

**WASHINGTON STATE INVESTMENT BOARD
Private Markets Committee Meeting Minutes
January 10, 2008**

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: Patrick McElligott, Chair
Glenn Gorton
Charles Kaminski (teleconferenced)
John Magnuson
George Masten
Sandy Matheson
Treasurer Mike Murphy
David Nierenberg
Jeff Seely

Others Present: Joe Dear, Executive Director
Gary Bruebaker, Chief Investment Officer
Liz Mendizabal, Public Affairs Director
Theresa Whitmarsh, Chief Operating Officer
Tom Ruggels, Senior Investment Officer – Private Equity
Sam Green, 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
David Woolford, Capital Dynamics
Max Lima, Prosperitas Investimentos
Luciano Lewandowski, Prosperitas Investimentos
John Canning, Madison Dearborn Capital Partners
Paul Finnegan, Madison Dearborn Capital Partners
William Jackson, Bridgepoint Capital Limited
Guy Weldon, Bridgepoint Capital Limited

[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 McElligott identifying members present.

ADOPTION OF THE DECEMBER 6, 2007, MINUTES

**Treasurer Murphy moved to adopt the minutes of December 6, 2007.
Mr. Masten seconded, and the motion carried unanimously.**

**REAL ESTATE ANNUAL PLAN
PRIVATE EQUITY ANNUAL PLAN**

The Chair announced that the Committee would go into executive session to discuss financial and commercial information relating to real estate and private equity investments 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 approximately 1 hour and 30 minutes at which time the Committee would reconvene in open session.

[The executive session convened at 9:04 a.m.]

[Mr. Seely was in attendance at 9:20 a.m.]

[Mr. Kaminski was in attendance at 10:08 a.m.]

[The executive session recessed at 12:00 p.m. and the Committee reconvened in open public session at 12:25 p.m.]

[Mr. Kaminski was no longer in attendance at 12:01 p.m.]

[Mr. Seely was no longer in attendance at 12:05 p.m.]

Mr. Masten moved that the Private Markets Committee recommend that the Board adopt the confidential 2008 Real Estate Annual Plan that was presented and discussed in executive session. Mr. Gorton seconded, and the motion carried unanimously.

Treasurer Murphy moved that Committee direct staff to come up with a first run currency exposure plan for the Board by the end of the first quarter 2008 for discussion by this Committee with the final plan to be considered by the Board mid-year. Mr. Masten seconded.

Mr. Bruebaker respectfully requested that dates be changed to second quarter and end of September. Staff plans to look at currency risk in all asset classes and needs to issue a Request for Proposal for a consultant to work with staff on the analysis.

The Committee and staff discussed the urgency of the issue, that the issue is a Strategic Plan for staff this year, the proposed timeline given the complications associated with the analysis, the need to do a thorough analysis, and other issues such as concentration risk.

Mr. Masten moved to amend the motion to read by the end of June 2008 and the final plan to be considered by September.

The Committee and staff further discussed the timeline proposed and the expectations of the Committee.

The amendment carried with Mr. Gorton voting no.

The amended motion carried with Mr. Gorton voting no.

Ms. Matheson moved that the Private Markets Committee recommend that the Board adopt the confidential 2008 Private Equity Annual Plan that was presented and discussed in executive session. Mr. Gorton seconded, and the motion carried unanimously.

POLICY ADOPTION – TANGIBLE ASSET INVESTMENT POLICY 2.10.900

Mr. Draper introduced the Tangible Asset Investment Policy. He explained that this is a new policy to take into account the asset allocation adopted at the November Board meeting.

The Committee discussed the definition of infrastructure. Treasurer Murphy stated that he would like infrastructure to be removed from the policy. Mr. Dear explained that the wording reflected what was already approved by the Board in November.

Mr. Gorton moved that the Private Markets Committee recommend to the Board the adoption of the proposed Tangible Asset Investment Policy 2.10.900. Mr. Masten seconded.

The Committee discussed the infrastructure concern, the targeting of operating company investments, the desire to have flexibility and not be locked into a specific vehicle for investing but a process of identifying the best investors, and the fact that individual investments would come before the Committee and could be voted against at that time.

The motion carried with Treasurer Murphy voting no.

REAL ESTATE INVESTMENT RECOMMENDATION – PROSPERITAS REAL ESTATE PARTNERS II, L.P.

Mr. Vidallon introduced himself and stated that staff recommends an investment in Prosperitas Real Estate Partners II, L.P. The recommendation for \$50 million, if approved, along with an additional \$50 million invested through the Emerging Markets Fund of Funds, would total an investment commitment of \$100 million to Fund II. The Fund will invest in real estate transactions throughout Brazil, focusing on high quality credit situations that generate substantial income, and will selectively make opportunistic real estate investments in major urban markets. Mr. Vidallon discussed Brazil's demographic trends and current market conditions.

Mr. Vidallon described the firm's limited competition, reputation and credibility, network, transaction sourcing, disciplined approach to investing, exit strategies, emerging markets risks, single market focus, political and currency risks, key persons provisions, and outstanding team well positioned to take advantage of opportunities in Brazil.

Mr. Humphrey, Courtland Partners, introduced himself and discussed Brazil's economic growth, economic stability, lower than expected inflation, interest rates, energy independence, global economics, sub prime trends, liquidity issues, and potential political risks.

The Committee discussed whether the investment would be in U.S. dollars or Brazilian reais, the advantages of investing in reais, level of residential investments, opportunistic investment strategy, strategy drift, and competition.

[Mr. McElligott was no longer in attendance at 1:06 p.m.]

