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ANNUAL VENTURE INVESTMENT DOLLARS INCREASE 22% OVER PRIOR YEAR, ACCORDING TO THE MONEYTREE REPORT

Clean Technology and Internet Sectors Show Double-Digit Gains in 2011

Washington, D.C., January 20, 2012 – Venture capitalists invested \$28.4 billion in 3,673 deals in 2011, an increase of 22 percent in dollars and a 4 percent rise in deals over the prior year, according to the MoneyTree Report by PricewaterhouseCoopers LLP and the National Venture Capital Association (NVCA), based on data from Thomson Reuters. The amount of venture dollars invested in 2011 represents the third highest annual investment total in the past ten years. Investments in the fourth quarter of 2011 totaled \$6.6 billion in 844 deals, a 10 percent decrease in dollars and an 11 percent decrease in deals from the third quarter of 2011 when \$7.3 billion went into 953 deals.

Double-digit increases in investment dollars in 2011 were spread across a number of industries, including the Clean Technology and Internet-Specific sectors. Investment dollars also increased across every stage of development category, with the exception of a 48 percent decrease in Seed Stage investments. First-time financings rose in 2011 compared to the prior year, however, fourth quarter investing did show a decline in both first-time dollars and deals when compared to Q3 2011.

"As previously projected, venture capital investing in 2011 exceeded 2010 levels and ranks in the top three years for VC investing in the past decade," noted Tracy T. Lefteroff, global managing partner of the venture capital practice at PricewaterhouseCoopers. "We saw a resurgence in investments in Clean Technology and Internet-specific companies in 2011, as well as a bit of a jump in average funding in the Internet sector. However, while venture capitalists continue to show their interest in these areas, they are acting prudently and not chasing excessive valuations. Accordingly, despite the increase in investing, we're unlikely to see these sectors overheat like we saw in the 1999 to 2000 era."

"While venture capital investment grew in 2011, it is important to note that deal volume growth did not keep pace with dollar growth," said Mark Heesen, president of NVCA. "In most industry sectors, round sizes increased significantly, driving the higher investment levels across most stages of investment. Reasons for this phenomenon differ depending on area of investment. For some, the higher rounds are driven by the challenging exit market which requires venture capitalists to fuel their existing portfolios longer and at greater investment levels than in the past. This is particularly acute in the life sciences and clean tech sectors. In other sectors such as

Internet, software and media, the higher rounds speak to increasing valuations. Given the diversity of the venture investment landscape, we expect these notable distinctions to continue into 2012 as our industry sectors are impacted differently by the continued economic uncertainty and ongoing opportunities in the market."

Sector and Industry Analysis

The Software industry maintained its status as the single largest investment sector for the year, with dollars rising 38 percent over 2010 to \$6.7 billion in 2011, which was invested into 1,004 deals, a 7 percent rise in volume over the prior year. However, Software investing experienced a decline in the fourth quarter of 2011 with \$1.8 billion going into 238 deals. Software was also the number one sector for dollars invested and total number of deals in Q4 and counted more than double the number of deals during the quarter than the second largest sector, Biotechnology.

Biotechnology investment dollars increased in 2011, jumping 22 percent but dropping 9 percent in deals, with \$4.7 billion going into 446 deals, placing it as the second largest investment sector for the year in terms of dollars and deals. For the fourth quarter, Biotechnology investing increased 10 percent in dollars and 6 percent in the number of deals from the third quarter with \$1.3 billion going into 111 rounds.

The Medical Device industry rose 20 percent in dollars and fell 2 percent in deals in 2011, finishing the year as the fourth largest sector with \$2.8 billion going into 339 deals. For the fourth quarter, Medical Devices saw a drop of 35 percent in dollars and 15 percent in deals from Q3 2011 with \$498 million going into 73 deals. The Life Sciences sector (Biotech and Medical Devices combined) accounted for 27 percent of all venture capital dollars invested in 2011 compared to 27 percent in 2010.

The Clean Technology sector experienced a 12 percent increase in both dollars and deal volume in 2011, bringing the year's total to the highest level ever recorded at \$4.3 billion going into 323 deals, compared to \$3.8 billion going into 289 deals in 2010. Clean Technology investing accounted for 15 percent of all venture capital dollars in 2011 compared to 16 percent in 2010. In the fourth quarter, venture capitalists invested \$1.2 billion into 73 Clean Tech deals, up 34 percent in dollars but down 14 percent in deal volume from \$914 million going into 85 deals in the third quarter. For the full year 2011, three of the top ten deals were in the Clean Tech category; four of the top ten deals in Q4 fell into the Clean Tech category as well. Clean Technology crosses traditional MoneyTree industries and comprises alternative energy, pollution and recycling, power supplies and conservation.

Internet-specific companies also saw a substantial increase in investing in 2011. The \$6.9 billion going into 997 deals represented a 68 percent increase in dollars and 24 percent increase in deals from 2010 when \$4.1 billion went into 807 deals. This year marked the highest level of Internet investment over the past decade. For the fourth quarter, Internet-specific investment declined 23 percent in dollars and 7 percent in deals with \$1.3 billion going into 239 deals, compared to \$1.7 billion going into 257 deals in the third quarter of 2011. 'Internet-specific' is a discrete classification assigned to a company whose business model is

fundamentally dependent on the Internet, regardless of the company's primary industry category. These companies accounted for 24 percent of all venture capital dollars in 2011, up from 18 percent in 2010.

Thirteen of the 17 industry categories experienced increases in dollars invested for the year. Industry sectors experiencing some of the biggest dollar increases in 2011 included: Consumer Products & Services (103 percent); Media/Entertainment (53 percent); Electronics/Instrumentation (52 percent); and IT Services (39 percent).

