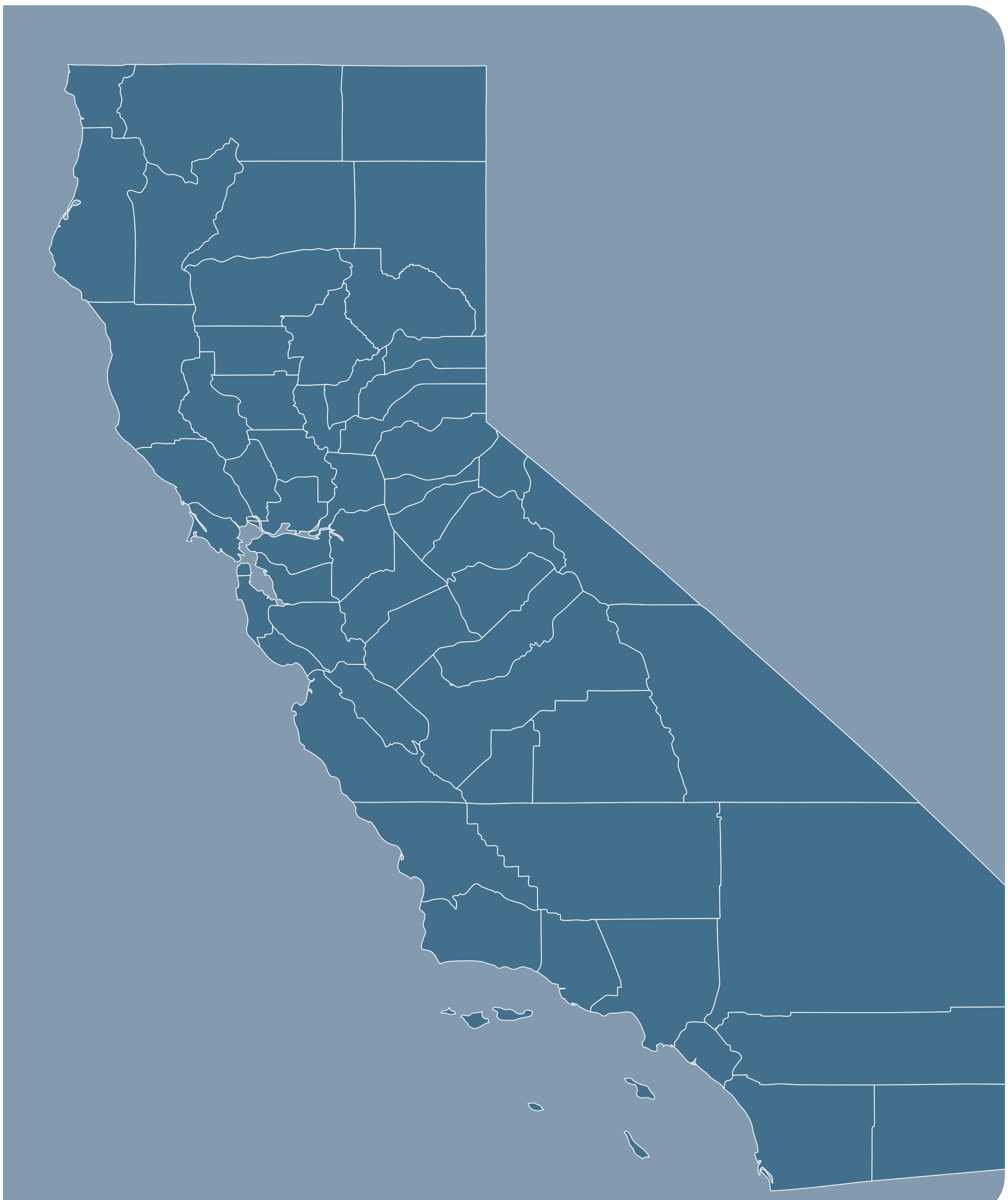
CalPERS California Initiative 2011

Creating Opportunities in California's Underserved Markets



The CalPERS California Initiative

The California Initiative seeks to invest in portfolio companies in traditionally underserved markets, primarily, but not exclusively, located in California. The initiative seeks to discover and invest in opportunities that may have been bypassed or not reviewed by other sources of investment capital. The California Initiative's primary objective is to generate attractive financial returns, meeting or exceeding private equity benchmarks. As an ancillary benefit, the California Initiative was designed to have a meaningful impact on the economic infrastructure of California's underserved markets, and invests in portfolio companies that:

- *Have historically had limited access to institutional equity capital*
- *Employ workers who reside in economically disadvantaged areas*
- *Provide employment opportunities to women and minority entrepreneurs and managers*

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Introduction

In 2001 the CalPERS Investment Committee established, and the AIM team implemented, the California Initiative to invest private equity in "traditionally underserved markets, primarily, but not exclusively in California."[1]

The California Initiative was initially launched with a capital commitment of $475 million to nine private equity funds and one fund-of-funds. This initial allocation is known as Phase I. In 2006, CalPERS made a second allocation totaling $550 million to be managed by Hamilton Lane, a leading private equity investment manager. CalPERS and Hamilton Lane established an investment vehicle known as the Golden State Investment Fund (GSIF), which seeks to invest in both partnerships and direct co-investments primarily in California. As of June 30, 2011, through GSIF, Hamilton Lane had invested in 16 private equity funds and made 17 direct co-investments.

Quick Facts on the California Initiative Since Inception					
California Initiative Capital Allocations	**Year of Inception**	**Manager of Funds**	**Private Equity Vehicles**	**Capital Committed**	**Companies Receiving Investment**
Phase I	2001	CalPERS	9 funds	$375,000,000	122
Phase I: Banc of America Fund [2]	2002	Bank of America	15 funds	$100,000,000	177
Golden State Investment Fund	2006	Hamilton Lane	16 funds and 17 direct co-investments	$550,000,000	146
			Totals	**$1,025,000,000**	**445**

The objective of the California Initiative is to generate attractive financial returns. As an ancillary benefit, the California Initiative was designed to create jobs and promote economic opportunity in California. To determine the extent of the ancillary benefits, CalPERS measures the impact of the California Initiative by examining portfolio companies that:

- Traditionally have had limited access to institutional equity capital
- Employ workers living in economically disadvantaged areas
- Provide employment opportunities to women and minority entrepreneurs and managers.

CalPERS and Hamilton Lane engaged Pacific Community Ventures (PCV), a leader in measuring and interpreting community outcomes of investments, to collect, analyze and report on the California Initiative's ancillary benefits. PCV has collected and analyzed data from California Initiative portfolio companies for the last seven years, beginning in 2005.

Since the inception of the California Initiative, 445 companies have received investment of approximately $1 billion of investment from CalPERS.

This report focuses solely on data from 268 companies that have received funding through Phase I (122) and GSIF (146) of the total 445. The companies not included in this report are the 177 that have received funding through a $100 million separate fund-of-funds account in Phase I allocated to the Banc of America California Community Venture Fund (BACCVF). A summary prepared by Banc of America on the community benefits derived from BACCVF is presented separately at the end of this report, on page 23.

Of the 268 companies that have received capital throughout the life of the California Initiative, excluding BACCVF, 243 (91 percent) provided data for this report at some point during investment. Of the 268 total companies, 94 have exited the portfolio and are fully realized investments. Eight of these 94 companies exited between July 1, 2010 and June 30, 2011.[3]

California Initiative Portfolio Investments[1]

	Phase I	GSIF	Total California Initiative
Received investment	122	146	268
Active companies *(as of June 30, 2011)*	41 (34%)	133 (91%)	174 (65%)
Fully realized *(as of June 30, 2011)*	81 (66%)	13 (9%)	94 (35%)
Active companies, contributed data 2011	39 (95%)	127 (95%)	166 (95%)
All companies ever reporting, including fully realized investments	104 (85%)	139 (95%)	243 (91%)

[1]This table does not include the 177 companies that received funding through the $100 million separate fund-of-funds account in Phase I allocated to the Banc of America California Community Venture Fund.

As of June 30, 2011, private equity funds that received capital through the California Initiative had active investments in 174 companies (41 in Phase I and 133 in GSIF). This is equal to the total 268 companies less the 94 companies that have exited. Of the 174 active companies, 166 companies (95 percent) provided data at June 30, 2011, including 39 Phase I portfolio companies (95 percent) and 127 GSIF portfolio companies (95 percent).

Phase III of the California Initiative

In April 2011, CalPERS and Hamilton Lane entered into a partnership to invest Phase III of the California Initiative. The goals of Phase III are as follows:

- Invest primarily in California companies defined as companies headquartered in California or companies with a majority of their sales, facilities, employees or customers in the state of California.
- Invest in the most attractive California private equity opportunities relative to the available opportunity set through a thematic investment approach based on current CalPERS exposures, industry dynamics, historical returns and projected performance.

Hamilton Lane has been engaged in Phase III to provide CalPERS with a strategic investment plan, sourcing of investment opportunities based on the investment plan, and screenings and due diligence for investment opportunities.

California Initiative Companies

Employment and Employment Growth

The following sections detail the employment growth since the time of investment for companies in Phase I and GSIF of the California Initiative, and in the 12 months to June 30, 2011, benchmarked against the U.S. and California private sectors.

Employment Growth Since Investment

Since 2005, 104 Phase I and 139 GSIF portfolio companies have contributed data to at least one assessment effort. The most recent data available from these 243 companies shows overall employment increasing throughout the United States (11,879 net new jobs) and a growth rate in California specifically of 15 percent (3,542 net new jobs) since investment.

Since time of investment, overall employment at active Phase I companies increased 34 percent, while California employment in Phase I increased 141 percent. This increase exceeds the comparable rates of employment growth in the United States and California. Employment in the United States private sector decreased one percent between 2001 and 2011. In California, employment in the private sector decreased four percent over the same period.[4]

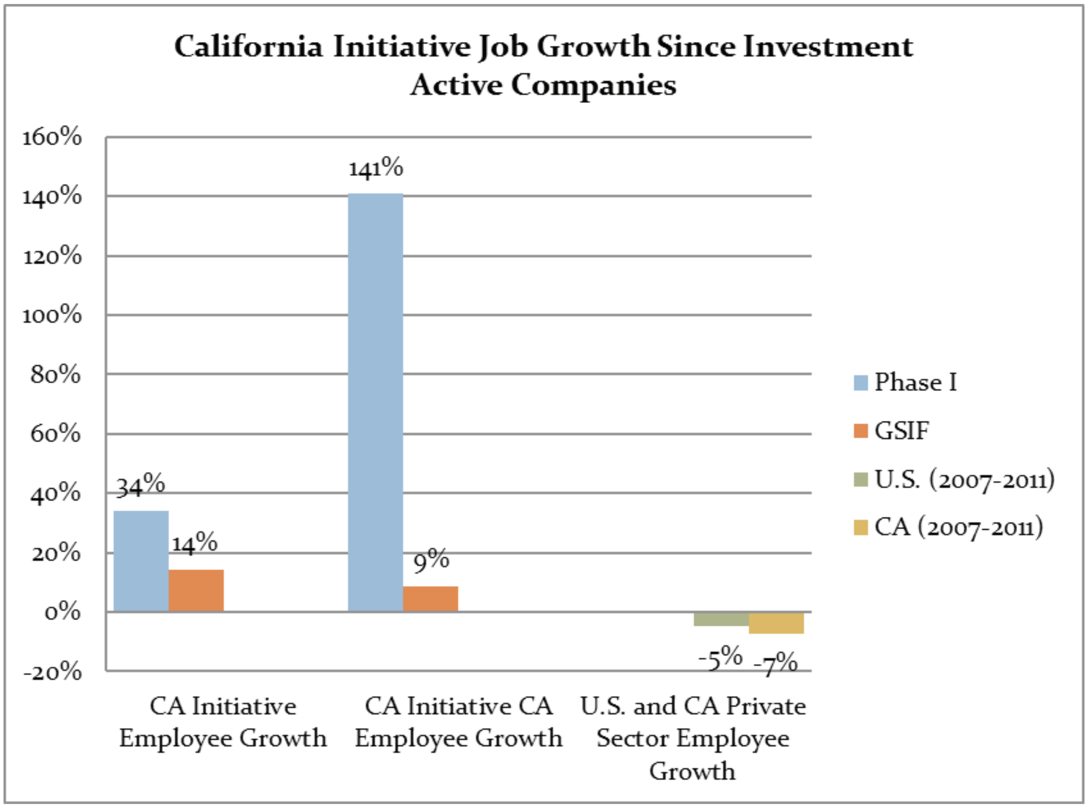
The significant rate of California job growth experienced by Phase I companies reflects the smaller proportion of employees located in California (eight percent) at time of investment.

