Small/Mid-Cap Private Equity Manager Search
Finalist Report

For

Sample
Employees' Retirement Association

October 30, 2013

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Search Overview

In December 2012, the SCERA Board approved a roadmap to prudently increase the allocation to private equity investments. Part of that roadmap was to search for a fund of funds program focused on small to mid-sized private companies to act as a compliment to SCERA's current private equity managers, Adams Street and Pathway. The objective of this search is to identify candidate firms to build a high-quality portfolio of private equity funds that primarily have exposure to small and mid-sized companies.

Manager Search Process

Candidates were selected from firms that manage portfolios of small/mid-capitalization private equity investments, as well as firms who contacted Milliman after they learned about the search. We distributed questionnaires to an initial group of 33 firms on May 17, 2013. Responses were due and received by June 10, 2013. Six additional candidates that met the criteria of the search were later identified and also completed questionnaires.

After reviewing the questionnaire responses, Milliman narrowed the candidate pool to sixteen candidates which were determined to fit best with SCERA's private equity needs. These sixteen candidates were:

Select Small/Mid Cap Private Equity Manager Search Candidates

1	Bay Hills
2	Fairview
3	FLAG
4	Fort Washington
5	GoldPoint Partners
6	Hamilton Lane
7	HarbourVest
8	Horsley Bridge
9	JP Morgan
10	Morgan Creek
11	Morgan Stanley
12	Ocean Avenue
13	Siguler Guff
14	SL Capital
15	StepStone Group
16	Wilshire

We conducted further due diligence on these firms and made reference checks on all of the sixteen candidates. We then were able to narrow the candidate pool to seven semi-finalists for consideration by the SCERA Board.

The ten funds which were not chosen are listed below, along with the reason for being eliminated as candidates:

Excluded Candidates

	Firm	Reasons for Exclusion
1	Fairview	Emphasis on emerging managers, which is not the focus of this search.
2	FLAG	Fees on high end of spectrum. (0.60% plus 5% Carry.)
3	HarbourVest	Large investment overlap with Adams Street & Pathway's holdings.
4	Invesco	SCERA already has a great deal of exposure to Invesco. Invesco proposed a custom account, not the preferred solution, and Invesco's PE assets have been declining.
5	Morgan Creek	Real estate is a substantial focus - 31% of last fund.
6	Morgan Stanley	Staff turnover at senior level in firm.
7	Ocean Avenue	Firm too small for this search's objectives. Impressed by firm. Plan to revisit separately.
8	SL Capital	Primarily European focused. First US fund was launched in 2006.
9	StepStone Group	Proposed a custom separate account, not the preferred solution. StepStone has a great deal of advised assets, but far less managed assets.
10	Wilshire	Substantial team turnover over the years.

The seven semi-finalist candidates for the small/mid-cap fund of private equity funds search are listed below:

Semi-Finalist Candidates

	Firm	Fund Name
1	Bay Hills	Bay Hills Capital Partners III, L.P.
2	Fort Washington	Fort Washington Private Equity Investors Fund VIII, L.P.
3	GoldPoint	NYLCAP Select Manager Fund II, L.P.
4	Hamilton Lane	Hamilton Lane Private Equity Fund VIII
5	Horsley Bridge	Horsley Bridge X Growth Buyout, L.P.
6	J.P. Morgan	Blend of U.S. Corporate Finance Fund V and European Corporate Finance Fund V
7	Siguler Guff	Small Buyout Opportunities Fund II, LP

Small/Mid-Capitalization Private Equity Manager Search Semi-Finalist Candidates

The semi-finalist report was presented at the September 11, 2013 meeting. During that meeting, the Board selected four firms as finalists. The four firms and products are:

Finalist Candidates

	Firm	**Fund Name**
1	Bay Hills	Bay Hills Capital Partners III, L.P.
2	Horsley Bridge	Horsley Bridge X Growth Buyout, L.P.
3	J.P. Morgan	Blend of U.S. Corporate Finance Fund V and European Corporate Finance Fund V
4	Siguler Guff	Small Buyout Opportunities Fund II, LP

The following pages outline the pros and cons, product characteristics, historical performance, fee schedule and an analysis of the expected overlap with SCERA's current private equity funds for each of the semi-finalist managers. (All performance data presented is stated on a net of all fees basis.) Finally, we include summaries of each firm's questionnaire responses.

Pros and Cons
Small/Mid-Capitalization Private Equity Manager Search Finalist Candidates

Firm	Pros/Description	Cons
Bay Hills	• No litigation or judgments against the firm • Focus on primary funds, will have some secondary exposure • Expected to invest in 8-10 underlying funds • 12% hurdle rate. Target net IRR of 20% and multiple of 2.5X • Uses proprietary database of over 1,000 funds • The Fund will invest in three distinct types of Small Buyout managers: generalists, sector focused and special situation firms • Focus on North America (including some in Canada) • Firm was founded in 2006, so no complete fund performance is available. Best performing funds have IRRs of 16.1% and 41.7%, and are 65% and 24% invested, respectively.	• Very low errors and omissions insurance coverage: $1 million in aggregate coverage • Small total firm asset base, $285 million, with an additional $324 from a new commitment in Q1 2013 (total of $610 inclusive of commitment) • No succession plan, all current partners are expected to remain. Hired replacement financial controller in June 2013 to assist with fund accounting, monitoring, and reporting. • Relatively short track record. Fund I was launched in 2007.
Horsley Bridge	• Long (25 year) track record • Excellent track record – 8% median outperformance relative to the Cambridge upper quartile • Managers have made a large personal investment ($5.2 million) in this fund • Very impressive results from reference calls	• Founders recently retired (as planned well in advance) • In last 3 years lost 13 team members. Most were planned retirements and associates who left to attend graduate school.
JP Morgan	• All eligible PEG investment professionals invest their personal after-tax dollars side-by-side in each and every investment equivalent to 1.25% of the commitment amount. • Very large private equity asset base; appears to be an area of expertise within the firm • Very large asset base in the small/mid PE area (over $4 billion)	• Blend of two funds may be cumbersome for a long term relationship where the client wishes to invest in a series of funds • Largest clients in series of the funds have been between $150 and $600 million, SCERA would be closer to the median client size in the two funds • Separate account clients have a

Manager	Strengths	Weaknesses
	• Offering a customized separate account, or a blend of US Corp Finance Fund V and European Corp Finance Fund V • Broadly diversified, US fund would have roughly 15 investments, and euro fund would have roughly 12 • Mandates are managed by a team with an executive oversight committee, SCERA would have a dedicated contact • Very large and experienced team • Low turnover • Allow for significant co-investments • Return target is public markets +500bps • corporate finance focus has been on high-growth oriented investments, typically generated through acquisition, fundamental business change, or top line growth • Review 500 investments per year • Major player in PE, reputation may be valuable in getting into the "best" funds • Investment team actively seeks advisory boards and corporate boards of directors, which they feel is the best way to monitor investments held in the funds • Shoot for 2X multiple (highest historical is 1.7X, lowest 1.1X)	median size of $196 million, and the largest client is $750 million: SCERA would be a small separate account client if they choose to go this way • Fund sizes have typically been large, Euro $400+, US $1b+
Siguler Guff	• Has $20 million professional and management liability policy and $5 million financial institution bond. Also has ERISA bond for each ERISA account up to $500,000. • $10.3 billion in total firm assets and $907 in small/mid-cap private equity assets. • No employees lost on small/mid team since inception in 2008. • Expects to invest approximately 30% of the fund in co-investments. The prior partnership invested $112 million out of $565 in co-investments. • Will invest in approximately 25 private equity partnerships which	• Small/mid investment team is small (4 investment professionals). • Relatively short track record. The small/mid private equity effort began in 2006 and this will be the second such fund at the firm.

will contain a total of approximately 200 – 300 companies.

- Primarily targets US companies. In the prior fund, 2.5% was invested outside the U.S.

Product Comparison

Table I below shows each firm's assets managed and investment team size for the firm overall and for the small/mid-cap private equity effort. Also shown is the target size of the current investment fund.

Larger firms will have less risk should a key individual be lost, greater international investment resources and more defined investment processes. Smaller firms are likely to be more nimble and motivated.

Table I

Management Firm Comparison

		Assets Managed (Million)		Investment Team		Current Target Fund Size
		Total	Small/Mid PE	Total	Small/Mid PE	(Million)
1	Bay Hills	$610	$610	8	8	$125
2	Horsley Bridge	12,460	1,062	51	17	400
3	JP Morgan	1,144,394	5,359	18,697	47	500
4	Siguler Guff	10,364	907	98	4	600

Table II below shows the length of the investment track record and the historical performance for the semi-finalist candidates. Note that returns for firms with short track records have less data points. Bay Hills and Siguler Guff have results for two funds.

Firms with longer track records will have more established processes and procedures. Also, more funds will have matured and have fully distributed the profits to investors. Until distributed, actual investment results are uncertain.

Firms with shorter track records have fewer funds with reported investments results to evaluate the firm's potential to generate returns for SCERA.

Table II

Investment Performance of Semi-Finalist Managers

		Years since beginning of		Net IRR for Previous Small/Mid Buyout Funds		Net Outperforamnce Versus Top Quartile[2]	
		Firm	Small/Mid Strategy	Median	Range	Median	Range
1	Bay Hills	7	7	26.3%	10.8% – 41.7%	18.0%	1.5% – 34.4%
2	Horsley Bridge	30	25	12.8%	3.9% – 25.5%	8.0%	-10.3% – 25.5%
3	JP Morgan	214	16	15.1%	-1.6% – 41.5%	-1.1%	-15.8% – 25.3%
4	Siguler Guff	22	7	19.9%	11.4% – 28.3%	11.9%	4.6% – 19.3%

1. Returns shown are after all fees charged by underlying funds and fund of fund's fees.
2. Outperformance shown is the fund's performance less performance of the Cambridge Upper Quartile for each year.

Fee Comparison

Table III below shows the fee structure for the finalist candidates. The Management Fee is paid annually to the fund of funds manager based on the assets committed to be invested. Carry Fees are fees that vary based on investment performance. Note that Carry Fees may be different for Direct Fund Investments (investments into private equity funds), Co-Investments (investments made directly into companies, not through another investment fund) and Secondaries (purchases of Direct Fund Investments from another investor).

Table III

		Average Management	Carried Interest Fee Schedule: Direct Fund Investments		Co-Investments		Secondaries	
	Firm	Fee	Hurdle	Carry	Hurdle	Carry	Hurdle	Carry
1	Bay Hills	0.68%	12.00%	5.00%	N/A[2]	N/A[2]	12.00%	5.00%
2	Horsley Bridge	0.42%	8.00%	5.00%	8.00%	5.00%	8.00%	5.00%
3	JP Morgan 1 [1]	0.77%	8.00%	5.00%	8.00%	10.00%	8.00%	15.00%
4	JP Morgan 2 [1]	0.47%	8.00%	5.00%	8.00%	10.00%	8.00%	15.00%
5	Siguler Guff	0.27%	8.00%	5.00%	8.00%	15.00%	8.00%	15.00%

1. JP Morgan provides two fee options as shown above.
2. Bay Hills does not place Co-Investments in their Partnership vehicle.

Average Management Fee is the average annual fee based on assets committed to be managed.

Hurdle is also referred to as the "preferred return." No Carry Fee is paid until SCERA earns more than the Hurdle rate of return.

Carry, also referred to as Carried Interest, is the percentage paid to the fund of funds if the investment return exceeds the Hurdle rate.

All candidate firms have a "Catch-up" fee. If returns are high enough, the Catch-up fee gives the firm the Carried Interest percentage on all profits. Without a Catch-up fee, the firm only receives the Carried Interest fee on the amount earned over the Hurdle rate of return.

Fees will vary depending on investment performance. Table IV below shows the effective impact of fees, depending on the return of the fund's investments.

We caution that fees are only part of the fund selection process and fund selection should not be made with fees as a sole consideration. Investment returns before fees will be the primary driver of results, not fees.

Table IV

Fund of Funds Fee Expense for various levels of gross returns

		Gross Return from Underlying Funds			
		5%	**10%**	**15%**	**20%**
1	Bay Hills	1.7%	1.9%	1.9%	2.0%
2	Horsley Bridge	1.1%	1.3%	1.4%	1.4%
3	JP Morgan 1	1.8%	1.7%	1.7%	1.7%
4	JP Morgan 2	1.1%	1.4%	1.5%	1.6%
5	Siguler Guff	0.8%	1.1%	1.2%	1.3%

How to read this table:
Gross return is the investment return from underlying private equity funds. This is the return to the Fund of Funds and is after the payment of fees to the underlying funds, but before the fee paid other fund of funds.

For example, if Horsley Bridge earned a 10% return from its investments in underlying funds, it would receive a fee of 1.3% and SCERA's investment return would be 8.7% (10% - 1.3%).

If investment returns in the underlying private equity funds were identical, Siguler Guff, with the lowest fees in the table above, would usually provide the highest investment return to SCERA.

Overlap Analysis

Different funds have different levels of overlap with SCERA's current private equity managers, Adams Street and Pathway, as shown in Table V below. For example, for recent funds Bay Hills had 14% of its investments in common with Adams Street and 3% of its investments in common with Pathway, a 17% total overlap. ("In common" means an investment in the same investment partnership.) If the next fund has a similar overlap, we should expect a $100 investment placed with Bay Hills would have approximately $17 invested into funds already invested in by Adams Street or Pathway.

High overlap with SCERA's current private equity mangers is an undesirable attribute for a candidate as the diversification benefit is reduced as overlap increases.

Table V

Fund Overlap Analysis

		Investments in Common	
		Adams Street	Pathway
1	Bay Hills	14%	3%
2	Horsley Bridge	0%	6%
3	JP Morgan	0%	13%
4	Siguler Guff	3%	0%

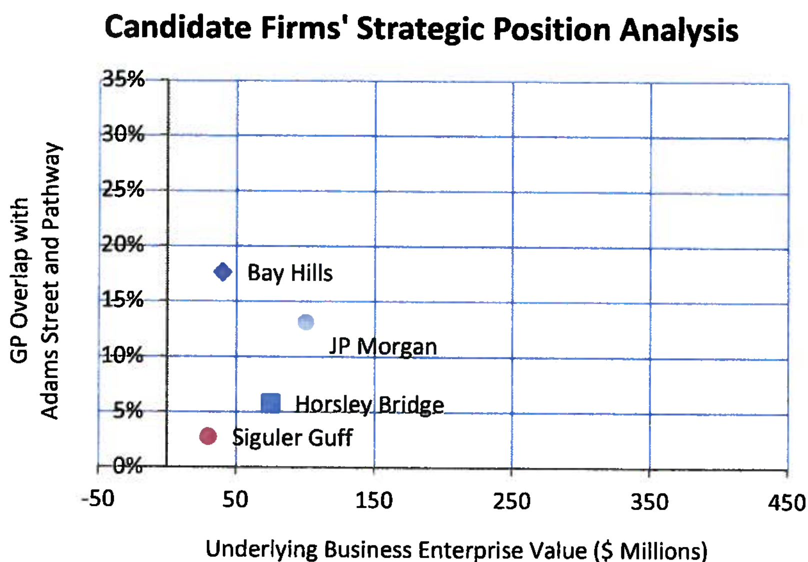
Note: The number shown is the total amount invested in the same partnerships as Adams Street or Pathway divided by the total amount invested by the candidate firm's fund.

SCERA's existing managers, Adams Street and Pathway, are large funds with an emphasis on large businesses. As a result, there is some correlation between a candidate firm's investment overlap with Adams Street and Pathway's investments and the size of the businesses in which they invest.

Chart I, below, plots the size of companies in which investments are made versus the overlap with SCERA's existing managers, Adams Street and Pathway. The horizontal axis is Enterprise Value, the total value of the business in which the investment is made, and the vertical axis shows overlap from Table V. The chart shows that Siguler Guff's and Horsley Bridge's investments have the lowest overlap with Adams Street and Pathway's investments and they invest in the smallest companies.

The most desirable candidates have a small overlap with SCERA's current private equity managers and focus on investing in small companies.

Chart I



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Bay Hills

1. Firm name, address, and telephone number:

   Bay Hills Capital Management, LLC
   One Embarcadero Center, Suite 2830
   San Francisco, CA 94111
   Main: 415-391-4240

2. Firm founded: Registered with the Securities & Exchange Commission:

   Bay Hills Capital was founded in 2006 and registered as an Investment Advisor with the SEC in January 2012.

3. Name, position, telephone and fax number, and e-mail address of the firm's new business contact and database/questionnaire contact:

New business:			Database contact:		
Name:		Philip Godfrey	Name:		William Tran
Title:		Partner	Title:		Senior Associate
Phone:		415-391-4240	Phone:		415-391-4240
Email:		pgodfrey@bayhillscapital.com	Email:		wtran@bayhillscapital.com

4. Firm's ownership structure, and any ownership changes over the past five years:

   Bay Hills Capital Management is structured as a Delaware limited liability company, and is owned and operated by its four partners. The Firm has not experienced any changes in ownership over the past five years.

5. Carriers and the limits of errors and omissions and fiduciary liability insurance:

   $1 million aggregate Advisor Errors and Omissions and Fiduciary Liability insurance policy through CV Starr (A.M. Best Rating A XV)

6. Litigation:

   Bay Hills Capital has not been involved with any litigation regarding the Firm's investment activities since its inception. There is no current or anticipated involvement in any litigation.

7. Judgments:

   No judgments from governmental or regulatory agencies have been made against Bay Hills Capital throughout the Firm's history. There are no current or anticipated investigations.

8. Firm's financial statement auditor.
   Novogradac & Company
   246 First Street, 5th Floor
   San Francisco, CA 94105

9. Total assets under management for firm for the past five year-end periods and as of March 31, 2013.

Total Firm Assets					
	Assets Under Management (Millions)	**Accounts Gained**	**Assets Gained (Millions)**	**Accounts Lost**	**Assets Lost (Millions)**
Dec 31, 2008	$128M	16	$13M	0	0
Dec 31, 2009	$193M	2	$65M	0	0
Dec 31, 2010	$243M	1	$50M	0	0
Dec 31, 2011	$262M	7	$19M	0	0
Dec 31, 2012	$285M	9	$23M	0	0
Mar 31, 2013*	$610M	5	$324M	0	0

10. Firm's total small/mid cap private equity fund(s) (or small/mid cap private equity fund of funds, if applicable), please state the market value of assets under management for the past five year-end periods and as of March 31, 2013.

Small/Mid Cap Private Equity Assets - Fund or Fund of Funds						
	Assets Under Managment[1] (Millions)	**Accounts Gained**	**Assets Gained (Millions)**	**Accounts Lost**	**Assets Lost (Millions)**	**Assets Committed/ Invested[2]**
Dec 31, 2008	$128M	16	$13M	0	0	$123M
Dec 31, 2009	$193M	2	$65M	0	0	$179M
Dec 31, 2010	$243M	1	$50M	0	0	$189M
Dec 31, 2011	$262M	7	$19M	0	0	$242M
Dec 31, 2012	$285M	9	$23M	0	0	$289M
Mar 31, 2013*	$610M	5	$324M	0	0	$296M

11. Name of the product(s) described in the remainder of this response:

Bay Hills Capital Partners III, L.P. ("BHCP III" or the "Fund")

12. Firm's succession plan for senior management of the private equity fund or fund of funds activity:

The Partners of Bay Hills Capital are in the prime of their careers, and no retirements are imminent.

13. Names and titles of key investment and management personnel:

Name	Title	Yrs. W/ Firm	Yrs. W/ Small/Mid Team	Yrs. PE Inv. Exp.
Lance Mansbridge	Managing Partner	7	7	14
Philip Godfrey	Partner	2	2	15
Albert Chiang	Partner	5	5	13
David Smith	Partner	5	5	13
William Tran	Senior Associate	2	2	5
Beth Bruni	Analyst	<1	<1	<1
Nicole Havlicek	Controller	<1	<1	<1

14. Firm staff and the private equity staff turnover:

	Firm-wide Employees		
Year	Firm-wide Employees	Firm-wide Employees Added	Firm-wide Employees Lost
Dec 31, 2008	5	4	2
Dec 31, 2009	7	2	0
Dec 31, 2010	6	0	1
Dec 31, 2011	8	3	1
Dec 31, 2012	8	1	1
Mar 31, 2013	8	1	1

	Small/Mid Cap Private Equity Investment Employees		
Year	Total Employees	Employees Added	Employees Lost
Dec 31, 2008	5	4	2
Dec 31, 2009	7	2	0
Dec 31, 2010	6	0	1
Dec 31, 2011	8	3	1
Dec 31, 2012	8	1	1
Mar 31, 2013	8	1	1

15. As of December 31, 2012, the number of accounts, assets under management, median account size, and number of portfolio managers in the Small/Mid Cap private equity product.

Small/Mid Cap Private Equity Capital Under Mgt	Number of Investors	Median Client Size	Largest Client Size	Number of Portfolio Mgrs*	Number of Inv Analysts
$610M	33	$500K	$495M	4	2

16. As of December 31, 2012, the small/mid cap private equity fund or fund of funds group, the fund name, size of the fund in millions of dollars, the number of clients, and client assets committed and invested.

Small/Mid Cap Private Equity Fund Name	Fund Size in mil. $	Nbr. Investors	Commitments in mil. $	Investments - mil $
BHCP I	$53M	20	$58M	$38M
BHCP II	$61M	21	$63M	$24M
BHEP I	$75M	1	$75M	$49M
BHEP II	$100M	1	$100M	$28M
BHEP III*	$320M	1	$12M	NA

17. Firm's funds or fund-of-funds product(s) currently open for investment or soon to be open for investment.

    Bay Hills Capital Partners III, L.P. will launch in the third quarter of 2013 and will seek total capital commitments of $125 million to pursue the same successful strategy of its predecessor funds: investing exclusively in top performing Small Buyout funds in North America.

    They expect a final close for BHCP III in 2014.

18. What percentage will the largest single investor represent in the new fund? Name and expected commitment for this investor.

    To be determined.

19. Does the firm allow coinvestment opportunities?

    The Bay Hills Capital Partners funds (BHCP I, II, & III) only invest in primary and secondary fund interests, and do not have co-investments as a permissible strategy. However, the Firm regularly reviews direct co-investment opportunities, and may offer participation in these opportunities to qualified investors through separately managed account vehicles.

20. How the firm defines small/mid cap private equity:

    The Firm defines small buyout funds as private equity funds below $1 billion in fund size, targeting investments in lower middle market companies between $20 million to $250 million in enterprise value ("Small Buyout"). Small Buyout funds typically make majority control or influential minority equity investments in established, private lower middle market companies.

21. Investment philosophy/strategy, style and distinguishing characteristics of this product:

    Similar to the strategy pursued by its predecessor funds, Bay Hills Capital Partners III, L.P. will invest exclusively in a select group of top-performing North America-based Small Buyout funds and will seek to diversify its investments by vintage year, industry focus, fund size, investment strategy and geography. In addition to primary investments in Small Buyout funds, the Fund may opportunistically invest a portion of its committed capital to acquire limited partnership interests in established Small Buyout funds on a secondary basis.

    Historically, the Small Buyout segment of the private equity market has significantly outperformed buyout managers with funds in excess of $1 billion ("Large Buyout"). The Small Buyout market has fundamental market attributes that Bay Hills Capital believes will enable high quality Small Buyout managers to continue to generate superior investment returns. Compared to the Large Buyout sector, these characteristics include: (1) a larger and more inefficient deal market; (2) lower purchase price multiples; (3) less dependency on debt financing; (4) greater ability to effect operational improvements and create equity value; (5) more attractive exit opportunities, and (6) better alignment of general partner and limited partner interests.

    Differentiating between top-tier, average, and below average fund managers is a central tenet to successful private equity investing. This is especially true in the Small Buyout sector where the top-performing managers significantly outperform their peers. This large performance differential between top-quartile, median, and bottom-quartile Small Buyout managers highlights the importance of manager selection and gaining access to those managers who are best positioned to generate superior risk-adjusted returns.

    The Fund will construct a concentrated portfolio of 8 – 10 historically top-performing, North American

Small Buyout funds. BHC believes that this targeted number of investments in the portfolio provides sufficient diversification while preserving the potential impact to the overall portfolio from each underlying fund manager. BHC believes that larger, over-diversified portfolios dilute the relevance of outperforming funds and result in industry average returns.

Bay Hills Capital believes that the dedicated focus of the Firm and the backgrounds of the Partners provide unique advantages in identifying and evaluating Small Buyout fund managers and in obtaining access to top-performing funds. All of the Firm's resources are exclusively committed to investing in the Small Buyout sector. Finally, the Firm believes that providing its investors with a 12% preferred return before profit participation ensures a strong alignment of interests between the Firm and investors in the Fund.

22. Bias toward any market segments:

    The portfolio will be invested with top tier private equity managers that invest across a variety of industry sectors and geographic regions. While they are mindful of portfolio diversification by vintage year, fund size, investment strategy and geography, they do not set specific allocation ranges for industry sector or strategy sub categories. They will seek to limit any potential strategy overlap amongst the fund investments, and will not invest in funds that the Partners believe are directly competitive with each other.

23. Expected period of investment for the proposed fund(s).

    The Fund will plan to make investment commitments across vintage years 2013-2015. Portfolios invested over multiple vintage years allows for adequate time diversification, and combined with the underlying manager's three to five year investment periods, enables them to capture a full market investment cycle.

24. General Partner's commitment in the fund:

    The General Partner, in its capacity as the general partner of the Fund, will contribute to the Fund, either in cash or in the form of a full recourse, demand promissory note, an amount equal to 1% of the amount contributed by the Limited Partners.

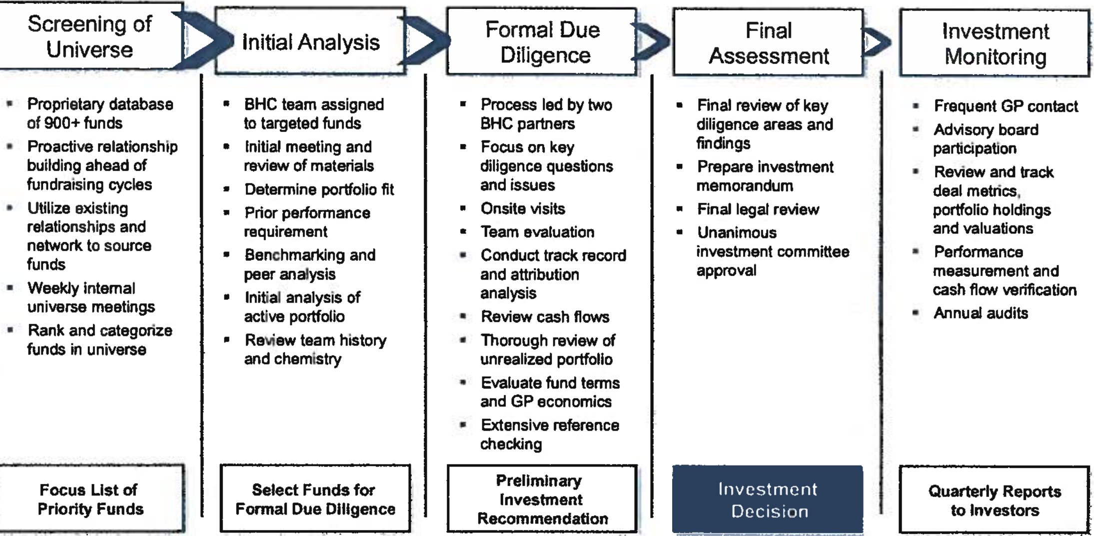
25. What is the firm's investment universe? How many investment opportunities are evaluated each year?

    Bay Hills Capital currently tracks approximately 1,000 Small Buyout funds in its proprietary database. The Firm will typically review approximately 300 funds over a two to three year investment period for its fund-of-funds, performing extensive due diligence on approximately 20-25 of those funds each year. The majority of BHC's deal flow and investment origination is the result of its senior investment team's 50+ years of collective experience in the private equity market, and their long-standing relationships with general partner groups. BHC is also proactive in developing new investment opportunities with established and emerging general partner groups. They conduct substantial research and development of new relationships through constant networking with existing managers, intermediaries and involvement in industry gatherings. BHC maintains a list of active investment funds that their Partners target in advance of fundraising cycles, and this systematic process has been very successful in developing and retaining new relationships with high quality fund managers. Since inception, all of their new fund investments have come through this proactive targeting program. To date, they have not sourced any partnership investments through placement agents.

26. How are investments evaluated?

The Firm's investment process leverages the unique skills and experience of the Partners and involves comprehensive qualitative and quantitative evaluation of prospective fund investments.

Investment funds that are selected for formal due diligence will need to meet the following fundamental requirements: experienced management team with strong historical performance, exceptional deal sourcing, structuring and operational expertise, and an investment strategy and approach that is complimentary to the proposed portfolio. Each potential investment is subject to a detailed evaluation process that becomes progressively more rigorous as it moves closer to final investment approval. The Firm's Investment Committee is comprised of all four Partners who assume active roles in sourcing, evaluating and monitoring the Firm's investments. The Partners meet regularly to review the fund investment pipeline, existing fund investments, portfolio composition and ongoing performance. Every new investment is subject to unanimous approval by the Investment Committee. A list of investment screening steps is provided in the table below.



27. Process of monitoring the investments held in current funds:

Bay Hills Capital's funds are monitored by the BHC Investment Team and overseen by the Firm's Partners.

The Firm tracks the performance of its managers at both the partnership and portfolio company level. Specific deal metrics such as purchase and leverage multiples are recorded and provide the Partners with insights into market and pricing trends. Additionally, all available portfolio company operating metrics—such as sales, earnings and net debt—are monitored and reviewed by Bay Hills Capital to gain further insight into the overall financial prospects of portfolio holdings. The Partners believe this level of information is critical to accurately assess the performance of the fund managers and will enable informative comparisons across partnerships as well as specific industries.

BHC's ongoing monitoring process includes (1) the assessment of performance for each investment partnership through a review of the fund's financial statements and portfolio investments, (2) the assessment of each underlying manager's compliance with governing documents and initial investment plans, and (3) the ongoing communication and interaction with existing managers through consistent participation in annual meetings, advisory boards, and conference calls.

28. Firm's investment database of potential investments:

Bay Hills Capital utilizes a third party database application as its proprietary repository for tracking and monitoring Small Buyout funds. Currently the Firm tracks approximately 1,000 North American buyout firms in its targeted segment of private equity. Each manager is placed into one of several different categories based on level of historical interaction, attractiveness of team and strategy, and fit within the mandate of BHC. The investment team utilizes the database to track performance and other characteristics such as fund size, vintage year, relevant terms, geographic focus, stage focus, industry focus, investment staff turnover, location and prospective timing of future fundraises. In addition, the investment team documents all relevant interactions with fund managers as well as any other useful information regarding a specific manager.

29. Describe the fund or fund of fund portfolio construction process.

BHCP III will seek to construct a concentrated portfolio of approximately 8 - 10 historically top performing Small Buyout fund managers which will be diversified by vintage year, industry focus, fund size, investment strategy and geography. Each underlying fund manager will generally invest in 12 - 20 companies, providing the Fund with broad diversification across 100 - 200 underlying portfolio company investments.

The Fund will invest in three distinct types of Small Buyout managers: generalists, sector focused and special situation firms. Generalist buyout firms typically invest across a range of industries and transactions including leveraged and/or management buyouts, growth equity financings, and recapitalizations. Sector-focused funds are specialists who leverage their expertise to invest in a particular industry. Special situations are commonly distressed and/or turnaround investment specialists that have expertise in bankruptcy, restructurings and operational complexity. The Fund will target the best managers from these varying strategies within the Small Buyout market.

The Fund will plan to diversify across vintage years 2013 - 2015. In addition, each underlying buyout manager will typically have a three to five year investment period providing further vintage year diversification. The Fund will also be diversified by the size of the underlying buyout funds and geography. On an opportunistic basis, the Fund will also invest in secondary transactions where BHC is an existing investor or is interested in the manager for potential primary investment. These prospective investments by the fund will be subject to the same comprehensive due diligence process as primary fund investments. The Fund will not make secondary investments solely on the basis of pricing discounts.

All investment and portfolio construction decisions require unanimous approval by the Investment Committee. The Investment Committee is supported in these activities by the Firm's junior investment professionals.

30. Target a level of return or risk:

The Fund will target a net IRR to limited partners of 20% and a net return multiple of 2.5x invested capital.

31. Private equity investment types (i.e. venture capital, growth equity, buyouts, distressed, etc.) are included in a typical portfolio:

Bay Hills Capital invests exclusively in top performing Small Buyout funds in North America. The Firm defines small buyout funds as private equity funds typically below $1 billion in fund size, targeting investments in companies between $20 million to $250 million in enterprise value ("Small Buyout").

Generally, Small Buyout funds execute one of three broad sub-strategies: generalist, sector focused and

special situations strategy. Generalist buyout firms typically invest across a range of industries and transactions including leveraged and/or management buyouts, growth equity financings, and recapitalizations. Sector-focused funds are specialists who leverage their expertise to invest in a particular industry. Special situations are commonly distressed and/or turnaround investment specialists that have expertise in bankruptcy, restructurings and operational complexity. While the Fund expects to have exposure to all three types of managers, it does not have discrete allocations for them at the partnership level; the Fund will target the highest quality managers from these varying strategies within the Small Buyout market.

32. Preferred benchmarks:

Bay Hills Capital compares its fund performance against a variety of commonly used public and private equity benchmarks. Broad indices such as the Russell 2000 and the S&P 500 provide a general contrast between quoted and private equity performance and they often gauge relative performance through the use of public market equivalent (PME) calculations. Additionally, Bay Hills Capital has benchmarked its fund performance against industry data from Cambridge Associates and Thomson Reuters. Although private equity industry data has limitations due to the timing and reporting of performance information, they believe these widely used third-party databases are among the most comprehensive in the industry and most relevant to their investment activities.

33. Typical number of partnerships held in the firm's fund of funds:

Bay Hills Capital will typically invest in 6-10 partnerships within each fund-of-funds vehicle, and commit $10-15 million to each underlying partnership. The mean fund size of Bay Hills Capital's 26 underlying partnerships is $407 million, while the median fund size is $317 million (as of 3/31/13).

For BHCP III, they anticipate 8-10 partnership investments. The maximum potential investment amount to any one partnership is 25% of the Fund's committed capital.

34. Expected range for geographic location (region in US, US vs. international), industry and sector exposure and stage of investment for the firm's currently available fund:

Bay Hills Capital focuses on investments in Small Buyout strategies in North America. 11% of their prior partnership investments are with Canadian general partners, the remainder are with groups based in the U.S. Prior Bay Hills Capital Partners funds include underlying company investments represented across a broad range of industry sectors including Healthcare, Consumer/Retail, Business Services, Niche Distribution and Manufacturing, Technology, Media/Telecom, Financial Services, Industrial/Transportation and Energy. Though some of their underlying managers may acquire companies with a portion of their revenues and growth prospects coming from markets outside North America, the mandate of the Bay Hills Capital Partners funds is to invest with Small Buyout fund managers that deploy the majority of their capital in U.S. and Canadian buyout and special situation investments.

35. To what extent does the firm make "follow-on" investments? (Make multiple fund commitments to the same private equity fund manager)

Bay Hills Capital will conduct a formal due diligence process for each successor fund raised by an existing underlying fund manager. Successor funds will undergo the same rigorous investment process as other Small Buyout funds reviewed by the Firm. Bay Hills Capital will only make a follow-on investment in a manager if the manager continues to meet the Firm's investment criteria and the strategy of the new fund remains consistent with Bay Hills Capital's Small Buyout strategy.

