

**WASHINGTON STATE INVESTMENT BOARD
Private Markets Committee Meeting Minutes
September 1, 2011**

The Private Markets Committee met in open public session at 9:02 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
Representative Sharon Tomiko Santos
David Nierenberg

Members Absent: Richard Muhlebach
Jeff Seely

Other Board Members
Present: William Longbrake
Judi Owens

Others Present: Theresa Whitmarsh, Executive Director
Gary Bruebaker, Chief Investment Officer
Steve Draper, Senior Investment Officer – Real Estate
Tom Ruggels, Senior Investment Officer – Private Equity
Janet Kruzal, Assistant Senior Investment Officer – Private Equity
Isabelle Fowler, Investment Officer
Linda Buchanan, Administrative Assistant

Steve Dietrich, Assistant Attorney General
Tara Blackburn, Hamilton Lane
Michael Humphrey, Courtland Partners
Jonathan Sokoloff, Leonard Green Partners
John von Schlegell, Endeavour Capital Partners
Aaron Richmond, Endeavour Capital Partners
Stephen Babson, Endeavour Capital Partners
Mike Cushing, Alere Property Group

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

The meeting convened at 9:02 a.m. with Chair Masten identifying members present.

ADOPTION OF THE MAY 5, 2011, MINUTES

Mr. McElligott moved to adopt the minutes of May 5, 2011. Mr. Hill seconded, and the motion carried unanimously.

REAL ESTATE ANNUAL PLAN UPDATE PRIVATE EQUITY ANNUAL PLAN UPDATE

The Chair announced 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 10 minutes, at which point the Committee would reconvene in open session.

[The Committee convened in executive session at 9:04 a.m. and reconvened in open session at 9:18 a.m.]

[Mr. Longbrake was in attendance at 9:07 a.m.]

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

PRIVATE EQUITY INVESTMENT RECOMMENDATION – GREEN EQUITY INVESTORS VI, L.P.

Ms. Fowler introduced herself and said that staff recommends an investment of up to \$300 million in Green Equity Investors VI, L.P., a North American middle-market fund with a targeted fund size of \$5 billion. Leonard Green Partners will seek to build a portfolio of 15 to 20 investments ranging in size from \$200 million to \$500 million. As with prior funds, the fund is expected to be heavily weighted to consumer related investments. The WSIB has invested in two prior Leonard Green funds. The proposed investment is consistent with the Board-approved 2011 private equity annual plan and model portfolio. Ms. Fowler described the firm's experienced and cohesive team, strong performance across multiple cycles, proven strategy, proactive deal sourcing, and sector expertise. She discussed time constraints of the three managing partners and the two most senior partners, carry distribution, and Fund IV performance. Negotiations are ongoing; however, staff has been able to negotiate a management fee offset of 100 percent.

Ms. Blackburn, Hamilton Lane, introduced herself and stated that Hamilton Lane supports the recommended investment. She described the firm's dynamic organization, ability to adapt during various cycles, top quartile performance, focused investment process, top-tier team, and management style.

The Committee discussed the quality of the investment and the possibility of investing a larger amount.

Mr. Sokoloff, Leonard Green Partners, introduced himself and discussed the firm's history, size, experience, consistent performance, stable team with low turnover, portfolio companies, differentiated investment strategy, management approach, reputation, sector focus, low use of leverage, disciplined approach, Fund V status, transaction sourcing, and Fund IV performance. Discussion ensued regarding sector selection, consumer confidence, strong performance of portfolio companies, minimal exposure to more volatile sectors, capital structure in place to succeed during down markets, focus on quality investments, workload of partners, and potential impact of current political conditions.

The Committee further discussed the firm's excellent performance, interactive management style with portfolio companies, the potential impact to model portfolio if the proposed investment amount was increased, market volatility, and the low number of portfolio companies that underperformed.

Mr. McElligott moved that the Private Markets Committee recommend to the Board an investment of up to \$300 million, plus fees and expenses, in Green Equity Investors VI, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Treasurer McIntire seconded.

Mr. McElligott stated that the motion for \$300 million fits within the model plan, but he would support \$400 million if the Board decides to increase the amount.

The motion carried unanimously.

[The Committee recessed at 10:25 a.m. and reconvened at 10:42 a.m.]

PRIVATE EQUITY INVESTMENT RECOMMENDATION – ENDEAVOUR CAPITAL FUND VI, L.P.

Mr. Nierenberg recused himself from the Committee's discussion of this investment because of his relationship with the partners and desire to avoid the appearance of any conflict.