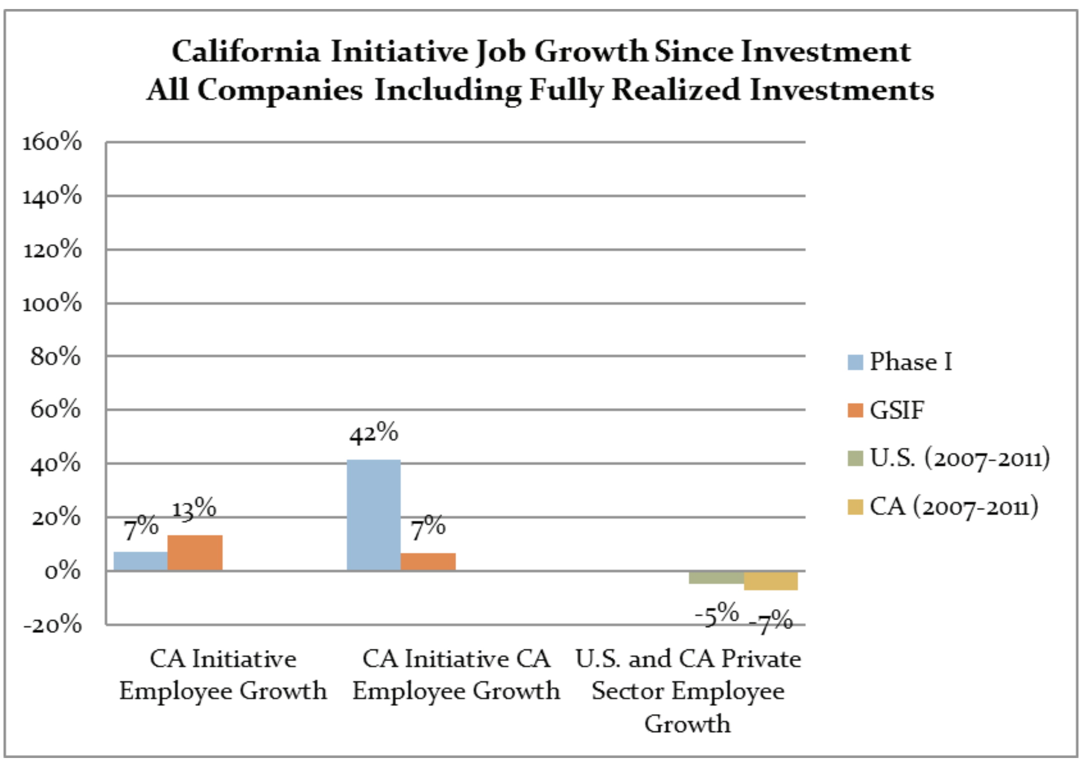
The first GSIF portfolio company investment was made in 2007. By June 30, 2011 GSIF managers had closed investments in 146 companies.[5] The 127 active GSIF portfolio companies that provided data as of June 30, 2011, experienced 14 percent employment growth overall since investment. This also surpasses rates of job growth in the United States over the same period (2007-2011), where employment declined five percent in the private sector.[6]

California employment at GSIF portfolio companies increased nine percent since investment, compared to overall job losses in California of seven percent between 2007 and 2011.[7]

The more modest rate of job growth in California for GSIF portfolio companies, at least compared to Phase I, is attributable to GSIF's investment in more mature companies with a larger proportion of employees in California (29 percent) at time of investment.

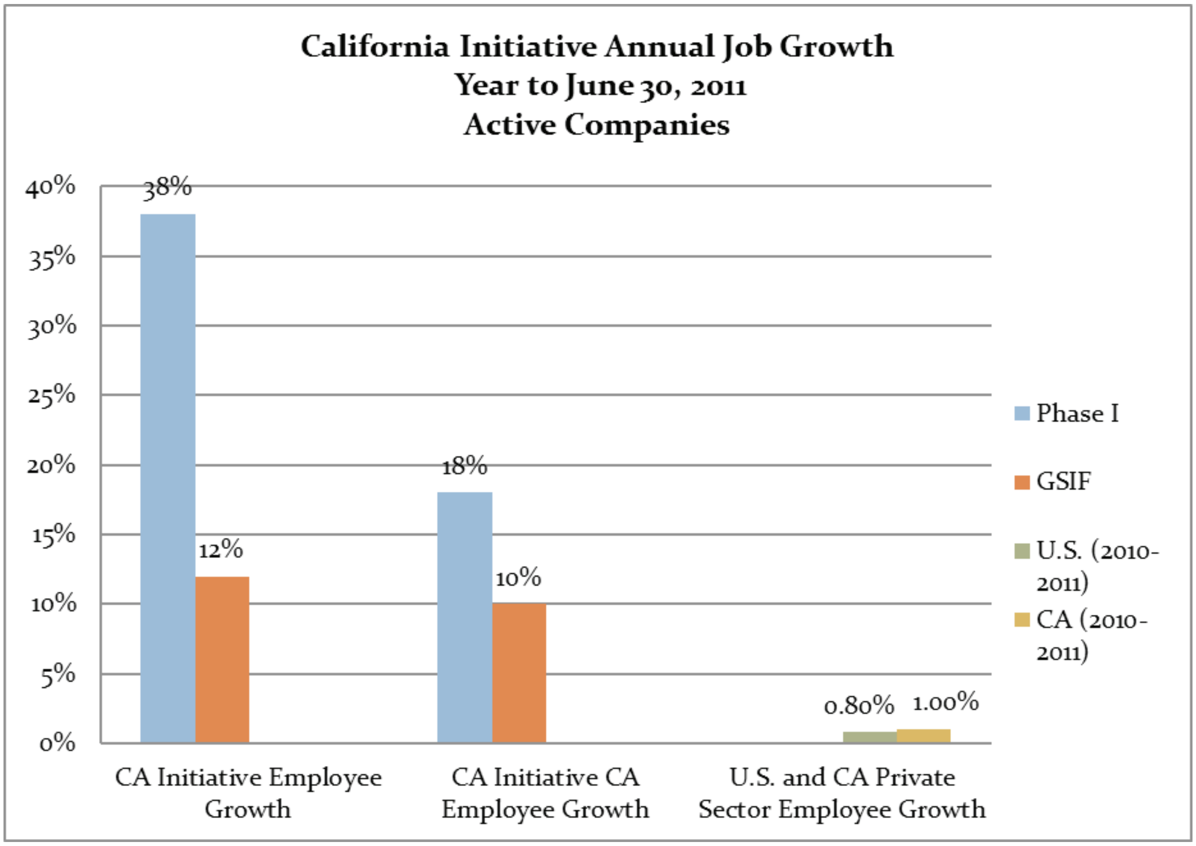
Employees, California Initiative Portfolio Companies						
	All Employees			**CA Employees**		
	At Investment	**At June 30, 2011**	**Job Growth Since Investment (new jobs/% growth)**	**At Investment**	**At June 30, 2011**	**Job Growth Since Investment (new jobs/ % growth)**
Phase I – Active portfolio companies reporting as of June 30, 2011 (n=39)	12,305	16,512	4,207 / 34%	1,042	2,509	1,467 / 141%
Phase I – All companies reporting, including fully realized investments (n=104)[8]	53,645	57,381	3,736 / 7%	5,510	7,801	2,291 / 42%
GSIF – Active portfolio companies reporting as of June 30, 2011 (n=127)	58,706	67,168	8,462 / 14%	16,935	18,383	1,448 / 9%
GSIF – All companies reporting, Including fully realized investments (n=139)[9]	61,055	69,198	8,143 / 13%	18,419	19,670	1,251 / 7%
Total CA Initiative – Active portfolio companies reporting as of June 30, 2011 (n=166)	71,011	83,680	12,669 / 18%	17,977	20,892	2,915 / 16%
Total CA Initiative – All companies ever reporting, including fully realized investments (n=243)[10]	114,700	126,579	11,879 / 10%	23,929	27,471	3,542 / 15%
As a point of reference: Between June 2007 and June 2011 U.S. employment decreased five percent and CA employment decreased seven percent. Between June 2001 and June 2011 U.S. employment decreased one percent and CA employment decreased four percent.[11]						


California Initiative Job Growth Since Investment
Active Companies
160%
140%
120%
100%
80%
60%
40%
20%
0%
-20%
141%
34%
14%
9%
-5%
-7%
Phase I
GSIF
U.S. (2007-2011)
CA (2007-2011)
CA Initiative Employee Growth
CA Initiative CA Employee Growth
U.S. and CA Private Sector Employee Growth


California Initiative Job Growth Since Investment
All Companies Including Fully Realized Investments
160%
140%
120%
100%
80%
60%
40%
20%
0%
-20%
42%
7%
13%
7%
-5%
-7%
Phase I
GSIF
U.S. (2007-2011)
CA (2007-2011)
CA Initiative Employee Growth
CA Initiative CA Employee Growth
U.S. and CA Private Sector Employee Growth

Annual employment growth

California Initiative companies reporting data in both 2010 and 2011 fared better than the broader economy. At Phase I companies (n=36), total employment increased 38 percent while California employment increased 18 percent. GSIF companies that reported data in both 2010 and 2011 (n=92) increased total employment by 12 percent and California employment by 10 percent. By comparison, employment in the United States and California increased 0.8 and 1 percent respectively in the 12 months to June 30, 2011.[12]

