

Memorandum

Date: April 23, 2004

To: Jon Bauman
Stan Rupnik

From: Scott Parrish

Subject: Stockwell Capital Investment Program

The Stockwell Capital Investment Program ("Stockwell") will make co-investments with other private equity funds. The co-investments will be made with buyout, mezzanine, and venture capital funds. Stockwell plans to further diversify by geography, industry, and vintage years. Stockwell is targeting gross returns of 25% for buyout and venture capital co-investments and 20% for mezzanine co-investments. Deal flow for Stockwell primarily comes from the GPs in the portfolios of large pension funds.

Stockwell could be a good complement to the System's other private equity managers. Stockwell is going to be co-investing with top-tier private equity firms, many of whom the System would otherwise not have a chance to get exposure from their funds. The structure is similar to a fund of funds, but Stockwell will not have to invest in all of the portfolio companies of the fund, only the ones it chooses. Another difference is the cost associated with Stockwell is less expensive than a traditional fund of funds. Stockwell can provide the System with a good opportunity to get a significant amount of capital invested in private equity in a relatively short time frame. Stockwell will invest in buyout, mezzanine, and venture companies. Currently, buyouts are at their target, but mezzanine and venture capital are below their targets. Stockwell could help the System work towards reaching the targets for mezzanine and venture capital. Stockwell is affiliated with Glencoe, and the System is familiar with the Glencoe organization. I think it would be a good idea to take a closer look at this product.