



National Venture Capital Association



Contacts:

Jeanne Metzger, NVCA, 703-524-2549, ext 116, jmetzger@nvca.org

Joshua Radler, Thomson Venture Economics, 973-353-7139, joshua.radler@tfn.com

VENTURE CAPITAL FUNDS RAISE \$1.6 BILLION IN SECOND QUARTER

-- Fund Reductions Fall Considerably, Showings Signs of Stability --

August 4, 2003 – Newark, NJ - Thirty-two venture capital funds raised \$1.63 billion in the second quarter of 2003, according to data released by Thomson Venture Economics and the National Venture Capital Association (NVCA) today. This fundraising level reflects a slight up tick from the first quarter when 28 funds raised \$1.2 billion. The continued modest level of overall fundraising is consistent with industry estimates of approximately \$70 to 80 billion of committed but uninvested venture capital reserves.

Also in the second quarter, venture capital firms reduced commitments from limited partners by \$287.7 million, the second lowest reduction since the beginning of 2002. This far lower level of fund downsizing suggests that the industry is approaching equilibrium.

Mark Heesen, President of the National Venture Capital Association remarked on the positive direction of fundraising levels: “It is too early to characterize the fundraising increase as a trend, especially considering the high level of fund reserves that the venture capital industry has raised but not yet invested,” said Heesen. “But we are encouraged by a stabilization of fundraising levels and the continued interest of limited partners in the new funds that are being raised.”

Year/Quarter	Venture Capital		Buyout & Mezzanine	
	# of Funds	Venture Capital (\$ Millions)	# of Funds	Buyout/Mezzanine (\$ Millions)
1998	293	30,696.4	162	63,846.3
1999	455	60,022.8	151	57,065.7
2000	630	107,163.0	157	74,425.4
2001	296	37,840.2	116	44,553.8
2002	148	8,579.2	70	23,533.3
2003	56	2,855.3	30	3,500.8
1Q'02	37	1,681.0	14	3,919.3
2Q'02	43	2,294.4	31	7,545.2
3Q'02	50	2,746.8	22	7,820.0
4Q'02	43	1,857.0	24	4,248.8
1Q'03	28	1,224.6	19	2,215.0
2Q'03	32	1,630.7	16	1,285.8

Source: Thomson Venture Economics & National Venture Capital Association

**The figures above do not take into account downsized funds*

Venture Capital Fundraising Stated as Gross and Net of Size Reductions			
Quarter	Gross Period Amount Raised (\$mil)	Net Period Amount Raised (\$mil)	Reductions (\$mil)
4Q'01	5,074.4	5,074.4	0.0
1Q'02	1,681.0	989.1	691.9
2Q'02	2,294.4	-967.1	3,261.5
3Q'02	2,746.8	2,644.1	102.7
4Q'02	1,857.0	597.2	1,259.8
1Q'03	1,224.6	795.5	429.1
2Q'03	1,630.7	1,343.0	287.7

Source: Thomson Venture Economics & National Venture Capital Association

Similar to the previous quarter, the majority of funds raised were follow-on funds as limited partners continued to place their assets with firms with strong track records. Follow-on funds, such as Sequoia Capital XI, Lighthouse Capital Partners V, and Forward Ventures V accounted for 72% of the total number of venture capital funds raised in the second quarter of 2003. However, new, first-time funds such as Inverness Capital Partners, L.P. and Valhalla Partners, L.P. were also successful in raising capital in the second quarter.

New Venture Capital Funds vs. Follow-on Funds		
	No. of New	No. of Follow-on
1999	165	290
2000	235	395
2001	96	200
Q1'02	12	25
Q2'02	13	30
Q3'02	15	35
Q4'02	12	31
Q1'03	11	17
Q2'03	9	23

Source: Thomson Venture Economics & National Venture Capital Association

In contrast to venture capital, buyout and mezzanine funds showed a decrease in fundraising activity. While 19 buyout and mezzanine funds raised \$2.22 billion in the first quarter of 2003, 16 buyout and mezzanine funds raised \$1.29 billion in the second quarter of 2003. This represents a 58% decrease in the amount of capital raised by buyouts and mezzanine funds since last quarter. Funds that were successful in raising buyout and mezzanine capital in the second quarter of 2003 include Arsenal Capital Partners, L.P., Charterhouse Equity Partners IV, L.P., and Monitor Clipper Equity Partners II, L.P.

According to Jesse Reyes, Vice President of Thomson Venture Economics, "The mezzanine market has struggled to find opportunities as the LBO market has been moribund compared to prior years. Hopefully as M&A activity picks up, the demand for mezzanine debt will follow likewise."

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. For more information visit www.nvca.org.

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