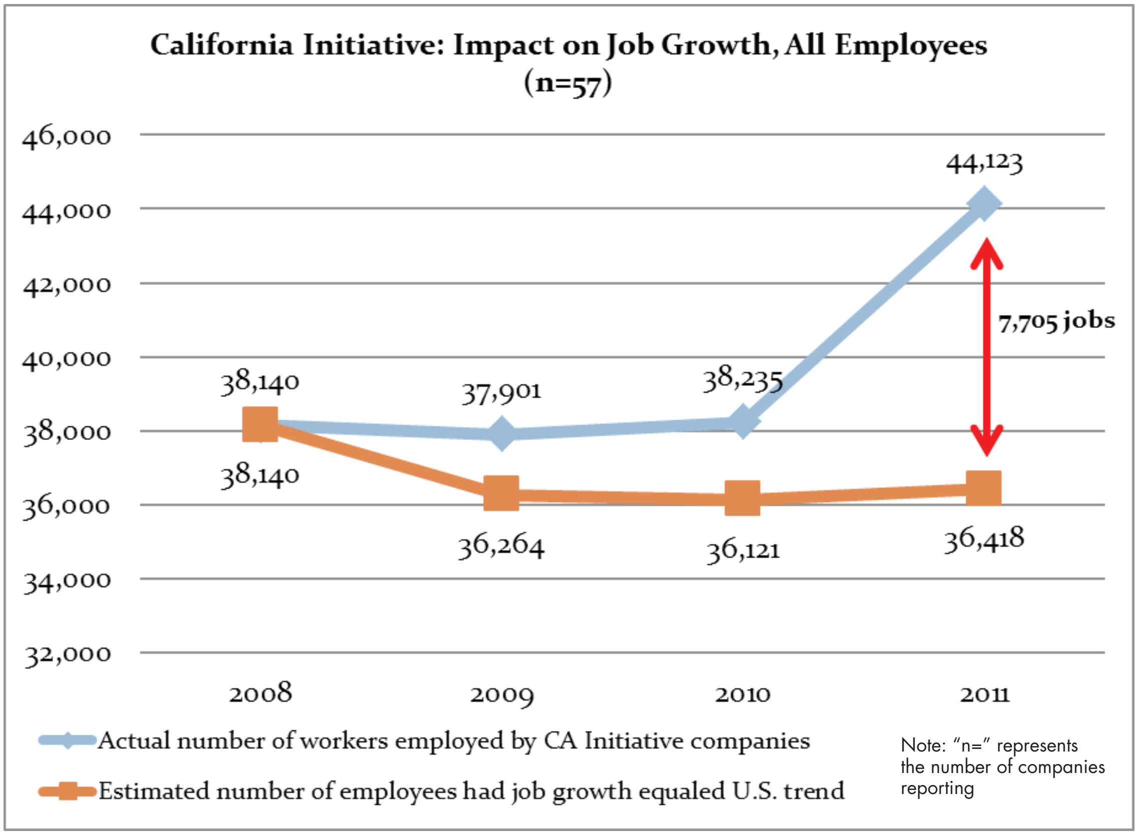


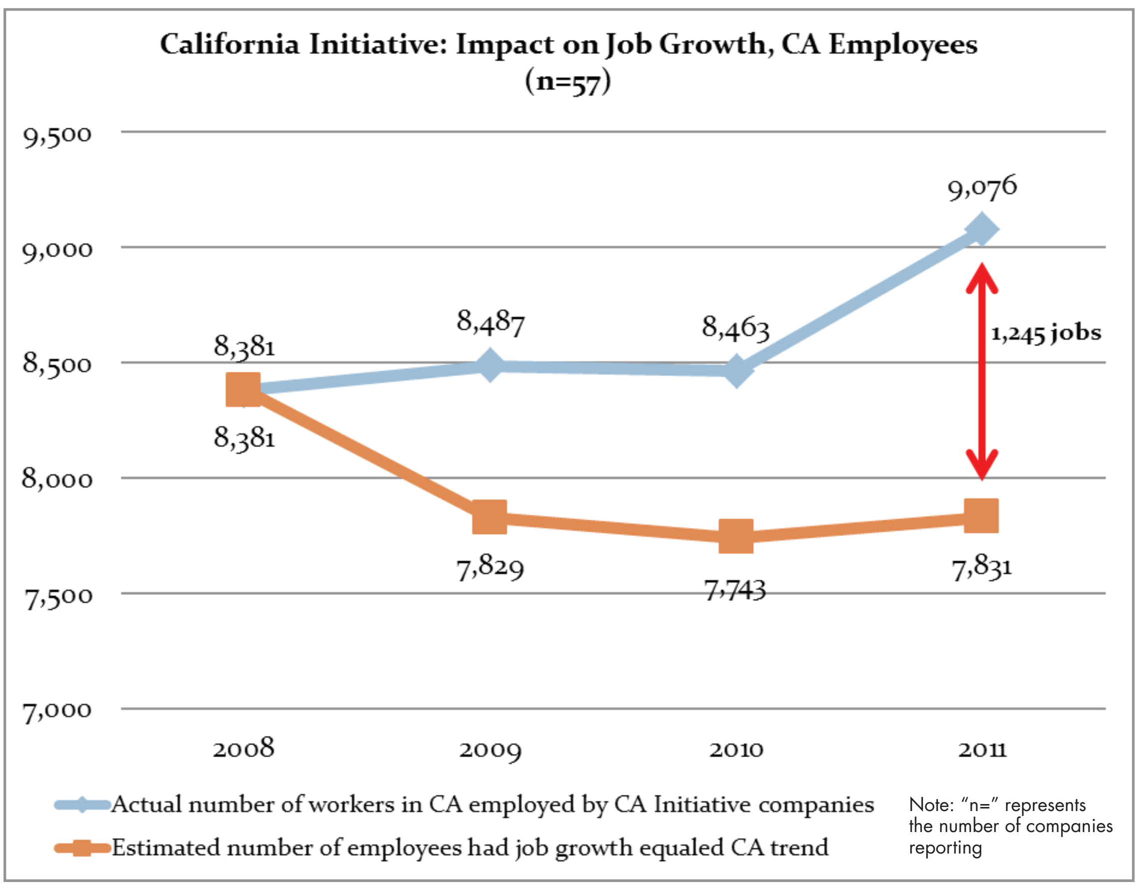
Job Preservation and Growth – California Initiative Employment Growth versus U.S. and California Employment Growth

California Initiative employment growth significantly exceeded employment growth in the United States and California with California Initiative companies preserving and creating jobs during the worst of the economic downturn and subsequent recovery. Fifty-seven California Initiative portfolio companies participated in four consecutive years of data collection from 2008 to 2011.[13] In 2008, these 57 companies had a total of 38,140 employees, including 8,381 in California. In 2011, they had 44,123 employees, including 9,076 in California, representing 16 percent overall job growth and eight percent job growth in California.

The following charts show:

- Actual job growth of these 57 companies from 2008 to 2011, from 38,140 to 44,123 employees nationwide, and from 8,381 to 9,076 employees in California.
- Employee numbers at these 57 companies, had job growth been equivalent to the annual workforce trends in the overall United States and California private sectors.
- The number of jobs that would have been lost or would never have existed, 7,705 nationwide and 1,245 in California, had these companies experienced the annual job growth rates of the overall U.S. and California private sectors.


California Initiative: Impact on Job Growth, All Employees
(n=57)
46,000
44,000
42,000
40,000
38,000
36,000
34,000
32,000
44,123
7,705 jobs
38,140
37,901
38,235
38,140
36,264
36,121
36,418
2008
2009
2010
2011
Actual number of workers employed by CA Initiative companies
Estimated number of employees had job growth equaled U.S. trend
Note: "n=" represents the number of companies reporting

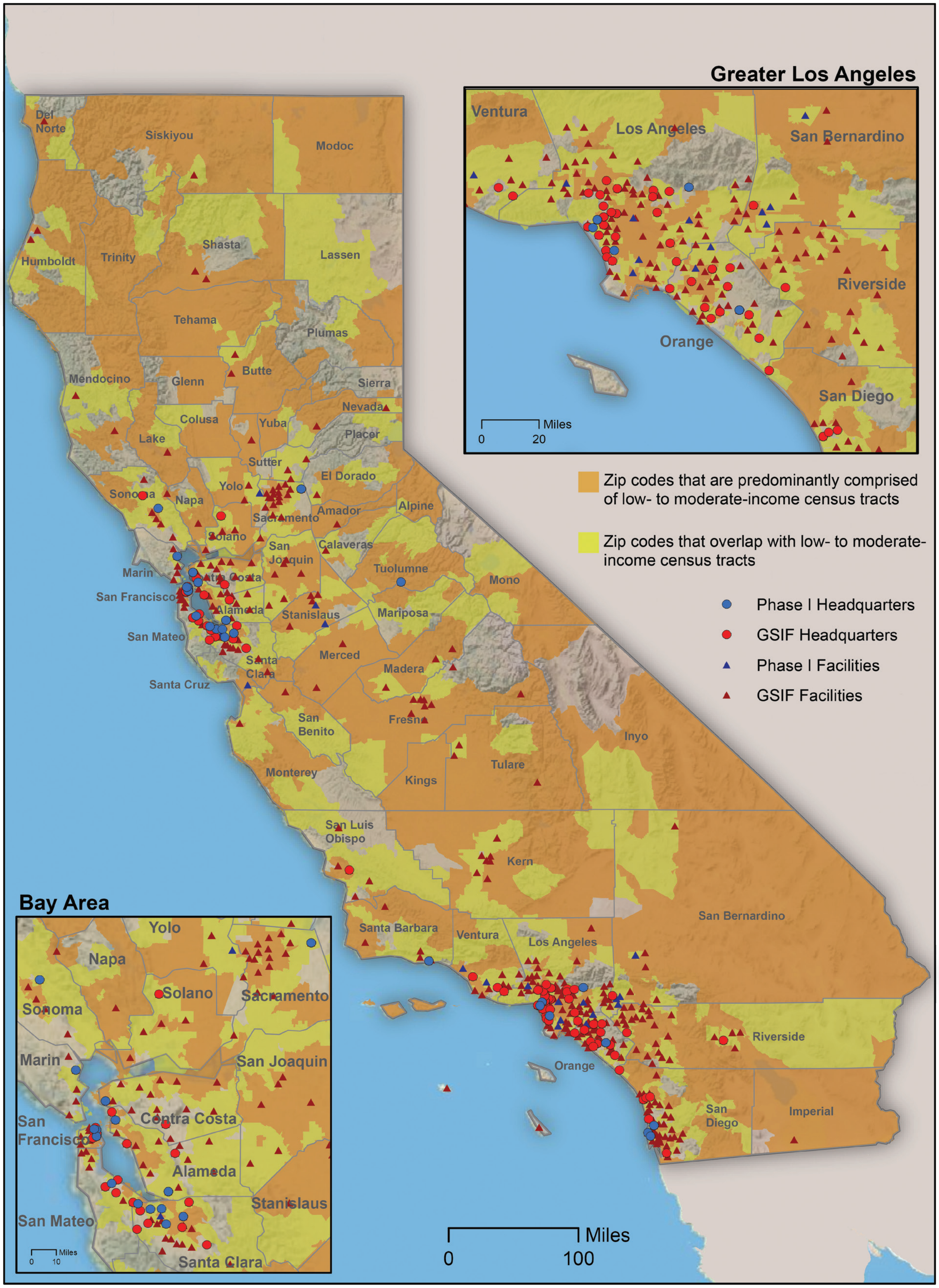

California Initiative: Impact on Job Growth, CA Employees
(n=57)
9,500
9,000
8,500
8,000
7,500
7,000
9,076
8,381
8,487
8,463
1,245 jobs
8,381
7,829
7,743
7,831
2008
2009
2010
2011
Actual number of workers in CA employed by CA Initiative companies
Estimated number of employees had job growth equaled CA trend
Note: "n=" represents the number of companies reporting

Company Locations

The 166 active California Initiative portfolio companies that contributed data in 2011 operate 2,940 total locations, including both headquarters (166) and facilities (2,774); 75 percent of these companies are headquartered in California, as are 20 percent of facility locations (excluding headquarters).

