



State of New Jersey

CHRIS CHRISTIE
Governor

DEPARTMENT OF THE TREASURY
DIVISION OF INVESTMENT
P.O. BOX 290
TRENTON, NJ 08625-0290

KIM GUADAGNO
Lt. Governor

ANDREW P. SIDAMON-ERISTOFF
State Treasurer

January 29, 2015

MEMORANDUM TO: The State Investment Council

FROM: Christopher McDonough
Director

SUBJECT: **Blackstone Strategic Relationship – Separate Accounts and Fund Investments**

The New Jersey Division of Investment (“Division”) is proposing a combination of new and additional commitments to various Blackstone investment vehicles totaling up to \$1.05 billion, which will be partially offset by an approximately \$400 million redemption in process from **CT High Grade II**, a core commercial real estate debt fund managed by Blackstone. The proposal includes commitments to the following separate account investment vehicles managed by Blackstone: (1) up to \$250 million in aggregate commitments to existing **Blackstone Tactical Opportunities Fund–A** (Private Equity), existing **Blackstone Tactical Opportunities Fund–A (Real Assets)**, and a new separate account vehicle for real estate tactical opportunities (“**Tactical Opportunities**” in the aggregate) subject to the further clarification below; (2) \$150 million additional commitment to existing **GSO Energy Partners–A** subject to the further clarification below; (3) \$200 million additional commitment to existing **GSO Credit Partners–A**; and (4) \$150 million commitment to a new separate account dedicated to core plus real estate opportunities.

In 2011 the Division presented initial commitments to GSO Energy Partners-A (\$250M with a cap of \$500M) and Blackstone Tactical Opportunities Fund–A (Private Equity) and Blackstone Tactical Opportunities Fund–A (Real Assets) (tactical accounts with an initial combined commitment up to \$750M, with an aggregate cap of \$1 billion), with the ability to reallocate the commitments between these investments. Consistent with the proposal in 2011, the Division will maintain investment flexibility of the amounts allocated between GSO Energy Partners and the Tactical Opportunities investments. The revised Tactical Opportunities combined commitment would be \$1 billion, with an aggregate cap of \$1.25 billion, which could be allocated among the private equity, real asset and real estate portfolios. The revised commitment to GSO Energy Partners–A would be \$500M with a cap of \$650M.

The proposal also includes commitments to the following new commingled investment funds: (1) \$100 million to **Blackstone Real Estate Partners VIII**; (2) \$50 million to **Blackstone Property Partners**; (3) up to \$100 million to **Blackstone Energy Partners II**; and (4) \$50

million to **Blackstone Capital Partners VII**. This memorandum is presented to the State Investment Council (the "Council") pursuant to N.J.A.C. 17:16-69.9.

A report of the Investment Policy Committee ("IPC") summarizing the details of the proposed investment is attached.

Division Staff, R.V. Kuhns (the Division's real estate consultant), Cliffwater (the Division's hedge fund consultant), and Strategic Investment Solutions (the Division's private equity consultant) undertook extensive due diligence on the proposed investments in accordance with the Division's Alternative Investment Due Diligence Procedures.

As part of its due diligence process, staff determined that no third-party solicitors ("placement agents") were engaged in connection with New Jersey's potential investments.

We will work with representatives of the Division of Law and outside counsel to review and negotiate specific terms of the legal documents to govern the investment. We have obtained a preliminary Disclosure Report of Political Contributions in accordance with the Council's regulation governing political contributions (N.J.A.C. 17:16-4) and no political contributions have been disclosed. We will obtain an updated Disclosure Report at the time of closing.

Please note that these investments are authorized pursuant to Articles 69, 71, 90 and 100 of the Council's regulations. Blackstone Tactical Opportunities Fund-A (Private Equity) will be classified as "buy-out" and "debt related" private equity investments as defined under N.J.A.C. 17:16-90.1. The GSO Credit Partners-A will be classified as a credit oriented hedge fund investment, as defined under N.J.A.C. 17:16-100.1. Blackstone Real Estate Partners VIII will be classified as a non-core real estate investment and Blackstone Property Partners, the core plus real estate separate account, and the real estate tactical opportunities separate account will be classified as core real estate investments, as defined under N.J.A.C. 17:16-71.1. GSO Energy Partners-A, Blackstone Energy Partners II, and Blackstone Tactical Opportunities Fund-A (Real Assets) will be classified as real asset investments, as defined under N.J.A.C. 17:16-71.1. Blackstone Capital Partners VII will be classified as a private equity buy out investment, as defined under N.J.A.C. 17:16-90.1.

