

Venture Capital Funding and M&A Quarterly

Alternative Energy • Clean Technology Energy • Environmental

4th Quarter, 2007 – United States

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Summary

Overall, the four reviewed sectors received a total of \$499 million in venture capital funding, as compared to slightly over \$1 billion in the previous quarter, a reduction of 52%. The number of companies funded fell by 26%, from 53 to 39.

During the quarter, Alternative Energy sector companies edged out the Energy sector for the most venture capital funding as well as the greatest number of companies funded, receiving \$202 million among 17 different companies. However, Energy companies showed the only funding increase among the four sectors, with a 100% funding increase.

Alternative Energy and Clean Technology companies sustained a significant drop in total funding amounts compared to the previous quarter. But taken together over the longer term, the three sectors are still indicating solid growth and strong funding interest from venture capital firms when compared to prior year quarterly figures. Environmental showed no discernable change. (See Table 1.)

Funding Activity

Alternative Energy

In the Alternative Energy sector, the largest funding event was for [Konarka Technologies, Inc.](#), which received \$45 million from a large syndicate of venture capital and private equity firms. The company plans to use the funding to accelerate the development and commercialization of its “polymer-based organic photovoltaic technologies.”

Konarka wasn't the only photovoltaic (PV) company to receive funding - a number of other companies that are developing new PV technologies or improving the efficiencies of existing PV technology were rewarded with additional development or expansion capital:

HelioVolt	\$24 million, Series B round
SolFocus	\$12 million, Undisclosed
GroSolar	\$10 million, Series B
Green Volts	\$10 million, Series A
Ampulse	\$ 1 million, Undisclosed

While PV-based energy systems have not yet attained a favorable cost comparison to existing fossil-fuel energy sources, these companies and many others are continuing to reduce energy costs and increase efficiencies in the solar arena.

Clean Technology

In the Clean Technology sector, the quarter was comparatively quiet after the large funding amounts tendered in the previous quarter, though overall the same number of companies were funded - seven. The dominant funding event was a \$50 million round for [Serious Materials](#). The company develops and manufactures sustainable green building materials that it claims reduce the impact of the man-made environment on climate. Serious says it is going to use the proceeds to build new manufacturing facilities for its product lines in order to scale up production.

Of note, five other Clean Technology companies that received funding during the quarter were all water-focused firms:

- [Primo Water](#) – mineral-enhanced water cooler water
- [Purfresh](#) – ozone-treated water purification
- [Stonybrook](#) – nanofibrous membranes for filtration
- [Zero Point](#) – evaporative processes for creating potable water
- AquaVenture – Water purification technologies (No website)

Energy

Venture funding of Energy companies was up sharply from the previous quarter in both total funded amounts and number of companies funded, with 14 companies raising \$174 million.

Lithium-ion technology companies received the greatest amount of funding, including the biggest deal of the quarter: [A123 Systems](#) raising \$30 million in its series D funding. A123 has won some significant contracts for supplying hybrid electric vehicle fleets, most notably from General Motors Company.

Also, [International Battery](#) secured \$25 million to complete its new manufacturing facility and ramp up production of its rechargeable lithium-ion cells and batteries. [Planar Energy Devices](#) raised \$4 million in its first funding round to develop its thin-film lithium technologies.

Environmental In the Environmental sector, [NativeEnergy](#) raised an undisclosed amount for its first round of institutional financing. The company offers traditional renewable energy credits and carbon offsets to businesses and individuals to help build wind and natural fuels projects. It already has several successful completed projects.

Table 1

Venture Funding Activity – 4th Quarter 2007

Industry Click Industry For Detail (\$25 Subscription Req'd)	Total Amount Funded	% Change Vs. Prior Quarter	Number of Companies Funded	% Change vs. Prior Quarter
Alternative Energy	\$202 Million	- 65 %	17	- 54 %
Clean Technology	\$123 Million	- 66 %	7	+ 40 %
Energy	\$174 Million	+ 100 %	14	+ 40 %
Environmental	Undisclosed	--	1	--
Total	\$499 Million	- 52 %	39	- 26 %

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M&A Activity

Total M&A deal volume activity was low and unchanged in the aggregate from the previous quarter, as Table 2 below shows.

During the quarter, CelSys Biofuels, Inc. (no website) of Fishers, Indiana was acquired by [Mascoma Corporation](#) for an undisclosed amount. CelSys was founded in 2006 to commercialize cellulosic ethanol production technology developed in the Laboratory of Renewable Resources Engineering at Purdue University. With the ethanol industry continuing to receive large government subsidies, it was no surprise that the company was acquired early in its development stage.

The acquiring firm, Mascoma, is backed by a large syndicate of top tier venture capital investors, including [Kleiner Perkins Caufield & Byers](#), [Khosla Ventures](#) and [General Catalyst Partners](#) among others. Mascoma has received \$34 million in its first two rounds of funding.

Table 2

Venture M&A Activity – 4th Quarter 2007

Industry Click Industry For Detail (\$25 Subscription Req'd)	M&A Transaction Amounts	% Change Vs. Prior Quarter	M&A Number of Transactions	% Change vs. Prior Quarter
Alternative Energy	Undisclosed	N/A	1	+ 100%
Clean Technology	--	--	--	--
Energy	--	- 100 %	0	- 100 %
Environmental	--	--	--	--
Total	Undisclosed	--	1	No Change

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The information source used was the VentureDeal.com database. VentureDeal is a venture capital database that provides the latest information about venture-backed technology companies, venture capital firms and transactions in the United States.

The database obtains transaction and company information from a wide variety of reputable public and private sources. While this report is free of charge, users may view the individual transactions supporting the totals herein by subscribing to VentureDeal for \$25 and clicking on the relevant Industry category(ies) of their choice.

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