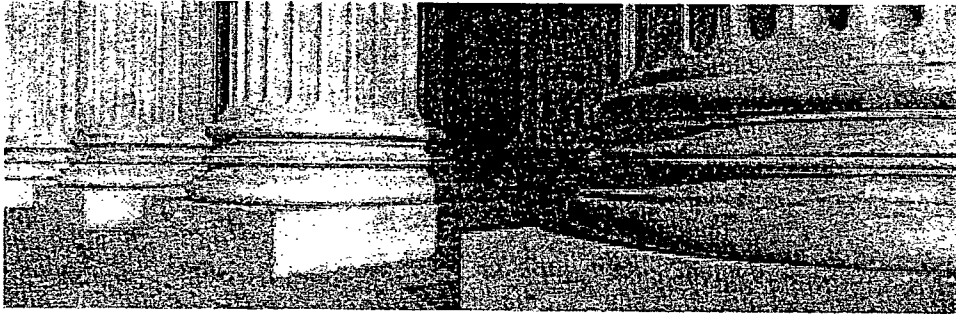


STOCKWELL CAPITAL, LLC

Presentation To



Teachers' Retirement System of the State of Illinois

January 29, 2004

STOCKWELL CAPITAL

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Economic Return Benefits of Stockwell Fund Program

Comparison of \$100MM Investment in Stockwell Fund vs. Typical LBO Fund

(\$ in mm)	Stockwell Fund	Typical LBO Fund
Assumed Gross Return on Portfolio Investment	25.0%	25.0%
Management Fee	1.50%	2.0%
Carried Interest	16.0%	20.0%
Five Year Cumulative Cash Flow Profits	\$164.9	\$154.2
IRR of Investment	21.1%	20.0%
X-Multiple	2.7x	2.6x
Net Cash Gain (Loss) Relative to Stockwell	—	(\$10.7)
Required Gross Portfolio IRR to Equal Stockwell Equivalent IRR	—	26.1%

Stockwell Fund Objective

To create a custom designed, efficient and effective co-investment vehicle for our clients:

- **Achieve returns that exceed LBO fund investing, resulting from the lower cost of management fees, carried interest and greater diversification.**
- **Invest in a portfolio that is broadly constructed in its sponsors, industry, investment securities, and geography.**
- **Design program to individually optimize needs of an institution (e.g. current cash flow to fund pension obligations, geographic specific preferences, timing of realizations).**
- **Provide another source of due diligence to assist staff in the fund investing decision making process.**

PORTFOLIO STRATEGY

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Stockwell Fund – Portfolio Strategy

- **Overall strategy is to carefully invest our client's funds in the best deals with the top sponsors.**
- **Investment Size**
 - It depends on the fund size, however \$5-15 million is typical, with the ability to go higher or lower in special situations.
- **IRR Parameters**
 - Generally seeking a gross return of 25% or greater for equity and 20% for mezzanine with a lower risk profile.
- **Range of Investment securities**
 - Equity
 - Preferred stock with equity component
 - Debt with equity component
 - Senior debt in limited situations

Stockwell Fund – Portfolio Strategy

- **Diversification of Portfolio**
 - Sponsor
 - Industry
 - Geography
- **Targeted Sponsor Group**
 - Limit to best client funds – where staff has experience working with the sponsor.
 - Top-tier sponsors that are not currently client funds but staff has a relationship with them.
 - Minimize operating expenses to client and maximize fee income.

DEAL FLOW / MARKETING

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Deal Flow

- The deal flow for our clients primarily comes from the general partners in the portfolio of large pension funds, as well as new targeted relationships.
- Stockwell will typically focus on those top-tier partnerships where staff has a relationship or where they have done co-investments previously.
- Because of the large amount of uncalled capital in the private equity industry, the “need” for co-investment dollars is today based on proven, strong working relationships with GP sponsors.
 - This will change as money is called down by GP’s and a meaningful overhang of “investment period” capital commitments expire.
- As a result, relationships, marketing, and asking for a portion of the investment are critical to developing deal flow. Stockwell has proactively pursued investment opportunities, including making post-closing investments.

