



**STATE OF OREGON**  
**OFFICE OF THE STATE TREASURER**  
350 WINTER STREET NE, SUITE 100  
SALEM, OREGON 97301-3896

OREGON INVESTMENT COUNCIL  
SEPTEMBER 30, 2009  
MEETING MINUTES

Members Present: Paul Cleary, Harry Demorest, Katy Durant, Dick Solomon, Ben Westlund

Member on the Phone: Keith Larson

Staff Present: Andrea Belz, Darren Bond, Tony Breault, Brad Child, Sam Green, John Hershey, Brooks Hogle, Julie Jackson, Perrin Lim, Ben Mahon, Mike Mueller, Kevin Nordhill, Ron Schmitz, James Sinks, James Spencer, Sally Wood

Consultants Present: Allan Emkin and Mike Moy (PCA), Nori Gerardo Lietz (Partners Group), Mike Beasley and John Meier (SIS), David Fann, Kara King, and Mike Krems (PCG)

Legal Counsel Present: Cynthia Byrnes, Oregon Department of Justice  
Deena Bothello, Oregon Department of Justice

The OIC meeting was called to order at 9:01 am by Katy Durant, Chair.

**I. 9:01 a.m.: Review and Approval of Minutes**

**MOTION:** Ms. Durant brought approval of the July 29, 2009 OIC minutes to the table. Mr. Demorest moved to approve the minutes. The motion was seconded by Mr. Solomon and passed by a vote of 3/0. Treasurer Westlund had not yet arrived/Mr. Larson had not yet dialed in.

Treasurer Westlund arrived at 9:03 a.m. and Mr. Larson dialed in at approximately 9:10 a.m.

**II. 9:02 a.m.: Lone Star Real Estate Funds II & VII (OPERF Real Estate)**

Staff recommended approval of a \$100 million commitment to Lone Star Fund VII, L.P. and a \$300 million commitment to Lone Star Real Estate Fund II, L.P., subject to the satisfactory negotiation of the required legal documents, working in concert with the Department of Justice. The two global funds target combined equity of \$20 billion and will be run side-by-side. Their combined portfolios will be "opportunistic" in nature with a target IRR return, at the investment level, of 25 percent.

Brad Child, Sr. Real Estate Investment Officer and Nori Gerardo Lietz (Partners Group) introduced John Grayken and Lou Paletta from Lone Star. Mr. Grayken gave some background on Lone Star and more specifically Lone Star Funds II and VII. These two funds represent a continuation of the successful series of funds offered by Lone Star Partners investing globally in distressed debt, distressed real estate and real estate entities such as banks and finance companies, where real estate can be obtained opportunistically. Lone Star has elected to branch out its previous strategies into two funds, allowing investors the opportunity to allocate to either, based on the investors needs. In this case, the Lone Star Real Estate Fund II will house all commercial

real estate activity and Lone Star Fund VII will focus on residential distressed debt and acquisition of real estate rich entities such as banks.

There was a question and answer period following the presentation.

**MOTION:** Mr. Demorest moved to approve the staff recommendation, as well as a possible additional future commitment of up to \$400 million, if approved by the OIC. Mr. Solomon seconded the motion. The motion passed by a vote of 5/0.

**III. 10:00 a.m.: Real Estate Consultant Contract**

Mr. Child gave an update on the real estate consultant contract. Staff recommended extending the PCA Real Estate Advisors contract (which currently expires on December 31, 2009) for a period of two years, under existing terms and conditions, ending December 2011.

**MOTION:** Mr. Demorest moved to approve the staff recommendation. Mr. Solomon seconded the motion. The motion passed by a vote of 5/0.

**IV. 10:04 a.m.: Private Partnership Investment Principles (OPERF Private Equity)**

Ron Schmitz, Chief Investment Officer presented to the OIC on OPERF's Private Partnership Investment Principles. Mr. Schmitz also suggested that the OIC should give consideration to endorsing the Institutional Limited Partners Association (ILPA) Private Equity Principles. This represents a broad affiliation of LPs.

Staff recommended approval of proposed amendments to Oregon's current Private Partnership Investment Principles, as well as endorsing the Principles that were adopted by ILPA.

**MOTION:** Treasurer Westlund moved to approve the staff recommendations. Mr. Demorest seconded the motion. The motion was passed by a vote of 5/0.

**V. 10:11 a.m.: Asset Allocation and NAV Updates**

Mr. Schmitz reviewed the Asset Allocations and NAV's for the period ended August 31, 2009. All asset classes are within their allocation ranges.

**VI. 10:12 a.m.: Calendar – Future Agenda Items**

Mr. Schmitz highlighted future agenda topics.

**VII. 10:15 a.m.: Other Business**

The Board discussed various initiatives. Mr. Schmitz was requested to draft a letter to the SEC on a proposed rule regarding the use of placement agents.

Mr. Solomon left the meeting at 10:50 a.m.

**11:22 a.m.: Public Comments**

There were no public comments.

The meeting adjourned at 11:22 a.m.

Respectfully submitted,



Julie Jackson  
Executive Support Specialist