# Supplemental Reporting Document
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# August 2006 Investment Committee Meeting
# (June 2006 Reporting Period)

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# CURRENT STATUS OF ALL COMPLETED CALPERS REAL ESTATE EQUITY TRANSACTIONS FOR MAY 2006

| ADVISOR | PROPERTY TYPE | PROPERTY NAME | CITY | STATE | MOST RECENT APPRAISED VALUE ♦ | ACQUISITION DATE ** | DISPOSITION DATE ** | HISTORIC COST ♦ | CALPERS EQUITY SHARE OF TRANSACTION AMOUNT | ESTIMATED AFTER FEE IRR * | STATUS/ COMMENTS |
|---|---|---|---|---|---|---|---|---|---|---|---|
| DISPOSITIONS | | | | | | | | | | | |
| CalWest/RREEF | Industrial | Bay View Industrial - p/s | Hayward | CA | N/A | 11/21/00 | 05/16/06 | N/A | 1,192,691 | N/A | Disposition |
| Blackrock Realty | Apartment | Regency at Skyport - p/s | San Jose | CA | N/A | 05/19/00 | 05/26/06 | N/A | 711,493 | N/A | Disposition |
| | | | Total : | | - | | | - | 1,904,184 | | |
| ACQUISITIONS *** | | | | | | | | | | | |
| Buchanan Street | CURE | Montecito MOB Portfolio | Various | Various | N/A | 05/10/06 | N/A | N/A | 33,984,000 | 16.4% | Acquisition |
| Blackrock Realty | Apartment | Lindley Apartments | Encino | CA | N/A | 05/17/06 | N/A | N/A | 14,398,706 | 11.6% | Acquisition |
| CalSmart/RREEF | CURE | Alabama Industrial Park | San Bernardino | CA | N/A | 05/19/06 | N/A | N/A | 9,501,032 | 12.8% | Acquisition |
| Kennedy Associates | CURE | Silicon Valley Office (350 Java Road) | San Jose | CA | N/A | 05/26/06 | N/A | N/A | 10,387,200 | 15.2% | Acquisition |
| | | | Total : | | | | | | 68,270,938 | | |

Footnotes

♦ The most recent appraised values and historic cost values represent CalPERS' share only.

* Based upon data provided by partners.

** Based on funding settlement date.

*** See brief descriptions - As attached.

# NEW ACQUISITION SUMMARY

**Advisor Name:** Buchanan Street Advisors – Buchanan Urban Investors II, LLC

**Property Name:** Montecito MOB Portfolio

**City, State:** 14 locations in Florida (10 – Cities of Plantation, Margate, Aventura, West Palm Beach, Loxahatchee, Atlantis, Lake Worth, Tallahassee, Melbourne), Virginia (1 – City of Richmond ), Indiana (2 – City of Fort Wayne) & Arizona (1 – City of Glendale)

**Ownership:** 80% of joint venture equity

**Acquisition Date:** May 10, 2006

**Total Project Size:** 41.68 acres

**Net Rentable Square Feet:** 583,784 sf

**Project Purchase Price (CalPERS Equity)*:** $33,984,000

**Leverage Portion of Purchase*:** JV Equity Investment

**Property Highlights/Investment Summary:**

- Fourteen (14) Class A, low-rise, institutional grade, medical office buildings located in Florida (10), Indiana (2), Arizona (1), and Virginia (1).
- Portfolio comprises 17 buildings on 14 sites with a combined net rentable area of 583,784 square feet.
- All but the Richmond property are situated on ground-leased parcels. The leases from the host hospitals have a weighted average remaining term of 80+ years with fixed rent fully prepaid through the term in almost every case.
- Average building age is less than 5 years. Portfolio-wide average occupancy is 98%.
- The medical office buildings are in close proximity to hospital facilities - 13 of 14 buildings are on or adjacent to thriving hospital campuses.
- Purchase price of $146,200,000 equates to $250 psf and a 6.9% cap rate on projected year one NOI.
- Maximize yield with strategic disposition of select assets via conversion to condominium and sale to tenants or third-party investors. Projected average disposition price is $320 psf, representing a 28% gross margin on sale.
- Sell all assets within 48-month hold period primarily by conversion and sale of condos and secondly through sale of whole buildings to the extent that this is a more suitable strategy.
- Strategy takes advantage of increased demand for outpatient healthcare resulting from the graying of America and hospitals outsourcing more care, along with increased investment focus on the medical office sector and doctors valuing ownership.

**Projected After Fee Internal Rate of Return:** 16.4%

*CalPERS' Share Only

# NEW ACQUISITION SUMMARY

**Advisor Name:** BlackRock Realty

**Property Name:** Lindley Apartments

**City, State:** Encino, CA

**Ownership %:** 95%

**Acquisition Date:** May 17, 2006

**Total Project Size:** 129 units

**Net Rentable Square Feet:** 136,397

**Project Purchase Price (CalPERS Equity):** $14,398,706.25

**Property Highlights/Investment Summary:**

**Property location, sub-market description:**
Lindley Apartments is located on the corner of Burbank Boulevard and Lindley Avenue in the San Fernando Valley community of Encino. Encino is primarily a suburban residential enclave. The site is easily accessible to the Hollywood, San Diego, and Glendale Freeways and is within minutes of the expansive and diverse shopping, dining, and entertainment venues of Ventura Boulevard. The property is only a short drive away from the Sherman Oaks Galleria, six different golf courses, and film studios.

