



- As of June 30, 2006, private equity funds that received capital through the California Initiative had active investments in 131 companies. Forty-two of these investments were made through a fund-of-funds that performed its own assessment of ancillary benefits, discussed on page 15 of this report. Of the remaining 89 portfolio companies, 82 (92%) provided data for this report.

Profile—California Initiative Companies (See page 2)

- California Initiative companies range in size from three to over 22,000 employees. Over 70% of California Initiative companies have 100 or fewer employees and 60% of companies have 50 or fewer employees. Just nine companies, or 11% of all California Initiative companies, have over 1,000 employees.
- Of the 82 companies reporting, 56 (68%) are headquartered in California. California Initiative companies operate in over 250 locations across the state. Approximately 80% of companies in the California Initiative portfolio have some California-based employees.

CalPERS California Initiative— Investing in Underserved Markets (See page 6)

Providing capital to areas that have historically had limited access to institutional equity capital (See page 6)

- Between 2000 and 2005, the overwhelming majority of all California companies receiving venture capital financing were concentrated in the geographic area encompassing 154 of the state's over 1,700 postal zip codes, defining this geography as the area where institutional equity capital has traditionally been committed. While just 18% of California companies receiving venture capital financing between 2000 and 2005 were located outside of this area, over 40% of California-based California Initiative portfolio companies are headquartered outside areas where institutional equity capital has traditionally been committed.

Employing workers living in economically disadvantaged areas (See page 10)

- In both 2005 and 2006, almost 40% of California Initiative companies' California employees were residents of low-to-moderate income (LMI) areas. By comparison, 38% of all employed Californians live in LMI areas.¹

Supporting women and minority entrepreneurs and managers (See page 12)

- California Initiative companies report a total of 300 officers. Of these 300 officers, 12% are women, 4% are Hispanic or Latino, 5% are African American, 6% are Asian/Pacific Islander and 3% are other minorities. Of United States businesses that have employees and over \$1 million in annual revenues approximately 10% are owned by women, 2% are owned by Hispanics, less than 1% are owned by African Americans, and 4% are owned by Asians/Pacific Islanders.²



Impacting California's Underserved Communities: Taking a Second Look

Since 1932, the California Public Employees Retirement System (CalPERS) has provided pension benefits to state, public school and local public agency employees, retirees and their families. Today, the System serves nearly 1.5 million Californians, managing assets of over \$200 billion. CalPERS is administered by a Board of Administration, whose 13 members also comprise the Investment Committee, which oversees the management of CalPERS' assets. The System's assets are invested in four major asset classes: Global Equities, Global Fixed Income, Real Estate and Alternative Investments, which includes private equity and other vehicles.

In 2001, under the direction of the Investment Committee, the CalPERS Alternative Investments Management (AIM) team implemented the California Initiative, committing \$475 million for private equity investment in "traditionally underserved markets primarily, but not exclusively, located in California."³ The California Initiative seeks to discover and invest in opportunities that may have been bypassed or not reviewed by other sources of investment capital. Consistent with CalPERS' Guiding Principles⁴, these opportunities must offer attractive, risk-adjusted returns, commensurate with their asset class. As an ancillary benefit, the California Initiative seeks to have a meaningful impact on the economic infrastructure of California's underserved markets. Through the California Initiative, CalPERS committed capital to nine private equity funds and one fund-of-funds.⁵ A complete list of California Initiative investment partners is provided on the back of this report.

This report examines the ancillary benefits derived from the California Initiative.⁶ It is designed to measure the extent to which the California Initiative is meeting its goal of investing in "traditionally underserved markets." As part of the California Initiative's objectives, three avenues through which these private equity investments could support "underserved markets" were identified:

- 1 Providing capital to areas of California and the United States that have historically had limited access to institutional equity capital.
- 2 Employing workers living in economically disadvantaged areas.
- 3 Supporting women and minority entrepreneurs and managers.

¹ Based on the 2000 US Census.

² Companies that receive institutional equity capital typically have employees and over \$1 million in annual revenues. Data from the 2000 US Census.

³ CalPERS Investment Committee Agenda item 51, May 14, 2001.

⁴ Available at www.calpers.ca.gov/eip/toolbar/print.jsp?bc=/about/mission/guiding-principles.xml

⁵ A private equity fund makes direct investments in portfolio businesses. A fund-of-funds is a fund which makes investments in other funds which then invest in portfolio businesses.

⁶ CalPERS did not request Pacific Community Ventures to examine the financial performance of the California Initiative.

CalPERS engaged Pacific Community Venturessm (PCV), a leader in measuring and interpreting community outcomes of private equity investments, to collect, analyze and report on the California Initiative's outcomes in these three areas. PCV completed its first assessment based on June 30, 2005 data and published a report in February 2006. This Second Look is based on data collected as of June 30, 2006.

As of June 30, 2006, there were 131 active companies that received investment of California Initiative dollars, with 89 of these investments made through nine private equity funds and 42 made

through Banc of America Capital Access Funds, which manages a fund-of-funds whose investment objectives parallel those of the California Initiative. Banc of America Capital Access Funds has prepared a report examining the community benefits derived from its fund-of-funds. This report can be found on page 15.

Of the 89 active investments (as of June 30, 2006) that received capital through the nine private equity funds, 82 (92%) provided data for this report. The remainder of this report focuses on these 82 California Initiative companies ("California Initiative companies").

Profile—California Initiative Companies

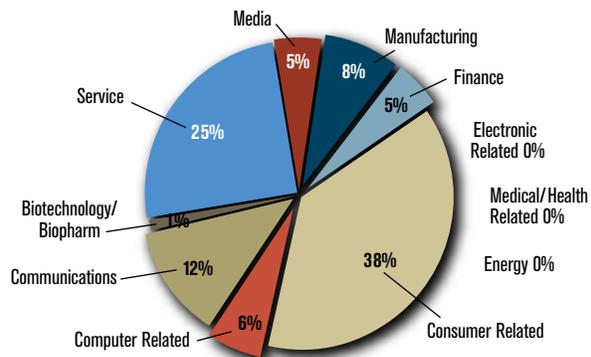
Industry

California Initiative companies represent the full spectrum of businesses in the California economy. These companies cover a wide array of industries, with a strong focus in consumer-related and service businesses, manufacturing and communications.

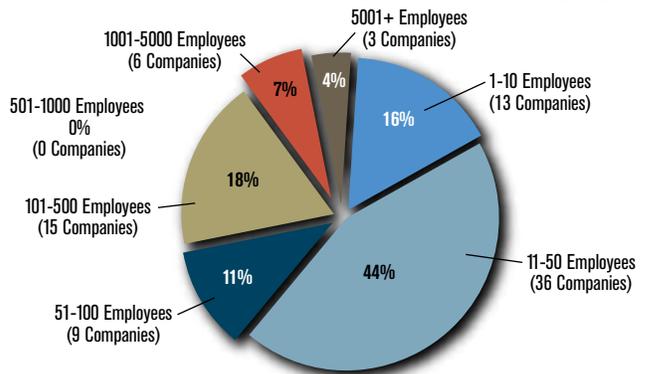
Company Size

California Initiative companies range in size from as few as three to over 22,000 employees. Over 70% of California Initiative companies have 100 or fewer employees and 60% of companies have 50 or fewer employees. Just nine companies, or 11% of all California Initiative companies, have over 1,000 employees.

California Initiative Portfolio Diversification by Industry as Measured by CalPERS Exposure



California Initiative Portfolio Diversification by Company Size, Measured by Number of Employees



Company Locations

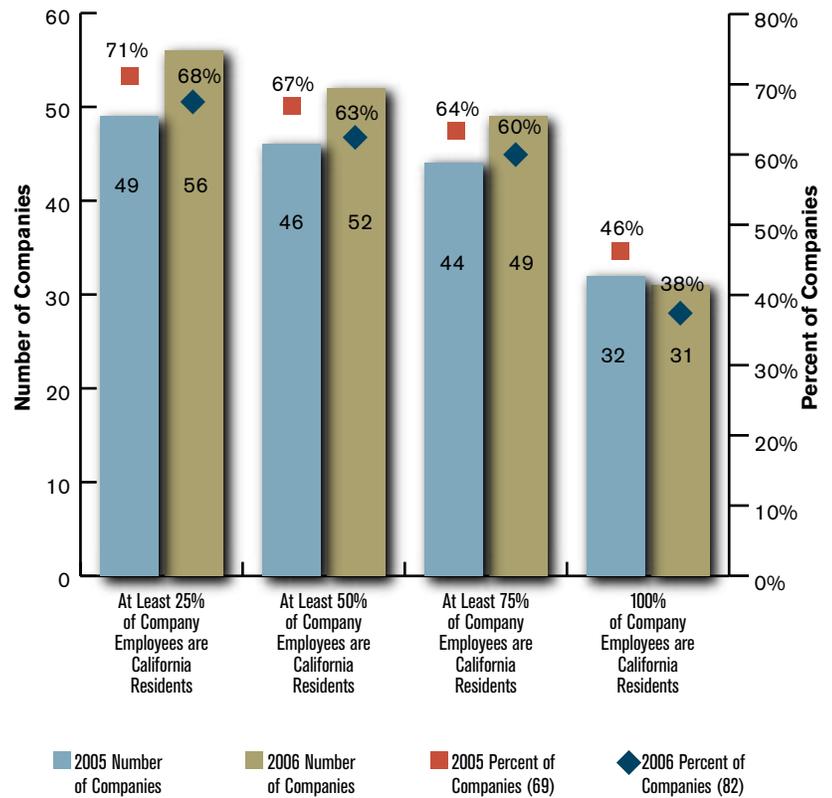
Fifty-six California Initiative companies (68%)⁷ are headquartered in California, while the remaining twenty-six companies are located in fifteen other states.⁸ California Initiative companies operate in over 250 locations in California. Of these California locations, 88 (35%) are manufacturing, distribution, call center or professional office locations, while 167 (65%) are retail, hospitality or service center operations.