36. Expected exit strategy:

As a fund-of-funds, the Fund's distributions will be determined by the portfolio company exit strategies

pursued by its underlying partnerships. These strategies include: sales to corporate strategic buyers, up market sales to other financial sponsors, dividend recapitalizations, and while less common, initial public offerings. Small Buyout funds typically have an expected holding period of three to five years for its underlying portfolio companies.

A realization event may result in a distribution from an underlying partnership to the Fund. These distributions will then be passed on by the Fund to its limited partners, or recycled to satisfy capital call obligations. Capital calls and distributions will be netted and managed by BHC to serve in the best interest of the Fund's investors. All distributions will be made in cash.

The Fund is expected to have a 12-year term, with extensions at the discretion of the General Partner until each of the underlying funds have been fully realized and terminated.

37. Performance review:

Fund Name	Vintage Year	Fund Capitalization ($M)	% of Fund Invested	No. of underlying funds	Distribution/ Paid-in	Residual/ Paid-in	Net IRR
BHCP I	2007	$53M	72%	6	0.05x	1.35x	10.8%
BHEP I	2007	$75M	65%	8	0.38x	1.14x	16.1%
BHEP II	2009	$100M	24%	9	0.30x	1.39x	41.7%
BHCP II	2009	$61M	37%	6	0.00x	0.80x	-15.7%

38. Fee schedule for the fund:

BHCP III will charge an annual management fee equal to 1% of committed capital for years 1-6, 0.5% of committed capital for years 7-10, and after which the annual management fee will be reduced by 10 basis points per year for each year until the dissolution of the Fund, and will be based on net asset value. Management Fees will commence at the Fund's inception and be payable to the Firm in advance on a semi-annual basis.

39. Carried interest associated with the fund:

The Fund will charge a carried interest of 5%, subject to a preferred return of 12% to all Limited Partners.

40. Any other costs or fees associated with the fund:

The Fund will pay for all expenses relating to the organization and formation of the Fund and the placement of Limited Partner Interests in the Fund in an amount up to $500,000.

1. Firm name, address, and telephone number:

   Horsley Bridge Partners LLC
   505 Montgomery Street, Floor 21
   San Francisco, California 94111
   Tel: 415-986-7733

2. Firm founded: Registered with the Securities & Exchange Commission:

Horsley Bridge Partners was founded in 1983 and has been registered with the Securities & Exchange Commission ("SEC") since inception.

3. Name, position, telephone and fax number, and e-mail address of the firm's new business contact and database/questionnaire contact:

New business:			Database contact:		
Name:		Mark A. Moore	Name:		Mark A. Moore
Title:		Principal	Title:		Principal
Phone:		415-986-7733	Phone:		415-986-7733
Email:		mark@horsleybridge.com	Email:		mark@horsleybridge.com

4. Firm's ownership structure, and any ownership changes over the past five years:

   Horsley Bridge Partners LLC ("HBP") is a Delaware limited liability company and a Registered Investment Adviser with the SEC. HBP is the Managing General Partner of the private equity funds-of-funds that they sponsor.

   HBP has the following wholly-owned subsidiaries: (1) Horsley Bridge International Ltd., a UK corporation formed when they opened their London office, (2) Horsley Bridge (Beijing) Business Consulting Co., Ltd., a PRC corporation formed when they opened their Beijing office, and (3) Horsley Bridge International LLC, a Delaware limited liability company formed for tax purposes in connection with the establishment of their Beijing entity.

   HBP is wholly owned by their Managing Directors and has no affiliations with outside entities of any kind. In general, their philosophy is that the investment Managing Directors have an equal ownership of the management company, with newer Managing Directors growing into an equal ownership over time. As dictated by their partnership agreement (described more fully in question 13), reduction in work hours to less than full-time or retirement triggers retirement of a partner's ownership interest. Over the past five years, HBP has had the following ownership changes:

   2007: Phil Horsley and Gary Bridge transitioned to part-time and their ownership interest in the firm was retried.

   2008: Dan Reeve transitioned to part-time, and his ownership interest in the firm was retired.

   2010: Duane Phillips retired, triggering retirement of his ownership interest.

   2012: Du Chai and Yi Sun became owners, and Fred Berkowitz reduced his schedule, triggering the retirement of his ownership interest.

5. Carriers and the limits of errors and omissions and fiduciary liability insurance:

   Our Fund Management Liability insurance covers Directors & Officers, Errors & Omissions and Outside Directorship Liability. This coverage is placed with Chubb (AA S&P rating) through their broker, Willis

Insurance Services. The limit of liability is $5M in aggregate and the retention amount is $150K per claim.

6. Litigation:

   There have not been and are no pending or anticipated lawsuits against HBP.

7. Judgments:

   There have been no judgments against their firm.

8. Firm's financial statement auditor.

   Our financial statements are audited by PricewaterhouseCoopers ("PwC"). PwC (or its predecessor firm) has been their auditor since inception.

9. Total assets under management for firm for the past five year-end periods and as of March 31, 2013.

	Total Firm Assets					
	Market Value (Millions) (1)	**Total Clients (2)**	**Accounts Gained (3)**	**Assets Gained ($M) (4)**	**Clients Lost (5)**	**Assets Lost ($M) (6)**
Dec 31, 2008	$11,452	59	10	-	-	-
Dec 31, 2009	$11,452	59	-	-	-	-
Dec 31, 2010	$11,752	59	-	$300	-	-
Dec 31, 2011	$11,752	58	-	-	1	-
Dec 31, 2012	$12,276	64	5	$724	-	$200
Mar 31, 2013	$12,460	65	1	$184	-	-

10. Firm's total small/mid cap private equity fund(s) (or small/mid cap private equity fund of funds, if applicable), please state the market value of assets under management for the past five year-end periods and as of March 31, 2013.

    Historically, their U.S. focused fund-of-funds has been co-mingled by strategy, with a mix of early stage venture capital partnerships and buyout partnerships. However, with Horsley Bridge X, they decided to split the fund into two separate offerings: Horsley Bridge X Venture and Horsley Bridge X Growth Buyout. This was in response to their limited partners, who wanted more choice in how they allocated their capital.

    The table below represents data from the buyout partnerships of their U.S. Funds.

Small/Mid Cap Private Equity Assets - Fund or Fund of Funds							
Buyout Partnerships Only (1)	**Current Market Value ($M) (2)**	**Total Market Value ($M) (3)**	**Accounts Gained**	**Assets Gained (Millions)**	**Accounts Lost**	**Assets Lost (Millions)**	**Assets Committed (4)**
Dec 31, 2005	$308.9	$922.2	n/a	n/a	n/a	n/a	$720
Dec 31, 2006	$442.6	$1,150.5	n/a	n/a	n/a	n/a	$855
Dec 31, 2007	$541.3	$1,393.7	n/a	n/a	n/a	n/a	$1,120
Dec 31, 2008	$457.8	$1,367.1	n/a	n/a	n/a	n/a	$1,415
Dec 31, 2009	$629.2	$1,602.0	n/a	n/a	n/a	n/a	$1,482
Dec 31, 2010	$879.5	$1,994.0	n/a	n/a	n/a	n/a	$1,571
Dec 31, 2011	$958.0	$2,300.0	n/a	n/a	n/a	n/a	$1,711
Dec 31, 2012	$1,066.6	$2,658.7	n/a	n/a	n/a	n/a	$1,800
Mar 31, 2013	$1,062.4	$2,697.2	n/a	n/a	n/a	n/a	$1,855

(1) Includes Buyout Partnerships held by all U.S. Funds and HBG VIII; excludes HB Strategic due to its mix of U.S. and International. The above chart is based on Partnership reported value, net of Partnership fees and expenses, but gross of HB Fund fee and expenses. HBP Fund fees and expenses will reduce performance (see" Gross IRR"in Performance Disclosures).
(2) Current Market Value represents reported values by the underlying Partnerships.
(3) Total Market Value represents Current Market Value + Distributions.
(4) Assets Committed represents Total Commitments to Buyout Partnerships.

11. Name of the product(s) described in the remainder of this response:

Horsley Bridge X Growth Buyout, L.P. ("HB X GBO", or the "Fund")

12. Firm's succession plan for senior management of the private equity fund or fund of funds activity:

Once a partner is ready to transition out of HBP, the mechanics of that departure are dictated by their partnership agreement. Our partnership agreement contains a formula for calculating compensation to any departing partner. It is based on a partner's vested ownership interest in the firm, and the payment is made over a five-year time period. This formula has been part of their partnership agreement since 1997.

Key to the success of HBP's Managing Director transition process is a culture of openness in which all partners are forthcoming as a group about their future plans. They regularly revisit the plans of each partner as a team. Transition of responsibilities generally takes place over a long period of time, which is facilitated by their team-based approach to managing general partner and client relationships, as well as firm administration.

They don't expect any of their eight investing Managing Directors to fully retire over the next five years. However, as mentioned above, Fred Berkowitz's role changed beginning in 2012, when he expressed a desire for more time with his family and for more focus in his investment activities. This triggered the retirement of Fred's ownership interest in the firm.

Dan Reeve, their Managing Director responsible for distribution management, is scheduled to retire in the Fall of 2013. They plan to hire externally for the position, and Dan has offered to continue on as necessary to ensure a smooth transition.

In the next twelve months, they expect the usual turnover amongst their Associates, who are hired on a two to four year rotational program, after which they generally attend business school.

13. Names and titles of key investment and management personnel:

Name	Title	Yrs. W/ Firm	Yrs. W/ Small/Mid Team	Yrs. Inv. Exp.
Fred Berkowitz	Managing Director	25	25	30
Du Chai	Managing Director	2	2	12
Lance Cottrill	Managing Director	13	13	13
Josh Freeman	Managing Director	18	18	19
Fred Giuffrida	Managing Director	18	18	31
Kathryn Mayne	Managing Director	10	10	21
Elizabeth Obershaw	Managing Director	6	6	30
Yi Sun	Managing Director	5	5	10
Kate Murphy	Managing Director, COO	10	10	19

14. Firm staff and the private equity staff turnover:

	Firm-wide Employees		
Year	Firm-wide Employees	Firm-wide Employees Added	Firm-wide Employees Lost (1)
Dec 31, 2008	46	10	8
Dec 31, 2009	54	10	2
Dec 31, 2010	52	9	11
Dec 31, 2011	55	6	3
Dec 31, 2012	50	1	6
Mar 31, 2013	51	1	0

	Small/Mid Cap Private Equity Investment Employees (2)		
Year	Total Employees	Employees Added	Employees Lost (1)
Dec 31, 2008	16	3	1
Dec 31, 2009	20	4	0
Dec 31, 2010	16	2	6
Dec 31, 2011	19	5	2
Dec 31, 2012	15	1	5
Mar 31, 2013	17	2	0

(1) Includes departure of Investment Associates who are hired on a two to four year program, after which they generally attend business school.

(2) Represents all Investment Professionals

15. As of December 31, 2012, the number of accounts, assets under management, median account size, and number of portfolio managers in the Small/Mid Cap private equity product.

As mentioned above, we've always had a buyout strategy in their U.S. Funds but it has been co-mingled with venture. HB X GBO is their first dedicated small/mid cap private equity fund of funds. In March 2013, they held a first close. HB Growth VIII is an overflow fund to HB VIII. This was formed at a time when, due to market dislocation, HBP was able to secure larger commitments to certain groups when they considered prudent for the main fund, HB VIII, which was being committed at the time.

16. As of December 31, 2012, the small/mid cap private equity fund or fund of funds group, the fund name, size of the fund in millions of dollars, the number of clients, and client assets committed and invested.

Small/Mid Cap Private Equity Fund Name (1)	Fund Size	# Investors	Total Commitments to Partnerships	Commitments to Venture Partnerships	Commitments to Buyout Partnerships	Investments (2)
Horsley Bridge Fund I, L.P.	$200	11	$195.5	$152.3	$43.3	$194.0
Horsley Bridge Fund II, L.P.	228	5	219.3	196.5	22.8	218.3
Horsley Bridge Fund III, L.P.	225	5	208.5	168.5	40.0	203.5
Horsley Bridge Fund IV, L.P.	300	7	294.2	249.2	45.0	291.8
Horsley Bridge Fund V, L.P.	500	9	499.9	401.4	98.5	493.5
Horsley Bridge Fund VI, L.P.	1,056	13	1,053.4	917.8	135.6	1,021.5
Horsley Bridge VII, L.P.	1,573	34	1,533.4	1,248.7	284.7	1,455.6
Horsley Bridge VIII, L.P.	1,006	27	1,020.2	720.2	300.0	896.9
Horsley Bridge Growth VIII, L.P.	257	11	262.0	20.0	242.0	232.2
Horsley Bridge IX, L.P.	1,759	34	1,813.5	1,238.2	575.3	947.0
Horsley Bridge X Venture, L.P. (3)	724	19	78.4	78.4	-	-

(1) Represents all of the HB U.S. Funds. They added the venture/buyout commitment breakout for these Funds.
(2) Investments represents Paid-In Capital to Partnerships.
(3) HB X Venture held a final close on $751M in March 2013.

17. Firm's funds or fund-of-funds product(s) currently open for investment or soon to be open for investment.

Small/Mid Cap Private Equity Fund Name	Fund Size Current (1)	Expected Fund Size at Final Close	Current Number Investors	Expected Number of Investors	Expected Final Closing Date
Horsley Bridge X Growth Buyout, L.P.	$172	$300 - $500	13	20 - 25	January 8, 2014

(1) As of June 1, 2013

18. What percentage will the largest single investor represent in the new fund? Name and expected commitment for this investor.

Currently, the Fund's largest investor is a corporate pension plan who has made a $55M commitment. Depending on the final size of the fund, this investor might represent anywhere from 10% to 30% of the Fund.

19. Does the firm allow coinvestment opportunities?

Horsley Bridge Partners does not provide its LPs co-investment opportunities into portfolio companies. On occasion, when there is excess allocation in a partnership in which one of their funds is investing, they are able to discuss with interested LPs the opportunity for them to make a direct investment in the partnership.

20. How the firm defines small/mid cap private equity:

They define small/mid cap private equity based on the amount of capital raised by buyout partnerships. Generally, any fund less than $500M they would consider "small buyout".

Smaller funds generally target smaller companies. In their active portfolio of eleven buyout groups, 61% of the deals have been to companies with enterprise value of less than $100M, and 86% of the deals have been into companies with an enterprise value of less than $250M.

21. Investment philosophy/strategy, style and distinguishing characteristics of this product:

    HB X GBO will be a concentrated portfolio of smaller market growth and buyout funds located in the United States.

    The strategy in building this portfolio is based on their conviction, informed by many years of experience and data, that managers systematically underestimate risk in their portfolios. In order to make up for the inherent losses in a private equity portfolio, managers must have a few significant winners to produce superior fund-level returns. They seek managers that understand this dynamic and that have the ability, mindset and courage to aim for these outsized returns.

    Within the buyout universe, they believe that the only reliable form of value creation is through general partners transforming the companies that they buy. Buying cheaply and financial engineering, while helpful, are not sustainable strategies. They back groups capable of significant operational improvements and who understand the dynamics that a few deals drive overall performance. These firms will likely be in the smaller end of the market where their efforts can have the most impact. They tend to source deals proactively, take control positions (or act as control investors) and assist management with policy decisions.

    They expect the Fund's portfolio to consist of around 10 – 12 partnerships, and that each partnership will invest in around 10 – 15 companies. In aggregate, LPs of the Fund will have exposure to roughly 120 - 130 underlying investments. They believe this portfolio is appropriately concentrated such that outsized winners can "move the needle", while providing adequate diversification to mitigate risk.

22. Bias toward any market segments:

    They expect the portfolio will have diverse exposure to a number of different market segments. However, they also believe that growth stories are most prevalent in the emerging spaces where large incumbents have not yet formed, particularly in technology, and this is where many of their managers focus. In fact, in the portfolios of their active growth buyout managers, 44% of the investments are in technology companies, while a number of the others are in tech-enabled companies.

23. Expected period of investment for the proposed fund(s).

    They aim to commit the Fund to private equity partnerships over approximately three years. They time this commitment period to coincide with the fund cycles of their underlying managers, expecting to have one offering from each of their core managers.

    The underlying partnerships typically have investment periods of two to four years, so they expect the Fund to be significantly invested after about six or seven years. The pace of commitments and investments will provide their LPs with broad vintage year diversity.

24. General Partner's commitment in the fund:

The general partners will have a 2% aggregate commitment to the Fund (see Exhibit 4 - HB X GBO Fund Structure). The ownership of the general partner entities is shared among the Managing Directors and other key employees, with Managing Directors generally having equal ownership. Ownership vests over ten years and represents a meaningful component of compensation for their investment professionals. Fifteen percent of this commitment is paid in cash and the remainder is re-contributed from future distributions. The general partner entities do not receive cash distributions until the full amount of the general partners' commitment has been contributed. If future distributions are not sufficient to meet the members' capital commitments, the members are required to pay the difference into the Fund, which means that they are fully aligned and they have the same ultimate downside risk as all limited partners.

In addition, their Managing Directors have committed $5.2 million to HB X GBO as limited partners, under the same terms as all limited partners.

25. What is the firm's investment universe? How many investment opportunities are evaluated each year?

They are focused and invest in just a few areas of the private equity universe. They invest primarily in early stage venture capital and small buyout partnerships, because they believe these are the parts of the market where outsized deal returns occur. The primary sources of their deal flow in these areas include:

- Our existing relationships, who contact them each time they raise a new partnership. This is the foundation of each of their funds, and the basis on which they size them;
- Our strong brand name, which draws numerous new opportunities to their offices, often before formal fundraising begins;
- Our missionary efforts, in which they proactively search out attractive investment candidates that they have not invested with in the past; and
- Our extensive network, which has been established over time through day-to-day interactions with those involved in the industry.

They will typically build relationships with groups over time. It is not unusual for them to turn down a group and then invest in a later fund. When they turn down a group that they believe has potential, they provide specific feedback, emphasize their desire to stay in touch, and continue to collect intelligence on the group over the coming years, often including regular update meetings, as if they were active investors. This is one of the ways that they build and maintain a strong network and pipeline of future opportunities.

In 2012, over 220 partnerships passed their initial screening and were logged into their system. Approximately 50 went through preliminary due diligence, of which approximately 20 went to full due diligence. They closed 12 fund commitments globally in 2012.

26. How are investments evaluated?

Our due diligence process is well defined, and includes three distinct stages: (1) the screening of investment opportunities, (2) the due diligence of those opportunities, and (3) the decision-making process.

Our screening process is focused on a number of key criteria including: the operating and investing experience of the general partners, the investment strategy, high return aspirations, a fund size appropriate for the market opportunity, a proactive approach to originating deal flow, a disciplined process for evaluating opportunities and making investment decisions, an ability to add value through active ownership, and the historical and prospective investment performance.

This initial screening process is generally led by one or two Managing Directors and an Associate. If this team determines the offering is worth a deeper look, the opportunity is flagged for preliminary due diligence and it is discussed at their weekly Investment Group Meeting ("IGM"). A rating is assigned to the opportunity to facilitate balancing diligence priorities.

Preliminary due diligence often consists of one or more additional meetings and may include targeted reference calls. If the opportunity warrants full diligence, a preliminary discussion memo is prepared and circulated to the Investment Committee, and the opportunity is discussed more fully at the IGM.

If the Investment Committee decides to devote more time and resources to the opportunity, it moves into full due diligence. At this point a deal team is formed. The deal team is generally made up of four Managing Directors supported by an Associate. The deal team will have additional meetings, conduct reference calls, and engage in deep analysis of the track record, strategy, and team. This part of the process typically involves multiple in-person meetings with the general partners and often takes several weeks or more. The deal team meets regularly and provides updates at the IGM along the way. An extensive due diligence package, including both quantitative and qualitative analysis, is developed over the course of this diligence phase.

Please note that, for existing groups, their due diligence is ongoing. They actively track each group's execution against their stated strategy, and this provides important input into their due diligence on the group's next offering. That said, whether they are already invested in a group or the group is new to them, they adhere to the same principles of diligence.

Final investment decisions are made by the eight investing Managing Directors as part of a well-defined process. This group of Managing Directors constitutes the Investment Committee and typically meets once a week at the IGM. The current members of the Investment Committee are: Fred Berkowitz, Du Chai, Lance Cottrill, Josh Freeman, Fred Giuffrida, Kathryn Mayne, Elizabeth Obershaw, and Yi Sun.

At the end of diligence, the deal team will hold a vote, which is designed to reflect the confidence of the deal team in recommending the opportunity to the Investment Committee, and determines whether a deal will be reviewed in detail by the investment committee or be subject to a more streamlined ratification process. Each member of the deal team will cast a vote from 1 to 10 representing their opinion of the opportunity. Votes of 5 are not permitted. If the average vote is lower than 5, the investment is rejected.

If the average vote is above 5, the opportunity is submitted to the Investment Committee for a vote. If the average is above 7 and the deal team unanimously supports the opportunity, a more streamlined discussion will occur at the Investment Committee.

Note that the Investment Committee or deal team may decide during the initial discussion phase that an opportunity will be submitted to the Investment Committee for a full review regardless of the deal team vote. This may be the case for an offering in a new market or geography, or where the issues

highlighted during the preliminary discussion warrant review by the full committee.

In addition to the above, the operational competence of the potential group is evaluated by their operations team, and the legal structure and terms are reviewed by their legal counsel.

27. Process of monitoring the investments held in current funds:

    Active and frequent monitoring of partnerships is an essential component of their strategy. Our efforts extend over the life of the partnership, and include frequent face-to-face updates with each group, attendance at Advisory Board and annual meetings, and thorough quantitative analysis of quarterly reports. They generally meet with groups in-person at least semi-annually, in addition to attending their annual meeting. They also have frequent informal interactions with their managers as they exchange ideas and information. Monitoring the progress of a partnership enables them to determine if a team is adhering to its stated focus and strategy. In order to manage the monitoring of their partnerships, for each partnership they assign two designated Managing Directors who lead the relationship.

    All quarterly reports received from partnerships are input into their enterprise information system. They track information at the company level, including cost, value, ownership, stage, sector, location, corporate actions, realizations and many other attributes. Our information system also houses all partnership capital calls, cash distributions, stock distributions, and stock sales transactions. During the due diligence/legal process, they work with the group to understand what information they provide. If they do not generally provide information that is sufficient for their database needs, they make arrangements with the group for specialized reporting.

    They have developed an extensive set of standard reports for the investment team. This data provides an important component of ongoing portfolio monitoring and is also a key component of the due diligence process for new partnerships.

    They generally require every partnership that they invest in to have an annual audit, usually by a firm of recognized standing. All partnerships must also account for investments in accordance with U.S. GAAP or its international equivalent.

    They continually provide advice and ideas to their partnerships on issues ranging from how they should build their team to how they might size their next fund. On the rare occasion when a partnership goes really wrong, they will work with them and other limited partners to find a solution.

28. Firm's investment database of potential investments:

    HBP has developed a proprietary, purpose-built enterprise information system known as Cosmos. They built Cosmos over a 3-year period in the early 2000s. They recently completed an extensive update of the system and released a new version of Cosmos in May 2013.

    Virtually all HBP employees use the system on a daily basis to record, view and analyze investments. It is both an analytical and a transaction tool, helping them evaluate and monitor investments as well as track cash flows, manage stock transactions, and record changes to value. Over 160 standard reports have been created in Cosmos, and spreadsheet extracts provide additional flexibility.

    The system has data going back to the 1980s and contains information on over 4,500 partnerships and over 10,600 companies. At the partnership level, they track such information as vintage year, fund size,

GP carry, percent invested, IRR, TVPI, stage, location, domicile, ownership, and value. At the company level, they track cost, value, ownership, stage, sector, location, corporate actions, realizations and many other attributes.

Cosmos helps them in all aspects of their sourcing and monitoring of investment opportunities, for both potential and existing relationships. All fund opportunities are entered into the system and assigned a status. Opportunities are first assigned a "screening" status during which their investment team evaluates whether the partnership is a good fit for their funds. If they decide to evaluate the opportunity in greater depth, it is assigned the status of "preliminary due diligence". Once an opportunity enters the "due diligence" phase, they assign a deal team. Cosmos is a powerful tool at this stage of their consideration as it assists the deal team with quantitative diligence of an opportunity. The data in Cosmos provides information on that firm's prior investment as well as historical industry data for comparison and determination of the factors that have contributed to investment performance.

After they have completed their diligence process, the opportunity is assigned a "decision" status, at which point the investment committee is ready to determine whether they will commit to the partnership. All opportunities in active consideration are listed on their Proposal Log, which is automatically generated from Cosmos, and which is reviewed at their weekly Investment Group Meeting. Once an opportunity is "rejected", it no longer appears on this Proposal Log.

Cosmos works hand-in-hand with their electronic filing system. Fund documents, memos, emails, and diligence documents are stored on their central server, which is called Galaxy. They have developed a well-defined process for naming documents, structuring folders, and filing all correspondence so they are easy to reference. They have information on thousands of partnerships and companies dating back to the 1980s which supplements the data stored in Cosmos.

29. Describe the fund or fund of fund portfolio construction process.

Generally, when they create a fund portfolio, they carefully balance its construction so that it is diverse enough to mitigate risk, but concentrated enough so that deals with significant outsized returns can have a meaningful impact on overall fund returns. They also ensure that the fund has vintage year diversity.

With HB X GBO, they expect a portfolio of around 10 – 12 partnerships. A majority of the groups they expect to back in the Fund are known to them and are part of their active portfolio of 11 growth equity and buyout groups.

The sourcing and selection of this portfolio will be conducted by their eight investing Managing Directors, leveraging over 150 years of cumulative private equity investing experience.

30. Target a level of return or risk:

They invest in partnerships that target at least 3.0x return per deal, with upside. In doing so, they hope to achieve returns to the Fund in excess of 2.5x. This results in a net total value to paid-in capital to their limited partners of between 2.25x and 2.40x. They aim for long-term IRRs of 18 - 20% net to their limited partners, although they hope and expect to outperform this goal during some cycles.

They mitigate risk by creating a diverse portfolio across managers and vintage years. They believe that a well-balanced buyout portfolio will be concentrated enough so that deals with significant outsized returns can have a meaningful impact on overall fund returns, yet diverse enough so that the inherent underperforming deals in the portfolio won't significantly temper the overall returns. They also aim for

vintage year diversity to further mitigate risk.

31. Private equity investment types (i.e. venture capital, growth equity, buyouts, distressed, etc.) are included in a typical portfolio:

    HB X GBO will be a concentrated portfolio of 10 – 12 growth and buyout funds. Many of these will be below $500M in capital commitments. There will be no venture, distressed or any other type of PE partnership in the Fund.

32. Preferred benchmarks:

    They regularly compare their performance against a number of industry benchmarks, including Venture Economics, Cambridge Associates, and Preqin. They also benchmark against public market indices. Some examples of the performance that they benchmark includes their horizon performance (one year, three year, five year, etc.), their funds' performance, and their partnerships' vintage year performance. They typically begin benchmarking a fund after it is fully committed.

    They believe the most relevant benchmark is one that has been created for them in partnership with Venture Economics. This "custom" benchmark includes data from partnerships formed during the commitment period of each HBP fund. For example, Horsley Bridge VIII, L.P. ("HB VIII") made commitments from October 2005 to April 2008. Venture Economics has provided a sample of funds formed in that time period, and aggregated their performance as a benchmark for HB VIII. This benchmark represents a true comparison of their performance picking managers given the funds in the market during the same time period as their commitment period.

33. Typical number of partnerships held in the firm's fund of funds:

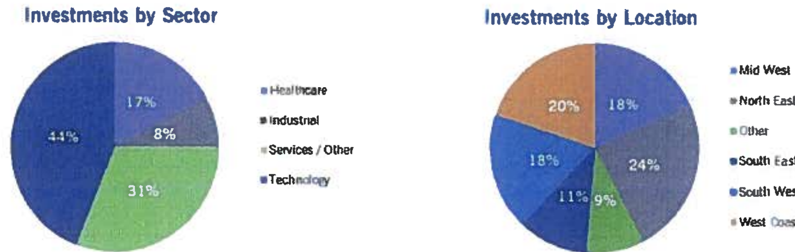
    HB X GBO will be a concentrated portfolio of approximately 10 – 12 partnerships. Our commitment size to any single buyout partnership in their prior U.S. fund-of-funds, Horsley Bridge IX, L.P., ranges from $20 million to over $60 million. When they find a manager with whom they want to partner, they like to be lead investors.

    While the Fund's initial investments will likely be sized based on the Fund's expected total committed capital as of the initial closings, no investment may exceed 15% of the size of the Fund at the time of investment.

    The average fund size of the eleven partnerships in their active portfolio is $410M. Nine of the eleven partnerships are below $500M in size. Eight of the eleven partnerships are below $400M in size.

34. Expected range for geographic location (region in US, US vs. international), industry and sector exposure and stage of investment for the firm's currently available fund:

They expect the sector and geographic diversity of the Fund's underlying investments to be similar to their portfolio of investments from their active U.S. buyout groups. Shown below is the exposure for investments from their active U.S. buyout partnerships:



As of December 31, 2012. Active portfolio only. If HBP has not made a commitment to the group's most recent Partnership, the group is excluded. Data is as of the most recent date reported by the Partnerships to HBP, and includes investments by Buyout Partnerships in HB VIII and HB IX where investments going-in and operating data were available.

35. To what extent does the firm make "follow-on" investments? (Make multiple fund commitments to the same private equity fund manager)

They size their fund-of-funds to attempt to capture each one of their core managers once during their fund cycle. However, managers sometimes come back to market more quickly than expected, or, due to market conditions, their funds' commitment pace takes longer than planned. In these cases, they could have more than one commitment to the same private equity fund group.

36. Expected exit strategy:

Generally, a fund will return its first distribution in the fourth to sixth year after the first close. They will typically distribute to their clients shortly after they have received significant distributions from the underlying managers. However, the timing and amount of distributions are made at their discretion as they take into account recycling for the over-commitment and management fees.

They distribute only cash to limited partners; they do not make non-cash distributions.

The Fund enters into dissolution upon the thirteenth anniversary from inception date. Fund operations start winding down until all partnership investments are liquidated.

37. Performance review:

Fund Name	Vintage Year	Fund Size	% of Fund Invested (1)	No. of underly	Distribution/ Paid-in	Total Value/ Paid-in	Net IRR	Gross Venture IRR	Gross Buyout IRR
HB I	1985	$200	100%	28	2.84x	2.84x	15.3%	18.2%	19.0%
HB II	1988	228	100%	25	3.94x	3.94x	29.6%	36.1%	27.0%
HB III	1992	225	101%	24	9.29x	9.31x	68.5%	94.7%	26.5%
HB IV	1995	300	101%	31	4.50x	4.54x	80.5%	111.2%	14.0%
HB V	1997	500	103%	37	2.71x	2.80x	80.6%	134.5%	5.4%
HB VI	1999	1,056	100%	38	0.72x	0.91x	(1.4%)	(2.2%)	22.4%
HB VII	2000	1,573	102%	54	0.57x	1.10x	1.5%	1.8%	12.9%
HB VIII	2005	1,006	101%	35	0.28x	1.32x	8.1%	9.6%	12.6%
HBG VIII	2006	257	102%	10	0.47x	1.43x	11.9%	4.0%	14.3%
HB IX	2008	1,759	103%	60	0.13x	1.20x	10.8%	16.3%	20.1%
HB X VC	2012	724	11%	3	--	0.61x	--	--	--

$ Millions. As of December 31, 2012. See Performance Disclosures.
(1) Percent Committed to Underlying Partnerships

38. Fee schedule for the fund:
The annual management fee for HB X GBO is based on each limited partner's committed capital and calculated as follows:
    - 0.5% on the initial $25 million or less;
    - 0.4% on the amount exceeding $25 million up to $50 million; and
    - 0.3% on the amount exceeding $50 million

Management fees are charged from inception through the end of the term. The initial term of the Fund will be ten years from the date of inception. The Managing General Partner will have the right to extend the term for up to three additional one-year periods.

Management fees are calculated according to the LPA terms. The fees are deducted directly from the fund and paid to the management company on a quarterly basis, in advance. Management fees are then allocated to each limited partner's account based on the fee schedule as defined in the LPA.

39. Carried interest associated with the fund:

For Horsley Bridge X Growth Buyout, LP, carried interest is equal to 5% of the fund's net profits. The GP is only entitled to the carry once the limited partners have received distributions equal to their committed capital plus an 8% preferred return compounded annually.

40. Any other costs or fees associated with the fund:

Only direct fund expenses are charged to the funds. These expenses include professional fees (audit, tax preparation, etc.) for the Fund and generally total less than $100,000 per year.

Legal fees, diligence expenses, monitoring expenses, travel, and their annual meeting costs are paid for out of management fees by the management company.

J.P. Morgan

1. Firm name, address, and telephone number:

Firm Name: J.P. Morgan Investment Management Inc. ("JPMIM")
Private Equity Group

Address: 270 Park Avenue
New York, NY 10017-2014

Contact: Katherine Rosa
Managing Director, Portfolio Manager
212-648-2298

2. Firm founded: Registered with the Securities & Exchange Commission:

The Private Equity Group ("PEG" or "Group") was established at on November 1, 1997 when members of AT&T's private equity team joined J.P. Morgan Asset Management ("JPMAM") to continue management of AT&T pensions' private equity assets and to begin management of commingled and separate account portfolios on behalf of additional third party clients.

JPMorgan Chase & Co. ("JPMC" or "Firm"), the parent entity, is one of the oldest financial institutions, whose legacy reaches back more than 200 years with the founding of its earliest predecessor in 1799. The firm has been offering asset management services for over a century.

JPMorgan Investment Management Inc. is registered with the United States Securities and Exchange Commission ("SEC") under the Investment Advisor Act of 1940. The firm registered with the SEC on February 7, 1984 as a registered investment advisor

3. Name, position, telephone and fax number, and e-mail address of the firm's new business contact and database/questionnaire contact:

New business:			Database contact:		
Name:		Katherine Rosa	Name:		Courtney Mee
Title:		Managing Director, Portfolio Manager	Title:		Vice President, Portfolio Manager
Phone:		212-648-2298	Phone:		212-648-1530
Email:		katherine.q.rosa@ jpmorgan.com	Email:		courtney.a.mee@jpmorgan.com
Name:		Joel Damon			
Title:		Managing Director, Client Advisor			
Phone:		415-315-5246			
Email:		joel.v.damon@jpmorgan.com			

4. Firm's ownership structure, and any ownership changes over the past five years:

The Private Equity Group members are owners of their business through their Group's co-investment program and compensation structure. All eligible PEG investment professionals invest their personal after-tax dollars side-by-side in each and every investment equivalent to 1.25%* of the commitment amount. Additionally, the Group members receive 60% of any incentive fees earned. These earnings are distributed broadly among the team, including junior and administrative staff. The carried interest earnings vest over a four year period in a straight line fashion.

J.P. Morgan Investment Management Inc. is an indirect wholly owned subsidiary of JPMorgan Chase & Co., a publicly traded corporation that is listed on the New York Stock Exchange (Ticker: JPM), with a market capitalization of $167.3 billion as of December 31, 2012.

5. Carriers and the limits of errors and omissions and fiduciary liability insurance:

The following insurance coverage is maintained for JPMorgan Chase & Co. and all majority-owned subsidiaries.

*Bankers Professional Liability**
Risks Covered: Loss arising for claims of alleged wrongful acts committed in the performance of professional services.

