



NEWS RELEASE

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VENTURE CAPITAL FUNDRAISING DECLINES FURTHER IN 2010

Fewer Firms Raising Smaller Funds Remains the Trend

New York, January 17, 2011 – Thirty-five US venture capital funds raised nearly \$3 billion in the fourth quarter of 2010, according to Thomson Reuters and the National Venture Capital Association (NVCA). This level marks a 6% decrease, by dollar commitments, compared to the third quarter of 2010, which saw 49 funds raise \$3.2 billion during the period. For full year 2010, 157 venture capital funds raised \$12.3 billion, the fourth consecutive year of declines and the slowest annual period for venture capital fundraising since 2003.

Year/Quarter	Number of Funds	Venture Capital (\$M)
2005	234	30,759.6
2006	235	31,860.9
2007	237	31,205.0
2008	213	26,412.2
2009	150	16,314.9
2010	157	12,304.2
4Q'08	49	2,807.9
1Q'09	57	4,942.5
2Q'09	39	4,995.2
3Q'09	32	2,310.3
4Q'09	47	4,066.9
1Q'10	46	4,007.0
2Q'10	52	2,130.3
3Q'10	49	3,177.1
4Q'10	35	2,989.9

Source: Thomson Reuters and National Venture Capital Association





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"Given current conditions, a limited number of venture firms will be able to successfully raise new funds in 2011 and many of these will be smaller than previous funds raised," said Mark Heesen president of the NVCA. "Yet, the continued downsizing of the venture industry has positive implications for investors and entrepreneurs. An agile venture capital model likely translates into more capital efficient and fewer duplicative deals in the IT arena as well as less capital intensive deals in the life science and clean technology arenas."

"The most innovative and efficient companies will continue to be funded by the venture community," continued Heesen. "It is important to reiterate that when it comes to venture capital returns, history has shown that often 'less is more.' As the year progresses and the exit market continues to improve, we expect better performance from established funds as well as from recently raised funds which have the opportunity to invest in great companies at a time when valuations are more reasonable and the economy as a whole points upward."

There were 24 follow-on funds and 11 new funds raised in the fourth quarter of 2010, a ratio of 2.2-to-1 of follow-on to new funds. The largest new fund reporting commitments during the fourth quarter of 2010 was Raleigh, North Carolina-based NovaQuest Healthcare Investment Fund, L.P., which raised \$177 million in its inaugural fund. 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	No. of Follow-			
	New	on	Total		
2005	54	180	234		
2006	63	172	235		
2007	71	166	237		
2008	64	149	213		
2009	43	107	150		
2010	52	105	157		
4Q'08	17	32	49		
1Q'09	10	47	57		
2Q'09	14	25	39		
3Q'09	13	19	32		
4Q'09	14	33	47		
1Q'10	16	30	46		
2Q'10	19	33	52		
3Q'10	18	31	49		
4Q'10	11	24	35		

Source: Thomson Reuters and National Venture Capital Association





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The largest fundraising during the fourth quarter of 2010 was from Menlo Park, California-based Andreessen Horowitz Fund II, L.P. which raised \$650 million, followed by Palo Alto, California-based Meritech Capital Partners IV, L.P., which raised \$390 million.

Methodology

The Thomson Reuters/National Venture Capital Association sample includes U.S.-based venture capital funds. Classifications are based on the headquarter location of the fund, not the location of venture capital firm. The sample excludes fund of funds.

Effective November 1, 2010, Thomson Reuters venture capital fund data has been updated in order to provide more consistent and relevant categories for searching and reporting. As a result of these changes, there may be shifts in historical fundraising statistics as a result of movements of funds between primary market & nation samples and/or between fund stage categories.

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About National Venture Capital Association

The National Venture Capital Association (NVCA) represents more than 400 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 2008 Global Insight study, venture-backed companies accounted for 12.1 million jobs and \$2.9 trillion in revenue in the United States in 2008. 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.