Thirty-one California Initiative companies (38%)⁹ have 100% of their employees working in California; at 52 companies—nearly two-thirds of California Initiative companies—at least 50% of the employees work in California. Approximately 80% of companies in the portfolio have some California-based employees.

As the chart below demonstrates, within the state, California Initiative company headquarters and facilities are located across California. The maps on pages 8 and 9 provide a pictorial representation of all of the locations where California Initiative companies are doing business in California.

California Initiative companies also support California employment by doing business with other companies in the state. In total, the 82 California Initiative companies maintain active relationships with nearly 35,000 suppliers.¹⁰ Approximately 10,000 of these suppliers, almost 30%, are located in California. California Initiative companies that are headquartered in California report over 9,000 active supplier relationships, more than half with companies located in California. Companies headquartered outside of California maintain over 5,000 active supplier relationships in California, representing 20% of their supplier base.

California Employment at California Initiative Companies



California Initiative Company Locations

Area	# of Headquarters	# of Manufacturing, Distribution, Call Center and Professional Office Locations ¹¹	# of Retail, Service Center and Hospitality Locations
Los Angeles County	9	14	25
Orange County	4	8	13
San Diego County	2	3	12
Santa Barbara and Ventura Counties	5	4	4
Other Southern California Locations ¹²	2	12	23
Santa Clara County	12	12	14
San Francisco County	4	4	2
Other Bay Area Counties ¹³	8	16	29
Sacramento Area ¹⁴	8	10	18
Central Valley ¹⁵	1	2	21
Northern California ¹⁶	1	1	6
Total	56	86¹⁷	167

⁷ Of the total 82 companies, 56 are headquartered in California.
⁸ Arizona, Colorado, Connecticut, Georgia, Hawaii, Illinois, Louisiana, Maryland, Michigan, Nebraska, New Jersey, New York, Oregon, Texas, Utah.
⁹ Of the total 82 companies, 31 have 100% of their employees in California.
¹⁰ An "active supplier relationship" is defined as one where the company has made a purchase in the past year.
¹¹ Includes headquarters office locations.
¹² Imperial, San Bernardino and Riverside Counties
¹³ Includes, Contra Costa, San Mateo, Alameda, Napa, Marin, Solano, and Sonoma
¹⁴ Includes Sacramento, Tuolumne, El Dorado Counties
¹⁵ This headquarters location is in Kern County. The Central Valley includes Kern, Tulare, Kings, Fresno, Madera, Merced, Stanislaus, San Joaquin Counties
¹⁶ This headquarters location is in Yolo County. Northern California includes Del Norte, Siskiyou, Modoc, Lassen, Shasta, Trinity, Humboldt, Mendocino, Glenn, Tehama, Butte, Plumas, Sierra, Nevada, Placer, Sutter, Yolo, Lake, Colusa and Yuba.
¹⁷ Two companies declined to provide location data for their facilities.

Employment and Employment Growth

In total, California Initiative companies employ 51,899 workers; 5,456 of these employees are California residents. Of the 82 California Initiative companies covered in this report, 57 have been in the portfolio since before June 30, 2005 (56 of these contributed data to both the 2005 and 2006 assessment projects.)¹⁸ Overall, these 56 companies saw their combined employment fall by 5% between 2005 and 2006. However, California employment at these same companies grew by 7% during the year. Examining employment dynamics by company size helps to explain these trends.

CALIFORNIA INITIATIVE COMPANIES WITH 1,000 OR MORE EMPLOYEES

Nine California Initiative companies employ over 1,000 workers; these companies have a total workforce of 47,191. In the aggregate, these nine companies make up 11% of the companies in the California Initiative portfolio. Combined, these companies employ 2,776 Californians. This corresponds to 51% of all Californians employed by California Initiative companies, but just 6% of the aggregate employment at these nine companies.¹⁹

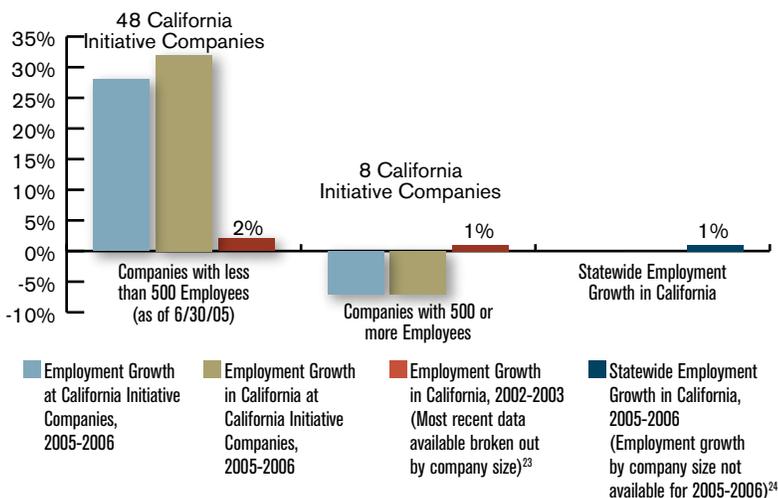
Eight of these nine companies have been in the California Initiative portfolio since before June 30, 2005. In the aggregate, these eight companies lost 3,177 jobs between 2005 and 2006. However, nearly all of this job loss occurred outside of California and was concentrated in four companies that reduced their workforce by a total of 3,800 jobs. The remaining four companies gained 623 jobs.

CALIFORNIA INITIATIVE COMPANIES WITH FEWER THAN 500 EMPLOYEES²⁰

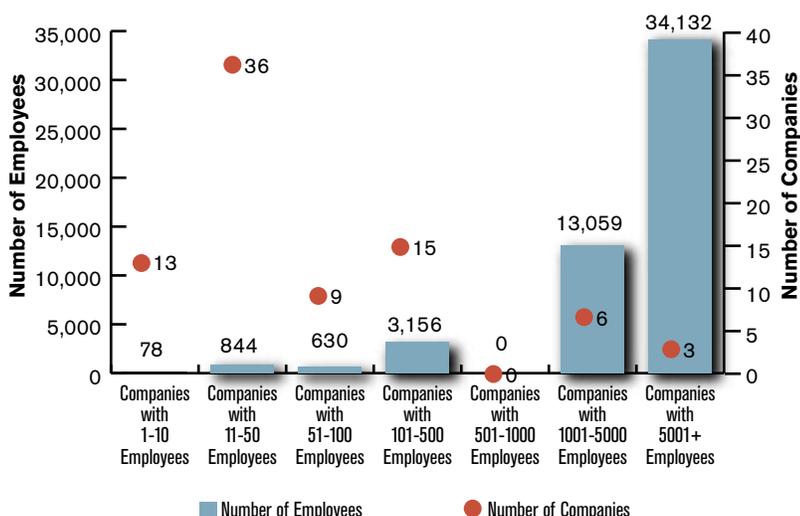
The remaining 73 California Initiative companies each employ fewer than 500 employees. In the aggregate, these companies employ 4,708 workers, 2,680 of whom (57%) are California residents. Combined, these 73 companies provide just 9% of all California Initiative companies' employment, but employ 49% of all California-based employees at California Initiative companies.²¹

Of the 56 companies that were in the portfolio at both June 30, 2005 and June 30, 2006 and that contributed data to both research efforts, 48 have fewer than 500 employees. In the aggregate, at these 48 California Initiative companies, employment grew by 28%, adding 734 jobs; 484 of these jobs (66%) are located in California. At these 48 California Initiative companies, employment *within California* grew by 32%. Employment growth across California at similar-sized companies was under 2% between 2002 and 2003, the latest year for which data broken out by company size is available. Overall employment growth in California was just over 1% between June 2005 and June 2006.²²

Employment Growth at California Initiative Companies
(56 Companies in the Portfolio at Both June 30, 2005 and June 30, 2006)



Share of Companies and Share of Jobs by Company Size
(82 California Initiative Companies)



¹⁸ One company provided data in 2006 but not in 2005.

