



Venture Capital Funding Quarterly

**Internet • Digital Media
eCommerce • Software**

3rd Quarter, 2010 – United States

Publisher
[VentureDeal](#)

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Summary

During the third quarter of 2010, 343 companies raised \$1.8 billion in venture capital funding in the aggregate, down 14% in total funding amount versus Q2 10 and down 6% in the number of companies funded.

Three of the four sectors showed a decrease in funding amounts and number of companies funded. Only the Software sector showed an increase in funding amounts, with a healthy 19% jump in venture capital firm dollars into the space.

Funding Activity

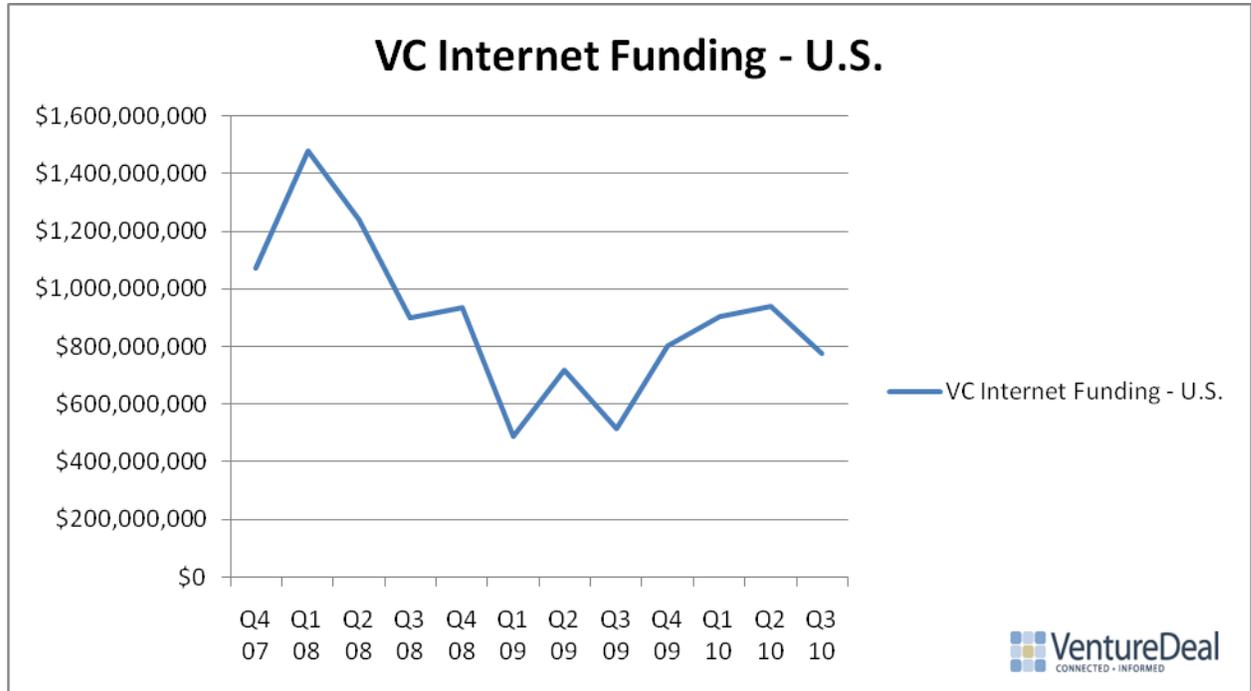
Internet

Internet sector company fundings reversed their previous quarterly increase by registering a dollar percentage decrease of 18%. The sector received \$774 million in venture capital funding during the quarter allocated among 167 companies – a decrease of 2% in the number of companies funded.

Santa Clara, California-based Internet campus book renting service [Chegg](#) secured the largest round of the quarter, receiving \$75 million from Hong Kong-based Ace Ltd. Chegg has now received over \$200 million in venture capital firm funding in order to attack the \$10 billion college textbook business.

Service provider matching company [Angie's List](#) garnered \$22.5 million during the quarter. The company said it would use the funding proceeds to expand its Health and Wellness consumer reviews product as well as its "The Big Deal" local group coupon program, its version of the group buying trend in the Internet space.

In the early development stage, more than 30 companies received series A financing rounds for a total of \$200 million resulting in an average of \$6.7 million per disclosed round.

Chart 1 - Internet


Digital Media

Digital Media funding reversed its previous quarter funding increase by showing significant decreases 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 developers or advertising networks. Total funding decreased quarter over quarter by 69% to \$128 million, with 32 companies being funded, a decrease of 22% versus the previous quarter.

