

Venture Capital Funding Quarterly

Internet • Digital Media eCommerce • Software

2nd Quarter, 2008 – United States

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Summary

During the second quarter, there were 419 companies that received \$2.93 billion in venture capital funding in the aggregate. Unlike the first quarter of the year, the Software sector exceeded the Internet sector in fundings, with 28 additional companies funded.

Digital Media activity continued to decline, down 10% in total amount funded. However, 10% more companies received funding than the previous quarter.

eCommerce funding was up sharply, more than quintupling to \$93 million among 14 companies. The funding environment appears healthy, with a wide distribution of funding amounts among early, expansion and late stage companies.

Funding Activity

Internet

Internet sector companies received \$1.24 billion in venture capital funding during the quarter, which represented a 16% decrease in funding allocated among 172 companies, a reduction of 8% in the number of companies funded.

Notable transactions during the quarter were social networking company [Facebook](#) receiving \$100 million in debt financing, and [LinkedIn](#), also a social networking website, receiving \$53 million in its series D funding round.

[Coremetrics](#) received \$60 million in its series E funding round. The company provides on-demand Web analytics and marketing solutions that helps websites track visitor clickstream activity to improve their site performance.

Numerous video oriented sites in various sub-sectors received funding:

CrunchyRoll	\$6 Million
Envysion	\$3 Million
Howcast	\$1.65 Million
SezWho	\$1.3 Million
Jivox	\$10.7 Million
Veoh Networks	\$30 Million
Moblyng	\$5.7 Million
Mozes	\$11.5 Million
FORA.tv	\$2 Million
Veveo	\$7.8 Million
BuddyTV	\$6.5 Million
Ustream.TV	\$11.1 Million
CompareNetworks	Undisclosed

Digital Media

Digital Media funding continued to decline, as in the previous quarter. Digital Media companies for the purposes of VentureDeal's definition are either video/casual game producers or advertising networks. Funding declined by 10% to \$297 million among 32 companies.

[Spot Runner](#) secured \$51 million during the quarter. The company is an Internet-based advertising agency that makes it easy for local businesses to advertise on television. [Federated Media](#) raised a \$50 million venture capital financing round. Federated operates an online advertising network that aggregates blogging verticals to allow advertisers to market their products or services by blogging market segment.

A notable gaming funding during the quarter was for [Turbine](#), a producer of online subscription entertainment and games, which received \$40 million. Also, [D2C Games](#) secured a little over \$1 million to assist it in providing its direct-to-consumer game publishing services for arcade sports and action games.

eCommerce

The eCommerce sector showed renewed activity, with 14 companies receiving a total of \$93 million in venture funding, a roughly fivefold increase over activity in Q1.

Two companies received \$20 million during the quarter, which represented 43% of the entire funding activity - [MarketLive](#) and [Obopay](#). MarketLive provides a retail eCommerce solution specifically designed to meet the requirements of catalogers, direct marketers and brand manufacturers.

Obopay has created a cell phone based system that allows users to pay friends, get cash or otherwise have person-to-person transactions via its wireless networking system.

Also in the retailer space, [Demandware](#) raised a little over \$9 million to fund its enterprise class eCommerce platform. The platform is sold as an application suite, which is billed on a usage-based pricing model.

Software

During the quarter, Software fundings edged out Internet sector fundings by raising \$1.3 billion allocated among 201 companies. This activity represented an increase of 3% in total funding amount and a 5% increase in the number of companies funded.

The largest funding of the quarter, \$100 million for [Rearden Commerce](#), was an expansion round funding. Rearden has developed a web-based personal assistant and related online platform that it says will revolutionize the way people and businesses buy and sell services.

In the financial services space, [Yodlee](#) secured \$35 million to scale its online bill payment solutions and services. For many years, Yodlee has primarily been a financial account aggregation service sold to financial institutions. From this financing it appears it has changed its focus to be more of a consumer bill payment play.

Cloud computing company [rPath](#) garnered \$10 million in its series C venture capital round. Raleigh, North Carolina-based rPath has created Linux platform appliances that assist application developers in transitioning their technology to on-demand solutions.

In the virtualization space, [DataCore Software](#) received \$30 million for sales and marketing expansion. DataCore provides storage virtualization SAN software applications that it says dramatically changes the economics of managing storage.

Table 1

Venture Funding Activity – 2nd Quarter 2008

Industry	Total Amount Funded	% Change Vs. Prior Quarter	Number of Companies Funded	% Change vs. Prior Quarter
Internet	\$1.24 Billion	- 16 %	172	- 8 %
Digital Media	\$297 Million	- 10 %	32	+ 10 %
eCommerce	\$93 Million	+ 547 %	14	+ 250 %
Software	\$1.30 Billion	+ 3 %	201	+ 5 %
Total	\$2.93 Billion	+ 16 %	419	+ 2 %

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Notes

This report was prepared by the staff of [VentureDeal](#).

The information source used was the VentureDeal 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.

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