



National Venture Capital Association



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VENTURE CAPITAL FUNDRAISING ACTIVITY HEALTHY AND PRUDENT IN SECOND QUARTER OF 2007

Expansion Stage Fundraising Breaks Record

New York, July 16, 2007 – Sixty eight venture capital firms raised \$7.2 billion dollars in the second quarter of 2007 according to Thomson Financial and the National Venture Capital Association (NVCA). This quarter’s figures represented a decline in the number of funds but an increase in dollars raised. For the first half of 2007, venture capital firms have raised approximately 62 percent of volume raised in the first half of 2006.

“The venture capital industry is enjoying a healthy but prudent fundraising environment,” said Mark Heesen, president of the NVCA. “Many VC firms finished raising their funds in the 2004-2006 time period and are now investing, especially at the seed and early stage levels, but there are others who are quite active on the fundraising trail. The level of dollars raised by the firms suggests a continued demand by institutional investors for quality venture capital investment opportunities. A few larger funds drove the fundraising this quarter, with the top 10 funds accounting for almost 70 percent of the total.”

Fundraising by Venture Funds, 2002-2Q 2007

Year/Quarter	Venture Capital	
	Number of Funds	Venture Capital (\$M)
2002	175	3,824.0
2003	149	10,621.2
2004	205	19,004.8
2005	219	28,117.3
2006	222	30,883.1
2007 YTD	125	12,775.1
2Q'05	61	8,011.0
3Q'05	62	5,559.0
4Q'05	82	9,264.4
1Q'06	74	6,654.7
2Q'06	74	14,109.6
3Q'06	65	5,417.1
4Q'06	61	4,701.7
1Q'07	71	5,590.4
2Q'07	68	7,184.7

Source: Thomson Financial and National Venture Capital Association

Venture fundraising by investment stage was notably different from past quarters as declines in balanced and early stage fundraising as a percentage of total fundraising made way for record-breaking levels of fundraising in the expansion stage. Ten expansion focused funds raised \$2.8 billion in the second quarter of 2007, shattering the previous record from the first quarter of 2000 when three funds raised \$1.0 billion. Among these funds were Insight Venture Partners VI, at \$931.4 million, Institutional Venture Partners XII with \$600 million, and Sequoia Capital China Growth Fund with \$429.8 million. These funds represent the first, second, and fifth largest funds raised in the quarter.

VC Funds: New vs. Follow-On

	No. of New	No. of Follow-on	Total
2002	58	117	175
2003	50	99	149
2004	56	149	205
2005	54	165	219
2006	47	175	222
2007 YTD	28	97	125
2Q'05	15	46	61
3Q'05	12	50	62
4Q'05	23	59	82
1Q'06	19	55	74
2Q'06	12	62	74
3Q'06	12	53	65
4Q'06	14	47	61
1Q'07	18	53	71
2Q'07	11	57	68

Source: Thomson Financial and National Venture Capital Association

Thirty-nine early stage funds raised \$2.0 billion, led by Highland Consumer Fund I with \$303 million and Sequoia Capital China II with \$220.5 million. Ten balanced stage funds and seven later stage funds, including the third largest fund of the quarter – North Bridge Growth Equity I at \$545.0 million, accounted for \$1.4 billion and \$1.0 billion, respectively.

“Early stage companies will always be a cornerstone for venture capital,” said Alex Tan, Global Private Equity Research Manager at Thomson Financial, “But venture capital firms may be seeing opportunities in established companies with proven traction in the marketplace. There is an attractive upside to these companies, as well.”

The spread between follow-on funds and first time funds increased in the second quarter, reaching an approximate 5-to-1 ratio. Only eleven new funds were raised in the quarter, compared to fifty-seven follow-on entities.

Note: Beginning in the first quarter of 2007, buyout and mezzanine fundraising will be distributed in a separate release prepared by Thomson Financial and available on <http://banker.thomsonib.com/>

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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 2007 Global Insight study, venture-backed companies accounted for 10.4 million jobs and \$2.3 trillion in revenues in the United States in 2005. 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.