Office of the New York State Comptroller
Thomas P. DiNapoli, State Comptroller

In-State Private Equity Investment Program: Status Report

NY In-State Investment Program

September 2013

New York State Common Retirement Fund
Vicki Fuller, Chief Investment Officer

No Investment or Legal Advice

This report is not intended as a request for or advice that other investors or venture capitalists invest in the New York Common Retirement Fund's (CRF's) portfolio funds or underlying investments or any network mentioned in the report and is not a substitute for the requisite due diligence any investor should complete before making an investment, particularly a private equity investment. The report contains information on many topics. Much of the specific information about the managers and the companies they have invested in has been provided by sources believed by the CRF to be reliable. However, the CRF cannot guarantee the accuracy of that information. It is intended as general illustrative information only, and no aspect of the report should be considered an investment recommendation or an endorsement of any of the companies mentioned or any of their products or services.

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INTRODUCTION

The New York State Common Retirement Fund's In-State Private Equity Investment Program is designed to generate a market rate of return consistent with the risks associated with private equity, while increasing the diversification of the Fund's investment portfolio, by making sound strategic investments in new and expanding New York companies and making equity capital available to small businesses often overlooked by investment professionals in this asset class.

Although the Program has provided significant benefits to the State's economy, it is first and foremost an investment program. The primary objective, as Trustee of the Common Retirement Fund, is to obtain an appropriate risk-adjusted return comparable to what would be available for other investments with similar characteristics. The fiduciary responsibility of the Office of the State Comptroller to the New York State and Local Retirement System's members and pensioners guides all aspects of the Fund's management.

Since 2007, the In-State Program has invested an additional $403.3 million in 169 New York companies. A total of $684 million has been invested since the inception of the Program, with $308 million or approximately 45 percent invested in upstate communities.

Based upon the performance of this Program to date, the CRF continues to seek out attractive investments with managers who focus on New York State and intends to renew its investment commitments to the partners who have demonstrated success. The New York portfolio companies are an integral part of CRF's private equity investment strategy, and the In-State Program will continue to be an important investment focus for the Fund as well as a driver of economic growth for the State.

Thomas P. DiNapoli
State Comptroller

EXECUTIVE SUMMARY

This report provides an overview of the New York Common Retirement Fund's In-State Private Equity Investment Program through August 2013, including geographic aspects, the leveraging of other capital and employment-related benefits. Key results of the Program include:

- $1.08 billion of the CRF's capital has been committed to 18 different private equity fund managers for investments in New York State. This represents a $624 million increase from the $453 million available in January 2007.

- Our private equity fund managers have invested $684.2 million in 252 New York companies. In January 2007, there were 84 portfolio companies in the program with $195.7 million in invested capital.

- Over the last six-and-a-half years, the Program has seen:

  - A 200 percent increase in the number of New York companies receiving capital; and

  - A greater than 200 percent increase in the amount of capital invested in New York.

- The CRF's investments have also effectively leveraged $6.7 billion in additional debt and capital from other investors, including $2.4 billion invested in upstate New York.

While private equity investments generally take five to six years to mature to a liquidity event, the results from a diverse range of managers indicate that these investments are performing well. To date, the returns have been consistent with our expectations.

- In 2012, Buffalo-based Summer Street Capital completed the final distribution of profits on its New York portfolio investments, generating top-quartile industry performance. In 2000, Summer Street Capital NYS Fund was the CRF's second capital commitment under the In-State Private Equity Investment Program.

- Long Island-based Wheatley Partners first invested in a then-Westchester-based biotechnology startup in 2005. In 2011, the company was sold for 13 times the initial investment.

- In 2011, the Trillium Group of Rochester exited a 2005 investment in a Utica-based company for two times the initial investment. Hamilton Lane, an In-State co-investment partner, also participated in the transaction, generating 2.3 times the investment.

- In 2011, Credit Suisse exited an upstate-focused medical services company for 1.8 times the 2010 investment, and sold a green technology company headquartered in New York City for almost twice the initial 2010 investment.

- Hamilton Lane also generated solid performance on two of its co-investments.

  - A $9 million 2010 investment in a New York City-based media company returned 1.7 times the 2010 investment.

  - A $5 million 2006 co-investment alongside another In-State Fund, Ascend Ventures, in an education software company, in 2001 returned 3 times the investment.

The Program's venture capital investments have included companies developing important new technologies, including nanotechnology, biotechnology, clean energy, materials science, Internet infrastructure and content.

Since 2009, the Program has allocated $120 million to early stage and seed investment opportunities in New York State.

Investment opportunities arising from the dynamic expansion of the technology sector, especially in New York City, have generated significant returns for the In-State Program. For example, Softbank Capital, High Peaks Venture Partners and DFJ Gotham all had significant liquidity events in the past two years, including:

- An Internet game company sold in 2012, less than two years after the company was founded, for almost 4 times the Program investment.

- A Manhattan-based software company sold in 2012, earned the CRF $43 million on an investment of $2.8 million. This performance equates to 15 times the original 2008 investment.

- An Internet news application sold in 2011, five years from the initial investment, for almost 7 times the original investment.

- A New York City-based Internet company sold in 2012, returning 3.6 times the CRF's 2007 investment.

- A file management software company sold in 2011 for almost 1.5 times the initial 2009 investment.

In 2011, New York City-based Contour Venture Partners was added to the Program, becoming the 18th manager to receive a CRF commitment focused on investing in New York.

In 2012, the CRF committed an additional $40 million to Summer Street Capital Partners' third New York-focused investment vehicle.

In Spring 2013, the CRF committed $50 million to Softbank Capital's second New York-focused technology fund.

OVERVIEW

In November 1999, the New York State Common Retirement Fund (CRF or Fund) created the In-State Private Equity Investment Program to target investments in New York State. The Program was developed in response to a component of the "Jobs 2000 for New York State," or "J2K" Act, adopted in August 1999 and signed into law in November 1999.[1] The J2K Act represented an important achievement by the Legislature, and to date the In-State Program has had a significant positive impact on the Fund's returns as well as on the economic vitality of New York State.

This Report has two primary purposes. First, it provides information on CRF investments in the In-State program to New York State public officials and to the public, including the members, retirees and beneficiaries of the NYSLRS. This report provides an overview of the investment strategies employed by the funds in the Program, describes the process for selecting fund managers and provides detail on investments made to date.[2] Secondly, it provides information to businesses and entrepreneurs in New York State who may have investment opportunities for financing needs they could potentially present to a fund manager with which the CRF is invested, to a regional "angel" network that may have funds available for investments in early stage venture capital or to the NYBDC about potential sources of financing.

This Report is not intended as a request for or advice that other investors or venture capitalists invest in the CRF's portfolio funds or any network mentioned herein and is not a substitute for the requisite due diligence any investor should complete before making an investment, particularly private equity investments. These investments, which are generally not liquid and carry relatively high risk, are not suitable for all investors. The returns that the CRF has earned in these investments are due in large part to its ability to invest for the long term and to manage its In-State investments as part of a large and diverse portfolio with expert investment and legal advice.

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[1] L1999, ch 624, § 11; Retirement and Social Security Law § 423-b

[2] Investments in the private equity asset class, which includes investments made through the In-State Program for the CRF, are authorized under subdivision 9 of section 177 of the Retirement and Social Security Law, commonly referred to as the "basket provision." The other provisions of Retirement and Social Security Law Section 177 generally limit CRF investments to permitted levels of certain types of investments, otherwise known as the "legal list." The basket provision allows the CRF to invest in assets not specifically enumerated on the legal list if those investments meet the prudent investor standard. In 2006, subdivision 9 of section 177 was amended to increase the size of the basket provision to up to 25 percent of the CRF's assets could be invested in vehicles that are suitable for a prudent investor but not on the legal list. In addition to allowing the CRF to better optimize its asset allocation plan, the additional flexibility ensures that the CRF is capable of responding to future opportunities to invest with managers focused on New York investing.

Private Equity Investments

Background

Unlike lending or investing in the stock of public companies, private equity combines capital investments with financial and operational expertise. Private equity managers – particularly those that focus on early stage venture investing or growth capital for small businesses – provide management expertise, strategic direction and other value-added services along with capital. When making an investment, private equity managers become part owners of a company and generally join the company's board of directors. Creating an environment where private equity capital is available supports the formation of strong, well-managed companies and fosters economic growth.

Modern private equity investing first developed in the United States through the personal investments of major industrial families, such as the Rockefellers, Phipps and Whitneys. Technology-focused investing began following World War II with the formation of private limited partnerships that invested in companies whose shares were not traded on public markets.

Numerous, but small, organized pools of capital dedicated to technology investing were formed in the late 1950s, following the creation of the Federal Small Business Investment Act. It was not until the 1980s, however, that large institutional investors began to consider private equity. In 1979, changes to the federal Employment Retirement Investment Security Act (ERISA) were instrumental in allowing corporate pension plans to invest in private equity.[3] Since that time, private equity has become a recognized asset class for institutional investors, including public pension plans.

Structure of Private Equity Investments

Private equity is an illiquid, long-term investment. It is typically structured in the form of a limited partnership where the general partner acts as fund manager and sponsor of the investment vehicle. The bulk of a private equity fund's capital is usually raised from outside investors, which can range from wealthy individuals to family offices to endowments and pension plans.

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[3] DRI-WEFA, "Measuring the Importance of Venture Capital and Its Benefits to the United States Economy," June 19, 2002. The discussion of the origins of private equity investing is based on pages 7-11 of the DRI-WEFA report. DRI-WEFA is a subsidiary of HIS Global insight, formed from the acquisition and merger of Data Resources Inc. and Wharton Econometric Forecasting Associates.

The partnership agreement is the contractual arrangement between the fund manager and investor limited partners. The agreement typically:

- details the responsibilities of the general partner to the fund (this generally includes an acknowledgment that the general partner is a fiduciary, provides limitations on outside activities of the general partner and includes a contractual agreement that key individuals see the fund through to completion);

- outlines permitted investments, providing limits on the size, type of industry and geographic location of individual investments;

- sets a period of time during which investments may be completed (the "commitment period"), and then a deadline for liquidating the fund's investments (the fund's "term"); and

- provides rights to the limited partners to remove the general partner or stop the fund's investments if a set proportion of limited partners agree and the general partner has breached his or her agreed-upon responsibilities.

With the execution of a partnership agreement, a limited partner is contractually bound to follow the terms of the agreement, the most important of which is to agree to provide capital upon request to the general partner as investments are completed. The amount of capital that a limited partner is obligated to provide is typically capped at the partnership's inception, as is the length of time during which capital may be called (see "commitment period" above).

Private equity is unlike other forms of investments. Traditional investments are generally initiated with a set amount of capital provided to a manager. For private equity funds, a typical investment period is five or six years (an additional five to six years is provided to dispose of investments). During this period, the general partner seeks out investment opportunities and negotiates the terms of investments with portfolio company owners. When negotiations are completed, the general partner requests the capital from the limited partner. When a fund has exhausted its capital, the general partner will typically raise a new vehicle to continue its investment program.

Compensation to the general partner takes two forms:

- A negotiated management fee, which is a fixed percentage of either commitments or invested capital that provides the general partner with income to manage the fund, pay investment professionals, and seek out and monitor investments.

- A share of profits, typically 20 percent of net gains generated from fund investments. This is referred to as carried interest, promote or override.

Private equity investors structure a general partnership's economic terms in a way that maximizes the general partner's incentive to generate profits. This is accomplished by limiting management fee income to an amount necessary to fund the manager's operations, and by requiring that the general partner invest his or her own funds in the partnership.

Due to restrictions in the legal provisions that govern limited partnerships, the investor limited partners do not have a role in the day-to-day operations of a private equity fund. Aside from reviewing potential conflicts of interest that may face the general partner, or other specified functions, limited partners are not permitted to direct how a fund operates and the general partner is completely responsible for all investments.