Stage of Development

Investments into Seed Stage companies decreased 48 percent in terms of dollars and were flat in terms of deals with \$919 million going into 396 companies in 2011. For the fourth quarter, venture capitalists invested \$134 million into 80 seed stage companies, a 40 percent decrease in dollars and a 28 percent decline in deals compared to the third quarter of the year. Seed Stage companies attracted 3 percent of dollars and 11 percent of deals in 2011 compared to 8 percent of dollars and 11 percent of deals in 2010. Seed stage deals were the only stage to experience a decrease in average round size for 2011.

Early Stage investments experienced double-digit increases, rising 47 percent in terms of dollars and 16 percent in terms of deals in 2011 to \$8.3 billion in 1,414 deals. For the fourth quarter, Early Stage investments increased, with \$2.3 billion going into 364 deals, an 11 percent increase in dollars in Q3 while the number of deals was flat. Early Stage companies attracted 29 percent of dollars and 38 percent of deals in 2011 compared to 24 percent of dollars and 35 percent of deals in 2010.

Expansion Stage investments increased in 2011 by 9 percent in dollars and dropped 8 percent in deals with \$9.7 billion going into 999 deals. Expansion funding dropped in the fourth quarter, dipping 9 percent from the prior quarter to \$2.4 billion. The number of deals also decreased during the quarter, falling 21 percent to 222. Expansion Stage companies attracted 34 percent of dollars and 27 percent of deals in 2011 compared to 38 percent of dollars and 31 percent of deals in 2010.

In 2011, \$9.5 billion was invested into 864 Later Stage deals, a 37 percent increase in dollars and a 5 percent increase in deals for the year. For the fourth quarter, \$1.8 billion went into 178 deals, which represents a 26 percent decrease in terms of dollars and a 9 percent decline in terms of deals from the third quarter of 2011. Later Stage companies attracted 33 percent of dollars and 24 percent of deals in 2011 compared to 30 percent of dollars and 23 percent of deals in 2010.

First-Time Financings

First-time financings jumped both in terms of dollars and deals from the prior year, rising to \$5.0 billion going into 1,159 companies, a 12 percent increase in dollars and an 11 percent increase in deals. However, the dollar level and number of companies receiving venture capital for the first time decreased in the fourth quarter by 29 and 19 percent, respectively, over the third quarter, dropping to \$920 million into 248 companies. First-time financings accounted for 18 percent of

dollars and 32 percent of deals in 2011 compared to 19 percent of dollars and 30 percent of deals in 2010.

Industries receiving the most dollars in first-time financings in 2011 were Software, Biotechnology, and Media/Entertainment. Industries with the most first-time deals in 2011 were Software, Media/Entertainment, and IT Services. Fifty-one percent of first-time deals in 2011 were in the Early Stage of development followed by the Seed Stage of development at 27 percent, Expansion Stage companies at 14 percent and Later Stage companies at 9 percent.

MoneyTree Report results are available online at www.pwcmoneytree.com and www.nvca.org.

Note to the Editor

Information included in this release or related venture capital investment data should be cited in the following way: “The MoneyTree™ Report by PricewaterhouseCoopers and the National Venture Capital Association based on data from Thomson Reuters” or “PwC/NVCA MoneyTree™ Report based on data from Thomson Reuters.” After the first reference, subsequent references may refer to PwC/NVCA MoneyTree Report, PwC/NVCA or MoneyTree Report. Charts and tables displaying the data are sourced to “PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report, Data: Thomson Reuters.” After the first reference, subsequent references may refer to PwC/NVCA MoneyTree Report, PwC/NVCA, MoneyTree Report or MoneyTree.

About the PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report

The MoneyTree™ Report measures cash-for-equity investments by the professional venture capital community in private emerging companies in the U.S. It is based on data provided by Thomson Reuters. The survey includes the investment activity of professional venture capital firms with or without a U.S. office, SBICs, venture arms of corporations, institutions, investment banks and similar entities whose primary activity is financial investing. Where there are other participants such as angels, corporations, and governments, in a qualified and verified financing round the entire amount of the round is included. Qualifying transactions include cash investments by these entities either directly or by participation in various forms of private placement. All recipient companies are private, and may have been newly-created or spun-out of existing companies.

The survey excludes debt, buyouts, recapitalizations, secondary purchases, IPOs, investments in public companies such as PIPES (private investments in public entities), investments for which the proceeds are primarily intended for acquisition such as roll-ups, change of ownership, and other forms of private equity that do not involve cash such as services-in-kind and venture leasing.

Investee companies must be domiciled in one of the 50 U.S. states or DC even if substantial portions of their activities are outside the United States.

Data is primarily obtained from a quarterly survey of venture capital practitioners conducted by Thomson Reuters. Information is augmented by other research techniques including other public and private sources. All data is subject to verification with the venture capital firms and/or the investee companies. Only professional independent venture capital firms, institutional venture capital groups, and recognized corporate venture capital groups are included in venture capital industry rankings.

About the National Venture Capital Association

Venture capitalists are committed to funding America's most innovative entrepreneurs, working closely with them to transform breakthrough ideas into emerging growth companies that drive U.S. job creation and economic growth. According to a 2011 Global Insight study, venture-backed companies accounted for 12 million jobs and \$3.1 trillion in revenue in the United States in 2010. As the voice of the U.S. venture capital community, **the National Venture Capital Association (NVCA)** empowers its members and the entrepreneurs they fund by advocating for policies that encourage innovation and reward long-term investment. As the venture community's preeminent trade association, NVCA serves as the definitive resource for venture capital data and unites its nearly 400 members through a full range of professional services. For more information about the NVCA, please visit www.nvca.org.

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