Marketing

- The purpose of the Stockwell marketing program is to introduce the co-investment program to targeted general partners.
- All Stockwell staff are required to meet with their own GP contacts on a regular basis.
- The Stockwell strategy is to have multiple professional team member relationships within the targeted general partners.

INVESTMENT PROCESS

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Investment Process — Timing/Access

- **Short response time**
 - 1 to 3 weeks
- **Limits on access to data, management and facilities**
 - Knowledge of sponsor and strength of their due diligence process
- **Meet diligence standards and maintain relationships**
 - Higher success rate
 - Provide reasoned analyses to decline

Investment Process — Due Diligence

- **Data**
 - GP supplied
 - Focused original research and analyses
- **Resources**
 - Executive Network and Glencoe Capital
 - Consultants
 - Legal Counsel
- **Management meetings/visits**
- **GP Background**

Investment Process — Review and Approvals

- **Underwriting Process**
 - Project Development
- **Investment Committee**
 - Members (see Appendix)
 - Documentation
 - Role/Process

EXISTING CLIENT

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Existing Client

The portfolio of the State of Michigan Retirement Systems (SMRS) that is managed by Stockwell includes Class A & B investments as described below:

- Existing Portfolio – Class A
 - 32 investments
 - Market value \$214.8 million (9/30/03)
 - Cost ranges in size from \$30,393 (OpenConnect) to \$26.6 million (Magnequench)
 - 4 mezzanine and 28 equity (6 of which would be considered venture capital)
 - 15 different sponsors
 - Date of origin from 1986 (Gateway) to 2002 (OpenConnect).
 - Diversified by industry and geography
 - Since inception in August 2002, distributed \$51 million to SMRS, \$26 million of which is gain over cost.

New Investments – Class B (Invested/Reserved/Approved)

- **Nycomed Holdings**
 - Branded Prescription Drugs
 - DLJ Merchant Banking Partners
 - \$10,032,000

- **Quantitative Services Group**
 - Investment Research Software
 - Stockwell Capital
 - \$3,000,000 (debt & warrants)

- **TRW Automotive**
 - Automotive Systems and Components
 - The Blackstone Group
 - \$10,000,000

New Investments – Class B (Invested/Reserved/Approved)

- **Advanced Accessory Systems**
 - Towing and Roof Rack Systems
 - Castle Harlan
 - \$6,000,000

- **International Transmission Company**
 - Power Transmission
 - KKR
 - \$5,000,000

- **QuatRx**
 - Drug Development
 - MPM Capital
 - \$1,140,000

New Investments – Class B (Invested/Reserved/Approved)

- **Celanese AG**
 - Chemicals
 - The Blackstone Group
 - \$10 – 15,000,000

- **Insurance Company**
 - Property & Casualty insurance
 - Glencoe Capital
 - \$7,500,000

STAFFING & TECHNOLOGY

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Stockwell Team

- **Stockwell has an excellent staff (see Appendix), with experience in direct, co-invest and limited partnership fund investing.**
- **Our staff of six includes:**
 - Vice-Chairman
 - Principal
 - (2) Vice-Presidents
 - Associate
 - Executive Assistant
- **Wide range of experience including private equity, mezzanine, investment banking and law**
- **Relationships are critical for deal flow and the ability to attract new assets to manage. The Stockwell staff has numerous relationships in the general partner and limited partner community.**

Technology

- In an effort to improve our access to information we have implemented a system that can be remotely accessed from our satellite offices or by Stockwell staff when traveling.
- This system can provide portfolio company information such as:
 - Contact information
 - Copies of securities and legal documents
 - Current financials
 - Investment recommendations
- We have also set up tracking systems:
 - Deal log
 - Board meetings
 - Interest payments
 - Financials
 - Closing documents

STOCKWELL PROGRAM
PROPOSAL OUTLINE

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Why Would Stockwell Program Make Sense for TRS?