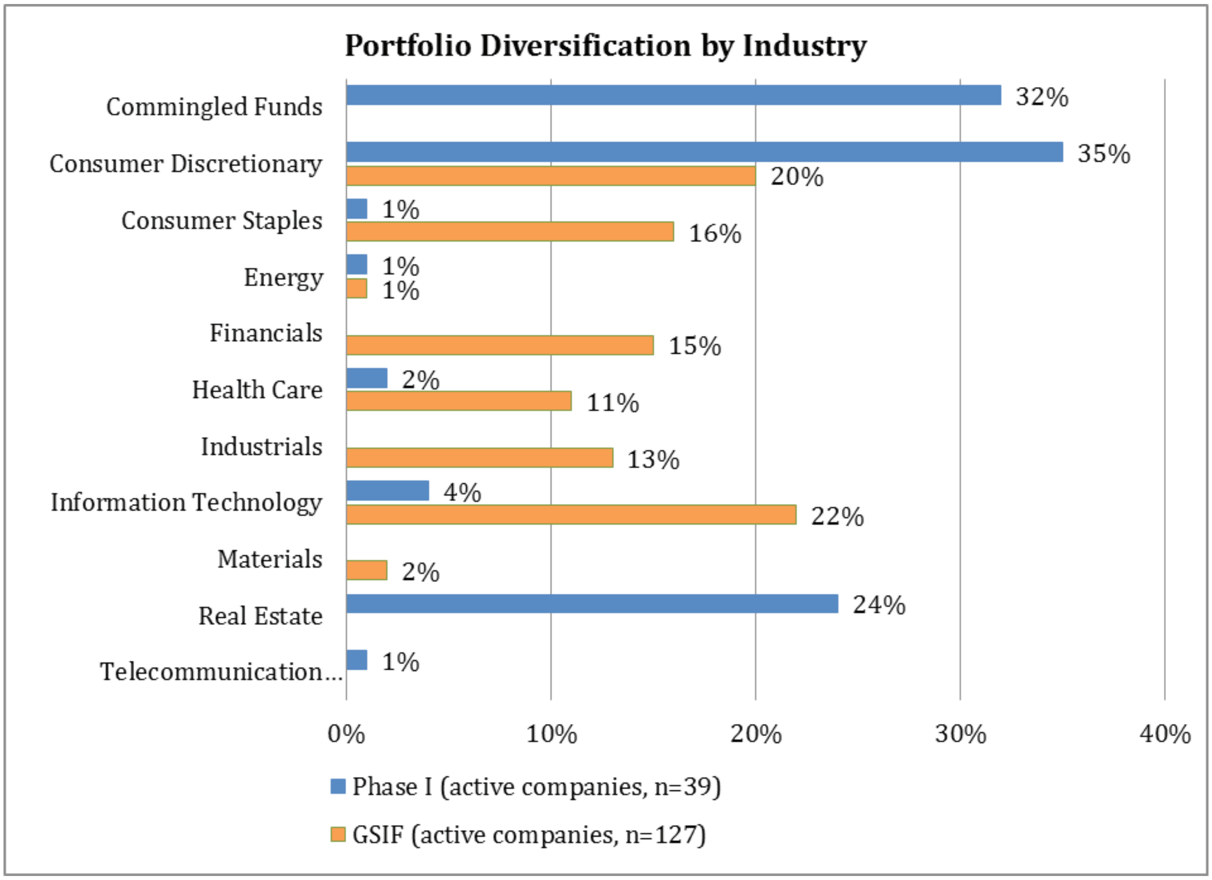
Operating Locations, California Initiative Active Portfolio Companies			
	Headquarters	**Facilities**	**Total**
Total California Initiative	166	2,774	2,940
Total California Initiative in California	124 *(75%)*	553 *(20%)*	*677 (23%)*
Phase I	39	294	333
Phase I in California	29 *(74%)*	26 *(9%)*	55 *(17%)*
GSIF	127	2,480	2,607
GSIF in California	95 *(75%)*	527 *(21%)*	622 *(24%)*

California Initiative Portfolio Company Locations

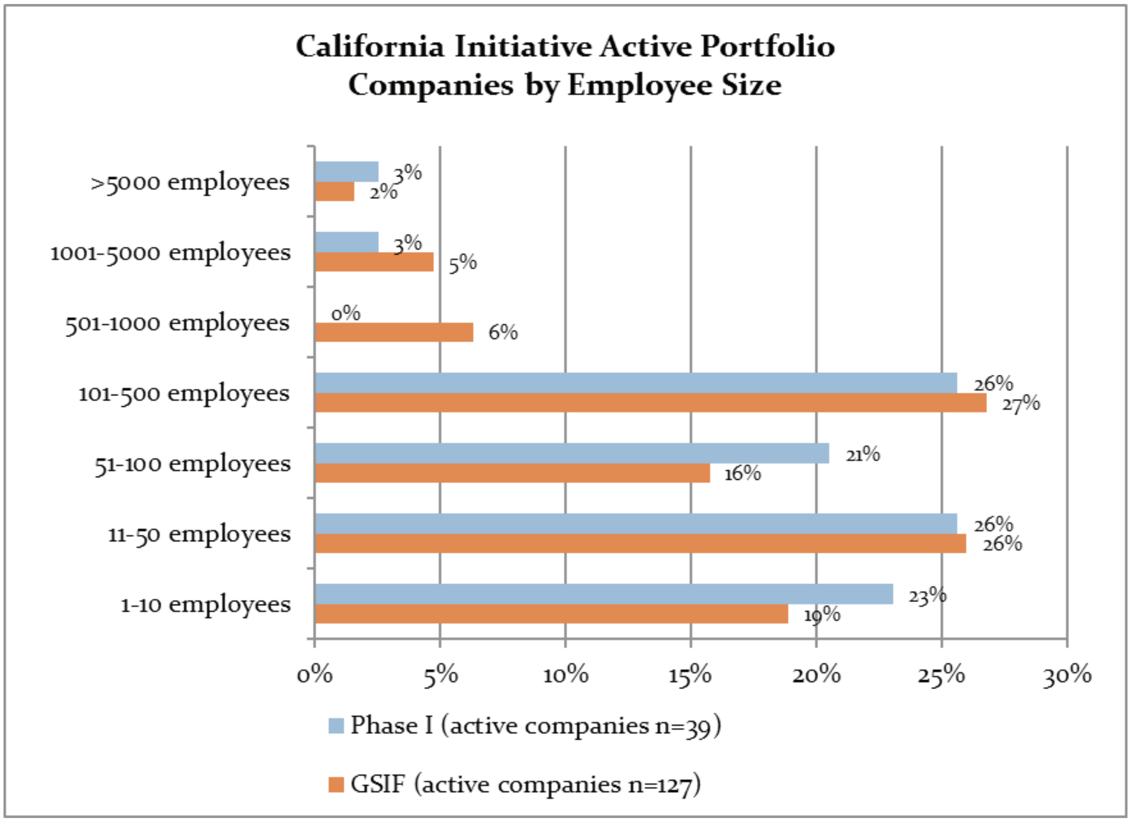


Portfolio Diversification

California Initiative portfolio companies operate across a variety of industries.



Portfolio companies range in size from fewer than 10 to more than 20,000 employees. The majority of portfolio companies (53 percent) employ between 11 and 150 workers.



Job Quality

At both Phase I and GSIF portfolio companies reporting data as of June 30, 2011, job quality, including medical coverage, retirement plans, and paid sick and vacation leave compares favorably with job quality at companies in California and the United States.

Job quality at Phase I portfolio companies

A higher percentage of Phase I companies offer employees benefits than comparable companies in the United States and California. Ninety-five percent of Phase I companies provide medical insurance to at least some of their employees compared with 61 percent of U.S. companies[14] and 69 percent of California companies.[15] Eighty-five percent of Phase I companies offer medical insurance to between 76 percent and 100 percent of their employees, as compared to 70 percent of U.S. [16] and 76 percent of California employees that are eligible for employer-based medical insurance.[17]

Phase I companies compare favorably to U.S companies as a whole in the provision of retirement benefits, sick leave and paid vacation. Phase I companies report job quality data by the percentage range of employees eligible to receive a particular benefit, as demonstrated in the table below.

Percentage of Phase I Portfolio Companies providing benefits to:						
	Zero employees	1-25% of employees	26-50% of employees	51-75% of employees	76%-100% of employees	Total percentage of companies offering benefits to at least some employees
Medical Insurance	5%	0%	5%	5%	85%	95%
Retirement Plan	31%	0%	5%	8%	56%	69%
Paid Sick Leave	13%	8%	2%	5%	72%	87%
Paid Vacation	5%	3%	5%	3%	84%	95 %
Company Stock	28%	8%	3%	5%	56%	72%

Job quality at GSIF portfolio companies

GSIF portfolio companies report the absolute number of employees eligible for and enrolled in each benefit. The GSIF approach allows for more precise measurement of benefits and better comparisons to state and national data, providing a clearer picture of job quality for portfolio company employees. To accurately represent job quality for lower income workers, many of whom are employed in hourly wage jobs, GSIF portfolio companies report data for salaried and non-salaried employees separately. Benefit eligibility rates of these portfolio companies compare favorably to the rates in both the United States and California. Enrollment rates, while similar for salaried employees, are lower for non-salaried employees in the GSIF portfolio.

Employee Benefits, *GSIF Portfolio Companies*					
		GSIF Salaried	GSIF Non-salaried	U.S. All Employees[18]	CA All Employees[19]
Medical coverage	Establishments offering	94%	94%	61%	69%
	Employees eligible for	87%	82%	70%	76%
	Employees enrolled in	67%	38%	55%	64%
Retirement benefits	Establishments offering	76%	76%	45%	n/a
	Employees eligible for	83%	62%	64%	n/a
	Employees enrolled in	52%	18%	49%	n/a
Other benefits	Employees eligible for disability benefits	83%	40%	n/a	n/a
	Employees eligible for paid vacation time	86%	75%	77%	n/a
	Employees eligible for paid sick leave	69%	36%	63%	n/a

Job quality changes since investment

The influx of capital from GSIF investments has allowed many portfolio companies to make changes to employee benefit packages. Of the 139 GSIF companies that have ever reported data, including fully realized investments, 75 (54 percent) have made changes to their benefits packages since the time of investment. The infusion of capital provided by the GSIF investment has allowed companies to increase the benefits packages offered to employees. Forty-four (59 percent) of the 75 companies improved employee benefits packages, while only fifteen companies (20 percent) decreased benefits. Another 16 (21 percent) of the 75 companies indicated changes in benefit providers or benefits package with an indeterminate impact on employee benefits.

Suppliers

As of June 30, 2011, California Initiative Phase I and GSIF companies had active supplier relationships with more than 106,000 vendors.[20] In addition to the boost to the economy provided directly by California Initiative portfolio companies, 24,590 other California businesses (23 percent of all Phase I and GSIF suppliers) have indirectly benefited from this capital investment.

Patents

The number of patents granted is an indicator of innovation, which often precedes job growth at a company. GSIF portfolio companies report the number of patents granted to them annually. Thirty new patents were granted to fifteen portfolio companies between July 1, 2010, and June 30, 2011. GSIF patent rates compare favorably to the rates in both the United States and California, where patent growth rates were 27.5 percent and 28.8 percent, respectively, between 2009 and 2010.[21]

California Focus

To gain a more complete understanding of the impact California Initiative investments have in California, GSIF portfolio companies provide additional data on the approximate annual revenues they generate in California, in the rest of the United States, and outside the United States, as well as any plans to increase business activities in California in the next year.

