

**WASHINGTON STATE INVESTMENT BOARD  
Private Markets Committee Meeting Minutes  
April 7, 2011**

The Private Markets Committee met in open public session at 9:01 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  
Jeff Seely

Members Absent: Patrick McElligott  
David Nierenberg  
Representative Sharon Tomiko Santos

Other Board Members  
Present:

Judi Owens

Others Present:

Theresa Whitmarsh, Executive Director  
Gary Bruebaker, Chief Investment Officer  
Tom Ruggels, Senior Investment Officer – Private Equity  
Mo Mooers, Investment Officer – Private Equity  
Steve Draper, Senior Investment Officer – Real Estate  
Ceri Walker, Assistant Senior Investment Officer – Real Estate  
Erwin Vidallon, Investment Officer – Real Estate  
Linda Buchanan, Administrative Assistant  
Raelyn Wilson, Administrative Assistant

Chad Standifer, Assistant Attorney General  
Paul Yett, Hamilton Lane  
Jonathan Nelson, Providence Equity Partners  
Julie Richardson, Providence Equity Partners  
Michael Humphrey, Courtland Partners  
Max Lima, Prosperitas Investimentos S.A.  
Luciano Lewandowski, Prosperitas Investimentos S.A.

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

The meeting convened at 9:01 a.m. with Chair Masten identifying members present.

**ADOPTION OF THE FEBRUARY 3, 2011, MINUTES**

**Treasurer McIntire moved to adopt the minutes of January 6, 2011. Mr. Hill seconded, and the motion carried unanimously.**

## **PROVIDENCE EQUITY PARTNERS VII, L.P.**

Mr. Mooers introduced himself and said that staff recommends an investment of up to \$300 million in Providence Equity Partners VII, L.P., a private equity fund with a target size of \$6 billion. The fund will pursue investment opportunities in the media, entertainment, communications, and information services industries on a global basis, with a target investment range from \$150 million to \$800 million per company. Providence is an existing partner with the WSIB. The proposed commitment is consistent with the private equity annual plan approved by the Board in February 2011 and the private equity model portfolio approved by the Board in 2010. Mr. Mooers described the firm's successful investment strategy and approach, investing in growth equity in smaller and mid-sized companies and traditional leveraged buyouts of larger, well-established businesses, providing a diversified mix of portfolio companies. Mr. Mooers discussed the firm's global presence, geographic expansion, single-fund strategy, large team of experienced investment professionals, focus on target industry sectors, and proprietary deal flow. He noted the large, existing portfolio of investments from prior funds that will require attention from the Providence team.

Mr. Yett, Hamilton Lane, introduced himself and stated that Hamilton Lane recommends a commitment of \$300 million in Providence Equity Partners VII, L.P. He said that Providence is a strong firm with a proprietary deal flow. He described the firm's historical performance, sourcing capabilities, and the challenges of Fund V due to market conditions.

The Committee inquired whether the firm invests in controversial media. Mr. Yett replied that they do not. The Committee discussed the firm's co-investment opportunities, consumer and economic impact on returns, planning risk, cyclical nature of the sector, and expectations for Fund VI.

Mr. Nelson and Ms. Richardson, Providence Equity Partners, introduced themselves. Mr. Nelson discussed the firm's history; deliberate investment pace; industry focus; consistent firm culture; large global team of investment professionals; diversified portfolio within the media, telecom, and information services sectors; and investment performance. Ms. Richardson described the firm's assets, partners, dynamic sectors, explosive trend of growth in data, deal flow, high barrier to sector entry, proprietary database, and competitive position. Mr. Nelson explained the firm's historical performance, equitable distribution of profit among partners, challenges and expectations of Fund V, and market conditions. He discussed investments made in Fund VI, including terms and strategies, value creation through building companies, and deal generation.

The Committee asked whether the firm invests in controversial products. Mr. Nelson replied that they do not. The Committee discussed platform opportunities and portfolio company growth, brand name utilization of portfolio companies, and the WSIB's commitment size.