¹⁹ 2,776 Californians are employed by these companies, out of a total of 5,456 Californians employed at California Initiative companies (2,776/5,456=51%). These same 2,776 Californians account for just 6% of total employment at these large companies—2,776/47,191=6%.

²⁰ No California Initiative companies have between 500 and 999 employees.

²¹ Total employment at these companies of 4,708 as a proportion of total California Initiative employment of 51,899 (4,708/51,899=9%). Of total California Initiative California employment of 5,456, 49%, 2,680 are employed by companies with fewer than 500 employees (2,680/5,456=49%).

²² Data from California Employment Development Department, www.labormarketinfo.edd.ca.gov/cgi/dataanalysis/labForceReport.asp?menuchoice=labforce

²³ Data from California Employment Development Department, www.labormarketinfo.edd.ca.gov/cgi/dataanalysis/labForceReport.asp?menuchoice=labforce

²⁴ Data from California Employment Development Department, www.labormarketinfo.edd.ca.gov/cgi/dataanalysis/labForceReport.asp?menuchoice=labforce

COMPANIES NEW TO THE CALIFORNIA INITIATIVE PORTFOLIO

Twenty-five companies were added to the California Initiative portfolio between July 1, 2005 and June 30, 2006. Since joining the California Initiative portfolio, 24 of these companies have increased their employment, creating 907 jobs. The remaining one new company in the California Initiative portfolio reduced its employment by 61 positions. In aggregate, these 25 new California Initiative companies produced a net gain of 846 jobs, an increase of 16%; 178 of these jobs (21%) are located in California.

Companies Added to the California Initiative Portfolio Since July 1, 2005

Number of Companies	25
Employees at Investment	5,337
Employees as of June 30, 2006	6,183
Employment Growth since Investment	846 (16%)
California Employees at Investment	651
California Employees as of June 30, 2006	829
California Employment Growth since Investment	178 (27%)

COMPANIES THAT EXITED THE CALIFORNIA INITIATIVE PORTFOLIO

Eight companies exited the California Initiative portfolio between July 1, 2005 and June 30, 2006. Six of these companies created a total of 184 jobs while part of the portfolio, while two companies reduced their workforce by a total of 49 jobs, for a net gain of 135 jobs. This net job gain represents a 27% growth between when these companies entered the California Initiative portfolio and June 30, 2005.²⁵

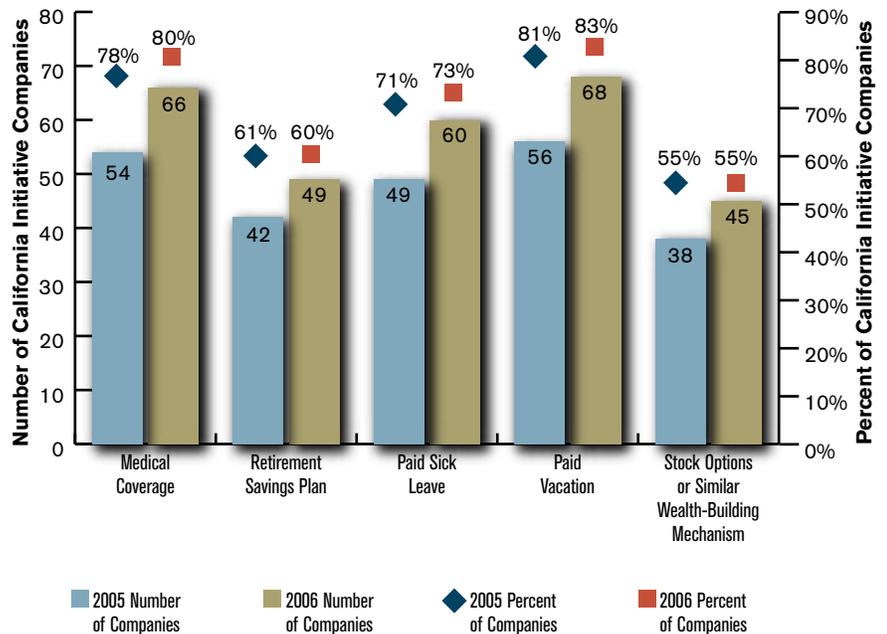
Companies that Exited the California Initiative Portfolio Between July 1, 2005 and June 30, 2006

Number of Companies	8
Employees at Investment	492
Employees as of June 30, 2005	627
Employment Growth since Investment	135 (27%)
California Employees at Investment	402
California Employees as of June 30, 2005 ²⁶	539
California Employment Growth since Investment	137 (34%)

JOB QUALITY

California Initiative companies continue to offer higher quality jobs, measured in terms of benefits provided, than similar-sized companies nationwide. In 2004, less than two-thirds of companies with fewer than 300 employees in the United States offered health insurance coverage to their workers.²⁷ Nearly all California Initiative companies offer health insurance coverage to at least some of their employees; 80% offer such coverage to more than three-quarters of their employees. And, of the 71 California Initiative companies with fewer than 300 employees, 59 (83%) offer health insurance coverage to more than three-quarters of their employees.

Job Quality, Measured in Benefits Provided, at California Initiative Companies (At Least 75% of Company Employees are Eligible for Each Benefit)



²⁵ Data is as of June 30, 2005. Data as of the exact date these companies exited the portfolio is not available.
²⁶ Data is as of June 30, 2005. Data as of the exact date these companies exited the portfolio is not available.
²⁷ See "Employer Health Benefits—2004 Summary of Findings" by the Kaiser Family Foundation and the Health Research and Educational Trust, available at www.kff.org, document #7149.

CalPERS California Initiative—Investing in Underserved Markets

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

According to Venture Economics, a leading industry organization that tracks venture capital transactions, between January 2001 and June 2005, venture capital totaling nearly \$600 billion was committed to nearly 30,000 companies located in over 12,000 global postal codes. Approximately 75% of these venture capital dollars were committed to companies based in the United States; almost 20% was committed to companies based in California.

The first assessment of the California Initiative’s ancillary benefits, published in February 2006, defined areas that have historically had limited access to institutional equity capital as the area outside of the 100 postal codes that received the most venture capital investment dollars between 2000 and 2005. In this Second Look, to provide greater sensitivity to the analysis, areas that have historically had limited access to institutional equity capital are defined in two ways:

- The area outside the 100 postal codes that received the most venture capital between 2000 and 2005 (same as in the February 2005 report)
- The area outside the 1,000 postal codes that received the most venture capital between 2000 and 2005

Approximately 30% of all venture capital dollars committed between 2001 and 2005 was concentrated in 100 global postal codes; 88 of these zip codes represent geographic areas of the United States, while 34 are California zip codes.

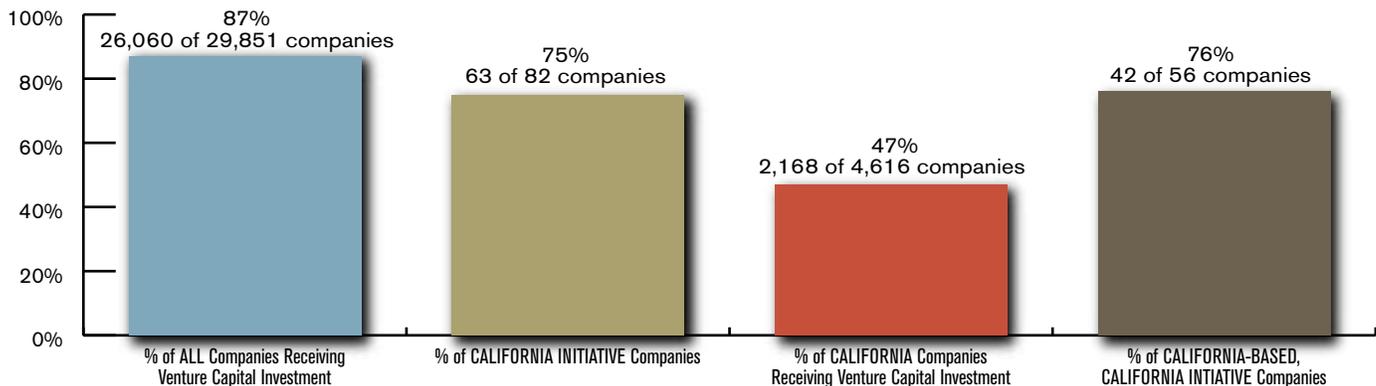
100 Global Postal Codes Receiving the Most Venture Capital, January 2001 to June 2005

	# of Postal Codes	% of All Venture Capital Dollars Committed, Worldwide	% of All Venture Capital Dollars Committed in the United States	% of All Venture Capital Dollars Committed in California
Global	100	31%	NA	NA
Within United States	88	27%	36%	NA
Within California ²⁸	34	12%	15%	60%

²⁸ Note that California has over 1,700 zip codes

California Initiative Companies Located Outside Geographies Where Venture Capital has Traditionally Been Invested

(Geographies where venture capital has traditionally been invested, defined as the 100 global postal codes receiving the most dollars between 2000 and 2005; 31% of all venture capital dollars committed went to companies in this area.)



