



National Venture Capital Association

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Strong Fund Reserves Diminish Need For Venture Capitalists to Raise Additional Capital

May 6, 2002 –With fund reserves at record levels, the pace of venture capital fundraising remained slow in the first quarter of 2002. According to Venture Economics and the National Venture Capital Association, 44 venture capital funds secured \$2.2 billion in commitments. This level reflects a 56% decline from the previous quarter, when 65 funds raised \$5 billion, and falls in line with fundraising levels seen in the mid-1990s. This level is also consistent with investment trends. Last week, the PricewaterhouseCoopers/Venture Economics/National Venture Capital Association MoneyTree Survey announced that \$6.2 billion was invested by venture capitalists in the first quarter of this year.

Mark Heesen, president of the National Venture Capital Association, reflected, “These fundraising levels are absolutely appropriate given the existing reserve of funds and the overall investment pace of the industry. We expect to remain at these sustainable levels for the foreseeable future as venture capitalists distribute the capital that has been raised during the last three years.”

Jesse Reyes, Vice President with Venture Economics, commented, "While there are ostensibly lots of deals available for investment, the decrease in actual investment volume over the past few quarters has commensurately decreased the need for additional capital raised from limited partners. Limited partners have had their appetite sated for additional commitments, leading to the dearth of new commitments. This trend will continue until there is liquidity in portfolio company exits, which will provide distributions back to LPs.”

Year/Quarter	Venture Capital		Buyout & Mezzanine		Fund of Funds		Other *	
	# of Funds	Venture Capital (\$ Billions)	# of Funds	Buyout/ Mezzanine (\$ Billions)	# of Funds	Fund of Funds (\$ Billions)	# of Funds	Other (\$ Billions)
1991	41	1.9	28	3.8	4	0.4	3	1.1
1992	78	5.1	63	12.0	2	0.1	5	1.3
1993	93	3.8	82	17.8	6	0.9	6	1.7
1994	136	7.7	105	21.4	2	0.08	10	3.5
1995	157	10.0	106	26.8	10	1.0	13	4.4
1996	166	12.4	113	33.7	9	1.2	19	5.1
1997	233	17.6	140	47.7	6	1.0	15	8.9
1998	282	30.8	165	64.1	10	3.0	25	8.3
1999	424	59.1	158	64.4	20	3.7	21	11.7
1Q'00	172	21.7	43	12.7	10	1.4	1	0.2
2Q'00	184	30.3	50	32.2	5	1.3	2	0.9
3Q'00	133	29.9	37	11.9	7	0.7	2	1.7
4Q'00	187	23.3	50	25.2	8	1.2	2	1.5
Total 2000	617	105.2	158	82	29	4.6	7	4.3
1Q'01	115	16.5	47	13.0	15	2.8	3	3.2
2Q'01	87	11.2	30	10.7	14	1.1	1	0.8
3Q'01	67	7.3	36	10.6	5	1.9	4	4.6
4Q'01	65	5.0	23	12.3	8	1.9	2	1.7
Total 2001	302	40.0	114	46.6	32	7.7	9	10.3
1Q'02	44	2.2	6	2.2	4	1.2	0	0

Source: Venture Economics & National Venture Capital Association

* These totals reflect the inclusion of Energy, Timber, Real Estate and Other Private Equity/Special Situation Funds.

While overall activity slowed, those firms who were actively engaged in fundraising were successful, demonstrating the long-term attractiveness of the venture capital asset class. Of the \$2.2 billion raised this quarter, \$536.8 million, or 24.4% of the total, came from first-time funds. This is down slightly from last quarter, when 28.5% of the total came from first-time funds. Of the 44 funds raised this quarter, 23, or 52%, came from those with an early or seed stage focus. The \$909 million raised from these early stage funds represented 41% of the total amount raised. Balanced stage funds received the largest amount of capital for the quarter, as 16 funds brought in \$1.1 billion.

New Venture Capital Funds			
Quarter	No. of Funds	Amount Raised (\$mil)	% of Total Amount Raised That Year
Q1'00	42	2474.1	11.4
Q2'00	64	3388.6	11.2
Q3'00	42	3435.4	11.5
Q4'00	64	5241.5	22.5
Q1'01	40	1662.9	10.1
Q2'01	25	937.0	8.3
Q3'01	16	562.8	7.7
Q4'01	22	1424.7	28.5
Q1'02	12	536.8	24.4

Source: Venture Economics & National Venture Capital Association

The quarter saw a geographic shift in activity from West Coast to East Coast. The Greater New York region raised the largest amount of capital this quarter, as nine funds closed on \$882 million. New England raised the quarter's second-largest sum with \$517 million coming from eight funds. Northern California, traditionally the largest region for fund raising, raised \$264 million through 10 funds last quarter. That's an 89% decrease from the previous quarter, when 24 funds brought in \$2.5 billion.