**Property features, year built, developer, building type/class, square footage, parking details. Energy saving features, etc.:**
The property was built in 2005 and is a Class A mid-rise community consisting of one three-story building with ground level parking. The unit mix consists of three studios (designated as low-income units), 19 one-bedroom, and 107 two-bedroom units with an average square footage of 1,057 SF. Unit features include 9 to10-foot ceilings, washers and dryers, custom gourmet kitchens with imported designer cabinets, granite countertops, and expansive patios and balconies. Community amenities include a 2,500 square foot, two-story all glass fitness center which over looks the pool and courtyard, a spa, sauna, 60-foot swimming pool, and landscaped courtyards. There are 245 total parking spaces. The parking ratio is 1.89 spaces per unit and 1.04 spaces per bedroom.

**Leasing details, percentage leased historical lease rate percentages:**
The property was 72% occupied at acquisition.

**Projected Before Fee Internal Rate of Return:**
7.9% 10-year unleveraged, 12.0% 10-year leveraged.

**Projected After Fee Internal Rate of Return:**
7.5% 10-year unleveraged, 11.6% 10-year leveraged.

**Other:**
A $22.4 million loan was assumed upon acquisition (CalPERS share: $21.28 million) with an interest rate of 5.52% and a maturity date of June 11, 2015.

# NEW ACQUISITION SUMMARY

**Advisor Name:** RREEF/CalSmart LLC, Series E

**Property Name:** Alabama Industrial Park

**City, State** San Bernardino County, CA

**Ownership:** 95.00% CalSmart LLC
5.00% Newcastle Partners Inc.

**Acquisition Date:** May 19, 2006

**Total Project Size:** 27.62 Acres

**Net rentable area sf** 584,877 SF

**Project Purchase Price (CalPERS Share):** 9,501,032 [Initial Equity Draw]
$37,930,024 ($64.85/SF) [Total forecasted cost including leverage]

**Property Highlights/Investment Summary:**

- Alabama Industrial Park ("Alabama") is a proposed industrial business park development in San Bernardino County, California. Alabama will consist of two Class A industrial buildings totaling 584,877 square feet on 27.62 acres of land for a site coverage ratio of 48.6 percent.

- The Project is bifurcated by Palmetto Avenue, creating two separate development sites, however, the Project will be built simultaneously. A 387,170 square foot industrial distribution building ("Building 1") will be developed on 18.13 acres on the western site and a 197,707 square foot industrial building ("Building 2") will be developed on 9.49 acres on the eastern site. Both buildings are divisible for two tenants

- Alabama is located in the County of San Bernardino in the Inland Empire East industrial submarket of the Greater Los Angeles metropolitan area. The Inland Empire East submarket includes the cities of Redlands, Rialto and San Bernardino, plus areas to the east of San Bernardino and north through Victorville. The availability rate for the Inland Empire was at 5.4% as of year end 2005. The availability rate includes buildings under construction. This is down 130 basis points since year-end 2004. During 2005, net absorption in the Inland Empire was 20.5 million square feet. Net absorption continues to remain strong as net absorption in the Inland Empire industrial market is expected to average 15.9 million square feet per year from 2006-2010.

- The Inland Empire economy is among the top performers in the nation, especially in the rate of employment growth over the last year. Lower land costs, access to the Inland Empire labor pool and more affordable housing attract tenants from Los Angeles and Orange County.

- The yields on an annual IRR basis are 13.68 percent unleveraged and 12.76 percent leveraged.

# NEW ACQUISITION SUMMARY

**Advisor Name:** Kennedy Associates Real Estate Counsel, Inc.

**Property Name:** 350 Java Drive (part of the Silicon Valley Office R&D Portfolio)

**City, State:** Sunnyvale, California (Santa Clara County)

**Ownership:** Capital commitment: CalPERS 96%; Kennedy 4%

**Acquisition Date:** May 26, 2006

**Total Project Size:** Site area 261,360 sf

**Net Rentable Square Feet:** 91,476 sf

**Project Purchase Price (CalPERS Equity)*:** $10,387,200

**Leverage Portion of Purchase*:** N/A

**Property Highlights/Investment Summary:**

350 Java Drive is a vacant office R&D facility located in Santa Clara County. The property is a single-level, 91,476 sf building centered on six acres.

**Property location, sub-market description:**
Silicon Valley/Santa Clara County

**Property features, year built, developer, building type/class, square footage, parking details. Energy saving features, etc.:**
Year built – 1984; Developer – Lincoln Property Company.

