

# Venture capital deals rebounding amid new optimism

By Scott Duke Harris, [sdharris@mercurynews.com](mailto:sdharris@mercurynews.com) , Posted: 02/20/2010 04:00:00 PM PST

For Silicon Valley, 2008 and 2009 were years of reckoning and transformation. The financial turmoil that seized the global economy hammered the venture capital industry, bringing a sharp decline in dollars and deals.

But after a steep drop in the first half of 2009, venture deals rebounded modestly in the second half and featured an encouraging resurgence in early stage investments. The pattern underscored recent surveys of venture capitalists that suggest the industry is approaching a new sense of equilibrium and confidence.

Nationwide, venture investments totaled \$17.7 billion in 2009, the lowest since 1997 and down from \$28 billion in 2008 and \$30.5 billion in 2007. The MoneyTree Report, a quarterly review that tracks the industry, found that during the fourth quarter, investments totaled \$5 billion after reaching \$5.1 billion the previous quarter.

The \$17.7 billion in new investments in startups contrasts with \$15.2 billion in new commitments to venture funds during 2009. The amount of commitment was nearly \$21 billion below the \$36.1 billion raised in 2007, before the start of the financial crisis, and \$13.3 billion less than the \$28.6 billion raised in 2008, when pension funds and university endowments curtailed their venture investments.

## Valley gets biggest share of VC funding

While overall venture capital funding is down, Silicon Valley continues to capture the lion's share of VC money nationwide, with 40 percent of the total in 2009.



Silicon Valley, as usual, accounted for by far largest amount of venture activity in the fourth quarter, with 252 deals garnering \$1.9 billion, or 38 percent of the national total. For the year, the valley attracted a record 40 percent of total dollars.

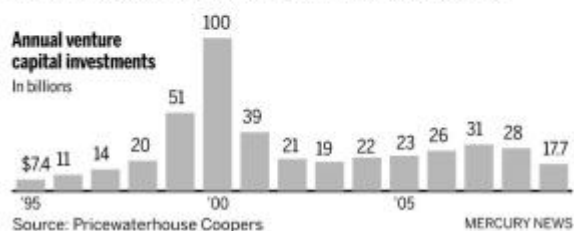
Valley startups accounted for the quarter's four largest deals and five of the top 10, led by \$105 million for Silver Spring Networks, a "smart grid" innovator.

So far this year, Better Place, a Palo Alto-based startup working on electric car infrastructure, set a U.S. record for a cleantech deal, securing \$350 million in new investments.

For the year, valley startups corralled nearly \$7 billion in 863 deals. That was a 35 percent decline from the number of deals in the previous year.

## Money flow takes another dip

Venture capital investments in the United States spiked sharply before the dot-com bubble burst in 2000, then plunged before settling into a pattern of steady growth from 2003 to 2007. The recession has caused another dip, making last year's total of \$17.7 billion the smallest since 1997.



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