Venture Capital Raised by State Region for Q3'01, Q4'01 and Q1'02						
State Region	Q3'01		Q4'01		Q1'02	
	# of Funds	Venture Capital (\$ Millions)	# of Funds	Venture Capital (\$ Millions)	# of Funds	Venture Capital (\$ Millions)
Greater New York	13	1196.1	9	351.7	9	882.4
New England	16	2697.3	13	871.8	8	517.7
N. California	15	1407.5	24	2575.4	10	264.3
S. California	3	486.0	2	38.0	3	184.4
Rocky Mountains	2	65.0	4	383.6	3	143.1
Great Lakes	5	316.2	3	303.8	2	67.4
Southeast	2	37.8	0	0	2	60.0
Great Plains	3	96.0	1	17.0	1	15.0
Ohio Valley	0	0	3	43.1	1	10.0
Southwest	2	14.1	2	3.5	3	2.2
Northwest	1	400.0	2	450.6	1	1.0
Mid-Atlantic	4	473.5	2	10.0	0	0
South	1	135.0	0	0	0	0
U.S. Territories	0	0.0	0	0	1	10.4

Source: Venture Economics & National Venture Capital Association

Reflecting the downward trend of technology company valuations and the renewed sustainable levels of investment, the average fund size continued its downward trend. In the first quarter of this year, the average venture fund closing was \$50 million compared with the record level of \$224.8 million in the third quarter of 2000.

Buyout/Mezzanine	Q1'00	Q2'00	Q3'00	Q4'00	Q1'01	Q2'01	Q3'01	Q4'01	Q1'02
Average Size	\$295.3M	\$644M	\$321.6M	\$504M	\$276.5M	\$356.6M	\$294.4M	\$534.7M	\$366.6M
Venture Capital	Q1'00	Q2'00	Q3'00	Q4'00	Q1'01	Q2'01	Q3'01	Q4'01	Q1'02
Average Size	\$126.1M	\$164.6M	\$224.8M	\$124.5M	\$143.4M	\$128.7M	\$108.9M	\$76.9M	\$50.0M

Source: Venture Economics & National Venture Capital Association

Buyouts/Mezzanine

Following Q4 2001, in which buyout and mezzanine firms secured \$12.3 billion through 23 funds, the first quarter of 2002 was the slowest quarter in over six years. Six funds closed on commitments totaling \$2.2 billion, an 82% decrease from the previous quarter. J.W. Childs closed on the largest fund of the quarter, gaining commitments of \$1 billion for J.W. Childs Equity Partners III, L.P.

Of the \$2.2 billion raised last quarter by Buyout and Mezzanine funds, 7%, or \$150 million came from first-time funds. This is an increase from the previous quarter, when 3.9% came from first-time funds.

New Buyouts/Mezzanine Funds			
Quarter	No. of Funds	Amount Raised (\$mil)	% of Total Amount Raised That Year
Q1'00	9	1183.2	9.3
Q2'00	16	5244.2	16.3
Q3'00	7	799.2	6.7
Q4'00	9	1440.1	5.7
Q1'01	11	2310.6	17.7
Q2'01	6	496.2	4.6
Q3'01	7	786.2	7.4
Q4'01	5	475.0	3.9
Q1'02	2	150.0	6.8

Source: Venture Economics & National Venture Capital Association

About Venture Economics

Venture Economics, a Thomson Financial company, is the foremost information provider for equity professionals worldwide. Venture Economics offers an unparalleled range of products from directories to conferences, journals, newsletters, research reports, and the Venture Expert(TM) database. For over 40 years, Venture Economics has been tracking the venture capital and buyouts industry. Since 1961, it has been a recognized source for comprehensive analysis of investment activity and performance of the private equity industry. Venture Economics maintains long-standing relationships within the private equity investment community, in-depth industry knowledge, and proprietary research techniques. Private equity managers and institutional investors alike consider Venture Economics information to be the industry standard. For more information about Venture Economics, please visit <http://www.ventureeconomics.com>.

About National Venture Capital Association

The National Venture Capital Association (NVCA) represents over 450 venture capital and private equity organizations. NVCA's mission is to foster the understanding of the importance of venture capital to the vitality of the U.S. and global economies, to stimulate the flow of equity capital to emerging growth companies by representing the public policy interests of the venture capital and private equity communities at all levels of government, to maintain high professional standards, facilitate networking opportunities and to provide research data and professional development for its members.