**Summary leasing details, percentage leased, and historical lease rate percentages:**
Vacant building

**Projected After Fee Internal Rate of Return:**
15.2% (3yr after fee leveraged)

*CalPERS' Share Only

**INTERNAL PROGRAMS**
**Alternative Investment Management (AIM) Program**
**Transactions - June 2006**

| Partnerships | Date | Transaction | Amount |
|---|---|---|---|
| Aisling Capital Fund II | 6.9.06 | Capital call | $2,844,188.17 |
| Apollo Investment Fund V | 6.9.06 | Capital call | $9,716,595.00 |
| Ares Corporate Opportunity Fund II | 6.28.06 | Capital call | $1,156,967.04 |
| Avenue Asia Special Situations Fund IV | 6.30.06 | Capital call | $6,000,000.00 |
| Avenue Special Situations Fund IV | 6.21.06 | Capital call | $22,265,103.00 |
| Banc of America California Community Fund | 6.12.06 | Capital call | $532,957.53 |
| | 6.28.06 | Capital call | $252,054.79 |
| | 6.30.06 | Capital call | $2,664,787.65 |
| Belvedere Capital Fund II | 6.14.06 | Capital call | $3,108,103.14 |
| Birch Hill Equity Partners III | 6.23.06 | Capital call | $6,948,529.42 |
| Blackstone FC Communications | 6.12.06 | Capital call | $3,085,297.00 |
| Blackstone GT Communications | 6.16.06 | Capital call | $15,166,508.00 |
| Blackstone Capital Partners IV - Omnibus | 6.12.06 | Capital call | $623,365.00 |
| Blackstone Capital Partners V | 6.29.06 | Capital call | $25,477,543.00 |
| Blum Strategic Partners III | 6.28.06 | Capital call | $4,625,822.00 |
| CalPERS/PCG Corporate Partners Fund | 6.8.06 | Capital call | $50,000,734.28 |
| Candover 2005 | 6.20.06 | Capital call | $9,810,321.00 |
| | 6.27.06 | Capital call | $1,411,211.00 |
| Carlyle Asia Partners II | 6.23.06 | Capital call | $237,764.00 |
| Carlyle Asia Growth Partners III | 6.5.06 | Capital call | $3,698,375.00 |
| Carlyle Asia Partners II | 6.5.06 | Capital call | $10,681,122.00 |
| Carlyle Asia Venture Partners II | 6.28.06 | Capital call | $450,516.00 |
| Carlyle Europe Partners II | 6.9.06 | Capital call | $4,582,914.00 |
| | 6.19.06 | Capital call | $3,274,599.00 |
| Carlyle Partners IV | 6.30.06 | Capital call | $806,271.00 |
| Carlyle Partners IV Cayman | 6.9.06 | Capital call | $27,511,767.00 |
| Carlyle Riverstone Renewable Energy Fund III | 6.5.06 | Capital call | $986,842.00 |

**INTERNAL PROGRAMS**
**Alternative Investment Management (AIM) Program**
**Transactions - June 2006**

| Partnerships | Date | Transaction | Amount |
|---|---|---|---|
| CEV | 6.26.06 | Capital call | $700,000.00 |
| CEV II | 6.13.06 | Capital call | $1,345,345.00 |
| | 6.20.06 | Capital call | $4,179,760.00 |
| | 6.23.06 | Capital call | $4,561,365.00 |
| CEV III | 6.8.06 | Capital call | $2,144,760.00 |
| | 6.13.06 | Capital call | $485,800.00 |
| | 6.20.06 | Capital call | $256,600.00 |
| | 6.26.06 | Capital call | $118,200.00 |
| | 6.30.06 | Capital call | $1,087,700.00 |
| Clearwater Capital Partners II | 6.22.06 | Capital call | $13,593,750.00 |
| Clessidra | 6.29.06 | Capital call | $314,100.00 |
| Coller International Partners IV-D | 6.22.06 | Capital call | $3,550,000.00 |
| Darby Converging Europe Mezzanine Fund | 6.26.06 | Capital call | $2,772,483.00 |
| DFJ Frontier Fund | 6.1.06 | Capital call | $1,500,000.00 |
| Ethos Private Equity Fund IV | 6.29.06 | Capital call | $20,713.30 |
| Falconhead II AIV [Offshore] | 6.2.06 | Capital call | $256,140.00 |
| FFC Partners III | 6.5.06 | Capital call | $1,023,526.00 |
| | 6.13.06 | Capital call | $1,364,701.00 |
| | 6.28.06 | Capital call | $373,030.00 |
| First Reserve Fund X | 6.2.06 | Capital call | $1,310,044.00 |
| | 6.8.06 | Capital call | $4,203,057.00 |
| | 6.26.06 | Capital call | $2,947,598.00 |
| Francisco Partners | 6.27.06 | Capital call | $1,000,000.00 |
| Gemini Israel Fund IV | 6.19.06 | Capital call | $1,000,000.00 |
| Granite Global II | 6.13.06 | Capital call | $1,950,000.00 |
| H & F Brewer AIV | 6.28.06 | Capital call | $21,450,226.00 |
| Hellman & Friedman Capital Partners V | 6.14.06 | Capital call | $1,604,273.00 |

