



November 26, 2014

To Friends of the PCRI:

I am pleased to share some of the highlights from 2014, which has been a productive year for the Private Capital Research Institute ("PCRI"). Building on the accomplishments of 2013, we continued to pursue our goal of promoting a deeper understanding of private capital's role in the economy.

Private Capital Information Platform Build Out

The cornerstone of the PCRI's efforts is our comprehensive database, which serves as the foundation for the independent analyses that have been and will continue to be undertaken, including data on the performance of funds and individual transactions. Today, the PCRI has obtained information on approximately 17,000 General Partners, 37,000 funds, 110,000 portfolio companies, 375,000 investments and 30,000 PE investment exits, internationally, which have been integrated into the PCRI database. These data are hosted at the National Opinion Research Center at the University of Chicago.

The major accomplishments of 2014 to date have included:

- We continue to search for new data sources as well as pursue strategic alliances with a range of individuals and industry analytic service providers. In February 2014, the PCRI signed an agreement with NYPPEX Funds IQ to obtain private capital cash flow data. NYPPEX is a major aggregator of private equity data, collecting detailed fund cash flow data from public sources and independent research.
- The PCRI database also integrates data from commercial databases with proprietary information from private equity groups. The PCRI's outreach to global general partners has borne fruit with 17 signed GP agreements and more than a dozen agreements pending. In addition, the PCRI is in conversation with over 50 GPs about supplying fund and portfolio company data.
- Another important development concerns advanced discussions the PCRI is having with two recognized custodians of private capital data, State Street Bank & Trust and Gen II, regarding access to their fund cash flow data.
- To further bolster the PCRI data platform, we have arranged meetings with the U.S. Federal Reserve and the Securities Exchange Commission to learn more about publicly-available data sources and to ascertain what research topics are of interest to them.
- In September 2014, the PCRI successfully launched version 2.1 of the database. The enhancements offer cash flow information for over 5,000 unique funds—which represent an additional 1,000 over our previous version, a link between PE investments and their subsequent exits, standardization of variable names, consolidation of tables for ease of use and PCRI research completed on several variables including exit listing exchange, GP country and fund vintage year.
- Six active academic researchers are currently conducting studies utilizing the PCRI database and the reactions have been uniformly positive. Professor Michael Ewens from Caltech was the first academic

to rely on the PCRI database for his research on the impact of a changing IPO market for VC investments on corporate innovation and decision-making. Professor John Haltiwanger of the University of Maryland, Professor Steve Davis of the University of Chicago, and Professor Josh Lerner at Harvard Business School are using the PCRI data alongside two other databases to evaluate the impact of private equity on job quality and productivity in the U.S. after the financial crisis. Professor Markus Taussig from NUS Business School is looking at differences in PE performance in emerging markets, and Professor Ulf Axelson at the London School of Economics is comparing VC determinants of success in the U.S. and Europe. Additional academic users are being recruited and we expect at least another 10 professors to be actively using the database by June of 2015.

Staffing

In June, our two research associates, Ben Ganzfried and Tyler Wallace, completed their two-year terms at the PCRI and both are now headed to graduate school. We hired Molly Sloane and Ben Limoges as their replacements. Both Molly and Ben are graduates of Tufts University. Molly received her BS in quantitative economics. Ben also received his BS in quantitative economics and received a Masters Degree in Economic Science, where he concentrated his studies on Statistics and Econometric Methods. In addition, the PCRI currently has a team of six part-time undergraduates helping research and clean the database.

Governance

During the year, we recruited four prominent, highly talented and experienced individuals to join the PCRI Advisory Committee, including:

- Peter Cornelius, Managing Director, Alpinvest Partners, Inc.
- Karen Mills, President, MMP Group, Inc. and former Administrator of the Small Business Administration (SBA)
- Den White, Partner, Verrill Dana, LLP
- Carl Ferenbach, Senior Advisor, Berkshire Partners

To complement the Practitioner Advisory Board, we have a distinguished Academic Advisory Board comprised of leading global scholars with a special interest in private capital research representing leading global business schools, including the London School of Economics, University of Chicago, MIT Sloan School of Management, London University Business School, Fuqua School of Business and the Stockholm School of Economics.

Fundraising

We continue to identify potential PCRI funders and have utilized the services of a leading consultant that specializes in soliciting grants from foundations. In June 2014, the PCRI received a \$450,000 grant, and later received a commitment of up to \$1 million from another private foundation. We are currently in discussion with a major private foundation that recently expressed significant interest in funding the PCRI. We welcome suggestions for and introductions to foundations that might have an interest in the PCRI's mission.

Events

We continue to jointly sponsor thought leadership forums devoted to the topic of private capital. In February 2014, the PCRI hosted an event in New York City: "Private Equity's Identity Change: Transparency, Efficiency, Alignment, and Globalization." The event drew over 200 participants and generated favorable coverage in the financial media.

In April 2015, together with several prominent Silicon Valley organizations, the PCRI will sponsor a conference devoted to private capital and growth with a particular focus on the venture capital industry as a prelude to a major data collection effort among these firms. The conference steering committee includes the following individuals:

- Felda Hardymon, Partner, Bessmer Venture Partners
- Bill Janeway, Managing Director, Warburg Pincus
- Tom Keck, Partner, Stepstone Group
- Kevin Laws, COO, AngelList
- Aileen Lee, Founder, Cowboy Ventures
- Karen Mills, Senior Fellow, Harvard Business School
- Michael Moe, Chairman, CEO & Chief Investment Officer, GSV Capital
- Ray Rothrock, Partner Emeritus, Venrock
- Ken Wilcox, Chairman, Silicon Valley Bank

This will be the PCRI's sixth such event and the first to be held on the West Coast. We expect a sizable audience, including GPs, LPs, entrepreneurs, regulators, academics and the financial media.

Going Forward

2014 has been a successful one for the PCRI as we seek to further the understanding of private capital and its global economic impact. We continue to take important steps towards creating a comprehensive source of reliable private capital performance data made available to scholars, researchers and policy makers. We look forward to our momentum continuing in 2015.

Sincerely,

A handwritten signature in black ink, appearing to read "Joseph L. Rice, III". The signature is stylized with a large, sweeping initial "J" and "R".

Joseph L. Rice, III