% of companies located OUTSIDE of the 100 postal code geographies that received the most venture capital investment worldwide between 2000 and 2005.

Approximately 75% of all venture capital dollars committed between 2001 and 2005 was concentrated in 1,000 global postal code geographies; 790 of these zip codes represent geographic areas of the United States, while 154 of these zip codes represent geographic areas of California.

Nearly 85% of all California companies receiving venture capital financing between 2000 and 2005 were located in these 154 zip code areas. The map on page 8 shows the location of all California Initiative companies headquartered in California.

The map also identifies companies that are headquartered in areas that have traditionally received equity capital investment as well as companies that are located in areas that have historically had limited access to institutional equity capital.

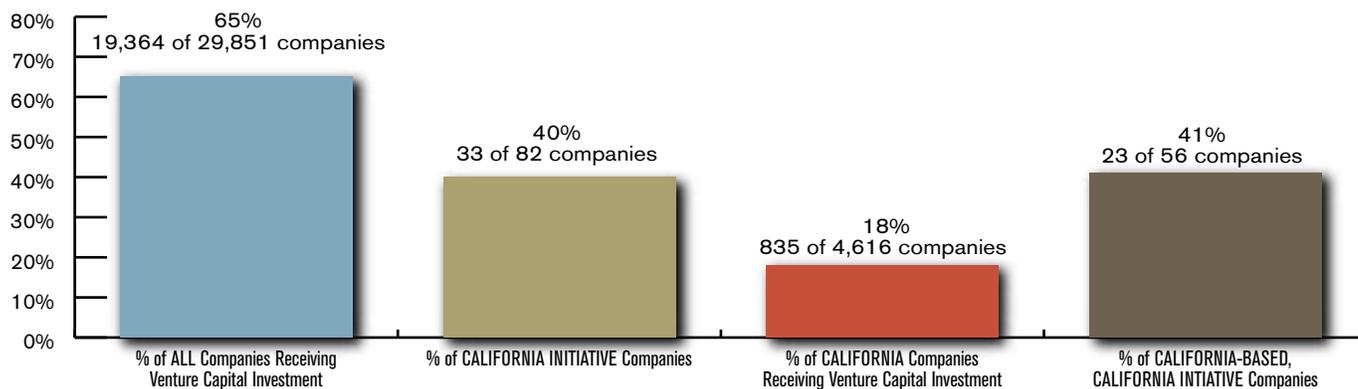
1000 Global Postal Codes Receiving the Most Venture Capital, January 2001 to June 2005

	# of Postal Codes	% of All Venture Capital Dollars Committed Worldwide	% of All Venture Capital Dollars Committed in the United States	% of All Venture Capital Dollars Committed in California
Global	1000	74%	NA	NA
Within United States	790	62%	84%	NA
Within California ²⁹	154	18%	24%	92%

²⁹ Note that California has over 1,700 zip codes

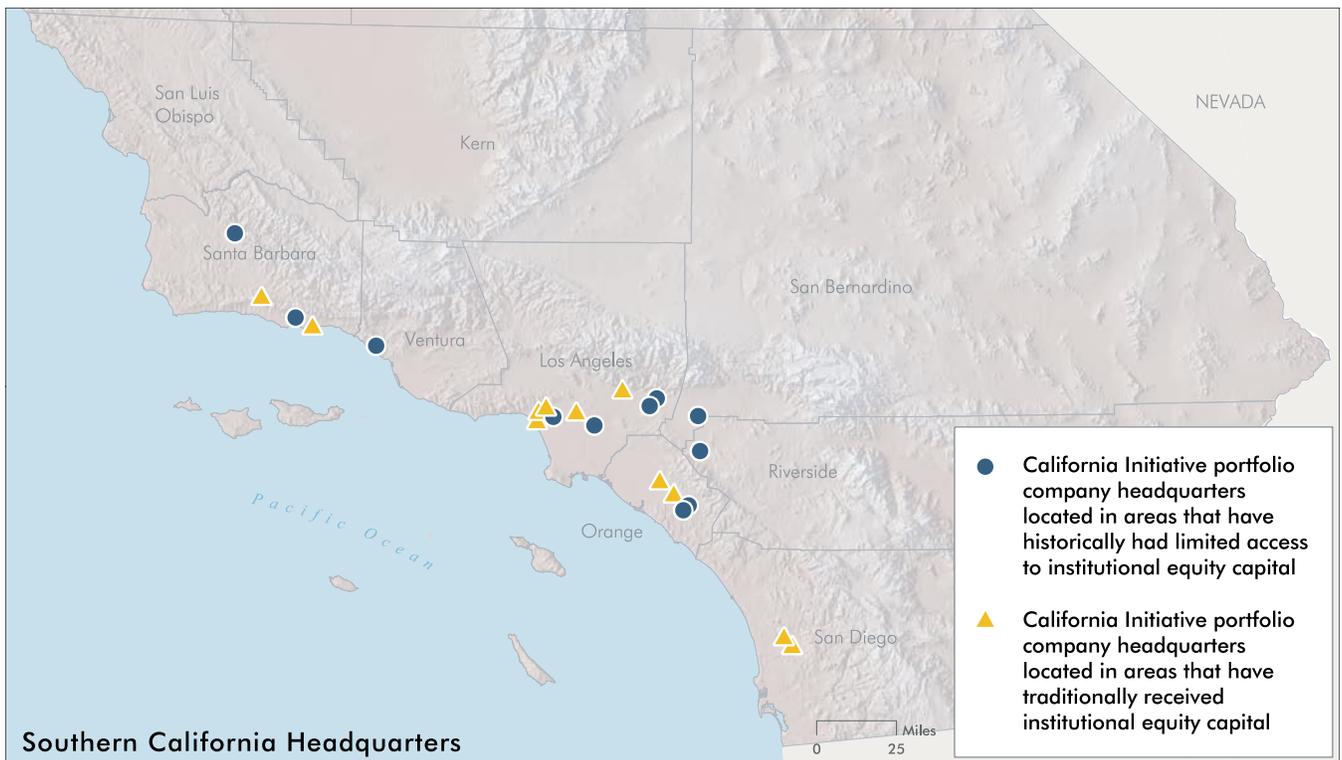
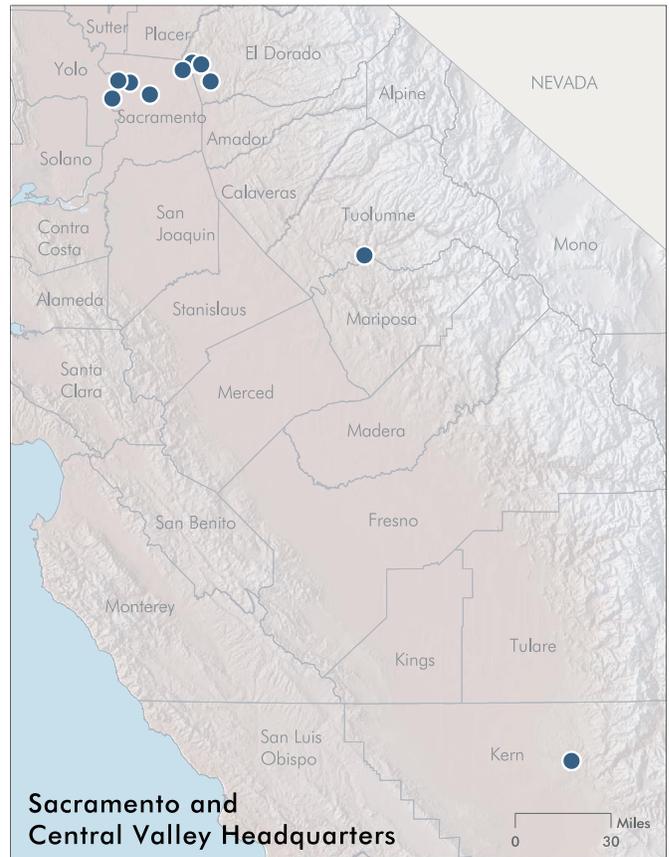
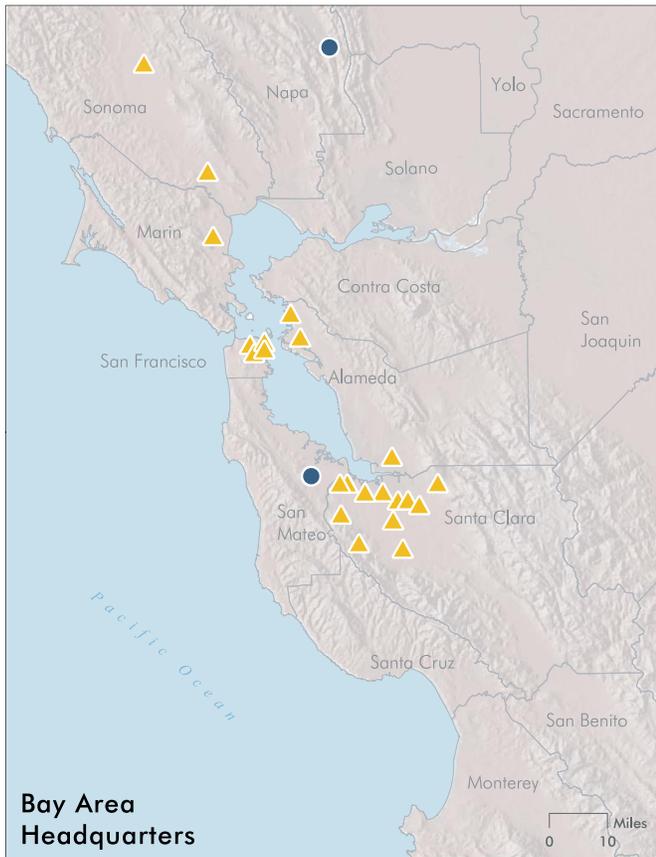
California Initiative Companies Located Outside Geographies Where Venture Capital has Traditionally been Invested