Carriers: Park Assurance Company
Levels/Limits: $100,000,000
Deductibles: $25,000,000
Policy Period: January 15, 2013 – January 15, 2014
** Note: Bankers Professional Liability includes Errors & Omission insurance.*

Employers Liability
Risks covered: Indemnifies at law for damages and claimants' costs and expenses in respect of Accidental injury to any persons, and any accidental damage to property.
Risks covered: Covers the firm against potential claims following an employee injury at work
Carriers : Chartis Insurance
Levels/Limits: £10,000,000 (*Excess of up to further $295 million is provided by a US/Global cover)
Policy Period: January 1, 2013 – December 31, 2013

Financial Institution Bond & Computer Crime (Bankers Blanket Bond Form 24 [Amended])
Risks Covered: Loss of money/securities plus other properties resulting from employee dishonesty, robbery, burglary, or mysterious disappearance; loss of accepting forged or counterfeit checks and securities; a third-party interloper who accesses a computer or telex communication line and modifies or creates a message that results in a loss where JPMorgan Chase is held liable.

Carriers: Park Assurance Company
Levels/Limits: $300,000,000
Deductibles: $25,000,000
Policy Period: July 1, 2012 – July 1, 2013

6. Litigation:

The Private Equity Group and its members have not been subject to any litigation.

7. Judgments:

J.P. Morgan Investment Management Inc. is reviewed on a regular basis by various regulatory agencies such as the SEC, DOL, and the NFA. In connection with such examinations, to date, there have been no findings or violations that would have a material adverse effect on the firm. The firm reasonably believes it is currently in compliance with applicable laws and regulations.

On January 10, 2013, they received a letter from the SEC notifying them that they are conducting an exam of several affiliated registered investment advisers focused primarily on the use, review, and validation of "Models." The onsite portion of the exam began in March 2013.

The Securities Exchange Commission conducted a routine examination of J.P. Morgan Investment Management Inc. and the J.P. Morgan Mutual Fund Complex in 2010-2011. A post exam letter was received from the SEC dated April 28, 2011; they reviewed the letter and provided a response to the SEC on June 3, 2011. They do not believe that the findings or the firm's actions in response to the suggestions in the letter will have a material impact on their ability to conduct their investment management business. For additional information, please refer to the Form ADV.

To the best of their knowledge, there is no anticipated investigation.

8. Firm's financial statement auditor.

J.P. Morgan Asset Management uses PricewaterhouseCoopers ("PWC") as the external, independent auditor to report on internal control and procedures. PWC has been the firm's independent auditor for over five years. The Firm evaluates potential auditors on an annual basis.

PWC has been the auditor since inception on behalf of their Private Equity Group. The lead partner on the engagement rotates every 10 years. Since inception, PWC has issued unqualified US GAAP financial statements on behalf of their investor funds and accounts on an annual basis. Our Group evaluates potential auditing firms on an annual basis.

9. Total assets under management for firm for the past five year-end periods and as of March 31, 2013.

J.P. Morgan Investment Management - Total Firm Assets					
	Market Value (Millions)	Accounts Gained	Assets Gained (Millions)	Accounts Lost	Assets Lost (Millions)
Dec 31, 2008	$875,231	131	$14,287	81	$14,806
Dec 31, 2009	$978,681	111	$6,489	52	$6,001
Dec 31, 2010	$1,013,712	155	$11,033	119	$3,516
Dec 31, 2011	$1,045,556	358	$18,581	241	$10,363
Dec 31, 2012	$1,108,261	272	$24,189	211	$7,081
Mar 31, 2013	$1,144,394	40	$3,313	42	$2,121

**Based on the AUM for the Asset Management division of JP Morgan Chase & Co*

Private Equity Group
Data as of December 31, 2012
($million)

	2008	2009	2010	2011	2012
Total PEG AUM (All products, asset classes)	18,737	19,947	22,409	22,015	24,561

PE FoF AUM by vehicle type (USD, millions)	2008	2009	2010	2011	2012
Separate Accounts	4,468	4,414	4,183	3,253	4,990
Managed Separate Accounts*	2,534	3,104	3,491	3,377	3,069

Primary Fund of Funds	11,735	12,429	14,735	13,380	14,349
Direct Investment Funds	-	-	-	2,006	2,153

*Includes legacy assets made by clients or another third party manager, which were taken over by the PEG for monitoring and management of the assets. PEG does not make forward commitments on behalf of such accounts.

10. Firm's total small/mid cap private equity fund(s) (or small/mid cap private equity fund of funds, if applicable), please state the market value of assets under management for the past five year-end periods and as of March 31, 2013.

All Corporate Finance

Small/Mid Cap Private Equity Assets - Fund or Fund of Funds								
	U.S. Market Value (Millions)	**Europe Market Value (Millions)**	**Accounts Gained***	**Assets Gained (Millions)**	**Accounts Lost**	**Assets Lost (Millions)**	**U.S. Assets Committed/ Invested****	**Europe Assets Committed/ Invested****
Dec 31, 2005	$2,423	$706	25	1,605	-	-	$627	$126
Dec 31, 2006	$2,414	$958	24	795	-	-	$583	$201
Dec 31, 2007***	$2,692	$947	0	475	-	-	$681	$416
Dec 31, 2008	$2,422	$674	24	2,086	-	-	$438	$236
Dec 31, 2009	$3,015	$923	6	422	-	-	$357	$94
Dec 31, 2010	$3,688	$1,016	12	578	-	-	$609	$100
Dec 31, 2011	$4,157	$1,071	1	310	-	-	$792	$343
Dec 31, 2012	$4,219	$1,234	5	1,890	-	-	$531	$211
Mar 31, 2013	$4,142	$1,217	1	590	-	-	$43	-

*Represents commingled fund commitments and unique separate accounts that are being actively invested. Separate accounts included generally have a focus on small/mid market corporate finance but may also include investments in other strategies

** Represents investments committed in the listed calendar year

** *No unique accounts gained. Assets gained represents re-ups from existing separate accounts

11. Name of the product(s) described in the remainder of this response:

Based on their previous conversations with Sample Employees' Retirement Association and the specific focus on small to mid-market private equity investment opportunities, they are pleased to offer the following investment programs for consideration:

- Fund of Funds:
  - U.S. Corporate Finance Fund V
  - European Corporate Finance Fund V

- Customized Separate Account

These investment programs will provide SCERA with a return-enhancing private equity portfolio focused on high quality small and mid-market investment opportunities that will be complementary to its existing program.

U.S. Corporate Finance V and European Corporate Finance V ("Funds V")

U.S. Corporate Finance V ("USCFV") and European Corporate Finance V ("ECFV") each focus on investments in existing private companies expanding through growth strategies or fundamental business change, with a strong emphasis on small and mid-sized firms. USCFV has a geographic focus in the U.S., and ECFV includes predominately European investments. Each fund provides a diversified portfolio that selectively identifies private equity investments across all types (partnership, secondary and direct investments), stages and industry sectors. Funds V target a three year commitment period to remain opportunistic while providing appropriate diversification across economic cycles.

Our Corporate Finance strategies have a strong focus on small to mid-market investment opportunities. Specifically, from 2002-2012, 80% of primary partnership investments that they made in Corporate Finance were to fund sizes of less than $1B; 60% were to fund sizes of less than $500MM. Our European

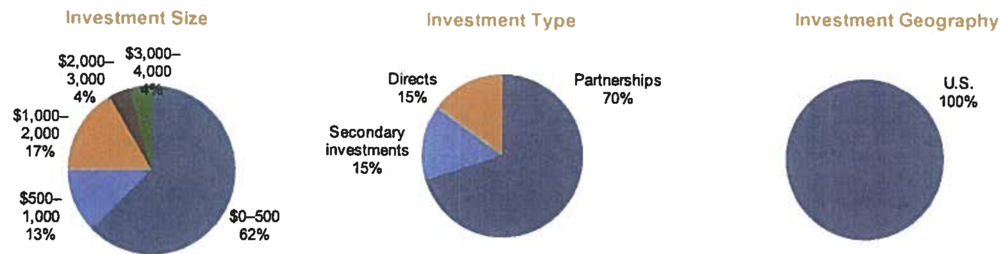
Corporate Finance strategy evolution has been towards regional and country-specific funds with smaller more niche franchises focusing on smaller and mid-sized businesses. The cornerstone of their portfolio strategy is to be opportunistic in selecting attractive investments. They seek to have broad diversification and allocations to sectors that may shift over time depending on the market opportunity set. Please see the charts below for representative portfolio allocations, target size, and investment objectives for Funds V.

Representative portfolio: U.S. Corporate Finance V

Overview of characteristics

Portfolio Construction: U.S. Corporate Finance V

- Stage of business development: predominately existing companies in buyout, growth capital, and build-up strategies well as special situations with opportunistic mezzanine, distressed equity
- Geography: U.S.
- Investment type: 65%+ to primary partnerships; up to 35% in secondary and direct investments
- General Partners: appropriately diversified to approximately 15 partnerships
- Industry: broad industry exposure
- Vintage years: targeting 3 year commitment period
- Target fund size: $750mm
- Return objective: 500 basis points in excess of a diversified public equity portfolio



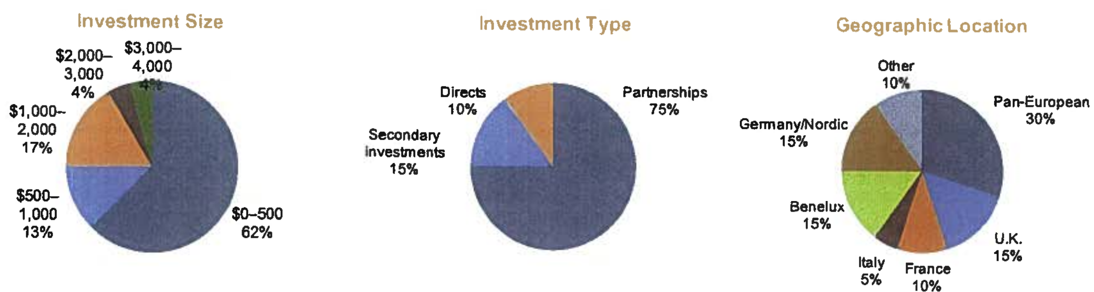
The manager seeks to achieve the stated objectives. There can be no guarantee those objectives will be met.

Representative portfolio: European Corporate Finance V

Overview of characteristics

Portfolio Construction: European Corporate Finance V

- Stage of business development: predominately existing companies in buyout, growth capital, and build-up strategies well as special situations with opportunistic mezzanine, distressed equity
- Geography: Developed Europe
- Investment type: 65%+ to primary partnerships; up to 35% in secondary and direct investments
- General Partners: appropriately diversified to approximately 12 partnerships
- Industry: broad industry exposure
- Vintage years: targeting 3 year commitment period
- Target fund size: $500mm
- Return objective: 500 basis points in excess of a diversified public equity portfolio



The manager seeks to achieve the stated objectives. There can be no guarantee those objectives will be met.

Importantly, these allocations are based on their current views of the market environment and where they see the market in the next 2-3 years. They aim to employ a bottom-up and opportunistic approach utilizing flexible allocations based on the quality of investments available in the marketplace.

12. Firm's succession plan for senior management of the private equity fund or fund of funds activity:

The team-oriented nature of their investment approach is conducive to maintaining stability. Every investment relationship at JPMorgan involves a team of professionals, all of whom are important in managing an account, therefore no one individual is solely responsible. They nominate alternates to provide back up for primary portfolio managers and client contacts and they ensure that alternate contacts meet the clients on a periodic basis.

They are also realistic with regards to the possibility of or need for changes within the Group. As such, a small number of senior professionals within their Group regularly meet to review new business direction, assess staffing and development of members of the team, review budgets and forward planning, and other needs of the business, including succession and personnel plans. Team members central to these strategic planning discussions include Larry Unrein, Eric Chan, Rob Cousin, Tom McComb, Kathy Rosa, Tony Roscigno and Julian Shles. Additionally, an annual offsite discussion provides a venue specifically for review of business needs and staffing for the Private Equity Group.

13. Names and titles of key investment and management personnel:

Name	Title	Primary Responsibility	Industry Experience	Firm Experience**	% of time dedicated to investment activities
*Lawrence Unrein**	*Managing Director/ Head of the PEG*	*Portfolio Management*	*33*	*33*	*80%*
Thomas Judge	Senior Advisor	Portfolio Management	58	33	30%
*Eduard Beit**	*Managing Director*	*Portfolio Management*	*30*	*25*	*100%*
Gavin Berelowitz	*Managing Director*	*Portfolio Management, Information Management*	*19*	*10*	*80%*
Boris Bong	Managing Director	Portfolio Management	19	<1	100%
*Brendan Cameron**	*Managing Director*	*Portfolio Management*	*30*	*17*	*100%*
Eric Chan	Managing Director	Portfolio Management	23	6	100%
*Laureen Costa**	*Managing Director*	*Portfolio Management*	*23*	*19*	*100%*
*Robert Cousin**	*Managing Director*	*Portfolio Management*	*22*	*20*	*100%*
Jarrod Fong*	Managing Director	Portfolio Management	22	17	100%
Dana Haimoff	*Managing Director*	*Portfolio Management*	*20*	*11*	*100%*
Robert Kiss	*Managing Director*	*Portfolio Management*	*34*	*13*	*100%*
Michael MacDonald	*Managing Director*	*Portfolio Management*	*26*	*12*	*100%*
*Thomas McComb**	*Managing Director*	*Portfolio Management*	*28*	*23*	*100%*

Ashmi Mehrotra	Managing Director	Portfolio Management	14	10	100%
Katherine Rosa	Managing Director	Portfolio Management, Investor Relations	21	21	80%
Anthony Roscigno*	Managing Director	Portfolio Management	25	20	100%
Julian Shles	Managing Director	Portfolio Management, Information Technology	29	15	80%
Naoko Akasaka	Executive Director	Portfolio Management, Investor Relations	19	5	80%
Stephen Catherwood	Executive Director	Portfolio Management	12	10	100%
Carina Chai	Executive Director	Portfolio Management	20	<1	100%
Bertram Cooke Jr.	Executive Director	Portfolio Management, Information Technology	14	14	80%
Evrard Fraise	Executive Director	Portfolio Management, PEDM	14	7	100%
Mindy Gabler	Executive Director	Portfolio Management, Information Management	20	14	80%
Meena Gandhi	Executive Director	Portfolio Management, Investor Relations	12	7	80%
Tyler Jayroe	Executive Director	Portfolio Management	14	8	100%
Cindy Kendrot	Executive Director	Portfolio Management, Information Management	20	14	80%
Dimiter Mace	Executive Director	Portfolio Management, Information Management	16	13	80%
Brian McCann	Executive Director	Portfolio Management, Information Management	14	8	80%
Robertus Prajogi	Executive Director	Portfolio Management, PEDM	15	12	100%
John Sweeney	Executive Director	Portfolio Management, Information Management	16	3	80%
David Taplitz	Executive Director 17	Portfolio Management 12	17	12	100%
Amanda Wilson	Executive Director	Portfolio Management	15	14	100%
Sandra Zablocki*	Executive Director	Portfolio Management, Information Management	33	33	80%
Fredric Arvinius	Vice President	Portfolio Management	7	6	100%
Julian Bostic	Vice President	Portfolio Management, Investor Relations	18	<1	80%
Carol Chen	Vice President	Portfolio Management	8	3	100%
Irene Koh	Vice President	Portfolio Management	13	5	100%
Courtney Mee	Vice President	Portfolio Management, Investor Relations	7	4	80%
Zachary Rocklin	Vice President	Portfolio Management, Information Management	14	7	80%
Mingzhu Tang	Vice President	Portfolio Management, Investor Relations	5	3	80%
Charles Willis Jr.	Vice President 14	13 Portfolio Management	14	13	100%

Jinghan Hao	Associate	Portfolio Management	2	<1	100%
Kashif Sweet	*Associate*	*Portfolio Management*	*5*	*<1*	*100%*
Jaclyn Pizzo	*Associate*	*Portfolio Management*	*4*	*<1*	*100%*
Stephanie Evans	*Analyst*	*Portfolio Management, Investor Relations*	*2*	*<1*	*80%*
Avneet Kochar	Regional Advisor	Portfolio Manager	17	<1	30%

*Members of the group with AT&T heritage
**Includes tenure with at AT&T and PEG

14. Firm staff and the private equity staff turnover:

	Firm-wide Employees		
Year	Firm-wide Employees	Firm-wide Employees Added	Firm-wide Employees Lost
Dec 31, 2008	15,137	71	172
Dec 31, 2009	14,756	38	137
Dec 31, 2010	16,891	93	111
Dec 31, 2011	18,343	90	102
Dec 31, 2012	18,523	64	115
Mar 31, 2013	18,697	14	21

As mentioned in Question 14, their Group is a cohesive team of investment professionals. Since the establishment of the PEG at JPMIM in 1997, they have continually expanded their Group by adding qualified investment professionals, and experienced no unexpected departures and do not anticipate any going forward.

	Private Equity Investment Professionals		
Year	Total Employees	Employees Added	Employees Lost
Dec 31, 2008	36	2	2
Dec 31, 2009	37	1	0
Dec 31, 2010	40	3	0
Dec 31, 2011	40	0	0
Dec 31, 2012	45	6	1
Mar 31, 2013	47	2	0

15. As of December 31, 2012, the number of accounts, assets under management, median account size, and number of portfolio managers in the Small/Mid Cap private equity product.

Small/Mid Cap Private Equity Capital Under Mgt	**Number of Investors**	**Median Client Size (USD million)**	**Largest Client Size**	**Number of Portfolio Mgrs***	**Number of Inv Analysts***
Corporate Finance I (75% US; 25% Non-US)	21	$14.6	$600.0	45	45
U.S. Corporate Finance II	21	$18.7	$350.0	45	45

U.S. Corporate Finance III	41	$10.0	$375.0	45	45
U.S. Corporate Finance IV	31	$12.5	$240.0	45	45
European Corporate Finance II	17	$6.3	$150.0	45	45
European Corporate Finance III	35	$5.0	$125.0	45	45
European Corporate Finance IV	19	$8.4	$200.0	45	45
Separate Accounts**	20	$196.0	$750.0	45	45

16. As of December 31, 2012, the small/mid cap private equity fund or fund of funds group, the fund name, size of the fund in millions of dollars, the number of clients, and client assets committed and invested.

Fund Name	Vintage Year	Size of Fund	# of Clients	Commitments	Invested to Date
Corporate Finance I (75% US; 25% Non-US)	1998	$1,718	21	$1,856	$1,779
U.S. Corporate Finance II	2002	$979	21	$1,060	$1,043
U.S. Corporate Finance III	2005	$1,522	41	$1,560	$1,526
U.S. Corporate Finance IV	2009	$1,192	31	$934	$556
European Corporate Finance II	2002	$400	17	$428	$441
European Corporate Finance III	2006	$512	35	$538	$452
European Corporate Finance IV	2008	$678	19	$435	$193
Separate Accounts**	1998	$5,066	20	$2,684	$1,813

17. Firm's funds or fund-of-funds product(s) currently open for investment or soon to be open for investment.

PE Fund Name	Expected Fund Size at Final Close (USD MM)	Expected Number of Investors	Expected Final Closing Date	Minimum Investment Size (USD MM)
Global Private Equity	$500MM	15-20	2H 2014	$10MM, subject to waiver
U.S. Corporate Finance V	$750MM	15-20	2H 2014	$10MM, subject to waiver
European Corporate Finance V	$500MM	15-20	2H 2014	$10MM, subject to waiver
Venture Capital V	$600MM	15-20	2H 2014	$10MM, subject to waiver

18. What percentage will the largest single investor represent in the new fund? Name and expected commitment for this investor.

Historically, the largest investor in their previous funds has represented approximately 25% of the total commitment. With respect to Funds V, they would not anticipate a single investor to represent more 20% of the total commitment amount.

19. Does the firm allow coinvestment opportunities?

Members of their Group Members of their Group have been making direct investments since 1988. Our strategy for making direct investments is to leverage relationships with fund sponsors in order to identify attractive investment opportunities at reasonable valuations. In addition to providing a return benefit, making direct investments provide an avenue for their team to work side-by-side with their private equity partners, furthering their relationship and offering a first hand view of how their partners add value to portfolio companies. They have deployed more than $2.8 billion to direct investments since 1988, adding value to the Funds and their clients' portfolios.
As mentioned in Question 12, the U.S. and European Corporate Finance V Funds allow up to a 35% allocation to direct co-investments and secondary investments. The majority of investments are made to primary partnerships, managed by external private equity sponsors. Historically, these partnership investments have represented at approximately 75% of the corporate finance programs. They would propose to implement direct investments in a separate account structure as well.

20. How the firm defines small/mid cap private equity:

Generally, they define the small to mid-cap private equity market as fund sizes of less than $2B and targeting companies with revenues of less than $300MM. Between 2002 and 2012, 80% of the buyout funds they invested in had fund sizes under $1 billion. They feel that the small to mid-market is a vast opportunity set and offers greater potential for multiple expansion and outperformance than do the large and mega private equity markets.

21. Investment philosophy/strategy, style and distinguishing characteristics of this product:

They fundamentally believe that private equity investments should provide return enhancement to an overall public equity portfolio. Our stated return objective is 500 basis points over that broad public equity portfolio, and they target to achieve top quartile performance. Given such philosophy, their objective is simply to invest with the best general partners that have meaningful and specific relationships and expertise enabling them to access/develop the best companies with the best entrepreneurs and management teams. They are a bottom-up, opportunistic investor with limited constraints or pre-set allocations in all private equity investment types, styles, stages of business development, industry sectors, geographical locations, and all market environments. They seek to have broad diversification and allocations to sectors that may shift over time depending on the market opportunity. This investment philosophy and strategy has remained consistent since inception.

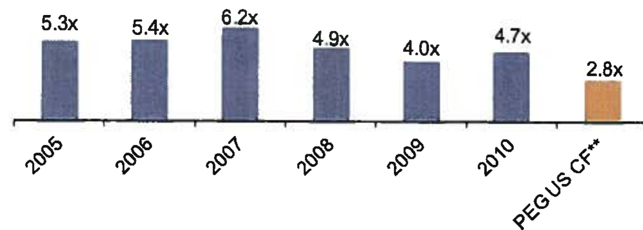
Our corporate finance focus has been on high-growth oriented investments, typically generated through acquisition, fundamental business change, or top line growth. The underlying portfolio company investments may encompass equity capital for acquisition transactions and management buy-outs or buy-ins; industry consolidations and build-ups; refinancing and recapitalizations; and growth equity investments in companies.

While their portfolios cross industry sectors and stages of business development, the majority of their focus has been in the small to medium-sized end of the global buyout market. Such preference stems from their desire to provide investors with consistent, long-term outperformance through company growth, and to work with General Partners that have a strong alignment of interest with their investors. This sector of the marketplace is also characterized by a very large opportunity set, and the generally less risky balance sheets of those companies as purchase price multiples are lower and leverage is not as prevalent as that in larger companies. Please refer to the chart below for their U.S. corporate finance partnerships investments over the past decade.

U.S. corporate finance primary partnership investments made in 2002-2012 period

Fund Size	Partnerships #	%
< $500mm	51	60%
$500mm – $1.0bn	17	20%
$1.0 – $1.5bn	4	5%
$1.5bn – $3.0bn	7	8%
$3.0bn – $5.0bn	6	7%
> $5.0bn	0	0%

U.S. LBO loans* vs. PEG U.S. Corporate Finance** investments in vintage years 2005 – 2010, as of 9/30/2012



*Source: S&P Leverage Buyout Review, average debt multiples of large LBO loans, defined as issuers with EBITDA of more than $50mm excluding media and telecom loans, as of 9/30/2012.

**Based on weighted average leverage multiples across J.P. Morgan's U.S. Corporate Finance III (vintage years 2005-2010) as of 9/30/2012; represents 77% of underlying holdings. Past performance is no guarantee of future results.

Furthermore, in 2006, 2007, and 2008, when investing in the large/mega buyout space seemed commonplace and deals were highly priced and aggressively levered, they slowed down their commitment pace, maintained a focus on experienced general partners working locally and regionally, investing in high quality businesses purchased at reasonable prices and utilizing modest level. As an example, their portfolio companies in U.S. Corporate Finance during vintage year 2005 to 2010 have a net debt/EBITDA multiple of 2.8x compared to 5.1x average of LBO loans during that time period.

With regard to European Corporate Finance, their strategy evolution has continued to be relatively smaller allocations to pan-European firms and greater allocation to regional and country-specific funds. Such investment shift has been made as many of the pan-European funds were migrating to the very large transaction size, while the smaller more niche geographic-specific firms were building their franchise and entering into transactions that they viewed as having better risk/return characteristics. These more regional firms have also benefited from the broader acceptance of
private equity in general as it has attracted many smaller and mid-sized businesses to private equity that in

Corporate finance performance as of December 31, 2012

Performance relative to peer universe[1] over the past 10 years:

	1st Quartile	2nd Quartile	3rd Quartile	4th Quartile
Number of Vintage Years	8	2	0	0

Vintage year performance relative to public indices[2] over the past 10 years:

- Average spread of 1,259 basis points relative to the S&P 500
- Average spread of 1,369 basis points relative to the MSCI Europe

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
JPM PEG IRR	34.6%	23.8%	13.6%	11.2%	9.1%	5.6%	29.2%	34.5%	35.6%	17.5%	30.1%
S&P 500 IRR	27.7%	7.9%	3.2%	3.3%	4.4%	4.9%	9.7%	15.3%	12.6%	10.6%	6.5%
Spread (bps)	688	1,589	1,037	787	470	65	1,949	1,918	2,304	685	2,353
MSCI Europe	30.5%	15.0%	2.9%	1.4%	0.2%	0.2%	3.0%	9.6%	5.8%	7.7%	17.9%
Spread (bps)	408	886	1070	974	887	543	2,621	2,488	2,979	981	1,219

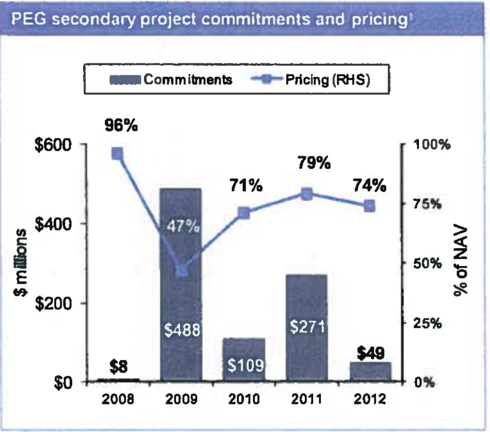
[1] Venture Economics, Corporate Finance (buyout, mezzanine, distressed, other private equity), All Regions as of 12/31/2012

[2] Public benchmark returns calculated with actual timing and dollar amounts of PEG portfolio cash flows in and out of the respective index. Includes corporate finance investments in partnership, secondary and direct investments for commingled funds, separate accounts, and employee vehicle. Net of underlying investment fees and expenses; gross of Advisor fees; if Advisor fees were included, returns would be lower.

Past performance is no guarantee of future results.

Secondaries and Direct investments
The Private Equity Group actively pursues secondary and direct investments, alongside their private equity partners. Such investments are viewed opportunistically and are expected to be return enhancing to the overall portfolio. Our approach is to proactively source opportunities from their networks of GPs, LPs and intermediaries, but only select those investments they have high conviction of being return enhancing to their total portfolio.

As an example, in 2007 and 2008, at the 'peak of the market', they made almost no secondary investments; many transactions during that period were priced at premiums to NAV. In late 2008 and early 2009, when the secondary price fell drastically, they proactively purchased secondary interests at attractive pricing, normally at significant discount to NAV. Since the economy stabilized in 2010, they completed fewer deals as the bid prices increased and relative quality of secondary opportunities declined.



Overview of secondary projects evaluated by PEG[2]

	2009	2010	2011	2012
Secondary projects reviewed	109	95	85	97
Secondary commitments made	16	4	8	3
Underlying partnership investments[3]	96	14	14	6
Average funded at time of purchase	*70%*	*67%*	*74%*	*91%*
Average purchase price as % of NAV[1]	*47%*	*71%*	*79%*	*74%*
IRR[4]	33.8%	31.5%	33.5%	97.6%

[1]Relates to secondary projects committed to by PEG portfolios in each calendar year. Certain underlying partnerships of a given secondary project may have closed in the following calendar year. 2011 commitment and pricing does not include Project G, which has a deferred payment component. There can be no assurance that the same market or investment conditions that will exist at the time PEG makes secondary investments.
[2]This information is included solely to illustrate the investment process and strategies which have been utilized by PEG.
[3]Represents total number of underlying partnership or direct company investments committed to by PEG portfolio in each calendar year. Certain underlying partnerships may have closed in the following calendar year.
[4]Net of underlying fees and expenses, gross of Advisor fees; if Advisor fees were included, returns would be lower. Past performance is no guarantee of future results

Our strategy for making direct investments is to leverage relationships with fund sponsors in order to identify attractive investment opportunities at reasonable valuations. In addition to providing a return benefit, making direct investments provide an avenue for their team to work side-by-side with their private equity partners, furthering their relationship and offering a first hand view of how their partners add value to portfolio companies. Our network and relationships provides significant deal flow. Since 2008 to the end of 2012, they have reviewed 495 direct investment opportunities, performing due diligence on 331, and closing on 30 investments.

Global investment coverage
Since 1980, they have continually reviewed the global private equity markets, identified and built relationships with the most capable private equity investors in these markets, and as a result, have been able to provide return enhancing investments to their clients. Our Group began investing in the U.S. in 1980, Europe in 1983 and Asia in 1985.

Our investment opportunity set is global in nature and they continually visit geographic areas, assess capital market and legal/tax/regulatory conditions. While reviewing potential investments they take into consideration factors such as the economic structure of the country or region, the political structure of the country in which portfolio companies will operate, any cultural or social issues, a country's legal and regulatory system, a country/region's tax structure, as well as the development and depth of the country/region's money, debt and equity markets. Facilitating their review of all geographical locations, J.P. Morgan Asset Management has investment management offices in 40 offices around the world.

Region	Year of first investment
North America	1980
Western Europe	1983
Japan	1985
Eastern Europe	1992
Asia ex Japan	1994
Israel	1997
South America	1997

Investment Process

Our approach is to proactively source and review all available opportunities. They dedicate their resources at every level to actively source deals and ensure that they identify every group possessing unique skills or differentiated strategies relevant to their clients. They also proactively track when managers are anticipated to be considering fundraising. In fact, they review, on average, 500 investment opportunities each year from numerous sources including, directly from private equity firms, their network, and intermediaries. They employ a sophisticated database to track the source and outcome of each offer. Our success in this area is a result of their long-standing dedication to the asset class and capacity to review every relevant opportunity. This sourcing effort is a fluid process. If deal flow generation is not working in one aspect, they employ other avenues of access until they are successful.

Once they identify a potential investment opportunity, the offering is logged into the new proposal log and reviewed during the team's global weekly meeting. The portfolio manager with the most relevant experience is assigned to review the offering and make a determinant as to whether or not the proposal warrants further review.

If the Group decides not to proceed, a response is made to the respective party, and log is updated. Factors leading to the rejection of a proposal at this stage include the lack of differentiated investment strategy, inconsistencies between projected strategy and past experience, insufficient or poor track record, and limited experience of the principals.

If the proposal warrants further review, a deal team consisting of 3-5 portfolio managers lead further due diligence. This includes visiting companies, meeting with the partnership group and investment teams, extensive background checks of the investment professionals, and thorough analysis of the investment process, past transactions, and the overall industry segment. Through this process, the Group acquires an understanding of the investment philosophy of the fund sponsor, the discipline with which the philosophy is implemented, and the dynamics of the sponsor's organization in order to evaluate the sponsor's ability to generate sustainable deal flow and attractive risk-adjusted returns. Given their belief that every investment decision they make should benefit from the collective knowledge of their entire Group, globally, it is often the case that a deal has "touched" 10-12 portfolio managers before they make their final decision. These touches include extensive "off sheet" reference calls.

Leveraging internal and external resources to develop a comprehensive understanding of all aspects of the potential partnership investment, the deal team writes a report identifying the pros and cons of the investment. This report is the basis for discussing the investment with the Group. Specific factors reviewed and documented include background of individuals, status of general partner, deal flow, performance track record, and Investment strategy. Additionally, they also examine factors which have the potential to affect the private equity investments, such as economic environment, political environment, cultural/social issues, legal/regulatory system, taxes, and financial markets etc.

Upon approval of an investment, the assigned professionals from the Group will work with the general partner and legal counsel on the official documents. Once terms have been agreed to and the commitment has been made, the due diligence does not end. The members of their Group sit on over 200 Advisory Boards and continuously monitor their investments.

Distinguishing Characteristics

Our private equity program is one of the largest and most successful programs in the industry, and is led by an experienced, cohesive team of dedicated private equity investment professionals. They strongly believe that their team has the experience, knowledge, investment reputation, resources and dedication to provide the most comprehensive, flexible program and consistently superior performance in the private equity fund of funds marketplace. Distinguishing characteristics of their team that differentiate them from their competitors are listed below.

Superior Performance

The global private equity investments of their Group have delivered top quartile performance for 19 years of the past 25 years and second quartile for the remaining 6 years. Since 2002, their Group has outperformed the S&P 500 and MSCI World index by an average of 823 basis points and 980 basis points, respectively, each per year.

Access to top-tier funds

Given their team's long history of active investment in the private equity marketplace, they have access to top tier funds, many of which do not have allocations available for new investors. They have consistently partnered with top quartile groups who continue to outperform the private equity market. They also have established ourselves as preferred partners with the requisite financial and human resources to be lead investors. Our reputation and continued dedication to this asset class are second to none and have enabled them to obtain sizeable allocations to over-subscribed partnerships, participate in direct and secondary investment opportunities, and negotiate favorable terms, fees, and carry on behalf of their investors. Corporate Finance firms included in this list* are groups (many with whom they invested in their first time fund) such as:

Representative PEG European corporate finance investments

Name	Geographic focus	Sub-strategy	Industry focus	Recent fund size	Notable portfolio company investments	PEG relationship established
Bowmark	UK	Lower mid-market buyouts	Business services, healthcare, leisure, IT services	£265m	education, data explorers	2004
Chequers	France and Germany	Mid-market buyouts	Broad with focus on business services and distribution	€850m	Accelya, Tractel, ALMA	2002
Ciclad	France	Small buyouts and growth capital	Broad with focus on B2B	€150m	matest	2011
ECI	UK	Lower mid-market growth buyouts	Outsourcing, business services, leisure and IT services	£436m	RACAL ACOUSTICS, ClarityBlue, Premier Care	1987
Elbrus	Russia and CIS	Buy and build and growth buyouts	Business services, consumer, healthcare and education	US$300m	UTH, mail.ru, Blesk InCare	2011
Inflexion	UK	Lower mid-market buyouts	Niche, sector leading business in various industries	£375m	VIKING MOORINGS, acis	2010
Litorina	Sweden	Lower mid-market buyouts	Consumer, industrial and services	SEK2.5bn (≈€250m)	QMATIC, LGT	2010
Waterland	Benelux and Germany	Mid market buy and build	Aging population, outsourcing, sustainability	€1.1bn	AML, globalcollect, intertrust	2002

Representative PEG U.S. corporate finance investments

Name	Sub-strategy	Industry focus	Recent fund size	Notable portfolio company investments	PEG relationship established	PEG directs & secondaries
Brynwood	Small buyout	Consumer products, light manufacturing, services, specialty retail	$300-$500mm	High Ridge	2000	3
Genstar	Middle-market buyout	Life sciences, health services, software, industrial technology	$500mm-$1bn	PRA, Confie, MW	2004	2
Goode	Lower middle-market growth equity, buyout	Consumer brands and services	$200-300mm	Rosa Mexicano, Intermix, Skullcandy	1994 SKM 2007 Goode inception	4
GTCR	Industry consolidation	Healthcare, information technology, financial services, growth business services	$2-$3bn	zayo, cellnet, FundTech	1980	8
KarpReilly	Middle-market growth equity, buyouts	Specialty retailers, restaurants, apparel and branded products	$150-$250mm	Sprinkles, Habit Burger Grill, Zupas	1989 SKM 2007 KarpReilly inception	3
Kinderhook	Middle-market buyout	Business services, light manufacturing, retail, healthcare	$200-$300mm		2003	4
Trumpet	Mid-market growth	Consumer products, business services, specialty retail	$150-$200mm	Crowe Paradis, Crossmedia, SOI	2005	1
Thoma Bravo	Industry consolidation and growth	Business services, software and consumer products	$750mm-$1.5bn	SonicWall, Flexera, Deltek, Datatel, Blue Coat	1980 GTCR 2008 Thoma Bravo inception	6

These examples are included solely to illustrate strategies which have been utilized by PEG; they do not represent investments in the Fund. The manager seeks to achieve the stated objectives. There can be no guarantee those objectives will be met.

