

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

The meeting convened at 9:02 A.M. with Chair Brookman identifying members present.

REVIEW AND APPROVAL OF MINUTES – JUNE 3, SEPTEMBER 9, AND NOVEMBER 4, 2004

Mr. McElligott moved to adopt the minutes of June 3, September 9, and November 4, 2004. Mr. Charles seconded, and the motion carried unanimously.

PRIVATE EQUITY – KKR EUROPEAN FUND II, L.P. – INVESTMENT RECOMMENDATION

Mr. Ruggels introduced himself and Ms. Blackburn and Mr. Becker, Pacific Corporate Group (PCG). Mr. Ruggels stated that staff is recommending an investment of up to \$400 million in KKR European Fund II, L.P., a \$3 billion (target) buyout fund. The WSIB has invested in previous KKR funds since 1983. The investment is consistent with the annual plan. Mr. Ruggels described the firm's strong franchise, prominent history in the buyout business, leadership in the industry today, network of relationships, extensive experience, excellent performance, strategic advisors, investment process, and value added to companies post-investment. KKR has a strong presence on two continents and a long history with the WSIB. Mr. Ruggels discussed concerns regarding portfolio concentration with double exposure to European investments through the KKR Millennium Fund and planned leadership changes in the London office. Europe is a competitive climate and KKR is well positioned.

Ms. Blackburn discussed KKR's investment process, strategy, significant early returns, performance, potential opportunities, brand name, and image. She stated that PCG is comfortable with the investment opportunity and recommends an investment of up to \$300 million and feels that an investment between \$200 and \$400 million is reasonable.

Discussion ensued regarding staff site visits to the European offices of KKR; the strong, multi-national, multi-lingual team; ability to invest in pan-European basis; and value added to portfolio companies.

Mr. Huth, Mr. Gilhuly, Mr. Roberts, Mr. Michelson, and Mr. Garaialde, KKR, introduced themselves.

Mr. Roberts discussed the history of the first European fund, KKR's processes, culture, skills, contacts, European team, and performance.

Mr. Gilhuly described KKR's integrated philosophy, key resources, activity in Europe, team, performance, strategy, experience, brand, relationships, reputation, investment management practices, monitoring processes, investment committee, portfolio management committee, industry focus, history with the WSIB, competition, and strategic advisors.

Mr. Huth discussed the KKR European performance, job growth in Germany, portfolio companies, and returns. KKR has made 15 investments in Europe with \$4.4 billion invested.

Mr. Garaialde described the background of one portfolio company, performance, improved productivity, and job growth.

[Mr. Seely was in attendance in person at 10:05 A.M.]

Mr. Michelson discussed historic and projected cash flows and realizations.

Mr. Roberts stated that KKR is proud of the relationship with the WSIB. He discussed the need for open dialog and communication. Mr. Roberts stated that staff recommended an investment of \$400 million, but that he would like the Committee to consider a larger commitment.

Discussion ensued regarding the fluctuation of the euro and its impact on the fund, the extent of co-investments with the Millennium Fund, the WSIB's historic relationship with KKR, concentration of investments, historical trends and projections, portfolio diversification, administrative impact due to number of partners, cash flow, contribution rates, and competition in Europe.

Mr. Charles requested that staff provide Board members with a summary of cash flow projections prior to the December Board meeting.

Mr. Charles moved that the Private Markets Committee recommend to the Board an investment of up to \$500 million, plus fees and expenses, in KKR European Fund II, L.P., subject to final negotiation of terms and conditions. Mr. McElligott seconded.

[The Committee recessed at 10:29 A.M. and reconvened at 10:44 A.M.]

Mr. Charles and Mr. McElligott agreed to the following revised motion:

That the Private Markets Committee recommend to the Board an investment of up to \$500 million, plus fees and expenses, in KKR European Fund II, L.P., contingent upon further analysis by staff of expected capacity for international private equity investment and subject to final negotiation of terms and conditions

Discussion ensued regarding the advantages and risks of investing a larger amount with a single partner, KKR's past performance, market exposure, cash flow, WSIB allocations, method of defining which funds are considered international, diversification, market conditions, industry consolidation, advantages of investing in Europe, the amount of the recommendation and the reasoning for the amount, management transition issues, labor issues, terms and conditions of the fund, and diversification.

