

**WASHINGTON STATE INVESTMENT BOARD
Private Markets Committee Meeting Minutes
November 1, 2012**

The Private Markets Committee met in open public session at 9:00 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 (teleconferenced)
Richard Muhlebach
David Nierenberg (teleconferenced)
Representative Sharon Tomiko Santos
Jeff Seely

Other Board Members Present: Judi Owens (teleconferenced)

Others Present: Theresa Whitmarsh, Executive Director
Gary Bruebaker, Chief Investment Officer
Tom Ruggels, Senior Investment Officer – Private Equity
Fabrizio Natale, Assistant Senior Investment Officer – Private Equity
Isabelle Fowler, Investment Officer – Private Equity
Janet Kruzel, Assistant Senior Investment Officer – Private Equity
Linda Buchanan, Administrative Assistant

Steve Dietrich, Assistant Attorney General
Tara Blackburn, Hamilton Lane
Neal Moszkowski, TowerBrook Capital Partners
Ramez Sousou, TowerBrook Capital Partners
Filippo Cardini, TowerBrook Capital Partners
Stewart Kohl, The Riverside Company
Suzanne Kriscunas, The Riverside Company

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

The meeting convened at 9:00 a.m. with Chair Masten identifying members present.

ADOPTION OF THE OCTOBER 18, 2012, MINUTES

Mr. Hill moved to adopt the minutes of October 18, 2012.

Mr. McElligott seconded, and the motion carried unanimously.

PRIVATE EQUITY INVESTMENT RECOMMENDATION – TOWERBROOK INVESTORS IV, L.P.

Mr. Natale introduced himself and stated that staff recommends an investment of up to \$300 million in TowerBrook Investors IV, L.P., a transatlantic control-oriented

fund focusing on opportunistic, middle-market transactions characterized by complexity. The proposed investment would fall into the unidentified allocation in the Board-approved 2012 private equity annual plan and is consistent with the model portfolio. Mr. Natale described the firm's investment team, history, investment strategy, performance, and excellent fit in the WSIB private equity portfolio. He explained that the transatlantic remit gives the firm flexibility to shift across geographies depending on the availability of attractive opportunities.

The Committee discussed the types of complex deals in which TowerBrook invests, such as companies in bankruptcy, with management turmoil, or market dislocation.

Ms. Blackburn, Hamilton Lane, introduced herself and discussed the firm's broad geographic region, large sector coverage, middle- to lower-market niche, contrarian view, evolving market, and fit in the WSIB's private equity portfolio. She described the firm's opportunistic view in complex situations, cultural values, integrity, history, and unrealized net portfolio. Ms. Blackburn said that Hamilton Lane recommends an investment of up to \$300 million.

Mr. Moszkowski, Mr. Sousou, and Mr. Cardini, TowerBrook Capital Partners, introduced themselves. Mr. Moszkowski explained that the firm focuses on the middle market, primarily in the U.S. and Western Europe, and described the non-competitive deals and long due diligence process. He gave an overview of the current funds and their historical performance.

Mr. Sousou discussed the firm's investment strategy, proprietary transactions, contrarian approach, and deal sourcing.

Discussion ensued regarding the team's deal sourcing process and areas of expertise.

Mr. Sousou explained the firm's due diligence process, competitive advantage, low use of leverage, and value creation processes. He described the firm's pacing and investment discipline through market cycles, contrarian approach, and low turnover.

The Committee discussed the firm's unique investment strategy, past performance, deal sizes, deal sourcing, fees, alignment of interests, and labor-intensive model.

Mr. McElligott moved that the Private Markets Committee recommend to the Board an investment of up to \$300 million, plus fees and expenses, in TowerBrook Investors IV, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Mr. Hill seconded, and the motion carried unanimously.

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

Ms. Fowler introduced herself and said that staff recommends an investment of up to \$150 million in Riverside Capital Appreciation Fund VI, L.P., a North American buyout fund focused on the small end of the middle market. She described the firm's geographic expansion, diversified portfolio, value creation process, institutional

approach, investment professionals, global structure and resources, organization, extensive experience, differentiated sourcing model, robust origination effort, and excellent performance. Ms. Fowler stated that the proposed investment is consistent with a goal identified during the 2012 planning session of increasing exposure to the middle market. She discussed Fund V's performance, expectations, and unrealized investments. Ms. Fowler opined that Riverside is well positioned and has the capacity to successfully invest Fund VI.

Ms. Blackburn, Hamilton Lane, introduced herself and discussed the firm's structure, investment professionals, attractive returns, fee structure, alignment of interests, fit in the WSIB private equity portfolio, and the proposed investment amount.

The Committee discussed the firm's other investors, organization, diversity, unique culture, fee structure, on-going negotiations, fund size, one partner that left the firm, unique investment approach, long holding periods, and value creation process.

Mr. Kohl and Ms. Kriscunas, The Riverside Company, introduced themselves. Mr. Kohl discussed the firm's history, experience, middle-market focus, strong returns, value creation process, global presence, fund size, and management team.

Ms. Kriscunas described the firm's structure, origination and investment teams, due diligence process, deal sourcing, consistent returns, focus on acquiring successful businesses, experience, strong deal flow, and relationships in different industries.

Mr. Kohl discussed the firm's consistent investment performance and low loss ratio.

Ms. Kriscunas described the firm's investment process, strong operational component, global resources, investment opportunities, add-on acquisitions, organic growth in earnings, focus on strengthening platform, new product development, and geographic growth.

[Treasurer McIntire was no longer in attendance at 10:00 a.m.]

The Committee discussed the firm's screening process and geographic focus.

Representative Santos moved that the Private Markets Committee recommend to the Board an investment of up to \$150 million, plus fees and expenses, in Riverside Capital Appreciation Fund VI, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Mr. Hill seconded.

The Committee discussed the fund's structure, investment processes, fees, performance, costs associated with smaller transactions, and the strategic goal to transition away from large and mega cap funds.

The motion carried unanimously.

[Mr. Nierenberg was no longer in attendance at 10:38 a.m.]

[The Committee recessed at 10:38 a.m. and reconvened at 10:55 a.m.]

PRIVATE EQUITY INVESTMENT DISCUSSION

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, and to discuss with legal counsel representing the agency matters relating to agency enforcement actions, or to discuss with legal counsel representing the agency litigation or potential litigation to which the agency, the governing body, or a member acting in an official capacity is, or is likely to become, a party, when public knowledge regarding the discussion is likely to result in an adverse legal or financial consequence to the agency. The executive session was expected to last at least 5 minutes, at which point the Committee would reconvene in open session.

[The Committee convened in executive session at 10:55 a.m. and reconvened in open session at 11:18 a.m.]

PRIVATE MARKETS CLOSING LOG

The Private Markets Closing Log was presented for informational purposes.

OTHER ITEMS

There being no other items to come before the Committee, the meeting adjourned at 11:18 a.m.