



National Venture Capital Association



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VENTURE CAPITAL FUNDRAISING SHOWED INCREASED STRENGTH IN THIRD QUARTER OF 2004

NVCA President Cautions Discipline Amidst High Demand for the Asset Class

New York, NY, November 1, 2004– Venture capital and private equity firms enjoyed a particularly strong third quarter fundraising environment, according to Thomson Venture Economics and the National Venture Capital Association today. Venture capital commitments increased significantly, with forty-six funds raising \$5.5 billion in the quarter, while thirty-five LBO and Mezzanine funds attracted \$14 billion. This activity evidences a robust demand for participation in these alternative asset classes.

Year/Quarter	Venture Capital		Buyout & Mezzanine*	
	Number of Funds	Venture Capital (\$M)	Number of Funds	Buyout & Mezzanine (\$M)
2000	635	106,027.9	160	76,729.3
2001	305	38,063.8	117	44,684.6
2002	164	3,660.7	84	26,621.8
2003	134	10,528.4	86	29,625.4
YTD2004	125	11,249.1	75	32,494.7
3Q'03	31	1,990.2	27	5,368.1
4Q'03	54	5,539.4	30	15,565.3
1Q'04	46	2,599.6	21	2,714.5
2Q'04	51	3,106.9	28	15,697.3
3Q'04	46	5,542.6	35	14,082.9

Source: Thomson Venture Economics & National Venture Capital Association

* This category includes LBO, Mezzanine, Turnaround and Recapitalization-focused funds.

“We are now seeing an extremely strong level of interest in the venture capital asset class from institutional investors and rightly so. Venture capital produces above average returns over the long term,” said Mark Heesen, president of the NVCA. “However, it is critical at this time that venture firms exercise discipline and stay within the parameters of their fundraising targets so that those returns can continue. If the industry begins to take more money than can be invested successfully, performance will suffer.”

The \$5.5 billion that venture funds raised in the third quarter is a 78.4% increase over the second quarter, when fifty-one funds raised \$3.1 billion. Early and Seed stage funds accounted for 42% of venture capital fundraising dollars for the quarter, with twenty-eight funds raising \$2.3 billion. Among these were the \$600 million InterWest Partners IX fund and Benchmark's Europe II fund at \$375 million.

Eight Balanced funds raised \$2.4 billion with Oak Investment Partners XI accounting for \$1.5 billion or 62.5% of the total, followed by Battery Ventures VII which raised \$450 million. Oak XI, which was also the quarter's largest venture fund, will be primarily technology-focused.

For nine months ended September 30, 2004, venture capitalists disbursed \$15.3 billion into 1,841 companies according to the MoneyTree survey conducted by PricewaterhouseCoopers, Thomson Venture Economics and the National Venture Capital Association. This overall investment level provides a context for the capital required by the industry.

Leveraged Buyout and Mezzanine funds, including Turnaround and Recapitalization-focused funds, experienced a slight decline in the total amount raised during the quarter. The \$14 billion raised was slightly less than the previous quarter's \$15.7 billion raised by twenty-eight funds, representing a -10.2% change in commitments. However, the third quarter private equity fundraising activity was considerably higher than last year's third quarter when twenty-seven funds raised \$5.3 billion, a 162.3% increase.

Five private equity funds met or surpassed the \$1 billion mark in the third quarter, with Providence Equity Partners V coming in as the largest at \$4.25 billion. It is also the year's largest LBO fund raised thus far.

VC Funds: New vs. Follow-On *			
	No. of New	No. of Follow-on	Total
2001	106	199	305
2002	57	107	164
2003	44	90	134
YTD2004	33	92	125

Source: Thomson Venture Economics & National Venture Capital Association

* With commitments during the time period shown.

Follow-on venture funds continued to dominate activity during the first three quarters of the year, with ninety-two funds or 84% of all funds raised. Previous years showed a ratio of 3 to 1 in terms of follow on vs. first time funds. New funds are funds raised by new venture firms, although the principals of the firms may be industry veterans.

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About NVCA

The National Venture Capital Association (NVCA) represents approximately 450 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 U.S. 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.