Private equity investments are not, however, entirely passive. Limited partners do play a role in monitoring the general partner's investment progress and performing ongoing evaluations of the quality of the fund's portfolio. Because general partners will raise new funds as capital is deployed, limited partners use ongoing monitoring as an important tool in the investment process for making investment decisions about successor funds.

In summary, investments in private equity funds are pools of capital where the investor, after making a commitment and absent a breach by the general partner, is bound to see the investment through its ten-to-twelve year term.

The figure below summarizes the structure of the relationship between investors and a general partner in a private equity fund. Key features generally include:

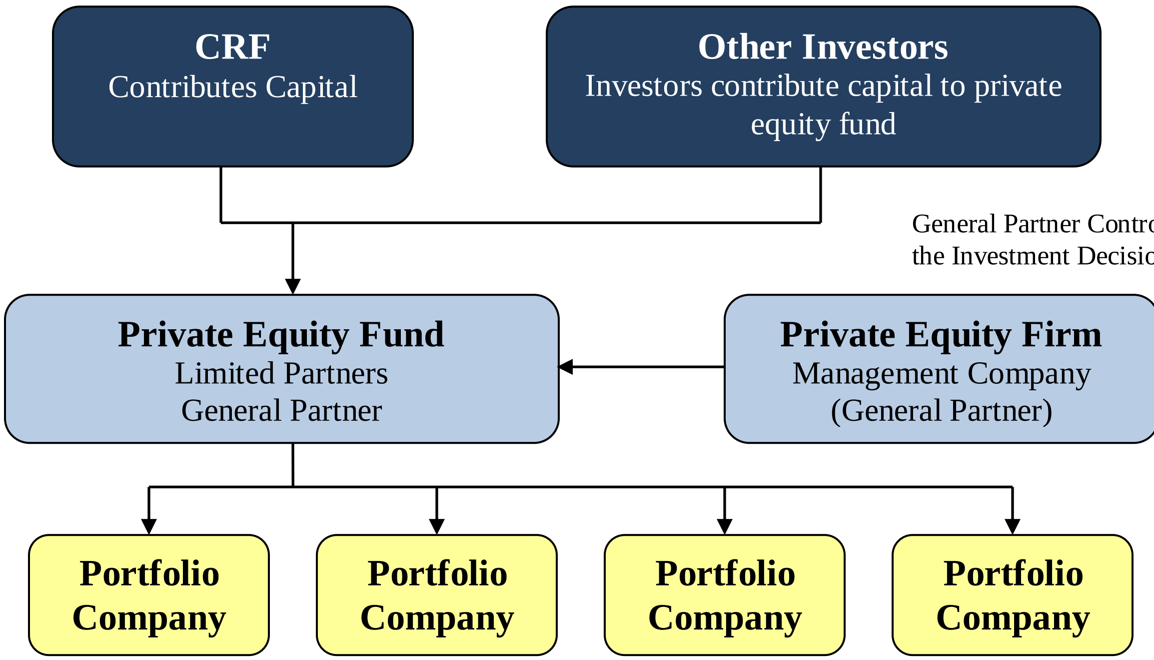
- Private equity funds have a ten-to-twelve year life. The commitment of funds by a limited partner is the first step in the investment process. Funds are actually invested over a five or six year "investment period"; during the remaining five to six years of the fund's term, the general partner focuses on selling the investments.

- The private equity fund is distinct from actual private equity investments in portfolio companies.

- The limited partners do not have a role in the day-to-day operations of the fund and do not participate in the investment decision-making process. However, limited partners often participate in fund advisory committees to enhance awareness of fund operations.

Figure 1

Structure of Private Equity Investing



INVESTMENT STYLES

A private equity fund is generally focused on a specific style of investing, largely determined by either the portfolio company's stage of development or industry focus. A key feature is that investments involve equity ownership in a business, in contrast to loans. Equity investors generally receive a seat on a company's board of directors and are involved in management and strategic decision-making.

One of the primary differences between private equity investing and investments in public securities is the manager's participation in the growth and development of the portfolio company. It is the investment manager's ability to devise strategy, hire key staff, implement an optimal capital structure, seek new customers, and identify possible acquisitions that distinguish private equity from passive investments in public securities.

Private equity investment funds can be classified into the following three styles:

Venture Capital

Venture capital invests in companies early in development, ranging from seed investments intended to develop a concept, to funding complete development of a product, to late-stage investing where expanding a firm's customer base is the investment goal. Venture capital is frequently deployed in technology-oriented companies. This investment strategy carries the highest risk; early-stage companies are subject to numerous risk factors, including financial, market, operational and technological risk.

Buyout/Corporate Finance

Investments in existing operating businesses make up a large portion of the private equity investment universe. These investments may include: helping new owners finance the acquisition of a business (generally as a result of a sale by a corporate parent or a generational change in the ownership of a family business); financing expansion for an existing business, allowing it, for example, to acquire smaller competitors; or recapitalizing a business to provide it greater flexibility to operate.

Mezzanine

Mezzanine investments are a form of corporate finance where the investment has characteristics of both a loan and an equity investment. These investments are at the point in a company's capital structure between debt and equity (hence the term "mezzanine").

Investment Criteria and Selection Process for the In-State Program

The Common Retirement Fund began implementation of the In-State Private Equity Investment Program by issuing a Request for Information (RFI) in November 1999. The RFI was designed to provide potential investment managers and other interested groups with a broad outline of the Program, and to seek advice on how it could best be structured. The RFI also served as an invitation to fund managers to prepare proposals for the CRF's consideration.

The CRF received several suggestions in response to the RFI that shaped the design of the Program. Among these were:

Flexibility. Potential fund managers stressed the need to manage private equity funds in a commercial manner, and not as a government-sponsored economic development program. Programmatic constraints on the characteristics of an investment, particularly a structure that would require CRF approval of individual investments, would interfere with this objective. General partner managers should be provided with the flexibility to pursue broad investment strategies in pursuit of returns.

Breadth of Investment Mandate. An overall lack of private equity capital was identified as a serious impediment to business formation and growth in New York. New York State, particularly upstate, is home to a large number of middle-market privately-owned businesses. These businesses generally have few options when seeking equity capital. Because many operate proven, successful business models with existing employees, providing equity financing to allow expansion or ownership transitions is attractive; there is less risk backing a proven business, and preserving and expanding an existing employer is beneficial to the economy.

Supporting Permanent Sources of Capital. Private equity investing is a hands-on process, and business owners must be comfortable when exchanging ownership of their company for capital. In addition to the immediate benefits from investing in growing businesses, the Program is designed to provide support to investors who will become permanent institutions in the State, and who will be an attractive source of equity capital in the future.

Fundamental Requirements

To ensure that investments meet the prudent investor fiduciary standard and the requirement that they be made solely for the benefit of the CRF's members, retirees and beneficiaries, the following minimum standards are required in vetting potential general partners:

- A successful track record of making private equity investments, including an ability to demonstrate that value was added in the investment.
- An investment strategy designed to provide returns consistent with similar, non-New York focused investments.
- A coherent investment strategy consistent with the business environment.
- Fund managers dedicated to potential investments without any potential conflicts of interest.
- An ability to raise capital from other sources. This serves both to multiply the impact of the CRF's capital and also to validate its investment decisions.
- The infrastructure needed to monitor and report on the portfolio.
- An established network of contacts within the State to serve as a source of new investment opportunities.
- A business presence within the State.

The presence of a network to identify investments is an important component in the evaluation of a fund manager. Private equity transactions frequently arise through contacts with accountants, attorneys, business organizations and other entrepreneurs. These types of proprietary transactions may not be broadly known, and a fund manager's ability to access them is a significant competitive advantage.

Investment Process

The CRF's investment process for its private equity fund portfolio requires both CRF staff and its private equity consultant to review investment opportunities. The investment staff and consultant must agree that an investment has merit and the internal review process must be completed before the investment is presented to the Comptroller for approval. This parallel recommendation system is an integral part of the CRF's policies and procedures and provides an internal control over the investment process. This procedure is particularly important in light of the State Comptroller's responsibility as the Fund's Trustee.

All potential investment opportunities receive a preliminary review. Proposals that fall short of the CRF's fundamental requirements are initially deferred, but the investment manager is provided with detailed guidance on what steps are necessary to make a suitable proposal.

Since the inception of the Program, CRF staff have worked with managers for extended time periods, monitoring their progress in developing an investment track record and in refining their organizational structure until the manager had met the CRF's requirements.

IN-STATE PRIVATE EQUITY PORTFOLIO

Comptroller DiNapoli has made the In-State Program a high priority, and has completed $624 million in new commitments since taking office. As of June 30, 2013, the CRF has made 35 commitments to 18 private equity fund general partners.

Table 1

In-State Private Equity Year-by-Year Commitments		
Year	**Number of Commitments**	**Commitment (millions)**
2000	2	$50.0
2001	2	7.5
2002	2	46.9
2003	5	152.4
2004	3	65.0
2005	4	76.0
2006	3	55.5
2007	5	408.0
2008	1	25.0
2009	3	70.0
2010	1	15.0
2011	2	16.2
2012	1	40.0
2013 YTD	1	50.0
Total	**35**	**$1,077.5**

To diversify risk and leverage the investment, CRF prefers that funds participating in the In-State Program also seek capital from other sources. The $1.08 billion committed by the CRF is supplemented by $693 million in additional capital raised by these funds from other investors, bringing total investments available for New York transactions to $1.77 billion. This total is further enhanced when the impacts of the syndication of transactions (several private equity funds will generally participate in a single investment), lending and other forms of financing are considered.

