

# Venture Capital Funding Quarterly

## Internet • Digital Media eCommerce • Software

3<sup>rd</sup> Quarter, 2008 – United States

**Publisher**  
VentureDeal

### Contents

Summary	2
Funding Activity	2
Notes	6

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## Summary

During the third quarter, 350 companies raised \$2.5 billion in venture capital funding in the aggregate, down 16% in number of companies funded and 14% less in total funding amount versus Q2 08.

The average funding round size increased from \$7 million in Q2 to \$7.14 million in Q3, an increase of 2%.

By sector, only the Digital Media sector showed gains, with the Internet, eCommerce and Software sectors showing declines in both the amounts funded and the number of companies funded.

## Funding Activity

### Internet

Internet sector company fundings continued to decline. The sector received \$900 million in venture capital funding during the quarter, a 28% decrease in funding allocated among 143 companies - a reduction of 17% in the number of companies funded.

Notable transactions during the quarter were online conglomerate [Active Network](#), which received \$80 million for its series F funding round. Popular news networking site [Digg](#) raised \$28.7 million in its third financing.

Wiki site [PBwiki](#) finally chose to raise venture capital, receiving \$3.5 million from [MDV-Mohr Davidow Ventures](#) and others. The company provides an online wiki service to businesses and individuals and uses a tiered subscription pricing strategy.

A number of blogging related sites also received funding:

<a href="#">BlogHer</a>	\$5 Million
<a href="#">BlogTalkRadio</a>	\$4.6 Million
<a href="#">Scrapblog</a>	\$2 Million
<a href="#">Silicon Alley Insider</a>	\$Undisclosed

## Digital Media

Digital Media funding reversed the previous two quarterly declines by showing strong gains in both total amounts funded and the number of companies funded. Digital Media companies for the purposes of VentureDeal's definition are generally either video/casual game producers or advertising networks. Total funding increased by 18% to \$350 million, with 37 companies being funded, an increase of 16%.

[Big Fish Games](#) received the largest funding by far, raising \$83.3 million from Europe-based [Balderton Capital](#) and [General Catalyst Partners](#). Big Fish operates an online portal that it says is the world's largest distributor of games. The company also is an active developer of games.

Venture capital firm [Draper Fisher Jurvetson](#) was active in the Digital Media sector during the quarter. The company participated in investments in [4INFO](#), [Ripple](#) and [ContextWeb](#).

4INFO improves mobile phone utility by enhancing the user's ability to find relevant and meaningful content. Ripple is growing a network of over 400 digital entertainment and news locations, and claims nearly 10 million unique customers every month. ContextWeb provides context sensitive advertising solutions.

VC firm [Kleiner Perkins Caufield & Byers](#) also participated in two funding events:

<a href="#">ngmoco</a>	\$5 Million	Series A
<a href="#">MEVIO</a>	\$15 Million	Series C

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## eCommerce

The eCommerce sector resumed its downward trend, with only nine companies receiving a total of \$57 million in funding, a decrease of 39% in financing amounts versus the previous quarter.

Two companies raised a total of \$30 million during the quarter, [eBillMe](#) and [Plimus](#). eBillMe secured \$12 million to continue rollout of its online payment integration system.

Plimus garnered \$18 million to expand sales and marketing efforts to reach the independent software developers and digital product vendors who are the target market for its eCommerce system.

[Payoneer](#) landed \$8 million for its second venture capital funding, from [Carmel Ventures](#) and [Greylock Partners](#). Payoneer's focus is on simplifying the international payments process by providing enterprises with prepaid MasterCard cards.

## Software

During the quarter, Software company fundings again represented the largest sector, raising \$1.2 billion between 161 companies. This activity represented a decrease of 8% in total funding amount and a 20% decrease in the number of companies funded.

The average financing round size grew from \$6.5 million in Q2 08 to \$7.4 million for the current quarter, suggesting a greater number of later round funding events.

The largest funding of the quarter was a \$50 million round for healthcare software provider [Medefinance](#). The company provides hospital health systems with what it calls "business intelligence" software that helps improve their internal operations.

Also in the "intelligence" space, [Business Intelligence Advisers](#) pulled in \$12 million in funding from [Frontier Capital](#) and [406 Ventures](#). BIA has developed what it calls "unique intelligence-based training and information collection solutions" for accounting audit professionals.

In the related education sub sector, [Regent Education](#) received \$7.5 million in expansion round financing. Regent, which was founded in 1979, provides financial aid management software to higher education institutions. The company has created an off-the-shelf solution that integrates with many existing ERP systems.

Table 1

### Venture Funding Activity – 3<sup>rd</sup> Quarter 2008

Industry	Total Amount Funded	% Change Vs. Prior Quarter	Number of Companies Funded	% Change vs. Prior Quarter
Internet	\$900 Million	- 28 %	143	- 17 %
Digital Media	\$350 Million	+ 18 %	37	+ 16 %
eCommerce	\$57 Million	- 39 %	9	- 36 %
Software	\$1.20 Billion	- 8 %	161	- 20 %
<b>Total</b>	<b>\$2.5 Billion</b>	<b>- 14 %</b>	<b>350</b>	<b>- 16 %</b>

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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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