(Geographies where venture capital has traditionally been invested, defined as the 1000 global postal codes receiving the most dollars between 2000 and 2005; 74% of all venture capital dollars committed went to companies in this area.)



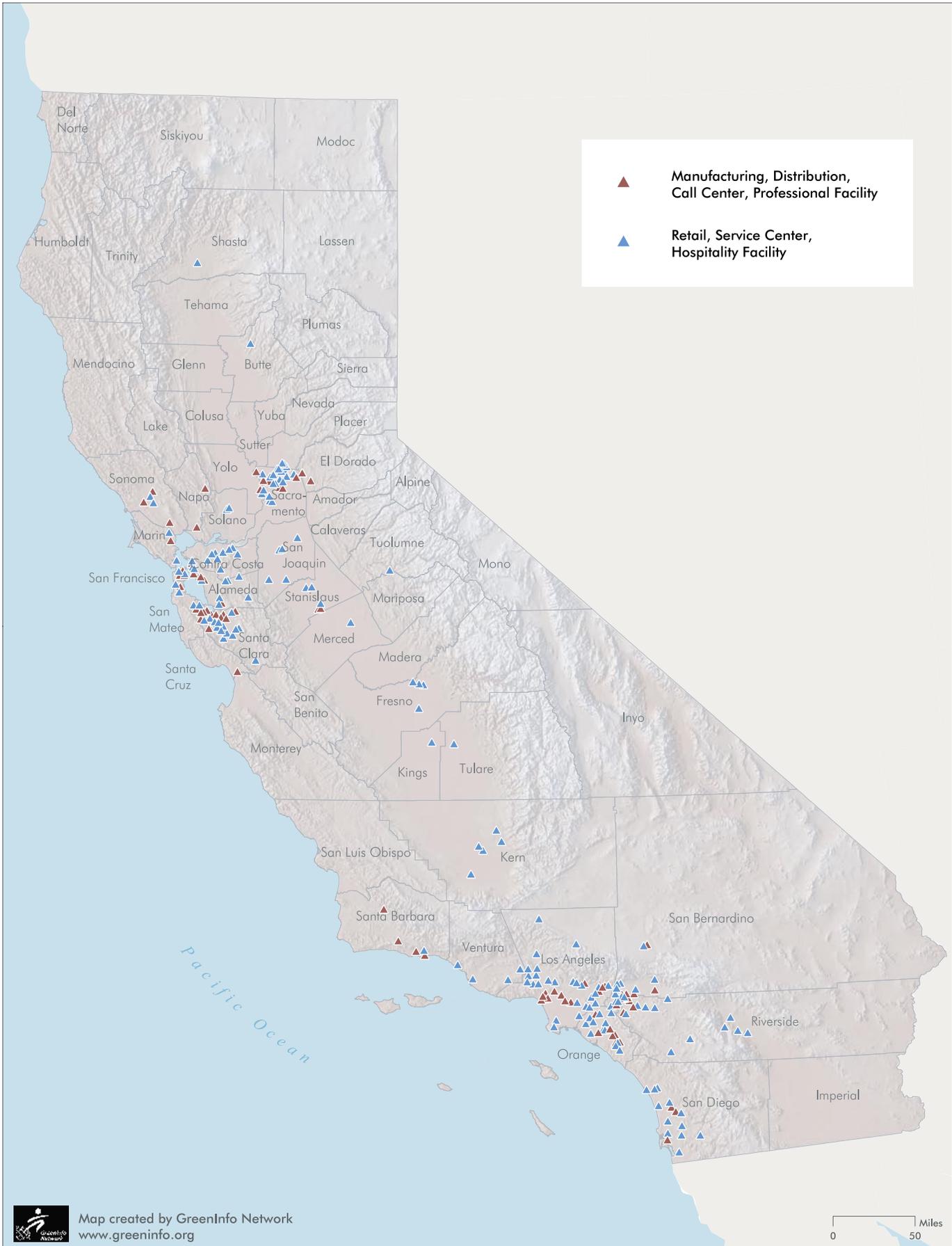
% of companies located OUTSIDE of the 1000 postal code geographies that received the most venture capital investment (in dollars) worldwide between 2000 and 2005.

California Initiative Company Headquarter Locations



For the purposes of this map, areas of California that have traditionally received institutional equity capital are defined as the 154 ZIP codes that received the most venture capital dollars in the state between 2000 and 2005. Over 90% of all venture capital committed to companies in California between 2000 and 2005 went to companies headquartered in these ZIP codes. Areas that have historically had limited access to institutional equity capital are defined as all other ZIP codes in California.

California Initiative Company Facility Locations

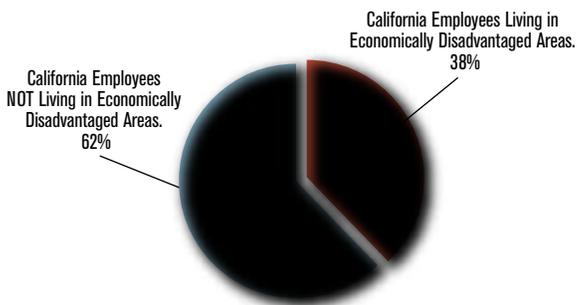


Employing workers living in economically disadvantaged areas

The California Initiative helps to employ workers living in economically disadvantaged areas in two ways. First, California Initiative companies directly employ workers living in low-to-moderate income areas of California. Second, California Initiative companies operate facilities in low-to-moderate income communities which help to generate economic activity in these areas and indirectly support employment of local residents.

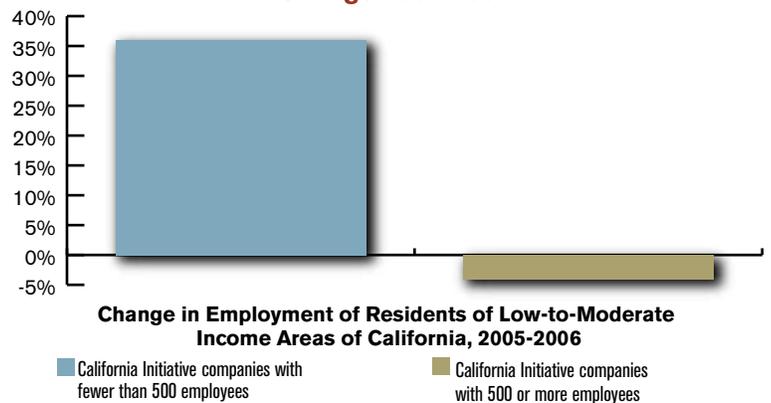
In aggregate, as of June 30, 2006, California Initiative companies employed 2,055 residents of California low-to-moderate income (LMI) communities.³⁰ California LMI employment at the 56 companies that were California Initiative companies in both 2005 and 2006 grew from 1,663 employees to 1,844 employees, an increase of over 10%. In both 2005 and 2006, almost 40% of California Initiative companies' California employees were residents of low-to-moderate income areas. By comparison, 38% of all employed Californians live in LMI communities.