A formal written due diligence report for the proposed investment was sent to each member of the IPC and a meeting of the Committee was held on January 14, 2015. In addition to the formal written due diligence report, all other information obtained by the Division on the investment was made available to the IPC.

We look forward to discussing the proposed investment at the Council's January 29, 2015 meeting.

Attachments

Blackstone Strategic Relationship Executive Summary

Fund Names: *Blackstone - New Jersey Strategic Relationship includes: Blackstone Tactical Opportunities Fund – A (Private Equity, Real Assets, Real Estate) | GSO Credit Partners – A LP | GSO Energy Partners – A LP | BCP VII LP | BEP II LP | Blackstone Real Estate Partners VIII LP | Blackstone Property Partners & related separate account*

Fund Type: Opportunistic tactical separate accounts and dedicated funds

Asset Allocation Category: Real Assets, Private Equity, Credit, Real Estate and Hedge Funds

Recommendation: Total of \$1.05 billion on a gross basis: \$600 million in tactical opportunistic separate accounts, \$300 million in traditional Private Equity, Energy and Real Estate focused fund vehicles, and \$150 million in a related separate account. The gross allocation will be offset by an in process redemption from the CT High Grade account managed by Blackstone, resulting in a net additional allocation to Blackstone of approximately \$650 million.

The Division is invested in a number of separate accounts and commingled funds with Blackstone. Currently, the un-invested capital in all of the separate accounts is low and Blackstone is fundraising for several commingled fund products. The Division is proposing new and additional commitments, net of an in process redemption, approximating \$650 million across Blackstone's credit, real estate, private equity, and real asset strategies. The Division has almost a ten year history of successfully investing with Blackstone. Cumulatively, these investments have generated a weighted average net IRR of 19%, as of Sept. 2014. The Division has also been able to leverage the strategic relationship to produce significant fee savings and use the firm's resources to assist in broader portfolio management.

Firm Summary

The Blackstone Group, a publicly traded limited partnership, is one of the world's leading investment firms with total assets under management of approximately \$284 billion. This is comprised of \$80 billion in real estate funds, \$70 billion in private equity funds, \$64 billion in hedge fund solutions, and \$70 billion in credit businesses. Based in New York, the firm employs over 1,000 investment professionals and has multiple offices across the Americas, Europe and Asia. The firm was founded in 1985 by Stephen A. Schwarzman, its current Chairman and CEO, and Peter G. Peterson. Hamilton E. "Tony" James serves as Blackstone's President and Chief Operating Officer.

Existing Separate Accounts

The Division is currently invested in three separate accounts with Blackstone/GSO. Due to the fully-invested nature of the accounts, positive performance across the platform, and the attractive opportunity set, the Division is proposing additional commitments of \$250 million in the aggregate to existing and new Tactical Opportunities accounts, \$150 million to GSO Energy Partners, and \$200 million to GSO Credit Partners. These separate accounts have generated attractive risk adjusted returns, differentiated deal flow and offer increased transparency and governance with discounted, off-market terms.

Strategies

- **Blackstone Tactical Opportunities:** Opportunistic investments across asset classes, capital structures, and geographies. Targeted investment opportunities typically do not fall within any of Blackstone's existing fund mandates and will have varying expected holding periods.
- **GSO Energy Partners:** Structured debt and equity investments in the energy and power sector. The Division is also proposing to broaden the mandate to opportunistically invest in lower risk and return deals. For example, royalty interests and PIPE transactions into MLPs that offers a better return than the comparable public units.
- **GSO Credit Partners:** Continued investment in the highest conviction ideas generated across GSO's platform, primarily opportunistic long and short, event driven investments in both public and private non-investment grade debt.

Real Estate

The Division is proposing a \$100 million commitment to Blackstone Real Estate Partners VIII (BREP VIII), a top quartile global opportunistic real estate fund, and a \$200 million commitment to a global core+ strategy. The Division has previously invested in BREP Funds V through VII, which are all generating top quartile returns. The core+ strategy commitment will be divided into a \$50 million commitment to an open-ended, commingled fund, Blackstone Property Partners LP (BPP), which will focus on investing in core+ assets in the US, and \$150 million commitment to a separately managed account, which will focus on investing in core+ assets outside of the US. The Division is also in the process of redeeming approximately \$400 million of low yielding "core" commercial real estate debt from CT High Grade II.