Cohesive team with significant private equity experience and insight

Our Group is built on continuity and experience. Our investment track record goes back more than 30 years and the investment professionals to which those returns are largely attributed continue to be meaningful and active team members today. They have been thoughtful in their approach to selectively add to their team which is reflected by the 24 year average tenure of their senior portfolio managers. Our deep insights and strong relationships across the private equity market has led to successfully accessing top quartile and oversubscribed funds, securing exclusive direct and secondary investment opportunities, and negotiating favorable terms on behalf of their investors.

Willingness to over-or under-weight sectors and strategies

While their portfolios have appropriate diversification, given their philosophy to invest in opportunities offering the most compelling risk/returns, they have consciously and tactically moved in and out of sectors and strategies. This approach has been a positive contributor to their investors' portfolios. Examples include capitalizing on the dislocation in the secondary market in late 2008 to early 2009 when secondary price fell drastically, their opportunistic allocation to distressed equity or turn-around investments or investments with an imbedded asset for downside protection during periods of distress, slowing their investment pace and staying away from highly priced, leveraged transactions during 2006-2008, and their conscious decision to overweight China relative to India in the early 2000s.

Investor-centered program

They have made a strong commitment to developing and building relationships with their investors. They have worked closely with a number of their investors assisting them in their understanding of the private equity marketplace, asset allocation to private equity within the context of their overall portfolio, and management for cash flow and liquidity impact of an allocation to private equity. Our program is flexible enough to provide their investors the ability to set their preferred asset allocation to sectors of the private equity marketplace and geographic locations of investment.

They believe their solid relationship with their investors starts with providing comprehensive reporting. All reports are delivered in both electronic format and hard copy, and are accessible via a dedicated investor-only website. They provide monthly transaction reports, quarterly investment reports that provide detailed performance and all underlying portfolio companies, quarterly web-cast investor forums, and an annual investor meeting.

22. Bias toward any market segments:

As mentioned earlier, the core of their portfolio strategy is to be opportunistic in selecting attractive investments. As such they do not set pre-determined allocations to specific sub strategies. Our U.S. and European Corporate Finance V portfolios will stay focused on small to mid-market investment

opportunities in the U.S. and developed Europe respectively. Additionally, the portfolios will have broad diversification and allocations to sectors that may shift over time depending on the market opportunity set. As example, U.S. Corporate Finance program starting in early 2002 had an 11% allocation to distressed equity or General Partners that focus on turn-around investments or investments with an imbedded asset for downside protection. These opportunities were very attractive at the outset of this fund's life in 2002 and have, to date, performed well on behalf of the fund. General Partners that are in included in this category are KPS Special Situations and H.I.G. Bayside.

23. Expected period of investment for the proposed fund(s).

Our Funds V will target a 3 year commitment period, with a maximum of 5 years. An extension of the investment period would be due to a relative lack of high quality investment opportunities for some period of time. Such a circumstance may be do to broad market factors or the pace by which quality private equity firms seek to raise capital. Vintage year diversification has the benefit of constructing a portfolio in various phases of the economic cycle, thereby adding a degree of protection against unfavorable economic conditions. It is their practice to be proactive in communicating with investors with respect to investment pace and opportunities, as well as details of investments made and their progress.

24. General Partner's commitment in the fund:

As members of the Private Equity Group, they are owners of their business through alignment with their investors via their employee co-investment program and compensation structure. A set annual percentage (1.25%*) of each investment made by the Group is allocated to this employee fund vehicle, and it represents a significant portion of the Group professionals' after-tax income. Additionally, their Group members receive 60% of any incentive fees earned. These earnings are distributed broadly among the team, including junior and administrative staff. The carried interest earnings vest over a four year period in a straight line fashion.

**Allocation percentage is reviewed each calendar year; it is currently 1.25%. It has been at or above 1% for the past 6 years and is expected to remain at or above that level.*

25. What is the firm's investment universe? How many investment opportunities are evaluated each year?

Given their team's long history of active investment in the private equity marketplace, they have access to top tier funds, many of which do not have allocations available for new investors. They have consistently partnered with top groups who have the ability to outperform the private equity market. They have also established ourselves as preferred partners with the requisite financial and human resources to be lead investors. Our reputation and continued dedication to this asset class are second to none and have enabled them to obtain sizeable allocations to over-subscribed partnerships, participate in direct and secondary investment opportunities, and negotiate favorable terms, fees, and carry on behalf of their investors. Included in this list are groups (many with whom they invested in their "first time fund") such as:

Investment opportunities are received by the PEG from numerous sources including, directly from private equity groups raising money, the PEG network, and other intermediaries. The Group's team reviews, on average, more than 400 potential investment opportunities each year that cover the entire spectrum of private equity investments. The deal log as below is also indication of their deal sourcing capability. Our objective is to actively pursue opportunities to ensure that the Group's professionals see all the available opportunities in the marketplace. No portion of the due diligence process is outsourced or subcontracted. As necessary to assess the investment opportunity, the team will ask questions of external parties with knowledge relevant to the investment decision (e.g., relationship with the General Partners, expertise in a particular industry, etc.) and will consult with outside legal counsel in reviewing the investment documents.

Each year their Group reviews on average, more than 500 investment opportunities. These opportunities are received from numerous sources including from private equity groups raising money, the PEG network, or other intermediaries. Our GP network and relationships going back over 30 years provides significant deal flow. Please refer to the chart below which shows recent deal flow by strategy.

Representative deal log from January 1, 2008 – December 31, 2012

U.S. Corporate Finance	European Corporate Finance	Venture Capital	Asia	Emerging Managers	Secondaries*	Direct Investments
567 offerings reviewed	225 offerings reviewed	708 offerings reviewed	438 offerings reviewed	771 offerings reviewed	447 offerings reviewed	495 offerings reviewed
301 due diligence	123 due diligence	397 due diligence	253 due diligence	389 due diligence		331 due diligence
33 investments	15 investments	50 investments	25 investments	74 investments	33 investments	30 investments

*Represents Projects, not underlying partnerships
Includes investments pending legal close

Our Group systematically captures and tracks their investment offerings. All relevant details of the offering are entered into the system and a weekly report of these details is produced. This report is reviewed during their Group's weekly team meeting, and the Portfolio Manager with the most appropriate experience or knowledge of a particular offering is assigned to lead a review of that opportunity. Our sourcing results are made available to their investors and reviewed as part of their annual meeting each spring and discussed yearly at their fall offsite.

Our Group thus dedicates resources at every level to actively source deals. Our success in this area is a result of their long-standing dedication to the asset class and desire and capacity to review every relevant opportunity. They devote their sourcing efforts to capturing opportunities. This is a fluid process. If deal flow generation is not working in one aspect, they employ other avenues of access until they are successful.

Our team actively cold calls firms within specific target sectors. For example, while researching the Nordic market, they identified Segulah as a potential investment target and began a dialogue. When Segulah later began fund raising, their Group was already positioned as a knowledgeable and interested investor. They were "invited" to conduct due diligence and secured a sizable allocation in a top firm that was heavily oversubscribed. Without that early identification and relationship building, even the ability to conduct official due diligence would not have been granted. Our relationship building skills were instrumental in securing a sizable allocation to their heavily oversubscribed fund.

Additionally, their Group has developed an efficient back office process by utilizing a key tool in the investment processing areas of Investment Opportunities and Documentation, and Investment and Portfolio Company Tracking, called the Private i system provided by the Burgiss Group. Each investment opportunity obtained by their Group is logged in their private equity processing and tracking system, Private i. All relevant details of the offering are entered into the system and a weekly report of these details is produced. This report is reviewed during their Group's weekly team meeting, and the Portfolio Manager with the most appropriate experience or knowledge of a particular offering is assigned to lead a review of that opportunity. Our sourcing results are made available to their investors and reviewed as part of their annual meeting each spring and discussed yearly at their fall offsite.

Our Group thus dedicates resources at every level to actively source deals. Our success in this area is a result of their long-standing dedication to the asset class and desire and capacity to review every relevant opportunity. They devote their sourcing efforts to capturing opportunities. This is a fluid process. If deal flow generation is not working in one aspect, they employ other avenues of access until they are successful.

26. How are investments evaluated?

Once they identify a potential investment opportunity through the receipt of offering materials, proactive sourcing and tracking of when managers are anticipated to be considering a fundraise, a designated member of the Group records the offering into the new proposal log. The newly logged offerings are reviewed during the team's global weekly meeting. At that time, a portfolio manager is assigned to review the offering and make a determinant as to whether or not the proposal warrants further review.

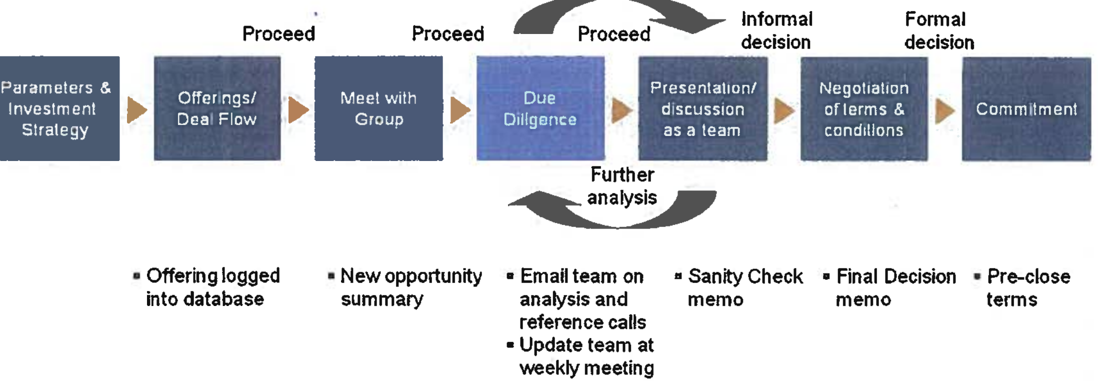
If the Group decides not to proceed, a letter is sent or a call is made to the respective party, and the offering is filed and logged as a pass in the new proposal log. Factors leading to the rejection of a proposal at this stage include the lack of differentiated investment strategy, inconsistencies between projected strategy and past experience, insufficient or poor track record, and limited experience of the principals.

If the proposal warrants further review, a meeting will be scheduled and further due diligence is conducted. Further due diligence on prospective investments includes visiting companies, meeting with the partnership group and investment teams, extensive background checks of the investment professionals, and thorough analysis of the investment process, past transactions, and the overall industry segment. Through this due diligence process, the Group acquires an understanding of the investment philosophy of the fund sponsor, the discipline with which the philosophy is implemented, and the dynamics of the sponsor's organization in order to evaluate the sponsor's ability to generate sustainable deal flow and attractive risk-adjusted returns.

The Group's professionals with the most relevant experience are assigned responsibility for conducting this due diligence on an offering. Leveraging internal and external resources to develop a comprehensive understanding of all aspects of the potential partnership investment, these professionals write a recommendation identifying the pros and cons of the investment. This recommendation is the basis for discussing the investment with the entire Group at its weekly staff meeting.

The Group's investment committee includes their global team of investment professionals. The Private Equity Group has a consensus-driven decision making process. The team's decision making process is designed and organized to maximize the benefits of both individual initiative and group interaction, avoiding "management by committee," while assuring consistent investment policy and strategy. Investments are made by super majority (80%+), whereby there is no material dissent from team members. Investment decisions are made at their weekly team meetings and each investment professionals in the Group is encouraged to voice his/her opinion at the meeting. No person outside the Private Equity Group has any vote or influence on these meetings or the decisions taken at these meetings. Full participation is given at these meetings as their Group personally invests alongside their clients in every investment.

The diagram below gives a high level summary of their investment process:



27. Process of monitoring the investments held in current funds:

The Private Equity Group professionals are active investors who seek to add value to partnerships in a variety of ways during their monitoring process, including acting as a lead investor, serving on advisory boards, and maintaining a dialogue with fund sponsors regarding their strategies and investment decisions. Through these activities, the Group has established a reputation as a group of thorough investors.

Serving on Advisory Boards
Serving on a partnership's Advisory Board is the most effective method to monitor an investment and to develop closer relationships with the general partners. The Group attends Advisory Board meetings and provides advice on several issues pertaining to clients' limited partnership interests including:

- Valuation methodologies
- Future fund-raising plans
- Distribution policies
- Changes to investment strategy
- Cash management
- Potential conflicts of interest
- Private equity trends

Members of the team currently serve on over 200 Advisory Boards.

The following example illustrates an instance in which the Group's participation on an advisory board added value to investors. This example relates to a venture capital firm that has a niche strategy of investing within its state. During an advisory board meeting, the general partner put forth a proposal that the group expand its investment activity not only out of state, but to include investments in Mexico. As a result of the Group's arguments to the contrary, the general partner decided not to pursue this expanded strategy and to instead remain focused in their niche. Today, this firm is one of the most profitable niche venture capital funds.

Serving on Corporate Boards of Directors
In each direct investment, the Group will seek to obtain management rights, including either a seat or observer rights on a company's Board of Directors. A Group professional constantly evaluates the status of the company, reviews financial statements, and stays in close contact with the general partner or sponsor of the transaction. This enables the Group investment professionals to identify any potential problems at an early stage so that timely corrective action can be taken and prepares the Group to make future investment decisions (e.g. whether to make an additional investment or convert securities).

Attendance at annual and quarterly meetings
A member of the Group attends annual and quarterly meetings for each partnership in which clients have an investment, and provides a summary meeting report to the rest of the team. Annual meetings typically provide important information including the status of portfolio companies, upcoming liquidity events, and changes in the partnership's strategy or personnel. This information is critical to monitoring client private equity commitments and provides a basis with which to compare other partnerships and identify key trends in the industry.

The Group also adds value through the negotiation process. The Group negotiated the partnership of a newly formed venture capital fund, which was seeking a lead investor who would attract other investors into the fund. In return for the Group's assistance and commitment to the fund, the venture capital fund offered favourable economics to the Group, as well as accepting significant comments on the partnership agreement.

The Group professionals also maintain a constant dialogue with the management team and general partners of investments in order to keep abreast of the progress of portfolio companies and the pace of investment.

Further, they require each General Partner to provide, at a minimum, full and comprehensive quarterly

report which includes a review of the investment portfolio, a detailed update on each underlying investment including industry sector, cost and current value, as well as detailed financial statements. Audited financial statements are provided on an annual basis. Additionally, they solicit verbal reports from each Partner generally on a monthly basis. These updates and reports are utilized to populate their systems and then to provide detailed reporting to their investors including performance information represented by the IRR and MOIC (multiple on invested capital).

The Portfolio Manager(s) assigned to each investment are responsible for monitoring that investment throughout its term. This includes sitting on the partnership's advisory board.

28. Firm's investment database of potential investments:

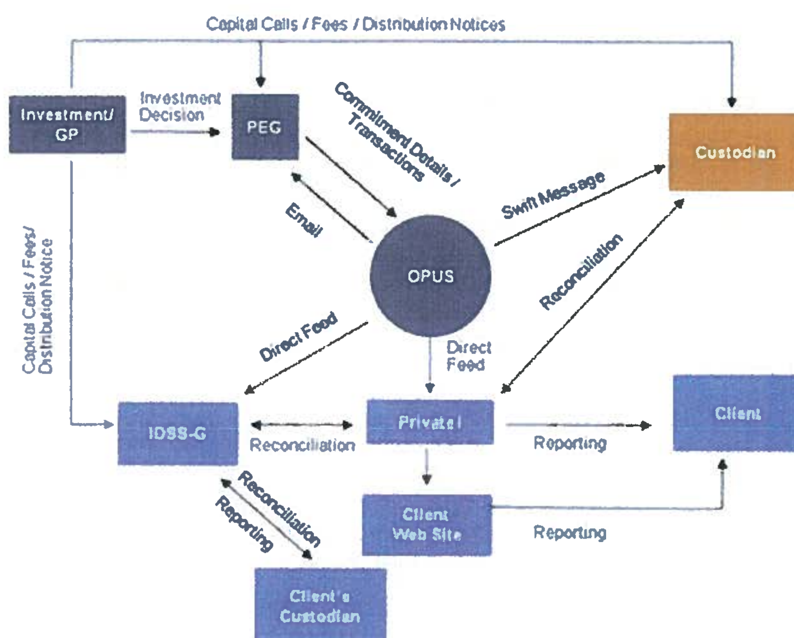
Investment Opportunities
Each investment opportunity obtained by their Group is logged in their private equity processing and tracking system, Private i. All relevant details of the offering are entered into the system and a weekly report of these details is produced. This report is reviewed during their Group's weekly team meeting, and the Portfolio Manager with the most appropriate experience or knowledge of a particular offering is assigned to lead a review of that opportunity. Private i is then updated with that Portfolio Manager's name and a letter is sent to advise the General Partner or Placement Agent of the assignment.

The Portfolio Manager leading the analysis of the offering will take an initial review of the opportunity and report back to the Group as to whether the opportunity merits further review and due diligence. At each stage in the due diligence and review process, Private i is updated with the lead Portfolio Manager's notes.

Investment and Portfolio Company Tracking
Following the closing of an investment, that investment is tracked on the Private i system. The original reports are placed in the investment's central file. One copy of each report is provided to the Private i staff who input and update the underlying details of each investment into the system. These data are reconciled with the information maintained by their custodian, who also receives copies of the investment reports for both investment tracking and financial statement review purposes.
Each capital call, distribution and fee notice received from an investment is also logged into Private i and, through instructions to their custodian, logged onto their system. These cash movements are reconciled against their cash account and with the investment financial statements. Performance can then be calculated both at the level of each investment and across the aggregate portfolio through both Private i and the custodian's system providing an additional check and balance. Our external auditors audit these cash movements, accounts and performance calculations on an annual basis.
They also maintain a robust and efficient document retention system, Docushare, also created and maintained by the Burgiss Group. This system allows them to track and easily access quarterly reports, audited financials and other GP/management correspondence for all of their underlying investments. All documents received from their GP's are scanned and saved into the system.

J.P. Morgan Asset Management maintains portfolios on their in-house proprietary reporting and accounting system. This system stores basic client profile information, accepts input for transactions executed and accounts for holdings on a trade-date, fully accrued basis. This multi-currency system stores basic client profile information, accepts input for transactions executed and accounts for holdings on a trade-date, fully-accrued basis. Built around these fundamental capabilities is an extensive range of information distribution tools (e.g., screens and reports), regulatory reporting modules, specialized functions to support and optimize operational flows, portfolio analytic tools, and a comprehensive investment performance measurement module. Underlying these functions are information bases containing, among other things, descriptive data in historical time series, fundamental company information, proprietary research information, and historical transaction information.

The diagram below gives a pictorial view of their procedures and capabilities for processing, tracking, reconciling and reporting cash movements and commitment information. This is a longstanding, proven process that the Group has followed consistently to ensure control and accuracy in the management of key transactional information.



29. Describe the fund or fund of fund portfolio construction process.

They take a consultative approach in working with clients to help them maintain a forward-looking, return-enhancing philosophy to the private equity portfolio. That goal will be accomplished with on-going reviews that are both qualitative and quantitative diagnostics of the existing portfolio, including commitment and cash flow modeling as well as diversification analysis by sector, stage, industry and geography. Forward looking market views each diversification parameter will support the near- and longer-term objectives for target diversification.

Portfolio construction is a combination of numerous factors including current exposure, capacity, market opportunity, strategy and vintage year diversification, access, risk tolerance, and return expectations. Nevertheless, the single most important factor for private equity continues to be investing with the best managers, and any portfolio review would necessarily start with an assessment of the existing general partners.

Generally, they believe the best results are achieved without rigid pre-determined allocations to sub-strategies within private equity. Yet, they are sensitive to a client's desire to access specific markets. They are well versed in these opportunistic strategies, including analyzing direct and secondary investments, as well as emerging markets, managers and other niche strategies that can reduce the j-curve, limit blind-pool risk and take advantage cyclical and/or structural changes in various sectors, while diversifying away unnecessary risk.

They have the ability to customize allocations to suit each investor's preference. Our Group understands that every client is different and with that comes unique needs which may evolve over time. As an example, their relationship with Client A started off as a monitoring relationship, when they took over their existing private equity portfolio as a fiduciary for oversight and administration. They began the relationship with extensive modeling and stress testing of their existing portfolio to determine the current value and projected future value. Additionally, Portfolio Managers with expertise in certain areas of their portfolio due diligence specific funds and categorized both the qualitative and quantitative risks in their existing portfolio. Based on their collective findings, they analyzed the secondary market at the time and ultimately recommended and worked with Client A to opportunistically sell and de-risk their portfolio. They indentified potential buyers and gave advice, as a fiduciary, to Client A regarding these buyers as well as

ways to structure the transaction. Furthermore, when Client A decided to make new private equity commitments, they created asset allocation models to determine commitment requirements to meet their target allocation. The relationship continues today with Client A.
They leverage their internal and external resources to develop a comprehensive understanding of all aspects of the potential partnership investment. The Private Equity professionals leading the diligence prepares the due diligence package identifying the pros and cons of the investment. This recommendation is the basis for discussing the investment with the entire Group at its weekly meeting. The consensus approval of the members of the Group is required before a commitment is made. Through this due diligence process, the Group acquires an understanding of the investment philosophy of the fund sponsor, the discipline with which the philosophy is implemented, and the dynamics of the sponsor's organization in order to evaluate the sponsor's ability to generate sustainable deal flow and attractive risk-adjusted returns.

30. Target a level of return or risk:

They base their expected return along three lines: against a broad public equity market benchmark comparable to that which the investor utilizes for their public equity portfolio; as a multiple of capital returned; and in comparison to a broad set of other private equity investments such as the returns compiled and reported by the private equity peer universe (e.g. Venture Economics, Cambridge, etc). Our corresponding targets for each of these methods are as follows:

- Public Equities: 500 basis points over the applicable benchmark (i.e. S&P 500 for U.S. Corporate Finance; MSCI Europe for European Corporate Finance; NASDAQ for Venture Capital), net of all fees, expenses and carried interest
- Multiples of capital: 2.0x invested capital
- Private Equity peer universe (e.g. Cambridge, Venture Economics): top quartile

31. Private equity investment types (i.e. venture capital, growth equity, buyouts, distressed, etc.) are included in a typical portfolio:

U.S. Corporate Finance V and European Corporate Finance V are expected to focus on investments in existing private companies expanding through growth strategies or fundamental business change, with a strong emphasis on small and mid-sized firms with teams that are local or regionally focused. Venture Capital V will be a global fund with a primary focus on early stage investments, emphasizing companies at their seed or start-up phase

Our goal is to ensure they provide their investors with a diversified portfolio strategy that seeks to selectively identify and target private equity investments across all types (partnership, direct, and secondary investments), stages of business development, industry sectors, and geographical locations.

Within each fund, the majority of investments are made to limited partnerships, managed by external private equity sponsors. Historically, these partnership investments have represented at least 75% of the corporate finance programs and 80% of the venture capital program. The remaining capital is opportunistically invested in direct co-investments and/or secondary partnership investments. No single partnership investment will exceed 15% of the overall fund size.

32. Preferred benchmarks:

As it relates to performance benchmarking, there are two general choices for a benchmark: a Public Index or a Private Equity Specific benchmark. A brief discussion of the pros/cons involved with each follows:

Public Index
The Public Index benchmark directly measures the benefit of including PE versus other investment alternative. Specifically, it measures what the private equity cash flows would have earned if invested in the

alternative to private equity (i.e., public securities) by calculating an IRR and multiple of capital equivalent for that alternative using the same cash flows on the same dates to buy/sell the alternative. For investors with mature, ongoing portfolios, whereby older investments are being harvested and new commitment are made, it could also be appropriate to measure the time weighted returns of the private equity investments relative to the public equity portfolio or alternative benchmark. However, the evaluation period should be long, such as 10 years or more, due to the cycles within private equity and between private equity and public markets.

Pros:

- Best used to measure the strategic/policy decision

Cons:

- Could reward adverse decisions (e.g., ceasing new commitments)
- Is very sensitive to cycles and differences between public and private markets over short periods of time
- For a large, mature program, recent activities of the investment manager would have little or no impact on benchmark relative performance
- The public index may have characteristics that are different than the private equity portfolio

Private Equity Specific Benchmark

The Private Equity Specific Benchmark can be used to assess how you have done, and there is a readily available measure of this. However, due to the volatile nature of IRRs for new investments, vintage year comparisons are only useful for seasoned vintage years (e.g., 5 years or longer). Therefore, they would recommend evaluating performance relative to Venture Economics, Cambridge Associates and various other time weighted measures, over a 3-5 year period.

Pros:

- Best used to measure a manager's implementation/selection relative to other managers
- Takes into account the cycles of the overall private equity environment

Cons:

- Private Equity benchmarks are "peer universes" measured by third parties. Therefore, they are susceptible to survivorship bias, inconsistent reporting, and frequent modifications
- There may be significant factor/style differences between the manager's portfolio and the reported peer universe
- Given the long-term nature of private equity, return measures are typically not useful for evaluating new investments over short time frames

As stated previously in Question 34, They base their expected return along three lines: against a broad public equity market benchmark comparable to that which the investor utilizes for their public equity portfolio; as a multiple of capital returned; and in comparison to a broad set of other private equity investments such as the returns compiled and reported by the private equity peer universe (e.g. Venture Economics, Cambridge, etc).

33. Typical number of partnerships held in the firm's fund of funds:

Expected attributes of each program a described as follows:

	U.S. Corporate Finance V	European Corporate Finance V
Stage	Small to mid-market focus; Buyouts, growth capital, build-ups & special situations	Small to mid-market focus; Buyouts, growth capital, build-ups & special situations

Geography	U.S.	Developed Europe, opportunistically other regions
Composition	Approximately 15 GPs, yielding approximately 400 portfolio companies; opportunistic secondaries and direct co-investments	Approximately 12 GPs, yielding approximately 250 portfolio companies; opportunistic secondaries and direct co-investments

The percentage of an individual partnership is determined based on the level of their conviction, and the appropriate diversification provided by the partnership in the context of their overall fund diversification. The Corporate Finance Funds will have the ability to invest up to 35% in opportunistic investments (which is defined as secondary and direct co-investments), with the remainder investing in partnership investments. Our average allocation to an underlying partnership is 10% of the underlying partnership's total fund size. No single partnership investment will exceed 15% of the overall fund size.

34. Expected range for geographic location (region in US, US vs. international), industry and sector exposure and stage of investment for the firm's currently available fund:

    U.S. Corporate Finance V will target U.S.-oriented corporate finance opportunities, whereas the European Corporate Finance V will target principally Europe-oriented corporate finance investments in Developed Europe.

35. To what extent does the firm make "follow-on" investments? (Make multiple fund commitments to the same private equity fund manager)

    They anticipate committing to a majority of the funds they currently are invested with or which members of the team have past investing relationships. They do not anticipate being unable to invest in any of their existing groups due to capacity constraints, however, they do not pre-commit to funds and may very well not choose to commit to the subsequent fund being raised by any given partnership.

36. Expected exit strategy:

    As it relates to the partnership investments, upon notification of a pending distribution they first contact the general partner to gain further details regarding the timing expectations and any restrictions on any securities to be distributed. They also liaise with their firms' analysts and trading areas, as well as any relevant market maker to review the market/economic implications for liquidating the position. From there, their Group has the ability to distribute either cash or securities to investors. Should the client prefer to receive cash only, they will actively manage the liquidation of the security.

    Distributions are returned to investors as promptly as possible, within 90 days at a maximum, or are utilized to offset a capital call during that period. They provide investors with a detailed notification letter for each distribution as it occurs.

    As it relates to the direct co-investments, their Group's liquidation strategy generally will be to exit the investment at the same time as the general partner. The two most common liquidation strategies are (i) a trade sale, which typically will result in immediate cash or a more liquid public security for the entire investment, or (ii) an initial public offering after which a public market for a portfolio company's stock is expected to develop, although the direct investment typically will not experience liquidity for its investment until the end of a "lock up" period.

    In an effort to maximize the value of distributed public securities, their Group has a team, named the Private Equity Distribution Management ("PEDM"), exclusively dedicated to the management of private equity distributions. Members of the Group first recognized the value and importance of managing distributions back to 1989 while at AT&T. At that time, the Group developed an active distribution policy that has been developed and modified to this day.

Our PEDM program is a "sell only" product, with a process built to maximize the cash-to-cash returns on private equity investments. The management of private equity distributions – typically, shares of companies held by private equity funds which are distributed to limited partners after those companies go public or are acquired by public companies – can have a substantial impact on returns realized from private equity investments.

37. Performance review:

U.S. Corporate Finance
As of 12/31/2013
$ millions

Vintage Year	Capital Committed	Capital Invested	% of Fund Invested*	Capital Distributed	NAV	Gross TVPI**	Gross IRR**
1980	14.0	14.0	100%	118.4	-	8.5x	27.0%
1983	38.0	38.0	100%	94.9	-	2.5x	13.4%
1984	74.3	72.6	98%	143.6	-	2.0x	12.3%
1985	9.0	9.3	104%	25.8	0.0	2.8x	22.4%
1986	236.2	234.2	99%	820.5	-	3.5x	17.7%
1987	213.6	250.2	117%	658.8	1.7	2.5x	18.1%
1988	634.9	598.6	94%	1,391.6	-	2.3x	17.1%
1989	474.6	457.7	96%	1,181.3	-	2.5x	21.3%
1990	92.2	49.1	53%	138.5	0.3	2.8x	13.7%
1991	530.6	468.9	88%	1,824.7	0.4	3.8x	29.7%
1992	83.9	82.3	98%	217.7	-	2.7x	43.0%
1993	182.0	179.1	98%	380.2	0.4	2.1x	16.2%
1994	651.3	602.0	92%	2,186.6	15.5	3.6x	41.8%
1995	573.6	570.3	99%	1,006.4	13.2	1.7x	15.9%
1996	460.8	431.4	94%	544.1	59.4	1.4x	5.4%
1997	510.9	491.8	96%	476.3	25.4	1.0x	-0.1%
1998	692.5	689.5	100%	774.5	38.3	1.2x	3.0%
1999	466.1	446.2	96%	532.1	80.0	1.3x	4.7%
2000	632.9	611.4	97%	911.3	114.6	1.7x	12.1%
2001	224.7	205.2	91%	293.5	33.5	1.6x	13.4%
2002	155.8	148.4	95%	326.8	48.8	2.5x	34.0%
2003	226.6	206.8	91%	320.2	89.6	2.0x	22.3%
2004	355.4	359.8	101%	404.7	228.6	1.8x	17.5%
2005	658.3	657.5	100%	493.3	499.2	1.5x	10.5%
2006	678.0	676.5	100%	377.5	541.3	1.4x	8.8%
2007	728.2	710.1	98%	314.8	595.2	1.3x	7.7%
2008	296.7	325.3	110%	295.0	339.8	2.0x	34.4%
2009	421.8	319.2	76%	218.6	320.2	1.7x	32.1%
2010	548.4	440.5	80%	259.4	433.5	1.6x	36.6%
2011	934.1	484.0	52%	98.7	474.9	1.2x	17.2%
2012	392.3	230.5	59%	5.4	264.6	1.2x	40.4%
Total	12,191.4	11,060.7	91%	16,835.0	4,218.6	1.9x	19.2%

*Calculated as a percentage of capital committed

**Net of underlying fees and expenses, gross of Advisor Fees. Net performance is only available at the fund and separate account level
Includes all US partnership, secondary and direct investments for commingled funds, separate accounts, and employee vehicle

Past performance is no guarantee of future results

Historical Performance These performance results for the period 1985 through 1997 were achieved by the Private Equity Group while employed at AT&T Investment Management Corporation (ATTIMCO). Investments were made on behalf of plan participants in defined benefit pension plans managed by ATTIMCO. No representation is being made that past performance results are attributable to J.P. Morgan or that the Private Equity Group at J.P. Morgan will obtain similar returns in the future. In particular, going forward a management fee and incentive fee will be payable to J.P. Morgan that will reduce performance. Performance shown is for the entire portion of the pension plans managed by ATTIMCO and is net of all fees and expenses at the underlying investment level. No portfolio management fee was directly charged to the ATTIMCO private equity portfolio. From 1988 through 1995, Mr. Lawrence Unrein was a member of ATTIMCO's investment committee, responsible for investment objective and strategy. In 1995, Mr. Unrein became the head of the Private Equity Group and was solely responsible for strategy and supervision of investments. In November 1997, Mr. Unrein and substantially all the Private Equity Group joined J.P. Morgan. The Private Equity Group continues to manage, under J.P. Morgan's employ, much of ATTIMCO's private equity portion of the pension plans.

European Corporate Finance
As of 12/31/2013
$ millions

Vintage Year	Capital Committed	Capital Invested	% of Fund Invested*	Distributions	NAV	Gross TVPI**	Gross IRR**
1985	1.1	1.1	100%	3.0	-	2.8x	12.6%
1987	4.1	4.1	100%	7.3	-	1.8x	7.5%
1988	14.6	14.6	100%	18.8	-	1.3x	6.1%
1989	21.7	21.7	100%	18.5	-	0.9x	-1.8%
1990	35.7	35.7	100%	95.9	-	2.7x	26.6%
1992	16.9	16.9	100%	11.6	-	0.7x	-4.9%
1993	85.7	85.4	100%	174.0	-	2.0x	19.8%
1994	50.0	47.9	96%	59.0	-	1.2x	2.4%
1995	49.9	49.9	100%	167.5	-	3.4x	52.7%
1996	127.9	107.9	84%	268.7	-	2.5x	17.6%
1997	186.7	193.3	104%	293.1	9.5	1.5x	10.1%
1998	72.8	66.6	92%	101.4	1.8	1.6x	9.3%
1999	155.7	154.9	100%	224.8	11.8	1.5x	10.0%
2000	34.9	35.2	101%	73.4	2.6	2.2x	17.2%
2001	168.5	171.8	102%	320.2	21.3	2.0x	33.5%
2002	145.5	143.9	99%	311.8	12.7	2.2x	35.3%
2003	101.9	101.8	100%	135.8	55.0	1.9x	28.9%
2004	180.1	187.4	104%	152.4	90.1	1.3x	6.6%
2005	125.4	130.3	104%	145.5	55.3	1.5x	16.1%
2006	254.2	265.9	105%	168.9	184.3	1.3x	9.5%
2007	319.9	280.8	88%	46.5	235.5	1.0x	0.1%
2008	236.2	137.0	58%	0.1	177.6	1.3x	12.8%
2009	101.3	73.6	73%	57.0	102.8	2.2x	43.9%
2010	96.8	54.0	56%	16.6	55.4	1.3x	29.1%
2011	342.7	154.9	45%	26.5	161.5	1.2x	23.8%
2012	211.0	57.1	27%	0.0	56.6	1.0x	-0.7%
Total	3,141.2	2,593.7	83%	2,898.4	1,233.7	1.6x	15.1%

*Calculated as a percentage of capital committed

**Net of underlying fees and expenses, gross of Advisor Fees. Net performance is only available at the fund and separate account lev

Includes all European partnership, secondary and direct investments for commingled funds, separate accounts, and employee vehicle.