Percent of California Initiative California Employees Living in Economically Disadvantaged (Low-to-Moderate Income) Areas



As noted earlier, employment growth at California Initiative companies with fewer than 500 employees has been significant. Companies with fewer than 500 employees that have been in the California Initiative portfolio and provided data in both 2005 and 2006 have seen their aggregate employment increase by 28%.³¹ Within the California Initiative, aggregate California employment grew by 32% and employment of residents of LMI communities grew by 36% at these companies.³² In contrast, at the eight California Initiative companies that provided data in 2005 and 2006 and have 500 or more employees, aggregate employment declined, including a 4% decrease in the number of California employees living in low-to-moderate income areas.

California Initiative Companies Employing Workers Who Live in Economically Disadvantaged Areas, Change 2005-2006



³⁰ This analysis was conducted using portfolio company employees' residential zip codes. For the purposes of this report, a zip code has been designated economically disadvantaged if at least 44% of the estimated population lives in census tracts where one or more of the following conditions holds:

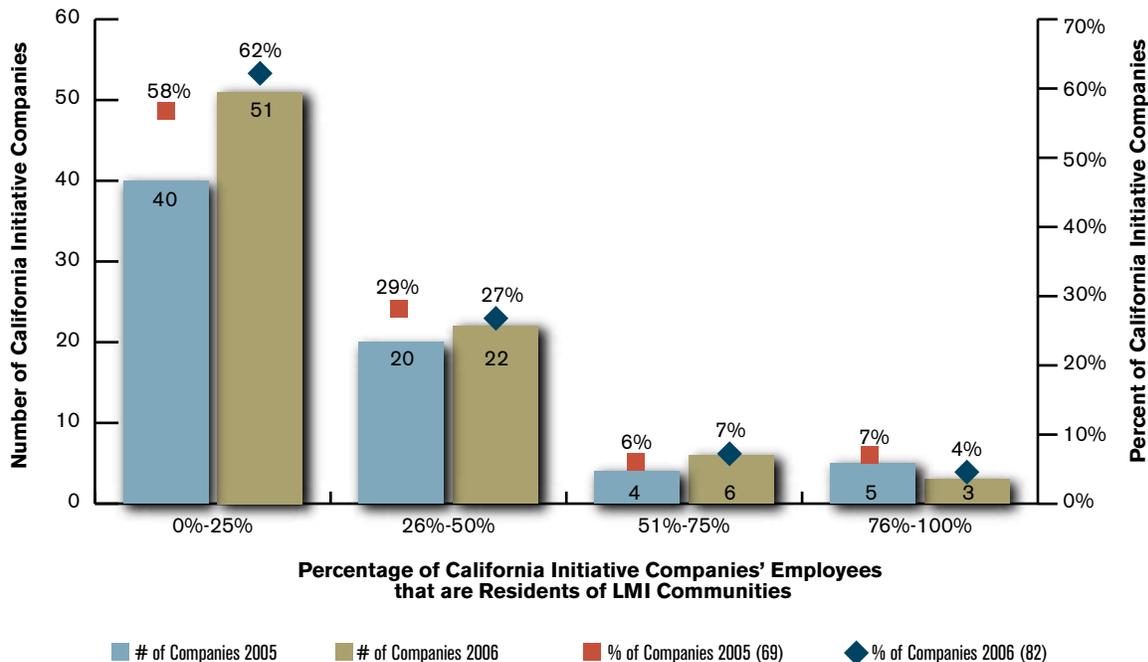
- a) For census tracts within metropolitan areas, the median income of the census tract is at or below 80% of the metropolitan statistical area median. For census tracts outside of metropolitan areas, the median income of the census tract is at or below 80% of the statewide, non-metropolitan area median income.
- b) At least 20% of the population lives in poverty.
- c) The unemployment rate is at least 1.5 times the national average.

According to the 2000 US Census, 44% of Californians live in census tracts where at least one of the above conditions holds.

³¹ 2005 employment at these companies was 2,610; 2006 employment was 3,344, for growth of 28%

³² California employment at these companies (with fewer than 500 employees) in 2005 was 1,508 and 2006 it was 1,992, for growth of 32%. LMI employment was 621 in 2005 and 842 in 2006, growth of 36%. LMI data was not available on one company; this analysis was conducted on 55 companies.

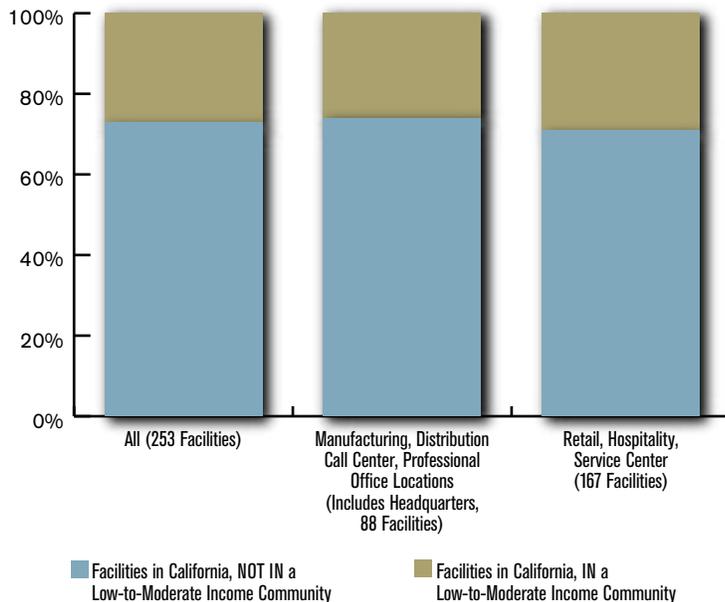
California Initiative Companies Employing Residents of Economically Disadvantaged Areas, 2005 and 2006



As of June 30, 2006, California Initiative companies operated a total of 1,259 facilities. Over 300 (24%) of these facilities are manufacturing, distribution, call center and professional office locations; 953 of these facilities (76%) are retail, service center and hospitality locations. Of the 1,259 locations, 255 (20%) are in California. Of these 255 California locations, 69 (27%) are located in low-to-moderate income areas of the state.³³ A similar proportion of manufacturing, call center, and professional office locations (25%) and retail, service center and hospitality locations (28%) are located in low-to-moderate income areas of the state.

³³ Two companies declined to provide location data on their manufacturing facilities.

California Initiative Companies' California Facilities



There are a total of 255 facilities in California, including 88 manufacturing, distribution, call center, professional office facilities. Two companies declined to provide location data on their manufacturing facilities.

Supporting women and minority entrepreneurs and managers.

When institutional equity capital is invested in companies, primary ownership often changes from an individual or group of individuals to an investment fund or group of funds. Company founders relinquish some of their ownership interest in exchange for capital infusion to fund growth. Often these company founders remain at the companies, taking officer-level positions and frequently retaining a small ownership stake. Tracking the number of minority and women officers at California Initiative companies is one method of assessing the extent to which these companies are supporting women and minority entrepreneurs and managers. Tracking the number of women and minority key managers assesses the extent to which California Initiative companies are helping to train future minority and women officers and business leaders, and providing current leadership opportunities for women and minorities.

In the aggregate, California Initiative companies report a total of 300 officers and 1,198 key managers.

Given that the California Initiative portfolio is a diverse group of companies in industry, number of employees and annual revenue size, there is no direct comparison set of businesses against which to judge California Initiative companies' ownership and management diversity. However, to put California Initiative companies' ownership and management diversity in context, women own 28% of all businesses in the United States and 30% of businesses in California. Approximately 5% of United States businesses are owned by African Americans; an additional 5% are owned

by Asian/Pacific Islanders. Hispanic/Latino-owned firms account for 7% of all United States businesses. Nearly 4% of California businesses are owned by African Americans, 13% are owned by Asian/Pacific Islanders and 15% are owned by Hispanics/Latinos.³⁶

However, only a small subset of all United States businesses have characteristics similar to those that generally receive institutional equity capital investment. Although there are some exceptions, most companies receiving institutional equity capital investment have paid employees and at least \$1 million in annual revenues. At the time of investment, most California Initiative companies had annual revenue in excess of \$1 million. All but four California Initiative companies had paid employees at the time of investment. Just 5% of all United States businesses and 6% of all California businesses have paid employees and over \$1 million in annual revenues.