Mr. Bruebaker explained that while not opposed to a larger investment, staff felt that \$300 million was the right amount for this opportunity. He explained that the co-investment opportunities through Fisher Lynch would provide a platform for investing more money at lower fees.

**Mr. Hill moved that the Private Markets Committee recommend to the Board an investment of up to \$300 million, plus fees and expenses, in Providence**

**Equity Partners VII, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Treasurer McIntire seconded, and the motion carried unanimously.**

[The Committee recessed at 9:56 a.m. and reconvened at 10:11 a.m.]

**PROSPERITAS REAL ESTATE PARTNERS III, L.P.**

Mr. Vidallon introduced himself and said that staff recommends an investment of \$75 million in Prosperitas Real Estate Partners III, L.P., a Brazilian real estate fund which is capped at \$750 million. He explained that this recommendation, if approved, combined with an investment of \$25 million by the internally managed Emerging Markets Fund of Funds (EMFOF), would total a commitment of \$100 million to the Fund. The proposed commitment is consistent with the real estate annual plan approved by the Board in December 2010. Mr. Vidallon discussed WSIB's participation in Prosperitas Funds I and II. He reviewed the Fund's opportunistic investment strategy, noting that they will focus primarily on industrial and retail properties. Mr. Vidallon discussed the attractiveness of the Brazilian market and the firm's strong management team, team growth, deal sourcing advantages, strong relationship with WSIB staff, and disciplined approach to investing. He then highlighted some risks of the Fund, including risks associated in general with emerging markets, such as lack of information, lack of transparency, political instability, currency, and macroeconomic volatility; he also noted the highly competitive nature of land acquisition in Brazil and the importance of Max Lima to the success of the Fund. He asserted that on a risk-adjusted basis, staff remains confident that Fund III provides an excellent investment opportunity.

Ms. Walker introduced herself and endorsed the recommendation to invest \$75 million in Prosperitas III. Ms. Walker described the visibility WSIB has in this Fund, as nearly half of the funds have already been invested. As the fund manager, Ms. Walker discussed EMFOF's decision to invest a lesser stake in Fund III. She explained that this is for portfolio construction reasons only. Ms. Walker spoke highly of the Prosperitas team and the excellent opportunity presented in their Fund.

Mr. Humphrey, Courtland Partners, introduced himself and discussed the skill, knowledge, foresight, and discipline of the Prosperitas team. He described the attractiveness of the Brazilian market and the expected economic growth. Mr. Humphrey discussed key person risk.

The Committee then discussed the size of the fund and the steps being taken to mitigate key person risk.

Mr. Lima and Mr. Lewandowski, Prosperitas Investimentos S.A., introduced themselves and discussed the background of Prosperitas. Mr. Lima discussed the attractiveness of the Brazilian market and the country's demographics, economy, and challenges. He discussed the growth of the middle class, oil discoveries, energy independence, and the strength of commodities. Mr. Lima analyzed Brazil as a function of the BRIC strategy, with respect to politics, economics, and natural resources. He discussed Brazil's strong fundamentals, adequate pricing, and well-positioned real estate market. He described the real estate sectors, including office, residential, industrial, and retail. Mr. Lima discussed the Prosperitas team and their ability to manage nearly all aspects of the real estate business in-house. Mr. Lima explained the Fund's proactive investment strategy and

opportunities available in different classes of investments. He noted that the Fund will be lowly leveraged.

The Committee discussed the Fund allocation, situations in which Prosperitas does not undertake development in-house, Brazilian lease laws, fund size, and management capacity for growth and expansion of the firm.

**Treasurer McIntire moved that the Private Markets Committee recommend that the Board approve an investment of \$75 million, plus fees and expenses, in Prosperitas Real Estate Partners Fund III, L.P., subject to continuing due diligence and 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 11:07 a.m.