

**WASHINGTON STATE INVESTMENT BOARD
Private Markets Committee Meeting Minutes
September 2, 2010**

The Private Markets Committee met in open public session at 9:07 a.m. in the boardroom at the Washington State Investment Board in Olympia, Washington.

Members Present: George Masten, Chair
Steve Hill
Patrick McElligott
Treasurer Jim McIntire
Richard Muhlebach
David Nierenberg (teleconferenced)
Representative Sharon Tomiko Santos

Members Absent: Jeff Seely

Other Board Members Present: Judi Owens

Others Present: Theresa Whitmarsh, Executive Director
Gary Bruebaker, Chief Investment Officer
Tom Ruggels, Senior Investment Officer – Private Equity
Brian Roberts, Investment Officer – Private Equity
Linda Buchanan, Administrative Assistant

Chad Standifer, Assistant Attorney General
Martha Cassidy, Capital Dynamics
Philip Canfield, GTCR Partners
David Katz, GTCR Partners
Norberto Morita, Southern Cross Management
Ricardo Rodriguez, Southern Cross Management

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

The meeting convened at 9:07 a.m. with Chair Masten identifying members present.

ADOPTION OF THE JUNE 3, 2010, MINUTES

Representative Santos moved to adopt the minutes of June 3, 2010. Mr. Hill seconded, and the motion carried unanimously.

PRIVATE EQUITY INVESTMENT RECOMMENDATION – GTCR FUND X, LP

Mr. Nierenberg recused himself from the discussion due to the fact that one of GTCR's partners indirectly invests in a fund managed by Mr. Nierenberg.

Mr. Ruggels introduced himself and Ms. Cassidy, Capital Dynamics. He said that staff recommends an investment of up to \$300 million in GTCR Fund X, LP. He explained that

GTCR is an existing relationship and that the WSIB invested in four prior funds. The recommendation is consistent with the private equity annual plan and model portfolio approved by the Board in January 2010. Mr. Ruggels described the firm's reputation, experienced team, proven and differentiated investment strategy, and performance. The firm is focused on only one product, one geographic region (the U.S.), and four core sectors. He summarized the fund's fit with the WSIB portfolio and noted there was little overlap with other partners. Mr. Ruggels discussed organizational changes and volatility of returns.

[Mr. McElligott was in attendance at 9:10 a.m.]

[Treasurer McIntire was in attendance at 9:14 a.m.]

Ms. Cassidy, Capital Dynamics, described the firm's differentiated strategy, ability to attract management teams, corporate carve-out capabilities, transitional planning, investment focus, evolving culture, and disciplined investment approach. She addressed organizational changes, due in part to GTCR's "up or out" culture and shift away from an operating principal model.

The Committee discussed Fund IX's investment stage, management fees, fit in the WSIB private equity annual plan, age and experience of the principals, and staff turnover.

Mr. Canfield and Mr. Katz, GTCR, introduced themselves. Mr. Canfield summarized the firm's history, differentiated approach, investment focus and strategy, four core sectors, performance, relationships, networks, target size, and fund performance.

Mr. Katz elaborated on the firm's investment strategy, sector focus, research, outreach, and network.

Discussion ensued regarding growth business services, which are outsourced business-to-business service companies with high barriers to entry, changes in the health care arena, executive compensation, alignment of interests, and equity value creation.

Mr. Canfield described the firm's investment professionals, investment committee, partnership model governance, and growth.

The Committee discussed the firm's activities during the recent slow investing period, which included developing networks, finding management teams, and selling portfolio companies. They also discussed transitional investment opportunities and strategies, corporate carve-outs, women in the firm, ownership in the firm, investment pace and size for Fund X.

Treasurer McIntire moved that the Private Markets Committee recommend to the Board an investment of up to \$300 million in GTCR Fund X, LP, subject to continuing due diligence and final negotiation of terms and conditions. Mr. Hill seconded, and the motion carried unanimously.

[The Committee recessed at 10:13 a.m., reconvene at 10:27 a.m.]

PRIVATE EQUITY INVESTMENT RECOMMENDATION – SOUTHERN CROSS LATIN AMERICA PRIVATE EQUITY FUND IV, L.P.

Mr. Roberts introduced himself and stated that staff recommends an investment of up to \$100 million in Southern Cross Latin America Private Equity Fund IV, L.P. The investment would be with a new partner in a region underserved in the WSIB private equity portfolio and would be an excellent portfolio fit. The firm plans to continue its successful strategy of value oriented control buyout investments. Mr. Roberts described the regulatory and legal framework in place in Latin America, long-term economic growth prospects, and improving macro economic conditions. The proposed investment is consistent with the WSIB private equity plan and model portfolio approved by the Board in January 2010. Mr. Roberts summarized the firm's due diligence, ability to execute control transactions, distinguished reputation and strong deal sourcing, long-term track record through a number of market cycles, strong team with diversified skill sets, and low loss ratio. He reviewed emerging markets risks, volatile emerging market return patterns, market volatility, increasing competition, rapid increase in fund size, location of partners, and current political climate. Mr. Roberts explained that the fund is oversubscribed, but that the general partners have set aside room for the WSIB.

The Committee discussed the status of the firm's 2007 vintage fund.

Ms. Cassidy described Capital Dynamics' relationship with Southern Cross, the firm's development, due diligence process, fund size, and strong alignment of interests. She discussed the attractiveness of the sector, the scarcity of firms that are pan-Latin America, investment opportunities, and current market conditions.

Mr. Morita and Mr. Rodriguez, Southern Cross, introduced themselves. Mr. Morita summarized the firm's history; experience; proven investment model; investment professionals and offices; performance; reputation; local support; prudent use of leverage; and opportunistic and flexible approach to investing and exiting.

Mr. Rodriguez described the compelling Latin American investment opportunities, demographics, and market trends. He discussed the firm's deep understanding of the Latin American business environment, extensive regional experience, strong reputation, large network of professional managers, proven track record of creating value, proven ability to improve portfolio company operating performance and strategic direction, unique ability to unlock and extract value from highly complex situations, demonstrated ability to realize value in Latin America, multiple exit strategies, prior funds, and portfolio companies.

The Committee discussed the firm's organizational structure as a Canadian firm, advisor services, management and other fees, fund size, investments in Brazil and other Latin American countries, Brazil office, key man events, succession planning, geographic focus, and cultural implications.

Mr. McElligott moved that the Private Markets Committee recommend to the Board an investment of up to \$100 million in Southern Cross Latin America Private Equity Fund IV, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Mr. Hill seconded, and the motion carried unanimously.

2011 MEETING SCHEDULE

Mr. Masten moved that the Private Markets Committee schedule its 2011 meeting dates. Mr. Hill seconded, and the motion carried unanimously.

PRIVATE MARKETS CLOSING LOG

The Private Markets Closing Log was presented for informational purposes. Mr. Ruggels explained that staff would not be going forward with the approved investment in Littlejohn Fund IV, L.P., as agreement was not reached on terms.

OTHER ITEMS

There being no further business to come before the Committee, the meeting adjourned at 11:33 a.m.