Women and Minority Officers and Key Managers at California Initiative Companies

	Officers	Key Managers ³⁴
All	300 (100%)	1,198 (100%)
Women	36 (12%)	321 (27%)
Men	264 (88%)	877 (73%)
Hispanic or Latino	11 (4%)	72 (6%)
African American	15 (5%)	77 (6%)
Asian/Pacific Islander	18 (6%)	168 (14%)
Other Minorities	9 (3%)	8 (<1%)
White, Non-Hispanic or Latino	247 (82%)	853 (71%) ³⁵

³⁴ Key Managers are defined as District Managers or the equivalent and above.

³⁵ Other Key Managers do not add to 100% because one company did not report the racial breakdown of its Key Managers.

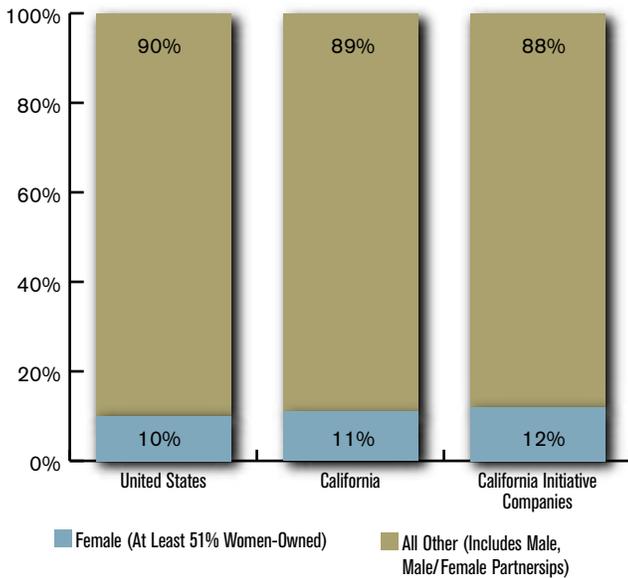
³⁶ The source for these figures is the United States Census Bureau. The Census allows respondents to classify themselves as both Hispanic and a racial category (e.g., a person can be both African American and Hispanic). Thus, racial minority and Hispanic numbers cannot be combined for an accurate estimate of total minority-owned businesses. Data was collected by the US Census in 2002 but released in September 2006. This data is available at www.census.gov/csd/sba/. Ownership is defined as at least 51% ownership. For example, if a company is 51% owned by a woman, it is considered woman-owned.

Of United States businesses with paid employees and at least \$1 million in annual revenues, approximately 10% are women-owned, 4% are Asian-owned, 2% are Hispanic-owned and less than 1% is owned by African Americans. Of California businesses with paid employees and over

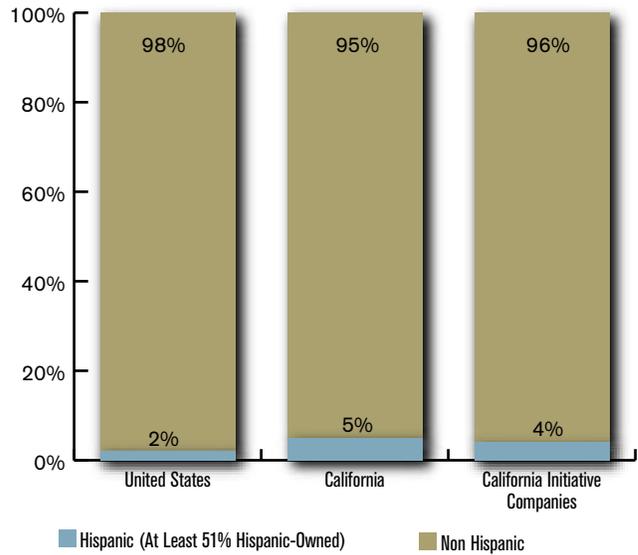
\$1 million in annual revenue, approximately 11% are women-owned, 11% are Asian-owned, 5% are Hispanic-owned and 1% are owned by African Americans. The following charts show California Initiative management diversity in the larger context of American business.

Woman and Minority Officers at California Initiative Companies in the Context of Women and Minority-Owned Businesses in California and the United States (California and US Companies with at Least \$1 Million in Revenue and Paid Employees)

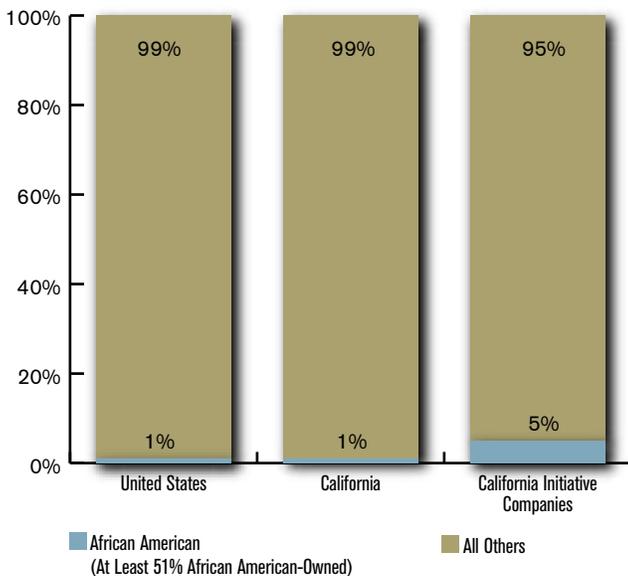
Women-Owned Businesses (US and California) and Officers at California Initiative Companies



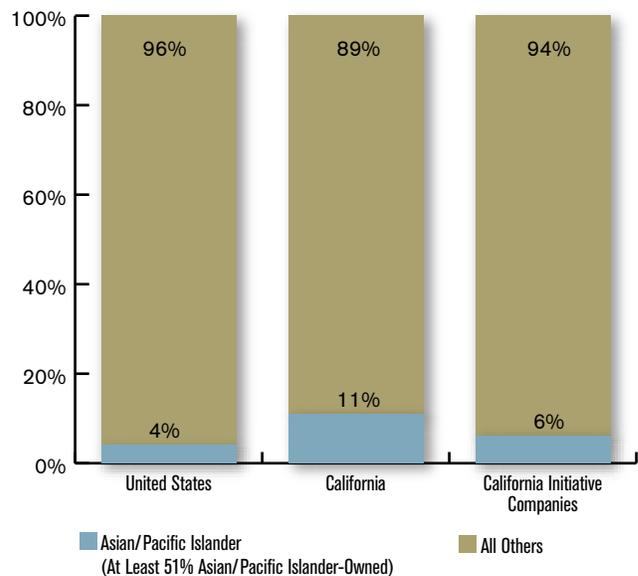
Hispanic-Owned Businesses (US and California) and Officers at California Initiative Companies



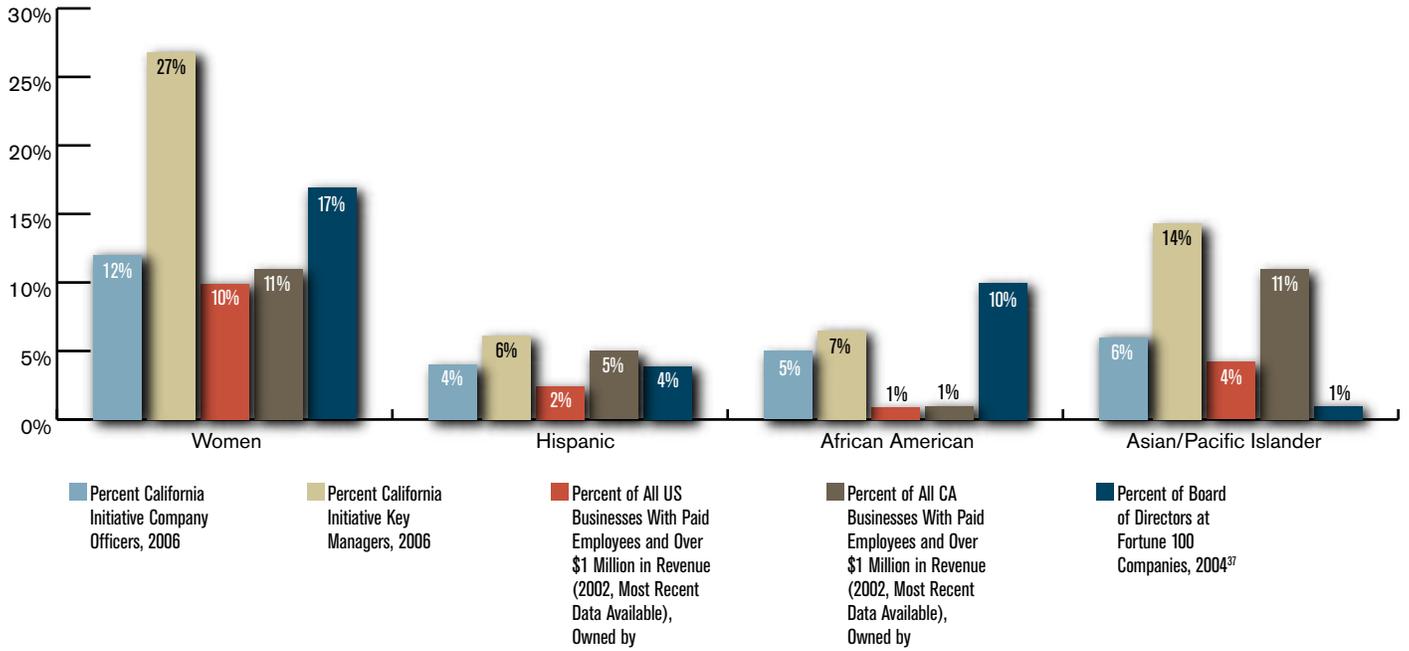
African American-Owned Businesses (US and California) and Officers at California Initiative Companies