**INTERNAL PROGRAMS**
**Alternative Investment Management (AIM) Program**
**Transactions - June 2006**

| Partnerships | Date | Transaction | Amount |
|---|---|---|---|
| Ironbridge Capital Partners 2003/4 | 6.5.06 | Capital call | $6,400,000.00 |
| KKR European Fund #1 | 6.14.06 | Capital call | $70,624.00 |
| KKR European Fund II | 6.22.06 | Capital call | $582,189.00 |
| KKR Millennium Fund | 6.28.06 | Capital call | $15,791,000.00 |
| Kohlberg IV | 6.29.06 | Capital call | $43,818.00 |
| Kohlberg V | 6.7.06 | Capital call | $7,031,250.00 |
| | 6.29.06 | Capital call | $49,321.00 |
| Landmark Equity Partners XI | 6.27.06 | Capital call | $57,511.00 |
| Leeds Equity Partners IV | 6.28.06 | Capital call | $2,457,848.37 |
| Levine Leichtman Capital Partners III | 6.8.06 | Capital call | $5,700,000.00 |
| | 6.21.06 | Capital call | $2,400,000.00 |
| Levine Leichtman Deep Value Fund | 6.2.06 | Capital call | $3,400,000.00 |
| Lexington Middle Market Investment Fund | 6.2.06 | Capital call | $900,000.00 |
| Lighthouse Capital Partners V | 6.28.06 | Capital call | $1,500,000.00 |
| Lightspeed Venture Partners VII | 6.23.06 | Capital call | $790,567.11 |
| LimeRock III | 6.15.06 | Capital call | $656,644.00 |
| Markstone Capital Partners | 6.30.06 | Capital call | $3,335,582.00 |
| Oak Hill Capital Partners II | 6.1.06 | Capital call | $3,648,739.89 |
| Paladin Homeland Security Fund | 6.30.06 | Capital call | $345,859.00 |
| Pharos Capital Partners II | 6.23.06 | Capital call | $1,250,000.00 |
| Providence Equity Offshore V | 6.8.06 | Capital call | $1,907,932.00 |
| Ripplewood Capital Partners II | 6.28.06 | Capital call | $445,126.00 |
| Rosewood Advisors | 6.26.06 | Capital call | $248,094.52 |
| Skyline IV | 6.29.06 | Capital call | $400,452.00 |
| Thomas H. Lee Fund IV | 6.22.06 | Capital call | $707,846.00 |
| Thomas Weisel Venture Partners | 6.26.06 | Capital call | $4,375,000.00 |
| TowerBrook II | 6.13.06 | Capital call | $4,420,994.00 |
| | 6.30.06 | Capital call | $1,650,732.00 |
| TPG IV | 6.27.06 | Capital call | $4,155,172.00 |
| TPG V | 6.27.06 | Capital call | $6,574,396.00 |

**INTERNAL PROGRAMS**
**Alternative Investment Management (AIM) Program**
**Transactions - June 2006**

| Partnerships | Date | Transaction | Amount |
|---|---|---|---|
| Trinity IX | 6.26.06 | Capital call | $500,000.00 |
| VantagePoint CleanTech | 6.1.06 | Capital call | $822,916.67 |
| Wayzata Opportunities Fund | 6.20.06 | Capital call | $5,625,000.00 |
| | 6.29.06 | Capital call | $3,750,000.00 |
| Welsh Carson Anderson & Stowe IX | 6.29.06 | Capital call | $1,250,000.00 |
| WLR Recovery Fund II | 6.28.06 | Capital call | $1,819,127.00 |
| WLR Recovery Fund III | 6.27.06 | Capital call | $8,684,211.00 |
| Yucaipa American Alliance Fund I | 6.1.06 | Capital call | $24,982,089.00 |
| | 6.27.06 | Capital call | $1,159,612.00 |
| | 6.27.06 | Capital call | $25,208,969.00 |
| Yucaipa Corporate Initiatives Fund I | 6.21.06 | Capital call | $1,773,160.00 |
| | 6.23.06 | Capital call | $2,749,783.00 |
| **TOTAL CAPITAL CALLS** | | | **$452,654,993.88** |
| **TOTAL DISTRIBUTIONS** | | | **$283,052,270.78** |

| INTERNAL PROGRAMS | | |
|---|---|---|
| **Alternative Investment Management (AIM) Program** | | |
| **Summary of Investments Completed Under Delegated Authority** | | |
| | | |
| **Item** | **Name of Investment** | **Commitment** |
| Attachment 1 | Clarus Lifesciences I, LP | $45 million |
| Attachment 2 | VantagePoint Ventures Partners 2006 (Q), LP | $25 million |

**Attachment 1**

**Alternative Investment Management Program**
**Executive Summary of Action Taken**
**Under Delegation of Authority**

**Clarus Lifesciences I, L.P.**

**Action:**

Commit $45 million to Clarus Lifesciences I, L.P. (the "Fund").

