



National Venture Capital Association



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**MEGA FUNDS DRIVE PRIVATE EQUITY FUNDRAISING TO NEW HEIGHTS
 IN SECOND QUARTER OF 2006**

New York, NY - July 17, 2006- Private equity fundraising continued to break new records in both the venture capital and buyout asset classes in the second quarter of 2006, according to Thomson Financial and the National Venture Capital Association (NVCA). In the quarter, fifty venture capital funds raised a total of \$11.2 billion, the highest level since the first quarter of 2001. Thirty-five Buyout and Mezzanine funds raised \$30.8 billion.

The unusually high fundraising level this quarter was driven by several large funds in both the venture capital and buyout asset classes. An oversubscribed Oak Investment Partners XII raised \$2.56 billion becoming the largest venture capital fund ever raised. New Enterprise Associates 12 nearly matched this level raising \$2.25 billion in the quarter. On the buyout side, Texas Pacific Group’s TPG Partners V raised \$14 billion.

“While this quarter’s venture capital fundraising explosion is largely driven by a few players, we can not pretend that this isn’t an incredible amount of money to invest,” said Mark Heesen, president of the National Venture Capital Association. “It reflects a philosophy that companies need more money and a longer runway to go public today and these larger funds are going to support these enterprises from their infancy until their exit, which they hope in many cases is an IPO. There are certainly smaller funds raised this quarter that will do very well leveraging an occasional public offering and a healthy acquisitions market for their companies. We continue to predict that this 2004-2006 fundraising cycle will come in at around \$70 billion which is far less than the \$200 billion raised in the 1999-2001 cycle.”

Fundraising by Venture and LBO/Mezzanine Funds, 2002- 2006*

Year/Quarter	Venture Capital		Buyout & Mezzanine**	
	Number of Funds	Venture Capital (\$M)	Number of Funds	Buyout & Mezzanine (\$M)
2002	171	3847.7	88	25731.1
2003	144	10680.2	92	29310.4
2004	201	18253.3	134	50953.1
2005	202	26530.8	175	94669.7
2006 YTD	105	17972.6	73	54383.7
2Q'05	56	7676.0	63	26446.0
3Q'05	62	5608.1	60	21677.4
4Q'05	70	8083.8	50	32491.0
1Q'06	64	6762.5	46	23575.0
2Q'06	50	11210.1	35	30808.7

Source: Thomson Financial & 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.

Fundraising by early-stage venture capital funds took the lead with twenty-eight funds raising \$5.3 billion in this quarter. In second place, fifteen balanced funds raised \$4.9 billion. New Enterprise Associates and Oak Investment Partners fell into the early and balanced categories respectively.

Follow-on venture capital funds continued to be the dominant fundraisers with only eight new funds being raised in this quarter.

VC Funds: New vs Follow-On

	No. of New	No. of Follow-on	Total
2002	56	115	171
2003	49	95	144
2004	55	146	201
2005	49	153	202
2006 YTD	18	87	105
2Q'05	12	44	56
3Q'05	14	48	62
4Q'05	20	50	70
1Q'06	11	53	64
2Q'06	8	42	50

Source: Thomson Financial & National Venture Capital Association

Buyout and mezzanine funds continued to bring in commitments at the traditional 3-to-1 rate over venture capital funds. This is the second biggest quarter for US-based buyout and mezzanine funds- the first biggest being in 4Q 2005.

“While the number of buyout and mezzanine funds has steadily fallen over the past year, the dollar size continues to grow,” said Joshua Radler, assistant project manager at Thomson Financial. “It appears that the mega fund is here to stay and this liquidity will have a significant impact on the dynamics of corporate America and the US economy in the coming year.”

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The National Venture Capital Association (NVCA) represents approximately 480 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.