Oregon Investment Council

July 25, 2012 - 9:00 AM

PERS Headquarters
11410 S.W. 68th Parkway
Tigard, OR 97223

Keith Larson
Chair

Office of the State Treasurer
Ted Wheeler
State Treasurer

Michael Mueller
Interim Chief Investment Officer

OREGON INVESTMENT COUNCIL

2012 Meeting Schedule

Meetings Begin at 9:00 am
at
PERS Headquarters Building
11410 SW 68th Parkway
Tigard, OR 97223

January 25, 2012

January 25, 2012 Workshop

February 29, 2012

April 25, 2012

May 30, 2012

July 25, 2012

September 19, 2012

October 31, 2012

December 5, 2012

OREGON INVESTMENT COUNCIL

Agenda
July 25, 2012
9:00 AM

PERS Headquarters
11410 S.W. 68th Parkway
Tigard, Oregon

Time	A. Action Items	Presenter	Tab
9:00-9:05	**1. Review & Approval of Minutes** May 30, 2012 Regular Meeting	**Mike Mueller** *Interim CIO*	**1**
9:05-9:40	**2. RK Mine Finance Fund II** *OPERF Alternatives Portfolio*	**John Hershey** *Senior Investment Officer* **Oskar Lewnowski** *CIO and Portfolio Manager* **Chris von Strasser** *Senior Vice President* **Tom Martin** *TorreyCove Capital Partners*	**2**
9:40-10:15	**3. Avista Capital Partners III** *OPERF Private Equity*	**Sam Green** *Investment Officer* **Thompson Dean** *Co-Managing Partner* **Steven Webster** *Co-Managing Partner* **David Fann** *TorreyCove Capital Partners*	**3**
10:15-10:25	**-----------------BREAK---------------------**		
10:25-11:05	**4. Real Estate Annual Review** *OPERF & HIED Fund*	**Tony Breault** *Interim Senior Investment Officer* **Nori Gerardo Lietz** *Areté Capital* **Aniq Kassam** *Areté Capital*	**4**
11:05-11:45	**5. OPERF Public Equity Annual Review**	**Mike Viteri** *Senior Investment Officer* **John Meier** *Strategic Investment Solutions*	**5**

B. Information Items

6.	**Asset Allocations & NAV Updates** a. Oregon Public Employees Retirement Fund b. SAIF Corporation c. Common School Fund d. HIED Pooled Endowment Fund	**Mike Mueller**	**6**
7.	**Calendar—Future Agenda Items**		**7**
8.	**Other Items**	**Council** **Staff** **Consultants**	

C. Public Comment Invited

15 Minutes

TAB 1 – REVIEW & APPROVAL OF MINUTES

May 30, 2012 Regular Meeting

MICHAEL MUELLER, CFA, CPA
INTERIM CHIEF INVESTMENT OFFICER
INVESTMENT DIVISION

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OREGON INVESTMENT COUNCIL
MAY 30, 2012
MEETING MINUTES

Members Present:	Paul Cleary, Harry Demorest, Katy Durant, Dick Solomon, Ted Wheeler
Member on Phone:	Keith Larson-dialed in at 9:50 am
Staff Present:	Darren Bond, Karl Cheng, Garrett Cudahey, Jay Fewel, Sam Green, Scott Harra, Andy Hayes, John Hershey, Julie Jackson, Perrin Lim, Tom Lofton, Ben Mahon, Mike Mueller, Tom Rinehart, James Sinks, Michael Viteri
Consultants Present:	John Meier (SIS), Alan Emkin, John Linder and Mike Moy (PCA), David Fann, Jeff Goldberger, Ken Lee, Tom Martin (TorreyCove)
Legal Counsel Present:	Dee Carlson, Oregon Department of Justice Deena Bothello, Oregon Department of Justice

The OIC meeting was called to order at 9:00 am by Dick Solomon, Vice Chair.

I. 9:00 a.m.: Review and Approval of Minutes

MOTION: The April 25, 2012, minutes were approved unanimously by a vote of 4/0 (Keith Larson was absent for the vote).

II. 9:01 a.m.: OPERF Alternatives Portfolio Annual Review

John Hershey, Sr. Investment Officer gave an update on the Alternatives Portfolio. There are a total of eight committed investments in the portfolio, with two not funded as of March 2012.. The objectives of the Alternatives Portfolio are to seek "real assets" and "real return" strategies; be a source of diversification for OPERF; have less correlated returns; seek hedges against inflation and provide a benchmark of CPI plus four percent.

The strategies of interest are:

- Infrastructure 30%
- Natural resources
- Oil and Gas 15%
- Metals and Mining 7.5%
- Water, Ag Land, and Timberland 7.5%
- Commodity trading strategies 15%
- Hedge funds 20%
- Other 5%

The portfolio is currently comprised of six fudned investments, across three strategies (energy, infrastructure, and hedge funds), totaling approximately $384 million at the end of March 2012. Mr. Hershey discussed the pacing of expected future investments, as well as thoughts on a dedicated consultant and progress on consolidated reporting for the asset class. No action was taken by the Council.

III. 9:30 a.m.: SAIF Annual Review

Theresa McHugh-VP of Financial Services, Jerry Dykes, CFO, and Gina Manley, Financial Reporting Manager of SAIF gave an annual update of SAIF's financial condition and on the worker's compensation marketplace. No action was taken by the Council.

Keith Larson dialed in at 9:50 AM

****VI. 9:50 a.m.: Stable Value Manager Recommendation-Oregon Savings Growth Plan (taken out of order):**

Michael Viteri, Sr. Investment Officer and Jake O'Shaughnessy with Arnerich Massena recommended the following:

- Termination of the Dwight/GSAM stable value mandate for OSGP.
- Hiring Galliard Capital Management as the OSGP Stable Value Option provider, subject to the successful negotiation of terms.
- Amending OIC policy 04.07.05 accordingly.

MOTION: Mr. Demorest moved approval of the staff recommendations. Ms. Durant seconded the motion. The motion was passed by a vote of 5/0

****IV. 10:16 a.m. KKR Asia Fund II, L.P. – OPERF Private Equity and CSF (taken out of order):**

Jay Fewel, Sr. Investment Officer and Jeff Goldberger with TorreyCove introduced George Roberts and Joe Bae, with KKR. After the presentation by Roberts and Bae, staff and TorreyCove recommended the following:

1. OIC authorize a $200 million commitment to KKR Asian Fund II, LP, on behalf of OPERF, subject to the satisfactory negotiation of terms and conditions, and completion of the requisite legal documents by DOJ legal counsel working in concert with OST staff.
2. OIC authorize a $25 million commitment to KKR Asian Fund II, LP, on behalf of the Common School, subject to the satisfactory negotiation of terms and conditions, and completion of the requisite legal documents by DOJ legal counsel working in concert with OST staff.

There was a brief question and answer period with the Council.

MOTION: Mr. Demorest moved approval of staff recommendations. Ms. Durant seconded the motion. The motion passed by a vote of 5/0.

VII. 11:12 a.m.: OPERF Policy Implementation Overlay Review (taken out of order)

Greg Nordquist, Senior Portfolio Manager and Steve Cauble, Regional Director, both with Russell Investments provided the OIC with an update on the OPERF Policy Implementation Overlay program. This presentation was informational only. Mr. Nordquist also introduced a slide and a brief discussion on a summary risk analysis presentation of OPERF entitled a "Hazard Report."

There was a brief question and answer period after the presentation.

VIII. 11:35 a.m.: OPERF 1st Quarter Performance Review

John Meier (Strategic Investment Solutions) gave an update on OPERF's first quarter investment results.

****X. 11:47 a.m.: Asset Allocation and NAV Updates (taken out of order)**
Mr. Mueller reviewed the Asset Allocations and NAV's for the period ending April 30, 2012.

****XI. 11:32 am: Calendar – Future Agenda Items (taken out of order)**
Mr. Mueller highlighted future agenda topics.

****XII. 11:32 am: Other Business (taken out of order)**
None

****IX. 11:49 am: Litigation Update Regarding Lone Star Matter EXECUTIVE SESSION (taken out of order)**
Mr. Carlson read ORS 192.660(2)(f) and (j). The executive session, held pursuant to stated ORS, began at 11:49 am.

The meeting returned to public session at 11:55 am

11:55 am: Public Comments
There were no public comments.

The meeting adjourned at 11:56 am

Respectfully submitted,

Julie Jackson

Julie Jackson
Executive Support Specialist

TAB 2 – RK MINE FINANCE FUND II

RK Mine Finance Fund II L.P.

Purpose
Staff recommends approval of a commitment to the RK Mine Finance Fund II L.P. (Red Kite) in the amount of $75 million for the OPERF Alternatives Portfolio, which targets a 7.5% allocation for metals and mining strategies.

Background
Red Kite Group was founded in 2004 to build an investment firm focused on merchanting and trading in the metals sector, similar to other metals merchants that two of its founders had worked at in the 1980's, 1990's, and early 2000's. That experience included running the metals trading desk at Philipps Bros. and leading Metalgesellschaft and MG Metal & Company, leading metals merchants and traders. At its founding, Red Kite established a series of long/short hedge funds, as their merchant activity could augment their trading activity. In 2008, Red Kite launched its first real asset fund, RK Mine Finance Fund I, a $420 million private equity fund. Red Kite is now launching its second fund, RK Mine Finance Fund II, targeted at $750 million.

Strategy
Red Kite targets a 30% gross IRR by providing off-take-backed completion financing to junior mining companies (generally small cap publicly traded companies). Offtake agreements are long term contracts in which a mine is obligated to sell a percent of its future production at an agreed upon margin to the off-take provider. The off-take linked financing is generally in the form of debt with a current pay coupon and a payment in kind (PIK), often secured by the assets of the mining company, or structured equity with significant warrant coverage. In addition to providing debt, equity, and off-take agreements, Red Kite expects to invest in royalty streams based on the revenue and/or profit of a mine. Of the total expected return, approximately 30% each should come from debt and royalties, with the remaining approximately 40% coming from structured equity (converts, warrants) and the off-take agreements.

Issues to Consider
Pros:

- *Experienced team.* The Red Kite team has invested over $500 million across 38 transactions during the past decade. The team's experience spans: credit analysis and lending, structuring off-take agreements, merchanting, and royalty investing. Areas requiring specialization, experience, and developed networks with high barriers to entry.
- *Few investable competitors.* There are only a few investment firms that, in addition to trading commodities on exchanges such as the London Metals Exchange (LME), have the ability to provide merchant capabilities. Metals merchants engage in purchasing, financing, insuring, transporting, processing and selling mine output to end customers. Most of these merchant investment firms are large, private and are generally un-investable by institutional investors (with the exception of Glencore, which recently went public).
- *Track record and target yield.* As of December 2011, Red Kite's first fund (2008 vintage) has generated a gross IRR of 29.4% and a MOIC of 1.3x. Including its full history, the team has invested over $500 million across 38 transactions for a 30% plus gross IRR and a 1.9x gross multiple. In Fund II, Red Kite seeks to provide its investors a significant current income, targeted at 8%.
- *Increasing demand for metals.* Driven by demand from manufacturing oriented emerging markets such as China and India, metals prices have been rising in response to inadequate

production. Supply shortfalls stem from long lead times for mine development, shortages of labor and specialized equipment and technical and geopolitical challenges.

- *Later stage.* The strategy emphasizes downside protection by providing "completion" financing to mines that are generally within 12-36 months of beginning production. As straight equity financing would be dilutive to existing investors and since commercial banks have been reluctant to lend pre-production, there is a capital gap in the later stages of mine development.
- *Merchant capability.* Red Kite structures their investment to include highly profitable, but low capital intensive off-take arrangements. Red Kite's ability to provide merchant capabilities allows it to structure these off-take agreements whereby they take delivery of the production and then sell it to end customers at a premium to its cost to purchase.

<u>Cons:</u>

- Commodity metals prices have risen over 13% per annum over the past 10 years. As such, there is a concern that prices could fall in a further economic downturn. *[Mitigant: The Red Kite strategy is to provide debt financing at the top of the capital structure. Therefore, its investment can survive a more significant commodity price decline than can the equity. Moreover, the off-take agreements have near zero commodity price risk. Only the royalty portion of the investment strategy is more directly exposed to falling commodity prices.]*
- The mining industry is expected to commit over $300 billion to new mining production in the coming years as the industry makes up for prior underinvestment. [*Mitigant: Even in a global economic slowdown, emerging market countries such as China are still growing in excess of 8% a year, providing underlying demand for the foreseeable future.*]
- The Red Kite Group shares its merchant capability with both its hedge funds and private equity funds. *[Mitigant: Key partners share in economics across two funds, which do not compete with each other. As a result, the shared resources are incented to provide strong services to the Red Kite private equity fund.]*
- Mining is a worldwide industry governed by a diverse set of laws and regulations, particularly related to environmental concerns. *[Mitigant: The mining industry is subject to significant permitting proceedings and is highly economically incented to conform to government standards in the jurisdictions in which they operate.]*

Terms

There is a management fee on committed capital with a standard carry and preferred return. There is a four-year investment period and a seven-year term with three one-year optional GP extensions. All transaction fees are 100% offset to the management fee. Red Kite retained CP Eaton as their placement agent to help market the fund. Staff had contact with CP Eaton, though Staff also was aware of, met with, and was tracking Red Kite prior to meeting CP Eaton. See the TorreyCove memo for specific terms.

Conclusion

Red Kite offers one of the few experienced managers with a realized track record of successful investing as a principal in the metals and mining sector. Furthermore, as an asset class, natural resources are a valuable hedge against inflation with long-lived real assets to match nicely with a pension plan's liabilities.

Recommendation

Staff and TorreyCove recommend a commitment of $75 million to RK Mine Finance Fund II L.P., subject to the negotiation of the requisite legal documents with staff working in concert with DOJ.

TorreyCove Capital Partners

MEMORANDUM

TO: Oregon Public Employees Retirement Fund ("OPERF")

FROM: TorreyCove Capital Partners ("TorreyCove")

DATE: July 12, 2012

RE: RK Mine Finance Fund II, L.P.

Strategy:

The Fund is targeting a gross IRR of 30%, an annual yield of 8%, and a net multiple of invested capital of 2.5x. This is to be achieved through the construction of a portfolio of structured public and private equity, royalties and debt investments combined with the provision of commercialization services through the Firm's sales and logistics platform. The Fund will focus on late stage development opportunities where the resource is well established in politically stable regions and completion financing can be put in place alongside long term offtake agreements, as well as on compelling royalty opportunities. Physical commodity price risk will be hedged using exchange listed futures where appropriate.

Please see attached investment memorandum for further detail on the investment opportunity.

Conclusion:

The Fund and offers OPERF an opportunity to participate in a differentiated portfolio of private equity investments with relatively attractive overall terms. TorreyCove's review of the General Partner and the proposed Fund indicates that the potential returns available justify the risks associated with an investment in the Fund. TorreyCove recommends that OPERF consider a commitment of $75 million to the Fund. TorreyCove's recommendation is contingent upon the following:

(1) Satisfactory negotiation or clarification of certain terms of the investment;

(2) Satisfactory completion of legal documents;

(3) Satisfactory continuation and finalization of due diligence;

(4) No material changes to the investment opportunity as presented; and

(5) Confidentiality maintained regarding the commitment of OPERF to the Partnership until such time as all the preceding conditions are met.

TAB 3 – AVISTA CAPITAL PARTNERS III

OPERF Private Equity

Avista Capital Partners III, L.P.

Purpose

Staff is recommending a commitment of $100 million for OPERF to Avista Capital Partners III, L.P. (the Fund), a $2.0 billion (target) fund pursuing primarily controlling, or influential minority equity investments in middle market, growth-oriented companies, in the energy, healthcare, media, consumer and industrial sectors. This will be the continuation of an existing relationship, as OPERF has previously committed $100 million to Avista Capital Partners II, L.P.

Background

Avista was formed in 2005 by seven partners who worked together at DLJ Merchant Banking Partners (DLJMB). Thompson Dean and, to a lesser extent, the six other partners, played material leadership roles in raising, managing and/or investing three prior private equity funds while at DLJMB.

Mr. Dean served as Co-Managing Partner and as Co-Chairman of the Investment Committees of funds DLJ I, II and III until March 2004, when he became sole Managing Partner and Chairman. Steven Webster (one of Avista's co-founders) served as Co-Managing Director of DLJ Global Energy Partners, a specialty group within DLJMB that sourced, executed and managed DLJ III's energy related investments. The Avista team departed DLJMB in April 2005, under an amicable agreement. Mr. Dean and Mr. Webster serve as Avista's Co-CEOs.

While the seven original members of Avista are still with the firm, Avista has added to their team over the past seven years. The Firm currently employs 24 investment professionals and 12 full-time operating executives out of their New York headquarters and its additional offices in Houston and London.

Strategy and Performance

At its inception in 2005, Avista was exclusively focused on investing in three sectors – healthcare, energy and media, with approximately equal weighting to each. Due to the rapid recent digitalization of media, it is expected that this sector will play a significantly smaller role in Fund III than in prior funds. It is expected that approximately two thirds of the Fund will be allocated to energy and healthcare, while the remaining third will be allocated, opportunistically, to investments in the consumer discretionary, industrials and media sectors.

Avista will always seek board rights, regardless of their investment stake. The average investment size will be between $50 - $300 million. The Fund will be targeting companies with an enterprise value of $100 million - $2 billion, with the flexibility to pursue larger companies. These are all very consistent with Fund II's strategy.

As of March 31, 2012, Avista Capital Partners II had a net IRR of 21.4% and net Total Value Multiple of 1.33x. These both rank in the first quartile of their respective Venture Economics universes. OPERF committed $100 million to this fund.

Also as of March 31, 2012, Avista Capital Partners I had a net IRR of 8.1% and net Total Value Multiple of 1.31x. These both rank in the first quartile of their respective Venture Economics universes.

Issues to Consider

Sector Reliance

A legitimate argument could be made that due to Avista's reliance on the Energy and Health Care sectors, they could be negatively impacted by a downturn in those sectors. While staff understands this concern, the diversification within the OPERF Private Equity portfolio should mitigate the impact. OPERF does not try to time markets, within the Private Equity portfolio, and instead has attempted to build a diversified, balanced portfolio that should perform well in most markets. History has shown that our best 'Alpha Generators' have employed niche investment mandates, and have not drifted from their stated focus.

Bandwidth

As with any General Partner raising their third fund, Avista will need to focus on the workload of their team. Since 2006, including recent investments, Avista has invested close to $3.8 billion in 30 different companies, of which 26 are still active. The Firm's professionals sit on many boards, holding a combined 72 board seats. Avista is aware of this concern, and has acknowledged that they are focused on creating favorable exits from the existing portfolio. The Firm has also grown their investment team, from 17 investment professionals and two operating executives in 2005, to 24 investment professionals and 12 operating executives today.

Portfolio Fit and Sizing

Staff view Avista as a strong Mid-Market fund manager in the energy and healthcare space. The OPERF private equity portfolio is underweight energy, compared to the public market indices. Within OPERF's dedicated energy exposure, most of the capital is committed to the larger end (First Reserve), with only Pine Brook also covering energy in the Mid-Market space. This commitment will be allocated 100 percent to the Medium Corporate Finance investment sub-sector and will further be categorized as a domestic investment. As of March 31, 2012, OPERF's allocation to Medium Corporate Finance is targeted at 5-25 percent, with a current fair market value plus unfunded commitments exposure totaling 21.5 percent.

It should be noted that the private equity commitment plan, presented in February of this year, included a potential commitment of $75 million to Avista Capital Partners III, L.P. However staff have negotiated substantial economic improvements at the $100 million commitment level. Therefore, staff believe it prudent to commit $100 million to take advantage of the more favorable economics offered to investors of $100 million or more.

Placement Agents

Avista has engaged four placement agents: Eaton Partners, LLC, Mercury Capital Advisors, Crossbay Capital Partners and Sabertia Capital Partners. Due to the ongoing relationship between OPERF and Avista, staff were not contacted by a placement agent in relation to this fund raise.

Private Partnership Investment Principles

We have reviewed the Fund's compliance with OPERF's Private Partnership Principles. While the Fund does not conform to every Principle, it should be noted that Avista's terms have become more LP friendly over the past fund cycle. Staff has already negotiated more favorable terms, due to the sizing of investment, and additional negotiations are already under way, in an effort to create a more LP favorable Limited Partnership Agreement.

Recommendation

Staff recommends that the OIC authorize a $100 million commitment to Avista Capital partners III, L.P., on behalf of OPERF, subject to the satisfactory negotiation of terms and conditions, and completion of the requisite legal documents by DOJ legal counsel working in concert with OST staff.

TORREYCOVE
CAPITAL PARTNERS

MEMORANDUM

TO: Oregon Public Employees Retirement Fund ("OPERF")

FROM: TorreyCove Capital Partners ("TorreyCove")

DATE: July 11, 2012

RE: Avista Capital Partners III, L.P. (the "Fund")

Strategy:

The Fund will make primarily controlling or influential minority equity investments in middle market, growth-oriented companies primarily in the energy, healthcare, media, consumer, and industrial sectors. The Fund will target 15 to 20 equity investments of between $50 and $300 million in companies valued between $100 million and $1+ billion. Geographically, the Fund will invest primarily in the United States, though the Fund will continue to opportunistically invest in Europe. European-based companies are expected to constitute less than one-quarter of the Fund's portfolio.

Please see attached investment memorandum for further detail on the investment opportunity.

Allocation:

A new commitment to the Fund would be allocated 100% to the Medium Corporate Finance investment sub-sector and will further be categorized as a Domestic investment. As of March 31, 2011, OPERF's allocation to Medium Corporate Finance is listed in the table below. It is important to note that since allocation is based on fair market value, a commitment to the Fund would not have an immediate impact on OPERF's current portfolio allocation. Commitments to the Fund are complementary to OPERF's existing fund commitments and provide the overall portfolio with a further degree of diversification.

As of March 31, 2012	Target	FMV	FMV + Unfunded
Medium Corporate Finance	5-25%	21.6%	21.5%

Conclusion:

The Fund offers OPERF an opportunity to participate in a differentiated portfolio of private equity investments with relatively attractive overall terms. TorreyCove's review of the General Partner and the proposed Fund indicates that the potential returns available justify the risks associated with an investment in the Fund. TorreyCove recommends that OPERF consider a commitment of $100 million to the Fund. TorreyCove's recommendation is contingent upon the following:

(1) Satisfactory negotiation or clarification of certain terms of the investment;

(2) Satisfactory completion of legal documents;

(3) Satisfactory continuation and finalization of due diligence;

(4) No material changes to the investment opportunity as presented; and

(5) Confidentiality maintained regarding the commitment of OPERF to the Partnership until such time as all the preceding conditions are met.

AVISTA CAPITAL PARTNERS PRESENTATION
TO THE
OREGON INVESTMENT COUNCIL

July 25, 2012

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- The terms gross and net multiples of capital invested, gross and net IRR and other terms are defined or described on pages 43-47.

AVISTA CAPITAL PARTNERS

Overview of Avista Capital Partners

Experienced & Committed Investment Team

- Formed in July 2005 by a 19-person team from DLJ Merchant Banking Partners ("DLJMB") whose investment professionals have a long history of working together
- Grown to an experienced 46-person team, eight of nine investment partners from DLJMB
- Led by two managing partners:
  - Thompson Dean, Managing Partner of DLJMB from 1995 to 2005
  - Steven Webster, Chairman of DLJMB Global Energy Partners from 1999 to 2005
- General Partner committing $150 million to Fund III ($470 million in total to all Avista Funds)

Industry Focused Strategy

- Focused strategy on middle market growth investments in the energy, healthcare, media, consumer and industrial sectors
- Twelve Operating Executives provide additional knowledge, deep operational experience and significant networks in targeted sectors
- Sector focused fund strategy provides the benefits of both industry specialization and portfolio diversification

Strong Track Record

- 20 year track record includes investments of $9.0 billion in 88 investments generating a realized gross and net multiple on capital invested of 2.5x and 2.2x and a realized gross and net IRR of 118% and 44%(1)
- 2006 vintage year Fund I has generated a realized gross and net multiple on capital invested of 2.3x and 2.0x and a realized gross and net IRR of 26% and 21%(2)
- 2008 vintage year Fund II has generated a realized gross and net multiple on capital invested of 1.8x and

(1) The Avista track record includes a) all 36 Avista Fund I and Fund II investments plus b) the 52 DLJMB investments in companies in the targeted sectors that an Avista founding partner sourced, led and/or was substantially involved in. Avista and DLJMB information based on valuations as of March 31, 2012. For details regarding each investment in the Avista Track Record (including performance calculations and applicable definitions), see pages 43-47.

(2) Based on valuations as of March 31, 2012.

Note: The historical returns achieved by any prior funds or individual investments are not a prediction of future performance or a guaranty of future results, and there can be no assurance that these or comparable returns will be achieved by investments, individually or in the aggregate, made by Fund III.

46 Experienced Investment, Industry and Operations Professionals

Name	Title	Former DLJMB Professional or Affiliation(1)	Location	Years of Professional Experience
Investment Partners				
Thompson Dean	Managing Partner, Co-CEO	✓	New York	30
Steven Webster	Managing Partner, Co-CEO	✓	Houston	36
David Burgstahler	Partner, President	✓	New York	18
Newton Aguiar	Partner	✓	London	23
Robert Cabes	Partner	✓	Houston	20
David Durkin	Partner	✓	New York	18
OhSang Kwon	Partner	✓	New York	18
Brendan Scollans	Partner	✓	New York	14
Sriram Venkataraman	Partner		New York	13
Other Investment Professionals				
Greg Evans	Principal	✓	Houston	10
Jeff Gunst	Principal	✓	Houston	12
Kunal Pandit	Principal	✓	London	8
Rob Girardi	Vice President		New York	6
Malcolm Little	Vice President		New York	4
Jackson Phillips	Vice President	✓	New York	7
Chandler Quisenberry	Vice President		Houston	6
Mustafa Ahmed	Associate	✓	London	5
James Lam	Associate		New York	4
Benjamin Lerer	Associate		New York	3
James Obulaney	Associate		Houston	3
Jonathan Pearce	Associate		Houston	5
Ashleigh Stevens	Associate		New York	3
Josh Tamaroff	Associate		New York	4

Name	Industry Focus / Title	Former DLJMB Professional or Affiliation(1)	Years of Professional Experience
Operating Executives			
Håkan Björklund	Healthcare	✓	26
Charles Harwood	Healthcare	✓	34
John Huff	Energy		43
Gerhard Kurz	Energy	✓	47
Steven Marder	Media		22
Charles McIlvaine	Consumer		22
Dr. Pat O'Neill	Healthcare		35
Larry Pickering	Healthcare	✓	40
Ron Sparks	Healthcare	✓	34
Trevor Turbidy	Energy		19
Steven Webster	Energy	✓	36
Allen Yurko	Industrial	✓	38
Operations & Administrative Professionals			
Art Zuckerman	Partner, COO	✓	28
John Cafasso	Management Co CFO	✓	17
John Holland	Funds CFO		26
Ben Silbert	CAO & General Counsel	✓	15
Amanda Heravi	Principal, IR		13
Carolyn Earthy	VP, IR		9
Sang Lee	Assistant Controller		9
Anthony Russo	Assistant Controller		7
Jisung Baek	Senior Accountant		5
Tameka Hammond	Senior Accountant		4
Pat Rutherford	Senior Accountant		4
Leong Cheng	Accountant		4
Advisory Board			
Jim Nussle	Former U.S. Rep & Cabinet Member		
Robin Domeniconi	VP Marketing, Vente-Privee		
Michael Porter	HBS Professor		

Combination of seasoned industry veterans with experienced investment professionals provides significant strategic insight, counsel and operational oversight

AVISTA CAPITAL PARTNERS

(1) Includes DLJMB portfolio company professionals.

Industry Focused Strategy

Energy: Exploration and production, oilfield services, midstream

- ➢ 30 Investments, $2.7 billion capital invested, ROI: 2.2x, Gross IRR: 57%

Healthcare: Pharmaceuticals, medical devices, CROs

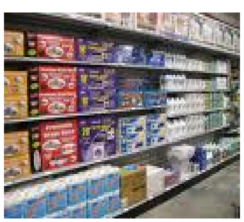
- ➢ 21 Investments, $2.7 billion capital invested, ROI: 2.7x, Gross IRR: 62%

Communications & Media: Cable, data centers, metro fiber providers, digital media, select traditional media firms

- ➢ 24 Investments, $2.2 billion capital invested, ROI: 1.4x, Gross IRR: 138%

Industrials: Energy related manufacturing, infrastructure services and equipment, inspection and testing services

- ➢ 10 Investments, $882 million capital invested, ROI: 2.0x, Gross IRR: 28%



Consumer: Branded household & personal care, health & beauty, food & beverage, OTC

- ➢ 3 Investments, $330 million capital invested, ROI: 2.6x, Gross IRR: 78%

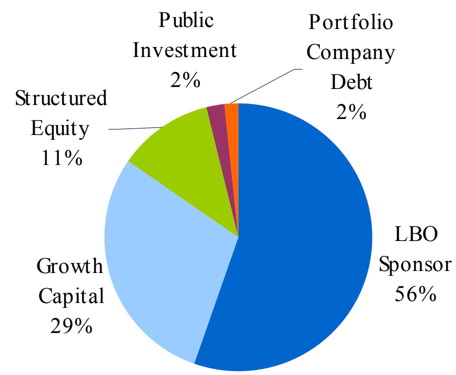
Note: The numbers presented here are based on the overall Avista Track Record. For details of the performance of each investment and the Avista Funds, please see pages 43-47.

AVISTA CAPITAL PARTNERS

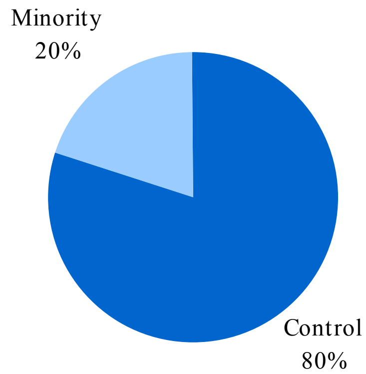
Flexible Investment Approach

- Successful strategy remains unchanged
  - Primarily targeting lead-managed, control leveraged buy-outs
  - Target equity investment size is $50 to $300 million
  - Avista expects to provide significant co-investment opportunities for limited partners (over $600 million subscribed to in Funds I and II)
- Avista maintains flexibility with respect to structure and opportunistically considers:
  - Growth equity
  - Minority positions
  - Structured equity
- Avista seeks to optimize the investment structure to the sector and the target company

Fund I & II by Investment Type (By Capital Committed) [1]



Fund I & II by Control Position (By Capital Committed) [1][2]



(1) As of March 31, 2012.
(2) "Control" includes investments in which Avista shares control with another sponsor and/or has significant negative control rights.
Note: Numbers may not add due to rounding.

