

STATE OF WASHINGTON
STATE INVESTMENT BOARD

Private Markets Committee Meeting
Minutes

April 1, 2004

The Private Markets Committee met in open public session at 9:00 A.M. in the boardroom at the Washington State Investment Board in Olympia, Washington.

Members Present: Debbie Brookman, Chair
 John Charles
 Jeff Hanna
 Patrick McElligott
 Mike Murphy
 Jeff Seely
 Senator Zarelli

Members Absent: John Magnuson

Other Board Members
Present: Charles Kaminski
 George Masten

Others Present: Joe Dear, Executive Director
 Gary Bruebaker, Chief Investment Officer
 Tom Ruggels, Senior Investment Officer – Private Equity
 Linda Buchanan, Administrative Secretary

 Paul Silver, Senior Assistant Attorney General
 Eric Becker, Pacific Corporate Group
 Brian Powers, Hellman & Friedman Capital
 Melissa Ma, Hellman & Friedman Capital

[Names of other individuals attending the meeting are not included in the minutes but are listed in the permanent record.]

The meeting convened at 9:00 A.M. with Chair Brookman identifying members present.

REVIEW AND APPROVAL OF MINUTES – FEBRUARY 5, 2004

Mr. Murphy moved to adopt the minutes of February 5, 2004. Mr. McElligott seconded, and the motion carried unanimously.

**PRIVATE EQUITY – HELLMAN & FRIEDMAN CAPITAL PARTNERS V, L.P. –
INVESTMENT RECOMMENDATION**

Mr. Ruggels introduced himself and Eric Becker, Pacific Corporate Group (PCG). Mr. Ruggels stated that staff is recommending an investment of up to \$100 million in Hellman & Friedman Capital Partners V, L.P. (HF-V). He explained that this recommendation is consistent with the annual plan submitted to the Committee and that, if approved, would be new general partner relationship for the Board. Mr. Ruggels discussed targeted fund size, geographic focus, structure, sector focus, investment team, reputation, past performance, strategy, fees, alignment of interests, and fit into the WSIB portfolio. Mr. Ruggels discussed management transition, personnel turnover, changes to the Investment Committee structure, expansion to London, and one partner's affiliation with Farallon Capital. Hellman & Friedman (H&F) have policies and procedures in place to deal with conflict of interest issues.

Mr. Becker, Pacific Corporate Group (PCG), introduced himself. He stated that PCG has maintained a relationship with H&F for over 10 years, and that PCG recommends an investment of up to \$100 million in H&F-V. He discussed the firm's reputation, experienced management team, focus, and expertise. He described the positive response to reference calls. He discussed H&F's integrity, ability to consistently add value, relationship with financing sources, access to future debt capital, and proven ability to effectively time industry cycles. He stated that the H&F principals will commit \$150 million to the fund and will not charge transaction fees. He stated that the firm's track record shows strong, consistent returns with prudent levels of risk.

Discussion ensued regarding litigation, methods of finding investments, competition, increased fund size, strategy, personnel turnover, fit in the WSIB portfolio and strategy, reasons the WSIB was not in previous funds, investment committee procedures, and the potential conflict with Farallon.

[Mr. Seely was in attendance at 9:20 A.M.]

Mr. Powers, Chief Executive Officer of H&F, introduced himself. He discussed the firm's returns, experience, investment philosophy, alignment of interest with limited partners, fees, historical performance, partners, and investment committee. Mr. Powers explained that H&F is establishing a London office to monitor investments made in Europe and to access new opportunities. He discussed the firm's investment approach, focus on projects, concentration on opportunities in the United States and other developed countries, target investment size, and hold/sell discipline. Mr. Powers described H&F's focus on media, financial services, professional services, and information services.

Ms. Ma, Director of H&F, introduced herself. She described Fund IV, and stated that it had seven portfolio companies, one of which has been realized. Ms. Ma stated that there would be two or three additional investments before activation of H&F-V. Mr. Powers discussed one Fund IV portfolio company. He explained H&F's due diligence and investment procedures

Ms. Ma stated that all but one portfolio company in Fund III has been fully realized; public exit of that company is expected soon.

Discussion ensued regarding exit strategy, investments that did not do well, fees, preference not to invest in the same portfolio company in different funds, past investments, relationship between Farallon and H&F, procedures to avoid conflict of interest, other investors, and litigation.

[Mr. Charles was no longer in attendance at 10:20 A.M.]

[The Committee recessed at 10:21 A.M. and reconvened at 10:31 A.M.]

Mr. McElligott moved that the Private Markets Committee recommend to the Board an investment of up to \$100 million, plus fees and expenses, in Hellman & Friedman Capital Partners V, L.P., subject to final negotiation of terms and conditions. Mr. Murphy seconded.

Discussion ensued regarding the firm's impressive financial results, frank discussion of mistakes, positive references, turnover, the possibility of a larger investment, H&F's desire to have the WSIB as an investor, and H&F's familiarity with public fund investors and public disclosure issues.

The motion carried unanimously.

PRIVATE MARKETS CLOSING LOG

The Private Markets Closing Log was presented for informational purposes.

OTHER ITEMS

There being no further business to come before the Committee, the meeting adjourned at 10:42 A.M.