcheting up investment levels for the first time in four years, and these increases seem to be directed in a prudent manner. We are encouraged by the upswing in the number of seed and early stage deals – these companies represent the future of our industry. But equally as important is the diversity of the investment dollars into multiple industry sectors. Rather than pouring money into a lot of ‘me-too’ deals, venture capitalists are finding unique opportunities in emerging industries that allow the industry to scale up responsibly.”

Sector and Industry Analysis

Driven by an extremely robust quarter for Biotech investing, the Life Sciences sector (Biotechnology and Medical Devices industries, together) increased 10% to \$1.8 billion in 185 deals over Q1 2006. In the second quarter, the Biotech sector received 34% more dollars than in Q1 and experienced the highest number of deals in report history at 112. The increase in Biotech investing was offset by a decrease in funding for Medical Device companies, which fell by 22% in Q2 to \$549 million but remained well within the investment range of the last 12 months.

"This quarter's record-breaking number of biotech companies receiving funding makes it abundantly clear that venture capitalists recognize the long-term viability of the industry," said Tracy Lefteroff, global managing partner of the venture capital practice at PricewaterhouseCoopers. "Based on the fact that funding for startup biotech companies more than tripled from Q1 in this already hot industry, we have the potential for some interesting growth in the sector in the coming year. And, given the current pace of overall investing, 2006 looks to set a five-year high."

Software investment dollars declined in Q2 with \$1.3 billion going into 231 deals but remained the largest single industry category with 20% of total dollars and 27% of all deals.

The Industrial/Energy sector showed a 62% dollar increase, with \$417 million going into 46 companies, reaching a five-year high. The majority of this increase can be attributed to Alternative Energy deals, which increased 69% in dollars over the prior quarter and nearly quadrupled in terms of deals. Networking and Equipment also experienced a very strong quarter, increasing 45% over Q1 in terms of dollars and 60% in deals.

Internet-Specific companies captured \$916 million going into 143 deals in Q2, remaining relatively flat from Q1 and accounting for 14% of total investment. 'Internet-Specific' is a discrete classification assigned to a company whose business model is fundamentally dependent on the Internet, regardless of the company's primary industry category such as Software or Telecommunications.

The Telecommunications industry category, experiencing a drop in investing in Q1, , remained flat this quarter. Investments in the Wireless sector continued to decline in terms of dollars but increased slightly in terms of deals, rising 17%. Other major industry categories that experienced increases in investment amounts in Q2 were Electronics/Instrumentation and Semiconductors, both which have been climbing steadily over the last year, rising 17% and 15%, respectively from Q1 2006.

Stage of Development and 12-Month Average Valuations

Venture capital investment in Startup and Early Stage companies remained flat from the prior quarter in terms of dollars but increased 13% in the number of deals to \$1 billion going into 268 deals, suggesting that VCs are offering smaller rounds to more companies. Average post-money valuations of Early Stage companies dipped slightly to \$14.06 million for the 12 months ending Q1 2006. (Note: Valuation data lags investment data by one quarter.)

Funding for Expansion stage companies hit the highest investment level in four years, reaching \$2.9 billion, a 17% increase over the prior quarter. The number of deals rose slightly to 329, a 6% increase from Q1. The average post-money valuation for Expansion Stage companies increased to \$59.16 million for the 12 months ending Q1 2006 compared to \$56.81 million in the Q4 2005 period.

Investments in Later Stage companies declined by 11% from Q1 with 259 companies capturing \$2.4 billion. However, average post-money valuations continued to increase to \$96.41 million for the 12-month period ending Q1 2006 from \$94.72 million ending Q4 2005. This increase is likely reflective of the maturity of the companies still in the pipeline due to a sluggish IPO market.

Overall for Q2, Startup/Early Stage companies accounted for 31% of the deals; Expansion Stage, for 38%; and Later Stage for 30%. These percentages showed Startup/Early companies snatching percentage points from the Later stage companies.

First-Time Financings

The number of companies received funding for the first-time in Q2 2006 reached a five-year high with 282 companies receiving \$1.3 billion. This increase coincides with the recent fundraising cycle and reflects the opportunity to deploy funds into first-time companies early in a fund's life. Dollars invested in first-time financings declined by 2% suggesting that venture capitalists are placing smaller bets in these companies. Startup/Early Stage deals continued to represent the bulk of first-time deals and dollars with 68% and 56% of the total, respectively, which is in line with historical norms.

Companies in the Software, Energy, and Biotech industries attracted the highest level of first-time dollars in Q2. Other industry sectors where venture capitalists placed more bets for the first time were Media/Entertainment, Telecom and Medical Devices.

#

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 Financial”, or “PwC/NVCA MoneyTree™ Report based on data from Thomson Financial”. 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 Financial”. 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 Financial. The survey includes the investment activity of professional venture capital firms with or without a US 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 US 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 Financial. 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.

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

The **National Venture Capital Association (NVCA)** represents approximately 480 venture capital and private equity firms. 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 2004 Global Insight study,

venture-backed companies accounted for 10.1 million jobs and \$1.8 trillion in revenue in the U.S. in 2003. 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.

PricewaterhouseCoopers (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 130,000 people in 148 countries work collaboratively using connected thinking to develop fresh perspectives and practical advice.

“PricewaterhouseCoopers” refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

Thomson Financial provides information for private equity professionals worldwide offering an unparalleled range of products from directories to conferences, journals, newsletters, research reports and the VentureXpert database. For over 40 years, Thomson Financial has been tracking the venture capital and buyouts industry. Since 1961, it has been a recognized source for comprehensive analysis of investment activity and performance of the private equity industry. Thomson maintains long-standing relationships within the private equity investment community, in-depth industry knowledge and proprietary research techniques. Private equity managers and institutional investors alike consider Thomson Financial information to be the industry standard.

Thomson Financial is a US\$1.9 billion provider of information and technology solutions to the worldwide financial community. Through the widest range of products and services in the industry, Thomson Financial helps clients in more than 70 countries make better decisions, be more productive and achieve superior results. Thomson Financial is part of The Thomson Corporation (www.thomson.com), a global leader in providing integrated information solutions to more than 20 million business and professional customers in the fields of law, tax, accounting, financial services, higher education, reference information, corporate e-learning and assessment, scientific research and healthcare. With revenues of US\$8.10 billion, The Thomson Corporation lists its common shares on the New York and Toronto stock exchanges (NYSE: TOC; TSX: TOC).