**Background:**

Clarus Lifesciences ("Clarus" or the "Firm") was founded in 2005 by six former partners at MPM Capital to execute a balanced multi-stage strategy of investing in the biopharmaceutical and medical device markets. The Firm has offices in Cambridge, MA and San Francisco, CA. The firm will provide both capital and operational resources necessary for the firm's portfolio companies to succeed. The fund will invest up to $50 million per company, with a preferred investment size of $20-30 million per company.

This commitment is consistent with the AIM Program Strategic Review because it represents the support of an emerging private equity partner.

The Fund held its first and final closing in December 2005 on $500 million.

**Key Principals:**

- **Nicholas Galakatos, Ph.D**. Prior to forming Clarus, Dr. Galakatos was a General Partner at MPM Capital. From 1997-2000, Dr. Galakatos was Vice President of New Business at Millennium Pharmaceuticals (NASDAQ: MLNM) where he co-founded Millennium Predictive Medicine and TransForm Pharmaceuticals. Prior to Millennium he was an associate at Venrock Associates focusing on early stage biotechnology investments. Prior to Venrock he was Head of Molecular Biology Research at Novartis (formerly Ciba). Dr. Galakatos holds a B.A. degree from Reed College, a Ph.D. degree from MIT and performed his postdoctoral studies at Harvard Medical School.

- **Dennis Henner, Ph.D**. Prior to joining Clarus, Dr. Henner was a General partner at MPM Capital. From 1981 to 2001, Dr. Henner was an executive at Genentech (NYSE:DNA) where he held various positions including Senior Vice President of Research and member of Genentech's executive committee. Dr. Henner holds a B.A. and Ph.D. degree from the University of Virginia and performed postdoctoral research at Scripps Clinic and Research Foundation.

- **Kurt Wheeler, Managing Partner.** Prior to forming Clarus Ventures, Mr. Wheeler was a General Partner at MPM Capital. Prior to MPM Capital, he was founder and CEO of InControl, a publicly traded medical device company which he sold to Guidant. Prior to founding InControl he was a principal with the Mayfield Fund focusing on healthcare investing. Mr. Wheeler holds a B.A. degree from Brigham Young University and an M.B.A. from Northwestern University.

**Analysis:**

- **Highly qualified senior investment team.** The managing directors of Clarus are among the most experienced and sophisticated investors in the healthcare venture capital industry. The team brings successful operating and investing track records from well-respected, top-tier organizations focused on healthcare. The collective experience of the team provides a solid foundation for structuring and executing investments that will maximize return on capital. In addition, the individuals are well-respected and well-liked within the industry and the team has broad and deep networks from which to source deal flow and aid its portfolio companies.

- **Strategy of active involvement with portfolio companies.** As confirmed by portfolio company CEOs, the group has a history of deep involvement with its portfolio. The team uses its experience and network to provide assistance in navigating the clinical trials process, recruiting strong management teams and resources and providing strategic guidance to the company without "micro-managing" CEOs.

**Litigation:**

According to Clarus, there is no current, threatened, or pending litigation against the Firm that may have an adverse effect on the Fund.

**Delegation Resolution Compliance:**

This decision complies with CalPERS Delegation No: 00-02 BD (A)1(f).

**Due Diligence Report:**

Staff has received a Due Diligence Report on this transaction from Grove Street Advisors.

**Attachment 2**

**Alternative Investment Management Program**
**Executive Summary of Action Taken**
**Under Delegation of Authority**

**VantagePoint Venture Partners 2006 (Q), L.P.**

**Action:** Commit up to $25 million to VantagePoint Venture Partners 2006 (Q), L.P. (the "Fund").

**Background:**

VantagePoint Venture Partners ("VP" or the "Firm") is a ten year old private equity firm with offices in San Bruno, New York City, and Montreal. The Firm is raising its fifth fund to focus on technology and healthcare investments. The Fund will continue the success of earlier VP funds by utilizing an active multi-stage investment philosophy. VP uses this approach to successfully fill the gap between early-stage investors and passive late-stage investors. The Firm exclusively focuses on technology, keying on the principal areas of clean technology, communications and systems, healthcare, semiconductors, and software/internet. The Fund is targeting a $1 billion fund size.

This commitment is consistent with the AIM Program Strategic Review because it represents a commitment to an established venture capital fund.

**Key Principals:**

- **Alan Salzman, Co-Founder, Executive Managing Director.** Before co-founding VantagePoint in 1996, Mr. Salzman was a senior partner or managing general partner of ten venture funds. His experience includes all aspects of venture fund management. Mr. Salzman is a graduate of the London School of Economics (GC), the University of Toronto (BA), Stanford Law School (JD) and the University of Brussels, Belgium (LLM).

- **Jim Marver, Co-Founder, Executive Managing Director.** Prior to co-founding VantagePoint in 1996, Mr. Marver was Senior Managing Director and Head of the Global Technology Group at Bear Stearns where he was responsible for that firm's worldwide technology practice. Mr. Marver graduated from Williams College (BA) and the University of California at Berkeley (MPP, PhD).