AVISTA CAPITAL PARTNERS

Avista’s Competitive Advantage

Proven Operating Executive Model

- Stable of seasoned executives that repeatedly partner with Avista and expand the Avista network
- Operational experience adds value versus financial engineering
- Assume senior executive roles at portfolio companies and provide board level support

Strong Sourcing Capabilities

- Substantial proprietary deal flow as a result of industry expertise and relationships
- Viewed as a preferred partner by strategic players
- 68% of Avista deals sourced on a proprietary basis

Ability to Find Value

- Extract value through attractive purchase prices at the time of investment
- Active involvement in portfolio companies via close partnership with management teams post-investment

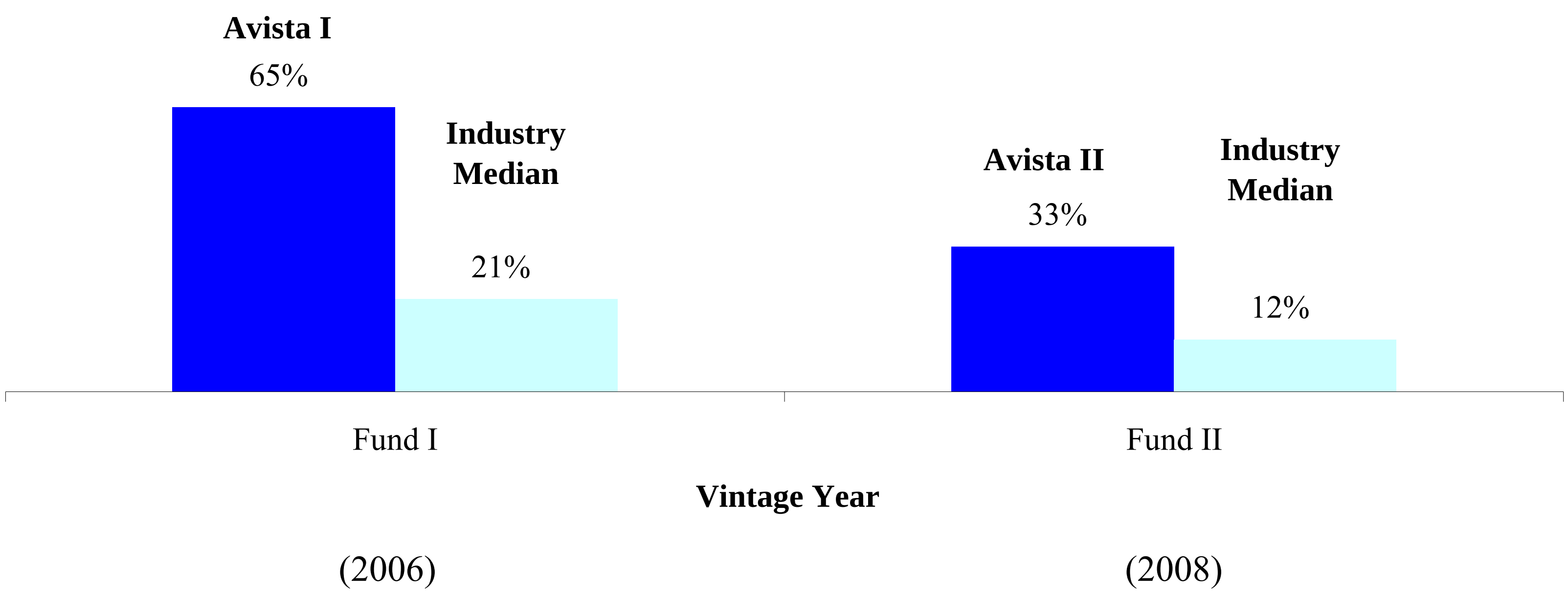
ACP II Marcellus /

Strong Financing Capabilities

- Ability to negotiate creative financing packages
- Extensive use of structures that seek to protect downside and preserve upside
- Prudent approach to leverage

Focus on Distributions

Gross Distributions as a Percent of Capital Contributions(1)



(1) Industry performance data as of 12/31/11, the latest available data from Preqin. Avista data as of March 31, 2012.
Source: Preqin.

AVISTA CAPITAL PARTNERS

Fund III Overview

Fund III Update

- Avista Capital Partners III held a first close in late 2011 with the support of existing Fund I and Fund II investors
- GP commitment of $150 million represents strong alignment of interests with LPs
- $300 million committed to three closed investments
- $120 million committed to one pending investment: WOW
- Targeting August 2012 for next close

Fund III Portfolio Overview

As of March 31, 2012

	Business Description	Initial Investment	Equity Commitment ($mm)	Equity Funded ($mm)	Realized Proceeds ($mm)	Remaining FMV(1) ($mm)	Proceeds and Remaining FMV(1) ($mm)	Gross Multiple of Cost(1)
Sidewinder Drilling	Land-based drilling contractor	Oct-11	$125	$82	$0	$82	$82	1.0x
ACP III Utica / Carrizo	JV with Carrizo Oil & Gas focused on acquiring and developing natural gas targets in the Marcellus and Utica Shale Formations	Dec-11	100	16	0	16	16	1.0x
Top-Co	Manufacturer of float equipment and casing hardware products for oil rigs and wells	Jun-12	75	n/a	n/a	n/a	n/a	n/a
WOW! It's that kind of experience.	Competetive provider of residential and commercial high-speed Internet, cable television and telephone services	Pending	120	n/a	n/a	n/a	n/a	n/a
TOTAL			**$420**	**$98**	**$0**	**$98**	**$98**	**1.0x**

(1) Based on valuations as of March 31, 2012. Although Avista believes the values set forth above reflect the remaining value of the unrealized investments held by Fund III, there can be no assurance that any proceeds will actually be realized on these investments or that, if and when realized, the proceeds will be equal to the amounts estimated.

Note: Numbers may not add due to rounding.

AVISTA CAPITAL PARTNERS

Fund III: Summary of Principal Terms

Targeted Fund Size:	$2.0 billion
Commitment Period:	Five years from final closing, subject to Key Man and No Fault Termination
Term:	Ten years, subject to three one-year extensions
Distribution Waterfall:	20% carried interest payable only after the return of (i) all contributed capital for realized investments (including permanent writedowns) and (ii) all expenses (including management fees paid), plus an 8% preferred return on the above
Management Fee Offset:	100% of net portfolio company fees will offset the Management Fee
Escrow:	35% of all distributions (net of taxes) to the General Partner attributable to the carried interest shall be deposited into an escrow account to secure clawback obligations
GP Clawback:	The GP may be obligated to return carried interest distributions pursuant to the formula specified in the Fund's partnership agreement. Such formula will be tested (i) upon the termination of the commitment period and each two year anniversary thereafter, and (ii) upon the termination of the Fund
Management Fee:	1.75% per annum of aggregate commitments until the earlier of (i) the termination of the Commitment Period or (ii) the operation of a successor fund, and, thereafter, 1.25% per annum of aggregate unreturned investment contributions, payable in advance on a quarterly basis
GP Commitment:	$150 million

Market Opportunity

Disclaimer: The discussions outlined in the market opportunity section represent Avista's current outlook on various industry segments and are not a prediction of future performance or a guaranty of future results.

Energy Investment Opportunities for Avista

Market Update

- Oil price has trended upward from 2008/2009 lows to $80-$110 per barrel range
  - Lack of supply growth remains the major factor in the direction of long-term oil prices
  - Major oil projects are generally underwritten with a $50-$60 per barrel price assumption
  - Price volatility subject to international economic and political factors
- Natural gas pricing is subject to more localized supply/demand factors
  - Current excess supply in US has led to US gas trading at a huge discount to oil
- The emergence of tight sands and shale basin development is a “game changer”
  - Low cost development in new basins is driven by new technologies
  - Lease costs have increased substantially in these emerging basins as geological risk is largely eliminated
  - These basins have led to a huge increase in US natural gas reserves
  - Development of these basins is very service intensive and requires significant new transmission infrastructure
- Long-term oil and natural gas trends remain in place
  - Finding and development costs will continue to increase
  - Steepening production decline curves, exacerbated by continuing productivity enhancements
  - Limited excess worldwide production capacity
  - Alternative energy is not expected to have material near-term impact

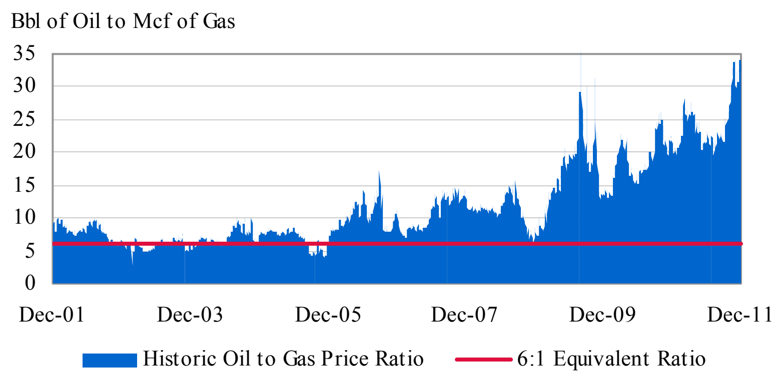
Avista Strategy

- Investment focus will continue to be related to upstream development
- There should be attractive opportunities in wellsite services and new infrastructure requirements
- Take advantage of weak near-term natural gas pricing as we believe natural gas prices will eventually increase
- Continue to back successful management teams we have worked with in the past

AVISTA CAPITAL PARTNERS

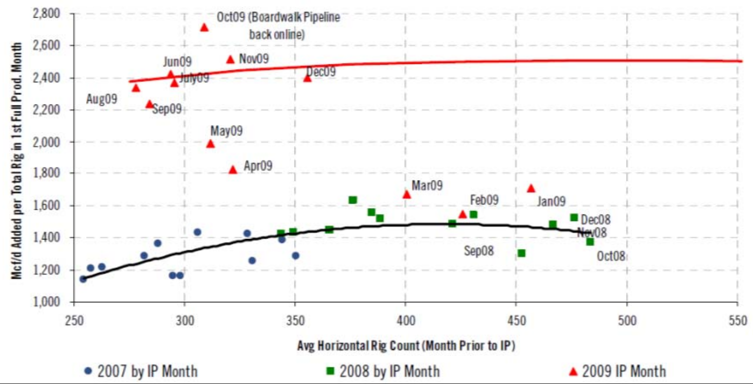
Recent Trends in the Energy Space

Natural Gas Pricing Has Decoupled from Crude Oil



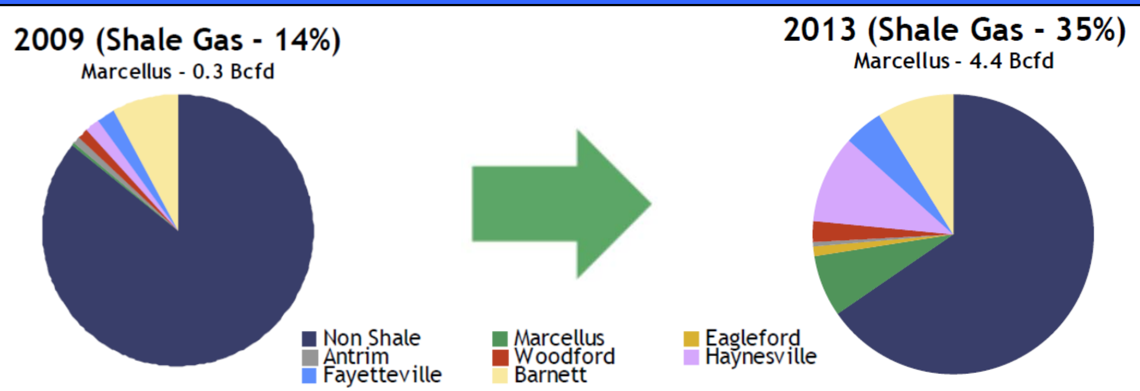
Source: Bloomberg.

Rig Efficiency Continues to Increase



Source: HPDI, Baker Hughes, Citi Investment Research and Analysis.

Shale Plays Are A Game Changer for U.S. Natural Gas Fundamentals



Source: Tudor Pickering Research Estimates.

Avista believes that natural gas supply is not expected to materially decrease near-term as a result of continued drilling rig efficiency increases and development of low full cycle cost shale plays.

AVISTA CAPITAL PARTNERS

Future Energy Investment Focus

E&P	• Remains a large opportunity set, but perhaps less "investment share" • Selective acreage acquisitions • Less full cycle development • International investments only in politically stable areas • Stable of strong management teams
Oil Service	• Service intensity of unconventional resource development • Consolidation opportunities • Cyclical business… consider position in build cycle
Midstream	• Significant investment requirement in emerging basins • Leverage Avista's E&P positions • Primarily pursuing greenfield opportunities • Consider large diameter pipe, gathering systems, processing, services
Energy Related Manufacturing	• More traditional LBO model • Equipment for service businesses, renewables, efficiency driven end use
Other	• Consider selected investments in downstream, power, coal, shipping and alternative energy sectors

AVISTA CAPITAL PARTNERS

Healthcare Investment Opportunities for Avista

Market Update

- Steady growth in necessary medical procedures and the underlying pharmaceutical and device sales to support these procedures
- Pharmaceutical companies aggressively pursuing acquisitions and divestitures of non-core businesses and pharmaceutical services continue to demonstrate robust growth
  - Pressure to replenish lost revenue due to onset of generic competition
- Avista believes that industry fundamentals will continue to support long-term steady growth in Avista's investments
  - Favorable patient demographics
  - Healthcare standards continue to improve worldwide
  - Increasing global access to healthcare

Avista Strategy

- Avista's portfolio companies continue to evaluate acquisitions at attractive valuations
  - Focus on scalable, protected (patented or otherwise) products and services in non-cyclical sectors
  - Emphasis on opportunities with limited government reimbursement risk
- Big pharmaceutical and large device companies are continuing to refine their portfolios
  - Avista considering multiple spin-out opportunities

AVISTA CAPITAL PARTNERS

In Response to Significant Pressures, the Pharma Industry is Going Through Transformative Structural Changes

Consolidators

Pfizer → Wyeth (1/09) – $68.0bn

Pfizer → King Pharmaceuticals (10/10) – $3.6bn

Merck → Schering-Plough (3/09) – $38.7bn

Merck → Merial (3/10) – $4.0bn

Takeda → Nycomed (5/11) – €9.6bn

Diversifiers

Johnson & Johnson

Cougar Biotech (5/09) – $1.0bn
Mentor (12/08) – $1.1bn
Conor Medsystems (11/06) – $1.5bn
Pfizer Consumer Healthcare (6/06) – $16.6bn

Abbott Laboratories

Piramal (5/10) – $3.7bn
Facet Biotech (3/10) – $0.7bn
Solvay (9/09) – $7.0bn
Advanced Medical Optics (1/09) – $1.4bn
Kos Pharmaceuticals (11/06) – $4.1bn
Guidant's Vascular Business (1/06) – $4.6bn

sanofi aventis – Because health matters

Merial (3/10) – $4.0bn
Chattem (12/09) – $1.8bn
Merial (7/09) – $4.0bn
Zentiva NV (7/08) – $2.0bn

gsk

Stiefel Labs (4/09) – $3.6bn
Reliant Pharma (11/07) – $1.7bn

Pure Plays

Roche

Genentech (3/09) – $46.8bn
Ventana Medical Systems (6/07) – $3.7bn

Bristol-Myers Squibb

Medarex (7/09) – $2.1bn

Lilly

ImClone Systems (10/08) – $6.5bn
ICOS (10/06) – $2.5bn

Note: $ figures cited reflect equity value.
Note: March 2010 Merial deal reflects joint venture between Merck and Sanofi Aventis. Equity value reflects Merck and Sanofi Aventis' individual interests in Merial.

Future Healthcare Investment Focus

Specialty Pharma	• Large pharmaceutical companies are looking to shed non-core assets and Avista is well positioned to capitalize on this trend given Avista's spin-off expertise • Focus on companies that provide stable cash flows to fund growth opportunities based on new product or technology deployment and/or geographic expansion
Medical Device	• Necessary medical procedures and the underlying products and services that support these procedures continue to grow at a modest pace • Medical products and services, especially those which minimize hospital costs and increase quality of care, will continue to experience growth
Pharma Services	• Large and mid-sized pharmaceutical companies continue to increase the level of outsourcing to support stretched in-house teams and add technology expertise especially in contract research and contract manufacturing
Other	• Opportunistically provide growth capital to support companies that leverage a low-risk product development pathway while seeking to provide significant cost savings to the healthcare system

AVISTA CAPITAL PARTNERS

Communications & Media Investment Opportunities for Avista

Market Update

- The digitalization of Media coupled with the consumer-driven recession has created significant strain on Traditional Media companies with models exposed to print distribution and the ad cycle being particularly challenged
- Valuation multiples for Traditional Media assets, while compressed from earlier highs, still do not compensate investors for negative to poor growth prospects and heightened business model risk
- Consumer and enterprise demand for streaming video, mobile data content, cloud computing and online gaming have created strong secular tailwinds for companies that provide or manage bandwidth

Avista Strategy

- Digitalization of Media and the fragmentation of audiences are long-term trends that suggest caution. Avista's last Traditional Media investment was made in 2007 and our approach remains opportunistic.
  - Seek distressed sales of non-core assets, at highly disciplined valuations, as over-levered Media companies seek to attain better financial flexibility
- Our Communications & Media efforts have re-focused on areas which we believe have more attractive characteristics including select portions of Communications and Digital Media
  - Seek businesses with recurring revenues and strategic in-the ground assets that benefit from the rapidly growing demand for bandwidth (e.g. metro fiber providers and data centers)
  - Seek providers of recurring data services which provide critical information that is integrated into the workflow of its customer base (e.g. financial markets data providers)
  - Seek profitable Digital Media companies with proven business models that enjoy network effects and a sticky customer base (e.g. social gaming)

Communications – Internet Infrastructure has an Attractive Growth Orientation

- Consumer and business demand for technology, content and network-intensive applications are driving explosive demand for bandwidth
- Demand for 3G & 4G wireless bandwidth necessitates a Fiber to Cell buildout to upgrade T1s
- As network requirements and power density growth drive outsourcing, data centers will benefit

Drivers of Demand

Smart Phones

Mobile Computing

Cloud Computing

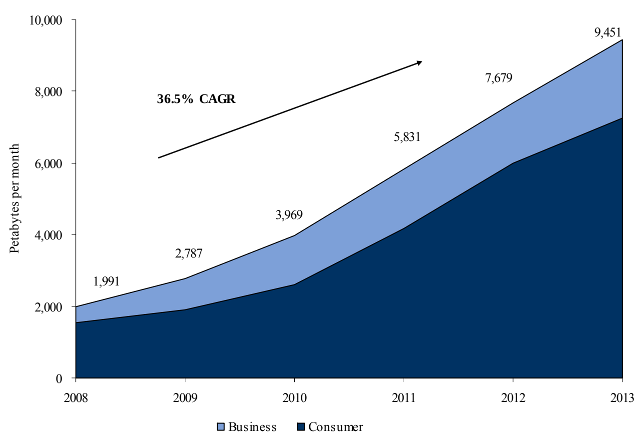
Content

New Applications

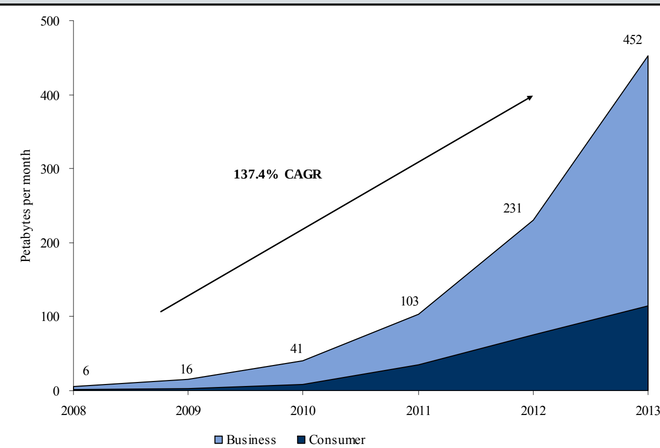
- Home Healthcare
- Emerging Technologies

Consumption

North American Internet Traffic



North American Mobile Internet Traffic



Source: Tier 1 Research, Cisco Visual Networking Index and Wall Street Research.

AVISTA CAPITAL PARTNERS

Industrials and Consumer Overview

Market Update

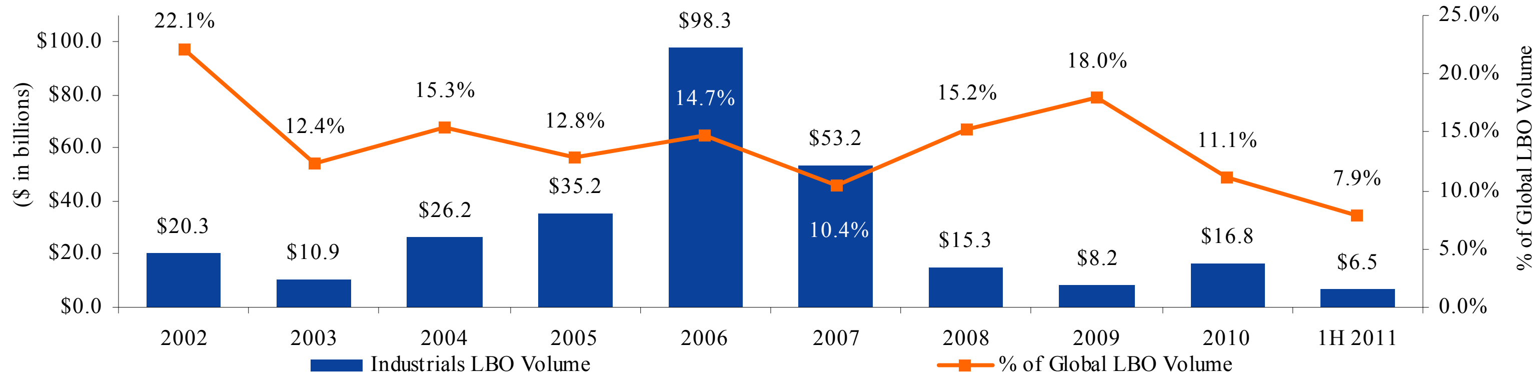
- Industrials and Consumer sectors appear to be poised for steady cyclical growth
  - "It's a slow recovery, but it's a recovery." (Warren Buffett, October 20, 2010)
  - Buyer / seller valuation expectations are slowly converging
- Several factors driving growth within multiple industrials sub-sectors (e.g. response to government regulation, investments in new technologies, demand from emerging markets and consolidation)

Avista Strategy

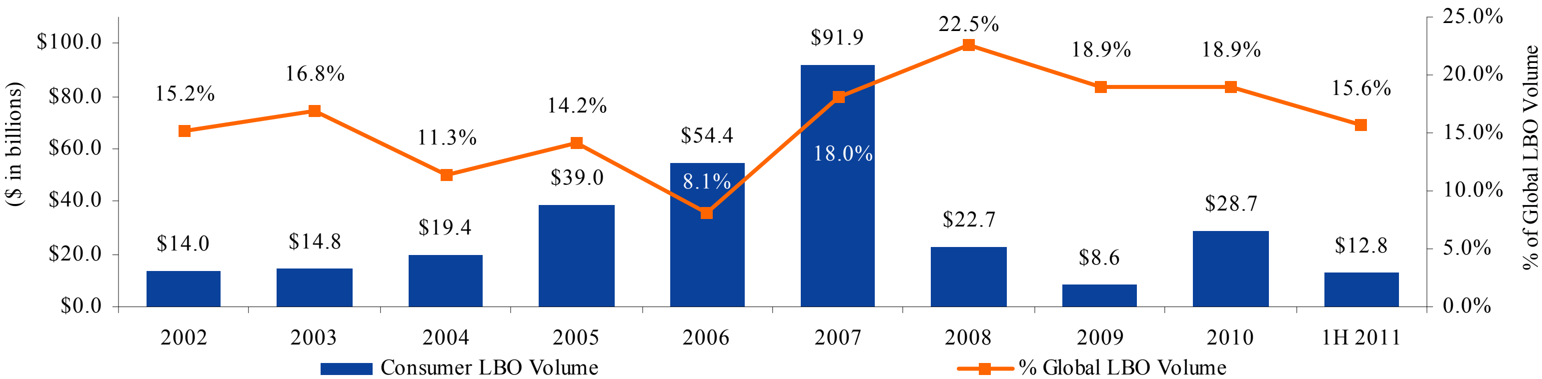
- Seek high growth, defensible businesses with strong brand recognition
- Seek carve-out opportunities at disciplined valuations from large conglomerates looking to shed "non-core" brands
- Capitalize on Avista's expertise
  - Leverage Industrials and Consumer operational experience of operating executives, Allen Yurko and Charles McIlvaine
  - Certain Industrials and Consumer sub-sectors such as drilling equipment and health & beauty and OTC drugs are complementary to Avista's existing Energy and Healthcare focus

Industrials and Consumer Consistently Provides LBO Opportunities

Global Industrials LBOs



Global Consumer LBOs(1)



Source: Thomson Reuters.
Note: As of June 30, 2011.
(1) Includes Consumer Staples and Consumer Products and Services.

AVISTA CAPITAL PARTNERS

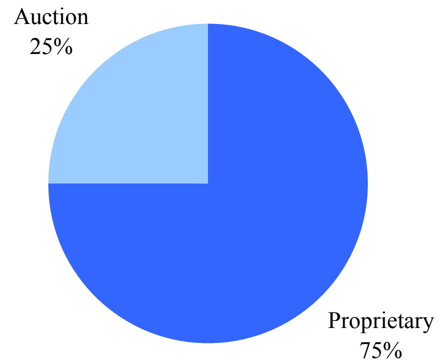
Fund II Update

Fund II: Proven Sourcing Capabilities Across Focused Sectors

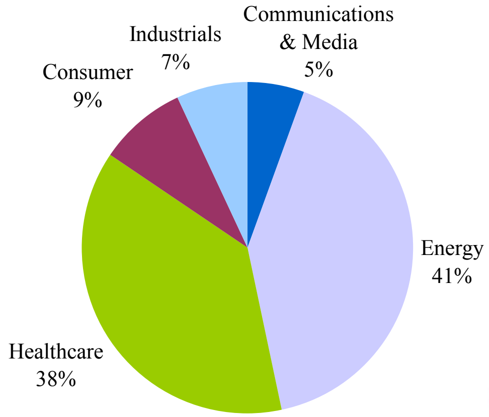
Avista Model Provides Significant Proprietary Deal Flow and Good Diversification Across Industry Sectors

	Energy	Healthcare	Communications & Media	Consumer	Industrials
Fund II Investments	9	4	1	1	1
# of Proprietary Investments	9	2	1	0	0
Committed Capital	$752 MM	$692 MM	$100 MM	$160 MM	$127 MM

Source of Investments (By Number of Companies)



Sector Investments (% of Capital Committed)



Note: As of March 31, 2012.

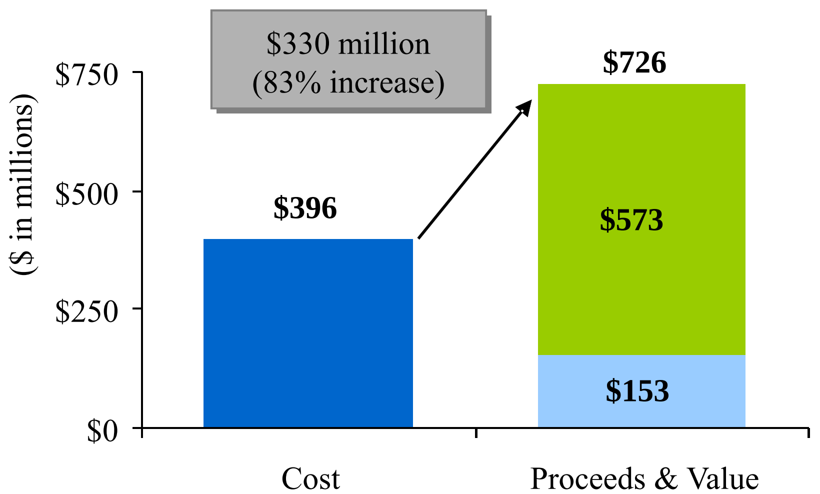
AVISTA CAPITAL PARTNERS

Fund II: Strong Initial Performance

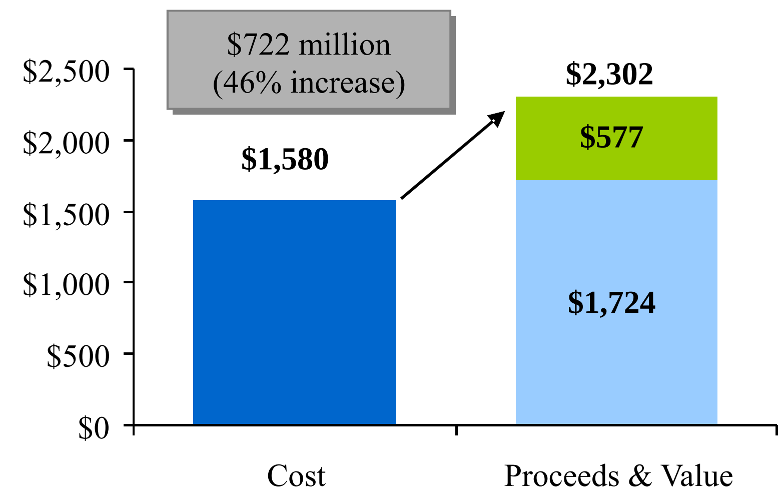
(As of March 31, 2012, $ in millions)

- Fund II has committed $1.8 billion in 16 investments
- Through March 31, 2012, Fund II had approximately $722 million in realized and unrealized gains, representing 46% of funded cost[(1)]
- Fund II has achieved a realized gross and net IRR of 65% and 42%, respectively[(2)]

Realized Investments[(1,2)]



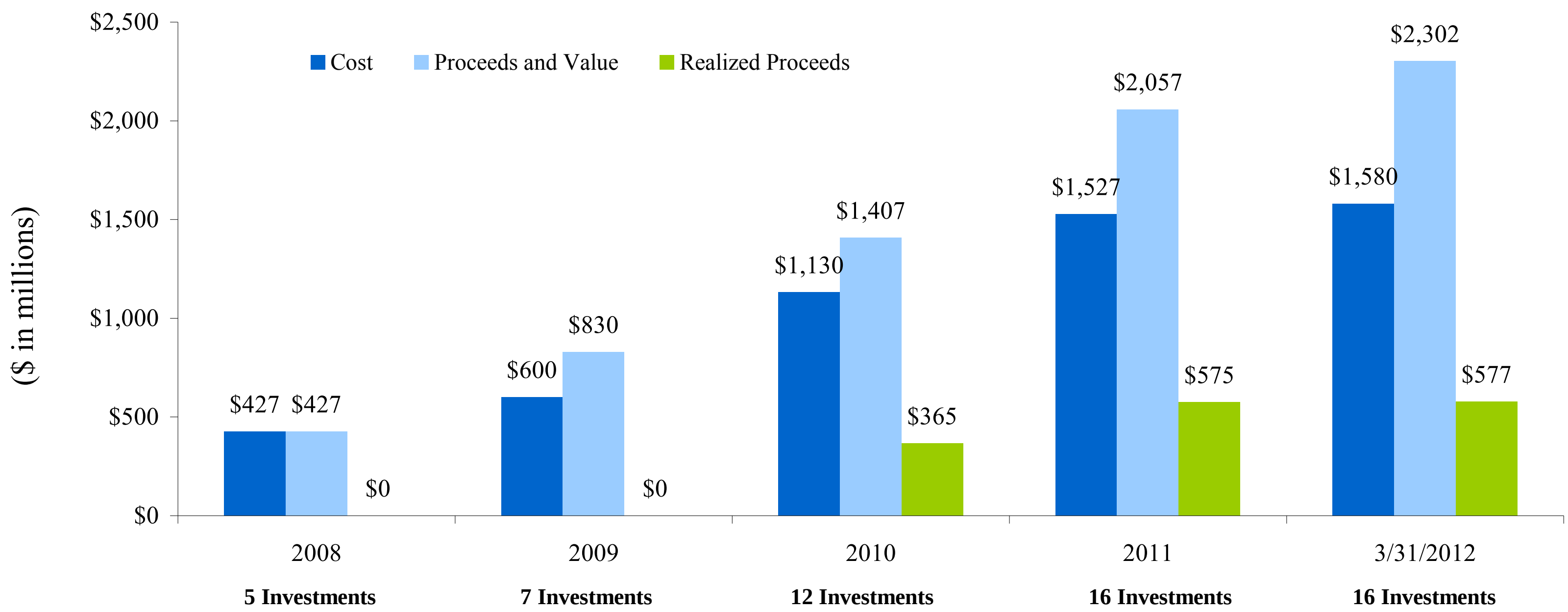
Total Realized and Unrealized Investments[(1)]



(1) Based on valuations as of March 31, 2012.
(2) Includes ACP II Marcellus, Enduring Resources, Frontier Drilling and Nycomed/Fougera realizations.
Note: Numbers may not add due to rounding.

