



National Venture Capital Association



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## PRIVATE EQUITY FUNDRAISING RECEDES IN THIRD QUARTER OF 2006

### Buyout Funds Continue at Record Pace as Venture Funds Slow

**New York, NY October 16, 2006-** After an exceptionally robust second quarter, private equity fundraising levels receded in both the venture capital and buyout asset classes in the third quarter of 2006, according to Thomson Financial and the National Venture Capital Association (NVCA). In Q3, fifty-two venture capital funds raised a total of \$4.90 billion and thirty-two buyout funds raised \$22.86 billion.

“At a time when there is a great deal of discussion about whether there is too much money entering private equity, this quarter’s lower fundraising levels, particularly on the venture capital side, are both expected and welcome,” said Mark Heesen, president of the NVCA. “We are nearing the end of the three year fundraising cycle which will raise approximately \$75 billion for venture capital firms. Most venture firms have raised their funds and are now actively investing with a 5-7 year horizon in mind.”

### 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	3821.2	88	24831.1
2003	145	10683.5	91	28846.8
2004	203	18601.6	137	51151.1
2005	207	27012.4	177	96028.0
2006 YTD	158	25419.0	103	83977.1
3Q'05	62	5611.1	63	22481.7
4Q'05	74	8368.9	52	32954.7
1Q'06	65	7098.5	48	25767.1
2Q'06	62	13420.5	41	35345.3
3Q'06	52	4900.0	32	22864.7

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.

### Venture Capital Fundraising

Early stage venture capital funds were the most active in the third quarter with twenty-seven funds raising \$3.5 billion. Eighteen balanced stage funds raised \$1.1 billion. Domain Partners VII represented the most money raised in the quarter at \$700M. In second place, M/C Venture Partners VI raised \$550M.

Follow-on venture capital funds continued to be the dominant fundraisers with 43 funds in the quarter. Nine new funds also raised money in Q3, accounting for 17% of the total number of funds raised.

**VC Funds: New vs. Follow-On**

	No. of New	No. of Follow-on	Total
2002	56	115	171
2003	50	95	145
2004	56	147	203
2005	51	156	207
2006 YTD	29	129	158
3Q'05	14	48	62
4Q'05	22	52	74
1Q'06	11	54	65
2Q'06	12	50	62
3Q'06	9	43	52

Source: Thomson Financial & National Venture Capital Association

**Buyout and Mezzanine Fundraising**

Despite the lower level of fundraising in venture capital, buyout and mezzanine fundraising continued at a strong pace, raising over \$22.86 billion this quarter. Despite the absence of mega buyout fundraising this quarter, buyout and mezzanine funds remain on track to surpass the 2005 fundraising total. The leading buyout fund was First Reserve Fund XI with \$7.6 billion. Thomas H. Lee Equity Partners VI, L.P. follows with \$2.2 billion raised this quarter.

“Despite the third quarter decline, it looks to be a record year for private equity fundraising as a whole. Fundraising is still on track to surpass the full-year 2005 totals as well as the combined fundraising totals of 2002, 2003, and 2004,” said Alex Tan, Global Private Equity Research Manager for Thomson Financial. “While this is being primarily driven by the buyout market, the numbers suggest a continued appetite by limited partners for the private equity asset class as a whole.”

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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](http://www.nvca.org).