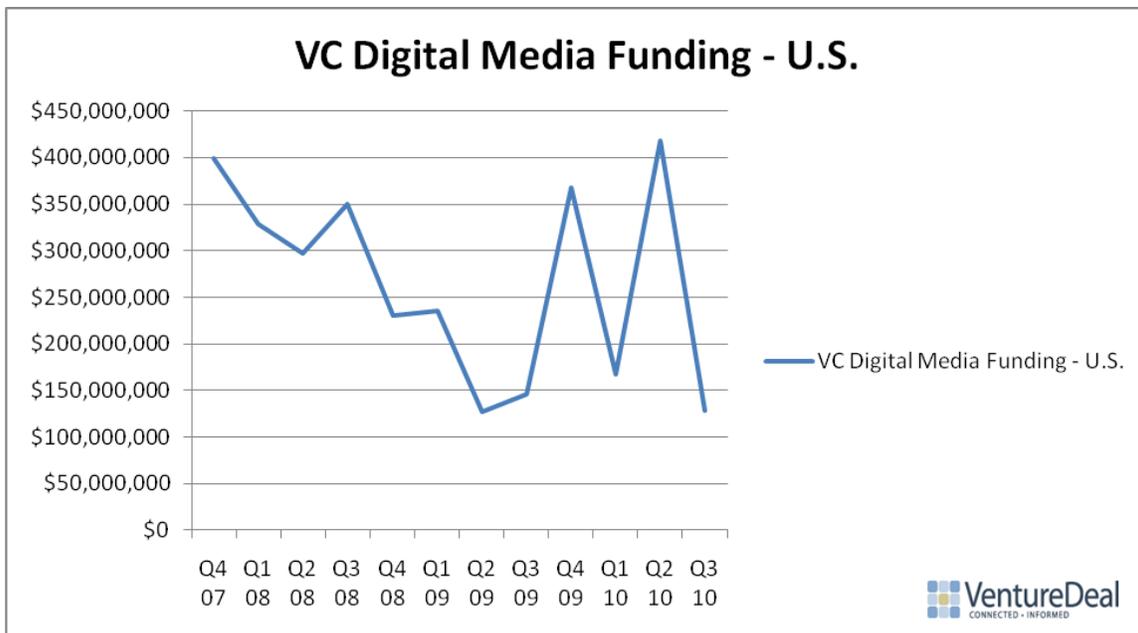
Irvine California-based [Brand Affinity Technologies](#) received the largest funding, \$20 million in its third round. The company said it would use the financing to build out its netBAT endorsement platform into music and other celebrity categories as well as internationally.

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In the gaming space, mobile game developer [Aurora Feint](#) landed \$5 million from undisclosed investors. The company is developing its mobile gaming platform. Notably, other gaming companies received little in the way of funding during the quarter.

[ShowUhow](#) secured \$5 million from East Coast investor [Syncom Venture Partners](#). ShowUhow provides how-to videos for retail and manufacturing companies and is based in San Diego, California.

Chart 2 - Digital Media



eCommerce

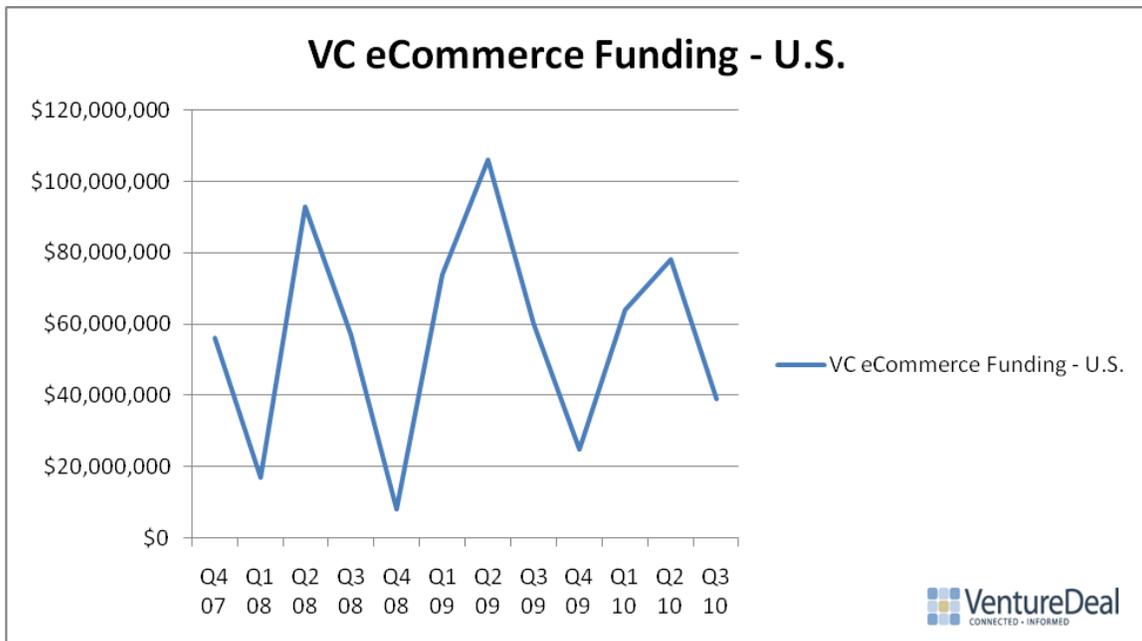
The eCommerce sector reversed its previous quarterly upward trend, with 8 companies receiving a total of \$39 million in funding, a decrease of 50% in financing amounts versus the previous quarter's tally.