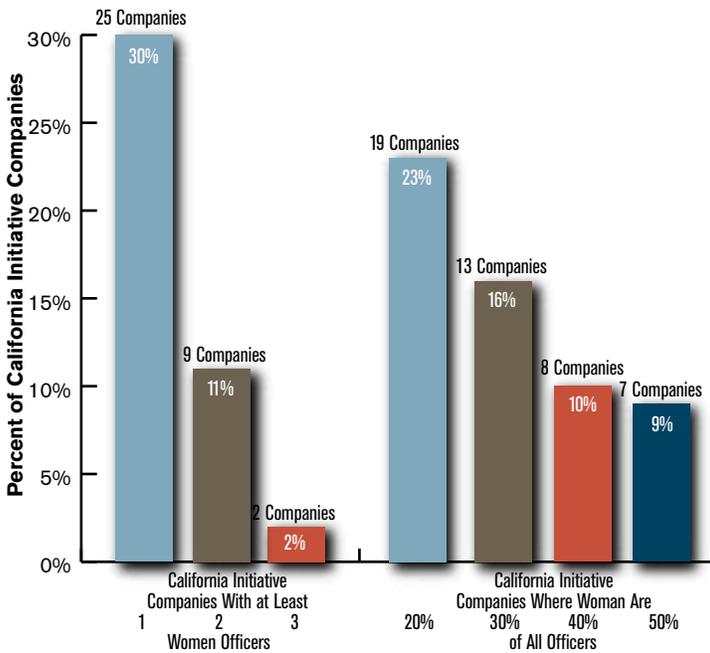
Asian/Pacific Islander-Owned Businesses (US and California) and Officers at California Initiative Companies



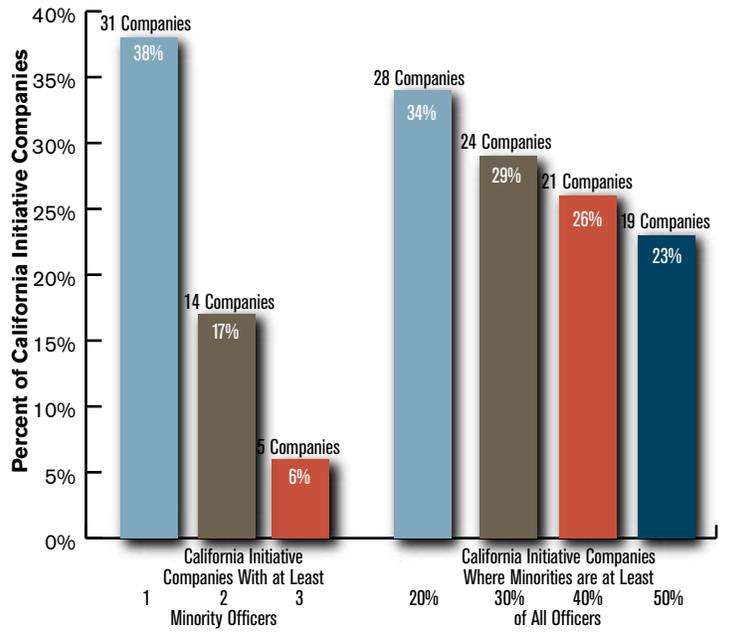
Officers and Key Managers at California Initiative Companies in the Context of US and California Business Ownership and Fortune 100 Board Composition



Women Officers at California initiative Companies



Minority Officers at California Initiative Companies



³⁷ See "Women and minorities on Fortune 100 Boards"; May 17, 2005; available at www.catalystwomen.org/files/tull/ABD%20report.pdf.

Banc of America Capital Access Funds

In addition to investing in nine private equity funds, the California Initiative, working with Banc of America Capital Access Funds, has invested in a fund-of-funds, Banc of America California Community Venture Fund (BACCVF). As of June 30, 2006, BACCVF had invested in ten funds, and these funds had invested in 42 portfolio companies. Ultimately, BACCVF is expected to invest in approximately fifteen funds which will likely invest in 100 to 150 companies.

Profile of BACCVF Funds and Portfolio Companies

Of the ten funds that have received investment from BACCVF, seven have an office in California. The remaining three funds are projected to have a strong pipeline of California deals, based on their networks and investing history. As of June 30, 2006, of the 42 companies in BACCVF funds' portfolios, twenty (48%) are headquartered in California.

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

Of the ten funds that have received funds from BACCVF, seven target companies that are located in, or hire residents of, low-to-moderate income areas. Two of the funds are helping to capitalize financial institutions that provide banking services to low-income and/or minority consumers. And seven of the ten funds focus on minority opportunities.

Of the 42 companies in BACCVF funds' portfolios as of June 30, 2006, nineteen (45%) are located in areas of the United States where venture capital has not traditionally been invested.³⁸ Of these nineteen companies, five (26%) are headquartered in California. Seven (17%) of the 42 companies are located in rural areas of the United States.

Employing workers living in economically disadvantaged areas

Of the 42 companies in BACCVF funds' portfolios as of June 30, 2006, seventeen (40%) are located in LMI areas. Seven companies (17%) are located in census tracts where 20% or more of the population lives in households with income below the federal poverty level. Fourteen (33%) of the 42 companies are located in census tracts where the median income is at or below 80% of median income

for the surrounding area. And two companies (5%) are located in census tracts where the unemployment rate is more than 1.5 times the national average. 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

Seven of the ten funds receiving investment through BACCVF focus on minority opportunities, targeting companies that are either managed by minorities or that serve minority consumers. Eight of the funds have at least one minority partner; seven of the funds have at least 2 minority partners. Three of the funds have at least one female partner.

Of the 42 companies in BACCVF funds' portfolios as of June 30, 2006, seventeen (40%) are either owned or managed by minorities. Two (5%) are managed by women. Eighteen (43%) of the 42 companies are located in census tracts where more than half the population is a minority.

Specific gender and ethnic information on the chief executive officer at BACCVF funds' portfolio companies is available for the 22 companies in which BACCVF funds invested in 2005. At nine of these 22 companies (41%), the CEO is a minority, including five companies where the CEO is African American, three companies where the CEO is Hispanic and one company where the CEO is Asian. None of the CEOs is female. These twenty-two companies employ a total of 1,390 employees; 484 (35%) of these employees are minorities and 541 (39%) are women.

³⁸ These 19 companies are located outside of the geographic area represented by the 1,000 zip codes that received the most venture capital investment between 2000 and 2005. These 1,000 zip code areas received approximately 75% of all venture capital committed during that time.

CALPERS CALIFORNIA INITIATIVE INVESTMENT PARTNERS

PARTNER	INVESTMENT FOCUS
American River Ventures www.arventures.com	Venture capital in North Bay, Sacramento and Central California
DFJ Frontier www.dfjfrontier.com	Venture capital in the Central Coast, Central Valley, Sacramento and other underserved areas of California
Nogales Investors www.nogalesinvestors.com	Growth/expansion investment opportunities
Garage Technology Ventures www.garage.com	Seed capital to start-ups
Leonard Green & Partners www.leonardgreen.com	Buyout/expansion opportunities in consumer services
Opportunity Capital Partners www.ocpcapital.com	Expansion/buyout opportunities in middle markets
Pacific Community Ventures www.pcvfund.com	Venture capital investment in companies bringing economic gains to low-to-moderate income communities in California
Provender Capital www.provender-capital.com	Urban-oriented, under-sponsored opportunities
Yucaipa Companies	Corporate partnerships to relocate or expand operations in underserved areas.
Banc of America Capital Access Funds www.bacapitalaccessfunds.com	Fund-of-funds targeting funds focused on underserved markets

