

Venture Capital Funding Quarterly

Internet • Digital Media eCommerce • Software

4th Quarter, 2008 – United States

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Summary

During the third quarter, 323 companies raised \$1.95 billion in venture capital funding in the aggregate, down 8% in the number of companies funded and 20% less in the total funding amount versus Q3 08.

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

Funding Activity

Internet

Internet sector company fundings reversed their previous decline by eking out a small percentage again. The sector received \$937 million in venture capital funding during the quarter, a 4% increase in funding allocated among 130 companies - a reduction of 9% in the number of companies funded.

A notable transaction during the quarter was online vacation rental website company [HomeAway](#), which received a whopping \$250 million for its late stage funding round. The company's websites help users to rent their vacation homes to vacationers.

[Blip.tv](#), a video hosting site, secured \$5.2 million in its second round of venture capital financing. The service is very simple to use and shows promise even against industry giant [YouTube](#). In the social networking space, [LinkedIn](#) garnered \$22.7 million in its series D venture funding round. LinkedIn is probably the premier business social networking site on the Internet.

A number of Internet media related sites also received funding:

One True Media	\$8 Million
GetBack Media	\$17 Million
Xconomy	\$Undisclosed
Babble Media	\$2.75 Million

Digital Media

Digital Media funding resumed its previous quarterly declines by showing reductions 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 decreased by 34% to \$230 million, with 32 companies being funded, a decrease of 14%.

[Sezmi Corp.](#) received the largest funding by far, raising \$33 million from a syndicate of venture capital firms. Sezmi has created what it calls a personalized television system that allows users to create and customize their television experience.

[Access 360 Media](#) secured an \$8 million series B round of financing from [Mission Ventures](#) and [Bessemer Venture Partners](#). The company has created an online ad network focused on young adult consumers, aged 12 - 34.

Mobile advertising network [AdMob](#) also raised new funding, with its \$15.7 million series C venture capital investment round. AdMob says that it has the world's largest mobile network and aims to serve increasingly targeted ads to visitors on its network.

Corporate VC groups such as [Cisco Systems](#), [Comcast Interactive](#), [Intel Capital](#) and [Time Warner Investments](#) also participated in two funding events:

Waterfront Media	\$20 Million
BlackArrow.tv	\$20 Million

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eCommerce

The eCommerce sector continued its downward trend, with only five companies receiving a total of \$8 million in funding, a decrease of 86% in financing amounts versus the previous quarter.

Two companies raised a total of \$5.5 million during the quarter, [Digital Performance](#) and [Shopit](#). Digital Performance secured \$3.2 million in its series A financing round to continue building out its databases and improve its operations.

Shopit garnered \$2.5 million in its second round. The company enables customers to create websites that are linked directly to virtually any site, including blogging sites and social networking sites such as Linked In.

[Lucid Commerce](#) landed \$1.5 million from [OVP Venture Partners](#). Lucid helps advertisers maximize their ROI by attributing post sale consumer metrics to each media placement.

Software

During the quarter, Software company fundings represented the second largest sector, raising \$771 million between 156 companies. This activity represented a decrease of 36% in total funding amount and a 3% decrease in the number of companies funded.

The average financing round size dropped sharply from \$7.4 million in Q3 08 to \$4.9 million for the current quarter.

The largest funding of the quarter was a \$46.5 million round for [Anystream](#). The company has developed technology that enables enterprises to automate the production and distribution of video streaming media. Anystream says that it has in excess of 700 media clients.

In the database space, [EnterpriseDB](#) raised \$5.1 million during the quarter. The company has developed database products and services based on the Postgres open source application and competes with Oracle and other established database providers.

In the corporate security space, [Finjan Software](#) closed its series E round of financing at \$22 million. The company has developed what it calls a Secure Web Gateway for the medium to large size enterprise market. The company said it would use the funding proceeds to accelerate its growth and leadership within this market.

Table 1

Venture Funding Activity – 4th Quarter 2008

Industry	Total Amount Funded	% Change Vs. Prior Quarter	Number of Companies Funded	% Change vs. Prior Quarter
Internet	\$937 Million	+ 4 %	130	- 9 %
Digital Media	\$230 Million	- 34 %	32	- 14 %
eCommerce	\$8 Million	- 86 %	5	- 44 %
Software	\$771 Million	- 36 %	156	- 3 %
Total	\$1.95 Billion	- 20 %	323	- 8 %

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Notes

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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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