Table 2

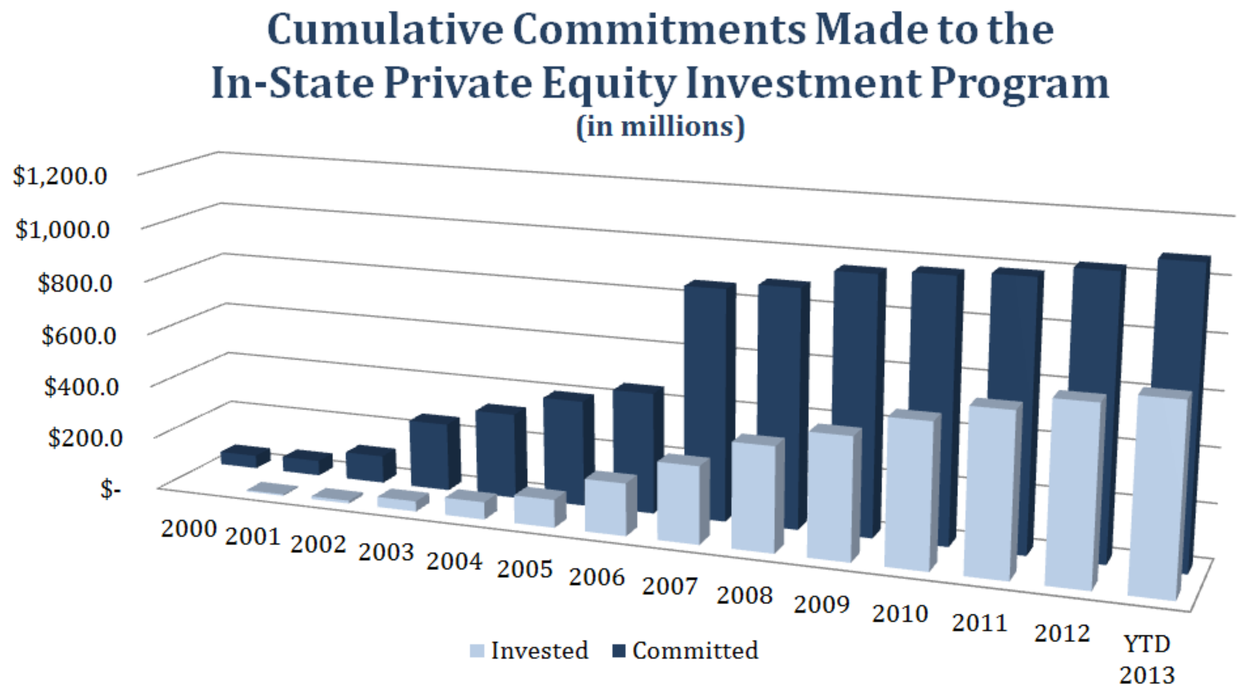
In-State Private Equity Investment Program Fund Portfolio As of June 2013			
Fund	Commitment		
	Stage	Date	Amount (millions)
FA Tech Ventures [1]	Venture	October 2000	$25.0
Summer Street Capital NYS	Buyout	August 2000	25.0
Ascend Ventures [2]	Venture	March 2001	2.5
Ascend Ventures NY	Venture	April 2001	5.0
Wheatley Partners NY	Venture	July 2002	25.0
Delta Point Capital Partners	Buyout	August 2002	21.9
Hudson River Co-Investment (HLA)	Buyout/Venture	September 2003	50.0
Wheatley Additional Commitment	Venture	December 2003	25.0
High Peaks Ventures NY	Venture	December 2003	27.4
Founders Equity NY	Growth/Buyout	December 2003	20.0
Easton Hunt NY	Venture/Growth	December 2003	30.0
Paladin Homeland Security NY	Growth	May 2004	20.0
Trillium Lakefront Partners III NY	Venture	May 2004	25.0
Ascend Ventures NY-II	Venture	October 2004	20.0
Summer Street Capital NYS-A	Buyout	May 2005	6.0
CSFB Coinvestment (series 2005)	Multistage	May 2005	25.0
Softbank Capital Technology NY	Venture	June 2005	30.0
Ascent Biomedical Ventures NY	Venture	December 2005	15.0
GSAV New York	Venture	March 2006	25.0
Summer Street Capital NYS II	Buyout	August 2006	25.0
Ascend Ventures NY II Add'l. Commit.	Venture	November 2006	5.5
Subtotal: Prior to 2007			**$453.3**
Hudson River Co-Investment (HLA) Add'l	Buyout/Venture	February 2007	$150.0
Founders Additional Commitment	Growth/Buyout	February 2007	18.0
Milestone Venture Partners III NY	Venture	April 2007	15.0
CSFB Co-investment (series 2007)	Venture/Buyout	September 2007	200.00
Paladin III (NY)	Growth/Venture	November 2007	25.0
Ascent Biomedical Ventures NY-II	Venture	October 2008	25.0
Softbank Capital Technology NY Add'l	Venture	January 2009	20.0
DFJ Gotham NY Fund II	Venture	February 2009	25.0
DeltaPoint IV	Buyout	November 2009	25.0
High Peaks Seed Ventures	Venture	August 2010	15.0
Founders Additional Commitment	Growth/Buyout	January 2011	6.2
Contour Venture Partners II-A	Venture	November 2011	10.0
Summer Street Capital NYS III [3]	Buyout	August 2012	40.0
Softbank Capital Technology NY II	Venture	May 2013	50.0
Subtotal: 2007 to Present			**$624.2**
Total to date			**$1,077.5**

[1] FA Tech Ventures received a total commitment of $50 million; $25 million is the targeted New York State portion.

[2] Ascend Ventures received a total commitment of $10 million; $2.5 million is the targeted New York State portion.

[3] Summer Street received a total commitment of $50 million; $40 million is the targeted New York State portion.

Figure 2



STRATEGIES & STYLE

The CRF's 18 In-State Program managers have expertise in a broad range of industries, including high technology sectors where New York offers promising investment opportunities, as well as in manufacturing, telecommunications, consumer and business services.

Life Sciences and Biotechnology

New York State is consistently ranked third nationally among states in the award of research grants by the National Institutes of Health and has a well-developed "ecosystem" in the life sciences sector to assist in the development of investment opportunities. The In-State portfolio includes a diverse set of investments across the various sub-segments of the Life Sciences space, including medical devices, pharmaceutical development, patient services, medical equipment, private research entities, electronic patient records and health-related Internet applications. Almost one-quarter of the total capital invested through the Program has been invested in this sector.

- Ascent Biomedical Ventures, Wheatley Partners, and Easton Hunt Capital Partners manage four funds in the CRF's In-State portfolio which draw on their expertise in the life sciences sector. Credit Suisse has also co-invested in several opportunities in this sector.

Information Technology

Information technology companies that develop software or provide services to businesses and consumers have led a resurgence of startup activity, especially in New York City and university centers upstate. The presence of New York's higher education institutions and New York City's pre-eminent role in the financial, retail, advertising and publishing sectors have spurred development of a number of successful companies. Through the In-State Program, the CRF was an early participant in many of these opportunities, and in recent years the CRF has actively invested in technology startups.

The presence of large enterprises such as Google, Facebook and Yahoo in New York City, the dramatic growth of facilities such as the Center for Nanoscale Science and Engineering in Albany and other programs at New York higher education institutions including Cornell, the University of Rochester and SUNY Buffalo are expected to foster significant information technology investment opportunities in the coming years.

- Contour Venture Partners, High Peaks Venture Partners, Tribeca Venture Partners, DFJ Gotham, SoftBank NY and Wheatley Partners are all active in the information technology market.

Manufacturing and Services

The size and diversity of New York's economy presents a wide range of investment opportunities across the various commercial sectors, including manufacturing, telecommunications, business and consumer services. The In-State Program has benefitted from an expansive infrastructure of quality companies, especially in niches of the manufacturing sector, and from new innovations in consumer services.

- Summer Street Capital, DeltaPoint, Founders Equity and Trillium have substantial experience in these sectors, along with co-investors Credit Suisse and Hamilton Lane.

INVESTMENT STAGE

The funds in CRF's In-State Program cover a full range of investment stages, from venture capital for new businesses, growth equity for established companies that are seeking to expand, and buyout funding for viable, expansion-ready businesses that are undergoing a transition of ownership. Of the $1.08 billion in CRF commitments, $420.4 million has been allocated to firms focusing on venture capital, $382.1 million to funds making buyout and growth equity investments, and $275 million to funds that invest across stages.

Venture Capital

Venture-backed businesses present attractive opportunities with the potential for significant growth, and frequently, offer an involvement in developing new technologies that may lead to the formation of other, related businesses.

- Ascent Biomedical Ventures, Contour Venture Partners, DFJ Gotham, High Peaks Venture Partners, Milestone Venture Partners and SoftBank NY all pursue venture transactions, along with Trillium Group, Wheatley Partners, FA Technology Ventures, Ascend Ventures, Easton Hunt, and Paladin Capital Group.

Buyout &Growth Equity

Growth equity investments provide the financing which will permit established businesses to expand and acquire related businesses. Buyout transactions help finance the transfer of ownership, and often involve family-owned companies where the founder is nearing retirement. Large companies also rely on buyout transactions to divest businesses that are not central to their main activities.

Buyout and growth equity transactions frequently involve businesses with significant existing employment and the potential to grow. By upgrading a company's financial condition, business systems and strategy, the business can be positioned to achieve new growth objectives. The availability of this capital in New York State is also important to help ensure that companies being marketed nationally to other businesses and financial investors will maintain their presence in the State.

- Summer Street Capital, DeltaPoint Capital, Trillium Group, Founders Equity, Easton Hunt and Paladin Capital Group all invest in growth equity and/or buyout transactions.

Geographic Diversification

The CRF has built a portfolio that is well diversified by geographic focus, stage of investment, transaction types and industry. The 18 funds that have commitments through the CRF's In-State Program are located throughout New York, with offices from Buffalo to Long Island. None of the funds are geographically constrained to a particular area within the State, and all will actively seek out investments throughout all regions in New York. Below are examples of the funds' investments outside of their home territories:

- Ascent Biomedical Ventures, based in New York City, has also invested in the counties of Albany, Tompkins and Westchester.

- DeltaPoint Capital, based in Rochester, has also invested in the counties of Allegany, Cayuga, Erie, Genesee, Greene, Lewis, Nassau, Tompkins and Yates.

- Founders Equity, based in New York City, has also invested in the counties of Montgomery and Saratoga.
- High Peaks, based in Albany, has also invested in the counties of Broome, Dutchess, Erie, Monroe, New York, Saratoga and Tompkins.
- Softbank NY, based in Buffalo and New York City, has also invested in Rockland County.
- Summer Street Capital, based in Buffalo, has also made investments in the counties of Albany, Bronx, Erie, Rockland, Onondaga, Ontario and Monroe.
- Trillium Group, based in Rochester, has also invested in the counties of Erie, Herkimer, Nassau and Ontario.
- Wheatley Partners, based in New York City and Long Island, has also invested in the counties of Rockland and Westchester.

EMPLOYMENT

Buyout and growth equity investments frequently involve organizations with substantial employment and prospects for additional job growth. Successful venture investments often start small, but have the potential to create new industries as well as add employment opportunities over the long term. The 252 companies in which the CRF has invested had approximately 12,240 employees at the time of the initial investment. There were an estimated 15,951 employees as of March 2013.[4]

[4] For exited companies, employment numbers are based on total employees at time of exit.

Table 3

In-State Private Equity Investment Program Employment by Region From Time of Investment to March 2013			
Economic Region [1]	**Number of Portfolio Investments**	**Employees at Time of Investment**	**Employees as of March 2013**
Capital Region	14	1,112	1,520
Central NY	4	327	493
Finger Lakes	21	2,569	2,996
Long Island	7	1,302	1,214
Mid-Hudson	15	514	493
Mohawk Valley	2	286	488
New York City	163	3,805	5,986
North Country	2	270	251
Southern Tier	6	197	249
Western NY	12	1,858	2,261
Total	**246**	**12,240**	**15,951**

[1] To determine which areas are in a region, see: www.labor.state.ny.us/workforceindustrydata/lslma.shtm.

In order to ensure that the CRF will generate an appropriate rate of return, the In-State Private Equity Investment Program invests in New York State-based companies that are likely to expand operations or create new industries and increase profits over the long term. Companies that are successful in increasing profitability, expanding operations or creating new industries are also more likely to generate additional employment opportunities and to increase the tax base for the State in the long run.

Although the Program has provided significant benefits to the State's economy, it is first and foremost an investment program. The primary objective, as Trustee of the Common Retirement Fund, is to obtain an appropriate risk-adjusted return comparable to what would be available for other investments with similar characteristics. The fiduciary responsibility of the Office of the State Comptroller to the New York State and Local Retirement System's members and pensioners guides all aspects of the Fund's management.

While the Program has demonstrated significant employment benefits to the State's economy, the primary objective of the Program remains to obtain an appropriate risk-adjusted return comparable to what would be available for other investments with similar characteristics. It is first and foremost an investment program. The fiduciary responsibility of the Trustee to the members and pensioners of the Retirement System is always paramount.

The In-State Program was designed to make investments in companies that have the capability to build and maintain profitable enterprises. When the CRF successfully exits an investment and generates a return, the increased tax base and the jobs created represent an added benefit to our State. A successful CRF investment may not guarantee increased employment, but it does provide a mechanism to enhance the environment for sustainable job growth and retention within the State.

DESCRIPTION OF THE IN-STATE PROGRAM'S FUND PORTFOLIO

ACTIVE MANAGERS

Summer Street Capital Partners, founded in 1999, is a Buffalo-based private equity fund with approximately $300 million of capital under management focused on investing in small-market companies. The firm invests alongside talented managers, bringing capital, operating expertise and resources to support acquisitions and aggressive growth strategies. Summer Street's broad and experienced team consists of 12 investment professionals, and four operating partners who are integrally involved in assisting portfolio companies. The partnership typically invests $10 to $30 million per transaction in companies with market values of $20 to $100 million.