- **Stephan Dolezalek, Managing Director & Co-Head CleanTech and Healthcare.** Prior to joining VantagePoint in 1999, Mr. Dolezalek was a senior partner with Brobeck, Phleger & Harrison acting as Managing Partner of the Firm's Palo Alto Office, Head of the Business and Technology Group and Chairman of the Life Sciences Group. He is a graduate of the School of Architecture at the University of Virginia (Bachelor of City Planning) and the University of Virginia School of Law (JD).

**Analysis:**

- **Clear and consistent differentiated strategy.** Over the last four fund cycles, VantagePoint has been consistent in targeting companies which can be scaled for an IPO exit by acting as a significant active investor. To that end, the organization has also scaled appropriately to be able to source and fund such companies.

- **The Firm has an experienced Investment Team.** Each VantagePoint investment professional brings a unique blend of venture capital, operations, engineering, legal, sales, marketing, advertising and corporate finance experience. This experience is combined with deep expertise in the areas of information and healthcare technologies, most relevant to the Fund.

- **Conservative financial valuations.** VantagePoint has been conservative with regard to the valuation of its portfolio. VantagePoint was very quick to write-down companies during the "bubble" and subsequently, they have been conservative with regard to write-ups. With this policy, the Fund's portfolio valuation has increased in each of the past six calendar quarters.

**Litigation:**

VantagePoint Venture Partners has indicated there is no current, threatened, or pending litigation against VantagePoint Venture Partners, the Principals, or any affiliated entity.

**Delegation Resolution Compliance:**

This decision complies with CalPERS Delegation No: 00-02 BD (Rev.) (A)1(e).

**Due Diligence Report:**

Staff has received a Due Diligence Report on this transaction from Grove Street Advisors, LLC.

**INTERNALLY MANAGED DERIVATIVE TRANSACTIONS SUMMARY**

May 31, 2006

| SECURITY TYPE | ($ Millions) NOTIONAL |
|---|---|
| FUTURES PURCHASES | $0.93 |
| FUTURES SALES | $0.01 |
| INTEREST RATE SWAP SALE | $10.00 |

**INTERNALLY MANAGED DERIVATIVE TRANSACTIONS SUMMARY**

May 31, 2006

| SECURITY TYPE | ($ Millions) NOTIONAL |
|---|---|
| FUTURES PURCHASES | $0.93 |
| FUTURES SALES | $0.01 |
| INTEREST RATE SWAP SALE | $10.00 |

**Attachment 1**

**INTERNAL PROGRAMS**
**Risk Managed Absolute Return Strategies (RMARS) Program**
**Transactions - June 2006**

| Partnerships | Date | Transaction | Amount |
|---|---|---|---|
| Chatham Asset Partners Leveraged Loan Offshore Fund, Ltd. | 6/1/06 | Initial Contribution | $ 50,000,000.00 |
| Ermitage Highbury Fund, L.P. | 6/1/06 | Initial Contribution | $ 100,000,000.00 |
| Farallon Capital Offshore Investors, Inc. | 6/1/06 | Additional Contribution | $ 10,000,000.00 |
| MPM BioEquities, L.P. | 6/1/06 | Full Redemption | $ 24,809,190.00 |
| | | | |
| **TOTAL INVESTMENTS** | | | **$ 160,000,000.00** |
| **TOTAL REDEMPTIONS** | | | **$ 24,809,190.00** |

| INTERNAL PROGRAMS | | |
|---|---|---|
| **Risk Managed Absolute Return Strategies (RMARS) Program** | | |
| **Summary of Investments Completed Under Delegated Authority** | | |
| | | |
| **Item** | **Name of Investment** | **Initial Contribution** |
| Attachment 1 | Chatham Asset Leverage Loan Offshore Fund, Ltd. | $50 million |
| Attachment 2 | Ermitage Highbury Fund, L.P. | $100 million |

**ATTACHMENT 1**

**Risk Managed Absolute Return Strategies (RMARS) Program**
**Executive Summary of Action Taken**
**Under Delegation of Authority**

**Chatham Asset Leverage Loan Offshore Fund, Ltd.**

**Action:**

Initial contribution of $50 million into Chatham Asset Leverage Loan Offshore Fund, Ltd. (the "Fund") on June 1, 2006.

**Background:**

The Chatham Asset Leveraged Loan Fund Offshore Fund, Ltd., is a fundamentally-driven credit fund investing principally in senior secured floating-rate loans. The loan fund allows Chatham to utilize its existing high yield and credit investment professionals to capture the investment opportunities in the loan market place. The Firm currently manages $625 million in assets.

**Key Principals:**

- **Anthony Melchiorre, Chief Investment Officer.** Prior to co-founding Chatham Asset Management, LLC, Mr. Melchiorre was a Managing Director and Head of Global High Yield Trading at Morgan Stanley from 1998-2002. At Morgan Stanley, Mr. Melchiorre actively traded a proprietary book while risk managing all below investment grade trading globally, including domestic and European high yield debt, bank debt, crossover debt and high yield credit derivatives. He was responsible for the risk management of a $3 billion global balance sheet. Mr. Melchiorre has 12 years of experience as a high yield trader, including positions as a Managing Director at Donaldson, Lufkin and Jenrette and a senior trader at Goldman Sachs. Mr. Melchiorre earned an M.B.A. in Finance and Accounting with Honors from the Graduate School of Business at the University of Chicago in 1993, as well as a B.A. in Economics, with Highest Distinction, from Northwestern University in 1989. He is a member of Phi Beta Kappa.

