

**WASHINGTON STATE INVESTMENT BOARD
Private Markets Committee Meeting Minutes
June 3, 2010**

The Private Markets Committee met in open public session at 9:06 a.m. in the boardroom at the Washington State Investment Board in Olympia, Washington.

Members Present: George Masten, Chair
Steve Hill
Treasurer Jim McIntire
Richard Muhlebach
David Nierenberg
Representative Sharon Tomiko Santos
Jeff Seely

Members Absent: Patrick McElligott

Others Present: Theresa Whitmarsh, Executive Director
Gary Bruebaker, Chief Investment Officer
Tom Ruggels, Senior Investment Officer – Private Equity
Mo Mooers, Investment Officer – Private Equity
Kris Logan, Investment Accounting Controller
John Lynch, Contracts Manager
Linda Buchanan, Administrative Assistant

Steve Dietrich, Assistant Attorney General
Thomas Kubr, Capital Dynamics
David Woolford, Capital Dynamics
John Gripton, Capital Dynamics
Christian Diller, Capital Dynamics
Paul Crotty, Portfolio Advisors
Brian Murphy, Portfolio Advisors
Donna Smolens, Portfolio Advisors
Tara Blackburn, Hamilton Lane
Mario Giannini, Hamilton Lane
Andrea Kramer, Hamilton Lane

[Names of other individuals attending the meeting are listed in the permanent record.]

The meeting convened at 9:06 a.m. with Chair Masten identifying members present.

ADOPTION OF THE MAY 6, 2010, MINUTES

Mr. Hill moved to adopt the minutes of May 6, 2010. Representative Santos seconded, and the motion carried unanimously.

PRIVATE EQUITY INVESTMENT CONSULTANT (CATEGORY A) FINALIST INTERVIEWS

Mr. Mooers introduced himself and summarized the effort to evaluate the role of the consultant and the search process. Staff elected to separate the consultant services into private equity advisory (Category A) and back office and accounting (Category B) services. The WSIB

received 13 responses to the Request for Proposals for the Category A consultant services released in March. Staff conducted extensive reviews of the written proposals, reference calls, and interviews of the applicants, examining each firm's capabilities, history, organizational structure and capacity, sourcing capabilities, due diligence processes, staff resources, and analytical and monitoring capabilities. He stated that any of the three finalists would be qualified to do the job, and that based on scoring, staff recommended Hamilton Lane. Mr. Mooers said that the recommendation was based, in part, on Hamilton Lane's stable organization, long history, large team of investment professionals, global focus and office structure, monitoring and due diligence processes, and large client base.

The Committee discussed other firms that submitted RFPs, the scoring process, in-depth analysis, uniform group grading, and the status of the Category B selection.

Capital Dynamics

Mr. Kubr, Mr. Woolford, Mr. Gripton, and Mr. Diller, Capital Dynamics, introduced themselves. Mr. Kubr described the firm's global presence, commitment to the WSIB, performance history, expertise, risk management experience, rigorous back office capability, growth, expansion, and recent recognitions.

Mr. Woolford discussed the firm's dedicated team, staffing resources, asset management, low turnover, and servicing and support staff.

Mr. Diller summarized the firm's dedicated solutions and research teams, unique insight, deep market knowledge, concentration and diversification analysis of the portfolio, commitment pacing and liquidity management, sophisticated benchmarking tools, quantitative research, risk and return modeling, pricing model, cash flow simulator, strategic annual planning support, varied benchmark assessments and customized client service combined with market-leading private equity research.

[Treasurer McIntire was in attendance at 9:36 a.m.]

Mr. Gripton reviewed the firm's senior investment team, diverse backgrounds, deep experience, large network of contacts, access to the best managers in the industry, rigorous and consistent investment processes, Investment Committee, proprietary tools, and decision-making process. He elaborated on Capital Dynamics' geographic focus, liquidity, and risk management capabilities.

Mr. Woolford described the firm's history with the WSIB, research capabilities, new offices planned in Asia and Brazil, continuous manager interaction, extensive internal reviews, global footprint, opportunities to add value to the WSIB portfolio, increased competition for private equity investments, differentiating factors, quality controls, and due diligence process.

Mr. Kubr explained the web access tool Capital Dynamics is developing. He discussed Capital Dynamics' fee structure and timeliness of information. He reiterated that Capital Dynamics is fully committed to the WSIB.

