Emily Mendell, NVCA, 610-565-3904, emendell@nvca.org
Joshua Radler, Thomson Venture Economics, 646-822-7323, Joshua.radler@thomson.com

PRIVATE EQUITY FUNDRAISING ACTIVITY SURPASSED 2004 IN FIRST THREE QUARTERS OF 2005

New York, NY, October 17, 2005 – The private equity fundraising climate remained robust in the third quarter of 2005 with forty-five venture funds raising $5.4 billion and forty-five buyout and mezzanine funds fetching $16.8 billion, according to Thomson Venture Economics and the National Venture Capital Association (NVCA). While the quarterly totals represented a fall off in activity from a strong second quarter, the average venture fund size continued to remain strong at $119 million. After three quarters this year, both venture and buyout fundraising levels have already surpassed 2004 totals.

"It will be a solid year for private equity fundraising as demand for this asset class continues to be extremely strong," said Mark Heesen, president of the NVCA. "We continue to see discipline on the venture side, with firms keeping close to their original targets despite ample opportunities to raise much more. We could have easily seen a $50 – 75 billion fundraising year had the venture industry not exercised this prudence and accepted more money than could be invested successfully. The dollars that are being turned away from venture are likely being channeled into buyout funds and hedge funds, helping to drive the surge of capital into those asset classes as well."

Venture funds in the third quarter collectively raised 16.9% less than those in the second quarter, when fifty-three funds took in $6.5 billion in commitments. However, when compared to the third quarter of 2004, this quarter posted an 11.6% increase. Buyout fundraising followed the same pattern with a 28.5% decrease in activity from the $23.4 billion raised in Q2 2005. Yet again, the quarter's figures represent a 23.5% increase over the third quarter of 2004.

Fundraising by Venture and LBO/Mezzanine Funds, 2000-2005*

	Venture Capital		Buyout & Mezzanine**	
Year	**Number of Funds**	**Venture Capital ($M)**	**Number of Funds**	**Buyout & Mezzanine ($M)**
2000	637	106,734.4	158	76,436.1
2001	308	37,781.7	120	46,690.1
2002	172	3,862.1	86	26,092.1
2003	141	10,648.6	91	30,016.7
2004	187	16,986.6	130	51,661.0
Q1-Q3 2005	**130**	**17,370.2**	**122**	**54,056.7**
Quarter				
3Q'04	**54**	**4,829.4**	**44**	**13,585.1**
4Q'04	**62**	**6,272.1**	**54**	**18,170.5**
1Q'05	**58**	**5,489.5**	**48**	**13,777.8**
2Q'05	**53**	**6,491.2**	**53**	**23,498.7**
3Q'05	**45**	**5,389.5**	**45**	**16,780.2**

Source: Thomson Venture Economics & National Venture Capital Association
***These figures take into account the subtractive effect of downsized funds.**
**** This category includes LBO, Mezzanine, Turnaround and Recapitalization-focused funds.**

Year-to-date figures on both sides of the spectrum reinforce the evidence of a swelling fundraising market characterized by a growing average fund size. Thus far in 2005, 130 venture funds raised $17.4 billion while 122 buyout funds raised $54 billion. In the same time frame during 2004, 143 venture funds raised $10.7 billion, and ninety-four buyout funds received $33.5 billion in commitments. These are increases in total value over 2004 by 62.1% and 61.4%, respectively.

Venture fundraising by investment stage focus followed a familiar pattern in the quarter. Twenty-two early stage vehicles raised $2.4 billion, or 44.1% of the quarter's entire venture commitment. Among these were Accel London II at $450 million, which tied for the second largest venture fund raised in the quarter, and Mayfield XII with $375 million.

Eighteen balanced funds raised $2 billion, led by Morgenthaler VIII at $450 million, Sigma Partners 7 with $400 million, and $375 million for Healthcare Ventures VIII – roughly 60% of the balanced stage total. Four later stage funds totaling $138.6 million and one expansion-focused fund with $80 million rounded out the quarter's numbers. The largest fund of the quarter comes from the pool of later stage vehicles – Sequoia Capital Growth Fund III, with $520 million.

Follow-on funds continued to be raised to first time funds at an approximate ratio of 3-to-1 Only ten new funds were raised in the quarter, compared to thirty-five follow-on entities.

VC Funds: New vs Follow-On

	No. of New	No. of Follow-on	Total
2000	246	391	637
2001	109	199	308
2002	56	116	172
2003	49	92	141
2004	51	136	187
Q1-Q3 2005	**29**	**101**	**130**
3Q'04	14	40	54
4Q'04	16	46	62
1Q'05	10	48	58
2Q'05	14	39	53
3Q'05	**10**	**35**	**45**

Source: Thomson Venture Economics & National Venture Capital Association

Buyout funds continued to bring in commitments at the traditional 3-to-1 rate over venture funds. Among these was the largest of the quarter, Apollo Investment Fund VI, which collected $4.9 billion of its $7 billion target. Apollo's was also the year's second biggest fund raised. Several other mega funds were capped off this quarter: Oak Hill Capital Partners II took in a final $587 million to close at $2.5 billion; Elevation Partners closed at $1.8 billion; Lehman Brothers Merchant Banking Partners III oversubscribed its $1 billion target to land at $1.2 billion; and Spectrum Equity Investors V held a final $203 million close to come in at $1.2 billion. Looking ahead to the fourth quarter, the mega funds that raised money this quarter still have $6 billion in commitments to go before they reach their collective target.

Thomson 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 VentureXpert™ 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 a long-standing relationship 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 www.ventureeconomics.com.

Thomson Financial
Thomson Financial is a US$1.73 billion provider of information and technology solutions to the worldwide financial community. Through the widest range of products and services in the industry, Thomson Financial helps clients in more than 70 countries make better decisions, be more productive and achieve superior results. Thomson Financial is part of The Thomson Corporation (www.thomson.com), a global leader in providing integrated information solutions to more than 20 million business and professional customers in the fields of law, tax, accounting, financial services, higher education, reference information, corporate e-learning and assessment, scientific research and healthcare. With revenues of US$8.10 billion, The Thomson Corporation lists its common shares on the New York and Toronto stock exchanges (NYSE: TOC; TSX: TOC).

The National Venture Capital Association (NVCA) represents approximately 460 venture capital and private equity firms. NVCA's mission is to foster greater understanding of the importance of venture capital to the U.S. economy, and support entrepreneurial activity and innovation. According to a 2004 Global Insight study, venture-backed companies accounted for 10.1 million jobs and $1.8 trillion in revenue in the United States in 2003. The NVCA represents the public policy interests of the venture capital community, strives to maintain high professional standards, provides reliable industry data, sponsors professional development, and facilitates interaction among its members. For more information about the NVCA, please visit www.nvca.org.