- **Kevin O'Malley, Portfolio Manager.** Mr. O'Malley joined Chatham Asset Management on February 1, 2004 after spending 12 years in multiple capacities at Morgan Stanley. His entire career was spent within the Global High Yield Group including significant experience in virtually all the major product areas: emerging market corporates and sovereigns, leveraged loans and US High Yield Trading and Capital Markets. Mr. O'Malley has considerable international experience having spent four years in Asia in both

Hong Kong and Tokyo during both the build-up to and after-math of the Asian currency crisis. In London, he was in charge of Russian, Asian and Middle East Eurobond trading both prior to and post the Russian Crisis of 1998. He returned to the U.S. in late 1999 to integrate the Leveraged Loan trading desk with HY sales and trading and to run the desk. In May 2001, he joined the US domestic high yield trading desk with Mr. Melchiorre as a senior trader responsible for Cable, Telecom and Airlines. His last role at Morgan Stanley was to lead the high yield bond syndication effort. Mr. O'Malley received a Bachelor of Science Degree in Finance from Boston College in 1992. At Chatham, Mr. O'Malley has served as Deputy Portfolio Manager for the Chatham High Yield Fund and has had specific responsibility for Chatham's leveraged loan investing and trading activities.

- **Jim Ruggerio, Chief Financial Officer.** Mr. Ruggerio has been involved in the hedge fund industry for over 12 years. Prior to joining Chatham Asset Management, LLC, he was Chief Financial Officer at Drake Capital Advisors LLC, where he was responsible for all financial and regulatory reporting and performed manager due diligence and assisted in the analysis and selection of hedge fund investments. He also performed detailed due diligence on the back office operations and internal controls of hedge funds. Previously, Mr. Ruggerio was employed as the Assistant Treasurer at Appaloosa Management, L.P., an event driven hedge fund, from 1995 to 2001. At Appaloosa, he was responsible for all financial, tax and compliance reporting for their domestic and offshore hedge funds as well as overseeing the fund accounting and operations for their dedicated bank debt fund. He has extensive experience in accounting and operations regarding most financial instruments including distressed debt, foreign currency transactions, swap and repurchase agreements, spin-offs, mergers and reorganizations. He also handled the firm's investor relations and marketing. Mr. Ruggerio was formerly employed as an Accounting Manager at Paloma Partners from 1993 to 1995 covering convertible arbitrage and various commodity trading strategies and as an auditor at Rothstein, Kass & Co.™s hedge fund division from 1991 to 1993. Mr. Ruggerio earned a B.A. in Accounting from Fairleigh Dickinson University in 1991. He is a Certified Public Accountant in the State of New Jersey.

**Analysis:**

- **The Firm has an established presence in the loan market.** Chatham's "active trading" approach in both high yield bonds and loans in its funds has led to a significant presence with the major loan dealers and underwriters. This is critical to success in this stratified market. Chatham traded over $16 billion of loans and bonds in 2004 and approximately $23 billion in 2005. Chatham's experience and expertise allows it to receive pricings on loans that are equivalent to that of an AA credit rated firm.

- **The Fund has experienced investment professionals and a robust infrastructure.** Chatham has a CFO with dedicated loan fund experience (Appaloosa's Thoroughbred Fund), a dedicated loan "closer" (previously with Deutsche Bank's leveraged loan department), a customized loan accounting system (modified Wall Street Office), direct trading lines with major loan dealers to our trading desk, lending and margin agreements with several global banks, 3rd party marking services in place, and an established and tested loan compliance process.

- **The Fund should provide consistent absolute returns with low volatility.** The Fund has a low expected monthly VaR of 1.6% with an expected annual volatility of 3.2%. It also has a high probability of positive monthly returns due to the yield of the loans in the portfolio. In addition, the Fund has a low correlation to the rest of the RMARS Portfolio. Property monitored, leveraged loans can provide strong and consistent absolute returns which should rise as interest rates rise due to their floating interest rates. This makes a leveraged loan book, a good addition to a portfolio such as the RMARS Portfolio, which uses an interest-rate-driven benchmark.

**Litigation:**

According to Chatham, there is no current, threatened, or pending litigation against the Firm that may have an adverse effect on the Fund.

**Delegation Resolution Compliance:**

This decision complies with CalPERS Delegation Nos. 89-13 and 95-50.

**Due Diligence Report:**

Staff has received a Due Diligence Report on this transaction from UBS.

**ATTACHMENT 2**

**Risk Managed Absolute Return Strategies (RMARS) Program**
**Executive Summary of Action Taken**
**Under Delegation of Authority**

**Ermitage Highbury Fund, L.P.**

**Action:**

Initial contribution of $100 million to Ermitage Highbury Fund, L.P. (the "Fund") on June 1, 2006.

