

Venture Capital Funding Quarterly

Internet • Digital Media eCommerce • Software

3rd Quarter, 2009– United States

Publisher
[VentureDeal](#)

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Summary

During the third quarter of 2009, 229 companies raised \$1.3 billion in venture capital funding in the aggregate, 13% in total funding amount versus Q2 09 and down 4% in the number of companies funded.

By sector, only the Digital Media and Software sectors showed a gain in funding amounts, with the Internet and eCommerce sectors showing significant declines in the amounts funded.

Funding Activity

Internet

Internet sector company fundings reversed their previous quarterly increase by registering a significant funding amount percentage drop of 29%. The sector received \$514 million in venture capital funding during the quarter allocated among 97 companies – an increase of 18% in the number of companies funded.

A notable transaction during the quarter was for the social networking service [Twitter](#), which received a whopping \$100 million for its late stage funding round. The funding was provided by a large syndicate of venture capital firms, with the noted edition of [Benchmark Capital](#).

In the virtual economy space, [Jambool](#) secured \$5 million in its second round of financing in order to accelerate its product development and distribution expansion plans. [Madrona Venture Group](#) led the round and [Bay Partners](#) joined in the investment.

A number of Internet companies received announced series A funding rounds:

Shareaholic	\$Undisclosed
Altius Education	\$8 million
Fwix	\$2.75 million
Rosso	\$2 million
Fashion Playtes	\$1.5 million
Zero260	\$3 million
Akademos	\$2.5 million
StyleCaster	\$4 million

Digital Media

Digital Media funding reversed its previous quarterly decline by showing significant increases 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 15% to \$146 million, with 29 companies being funded, an increase of 21% versus the previous quarter.

[Tremor Media](#) received the largest funding, raising \$20 million in a round of strategic financing from [SAP Ventures](#). Tremor provides advertisers with in-banner and in-stream video advertising services via a network of publisher sites.

[MediaMath](#) secured \$12.5 million in equity and debt, from corporate strategic investor [Safeguard Scientifics](#) and other investors. The company said it would use the funding proceeds to geographically expand via organic growth and tactical acquisitions as well as continue product development and executive recruitment.

[ProtonMedia](#) garnered \$2.5 million for its series A round of equity financing. Proton produces 3D virtual worlds and corporate training and development software for the pharmaceutical and energy sectors, among others.

eCommerce

The eCommerce sector reversed its previous quarter upward trend, with seven companies receiving a total of \$60 million in funding, a decrease of 43% in financing amounts versus the previous quarter.

Part of AOL pioneer Steve Case's family of Revolution branded companies, [Revolution Money](#) raised an additional \$15 million in financing from the likes of [RRE Ventures](#) and [U.S. Venture Partners](#). Revolution Money aims to make inroads in the credit card and stored card payment processing market currently dominated by Visa and American Express.

[MyWebGrocer](#) garnered \$13 million in a funding round from undisclosed investors. The company offers a variety of eCommerce, eMarketing and related services to retail grocery chains. The company did not disclose how the funding proceeds would be used.

[iSend](#) secured \$2 million in its series A round of funding, from a syndicate of venture capital investors. iSend said it would use the funding proceeds to expand its network of US payment locations and generate more partnerships with international wireless carriers.

Software

During the quarter, Software company fundings represented the second largest sector, raising \$610 million between 97 companies. This activity represented an increase of 10% in total funding amount and a decrease of 22% in the number of companies funded.

The average financing round size reversed its previous decline and rose sharply, from \$4.7 million in Q2 09 to \$6.3 million in the current quarter.

The largest funding of the quarter was a \$62.5 million round for [Canopy Financial](#). The company has developed technology that connects healthcare organizations and financial services.

[AppFolio](#) raised \$8 million in its series C round of institutional venture capital investment. AppFolio provides web-based software for property management firms that helps them both market and run their businesses. Investors in the round were not disclosed, nor was how the company intends to use the funding proceeds.

Social software company [Mzinga](#) secured \$10 million in venture equity and debt during the quarter. Mzinga provides what it calls "pervasive community" solutions in order to allow businesses to harness the collective intelligence of their employees, customers and partners. Acadia Woods Ventures and [BlueCrest Capital Finance](#) provided the financing.

Table 1

Venture Funding Activity – 3rd Quarter 2009

Industry	Total Amount Funded	% Change Vs. Prior Quarter	Number of Companies Funded	% Change vs. Prior Quarter
Internet	\$514 million	- 29%	97	+ 18%
Digital Media	\$146 Million	+ 15%	29	+ 21%
eCommerce	\$60 Million	- 43%	7	- 22%
Software	\$610 Million	+ 10%	97	- 22%
Total	\$1.3 billion	- 13%	229	- 4%

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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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