Fund II Cumulative Cash Flows

- As of March 31, 2012, Fund II has returned $577 million to LPs, or approximately 33% of capital contributions



Fund II Realizations

Fund II has returned over $570 million to investors

ACP II Marcellus / CARRIZO	• Sale of acreage in Pennsylvania to Reliance Industries in September 2010	$248 million
FRONTIER DRILLING	• Sale to Noble Corporation in July 2010	$101 million
ENDURING RESOURCES	• Two asset divestitures: – Sale of acreage in South Texas in December 2010 – Sale of East Texas Freestone Trend assets in April 2011	$32 million
NYCOMED	• Sale of non-US business to Takeda Pharmaceuticals in September 2011	$192 million

Fund II Portfolio Overview

As of March 31, 2012

	Business Description	Initial Investment Date	Equity Commitment ($mm)	Equity Funded ($mm)	Realized Proceeds ($mm)	Remaining FMV(1) ($mm)	Proceeds and Remaining FMV(1) ($mm)	Gross Multiple of Cost(1)
Laredo Energy	Acquisition, exploration and development activities in South Texas	Jun-08	$134	$118	$0	$126	$126	1.1x
Royal Offshore	Shallow / midwater GOM exploration and development	Jul-08	47	47	4	33	37	0.8x
ConvaTec	Developer and marketer of innovative medical technologies	Aug-08	276	276	0	304	304	1.1x
ACP II Marcellus / CARRIZO	JV with Carrizo Oil & Gas focused on acquiring and developing natural gas targets in the Marcellus and Utica Shale Formations	Aug-08	180	153	248	117	365	2.4x
hansa HYDROCARBONS	North Sea exploration and development	Oct-08	100	46	0	32	32	0.7x
FRONTIER DRILLING	Offshore drilling contractor	Feb-09	80	80	101	0	101	1.3x
Enduring Resources	Domestic onshore basin exploration and development	Sep-09	14	14	32	0	32	2.3x
OptiNose DRUG DELIVERY DEVICES	Medical device company	Jun-10	68	48	0	52	52	1.1x

(1) Based on valuations as of March 31, 2012. Although Avista believes the values set forth above reflect the remaining value of the unrealized investments held by Fund II, there can be no assurance that any proceeds will actually be realized on these investments or that, if and when realized, the proceeds will be equal to the amounts estimated.

Note: Numbers may not add due to rounding.

Fund II Portfolio Overview (cont'd)

As of March 31, 2012

	Business Description	Initial Investment	Equity Commitment ($mm)	Equity Funded ($mm)	Realized Proceeds ($mm)	Remaining FMV(1) ($mm)	Proceeds and Remaining FMV(1) ($mm)	Gross Multiple of Cost(1)	Net Multiple of Cost(1)
NYCOMED fougera PHARMACEUTICALS INC.	European mid-sized specialty pharmaceutical company	Jul-10	$148	$148	$192	$36	$229	1.5x	
inc Research	Therapeutically focused contract research organization	Sep-10	198	198	0	235	235	1.2x	
Appalachian Midstream Partners AMP	Marcellus Shale based gas gathering and transportation services asset	Oct-10	60	8	0	10	10	1.2x	
Armored AutoGroup ArmorAll STP	Aftermarket appearance and performance auto-care business	Nov-10	160	160	0	160	160	1.0x	
HI CRUSH	Developer of raw sands for use in hydraulic fracturing operations in oil and gas wells	May-11	61	61	0	359	359	5.9x	
Enduring Resources II	Domestic onshore basin exploration and development	Jun-11	77	19	0	19	19	1.0x	
DATA BANK	Dallas-based data center operator	Jun-11	100	75	0	87	87	1.2x	
Anthony	Manufacturer of glass doors and related products for the retail refrigeration and freezer merchandising market	Jun-11	127	127	0	154	154	1.2x	
TOTAL			**$1,831**	**$1,580**	**$577**	**$1,724**	**$2,302**	**1.5x**	**1.3x**

(1) *Based on valuations as of March 31, 2012. Although Avista believes the values set forth above reflect the remaining value of the unrealized investments held by Fund II, there can be no assurance that any proceeds will actually be realized on these investments or that, if and when realized, the proceeds will be equal to the amounts estimated.*

Note: *Numbers may not add due to rounding. The historical returns achieved by any prior funds or individual investments are not a prediction of future performance or a guaranty of future results, and there can be no assurance that these or comparable returns will be achieved by investments, individually or in the aggregate, made by Fund III.*

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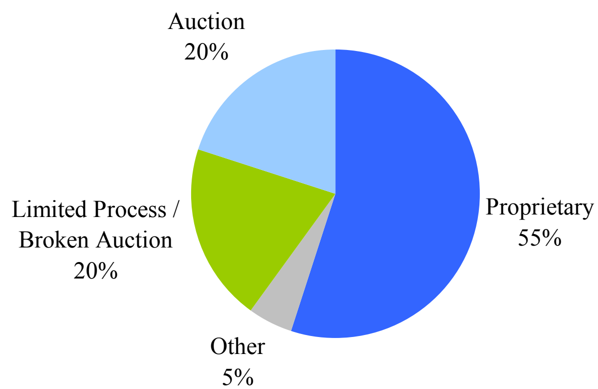
Fund I Update

Fund I: Proven Sourcing Capabilities Across Focused Sectors

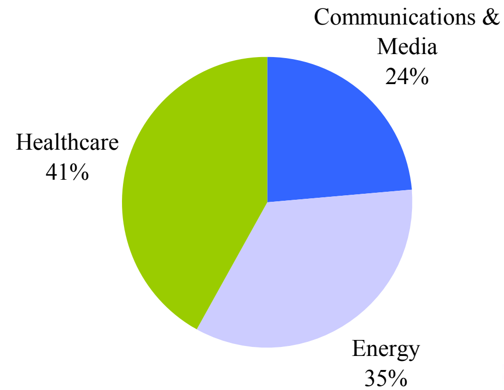
Avista Model Provides Significant Proprietary Deal Flow and Good Diversification Across Industry Sectors

	Energy	Healthcare	Communications & Media
Fund I Investments	8	7	5
# of Proprietary Investments	7	3	1
Committed Capital	$764 MM	$925 MM	$520 MM

Source of Investments (By Number of Companies)



Sector Investments (% of Capital Committed)



Note: As of March 31, 2012.

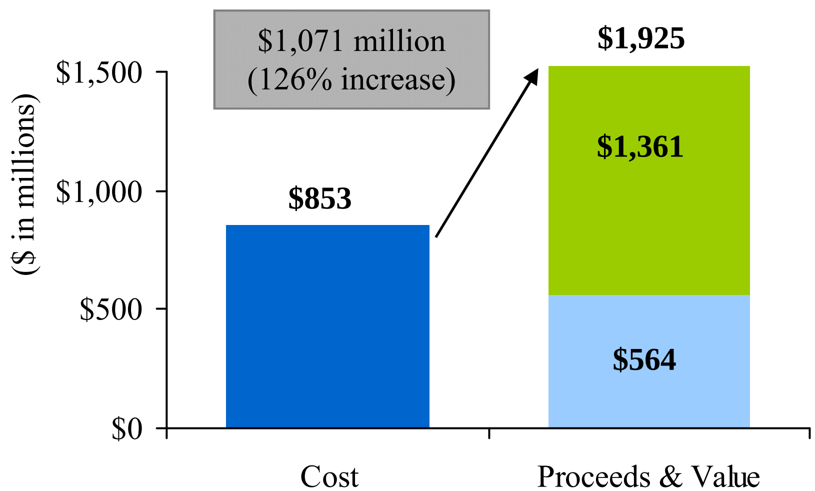
AVISTA CAPITAL PARTNERS

Fund I: Strong Performance Through Difficult Economic Cycle

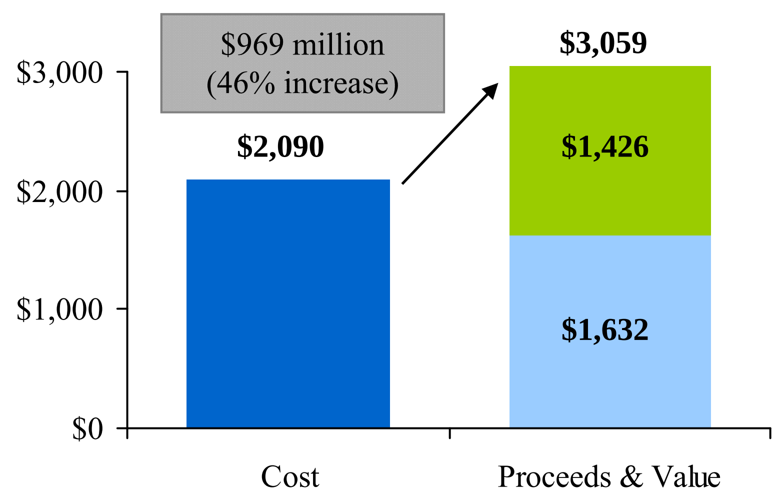
(As of March 31, 2012, $ in millions)

- Fund I is 100% committed with total capital commitments of $2.2 billion and 20 investments
- Through March 31, 2012, Fund I had approximately $969 million in realized and unrealized gains, representing 46% of funded cost(1)
- Fund I has achieved a realized gross and net IRR of 26% and 21%, respectively (2)

Realized Investments(1,2)



Total Realized and Unrealized Investments(1)

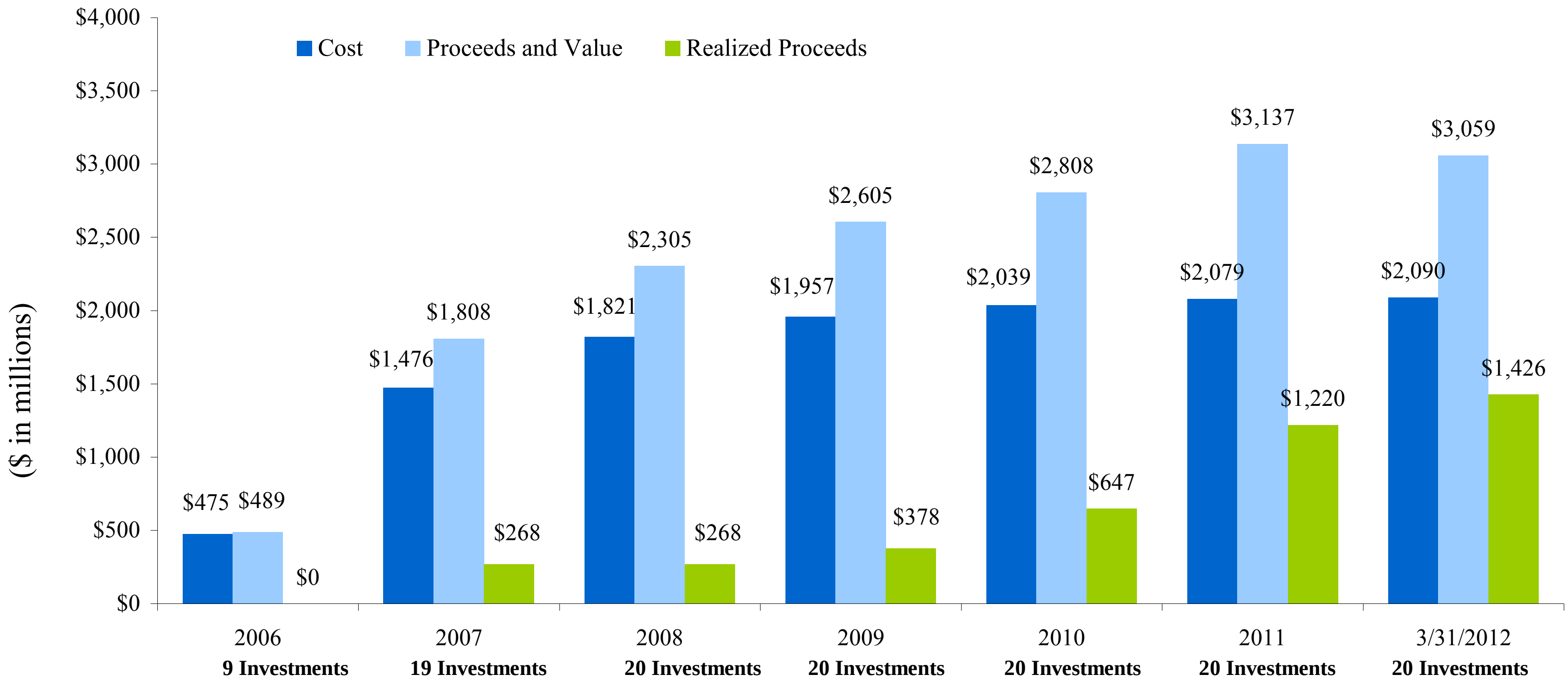


Cost Remaining Value Realized Proceeds

(1) Based on valuations as of March 31, 2012.
(2) Includes BioReliance, Frontier Drilling, Lantheus Medical Imaging, MedServe, Nycomed/Fougera, Star Tribune, Thompson Publishing and WideOpenWest.
Note: Numbers may not add due to rounding.

Fund I Cumulative Cash Flows

- As of March 31, 2012, Fund I has returned approximately $1.4 billion to LPs, or approximately 65% of capital contributions



AVISTA CAPITAL PARTNERS

Fund I Realizations in 2011 & 2012

Nearly $800 million of distributions in 2011 & 2012

Lantheus Medical Imaging	• Dividend in March 2011	$101 million
WOW! It's that kind of experience.	• Dividend in July 2011	$20 million
NYCOMED	• Sale of non-US business to Takeda Pharmaceuticals in September 2011	$448 million
MedServe	• Release of escrow proceeds from sale in December 2009	$4 million
BioReliance	• Sale to Sigma Aldrich in January 2012	$206 million

Total: $779 million

AVISTA CAPITAL PARTNERS

Fund I Portfolio Overview

As of March 31, 2012

Name	Business Description		Initial Investment Date	Equity Commitment ($ mm)	Equity Funded ($ mm)	Realized Proceeds ($ mm)	Remaining FMV (1) ($ mm)	Proceeds and Remaining FMV (1) ($ mm)	Gross Multiple of Cost
WOW! It's that kind of experience.	Competetive provider of residential and commercial high-speed Internet, cable television and telephone services	Equity	May-06	$80	$80	$223	$157	$380	4.7x
		Debt	Apr-08	18	18	39	0	39	2.2x
		Total		98	98	262	157	419	4.3x
Celtique Energie	E&P prospect generation in Africa and Europe		May-06	43	23	0	44	44	1.9x
Thompson Insight you trust.	Business-to-business publisher		Jul-06	87	87	36	0	36	0.4x
Frontier Drilling	International offshore drilling contractor		Aug-06	95	95	87	14	102	1.1x
Spartan Offshore Drilling	Jackup drilling rig contractor		Sep-06	170	168	65	97	162	1.0x
Geokinetics	International geophysical data acquisition services provider		Sep-06	148	138	0	125	125	0.9x
MedServe	Provider of medical waste removal/ related environmental services		Sep-06	34	34	57	0	57	1.7x
Manti	E&P in the Gulf Coast region		Nov-06	92	57	0	61	61	1.1x
Nycomed / fougera Pharmaceuticals Inc.	European mid-sized pharmaceutical	Equity	Dec-06	138	138	448	85	532	3.9x
		Debt	Apr-08	34	34	50	0	50	1.5x
		Total		172	172	498	85	582	3.4x
InvestorPlace Media, LLC	Provider of subscription-based investment advisory services		Jan-07	62	40	0	6	6	0.2x
StarTribune Minneapolis • St. Paul	Minneapolis news and information provider		Mar-07	105	105	0	0	0	0.0x

(1) Based on valuations as of March 31, 2012. Although Avista believes the values set forth above reflect the remaining value of the unrealized investments held by Fund I, there can be no assurance that any proceeds will actually be realized on these investments or that, if and when realized, the proceeds will be equal to the amounts estimated.

Note: Numbers may not add due to rounding.

AVISTA CAPITAL PARTNERS

Fund I Portfolio Overview (cont'd)

As of March 31, 2012

Name	Business Description	Initial Investment Date	Equity Commitment ($ mm)	Equity Funded ($ mm)	Realized Proceeds ($ mm)	Remaining FMV (1) ($ mm)	Proceeds and Remaining FMV (1) ($ mm)	Gross Multiple of Cost	Net Multiple of Cost
BioReliance	Contract service organization providing biological safety testing services	Apr-07	$83	$83	$206	$12	$219	2.6x	
Peregrine Oil & Gas	E&P company focused in the U.S. Gulf of Mexico	May-07	50	44	0	52	52	1.2x	
Laramie Energy	Unconventional natural gas in the Rocky Mountain region	Jun-07	122	99	0	131	131	1.3x	
IWCO Direct	Provider of direct mail solutions to direct marketers and loyalty programs	Aug-07	169	166	0	97	97	0.6x	
VWR International	Distributor of equipment and supplies to the laboratory sector	Aug-07	110	110	0	137	137	1.2x	
Basic energy services	Publicly-traded energy services company	Sep-07	44	44	0	34	34	0.8x	
Lantheus Medical Imaging	Contrast agents for cardiovascular imaging procedures	Jan-08	180	180	216	295	511	2.8x	
Navilyst Medical	Fluid Management and Venous Access businesses	Feb-08	196	196	0	120	120	0.6x	
ConvaTec	Developer and marketer of innovative medical technologies	Aug-08	150	150	0	165	165	1.1x	
TOTAL			**$2,209**	**$2,090**	**$1,426**	**$1,632**	**$3,059**	**1.5x**	**1.3x**

(1) Based on valuations as of March 31, 2012. Although Avista believes the values set forth above reflect the remaining value of the unrealized investments held by Fund I, there can be no assurance that any proceeds will actually be realized on these investments or that, if and when realized, the proceeds will be equal to the amounts estimated.

Note: Numbers may not add due to rounding. The historical returns achieved by any prior funds or individual investments are not a prediction of future performance or a guaranty of future results, and there can be no assurance that these or comparable returns will be achieved by investments, individually or in the aggregate, made by Fund III.

Summary

Avista Capital Partners – Summary

- Experienced and cohesive team
  - 8 of 9 investment partners from DLJMB, with an average of 10 years of working together
  - 12 Operating Executives with deep operational experience and long history with the Avista team
- Consistent and strong 20 year track record
  - Includes $9.0 billion in 88 investments, generating a realized gross and net multiple of 2.5x and 2.2x and a realized gross and net IRR of 118% and 44%, respectively
  - Raised two funds at Avista with approximately $3.8 billion of capital commitments
  - Returned approximately $2.0 billion to LPs through Avista Funds I and II, representing approximately 51% of capital contributions
- Industry focused strategy
  - Middle market investments in energy, healthcare, communications & media, consumer and industrials
- Avista's competitive advantage
  - Proven Operating Executive model
  - Strong sourcing capabilities; substantial proprietary deal flow
  - Strong financing and structuring capabilities
- Significant GP commitment and alignment of interests with LPs
  - GP committed $150 million to Fund III (7.5% of expected commitments)
  - GP committed $320 million in aggregate to Funds I and II

Appendix

Avista Track Record

Avista Track Record – Realized[(A)(B)(G)]

DLJMB: May 1, 1992 through March 31, 2012
Avista I: May 1, 2006 through March 31, 2012
Avista II: July 25, 2008 through March 31, 2012
($ millions)

Year	Company	Business Description	Industry	Fund	Capital Invested [(C)]	Realized Proceeds [(D)(E)]	Value Remaining [(D)(F)]	Total Proceeds and Value [(D)(E)(F)]	Gross Multiple of Capital Invested [(D)]	Net Multiple of Capital Invested [(D)]	Gross IRR [(D)]	Net IRR [(D)]
1992	Evergreen Media	Radio stations	Communications & Media	DLJMB I	$35	$75	$0	$75	2.2x	1.9x	59%	48%
1992	Nimbus CD	CD manufacturer	Communications & Media	DLJMB I	13	78	0	78	6.0x	4.9x	93%	79%
1992	Hampshire Holding Corp.	Specialty chemicals manufacturer	Industrials	DLJMB I	10	49	0	49	4.9x	4.1x	82%	69%
1993	Argyle Television	Network affiliated TV stations	Communications & Media	DLJMB I	45	347	0	347	7.7x	6.3x	406%	327%
1994	IVAC	Infusion therapy equipment	Healthcare	DLJMB I	40	133	0	133	3.3x	2.8x	87%	68%
1994	Katz Media	Media representation	Communications & Media	DLJMB I	40	73	0	73	1.8x	1.6x	21%	15%
1995	Fiberite Holdings, Inc.	Composite materials manufacturer	Industrials	DLJMB I	32	206	0	206	6.6x	5.4x	167%	123%
1996	Brand Services, Inc.	Provider of industrial scaffolding services	Industrials	DLJMB I	26	159	0	159	6.1x	5.0x	46%	39%
1997	Von Hoffmann	Educational textbook printer	Communications & Media	DLJMB II	107	200	0	200	1.9x	1.6x	15%	11%
1997	Arcade	Marketing services and specialty printing	Communications & Media	DLJMB II	90	143	0	143	1.6x	1.5x	7%	6%
1998	Fisher Scientific	Medical supplies distributor	Healthcare	DLJMB II	58	183	0	183	3.1x	2.6x	26%	21%
1998	Amatek Holdings S.A.	Buildings products manufacturer	Industrials	DLJMB II	31	61	1	62	2.0x	1.7x	11%	8%
1998	Formica Corporation	High pressure laminates manufacturer	Industrials	DLJMB II	126	0	0	0	0.0x	0.1x	NM	NM
1998	Oxford Health Plans	Health maintenance organization	Healthcare	DLJMB II	40	79	0	79	2.0x	1.7x	30%	22%
1998	Target Media Partners	Free classified advertising publisher	Communications & Media	DLJMB II	9	1	0	1	0.1x	0.2x	NM	NM
1998	DeCrane Aerospace, Inc.	Aircraft parts manufacturer	Industrials	DLJMB II	159	15	0	15	0.1x	0.2x	NM	NM
1998	Insilco Technologies Group	Diversified manufacturing	Industrials	DLJMB II	93	0	0	0	0.0x	0.1x	NM	NM
1999	Mueller Group, Inc.	Iron and brass flow control manufacturer	Industrials	DLJMB II	231	1,099	0	1,099	4.7x	3.9x	36%	30%
1999	Charles River Laboratories	Research models used in pharmaceutical R&D	Healthcare	DLJMB II	88	380	0	380	4.3x	3.6x	141%	102%
1999	Haights Cross Communications	Educational and professional publisher	Communications & Media	DLJMB II	50	85	0	85	1.7x	1.5x	14%	9%
1999	Merrill	Financial printer / business services	Communications & Media	DLJMB II	91	95	0	95	1.0x	0.9x	1%	NM
1999	WRC Media	Educational publisher	Communications & Media	DLJMB II	45	57	0	57	1.3x	1.2x	4%	2%
2000	Shoppers Drug Mart Limited	Drug store chain	Retail / Consumer	DLJMB II	74	400	0	400	5.4x	4.4x	63%	50%
2000	UbiquiTel, Inc.	Wireless communications provider	Communications & Media	DLJMB II	25	27	0	27	1.1x	1.0x	2%	NM
2000	ThermaSys Corp.	Manufacturer of heat transfer systems	Industrials	DLJMB II	48	0	0	0	0.0x	0.1x	NM	NM
2000	Neuf Telecom	Fiber optic network and data center services provider	Communications & Media	DLJMB III	174	287	0	287	1.6x	1.5x	9%	7%
2000	IP Communications	Independent broadband service provider	Communications & Media	DLJMB III	39	0	0	0	0.0x	0.1x	NM	NM
2000	Focus Diagnostics	Lab diagnostic services and products	Healthcare	DLJMB III	35	89	0	89	2.6x	2.2x	19%	15%
2000	Michael Petroleum	South Texas exploration and production ("E&P")	Energy	DLJMB III	35	124	0	124	3.6x	3.0x	359%	276%
2000	Advanstar	Business-to-business publishing/trade shows	Communications & Media	DLJMB III	342	407	0	407	1.2x	1.1x	3%	2%
2001	Basic Energy	Domestic production and well service	Energy	DLJMB III	90	292	196	488	5.4x	4.5x	26%	22%
2001	Telseon, Inc.	High-speed data transport services provider	Communications & Media	DLJMB III	41	0	0	0	0.0x	0.1x	NM	NM
2001	Brigham Exploration	3D supported E&P	Energy	DLJMB III	45	138	0	138	3.1x	2.6x	21%	18%
2001	Frontier Drilling	International offshore drilling contractor	Energy	DLJMB III	181	124	0	124	0.7x	0.7x	NM	NM

See applicable notes A-G on pages 46 -47 for definitions of terms used in this table.

Avista Track Record (cont'd)

Avista Track Record – Realized[(A)(B)(G)] (Cont'd)

DLJMB: May 1, 1992 through March 31, 2012
Avista I: May 1, 2006 through March 31, 2012
Avista II: July 25, 2008 through March 31, 2012
($ millions)

Year	Company	Business Description	Industry	Fund	Capital Invested (C)	Realized Proceeds (D)(E)	Value Remaining (D)(F)	Total Proceeds and Value (D)(E)(F)	Gross Multiple of Capital Invested (D)	Net Multiple of Capital Invested (D)	Gross IRR (D)	Net IRR (D)
2001	Copano Energy	Natural gas gathering and processing	Energy	DLJMB III	$27	$119	$0	$119	4.4x	3.6x	39%	33%
2001	Gala Group Limited	Leading operator of bingo clubs and casinos in the UK	Gaming / Consumer	DLJMB III	95	299	0	299	3.1x	2.6x	148%	113%
2001	Prometheus Laboratories	U.S. diagnostics/pharmaceutical	Healthcare	DLJMB III	28	88	6	94	3.4x	2.9x	13%	10%
2002	Caledonia Oil and Gas	North Sea natural gas	Energy	DLJMB III	42	182	0	182	4.3x	3.6x	38%	31%
2002	Medicine Bow Energy	Domestic exploration of oil and gas reserves	Energy	DLJMB III	54	220	0	220	4.1x	3.4x	109%	80%
2002	TXU	Power generation and distribution	Energy	DLJMB III	395	1,166	0	1,166	3.0x	2.5x	112%	82%
2002	Seabulk	Offshore energy support, marine transportation	Energy	DLJMB III	94	326	0	326	3.5x	2.9x	37%	30%
2002	Nycomed/Fougera	European mid-sized pharmaceutical	Healthcare	DLJMB III	458	2,131	240	2,371	5.2x	4.3x	35%	29%
2003	Kinetic Concepts	Wound care and specialty hospital beds	Healthcare	DLJMB III	37	160	0	160	4.3x	3.6x	254%	158%
2003	Pinnacle	Coalbed methane development	Energy	DLJMB III	55	67	3	70	1.3x	1.1x	15%	7%
2003	American Ref-Fuel	Waste-to-energy power generation	Energy	DLJMB III	286	574	0	574	2.0x	1.7x	74%	49%
2003	Visant (Jostens)	School related affinity products	Communications & Media	DLJMB III	350	551	118	669	1.9x	1.7x	15%	11%
2004	Accellent (UTI)	Medical device outsourcer	Healthcare	DLJMB III	88	281	0	281	3.2x	2.7x	127%	80%
2004	Laramie Energy	Unconventional natural gas in the Rocky Mountain region	Energy	DLJMB III	117	398	0	398	3.4x	2.8x	110%	65%
2004	Enduring Resources	Domestic onshore exploration and development	Energy	DLJMB III	109	265	6	271	2.5x	2.1x	41%	26%
2005	Warner Chilcott	U.S. specialty pharmaceuticals	Healthcare	DLJMB III	278	1,141	0	1,141	4.1x	3.4x	32%	25%
2005	Metro-Goldwyn-Mayer	Entertainment content company	Communications & Media	DLJMB III	96	0	0	0	0.0x	0.1x	NM	NM
2005	PCDI	Distance education	Communications & Media	DLJMB III	86	0	0	0	0.0x	0.1x	NM	NM
2006	WideOpenWest	Triple-play cable TV provider	Communications & Media	AVISTA I	98	262	157	419	4.3x	3.6x	92%	76%
2006	Thompson Publishing	Business-to-business publisher	Communications & Media	AVISTA I	87	36	0	36	0.4x	0.5x	NM	NM
2006	Medserve	Provider of medical waste removal / related environ. services	Healthcare	AVISTA I	34	57	0	57	1.7x	1.5x	20%	15%
2007	Star Tribune	Minneapolis news and information provider	Communications & Media	AVISTA I	105	0	0	0	0.0x	0.2x	NM	NM
2006	Frontier Drilling	International offshore drilling contractor	Energy	AVISTA I	95	87	14	102	1.1x	1.0x	2%	0%
2008	Lantheus Medical Imaging	Contrast agents for cardiovascular imaging procedures	Healthcare	AVISTA I	180	216	295	511	2.8x	2.4x	37%	30%
2006	Nycomed/Fougera	European mid-sized pharmaceutical	Healthcare	AVISTA I	172	498	85	582	3.4x	2.9x	31%	26%
2007	BioReliance	Contract service org. providing biological safety testing services	Healthcare	AVISTA I	83	206	12	219	2.6x	2.3x	23%	18%
2008	ACP II Marcellus	Marcellus Shale exploration and development	Energy	AVISTA II	153	248	117	365	2.4x	2.0x	82%	60%
2009	Frontier Drilling	International offshore drilling contractor	Energy	AVISTA II	80	101	0	101	1.3x	1.1x	33%	11%
2009	Enduring Resources I	Domestic onshore exploration and development	Energy	AVISTA II	14	32	0	32	2.3x	1.9x	219%	122%
2010	Nycomed/Fougera	European mid-sized pharmaceutical	HealthCare	AVISTA II	148	192	36	229	1.5x	1.4x	40%	25%
Total DLJMB Realized Investments					**$5,284**	**$13,374**	**$570**	**$13,944**	**2.6x**	**2.2x**	**118%**	**48%**
Total AVISTA I Realized Investments					**$853**	**$1,361**	**$564**	**$1,925**	**2.3x**	**2.0x**	**26%**	**21%**
Total AVISTA II Realized Investments					**$396**	**$573**	**$153**	**$726**	**1.8x**	**1.6x**	**65%**	**42%**
Total Realized Investments					**$6,533**	**$15,308**	**$1,286**	**$16,595**	**2.5x**	**2.2x**	**118%**	**44%**

Avista Fund I and Fund II Gross and Net IRRs reflect cash flows on the dates they were called from and received by the fund's limited partners. See applicable notes A-G on pages 46-47 for definitions of terms used in this table.