Mr. Masten asked if staff felt the cash flow projections provided by KKR were reasonable and why staff doesn't recommend larger amounts with other partners.

[Mr. Masten was no longer in attendance at 10:59 A.M.]

The revised motion carried unanimously.

[Senator Zarelli was no longer in attendance at 11:37 A.M.]

PRIVATE EQUITY – BC EUROPEAN CAPITAL VIII, L.P. – INVESTMENT RECOMMENDATION

Mr. Green introduced himself and stated that staff recommends an investment of up to €160 million in BC European Capital VIII, L.P., a €4.5 billion buyout fund targeting large transactions in Europe. The recommendation is consistent with the annual plan. Mr. Green explained that BC is a current partner of the WSIB and discussed the firm's performance history, management team, reputation, pan-European presence, deal flow, and management transition processes.

Ms. Blackburn discussed the firm's performance, transition issues, and strategy. PCG recommends an investment of up to €170 million.

Discussion ensued regarding management transitions.

Mr. Palley and Mr. O'Donohue, BC Capital European, introduced themselves.

Mr. Palley described the firm's investment approach, history, pan-European presence, investment focus, team, performance history, investment processes, exit processes, proprietary deal flow, local knowledge, experience, and organization. He discussed the European market, deal flow, and market differences between the United Kingdom and Continental Europe.

Mr. O'Donohue described the firm's performance history, realizations, investment strategy, and diversified portfolio.

Discussion ensued regarding currency fluctuations, follow-on investments, and parallel investments.

[The Committee recessed at 12:20 P.M. and reconvened at 12:36 P.M.]

Mr. McElligott moved that the Private Markets Committee recommend to the Board an investment of up to €160 million (approximately U.S. \$208 million using exchange rates as of November 19, 2004), plus fees and expenses, in BC European Capital VIII, L.P., subject to final negotiation of terms and conditions. Mr. Charles seconded, with the provision that staff explore the possibility of a larger investment.

Discussion ensued regarding the possibility of a larger investment.

The motion carried unanimously.

REAL ESTATE – MORGAN STANLEY REAL ESTATE FUND V INTERNATIONAL – T.E., L.P. – INVESTMENT RECOMMENDATION

Mr. Draper introduced himself and stated that if the Committee would prefer he would bring the partners in and forego staff and consultant remarks in the interest of time.

A question was asked regarding the meaning of "T.E." in the fund name. Mr. Draper explained that the initials stand for tax exempt.

Mr. Thomas, Mr. Mantz, and Mr. Morris, Morgan Stanley, introduced themselves.

Mr. Thomas discussed the firm's commitment to the fund, the fund's history, infrastructure, global diversification, geographic focus, deal flow, real estate professionals, and longevity of the team. He described the Morgan Stanley franchise and the advantages of the association.

Mr. Mantz discussed the firm's investment strategy, international initiatives, platform, market cycles and trends, sourcing opportunities, management expertise, and asset management.

Mr. Morris discussed performance history and returns.

Discussion ensued regarding the Morgan Stanley team, processes, consistent business plan, efficiency, and tax issues.

Mr. Humphrey, Courtland Partners, discussed market trends and opportunities in Europe, the firm's performance history, deal sourcing capabilities, alignment of interest, and Fund III performance. He stated that this is a great opportunity.

Mr. McElligott moved that the Private Markets Committee recommend to the Board an investment of up to \$440 million (including a 10 percent reserve), plus fees and expenses, in Morgan Stanley Real Estate Fund V International – T.E., L.P., subject to final negotiation of terms and conditions. Mr. Charles seconded, and the motion carried unanimously.

REAL ESTATE CONSULTANT RFP CONCEPT DOCUMENT

Mr. Draper explained that the proposed concept document continues the scope of services essentially as they exist in the current real estate consultant contract and also includes the ability to add further services to the general real estate consultant or hire a separate firm to assist in audit-related assignments regarding WSIB real estate partnerships. He added that an additional item was added to the minimum requirements to exclude firms that might have a conflict due to investment management and related activities.

Mr. Charles moved that the Private Markets Committee recommend that the Board authorize the issuance of a Request for Proposal for general real estate consulting services and real estate partnership auditing services, and that the Request for Proposal reflect scope of services and terms consistent with the Concept Document. Mr. McElligott seconded, and 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 1:03 P.M.