

**WASHINGTON STATE INVESTMENT BOARD
Private Markets Committee Meeting Minutes
May 3, 2007**

The Private Markets Committee met in open public session at 9:03 a.m. in the boardroom at the Washington State Investment Board in Olympia, Washington.

Members Present: George Masten, Chair
 Glenn Gorton
 John Magnuson
 Sandy Matheson
 Patrick McElligott
 David Nierenberg
 Jeff Seely

Members Absent: Treasurer Mike Murphy

Others Present: Joe Dear, Executive Director
 Gary Bruebaker, Chief Investment Officer
 Tom Ruggels, Senior Investment Officer – Private Equity
 Isabelle Fowler, Investment Officer – Private Equity
 Gary Holt, Investment Officer – Private Equity
 Kristi Bromley, Administrative Secretary

 Paul Silver, Assistant Attorney General
 David Woolford, Capital Dynamics
 Wesley Edens, Fortress Investment Group
 Mark Patterson, MatlinPatterson Global Opportunities Advisors
 David Matlin, MatlinPatterson Global Opportunities Advisors

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

The meeting convened at 9:03 a.m. with Acting Chair McElligott identifying members present.

ADOPTION OF THE MARCH 7, 2007, MINUTES

Mr. Gorton moved to adopt the minutes of March 7, 2007. Mr. McElligott seconded, and the motion carried unanimously.

PRIVATE EQUITY INVESTMENT RECOMMENDATION – FORTRESS INVESTMENT FUND V, L.P.

Mr. Holt introduced himself and said that staff recommends an investment of up to \$300 million in Fortress Fund V allocated between Fund V and the Fund V Coinvestment Fund. Fund V is a \$4 billion private equity fund being raised by Fortress Investment Group; a New York based alternative investment manager with multiple lines of business. Both funds will continue the successful strategy of targeting cash-flowing investments backed by physical and financial assets, including real estate related assets that can be acquired at compelling valuations.

Although the demand for this fund is strong, Fortress prefers to raise smaller funds more often to limit callable capital. The WSIB allocation may be less than the recommendation due to over subscription; however, Fortress has committed to allocating as much as possible to the WSIB in recognition of our long-standing relationship. The WSIB has invested in each of the first four Fortress Funds, and the proposed investment is consistent with the private equity annual plan approved by the Board in January 2007. Mr. Holt noted that in February of this year, Fortress went public on the New York Stock Exchange. He described the firm's ownership structure, management team, investment strategy, performance history, low loss ratio, increased fund size, investment pace, and strategy evolution.

The Committee discussed the trend toward increased fund and deal sizes, the opportunity set for Fortress, and any foreseen implications from Fortress going public.

Mr. Woolford, Capital Dynamics, introduced himself and reviewed the firm's team, ownership structure, frequency of fund raising, and use of the capital markets to lower the cost of capital. He stated that Capital Dynamics recommends an investment of up to \$300 million.

Discussion ensued regarding the firm's ownership structure and the percent of the company held publicly as well as the strength of the team and key person provision.

Mr. Nierenberg disclosed for the record an indirect personal connection that he has reviewed with legal counsel. The nature of this relationship did not require recusal.

Mr. Edens, Fortress Investment Group, introduced himself and discussed the firm's investment strategy, performance, ownership structure, investment team, geographic focus, and unique approach to the public equity market.

Discussion ensued regarding the sub prime market; the rationale behind Fortress going public, which was done to create more permanence and longevity of the firm going forward; alignment of interests with limited partners; and market factors such as health care and employment.

Ms. Matheson moved that the Private Markets Committee recommend to the Board an investment of up to \$300 million, plus fees and expenses, allocated between Fortress Investment Fund V, L.P., and Fortress Investment Fund V Coinvestment Fund, subject to continued due diligence and final negotiation of terms and conditions. Mr. Gorton seconded the motion.

The Committee discussed the allocation amount available to the WSIB.

The above motion carried unanimously.

[The Committee recessed at 9:59 a.m. and reconvened at 10:13 a.m.]

PRIVATE EQUITY INVESTMENT RECOMMENDATION – MATLINPATTERSON GLOBAL OPPORTUNITIES PARTNERS III, L.P.

Ms. Fowler introduced herself and said that staff recommends an investment of up to \$150 million in MatlinPatterson Global Opportunities Partners III, L.P., a targeted \$3.5 billion fund being raised by MatlinPatterson Global Advisers. The Fund will invest globally in distressed opportunities, including severely discounted securities, obligations, assets, and businesses through which MatlinPatterson can obtain control or substantial influence. The WSIB is an existing investor, having committed \$75 million to Fund I in 2001, and the proposed investment is consistent with the private equity annual plan approved by the Board in January 2007. Ms. Fowler reviewed the firm's history; experience; team; investment strategy; opportunistic, mobile approach; performance; portfolio fit; limited realizations; fund size; and the recent start of a hedge fund strategy, which will utilize some of senior management's time.

Mr. Woolford, Capital Dynamics, introduced himself and reviewed the experience and depth of the team, importance of the key man provision, recent creation of a hedge fund strategy, and exit strategies. He stated that Capital Dynamics recommends a maximum commitment of up to \$150 million in MatlinPatterson Global Opportunities Partners III, L.P.

Mr. Patterson and Mr. Matlin, MatlinPatterson Global Opportunities Advisers, introduced themselves and discussed the firm's history, organization, investment strategy, and performance. They provided an overview of Fund I and Fund II investments and a summary of selected terms for Fund III.

Discussion ensued regarding the opportunistic nature of the firm's investment strategy.

Mr. Gorton moved that the Private Markets Committee recommend to the Board an investment of up to \$150 million, plus fees and expenses, in MatlinPatterson Global Opportunities Partners III, L.P., subject to continued due diligence and final negotiation of terms and conditions. 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 10:42 a.m.