Summer Street will consider most industries, with a particular focus on healthcare, education, environmental services, and industrial goods. The firm focuses on investments with the following characteristics: committed management; sustainable competitive advantages; proven products and technology; and above-average growth prospects. Summer Street ensures that key managers have a meaningful equity interest in the business they manage and share in its success.

Summer Street's investors include leading pension funds, insurance companies and banking institutions. The CRF has committed $31 million to Fund I and $25 million to Fund II.

Contact: Brian D'Amico, Managing Partner, (716) 566-2902

Website: www.summerstreetcapital.com

DeltaPoint Capital Partners is a Rochester-based fund with approximately $44 million in total commitments; CRF's share of DeltaPoint's committed capital is $22 million. The fund invests in management-led buyouts, corporate divestitures, going private transactions, and ownership transitions of family businesses. Businesses should be established with proven cash flow and revenues of at least $10 million. Focus industries include manufacturing, distribution and specialized services. As a member of the board of directors of its portfolio companies, DeltaPoint is involved in the development and implementation of financial and operational strategies.

DeltaPoint is currently in the market with its fourth fund with a targeted capitalization of $125 million. In anticipation of the completion of its fundraising, DeltaPoint has enhanced its team with the addition of four operating directors who will focus primarily on supporting portfolio management activities. Additionally, DeltaPoint has added an additional deal origination professional and added two people to its transaction team.

Contact: David Waterman, (585) 454-6990

Website: www.deltapointcapital.com

WHEATLEY PARTNERS

Wheatley Partners is a New York-based private equity firm that invests primarily in technology-related companies. The CRF has provided Wheatley with $50 million in commitments. Wheatley works closely with entrepreneurs to build successful businesses and supports its portfolio companies at all stages of development. Wheatley's target sectors include IT, business services, medical technology and healthcare.

Since its inception in 1992, Wheatley Partners has invested in over 150 private companies, most through multiple rounds of financing. Wheatley's principals have been investing in both public and private companies for over thirty years.

Contact: Larry Wagenberg, (212) 918-0563

Website: www.wheatleypartners.com

Founders

Founders Equity is a New York City-based fund that actively invests in leveraged buyouts, growth equity and recapitalizations in the lower middle market, defined as companies with $10 to $100 million of enterprise value. Founders targets companies at an inflection point in terms of growth or management's bandwidth across a select range of industries where Founders' core strategies can be applied.

Founders Equity focuses on an underserved segment of the private equity market that is less competitive, has greater breadth of investment opportunities and more attractive risk-return dynamics. The combination of market inefficiencies and a team that shares a long track record of building successful businesses provides investors with the opportunity to achieve superior returns over a number of business cycles. The CRF has committed $44 million to this fund. While Founders Equity applies a generalist approach, the firm's targeted industries share common characteristics, including:

- Products or services with a high perceived value relative to cost.
- Strong fundamental trends supporting industry growth.
- Fragmented industries offering consolidation opportunities.
- Low capital requirements to support growth.
- Potential for 10 percent or greater operating profit margins.

Contact: John D. White, Jr., (212) 829-0900

Website: www.fequity.com

High Peaks Venture Partners is a venture capital firm, based in New York City and Albany, that invests in early-stage, high-growth, entrepreneurial technology companies across New York State. The High Peaks team comprises individuals with experience in starting and growing technology businesses as entrepreneurs, operators, advisors, and venture capital investors. The firm takes an active approach, working closely with company management to create value in its portfolio companies. The CRF has participated in two High Peaks funds, their first, which began investing in 2004, and a seed fund raised in 2010, out of which the firm is currently actively investing.

High Peaks is focused on IT companies across New York State, with a particular focus on business-to-business software-as-a-service (SaaS) businesses and e-commerce:

- Early customer traction and products at least in the beta stage of development.
- Differentiated products or services that address pressing needs in the market.
- Strong core management teams with experience, flexibility and domain expertise.
- Sound business models with the potential for early profitability and multiple exit options.

Initial investments from the firm's seed fund range from $200,000-$500,000, and High Peaks always reserves significant capital for follow-on financings. High Peaks often leads deals, but will also participate in deals led by other firms.

Contact: Brad Svrluga, (518) 720-3090

Website: www.hpvp.com

The Hudson River Co-Investment Program is managed by Hamilton Lane Advisors, headquartered in Bala Cynwyd, PA. It provides additional capital for companies alongside private equity fund investors who are investing in New York State. Hamilton Lane Advisors will seek out private equity funds that are considering an investment in New York-based companies. The Co-Investment Program will provide an additional source of capital to complement the CRF's In-State portfolio and identify other opportunities within the State. The CRF has committed over $280 million to the fund, which has invested in 17 companies throughout the State.

Contact: David Helgerson (610)-617-5338.

Website: www.hamiltonlane.com

Trillium Lakefront Partners III NY (TLP) is a Rochester-based venture capital fund. TLP primarily invests in growth and expansion stage businesses in Upstate New York. It has a particular interest in distribution, service, retail and manufacturing companies where the principals have strong expertise. The CRF has committed $25 million to the fund.

TLP utilizes structured transactions, and generally is the first round of institutional investment in the portfolio companies, most of which are well-established businesses which will likely have been self-funded or have received funding previously from start-up angel sources. TLP tends to be conservative with the use of leverage, and is quite comfortable taking a minority position in companies where the entrepreneur has a significant personal stake in the business.

Contact: Kevin J. Phelps, (585) 383-5680

Website: www.trillium-group.com

The Customized Fund Investment Group (CFIG) is one of the world's leading managers of private equity fund-of-fund and co-investment programs, with nearly $33 billion of commitments to more than 750 private equity funds and portfolio companies.

The CRF created an In-State private equity program with CFIG to invest in companies in New York State that require capital for growth. The program totals $225 million in aggregate capital commitments and has a diversified mandate with an emphasis on companies in Upstate New York. The program invests across multiple company stages, including growth equity and buyout transactions, with target investment sizes of $5 million to $25 million of equity per transaction, including reserves for follow-on rounds of financing. The program is aimed to generate strong returns for the CRF, while being economically stimulating to the Upstate New York region.

Contact: Thomas Rest, (212) 538-3083

Website: www.credit-suisse.com

Softbank Capital Technology New York Fund, LP (SoftBank Capital NY) is an independent venture capital firm based in Buffalo that is focused on early-stage, high-growth technology-based businesses benefiting from the rapid deployment and adoption of broadband and mobile technologies. The team consists of experienced entrepreneurs and investors who take a hands-on approach to investing in order to help each portfolio company achieve its potential.

SoftBank Capital NY targets the following three investment sectors, which it believes offer significant investment opportunities that are emerging as a result of the mass penetration and adoption of broadband and wireless networks: (i) content; (ii) applications; and (iii) technology-based services.

SoftBank Capital NY seeks to invest between $2 million and $5 million in each portfolio company, with initial investments of between $1 million and $3 million. Most of the investments are made in companies at or near revenue with commercially available technologies and a clear path to profitability and market leadership. SoftBank Capital NY is a lead investor and anticipates that it will be the first or second source of institutional capital in its portfolio companies, generally investing after technology risks have been reduced. CRF committed $30 million to the fund in 2005 and $20 million to the fund in 2009. In 2013, CRF committed $50 million to SoftBank NY II.

Contact: Jordan Levy, (716) 845-7522

Website: www.softbank.com

Ascent Biomedical Ventures (ABV) is a New York-based venture capital firm investing in seed- and early-stage biomedical technology companies developing therapeutic medical devices, pharmaceuticals, biotechnology, and diagnostics. In particular, ABV looks for opportunities that leverage translational research: both the transformation of laboratory findings into novel biomedical technologies, and the improvement of existing technologies through clinical observation and practice.

ABV's broad strategic advisory network encompasses thought leaders in business, intellectual property, medicine, and basic research, including leading clinicians and scientists from institutions such as Rockefeller University, Mount Sinai School of Medicine, Columbia University, New York University, Cornell University, SUNY Upstate, Harvard University, MIT, and others. CRF committed $15 million to ABV I and committed $25 million to ABV II.

Contact: Geoff Smith, (212) 688-8810

Website: www.abvlp.com

Tribeca Venture Partners is an early-stage venture capital firm that partners with world-class entrepreneurs in the New York City area, leveraging emerging technologies and business models to create and disrupt huge markets. Tribeca serves entrepreneurs who transform industries and build great companies. As active, long-term partners, Tribeca contributes capital, strategic advice, and a deep network of relationships to fuel their success.

Contact: Brian Hirsch, (212) 389-1601

Website: www.tribecavp.com

Contour Venture Partners is a New York-based early-stage venture capital firm. Contour invests in technology startups focused on the financial services, digital media, and Internet sectors. Contour partners with passionate entrepreneurs and management teams to build businesses that seek to ultimately transform their industries. The firm takes an active role and brings a team-oriented approach to our portfolio companies – providing the operational assistance, transactional expertise, capital, network and overall judgment to maximize their potential for success and profitability. The CRF participated in Contour Venture Partners II in 2010.

Contour focuses geographically in the Northeast, with a particular emphasis in New York City. The firm seeks to invest in businesses that are capital-efficient, exhibit a clear path to profitability, have the long-term potential to transform industry segments, and achieve significant market share in large and growing markets.

The typical initial investment amount ranges from $250,000 to $1,000,000, with additional reserves to support our companies in the future.

Contact: Bob Greene (212) 644-5481, and Matt Gorin, (212) 644-5482

Website: www.contourventures.com

Milestone Venture Partners is an early-stage venture capital fund with $100 million under management. The principals focus on technology-enhanced service businesses in the New York City metropolitan area. Companies that are attractive to the fund possess the nucleus of an exceptional management team, an attractive business model, and a compelling market opportunity. Milestone has a long, successful track record of investing in software and data businesses which solve problems in the healthcare sector. The CRF committed $15 million to the fund.

The principals work hard to enhance the outcomes of their investments by assisting their portfolio companies with:

- Strategic and financial planning.
- Building the board and executive management team.
- Introducing sales, marketing and business development ideas and opportunities.
- Raising follow-on equity rounds and bank financing.
- Exit strategy and execution.

Contact: Todd Pietri, (212) 223-7400, ttp@milestonevp.com

Website: www.milestonevp.com

DFJ Gotham is an early-stage venture capital firm based in New York City, and focused primarily on investments in information technology startups in the New York metropolitan area. The principals also invest in Israeli startups that are in the process of creating a New York presence. DFJ Gotham is a generalist IT investor and will invest in all subsectors of the IT industry. These subsectors include, but are not limited to:

- Digital & Social Media

- E-commerce
- Advertising and Financial Technology
- Mobile & Enterprise Software
- Security

DFJ Gotham is part of the Draper Fisher Jurvetson Network, currently the largest venture capital network in the world. The firm tends to be the first institutional investor in a company, making its first investment in the seed or Series A round.

The CRF has committed $25 million to the fund.

Contact: Daniel Schultz or Ross Goldstein, (212) 279-3980

Website: www.dfjgotham.com

FULLY INVESTED

Ascend Venture Group is a private investment management firm headquartered in New York City. Ascend combines highly sophisticated financial expertise with unique access to investment opportunities to create attractive risk/reward portfolios and partnerships for its investors. Ascend targets investment opportunities in the applied technology and for-profit education industries. Ascend currently manages approximately $150 million.

Ascend actively works with minority- and women-based networks to identify attractive investment opportunities.

The CRF's commitment includes $25 million for Ascend Ventures NY II, L.P., $5 million for Ascend Ventures NY, L.P. and $10 million for Ascend Ventures, L.P.