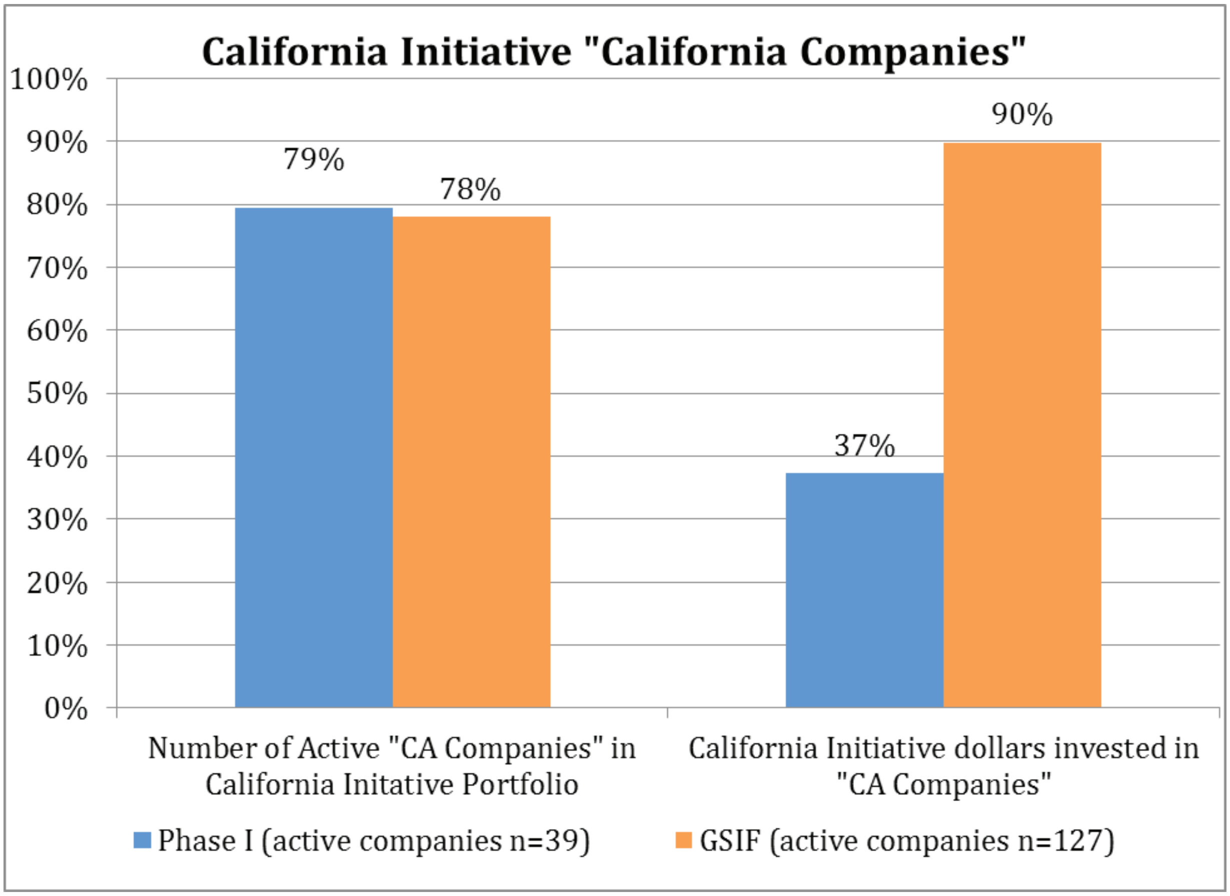
One quarter of active GSIF companies reported plans for expansion in California in the coming year. Of the companies that have expansion plans, 50 percent reported plans to open new operating locations in California, 41 percent reported plans to increase employment in California, and 25 percent report operating plans that are expected to result in increased sales in California.

Total revenue generated by GSIF companies is approximately $12.1 billion, with 22 percent or $2.7 billion generated in California, 75 percent produced in the United States outside of California and two percent created internationally.[22]

A “California Company” is a company that meets at least one of the following three criteria:[23]

1. Company headquarters in California
2. More employees reside in California than in any other state
3. More facility locations in California than in any other state

Based on this definition, 31 Phase I (79 percent) and 99 GSIF (78 percent) portfolio companies are considered “California Companies”, representing 73 percent of dollars (37 percent of Phase I dollars and 90 percent of GSIF dollars).



Approximately $272 million is invested in active California Initiative companies defined as "California Companies." California Initiative dollars are part of a larger total investment in most companies. An additional $675 million ($76 million in Phase I and $599 million in GSIF) in private equity capital from other investors is invested alongside CalPERS in these same active "California Companies." In total, CalPERS anchor partnership commitment to funds through the California Initiative has facilitated the investment of $947 million in active "California Companies".

GSIF has committed approximately $189 million to 17 co-investments, supporting an additional $8.3 billion in equity capital invested in "California Companies" by other investors.

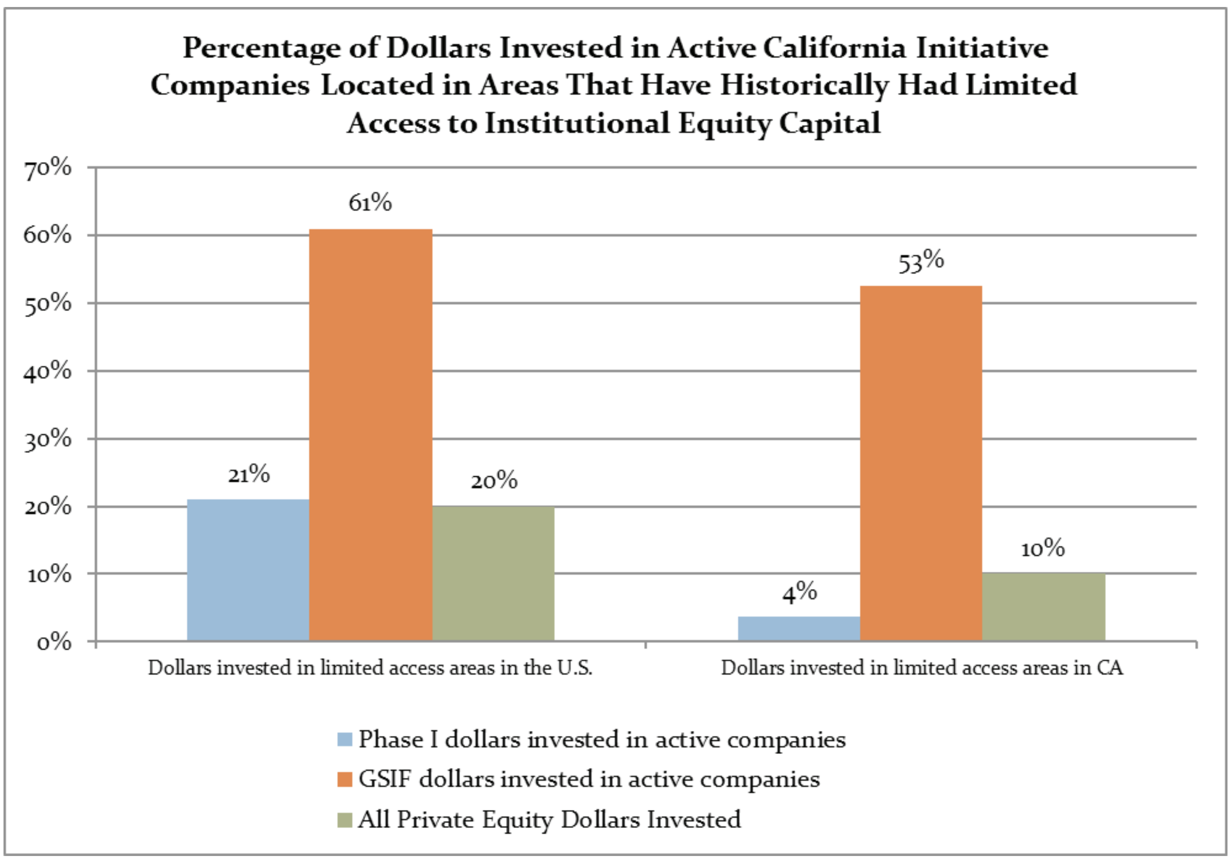
CalPERS California Initiative – Investing in Underserved Markets

Portfolio Companies That Have Historically Had Limited Access to Equity Capital

To define areas that have historically had limited access to institutional equity capital, PCV analyzed data from Thomson Financial (now Thomson Reuters) that tracked private equity transactions between 2001 and 2007. This data shows that approximately 75 percent of private equity investment dollars were concentrated in 1,000 postal codes worldwide.[24] Most of these 1,000 postal codes (774 or two percent of all U.S. ZIP codes) are in the United States. More than 80 percent of all private equity in the United States and more than 90 percent of all private equity in California has been committed to these 774 ZIP codes. For the purposes of this analysis, any company outside of these 774 United States ZIP codes is considered to be in an area that historically has had limited access to institutional equity capital.

Across the U.S., just 20 percent of all private equity investment dollars are deployed in areas that have historically had limited access to institutional equity capital. By contrast, 48 percent of all California Initiative investment dollars, including more than 60 percent of GSIF investment dollars, have been committed to areas that have historically had limited access to institutional equity capital. This indicates that the initiative's efforts to direct capital to underserved markets is working. In Phase I, 21 percent of private equity investment dollars are in areas that have historically had limited access to capital.

For private equity investment in California, 10 percent of investment dollars are deployed in areas that have historically had limited access to institutional equity capital. Thirty-seven percent of all California Initiative dollars, including more than 53 percent of GSIF investment dollars, are invested in areas that have historically had limited access to institutional equity capital.



Portfolio Companies That Employ Workers Living In Economically Disadvantaged Areas

California Initiative portfolio companies benefit low-to-moderate-income (LMI) workers in a number of ways. First, these companies provide quality jobs to residents of LMI areas, generating wealth in places that need it most. Second, companies that are headquartered or operate facilities in LMI areas bring economic activity to distressed neighborhoods, indirectly supporting the creation of more jobs.

To assess the extent to which California Initiative companies support employment for residents of LMI areas, PCV examines areas where companies operate as well as where company employees live.[25]

Phase I portfolio companies report the ZIP codes of operating locations in California. GSIF portfolio companies report the ZIP codes of all operating locations, not just those in California.

In the Phase I portfolio, 38 percent of company headquarters and operating facilities are located in predominantly LMI areas.[26] GSIF portfolio companies have a total of 2,607 operating locations, including both facilities and headquarters; approximately 34 percent are in predominantly LMI areas.