Avista Track Record (cont’d)

Avista Track Record – Unrealized(A)(B)(G)

DLJMB: May 1, 1992 through March 31, 2012
Avista I: May 1, 2006 through March 31, 2012
Avista II: July 25, 2008 through March 31, 2012
($ millions)

Year	Company	Business Description	Industry	Fund	Capital Invested (C)	Realized Proceeds (D)(E)	Value Remaining (D)(F)	Total Proceeds and Value (D)(E)(F)	Gross Multiple of Capital Invested (D)	Net Multiple of Capital Invested (D)	Gross IRR (D)	Net IRR (D)
2006	Spartan Offshore	Jackup drilling rig contractor	Energy	AVISTA I	168	65	97	162	1.0x	0.9x		
2006	Celtique Energie	E&P prospect generation in Africa and Europe	Energy	AVISTA I	23	0	44	44	1.9x	1.7x		
2006	Geokinetics	International geophysical data acquisition services provider	Energy	AVISTA I	138	0	125	125	0.9x	0.9x		
2006	Manti Exploration	E&P operations in the Gulf Coast region	Energy	AVISTA I	57	0	61	61	1.1x	1.0x		
2007	InvestorPlace Media	Provider of subscription-based investment advisory services	Communications & Media	AVISTA I	40	0	6	6	0.2x	0.3x		
2007	Peregrine Oil & Gas II	E&P company focused in the U.S. Gulf of Mexico	Energy	AVISTA I	44	0	52	52	1.2x	1.1x		
2007	Laramie Energy II	Unconventional natural gas in the Rocky Mountain region	Energy	AVISTA I	99	0	131	131	1.3x	1.2x		
2007	IWCO Direct	Provider of direct mail solutions to direct marketers and loyalty programs	Communications & Media	AVISTA I	166	0	97	97	0.6x	0.6x		
2007	VWR	Distributor of equipment and supplies to the laboratory sector	Healthcare	AVISTA I	110	0	137	137	1.2x	1.2x		
2007	Basic Energy	Domestic production and well service	Energy	AVISTA I	44	0	34	34	0.8x	0.8x		
2008	Navilyst Medical	Fluid management and venous access businesses	Healthcare	AVISTA I	196	0	120	120	0.6x	0.6x		
2008	ConvaTec	Leading wound care business	Healthcare	AVISTA I	150	0	165	165	1.1x	1.0x		
2008	Laredo Energy IV	Eagle Ford Shale development in South Texas	Energy	AVISTA II	118	0	126	126	1.1x	1.0x		
2008	Royal Offshore	Shallow / midwater GOM exploration and development	Energy	AVISTA II	47	4	33	37	0.8x	0.7x		
2008	ConvaTec	Leading wound care business	Healthcare	AVISTA II	276	0	304	304	1.1x	1.0x		
2008	Hansa Hydrocarbons	North Sea exploration and development	Energy	AVISTA II	46	0	32	32	0.7x	0.7x		
2010	OptiNose	Medical device company	HealthCare	AVISTA II	48	0	52	52	1.1x	1.0x		
2010	INC Research	Contract research organization company	HealthCare	AVISTA II	198	0	235	235	1.2x	1.1x		
2010	Appalachian Midstream	Marcellus Shale based natural gas gathering asset	Energy	AVISTA II	8	0	10	10	1.2x	1.1x		
2010	Armored AutoGroup	Aftermarket appearance and performance auto-care business	Consumer	AVISTA II	160	0	160	160	1.0x	0.9x		
2011	Hi-Crush	Developer of raw sands for use in hydraulic fracturing	Energy	AVISTA II	61	0	359	359	5.9x	4.9x		
2011	DataBank	Dallas-based data center operator	Communications & Media	AVISTA II	75	0	87	87	1.2x	1.1x		
2011	Anthony	Manufacturer of refrigeration glass doors and related products	Industrials	AVISTA II	127	0	154	154	1.2x	1.1x		
2011	Enduring Resources II	Domestic onshore basin exploration and development	Energy	AVISTA II	19	0	19	19	1.0x	0.9x		
Total AVISTA I Unrealized Investments					**$1,236**	**$65**	**$1,069**	**$1,134**	**0.9x**	**0.9x**	**NM**	**NM**
Total AVISTA II Unrealized Investments					**$1,184**	**$4**	**$1,571**	**$1,575**	**1.3x**	**1.2x**	**21%**	**10%**
Total Unrealized Investments					**$2,421**	**$69**	**$2,640**	**$2,709**	**1.1x**	**1.0x**	**4%**	**1%**
ALL DLJMB Investments					**$5,284**	**$13,374**	**$570**	**$13,944**	**2.6x**	**2.2x**	**118%**	**48%**
All Avista I Investments					**$2,090**	**$1,426**	**$1,632**	**$3,059**	**1.5x**	**1.3x**	**12%**	**8%**
All Avista II Investments					**$1,580**	**$577**	**$1,724**	**$2,302**	**1.5x**	**1.3x**	**32%**	**17%**
Total Avista Track Record					**$8,954**	**$15,378**	**$3,927**	**$19,304**	**2.2x**	**1.9x**	**118%**	**37%**

Avista Fund I and Fund II Gross and Net IRRs reflect cash flows on the dates they were called from and received by the fund’s limited partners. See applicable notes A-G on pages 46-47 for definitions of terms used in this table.

AVISTA CAPITAL PARTNERS

Footnotes to Avista Track Record

(A) *The Avista Track Record is comprised of the 88 investments detailed in the table titled "Avista Track Record" that were selected based on the following: a) the 36 investments made by Fund I and Fund II plus b) the 52 DLJMB investments in companies operating in the energy, healthcare, media, consumer and industrial sectors that an Avista Founding Partner sourced, led and/or was substantially involved in. These investments are not the only investments that the Avista Partners either sourced, led or were substantially involved in while employed by DLJMB. There are four other such investments that are not included in the Avista Track Record because they do not represent companies operating in the energy, healthcare, media, consumer or industrial sectors. Including these four additional investments, the Gross Multiple of Capital Invested and Net Multiple of Capital Invested on Realized Investments is 2.5x and 2.1x, respectively, and the Gross IRR and Net IRR on Realized Investments is 51% and 26%, respectively. The Gross Multiple of Capital Invested and Net Multiple of Capital Invested for all 92 investments is 2.2x and 1.9x, respectively, and the Gross IRR and Net IRR is 49% and 25%, respectively. At the launch of Fund I, the Avista Track Record was comprised of 36 companies that Avista's Founding Partners sourced, led and/or were substantially involved in while at DLJMB in the energy, healthcare and media sectors, which were the sectors originally targeted by Avista. As Avista has broadened its investment focus, the Avista Track Record now includes 52 energy, healthcare, media, consumer and industrial investments that Avista's Founding Partners sourced, led and/or were substantially involved in while at DLJMB. Past performance is not indicative of future results, and there can be no assurance that Fund III will generate results comparable to those previously achieved by the investment professionals or that the investment performance of the investments in the Avista Track Record will not decrease.*

(B) *All DLJMB investment performance data included herein reflects source data provided to Mr. Dean by Credit Suisse as of March 31, 2012. Credit Suisse assumes no responsibility for such data nor the investment performance presentation derived therefrom. The investment performance data does not reflect events (such as realizations or write-downs), if any, subsequent to that date. The historical returns achieved with respect to the Avista Track Record are not a prediction of future performance, and there can be no assurance that these or comparable returns will be achieved by the Fund or that the Fund's performance objectives will be achieved. While the Avista Founding Partners sourced, led and/or were substantially involved in the DLJMB investments which comprise a portion of the Avista Track Record, these investments were made by DLJMB or its funds, not by Avista Capital Partners or its affiliates, and also involved personnel not employed by Avista Capital Partners. Due to rounding, the numbers in the performance tables throughout this presentation may not add to the sums displayed.*

(C) *For all DLJMB portfolio companies, Capital Invested or "invested capital" reflects the amount of the total capital invested in each investment plus the unfunded portion of each commitment, if any, at March 31, 2012. For all Avista Funds' portfolio companies, Capital Invested or "invested capital" reflects the amount of the total capital invested in each investment at March 31, 2012.*

(D) *All Realized Proceeds, Values Remaining, Gross Multiples of Capital Invested and Gross IRRs are before expenses and carried interest and have been calculated as of March 31, 2012 for the Avista Funds and March 31, 2012 for the DLJMB investments. Net Multiples of Capital Invested and Net IRRs are calculated after giving effect to management fees, carried interest and fund expenses, and are calculated as of March 31, 2012 for the Avista Funds and March 31, 2012 for the DLJMB investments. In calculating the Net Multiples of Capital Invested and Net IRRs for the investments included in the Avista Track Record, the Net Multiples of Capital Invested and Net IRRs are calculated on an investment-by-investment basis, taking into consideration (i) a pro rata allocation (based on the total capital invested in each applicable investment as a percentage of the total capital invested in all deals by the applicable fund) of the actual management fees and expenses incurred by the applicable fund, (ii) a direct allocation of all investment-level expenses directly attributable to such investment and (iii) a carried interest fee of 20% applied to the proceeds, if any, of each such investment (collectively, the "Expenses"). Net Multiples of Capital Invested calculations reflect the quotient of (x) the difference between proceeds and Expenses, divided by (y) Capital Invested (i.e. (proceeds – Expenses) / Capital Invested). Net IRR calculations reflect expenses as of the date they are incurred. Credit Suisse assumes no responsibility for such data or the investment performance presentation derived therefrom. The Gross and Net IRRs are calculated using a time-series methodology, which, for Realized Investments, reflects cash inflows as of the due date of each capital call and cash outflows as of the date of the distribution of realized proceeds to limited partners on a monthly basis, and, for Publicly-Traded Investments, reflects the actual timing of investment outflows and treats unrealized values (determined as set forth in note (F)) as inflows on March 31, 2012 for the Avista Funds and March 31, 2012 for the DLJMB investments. For purposes of calculating Gross and Net Multiples of Capital Invested and Gross and Net IRRs, the unfunded commitments described in note (C) are not included as inflows or outflows since such commitments were not funded as of March 31, 2012 for the Avista Funds and March 31, 2012 for the DLJMB investments. "NM" means not meaningful.*

AVISTA CAPITAL PARTNERS

Footnotes to Avista Track Record

(E) Realized Proceeds reflect the amount of cash proceeds actually received and the value of any securities distributed in-kind to investors (based on the average closing sales price of the distributed security for the 10 trading days immediately prior to and the five trading days immediately after the date of notice of the distribution).

(F) Value Remaining is based on information as of March 31, 2012 for the Avista Funds and March 31, 2012 for the DLJMB investments and reflects: (i) Publicly-Traded Investments valued at their closing market price on March 31, 2012 for the Avista Funds and March 31, 2012 for the DLJMB investments (on an as-converted basis, if applicable), plus any accrued dividends and interest; and (ii) Unrealized Investments and the unrealized portion of Realized Investments (other than Publicly-Traded Investments) are generally valued at Avista's or Credit Suisse's, as applicable, estimated value of such investments determined based on the applicable investment policy of Avista or Credit Suisse, plus the value of any interest and dividends received or accrued, and any amortization of original issue discount where applicable. The actual realized returns on unrealized value will depend on a number of factors, including future operating results, the value of the assets and market conditions at the time of disposition, legal and contractual restrictions on transfer that may limit liquidity, any related transactional costs and the nature of the disposition, all of which may differ from the assumptions and circumstances on which the current unrealized valuations are based. Accordingly, actual realized returns on unrealized investments may differ materially from returns indicated herein

(G) For purposes of defining Realized Investments and Unrealized Investments:

i. Realized Investments for the Avista Funds are investments (a) that have been fully realized, (b) that have generated cash proceeds in excess of their investment cost, (c) where securities have been distributed in-kind to investors or (d) that have been permanently written down or written off; Realized Investments for the DLJMB investments are investments (a) that have been fully or substantially realized, (b) where securities have been distributed in-kind to investors, (c) that are Publicly-Traded Investments or (d) that have been permanently written down or written off.

ii. Publicly-Traded Investments include investments in common stock that are publicly-traded on a national securities exchange or the National Association of Securities Dealers Automated Quotation System ("NASDAQ") and investments in securities convertible into or exercisable into common stock that are publicly-traded on a national securities exchange or NASDAQ, in each case where there is sufficient trading volume to be considered public. There can be no assurance that such Publicly-Traded Investment may actually be realized at the valuations described herein.

iii. Unrealized Investments are all investments that are not Realized Investments.

Partner and Industry Executive Biographies

Biographies

Thompson Dean, Co-Managing Partner and Co-CEO: Prior to co-founding Avista Capital Partners in 2005, Mr. Dean led DLJ Merchant Banking Partners for 10 years. Mr. Dean served as Managing Partner of DLJMB I, II and III and DLJ Growth Capital Partners until his departure in 2005 and was Chairman of their respective Investment Committees. Mr. Dean continues to serve as Co-Chairman of the Investment Committees of DLJMB II and III. Mr. Dean received a B.A. from the University of Virginia in 1979, where he was an Echols Scholar, and an M.B.A. with high distinction from Harvard Business School in 1984, where he was a Baker Scholar. Mr. Dean currently serves on the Boards of ConvaTec, IWCO, Fougera and VWR. Mr. Dean is a board member of the Lenox Hill Neighborhood Association and a trustee of the Eaglebrook School. Mr. Dean previously served as Chairman of the Special Projects Committee of Memorial Sloan Kettering Hospital and as a member of the College Foundation Board of the University of Virginia. In addition, Mr. Dean serves on various committees of the Boys Club of New York and the Museum of the City of New York.

Steven Webster, Co-Managing Partner, Co-CEO and Industry Executive: Prior to co-founding Avista Capital Partners in 2005, Mr. Webster served as the Chairman of DLJMB Global Energy Partners, a specialty group he developed for DLJMB which sourced, executed and managed DLJMB III's energy related investments from 1999 through June 30, 2005. Throughout his business career, Mr. Webster has been active in venture capital and investment activities in various industries, including energy. In the energy business, he co-founded and/or has been a lead investor in the E&P and service sectors, including Falcon Drilling, Carrizo, Grey Wolf, Hercules, Laredo, Peregrine and Union Drilling. Mr. Webster graduated in 1973 with a BSIM with distinction from Purdue University and in 1975 with an M.B.A. with high distinction from Harvard Business School, where he was a Baker Scholar. In 2009, Mr. Webster was awarded an honorary Doctor of Management degree from Purdue. He serves on the Advisory Board of Purdue's Krannert School of Management. Mr. Webster currently serves as Chairman of the Board of Carrizo Oil & Gas (NASDAQ: CRZO) and Basic Energy Services (NYSE: BAS) and as a director of Appalachian Midstream Partners, Enduring Resources, Geokinetics (ASE: GOK), Hercules Offshore (Nasdaq: HERO), Hi-Crush Proppants, Laramie Energy, Laredo Energy, Manti Resources, Peregrine Oil & Gas, Seacor Holdings (NYSE: CKH) and Sidewinder Drilling. He is also a Trust Manager of Camden Property Trust (NYSE: CPT).

Biographies

David Burgstahler, Partner and President: Mr. Burgstahler was one of the founding partners of Avista Capital Partners in 2005. Prior to joining Avista, Mr. Burgstahler was a Partner of DLJ Merchant Banking Partners. Mr. Burgstahler was at DLJ Investment Banking from 1995 to 1997 and DLJMB from 1997 to 2005. He worked previously at McDonnell Douglas (now Boeing) from 1987 to 1990 and Andersen Consulting (now Accenture) from 1991 to 1993. Mr. Burgstahler graduated with a B.S. in Aerospace Engineering from the University of Kansas in 1991 and received an M.B.A. from Harvard Business School in 1995. Mr. Burgstahler currently serves as a director of AngioDynamics (Nasdaq: ANGO), Armored AutoGroup, ConvaTec, INC Research, Lantheus Medical Imaging, Visant and WideOpenWest.

Newton Aguiar, Partner: Mr. Aguiar joined Avista Capital Partners in 2010. Prior to joining Avista, Mr. Aguiar was a Partner of DLJMB. He was previously a Partner at Triton, a European private equity firm where he led several successful buy-outs. Mr. Aguiar started his private equity career at Advent International, where he was based in Advent's London and Paris offices. He also held positions in the healthcare investment banking group at Alex. Brown & Sons. He started his career at Millipore Corporation in Boston and Paris where he developed biotechnology instrumentation. Mr. Aguiar received a BSc in Chemistry from McGill University in Canada in 1986 and an M.B.A. from the Kellogg Graduate School of Management, Northwestern University in 1992. Mr. Aguiar currently serves on the board of Guala Closures.

Robert Cabes, Partner: Mr. Cabes was one of the founding members of Avista Capital Partners in 2005. Prior to joining Avista, Mr. Cabes was a principal at DLJMB Global Energy Partners, an affiliate of Credit Suisse, which he joined in 2001, to focus on private equity investments in the energy sector. Prior to joining DLJMB, Mr. Cabes served as an investment banker at Credit Suisse, DLJ and Prudential Securities where he was engaged in debt and equity securities underwriting and merger and acquisition assignments for energy companies. Mr. Cabes received a B.B.A. from Southern Methodist University in 1991. Mr. Cabes holds the Chartered Financial Analyst designation and is a member of the CFA Institute and the Houston Society of Financial Analysts. Mr. Cabes is based in Houston, Texas and currently serves as a director of ACP II Marcellus, ACP III Utica, Celtique Energie, Geokinetics, Hansa Hydrocarbons, Hi-Crush Proppants, Laramie Energy, Laredo Energy, Manti Exploration, Royal Offshore and Spartan Offshore.

Biographies

David Durkin, Partner: Mr. Durkin was one of the founding partners of Avista Capital Partners in 2005. Prior to joining Avista, Mr. Durkin was a Partner of DLJ Merchant Banking Partners. Mr. Durkin was at DLJ Investment Banking from 1996 to 2000 and DLJMB from 2000 to 2005. Prior to joining DLJ, Mr. Durkin worked as a public accountant for Arthur Andersen where he achieved the designation of CPA. He graduated from Stanford University in 1991 and received an M.B.A. from The Wharton School in 1996. Mr. Durkin currently serves as a director of Anthony International, Armored AutoGroup, IWCO, Merrill and Top-Co.

OhSang Kwon, Partner: Mr. Kwon was one of the founding partners of Avista Capital Partners in 2005. Prior to joining Avista, Mr. Kwon was a Partner of DLJ Merchant Banking Partners. Mr. Kwon was at DLJ Investment Banking from 1997 to 2000 and DLJMB from 2000 to 2005. Prior to joining DLJ, he served as a law clerk for The Hon. William C. Conner, U.S. District Court Judge, S.D.N.Y. from 1995 to 1996, and worked as an Associate at Davis Polk & Wardwell from 1996 to 1997. Prior to law school, Mr. Kwon worked as a Financial Analyst at Dean Witter Investment Banking from 1990 to 1992, focusing on M&A and Healthcare. He graduated from Harvard College magna cum laude in 1990 and received a J.D. from Columbia Law School in 1995. Mr. Kwon currently serves as a director of InvestorPlace Media.

Brendan Scollans, Partner: Mr. Scollans was one of the founding members of Avista Capital Partners in 2005. Prior to Avista, Mr. Scollans was an investment professional in DLJMB's New York and London offices. Prior to joining DLJMB, he was an Associate in the private equity investments group and an Analyst in the healthcare investment banking group of JP Morgan, which he joined in 1995. Mr. Scollans received a B.S. summa cum laude from Boston College in 1995 and an M.B.A. with high distinction from Harvard Business School in 2002, where he was a Baker Scholar. He currently serves as a Director of DataBank Holdings, InvestorPlace Media, IWCO Direct and WideOpenWest.

Sriram Venkataraman, Partner: Mr. Venkataraman joined Avista Capital Partners in 2007. Prior to joining Avista, Mr. Venkataraman was a Vice President in the Healthcare Investment Banking group at Credit Suisse which he joined in 2001. Prior to Credit Suisse, he worked at GE Medical Systems. Mr. Venkataraman received his M.S. in Electrical Engineering from the University of Illinois, Urbana-Champaign in 1995 and an M.B.A. with Honors from The Wharton School in 2001. He currently serves as a director of AngioDynamics (Nasdaq: ANGO), Lantheus Medical Imaging and OptiNose.

Biographies

Håkan Björklund, Industry Executive: Mr. Bjorklund joined Avista Capital Partners in October 2011. Mr. Bjorklund is the former Chief Executive Officer of Nycomed, which was sold to Takeda Pharmaceuticals in September 2011 for 9.6 billion Euros. Mr. Bjorklund worked closely with the Avista team on the development of Nycomed prior to its sale to Takeda. Under Mr. Bjorklund's leadership, Nycomed grew from a predominantly Scandinavian business into a global pharmaceutical company with leading market positions in Europe, Russia/CIS, Brazil and Latin America. In 2006, Mr. Bjorklund led the integration of Altana Pharmaceutical, a German-based company that Nycomed purchased for 4.2 billion Euros. He was also instrumental in growing Nycomed in emerging markets, most recently through the acquisition of Guangdong Techpool Bio-Pharma Co., Ltd, a Chinese bio-pharmaceutical company, in 2010. Prior to Nycomed, Mr. Bjorklund was Regional Director at Astra (now AstraZeneca) and, earlier, President of Astra Draco. He is a member of the Board of Directors of Coloplast A/S, Lundbeck A/S, and Atos Medical AB. He was also a director at Danisco A/S until its recent acquisition by Dupont. He holds a Ph.D. in Neuroscience from Karolinska Institutet in Sweden.

Charles Harwood, Industry Executive: Mr. Harwood joined Avista in 2007 and is an operator in the clinical diagnostics and pharmaceutical services industries. He has over 20 years of experience in the healthcare industry and from 2002 to 2006 was the President and CEO of Focus Diagnostics, a company in which the Avista team invested while at DLJMB. During Mr. Harwood’s time as President and CEO of Focus Diagnostics, the company developed diagnostics for new infectious disease agents such as West Nile virus and SARS. From 1993 to 2001, Mr. Harwood held several positions, including CFO and Senior Vice President of Venture Development at Covance, one of the world’s largest pharmaceutical services companies, where he spearheaded numerous acquisitions and divestitures as well as the spin off of Covance (NYSE: CVD) from Corning. Prior to Covance, Mr. Harwood worked for seven years in commercial real estate development and six years in the Medical Products Group of the Hewlett-Packard Company (NYSE: HPQ). He received a B.A. from Stanford University in 1975 and an M.B.A. from Harvard Business School in 1979. Mr. Harwood served as the President and CEO of BioReliance until its sale in January 2012 and is currently consulting for Sigma Aldrich in its integration of BioReliance. He also currently serves as a director of INC Research.

Biographies

John Huff, Industry Executive: Prior to joining Avista Capital Partners in 2008, Mr. Huff was the President and Chief Executive Officer of Oceaneering International, Inc. (NYSE: OII, "Oceaneering"), a global oilfield provider of engineered services and products primarily to the offshore oil and gas industry. Under his 20+ years of leadership, Oceaneering was transformed from primarily a diving company to a high technology provider of products and services. In 1987, Oceaneering was recapitalized, returning 40x the offering price and 160x the value from when Mr. Huff started at the company the year before. Mr. Huff restored profitability through the installation of a Management by Objectives System and a focus on improved technologies for subsea and deepwater applications. Prior to his appointment at Oceaneering, Mr. Huff was managing partner of Falcon Partners Inc., an investment-banking group. From 1972 to 1986, Mr. Huff held positions of increasing responsibility at Western Oceanic, an offshore drilling contractor, serving as chairman and president for the last six years. Mr. Huff received a Bachelor of Civil Engineering from Georgia Institute of Technology in 1968. He is the Chairman of Oceaneering, and a director of Hi-Crush Proppants, KBR, Inc. and Suncor Energy Inc. Mr. Huff is a member of the National Petroleum Council and The Explorers Club, and a director of St. Luke's Health Systems.

Gerhard Kurz, Industry Executive: Mr. Kurz joined Avista in 2008 bringing 40 years of executive experience in the offshore energy service and marine transportation industry. Mr. Kurz was most recently President and CEO of Seabulk International, a former portfolio company of DLJMB. He joined Seabulk following a 36 year career with Mobil Oil Corporation (NIG: MOBIL), holding executive positions in logistics, Middle East planning and marine transportation, with the last 11 years serving as President of Mobil Shipping and Transportation Company. He is a recognized leader in the shipping industry and responsible for rebuilding Mobil's tanker fleet using joint venture arrangements. During his five years at Seabulk, Mr. Kurz orchestrated the introduction of DLJMB to the company and drove a twofold increase in EBITDA through improved operational performance and expansion into new business segments. The company was merged with Seacor Holdings (NYSE: CKH) in 2005 at a share price representing an increase of over 200% during his five year tenure. Mr. Kurz received a B.A. with honors from the University of Wales in 1964, an M.B.A. from New York University in 1971, and an honorary doctorate degree from the Massachusetts Maritime Academy. Mr. Kurz has received numerous awards and honors including the International Maritime Hall of Fame Award and the 1999 Seatrade "Man of the Year" Award. Mr. Kurz currently serves as a director of the Coast Guard Foundation, Eletson Corporation, Castalia Partners and the Seamen's Church Institute. He is on the Advisory Board of the Panama Canal Authority.

AVISTA CAPITAL PARTNERS

Biographies

Steven Marder, Industry Executive: Mr. Marder joined Avista in 2008 bringing over 20 years of Media Operating Executive experience. Mr. Marder focuses on sourcing, developing and managing buyouts and investments in digital media and Internet companies. Mr. Marder also currently serves as Chairman/Co-Founder (formerly CEO) of Internet social search technology company, Eurekster, Inc. (www.eurekster.com), and also as Co-Founder and director of an enterprise search company, SLI Systems, Inc. Previously, Mr. Marder served in corporate development and business development executive roles at major media companies, EMI Music and Tribune Company (Compton's NewMedia). He also co-founded and served as Managing Director, North America for multi-national merchant bank, Gramercy Venture Advisors and co-founded and served as Chairman/CEO of development stage public company eMemberDirect, Inc. (formerly PetPlanet.com). An often quoted expert on digital and social media, Mr. Marder is a frequent speaker and panelist at media and technology industry conferences. Currently based in San Francisco, California, Mr. Marder is a graduate of Columbia University in 1986, St. John's School of Law in 1989, and is a licensed attorney in New York and California. Mr. Marder currently serves on the boards of InvestorPlace Media and WideOpenWest.

Charles McIlvaine, Industry Executive: Mr. McIlvaine joined Avista in January 2011 after over 20 years of experience advising and financing consumer companies in the food, beverage and consumer products sectors. Most recently, Mr. McIlvaine was a Global Co-Head of the Global Consumer Group at Deutsche Bank since 2006 where he led over 50 professionals located in three global offices. Prior to joining Deutsche Bank, Mr. McIlvaine was a Managing Director and senior member of J.P. Morgan's Global Consumer Group. He began his career with Merrill Lynch in New York and London. He has led transaction teams across a broad spectrum of investment banking products including mergers & acquisitions, public and private equity and debt offerings, and leveraged recapitalizations including LBOs. During his investment banking career, Mr. McIlvaine has advised on over 75 mergers & acquisitions and over 125 financings. Mr. McIlvaine serves on the board of Duke Medicine and is Chairman of the Board of Advisors for DUSON. Mr. McIlvaine received a BA in Economics from Duke University in 1987 and an MBA from The Wharton School of the University of Pennsylvania in 1991. Mr. McIlvaine serves as a director of Armored AutoGroup.

Biographies

Patrick O'Neill, Industry Executive: Dr. O’Neill joined Avista Capital Partners in 2008. Dr. O’Neill began his career at Johnson & Johnson (NYSE: JNJ) in 1976. After holding Research and Development and New Business Development leadership positions in Johnson & Johnson’s pharmaceutical business, he moved to the Medical Devices and Diagnostics Group in 1989. Within this group, he held board level senior management positions in Research and Development and New Business Development in the surgical and interventional cardiology/radiology business units, and at the corporate level. Dr. O’Neill retired from Johnson & Johnson in 2006. Dr. O’Neill received a B.S. in Pharmacy in 1972 and Ph.D. in Pharmacology from The Ohio State University in 1976. Dr. O’Neill currently serves on the boards of Lantheus Medical Imaging and OptiNose.

Larry Pickering, Industry Executive: Mr. Pickering was one of the founding partners of Avista Capital Partners in 2005. Mr. Pickering focuses on private equity investments in the healthcare industry and served as Chairman of DLJMB Global Healthcare Partners through June 30, 2005. He was employed at Johnson & Johnson for 32 years. He has 32 years of operating management experience including key positions in pharmaceuticals where he served as President of Ortho Dermatology, President of Janssen Pharmaceuticals, Chairman of Janssen North America, Company Group Chairman Worldwide Consumer Pharmaceuticals, Member of the Worldwide Pharmaceutical Sector Management Board, Member of Worldwide Medical Devices and Diagnostics Management Board, and his final position as Corporate Vice President and Officer, responsible for Johnson & Johnson’s Venture Capital Operation and Mergers and Acquisitions. Over a four-year period as President and later Chairman of Jannsen, North America, Mr. Pickering revamped Jannsen’s strategy, re-focused the organization and re-positioned its operations for growth resulting in a six-fold increase in revenues during his tenure at the division. As part of these initiatives, he launched four new products and in-licensed several products, including Duragesic, a transdermal pain killer, which subsequently achieved peak sales in excess of $2 billion at Johnson & Johnson. As Chairman of Johnson & Johnson’s worldwide OTC business, Mr. Pickering launched the company’s OTC business in 10 international markets, including Japan and China and introduced the company’s first line of OTC nutritional products. Mr. Pickering graduated with a B.A. Degree in Business Administration from the University of Missouri. Mr. Pickering currently serves as Chairman of OptiNose and Lantheus Medical Imaging.

Biographies

Ron Sparks, Industry Executive: Mr. Sparks joined Avista in 2007 and is a 30-year veteran of the medical device industry. Prior to joining Avista, Mr. Sparks was most recently President and CEO of Accellent, a former portfolio company of DLJMB. Under Mr. Sparks' leadership, Accellent's revenue tripled and all three of its major device categories – cardiology, endoscopy and orthopedics – experienced significant growth. Mr. Sparks also led Accellent's acquisition and integration of MedSource Technologies. From 1998 to 2003, Mr. Sparks served as President of the Endoscopy Division and as a member of the Group Executive Committee of Smith & Nephew (LON: SN). He is a graduate of the University of Massachusetts and the INSEAD Advanced Management Program in Fontainebleau, France. Most recently Mr. sparks served as the Chairman and CEO of Navilyst.

Trevor Turbidy, Industry Executive: Prior to joining Avista Capital Partners in 2007, Mr. Turbidy was the CEO of Trico Marine Services ("Trico"), an international provider of marine support vessel services to the offshore oil and gas industry. He led the successful turnaround of this company from a financially distressed Gulf-oriented operator to a well-capitalized offshore services provider with operations in the North Sea, West Africa, Gulf of Mexico, Brazil, Mexico and Southeast Asia. Mr. Turbidy was recruited as CFO of Trico in 2003, functioned as the Chief Restructuring Officer during the company's restructuring and subsequently was promoted to CEO after its successful completion. Mr. Turbidy recruited operations and financial management teams who were critical to the successful execution of the company's new internationally-focused strategy. Prior to his service at Trico, Mr. Turbidy spent over a decade with DLJ and Credit Suisse in their investment banking divisions. During his tenure with DLJ and Credit Suisse, he focused on the energy sector, principally offshore and land drilling contractors, seismic service providers, oilfield equipment manufacturers, offshore support vessel providers and exploration and production companies, as well as regional opportunities in the Southwest. Mr. Turbidy received a B.A. from Duke University in 1990. He currently serves as a director of Appalachian Midstream Partners, Celtique Energie, Hansa Hydrocarbons, Hi-Crush Proppants, Manti Exploration, Sidewinder Drilling, Spartan Offshore and Top-Co.

Biographies

Allen Yurko, Industry Executive: Mr. Yurko joined Avista Capital Partners in July 2010, from DLJMB where he was the European Industrial Partner focused on investing in growth orientated industrial and business services companies. Prior to DLJMB, Mr. Yurko was an Operating Partner and a director at Compass Partners, where he served as Chairman of three successful Compass buy-outs: SSD Drives plc, FlaktWoods Ag and Eco Group SpA. Mr. Yurko's public company career spans nearly 25 years, including early management positions with Eaton Corporation and Joy Manufacturing Company in the USA. He joined the UK Industrials Group Siebe plc (London) in 1989 and after several key operating positions became Siebe's Chief Executive Officer at the end of 1993. In 1998, he led the merger of Siebe with BTR to form the UK's largest industrials group (renamed Invensys plc) and became the first CEO of the combined group. Mr. Yurko has a Bachelors of Business from Lehigh University in 1973 and an MBA from Baldwin-Wallace College in 1981. Mr. Yurko currently serves as the Chairman of the Board of Anthony International and is also a Director of ArmoredAuto Group, Guala Closures and Top-Co.