Past performance is no guarantee of future results

Historical Performance These performance results for the period 1985 through 1997 were achieved by the Private Equity Group while employed at AT&T Investment Management Corporation (ATTIMCO). Investments were made on behalf of plan participants in defined benefit pension plans managed by ATTIMCO. No representation is being made that past performance results are attributable to J.P. Morgan or that the Private Equity Group at J.P. Morgan will obtain similar returns in the future. In particular, going forward a management fee and incentive fee will be payable to J.P. Morgan that will reduce performance. Performance shown is for the entire portion of the pension plans managed by ATTIMCO and is net of all fees and expenses at the underlying investment level. No portfolio management fee was directly charged to the ATTIMCO private equity portfolio. From 1988 through 1995, Mr. Lawrence Unrein was a member of ATTIMCO's investment committee, responsible for investment objective and strategy. In 1995, Mr. Unrein became the head of the Private Equity Group and was solely responsible for strategy and supervision of investments. In November 1997, Mr. Unrein and substantially all the Private Equity Group joined J.P. Morgan. The Private Equity Group continues to manage, under J.P. Morgan's employ, much of ATTIMCO's private equity portion of the pension plans.

38. Fee schedule for the fund:

Please see the below fee options for the U.S. Corporate Finance V and European Corporate Finance V funds:

	Option 1	Option 2
Management fee (average annual)*: Based on committed capital and effective at the time the underlying commitment is consummated. Assumes a 15 year life to the investment.	0.72%	0.44%
The management fee for each year would be as follows:		
Year 1 – 5 (fees begin from consummation of investment by Fund)	0.90%	0.55%
Thereafter	reduced by 5% per year	reduced by 5% per year
Preferred return/hurdle:	8%	8%
Carry or incentive fee:		
Primary Partnerships:	0%	5%
Secondary Partnerships:	10%	10%
Direct Investments:	15%	15%

The management fee would be applied as and when an investment is made by the fund during its investment period. In this way, the management is commensurate with investment activity. The management fee is based on the noted fee rate above on the commitment amount of each underlying investment of the fund.

Should SCERA prefer to implement the program through a separate account, they propose a similar fee structure, but have the ability to further customize the arrangement based on SCERA's preferences for fixed and variable fee components.

39. Carried interest associated with the fund:

Depending on the preferred fee option, SCERA may elect to have no carried interest with respect to partnership investments (Option 1) or to pay a reduced management fee with a 5% carried interest on partnership investments (Option 2). Secondary and direct investments have carried interest of 10% and 15%, respectively. Note there is an 8% hurdle rate prior to any carried interest and all such calculates for the hurdle and the waterfall take into consideration both realized and unrealized losses

40. Any other costs or fees associated with the fund:

With respect to Funds V, organizational fees are shared pro-rata by investors based on commitment amount and are capped at $750,000. On-going third party expenses, such as audit and custody, are also shared pro-rata across all investing entities. There are no charges on commitments or draw downs. All expenses of the Manager, including but not limited to travel, diligence, reporting, are borne by the Manager. Note that any fees earned by the portfolio, including director, advisory board, monitoring, break up and other similar fees payable with respect to investments, will be applied to off-set the management fee paid by SCERA.

Should SCERA prefer to implement through a separate account, incremental structuring and on-going fees may be applicable. The separate account can be structured in two ways: (1) without fund vehicle and (2) within fund vehicle (or "fund of one") and can include any combination of strategies, sectors, geographies and investment types (e.g. primary, secondary, direct investments). They have specific experience with

both structures. Please refer to the two charts below which highlights the key differences between the two and typical fees associated with opening such an account. They would be happy to discuss all aspects and relative costs/benefits of the each with SCERA.

Siguler Guff

1. Firm name, address, and telephone number:

   Siguler Guff & Company, LP
   825 Third Avenue, 10th Floor
   New York, NY 10022
   Tel: 212-332-5100

2. Firm founded: Registered with the Securities & Exchange Commission:

   Founded in 1991 and has been a federally registered investment adviser since 1995.

3. Name, position, telephone and fax number, and e-mail address of the firm's new business contact and database/questionnaire contact:

	New Business Contact:	Database/Questionnaire Contact:
Name:	Michael P. Keough	Sloane Schuster
Title:	Western U.S. Public Funds BNY Mellon Investment Management	Principal – Investor Relations Siguler Guff & Company, LP
Phone:	(415) 399-4411	(212) 332-5112
Email:	Michael.Keough@bnymellon.com	IR@sigulerguff.com

4. Firm's ownership structure, and any ownership changes over the past five years:

   Siguler Guff is an independent, privately-held partnership. One hundred percent of the voting interests of the Firm are held by George Siguler, Drew Guff, Donald Spencer, Ken Burns and their family-related partnerships. Jay Koh joined Siguler Guff in 2012 and was granted a firm-wide equity participation. The Bank of New York Mellon Corporation ("BNY Mellon") owns a 20%, non-voting, equity interest in the Firm, which it acquired in November 2009. There are no anticipated changes to the ownership structure at this time.

5. Carriers and the limits of errors and omissions and fiduciary liability insurance:

   At the Firm level, Siguler Guff has a combined $20 million professional and management liability policy through Continental Casualty and Great American, and a $5 million financial institution bond through Federal Insurance Company. In addition, the Firm has an ERISA bond through Federal Insurance Company and Continental Casualty covering each, eligible, ERISA account up to $500,000 (the maximum permitted amount).

6. Litigation:

   During the fourth quarter of 2010, the Firm filed a complaint against a former employee regarding the use of Firm proprietary information; that lawsuit was settled in the first quarter of 2011 to the parties' mutual satisfaction.

   Otherwise, since inception, the Firm, the Firm's principals, subsidiaries and affiliated bodies have not been involved in any proceedings by a regulatory or self-regulatory agency, or any litigation (other than incident to lawsuits involving underlying portfolio companies of Russia Partners). In particular, the Firm has never been the subject of any legal proceeding or claim by any client, and there is no current or anticipated litigation to note.

7. Judgments:

There have not been any judgments against the Firm or its employees over the past five years, nor is the Firm currently party to or anticipating any investigations.

8. Firm's financial statement auditor.

PricewaterhouseCoopers ("PwC"), a nationally recognized "big four" accounting firm, serves as the auditor for all of the Firm's multi-manager funds. The relationship has been in place since 2002 and, therefore, PwC has been the auditor for all of Siguler Guff's multi-manager funds since their inception.

9. Total assets under management for firm for the past five year-end periods and as of March 31, 2013.

Total Firm Assets*					
	Market Value (Millions)	Accounts Gained	Assets Gained (Millions)	Accounts Lost	Assets Lost (Millions)
Dec 31, 2008	$7,371.4	286	$2,538.9	N/A	N/A
Dec 31, 2009	$8,076.6	29	$705.2	N/A	N/A
Dec 31, 2010	$9,092.3	60	$1,015.7	N/A	N/A
Dec 31, 2011	$10,155.5	63	$1,063.2	N/A	N/A
Dec 31, 2012**	$10,360.6	8	$205.1	N/A	N/A
Mar 31, 2013**	$10,364.4	24	$3.8	N/A	N/A

10. Firm's total small/mid cap private equity fund(s) (or small/mid cap private equity fund of funds, if applicable), please state the market value of assets under management for the past five year-end periods and as of March 31, 2013.

Small/Mid Cap Private Equity Assets - Fund or Fund of Funds*						
	Market Value (Millions)	Accounts Gained	Assets Gained (Millions)	Accounts Lost	Assets Lost (Millions)	Assets Committed/Invested
Dec 31, 2008	$505.5	0	$0.0	N/A	N/A	$351.4 / $184.8
Dec 31, 2009	$505.0	0	$0.0	N/A	N/A	$378.3 / $227.6
Dec 31, 2010	$505.0	0	$0.0	N/A	N/A	$538.3 / $326.2
Dec 31, 2011	$566.3	0	$61.3	N/A	N/A	$611.5 / $407.4
Dec 31, 2012**	$744.1	5	$177.8	N/A	N/A	$742.7 / $527.2
Mar 31, 2013**	$907.6	10	$163.5	N/A	N/A	$785.6 / $569.2

11. Name of the product(s) described in the remainder of this response:

Siguler Guff Small Buyout Opportunities Fund II, LP ("SBOF II" or the "Partnership").

12. Firm's succession plan for senior management of the private equity fund or fund of funds activity:

Current partners and senior investment staff participate on various fund Investment Committees, which provides them with a broad, yet in-depth, understanding of the Firm's investment strategies. In the unforeseeable event that any senior member of Siguler Guff's management team should leave the Firm, that professional's responsibilities would be absorbed by an employee already familiar with that investment strategy and, if deemed necessary by the Firm's senior management, supplemented by additional

professionals recruited from within or outside the Firm.

None of the Firm's partners or senior professionals on the small buyout investment team have plans to retire in the foreseeable future. Siguler Guff has expanded its senior management and investment staff concomitant with the growth of the Firm as a whole. While Siguler Guff favors an internal promotion process, senior executives are hired from outside of the Firm as well. The Firm is mindful of succession and will continue to develop its senior staff and hire additional executives, as necessary.

13. Names and titles of key investment and management personnel:

Name	Title	Yrs. W/ Firm	Yrs. W/ Small/Mid Team	Yrs. Inv. Exp.
Kevin Kester	Managing Director, Portfolio Manager	9	9	18
Jonathan Wilson	Principal	8	8	12
Jason Mundt	Principal	6	6	13
Sara Bowdoin	Vice President	4	4	7
Langdon Mitchell	Investment Associate	<1	<1	4
George Siguler	Managing Director	18	9	40
Drew Guff	Managing Director	18	9	30
Jay Koh	Managing Director	<1	<1	15
Solomon Owayda	Managing Director	3	3	33
Avinash Amin	Managing Director	4	3	9

14. Firm staff and the private equity staff turnover:

	Firm-wide Employees*		
Year	Firm-wide Employees	Firm-wide Employees Added	Firm-wide Employees Lost
Dec 31, 2008	51	8	4
Dec 31, 2009	69	26	8
Dec 31, 2010	78	18	9
Dec 31, 2011	89	17	6
Dec 31, 2012	99	23	13
Mar 31, 2013	98	1	2

* Does not include employees of Russia Partners, an affiliate of Siguler Guff

	Small/Mid Cap Private Equity Investment Employees*		
Year	Total Employees	Employees Added	Employees Lost
Dec 31, 2008	3	0	0
Dec 31, 2009	4	1	0
Dec 31, 2010	4	0	0
Dec 31, 2011	4	0	0
Dec 31, 2012	4	0	0
Mar 31, 2013	4	0	0

* Includes dedicated members of the Firm's small buyout investment team with the exception of Langdon Mitchell, who joined in May 2013.

15. As of December 31, 2012, the number of accounts, assets under management, median account size, and number of portfolio managers in the Small/Mid Cap private equity product.

The figures in the chart below include information for SBOF I and SBOF II.

Small/Mid Cap Private Equity Capital Under Mgt (Millions)*	Number of Investors**	Median Client Size (Millions)**	Largest Client Size (Millions)**	Number of Portfolio Mgrs	Number of Inv Analysts***
$744.1	109	$1.5	$50.0	1	3

* Estimated as of December 31, 2012; calculated based on commitments for those investments in the investment period and on net asset value thereafter.
** Calculated by Limited Partner (LP); if certain related LPs were aggregated, the total number of investors would decrease and the median client size would increase.
*** Does not include Langdon Mitchell, who joined the Firm in May 2013.

16. As of December 31, 2012, the small/mid cap private equity fund or fund of funds group, the fund name, size of the fund in millions of dollars, the number of clients, and client assets committed and invested.

Small/Mid Cap Private Equity Fund Name	Fund Size in mil. $	Nbr. Investors	Commitments in mil. $	Investments - mil $
SBOF I	$505.0	84	$565.7	$450.3
SBOF II	$224.8	25	$177.0	$76.9

17. Firm's funds or fund-of-funds product(s) currently open for investment or soon to be open for investment.

SBOF II will seek to assemble a diversified portfolio of "best in class" private equity funds investing in the securities of small and lower middle market companies. Siguler Guff believes that the small and lower middle market offers a variety of appealing characteristics, including substantial deal flow, less competitive transactions, lower purchase price multiples and significant value creation potential. The portfolio will consist of approximately 25 funds that produce, in aggregate, 200 to 300 underlying portfolio company investments.

The funds will represent a diverse mix of strategies, sectors, styles, geographic markets and vintage years, managed in each case by firms that Siguler Guff believes are clear market leaders and have distinct competitive advantages in the small and lower middle market. The Partnership will seek to further enhance returns by allocating up to 30% of its capital commitments to select direct investments, generally as co-investments alongside small buyout fund managers, although direct investments also may be originated from other sources. Although the Partnership will typically acquire fund investments directly from the underlying funds themselves, the Partnership, on an opportunistic basis, may also purchase fund investments in secondary transactions. The Partnership will focus on fund managers investing in the North American markets, with primary emphasis on the United States, because of the substantial number of small companies and high-quality managers operating in the U.S. However, the Partnership may also invest up to 20% outside of North America, primarily to access managers investing in small and lower middle market businesses in Europe.

Small/Mid Cap Private Equity Fund Name	Fund Size Currently in mil. $	Expected Fund Size at Final Close	Current Number Investor	Expected Number of Investor	Expected Final Closing Date
SBOF II	$542.3	$600.0 (target)	74	85	August 30, 2013

Note: All information provided in table above is as of the May 22, 2013 closing.

The minimum subscription amount is $5 million, although the Partnership can accept smaller subscriptions at the discretion of Siguler Guff. Please see Appendix D for the SBOF II PPM.

As previously mentioned, Siguler Guff can construct a separate account with the same investment strategy and the same or similar terms to SBOF II, if so desired by the client

18. What percentage will the largest single investor represent in the new fund? Name and expected commitment for this investor.

To date, the largest single investor in SBOF II is an Australian superannuation fund that represents 28% of the Partnership's total commitments. The Firm does not anticipate any incoming investors to commit more than the current largest investor. Assuming a $600 million fund size, Siguler Guff expects that the largest single investor will represent approximately 25% of SBOF II after the final closing is held.

19. Does the firm allow coinvestment opportunities?

The investment guidelines for SBOF II state that the Partnership may invest up to 30% of its total commitments in co-investments. Siguler Guff believes in aligning its interests with those of its investors, which the Firm believes is best achieved by keeping the co-investments within the Partnership, alongside the fund investments, rather than putting them in a separate fund with a potentially different investor base. Therefore, investor commitments to the Partnership will be allocated pro rata, and appropriately distributed across fund investments and co-investments, thus making all investors in SBOF II co-investors. The General Partner may establish an overage fund if the Partnership has either exhausted the capital available for portfolio investments as a result of applicable investment restrictions or has acquired as large a position in such portfolio investments as the General Partner determines is desirable or prudent. Allocations to an overage fund would be made in accordance with the Firm's allocation policy.

SBOF I is permitted to allocate up to 25% of its total capital commitments to co-investments. To date, SBOF I has committed $112.4 million to 27 co-investments, and SBOF II has committed $45.3 million across 16 co-investments. Please see the charts below for co-investments made by SBOF I and SBOF II to date.

SBOF I Co-investment Detail		
Company	Entry Date	Capital Committed
ADS Logistics	Jul-11	$4.0
Arnold Engineering	Dec-09	4.0
Behavior Centers of America	May-08	7.0
Bolttech Mannings	Nov-09	5.0
Bradshaw	Oct-08	5.0
Cimarron Energy	Aug-07	1.4
CJ Foods	May-10	3.7
Coastal QSR Investment Corp	Jul-09	2.0
Distribution International	Nov-10	4.2
Fieldbrook Foods	Sep-10	4.5
Florida Bells	Mar-10	7.0
GHX Holdings	Aug-10	2.1
Gold Standard Baking	Jun-08	5.7
Herndon Products	Jan-10	6.1
JZ Capital Partners Limited	Jun-09	3.9
Marianas CableVision	Dec-08	3.0
MEGTEC	Sep-08	4.1
Mid-South Bells	Dec-10	4.5
Nature's Best	Nov-07	3.0
Pancon	Dec-11	2.0
POM Corporation	Dec-07	5.0
Reliant Rehabilitation	Jun-11	5.2
Royal Camp	Nov-11	4.8
Selmet	Nov-11	5.0
Terra Drive Systems	Mar-12	4.0
Thorpe Specialty Services	Nov-10	0.6
Traffic Control and Safety Corporation	Aug-08	5.6
TOTAL		**112.4**

SBOF II Co-investment Detail		
Company	Entry Date	Capital Committed
Covenant Surgical Investors	Feb-13	3.3
Creative Co-Op Holdings	Dec-12	5.0
Dayton Parts	Mar-13	5.0
The Eads Company	May-12	0.8
Grammer Transport Holdings	Oct-12	5.0
Laura Gellar Make-up	Dec-12	3.0
Medsurant	Dec-12	3.0
Prodagio Software	Feb-13	1.5
Rotary Drilling Tools USA	Feb-13	1.8
SBP Holding	Jul-12	5.3
Sequential Brands Group	Jan-13	3.0
T.F. Hudgins Holdings	Jan-13	2.5
Vendor Credentialing Services	May-12	0.5
Vision Oil Tools	Jun-12	1.6
W-Technology	Apr-12	1.0
West Academic Publishing	Feb-13	3.0
TOTAL		**45.3**

20. How the firm defines small/mid cap private equity:

    Small buyout funds are typically defined as funds capitalized at less than $250 million, although the small buyout investment team will generally review opportunities between $50 and $400 million. Ultimately, the small buyout investment team targets funds in the $100 million to $300 million range. Siguler Guff defines small buyout transactions, normally best thought of as a segment on the deal size continuum, as control-oriented investments in companies that typically have less than $100 million of revenue, less than $15 million of EBITDA or trade for less than $100 million of enterprise value.

21. Investment philosophy/strategy, style and distinguishing characteristics of this product:

    Siguler Guff's investment philosophy is focused on identifying market inefficiencies that are capable of generating high absolute rates of return and creating efficient solutions to capture them. The Firm's opportunistic approach is derived from its view that private equity presents discrete opportunities over time and that it must allocate its clients' capital in a way that takes advantage of those discrete opportunities. Siguler Guff is a value-focused investor, and its small buyout strategy is first and foremost focused on value.

    As previously mentioned, SBOF II will seek to assemble a diversified portfolio of "best in class" private equity funds investing in the securities of small and lower middle market companies. Specifically, Siguler Guff believes that superior performance in the small buyout market is a direct result of a managers ability to: i) source abundant, high quality and less competitive deal flow; ii) identify high margin niche market leading companies; iii) avoid bidding wars and "win" deals with attributes other than paying the highest price; iv) seek strong alignment of interests with the seller and management team through mechanisms such as seller rollover equity, seller notes, earn outs and management investment; v) "buy right" and employ conservative leverage; and vi) invest in companies where the manager is well suited and positioned to add demonstrable value. Managers with these capabilities are best positioned to generate high returns while simultaneously mitigating risk.

    The small buyout strategy is attractive as the small and lower middle market is a dynamic and less efficient segment of the overall buyout market that offers compelling investment opportunities. Historically, small buyout funds have shown superior performance with lower volatility and there is substantial deal flow with

limited competition. Siguler Guff defines small buyout transactions, normally best thought of as a segment on the deal size continuum, as control-oriented investments in companies that typically have less than $100 million of revenue, less than $15 million of EBITDA or trade for less than $100 million of enterprise value. This part of the market exhibits the greatest transaction inefficiency as the supply of potential acquisition targets is large, while the demand from sophisticated private equity investors is limited.

This strategy offers attractive purchase prices with conservative leverage. Siguler Guff's experience in the marketplace suggests that value-oriented small buyout funds frequently acquire businesses for 5 times to 6 times trailing 12 months EBITDA, and often are able to pay less than 5 times trailing 12 months EBITDA. One factor that can contribute to the disparity in purchase price multiples is that most small and lower middle market companies are closely-held or family controlled, with key decision makers often remaining with the business post-acquisition.

Additionally, the private equity manager is often the first institutional investor in the company, as evidenced by SBOF I's portfolio, where approximately 90% of portfolio investments had this characteristic. Often, developing a relationship with the seller is more important for successfully completing a transaction than the actual transaction valuation, as the chemistry and fit with an owner-operator is critical to the process and discourages competition. The intense personal dynamic involved in these situations creates an environment where price is not always the decisive factor for a seller in a small buyout transaction.

Furthermore, there is a strong alignment of interests found in the small buyout market. Alignment of interests between investors and fund managers is a governing principle of private equity investing. One way to align interests is by requiring managers to invest a meaningful amount of their personal net worth alongside the limited partners, which is available and equally applicable to funds of all sizes. Another important approach to properly aligning interests is to skew manager compensation heavily towards performance incentives.

Most private equity funds have two-tier compensation structures. First, the manager receives an annual management fee, typically 2.0% of committed capital for smaller funds and a lower percentage for larger funds. Second, the manager receives a share of profits, or carried interest, generally equal to 20% of profits subordinated to a preferred return of 8%. Ideally, management fees should be just high enough to cover manager expenses, so that wealth creation is possible only through carried interest. In practice, managers of large and middle market buyout funds receive management fees that significantly exceed their expenses, generating a stable annual profit stream that dilutes the incentive value of carried interest. Furthermore, large fund managers can use the profits from management fees to finance personal investments in their funds, potentially reducing the incentive value of the principals' personal investments.

Because small buyout funds are typically capitalized at less than $250 million and have substantial human resources relative to their size, managers primarily cover their overhead with fixed fee income. With little, if any, profit from fee revenue and significantly more of their own personal capital at risk on a relative basis, small buyout fund managers can be expected to exhibit a greater focus and reliance on investment returns and carried interest to generate wealth.

SBOF II's hybrid investment strategy – with up to 30% of capital allocated to co-investments – is expected to significantly enhance the overall returns of the Partnership. These co-investments generally do not involve any fees or carried interest paid to the sponsor and, as a whole, tend to outperform fund investments. SBOF I's co-investments are representative of Siguler Guff's ability to execute this part of its strategy effectively. All 27 co-investments in SBOF I do not pay fees or carried interest to the sponsor and are currently outperforming the Partnership's fund investments by a substantial margin. Moreover, co-investments are executed within the Partnership, alongside fund investments, rather than putting them in a separate fund that could potentially have a different investor base.

Siguler Guff's experience and knowledge of the small and lower middle market, relationships with leading managers, and excellent track record across funds within the same strategy, set it apart from other managers seeking to invest in the sector. In addition, Siguler Guff's experience as a direct investor distinguishes it from many competitors that act only as consultants or intermediaries. Siguler Guff believes that since

forming its small buyout investment platform and investing over $500 million in this space, it has positioned itself as one of the most sophisticated and knowledgeable investors in the small and lower middle market.

Siguler Guff believes that the factors highlighted above, amongst others, make the small buyout strategy unique and have greatly contributed to the sector's outperformance relative to the broader buyout market.

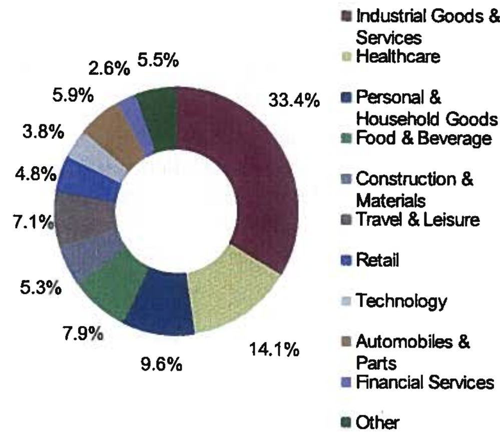
22. Bias toward any market segments:

SBOF II does not have any bias toward particular market segments, and the investment team selects funds and co-investments on an opportunistic basis. Sector focus will vary among managers, but the portfolio is likely to include companies in industrial goods and services, business services, healthcare, personal and household goods, food and beverage, retail, technology, financial services, energy services, restaurants, among other industries. The Partnership will invest in funds with a range of investment theses, such as sector specialization, margin expansion, industry consolidation, improved corporate governance, financial restructuring, and enhanced sales, marketing and management techniques.

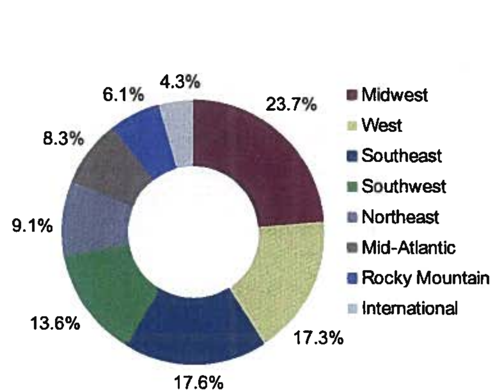
As previously mentioned, the Partnership will focus on fund managers investing in the North American markets, with primary emphasis on the United States, but may also invest up to 20% outside of North America, primarily to access managers investing in small and lower middle market businesses in Europe.

Please see below for the industry and geography breakdowns for SBOF I and II, estimated as of December 31, 2012.

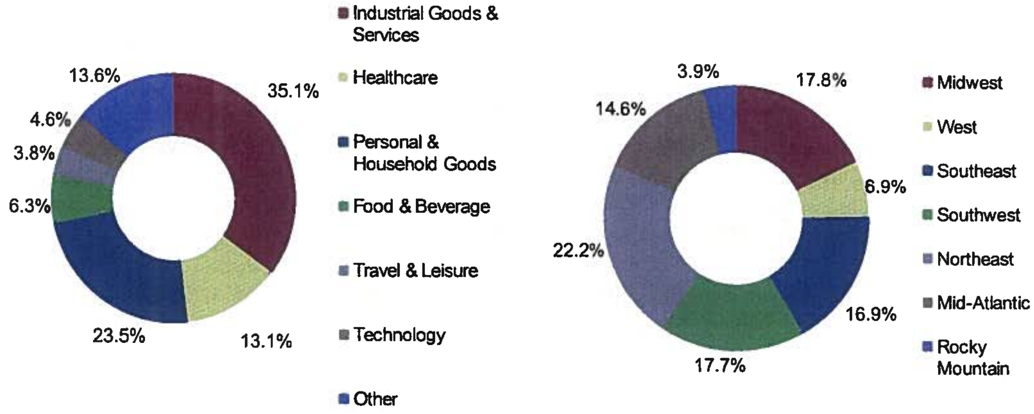
SBOF I Invested Capital: Industry



SBOF I Invested Capital: Geography



SBOF II Invested Capital: Industry **SBOF II Invested Capital: Geography**



Expected period of investment for the proposed fund(s).

The Partnership can make commitments to funds until August 30, 2015 (the "Fund Commitment Period"), and can make direct investments until August 30, 2017 (the "Direct Investment Commitment Period"). Because the funds will be entitled to call commitments from the Partnership throughout their investment periods (which will likely extend beyond the Direct Investment Commitment Period for some funds), the Partnership is not expected to call 100% of its committed capital until well after the end of the Commitment Periods.

Following the end of the Commitment Periods, the Partnership can make follow-on investments, not in excess of 30% of capital commitments, which may be funded by drawing uncalled capital commitments or by reinvesting the proceeds of the portfolio. Any follow-on investments to funds made later than two years following the end of the Fund Commitment Period, or follow-on investments to direct investments made later than two years following the end of the Direct Investment Commitment Period, will require the approval of the advisory board.

The basis for the length of the Fund Commitment Period is that it enables the portfolio to achieve vintage year diversification and allows the Partnership to target the best managers that are in the market over a three year period after its final closing. Similarly, the Direct Investment Commitment Period spans five years after the final closing in order to provide Siguler Guff the opportunity to develop relationships with underlying fund managers that produce co-investments.

23. General Partner's commitment in the fund:

The Firm and its affiliates (acting as the General Partner) will invest no less than $3 million in the Partnership, and the total General Partner commitment is currently expected to be significantly higher. The General Partner has committed approximately $10 million to each of the past four multi-manager funds the Firm has raised, and Siguler Guff expects a similar level of General Partner support for SBOF II. In addition, Siguler Guff's employees have historically shown a strong level of participation in prior offerings. Kevin Kester, Jason Mundt, and Jonathan Wilson, amongst other professionals at the Firm, will likely make commitments to the Partnership.

The General Partner is considered to be a limited partner to the extent of its capital commitment, and the General Partner's commitment will be allocated pro rata as any other limited partner's capital commitment

would be. However, the investment manager is able to waive the management fee with respect to the General Partner and parties affiliated with Siguler Guff, including Siguler Guff professionals.

24. What is the firm's investment universe? How many investment opportunities are evaluated each year?

Siguler Guff's small buyout strategy's investment universe consists of $50 million to $400 million funds that make control-oriented investments, typically in companies with less than $100 million of revenue, less than $15 million of EBITDA, or trade for less than $100 million of enterprise value. This part of the market exhibits the greatest transaction inefficiency as the supply of potential acquisition targets is large, while the demand from sophisticated private equity investors is limited.

Given its longstanding presence in the private equity community, Siguler Guff has extensive relationships with many private equity managers, dating back to George Siguler's days at Harvard Management in the 1970s, and his work as a founding trustee of Commonfund Capital, the private equity arm of the Common Fund. Siguler Guff's advantage over its competitors is its tenure in the private equity space and, more specifically, within each strategy in which it invests. A significant portion of the small buyout investment team's deal flow results from direct relationships with managers and fellow limited partners in the industry. In addition, the Firm has established relationships with most significant placement agents in the business, as well as with contacts at industry publications and investor conferences which may present the Firm with additional investment opportunities.

The Firm has met with virtually every institutional grade manager within the small buyout space, has aggregated manager data, and incorporated this information into its proprietary databases. The depth of these databases enables the Firm to make more informed investment decisions pertaining to fund investments and co-investments. By way of example, Siguler Guff has a proprietary database covering over 600 small buyout funds that is expected to generate substantial, high-quality deal flow for the Partnership.

Key to finding good investment opportunities is having quality, abundant and less competitive deal flow. Generating a high number of attractive investment opportunities significantly increases an investor's ability to exercise sound judgment and selectivity. If investors are confident in their ability to consistently replenish their deal flow pipeline, they are less likely to feel pressure to settle on subpar investments. Over the investment period of the Partnership, Siguler Guff expects to review over 500 funds and 200 co-investments. These numbers are supported by Siguler Guff's experience, where over 170 funds and 75 co-investments were reviewed in 2011, and over 160 funds and 82 co-investments were reviewed in 2012.

The vast majority of the investment team's ideas and, ultimately, completed investments, are sourced from managers with whom Siguler Guff has an established relationship. These relationships have been fostered and developed over many years. To date, 8 of the 11 fund commitments in SBOF II have been to managers with whom Siguler Guff has had a previous relationship.

25. How are investments evaluated?

To be eligible for consideration by the Partnership, a small buyout manager must meet the following fundamental requirements and screening criteria:

- The Firm's principals have a demonstrable commitment to the small and lower middle market;
- The Firm has the reliability and integrity to manage institutional capital;
- The fund's capital is "right-sized" relative to the strategy and market – generally funds sized between $50 - $400 million;
- The management team, either as a whole or individually, has compiled a verifiable record of active and successful investments in small and lower middle market companies; and
- Due diligence information is available and verifiable, and the firm and the manager are willing to meet their standards of transparency both in due diligence and ongoing monitoring.

The due diligence process typically takes anywhere from several weeks to a few months (depending on the team's prior familiarity with the activities of a particular manager and/or timing of their fundraising process in the case of a fund investment) and involves numerous members of the Siguler Guff team beyond the small buyout investment team. It is Siguler Guff's strong conviction that it is in their investors' best interest to have the due diligence process standardized and under their control. Therefore, 100% of investment, operational, and tax due diligence is performed internally by Siguler Guff's professionals. They have sufficient staff to accomplish this. Investment due diligence is performance by Kevin Kester (Managing Director), Jason Mundt (Principal), Jonathan Wilson (Principal), Sara Bowdoin (Vice President), and Langdon Mitchell (Associate). Stephen Faughnan (Vice President of Operations) leads the operational due diligence process and Jarrad Krulick (Vice President - Tax Manager) performs tax due diligence. The majority of legal due diligence is conducted in-house as well. Donald Spencer (Managing Director and Senior Counsel), Terri Liftin (Managing Director, Managing Counsel, and Chief Compliance Officer), and Sandip Kakar (Principal), all attorneys by training, lead the legal due diligence process, working alongside at least one member of the small buyout investment team. While the professionals listed above have the primary responsibilities for due diligence, the rest of the Firm's investment and back-office professionals are available for additional support.

Funds that meet the initial screening criteria are subjected to a disciplined and rigorous due diligence process:

Preliminary Due Diligence — review of written materials and early meetings — 500+ funds over SBOF II investment period

- Identify/articulate investment strategy, performance drivers, management qualifications
- Consider fit in the Partnership's portfolio
- Siguler Guff will accept meetings with virtually all managers. Meetings with managers unlikely to be selected can nonetheless yield valuable insights.

Comprehensive Due Diligence — continued meetings and extensive research — 150 to 200 funds

- Continued meetings with professionals at all levels, including one-on-one meetings
- Detailed and verified track record analysis, including attribution analysis and "outlier" analysis
- "Data mining," including legal docket reviews, to identify discrepancies from underlying fund manager's statements, additional references, "character" issues
- Reference checks — both supplied references and those discovered through data mining and other sources, as well as integrity checks performed by outside agencies
- Checklists — underlying fund manager's standard due diligence "package" compared against Siguler Guff's proprietary business, legal, and financial controls checklists

Final Due Diligence — resolve open issues, evaluate investment process and risk controls — 25 to 30 funds

- Final meetings — update performance and deal pipeline; challenge and probe assumptions; candidly address litigation issues and other negatives
- Process review — verification through file review that underlying fund manager's investment process works as described Legal review — Detailed questionnaire to ascertain whether the firm or its personnel have been subject to litigation, investigations or other "red flag" occurrences; background checks on key principals, terms, side letters, and LPA amendments are negotiated. Legal review is independent of investment due diligence process.
- Tax review — Review of documents, and negotiation of side letter provisions, to assess and improve level of protection against undesirable tax consequences for various categories of clients (e.g. U.S. tax-exempt or non-U.S.). Tax review is independent of investment review process.
- Operational Due Diligence — detailed questionnaire covering, for example, risk monitoring, cash management and disbursement control, and trade reconciliation practices; evaluation of

quality of in-house personnel and critical third parties such as clearing brokers, administrators and independent auditors; site visit or phone interview (depending on "risk matrix" analysis) that is independent of the investment due diligence process

- Environmental, Social and Governance (ESG) Review — Review for ESG issues and completion of questionnaires covering assessment of an underlying fund manager's or company's existing ESG policies, reporting and management system and engagement with portfolio companies, and processes to address identified ESG shortcomings
- Terms and conditions — areas of focus go beyond standard terms to address "risk control" issues such as enhanced transparency and indemnification provisions

On the macro level, Siguler Guff emphasizes comparing the candidate firm's stated investment philosophy with the investments that the firm has made in the past, to gauge the extent in which the philosophy has been successfully implemented by the team. Intangible and qualitative attributes such as management intelligence and judgment are evaluated through extensive and detailed discussions of their investment philosophy, their market views and their past investments. Siguler Guff also evaluates performance attribution, that is, the extent to which the current investment team was responsible for the historic track record. Drawing on the Firm's experience as a direct investor, Siguler Guff engages the candidate firm's principals as peers and challenges their assertions and viewpoints to bring out weaknesses or contradictions. More than any other aspect of the Firm's approach, it is the evaluation of their "prospective" view of the market and opportunities that defines Siguler Guff's skill as advisors and managers of multi-manager fund portfolios.