Ms. Kruzel introduced herself and stated that staff recommends an investment of up to \$125 million in Endeavour Capital Fund VI, L.P., a lower middle-market private equity fund with a target size of \$675 million. The fund will continue the successful strategy of prior funds and invest in management buyout, growth equity, and recapitalization transactions in the lower middle market, leveraging the team's extensive network of long-term relationships to source established growth companies headquartered in the Western United States. The WSIB has invested in three prior Endeavour funds. The proposed investment is consistent with the Board-approved 2011 private equity annual plan and model portfolio. Ms. Kruzel described the firm's stable, experienced investment team; strong, consistent performance; successful, regionally-focused investment strategy; and excellent fit in the WSIB portfolio. She discussed the firm's regional expansion and increased fund size. Negotiations are ongoing; however, staff has been able to negotiate a management fee offset of 100 percent.

Ms. Blackburn, Hamilton Lane, introduced herself and discussed the firm's fund size, past performance, collaborative team, networks, investment strategy, Northwest focus, succession planning, and unrealized investments. She stated that Hamilton Lane supports the recommendation.

Mr. von Schlegell, Mr. Richmond, and Mr. Babson, of Endeavour Capital Partners, introduced themselves and described the firm's Northwest focus, history, investment strategy and approach, proactive industry research, investment team, long-term perspective, quality of limited partners, and cumulative investing experience. They discussed their value-added approach with portfolio

companies, careful use of leverage, low loss level, valuation methodology, deal flow generation, risk-return analysis, market niche, growth of fund size, and investment in staff and resources.

Discussion ensued regarding tax structure and governance in different regions and sector focus.

Mr. Hill moved that the Private Markets Committee recommend to the Board an investment of up to \$125 million, plus fees and expenses, in Endeavour Capital Fund VI, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Treasurer McIntire seconded, and the motion carried unanimously.

REAL ESTATE INVESTMENT RECOMMENDATION – ALERE PROPERTY GROUP

Mr. Draper introduced himself and said that staff recommends an investment of \$200 million in Alere Property Group, a real estate operating company specializing in the acquisition, development, and management of industrial/warehouse properties located primarily in Southern California. The WSIB has invested in Alere since its inception in 2003 through Principal Enterprise Capital (PEC). Mr. Draper discussed how Alere fits in the long-term strategic goals of the portfolio. He described the desirability of the Company's strategy within the WSIB's portfolio and the strong team that has shown their ability to perform through the down cycle. He described the key person risk in Mike Cushing, the sensitivity of industrial/warehouse properties to general macroeconomic events, and the impact of international trade on the Ports of Los Angeles and Long Beach. Mr. Hill inquired as to whether or not the WSIB has directly invested in a real estate operating company alongside an intermediary in the past. Mr. Draper explained that the WSIB has done so, but in that case the company had been pulled out entirely from the intermediary, whereas in this case PEC will remain an investor in the Company. Mr. Draper and the Committee discussed governance rights, management structure, natural disaster risk, and geographic concentration. Mr. Draper informed the Committee that Dan Schulte, Chief Executive Officer of PEC, was in attendance in the event any questions arose about PEC.

Mr. Humphrey, Courtland Partners, introduced himself and stated that Courtland Partners supports the recommended investment. He described the Company's structure, the experienced management team, alignment of interests, and the high-barriers to entry in the Southern California industrial/warehouse market. Mr. Humphrey discussed concerns regarding key person risk, earthquake risk, and development risk.

Treasurer McIntire inquired about the balance of new development and acquisitions. Mr. Draper described the team's proven ability to develop new properties and acquire existing assets and navigate the various cycles of the market.

Mr. Cushing, Alere Property Group, introduced himself and discussed the Company's history, size, strategy, performance, conservative leverage, growth, portfolio composition, liquidity, and high-quality investments. He explained the importance of the Ports of Los Angeles and Long Beach and their role as drivers of the Southern California industrial/warehouse market. Mr. Cushing discussed the organization's capabilities, expertise of the Alere team, and value creation through investment activity since inception.

The Committee discussed timing of the deployment of the commitment and the ownership share the WSIB will attain through making this investment.

[Mr. Nierenberg was no longer in attendance at 11:20 a.m.]

Treasurer McIntire moved that the Private Markets Committee recommend to the Board an investment of \$200 million, plus fees and expenses, in Alere Property Group, subject to continuing due diligence and final negotiation of terms and conditions. Mr. McElligott seconded, and the motion carried unanimously.

2012 MEETING SCHEDULE

Mr. Hill moved that the Private Markets Committee schedule its 2012 meeting dates. Mr. McElligott seconded.

Mr. McElligott moved to amend the April meeting date to April 12. Representative Santos seconded, and the amendment carried with Mr. Masten voting no.

The amended 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 12:20 p.m.