

# Venture Capital Funding Quarterly

## **Internet • Digital Media eCommerce • Software**

1<sup>st</sup> Quarter, 2009 – United States

**Publisher**  
[VentureDeal](#)

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## Summary

During the first quarter, 255 companies raised \$1.42 billion in venture capital funding in the aggregate, down 21 % in the number of companies funded and 27 % less in the total funding amount versus Q4 08.

By sector, only the eCommerce and Digital Media sectors showed gains, with the Internet 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 small funding gain by a large drop in fundings. The sector received \$488 million in venture capital funding during the quarter, a 48% decrease in funding allocated among 100 companies - a reduction of 23% in the number of companies funded.

A notable transaction during the quarter was automobile shopping company [Zag.com](http://Zag.com), which received \$37.4 million for its late stage funding round. The company has created automobile shopping, research and pricing technology enabling customers to obtain the best pricing.

[Twitter](http://Twitter.com), an SMS messaging service, secured \$35 million in its fourth round of venture capital financing. The service is very simple to use and functions effectively as a real-time Internet search service. Pop culture site [Buzznet.com](http://Buzznet.com) garnered \$12 million in its series C venture funding round. The company said it would use the funding to fuel continued growth of its popular culture properties.

A few Internet travel related sites also received funding:

<a href="#">Tripology</a>	\$3 Million
<a href="#">LeisureLink</a>	\$6 Million

## Digital Media

Digital Media funding reversed its previous quarterly declines by showing a slight increase in the total amount funded and a slight decrease in 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 3% to \$236 million, with 29 companies being funded, three fewer companies than the previous quarter.

[IndoorDirect](#) received the largest funding by far, raising \$22.5 million from a syndicate of venture capital firms. The company said it would use the funding proceeds to increase its restaurant and digital television national footprint to over 1,000 locations.

Digital content producer [JibJab Media](#) secured a \$7.5 million series C round of financing from venture capital and strategic investors. Proceeds purposes from the financing were not disclosed.

Gaming development engine company [Emergent Game Technologies](#) secured \$12.5 million in a new venture capital round in February, from a syndicate of five venture capital firms. The company develops and sells the software application tools that enable interactive game development.

## eCommerce

The eCommerce sector reversed its previous downward funding trend, with two companies receiving a total of \$74 million in funding.

The two companies that raised funding were Obopay (\$74 million) and Mercantila (\$4 million).

[Obopay](#) raised its financing from a new strategic partner, Nokia Growth Partners. Obopay has developed a mobile system that allows users to send and receive payments via their cellular handset.

[Mercantila](#) has developed a network of hundreds of specialty Internet sites that are each focused on only one product category. The company raised funding from Lightspeed Venture Partners, with longtime partner Jeremy Liew as board member.

## Software

During the quarter, Software company fundings represented the largest sector, raising \$617 million between 124 companies. This activity represented a decrease of 20 % in total funding amount and a 21% decrease in the number of companies funded versus the previous quarter.

The average financing round size was unchanged from the previous quarter, at \$4.9 million.

The largest funding of the quarter was a \$34 million round for [Quadriserv](#). The company has developed technology that provides "price transparency and efficiency to the securities lending industry."

E-mail system productivity company [Xobni](#) raised \$3.2 million in its second round of financing from corporate investors [Blackberry Partners](#) and [Cisco Systems](#). The company enhances the features and functionality of Microsoft's Outlook e-mail client.

In the Internet search space, [ChaCha Search](#) secured \$30 million in its series C venture funding round. The company has developed online technology that it believes enhances the ability of users to find answers to their search queries.

[Trader Tools](#), a financial services software company, garnered \$7.5 million in late stage financing. The company said it would use the funding proceeds to expand its sales and marketing efforts in the financial services industry.

Table 1

## Venture Funding Activity – 1<sup>st</sup> Quarter 2009

Industry	Total Amount Funded	% Change Vs. Prior Quarter	Number of Companies Funded	% Change vs. Prior Quarter
Internet	\$488 Million	- 48 %	100	- 23 %
Digital Media	\$236 Million	+ 3 %	29	- 10 %
eCommerce	\$74 Million	-- %	2	- 60 %
Software	\$617 Million	- 20 %	124	- 21 %
<b>Total</b>	<b>\$1.42 Billion</b>	<b>- 27 %</b>	<b>255</b>	<b>- 21 %</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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