TAB 4 – REAL ESTATE ANNUAL REVIEW

OPERF Real Estate

2011 Portfolio Review and 2012/13 Plan

Purpose

To provide the OIC with a review of the current OPERF Real Estate portfolio, portfolio results for 2011 and 2012-2013 real estate activity.

Background

As stated in the OIC Statement of Investment and Investment Objective and Policy Framework:

- Real estate investments are being managed with the objective of earning at least **75 basis points** in annualized net excess returns above the *NCREIF Index* over moving five-year periods. Because 80% of the real estate investments are traded infrequently, risk budget concepts are not applicable.

- Key elements of the strategy:

  a) Real Estate is 100% actively managed because index funds replicating the real estate broad market are not available.
  b) *Core property investments* represent 30% of the real estate portfolio, with a range of 25% to 35%. Specialist managers are utilized. Risk is diversified by investing across the major property types: offices, apartments, retail and industrial, but may include structured investments in alternative types of property with Core type risk and return attributes.
  c) Exchange traded real estate investment trusts (REITs) represent 20% of the real estate portfolio, with a range of 15% to 25%. Active management will include style and capitalization specialists, as well as broad market managers. Up to 50% of the REIT exposure may be invested in markets outside the United States.
  d) *Value Added* investments represent 20% of the real estate portfolio, with a range of 15% to 25%. Investments may include direct property types listed above, as well as structured investments in alternative property types. Risk is diversified by property type and geography.
  e) *Opportunistic real estate* investments represent 30% of the real estate portfolio, with a range of 20% to 40%. Investment strategies will be characterized as "opportunistic" based on the market conditions prevailing at the time of investment.
  f) The Fund may also participate in *co-investment* opportunities within the real estate asset class.

2011 in Review

- 1/1/2011 portfolio net asset value (NAV): $5.71 billion / 9.71% of Total Fund
- 1/1/2011 unfunded commitments: $2.173 billion

- 12/31/2011 NAV: $6.47 billion / 11.1% of Total Fund
- 12/31/2011 unfunded commitments: $2.03 billion(1)

(1) $400M of the unfunded commitments represents the ProLogis Global Investment Vehicle for which pacing is controlled by OPERF.

OPERF One-year returns (net of fees)		**Benchmark**	
• Core	11.96%	NCREIF Index	14.26%
• Value Added	17.76%		
• Opportunistic	4.97%		
• Domestic REITs	14.06%	NAREIT Index	8.28%
• Global REITs	(18.35%)	EPRA/NAREIT Global (ex US) Index	(15.34%)
1-Year Portfolio Return:	8.11%		
3-Year Portfolio Return:	6.87%	NCREIF Index	2.43%
5-Year Portfolio Return:	(1.95%)	NCREIF Index	3.09%
10-Year Portfolio Return:	9.40%	NCREIF Index	8.06%

Private One-year TWR attribution

	Cash Flows/ Operating Income	Unrealized & Realized Appreciation	Total
Core	7.55%	4.41%	11.96%
Value Added	2.35%	15.41%	17.76%
Opportunistic	0.76%	4.21%	4.97%

OPERF's 2011 real estate performance of 8.11 percent, for the year-ending December 31, was indicative of the continued improvement of the underlying real estate fundamentals (rental rates, tenant occupancy, and capital market activity) and recovery from the economic downturn in 2008 and 2009. Investors seeking yield continued to acquire high quality, well occupied commercial real estate with strong cash flows at premium pricing. A lack of new supply (construction and development), abundant capital available for investment, and attractively priced debt, provided positive capital appreciation for Class A product, in growth markets. This "flight to quality" has been challenging for both debt and equity capital in secondary and tertiary market locations and for lower quality (Class B or C) product. In the public real estate markets, domestic REITs saw another year of positive NOI growth and a similar increase in demand from yield-seeking investors. However, the Global REIT markets showed considerable volatility, beginning with the summer 2011 sell-off of listed real estate securities, as the Eurozone crisis continued to unfold and the pace of China's economic growth remained a concern.

2011 Commitments

Brazil Real Estate Opportunities Fund II:	$100 million
Alpha Asia Macro Trends Fund II:	$200 million
ProLogis Targeted Europe Logistics Fund:	$100 million

The ProLogis Targeted Europe Logistics Fund was the first investment in the OPERF-ProLogis Global Investment Vehicle. This was approved as a broader separate account relationship with a maximum commitment of $500 million, to be deployed over three to five years, via multiple funds and/or structures. Additionally, one Non-Mandate Property Exception was acquired in Q2 2011 for a mixed-use retail and office asset in Dallas, Texas through the Lionstone Cash Flow Office One joint venture. As of this reporting, Lionstone has successfully taken the property to 94 percent occupancy, from 70 percent upon acquisition, and a projected cash-on-cash yield of 13 percent. No further Non-Mandate Property Exceptions were either accepted, rejected or proposed in 2011.

2011 Portfolio Weightings

The real estate portfolio targets prescribed by the OIC are 30 percent to Core, 20 percent to Public REITs, 20 percent to Value Added and 30 percent to Opportunistic investments. At year-end 2011, all real estate sub-portfolios were within allocation bandwidths. Both the Core and REIT portfolios were at target levels while the Value Added segment was slightly below target at 16.8 percent (although up from 12 percent at the end of 2010). Opportunistic real estate was at 36.4 percent, although within the 30-40 percent allocation bandwidth and down from 38 percent at the end of 2010.

At year-end 2011, the Core real estate portfolio balance was within policy range for all four property segments.

Portfolio Leverage

Aggregate debt levels for the Core and Value Added real estate portfolios at year-end 2011 were within OIC policy limits. A few select co-mingled funds and separate accounts remain above target limits but all continued to see downward trends in loan-to-value (LTV) ratios from the prior year. In aggregate, the Core portfolio LTV was 29 percent, with an allowable policy limit of 50 percent, and the Value Added portfolio LTV was 53 percent, down from 60 percent in 2010, and below the 70 percent policy limit.

2012 Plan

- During 2012, staff continues to monitor the portfolio allocation levels, distributions and unfunded commitments. Capital allocations to both existing and new relationships will be highly selective as we strive to maintain the current 11 percent current exposure and 11 percent target allocation.

- A significant amount of capital is being raised for new fund formations in the private real estate markets this year. Staff and consultant have been working in concert to implement objective evaluation criteria for both re-ups of existing relationships and potential new relationships. This will, in part, include TVPI (total value to paid-in capital) and DPI (distributions to paid-in capital) threshold multiples as well as a continued focus on maximizing transparency and alignment of interests.

- OPERF has been in long-term discussions with multiple investment management firms that have been receptive to an open dialogue for creating separate account or comingled fund structures with a smaller number of LPs (often referred to as "club deals"). The primary advantages these structures can offer include: improved economic protections for LPs by reducing deal flow leakage and minimizing the gross versus net return spread; greater alignment and incentive for GPs via potentially larger profit sharing upon achieving realized return targets; and greater LP input to fund terms, strategy, governance and transparency. Staff and consultant will continue these negotiations amongst a variety of strategies and geographic regions.

- OPERF will review the potential sales of select, underperforming fund interests into the secondary markets. Selling certain fund interests would serve to reduce both the portfolio NAV and unfunded commitments which could then be re-allocated to new relationships under improved economics and investment opportunities. Staff will report back to the OIC with a recommendation if the pricing offers received by secondary brokers and/or fund managers warrants consideration.

- 2012 commitments, to date, include:

Blackstone Real Estate Partners VII	$100 million
Rockpoint Real Estate Fund IV	$100 million

In summary, the OPERF real estate portfolio has continued to see valuation increases and improving fundamentals, following the global economic downturn. While many concerns still exist regarding domestic federal governmental debt, the viability of the Eurozone and uncertain governmental policies, this may also provide opportunity for fresh capital to acquire quality real estate, in the form of both debt and equity, at attractive long-term pricing.

Recommendations

This report is provided for discussion and informational purposes, and no action is required.

The following is provided for informational and discussion purposes only and outlines definitions [1] of return metrics and one component of the methodology incorporated by staff and consultant for manager assessment and further consideration for capital commitments within the real estate portfolio.

1. Net IRR > 8.00%

a. Calculation
The XIRR of OPERF's *Contributions*, *Distributions* and *Net Asset Value* ("*NAV*") at period-end.

b. Components
 i. *Contributions* (or total *Paid-in Capital*): cumulative capital contributed to the fund.
 ii. *Distributions*: aggregate fund distributions paid since inception.
 iii. *Net Asset Value* at period-end: the excess of the fair value of investments owned, cash, receivables and other assets over the liabilities of the vehicle.

c. Interpretation
For OPERF to meet its return requirements each investment partner must contribute a base level of performance, so as not to dilute the returns other investment partners create. Each partner should therefore meet a minimum threshold in order to maintain its relationship with OPERF: 8.00%, net.

2. Total Value to Paid-in ("TVPI") > 1.20x

a. Calculation
(Sum of *Distributions* and *NAV*) / total *Paid-in Capital* (or total *Contributions*)

b. Components
 i. *Distributions: aggregate fund distributions paid since inception.*
 ii. *Net Asset Value: the excess of the fair value of investments owned, cash, receivables and other assets over the liabilities of the vehicle.*
 iii. *Paid-in Capital (or total Contributions): cumulative capital contributed to the fund.*

c. Interpretation
For OPERF to meet its return requirements, the assets an investment vehicle acquires should approach a level of value that is at least 1.20x the amount initially invested. As the investment vehicle's term reaches its conclusion, the majority of value should be comprised of distributions. Earlier, it is expected the majority will be comprised of NAV.

3. Distributions to Paid-in ("DPI") > 0.40x

a. Calculation
Distributions over total Paid-in Capital (or total Contributions).

b. Components
i. *Distributions: aggregate fund distributions paid since inception.*
ii. *Paid-in Capital (or total Contributions): cumulative capital contributed to the fund.*

c. Interpretation
This measure is added to assess the realization capabilities of OPERF's investment partners. Ideally, it is anticipated a prospective investment manager, whether with an existing or new relationship with OPERF, will have made liquid at least 1/3 of the total value they are expected to create (represented by the 1.20x TVPI threshold). This measure helps contain strategy exposure risk by requiring meaningful realizations and distributions before further capital is allocated to the same investment strategy with the same partner.

(1) Definitions for Italicized terms provided by the Real Estate Information Standards (REIS) Handbook (Volume II). http://reisus.org

Areté Capital

Core Open Fund Search
Oregon Higher Education Endowment Fund

Areté Capital 25 July 2012

Recommendation: The Oregon Higher Education Fund (the "Fund") commit $2 to $3 million to the Prime Property Fund, a diversified core, open end real estate fund managed by Morgan Stanley.

Background
Areté Capital was informed by Treasury Staff that the Fund is considering a potential commitment to real estate to help complete a 7.5% target allocation to real estate, which is approximately 3% presently. We were asked to review the options for investing in a private, diversified, open end, core real estate fund for a small potential investment by the Fund. The Fund's investments are overseen by the Oregon Investment Council ("OIC").

As we previously discussed with Staff, the OIC's options are limited. Table 1 lists the credible firms that have open end products and/or are active in the core or core+ space. The Fund is not eligible to invest in some of them (such as JP Morgan's Strategic Property Fund), as it is not an ERISA covered plan. Also, the potential investment commitment is a constraint as most of these products have minimum commitment amounts that exceed what the Fund can invest in a given product (typically $5 million or more). Amounts below that threshold are considered "retail" investments subject to much higher fees and/or confined to public investments in REITs.

Table 1 below sets forth the names of the firms active in this investment strategy, and the performance of their respective funds, in which the Fund is qualified to invest. If the Fund does not qualify, the reason is stated next to the name of the firm. Several of the funds are recently organized (less than 5 years of performance) and/or are small by comparison to other funds managed by their peer group. In our view, these smaller portfolios (less than $3 Billion in gross asset value) are much less diversified and less liquid. Based upon the Staff's guidelines in terms of diversification and potential liquidity, we were biased towards the larger, more diversified and more liquid funds. We note, however, that even the largest pooled vehicles have experienced liquidity constraints in terms of both entry and redemption queues.

The OIC's best options in terms of performance and portfolio composition are JP Morgan's Strategic Property Fund, Morgan Stanley's Prime Property Fund and Prudential's PRISA fund. These are the largest and most diversified core, open-end real estate portfolios. They also have the longest and best track records. Indeed, over the trailing 5 years, the Prime Property Fund had the best performance, albeit by a small margin.

In this category size does matter as it provides more liquidity for investors. Of these three, the Fund doesn't qualify for JP Morgan's core fund as it is not an ERISA covered investor. PRISA has a $.7 billion entry queue. The Prime Property fund is suitable and has better long-term performance than its peer group. We have had to obtain a waiver as the minimum initial investment is $5 million.

Areté Capital

We had conversations with Morgan Stanley and based upon OPERF's existing commitment to a global REIT securities separate managed by Ted Bigman, Morgan Stanley has agreed to waive the minimum entry investment because of the existing relationship. The account managed by Ted Bigman had a net asset value of $278,479,692 as of 31 December 2011. This will reduce the Fund's management fees considerably, in the range of at least 50 basis points per annum.

Following Table 1 is a description of the Prime Property Fund.

Table 1

Core Open-end Fund Summary for the Oregon Higher Education Fund

Name of Firm	**Name of Fund**	**Qualified to Invest?**	**Net Performance at 3/31/12**		
			1Yr	**3Yr**	**5Yr**
American Realty	American Core Realty	Yes; only $2B gross asset value	12.28%	.95%	-1.38%
AEW	AEW Core Property Trust	Inception 10/1/07; $1.43B; $98M queue	15.82%	.25%	-1.25% inception (less than 5 years)
BlackRock	Granite Core Fund	Yes	16.19%*	-8.55%*	-6.18%*(*Note 12/31/11 performance numbers)
Brookfield	No core product yet	Can invest in the public company only			
Invesco	Invesco Core Property	No, $10 million minimum	14.59%	.65%	-1.14%
JP Morgan	JPMCB Strategic Property Fund	No, must be an ERISA covered plan	14.66%	4.14%	-.43%
La Salle	LaSalle Property Fund	Yes; $1.7 Billion queue to clear	Only 6 quarters of performance; Total portfolio size only $1.7 Billion; closed until 12/12		
L&B	L&B Core Income Fund	Yes;	Only 5 quarters of performance		
RREEF	RREEF America II	Yes	12.12%%	-5.50%%	-1.61%
Morgan Stanley	Prime Property Fund	Yes (with waiver)	15.00%	2.20%	-0.80%
Principal Financial	Principal US Property Account	Yes (with waiver)	14.75%	2.18%	-2.25%
Prudential	PRISA	Entry Queue $0.7B	15.45%	3.29%	-2.06%

PRIME Property Fund Description

The PRIME Property Fund ("PRIME") has a 39 year history as a US, diversified, core open end fund. It was originally founded as an insurance company separate account managed by the Equitable Life Insurance Company. Equitable was sold to Axa Insurance Company, which in turn sold its investment management business to Lend Lease (Australia), and which, in turn, sold the business to Morgan Stanley. Morgan Stanley converted the insurance company separate account structure to a private REIT to allow for a broader base of potential investors. Today, it is one of the oldest and largest diversified core real estate open end funds with approximately $10 billion in gross assets. Exhibit 1 contains a list and the location of PRIME's assets.

Portfolio Statistics (as of 12/31/11)

Gross Assets	$10 Billion
Net Assets	$ 6.6 Billion
Cash	3%
Share Value	$11,337/share
Lease Status	93% occupied
Number of Assets	247
Investors	186 (feeder funds counted as one investor)

PRIME **Statement of Net Assets** ($000s) at 12/31/11

Assets	December 31, 2011	December 31, 2010
Investments	$8,540,833	$6,382,784
Cash & Short-Term Investments	198,839	504,795
Other	75,343	90,410
Total Assets	**8,815,015**	**6,977,989**
Liabilities		
Debt	1,986,933	1,664,964
Other	193,043	138,535
Total Liabilities	**2,179,976**	**1,803,499**
Noncontrolling Interest	15,654	6,197
Net Assets	**$6,619,385**	**$5,168,293**
Consolidated Debt to Total Assets (%)	**33.5**	**35.4**
Cash to Net Assets (%)	**3.0**	**9.8**

The portfolio's broad diversification parameters are:

Sector (Diversification based on gross weightings as of 3/31/12):

Office	40.0%
Apartment	22.5%
Retail	16.6%
Industrial	11.7%
Self-Storage	4.6%
Hotels	3.3%
Land	1.3%

Regional Weightings (based on gross assets as of 3/31/12)

West:	34.8%
East:	32.4%
South:	20.1%
Midwest:	12.7%

The portfolio also has leverage constraints to minimize potential volatility associated with leverage itself. Today, the PRIME's overall leverage ratio is 32.6%, again at 3/31/12. This leverage ratio is consistent with industry averages for core real estate products, which generally target a 33% overall leverage ratio with a range of 25% to 45%.

Performance:

The performance on a gross and net of fees basis on a trailing one, three and five year basis.

PRIME Gross Returns:	**PRIME Net Returns**
1-year: 16.5%	1-Year: 15.0%
3-Year: 3.3%	3-Year 2.2%
5-Year: 0.2%	5-Year -0.8%

PRIME delivered a total return gross of fees of 3.0% in the first-quarter of 2012. For the 12 months ended March 31, 2012, PRIME delivered a total return gross of fees of 16.5% compared to a return by the NCREIF Fund Index—Open-End Diversified Core Equity (NFI-ODCE) benchmark of 14.7%. PRIME outperformed the NFI-ODCE over one-, five-, and ten-year periods as of March 31, 2012.

Annualized Time Weighted Rates of Return:

%	4Q 2011	One Year	Three Year	Five Year	Seven Year	Ten Year	Since Inception (8/20/73)(2)
Income	1.5	5.3	5.2	4.8	5.0	6.1	7.7
Appreciation	1.7	11.8	(7.5)	(3.9)	0.7	1.3	0.7
Total Before Fees	3.3	17.7	(2.7)	0.7	5.8	7.4	8.5
Total After Fees	2.9	16.3	(3.7)	(0.4)	4.7	6.4	7.5
NCREIF Fund Index Open-End Diversified Core Equity (NFI-ODCE)(3)	3.0	16.0	(1.8)	(0.2)	4.9	6.2	8.3

Notes to Performance Returns Provided by Morgan Stanley:

Performance Returns. They generally:

- Represent time weighted investment level returns calculated using a "modified Dietz method" which weights individual cash flows by the amount of time that those cash flows are held (or absent) from the portfolio, in the absence of daily portfolio valuations.
- Income and appreciation returns may not equal total return due to chain-linking of monthly returns.
- Are presented before (i.e., gross of) investment advisory fees, and after (net of) fees.
- For less than one year returns are not annualized. For periods one year or greater, the performance returns represent average annual returns, i.e., annualized.
- Include interest income from short-term investments.
- Are presented with finalized financial results reasonably available as of the stated time period in the return presentation, which results, if year-end, are generally audited by a reputable outside firm within 90 days of PRIME's fiscal year end (and subsequent to that will be unaudited).
- PRIME's returns include leverage.
- Include income which is based on accrual accounting and recognized at the investment level.
- In certain circumstances, net of fees returns may exceed gross of fees returns—for example, due to the volatility of market values during the period reported and their impact on estimated performance fee accruals.
- Certain portfolio level items such as professional fees and credit facilities are not included in the property-level returns.
- Performance information for PRIME for the period in which it was advised by Lend Lease Real Estate Investments or its predecessors (the period prior to December 2003) is included where it has been determined that because of substantial overlap of personnel and other factors, reporting such information would be helpful and appropriate
- PRIME adopted ASC 825-10-25 on January 1, 2008. Returns include a one-time cumulative increase in net assets of approximately $143.2 million reflected in the appreciation component of the Fund's returns, as January 1, 2008.

Redemption or Entry Queue

As of March 31, 2012 PRIME did not have an entry or redemption queue.

Biographies of current portfolio managers:

SCOTT BROWN, NEW YORK
HEAD OF PRIME PROPERTY FUND, LLC

Scott Brown is a Managing Director of Morgan Stanley and Head of Prime Property Fund. With over 21 years of real estate experience, he is responsible for the portfolio construction and performance of PRIME as well as the direction and execution of the Fund's strategy. He serves as a member of the Fund's Investment Committee as well. Scott began working with PRIME in 1993 as part of Equitable Real Estate and then Lend Lease while becoming fully dedicated to PRIME in 2002. He transitioned to Morgan Stanley in 2003 and became a Co- Head of Prime in 2007. He is a member of the Pension Real Estate Association and Urban Land Institute. He received an MBA from Indiana University, and a BS in Finance from the University of Illinois.

CANDICE W. TODD CHIEF FINANCIAL OFFICER, PRIME PROPERTY FUND, LLC

Candice Todd is a Managing Director of Morgan Stanley and the Chief Financial Officer of Prime Property Fund, responsible for Prime Property Fund's capital structure and REIT compliance. She serves on the Fund's Investment Committee as well. Prior to joining Morgan Stanley in November 2003, Candice worked for Lend Lease (predecessor The Yarmouth Group) since 1994 and has over 22 years of real estate experience. She previously worked for Prentiss Properties Limited overseeing systems and reporting related to Resolution Trust Corporation contracts. Candice started her career at Price Waterhouse working primarily on real estate clients. Candice is a Certified Public Accountant. She is a member of the Pension Real Estate Association. She also has served as a Co-Chairperson of the Accounting Committee at NCREIF and on REIS Council. Candice received a Master of Accountancy, and a BS in Human Resources from the University of Alabama.

The firm has over 70 investment professionals that work to support the efforts of the portfolio managers, making it one of the largest real estate core managers in the United States.

Related Party Transactions as Described by Deloitte Touche LLP in PRIME's 2011 Audited Financials:

Certain employees of Morgan Stanley invest in PRIME through PPF Investors, LLC ("PPF Investors"). As of December 31, 2011 and December 31, 2010, the market value of the PPF Investors investment totaled approximately$7.0 million and $8.0 million, respectively.

In order to help align its interests with that of senior management of AMLI, PRIME entered into four joint ventures with certain members of senior management and other employees of AMLI to develop and operate apartment properties. The market value of PRIME's net investment in these ventures totaled $500.4 million and $299.0 million as of December 31, 2011 and December 31, 2010, respectively. Additionally, the ventures are investors in PRIME. As of December 31, 2011 and December 31, 2010, the total market value of the ventures' investments in PRIME is $26.4 million and $23.6

million, respectively. During 2011, PRIME entered into a loan agreement with one of the ventures. As of December 31, 2011 notes receivable from the venture totaled $1.5 million.

During 2010, PRIME entered into a loan agreement and advanced funds to a property owned by one of its partnership entities. As of December 31, 2011 and December 31, 2010, notes receivable from the property totaled $1.7million and $2.4 million, respectively.

During 2010, a property owned by one of PRIME's partnership entities refinanced their mortgage payable with an entity that is sponsored by Morgan Stanley. As of December 31, 2011 and December 31, 2010, the fair value of PRIME's share of the mortgage totaled $127.4 million and $118.5 million, respectively.

During 2010, PRIME entered into a loan agreement and advanced funds to certain members of senior management of AMLI. As of December 31, 2011 and December 31, 2010, notes receivable from these members of senior management totaled $0.5 million and $0.8 million, respectively.

During 2011, PRIME entered into loan agreements and advanced funds to seven properties owned by its partnership entities. Subsequently, four properties have repaid their loans. As of December 31, 2011, notes receivable from the remaining three properties totaled $130.0 million, $100.0 million and $41.4 million, respectively.

During 2011, one of PRIME's partnership equities acquired a property that had a mortgage in place with an entity that is sponsored by Morgan Stanley. As of December 31, 2011, the fair value of PRIME's share of the mortgage totaled $75.8 million.

During 2010 and 2011, PRIME purchased property insurance coverage from an affiliate of Morgan Stanley at market terms. Total premiums paid were $1.3 million and $1.2 million, respectively.

Investment Management Fees

Under the investment management fee arrangement, PRIME pays the Morgan Stanley a management fee comprised of two separate components: (i) a base management fee (the "Base Fee") and (ii) an incentive management fee (the "Incentive Fee").
The Base Fee equals 90 basis points per annum of the NAV (as of the beginning of each calendar quarter) payable quarterly in arrears. The Incentive Fee accrues on a monthly basis over a calendar year and the monthly accrual is driven by year over year net operating income growth on comparable properties. Both the Base Fee and Incentive Fee are paid directly by PRIME to the Morgan Stanley and are recorded as an expense of PRIME.

For the years ended December 31, 2011 and 2010, base fees totaled $51.5 million and $37.6 million, respectively. For the years ended December 31, 2011 and 2010, incentive fees totaled $20.9 million and $5.8 million, respectively. At December 31, 2011 and 2010, the liability to the Adviser for investment management fees totaled $35.1 million and $16.5 million, respectively.

Risk Factors:

Morgan Stanley's Identified Risk factors associated with an investment in PRIME.

An investment in PRIME will involve risks due to, among other things, the nature of the fund's investments and potential conflicts of interest. There can be no assurance that PRIME will realize its rate of return objectives. Investors should have the financial ability and willingness to accept the risks (including, among other things, the risk of loss of investment and the lack of liquidity). Past results do not guarantee future performance. These risk factors include the following:

- Conflicts of interests between the fund, its investors, the investment adviser and other affiliates of Morgan Stanley
- Tax considerations and regulatory matters
- Lack of liquidity of investments
- No or restricted transferability of, or market for, interests in the relevant fund
- Competition
- Risk of real estate investments
- Leverage
- Market risk; minority investments in companies
- Interest rate risks

Exhibit 1 –PRIME's Assets:

PRIME PROPERTY FUND, LLC
SCHEDULE OF REAL ESTATE INVESTMENTS

						December 31, 2011
Property Name	**Ownership**	**City**	**State**	**Square Feet/**	**Cost (in millions)**	**Fair Value (in millions)**
OFFICE ASSETS						
10 Universal City Plaza	EJV	Universal City	CA	782,897	38.7	38.7
10 Universal City Plaza	Mezz Loan EJV	Universal City	CA	N/A	100.0	100.0
100 F Street	EJV	Washington	DC	712,851	26.2	24.1
100 West Walnut Street	WO	Pasadena	CA	396,000	149.7	156.4
150 California Street	WO	San Francisco	CA	202,256	155.2	100.9
155 North Wacker	CJV	Chicago	IL	1,152,953	475.2	530.0
500 Park Avenue	WO	New York	NY	203,043	116.6	170.9
600 Second Street	EJV	Washington	DC	361,833	15.9	18.8
700 Second Street	EJV	Washington	DC	521,654	46.8	52.8
801 17th Street	EJV	Washington	DC	244,812	65.5	69.4
950 N. Glebe	WO	Arlington	VA	247,232	116.1	117.8
1101 New York Avenue	EJV	Washington	DC	392,524	18.7	17.0
1601 K Street	WO	Washington	DC	216,090	156.6	181.0
1801 N. Lynn Street	WO	Rosslyn	VA	349,741	190.8	188.8
1945 Vaughn Road (1)	WO	Kennesaw	GA	27,000	1.8	1.7
6500 Wilshire Blvd	WO	Los Angeles	CA	456,679	180.8	182.1
Hills Plaza	WO	San Francisco	CA	620,224	215.9	306.0
One Maritime Plaza	WO	San Francisco	CA	553,373	452.7	295.0
One Market Plaza	EJV	San Francisco	CA	N/A	315.3	315.3 -
One Post Office Square	EJV	Boston	MA	804,188	17.3	138.7
Pasadena Holdings	EJV	Pasadena	CA	520,995	55.8	60.2
Rowes Wharf	EJV	Boston	MA	358,886	38.9	122.8
Two Park Avenue	WO	New York	NY	1,038,163	637.6	480.7
Wilshire Beverly Center	EJV	Los Angeles	CA	374,912	265.4	243.3
Office				**10,538.3**	**3,853.5**	**3,597.1**
RETAIL ASSETS						
103 Prince Street	EJV	New York	NY	29,900	21.4	21.4
AMLI Downtown Retail	WO	Austin	TX	41,567	19.4	12.0
Christiana Mall	EJV	Newark	DE	472,565	81.7	147.0
Dadeland Mall	EJV	Miami	FL	586,760	(130.0)	155.2
Downtown Austin Retail (1)	WO	Austin	TX	55,792	6.4	8.0
Fashion Valley Mall	EJV	San Diego	CA	864,573	(31.6)	301.1
Fox Run Mall	WO	Newington	NH	251,430	128.5	110.0
Rosedale Shopping Center	WO	Roseville	MN	571,974	192.8	314.0
Retail				**2,874.6**	**288.6**	**1,068.7**
INDUSTRIAL ASSETS						
3 Fitzgerald Avenue	WO	Monroe	NJ	151,440	7.7	7.4
3 South Middlesex Avenue	WO	Monroe	NJ	169,663	9.0	9.2
4 Applegate Drive	EJV	Robbinsville	NJ	265,089	11.4	12.9
6 Fitzgerald Avenue	WO	Monroe	NJ	204,000	10.5	11.2
17 South Middlesex Avenue	WO	Monroe	NJ	205,187	10.1	10.5
26 South Middlesex	CJV	Monroe	NJ	255,996	15.2	15.7
28 Engelhard Drive	WO	Monroe	NJ	144,848	7.9	8.7
32 Commerce Drive	WO	Cranbury	NJ	161,496	9.4	9.3
112 - 114 Melrich Road	WO	Cranbury	NJ	471,776	31.9	25.3

				December 31, 2011	
Property Name	**Ownership**	**City State**	**Square Feet/**	**Cost (in millions)**	**Fair Value (in millions)**
425 Hartman Road	WO	Atlanta GA	354,620	13.9	14.9
909 East Colon Street	WO	Wilmington CA	223,760	19.5	21.7
935 McLaughlin	WO	San Jose CA	194,536	7.4	14.5
2020 Piper Ranch	WO	San Diego CA	601,417	39.6	39.1
2201 E. Carson Street	WO	Carson CA	521,856	40.2	52.1
6400-6500 Park of Commerce	WO	Boca Raton FL	139,326	14.5	11.7
6905 Aragon Circle	WO	Buena Park CA	132,000	3.5	12.9
19914 Via Baron	WO	Dominguez CA	234,771	22.8	17.8
31353 Huntwood Avenue	WO	Hayward CA	323,254	23.9	23.1
Airport West Center	WO	Atlanta GA	287,570	15.4	16.0
Auburn Logistics Center	WO	Auburn WA	885,333	43.0	45.2
Azusa Industrial Center	WO	Azusa CA	432,500	30.0	31.5
BWC Industrials	WO	Landover MD	287,270	16.1	20.3
CalWest	M5 Mezz Loan	Various Various	N/A	115.2	2.1
Coliseum Center	WO	Oakland CA	336,680	19.1	26.0
East Belt Business Park	WO	Pasadena TX	180,000	14.5	13.5
East Belt Bus Park Phase II	WO	Pasadena TX	170,000	12.1	14.4
Harbor Distributing	WO	Santa Ana CA	149,120	4.9	16.9
Industrial West Venture	EJV	Various Various	1,771,617	62.9	61.4
Industrial West Venture II	EJV	Various Various	931,126	65.8	66.1
International Corporate Park	WO	Orlando FL	234,284	16.0	8.9
Kearny Fund II	EJV	Various CA	473,003	38.8	27.0
Lakeview Warehouses	WO	Dania FL	210,350	12.6	15.6
Matrix II Industrials	EJV	Various NJ	1,300,926	33.6	14.4
Matrix Industrials	EJV	Various NJ	908,010	23.8	16.6
McNab Business Park	WO	Tamarac FL	101,520	15.6	9.9
North 405 Center	WO	Renton WA	124,573	10.7	11.0
Ocean View Hills	WO	San Diego CA	665,594	53.5	32.6
Orchard Industrials I	WO	Various Various	276,423	23.0	17.2
Orchard Industrials II	WO	Santa Clara CA	121,671	14.1	11.1
Redlands Industrial Center	WO	Redlands CA	585,941	44.4	28.8
Route 130/102 Melrich	EJV	Cranbury NJ	103,350	32.2	22.0
Savage Industrials	WO	Savage MD	742,642	33.3	48.9
Tamarac Business Park	WO	Tamarac FL	116,760	20.0	11.7
Turnpike Distribution Center	WO	Medley FL	670,047	62.9	57.2
Valley View Industrial Park	WO	Santa Fe Springs CA	447,551	29.1	32.7
Westridge Distribution Center	WO	McDonough GA	324,090	15.5	9.4
Whipple Industrial Park	WO	Hayward CA	444,480	25.3	34.9
Industrial			**18,037.4**	**1,201.8**	**1,041.3**
APARTMENT ASSETS –EXPRESSED AS NUMBER OF UNITS					
AMLI 7th Street Station	WO	Fort Worth TX	189	22.6	25.9
AMLI 535	WO	Seattle WA	199	61.8	48.1
AMLI 900 (1)	EJV	Chicago IL	440	46.3	53.6
AMLI 2121	EJV	Houston TX	431	27.0	27.9
AMLI 5350	EJV	Austin TX	175	2.3	2.4
AMLI Arista	EJV	Broomfield CO	358	4.2	4.3
AMLI Atlantic Square	EJV	Atlanta GA	172	3.0	3.4
AMLI at Bellevue Park	WO	Bellevue WA	227	43.0	57.9
AMLI at Breckinridge Point	EJV	Richardson TX	440	5.4	10.0
AMLI at Bryan Place	EJV	Dallas TX	420	12.7	10.7
AMLI at Cityplace	WO	Dallas TX	244	28.4	26.1
AMLI at Danada Farms	EJV	Wheaton IL	600	6.6	7.0
AMLI at Empire Lakes	WO	Cucamonga CA	521	80.0	93.2
AMLI at Escena (1)	WO	Irving TX	N/A	23.7	25.2