Portfolio Advisors

Mr. Crotty, Mr. Murphy, and Ms. Smolens, Portfolio Advisors, introduced themselves. Mr. Crotty described the firm's history, global presence, focus on private equity and real estate,

investment professionals, stability, and alignment of interests. He discussed the firm's private equity products and services, assets under management, proprietary portfolio administration system, leveraging resources, client base, investment philosophy, conservative approach to an aggressive asset class, diversification, manager selection and portfolio management, core investments targeting premier primary funds, secondary purchases, long-term performance record, and firm governance. He described the team's experience, managed growth, stability, organization, additions, and staffing plan for the WSIB.

Mr. Murphy summarized the firm's non-discretionary advisory services, which include providing assistance in development or review of strategic objectives and annual tactical plans, maintaining a broad market presence to source new investments, conducting thorough due diligence, providing written investment recommendations, negotiating terms and conditions of agreements, reviewing documents for fund closings, managing portfolio investments, providing ongoing advice with respect to the portfolio and amendments, and attending annual meetings and advisory committee meetings. He described the firm's legal counsel, typical investment process, monthly or bimonthly conference calls, joint development of strategic and tactical plans, proprietary portfolio administration and reporting information system, and performance monitoring.

Ms. Smolens described the firm's due diligence processes, deal flow, strong relationships with high quality managers, synergy between Portfolio Advisors and the client, proactive approach with managers, extensive network, experienced team with diverse backgrounds, insights gained from advisory board presence, fund screening process, reference checks, and monitoring systems. She said that Portfolio Advisors would share reference checks verbally rather than in writing to protect confidentiality. She discussed the firm's willingness to adapt recommendation formatting in accordance with the WSIB's requirements.

The Committee discussed legal and compliance frameworks, management of potential conflicts of interest, performance records, proprietary information system, alignment of interests within the firm and between the firm and clients, the use of placement agents, risk management in the overall portfolio, other clients, and the capacity of Portfolio Advisors to accept a client the size of the WSIB.

[The Committee recessed at 11:01 a.m. and reconvened at 11:13 a.m.]

Hamilton Lane

Ms. Blackburn, Mr. Giannini, and Ms. Kramer, Hamilton Lane, introduced themselves. Ms. Blackburn discussed the firm's global perspective, due diligence processes, team, and experience.

Mr. Giannini described Hamilton Lane as an employee-owned global firm dedicated to private equity and recognized as a leader in private equity investing since 1991. He discussed the firm's assets under management, alignment of interests, customized and specialized strategies, investments, robust research, analytics, back office services, compensation structure, experienced team, client base, global presence, and network.

Ms. Blackburn discussed the team designated to serve the WSIB, as well as the firm's background and philosophy, 32 investment professionals, investment committee, perspective, and insight.

Ms. Kramer explained the firm's global deal sourcing capability, brand name, deal flow, vigorous and robust due diligence process, site visits, geographic and strategic diversification, proprietary systems and tools, references, valuation process, external networks, long-term relationships, and limited partner alignment. She also described the firm's internal network, secondary and co-investment opportunities, research team, screening approach, and ongoing, proactive monitoring.

Ms. Blackburn provided information on the numbers and types of meetings Hamilton Lane attended in the past year and discussed the online information available for WSIB staff access.

Mr. Giannini elaborated on Hamilton Lane's timely communication of market perspectives, research papers, quarterly market updates, data analytics, analytical tool development, and investment process support.

Ms. Kramer described the firm's legal services. Ms. Blackburn explained the firm's portfolio strategy development and processes, portfolio monitoring, transparency, and multiple research and educational products through diverse media.

The Committee discussed how often Mr. Giannini would meet personally with the WSIB, how differences of opinion with staff are handled, and how that tension is reflected to the Board. They reviewed Hamilton Lane's client mix, plan to give the WSIB dedicated individualized services given the number of other clients served, growth patterns within the firm, allocation of potential investments between multiple clients, and the quality of the sample report.

[The Committee recessed at 12:20 p.m. and reconvened at 12:40 p.m.]

Chair Masten announced that the Committee would go into executive session to review negotiations on the performance of publicly bid contracts when public knowledge regarding such consideration would cause a likelihood of increased costs. The executive session was expected to last approximately 5 minutes, at which point the Committee would reconvene in open session.

[The Committee convened in executive session at 12:41 p.m. and reconvened in open public session at 1:37 p.m.]

Treasurer McIntire moved that the Private Markets Committee recommend to the Board Hamilton Lane as the apparently successful offeror for the Category A private equity consultant contract, subject to final negotiation of terms and conditions. Mr. Hill 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 1:38 p.m.