

**WASHINGTON STATE INVESTMENT BOARD
Private Markets Committee Meeting Minutes
January 8, 2009**

The Private Markets Committee met in open public session at 9:08 a.m. in the boardroom at the Washington State Investment Board in Olympia, Washington.

Members Present: Patrick McElligott, Chair
Glenn Gorton (Teleconferenced)
Charles Kaminski
George Masten
David Nierenberg (Teleconferenced)

Members Absent: John Magnuson
Sandy Matheson
Treasurer Mike Murphy
Jeff Seely

Others Present: Jim McIntire, Treasurer Elect
Joe Dear, Executive Director
Gary Bruebaker, Chief Investment Officer
Theresa Whitmarsh, Chief Operating Officer
Mo Mooers, Investment Officer – Private Equity
Linda Buchanan, Administrative Assistant

Brian Buchholz, Assistant Attorney General
Fabrizio Natale, Capital Dynamics
Philip Hammarskjold, Hellman and Friedman
Brian Powers, Hellman and Friedman
Mike Beaseley, Strategic Investment Solutions
Brett Fisher, Fisher Lynch
Marshall Bartlett, Fisher Lynch
Leon Kuan, Fisher Lynch

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

The meeting convened at 9:08 a.m. with Chair McElligott identifying members present.

ADOPTION OF THE DECEMBER 4, 2008, MINUTES

Mr. Masten moved to adopt the minutes of December 4, 2008. Mr. Gorton seconded, and the motion carried unanimously.

PRIVATE EQUITY INVESTMENT RECOMMENDATION – HELLMAN AND FRIEDMAN CAPITAL PARTNERS VII, L.P.

Mr. Mooers introduced himself and said that staff recommended an investment of up to \$400 million in Hellman and Friedman Capital Partners VII, L.P., a \$10 billion fund that will focus on making equity-related investments of \$300 million to \$1.5 billion, primarily in the

United States and Europe. The fund will target strong business franchises with predictable revenue and earnings growth that generate high levels of free cash flow. The WSIB previously committed \$75 million to Fund V in 2004 and \$275 million to Fund VI in 2006. Mr. Mooers discussed the firm's strong franchise, deep network of relationships, flexible approach to deal structuring, experienced investment team, outstanding performance, alignment of interests with limited partners, fee structure, and approach to value creation. An investment in Hellman and Friedman would expand a relationship with a high quality, existing partner.

Mr. Natale, Capital Dynamics, introduced himself and discussed the firm's reputation, alignment of interests, management strategy, culture, disciplined investment approach, strong management teams, high quality of portfolio companies, relationship with the WSIB, recent market conditions, and investment opportunities. He stated that Capital Dynamics recommends an investment of up to \$400 million, subject to satisfactory negotiation of terms.

Mr. Powers and Mr. Hammar skjold, Hellman and Friedman, introduced themselves and discussed the firm's history, investment performance, consistency through multiple cycles, value creation, recent investments and dispositions, geographic focus in North America and Europe, and capital sourcing. They also discussed the investment team, organization, alignment of interests, incentive structures, investment philosophy, due diligence process, monitoring of portfolio companies, source of investment gains, diversified portfolio by industry, and Fund VI portfolio companies.

The Committee discussed the firm's participation in club deals and Hellman and Friedman's decision not to participate in financial services recap opportunities.

[Mr. Kaminski was in attendance at 9:41 a.m.]

Mr. Masten moved that the Private Markets Committee recommend to the Board an investment of up to \$400 million, plus fees and expenses, in Hellman and Friedman Capital Partners VII, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Mr. McElligott seconded, and the motion carried unanimously.

PRIVATE EQUITY INVESTMENT RECOMMENDATION – FISHER LYNCH CO-INVESTMENT PARTNERSHIP II, L.P.

Mr. Mooers introduced himself and said that staff recommended an investment of up to \$500 million in Fisher Lynch Co-Investment Partnership II, L.P., a private equity co-investment fund with a target size of \$1.0 billion. He explained that the fund will be a joint venture with Oregon Public Employees Retirement Fund (OPERF) and will continue with the same strategy as Fund I, making co-investments in private equity transactions originated by the WSIB or OPERF private equity general partners. The fund will target leveraged buyout and growth equity investments in the \$20 million to \$70 million range over a 3- to 5-year period. Mr. Mooers discussed the firm's, low cost structure, low management fee and carry level structure, experienced co-investment team, and access to Fisher Lynch and OPERF relationships.

Mr. Beasley, Strategic Investment Solutions, introduced himself and discussed the firm's performance, investment team, reputation, reporting and communications, and attractive pricing. He stated that the firm is well positioned to participate in more favorably priced transactions and that he is supportive of the investment.

Mr. Fisher, Mr. Bartlett, and Mr. Kuan, Fisher Lynch, introduced themselves and discussed the history of the co-investment program, buyout and growth capital investments, favorable fee structure, and strong portfolio. They described the firm's investment team, experience, investment performance and strategy, value creation, communication with partners, due diligence, monitoring process, strong deal flow, disciplined investment approach, moderate investment pace, valuation benchmarking, current market conditions, and investment opportunities.

[Treasurer Elect McIntire was in attendance at 9:55 a.m.]

Mr. Masten moved that the Private Markets Committee recommend to the Board an investment of up to \$500 million, plus fees and expenses, in Fisher Lynch Co-Investment Partnership II, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Mr. McElligott seconded.

Mr. Bruebaker emphasized that the fund provisions remain the same as the prior fund whereby Washington and Oregon jointly control the relationship and if Oregon ever does not take their full allocation, Washington is given the first right to the allocation. Mr. McElligott opined that Fisher Lynch is a solid firm, committed to benefiting the WSIB.

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 10:08 a.m.