

**APPROVED**

STATE OF WASHINGTON  
STATE INVESTMENT BOARD

Private Markets Committee Meeting  
Minutes

May 5, 2005

The Private Markets Committee met in open public session at 9:02 A.M. in the boardroom at the Washington State Investment Board in Olympia, Washington.

Members Present:           Debbie Brookman, Chair  
                                  Jeff Hanna  
                                  Sandy Matheson  
                                  Patrick McElligott  
                                  Treasurer Mike Murphy  
                                  Jeff Seely

Members Absent:           Senator Lisa Brown  
                                  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  
                                  Gary Holt, Investment Officer – Private Equity  
                                  Linda Buchanan, Administrative Secretary

Paul Silver, Senior Assistant Attorney General  
Tara Blackburn, Pacific Corporate Group  
Mike Krems, Pacific Corporate Group  
Andrew Liu, J.P. Morgan Asia  
Stephen King, J.P. Morgan Asia  
Roger McNamee, Elevation Partners  
Bret Pearlman, Elevation Partners

[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.

**ADOPTION OF MINUTES – FEBRUARY 3 AND APRIL 7, 2005**

**Mr. McElligott moved to adopt the minutes of February 3, 2005. Treasurer Murphy seconded.**

Treasurer Murphy requested the beginning of the first sentence of the first full paragraph on page 6 be changed for clarification purposes to read, “Treasurer Murphy asked why the Committee only had a draft and not a completed Private Placement Memorandum . . . .”

**The revised minutes were adopted unanimously.**

**Treasurer Murphy moved to adopt the minutes of April 7, 2005.**

**Mr. McElligott seconded and the motion carried unanimously.**

**PRIVATE EQUITY INVESTMENT RECOMMENDATION – ASIA OPPORTUNITY FUND II, L.P.**

Mr. Holt introduced himself and described the fund, a \$1.1 billion private equity fund being raised by J.P. Morgan Partners Asia, Ltd., to pursue leveraged buyouts in the Asian region. He also described the general partner’s affiliation with J.P. Morgan Partners, a global private equity firm based in New York and J.P. Morgan Chase bank. He discussed the market opportunity in Asia, and stated that, if approved, this would be a new general partner relationship for the WSIB and the first investment in a fund focused exclusively on Asia. Staff believes this is a good opportunity to invest with a local, experienced group. Mr. Holt discussed the firm’s management team, history, strategy, operational focus, core markets, past performance, attractive fit in the WSIB portfolio, impact of the planned separation from J.P. Morgan Chase, key-man issues, terms and conditions, and management fees. Both staff and Pacific Corporate Group are recommending an investment of up to \$100 million in the fund.

[Mr. Seely was in attendance at 9:16 a.m.]

Ms. Blackburn introduced herself and Mr. Krems of Pacific Corporate Group (PCG), discussed the growth of the Asian market, the firm’s competition, focus, alignment of interest, strategy, prior success, industrial focus, team strength, key person clause, and fit in the WSIB portfolio.

The Committee discussed the general partner commitment, alignment of interest, the separation of the firm from J.P. Morgan Chase, terms and conditions, management fee split, geographic focus, cultural diversity, economic diversity, management team, and approach to investing in China.

Mr. Liu and Mr. King, J.P. Morgan Asia, introduced themselves. They described the firm’s partners, strategy, historical performance, investment strategy, use of leverage, proprietary network of industry consultants, reputation, awards, investments, opportunities, core markets, and fund size.

The Committee discussed valuations, currency risk, general partner commitment, fee offsets, and the effect of the separation from J.P. Morgan Chase.

**Mr. McElligott moved that the Private Markets Committee recommend to the Board an investment of up to \$100 million, plus fees and expenses, in Asia Opportunity II, L.P., subject to continued due diligence and final negotiation of terms and conditions. Treasurer Murphy seconded the motion.**

The Committee discussed the size of the commitment.

**The motion carried unanimously.**

[The Committee recessed at 10:18 a.m. and reconvened at 10:25 a.m.]

[Treasurer Murphy was no longer in attendance at 10:24 a.m.]

**PRIVATE EQUITY INVESTMENT RECOMMENDATION – ELEVATION PARTNERS, L.P.**

Mr. Ruggels introduced himself and stated that staff recommends an investment of up to \$100 million in the fund, which will be \$1.5 to \$1.8 billion in size and will invest primarily in media, entertainment, and consumer-related businesses. He stated that, if approved, this would be a new general partner relationship for the WSIB. The recommendation is consistent with the annual plan discussed with the Committee in January 2005. He explained that, although there are risks associated with a first-time fund, this opportunity is compelling, and the merits outweigh the risks. He described the investment team's complementary skill sets, experience, and demonstrated success as part of other successful organizations. He also described the firm's focused, niche investment strategy and strong network of industry relationships that will contribute to sourcing opportunities, due diligence, and value creation post-investment. He also described the positive fit of the investment in the WSIB portfolio.

Ms. Blackburn, PCG, described the firm's focus, strategy, competition, market niche, expected growth, and management team. PCG feels this is a good opportunity and fit in the WSIB portfolio, and also recommends an investment of up to \$100 million.

The Committee discussed general partner commitment level and structure, alignment of interest, source of information in PCG's report, market demographics, formation of the team, risks of investing in media, different sectors of the media market, staff's investigation of the firm, the firm's investment model and level of discipline in maintaining that model, and staff's confidence in the firm.

Mr. McNamee and Mr. Pearlman, Elevation Partners, introduced themselves and described the fund's investment strategy, management team, opportunity set, industry focus, structure, alignment of interest, and history of the operating partners. They also discussed current market trends and the effect of technology on the market.

[Mr. Silver was no longer in attendance at 11:25 a.m.]

[Mr. Masten was no longer in attendance at 11:31 a.m.]

The Committee discussed interest levels, operational control, operating plans, and alignment of interest.

**Mr. McElligott moved that the Private Markets Committee recommend to the Board an investment of up to \$100 million, plus fees and expenses, in Elevation Partners, L.P., subject to continued due diligence and final negotiation of terms and conditions. Ms. Matheson seconded the motion.**

The Committee discussed the fund's management team, business model, alignment of interest, and fee structure.

**The motion carried unanimously.**

**PRIVATE MARKETS CLOSING LOG**

The Private Markets Closing Log was presented for informational purposes.

**OTHER ITEMS**

In response to a question regarding allocation issues, Mr. Dear noted that the Private Equity Annual Plan will be discussed at the June meeting and the Board will also be working on the asset allocation strategy this year.

There being no further business to come before the Committee, the meeting adjourned at 11:51 a.m.