- **Co-Investment Program offers highest incremental return fundamentals to a large pension system.**
- **TRS will be significant new provider of capital for private equity funds over next 3-5 years — need to establish co-investment rights early in fund commitment initiative.**
- **Program achieves broad diversification across multiple investment criteria — this is particularly relevant for recently completed “POB” investment initiative.**
- **Greater flexibility in designing investment program to address specific needs of TRS system.**
- **Results in maximum manager diversification without onerous double-cost “fund of funds” structure.**

Outline Proposal for TRS Stockwell Program

- **Create Stockwell program which jointly leverages existing SMRS backbone and TRS general partner relationships and new investment initiatives.**
- **Allocate \$100 million between existing system and POB special allocation assets to combined TRS Stockwell program.**
- **Define with TRS staff highly customized investment objectives for program.**
- **Design structure of program to optimally address TRS cash flow funding requirements.**

Indicative Terms — Teachers' Retirement System of the State of Illinois ("TRS") – Co-Investment Fund

The Partnership:	TRS/Stockwell Partners
Limited Partner:	The sole limited partner would be TRS.
General Partner:	Stockwell Managers, LLC, an affiliate of Glencoe Capital, LLC.
Capital:	The amount of capital available for investment would initially be \$100 million.
Term	Six-year investment period. Twelve-year partnership life with two one-year extensions with the approval of TRS.
Diversification:	The investments by the Partnership will be diversified by limiting the exposure in any one category. These categories include, geographical, industry sector, General Partner sponsor, and type of investment (i.e., equity, mezzanine, venture capital).
Carried Interest:	The carried interest to the General Partner will be 16%. For calculating the carried interest, the investments will be aggregated for purposes of determining gains and losses.
Preferred Return:	8%
Management Fee:	The Partnership will contract with the Manager to provide investment advisory services to the Partnership for a fee of 1.5%, payable semi-annually in advance.
Reporting:	Detailed quarterly and annual report similar to existing Stockwell reporting.

APPENDIX

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INVESTMENT COMMITTEE BIOGRAPHIES

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Investment Committee

David S. Evans

Chairman, Glencoe Capital

- 20 years of experience in merchant and investment banking, principal investing, and private equity
- Co-founded Glencoe Capital in 1993
- Chairman, Glencoe Capital Investment Committee
- Formerly with Donaldson, Lufkin and Jenrette and Handelsman & Co.
- Responsible for \$2.5 Billion of merchant banking and private equity transactions.

Jon A. Burgman

Executive Director, ExecNet Company

- 30 years of diverse management experience
- Extensive experience in mergers and acquisitions, restructuring of under-performing businesses, and post acquisition integrations
- Formerly with Tatum CFO Partners, Culligan Water Technologies, Transco Products, Inc., AM International Corporation, Apeco Corporation, Boss Manufacturing Co., and Price Waterhouse & Co.

Gary B. Appel

Vice Chairman, Stockwell Capital

- 25 years of private equity and merchant and investment banking experience
- Member, Glencoe Capital Investment Committee
- Formerly with Donaldson, Lufkin and Jenrette (including Founding Partner of DLJ Merchant Banking, member of its Investment Committee, and member of the Board of DLJ Merchant Banking) and Bear, Stearns & Co.

Investment Committee

Hollis W. Rademacher

Executive Network Member

- *Board Director:* Wintrust Financial Corporation (WTFC), Schawk, Inc. (SGK), The Restaurant Corporation (Perkin's); Zelenka Nurseries, Inc.; Harker's Distribution, Inc., Continental Glass & Plastics, Inc., Aurum Technology, Inc.; Jupiter Industries, Inc.; and Willis Stein & Partners, LLC (Advisory).
- *Experience and Expertise:* Continental Bank, N.A. and Continental Bank Corporation (1957-1993): various commercial banking and management responsibilities to Executive Vice President, Chief Credit Officer (1984-1993) and Chief Financial Officer (1988-1993).

Thomas M. Garvin

Executive Network Member

- *President, Garvin Investment Corporation (1995-Present).* Member of the Board of Directors of Specialty Foods Group, Inc. (Glencoe Capital portfolio company); First Midwest Bancorp, Certified Hereford Beef LLC; Eclipse Incorporated; and member of Advisory Board of Directors for three privately held companies.
- *Experience and Expertise:* Chairman and Chief Executive Officer, Edwards Baking Co. (1995-2001) and President and Chief Executive Officer, Keebler Company (1976 – 1992).

