

**WASHINGTON STATE INVESTMENT BOARD  
Private Markets Committee Meeting Minutes  
February 5, 2009**

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: Patrick McElligott, Chair  
Glenn Gorton  
John Magnuson  
Sandy Matheson  
David Nierenberg (Teleconferenced)

Members Absent: Charles Kaminski  
George Masten  
Treasurer Jim McIntire  
Jeff Seely

Others Present: Joe Dear, Executive Director  
Gary Bruebaker, Chief Investment Officer  
Theresa Whitmarsh, Chief Operating Officer  
Liz Mendizabal, Public Affairs Director  
Tom Ruggels, Senior Investment Officer – Private Equity  
Janet Kruzel, Investment Officer – Private Equity  
Steve Draper, Senior Investment Officer – Real Assets  
Kristi Bromley, Administrative Assistant  
Megan Zahringer, Administrative Assistant  
  
Steve Dietrich, Assistant Attorney General  
Fabrizio Natale, Capital Dynamics  
Juan Carlos Torres, Advent International  
Patrice Etlin, Advent International  
Maggie Littlefield, Advent International  
Michael Humphrey, Courtland Partners  
Ray Flores, Corporate Properties of the Americas

[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 Chair McElligott identifying members present.

## **ADOPTION OF THE JANUARY 8, 2009, MINUTES**

**Mr. Gorton moved to adopt the minutes of January 8, 2009. Ms. Matheson seconded, and the motion carried unanimously.**

### **PRIVATE EQUITY INVESTMENT RECOMMENDATION – ADVENT LATIN AMERICAN PRIVATE EQUITY FUND V L.P.**

Ms. Kruzel introduced herself and said that staff recommended an investment of up to \$100 million in Advent Latin American Private Equity Fund V L.P., a \$2 billion private equity fund that will pursue control positions in later-stage middle-market businesses, primarily in Mexico, Brazil, and Argentina. The WSIB has invested in two previous Advent International Funds, committing \$25 million to Advent Latin American Private Equity Fund IV L.P. in September 2007 and €100 million to Advent International Global Private Equity Fund VI L.P. in January 2008. Ms. Kruzel highlighted the merits and concerns related to the investment recommendation as detailed in the written investment recommendation. The proposed investment is consistent with the 2009 private equity annual plan approved by the Board in November 2008.

Mr. Natale, Capital Dynamics, introduced himself and recalled the Board's efforts over the past 3 years to increase the private equity portfolio's international and emerging markets exposure and the risk/return characteristics of investing in emerging markets. He addressed Advent's ability to take advantage of the recent market correction in the Latin American market, deal flow, exit strategies, and performance record and stated that Capital Dynamics also recommends a commitment of up to \$100 million, subject to satisfactory negotiation of terms.

Discussion ensued regarding the number of company board seats held by Advent Latin American partners, operating and investment experience of the team, strategy, and cross fund investments.

[The Committee recessed at 9:33 a.m. and reconvened at 9:38 a.m.]

Mr. Torres, Mr. Etlin, and Ms. Littlefield, Advent International, introduced themselves. Mr. Torres reviewed the organizational structure of Advent International and of Advent Latin America. He reviewed Advent Latin America's investment strategy and access to the global resources of Advent International. Mr. Torres reviewed the Advent Latin American investment team, including their years of private equity investment experience as well as regional and sector focus.

Mr. Etlin reviewed the advantages of Latin American markets in the current economic conditions, noting that in the past emerging markets have typically recovered faster than developed markets in times of financial crises. He reviewed the investment strategy of Advent Latin America including its focus on risk management, specific sectors, local approach, and leveraging of Advent's global resources.

Mr. Torres highlighted Advent Latin America's investment activity since inception in 1995 and closed by summarizing Advent's leading position in the Latin American region.

Discussion ensued regarding Advent Latin America's regional focus, investment strategy, and limited competition.

Mr. Nierenberg noted his support of the investment and of Advent's increased focus on Brazil. Mr. Magnuson stated that the Board would be well served to make this investment and referenced the importance of the Board retaining conviction in its investment beliefs.

**Mr. Gorton moved that the Private Markets Committee recommend to the Board an investment of up to \$100 million, plus fees and expenses, in Advent Latin American Private Equity Fund V L.P., subject to continuing due diligence and final negotiations of terms and conditions. Ms. Matheson seconded, and the motion carried unanimously.**

[The Committee recessed at 10:26 a.m. and reconvened at 10:30 a.m.]

#### **REAL ESTATE INVESTMENT RECOMMENDATION – CORPORATE PROPERTIES OF THE AMERICAS, LLC – FOLLOW-ON INVESTMENT**

Mr. Draper introduced himself and said that staff recommended a follow-on investment of up to \$250 million in Corporate Properties of the Americas, LLC, (CPA) and changes to certain terms of the partnership agreement. The WSIB has previously committed \$1 billion to CPA since 2002. CPA is a real estate operating company that specializes in industrial properties in Mexico and is owned exclusively by the WSIB and Company management. Mr. Draper highlighted the merits and concerns related to the investment recommendation, as detailed in the written investment recommendation, including income generation, competition, and Mexico's macro economic situation. The recommendation is consistent with the Board-approved 2009 real estate annual plan.

Mr. Humphrey, Courtland Partners, introduced himself and discussed the economic downturn and its effect on competition. He reviewed the tenancy and quality of CPA properties and stated that Courtland Partners also recommends a commitment of up to \$250 million and changes to certain terms of the partnership agreement.

Discussion ensued regarding the current economic conditions and political risks in Mexico as well as CPA's positioning to prosper from the macro economic conditions.

Mr. Flores, Corporate Properties of the Americas, introduced himself and provided an overview of CPA, including investment strategy, team, and office locations. He reviewed market dynamics and CPA's competitive advantages and provided an overview of the portfolio and market concentration. Mr. Flores discussed current challenges including debt market dislocation, portfolio management in light of weaker fundamentals, and tenant credit worthiness. He concluded by noting that CPA is prepared to manage the near-term challenges while maintaining a long-term focus and is positioned to take advantage of opportunities resulting from the current environment.

Mr. Nierenberg noted his concern of the overarching role of Mexico across the entire WSIB portfolio and stated his support for this investment nonetheless. Mr. Magnuson stated that times like these test the Board's convictions in their investment beliefs and noted the primary goal of real estate investments in the WSIB portfolio of providing a long-term, high quality income stream and the strong fit of this investment with that goal.

**Ms. Matheson moved that the Private Markets Committee recommend to the Board an additional investment of \$250 million, plus fees and expenses, in Corporate Properties of the Americas, LLC and changes to the Company's financial terms consistent with the discussion in the confidential memo provided to the Committee, subject to continuing due diligence and final negotiation of terms and conditions. Mr. Gorton seconded, and the motion carried unanimously.**

#### **REAL ESTATE BRIEFING**

The Chair announced that the Committee would go into executive session 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 WSIB or would result in private loss to the providers of the information. The executive session was expected to last approximately 15 minutes, at which time the Committee would reconvene in open public session.

[The Committee convened in executive session at 11:25 a.m. and reconvened in open public session at 11:40 a.m.]

#### **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 11:40 a.m.