**Background:**

Ermitage Highbury Fund, L.P. (the "Fund") is a limited partnership managed by Liberty Ermitage Asset Management Jersey Limited, a Jersey-based, wholly-owned subsidiary of Ermitage Limited. Ermitage Limited is 40% owned by its principals and chairman and 60% owned by Caledonia Investments plc. Caledonia is a UK-incorporated investment trust with holdings in numerous companies in various industries and a market cap as of July 2006 of approximately £1.2B. As of June 2006, Ermitage Limited had, through its various subsidiaries, assets under management of approximately $2B, primarily in funds of hedge funds.

**Key Principals:**

- **Ian Cadby, Chief Executive Officer and Chief Investment Officer.** Mr. Cadby joined Ermitage in January 2001 and has extensive experience as a Hedge Fund Manager specializing in Asian equity arbitrage and equity option trading. As a senior equity warrant trader he helped to co-found Cresvale International Asset Management Limited in 1990, an Asian equity hedge fund business, headquartered in London. In 1993 he was posted to Hong Kong as Managing Director of their Hong Kong Asset Management business. While in Asia he also worked for Citibank as Vice President in their structured derivatives business and finally at Regent Pacific Group in Hong Kong, where he was Head of Hedge Fund Trading. While at Regent, one of the hedge funds he managed, 'Discover Asia', gained the Lipper Award for 'Best Performing Asian Equity Fund'. After leaving Asia, he co-founded a London-based Asian hedge fund business, which was one of the best performing funds in its sector for the year 2000. For several years, Ian was a registered Commodity Trading Adviser, and is currently a Member of the Securities & Investment Institute. Mr. Cadby is based in Jersey.

- **Jonathan Wauton, Executive Vice President – Hedge Fund Research.** Mr. Wauton joined Ermitage in February 2001. Jonathan has a broad range of investment skills specifically covering equity derivatives, risk management and distribution. Prior to joining Ermitage, Jonathan co-founded an Asian hedge fund, and thus has hands on experience of creating and running an equity hedge fund. Up until 1998, Jonathan spent four years in Hong Kong as Head of Asian Equity Derivative Sales and structuring for Citibank Hong Kong. Prior to this, he was Head of European Listed Equity Derivative Sales for Barclays de Zoete Wedd Securities in London for five years. He started his career in 1987, working in Eurobond sales at Societe Generale. Mr. Wauton is based in Jersey.

- **Sarah Allen, Executive Vice President – Investment Strategy Research.** Ms. Allen has extensive experience as a proprietary trader and hedge fund manager specializing in Japanese financial markets. Sarah joined Ermitage in 1999 from IKOS Partners, a niche hedge fund manager specializing in quantitative investment strategies, where she had worked for four years. Prior to joining IKOS, Sarah managed the Cresvale Sterling Hedge Fund from 1993. Sarah first joined Cresvale in 1985 to establish a technical research department covering Japanese convertible bonds and warrants, subsequently setting up a trading team implementing neutral hedge strategies in Japanese warrants. She started her career in 1983 as a fixed income / convertible bond analyst at Merrill Lynch. Ms. Allen is based in London.

**Analysis:**

- **The Firm has a deep developed global network.** Ermitage's team (which in addition to three "key persons" includes several strategy analysts as well as professionals devoted to portfolio construction) has extensive experience as traders, hedge fund managers, and fund-of-hedge-fund managers. Ermitage professionals have traded and managed various types of securities in various markets and from desks in both Europe and Asia. This diverse expertise has helped Ermitage build a large professional network to help ensure access to quality managers as well as the skills to assess these managers. Ermitage also seeds emerging hedge funds (not in the Fund, but in other products) which helps the firm in developing relationships and assessing talent.

- **The Fund should provide consistent risk-adjusted returns.** Ermitage's commingled Euro-focused FoHFs have typically provided returns which would satisfy RMARS' "T+5" return requirement while limiting annualized monthly volatility to between 5% and 6%. The Fund, which will be somewhat more concentrated that Ermitage's commingled funds, is expected to provide slightly higher returns than the commingled products, but may also result in a somewhat more volatile product as well. Staff believes that this trade-off is acceptable and appropriate. Staff also expects the Fund to maintain a fairly

low correlation and beta to broader European markets. Over time, the Fund should provide for consistent risk-adjusted returns which will serve CalPERS well both as a free-standing investment and, as a geographic diversifier, in the context of the broader RMARS portfolio.

**Litigation:**

To the best of its knowledge and belief, there is no current, threatened or pending litigation against Ermitage Limited or any of its subsidiaries (including Liberty Ermitage Asset Management Jersey Limited, the general partner of the Ermitage Highbury Fund, L.P.) that may adversely affect the Ermitage Highbury Fund.

**Delegation Resolution Compliance:**

This decision complies with CalPERS Delegation Nos. 89-13 and 95-50.

**Due Diligence Report:**

Staff has conducted Due Diligence on this transaction with assistance from the Petra Group.