Areté Capital

Property Name	Ownership	City State	Units	Cost (in millions)	Fair Value (in millions)
				December 31, 2011	
AMLI at Flatirons	WO	Aurora CO	500	79.7	79.5
AMLI at Fossil Lake (1)	WO	Fort Worth TX	288	23.0	24.3
AMLI at Ibis	WO	Palm Beach FL	234	32.3	31.0
AMLI at Inverness (1)	WO	Englewood CO	309	39.6	50.9
AMLI at Kirkland Crossing	WO	Aurora IL	266	40.6	43.1
AMLI at La Villita (1)	WO	Irving TX	306	5.4	12.9
AMLI at Lantana Hills	WO	Austin TX	264	28.3	30.9
AMLI at Lowry Estates	EJV	Denver CO	414	9.4	15.9
AMLI at McGinnis Ferry	WO	Suwanee GA	696	80.0	84.5
AMLI at Milton Park	EJV	Alpharetta GA	461	9.0	11.5
AMLI at Museum Gardens	EJV	Vernon Hills IL	294	8.4	6.9
AMLI at Naperville	EJV	Naperville IL	440	5.8	7.0
AMLI at North Briarcliff	WO	Atlanta GA	537	55.1	52.3
AMLI at Northpoint (1)	WO	Alpharetta GA	N/A	23.6	21.7
AMLI at Northwinds	EJV	Alpharetta GA	800	11.1	13.0
AMLI at Oakhurst North	EJV	Aurora IL	464	3.4	4.2
AMLI at River North (1)	WO	Chicago IL	N/A	7.7	8.0
AMLI at River Run	WO	Naperville IL	206	32.9	40.6
AMLI at Scofield Ridge	EJV	Austin TX	486	4.9	10.1
AMLI at Seven Bridges	EJV	Woodridge IL	520	8.2	8.2
AMLI at St. Charles	WO	Saint Charles IL	400	64.2	63.4
AMLI at the Ballpark (1)	WO	Frisco TX	N/A	8.2	9.2
AMLI at the Medical Center	EJV	Houston TX	334	3.7	4.7
AMLI at Victoria Arbors	EJV	Cucamonga CA	319	19.9	11.8
AMLI at Westcliff	WO	Westminster CO	372	50.0	58.6
AMLI City Vista	WO	Houston TX	404	67.5	75.0
AMLI Clear Creek (1)	WO	Overland Park KS	288	22.7	24.3
AMLI Downtown Apts	WO	Austin TX	220	44.3	51.5
AMLI Evanston (1)	EJV	Evanston IL	N/A	2.4	2.5
AMLI Flagler Village	WO	Fort Lauderdale FL	218	58.1	58.1
AMLI Galatyn Station	WO	Richardson TX	285	39.2	39.1
AMLI Interlocken (1)	WO	Broomfield CO	N/A	7.9	8.4
AMLI Knox-Henderson	WO	Dallas TX	180	22.5	21.5
AMLI Lindbergh	CJV	Atlanta GA	274	32.0	41.0
AMLI Memorial Heights	WO	Houston TX	380	57.2	75.9
AMLI Old 4th Ward	WO	Atlanta GA	337	46.1	51.2
AMLI on 2nd (1)	WO	Austin TX	231	32.9	34.2
AMLI on Day Creek	EJV	Cucamonga CA	270	15.8	9.9
AMLI on Eldridge Parkway	WO	Houston TX	668	51.9	71.1
AMLI on Frankford	EJV	Dallas TX	582	5.8	10.0
AMLI on the Boulevard	WO	Sherman Oaks CA	105	30.3	22.0
AMLI on the Plaza	EJV	Morristown NJ	149	3.5	3.2
AMLI Operating Company	OC	Chicago IL	N/A	95.3	24.2
AMLI Park Avenue	WO	Denver CO	194	49.5	49.5
AMLI Parkside	EJV	Atlanta GA	301	6.5	6.6
AMLI Perimeter Gardens (1)	EJV	Dunwoody GA	245	2.2	2.6
AMLI Ponce Park (1)	WO	Atlanta GA	N/A	6.3	6.2
AMLI Quadrangle (1)	WO	Dallas TX	220	43.8	36.8
AMLI South Shore(1)	WO	Austin TX	375	49.9	66.2
AMLI Towne Square	EJV	Houston TX	380	5.6	11.9
AMLI Upper West Side	WO	Fort Worth TX	194	23.3	21.7
Apartment Totals			**19,826**	**1,843.9**	**1,924.5**

Areté Capital

					December 31, 2011
Property Name	**Ownership**	**City State**	**Sq Feet**	**Cost (in millions)**	**Fair Value (in millions)**
HOTELS EXPRESSED AS NUMBER OF ROOMS					
Boston Harbor Hotel	EJV	Boston MA	230	69.8	54.6
Marriott East Side	WO	New York NY	646	327.7	293.0
Hotel Totals			**876**	**397.5**	**347.6**
SELF STORAGE EXPRESSED IN SQ FT					
Addison	WO	Dupage IL	54,010	5.5	6.7
Arlington	WO	Arlington IL	67,175	6.1	6.3
Astoria	WO	Astoria NY	25,050	7.4	7.4
Baldwin	WO	Baldwin NY	61,555	6.2	7.5
Bridgeview	WO	Bridgeview IL	57,795	8.0	4.8
Bronx	WO	Bronx NY	39,525	9.5	12.1
Bronx II	WO	Bronx NY	N/A	4.8	4.8
Brooklyn	WO	Brooklyn NY	39,800	15.9	8.9
Carrollwood	WO	Tampa FL	75,525	10.6	6.2
Causeway	WO	Metairie LA	111,034	21.3	15.8
Coconut Creek	WO	Coconut Creek FL	64,750	10.1	5.8
Coconut Grove	WO	Miami FL	31,250	8.3	4.5
Crown Heights	WO	Brooklyn NY	28,858	8.9	10.0
Darien	WO	Darien IL	65,300	9.4	9.5
Des Plaines	WO	Des Plaines IL	65,550	6.1	5.3
Dollar	WO	St. Petersburg FL	66,694	11.5	6.8
East Williamsburg	WO	Brooklyn NY	45,345	12.4	13.8
East New York	WO	Brooklyn NY	44,400	8.8	11.0
Ebbetts Field	WO	Brooklyn NY	40,200	11.0	13.3
Elizabeth	WO	Elizabeth NJ	53,775	7.6	6.4
Elmsford	WO	Elmsford NY	45,623	10.2	12.0
Fox Chase	WO	Philadelphia PA	49,653	6.8	3.0
Frankford	WO	Philadelphia PA	42,790	5.7	2.3
Garfield	WO	Garfield NJ	45,745	5.0	4.0
Germantown	WO	Philadelphia PA	48,595	6.2	6.7
Hewlett	WO	Hewlett NY	61,375	9.3	10.8
Hialeah	WO	Miami FL	49,028	6.6	4.2
Hollis	WO	Hollis NY	41,755	10.8	8.0
Holmdel	WO	Holmdel NJ	61,000	7.1	6.7
I-10	WO	Metairie LA	69,530	14.5	10.8
Jamaica	WO	Queens NY	33,818	6.8	8.4
Jerome	WO	Brooklyn NY	35,038	6.8	7.1
Juniata	WO	Philadelphia PA	40,560	6.5	2.8
Lapalco	WO	Marrero LA	72,380	7.2	3.7
Liberty	WO	Jamaica NY	51,796	10.9	9.8
Lombard	WO	Lombard IL	50,375	6.6	5.8
Lyons	WO	Lyons IL	58,475	5.8	3.2
Manhattan	WO	Metairie LA	68,390	5.3	2.8
McCook	WO	Chicago IL	69,945	7.2	7.2
Miami Design	WO	Miami FL	58,865	8.6	11.7
Miramar	WO	Miramar FL	57,685	10.3	5.4
Mountainside	WO	Mountainside NJ	72,760	15.5	9.2
New Hyde Park	WO	New Hyde Pk NY	47,615	11.2	11.2
New Rochelle	WO	New Rochelle NY	62,675	16.7	16.6
Oaklane	WO	Philadelphia PA	46,150	4.5	5.5
Ozone Park	WO	Ozone Park NY	34,320	6.0	8.3
Palatine	WO	Palatine IL	55,505	4.7	5.7
Palm Harbor	WO	Palm Harbor FL	83,350	10.5	9.7
Palmetto Bay	WO	Miami FL	45,787	6.7	4.4

Areté Capital

Property Name	Ownership	City State	Sq Feet	Cost (in millions)	Fair Value (in millions)
				December 31, 2011	
Palmetto Expressway	WO	Miami FL	63,300	12.3	5.7
Pompano Beach	WO	Pompano Beach FL	63,675	8.7	7.1
Power & I-10	WO	Metairie LA	60,750	11.0	6.8
Ridgefield	WO	Ridgefield NJ	66,553	10.6	7.5
Ridgewood	WO	Queens NY	42,390	9.7	8.7
Safeguard Operating Company	WO	Atlanta GA	N/A	(1.1)	0.4
Storehouse	WO	Baton Rouge LA	72,055	6.1	4.9
Tacony	WO	Philadelphia PA	41,000	4.9	2.6
Tamarac	WO	Tamarac FL	61,958	10.5	6.7
Temple	WO	Philadelphia PA	34,480	1.7	4.5
Utica	WO	Brooklyn NY	N/A .	6 4.	6
West Hempstead	WO	Hempstead NY	49,600	6.1	7.5
Wabash	WO	Chicago IL	68,150	7.7	8.3
Warehouse	WO	Baton Rouge LA	49,490	7.7	5.4
Warehouse District	WO	New Orleans LA	32,670	4.1	3.7
West Miami	WO	Miami FL	40,875	4.4	5.1
Yonkers	WO	Brooklyn NY	40,438	8.7	7.7
Self Storage Totals			**3,385.5**	**547.1**	**471.1**
LAND					
100 West Walnut St Land	WO	Pasadena CA	N/A	21.8	31.4
509 West 38th Street	NR	New York NY	N/A	13.6	13.6
AMLI at Covered Bridge (1)	WO	Austin TX	N/A	2.4	2.4
AMLI at Fossil Creek II (1)	WO	Fort Worth TX	N/A	2.6	2.4
AMLI at Riverfront Park(1)	WO	Denver CO	N/A	8.5	8.5
AMLI at Wheatlands (1)	WO	Aurora CO	N/A	5.5	5.0
AMLI Clear Creek Phase II (1)	WO	Kansas City KS	N/A	1.0	0.9
AMLI Riverside (1)	WO	Austin TX	N/A	4.2	2.9
AMLI Sawgrass Village (1)	WO	Sunrise FL	N/A	8.6	8.5
AMLI West Town (1)	WO	Atlanta GA	N/A	11.0	5.8
Barrett 3 Land Site	WO	Kennesaw GA	N/A	1.6	3.1
International Corporate Park	EJV	Orlando FL	N/A	11.1	6.0
Land Totals				**91.9**	**90.5**
Total investments				**$8,224.3**	
$8,540.8					

WO - Wholly-owned investment
CJV - Consolidated joint venture
EJV - Joint venture investment accounted for under the equity method
NR - Note receivable
OC - Operating company
(1) Investments held under an operating company

Source: Delotte Touche LLP 2011 Annual Report for PRIME

TAB 5 – OPERF PUBLIC EQUITY ANNUAL REVIEW

Oregon Investment Council
OPERF Public Equity Annual Review
July 25, 2012

PURPOSE

To provide the OIC an annual update on the goals, performance and risk management process of the public equity portfolio.

BACKGROUND

In 2008, the OIC adopted a Public Equity structure benchmarked to the MSCI All Country World Investable Market Index (MSCI ACWI IMI). The adoption of this benchmark was the final step in a series of Staff recommended actions intended to reduce home country bias and to diversify the public equity portfolio using a broader investable equity universe. The total plan allocation to public equities was further reduced to 43 percent by the OIC at the January 2011 meeting, but the total equity structure remained firmly fixed to the MSCI ACWI IMI index.

As of March 31, 2012, the capitalization based allocation of the MSCI ACWI IMI index was comprised of 47 percent U.S. equities, 40 percent Developed International equities, and 13 percent Emerging Market equities. To implement this structure, Public Equity Staff use a mix of 42 differentiated investment strategies organized across style (core, growth, value), capitalization range (large, mid, small, micro) and geography (country, region, global) with the intent of matching the broad exposures found within the benchmark.

The 42 diversified investment strategies can broadly be categorized as follows:

- **20 U.S. Equity strategies** comprised of five indexed strategies (three of which are internally managed) and 15 active strategies (one of which is managed internally).

- **22 International Equity strategies**, comprised of 15 international developed strategies (one of which is indexed), six dedicated emerging market strategies (one of which is internally managed) and one global equity strategy.

2011 PUBLIC EQUITY MONITORING & MANAGEMENT HIGHLIGHTS

Open Door Meetings - Staff continually scans the marketplace for promising investment managers. The most efficient venue is through visits with prospective managers in OST offices. In calendar year 2011, public equity staff conducted over 109 in-person meetings in our Tigard and Salem offices. Staff maintains files on all managers with whom we meet, and uses a broad range of third-party databases and analytical tools to assist in the tracking and evaluation of prospective manager strategies.

Quarterly Conference Calls – Staff performs conference calls with all OPERF managers on a quarterly basis as part of its portfolio monitoring process. It is a formal, documented process that allows staff to understand how a manager is expressing their views through the portfolio, and to test conviction in their portfolio holdings. The conference calls also serve to alert staff of any adverse changes in the manager's investment processes or operations. Staff generally blocks out a two week period every quarter which is dedicated solely to the quarterly conference calls. In calendar year 2011, public equity staff conducted over 112 quarterly conference calls over an eight week period of time with its OPERF equity managers

On-Site Visits – Per OIC ***Policy and Procedure 04.05.01- Strategic Role of Public Equity Securities within OPERF***, staff is required to conduct annual site visits with all OPERF equity managers. On-site visits generally take anywhere from 2-4 hours and involve meetings with portfolio managers, analysts, traders, and compliance personnel. In calendar year 2011, public equity staff conducted 34 on-site visits with current and prospective OPERF equity managers.

Cash Raises – Cash raises from OPERF Public Equity for both pension payments and capital calls is an unavoidable and essential part of plan management. The process of raising cash can have unintended effects on the public equity portfolio's exposure to style, capitalization range, and geography. Staff manages these unintended risks using proprietary models and risk platforms all with the goal of controlling the portfolio exposures. As a result, cash raises end up being complex project management exercises that require sophisticated analytics and the combined efforts of staff, custody bank, asset managers, and transition managers. In calendar year 2011, the Public Equity portfolio raised $1.4 billion in cash for pension payments and capital calls. Since July of 2007, Public Equity has raised over $13 billion to satisfy the on-going needs of the plan.

DISCUSSION

At the 2011 Public Equity annual review, staff discussed the philosophical and qualitative framework which it uses to govern the day-to-day management of the public equity portfolio. This framework involves the continuous monitoring of OPERF managers by staff for items such as organizational issues (ownership changes, staff turnover, key-man risk; all of which inform staff of potentially adverse changes), drift in investment philosophy or process (is the manager performing the role that was intended or has the manager remained rooted in an unproductive dogmatic process), and an understanding how various economic and market shifts will aid or hinder a manager in meeting their performance objectives (terminate for the right reasons, not just performance alone). This year staff would like to provide some background on the quantitative framework it uses in the management of the public equity portfolio. This framework entails the use of risk management tools which allow staff to analyze portfolios not only at the manager level, but more importantly, aggregate risk information at the total equity portfolio level.

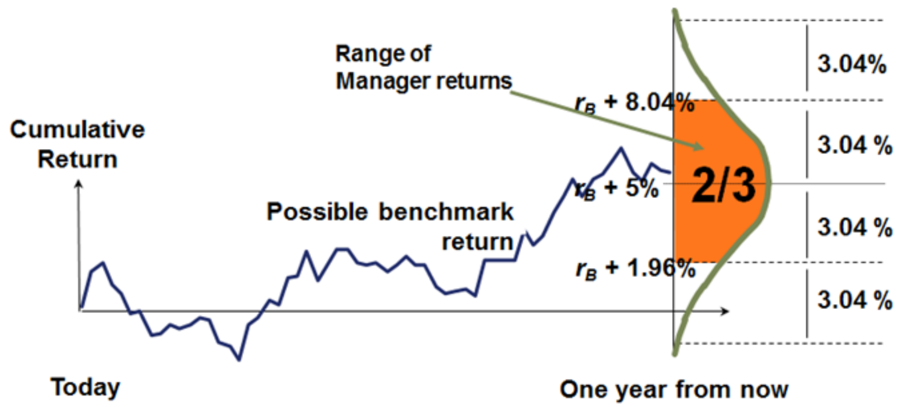
The basis for risk management can be found in ***Policy and Procedure 04.05.01- Strategic Role of Public Equity Securities within OPERF***, which states that "active risk will be managed to a targeted annualized tracking error of 0.75 to 2.0 percent relative to the MSCI ACWI IMI (net) benchmark." Tracking error (also called active risk) is the measure of how closely a portfolio follows the index to which it is benchmarked. Index funds, such as those managed internally, have tracking errors close to zero. Actively managed portfolios have higher tracking errors as they are expected to deviate from the index in order to generate active returns (alpha). The following table provides tracking error ranges associated with different levels of active management:

	Tracking Error Ranges
Index	0 -0.50%
Enhanced Indexing	0.50% - 1.50%
Active	1.50% - 6.00%
Concentrated Portolios	> 8.00%

In order to better understand risk, and for illustrative purposes, the panel on the following page shows the monthly returns of the internally managed TEMS portfolio relative to its benchmark, the MSCI Emerging Markets Index. The tracking error of the TEMS portfolio is simply the standard deviation of the difference (column A-B), which calculates as being 3.04%. As an aside, if tracking error is measured historically, it is called 'realized' or 'ex-post' tracking error. Although manager returns may differ from year to year, volatility characteristics (such as tracking error) are a function of a manager's style and cap range preferences, and remain consistent over time. Once a manager's risk pattern is known, we can infer how a manager's return might behave relative to a benchmark on a forward looking basis. The chart to the right helps illustrate how a TEMS portfolio return might differ from the benchmark after a one year period of time. In this example, if we assume that the benchmark return will be 5 percent, then there is, approximately, a two-thirds likelihood (68 percent chance) that the TEMS strategy return will range between 8.04 percent (5%+3.04%= 8.04%) and 1.96 percent (5% - 3.04% = 1.96%).

Ex-Post (historical) Tracking Error

	A	B	A-B
	TEMS	MSCI EM	Difference
Jul-11	-0.28%	-0.44%	0.16%
Aug-11	-8.65%	-8.94%	0.29%
Sep-11	-13.78%	-14.58%	0.80%
Oct-11	11.43%	13.25%	-1.82%
Nov-11	-6.05%	-6.67%	0.62%
Dec-11	-2.08%	-1.21%	-0.88%
Jan-12	10.70%	11.34%	-0.64%
Feb-12	5.94%	5.99%	-0.05%
Mar-12	-2.09%	-3.38%	1.29%
Apr-12	-1.03%	-1.20%	0.16%
May-12	-10.86%	-11.21%	0.35%
Jun-12	4.94%	3.86%	1.08%
Active Risk or Tracking Error =			3.04%



As indicated previously, the OPERF Public Equity portfolio is managed to a targeted annualized tracking error of between 0.75 to 2.0 percent relative to the MSCI ACWI IMI (net) benchmark. This tracking error objective implies that there is a two-thirds likelihood that the OPERF Public Equity portfolio should experience returns that will range between 2 percent higher or 2 percent lower that the returns of the MSCI ACWI IMI index.

Portfolio management of the OPERF Public Equity portfolio is ultimately a forward-looking exercise. The goal for staff is to allocate capital to managers that make good investment decisions in the future while combining the managers in such a way that risk guidelines established in Public Equity policies are maintained. For this reason, most fund sponsors (like Oregon) utilize sophisticated risk tools to manage risk in their portfolios. In 2008, Public Equity staff procured the ***BarraOne*** risk platform for three reasons:

1) To monitor the risk of individual OPERF equity manager portfolios relative to their benchmarks;
2) To manage the proposed internally equity portfolios relative to their benchmarks;
3) To create a risk budgeting tool for the management of the total equity portfolio, relative to MSCI ACWI IMI Index.

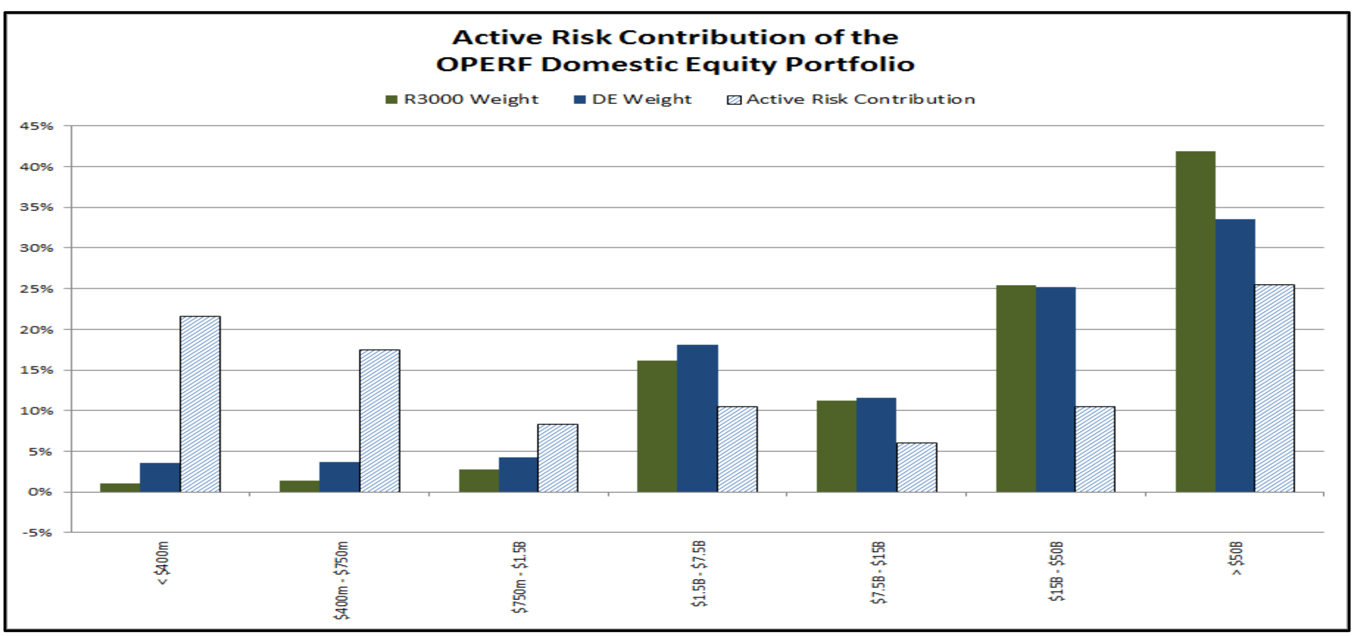
The ***BarraOne*** risk platform is a holdings-based predicted (also referred to as ex-ante) risk tool that provides a framework for measuring risk. This holdings based risk platform allows staff to load up every security the public equity portfolio owns (10,710 securities invested in 55 countries through 42 distinct portfolios) and compare it to the underlying holdings of the MSCI ACWI IMI Index (which covers 45 countries and invests in 8,790 individual securities). This tool allows staff to measure and analyze risk at the stock, industry, sector, factor, country, manager and total equity portfolio level, all relative to a specified benchmark. Although staff utilizes BarraOne for monitoring external OPERF equity managers (confirmation of manager risk attributes and assessing risk conviction of holdings during quarterly conference calls), and for managing the internal portfolios (compliance of stated tracking error objectives and creation of trading lists), the most powerful application of the tool is that it allows staff to manage the risk budget of the total equity portfolio.

The table in **Appendix A** (OPERF Total Public Equity Risk Budget) shows a small sampling of the various measures of risk that are used in managing the OPERF public equity portfolio. The ***Tracking Error (Realized)*** column (ex-post risk) shows the historical tracking error of each OPERF manager and sub asset class composite to which they belong. The realized tracking error of the Total Public Equity Portfolio is 1.14 percent, well within the Policy and Procedure guideline range of 0.75 to 2.0 percent.

The ***Active Risk vs. Bench (Forecast)*** column (ex-ante risk) shows the predicted risk calculated by ***BarraOne***. In the majority of cases, ex-post and ex-ante risk are very similar. The predicted risk for the OPERF Public Equity portfolio is currently expected to be 0.76 percent over the next year, which positions the portfolio at the lower end of the Policy and Procedure risk guideline range of 0.75 to 2.0 percent. It is important to note that proxies are made for managers not appropriately modeled by Barra (PIMCO is an example). This has the effect of lowering the predicted tracking error. As with any quantitative process, the outputs are only as good as the inputs. For this reason, the output generated from BarraOne is only one tool in our portfolio management toolkit and a healthy dose of qualitative judgment is employed.

One of the more interesting risk measures staff uses is the ***Contribution to Active Risk*** statistic which shows the percentage of risk attributed to each manager and sub-asset class component. This is one of the more useful measures of risk in that it allows staff to assess if the risk budget attributed to any individual manager or sub-asset class is in line with the capital allocation and the conviction that staff has in the manager or sub-asset class. Given the limited risk budget, staff strives to ensure that capital is allocated in the most efficient manner (potential for payoff is highest) and that there are no unintended bets in the portfolio.

The chart below on the OPERF Domestic Equity portfolio helps illustrate how the active risk contribution within a portfolio can differ from the capital allocation. The green bars show the market capitalization ranges (micro cap stocks on the left, mega cap stocks on the right) represented by the Russell 3000 index. The OPERF strategic overweight to small cap (relative to the Russell 3000) is evidenced by the slightly taller dark blue bars at the smaller capitalization ranges. The Active Risk Contribution (lighter blue bars) of small cap is clearly larger than the capital allocation of OPERF Domestic Equity portfolio, and can be explained for two reasons: 1) OPERF has a two times overweight to small cap relative to the Russell 3000 index; and 2) small cap stocks by nature are more volatile that large cap stocks.



Staff's use of risk budgeting is but one facet of the portfolio management process used on behalf of the OPERF Total Equity portfolio. The combination of "open door" meetings with prospective managers, the quarterly conference calls and annual on-site visits with current managers, the quantitative framework used by staff, and the strategic relationship we maintain with the OIC Consultant, all serve to ensure that the public equity portfolio remains compelling and within all OIC Public Equity guidelines. To that end, staff and the OIC Consultant have updated a new Public Equity manager structure which is outlined in the SIS presentation deck that follows under separate cover.

RECOMMENDATION

Approve the updated Public Equity Manager Structure contained in the Consultant presentation.