Management integrity is paramount to successful private equity investing. The small buyout team searches news archives and litigation databases and, in the later stages of the due diligence process, asks probing questions on topics such as litigation, employee turnover and limited partner turnover. The team conducts extensive reference checks. They often discover an individual not listed as a reference – such as a former senior employee or an investor that chose not to "re-up" – who provides the critical insight on the inner workings of a management team. They also contact executives of failed investments, as these individuals are the most likely to harbor negative perspectives, justified or unjustified, about the management team in question.

On the process level, the small buyout team conducts a detailed review of each fund's investment performance and requests sample investment files and individual investment(s) due diligence reports. They also review each firm's risk control strategies and policies to make sure they are consistent with the team's understanding of their investment strategy. The team attempts to understand the relationship between senior and junior investment staff members in both past and future deals and meets with junior staff at the general partner's corporate offices. They identify any pertinent succession issues that might arise over the life of the partnership and review and negotiate company documentation and terms. The small buyout team's strong relationships with other leading private equity investors create opportunities to informally compare notes and share market intelligence. Because small buyout investors comprise a close-knit fraternity, evaluations of fund management groups by their competitors and peers are accessible and relatively reliable.

Environment, social, and corporate governance ("ESG") is an important component of the Firm's due diligence process on all prospective investments. Siguler Guff is a signatory to the United Nations Principles for Responsible Investment (UNPRI) and has formally established a Responsible Investment Policy, which includes a questionnaire to be used by its investment teams in connection with ESG-related due diligence of a general partner. In developing the Firm's ESG policy, Siguler Guff has given consideration to a range of codes and standards, including the UNPRI.

Operational, legal and tax due diligence (including background and integrity checks) are conducted independently of investment due diligence to ensure that appropriate expertise and independent oversight are brought to bear. Prospective managers are required to complete a Legal and Regulatory Questionnaire, which asks for information on the general partner's regulatory status and litigation history, and requests personal data to assist in a background check. Siguler Guff's legal and compliance team of seven professionals, as well as the Firm's two tax professionals, are responsible for the Legal and Regulatory Questionnaire and background searches on prospective managers. Once the checklist is returned, the

Firm's Managing Counsel and CCO commissions a background search on the principals of the general partner. Siguler Guff engages Kroll and The Risk Advisory Group to perform thorough background checks on prospective underlying funds and their principals.

Furthermore, Siguler Guff's in-house counsel conducts a comprehensive review of the attendant legal documentation and, together with the portfolio manager, negotiates material terms of the partnership agreement. This review addresses a range of matters, including whether the terms are consistent with industry standards, whether the fund's management will provide adequate transparency to permit Siguler Guff to effectively monitor and manage the investment, and whether a range of tax and regulatory issues important to Siguler Guff's investors are adequately addressed.

Prospective managers are required to complete a Back Office Questionnaire, which scrutinizes the manager's accounting, operations and reporting processes. For a direct investment, the Firm's operations staff creates one-off customized questionnaires depending on the deal and the company's sector, to assess potential risks. Siguler Guff's accounting and operations teams also have comprehensive sets of criteria that they present to each manager in a separate due diligence process, which focuses on an underlying general partner's internal controls, accounting staff, infrastructure, quality of outside audit firm, and counterparty risk. Once the review is complete, the team then performs a risk rating of the investment based on the due diligence findings as well as in the context of the investment's strategy and structure. The risk rating will determine next steps, which include site visits to the fund or company, and direct contact with the general partner's CFO and accounting staff. In addition, Siguler Guff's operations team will provide a concluding memo to the investment team describing their findings during this process and detailing any areas of concern or control weaknesses.

Once the investment, operational, legal and tax due diligence processes are complete, a Due Diligence Completion Checklist is submitted to the Investment Committee with the investment recommendation. Siguler Guff has two Due Diligence Completion Checklists, one for fund investments and one for direct investments/co-investments. The Firm's Managing Counsel and CCO and the Firm's Tax Manager must sign off on the legal, compliance and tax items and the Vice President of Operations must sign off on the operational items in the Due Diligence Checklist. The checklist serves as an important control and quality assurance mechanism, as the approvers will check at this stage to be sure that all appropriate constituencies have completed their reviews and are aware of their responsibilities in respect to the investment.

After an investment opportunity has been properly screened, researched and documented and is ready for internal sponsorship, a formal recommendation is written and submitted to the Partnership's Investment Committee for review and approval. As there is frequent communication among committee members (by email, telephone calls and meetings) during the due diligence process, the committee approval process is more a matter of "fit" for the overall portfolio objectives. Investment decisions are made through consensus by a committee of the following professionals:

- George Siguler, Managing Director and Founding Partner
- Drew Guff, Managing Director and Founding Partner
- Jay Koh, Partner and Managing Director
- Kevin Kester, Managing Director and Small Buyout Portfolio Manager
- Solomon Owayda, Managing Director
- Avinash Amin, Managing Director

The Partnership's Investment Committee is supported by Donald Spencer and Terri Liftin, who are responsible for legal aspects and overall quality control, as well as a dedicated research staff of four investment professionals, and an accounting and operations team overseen by Ken Burns, Managing Director.

26. Process of monitoring the investments held in current funds:

Siguler Guff will closely and continuously monitor the Partnership's investments, both through formal briefings, such as periodic reports and annual meetings, and through less formal contacts, such as telephone

calls and one-on-one visits to each company or underlying manager at least annually (and generally more often). Siguler Guff will also perform company-level analysis of the key investments in each of the underlying fund portfolios. The small buyout investment team will work with fund managers to ensure that Siguler Guff receives standardized, timely, accurate and transparent financial reports.

Siguler Guff believes it has developed the most powerful knowledge base within the small buyout universe. The small buyout investment team, as part of its monitoring activities and ongoing analysis, maintains a detailed database of its existing managers' portfolio companies and co-investments that currently includes over 275 company investments. This company-level database is completely proprietary and, on a quarterly basis, tracks all pertinent transaction, financial and performance data, both quantitative and qualitative, which provide valuable real time insights into the small and lower middle market. The database, as well as other analytical tools utilized by the small buyouts team, enables effective analysis, evaluation and monitoring of investments on a quarterly basis. Examples of common analyses are as follows:

- Growth and debt metrics since acquisition, year-over-year and quarter-over-quarter
- Changes and trends in valuation, covenant compliance, headcount, etc.
- Returns analyses
- Manager analyses
- Vintage year analyses
- Industry exposure
- Future value projections

Additionally, the small buyout investment team will seek to be a member of the advisory board of nearly every fund in which the Partnership makes a commitment, and typically negotiates to receive confidential, detailed briefings of portfolio activity and prospects to enhance its ability to exploit opportunities and forestall problems. Siguler Guff has historically been an active limited partner and, when warranted, is a fierce advocate of its investors' interests.

27. Firm's investment database of potential investments:

In addition to its database of existing managers' portfolio companies and co-investments, the small buyout investment team has a proprietary database covering over 600 small buyout fund managers, which provides the team with substantial, high-quality deal flow for the Partnership. This database of prospective managers tracks the entire universe of small buyout funds, which includes funds that are currently raising capital and funds that are expected to be in the market in the future. The Firm's small buyout investment team uses this proprietary database, which is maintained within Salesforce.com, to track data such as underlying holdings, fund terms and investment focus. The team also enters notes from meetings, advisory board meetings, and phone calls into Salesforce.com to document fund activity and due diligence items. Additionally, the small buyout team uses this database to record periodic updates from managers and to detail their analysis and perspectives on managers and their funds. All of this information is aggregated and used throughout the decision making process. This database has been in existence since the Firm started to formally pursue the small buyout strategy in 2004. As Siguler Guff's experience in the small buyout space grows, the database continues to expand and enables more effective analysis, evaluation and monitoring of potential investments.

28. Describe the fund or fund of fund portfolio construction process.

SBOF II's objective is to create a portfolio of approximately 25 "best in class" funds that produce, in aggregate, 200 to 300 underlying portfolio company investments. The funds will represent a diverse mix of strategies, sectors, styles, geographic markets and vintage years, managed in each case by firms that Siguler Guff believes are clear market leaders and have distinct competitive advantages in the small and lower middle market. The Partnership will seek to further enhance returns by allocating up to 30% of its capital commitments to select direct investments, generally as co-investments alongside small buyout fund managers, although direct investments also may be originated from other sources.

Manager selection is perhaps the single most important determinant of success in a private equity program and is becoming increasingly complex as new funds and spin-offs are continually formed. Industry performance data and academic research show spreads between top quartile and median performers in the hundreds and sometimes thousands of basis points, making manager selection in private equity more important than for traditional asset classes, such as public equities and fixed income. Furthermore, given the large number of private equity firms targeting this space and the daunting breadth of their experience, strategies, sophistication and institutionalization, selecting the strongest manager groups would be difficult for an investor without dedicated personnel immersed in the sector.

Siguler Guff's dedicated small buyout investment professionals work as a team throughout the entire portfolio construction and investment process. As the portfolio manager, Kevin Kester oversees all aspects of the Partnership's activities, is responsible for developing the investment strategy, and sits on the Investment Committees for SBOF I and SBOF II. Mr. Kester, together with Jason Mundt, Principal, and Jonathan Wilson, Principal, are responsible for constructing the portfolio, selecting managers, identifying and evaluating direct investment opportunities, performing due diligence, and negotiating terms and conditions for investments. Mr. Mundt and Mr. Wilson are also responsible for monitoring all small buyout investments. Sara Bowdoin, Vice President, and Langdon Mitchell, Associate, are involved in performing due diligence and monitoring investments as well, but also focus their time on manager and direct investment evaluation and analysis, and portfolio analytics. The small buyout team plans to hire a Vice President to join the team later in 2013.

The SBOF II Investment Committee bears the ultimate responsibility for ensuring that the portfolio is well constructed, achieves a high level of diversification, and meets all investment guidelines and regulations.

29. Target a level of return or risk:

SBOF II is targeting a net IRR in excess of 20% and a 2.3x net multiple of cost. Naturally, there can be no assurance that these returns will be achieved.

As there are some risks inherent in investing in smaller funds and smaller companies, Siguler Guff believes that the multi-manager model is an appropriate vehicle to execute on a small buyout strategy. Some of the risks associated with investing in smaller funds and smaller companies include higher geographic and industry concentration, dependence on a small number of individuals on the management team within the companies, competition from larger, more established players, and less liquid financing markets.

Siguler Guff believes that the small and lower middle market is a dynamic and less efficient segment of the overall buyout market that offers compelling investment opportunities to discerning investors. Siguler Guff believes that by reducing the financial risk associated with leverage and implicitly benefiting from portfolio diversification, small buyout funds have the potential to generate substantially higher returns with less volatility when compared to large buyout funds.

30. Private equity investment types (i.e. venture capital, growth equity, buyouts, distressed, etc.) are included in a typical portfolio:

SBOF II will invest solely with small buyout managers. The Partnership is targeting 100% small buyouts, which may opportunistically include growth buyouts and/or turnaround-focused buyouts. While the Partnership does not have target allocations for these sub-strategies, as a point of reference, SBOF I and SBOF II had the following allocations as a percentage of committed capital, as of September 30, 2012:

<u>SBOF I</u>
Buyouts: 74.5%
Growth: 14.2%
Distressed: 10.6%
PIPE: 0.7%

SBOF II
Buyouts: 74.7%
Growth: 11.0%
Distressed: 14.3%

31. Preferred benchmarks:

As all benchmarks for Siguler Guff's multi-manager funds are imperfect, the Firm views its funds as absolute return strategies. However, the Firm does use certain public and private market benchmarks to measure the performance of its partnerships. Given that there is no small buyout private equity-specific index available, it is difficult to identify any one benchmark as the "best". For the funds in Siguler Guff's small buyout strategy, the Firm believes it is important to consider Cambridge Associates buyout data from the private equity perspective and the Russell 3000 Index from a company size perspective. Additionally, the Firm uses the Russell Microcap Index, the Russell 2000 Index, and the S&P 500 Total Return Index as benchmarks for the funds in its small buyout strategy.

32. Typical number of partnerships held in the firm's fund of funds:

Siguler Guff expects that SBOF II will invest in approximately 25 funds, diversified by stage, sector, investment thesis and vintage year. To further enhance returns, the Partnership expects to make 25-30 direct investments (up to 30% of its committed capital).

SBOF II will not allocate more than 15% of its aggregate capital commitments to any individual fund and will not invest more than 5% of aggregate capital commitments in any single direct investment. The 15% limit, which was negotiated down from 25% by a limited partner, is subject to approval by the limited partners in SBOF II. If approved, this term will be reflected in the final limited partnership agreement.

33. Expected range for geographic location (region in US, US vs. international), industry and sector exposure and stage of investment for the firm's currently available fund:

As previously mentioned, the funds will represent a diverse mix of strategies, sectors, styles, geographic markets and vintage years, managed in each case by firms that Siguler Guff believes are clear market leaders and have distinct competitive advantages in the small and lower middle market.

The Partnership will focus on fund managers investing in the North American markets, with primary emphasis on the United States, because of the substantial number of small companies and high-quality managers operating in the U.S. However, the Partnership may also invest up to 20% outside of North America, primarily to access managers investing in small and lower middle market businesses in Europe. While the Partnership invests on an opportunistic basis, the small buyout investment team expects geographic allocations, as a percentage of invested capital, similar to the following:

U.S. Midwest: 20%
U.S. West: 20%
U.S. Southeast: 20%
U.S. Southwest: 12.5%
U.S. Northeast: 10%
U.S. Mid-Atlantic: 10%
U.S. Rocky Mountain: 5%
International: 2.5%

Sector focus will vary among managers, but the portfolio is likely to include companies in industrial goods and services, business services, healthcare, personal and household goods, food and beverage, retail, technology, financial services, energy services, and restaurants, among other industries. The Partnership will invest in funds with a range of investment theses, such as sector specialization, margin expansion, industry consolidation, improved corporate governance, financial restructuring, and enhanced sales, marketing and management techniques.

34. To what extent does the firm make "follow-on" investments? (Make multiple fund commitments to the same private equity fund manager)

SBOF II has the ability to make multiple commitments to the same fund manager. However, given the typical length of underlying fund investment periods, this will likely only occur in a few instances. SBOF I made multiple commitments to three of its 23 fund managers, and the small buyout investment team expects a similar number of follow-on investments in SBOF II. SBOF II is permitted to make follow-on investments even after its Commitment Periods, subject to certain restrictions.

With respect to re-ups, the small buyout investment team currently expects that SBOF II will commit to approximately 50% of the fund managers in SBOF I. To date, SBOF II has committed to eight SBOF I managers.

It is important to note that every investment opportunity must stand on its own merits. For example, a fund's past performance, while potentially indicative of future outcomes, is only one element considered in the investment decision-making process. Changes in a fund's management, size, investment style and strategy, as well as changes in the prevailing market conditions and future expectations, among other data points, are all considered when evaluating a re-up or follow-on investment. Therefore, the percentage of funds in SBOF II that will come from existing relationships is subject to change.

35. Expected exit strategy:

SBOF II will invest in approximately 25 managers offering funds focused on investing in the small and lower middle market. While the typical five year investment period is appropriate to allow managers to be patient during unanticipated fluctuations in markets, Siguler Guff prefers to see managers invest a fund's capital at a more rapid pace. The Firm anticipates that many funds will be fully invested within three to four years.

While some funds pay out interest and income earned during the life of the fund, Siguler Guff anticipates that that most of the Partnership's returns will be generated through the sale of portfolio companies. The Partnership's exit strategy includes various exit channels such as sales to larger financial sponsors and strategic investors, IPOs, and management buybacks. Given the value-enhancing transformation that most of these companies will go through, Siguler Guff expects that they will make highly-attractive acquisition targets for strategic investors and financial buyers. The Firm expects that the holding period of each underlying investment will range typically from three to seven years before they are sold.

Siguler Guff believes that given the substantial amount of capital raised by middle and large market funds, as well as the desire for strategic buyers to grow through M&A, the exit market for small and lower middle market buyout deals will likely remain robust in the foreseeable future.

While the overhang of capital in U.S. private equity funds has dropped from its peak, an estimated $348 billion still remains available to invest. The decrease in available capital is largely due to low fundraising levels following the Global Financial Crisis, which have since improved. Over $242 billion sits in funds with less than $5 billion in commitments, which are potential acquirers of the small and lower middle market companies that are expected to comprise SBOF II. Moreover, 75% and 85% of capital committed to funds in 2011 and 2012, respectively, was allocated to funds with less than $5 billion in commitments[1]. This large supply of capital has made selling up the "food chain" one of the exits of choice for small buyout fund managers.

This dynamic is visible in SBOF I, where successful exits have been sales to other private equity funds, including funds as large as $2.0 billion. Currently, U.S. non-financial corporations have exceptionally strong balance sheets, with more than $1.8 trillion of cash. Many of the corporations are very eager to grow through M&A activity. Small and lower middle market companies should be well positioned for interest from strategic buyers.

[1] Pitchbook 1H 2013 PE Fundraising and Capital Overhang Report, Federal Reserve

SBOF I has seen its portfolio companies acquired by strategic buyers such as Sara Lee (NYSE: SLE) ($8.6B), Spectrum Brands (NYSE: SPB) ($3.2B), Curtiss-Wright Corporation (NYSE: CW) ($1.6B), Masonite International ($1.5B) and Acadia Healthcare Company (NASDAQ: ACHC) ($1.1B), among others. In addition, the Firm anticipates that less than 5% of the portfolio will be exited through IPOs or management buyouts.

SBOF II's term will continue until the earlier to occur of (i) the twelfth anniversary of its initial closing, or (ii) the date on which all the Partnership's assets (other than temporary investments) have been distributed and the Partnership's obligations (including contingent obligations) have terminated, unless the term is extended (for up to three additional one-year periods) with the consent of the advisory board.

The Partnership will periodically distribute realized income and capital gains, typically in cash, when received. Proceeds representing returns of capital can be reinvested at the discretion of the General Partner, who will make that determination based on market conditions.

In-kind distributions from the underlying funds to the Partnership, and realized direct investments, may be sold by the Partnership or distributed in kind to the Partnership's investors. Prior to the dissolution of the Partnership, only marketable securities may be distributed in kind. Assets distributed in kind will generally be treated as cash distributions and distributed in accordance with the distribution provisions below.

The General Partner will give prior notice to investors if an in-kind distribution is contemplated and, at an investor's request, will act as such investor's agent to liquidate the in-kind asset on behalf of such investor and distribute the net cash proceeds of such liquidation to such investor. Investors will be responsible for all commissions and expenses in connection with any such sale and any such assets sold on behalf of an investor will be treated as having been distributed in kind to such investor at a value determined by the General Partner and sold by such investor for its own account.

Proceeds from investments in funds will be distributed as follows:

- Return of Capital. First, 100% to all investors, pro rata in proportion to capital commitments, until investors have received in the aggregate distributions equal to the investors' aggregate contributions to the Partnership in respect of all fund investments (including allocated expenses);
- Preferred Return. Second, 100% to all investors, pro rata in proportion to capital commitments, until they have received a preferred return of 8%, compounded annually, on the capital contributions returned under the preceding paragraph;
- GP Catch-Up. Third, 100% to the General Partner until the General Partner has received distributions equal to 5% of all distributions to investors in excess of the investors' aggregate contributions to the Partnership in respect of all fund investments; and
- 95/5 Split. Fourth, 95% to all investors, pro rata in proportion to capital commitments, and 5% to the General Partner.

Proceeds from the disposition of direct investments will be distributed as follows:

- Return of Capital. First, 100% to all investors, pro rata in proportion to capital commitments, until investors have received distributions equal to their total capital contributions in respect of all realized direct investments (including allocated expenses);
- Preferred Return. Second, 100% to all investors, pro rata in proportion to capital commitments, until they have received a preferred return of 8%, compounded annually, on the capital contributions returned under the preceding paragraph;
- GP Catch-Up. Third, 100% to the General Partner until the General Partner has received distributions equal to 15% of all distributions to investors in excess of total capital contributions in respect of realized direct investments; and
- 85/15 Split. Fourth, 85% to all investors, pro rata in proportion to capital commitments, and 15% to the General Partner.

36. Performance review:

The chart below includes the performance and quartile ranking for Siguler Guff's small buyout multi-manager funds estimated as of March 31, 2013*. Please note the performance includes both fund investments and direct investments.

Fund Name	Vintage Year	Fund Capitalization ($M)[1]	% of Fund Invested[2]	No. of underlying funds[3]	Distribution / Paid-in[4]	Residual / Paid-in[5]	IRR (%)	Cambridge FOF Quartile Ranking[6]
SBOF I	2006	$505.0	80.7%	26	0.4x	1.1x	11.4%	1st
SBOF II	2011	$542.3	51.4%	11	-	1.1x	28.3%	N/A

* Past performance does not guarantee future results.
(1) Total capital committed from LPs to date; estimated as of March 31, 2013, SBOF I had committed $564.1 and SBOF II had committed $221.5 million to underlying investments.
(2) Represents cash invested as a percentage of total commitments to underlying investments estimated as of March 31, 2013.
(3) Does not include the 27 direct investments and 11 direct investments in the SBOF I and SBOF II portfolios, respectively.
(4) Represents net distributions paid to LPs.
(5) Represents LP-only NAV.
(6) Cambridge Associates, September 2012. Fund of Funds only, vintage year 2006. Cambridge Associates data is not yet available as of December 2012.

37. Fee schedule for the fund:

Management fees will be charged to each investor's capital account based on the investor's capital commitment, in accordance with the following schedule:

First $10 million 1.00%
Next $40 million 0.85%
Over $50 million 0.50%

The management fee rate above will be applied to committed capital during the Direct Investment Commitment Period (ending August 30, 2017 for SBOF II), and for each succeeding year thereafter shall be an amount equal to 80% of the management fee for the preceding year. For example, if an investor's management fee is 1.00% of committed capital during the Direct Investment Commitment Period, that investor's management fee will be 0.80% for the first year following the Direct Investment Commitment Period and 0.64% for the second year following the Direct Investment Commitment Period. The management fee will be paid quarterly in arrears and is included in the capital commitment.

38. Carried interest associated with the fund:

The General Partner will be entitled to a 5% carried interest after an 8% preferred return on fund investments, and a 15% carried interest after an 8% preferred return on direct investments. Carried interest is allocated on a portfolio-basis for fund investments and on a deal-by-deal basis for direct investments.

39. Any other costs or fees associated with the fund:

The Partnership will bear the expenses of its organization and of the distribution of its interests, including legal fees, printing and travel expenses, not to exceed the greater of (x) 0.15% of the Partnership's committed capital or (y) $1 million.

The General Partner and investment manager will bear the expenses of their personnel and overhead required to perform their duties to the Partnership, and shall bear any organizational and distribution expenses in excess of the limits set forth above. The Partnership will bear all other expenses of its operation, including legal fees, custodian fees, interest, taxes, travel expenses, other due diligence expenses and other out-of-pocket costs associated with the acquisition and monitoring of portfolio investments, costs associated with hedging transactions, commissions, audit fees and tax preparation costs, and extraordinary expenses such as litigation and indemnification expenses.

Definitions

Excess Returns - Returns in excess of the risk-free rate, a benchmark or in excess of another manager. A positive excess return indicates that the manager outperformed the benchmark for that period.

Given two return series (typically a manger and a benchmark), $x_1, \ldots, x_n$ and $y_1, \ldots, y_n$, the excess return series is defined as $er_1, \ldots, er_n = x_1 - y_1, \ldots, x_n - y_n$

Annualized Excess Return = Annualized Manager Return - Annualized Index Return

Standard Deviation - A measure of the average deviations of a return series from its mean; often used as a risk measure. A large standard deviation implies that there have been large swings or volatility in the manager's return series.

$$StDev_{(SD)} = \frac{[\Sigma (x_i - X)^2]^{1/2}}{n} \quad \text{or Square Root of the Variance} = \sqrt{(Var)}$$

$$\text{Ann StDev} = SD * \sqrt{(N_y)}$$

x_i = the *ith* observation
X = mean return for series
n = the number of observations
N_y = the number of periods in a year (4 if quarterly data, 12 if monthly data)

Tracking Error - A measure of the amount of active risk that is being taken by a manager. This statistic is computed by subtracting the return of a specified benchmark or index from the manager's return for each period and then calculating the standard deviation of those differences. A higher tracking error indicates a higher level of risk – not necessarily a higher level of return - being taken relative to the specified benchmark. Tracking error only accounts for deviations away from the benchmark, but does not signal in which directions these deviations occur (positive or negative).

TE = Standard Deviation of Excess Return

Information Ratio - This statistic is computed by subtracting the return of the market from the return of the manager to determine the excess return. The excess return is then divided by the standard deviation of the excess returns (or Tracking Error) to produce the information ratio. This ratio is a measure of the value added per unit of active risk by a manager over an index. Managers taking on higher levels of risk are expected to then generate higher levels of return, so a positive IR would indicate "efficient" use of risk by a manager. This is similar to the Sharpe Ratio, except this calculation is based on excess rates of return versus a benchmark instead of a risk-free rate.

$$IR = \frac{\text{Excess Return}}{\text{Tracking Error}}$$

Sharpe Ratio - This statistic is computed by subtracting the return of the risk-free index (typically 91-day T-bill or some other cash benchmark) from the return of the manager to determine the risk-adjusted excess return. This excess return is then divided by the standard deviation of the manager. A manager taking on risk, as opposed to investing in cash, is expected to generate higher returns and Sharpe measures how well the manager generated returns with that risk. In other words, it is a measurement of efficiency utilizing the relationship between annualized risk-free return and standard deviation. The higher the Sharpe Ratio, the greater efficiency produced by this manager. For example, a Sharpe Ratio of 1 is better than a ratio of 0.5.

$$\text{Sharpe} = \frac{\text{Ann Rtn}(x) - \text{Ann Rtn}(R_f)}{\text{Standard Deviation of x}}$$

R_f = Risk-free rate

Alpha - The incremental return of a manager when the market is stationary. In other words, it is the extra return due to non-market factors. This risk-adjusted factor takes into account both the performance of the market as a whole and the volatility of the manager. A positive alpha indicates that a manager has produced returns above the expected level at that risk level, and vice versa for a negative alpha. Alpha is the Y intercept of the regression line.

$$\text{Alpha}_{(\alpha)} = X - [Beta*Y]$$

X = the mean return for the manager
Y = the mean return for the index

Beta - This is a measure of a portfolio's volatility. Statistically, beta is the covariance of the portfolio in relation to the market. A beta of 1.00 implies perfect historical correlation of movement with the market. A higher beta manager will rise and fall more rapidly than the market, whereas a lower beta manager will rise and fall slower. For example, a 1.10 beta portfolio has historically been 10% more volatile than the market.

$$\text{Beta}_{(\beta)} = \frac{[(n)*\Sigma(x_i*y_i)] - (\Sigma x_i)(\Sigma y_i)}{[(n)*\Sigma(y_i^2)] - (\Sigma y_i)^2}$$

n = the number of observations

xi = the return of the first data series (*ith* observation)

yi = the return of the second data series (*ith* observation)

Generally, xi = the manager's return series and yi will be a specified index (benchmark)

R-Squared - Otherwise known as the *Coefficient of Determination,* this statistic, like beta, is a measure of a manager's movement in relation to the market. Generally, the R-Squared of a manager versus a benchmark is a measure of how closely related the variance of the manager returns and the variance of the benchmark returns are. In other words, the R-Squared measures the percent of a manager's return patterns that are "explained" by the market and ranges from 0 to 1. For example, an r-squared of 0.90 means that 90% of a portfolio's return can be explained by movement in the broad market (benchmark).

$$\text{R-Squared} = (r)^2$$

r = correlation coefficient

Disclaimers:

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Sample
Employees' Retirement Association

PIMCO *StocksPLUS* and *StocksPLUS Absolute Return*
Analysis Report

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Executive Summary

CLIENT has invested in the PIMCO **StocksPLUS** strategy since September 2002. The strategy's objective is to deliver net-of-fee returns of 0.45-0.95% more than the S&P 500 benchmark with targeted annualized tracking error[1] of 1.0-1.5%. Management fees are 0.30% of assets.

PIMCO also offers a similar strategy, PIMCO **StocksPLUS Absolute Return,** with a higher return objective (2.25-3.25% net of fees more than the S&P 500), a higher volatility relative to the index (4.0-6.0% annualized tracking error) and higher fees (0.45% on the first $150 million, 0.40% thereafter).

In this analysis report, we compare the two strategies and find that the PIMCO **StocksPLUS Absolute Return** offers an attractive alternative to CLIENT's current PIMCO **StocksPLUS** strategy.

We recommend the CLIENT Board consider reallocating assets from the PIMCO **StocksPLUS** strategy to the **StocksPLUS Absolute Return** strategy.

Background

The objective of PIMCO's **StocksPLUS** strategy is to deliver gross-of-fee returns of 0.75% - 1.25% more than the S&P 500 benchmark before fees of 0.30%.

The **StocksPLUS** strategy is implemented by using S&P 500 futures and investing the remaining assets separately. This provides the return of the S&P 500 index at very low cost. Futures are very "capital efficient." Approximately 10% of the S&P 500 exposure is required as collateral. The remaining 90% of the portfolio is available for other investment purposes. S&P 500 futures are priced by the market such that a combination of 10% held as collateral for futures and 90% invested in a LIBOR-yielding[2] investment will have a return very close to the S&P 500. The goal for PIMCO is to invest the remaining 90% of capital at a return above that of LIBOR.

For example, if an investor invested $100,000 in the **StocksPLUS** strategy, PIMCO will purchase $100,000 in S&P 500 futures. This will provide the profit or loss of a $100,000 investment in the S&P 500. $10,000 will be held as collateral for the futures position. The other $90,000 is available for other investment purposes. If this $90,000 achieves returns greater than LIBOR, then, combined with the profits or loss from the futures, the total gross (before investment management fees) investment return will exceed the return of the S&P 500.

PIMCO deploys the 90% of capital available for investment into various investments designed to increase the total return to the investor. In some periods, the return of these investments generates returns greater than LIBOR and, combined with the profit or loss of the S&P 500 futures, creates outperformance of the S&P 500 overall. In other periods, these investments generate returns less than LIBOR and this leads to underperformance.

[1] Tracking error is the volatility of a portfolio's benchmark-relative performance and measures how closely the investment tracks the benchmark.
[2] LIBOR (London Interbank Offered Rate) is the average interest rate estimated by leading banks in London that they would charge other banks or top tier credits. LIBOR is used as the first input to calculate interest rates for loans throughout the world.

PIMCO also offers a **StocksPLUS** strategy with fewer investment constraints and a higher return objective, PIMCO **StocksPLUS Absolute Return**. **StocksPLUS Absolute Return** uses futures in the same manner as **StocksPLUS** to obtain S&P 500 returns, but invests the remaining 90% more aggressively to achieve higher returns. In this memo we compare the two strategies.

Note that either the PIMCO **StocksPLUS** or **StocksPLUS Absolute Return** outperformance could be layered onto any index available with futures (or swaps) by using the index's futures instead of S&P 500 futures.

Performance Comparison for the Two PIMCO Strategies

Table I on the following page compares the investment returns[3] of the S&P 500, the current CLIENT **StocksPLUS** strategy – and the PIMCO **StocksPLUS Absolute Return** strategy – since September 2002. Note that the PIMCO **StocksPLUS Absolute Return** strategy has had a higher return than the **StocksPLUS** strategy, but also has a higher annualized tracking error.

The PIMCO **StocksPLUS Absolute Return** strategy can achieve a higher return than the **StocksPLUS** strategy because it has wider latitude in its investment parameters. For example, the **StocksPLUS Absolute Return** strategy operates within a wider duration range (-3 to 8 years) than the StocksPLUS strategy (0-1 years). See Appendix I for investment guidelines for the PIMCO **StocksPLUS** and **StocksPLUS Absolute Return** strategies.

We use the term "benchmark-relative return" to refer to performance compared to the benchmark for any period. The term "alpha" is sometimes used as a shorthand term for benchmark-relative return, but this latter term is technically the simple arithmetic difference between two numbers, while alpha is a statistical output from the Capital Asset Pricing Model. As a result, in this report we will use the terminology "benchmark-relative return," rather than alpha.

Table I shows cumulative results for the entire period. It is also important to understand how much volatility there is in the interim results. We will consider interim volatility on the following pages.

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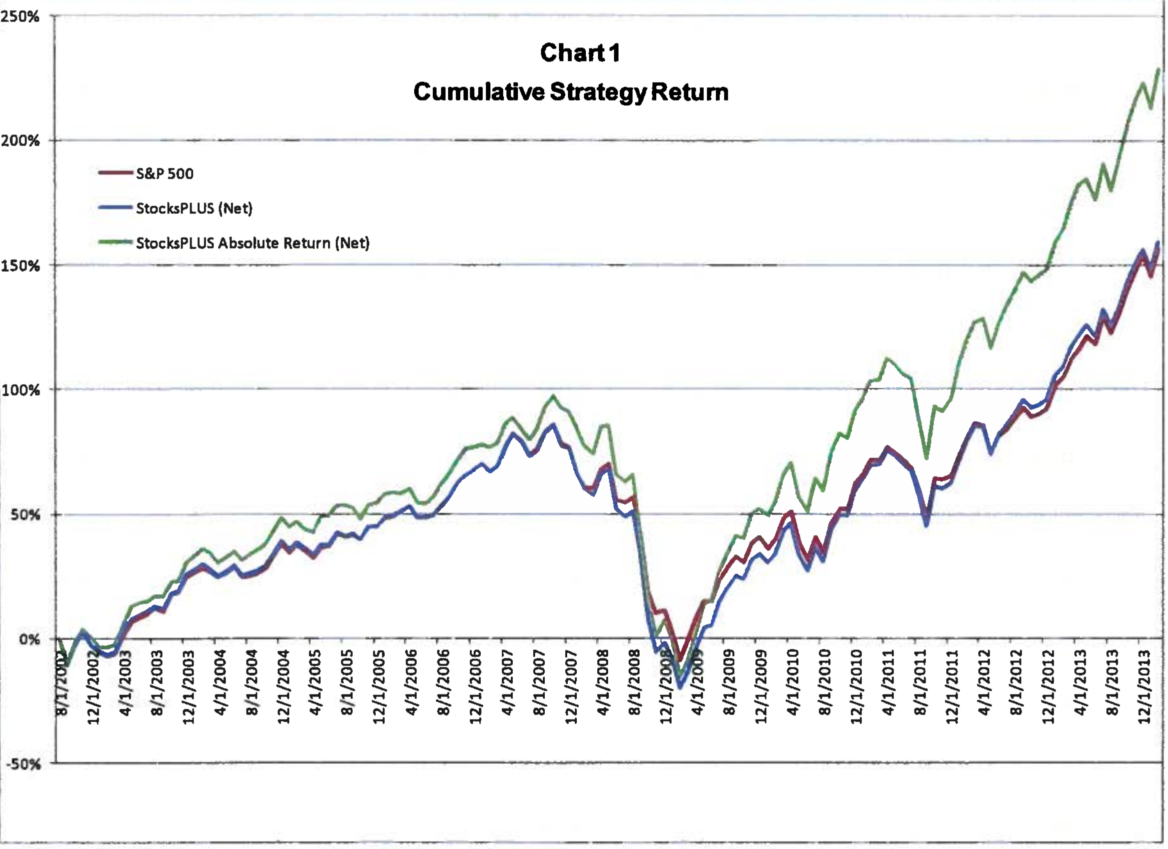
[3] Note that in this memorandum the net after fees performance shown for the StocksPLUS strategy is the actual result for CLIENT's **StocksPLUS** separate account at PIMCO. The net after fees performance for the **PIMCO StocksPLUS Absolute Return** strategy is for a composite of all the StocksPLUS Absolute Return accounts managed by PIMCO. Some of these StocksPLUS Absolute Return accounts have chosen a fixed fee option and others have chosen a fee option with a smaller fixed fee plus a performance fee. The fixed and performance fee options are discussed on page 10 of this report.