STAFF BIOGRAPHIES

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Stockwell Capital – Investment Team

Gary B. Appel *Vice Chairman*

Mr. Appel has over 25 years of private equity and merchant and investment banking experience, having completed more than 160 transactions in all areas of public and private financings, as well as mergers and acquisitions and financial advisory assignments for a wide variety of companies around the world. He has been a member of the Investment Committee and a Senior Advisor to Glencoe Capital since 2001. Most recently, he was a Senior Managing Director at Bear Stearns, & Co, Inc. Prior to that for seventeen years, Mr. Appel was with Donaldson, Lufkin and Jenrette, Inc., serving as a Managing Director and a founding partner of DLJ Merchant Banking. During his tenure at DLJ, Mr. Appel was responsible for \$5 billion in merchant banking transactions which generated an annualized IRR of approximately 60%. Mr. Appel was a member of DLJ Merchant Banking's Board of Directors and its Investment Committee. He also served on the boards of several DLJ Merchant Banking investments, including CNW Holdings, Essex International, Musicland Stores Corporation, and Nimbus Manufacturing. Mr. Appel earned a B.A. with honors from Vassar College and an M.B.A. from Columbia University.

Thomas L. Hufnagel *Principal*

Mr. Hufnagel has 28 years of financial experience in private equity and alternative investments, and commercial banking. Prior to joining Glencoe Capital, Mr. Hufnagel was for 17 years (1985-2002) with the \$47 billion State of Michigan Retirement Systems, Alternative Investments Division, which is responsible for directing all private equity investing activities for the State's pension funds. As both Administrator and Senior Portfolio Manager, Mr. Hufnagel led the management of a portfolio consisting of over 240 private equity, venture capital, mezzanine, and leveraged buyout partnerships as well as executing over 40 direct investments. This private equity portfolio led by Mr. Hufnagel aggregated \$8.5 billion of fund and direct investments. From 1977 to 1985, Mr. Hufnagel was a Senior Analyst at the Michigan Department of Commerce, and from 1974 to 1977 he was with the Bank of Lansing as a Commercial Loan Credit Analyst. Mr. Hufnagel earned a Bachelor's Degree in Business Administration (B.B.A.) from Central Michigan University.

Stockwell Capital – Investment Team

Phillip J. Gerber

Vice President

Mr. Gerber has experience executing and managing private equity investments in public and private companies. Prior to joining Glencoe Capital, Mr. Gerber was an associate at Mercantile Capital Partners where he evaluated, negotiated, and structured private equity investments and advised portfolio companies. Previously, Mr. Gerber was a corporate attorney focusing on mergers & acquisitions, private equity offerings, and distressed debt trading. Mr. Gerber earned a B.A. in English and political science from Emory University, a J.D. from Northwestern University School of Law, and an M.B.A. from the Kellogg School of Management at Northwestern University.

Maurice Gordon

Vice President

Mr. Gordon has over 20 years of private equity and institutional investing experience. Prior to joining Glencoe Capital, Mr. Gordon headed the Hartford's private equity investment group managing a diversified, \$800 million private equity fund portfolio. Previously, Mr. Gordon was the managing general partner for CIGNA Corporation's mezzanine limited partnership that consisted of over \$600 million of direct mezzanine investments. Mr. Gordon began his investment career at The Northern Trust Bank in Chicago. Mr. Gordon earned a B.A. and M.S. degree in Economics from the University of Illinois. He is a Chartered Financial Analyst.

Stockwell Capital – Investment Team

Daniel L. Delaney

Associate

Mr. Delaney joined Glencoe Capital from A.G. Edwards, Inc., where he was an investment banking analyst in the Emerging Growth Group. While there, he focused on consumer products companies and financial sponsors and was involved in numerous mergers, acquisitions and corporate financings. Mr. Delaney earned a B.S. in business administration with a concentration in finance from California Polytechnic State University.

Arlene J. Habegger

Executive Assistant

Ms. Habegger joined Glencoe Capital in 2003. She brings with her both knowledge of and 15 years experience in the investment management field. Her previous experience includes serving as an Executive Assistant at Adams Street Partners and with Driehaus Capital Management as Executive Assistant to the Director of Private Equity Investments. She also served as the lead Executive Assistant with Mesirow Private Equity Investments for 12 years, supporting the direct investments and fund-of-funds areas. Ms. Habegger attended Olivet Nazarene College.