Forty-five percent of Phase I, and 42 percent of GSIF portfolio company employees in California live in predominantly low-income areas.[27]

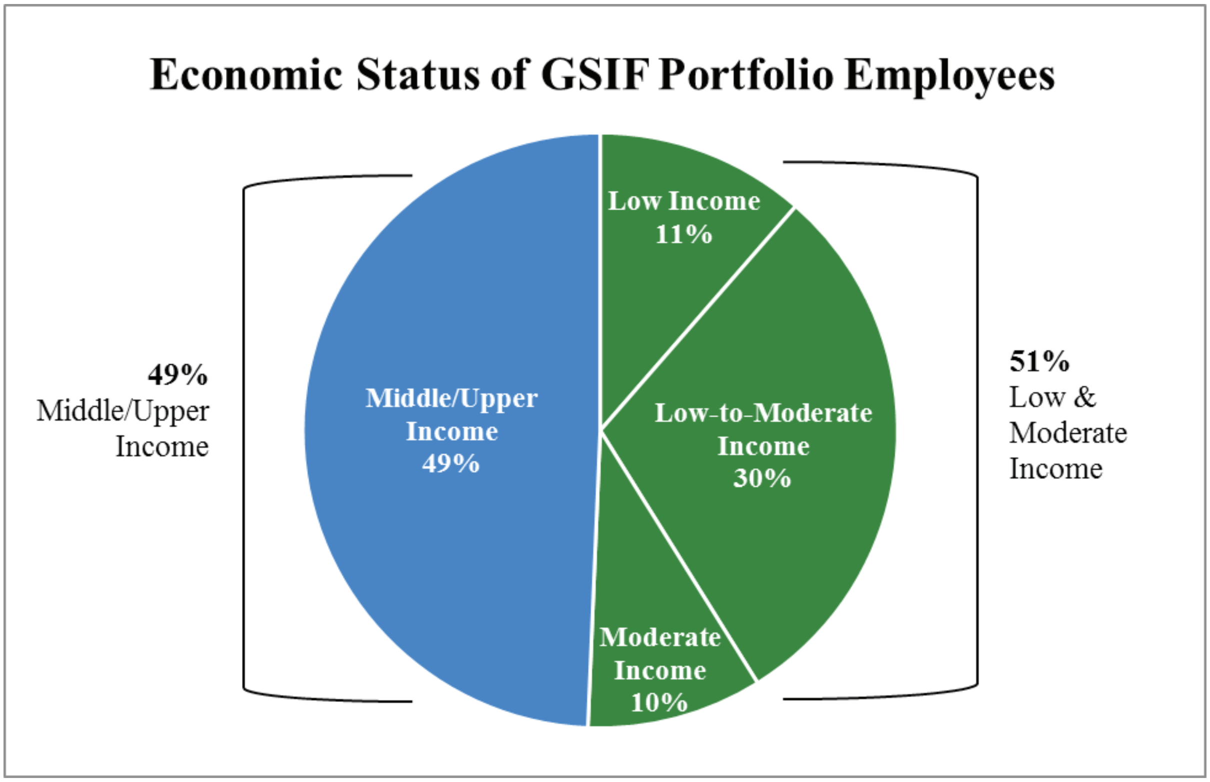
Employees Living, and Companies Located, in Low- and Moderate-Income Geographies

		Located in a ZIP Code that is Predominantly Comprised of LMI Census Tracts
Phase I	Headquarters (n=39)	9 (23%)
	California Headquarters	6 (21%)
	California facilities	16 (62%)
	California employees	1,130 (45%)
GSIF	Headquarters (n=127)	36 (28%)
	California Headquarters	26 (27%)
	Facilities	842 (34%)
	California Facilities	219 (42%)
	Employees	22,793 (34%)
	California Employees	7,710 (42%)

Not all low-income workers live in low-income areas, and not all individuals living in low-income areas earn a low-income wage. In order to precisely measure the economic status of employees at GSIF portfolio companies, PCV collected the wage and ZIP code of every employee.[28] A worker's ZIP code of residence and wage combine to form a more complete picture of an individual's economic status. To assess the number of LMI workers at GSIF portfolio companies, PCV has created a system to classify individual workers:

- Middle/Upper Income Workers: GSIF portfolio company employees who earn a middle-income or upper-income wage are considered middle/upper income employees. Similarly, employees who earn less than a middle-income wage, but live in middle-income or upper-income communities are also considered middle/upper-income workers.[29] These workers likely are part of households with other sources of income. Based on the associated ZIP code and wage data collected for each employee, as of June 30, 2011, 49 percent of all GSIF portfolio company employees are classified middle/upper income.

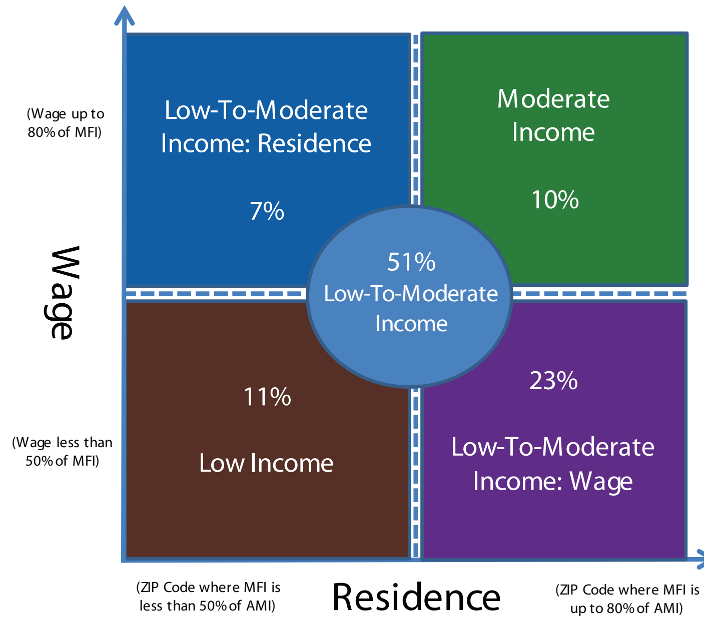
➤ Low- to Moderate-Income Workers: Fifty-one percent of GSIF portfolio company employees are low- to moderate-income workers for whom the California Initiative is providing economic opportunities. These employees both earn an LMI wage and live in an LMI area.[30] As a frame of reference, 39 percent of all employed individuals in the United States, and 47 percent of working Californians, live in LMI census tracts.[31] For more in-depth analysis, PCV further divides the LMI employees into three categories: low-income, low- to moderate-income, and moderate-income.



LMI Analysis Update

The analysis of low- to moderate-income (LMI) ZIP codes has been updated in this year's report to reflect the release of the US Census Bureau's 2006-2010 American Community Survey data. For the prior six years of analysis, this research utilized 2000 US Census Bureau data for determining LMI ZIP codes. The US Census Bureau's 2006-2010 American Community Survey data reflects socio-economic changes over the last five years in the communities of the United States. These changes can be observed in the proportion of ZIP codes now defined as LMI, particularly in California. The percentage of California ZIP codes defined as LMI has decreased from 55 percent under 2000 Census Data to 49 percent with the new 2006-2010 American Community Survey data. Consequently, the percentage of California Initiative companies and facilities located in LMI communities in this year's report, and employees defined as LMI, cannot be directly compared with prior year's reports.

Economic Status of Low- and Moderate-Income GSIF Portfolio Company Employees



Low-Income
- Employee wage is less than 50 percent of the Median Family Income (MFI) in the metropolitan statistical area of residence; and
- Employee residence ZIP Code overlaps with a census tract where the median income is less than 50 percent of the Area Median Income (AMI)

Low-To-Moderate Income: Wage
- Employee wage is less than 50 percent of the MFI in the metropolitan statistical area of residence; and
- Employee residence ZIP Code overlaps with a census tract where the median income is between 50 percent and 80 percent of the AMI

Low-To-Moderate Income: Residence
- Employee wage is between 50 percent and 80 percent of the MFI in the metropolitan statistical area of residence; and
- Employee residence ZIP Code overlaps with a census tract where the median income is less than 50 percent of the AMI

Moderate-Income
- Employee wage is between 50 percent and 80 percent of the MFI in the metropolitan statistical area of residence; and
- Employee residence ZIP Code overlaps with a census tract where the median income is between 50 percent and 80 percent of the AMI

Portfolio Companies That Provide Employment Opportunities to Women and Minority Entrepreneurs and Managers

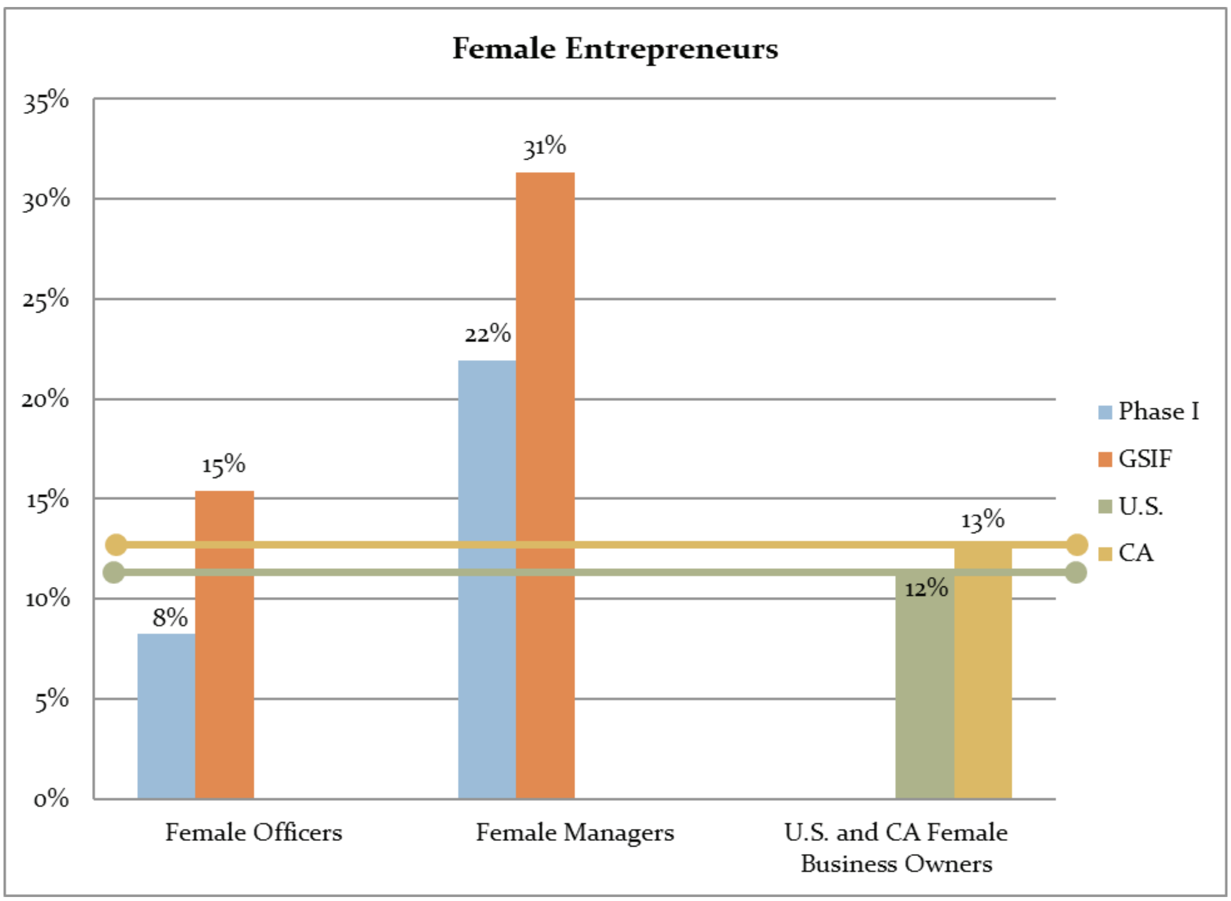
The third ancillary benefit assessed for the California Initiative is the extent to which portfolio companies provide employment opportunities to women and minority entrepreneurs and managers. By tracking the number of women and minority entrepreneurs, CalPERS can better understand the role the California Initiative portfolio companies play in the training, professional development, and advancement of these populations.

