



National Venture Capital Association



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## VENTURE CAPITAL FUNDRAISING PICKS UP IN FOURTH QUARTER AFTER TWO DORMANT YEARS

Newark, NJ – February 2, 2004 – Commitments made to venture capital funds ended the year on an increasing trend with 43 funds closing on \$5.2 billion in the fourth quarter of 2003, according to Thomson Venture Economics and the National Venture Capital Association (NVCA). The amount raised by venture capital funds in the fourth quarter represents almost half (47.8%) of the total amount raised in all of 2003. For full year 2003, 113 venture capital funds raised \$10.8 billion, a level last seen in 1995 when 173 funds raised \$10 billion.

The uptick in fundraising in the fourth quarter validates the buzz that many venture capital funds are looking to the future and starting to raise new funds again. This comes after a two year drought in fundraising activity as the industry worked to invest the large amount of capital committed to venture capital funds before investment activity slowed a few years ago.

Year/Quarter	Venture Capital		Buyout & Mezzanine	
	# of Funds	Venture Capital (\$ Millions)	# of Funds	Buyout/ Mezzanine (\$ Millions)
1995	173	10,009.1	103	26,810.3
2000	629	105,428.6	158	76,526.5
2001	300	37,329.3	118	44,983.8
2002	155	9,054.1	81	25,596.1
2003	113	10,785.5	73	26,729.1
4Q'02	46	2,070.2	28	4,609.0
1Q'03	31	1,116.2	26	4,206.0
2Q'03	38	2,575.2	26	4,672.9
3Q'03	28	1,936.5	23	4,712.1
4Q'03	43	5,157.6	20	13,138.1

Source: Thomson Venture Economics & National Venture Capital Association

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

<b>Venture Capital Funds</b>		
<b>Year</b>	<b>Gross Amount Raised (\$ Millions)</b>	<b>Net Amount Raised (\$ Millions)</b>
<b>2000</b>	105,428.6	105,428.6
<b>2001</b>	37,329.3	37,314.3
<b>2002</b>	9,054.1	3,699.3
<b>2003</b>	10,785.5	9,860.9

Source: Thomson Venture Economics & National Venture Capital Association

\* Net amount reflects downsized funds

“We anticipate fundraising activities to increase in the quarters to come as more venture firms look to the future and begin to raise their next funds. That said, the next generation of funds will be smaller than their predecessors, which will create an increasingly competitive environment for limited partners to maintain their allocations in the most respected funds,” commented Mark Heesen, president of the National Venture Capital Association.

The majority of funds that did raise capital continued to be follow-on funds, which indicates that commitments are flowing towards firms with a proven track record. The top five venture capital funds raised this quarter include New Enterprise Associates 11, Technology Crossover Ventures V, Venrock Associates IV, Domain Partners VI and Three Arch Partners IV, which together raised \$3.309 billion or 64.2% of the total amount of capital raised in Q4 2003. Although follow-on funds represented the majority of funds raised in the quarter, new funds such as Masthead Venture Capital Partners, L.P., Valhalla Partners, L.P., and NewSpring Ventures, L.P. were also successful in raising capital.

<b>New Venture Capital Funds vs Follow-on Funds</b>		
	<b>No. of New</b>	<b>No. of Follow-on</b>
<b>2001</b>	102	198
<b>2002</b>	50	105
<b>2003</b>	39	74

Source: Thomson Venture Economics & National Venture Capital Association

### ***Buyout & Mezzanine Funds***

Although the number of buyout and mezzanine funds decreased slightly from the previous quarter, the amount raised nearly tripled. Twenty buyout and mezzanine funds raised \$13.1 billion in the fourth quarter of 2003, compared to last quarter when 23 funds raised \$4.7 billion. Buyout and mezzanine funds saw some sizable closings including TPG Partners IV, which held the largest close of the quarter at \$5.3 billion. Other funds that raised large funds include First Reserve X, Silver Lake Partners II and Kelso Investment Associates VII.

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**The National Venture Capital Association (NVCA)** represents approximately 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](http://www.nvca.org).