

**WASHINGTON STATE INVESTMENT BOARD
Private Markets Committee Meeting Minutes
November 14, 2013**

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
Marcie Frost
Treasurer Jim McIntire
Richard Muhlebach
David Nierenberg (teleconferenced)
Mike Ragan
Jeff Seely

Members Absent: Representative Sharon Tomiko Santos

Others Board Members Present: Kelly Fox

Also Present: Theresa Whitmarsh, Executive Director
Gary Bruebaker, Chief Investment Officer
Tom Ruggels, Senior Investment Officer – Private Equity
Diana Will, Senior Investment Officer – Tangible Assets
Fabrizio Natale, Assistant Senior Investment Officer – Private Equity
Kurt Akers, Assistant Senior Investment Officer – Tangible Assets
Linda Buchanan, Administrative Assistant

Alyssa Giachino, UNITE HERE
Dawn Cortez, Assistant Attorney General
Tara Blackburn, Hamilton Lane
Alan Waxman, TPG Partners
Jamie Gates, TPG Partners
Jamie Shen, Callan Associates
Jim McCandless, UBS AgriVest

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

Chair Masten called the meeting to order and took roll call.

PUBLIC COMMENT

Ms. Giachino, UNITE HERE, introduced herself and spoke to the WSIB's commitments to previous TPG funds and the proportion of TPG investments in the WSIB's private equity portfolio. She addressed the firm's past performance and limited experience to the new strategy before the Committee. Ms. Giachino asked

the Committee to consider other credit managers in the market and to ask TPG how they will turn performance around.

[Mr. Seely arrived at 9:06 a.m.]

ADOPTION OF THE OCTOBER 3, 2013, MINUTES

Mr. Ragan moved to adopt the October 3, 2013, Private Markets Committee minutes. Treasurer McIntire seconded, and the motion carried unanimously.

PRIVATE EQUITY INVESTMENT RECOMMENDATION – TPG OPPORTUNITIES PARTNERS III, L.P.

Mr. Natale introduced himself and stated that staff was recommending an investment of up to \$200 million in TPG Opportunities Partners III, L.P. (TOP III). The fund will continue the successful strategy of TPG Opportunities Partners II (TOP II) to originate and execute distressed and special situations investments, primarily in corporate distressed for control, corporate dislocations or rescue financing, and asset special situations. The proposed investment is consistent with the updated 2013 private equity annual plan shared with the Board in July and with the model portfolio.

Mr. Natale described the firm's history, experience, strategy, superior returns, and operational resources. He discussed the fund's macro investment themes in dislocated sectors, downside protection, global mandate, and fit in the WSIB private equity portfolio. Mr. Natale explained staff's search for a distressed strategy with the capability to invest in Europe, but not be limited to that region, a strategy that has been proven successful in TOP II. He opined that TOP III will be an excellent addition to the WSIB private equity portfolio due to its focus on distressed and special situations worldwide with a dynamic geographic allocation designed to benefit from dislocations as and where they occur.

Mr. Nierenberg recused himself from the discussion.

The Committee discussed the firm's team and performance, market trends and opportunities going forward, performance of prior funds, and the relationship of the TOP funds and other TPG funds. Mr. Natale explained that the TOP funds are separate funds, managed by a separate team with a separate strategy.

Mr. Bruebaker noted that the TOP funds do not make the same concentrated investments as the TPG funds.

Ms. Blackburn, Hamilton Lane, introduced herself and discussed the attractive investment sector, expected returns, and structural differences compared to other private equity funds. She discussed the firm's experience, expertise, and ability to generate returns.

Mr. Gates and Mr. Waxman, TPG Partners, introduced themselves. Mr. Waxman discussed the fund's investment strategy, focus on middle-market companies, and value-added approach. He compared and contrasted TOP III to TOP II and described the firm's investment team, global presence, performance history, and portfolio construction. Mr. Waxman discussed market conditions, trends, and investment opportunities.

Discussion ensued regarding servicing entities, missed opportunities, and the firm's relationship with the rest of TPG.

Mr. Ragan moved that the Private Markets Committee recommend the Board invest up to \$200 million, plus fees and expenses, in TPG Opportunities Partners III, L.P., subject to continuing due diligence and final negotiation of terms and conditions. Ms. Frost seconded, and the motion carried unanimously.

TANGIBLE ASSETS INVESTMENT RECOMMENDATION – OLYMPIC SUN, LLC

Mr. Akers introduced himself and stated that staff was recommending an investment of up to \$100 million in Olympic Sun, LLC, a separate account strategy to invest in permanent and vegetable crops in the United States. The WSIB will own 98 percent of the equity. UBS will own the other 2 percent and the manager will be UBS AgriVest. This mandate would be the first in the upstream agriculture strategy.

Mr. Akers discussed the fund's strategy, target investments, lease models, and target returns. He described the fund's experienced team; strong track record; proven investment discipline; long operating history; low-risk, income driven investment approach; and early mover advantage. Mr. Akers noted the fund's investment queue, market trends, and potential succession planning issues.

The Committee discussed market trends, land prices, sourcing, climate risk, water rights, weather-related insurance, succession plans, types of crops, and lack of a J-curve since fees will not be collected until the WSIB deploys capital.

Ms. Shen, Callan Associates, introduced herself and discussed Callan's due diligence process. She said that while Mr. McCandless does not have any plan to retire, the firm has identified a successor and plans to groom and train him over the next 3 years. She opined that UBS is a high quality institutional investor with deep experience and described the firm's differentiated strategy, low risk, and stable income.

Discussion ensued regarding the WSIB's standing in the queue and in the fund.

Mr. McCandless, UBS AgriVest, introduced himself and described the firm's four regional offices, history, portfolio, investment strategy, performance history, experience, sourcing network, reputation, investment team, and affiliation with UBS Realty. He discussed the strategy, structure, and target returns of the WSIB's

proposed investment. Mr. McCandless discussed market conditions, trends, cycles, and investment opportunities.

The Committee discussed the lease structure and the profile of lessees, monitoring of good farming practices, regulations regarding use of pesticides and chemicals, ability to quickly replace a lessee, demand cycles, potential risks, process for oversight for soil quality maintenance, potential effects of climate change, typical size of investments, reasons for targeting specific areas for investment, weather insurance, potential changes in regional land values due to global warming, and the firm's ability to maintain a common culture and approach from multiple sight locations.

Treasurer McIntire moved that the Private Markets Committee recommend the Board invest up to \$100 million, plus fees and expenses, in Olympic Sun, LLC, subject to continuing due diligence and final negotiation of terms and conditions. Mr. Ragan seconded, and the motion carried unanimously.

PRIVATE MARKETS CLOSING LOG

The Private Markets Closing Log was presented for informational purposes.

Chair Masten 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. He said the executive session was expected to last at least 10 minutes, at which point the Committee would reconvene in open session.

[The Committee convened in executive session at 10:41 a.m., and reconvened in open session at 11:05 a.m.]

OTHER ITEMS

There were no other items to come before the Committee, and the meeting adjourned at 11:06 a.m.