FA Technology Ventures is an Albany-based venture capital fund. The CRF's commitment includes $25 million dedicated to New York investments. The fund seeks to capitalize on large trends that create attractive investment opportunities in two areas:

- The continuing IT (Information Technology) revolution, including software-based services, networked communications, Internet-enabled business models, and innovative technologies.

- The emerging ET (Energy Technology) developments in the production of new-age power generation, storage, conditioning, and delivery systems.

FA Technology Ventures makes new investments of $3 to $15 million in early-and expansion-stage IT and ET companies. The fund's total available capital is approximately $100 million.

EASTON HUNT
Capital Partners, L.P.

Easton Hunt Capital Partners is a venture capital/private equity fund, based in Buffalo and New York City, and established in late 2003 with $30 million in capital from the CRF. As a component of the Easton Capital Investment Group ("Easton"), the Easton Hunt New York fund (EHNY) invests side-by-side with other Easton-controlled investment funds, Easton Hunt Capital Partners, L.P., and Easton Capital Partners, LP, a $108 million SBIC fund and a $47 million venture capital fund, respectively.

Like all of Easton's funds, EHNY pursues a broadly diversified approach to its venture- and expansion-capital investing, with a strong focus on life sciences, which account for approximately 50 percent of Easton's combined portfolios. Within life sciences, Easton focuses on therapeutic drug discovery, medical devices and diagnostic technologies. In the non-life-sciences area, Easton has particular strengths in digital media, clean technology, industrial processes and specialized consumer products.

Easton invests between $2 million and $7.5 million in a company and prefers to invest alongside other strong financial players to provide maximum value to the company and to ensure the availability of adequate growth capital. Easton has generally not been a seed stage investor.

PALADIN
CAPITAL GROUP

Paladin Capital Group is a Washington, DC-based private equity fund that agreed to open a New York office to pursue New York-based investment opportunities. The firm is a leading multi-stage private equity firm providing capital for growing companies whose principal business centers on products and services that address homeland security issues and needs.

Paladin has over $980 million under management across multiple funds and 35 portfolio companies. The fund's leadership comprises individuals with a proven track record of financial expertise, national security experience and specialized technical competence. The CRF committed $20 million to Paladin's Homeland Security NY fund and $25 million to the firm's second fund, Paladin III (NY).

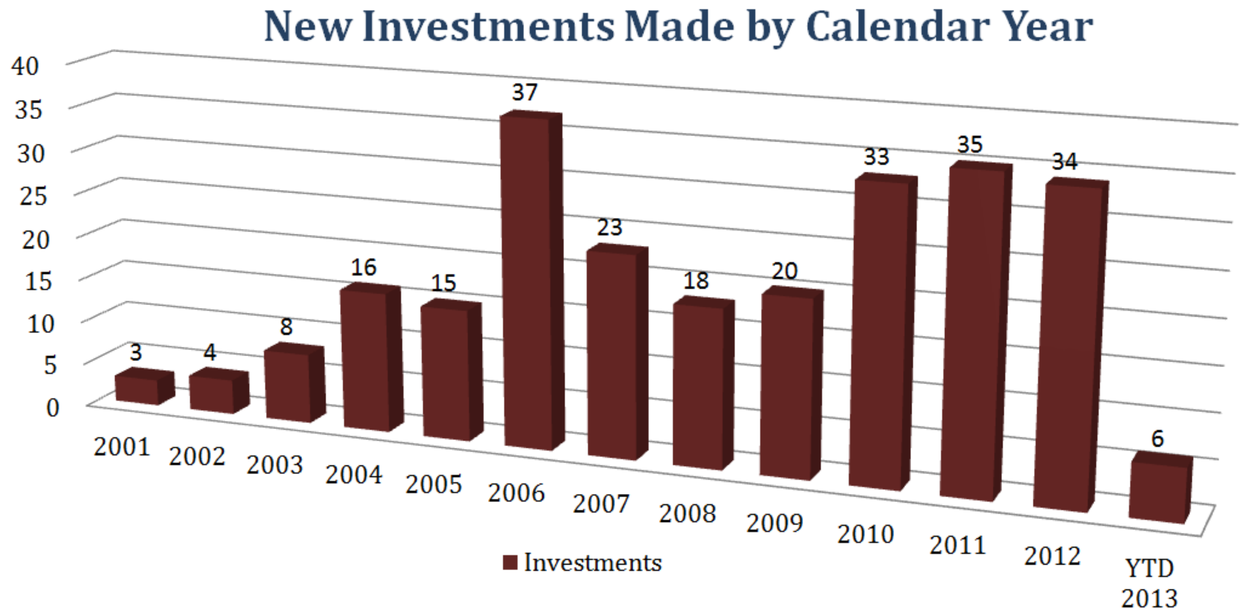
Capital Deployed by In-State Private Equity Fund Managers

Through June 2013, the CRF's managers have invested $684 million of the CRF's capital in 252 different companies. This compares to the $195.7 million invested in 84 companies as of January 2007. The substantial increase in the pace of investment activity is a result of expanding both the amount of capital and the number of funds in which the CRF has invested. Since private equity transactions take time to identify and complete, there is frequently a period of over six months between the time a potential investment is located and the investment is completed.

Table 4

Annual Investment of CRF Capital (in millions)		
Year	**Number of Investments**	**CRF Capital**
2001	3	$7.6
2002	4	8.2
2003	8	25.9
2004	16	46.5
2005	15	49.3
2006	37	143.4
2007	23	119.6
2008	18	68.6
2009	20	41.3
2010	33	69.4
2011	35	43.0
2012	34	35.5
2013 (YTD)	6	25.8
Total	**252**	**$684.2**

Figure 3



The full impact of CRF's capital is magnified by the funds provided by other investors, as well as by the participation of other private equity funds and lenders.

In addition to the $684 million of CRF capital, there was $449 million in capital from other investors in the same funds in which the CRF invested. The total of $1,133 billion represents substantial leveraging of CRF's capital. This leverage is further increased when the total capital from all sources, including bank loans and other equity sources, is considered: a total of $6.7 billion was provided to the 252 companies – close to ten times the CRF's capital (283 transactions).

Table 5

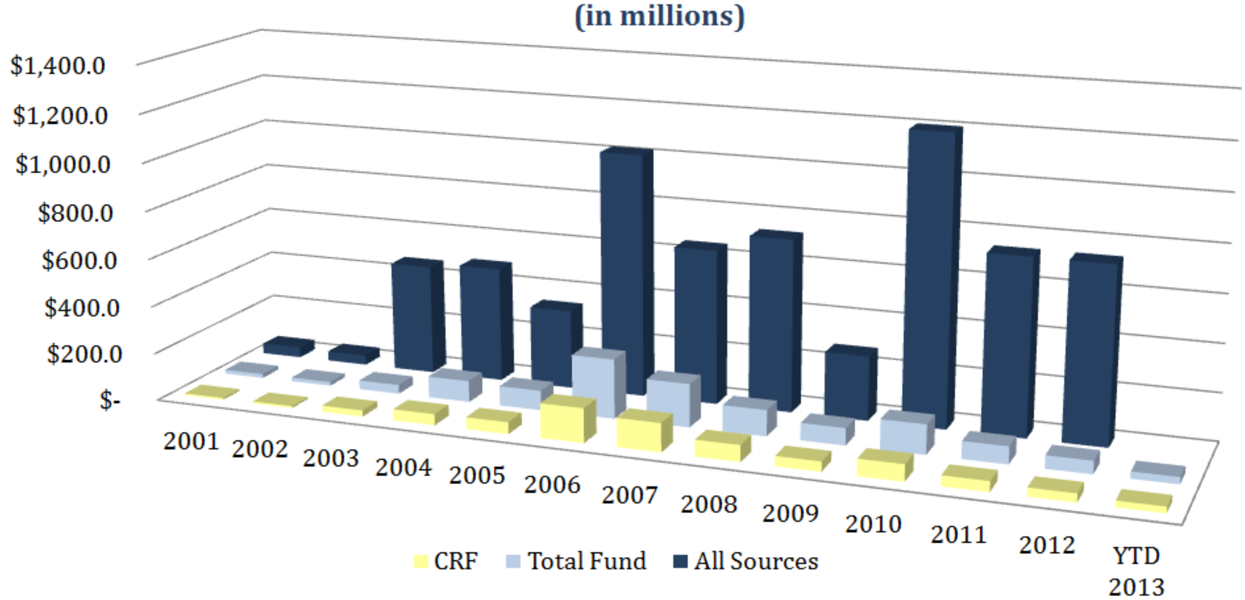
Total Capital from All Sources Deployed in CRF Portfolio Companies (in millions)			
Year	**CRF Capital**	**Total Fund Capital**	**All Capital**
2001	$7.60	$16.70	**$43.80**
2002	8.20	16.10	**40.50**
2003	25.90	38.00	**464.40**
2004	46.50	89.20	**484.60**
2005	49.30	82.80	**333.70**
2006	143.40	248.80	**1,019.80**
2007	119.60	181.30	**648.70**
2008	68.60	108.90	**723.10**
2009	41.30	71.80	**270.00**
2010	69.40	123.70	**1,202.50**
2011	43.00	73.00	**737.70**
2012	35.60	54.10	**736.60**
2013 (YTD)	25.80	28.80	**n/a**
Total	**$684.20**	**$1,133.20**	**$6,705.40**

Note: CRF Capital includes funds provided directly by the Common Retirement Fund.
Total Fund Capital includes CRF Capital plus funds provided by other investors.
All Capital includes Total Fund Capital plus other sources of financing for the transactions in which the CRF invested, including loans and other equity investors.

Figure 4

Capital Invested by Source in CRF Portfolio Companies

(in millions)



Upstate New York has historically lagged behind other regions of the State in the availability of private equity investment capital. In order to take advantage of opportunities created by this capital deficiency, the CRF has actively sought out experienced fund managers that are seeking investment opportunities in the region. As a result, 45 percent of the CRF's capital has been deployed to companies located north of the New York City suburbs, 14 percent of investments were in suburban New York City and the remaining 41 percent were in New York City.

Figure 6

Share of CRF Capital Deployed by Region

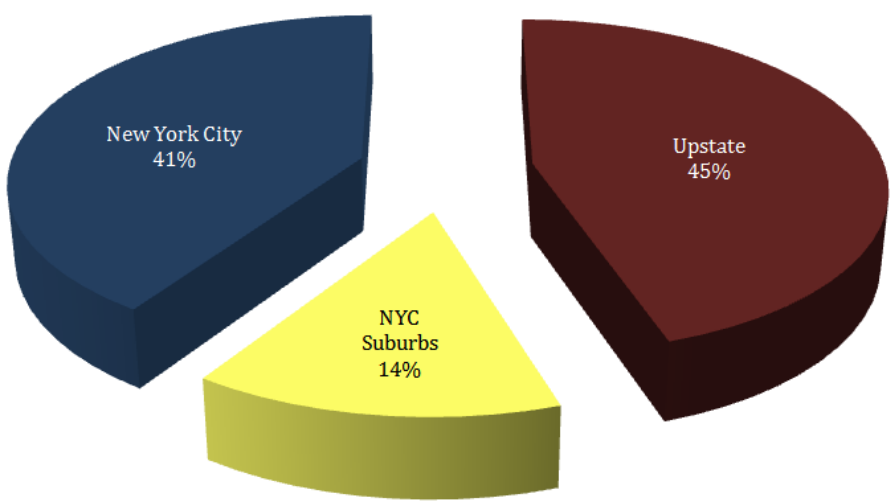


Table 6

Regional Distribution of Capital Invested in CRF Portfolio Companies (in millions)			
Economic Region	**CRF Capital**	**Fund Capital**	**All Capital**
Capital Region	$77.00	$106.20	**$622.70**
Central New York	27.50	33.30	**725.40**
Finger Lakes	81.20	108.50	**312.40**
Mid-Hudson (upper)	6.40	6.80	**26.80**
Mohawk Valley	27.20	42.20	**69.80**
North Country	10.50	13.80	**66.80**
Southern Tier	23.00	35.60	**211.40**
Western New York	55.20	87.30	**389.80**
Subtotal: Upstate	**$308.00**	**$433.70**	**$2,425.10**
Long Island	36.20	55.40	**765.00**
Mid-Hudson (lower)	61.70	105.30	**582.70**
Subtotal: Suburbs	**$97.90**	**$160.70**	**$1,347.70**
New York City	**$278.30**	**$538.80**	**$2,924.30**
Total	**$684.20**	**$1,133.20**	**$6,705.40**

Note: For the purposes of this analysis, Mid-Hudson (upper) includes the counties of Dutchess, Orange, Putnam, Sullivan and Ulster. Mid-Hudson (lower) includes the counties of Rockland and Westchester.