APPENDIX A

OPERF Total Public Equity Risk Budget

Portfolio	State Street Mkt Value	Benchmark	Total Risk	Active Risk vs Bench *(Forecast)*	Tracking Error *(Realized)*	Contribution to Active Risk (bps)	State Street Mkt Value Weight	Contribution to Active Risk (%)
Total Public Equity	**19,521,277,614**	**ACWI IMI**	**20.29**	**0.76**	**1.14**	**0.76**	**100%**	**100%**
Domestic Equity	**9,117,253,439**	**R3000**	**20.19**	**1.18**	**1.83**	**0.32**	**47%**	**41.3%**
US EQ Large Cap Core	3,382,069,884	R1000	19.74	0.50		(0.01)	17%	-2%
Fidelity Pyramis Mgmt	365,226,578	R1000	19.56	1.82	3.62	(0.00)	2%	0%
SP 500 Index OST Managed	1,075,240,903	S&P 500	19.07	0.05	0.08	(0.02)	6%	-3%
SP 400 Index OST Managed	225,506,432	S&P 400	23.21	0.08	0.22	0.02	1%	2%
PIMCO	491,311,350	R1000	19.59	0.00	5.39	(0.01)	3%	-1%
US Northern Trust Core	681,424,924	R3000	19.88	1.36	1.36	0.02	3%	2%
Russell Fundamental OST Managed	543,359,695	Russ Fundamental	20.16	0.09	N/A	(0.02)	3%	-2%
US EQ Large Cap Growth	1,936,933,591	R1000 Gro	18.84	2.06		0.08	10%	11%
Delaware Investment Advisers	466,188,216	R1000 Gro	19.49	4.48	4.67	0.03	2%	4%
Wells Domestic Equity Pers	637,652,447	R1000 Gro	18.53	3.94	5.64	0.04	3%	5%
BlackRock R1000G	833,092,929	R1000 Gro	19.06	0.00	0.16	0.01	4%	1%
US EQ Large Cap Value	1,996,987,715	R1000 Val	19.90	1.41		(0.06)	10%	-8%
Aronson Johnson Ortiz	687,055,252	R1000 Val	20.89	2.11	3.34	(0.01)	4%	-1%
MFS	694,760,454	R1000 Val	18.52	3.59	3.33	(0.03)	4%	-3%
BlackRock R1000V	615,172,009	R1000 Val	20.58	0.00	0.07	(0.02)	3%	-3%
US EQ Small Cap Core	1,155,990,737	R2000	23.78	2.74		0.17	6%	23%
Columbia Wanger Asset Management	682,628,560	R2500	23.05	3.19	3.23	0.09	3%	11%
Wellington	334,708,215	R2000	25.60	5.73	7.83	0.06	2%	8%
Russell 2000 OST Managed	138,653,962	R2000	25.12	0.00	0.14	0.02	1%	3%
US EQ Small Cap Growth	300,003,407	R2000 Gro	26.45	5.68		0.09	2%	11%
Next Century Growth Inves	105,038,422	R2000 Gro	26.54	8.16	8.38	0.03	1%	4%
Eudaimonia Asset Mgmt	91,373,225	R2000 Gro	28.27	8.19	7.64	0.03	0%	4%
Next Century Growth Investors	103,591,760	R2000 Gro	25.96	5.79	6.47	0.02	1%	3%
US EQ Small Cap Value	345,268,106	R2000 Val	25.08	1.89		0.05	2%	6%
AQR Capital Management LLC	164,723,598	R2000 Val	25.11	2.30	4.61	0.02	1%	3%
Boston Company Asset Mgmt	180,544,509	R2000 Val	25.24	3.38	3.97	0.02	1%	3%
International Equity	**9,640,182,597**	**ACWI ex-US IMI**	**21.31**	**1.22**	**1.53**	**0.37**	**49%**	**48.1%**
INTL EQ Core	4,726,445,873	ACWI ex-US IMI	21.53	2.05		0.22	24%	29%
AQR Capital Management LLC	738,166,951	World ex-US	22.21	3.43	3.80	0.05	4%	6%
Lazard Freres Asset Management	657,298,307	ACWI ex-US	21.17	2.81	4.16	0.03	3%	4%
Fidelity Investment Mgmt	840,026,024	ACWI ex-US	21.67	1.22	2.07	0.01	4%	2%
Arrowstreet Capital L.P.	937,400,991	ACWI ex-US IMI	21.99	3.38	3.96	0.07	5%	10%
INTL Northern Trust Core	196,456,902	ACWI ex-US IMI	20.21	3.15	2.20	0.01	1%	1%
SSgA World Ex-US	1,357,096,697	World ex-US	21.51	0.00	0.14	0.05	7%	6%
INTL EQ Growth	1,478,733,445	ACWI ex-US Gro	19.12	3.40		0.05	8%	7%
Walter Scott Mgmt	602,294,832	World ex-US	17.17	6.09	7.11	0.02	3%	3%
TT International Investment Management	490,861,437	World ex-US Gro	19.95	2.95	4.83	0.02	3%	3%
UBS Global Asset Mgmt Americas	385,577,176	ACWI ex-US Gro	21.85	3.12	4.74	0.01	2%	1%
INTL EQ Value	1,189,001,928	ACWI ex-US Val	21.48	3.07		0.06	6%	8%
Acadian Asset Mgmt	611,646,435	ACWI ex-US Val	22.46	4.08	5.15	0.02	3%	2%
Brandes Investment Partners LP	577,355,493	ACWI ex-US Val	20.92	4.97	6.67	0.04	3%	5%
INTL EQ Small Cap	759,755,111	World ex-US SC	21.22	1.96		0.06	4%	8%
Dimensional Fund Advisors	159,281,382	World ex-US SC Val	23.40	2.18	7.00	0.01	1%	2%
Victory Capital Management Inc	160,277,922	World ex-US SC Gro	22.15	4.03	7.04	0.01	1%	1%
Harris Associates	183,780,825	ACWI ex-US SC Val	20.15	6.53	8.00	0.02	1%	3%
Fidelity Management Trust Co	256,414,982	World ex-US SC	20.75	2.37	3.74	0.02	1%	2%
INTL EQ Emerging	1,486,246,240	MSCI EM IMI	24.39	2.81		(0.03)	8%	-3%
William Blair	172,749,371	MSCI EM	23.58	4.04	N/A	(0.00)	1%	-1%
Arrowstreet Capital L.P.	373,652,666	MSCI EM IMI	24.71	4.27	5.54	0.00	2%	0%
TEMS OST Managed	194,427,714	MSCI EM	23.67	3.77	2.98	0.00	1%	0%
Westwood EM	100,937,475	MSCI EM	24.65	5.99	5.13	0.00	1%	0%
Genesis Investment Management	543,093,908	MSCI EM IMI	24.84	4.14	5.32	(0.02)	3%	-2%
DFA EM SC	101,385,106	MSCI EM IMI	26.38	4.47	3.48	(0.01)	1%	-1%
Global Equity	**763,841,578**	**ACWI Value**	**24.22**	**5.05**	**4.86**	**0.03**	**4%**	**3.3%**
AllianceBernstein	763,841,578	ACWI Value	24.22	5.05	4.86	0.03	4%	3%
Portfolio Currency Risk						**0.05**		**7.0%**

OREGON INVESTMENT COUNCIL

PUBLIC EQUITY REVIEW

JULY 25, 2012

STRATEGIC INVESTMENT SOLUTIONS, INC.

333 Bush Street, Suite 2000
San Francisco, CA 94104
(415) 362-3484

John P. Meier, CFA
Managing Director

Deborah Gallegos
Director of Manager Research

Public Equity Role Within the Policy Portfolio

- Total Fund Return and Risk Control
  - Global source of returns and diversification.
  - Policy based Objectives (Active/Passive, Large/Small, Risk Tolerance, etc.)
    - Allows Staff to adjust portfolio on the margin based on manager conviction and outlook.
- Liquidity
  - Generally Very Liquid Portfolio – But as Experienced in 2008, Not all Public Equity is always liquid.
- Return
  - OIC Policy objective of 75 basis points of excess return net of fees is aggressive especially for such a large portfolio.
    - Total Public Equity has achieved 25 – 50 bp of excess return net of fees.
    - International Equity has achieved the objective but US Equity and Global Equity have fallen short.

Current Public Equity

- Asset Class Benchmark = MSCI ACWI IMI (All Country, All Cap).
- Global Approach – Implemented at varying levels of specialization
  - US, Non-US and Global Managers.
  - Broad based and specialized to ensure structured exposure across the globe and across style and size spectrums.
- Pros of Current Structure
  - Globally diversified.
  - Most managers providing alpha so the overall portfolio outperforms.
  - Risks are well diversified and understood.
- Challenges of Current Structure
  - There will always be managers that are of concern!!!!!
  - Focus on the Total Portfolio, not the individual managers.

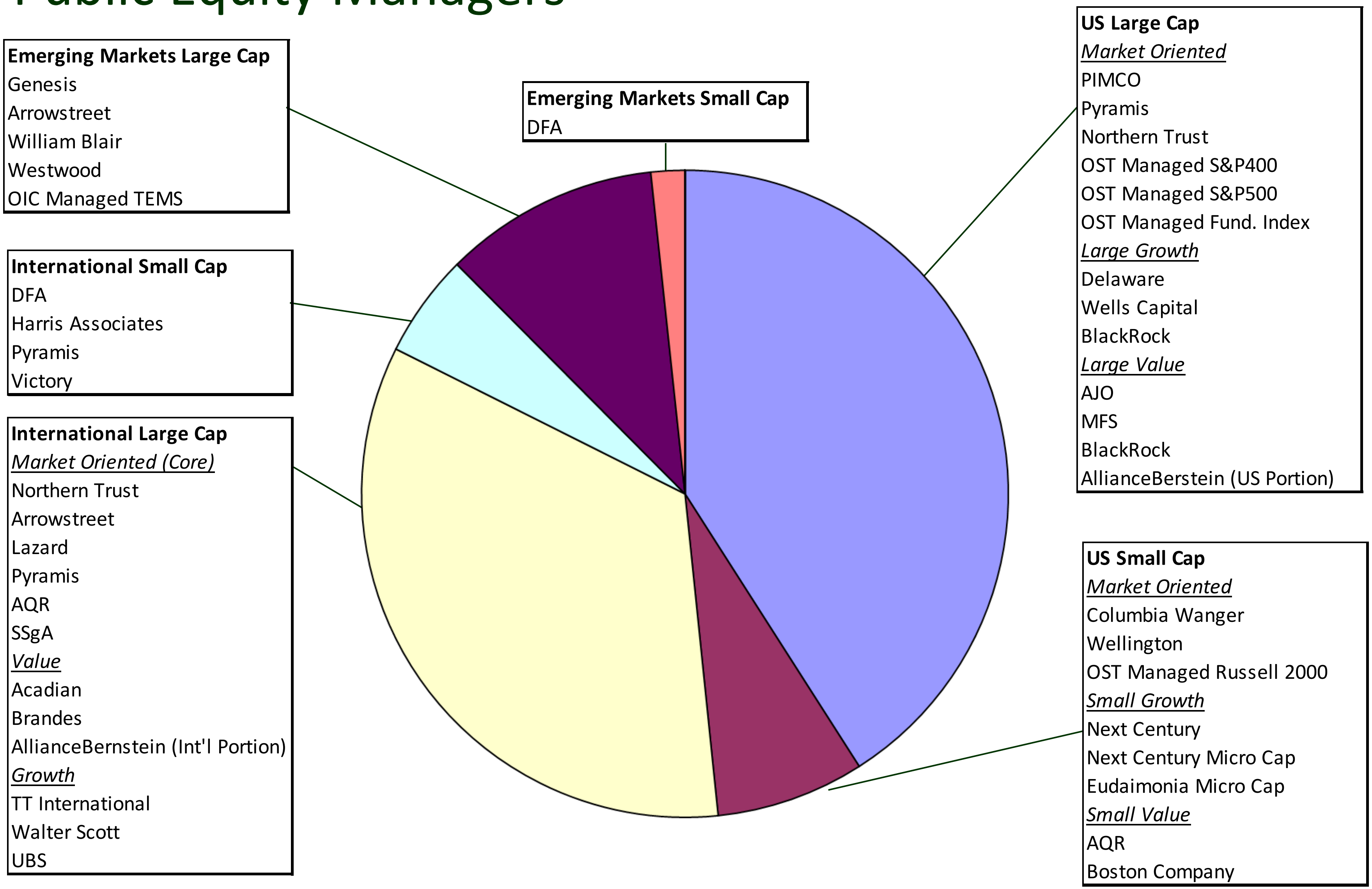
Public Equity Characteristics

	Policy	5/31/12 Portfolio	Proposed Portfolio
Active	75.0%	79.0%	78.4%
Passive	25.0%	21.0%	21.6%
U.S. (ACWI IMI Wgt.)	48.5%	48.6%	48.6%
Non-U.S. (ACWI IMI Wgt.)	51.5%	51.4%	51.4%
Emerging Markets (ACWI IMI Wgt.)	12.4%	12.5%	12.5%
Growth	50.0%	49.8%	50.0%
Value	50.0%	50.2%	50.0%
U.S. Small Cap Overweight	100.0%	102.6%	98.6%
Expected Tracking Error	0.75 -2.0%	0.9%	0.9%

Public Equity Characteristics (cont.)

	MSCI ACWI IMI	Policy	5/31/12 Portfolio	Proposed Portfolio
US Large Cap	44.8%	41.1%	40.9%	40.9%
US Small Cap	3.7%	7.5%	7.7%	7.4%
Intl Dev Large Cap	34.3%	34.3%	34.1%	34.0%
Intl Dev Small Cap	4.8%	4.8%	4.8%	5.2%
Emerg Mkt Large Cap	10.9%	10.9%	10.8%	10.8%
Emerg Mkt Small Cap	1.4%	1.4%	1.7%	1.7%

Public Equity Managers



Public Equity Performance Review

- Active Management has worked (Net of Fees).

	Periods Ending 3-31-12			
	3 Yr	4 Yr	5 Yr	10 Yr
US Equity	0.83%	0.20%	-0.10%	0.22%
Intl Equity	0.68%	1.36%	0.94%	0.66%
Public Equity	0.53%	0.53%	NA	NA

- Peer (Public Funds >$1 Billion) Comparison (Gross of Fees) – Source: TUCS

US Equity	Periods Ending 3-31-12			
	3 Yr	5 Yr	7 Yr	10 Yr
OPERF	25.44%	2.36%	5.44%	5.14%
Median	24.03%	2.10%	4.95%	4.65%
R3000	24.26%	2.18%	5.10%	4.67%
OPERF Rank	5	25	18	12

Intl Equity	Periods Ending 3-31-12			
	3 Yr	5 Yr	7 Yr	10 Yr
OPERF	20.63%	-0.13%	6.48%	8.42%
Median	19.97%	-1.25%	5.31%	7.14%
ACWI x US IMI	19.95%	-1.07%	5.56%	7.75%
OPERF Rank	5	5	1	1

Internal Strategies

- **OST S&P 500** – The objective of the strategy is to outperform the S&P 500 index by 5 bps annualized with an expected tracking error of 10 bps through a full replication strategy that adds value through thoughtful selection of corporate actions and smart trading around index additions and deletions.

  Portfolio Manager/Trader, **Ben Mahon**,
  Back-up PM/Trader, **Michael Viteri**

- **OST S&P 400** – The objective of the strategy is to outperform the S&P 400 Index by 10 bps annualized with an expected tracking error of 30 bps through a full replication strategy that adds value through thoughtful selection of corporate actions and smart trading around index additions and deletions.

  Portfolio Manager/Trader, **Michael Viteri**,
  Back-up PM/Trader, **Karl Cheng**

- **OST Russell 2000** – The objective of the strategy is to outperform the Russell 2000 Index by 30 bps annualized with an expected tracking error of 50 bps through a synthetic replication strategy that purchases futures contracts to 'equitize' the portfolio. The value added comes from two sources: 1) the mispricing of Russell 2000 futures contracts due to supply/demand effects; and 2) the difference in financing rates between what can be earned on cash and the implied rate priced into the futures contracts.

  Portfolio Manager/Trader, **Michael Viteri**,
  Back-up PM/Trader, **Karl Cheng**

Internal Strategies

- **OST Fundamental LC** - The objective of the RAFI/Russell 1000 portfolio is to outperform the Russell 1000 Total Return Index by 200 basis points annualized over a market cycle with an expected tracking error below 450 basis points. A key tenet behind the fundamental strategy is that underlying accounting valuation metrics are objective and less volatile measures of a company's importance in the economy, as opposed to the company's listed market value

  Portfolio Manager/Trader, **Karl Cheng**,
  Back-up PM/Trader, **Michael Viteri**

- **Tiered Emerging Markets Strategy** – The objective of the TEMS is to outperform the MSCI Emerging Markets (net) Index by 200 bps annualized over a market cycle with an expected tracking error of 400 bps. The strategy is implemented through a tiered allocation based upon country weighting. The underlying premise of the model is a framework which allows one to capture the inherent tendency for emerging markets to mean revert. The high volatility of returns and low correlation between emerging market countries, provides the key ingredients to this type of structured strategy.

  Portfolio Manager, **Ben Mahon**,
  Back-up PM, **Karl Cheng**

Public Equity Internal Strategies

- All five "internal" strategies are meeting or exceeding their excess return investment objectives.

Periods Ending 6/30/12	Market Value	1 Year	Inception
OST 500 Portfolio	$ 1,119.8	5.49%	12.03%
S&P 500 Index		5.45%	11.95%
Excess		0.04%	0.08%
Tracking Error		0.10%	0.09%
Information Ratio		0.40	0.89
Inception: 10/1/09			
OST 400 Portfolio	$ 229.8	-2.11%	13.89%
S&P 400 Index		-2.33%	13.53%
Excess		0.22%	0.36%
Tracking Error		0.48%	0.36%
Information Ratio		0.46	1.00
Inception: 10/1/09			
OST 2000 Synthetic	$ 145.8	-1.04%	9.89%
Russell 2000 Index		-2.07%	8.92%
Excess		1.03%	0.97%
Tracking Error		0.23%	0.18%
Information Ratio		4.48	5.39
Inception: 4/1/10			

Periods Ending 6/30/12	Market Value	1 Year	Inception
TEMS	$ 204.0	-14.41%	22.65%
MSCI EM Index		-15.99%	21.08%
Excess		1.58%	1.57%
Tracking Error		3.00%	2.88%
Information Ratio		0.53	0.55
Inception: 2/1/09			
Russell Fundamental LC	$ 567.6		10.11%
Russell 1000			10.06%
Excess			0.05%
Tracking Error			2.03%
Information Ratio			0.03
Inception: 11/1/11			

***All returns are gross of the imputed internal management fee of ½ basis point.**

Recommendation

- Generally Maintain Current Structure.
- Improve performance through incremental manager changes and strategy additions.

Proposed Public Equity Structure Details

	Proposed		5/31/2012			
Manager/Strategy	**Target %**	**Target $$**	**%**	**$$**	**Target %**	**Change $$**
OIC 500	5.80%	$ 1,108	5.51%	$ 1,075	5.22%	$ 33
OIC 400	1.25%	$ 239	1.16%	$ 226	1.04%	$ 13
OIC Fund. Index	3.00%	$ 573	2.79%	$ 543	2.09%	$ 30
PIMCO: StocksPLUS	3.40%	$ 650	2.52%	$ 491	1.99%	$ 158
Pyramis: Large Cap	1.30%	$ 248	1.87%	$ 365	1.46%	$ (117)
NT US	2.50%	$ 478	3.49%	$ 681	3.29%	$ (204)
BR R1000G	3.75%	$ 717	4.27%	$ 833	3.92%	$ (116)
Delaware	3.40%	$ 650	2.39%	$ 466	1.67%	$ 184
WellsCap	3.40%	$ 650	3.27%	$ 638	2.25%	$ 12
BR R1000V	3.75%	$ 717	3.15%	$ 615	3.92%	$ 101
AJO	3.40%	$ 650	3.52%	$ 687	2.93%	$ (37)
MFS	3.40%	$ 650	3.56%	$ 695	2.93%	$ (45)
Wanger	3.00%	$ 573	3.50%	$ 683	3.25%	$ (109)
Wellington	1.80%	$ 344	1.72%	$ 335	1.50%	$ 9
OIC 2000	0.75%	$ 143	0.71%	$ 139	1.00%	$ 5
Next CenturySG	0.55%	$ 105	0.53%	$ 104	0.50%	$ 2
Next Century Ultra	0.55%	$ 105	0.54%	$ 105	0.50%	$ 0
Eudamonia	0.55%	$ 105	0.47%	$ 91	0.25%	$ 14
AQR SV	0.80%	$ 153	0.84%	$ 165	0.70%	$ (12)
Boston Co	0.80%	$ 153	0.93%	$ 181	0.70%	$ (28)
Micro Cap Value	0.00%	$ -	0.00%	$ -	0.00%	$ -
SSGA Intl Indx	7.00%	$ 1,338	6.96%	$ 1,357	10.00%	$ (19)
Arrowst Intl	4.75%	$ 908	4.80%	$ 937	5.00%	$ (30)
Lazard Intl	3.45%	$ 659	3.37%	$ 657	3.00%	$ 2
Pyramis Intl	4.75%	$ 908	4.31%	$ 840	5.00%	$ 68
NT Intl	1.00%	$ 191	1.01%	$ 197	1.00%	$ (5)
AQR Intl	3.75%	$ 717	3.78%	$ 738	4.00%	$ (22)
Acadian Intl	3.25%	$ 621	3.13%	$ 612	3.25%	$ 10
Brandes Intl	3.25%	$ 621	2.96%	$ 577	3.25%	$ 44
TT Intl	2.25%	$ 430	2.52%	$ 491	2.75%	$ (61)
Walter Scott Intl	3.25%	$ 621	3.09%	$ 602	3.00%	$ 19
UBS Intl	1.75%	$ 334	1.98%	$ 386	2.75%	$ (51)
DFA Intl SC	1.00%	$ 191	0.82%	$ 159	1.00%	$ 32
Harris Intl SC	1.00%	$ 191	0.94%	$ 184	1.00%	$ 7
Pyramis Intl SC	1.50%	$ 287	1.31%	$ 256	1.50%	$ 30
Victory Intl SC	0.80%	$ 153	0.82%	$ 160	0.80%	$ (7)
Genesis EM	2.70%	$ 516	2.78%	$ 543	2.70%	$ (27)
Arrowstreet EM	1.90%	$ 363	1.92%	$ 374	1.90%	$ (11)
Westwood EM	0.50%	$ 96	0.52%	$ 101	0.50%	$ (5)
OIC TEMS	1.00%	$ 191	1.00%	$ 194	1.00%	$ (3)
DFA EM	0.50%	$ 96	0.52%	$ 101	0.50%	$ (6)
William Blair EM	1.00%	$ 191	0.89%	$ 173	1.00%	$ 18
AB Global Value	2.50%	$ 478	3.86%	$ 754	4.00%	$ (276)
Total	100.0%	$ 19,111	100.0%	$ 19,511	100.0%	$ (400)

Total Equity	Target Style	Portfolio
US LGGRO	14.4%	12.2%
US LGVAL	14.4%	12.9%
US MIDGRO	6.2%	7.9%
US MIDVAL	6.2%	7.9%
US SMLGRO	3.7%	2.5%
US SMLVAL	3.7%	2.9%
US MICRGRO	0.0%	1.6%
US MICRVAL	0.0%	0.5%
INTL LGGRO	14.3%	13.3%
INTL LGVAL	14.3%	13.7%
INTL MIDGRO	2.9%	4.0%
INTL MIDVAL	2.9%	3.0%
INTL SMLGRO	2.3%	2.3%
INTL SMLVAL	2.3%	2.8%
EMMKT	12.4%	12.5%
Tracking Error		**0.90%**
Alpha		1.17%
IR		1.30
Lrg/Mid	75.5%	75.0%
% Value	50.0%	50.0%
US/Non US	48.5%	48.4%

APPENDIX

Manager Structure Glossary of Terms

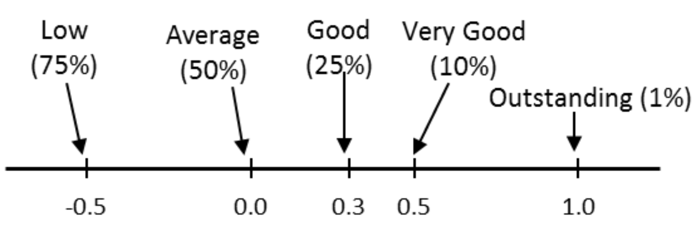
Asset Allocation Target	The asset class target benchmark, as defined in the asset/liability study.
Tracking Error	A measure of the dispersion of the difference in returns between two portfolios. Typically calculated as the standard deviation of the difference between the returns.
Active Risk	The structure's exposure to active management defined as the tracking error between the managers' portfolios and their styles.
Information Ratio	Information ratio. The ratio of expected alpha to expected tracking error to the asset class benchmark.
US LGGRO	Index of growth oriented stocks in the Russell 200 Index (Largest 200 stocks in the Russell 1000 Index)
US LGVAL	Index of value oriented stocks in the Russell 200 Index (Largest 200 stocks in the Russell 1000)
US MIDGRO	Index of growth oriented stocks in the Russell Mid Cap Index (800 of Russell 1000 stocks not in the Russell 200 Index).
US MIDVAL	Index of value oriented stocks in the Russell Mid Cap Index (800 of Russell 1000 stocks not in the Russell 200 Index).
US SMLGRO	Russell 2000 Growth index. Index of growth oriented stocks in the Russell 2000 Small Cap Index.
US SMLVAL	Russell 2000 Value index. Index of value oriented stocks in the Russell 2000 Small Cap Index.
US MICRGRO	Russell Micro Cap Growth index. Index of value oriented stocks in the Russell Micro Cap Index.
US MICRVAL	Russell Micro Cap Value index. Index of value oriented stocks in the Russell Micro Cap Index.
INTL LCGRO	MSCI World ex US Large Cap Growth Index. Index of growth oriented large cap stocks in the MSCI World ex US IMI Index.
INTL LCVAL	MSCI World ex US Large Cap Value Index. Index of value oriented large cap stocks in the MSCI World ex US IMI Index.
INTL MIDGRO	MSCI World ex US Mid Cap Growth Index. Index of growth oriented mid cap stocks in the MSCI World ex US IMI Index.
INTL MIDVAL	MSCI World ex US Mid Cap Value Index. Index of value oriented mid cap stocks in the MSCI World ex US IMI Index.
INTL SMLGRO	MSCI World ex US Small Cap Growth Index. Index of growth oriented small cap stocks in the MSCI World ex US IMI Index.
INTL SMLVAL	MSCI World ex US Small Cap Value Index. Index of value oriented small cap stocks in the MSCI World ex US IMI Index.
EM MKTS	MSCI Emerging Markets IMI Index.

Information Ratio – Key Manager and Manager Structure Statistic

- Information Ratio is a risk-adjusted statistic that measures skill.

$$IR = \frac{Annualized \;\; active \;\; return}{Annualized \;\; active \;\; risk}$$

What is a "good" information ratio?



If you have IR and active risk (Tracking Error) then you can derive expected active return.

STATE OF OREGON - PERS

Periods Ending March 31, 2012

STATE STREET.

DOMESTIC EQUITY MANAGER PERFORMANCE VERSUS BENCHMARKS

	MKT VAL $(M)	%	MONTH	3 MOS.	YTD	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	7 YEARS	10 YEARS	INCEPT DATE
1 **TOTAL PUBLIC EQUITY**	**21,761,610**	**100.0**	**1.00**	**12.99**	**12.99**	**-0.75**	**7.46**	**22.20**	**1.12**	**0.08**	**4.79**	**5.51**	**07/01/1997**
MSCI ACWI IMI NET			*0.64*	*12.14*	*12.14*	*-1.18*	*6.75*	*21.66*	*0.59*				
EXCESS			0.36	0.86	0.86	0.43	0.71	0.53	0.53				
TOTAL DOMESTIC EQUITY	**9,840,040**	**100.0**	**3.05**	**13.57**	**13.57**	**5.76**	**12.56**	**25.08**	**4.55**	**2.07**	**5.17**	**4.89**	**04/01/1971**
RUSSELL 3000			*3.08*	*12.87*	*12.87*	*7.18*	*12.18*	*24.26*	*4.35*	*2.18*	*5.10*	*4.67*	
EXCESS			-0.04	0.70	0.70	-1.42	0.38	0.83	0.20	-0.10	0.07	0.22	
LARGE GROWTH	**2,399,993**	**24.4**	**3.13**	**15.27**	**15.27**	**8.64**	**14.25**						**08/01/2009**
DELAWARE INVESTMENT ADVISORS	503,309	5.1	3.35	16.20	16.20	18.72	18.71	27.40	7.43				03/01/2008
ALETHEIA RESEARCH & MGMT	322,530	3.3	-0.25	8.72	8.72	-6.18	7.35	19.01	-1.04				12/01/2007
WELLS CAPITAL MANAGEMENT	682,646	6.9	4.40	18.64	18.64	7.35	14.04	22.67	3.43	3.13			06/01/2005
BLACKROCK RUSSELL 1000 GROWTH	891,508	9.1	3.31	14.72	14.72	11.15	14.72	25.51	6.86	5.31	6.67	4.43	07/01/1998
RUSSELL 1000 GROWTH			*3.29*	*14.69*	*14.69*	*11.02*	*14.58*	*25.28*	*6.62*	*5.10*	*6.49*	*4.28*	
LARGE VALUE	**2,157,410**	**21.9**	**3.51**	**12.36**	**12.36**	**6.29**	**10.91**						**08/01/2009**
ARONSON,JOHNSON, ORTIZ	747,064	7.6	3.94	13.15	13.15	7.49	12.77	22.61	4.55	0.84	4.68		02/01/2003
MFS INSTITUTIONAL	750,233	7.6	3.57	12.63	12.63	6.52	10.06	20.65	3.53	2.05	5.56		02/01/2003
BLACKROCK RUSSELL 1000 VALUE	660,113	6.7	2.98	11.16	11.16	4.90	10.01	23.03	1.84	-0.61	3.65	4.69	07/01/1998
RUSSELL 1000 VALUE			*2.96*	*11.12*	*11.12*	*4.79*	*9.85*	*22.82*	*1.63*	*-0.81*	*3.49*	*4.57*	
SMALL GROWTH	**337,342**	**3.4**	**4.73**	**17.30**	**17.30**	**-1.86**	**16.65**						**08/01/2009**
NEXT CENTURY SMALL CAP	115,279	1.2	3.08	15.11	15.11	-4.08	15.21						06/01/2009
RUSSELL 2000 GROWTH			*2.03*	*13.28*	*13.28*	*0.68*	*14.86*						

STATE OF OREGON - PERS

Periods Ending March 31, 2012

STATE STREET

DOMESTIC EQUITY MANAGER PERFORMANCE VERSUS BENCHMARKS

	MKT VAL $(M)	%	MONTH	3 MOS.	YTD	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	7 YEARS	10 YEARS	INCEPT DATE
NEXT CENTURY MICROCAP GROWTH	120,014	1.2	4.83	19.38	19.38	1.90	18.85	32.23	8.04				12/01/2007
EUDAIMONIA ASSET MGMT LLC	102,049	1.0	6.53	17.47	17.47	-3.88	16.00						06/01/2009
RUSSELL MICROCAP GROWTH			*3.63*	*16.34*	*16.34*	*-1.30*	*13.86*	*28.18*	*6.37*				
SMALL VALUE	**375,827**	**3.8**	**2.79**	**12.12**	**12.12**	**0.13**	**9.29**						**08/01/2009**
AQR CAPITAL MANAGEMENT, LLC	180,351	1.8	3.25	11.78	11.78	-2.65	8.44	28.24	4.47	-0.12			07/01/2006
BOSTON COMPANY ASSET MGMT	195,476	2.0	2.36	12.43	12.43	2.84	10.09	25.34	6.77	2.14			07/01/2006
RUSSELL 2000 VALUE			*3.10*	*11.59*	*11.59*	*-1.07*	*9.24*	*25.36*	*4.75*	*0.01*			
MARKET ORIENTED	**4,569,462**	**46.4**	**2.69**	**13.18**	**13.18**	**5.13**	**12.63**						**08/01/2009**
PACIFIC INVESTMENT MANAGEMENT CO.	523,060	5.3	3.31	14.07	14.07	8.43	14.18	32.57	7.50	4.68	6.92		05/01/2003
PYRAMIS LARGE CAP CORE	397,721	4.0	3.14	13.96	13.96	4.18	9.98	21.96					07/01/2008
RUSSELL FUNDAMENTAL LC - OST MANAGED	583,405	5.9	2.89	11.37	11.37								11/01/2011
RUSSELL 1000			*3.13*	*12.90*	*12.90*	*7.86*	*12.19*	*24.03*	*4.18*	*2.19*	*5.04*		
NORTHERN TRUST DOMESTIC EQUITY	737,419	7.5	3.05	13.52	13.52	6.69	11.35	23.18	3.71	1.89	4.97	4.98	01/01/1996
RUSSELL 3000			*3.08*	*12.87*	*12.87*	*7.18*	*12.18*	*24.26*	*4.35*	*2.18*	*5.10*	*4.67*	
WANGER ASSET MANAGEMENT	740,462	7.5	1.79	14.71	14.71	6.41	15.41	30.85	8.66	5.53	9.02	9.99	01/01/1979
RUSSELL 2500			*2.15*	*12.99*	*12.99*	*1.33*	*13.05*	*28.42*	*6.95*	*3.03*	*6.54*	*7.49*	
WELLINGTON MGMT - DOMESTIC EQUITY	358,658	3.6	1.19	11.74	11.74	-4.38	12.95	30.17	4.75	0.67	4.79	7.89	03/01/1997
RUSSELL 2000 SYNTHETIC - OST MANAGED	133,830	1.4	2.70	12.66	12.66	0.75	13.00						04/01/2010
RUSSELL 2000			*2.56*	*12.44*	*12.44*	*-0.18*	*12.05*	*26.90*	*6.31*	*2.13*	*5.77*	*6.45*	

STATE OF OREGON - PERS

Periods Ending March 31, 2012

STATE STREET.

DOMESTIC EQUITY MANAGER PERFORMANCE VERSUS BENCHMARKS

	MKT VAL $(M)	%	MONTH	3 MOS.	YTD	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	7 YEARS	10 YEARS	INCEPT DATE
S & P 500 INDEX - OST MANAGED	915,408	9.3	3.22	12.52	12.52	8.64	12.06						10/01/2009
S&P 500			*3.29*	*12.59*	*12.59*	*8.54*	*12.04*						
S & P 400 INDEX - OST MANAGED	179,499	1.8	1.86	13.51	13.51	2.23	13.97						10/01/2009
S&P 400 MIDCAP			*1.88*	*13.50*	*13.50*	*1.98*	*13.78*						
OTHER DOMESTIC EQUITY													
2 ZESIGER CAPITAL	7	0.0											01/01/1996

STATE OF OREGON - PERS

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STATE STREET.