Strategies

- **Blackstone Real Estate Partners VIII:** A Global opportunistic real estate fund with a primary focus on the U.S. The Fund's goal is to acquire distressed, out of favor/or undermanaged properties at below market prices, unlock value through aggressive asset management and sell the stabilized properties to long term real estate owners. The Fund will target large, complicated situations where competition is limited and its ability to move quickly offers an advantage.
- **Global Core+ Strategy:** The core+ strategy will focus on high quality assets in gateway markets in the US, Europe, Asia and Latin America that are undermanaged or require modest repositioning to maximize operating cash flows. It will pursue larger investments, which limits the number of buyers and where Blackstone can leverage its scale and execution capabilities. The strategy will target a 9-12% net return with significant current income. While primarily focused on equity investments, the strategy will also take advantage of opportunistically investing in debt in select markets.

Private Equity & Real Assets

The Division is proposing a commitment of up to \$100 million with Blackstone Energy Partners (BEP) II and \$50 million with Blackstone Capital Partners (BCP) VII. The Division's \$150 million investment in BEP I (2012 vintage) is generating strong top quartile returns. The Division also invested in Blackstone's prior two flagship private equity funds, BCP V and BCP VI. The \$100 million investment in BCP V (2006 vintage) is marked at 7% net IRR and 1.6x net TVPI, as of September 30th, 2014. The \$50 million investment in BCP VI (2011 vintage) is marked at 35% net IRR and 1.4x net TVPI, as of September 30th, 2014.

Strategies

- **Blackstone Energy Partners II:** A Global opportunistic energy and natural resource fund, BEP II will continue its strategy of proactive, thematic investing; while partnering with exceptional management teams to build, develop and acquire a portfolio of high quality assets that are diversified by geography and across each segment of the energy and natural resource industry value chain.
- **Blackstone Capital Partners VII:** A Global opportunistic private equity fund, BCP VII will continue to pursue control and control-oriented private equity investments on a global basis.

Investment Rationale

The Division has a long history of successfully investing with The Blackstone Group and is further developing an investment program that adds value across the entire alternative investment platform. The Division will derive significant benefits from the relationship, including:

- **Expanded Investment Opportunities:** The relationship will focus on leveraging the proven strengths of the firm to generate superior returns for the Division's alternative investment portfolio.
- **Experienced Investment Management Team:** The Division will work closely with a dedicated and highly experienced team of Blackstone investment professionals that have a long history of investing across the full spectrum of alternative investments.
- **Enhanced Support of Division Resources:** Division staff will have access to the senior investment professionals and intellectual capital of Blackstone and its affiliates on a global basis, thus providing additional resources to support the Division's broader investment efforts.

- **Attractive Fee Structure for Separate Accounts /Alignment of Interest:** Blackstone - New Jersey Strategic Relationship offers the Division favorable terms, including discounted fees, for the separate account mandates. Alignment of interest is maintained through a sizable GP capital commitment to both the separate accounts and dedicated funds.
- **Strong Governance:** With respect to the separate account mandates, the Division maintains veto rights on several of the vehicles. This level of influence provides the Division with the ability to manage the risk exposures, to control the pace of investments, to respond to changing market opportunities and to ensure that the Division continues to receive the highest level of attention on an ongoing basis.

Strategic Relationship BX/NJ Executive Summary

New Jersey Division of Investment – Performance Summary

(\$ in 000s)