In-State Private Equity Fund Performance

CRF targets returns of between three and five percentage points above public markets for its private equity investments. The asset class can provide superior returns, but with greater volatility. This volatility is manifested in a range of possible investment outcomes – from failure to success. While the majority of companies that have received capital under the Program are still active, there have been some notable successes, and inevitably some disappointments.

Although overall returns have been satisfactory, it is expected that some companies will have difficulty. The average holding period for the CRF's In-State Program today is slightly more than three years. Since private equity investments generally have a five-to-six year average holding period, it would be premature to forecast what the overall returns will be. However, CRF has generated enough exits from a diverse range of managers to give an indication of how these early investments are performing and the results, so far, have been promising.

Through 2012, the In-State Private Equity Investment Program had invested in 246 companies through 18 fund managers. Seventy-one of these investments (29 percent of the total) have been fully realized with results ranging from extraordinary success on the one hand, to the loss of investment capital on the other. In aggregate, these 71 exited companies received $179 million in capital from the CRF and successfully returned $293 million back to the pension fund upon exit (this performance is gross of fees, but net of carried interest), equating to an internal rate of return over the last five years of approximately 20 percent.

Portfolio company investments, on average, require a five-to-six year holding period before an exit can be achieved. CRF's first exit occurred towards the end of 2004 and was the result of an investment made in early 2001. Actual hold times are related to the specific industry as well as the overall market environment. However, even in this volatile economic climate, CRF's investment managers have been able to exit companies successfully, reflecting the quality of management overseeing the In-State Program's portfolio.

Table 7

Number of Annual Portfolio Company Exits		
Year	**Number of Investments**	**Number of Exits**
2001	3	0
2002	4	0
2003	8	0
2004	16	1
2005	15	2
2006	37	6
2007	23	10
2008	18	4
2009	20	1
2010	33	10
2011	35	19
2012	34	18
Total	**246**	**71**

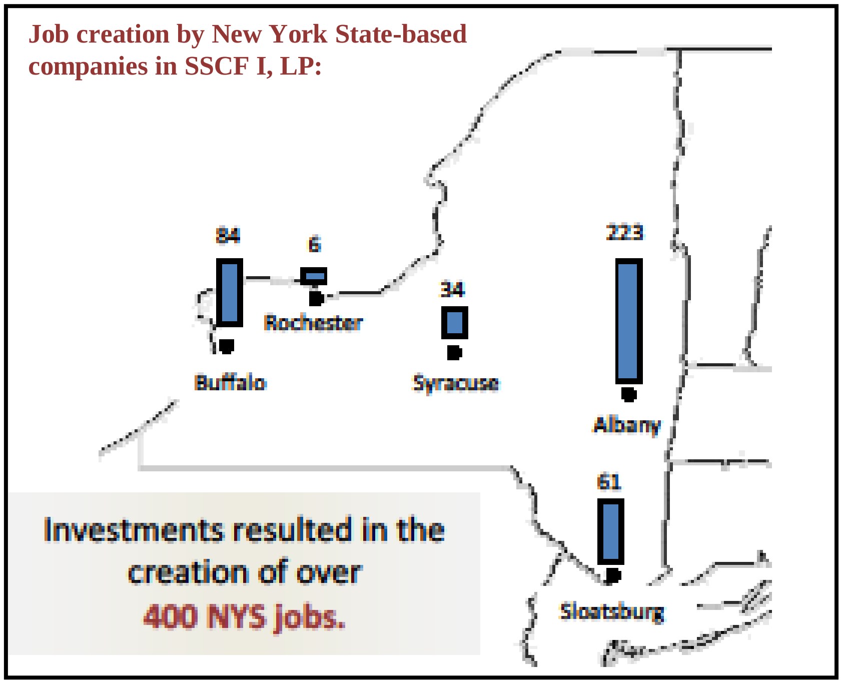
Individual company performance is generally considered proprietary information. The CRF's investment partners can sometimes get permission to identify individual company performance for public consumption, but more often than not, fund managers prefer not to disclose individual portfolio company performance.

In 2008, Summer Street Capital completed the return of all of the CRF's investments in the Summer Street NYS Fund which had begun investing in 2001, generating returns for the Program in the top-quartile range for industry performance.[5] In addition to top-quartile performance, the companies in Summer Street's portfolio created significant job growth for New York State.

[5] Based on Thompson Venture Economics top-quartile benchmark data for vintage 2000 small buyout funds.

Case Study: Summer Street Capital NYS Fund, LP

Buffalo, New York



Summer Street Capital's first generation of funds consisted of $98 million in commitments from a range of individual and institutional investors, including $31 million from the CRF. The NYS fund focused on both buyout and growth investments, seeking to support profitable "small market" companies with revenues of $20 million to $100 million. Over the partnership's life, the general partner placed investments in seven Upstate New York companies, from Buffalo to Sloatsburg. In 2008, Summer Street completed the return of all of the CRF's investments in the fund, generating a return of 2.6 times the capital invested, net of advisory fees and expenses.

While this first Summer Street investment certainly met the CRF's goal of achieving market rates of return on In-State private equity investments, several other incidental benefits were also achieved. Over the period of Summer Street's investment in these companies, their combined total revenue grew from $308 million to $527 million. Nearly 1,000 new jobs were added, 408 of which were in New York State. In fact, three of Summer Street's New York State investments enabled local managers to purchase their companies from a corporate parent, retaining jobs that could have been lost if the companies had been sold to out-of-state competitors.

The CRF committed $25 million to the firm's second generation of funds, which closed in 2007 with $187 million in total commitments from a broad range of institutional investors. Four companies have been added to the NYS portfolio, from the Bronx to Buffalo, and have grown employment from 1,525 jobs at the time of investment to 2,085 in 2012. Summer Street's third generation of funds recently closed with $279 million of total commitments, including $50 million from the CRF. During the time of the CRF's investments with Summer Street, the firm's Buffalo office has also grown, adding 10 investment professionals and significantly expanding the number of professionals focused on generating and closing investment opportunities in upstate New York.

IN-STATE COMPANY PROFILES

SUCCESSFUL INDIVIDUAL PORTFOLIO COMPANY EXITS

Acorda Therapeutics, Inc. is a Hawthorne, New York-based biotechnology company, focused on therapeutics that address neurological conditions. A primary focus was on fampridine, which improves neurological function in patients with chronic Spinal Cord Injury (SCI) and Multiple Sclerosis (MS). Prior to Acorda, there was no therapy that improved neurological function in chronic SCI and few therapies that affected symptomatic improvement in MS patients. Following Easton's investment, Acorda successfully completed a $32 million initial public offering in February 2006. In July 2004, Acorda acquired rights to Zanaflex® from a subsidiary of Elan Corporation, plc. Between November 2006 and February 2007, EHNY sold its stake and successfully exited the investment.

Allworx Corp. was founded in 1998 in Rochester by a team of product and application developers from Xerox Engineering Systems and Eastman Kodak. The company targets delivery of VoIP (Voice over Internet Protocol) system solutions to small and medium-sized businesses. The company's products provide businesses with all the mission-critical communications support they need in a single system that is easy to purchase, install and support. Allworx's products combine private branch exchange (PBX) functionality with network services, Internet access, remote access and group collaboration tools.

High Peaks led a $4.25 million Series A investment round in Allworx in August 2005 and a subsequent financing in 2007. In total, High Peaks invested $3 million in Allworx, of which the CRF's portion was $1.9 million. The company's revenues grew from $2 million in 2005 before High Peaks' investment to a $10 million in 2007. Allworx's rapid rate of growth attracted the interest of a telecommunications company, which in turn led to a successful exit in October 2007.

Applied Graphics Technologies ("AGT") is a provider of digital imaging, production, distribution, and content management services to clients with diverse media and marketing communication needs in New York City. In January 2005, Schawk, Inc. ("Schawk") acquired AGT. The CRF's share of this investment was $5 million through the Hudson River Co-Investment Fund. The sale of AGT to Schawk resulted in a very successful exit of the company in 2005.

Beliefnet, Inc. is a multi-faith portal on religion, spirituality and inspiration. SoftBank Capital NY invested $1.7 million in Beliefnet in June 2005. In December 2007, Beliefnet was acquired by Fox Cable Networks, Inc. (a division of News Corp).

Crystal IS, Inc. (www.crystal-is.com), based in Green Island, New York, is the market leader in the commercialization of single-crystal aluminum nitride (AIN) substrates for the cost-effective production of high power, high temperature, and optoelectronic devices such as blue and ultraviolet lasers. CSFB has invested $1.5 million in the company on behalf of the CRF. The company was sold in late 2011 to Asahi Kasei, a Japanese advanced materials manufacturer.

Drop.io (www.drop.io) is a Brooklyn-based company that provides a simple private content and media sharing solution to consumers and enterprises. Since its launch, Drop.io has realized significant user adoption (i.e., users have created in excess of 3 million "drops" or webpages for sharing files). Drop.io has ten New York employees. DFJ Gotham invested $1.0 million of the CRF's capital in the company in March 2009. The company was acquired by Facebook in 2011.

HDS Cosmetics Lab, Inc. was a Yonkers, New York-based business in the high-end cosmeceuticals industry. In April 2004, EHNY invested $1.16 million of the CRF's capital in a $13 million investment round led by North Castle Partners, LP. The company markets its products under the DDF (Doctor's Dermatological Formula) label and is among the largest selling labels in this category in the Sephora chain of cosmetics stores. During Easton's investment period, HDS's revenues tripled and the company more than doubled its number of employees in Westchester County. HDS was acquired by Procter & Gamble early in 2007.

DynaBil Industries, Inc. is a manufacturer of precision sheet metal components and assemblies for the aerospace industry. DynaBil specializes in hot forming titanium and other exotic metal fabrication (such as stainless steel and aluminum) to customer specifications. DeltaPoint led the acquisition of the controlling interest of DynaBil, in partnership with a co-investor, from the founders in March 2006 with a $4.0 million investment, including $2.0 million of the CRF's capital. DeltaPoint sold DynaBil to a strategic investor in December 2008.

Founded in 1999 and based in New York City, **Knovel** (www.knovel.com) is an enterprise portal for technical information and analysis. CSFB has invested $2.8 million in the company on behalf of the CRF. The company was acquired in 2012 by Elsevier, a European-based provider of scientific, technical and medical information products.

Latham International does business as **Pacific Pools** in the United States, as Technician Pacific in Canada, and as Triac Industries in Canada and the United States. Latham International, headquartered in Latham, New York, is the leading manufacturer of swimming pool components and accessories in North America.

Summer Street Capital invested $7.7 million in the buyout of Latham (the owner of Pacific Pools) from Cookson PLC, its United Kingdom-based parent company. The CRF's share of the investment was $3.8 million. Cookson was seeking to divest a portion of its United States assets and Summer Street partnered with the former owner to restore local ownership.

