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VENTURE CAPITAL INVESTMENTS DECLINE IN DOLLARS AND DEAL VOLUME IN Q1 2012

Later Stage Investments Increase; Life Sciences and Clean Tech Investing Falls

WASHINGTON, April 20, 2012 – Venture capitalists invested $5.8 billion in 758 deals in the first quarter of 2012, according to the MoneyTree™ Report from PricewaterhouseCoopers LLP (PwC) and the National Venture Capital Association (NVCA), based on data provided by Thomson Reuters. Quarterly venture capital (VC) investment activity fell 19 percent in terms of dollars and 15 percent in the number of deals compared to the fourth quarter of 2011 when $7.1 billion was invested in 889 deals.

The Life Sciences (biotechnology and medical device industries combined) and Clean Technology sectors saw marked decreases in both dollars and number of deals in the first quarter. However, there were double-digit percentage increases in dollars invested in the Consumer Products and Services, Medical Device, and Telecommunications industries. Additionally, investments into companies in the Later stage of development experienced an increase, rising 11 percent and accounting for 40 percent of total dollars invested during the first quarter of 2012.

"Venture capitalists remained cautious during the first quarter after a lackluster fourth quarter in the public markets, as evidenced by the shift from investing in earlier stage companies to a focus on later stage companies in Q1. Given that we saw an improvement in the public markets during the first quarter, we could see VCs return to placing their bets on seed stage companies in the coming quarters," remarked Tracy T. Lefteroff, global managing partner of the venture capital practice at PwC US. "While on the surface, the jump in dollars invested in the Medical Device industry during Q1 may seem surprising given the 22% drop in Life Sciences funding, a deeper dive shows that companies in the Later stage of development accounted for more than half of the investments in this industry. A more active M&A market may be the reason that the Biotech industry experienced a decline in investing in Q1, as VCs saw more of their portfolio companies experience exits during the first quarter."

“The overall decline in investment in the first quarter underlies several shifts occurring in the venture space," said Mark Heesen, president of the NVCA. "The industry continues to contract and consolidate which is beginning to manifest itself in fewer dollars being invested in fewer deals. Yet, we feel that the overall impact will be positive for the asset class as only the best entrepreneurs and technologies will be funded at rational valuations. As innovation continues to advance at a very quick pace, we suspect that many seed stage companies are being funded in stealth mode, forming a pipeline that is not yet visible to the public eye. Lastly, with the exit market improving, we hope to see venture capitalists in a position to focus more on first time deals in the coming months and less on sustaining mature companies that have been held back over the last few years. All of these factors equate to an industry that is well positioned to optimize its performance in the coming decade."

Industry Analysis

The Software industry received the highest level of funding for all industries with $1.6 billion invested during the first quarter of 2012. This level of investment represents an 18 percent decrease in dollars, compared to $2.0 billion invested in the fourth quarter. The Software industry also had the most deals completed in Q1 with 231 rounds, which represents a 12 percent decrease from the 262 rounds completed in the fourth quarter of 2011..

The Biotechnology industry was the second largest sector for dollars invested with $780 million going into 99 deals, falling 43 percent in dollars and 14 percent in deals from the prior quarter. The Medical Devices and Equipment industry experienced an increase, rising 33 percent in Q1 to $687 million, while the number of deals dropped 6 percent to 72 deals. Overall, investments in the Life Sciences sector (Biotechnology and Medical Devices) fell 22 percent in dollars and 11 percent in deals, which was the fewest number of deals since the first quarter of 2009.

Internet-specific companies received more than one billion dollars for the eighth consecutive quarter with $1.4 billion going into 188 deals. This investment level is 3 percent lower in dollars and 23 percent lower in deals than the fourth quarter of 2011 when $1.4 billion went into 244 deals. Two of the top ten deals for the quarter were in the Internet-specific category. Internet-Specific' is a discrete classification assigned to a company with a business model that is fundamentally dependent on the Internet, regardless of the company's primary industry category.

The Clean Technology sector, which crosses traditional MoneyTree industries and comprises alternative energy, pollution and recycling, power supplies and conservation, saw $951 million go into 73 deals, representing a 30 percent decrease in dollars and an 11 percent decline in deals compared to the fourth quarter of 2011. The relative decrease in Clean Technology investments was driven by fewer larger rounds in Q1 as well as the fact that the fourth quarter of 2011 was exceptionally active in the sector. Still, three of the top deals from the quarter were classified as Clean Technology investments.

Eleven of the 17 MoneyTree sectors experienced decreases in dollars invested in the first quarter, including Semiconductors (43 percent decrease), IT Services (26 percent decrease), and Industrial/Energy (14 percent decrease). The Consumer Products & Services sector experienced a 78 percent increase during the quarter due to the largest deal of the quarter ($238 million) occurring in that sector.

Stage of Development

Seed stage investments fell 9 percent in dollars and 41 percent in deals with $141 million invested into 53 deals in the first quarter. Early stage investments fell 31 percent in dollars and 24 percent in deals with $1.6 billion going into 290 deals. Seed/Early stage deals accounted for

45 percent of total deal volume in Q1, compared to 53 percent in the fourth quarter of 2011. The average Seed deal in the first quarter was $2.7 million, up from $1.7 million in the fourth quarter. The average Early stage deal was $5.6 million in Q1, down from $6.1 million in the prior quarter.

Expansion stage dollars decreased 32 percent in the first quarter, with $1.7 billion going into 207 deals. Overall, Expansion stage deals accounted for 27 percent of venture deals in the first quarter, a slight uptick from 26 percent in the fourth quarter of 2011. The average Expansion stage deal was $8.3 million, down from $10.9 million in the prior quarter.

Investments in Later stage deals increased 11 percent in dollars and 13 percent in deals to $2.3 billion going into 208 rounds in the first quarter. Later stage deals accounted for 27 percent of total deal volume in Q1, compared to 21 percent in Q4 when $2.1 billion went into 184 deals. The average Later stage deal in the first quarter was $11.0 million, which decreased slightly from $11.2 million in the prior quarter.

First-Time Financings

First-time financing (companies receiving venture capital for the first time) dollars decreased 22 percent to $783 million in Q1, the third lowest level in survey history. And, the number of deals fell 28 percent to 195 deals in the first quarter, the lowest level since the third quarter of 2009. First-time financings accounted for 14 percent of all dollars and 26 percent of all deals in the first quarter, compared to 14 percent of all dollars and 30 percent of all deals in the fourth quarter of 2011.

Companies in the Software, Media & Entertainment, and IT services industries received the most first-time rounds in the first quarter. The Life Sciences sector experienced a dramatic drop, falling 60 percent in dollars and 43 percent in deals during the first quarter to $120 million going into 21 companies. The average first-time deal in the first quarter was $4.0 million, up slightly from $3.7 million in the prior quarter. Seed/Early stage companies received the bulk of first-time investments, garnering 81 percent of the deals.

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 more than 400 member firms through a full range of professional services. For more information about the NVCA, please visit www.nvca.org.

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