	Vintage	Capital Commitment	Invested / Committed Capital ⁽¹⁾	Investments			Net Returns	
				Realized Value	Unrealized Value	Total Value	MOIC	IRR
Strategic Partnership								
Private Equity								
Blackstone Energy Partners	2011	\$150,000	\$175,490	\$47,218	\$122,847	\$170,065	1.7x	42.9%
Blackstone Capital Partners VI ⁽²⁾	2011	50,000	52,738	5,089	29,355	34,444	1.4x	34.8%
GSO⁽³⁾								
GSO Energy Partners - A LP	2012	\$470,000	\$371,169	\$69,194	\$226,425	\$295,619	1.3x	16.5%
GSO Credit Partners - A LP	2012	400,000	400,000	-	573,621	573,621	1.4x	23.1%
GSO Special Situations Fund LP	2012	100,000	100,000	-	140,564	140,564	1.4x	13.6%
Tactical Opportunities								
Blackstone Tactical Opportunities ⁽⁴⁾	2012	\$780,000	\$950,864	\$251,499	\$592,120	\$843,619	1.3x	23.6%
Strategic Partnership Subtotal:⁽⁵⁾		\$1,950,000	\$2,050,261	\$373,000	\$1,684,932	\$2,057,932	1.4x	28.1%
Other Blackstone Commitments								
Private Equity								
Blackstone Capital Partners V	2005	\$100,000	\$103,773	\$66,883	\$88,106	\$154,989	1.6x	7.4%
Real Estate⁽⁶⁾								
Blackstone Real Estate Partners V	2005	\$75,000	\$78,353	\$78,066	\$79,145	\$157,212	1.7x	10.5%
Blackstone Real Estate Partners VI	2007	143,625	141,534	116,221	201,547	317,768	1.9x	13.6%
CT High Grade Partners II ⁽⁷⁾	2008	664,000	555,404	361,563	427,592	789,155	1.4x	8.5%
Blackstone Real Estate Partners VII	2011	300,000	254,971	86,037	312,932	398,970	1.4x	27.8%
Blackstone Real Estate Partners Asia	2013	500,000	152,371	666	176,362	177,028	1.1x	18.4%
BAAM								
BAAM Resources Select	2011	\$250,000	\$250,000	-	\$203,834	\$203,834	0.8x	(7.0%)
GSO⁽³⁾								
Blackstone Mezzanine Partners II	2006	\$45,000	\$41,353	\$78,197	\$4,429	\$82,626	1.3x	7.2%
GSO Capital Opportunities Fund I LP	2007	100,000	112,702	210,100	36,072	246,172	1.7x	18.4%
GSO Capital Opportunities Fund II LP	2011	150,000	74,155	51,429	69,070	120,499	1.3x	27.6%
Grand Total:⁽⁸⁾		\$4,277,625	\$3,814,877	\$1,422,163	\$3,284,023	\$4,706,185	1.4x	19.4%

Note: Data as of 09/30/14.

(1) Invested / Committed Capital reflects invested capital plus legally binding committed capital plus capital earmarked for specific investments that have not yet been funded. Includes recycled capital.

(2) Excludes co-investments related to Blackrock.

(3) Net returns presented on a fund level basis. Onshore fund level return is presented above where there is an onshore and offshore fund. GSO Energy commitment amount reflects a \$30 mm decrease made in October.

(4) Capital Commitment includes a \$30 mm increase made in October.

(5) Net IRR and MOIC represent simple weighted average based on invested capital.

(6) Includes October distributions for sales that closed as of September 30, 2014, where applicable. Invested / Committed Capital includes unfunded amount.

(7) Estimated distributions figure represents cash available to be distributed to New Jersey at their discretion. Includes distributions made after 9/30.

(8) No longer investing.

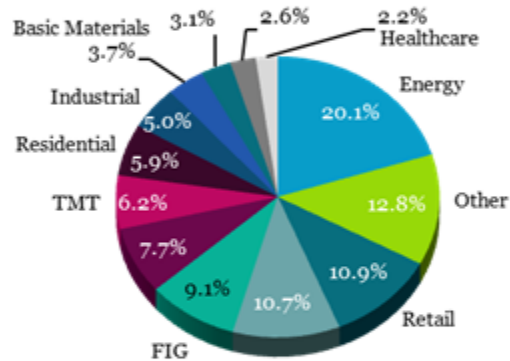
(9) Source: Blackstone

Analysis of Exposures

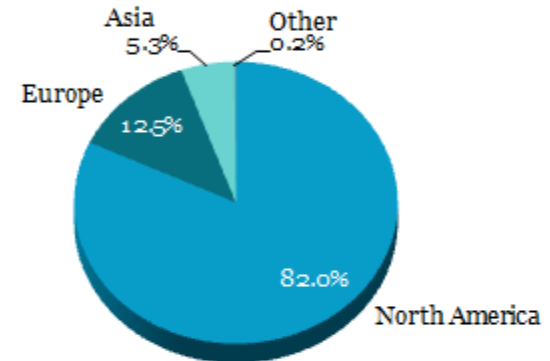
Given its commitments to several different funds/strategies, New Jersey's portfolio is highly diversified by sector, asset class, geography, and vintage

(\$ in thousands)