INTERNATIONAL EQUITY MANAGER PERFORMANCE VERSUS BENCHMARKS

		MKT VAL $(M)	%	MONTH	3 MOS.	YTD	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	7 YEARS	10 YEARS	INCEPT DATE
	TOTAL INTERNATIONAL EQUITY	**11,019,884**	**100.0**	**-0.62**	**12.50**	**12.50**	**-5.34**	**4.04**	**20.63**	**-0.60**	**-0.13**	**6.48**	**8.42**	**04/01/1985**
1	*OREGON MSCI ACWI EX US IMI NET*			*-1.36*	*11.60*	*11.60*	*-7.34*	*2.81*	*19.95*	*-1.96*	*-1.07*	*5.56*	*7.76*	
	EXCESS			0.74	0.90	0.90	2.00	1.24	0.68	1.36	0.94	0.92	0.66	
	INTERNATIONAL MARKET ORIENTED(CORE)	**5,426,907**	**49.2**	**-0.60**	**11.64**	**11.64**	**-5.34**	**3.91**						**08/01/2009**
	NORTHERN TRUST NON - US EQUITY	221,584	2.0	-0.18	10.87	10.87	-4.28	3.07	18.16					04/01/2008
	MSCI World Ex US IMI Net			-0.73	10.77	10.77	-6.76	2.55	18.41					
	ARROWSTREET CAPITAL, L.P.	1,085,759	9.9	-0.19	12.31	12.31	-3.60	5.74	24.38	1.50	1.92	7.92		11/01/2002
1	OREGON MSCI ACWI EX US IMI NET			-1.36	11.60	11.60	-7.34	2.81	19.95	-1.96	-1.07	5.56		
	LAZARD ASSET MANAGEMENT	746,560	6.8	0.16	12.52	12.52	0.63	5.66	20.04	0.71	1.00	6.67	9.16	08/01/2000
2	OREGON MSCI ACWI EX US NET			-1.37	11.23	11.23	-7.17	2.48	19.12	-2.41	-1.43	5.28	7.56	
	PYRAMIS GLOBAL ADVISORS	953,290	8.7	-0.83	12.41	12.41	-7.09	3.08	17.30	-3.33	-1.94	4.87		12/01/2004
3	OREGON MSCI ACWI EX US (NET)			-1.37	11.23	11.23	-7.17	1.87	17.41	-3.45	-3.02	3.63		
	AQR CAPITAL MANAGEMENT, LLC	864,476	7.8	-1.45	11.45	11.45	-8.70	3.75	19.90	-2.63	-3.44			02/01/2007
	SSgA MSCI WORLD EX US NET INDEX	1,555,237	14.1	-0.69	10.46	10.46	-6.43	2.36						07/01/2009
4	*OREGON MSCI WORLD EX US NET*			*-0.74*	*10.37*	*10.37*	*-6.67*	*2.06*	*17.55*	*-3.29*	*-2.81*			
	INTERNATIONAL VALUE	**1,379,182**	**12.5**	**-0.19**	**11.33**	**11.33**	**-4.31**	**3.85**						**08/01/2009**
	ACADIAN ASSET MANAGEMENT	700,395	6.4	-0.73	12.71	12.71	-4.11	6.06	22.50	-4.47	-3.59	4.76	9.91	01/01/1992
5	OREGON MSCI ACWI EX US VALUE IMI NET			-1.86	11.31	11.31	-8.16	1.64	20.24	-1.92	-1.74	5.27	8.39	

Provided by State Street Investment Analytics

STATE OF OREGON - PERS

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STATE STREET

INTERNATIONAL EQUITY MANAGER PERFORMANCE VERSUS BENCHMARKS

	MKT VAL $(M)	%	MONTH	3 MOS.	YTD	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	7 YEARS	10 YEARS	INCEPT DATE
BRANDES INVESTMENT PARTNERS	678,787	6.2	0.37	9.95	9.95	-4.51	1.71	14.95	-2.20	-3.64	3.53	6.56	01/01/1998
6 OREGON MSCI ACWI EX US VALUE NET			-1.96	10.71	10.71	-8.09	1.23	19.38	-2.49	-2.19	4.93	8.14	
INTERNATIONAL GROWTH	**1,669,507**	**15.1**	**-0.29**	**12.38**	**12.38**	**-6.13**	**1.95**						**08/01/2009**
TT INTERNATIONAL	561,118	5.1	0.19	11.48	11.48	-8.29	0.74	16.78	-3.90	-2.44	5.18	6.16	05/01/1998
7 OREGON MSCI WORLD EX US GROWTH NET			-0.32	11.13	11.13	-5.44	3.74	17.52	-2.88	-1.51	4.63	6.06	
WALTER SCOTT MGMT	661,594	6.0	0.38	11.64	11.64	0.17	5.87	17.73	3.04	3.13	7.78		12/01/2004
4 OREGON MSCI WORLD EX US NET			-0.74	10.37	10.37	-6.67	2.06	17.55	-3.29	-2.81	3.91		
UBS GLOBAL ASSET MGMT AMERICAS	446,795	4.1	-1.86	14.63	14.63	-11.85	-2.06	14.77					12/01/2008
MSCI ACWI exUS Growth IMI net			-0.86	11.89	11.89	-6.53	3.95	19.66					
INTERNATIONAL SMALL CAP	**875,367**	**7.9**	**0.33**	**16.25**	**16.25**	**-6.39**	**5.77**						**08/01/2009**
DIMENSIONAL FUND ADVISORS	189,105	1.7	-0.35	16.78	16.78	-12.16	1.09	26.12					01/01/2009
MSCI World Ex US Small Cap Value (NET)			-0.34	15.12	15.12	-7.88	4.86	25.18					
HARRIS ASSOCIATES	217,960	2.0	2.03	20.01	20.01	-3.07	7.15	33.15					01/01/2009
MSCI ACWI Ex US Small Cap Value (NET)			-1.14	15.72	15.72	-8.63	4.65	27.14					
PYRAMIS SELECT SMALL CAP	290,428	2.6	0.14	15.44	15.44	-4.21	7.67	26.11					01/01/2009
MSCI WORLD EX US SMALL CAP (NET)			-0.66	13.63	13.63	-7.37	6.30	25.41					
VICTORY CAPITAL MANAGEMENT	177,875	1.6	-0.67	12.64	12.64	-7.27	6.41	17.74					01/01/2009
MSCI World Ex US Small Cap Growth (NET)			-1.00	12.15	12.15	-6.89	7.75	25.63					

STATE OF OREGON - PERS

Periods Ending March 31, 2012

STATE STREET.

INTERNATIONAL EQUITY MANAGER PERFORMANCE VERSUS BENCHMARKS

	MKT VAL $(M)	%	MONTH	3 MOS.	YTD	1 YEAR	2 YEARS	3 YEARS	4 YEARS	5 YEARS	7 YEARS	10 YEARS	INCEPT DATE
INTERNATIONAL EMERGING MARKETS	**1,668,921**	**15.1**	**-1.85**	**14.64**	**14.64**	**-4.72**	**7.20**						**08/01/2009**
TOTAL GENESIS ASSET MANAGERS	603,055	5.5	-2.30	14.02	14.02	-4.24	7.13	33.74	6.72	8.96	14.95	17.62	03/01/1992
ARROWSTREET EMERGING MARKET	422,569	3.8	-1.69	13.89	13.89	-1.95	9.61	31.97	6.20	11.76			09/01/2006
8 *ORE MSCI EMERGING MARKETS IMI NET*			*-3.32*	*14.37*	*14.37*	*-9.26*	*3.67*	*25.78*	*1.35*	*5.12*	*12.63*	*14.56*	
BLACKROCK TIERED EMERGING MARKETS	220,394	2.0	-2.09	14.83	14.83	-8.12	4.62	26.88					02/01/2009
WESTWOOD GLOBAL INVESTMENT	114,193	1.0	-1.61	11.98	11.98	-2.68							05/01/2010
WILLIAM BLAIR AND COMPANY	194,358	1.8	-0.15	18.20	18.20								12/01/2011
9 *OREGON MSCI EMERGING MARKETS NET*			*-3.33*	*14.08*	*14.08*	*-8.80*	*3.94*	*25.07*					
DIMENSIONAL FUND ADVISORS	114,352	1.0	-2.61	17.22	17.22	-7.44							05/01/2010
MSCI Emerging Market Small Cap (NET)			-3.25	16.63	16.63	-12.70							
OTHER PUBLIC EQUITY													
ALLIANCE BERNSTEIN GLOBAL VALUE	901,686		-0.70	12.70	12.70	-8.38	1.69	17.44	-6.26				03/01/2007
10 OREGON MSCI ACWI VALUE NET INDEX			0.23	10.51	10.51	-2.93	4.57	19.35	-0.83				

TAB 6 – ASSET ALLOCATION & NAV UPDATES

Asset Allocations at June 30, 2012

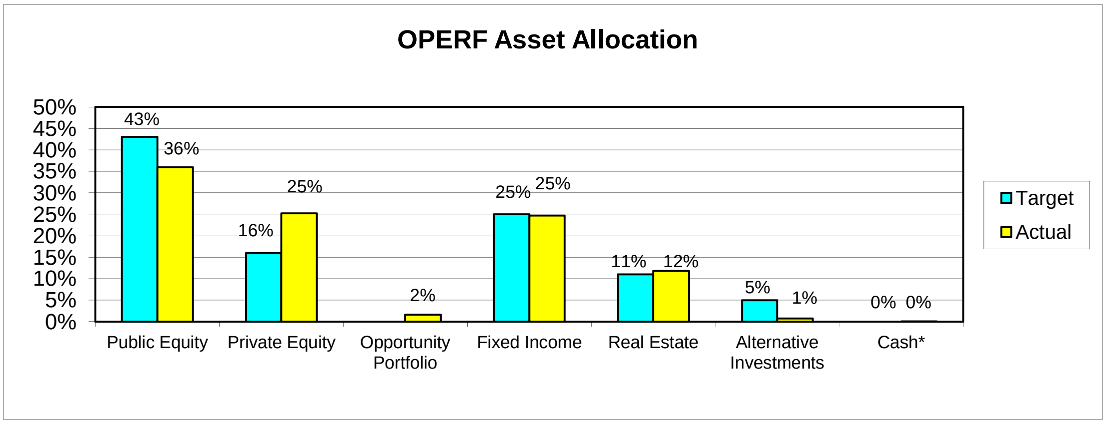
OPERF	Policy	Target	Regular Account $ Thousands	Pre-Overlay	Overlay	Net Position	Actual	Variable Fund $ Thousands	Total Fund $ Thousands
Public Equity	38-48%	43%	20,555,874	36.0%	(40,373)	20,515,501	35.9%	755,731	21,271,232
Private Equity	12-20%	16%	14,396,620	25.2%		14,396,620	25.2%		14,396,620
Total Equity	**54-64%**	**59%**	**34,952,494**	**61.2%**	**(40,373)**	**34,912,121**	**61.1%**		**35,667,852**
Opportunity Portfolio			920,579	1.6%		920,579	1.6%		920,579
Fixed Income	**20-30%**	**25%**	**13,520,855**	**23.7%**	**591,750**	**14,112,605**	24.7%		**14,112,605**
Real Estate	**8-14%**	**11%**	**6,772,907**	**11.9%**	**(3,600)**	**6,769,307**	11.8%		**6,769,307**
Alternative Investments	**0-8%**	**5%**	**424,787**	**0.7%**		**424,787**	0.7%		**424,787**
Cash*	**0-3%**	**0%**	**547,997**	**1.0%**	**(547,777)**	**220**	0.0%	8,172	**8,392**
TOTAL OPERF		**100%**	**$ 57,139,619**	**100.0%**	**$ -**	**$ 57,139,619**	**100.0%**	**$ 763,903**	**$ 57,903,522**

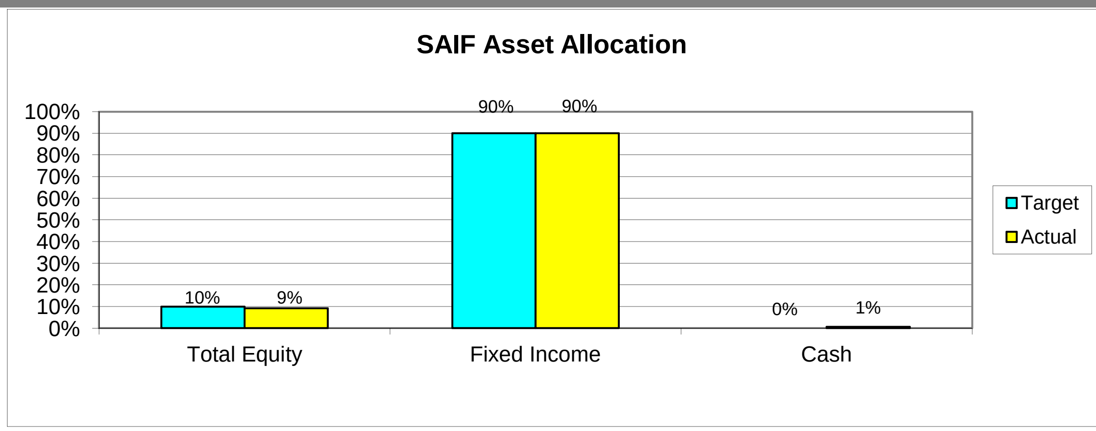
*Includes cash held in the policy implementation overlay program.

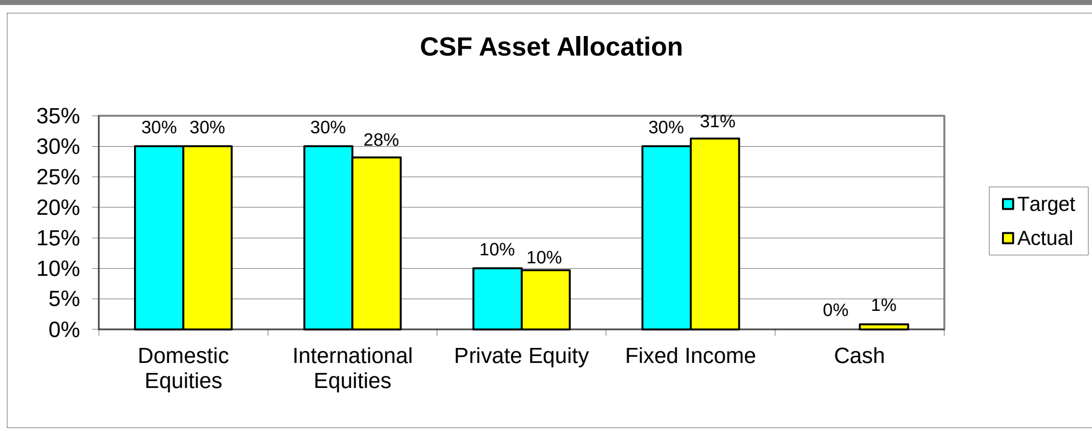
SAIF	Policy	Target	$ Thousands	Actual
Total Equity	**7-13%**	**10.0%**	**401,399**	**9.2%**
Fixed Income	**87-93%**	**90.0%**	**3,910,987**	**90.1%**
Cash	**0-3%**	**0%**	**27,942**	**0.6%**
TOTAL SAIF		**100%**	**$4,340,328**	**100.0%**

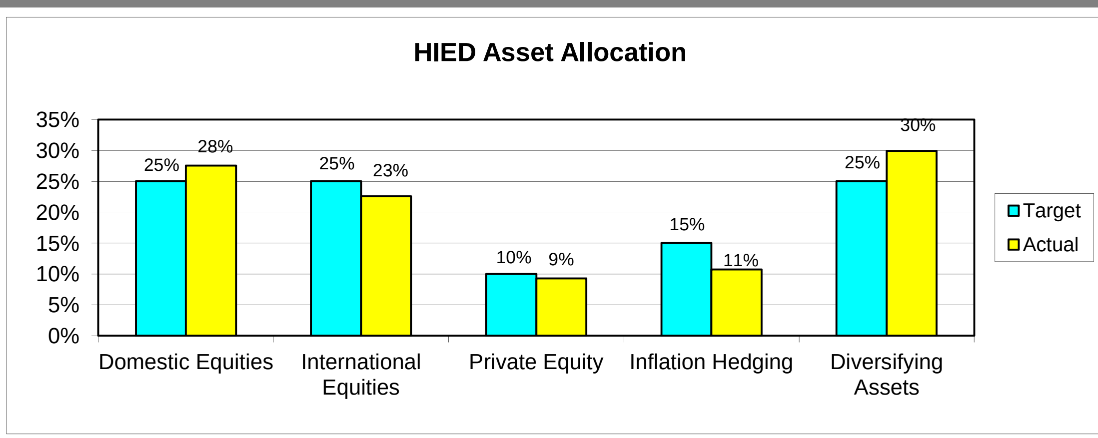
CSF	Policy	Target	$ Thousands	Actual
Domestic Equities	25-35%	30%	$325,988	30.0%
International Equities	25-35%	30%	305,993	28.2%
Private Equity	0-12%	10%	105,281	9.7%
Total Equity	**65-75%**	**70%**	**737,262**	**67.9%**
Fixed Income	**25-35%**	**30%**	**340,113**	**31.3%**
Cash	**0-3%**	**0%**	**9,193**	**0.8%**
TOTAL CSF			**$1,086,568**	**100.0%**

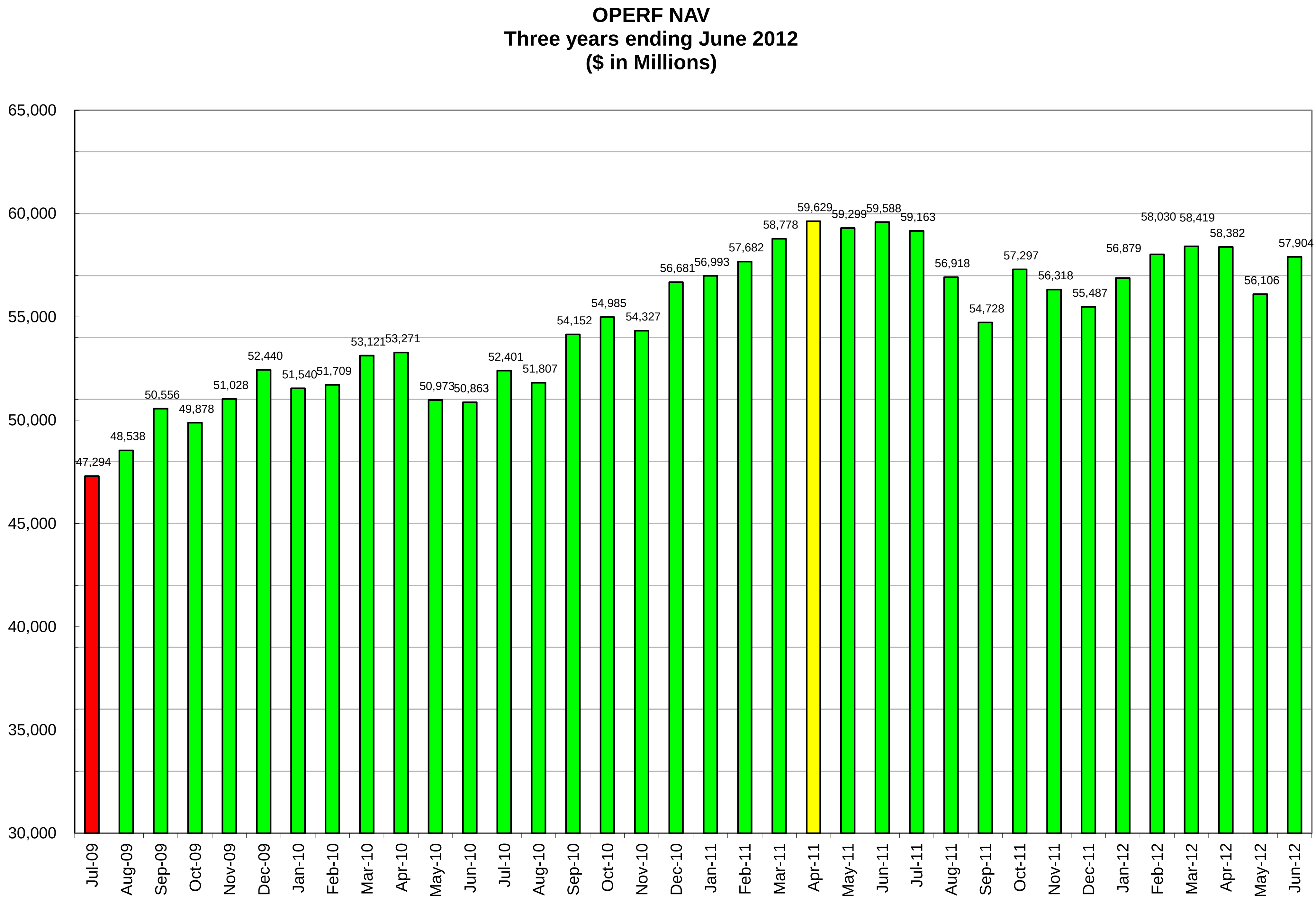
HIED	Policy	Target	$ Thousands	Actual
Domestic Equities	20-30%	25%	$17,663	27.5%
International Equities	20-30%	25%	14,473	22.6%
Private Equity	0-15%	10%	5,948	9.3%
Growth Assets	**50-75%**	**60%**	**38,084**	**59.4%**
Real Estate	0-10%	7.5%	1,730	2.7%
TIPS	0-10%	7.5%	5,147	8.0%
Inflation Hedging	**7-20%**	**15%**	**6,877**	**10.7%**
Fixed Income	20-30%	25%	18,201	28.4%
Cash	0-3%	0%	1,001	1.6%
Diversifying Assets	**20-30`%**	**25%**	**19,202**	**29.9%**
TOTAL HIED			**$64,163**	**100.0%**


OPERF Asset Allocation
50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
43%
36%
16%
25%
2%
25%
25%
11%
12%
5%
1%
0%
0%
Public Equity
Private Equity
Opportunity Portfolio
Fixed Income
Real Estate
Alternative Investments
Cash*
Target
Actual


SAIF Asset Allocation
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
10%
9%
90%
90%
0%
1%
Total Equity
Fixed Income
Cash
Target
Actual


CSF Asset Allocation
35%
30%
25%
20%
15%
10%
5%
0%
30%
30%
30%
28%
10%
10%
30%
31%
0%
1%
Domestic Equities
International Equities
Private Equity
Fixed Income
Cash
Target
Actual


HIED Asset Allocation
35%
30%
25%
20%
15%
10%
5%
0%
25%
28%
25%
23%
10%
9%
15%
11%
25%
30%
Domestic Equities
International Equities
Private Equity
Inflation Hedging
Diversifying Assets
Target
Actual



OPERF NAV
Three years ending June 2012
($ in Millions)
65,000
60,000
55,000
50,000
45,000
40,000
35,000
30,000
47,294
48,538
50,556
49,878
51,028
52,440
51,540
51,709
53,121
53,271
50,973
50,863
52,401
51,807
54,152
54,985
54,327
56,681
56,993
57,682
58,778
59,629
59,299
59,588
59,163
56,918
54,728
57,297
56,318
55,487
56,879
58,030
58,419
58,382
56,106
57,904
Jul-09
Aug-09
Sep-09
Oct-09
Nov-09
Dec-09
Jan-10
Feb-10
Mar-10
Apr-10
May-10
Jun-10
Jul-10
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Oct-10
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Jun-11
Jul-11
Aug-11
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Oct-11
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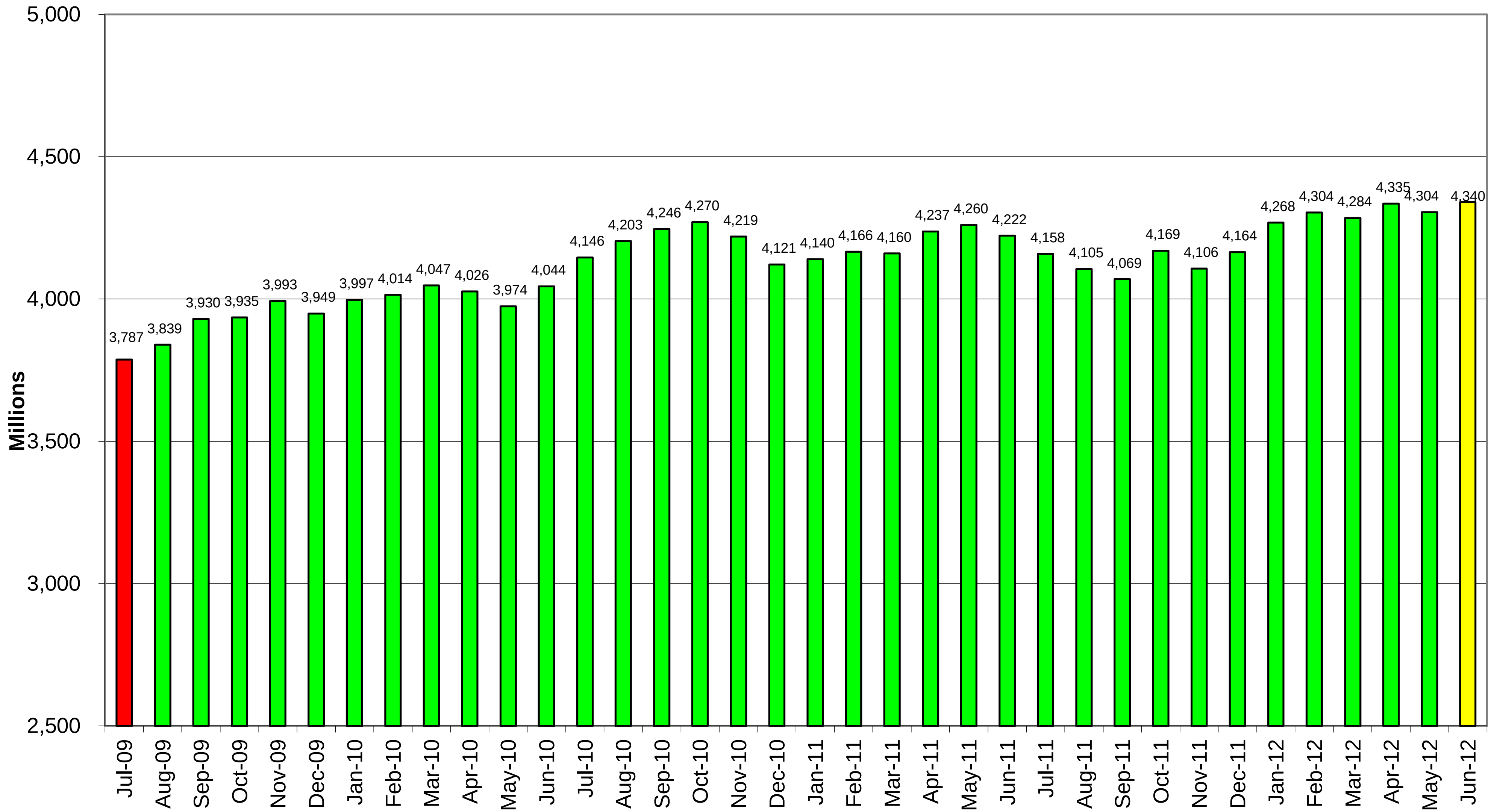
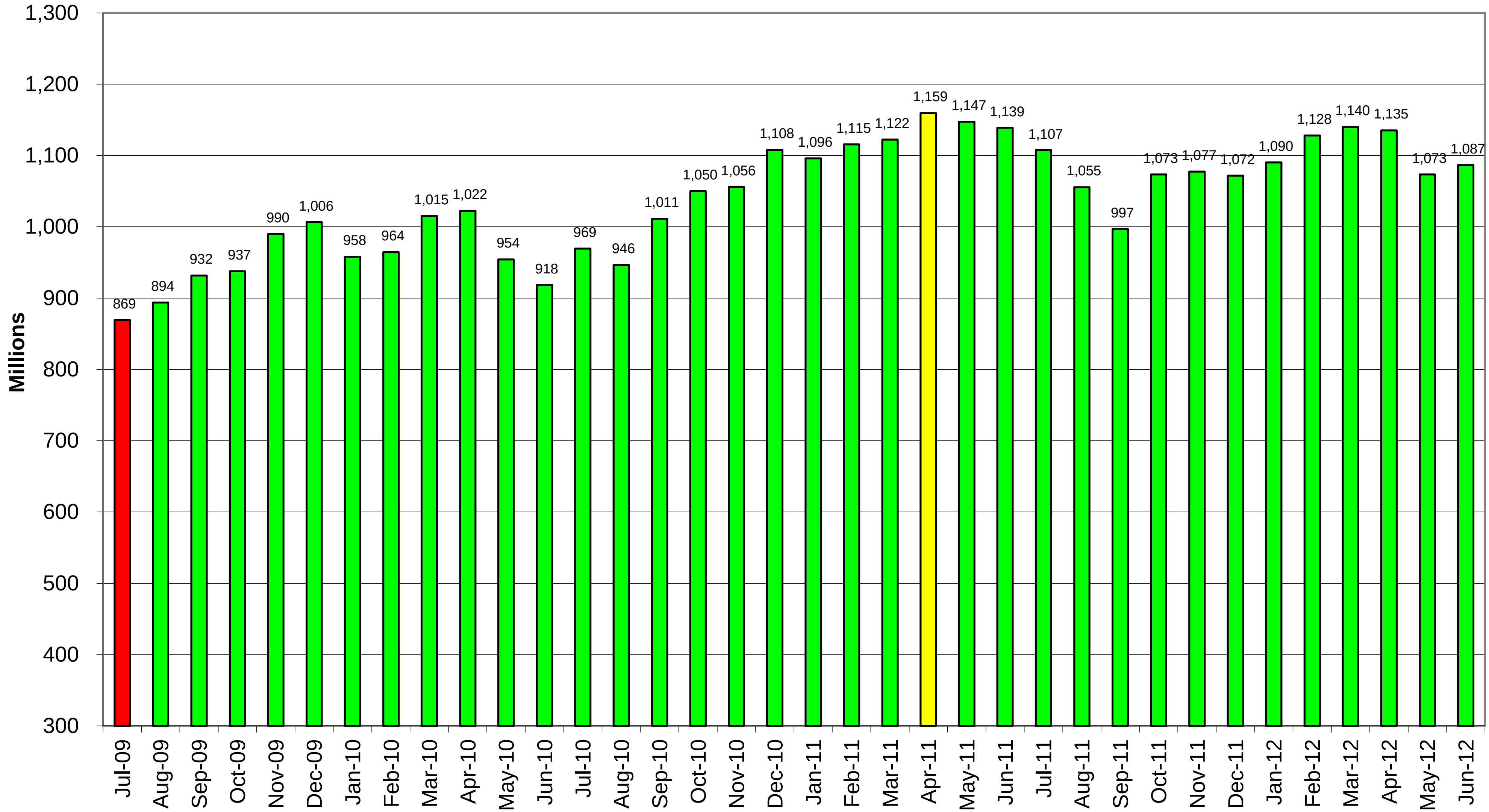
Jan-12
Feb-12
Mar-12
Apr-12
May-12
Jun-12

SAIF NAV
Three years ending June 2012
($ in Millions)



CSF NAV
Three years ending June 2012
($ in Millions)



TAB 7 – CALENDAR – FUTURE AGENDA ITEMS

<u>2012 OIC Forward Agenda Topics</u>

August 21:	Private Equity Workshop
September 19:	OPERF Private Equity Fund (2) CSF Annual Review Discussion of Expected Rate OPERF Asset Allocation Update
October 31:	CEM Benchmarking Annual Review OST Operational Review Report Private Equity Consultant Contract Annual Audit Update OPERF Asset/Liability Update **Woody Brock, SED**
December 5:	OPERF 3rd Quarter Performance Review OPERF Opportunity Portfolio Review HIED Annual Review