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ECommerce funding amounts were generally evenly distributed among the 8 companies. [Data Impact](#) secured \$5 million in venture equity and debt to continue its growth trajectory in the business invoice and payment processing space. [Square 1 Bank](#) was the lender on the transaction.

In the consumer eCommerce space, [WePay](#) garnered \$7.5 million in its second round of institutional venture capital firm investment. The company allows consumers to create accounts for a variety of uses and intends to use the financing proceeds to expand its marketing efforts and continue product development.

Chart 3 - eCommerce



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Software

During the quarter, Software company fundings represented the largest sector, raising \$847 million between 136 companies. This activity represented an increase of 19% in total funding amount and a decrease of 6% in the number of companies funded.

The average financing round size registered a significant increase, from \$4.8 million in Q2 10 to \$6.2 million in the current quarter, representing a percentage increase of 29%. There were a total of 10 series B funding rounds during the quarter, the most prevalent disclosed funding stage.

The largest funding of the quarter was \$46 million for [Contact Solutions](#). The company provides on demand contact automation services for enterprises and government agencies. [North Bridge Venture Partners](#) made the investment. The company didn't say how the funding proceeds would be used.

Massachusetts-based [uTest](#) landed \$13 million from [Scale Venture Partners](#) and others. uTest aims to revolutionize traditional software testing by combining a global marketplace for application testing coupled with a "Pay per Bug" business model. The company said it would use the funding proceeds to expand its tester base and move into other service categories.

Chart 4 - Software - See Next Page

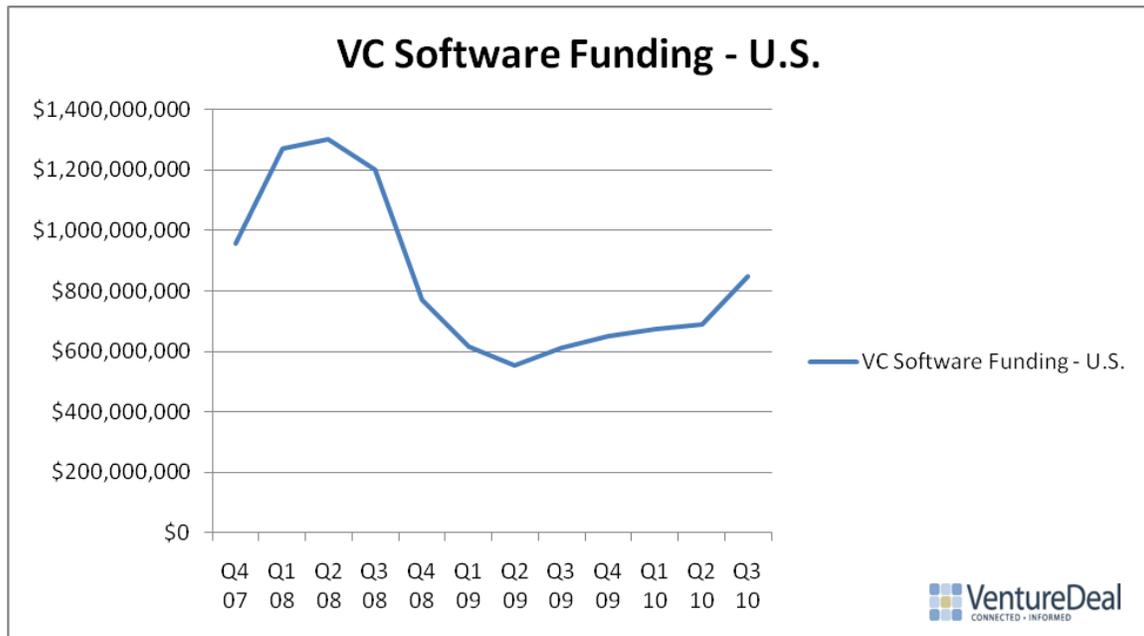


Table 1

Venture Funding Activity – 3rd Quarter 2010

Industry	Total Disclosed Funding	% Change Vs. Prior Quarter	Number of Companies Funded	% Change vs. Prior Quarter
Internet	\$774 million	- 18 %	167	- 2 %
Digital Media	\$128 million	- 69 %	32	- 22 %
eCommerce	\$39 million	- 50 %	8	- 3 %
Software	\$847 million	+ 19 %	136	- 6 %
Total	\$1.8 billion	- 14 %	343	- 6 %

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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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