Table I

	S&P 500	StocksPLUS	StocksPLUS Absolute Return
Target Annualized S&P 500-Relative Performance (Net)	-	0.45-0.95%	2.25-3.25%
Cumulative Performance (Net)	156.4%	159.4%	228.3%
Annualized Performance (Net)	8.53%	8.64%	10.89%
Annualized S&P 500-Relative Performance (Net)	-	0.11%	2.25%
Target Tracking Error	-	1.0-1.5%	4.0-6.0%
Actual Tracking Error	-	1.8%	4.3%

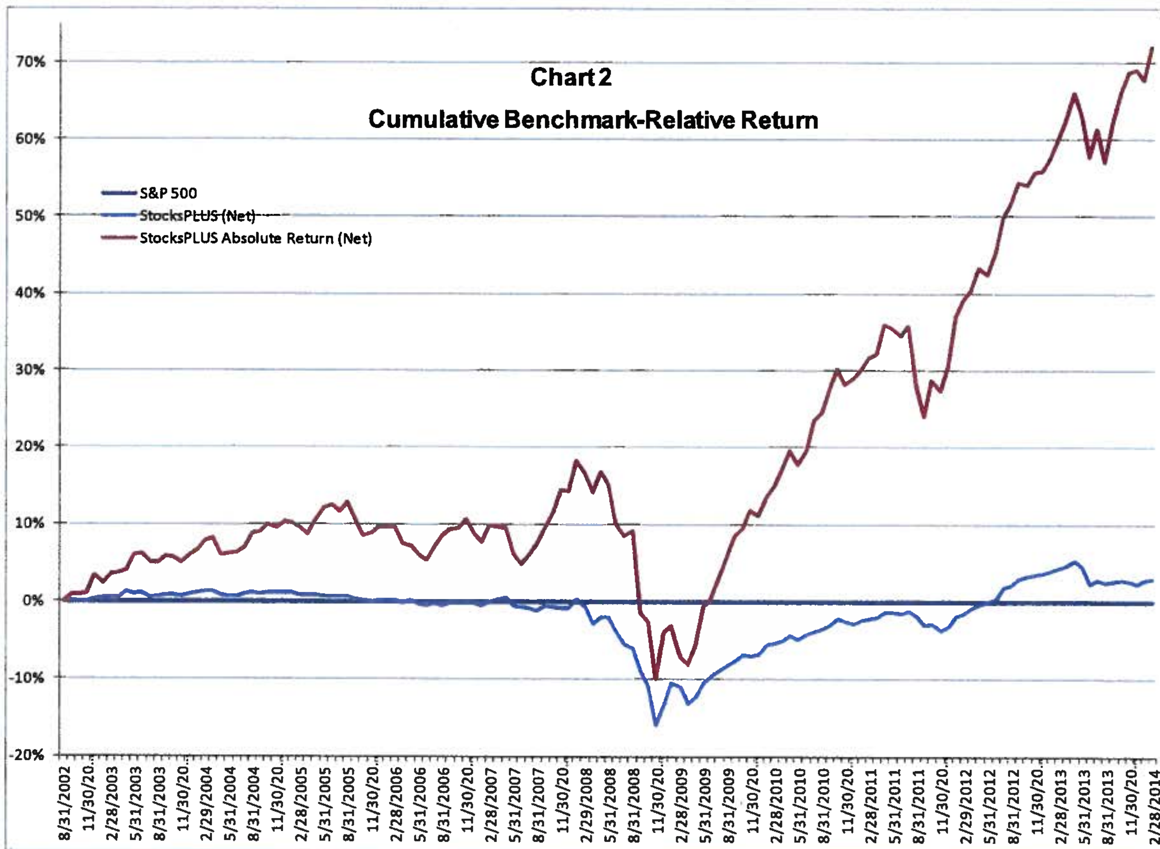
All returns are shown net of fees
Performance period is from 9/30/2002 through 2/28/2014

If we graph the cumulative return of each strategy over time, as shown in Chart 1 below, the performance difference between the two strategies becomes more apparent. The PIMCO **StocksPLUS** strategy has a small outperformance and the PIMCO **StocksPLUS Absolute Return** strategy has greater outperformance.



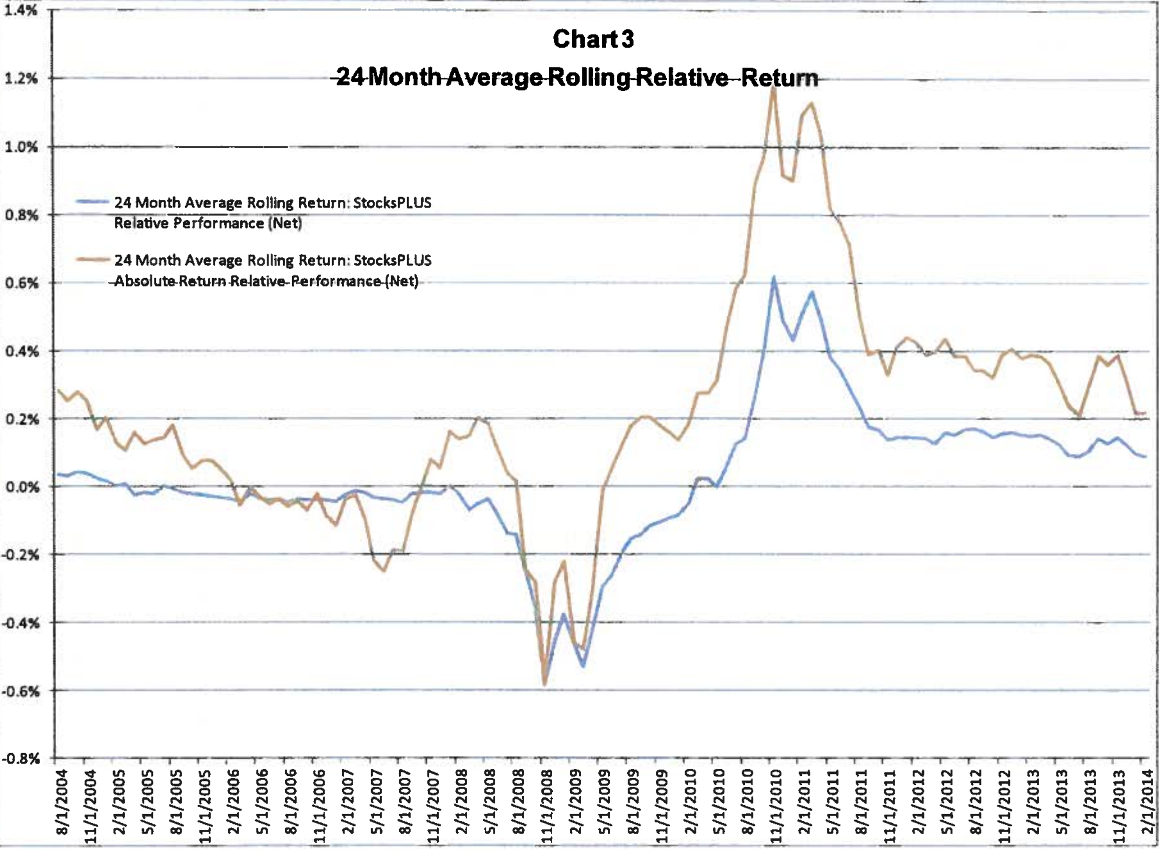
The difference between the S&P 500 line and the StocksPLUS strategy lines in Chart 1 on the prior page shows the outperformance of the S&P 500 added by the strategy – the outperformance, the benchmark-relative return.

These differences are shown in Chart 2 below. The red line shows that over the entire period the **StocksPLUS Absolute Return** strategy has added 72% to the index performance.

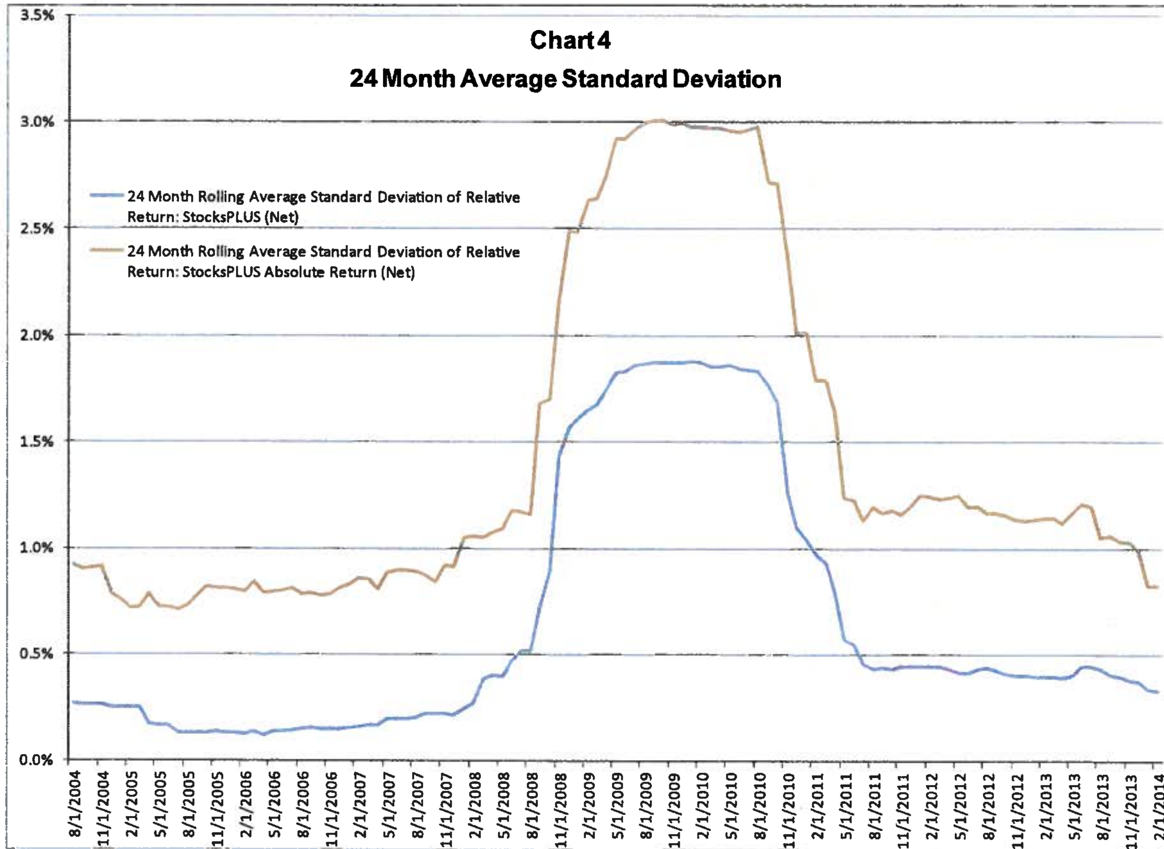


Appendix II further analyzes returns from the two strategies.

In Chart 3 below we show graphically how the rolling average monthly returns for the prior 24 months have changed over time for the two strategies. Note how the losses for the **StocksPLUS Absolute Return** strategy during the financial crisis were comparable to the **StocksPLUS** losses even though the **StocksPLUS Absolute Return** strategy had higher average returns most of the time.



In Chart 4 below we show graphically how rolling volatility (measured by annualized standard deviation of relative returns for the prior 24 months) has changed over time for the two strategies. The **StocksPLUS Absolute Return** strategy had higher volatility than the **StocksPLUS** strategy in all periods.



Risk/Return Differences between StocksPLUS and StocksPLUS Absolute Return

Return

Both **StocksPLUS** and **StocksPLUS Absolute Return** are driven by the same investment process and managed by the same team at PIMCO. **StocksPLUS Absolute Return** is designed to generate higher returns than **StocksPLUS** primarily by the following three factors:

- A typically higher yield advantage
- A wider opportunity set of securities/transactions
- Broader investment guidelines

The **StocksPLUS** outperformance is limited by investing in securities only within the enhanced cash universe of securities. The **StocksPLUS Absolute Return** higher investment return is achieved by deploying a full discretion, absolute return-oriented fixed income portfolio.

Risk

We attribute the more compelling historical performance results of the **StocksPLUS Absolute Return** strategy relative to the **StocksPLUS** strategy to its broader opportunity set and enhanced guideline flexibility. While we would expect this potential return advantage to persist in the future, we recognize that, as with any actively-managed strategy, there is a risk that PIMCO could err in selecting its active risk positions and that the **StocksPLUS Absolute Return** strategy could be adversely impacted as a result.

Based on a risk factor analysis[4], we find that the outperformance has primarily been generated by taking duration risk and credit risk. In the 2009 financial crisis, adding duration risk proved helpful. As interest rates declined, duration exposure generated profits. The profits from duration risk helped offset losses from credit risk. This pattern of one risk's profits offsetting the other risk's losses may or may not happen in the future.

Liquidity

CLIENT uses the PIMCO StocksPLUS strategy as a source of capital to meet capital calls from private equity firms. The StocksPLUS Absolute Return strategy will have less liquidity than the StocksPLUS strategy. This may be addressed by limiting the PIMCO StocksPLUS strategy exposure to markets with less liquidity, such as high yield or emerging market debt, or by using some other CLIENT assets as a source of liquidity.

[4] In a risk factor analysis, portfolio returns are analyzed to determine what risk factors contributed to the investment returns. Returns could be a result of some type of risk in the underlying assets or the skill of the portfolio manager.

Fee Comparison

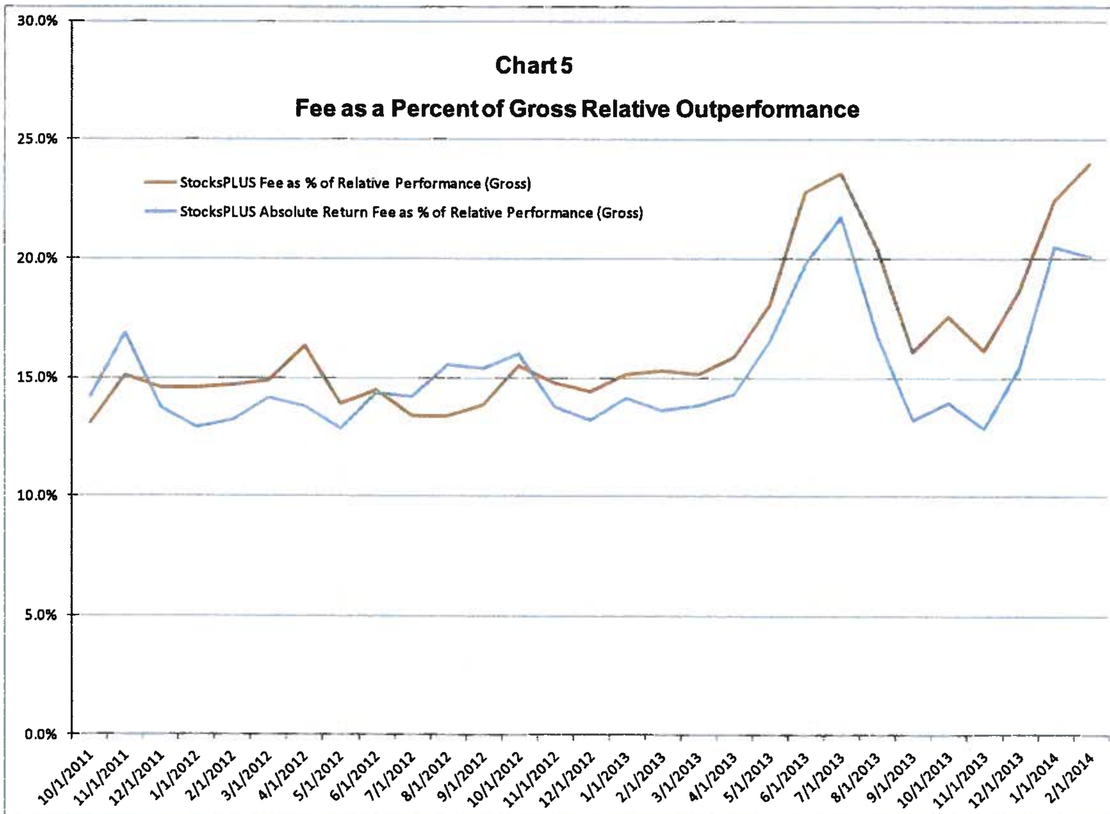
As stated previously, the fees for the PIMCO StocksPLUS strategies are:

StocksPLUS	0.30%
StocksPLUS Absolute Return	0.45% on the first $150 million 0.40% on assets over $150 million

While **StocksPLUS Absolute Return** has higher nominal fees, we believe a better way to compare fees for these investment products is to compare dollars of fees to dollars of benefit (benchmark-relative return), not fees expressed as a percentage of assets. For further discussion about comparing fees with a cost-benefit basis, please see Appendix III.

Chart 5 below shows fees as a percentage of benchmark-relative return (gross, before fees) for the PIMCO **StocksPLUS** and PIMCO **StocksPLUS Absolute Return** strategies. Benchmark-relative return has a slightly higher "cost" with the **StocksPLUS** strategy.

Chart 5 shows data since October 2011. Prior to that time the market was impacted by the financial crisis and benchmark-relative return was erratic and sometimes negative. More recent data better represents how we expect cost (fees) to compare to the benefit (benchmark-relative return). For either strategy we expect $1.00 of gross benefit (benchmark-relative return) to cost $0.15 - $0.25 in a "normal" market. This is an attractive fee/outperformance, or cost/benefit, opportunity.



Overall Portfolio Impact

CLIENT also invests in the PIMCO Total Return strategy. If PIMCO makes similar "bets" in the PIMCO Total Return strategy and the **StocksPLUS** strategies, there could be a correlation between the benchmark-relative performance of the PIMCO Total Return strategy and the **StocksPLUS** strategies. A high correlation of benchmark-relative performance would reveal concentrated risk and be undesirable.

Appendix IV analyzes the correlation of the benchmark-relative returns for the **StocksPLUS** and **StocksPLUS Absolute Return** strategies to the benchmark-relative return of the PIMCO Total Return in which CLIENT also invests. We find the **StocksPLUS Absolute Return** strategy benchmark-relative return has lower correlation to the Total Return benchmark-relative return than the **StocksPLUS'** benchmark-relative return correlation to the Total Return benchmark-relative return during the period 9/30/2002 through 2/28/2014.

> **StocksPLUS Absolute Return** monthly benchmark-relative return correlation to Total Return benchmark-relative return: 64%
>
> **StocksPLUS** monthly benchmark-relative return correlation to Total Return benchmark-relative return: 73%

There should be an increased diversification benefit from switching from the **StocksPLUS** to the **StocksPLUS Absolute Return** strategy.

If CLIENT decides to change from the current PIMCO **StocksPLUS** to the PIMCO **StocksPLUS Absolute Return** strategy, based on PIMCO targets, the expected net benchmark-relative return for the StocksPLUS allocation will increase from 0.45-0.95% to 2.25-3.25% and annual tracking error will increase from 1.0-1.5% to 4.0-6.0%. This change would have an insignificant impact on overall portfolio risk.

Fixed versus Performance-Based Fees

The fixed fees for the strategies are:

> **StocksPLUS**
> 0.30%
>
> **StocksPLUS Absolute Return**
> 0.45% for the first $150 million
> 0.40% on assets over $150 million

PIMCO also offers a performance fee option:

<u>**StocksPLUS** Performance Fee</u>
Annual base fee (draw quarterly) 0.10%
Participation rate over index* 20%

<u>**StocksPLUS Absolute Return** Performance Fee</u>
Base fee (draw quarterly) 0.15%
Participation rate over index* 15%
* Rolling 12-month evaluation period

CLIENT has historically favored fixed fees and we are comfortable with the fixed fee alternative. If the CLIENT Board is open to the performance fee option, additional analysis will be conducted to compare these alternatives.

Summary

The PIMCO **StocksPLUS Absolute Return** offers an attractive alternative to CLIENT's current PIMCO **StocksPLUS** strategy.

The advantages of the **StocksPLUS Absolute Return** strategy include the following:

- **The PIMCO StocksPLUS Absolute Return** strategy targets and has achieved a higher return than the **StocksPLUS** strategy (the net of fees benchmark-relative return target increases from 0.45-0.95% to 2.25-3.25%). The **StocksPLUS Absolute Return** strategy will also have a higher tracking error (target annual tracking error increases from 1.0-1.5% to 4.0-6.0%). However, this increased tracking error will not have a material impact on the CLIENT total fund's risk.

- **StocksPLUS Absolute Return** has been a more consistent outperformer. Historically, **StocksPLUS Absolute Return** outperformed **StocksPLUS** 62% of the time.

- Losses for the **StocksPLUS Absolute Return** strategy during the financial crisis were somewhat comparable to the **StocksPLUS** losses even though the **StocksPLUS Absolute Return** strategy had higher returns most of the time.

- Benchmark-relative return for the **StocksPLUS Absolute Return** is less correlated to the Total Return strategy than benchmark-relative return for the **StocksPLUS** strategy. There would be a small increased diversification benefit from switching from the **StocksPLUS** to the **StocksPLUS Absolute Return** strategy.

- While **StocksPLUS Absolute Return** has higher nominal fees, the benchmark-relative return has a slightly higher "cost" with the **StocksPLUS** strategy than the **StocksPLUS Absolute Return** strategy. **StocksPLUS Absolute Return has** a benchmark-relative return cost/benefit advantage above **the StocksPLUS** strategy.

Appendix I

Investment Guidelines for PIMCO StocksPLUS and StocksPLUS Absolute Return

Absolute Return "AR" collateral portfolio typical guidelines: Broad manager discretion to navigate prospective environment

RISK / RETURN	STOCKSPLUS ABSOLUTE RETURN STRATEGY	CCCERA STOCKSPLUS PORTFOLIO
Investment process	Driven by PIMCO's investment process	Same
Return type	Absolute return	Same
Benchmark	3-month LIBOR	Same
Volatility characteristics	**Similar to BAGG, broad bond market volatility**	**Enhanced cash; low volatility (1-2%)**
Active risk	Positions selected relative to LIBOR, as cash equivalent reference point	Same
Risk scaling	Exposures scaled based on areas of strongest conviction and perceived downside risk with careful consideration of liquidity requirements and equity risk associated with the overlay	Same
CORRELATION PROFILE*		
BAGG	Moderate	Same
S&P500	Low	Same
GENERAL INVESTMENT GUIDELINES		
Duration	**-3 to +8 years**	**0 to 1 years**
High yield	**20% max. below Baa****	**10%**
Emerging markets	**25% max.**	**10%**
Non-USD	**No Limit**	**20%**
Currency exposure	**20%**	**10%**

As of 28 February 2014
* Correlation ranges- Moderate= 0.2 to 0.5; Low = -0.1 to 0.2
** As rated by Moody's or equivalently rated by S&P or if unrated, determined by PIMCO to be of comparable quality
Refer to Appendix for additional correlation, credit quality, investment strategy and risk information.

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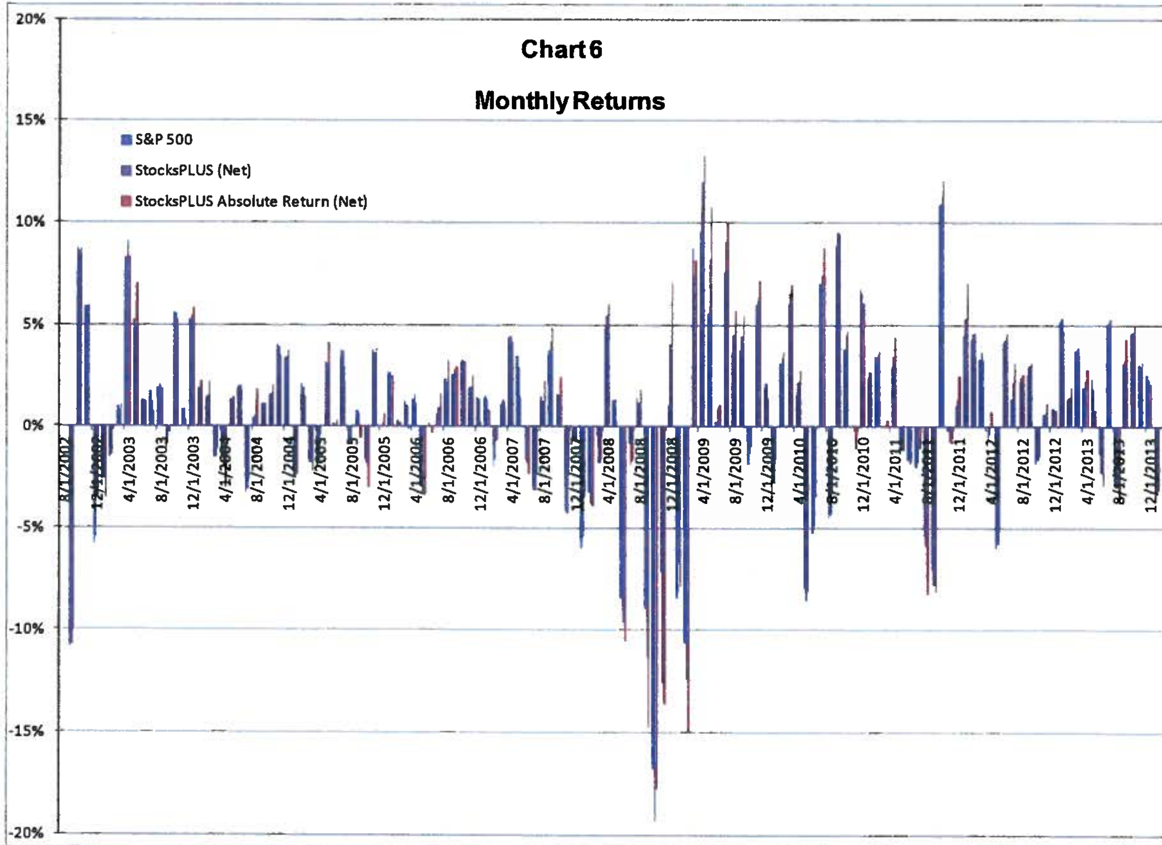
Appendix II

StocksPLUS and StocksPLUS Absolute Return Performance

Chart 6 below shows monthly returns for the S&P 500 benchmark, PIMCO **StocksPLUS** and the PIMCO **StocksPLUS Absolute Return** strategy. It shows that in any individual month the returns are very similar – by design.

PIMCO's **StocksPLUS** tracking error target at 1.0-1.5% would place it in an Enhanced Index[5] category. Meanwhile, **the StocksPLUS Absolute Return** strategy's tracking error target of 4-6% puts it in the Active Equity category, like a typical active equity manager.

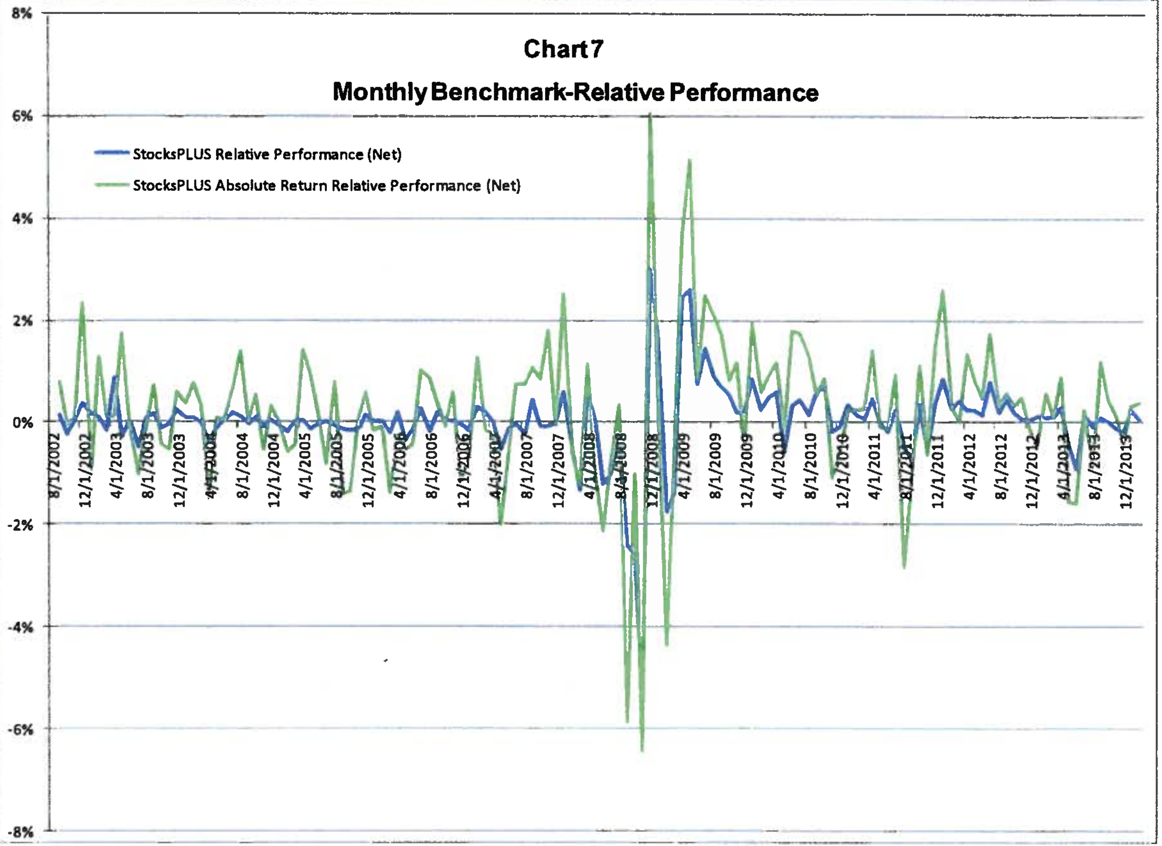


[5] Enhanced Index describes a portfolio which has only small differences from the benchmark index. The portfolio has only a small risk of underperformance and expected outperformance is small as well.

In Chart 7 below we show graphically how monthly benchmark-relative return compares over time for the two strategies. (Benchmark-relative return = Strategy performance – S&P 500 performance.)

Each point on Chart 7 below shows the monthly investment return of the strategy relative to the S&P 500. For example, if in a specific month the strategy was up 3% and the S&P 500 was up 2% the chart below would show a point at 1% for that month.

Note how the **StocksPLUS Absolute Return** strategy has had more volatile monthly benchmark-relative returns (the definition of higher tracking error), both positive and negative, throughout most of the history of the fund.



One way to examine more closely how well the strategy's returns track the benchmark is to plot the return of each strategy as shown in Chart 8 below. Each point in Chart 8 shows the return for a specific month for CLIENT **StocksPLUS** strategy on the horizontal axis and for the PIMCO **StocksPLUS Absolute Return** Strategy on the vertical axis. If a point falls on the diagonal line, the returns for both strategies that month were the same. When a point falls above the line the PIMCO **StocksPLUS Absolute Return** strategy delivered a higher return than the PIMCO **StocksPLUS** strategy for that month.

For the data plotted in Chart 8, **StocksPLUS Absolute Return** outperformed **StocksPLUS** in 86 of 138 months (62%) while **StocksPLUS** outperformed StocksPLUS **Absolute Return** in 52 of 138 months (38%). **StocksPLUS Absolute Return** has been a more consistent outperformer.

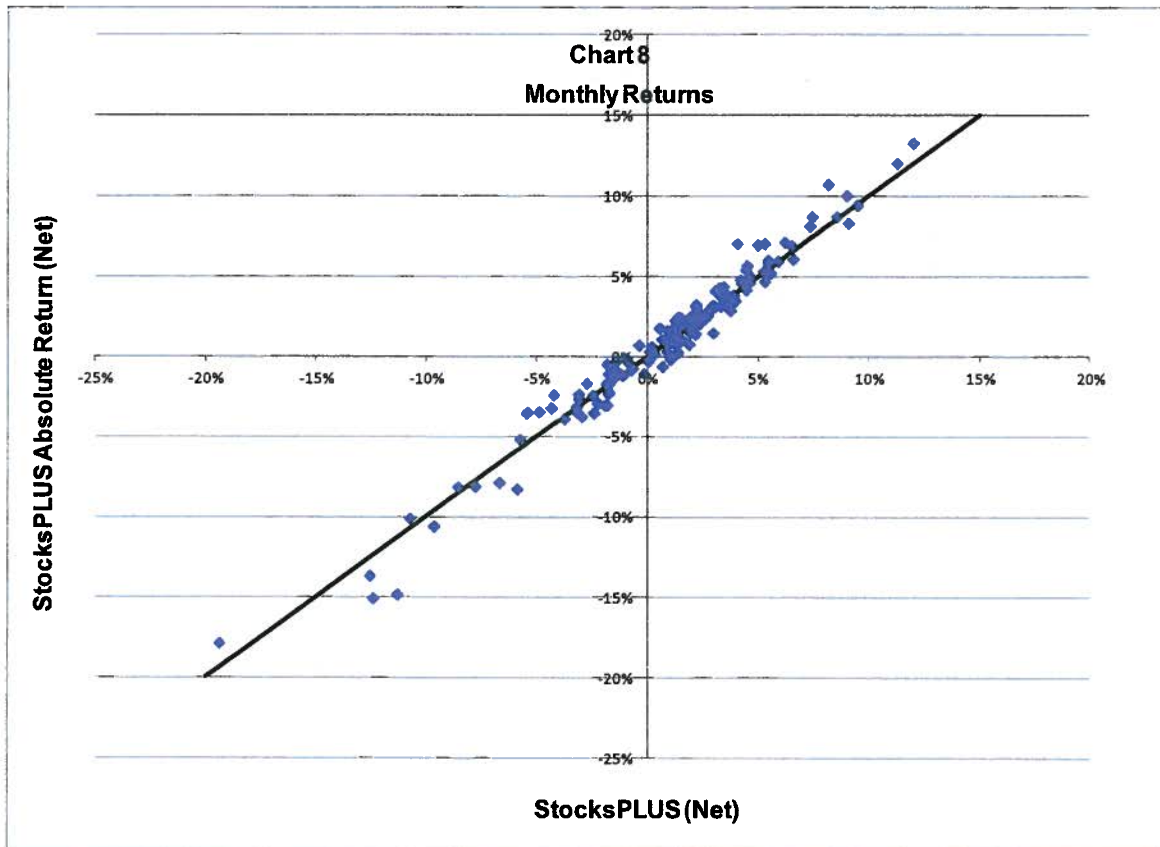
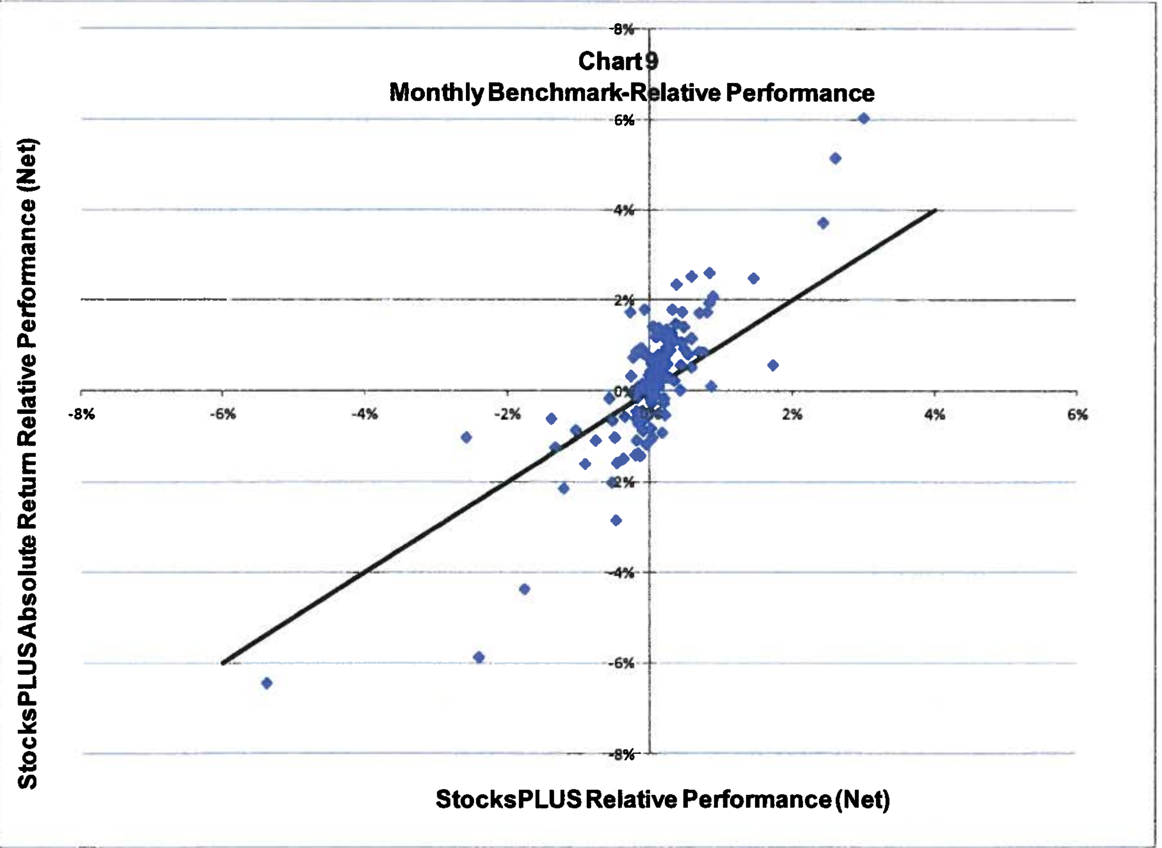


Chart 8 on the previous page plots the total return for each strategy. We are most concerned about analyzing performance relative to the S&P 500 benchmark, so Chart 9 below is plotted in the same manner as Chart 8, but shows only benchmark-relative return. For example, if a point falls on the diagonal line, then for that month both strategies added (or subtracted from) the benchmark's performance by the same amount. A point above the diagonal line indicates that the PIMCO **StocksPLUS Absolute Return** generated higher benchmark-relative return, and added more performance, than the PIMCO **StocksPLUS** strategy for that month.