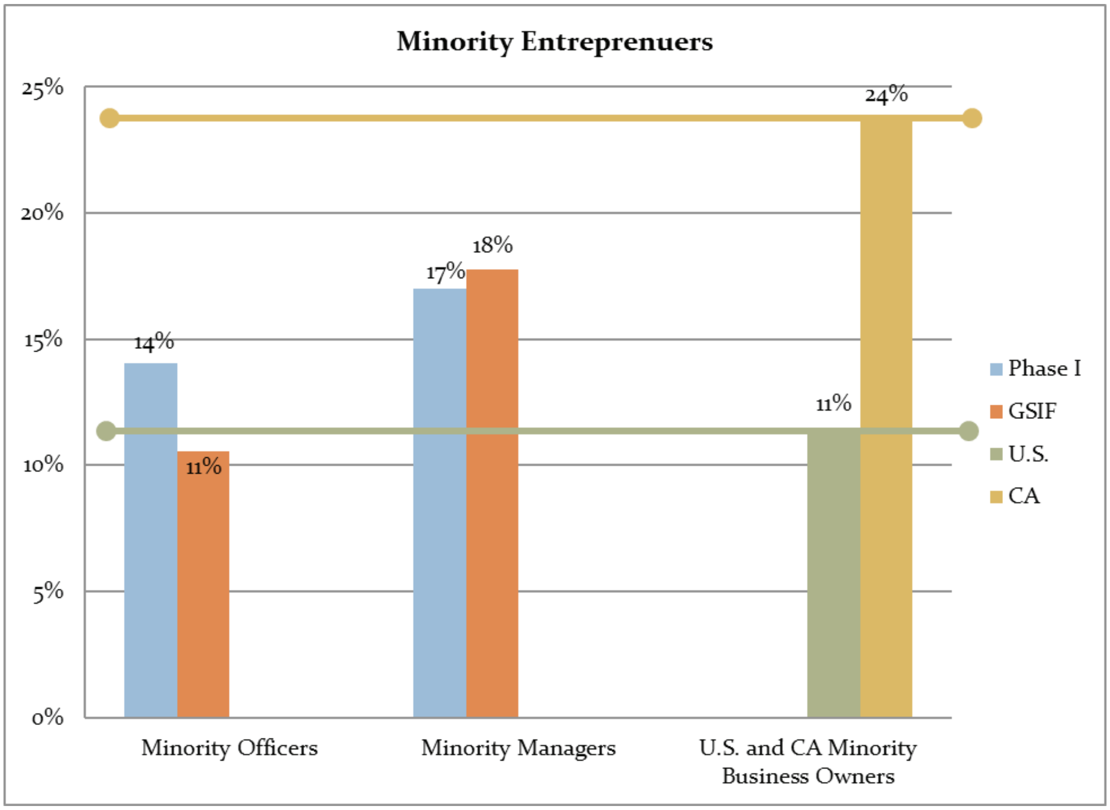
When private equity dollars are invested in a company, ownership often shifts from individuals to a fund, or group of funds. Prior to investment, company owners are commonly C-level officers. Accordingly, to better understand the proportion of women and minority entrepreneurs at portfolio companies, PCV uses officers (e.g., Chief Executive Officer, Chief Financial Officer, and Chief Operating Officer) and key managers as a proxy.

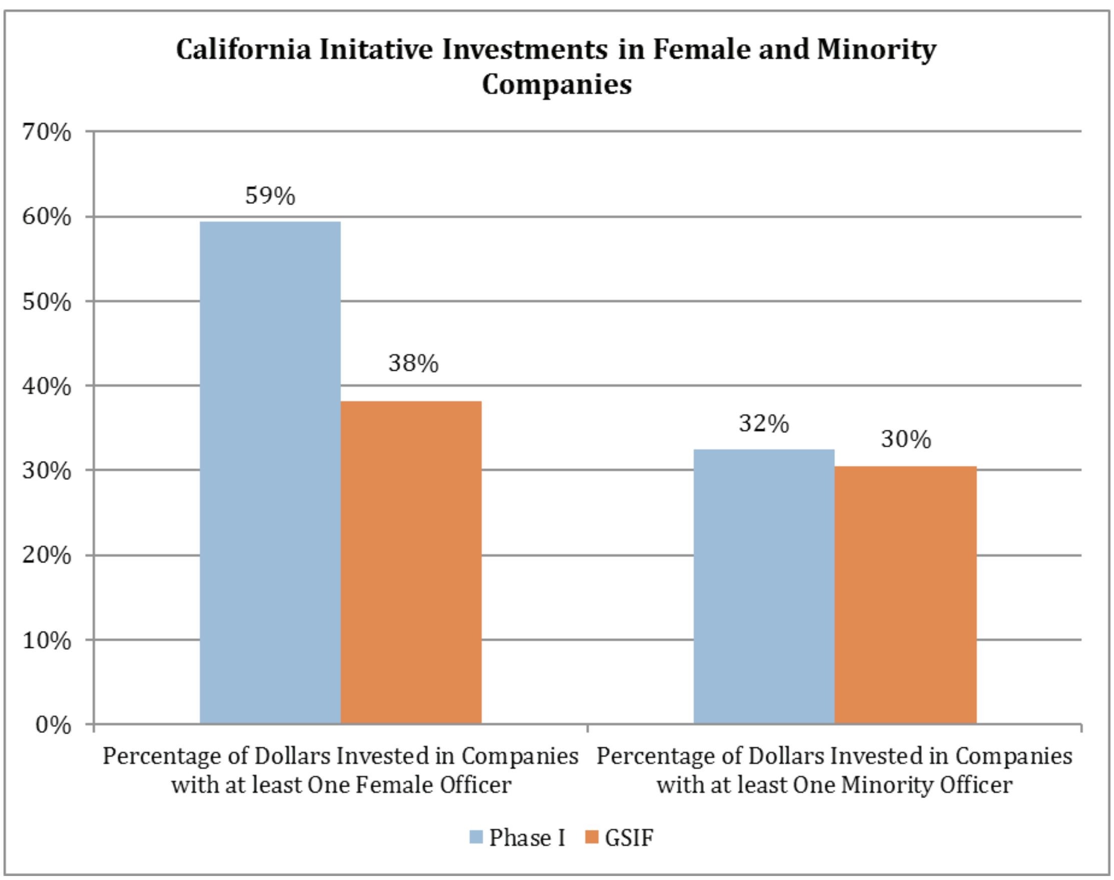
The 166 active California Initiative portfolio companies employ a total of 633 officers (an average of four officers per company), 11 percent of whom are minorities and another 14 percent of whom are female. Forty-five percent of California Initiative investment dollars are committed to 41 companies with at least one female officer, suggesting that women have substantial input into the management and growth of these companies. Similarly, 31 percent of California Initiative investment dollars are committed to 45 companies that have at least one minority officer.

The following table and graphs show a breakdown of California Initiative portfolio company officers by gender and ethnicity as well as the breakdown of California Initiative dollars at these companies. Provided as a frame of reference are ownership diversity statistics for businesses with paid employees and $1 million in revenue in California and the United States. Most portfolio companies receiving investment from the California Initiative met these criteria.

Minority and Female Officers and Key Managers, *California Initiative Portfolio Companies*						
	Phase I Officers	**Phase I Key Managers**	**GSIF Officers**[32]	**GSIF Key Managers**[33]	**CA business owners**[34]	**U.S. business owners**[35]
Men	110 (91%)	303 (78%)	433 (85%)	1,148 (69%)	66%	72%
Women	10 (8%)	85 (22%)	79 (15%)	524 (31%)	13%	12%
Minority	17 (14%)	66 (17%)	54 (11%)	297 (18%)	24%	11%
Hispanic/ Latino	3 (2%)	19 (5%)	13 (3%)	100 (6%)	7%	4%
African American	6 (5%)	10 (3%)	7 (1%)	40 (2%)	1%	1%
Asian/Pacific Islander	6 (5%)	32 (8%)	27 (5%)	99 (6%)	16%	6%
Other Minorities	2 (2%)	5 (1%)	7 (1%)	58 (3%)	1%	1%
White	104 (86%)	322 (83%)	458 (89%)	1,375 (82%)	82%	92%




Minority Entrepreneurs
25%
20%
15%
10%
5%
0%
24%
18%
17%
14%
11%
11%
Phase I
GSIF
U.S.
CA
Minority Officers
Minority Managers
U.S. and CA Minority Business Owners


California Initative Investments in Female and Minority Companies
70%
60%
50%
40%
30%
20%
10%
0%
59%
38%
32%
30%
Percentage of Dollars Invested in Companies with at least One Female Officer
Percentage of Dollars Invested in Companies with at least One Minority Officer
Phase I
GSIF

CalPERS California Initiative – Summary Findings

- The California Initiative represents a dedicated capital investment to California's economy, generating significant ancillary benefits, with close to 73 percent of capital allocated to "California Companies."

- The California Initiative has created and sustained jobs within California and the nation during a challenging economic environment.

- Companies receiving investment through the California Initiative provide not only jobs but quality jobs to employees, with benefit levels significantly outpacing statewide and national levels.

- Areas that have historically not received institutional equity capital are receiving private equity investment under the California Initiative, with 46 percent of portfolio companies located in these underserved markets.

- Economically disadvantaged communities are supported by the California Initiative and its portfolio companies. The California Initiative employs a significant number of economically disadvantaged persons, with 51 percent of GSIF employees classified as low- to moderate-income.

- Women and minorities provide leadership to California Initiative portfolio companies, with female representation outpacing national levels and minority representation on par with national levels.

APPENDIX

California Initiative Summary Data

	Phase I	GSIF	California Initiative	CA	U.S.
Active Reporting Companies in 2011	39	127	166	n/a	n/a
Employment Opportunities					
Percentage Employee Growth Since Investment	34%	14%	18%	n/a	-7%[36]
Percentage California Employee Growth Since Investment	141%	9%	16%	-5%[37]	n/a
Economically Disadvantaged Areas					
Percentage of California Headquarters in Predominately LMI Areas	21%	27%	26%	n/a	n/a
Percentage of California Facilities in Predominately LMI Areas	62%	42%	42%	n/a	n/a
Percentage of California Employees Living in Predominately LMI Areas	46%	42%	42%	n/a	n/a
Underserved Markets					
Percentage of Dollars Invested in Companies Located in Areas Underserved by Institutional Equity Capital	21%	61%	48%	10%	20%
Opportunities for Women and Minority Entrepreneurs and Managers					
Percentage of Dollars Invested in Companies with at least One Female Officer	59%	38%	45%	n/a	n/a
Percentage of Dollars Invested in Companies with at least One Minority Officer	32%	30%	31%	n/a	n/a

BAML Capital Access Funds

In addition to investing in nine private equity funds, the California Initiative, working with Bank of America Merrill Lynch Capital Access Funds (CAF), has invested in a fund-of-funds, Banc of America California Community Venture Fund (BACCVF).