Navilyst Medical, Inc. (www.navilystmedical.com), with a majority of its operations based in Glens Falls, New York, was formed through the acquisition of substantially all of the assets of Boston Scientific Corporation's Fluid Management and Venous Access businesses by Avista Capital Partners. The Fluid Management business develops, manufactures and markets a wide range of single-use medical products, which are used to support certain procedures for the treatment of cardiovascular disease, primarily catheterization procedures, invasive pressure monitoring, and blood and fluid waste control. The Venous Access business develops, manufactures and markets medical devices that can be implanted under the skin, primarily for the delivery of medication, fluids, nutrients, and blood, and the removal of toxic substances, related to oncology, interventional radiology, nursing and vascular surgery. CSFB invested $22.5 million in the transaction on behalf of the CRF. Navilyst was acquired in 2012 by Angio-Dynamics, a publicly traded health technology company.

Northern Safety (www.northernsafety.com) is a national distributor of safety and industrial supplies. The company started near Utica in 1983 as a home-based business delivering medical supplies to local companies. Northern Safety is headquartered in Frankfort, New York. Investment by the Hudson River Co-Investment Fund helped prevent competitors from purchasing the company and likely moving operations out of New York State. Hamilton Lane and Trillium Lakefront Partners have invested $6.4 million of the CRF's capital since June 2005. The company was recapitalized in October 2007, with the Hudson River Co-Investment Fund and Trillium Lakefront Partners III providing additional growth capital. Northern Safety was fully exited in 2012.

PCORE Electric is North America's only company that is 100 percent focused on the manufacturing of capacitance-graded bushings, and related components for transformers and oil circuit breakers. The company provides tailored solutions to the North American electric industry. Established in July 2004 when the Bushing Division assets of the Lapp Insulator Company were acquired by DeltaPoint, PCORE products are applied around the world on power generators, transformers, circuit breakers, and substations. PCORE is located in LeRoy, New York, 25 miles southwest of Rochester. DeltaPoint invested $5.50 million in PCORE in July 2005, including $2.75 million of the CRF's capital. DeltaPoint successfully exited PCORE via a strategic sale in October 2007.

Pump Audio, founded in 2001 in Tivoli, New York, created an innovative model for connecting independent musicians with licensors of music for soundtrack purposes such as TV shows, advertising and Internet video.

The company's unique revenue share business model provided emerging artists with an opportunity to earn money from their music by tapping into Pump's broad array of distribution channels without giving up control of the rights to their music.

High Peaks sourced and led a Series A round of investment in Pump Audio in April 2006. High Peaks invested $750,000 in the round, of which the CRF's portion was $450,000. In the first year post-investment, the company's revenues increased more than 100 percent and its employee headcount in the Hudson Valley grew from 7 to 30. In early 2007, Pump Audio was approached by three potential buyers. After extensive negotiations, the company was successfully exited in June 2007.

Reichert **Reichert** is a specialty medical device manufacturer headquartered in Buffalo, with sales in North America, Asia and Europe. Summer Street invested $8.7 million to finance the original management-led buyout of the company from its German parent company, as well as an add-on acquisition from a global device manufacturer. The CRF's share of the investment was $4.3 million. The German parent company was considering selling the business to a European competitor that likely would have closed the Buffalo operations.

The original acquisition preserved 120 local jobs. In 2004, the company purchased the former German parent's microscope division, saving an additional 17 local jobs. In January 2006, the company acquired a product line from a global medical device manufacturer and moved the operations from Jacksonville, FL to Buffalo, adding approximately seven new jobs. The company was successfully exited in 2007.

threadsmith.com CUSTOM EMBROIDERY MADE EASY. **Threadsmith** (www.threadsmith.com), located in the Binghamton, New York area, is the leading apparel industry automation software company and operator of the Threadsmith.com online custom embroidery business. Threadsmith's patented technology enables rapid, real-time custom embroidery design and fulfillment. Threadsmith is revolutionizing the custom apparel business with this technology, enabling logowear to be designed and customized in real time and orders to be placed in minutes, not days, and with no costly setup charges. High Peaks invested $600,000 of the CRF's capital in February 2008. The company was sold to a strategic acquirer in 2010.

TRI·ED Your Distribution Solution

SR Distribution (d/b/a Tri-ed) (www.tri-ed.com) distributes security products throughout the United States and Canada. Upon Wheatley's investment in Tri-ed, the company moved its headquarters to Long Island, New York. The company has since added additional staff in its New York-based headquarters and opened several upstate New York branches. Wheatley has invested $3 million in Tri-ed, including a $1.8 million investment from the CRF.

Unifrax is the largest supplier of ceramic fiber insulation products in North America and the second largest global supplier, with 11 manufacturing facilities in eight countries (U.S., U.K., Australia, France, Brazil, Germany, Venezuela and India). The company's end markets include the furnace-related market, automotive market and other developing application markets. Unifrax is headquartered in Niagara Falls, New York. American Securities Capital Partners ("ASCP") invested $65 million in the buyout of Unifrax in September 2003. The CRF's share of this investment was $9.9 million through the Hudson River Co-Investment Fund. ASCP sold Unifrax to a financial sponsor in May 2006.

VersaMed designs, manufactures and markets compact, software-based, "smart" medical ventilators that are capable of supporting patients requiring mechanical ventilation. VersaMed's ventilators are well suited for a variety of settings, including hospitals, transport, battlefield and emergency response. Wheatley Partners invested $2.8 million (including $1.9 million contributed from the CRF) in VersaMed through multiple financings beginning in June 2003. The company's corporate headquarters was located in New Jersey when it began seeking financing; the company moved its headquarters to Rockland County, New York. In March of 2008, VersaMed was acquired by General Electric's healthcare division at a significant premium to the CRF's investment basis.

YellowJacket, based in Manhattan, is a peer-to-peer, bilateral trading network and platform for the over-the-counter energy derivatives markets that directly connects hedge funds, energy companies, broker/dealers and investment banks via its trade platform, YJ ENERGY. Greenhill SAVP (now known as Tribeca Venture Partners) initially invested a total of $1.25 million in YellowJacket in November 2006 and May 2007. The CRF's share of the investment was approximately $400,000.

During the fourth quarter of 2007, YellowJacket received inbound inquiries from several potential acquirers because of the company's strong momentum in the market. In February 2008, YellowJacket was acquired by the Intercontinental Exchange (ICE), a $4.5 billion market cap company that operates global financial and commodity products marketplaces, including the world's leading electronic energy markets and soft commodity exchange.

YellowJacket's strong management team, powerful technical platform and loyal customer base combined with ICE's vast distribution, asset class diversity and broad customer set made for a powerful combination. While ICE is based in Atlanta, YellowJacket operates under its own brand as a separate business unit and has continued to expand its employee base in New York post-acquisition.

SELECTED CURRENT PORTFOLIO COMPANIES

5Linx (www.5linx.com) is a direct selling company for telecommunications products and services. It is an integrated network provider, with software-based network operations in selected locations in the United States. 5Linx offers a range of Voice over Internet Protocol (VoIP) telephone and videophone communications services to domestic, Scandinavian and emerging market populations around the world. It is enjoying strong growth, and increased its New York jobs base from roughly 25 at the time of the CRF's initial investment in June 2006 to about 150 as of the end of 2008. These trends are expected to continue, driven importantly by domestic growth and market penetration in new, nondomestic markets. The company was named to the Inc. 500 list of fastest growing companies in America in 2006, 2007 and 2008. Trillium invested approximately $1.5 million of CRF capital in 5Linx over two equity rounds.

Advion Biosciences, Inc. (www.advion.com), located in Ithaca, New York, provides bio-analytical services and nano-electrospray products to the pharmaceutical industry. The company's product employs chip-based nano-electrospray technology to improve the analytical information generated from conventional available mass spectrometry systems. It also provides analyses of proteins, post-translational modifications, biomarkers, lipids, and metabolites, as well as sample management, metabolism, biomarker and discovery services. The company divested its BioServices Division in 2011. CSFB has invested $8.6 million into the company on behalf of the CRF.

Advantage Healthcare (www.ahsrcm.com) is a New York-based enterprise offering revenue cycle and practice management services to physicians and related healthcare providers. It operates both as a business process outsourcer and an applications service provider that offers medical claims transaction processing services and proprietary web-based practice management systems to physicians. Founders Equity has invested $4.4 million of the CRF's capital since April 2006.

Anterios

Anterios is a New York City-based emerging biotechnology company based on a proprietary technology for delivering large molecules safely across the skin. The company's lead product for development is a topical pharmaceutical that contains Botulinum Type A toxin as its active ingredient for the treatment of hyperhidrosis, acne, and rhytides (wrinkles). Anterios has successfully completed Phase I human clinical trials and will shortly enter Phase II studies for its lead indications. In addition, the company has generated preclinical data on the delivery of other large molecules across the skin for a number of additional unmet clinical needs. Ascent Biomedical Ventures invested $830,000 of the CRF's capital in January 2007.

APPLICATION SECURITY, INC.

Application Security, Inc. (www.appsecinc.com), located in New York City, is a leading provider of database security solutions for the enterprise. The company's products proactively secure enterprise applications at more than 400 organizations around the world by discovering, assessing, and protecting the database against rapidly changing security threats. By securing data at its source, the company's solutions enable organizations to more confidently extend their business with customers, partners and suppliers. The company's security products, combined with its support team, seek to deliver up-to-date application safeguards that minimize risk. Paladin invested $3.8 million of the CRF's capital in March 2006.

AUTERRA Innovation for today's energy needs

Auterra (formerly know as. Applied NanoWorks) (www.auterrainc.com), located in Schenectady, New York, is the CRF's first investment in a nanotechnology company. Applied NanoWorks (ANW) was an advanced inorganic materials manufacturing company. ANW developed the Molecular Control Platform (MCP), an advanced materials manufacturing platform which is the first major advancement in inorganic material science in 30 years. This process is cost-effective, and scalable, and has already delivered two new molecules with another four to six more and countless derivatives anticipated. The company is currently focused on two applications – a catalyst system for improved desulfurization and sweetening of crude oil, and flame retardant additives where ANW's products are nontoxic and offer performance improvements five-to-ten times greater than existing additives. HighPeaks and FA Technology Ventures have invested $3.1 million of the CRF's capital since February 2006.

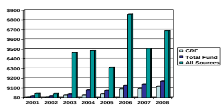
apprenda

Apprenda (www.apprenda.com), located in Clifton Park, New York, is the pioneering developer of a general purpose platform for software-as-a-service (SaaS) applications that focuses on making SaaS accessible as a distribution model to software vendors across the globe. The SaaSGrid platform gives independent software vendors the ability to deploy and deliver scalable, multi-tenant, enterprise applications via SaaS quickly and cost effectively without deviating from their core business and development competencies. High Peaks has invested $1.2 million of the CRF's capital since October 2007.

Auction Direct (www.auctiondirectusa.com) is a national retailer of quality used vehicles. The company operates three superstore locations in Rochester, New York, Jacksonville, Florida and Raleigh, North Carolina. Rochester serves as the company's headquarters and base of operations. Auction Direct utilizes highly sophisticated Internet marketing techniques as well as a unique customer proposition. Within two years of opening, each of its locations has earned a number 1 or 2 market share position. Its New York-based operations include a national buying center, its IT operation and a national customer call center and have New York State employment of approximately 120. Hamilton Lane and Trillium Lakefront Partners invested $16.4 million of the CRF's capital in three phases of the operations. The Company has raised total capital in excess of $33 million since it was founded in 2006.

