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## **NEWS RELEASE**

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# VENTURE CAPITAL FUNDRAISING ACTIVITY FALLS IN THE FOURTH QUARTER OF 2008

**New York, January 19, 2009 -** Forty-three venture capital funds raised \$3.4 billion in the fourth quarter of 2008, according to Thomson Reuters and the National Venture Capital Association (NVCA). This level represented a significant decline from both the previous quarter (\$8.4 billion) and the same quarter in 2007 (\$11.7 billion). For the full-year period, fundraising totaled \$28.0 billion from 211 funds, a 21.4% decrease in volume from 2007.

Fundraising by Venture Funds, 2002-2008

	Number of	Venture
Year/Quarter	Funds	Capital (\$M)
2003	151	10,622.8
2004	210	19,146.4
2005	232	28,004.9
2006	237	31,479.4
2007	247	35,542.8
2008	211	27,949.8
1Q'06	75	6,573.7
2Q'06	80	14,531.5
3Q'06	67	5,016.7
4Q'06	70	5,357.5
1Q'07	82	6,635.5
2Q'07	84	8,642.0
3Q'07	77	8,595.8
4Q'07	84	11,671.5
1Q'08	70	7,006.1
2Q'08	78	9,174.8
3Q'08	62	8,393.3
4Q'08	43	3,373.6

Source: Thomson Reuters & National

Venture Capital Association





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"The drop in venture capital fundraising activity in the fourth quarter is not surprising for two reasons," said Mark Heesen, president of the NVCA. "First, the market uncertainty has compelled firms that were planning to raise a fund in late 2008 or early 2009 to hold back on fundraising efforts until economic conditions improve and institutional investors can recommit with confidence. The second and less obvious reason is that many venture capital firms raised money in the last two years and are focused on deploying those funds. With some notable exceptions, we can expect this slower pace to continue well into 2009."

Thirty-three follow-on funds and ten new funds were raised in the fourth quarter. The ratio of follow-on to new funds exceeded 3-to-1 for the period, compared to 2-to-1 in the fourth quarter of 2007. For full-year 2008, there were 168 follow-on and 43 new funds raised, a 4-to-1 ratio. A "new" fund is defined as the first fund at a newly established firm, although the general partner of that firm may have previous experience investing in venture capital.

VC Funds: New vs. Follow-On

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	No. of New	No. of Follow- on	Total			
2003	53	98	151			
2004	55	155	210			
2005	62	170	232			
2006	54	183	237			
2007	61	186	247			
2008	43	168	211			
1Q'06	18	57	75			
2Q'06	15	65	80			
3Q'06	15	52	67			
4Q'06	19	51	70			
1Q'07	21	61	82			
2Q'07	17	67	84			
3Q'07	15	62	77			
4Q'07	26	58	84			
1Q'08	10	60	70			
2Q'08	23	55	78			
3Q'08	13	49	62			
4Q'08	10	33	43			

Source: Thomson Reuters & National Venture Capital Association

Two of the three largest funds raised in the fourth quarter were by Palo Alto-based firm Accel Partners. Funds included Accel London III (early stage; \$525 million) and Accel Growth Fund, L.P. (early stage; \$480 million). The second largest fund of the period was VantagePoint CleanTech Partners II, L.P. (balanced stage; \$435.3 million).





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### **About National Venture Capital Association**

The National Venture Capital Association (NVCA) represents approximately 450 venture capital firms in the United States. 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 2007 Global Insight study, venture-backed companies accounted for 10.4 million jobs and \$2.3 trillion in revenue in the United States in 2006. 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.