BACCVF Quick Facts	
Year of Inception	2002
Investment Amount	$100 million
Funds Receiving Investment	15
California-based Funds Receiving Investment	9 / 60% of funds
Companies Receiving Investment[1]	177
California Headquartered Companies Receiving Investment	75 / 42% of companies

Since 2002, 15 funds have received investment from BACCVF. CAF invests in venture capital and private equity funds that invest in companies that are:

- Located in or employ residents of low- to moderate-income geographies
- Owned or managed by ethnic minorities[2]
- Owned or managed by women[2]
- Focused on delivering products or services to an ethnically diverse customer base
- Located in urban or rural areas with limited access to investment capital

The following table summarizes BACCVF's investments in companies that fit within the above categories:

BACCVF Investments Summary Table	
Low- to Moderate-Income Areas	
Funds with a Low- to Moderate-Income Focus	73%
Companies within Low- to Moderate-Income Areas	21%
Owned or Managed by Ethnic Minorities	
Funds with a Focus on Opportunities for Ethnic Minorities	60%
Companies Majority Owned or Managed by Ethnic Minorities	30%
Owned or Managed by Women	
Funds Managed by at Least One Female Partner	40%
Companies Managed by Women	35%
Deliver Products or Services to an Ethnically Diverse Customer Base	
Companies Located in Areas where greater than half the Population is Composed of Ethnic Minorities	35%
Located in Urban or Rural Areas with Limited Access to Capital	
Companies Located in Inner City Areas of the U.S.	31%
Companies Located in Rural Areas of the U.S.	3%

Providing capital to areas of California and the United States that have historically had limited access to institutional equity capital

Of the 15 funds that have received investment from BACCVF, eleven focus on low- to moderate-income areas or individuals. One of the funds is helping to capitalize financial institutions that provide banking services to low-income and/or ethnic minority consumers and 9 of the 15 funds focus on ethnic minority opportunities. Many of the funds also focus on one or more of the other components of CAF's definition of underserved company.

Of the companies in BACCVF funds' portfolios as of December 31, 2010, sixty-four or 31 percent are located in areas of the United States classified by the Initiative for a Competitive Inner City (ICIC) as Inner City, where venture capital has not traditionally been invested.[3] Seven or three percent of the companies are located in rural areas of the United States as defined by the U.S. Department of Agriculture.

Employing workers living in economically disadvantaged areas

Of the companies in BACCVF funds' portfolios as of March 2011, sixty-three or 21 percent of the companies are located in a low- to moderate-income area. As of December 31, 2010, 18 percent are located in census tracts where 20 percent or more of the population lives in households with income below the federal poverty level, and 39 percent of the companies are located in census tracts where the median income is at or below 80 percent of median income for the surrounding area. BACCVF funds' portfolio company employee residential zip codes were not available. As such, no direct analysis on the number of employees living in economically disadvantaged areas could be conducted.

Supporting women and minority entrepreneurs and managers

Nine of the 15 funds receiving investment through BACCVF focus on ethnic minority opportunities. Eleven of the funds have at least one ethnic minority partner; ten of the funds have two or more ethnic minority partners. Six of the funds have at least one female partner.

Of the companies in BACCVF funds' portfolios as of December 31, 2010, 62 or 30 percent are majority owned or managed by minorities and 35 percent of the companies are located in census tracts where more than half the population is an ethnic minority[2]. Further, nearly 54 percent had some minority ownership and 35 percent of the companies had some women ownership.

Specific gender and ethnic information on the chief executive officer at BACCVF funds' portfolio companies is available for the companies that BACCVF funds had invested in as of year-end 2010. At forty or 19 percent of these companies, the CEO is a minority, including eleven companies where the CEO is African American, twelve companies where the CEO is Hispanic, and seventeen companies where the CEO is Asian. Fourteen companies had female CEOs. Companies in the BACCVF portfolio employed a total of 83,311 employees as of December 31, 2010; 19,162 or 23 percent of these employees were ethnic minorities and 24,993 or 30 percent were women.

1 Includes companies held by CAF portfolio funds that were subsequently exited; one company held by two funds.
2 Owned refers to a 50 percent or higher ownership stake; managed refers to the CEO.
3 Inner Cities are defined as core urban areas that currently have higher unemployment and poverty rates and lower median income levels than surrounding Metropolitan Statistical Areas (MSA). Inner Cities have a 20 percent poverty rate or higher, or meet two of the following three criteria: poverty rate 1.5x or more than that of MSA's; median household income of half or less that of their MSA's; unemployment rate of 1.5x times or more than that of their MSA's.

1 CalPERS press release; February 19, 2008. "CalPERS California Initiative Program Deploys Private Equity Capital to Overlooked Markets."

2 The Bank of America Fund is the Banc of America California Community Venture Fund

3 The eight total exits consist of five companies that received investment from Phase I partners and three companies that received investment from GSIF partners.

4 Bureau of Labor Statistics. www.bls.gov/ces/ accessed on 11-28-2011. Total non-farm employees, seasonally adjusted.

5 139 portfolio companies have taken part in data collection since the inception of the GSIF.

6 Bureau of Labor Statistics. www.bls.gov/ces/ accessed on 11-28-2011.

7 Ibid

8 For fully-realized investments, the data used for this analysis is the most recent data available, typically as of June 30 prior to exit. The data for this analysis does not include all fully realized investments as some companies entered and exited without ever submitting survey data.

9 Ibid

10 Ibid

11 Bureau of Labor Statistics. www.bls.gov/ces/ accessed on 11-28-2011.

12 Ibid

13 Fifty-seven companies participated in four consecutive years of data collection from 2008-2011, including 33 Phase I and 24 GSIF companies. By focusing only on these companies in our counterfactual comparison, we are able to directly compare the California Initiative's history of job creation and preservation to companies that have not been recipients of CalPERS capital over the same period. The smaller sample size can be attributed to considerable activity in the California Initiative portfolio, with companies entering and exiting on an annual basis. The 57 companies are relatively representative of the entire portfolio, with job growth characteristics that are similar to those of the entire portfolio–suggesting that survivorship bias is unlikely to have inflated the data. In the table below, we compare annual job growth at the 57 companies to all companies within the portfolio that reported data in consecutive years.

		2008-2009	2009-2010	2010-2011
57 Company Sample	Annual Employee Growth	-1%	1%	15%
	Annual California Employee Growth	1%	0%	7%
CA Initative Portfolio	CA Initiative Portfolio Company Count	n = 80	n = 103	n = 128
	Annual Employee Growth	-4%	1%	17%
	Annual California Employee Growth	-4%	5%	11%

14 Bureau of Labor Statistics National Compensation Survey, March 2011; Private Industry (excludes agriculture establishments, private households, and the self-employed). www.bls.gov/ncs/ebs/benefits/2011/

15 California Health Care Foundation California Employer Health Benefits Survey 2010. www.chcf.org/publications/2010/12/california-employer-health-benefits-survey

16 Bureau of Labor Statistics National Compensation Survey, March 2011. www.bls.gov/ncs/ebs/benefits/2011/

17 California Health Care Foundation California Employer Health Benefits Survey 2010. www.chcf.org/publications/2010/12/california-employer-health-benefits-survey. The 76 percent employees eligible for medical coverage only considers employees at establishments offering medical coverage, thus this statistic is likely higher than if it also included employees at establishments not offering medical coverage.

18 U.S. benchmark data from the Bureau of Labor Statistics National Compensation Survey, March 2011. www.bls.gov/ncs/ebs/benefits/2011. This data is for all employees, and does not separate out salaried vs. non-salaried employees.

19 California benchmarks from California Health Care Foundation California Employer Health Benefits Survey 2010. www.chcf.org/publications/2010/12/california-employer-health-benefits-survey. The 76 percent of employees eligible for medical coverage only considers employees at establishments offering medical coverage thus this statistic is likely higher than if it also included employees at establishments not offering medical coverage. This data is for all employees, and does not separate out salaried vs. non-salaried employees.

20 An "active supplier relationship" is defined as one where the company has made a purchase in the past year.

21 U.S. Patent Office. www.uspto.gov/web/offices/ac/ido/oeip/taf/pat_tr10.htm. GSIF Patents per company grew 181 percent between 2010 and 2011.

22 The vast majority (83 percent) of companies reported on this metric, however, 21 (17 percent) companies did not report approximate revenue data, two of these companies provided only the percentage of revenue generated in California.

23 Phase I portfolio companies do not report data on employees and facilities outside of California. The criteria for a Phase I portfolio company to be considered a "California Company" is at least one of the following:
1. HQ located in California
2. At least 33 percent of facilities located in California
3. At least 33 percent of employees located in California

24 Thomson Reuters. www.thomsonreuters.com/business_units/financial/

25 Portfolio companies provide the ZIP code for each headquarters location and facility, as well as for each employee (In Phase I, portfolio companies reported ZIP codes for California employees and facilities only). While employee and facility locations are defined by ZIP codes, LMI areas are identified by census tracts. ZIP codes can consist of parts of many census tracts and census tracts can contain parts of several ZIP codes. To evaluate the extent to which California Initiative companies are supporting employment for residents of economically underserved areas, PCV made two distinctions:

- ZIP codes that **overlap** with LMI census tracts. These workers and facilities may or may not be located in a lower-income census tract, but they are likely located near, and in a position to contribute to, the LMI area (21 percent of U.S. ZIP codes fall into this category).

- ZIP codes that are **predominantly** (50 percent or more) comprised of LMI census tracts. These workers and facilities are likely located in LMI areas (35 percent of U.S. ZIP codes fall into this category).

A census tract is designated LMI if at least one of the following conditions holds true:

- For census tracts within metropolitan areas, the median income of the tract is at or below 80 percent of the metropolitan statistical area median. For census tracts outside of metropolitan areas, the median income of the tract is at or below 80 percent of the statewide, non-metropolitan area median income.

- At least 20 percent of the population lives in poverty

- The unemployment rate is at least 1.5 times the national average.

26 Phase I companies report a total of 294 facilities, but only California ZIP codes are reported by Phase I companies, of which there are 26. All data referring to the LMI status of Phase I facilities deals only with these 26 locations.

27 Phase I portfolio companies only report the ZIP codes of California employees, and thus the analysis of LMI workers is limited to California employees. Phase I companies report a total of 2,509 California employees, but provided valid ZIP codes for 2,446 employees, a difference of 63 or 2.6 percent.

28 To maintain employee confidentiality, PCV collected no identifying information.

29 These workers earn more than 80 percent of the median family income (MFI) for the metropolitan statistical area (MSA) they live in. Similarly, employees who earn 80 percent or less of the MFI for the MSA, but live in a ZIP code area that consists entirely of middle- and upper-income census tracts also are considered middle/upper-income employees

30 These workers earn less than 80 percent of the MFI for the MSA of residence AND live in a ZIP code that overlaps a census tract where the median income is less than 80 percent of the area median income.

31 Employed individuals living in LMI census tracts is based on data from the US Census Bureau's American Community Survey. The table below compares the proportion of zip codes defined as LMI for California and the U.S. using 2000 census data and the US Census Bureau's 2006-2010 American Community Survey data.

Percentage of LMI ZIP Codes		
	2000 U.S. Census Data	2006-2010 American Community Survey Data
U.S.	34%	38%
California	55%	49%

32 Officer and manager data was not provided by two companies. Percentages and totals are based on data from 125 companies that submitted gender and ethnicity data.

33 Ibid.

34 2007 Survey of Business Owners, http://www.census.gov/econ/sbo/index.html. Includes businesses with $1 million in revenue and paid employees that are at least 51 percent owned by the specified gender or race. The U.S. Census allows respondents to identify by ethnicity and multiple racial categories, thus minority categories are not additive and cannot be combined for an accurate estimate of total minority owned businesses.

35 Ibid.

36 Ibid.

37 Bureau of Labor Statistics. www.bls.gov/ces/ accessed on 11-28-2011. Job growth from 2005-2011. Total non-farm employees, seasonally adjusted.

CalPERS

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