

**WASHINGTON STATE INVESTMENT BOARD
Private Markets Committee Meeting Minutes
November 1, 2007**

The Private Markets Committee met in open public session at 9:04 a.m. in the boardroom at the Washington State Investment Board in Olympia, Washington.

Members Present: Glenn Gorton, Acting Chair
John Magnuson
Treasurer Murphy
Sandy Matheson
Patrick McElligott
David Nierenberg (teleconference)
Jeff Seely

Other Member Present: Allen Martin

Members Absent: George Masten, Chair

Others Present: Joe Dear, Executive Director
Gary Bruebaker, Chief Investment Officer
Tom Ruggels, Senior Investment Officer – Private Equity
Steve Draper, Senior Investment Officer – Real Estate
Erwin Vidallon, Investment Officer – Real Estate
Linda Buchanan, Secretary Administrative

Paul Silver, Assistant Attorney General
Michael Humphrey, Courtland Partners
Garret House, Evergreen Investment Advisors
Sydney Kitson, Kitson & Partners
Ron Silva, Fillmore Capital Partners
Brooks Zug, HarbourVest 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 9:04 a.m. with Acting Chair Gorton identifying members present.

ADOPTION OF THE SEPTEMBER 6, 2007, MINUTES

Mr. McElligott moved to adopt the minutes of September 6, 2007.

Ms. Matheson seconded, and the motion carried unanimously.

REAL ESTATE INVESTMENT RECOMMENDATION – KITSON EVERGREEN, LLC

Mr. Draper introduced himself and described Kitson Evergreen, a real estate operating company (REOC) originally in the WSIB portfolio through Evergreen. He discussed the firm's history, performance, investment strategy, management team, partnership with Evergreen, and experience, as well as demographic trends, investment opportunities in the distressed arena, the WSIB's governance rights, market risks, key person risks, and fit in the WSIB portfolio.

The Committee discussed entitlement risk, Kitson's investment strategy, current market conditions, Evergreen involvement, size of the total commitment to Kitson, key man risk insurance, and the scale and scope of Kitson projects, and the WSIB's exposure to the Florida housing market.

Mr. Humphrey, Courtland Partners, introduced himself and discussed significant control features, key man protection, infrastructure development, the management team, market conditions, investment timing, WSIB control, and the firm's experience.

The Committee discussed the size of the commitment, geographic concentration, and market timing.

Mr. House, Evergreen Investment Advisors, introduced himself and described Evergreen's relationship with Kitson Partners and Evergreen's commitment to the Company. He also reviewed the Company's investment strategy, expertise, and performance. He said that Kitson is an exceptional, competent, and principled partner.

Mr. Kitson, Kitson & Partners, introduced himself and discussed the firm's relationship with Evergreen, market opportunities, geographic focus, investment strategy, investment opportunities, goals, disciplined investment approach, expertise, and environmental considerations.

The Committee discussed climate risks, Kitson projects, school boundaries and planning, economic diversity of developments, entitlement processes, and Evergreen's other platforms. Mr. Kitson described new hurricane building standards and regulations, extra steps taken by Kitson & Partners regarding hurricane safety, work with the school boards and local government, work with environmental groups, environmentally friendly communities, and community sustainability.

Mr. McElligott moved that the Private Markets Committee recommend to the Board an investment of up to \$400 million, plus fees and expenses, in Kitson Evergreen, LLC, subject to continued due diligence and final negotiation of terms and conditions. Treasurer Murphy seconded the motion.

The Committee discussed the merits of investing in the distressed arena and the benefits of investing with Kitson & Partners.

The motion carried unanimously.

[The Committee recessed at 10:14 a.m. and reconvened at 10:28 a.m.]

REAL ESTATE INVESTMENT RECOMMENDATION – FILLMORE WEST FUND, L.P., AND FILLMORE STRATEGIC INVESTORS, LLC FOLLOW-ON INVESTMENT

Mr. Draper and Mr. Vidallon introduced themselves.

Mr. Vidallon discussed Fillmore’s relationship with the WSIB, investment strategy, experience, management team, growth prospects, interesting pipeline, brand recognition, prominence in their investment sector, and minimal competition. He also discussed current market conditions and high yield opportunities. He described the differences and similarities between Fillmore West Fund and Fillmore Strategic Investors and the merits of each.

Mr. Draper discussed key person risk, favorable governance terms, strategy risk, concentration risk, exit strategies, and fit in the WSIB portfolio.

Mr. Vidallon stated that staff recommends a follow-on investment of \$600 million to Fillmore Strategic Investors and an investment of \$200 million to Fillmore West Fund.

The Committee discussed investment pace and exit strategies.

Mr. Humphrey, Courtland Partners, introduced himself and discussed market conditions and trends, investment timing, sub-prime issues, and the firm’s strategy, expertise, and sector focus.

The Committee discussed sector risk, demographics, market conditions, potential risks, and other investors.

Mr. Silva, Fillmore Capital Partners, introduced himself and discussed pending commitments, performance, history, commitment pace, investment strategy, performance record, disciplined investment approach, market trends, sector diversity, asset mix by transaction, and investment opportunities.

The Committee discussed sector risk and the firm’s skills in navigating them.

Ms. Matheson moved that the Private Markets Committee recommend to the Board an investment of \$200 million, plus fees and expenses, in Fillmore West Fund, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Treasurer Murphy seconded, and the motion carried unanimously.

Ms. Matheson moved that the Private Markets Committee recommend to the Board a follow-on investment of \$600 million, plus fees and expenses, in Fillmore Strategic Investors, LLC, subject to continuing due diligence and final negotiation of terms and conditions. Mr. McElligott seconded the motion.

The Committee discussed the credit market, debt securities, leverage, quality of underlying assets, the firm’s history with the WSIB, and performance history.

The motion carried unanimously.

Acting Chair Gorton announced that the Committee would go into executive session under the provisions of RCW 42.30.110(1)(k) to discuss financial and commercial information relating to an investment since public knowledge regarding the discussion would result in loss to the funds managed by the Board or would result in private loss to the providers of the information. The executive session was expected to last until about 12:00 p.m. at which time the Committee would reconvene in open session.

[The executive session convened at 11:41 a.m.]

PRIVATE EQUITY INVESTMENT RECOMMENDATION – HARBOURVEST PARTNERS FUNDS

[Mr. Seely was no longer in attendance at 12:08 p.m.]

[Mr. Nierenberg was no longer in attendance at 12:50 p.m.]

[The executive session recessed at 12:57 p.m. and the Committee reconvened in open public session.]

Mr. McElligott moved that the Private Markets Committee recommend that the Board authorize staff to take action regarding certain HarbourVest Partners funds, as discussed in executive session. Ms. Matheson seconded, and the motion carried unanimously.

2008 MEETING SCHEDULE

Mr. Bruebaker presented the 2008 Meeting Schedule and asked that Committee members put a hold on their calendars for months that are not scheduled, as meetings will be called if needed.

Mr. McElligott moved that the Private Markets Committee adopt its 2008 meeting dates. Treasurer Murphy 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 1:00 p.m.