

CREDIT SUISSE NC INNOVATION FUND, L.P. INVESTMENT GUIDELINES

I. Introduction

Pursuant to Section 4.1(a) of the Limited Partnership Agreement dated February 23, 2010 (the “LP Agreement”) of the Credit Suisse NC Innovation Fund, L.P. (the “Partnership”), set forth below are general guidelines developed by the General Partner of the Partnership (“CS”) and the State Treasurer of North Carolina (the “Treasurer”) on behalf of the North Carolina Retirement Systems (“NCRS”) for the Partnership. CS and the Treasurer shall have the ability to mutually agree to adjustments to these guidelines as they deem necessary or desirable during the Commitment Period. Capitalized terms used herein but not defined herein shall have the meaning ascribed in the LP Agreement.

II. Investment Policy

The Partnership will focus on identifying and investing in a diversified, high-quality portfolio of multi-stage co-investments and fund investments that have significant operations in, or other significant connection with North Carolina (the “State”) as further described herein. The primary objective of the Partnership will be to generate attractive risk-adjusted returns on investments.

In addition, all investments will be made in accordance with the LP Agreement and all laws and policies applicable to the Partnership.

III. Investment Guidelines

The Program will use the following general guidelines for evaluating and making investments on behalf of NCRS:

A. Partnership Size and Allocations

The total Partnership size is \$232.3 million (including the \$2.3 million capital commitment of CS). Below are preliminary target allocations for the various strategies:¹

1. **Equity and Mezzanine Co-Investments.** Up to² \$160 million in equity and mezzanine³ co-investments. The Partnership will seek to invest in opportunities across high growth sectors in the North Carolina economy.
2. **Fund Investments.** Up to² \$60 million in Fund investments. The Partnership will opportunistically seek to make fund commitments. The majority of the fund commitments will be to funds that have an

¹ Amounts include Partnership Expenses, but no Management Fees.

² Figures above are ranges and thus may not sum to \$232.3 million.

³ A hybrid of debt and equity financing that is typically used to finance the expansion of existing companies.

office in North Carolina, but the Partnership maintains flexibility to invest in up to two fund managers that do not have a presence in the State but have an investment focus that includes a significant nexus to the State.

3. **Stage/Sector Focus.** Up to² \$35 million in specialized strategies with particular stage/sector focus areas.

III. Investment Strategy

The Partnership may invest in opportunities at various stages of funding, including:

- A. **Multi-Stage Venture Capital.** Multi-stage venture capital (diversified stages, that could include early, mid and late) through fund investments, co-investments and structured investment vehicles based on specialized strategies.
- B. **Growth Equity.** Growth Equity (cash flow positive companies in need of financing to expand operations or make acquisitions) through fund investments and co-investments.
- C. **Buyout.** Buyout through fund investments and co-investments.
- D. **Special Situations/Mezzanine.** Special Situations/Mezzanine through fund investments and co-investments.

IV. Geography

- A. **Companies.** The Partnership will seek to invest primarily in companies based in North Carolina. Opportunities in other regions will be considered, provided those companies (1) plan to move all or a significant portion of their operations to North Carolina, or (2) have some other meaningful connection to North Carolina.

For the avoidance of doubt, companies that will be considered for investment by the Partnership include (but are not limited to) the following: (1) companies that are headquartered in North Carolina; (2) companies that conduct a significant portion of their operations in North Carolina; (3) companies that derive a significant portion of their sales from North Carolina; (4) companies that are in the process of initiating, expanding and/or restructuring significant operations in North Carolina; or (5) companies that employ a significant portion of their workforce in North Carolina.

- B. Funds.** For the avoidance of doubt, funds that will be considered for investment by the Partnership include (but are not limited to) the following: (1) funds that are headquartered in North Carolina; (2) funds that conduct a significant portion of their operations in North Carolina; or (3) fund that deploy a significant portion of their investable capital in North Carolina.

V. Industry/Sector

The Partnership will seek to construct a portfolio of top-tier investments that build upon the strengths of the North Carolina economy. Among the industries the Partnership will target are: business services, clean energy, distribution and logistics, education, energy, financial services, hospitality, industrial, information technology, life sciences, and media and communications. Other industries may also be included on a deal-by-deal basis.

VI. Investment Restrictions

In pursuing its investment objectives and asset allocation goals, subject to the terms of the LP Agreement, the Partnership will adhere to the North Carolina Department of State Treasurer's (1) Investment Policy of the Private Equity Program's Innovation Fund and (2) Alternative Investments Guidelines, Policies and Procedures, in addition to the following investment restrictions (unless otherwise agreed to by NCRS):

- A. Aggregate Capital Commitment.** The Partnership will not invest or commit more than 10% of its aggregate capital commitments (inclusive of follow-on investments) in any single investment, without prior written consent from of the Treasurer as Limited Partner of the Partnership. Investments generally are expected to range from \$2 million to \$20 million in size.
- B. Vintage Year.** The Partnership shall not invest or commit more than 33% of the aggregate Capital Commitments for investment in any one Vintage Year; provided, however, the Partnership may invest or commit more than 33% of the aggregate Capital Commitments for investment in a Vintage Year with the prior written consent of the Treasurer as Limited Partner.