Mr. Lima and Mr. Lewandowski, Prosperitas Investimentos, introduced themselves.

Mr. Lima described Brazil and discussed the nation's stable growth, recent low inflation, high foreign reserves, political system, economic growth, and demographics. He described the firm's investment strategy; sector focus on office, industrial, retail, and residential; Fund II terms; Fund I performance; focus on long-term relationships; investment pace; and market conditions.

The Committee discussed mortgage securities and leverage caps.

Mr. Lewandowski discussed the firm's investment team, history, current portfolio holdings, experience, and growth.

The Committee discussed the number of people added to the team, their experience and backgrounds, the firm's operating partners, and vertical development.

Treasurer Murphy moved that the Private Markets Committee recommend to the Board an investment of up to \$50 million, plus fees and expenses, in Prosperitas Real Estate Partners II, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Ms. Matheson seconded, and the motion carried unanimously.

[The Committee recessed at 1:54 p.m. and reconvened at 2:03 p.m.]

PRIVATE EQUITY INVESTMENT RECOMMENDATION – MADISON DEARBORN CAPITAL PARTNERS VI, L.P.

Mr. Green introduced himself and stated that staff recommends an investment of up to \$150 million in Madison Dearborn Capital Partners VI, L.P., a \$10 billion buyout fund targeting large, control transactions primarily in North America. The Fund will continue Madison Dearborn's successful, sector-focused strategy targeting control positions in large, North American buyouts in the basic industries, communications, consumer, energy, financial services, real estate, and healthcare sectors. The Fund will also opportunistically pursue large European buyouts in its target sectors and select growth equity investments in rapidly growing companies, mainly in the communications sector. The WSIB has invested in three prior Madison Dearborn funds. The investment represents an opportunity to continue a successful relationship with a high-quality existing general partner and obtain additional diversification in the WSIB's large corporate finance category. Mr. Green discussed the firm's mid-west franchise; differentiated deal sourcing; deep, stable, experienced team; performance history with substantial realizations; industry expertise; organizational integrity and resilience; viability of the investment strategy; potential overlap with other general partners; concentration at portfolio company level due to club deals; and rapid deployment of prior fund.

The Committee discussed the issues raised by Mr. Green and Madison Dearborn's positive actions taken to mitigate the portfolio impact of past market downturns.

Mr. Woolford, Capital Dynamics, introduced himself and described Madison Dearborn's strong brand identification, regional presence, reputation, rapid growth in assets, geographic focus, expertise, industry specialties, and rapid investment pace. He stated that Capital Dynamics recommends a commitment of up to \$150 million.

The Committee discussed write-ups, control positions, and participation in syndicated buyouts.

Mr. Canning and Mr. Finnegan, Madison Dearborn Capital Partners, introduced themselves.

Mr. Canning described the firm's history, alignment of interests, investment focus, profit sharing practices, and partner commitment.

Mr. Finnegan discussed the firm's investment history; performance history; consistent investment strategy; experienced, cohesive, and stable team; decision-making process; culture; relationship with managers and financing partners; investment professionals; generational transition plans; industry specialization; experience in investment cycles; Fund V status and performance; and Fund VI terms.

The Committee discussed investment pacing and concerns over macro forecasts.

Treasurer Murphy asked about Mr. Green's leaving the agency, offered his best wishes, and personally commended Mr. Green.

Treasurer Murphy moved that the Private Markets Committee recommend to the Board an investment of up to \$150 million, plus fees and expenses, in Madison Dearborn Capital Partners VI, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Ms. Matheson seconded, and the motion carried unanimously.

[Ms. Matheson was no longer in attendance at 2:39 p.m.]

PRIVATE EQUITY INVESTMENT RECOMMENDATION – BRIDGEPOINT EUROPE IV, L.P.

Mr. Green introduced himself and stated that staff recommends an investment of up to €150 million in Bridgepoint Europe IV, L.P., a €4.0 billion pan-European middle-market buyout fund. The Fund will invest in well-managed, market leading, middle-market companies with growth potential, primarily in the U.K. and Western Europe. The Fund will invest in diverse industries, but with a particular focus on retail, healthcare services, financial services, support services, leisure, and media. The WSIB has invested in one prior Bridgepoint Europe fund. Mr. Green described the firm's investment strategy; deep, experienced, multi-national investment team; historical performance; pan-European presence; fit in the WSIB portfolio; exit environment; and competition.

Mr. Woolford introduced himself and discussed firm's history and investment team. He said that Capital Dynamics recommends an investment of up to €150 million.

The Committee discussed performance, opportunity cost, and the number of offices.

Mr. Jackson and Mr. Weldon, Bridgepoint Capital Limited, introduced themselves.

Mr. Jackson discussed the firm's reputation, investment focus, eight offices across Europe, investment professionals, experience, investment strategy, exit strategy, performance history, investor base, industry and geographic focus, and expertise. He explained that Bridgepoint is an owner that adds value and holds control positions.

Mr. Weldon discussed the firm's performance history; geographic diversity across Europe; depth and scale of return record; and consistency and sustainability of returns through economic cycles.

Mr. Jackson explained that Fund III is expected to be fully invested in 2008. Fund IV has a target size of €4 billion and will continue Bridgepoint's successful investment strategy.

The Committee discussed the performance of Fund III and exit strategies.

Mr. Gorton moved that the Private Markets Committee recommend to the Board an investment of up to €150 million, plus fees and expenses, in Bridgepoint Europe IV, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Mr. Masten 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 3:12 p.m.