Autotask Corporation (www.autotask.com), located in East Greenbush, New York, is pioneering "software as a service" for IT services management. Autotask provides a platform for the complete operation of IT solution providers (including VARs, MSPs, Systems Integrators, and IT Consultants). Autotask's vision is to establish itself as the de facto standard business platform for the IT services community – one that is used by solution providers to run their operations and to deploy services to their customers. The IT services industry is a dynamic market consisting of more than 50,000 solution providers in North America alone, employing over 1.3 million professionals. Autotask was established in 2001 and currently has more than 2000 customers and 20,000 subscribed seats in 2009. Autotask has received many awards, including Business Solution's "Best Channel Vendor 2009" and "Best Places to Work in the Capital Region." The Hudson River Co-Investment Fund and FA Technology Ventures together have invested $6.3 million of the CRF's capital in the company.

Climax Manufacturing Company, Inc. (www.climaxpkg.com), headquartered in Lowville, New York, manufactures folding cartons and recycled paperboards in North America. Founded in 1904, the company offers retail packaging; stock boxes, such as jewelry and sweater boxes for gift and apparel markets; fiberboard packaging; muffin boxes and vented packers for supermarket bakeries; deli and fast food packaging products; and industrial packaging products. It also offers specialty paperboards, matboards, coaster boards, set-up box boards, graphic arts boards, and chip boards, as well as paperboard grades that are used in various products, such as picture frame mats, illustration and mounting boards, beverage coasters, retail gift boxes, rigid boxes, and industrial packaging products. DeltaPoint Capital and the Hudson River Co-Investment Fund together invested $8.0 million of the CRF's capital in the company.



IPLogic (www.iplogic.com), headquartered in Albany with offices throughout New York State, Western Pennsylvania and West Virginia, provides converged voice and data business communications solutions. IPLogic's core focus areas include IP telephony, network security, managed services, network infrastructure (LAN/WAN), training, and staffing services. The company's core customers come from a variety of industries, including higher education, healthcare, financial services, and state and local government. DeltaPoint Capital has invested a total of $2.2 million of the CRF's capital in IPLogic since 2008.

Movable Ink provides real time content management for email, making the email experience as real-time as the web. Most emails begin to go stale from the moment they are sent. Using Movable Ink, marketers are able to send rich, dynamic emails that personalize to the recipient at the moment they are opened, and upon each re-opening. The email sender may choose to update the email content when opened based on variables such as time of day, recipient's location, device used, demographic information, real-time business rules and many more factors that are relevant between the sender and the recipient. Customers using Movable Ink see greater click-throughs, conversions, and engagement by delivering a highly relevant, customized, real-time message. Contour Venture Partners has invested approximately $120,000 of CRF capital in the company since 2011.

Oncology Services International (OSI) (www.thinkosi.com) is the largest independent provider of maintenance services for linear accelerators (radiology medical equipment used in the treatment of cancer). The company also resells used linear accelerators and has a subsidiary that provides spare parts for these machines. OSI is positioned within the market as a high-quality, lower-cost maintenance provider for linear accelerators that are no longer covered under the Original Equipment Manufacturer warranty. The company relocated its headquarters from New Jersey to New York. Founders Equity has invested $2.9 million of the CRF's capital in the company since April 2008.

Peridrome Corporation (www.peridrome.com), based in New York City, is a financial services information technology company. Peridrome specializes in business process management software for the wealth management sector. Peridrome's software solutions enable investment managers, broker-dealers, and outsourcers to automate customer service for managed account product offerings, such as separately managed accounts ("SMAs"), unified managed accounts, and mutual fund/exchange-traded fund ("ETF") wrap accounts. Milestone Venture Partners has invested $370,000 of the CRF's capital since April 2008.

Pontiflex (www.pontiflex.com), located in Brooklyn, is the first open and transparent cost-per-lead (CPL) market. Advertisers connect to interested consumers through Pontiflex and pay only for brand-specific marketing leads, not just clicks or impressions that might never convert. Pontiflex AdLeads offers publishers, advertisers and agencies a single point of connection for CPL media buying, management and optimization. Because Pontiflex AdLeads is open, advertisers and publishers can manage all of their campaigns (even those not generated through Pontiflex) for no charge. Because Pontiflex AdLeads is transparent, advertisers can optimize campaigns by mapping leads to their sources and increase returns even further. Tribeca Venture Partners has invested $3.2 million of the CRF's capital since April 2008.

Royalty Pharma (www.royaltypharma.com), located in New York City, invests in pharmaceutical and biotechnology product royalties and other revenue-producing intellectual property. Royalty Pharma currently owns a diversified portfolio of royalties in a variety of pharmaceutical products, has several others in clinical trials, under review by the FDA and/or in an early stage of clinical development. The development of critical care treatments, therapies and vaccines for life-threatening diseases, viruses and other ailments form the cornerstones of the "cope" and "recover" aspects of Paladin's homeland security investment strategy. Paladin has invested $5.9 million of the CRF's capital since January 2008.

Stone Source (www.stonesource.com), headquartered in New York City, sources worldwide and distributes natural stone, ceramic, glass and metal tiles, engineered stone and other decorative surfaced products. It offers a wide variety of architecturally significant materials to create design solutions for professional architects, designers and end users for residential and commercial projects. Founders Equity and Hamilton Lane have invested $9.1 million of the CRF's capital in the company since June 2006.

ShopKeep, a New York City-based company, is an end-to-end and affordable platform for running a retail shop from an iPad. Backed by customer support, ShopKeep's iPad application rings sales, prints receipts, and processes credit cards through its scalable and fast platform. It also manages inventory, reports, and customers from anywhere and without any extra hardware. Contour Venture Partners has invested approximately $350,000 of CRF capital in the company since 2011.

Voxy is a New York City based mobile/web education platform that helps users learn second languages. The Company's current offerings teach English to native speakers of Spanish and Portuguese. Based on leading language learning principles and the latest mobile and social technology, the mobile platform accelerates learning and creates a highly effective, immersive experience. The curriculum is flexible, contextual, convenient and fun. Contour Venture Partners has invested approximately $300,000 of CRF capital in the company since 2011.

Building a Private Equity Infrastructure in New York State

New York State has long been a center for the global private equity industry. Leading private equity firms such as Blackstone, Apollo, Warburg Pincus, JP Morgan Partners, and KKR (Kohlberg Kravis Roberts) were founded and are headquartered in New York. Although these firms make significant investments in New York – as of September 2012, the CRF's private equity managers had $22 billion invested in New York companies, with the CRF's share being $1.2 billion – their focus generally is on much larger transactions.

Until the CRF initiated the In-State Private Equity Investment Program, there were limited choices for New York businesses seeking long-term equity investors. Developing a permanent source of private equity capital is an important goal of the Program. The dramatic growth of the technology sector downstate has induced many out-of-state firms to establish a New York presence, and the increasing attention to the formation of an innovation "ecosystem" in upstate regions has been attractive to new sources of capital.

Upstate New York is also home to a series of networking events for investors, entrepreneurs and service providers. Attendance at these events is at levels that would have been unimaginable in the late 1990s. For example, the Smart Start Venture Forum in Albany, the Bright Buffalo Venture Forum, the Syracuse Tech Garden and events sponsored by the Upstate Venture Association of New York (UVANY) all draw substantial interest from investors and entrepreneurs.

The growth in private equity investment professionals has been also been accompanied by an expansion of expertise among legal and accounting firms in New York; these firms support the execution of private equity transactions and provide related professional services.

In addition to the establishment of private equity funds targeted to early-stage venture capital, another important source of funding has been the organization of a number of "angel" networks. Angel investing networks, groups of individuals who invest in very early-stage companies and are an important element of company formation, providing financial support and strategic advice at a stage before most venture capital firms are willing to make investments.

The following is a sample of angel groups currently active in New York.

The Buffalo Angels A division of the Western New York Venture Association www.wnyventure.com/buffalo-angels The Buffalo Angels is a member-managed seed investment fund. The typical investment is located within a one to two hour drive from the Buffalo/Rochester NY area. In the aggregate, members invest between \$100,000-\$300,000 in a deal. The Buffalo Angels do not specialize by industry. Contact Information: Jack McGowan, Executive Director The Buffalo Angels 726 Exchange Street, Suite 812 Buffalo, NY 14210 Phone: 716-636-3626 email: info@wnyventure.com
Rochester Angel Network www.rochesterangels.com The Rochester Angel Network is a private group of accredited investors in the Greater Rochester, NY region with an interest in investing in seed and early-stage startup companies. The network provides an accessible and efficient forum through which entrepreneurs can find potential investors, and investors can find deals of interest. RAN was formed in 2005 by a core group of local investors, with support from Greater Rochester Enterprise. The group meets monthly to listen to presentations by one or two selected entrepreneurs, and is actively seeking applications from entrepreneurs who are seeking funding, as well as investors interested in becoming members of the Network. Contact Information: James Senall, Managing Director Rochester Angel Network c/o High Tech Rochester Inc. 150 Lucius Gordon Drive, Suite 100 West Henrietta, NY 14586 Phone: 585-214-2400 email: info@htr.org

Eastern New York Angels
www.easternnyangels.com

The primary goal of the Eastern New York Angels is to provide seed funding and mentorship to early-stage companies while creating jobs in the Eastern Region of New York State, commonly known as Tech Valley, and delivering a reasonable return on investment for its members. ENYA is a member-managed fund organized as a Delaware LLC. The fund is composed of Limited Partners or Members who are the investors. There is a five-person Management Committee that directs the activities of the fund. Companies seeking funding are invited to "pitch" to the membership at monthly meetings. The average investment is $150,000.

Contact Information:
Dick Frederick, Angel Investor
Telephone: 518-690-0620
email: dick@easternnyangels.com

Seed Capital Fund of Central New York, LLC
www.scfcny.com

Members of the Seed Capital Fund of Central New York invest in and guide early-stage technology companies in Syracuse and Central/Upstate New York. Their goal is to create wealth for investors and assist the region's transition to a high-tech, high-growth economy.

Contact Information:
Seed Capital Fund of CNY, LLC
Syracuse Technology Garden
235 Harrison Street
Syracuse, NY 13202
Nasir Ali, Executive Director
nasir@scfcny.com
Cathy Niedzwiecki, Fund Coordinator
cathy@scfcny.com

The Long Island Angel Network

The mission of the Long Island Angel Network, Inc. and its programs is to provide its members with exposure to, and access to funding for, early-stage companies with a Long Island home, including those with a focus on software and information technology, biotechnology, nanotechnology, medicine, energy, environmental technology, a strong intellectual property position, or innovative concepts.

The Long Island Angel Network fulfills its mission by providing a forum through which members can evaluate and exchange information about investment opportunities, primarily in technology- and innovation-focused early-stage and emerging growth companies in the $150,000-$2 million range. LIAN is a New York not-for-profit corporation consisting of individual angel investors interested in financing such privately held companies or ventures. LIAN screeners endeavor to select companies for presentation that they judge likely to be of the greatest interest to members, but the Network does not make investment recommendations; investor's decisions are made individually. LIAN's goal is to bring the region's most exciting, promising early-stage growth companies together with its most savvy investors.

Contact: Dr. Anne Marie Scheidt: annmariescheidt@stonybrook.edu

If you would like an Angel network to be included in future versions of this report, Please contact the Common Retirement Fund at NYSCRFInvestmentproposals@osc.state.ny.us.

NEW YORK BUSINESS DEVELOPMENT CORPORATION (NYBDC)

Another alternative source of capital for small and developing businesses is the New York Business Development Corporation (NYBDC). The CRF has an existing lending partnership with the NYBDC providing funds to make loans to small businesses in New York State for working capital, equipment or real property. With its focus on small-business lending, NYBDC can frequently offer more favorable terms than other lenders. The program has a goal of making at least 25 percent of its loans to woman- or minority-owned businesses.

Since the program began in 1987, NYBDC has made 1,006 loans totaling $324 million to New York small businesses which collectively employ over 20,200 workers. During the 2012-13 fiscal year, 27 loans were completed totaling $12.0 million.

For an interactive map and contact information for NYBDC Lenders in your region, log onto www.NYBDC.com.