As also noted for Chart 8 on the prior page, Chart 9 below shows **StocksPLUS Absolute Return** outperformed **StocksPLUS** in 86 of 138 months (62%) while **StocksPLUS** outperformed StocksPLUS **Absolute Return** in 52 of 138 months (38%).

From the pattern in Chart 9 below it appears that **StocksPLUS Absolute Return** is more likely to outperform **StocksPLUS** when benchmark-relative return is positive and **StocksPLUS Absolute Return** is less likely to outperform **StocksPLUS** when benchmark-relative return is negative. This expectation is based on there being more points that are above the diagonal line in the upper right quadrant of the chart and more points that are below the diagonal line in the lower left quadrant of the chart.



Appendix III

Comparing Fees on a Cost Benefit Basis

While **StocksPLUS Absolute Return** has higher nominal fees, we believe a better way to compare fees for these investment products is to compare dollars of fees to dollars of benefit (benchmark-relative return), not fees expressed as a percentage of assets.

To only compare fees in an absolute sense is not necessarily meaningful when comparing different strategies. For example, one active manager may charge 0.30% (30 bps) and another active manager may charge 0.50% (50 bps). If the manager with the higher fee has higher performance it may be the better choice if performance is proportionally higher without a similar increase in risk. To make such a comparison requires separating the manager's value added from the market's "value added."

For example, consider the following scenario for a domestic stock manager:

Assets invested at the beginning of the year: $100 million
Fees: 0.50% per year
Returns for the year: 11.5% gross (before fees)
Returns for the year: 11.0% net (after fees)
At the end of the year, the account value is $111 million after the fee is deducted
Assume that the portfolio Beta = 1
(Assume volatility of the portfolio is equal to the volatility of the S&P 500.)

"How much money did the investor make?"

11% or $11 million

"How much value was added?"

The market added 10% and the manager added 1%

What was the cost and what was the benefit versus simply investing in the index?

Cost = 0.5% x $100 million = $500,000
Benefit (relative return) before fees (gross) = 1.5% x $100 million = $1.5 million
Cost/Benefit = $500,000/$1,500,000 = 1/3

In Wall Street jargon:

10% was the market return
1% was the benchmark-relative return
Fees were 1/3 of gross benchmark-relative return

Appendix IV

Correlation to PIMCO Total Return Fund

CLIENT also invests in PIMCO's Total Return bond strategy. While this is a core bond strategy benchmarked to the Barclays Aggregate, it is possible that the "bets" made to generate outperformance in the **StocksPLUS** or **StocksPLUS Absolute Return** strategies could overlap with the bets made in the Total Return strategy. If this is true, the bets in the Total Return strategy would simply create bigger bets, rather than different bets, and this could increase overall portfolio risk. The more the bets are different, the greater the diversification benefit to the portfolio.

Chart 10 below shows benchmark-relative return from the Total Return strategy plotted against benchmark-relative return from the **StocksPLUS** strategy. Most plot points are near zero and loosely resemble a round shape, indicating that these points have nearly no (zero) correlation. Data points falling on, or close, to the diagonal line farther away from zero indicate that there is some correlation. Correlation is undesirable because it leads to greater portfolio volatility.

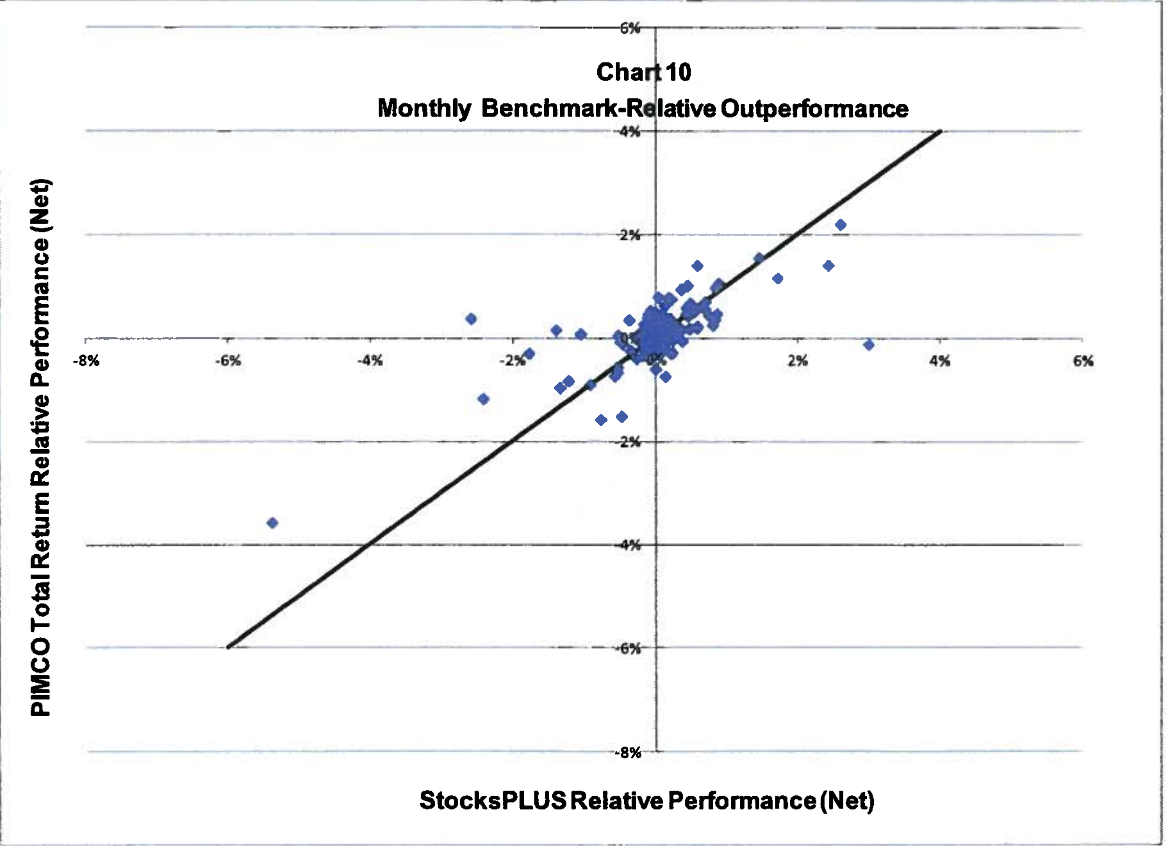
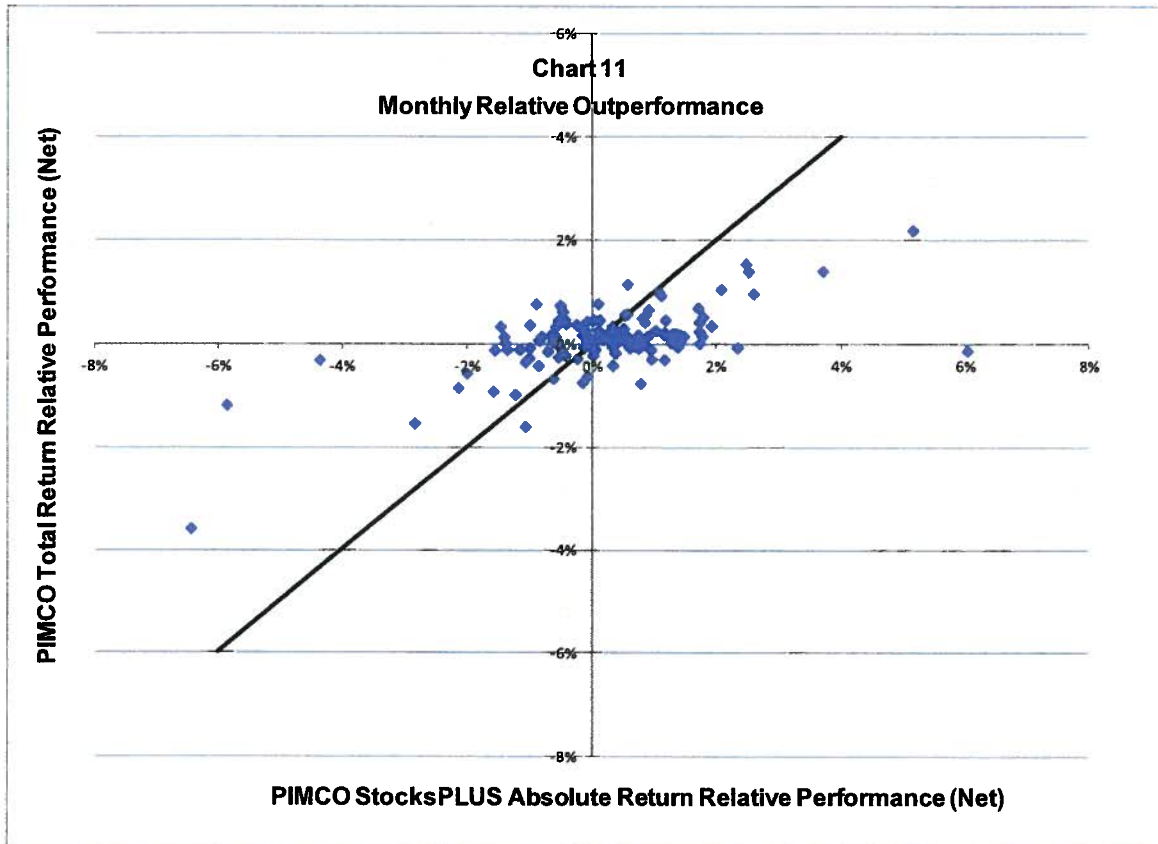


Chart 11 below is the same as Chart 10, but shows benchmark-relative returns from the Total Return strategy plotted against benchmark-relative returns from the **StocksPLUS Absolute Return** strategy.



Comparing benchmark-relative returns from the PIMCO Total Return strategy to either the **StocksPLUS** in Chart 10 on the prior page or **StocksPLUS Absolute Return** strategy in Chart 11 above shows that benchmark-relative returns for the **StocksPLUS Absolute Return** has been less correlated to the Total Return strategy than benchmark-relative returns for the **StocksPLUS** strategy. (Chart 11, the **StocksPLUS Absolute Return** chart, has more points off the diagonal line.) We expect an increased diversification benefit from switching from the **StocksPLUS** to the **StocksPLUS Absolute Return** strategy.

When we consider correlation for the period September 2002 through February 2014, shown below, we find the **StocksPLUS Absolute Return** strategy benchmark-relative return has lower correlation to the Total Return benchmark-relative return than the **StocksPLUS'** benchmark-relative return correlation to the Total Return benchmark-relative return. This validates what we observe visually in Chart 10 and Chart 11. Therefore, we conclude the **StocksPLUS Absolute Return** strategy benchmark-relative return is more desirable when considering the correlation to the Total Return strategy.

The Total Return benchmark-relative return correlations for the period 9/30/2002 through 2/28/2014 are shown below:

StocksPLUS Absolute Return monthly benchmark-relative return correlation to Total Return benchmark-relative return: 64%

StocksPLUS monthly benchmark-relative return correlation to Total Return benchmark-relative return: 73%

Disclosures

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The SEC adopted "Amendments to Form ADV" in July 2010. This Firm Brochure, dated March 31, 2014, is Milliman's disclosure document prepared according to the SEC's requirements and rules. It supersedes and updates information contained in all previous versions of the firm's brochure.

Currently, our Brochure may be requested by contacting Brian Pollack at 206.505.5517 or by email at brian.pollack@milliman.com.

Additional information about Milliman is also available via the SEC's web site www.adviserinfo.sec.gov. The SEC's site also provides information about persons affiliated with Milliman who are registered, or are required to be registered, as investment adviser representatives of our firm.

This Material Changes section of this brochure will be used to provide our clients with a summary of new and/or updated information. Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

Material Changes From the Prior Brochure

- There are no material changes to this brochure.

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Advisory Business

Our Business

Milliman was founded in 1947. It is one of the largest consulting and actuarial firms in the world. Milliman offers specialized consulting services in employee benefits, healthcare, life insurance and financial services, property and casualty insurance and investments. Milliman is a privately held company, owned by approximately 415 active employees. No one individual owns more than 1% of Milliman.

Investment Advisory Services

Milliman offers investment advisory services to institutions including banks or thrift institutions, pension and profit sharing plans, and other corporations or business entities, principally in connection with defined contribution, defined benefit retirement plans, endowments, foundations and post-retirement benefits. These investment advisory services may include the following:

Investment policy. We work with clients both to establish initial investment policies and to revise them as plan philosophy or circumstances change. We can help facilitate discussions within your organization that lead to clearly stated investment policy statements of purpose, objectives and investment guidelines. The resulting investment policy then stands as a guide underlying the actions of fund managers, trustees and other staff. Once established, the investment policy allows new trustees or fund managers to quickly and easily understand your investment philosophy.

Asset allocation. We help clients choose asset classes with targeted returns while attempting to minimize risk. Our analysis can include an assessment of your cash inflows, future liabilities, and required returns. Using independent asset class estimates, we can help design a suite of correlated investment managers to work toward your stated goals.

Investment structure. We assist clients in identifying strategies and styles they want to use to achieve their investment goals. Once a desired approach is determined, we can use our proprietary database of information on funds, and personal knowledge of manager track records, to select appropriate options for each strategy.

Manager evaluation. We evaluate how a manager's track record stacks up against expected performance and against performance of peers using both quantitative and qualitative elements. Our quantitative analysis uses data from third-party vendors and publically-available information on a manager's sector, performance, tenure, analytical method, etc. Our qualitative analysis includes attendance at conferences, webex and telephone meetings and in-person meetings. We visit with many managers on a regular basis because we believe regular on-site meetings are invaluable for understanding manager performance.

Performance measurement. We use robust tools to provide in-depth, quantifiable evidence of manager skill and performance. We employ automated reporting, using data warehousing to electronically capture data for analysis, which circumvents manual entry errors. Our performance evaluation includes:

- Evaluation of fund management. We evaluate factors such as depth of professional staff, organization structure, assets under management, and any changes in people or process.
- Absolute and relative performance appraisal. Investment manager performance is compared with previously set goals, as well as that of industry peers and relevant market indices. We offer the latest techniques for comparing manager performance against evolving industry benchmarks and peer measures.
- Risk assessment. We analyze to make sure the total return is within an appropriate level of risk for each portfolio.
- Style analysis. We monitor managers for "style drift" within their respective mandates.

Investment education. We offer investment education services tailored to the needs of each client. Our seminars can include hot topics in the industry, updates on the regulatory environment and future outlooks and investment trends.

Our Approach

Milliman seeks to tailor its advisory services to the needs of its institutional clients. We will meet on a scheduled basis mutually agreed to by you and Milliman to review investment performance, client objectives and changes in your financial position. Clients may impose restrictions on investments in certain securities or types of securities.

Milliman does not participate in wrap fee programs.

Assets under Management and Advisement

Milliman advises $41.4 billion of client assets on a non-discretionary basis.

Milliman manages $1 billion of client assets on a discretionary basis.

Both figures are based on account balances as of December 31, 2013.

Related Entity

A separately-registered Milliman subsidiary – Milliman Financial Risk Management LLC ("FRM") – provides hedging and asset allocation services to life insurers, banks, mutual funds, fund managers, reinsurers, and other types of clients. Further information on FRM is available on the Milliman website – www.milliman.com - or the SEC adviser site www.adviserinfo.sec.gov.

Fees and Compensation

Service Fees

As compensation for our advisory services, Milliman may charge:

- An hourly rate for professionals and other employees assigned to a project based upon the nature and scope of the services, and the expertise of the persons assigned. Where requested, Milliman will provide an estimate of the cost of a particular project. The client and Milliman negotiate fees prior to commencement of the services consistent with current market rates.
- A percentage of assets. The asset-based fee will be calculated on a separately-negotiated schedule; an example fee is 10 basis points of the first $10 million, 6 bps of the next $10 million, 4 bps of the next $30 million, and negotiable above $50 million.
- A separately-negotiated fixed fee for periodic services, where the fee approximates the expected hourly rate for the expected time spent.

Milliman may bill clients either in arrears or in advance. Clients billed in arrears are billed no more frequently than monthly and no less frequently than once a year. Clients billed in advance, will be billed at least quarterly, meaning clients will not pay more than one quarter in advance. You may terminate our services on any assignment at any time with prior written notice to Milliman according to the advisory agreement. The final fee charged will be prorated on the basis of services performed to date of termination.

Fees are negotiable with each client. We may at times impose a minimum advisory fee in order to cover the costs of our investment advisory services. All such fee arrangements are disclosed to and subject to negotiation with the client.

Other Fee Related Information

In some cases, where you have authorized it in writing, automatic deductions of our fees can be made through a qualified custodian. In such cases, we will send instructions for the fee deduction to the qualified custodian and send you a notice of such instructions. From time to time, we will verify that the custodian is also providing you with periodic reporting regarding our fee deductions.

Milliman fees are exclusive of brokerage commissions, transaction fees and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investments and other third parties such as fees charged by managers, custodial fees, deferred sales charges, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange-traded funds also charge internal management fees, which are disclosed in a fund's prospectus. We advise our clients to carefully review fund prospectuses and contracts with other providers carefully. Such charges, fees and commissions are exclusive of and in addition to Milliman's fee and Milliman shall not receive any portion of these commissions, fees and costs.

None of our *supervised persons* accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

ERISA Accounts

Milliman may be deemed to be a fiduciary to advisory clients that are employee benefit plans pursuant to the Employee Retirement Income and Securities Act ("ERISA"). As such, Milliman is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include, among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Milliman may only charge fees for investment advice about products for which we and/or related persons do not receive any commissions or 12b-1 fees.

Performance-Based Fees and Side-By-Side Management

Neither Milliman nor any of our supervised persons accepts performance-based fees – that is, fees based on a share of capital gains on or capital appreciation of the assets of a client.

Types of Clients

Milliman provides investment advisory services to institutions, including banks or thrift institutions, pension and profit sharing plans, and other corporations or business or government entities, principally in connection with defined contribution, defined benefit retirement plans, endowments, foundations and post-retirement benefits. We do not offer retail financial planning.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods and Strategies

Through the use of various information sources together with our own studies and information, Milliman will make recommendations to clients with respect to the general categories of investments, the mix of investments among those categories, and suitable investment managers or registered investment companies to fill those investment categories without giving specific recommendations as to the individual securities to be purchased. These recommendations are designed to comport with the client's long-range goals while satisfying the short-term cash needs and other requirements of the particular client.

Milliman approaches its investment analysis by emphasizing a proper "fit" between the client and the investment and by coordinating the investment's fundamental features with the client's objectives. The analysis may include a computer-assisted analysis of the investment's history, financial quality, strength, stability and growth potential.

Milliman may also from time to time render advice with respect to specific individual securities and the selection of particular investments.

Risk of Loss

Our analysis of investments relies on the assumption that the funds and investment managers that we recommend, the rating agencies that review them and other publicly-available sources of information about these investments, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

Our typical recommendations include mutual funds and individual investment managers. Investment returns are not guaranteed and past performance is no guarantee of future performance. There is always a material chance that you may lose money on your investments.

Disciplinary Information

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Milliman or the integrity of Milliman management.

Neither Milliman nor any of its advisory employees has experienced any material legal or disciplinary events.

Other Financial Industry Activities and Affiliations

Neither the firm nor any of Milliman's investment advisory management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, nor as a futures commission merchant, commodity pool operator, a commodity-trading advisor, or an associated person of the foregoing entities.

Milliman provides actuarial and administrative services to retirement plan sponsors, including public and private defined benefit and defined contribution plans. Some of these clients also engage Milliman for investment advisory services.

Milliman receives no direct or indirect compensation from investment advisors that it recommends to clients.

As stated, FRM, a Milliman subsidiary, is separately registered with the SEC as an investment adviser and with the Commodity Futures Trading Commission as a commodity trading adviser and a commodity pool operator. FRM provides investment advisory services to certain collective investment trusts and mutual funds that are sold to the retirement plan market. FRM is the primary adviser to certain mutual funds that are offered to individual, retail investors. Milliman will fully disclose to you if we are ever in a position to consider or recommend one of these funds to you, and will work with you to avoid any conflicts, were they to exist. You can find out more information about FRM's services at www.milliman.com and through FRM's Form ADV Part 2A filed at www.adviserinfo.sec.gov.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Milliman's code of ethics for its investment advisers contains guidance on standards of business conduct, personal securities transactions, reporting violations and education of advisers about the code. All *access* and *supervised persons*, as defined in SEC rules, are required to provide written acknowledgement that they have received the code. A copy of Milliman's code of ethics for investment advisers is available to any client or prospective client upon request.

Our investment advisory activities may include recommendations to purchase or sell particular types or categories of securities or investment products. It may also involve rendering advice with respect to particular securities or investment products. Concurrently with this advice, our investment consultants may, with certain restrictions, generally purchase, sell or hold investments within these categories or within these particular securities or investment products as most are publicly traded. All *access persons* are required to provide quarterly reports of their securities transactions and an annual report of holdings. Our compliance team reviews these reports.

Brokerage Practices

At the request of an institutional client, we may have investment discretion in the choice of funds and the allocation of assets between funds in a portfolio. In addition, we may have discretion over the timing of movements between funds in a portfolio. These arrangements include discretion over holdings of mutual funds, collective investment trusts and separate accounts. If there are brokers involved for the execution of trades they are chosen by the client.

Milliman may at times recommend to clients the services of certain brokers, but receives no separate compensation or research services for this over and above our normal consulting fees. The brokers are recommended based upon the quality of the execution services provided and the competitiveness of the commission rates charged.

Review of Accounts

Typically, Milliman reviews client accounts monthly or quarterly based on a mutually agreeable schedule. *Access persons* who are experienced investment consultants familiar with the account conduct these reviews. Certain events may trigger more frequent reviews of accounts

Reports typically cover both qualitative and quantitative information about the account and its managers. Reports may include:

- Commentary by market segment
- Performance information versus benchmarks and relevant indices
- Funds and managers on a watch-list
- Snapshots of model risk-based portfolios showing risk/reward relationships and variability
- Investment Policy Statement recap to facilitate periodic reviews

Reports are provided in writing and are augmented by calls or on-site meetings.

Client Referrals and Other Compensation

Prior to 2014, Milliman had a referral arrangement in place with Northwestern Mutual Investment Services, LLC ("NMIS"), whereby NMIS would receive compensation from Milliman for referrals that resulted in new advisory clients for Milliman. Upon mutual agreement, this referral arrangement was terminated in 2014.

Milliman may compensate Milliman employees for bringing in new clients or retaining existing clients. This compensation does not affect the individualized services tailored to each client.

Custody

We do not keep custody of client funds or securities.

Investment Discretion

At the request of an institutional client, Milliman may have investment discretion to choose investment funds, make allocation trades and determine the timing of trades. Prior to taking on such authority, we work with client to define the limits of such authority and to be added to the client's authorized trader lists. We do not have brokerage or commission discretion in connection with our services.

InvestMap is developed by Milliman as an age-based asset allocation strategy that incorporates all or a portion of the retirement plan's underlying investment funds. The InvestMap asset allocations are designed such that employees in their early years of employment have more of their retirement plan assets allocated to equities. Employees closer to retirement age will have less of their retirement plan assets invested in equities and more in less risky investment types. Retirement age for the InvestMap asset allocation strategy is assumed to be 65. While InvestMap incorporates the retirement age into the strategy, asset allocations may continue to change beyond normal retirement age into the post-retirement years.

InvestMap is a participant directed investment strategy. InvestMap is not participant investment advice and Milliman, Inc. is not an advisor to plan participants. InvestMap is an asset allocation strategy based on fundamental investment strategies designed to reduce risk over time while providing a reasonable rate of return.

Voting Client Securities

We do not accept authority to and do not provide discretionary voting proxy services. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios, or may outsource this to firms who provide this service.

Financial Information

Milliman may bill clients either in arrears or in advance. In some cases our clients pay quarterly in advance of services. In no cases do we solicit or would we accept more than $1,200 paid six months or more in advance.

Milliman has not been the subject of any bankruptcy petition at any time in its history and there is no current financial condition that is reasonably likely to impair our ability to meet our contractual commitments to our clients.

Milliman's most recent audited financial statements are available upon request.

Brochure Supplement

San Francisco Investment Team

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San Francisco, CA 94108-2702

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Milliman, Inc.
Retirement Plan Services
1301 Fifth Avenue
Suite 3800
Seattle, WA 98101
(206) 624-7940
www.milliman.com

March 31, 2014

This brochure supplement provides information about the supervisory persons of the Dallas Investment Team that supplements the Milliman Retirement Plan Services brochure. You should have received a copy of that brochure. Please contact Bill Cottle if you did not receive the Milliman Retirement Plan Services brochure or if you have any questions about the contents of this supplement.

William R. Cottle

Principal and Senior Investment Consultant
Milliman, Inc.

Born: 1951

Educational Background and Business Experience

Education
Principia College, BA
University of Colorado, MBA

Professional Designations
Chartered Financial Analyst in good standing.

Business Background
2002: Milliman, Inc.
1990: Dorn, Helliesen & Cottle, Inc.

Positions Held for the Preceding Five Years
2002: Principal and Senior Investment Consultant

Disciplinary Information

We are required to disclose all material facts regarding certain legal or disciplinary events pertaining to arbitration awards or other civil, regulatory or administrative proceedings in which our firm or management personnel were found liable or against whom an award was granted.

There have been no past legal or disciplinary events.

Other Business Activities

None.

Additional Compensation

None.

Supervision

Supervisors: William Cottle, Principal, 415.765.9167

As Principal of Milliman, Inc. and practice leader of the San Francisco investment team, William Cottle is responsible for supervision of all of the team members' activities, including their formulation and monitoring of investment advice offered to clients. Mr. Cottle oversees all material investment policy changes and oversees periodic testing to ensure that client objectives and mandates are met. In addition, Milliman has a strong ethic of peer review that is employed in any project that is undertaken. The process normally requires a secondary review of the work performed, reports prepared, and overall project management. The reviewer is selected as someone familiar with the project, but who has not performed significant work on the specific project. This allows for impartial review and the opportunity for additional insights.

Robert I. Helliesen Jr.

Senior Investment Consultant
Milliman, Inc.

Born: 1947

Educational Background and Business Experience

Education
Colgate University, AB
Golden Gate University, MBA

Professional Designations
Chartered Financial Analyst in good standing.

Business Background
2002: Milliman, Inc.
1984: Dorn, Helliesen & Cottle, Inc.

Positions Held for the Preceding Five Years
2002 Principal and Senior Investment Consultant
2014 Senior Investment Consultant

Disciplinary Information

We are required to disclose all material facts regarding certain legal or disciplinary events pertaining to arbitration awards or other civil, regulatory or administrative proceedings in which our firm or management personnel were found liable or against whom an award was granted.

There have been no past legal or disciplinary events.

Other Business Activities

None.

Additional Compensation

None.

Supervision

Supervisors: William Cottle, Principal, 415.765.9167

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Martin Dirks

Senior Investment Consultant
Milliman, Inc.

Born: 1956

Educational Background and Business Experience

Education
Bemidji State University, BS
Harvard Business School, MBA

Business Background
2012: Milliman
2010-2012: McCullough & Associates
2000-2010: ISA Capital Management
1994-1999: Harvard Management Company

Positions Held for the Preceding Five Years
Equity Analyst/Director of Research
Equity Analyst/Portfolio Manger

Disciplinary Information

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There have been no past legal or disciplinary events.

Other Business Activities

None

Additional Compensation

Supervision

Supervisors: William Cottle, Principal, 415.765.9167

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Dorian Young

Senior Investment Consultant
Milliman, Inc.

Born: 1964

Educational Background and Business Experience

Education
Harvard University, A.B.
University of Chicago Booth School of Business, M.B.A.

Professional Designations
Chartered Financial Analyst in good standing
Chartered Alternative Investment Analyst in good standing

Business Background
2013: Milliman
2009-2013 Independent Investment Consultant & Strategist
1995-2008 RCM Capital Management
1992-1994 Vestek Systems
1988-1991 A.T. Kearney
1986-1988 United Parcel Service

Positions Held for the Preceding Five Years
Investment Consultant & Strategist
Director, Head of Quantitative Analytics & Risk Strategy Team

Disciplinary Information

We are required to disclose all material facts regarding certain legal or disciplinary events pertaining to arbitration awards or other civil, regulatory or administrative proceedings in which our firm or management personnel were found liable or against whom an award was granted.

There have been no past legal or disciplinary events.

Other Business Activities

None.

Additional Compensation

None.

Supervision

Supervisors: William Cottle, Principal, 415.765.9167

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Jessica G. Romero
Consultant
Milliman, Inc.

Born: 1970

Educational Background and Business Experience

Education
University of California at Berkeley, BA
University of California Hastings College of the Law, J.D.

Professional Designations
Member, California State Bar Association

Business Background
2002: Milliman, Inc.
1995: Dorn Helliesen & Cottle, Inc.

Positions Held for the Preceding Five Years
2012: Consultant
2007-2012: Analyst
1995-2006: Associate

Disciplinary Information

We are required to disclose all material facts regarding certain legal or disciplinary events pertaining to arbitration awards or other civil, regulatory or administrative proceedings in which our firm or management personnel were found liable or against whom an award was granted.

There have been no past legal or disciplinary events.

Other Business Activities

None.

Additional Compensation

None.

Supervision

Supervisors: William Cottle, Principal, 415.765.9167

As Principal of Milliman, Inc. and practice leader of the San Francisco investment team, William Cottle is responsible for supervision of all of the team members' activities, including their formulation and monitoring of investment advice offered to clients. Mr. Cottle oversees all material investment policy changes and oversees periodic testing to ensure that client objectives and mandates are met. In addition, Milliman has a strong ethic of peer review that is employed in any project that is undertaken. The process normally requires a secondary review of the work performed, reports prepared, and overall project management. The reviewer is selected as someone familiar with the project, but who has not performed significant work on the specific project. This allows for impartial review and the opportunity for additional insights.

Steven W. Cottle

Consultant
Milliman, Inc.

Born: 1983

Educational Background and Business Experience

Education
University of Santa Barbara, BA
Lund University School of Economics and Management, MSc.

Business Background
2007: Milliman Inc.

Positions Held for the Preceding Five Years
2012 Consultant
2007: Analyst

Disciplinary Information

We are required to disclose all material facts regarding certain legal or disciplinary events pertaining to arbitration awards or other civil, regulatory or administrative proceedings in which our firm or management personnel were found liable or against whom an award was granted.

There have been no past legal or disciplinary events.

Other Business Activities

None.

Additional Compensation

None.

Supervision

Supervisors: William Cottle, Principal, 415.765.9167

As Principal of Milliman, Inc. and practice leader of the San Francisco investment team, William Cottle is responsible for supervision of all of the team members' activities, including their formulation and monitoring of investment advice offered to clients. Mr. Cottle oversees all material investment policy changes and oversees periodic testing to ensure that client objectives and mandates are met. In addition, Milliman has a strong ethic of peer review that is employed in any project that is undertaken. The process normally requires a secondary review of the work performed, reports prepared, and overall project management. The reviewer is selected as someone familiar with the project, but who has not performed significant work on the specific project. This allows for impartial review and the opportunity for additional insights.

Travis Rego

Analyst
Milliman, Inc.

Born: 1988

Educational Background and Business Experience

Education
University of California, Davis, BS, BA

Business Background

2012-2013: Hall Capital Partners LLC
2014: Milliman Inc.

Positions Held for the Preceding Five Years
2007: Portfolio Analyst

Disciplinary Information

We are required to disclose all material facts regarding certain legal or disciplinary events pertaining to arbitration awards or other civil, regulatory or administrative proceedings in which our firm or management personnel were found liable or against whom an award was granted.

There have been no past legal or disciplinary events.

Other Business Activities

None.

Additional Compensation

None.

Supervision

Supervisors: William Cottle, Principal, 415.765.9167

As Principal of Milliman, Inc. and practice leader of the San Francisco investment team, William Cottle is responsible for supervision of all of the team members' activities, including their formulation and monitoring of investment advice offered to clients. Mr. Cottle oversees all material investment policy changes and oversees periodic testing to ensure that client objectives and mandates are met. In addition, Milliman has a strong ethic of peer review that is employed in any project that is undertaken. The process normally requires a secondary review of the work performed, reports prepared, and overall project management. The reviewer is selected as someone familiar with the project, but who has not performed significant work on the specific project. This allows for impartial review and the opportunity for additional insights.

Professional Designation Requirements

Chartered Financial Analyst (CFA)
The CFA charter is a professional designation introduced in 1963 and awarded by the CFA Institute. To earn the CFA charter, candidates must pass three sequential, six-hour examinations. The three levels of the CFA program test a wide range of investment topics, including ethical and professional standards, quantitative methods, economics, financial analysis, equity and fixed-income analysis, alternative and derivative investments, and portfolio management and wealth planning. In addition, CFA charterholders must have at least four years of qualified investment work experience in the investment decision-making process and must commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.