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VENTURE CAPITAL AND PRIVATE EQUITY FUNDRAISING MAINTAINS SOLID PACE IN Q1 2005

Venture Industry Shows Restraint Despite High Demand

New York, NY, April 18, 2005 -- The private equity industry experienced another active period of fundraising in the first quarter of 2005, reflecting a continued demand for participation in the asset class. According to Thomson Venture Economics and the National Venture Capital Association (NVCA), 48 venture funds raised $5.3 billion, while 38 buyout and mezzanine funds attracted $15.8 billion. While these figures represented a decline of 13.5% for venture funds and 5% for buyout and mezzanine funds over the fourth quarter of last year, total commitments were significantly greater compared to the first quarter of 2004 when 49 venture funds raised $2.6 billion and 25 buyout and mezzanine funds raised $3.4 billion.

"Bigger is not better when analyzing venture capital commitment numbers," said Mark Heesen, president of the NVCA. "This year will likely outraise 2004 in total dollars because of where we are in the business cycle. However, a decline in quarter-to-quarter fundraising activity is a positive sign that the venture capital industry is exercising prudence and staying within their targets, despite significant demand from institutional investors. Going forward, we would like to see fundraising track the $4-$6 quarterly investment levels we have seen over the past 11 quarters."

Early and Seed stage vehicles were predominant in the venture category, with 32 funds raising $2.8 billion. The top fund in this space was August Capital IV at $550 million. Following close behind were BAVP Fund VII and Mohr Davidow VIII, both which raised $400 million. The largest venture fund raised during the quarter was the Balanced-stage Weston Presidio Capital V with $1 billion.

Fundraising by Venture and LBO/Mezzanine Funds, 2000-2004*

	Venture Capital		Buyout & Mezzanine**	
Year/Quarter	**Number of Funds**	**Venture Capital ($M)**	**Number of Funds**	**Buyout & Mezzanine ($M)**
2000	635	106,565.2	161	76,815.2
2001	307	37,997.3	117	44,684.6
2002	171	3,820.8	84	26,621.8
2003	137	10,613.3	88	29,655.5
2004	173	17,324.6	119	51,089.6
1Q'04	49	2,666.0	25	3,437.8
2Q'04	53	3,122.6	32	16,670.5
3Q'04	51	5,372.8	42	15,307.7
4Q'04	55	6,163.2	47	16,673.6
1Q'05	**48**	**5,328.7**	**38**	**15,794.5**

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

On the buyout/mezzanine side, mega funds accounted for 69% of the commitments in the quarter. GS Capital Partners V and affiliated funds raised $5 billion, of an $8.5 billion target during the quarter. Carlyle Partners IV took in an additional $3.2 billion, capping the fund at $7.85 billion. Oak Hill Capital Partners II raised $1.42 billion of its $2.5 billion target. The fourth largest fund raised during the quarter was Code Hennessy & Simmons' Private Equity V with $1.3 billion in commitments. This fund was raised entirely in the first quarter.

Daniel Benkert, Senior Analyst at Thomson Venture Economics stated, "For venture funds, the first quarter kept in line with the cyclical trend of the last several years. Since 1998, with the exception of 2001, the first quarter has been the slowest in terms of fundraising activity, as firms are either capping off holdover funds from the previous year or restarting the fundraising cycle."

VC Funds: New vs Follow-On

	No. of New	No. of Follow-on	Total
2000	245	390	635
2001	107	200	307
2002	57	114	171
2003	45	92	137
2004	46	127	173
1Q'04	11	38	49
2Q'04	19	34	53
3Q'04	13	38	51
4Q'04	13	42	55
1Q 2005	**7**	**41**	**48**

Source: Thomson Venture Economics & National Venture Capital Association

Not surprisingly, Follow-on funds continued to make up the overwhelming majority of venture funds raised in the quarter, totaling 40 out of 48 funds. In 2000, follow-on funds comprised 61.4% of all activity. That number has increased slowly but steadily, until last quarter, when these funds jumped to over 85% of the funds raised.

"Clearly, venture capital firms with a strong track record are going to be the most successful in this environment, as will new firms founded by successful veterans of those established firms," remarked Heesen. "Money will also go to firms with demonstrated competencies in niche sectors. For others, the fundraising prospects could be very bleak. Whether you are talking about VC firms or the companies they invest in, this is still a people business."

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About NVCA

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