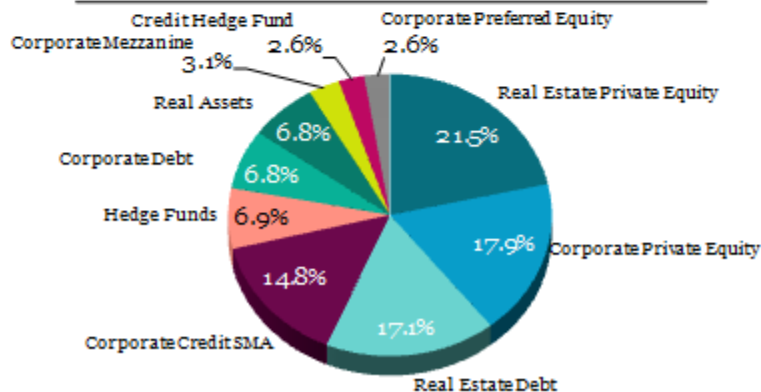
Sector / Industry



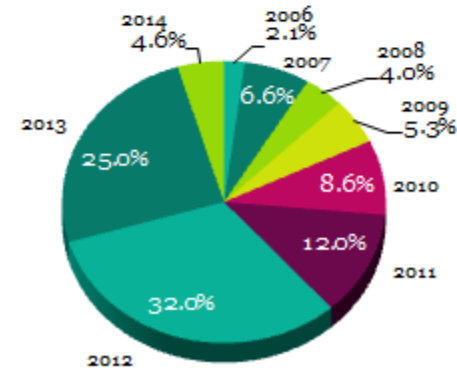
Geographic Region



Asset Class



Vintage⁽¹⁾



Note: As of 06/31/14. Based on unrealized value

(1) Includes total commitment amounts by year for GSO Credit Partners – A LP and GSO Special Situations Fund LP

(2) Source: Blackstone.

Net new commitment to Blackstone/NJ Strategic Relationship: \$650 million*

Blackstone Capital Partners VII (\$50mm)

Management fee:
During investment period: 1.5% on committed.
Post investment period: steps down 25 bps every two years to a floor of 75 bps

Carry: 20% over a 8% preferred return

Blackstone Energy Partners II (up to \$100mm)

Management fee:
During investment period: 1.56% on drawn capital; 1.31% on undrawn capital
Post investment period: 1%

Carry: 20% over a 8% preferred return

Blackstone Real Estate Partners VIII (\$100mm)

Management fee: 1.5% on committed capital
Carry: 20% over a 8% preferred return

Blackstone Property Partners (\$50mm)

Management Fee: 1% on NAV
Carry: 10% over a 7% preferred return

Dedicated Fund Commitments

Tactical Opportunities (\$250mm add-on)

Management fee on individual deals will range from 1-1.25% subject to 10-25% carried interest over 0-8% preferred return.

Management fee/carried interest/preferred return vary by investment type

GSO Energy Partners (\$150mm add-on)

Management fee:
For \$0-\$500 million, 1% on invested capital; For >\$500 million, 90 bps on invested capital

Carry: on all unrealized deals and new capital, 18% over 7.5% preferred return

GSO Credit Partners – A (\$200mm add-on)

Preferred Return: 5%
Current NAV = \$566.6mm as of 12/31/14

Core+ Strategy Separate Account (\$150mm)

Management fee: 85 bps on NAV (includes a fee credit in the CT High Grade II account)

Carry: 10% over a 7% preferred return

GP commitment: 1%

Opportunistic Separate Accounts

*Including the in-process redemption from the CT High Grade account managed by Blackstone, the total gross size of the new and additional commitments across the Blackstone/NJ Strategic Relationship will be \$1.05 billion

Fund Name: Blackstone Tactical Opportunities Fund

January 29, 2015

Contact Info: Christopher James, 345 Park Avenue, New York, NY 10154

Fund Details:

Total Firm Assets (\$bil.):	\$284.4 billion	Key Investment Professionals: David S. Blitzer , Senior Managing Director and Head of the Tactical Opportunities Group. He also sits on Blackstone's Executive Committee. Mr. Blitzer is based in New York and is responsible for overseeing Blackstone's opportunistic investment activities on a global basis. Since joining Blackstone in 1991, Mr. Blitzer has been involved in the execution of Blackstone investments across a variety of asset classes, including establishing and leading Blackstone's European private equity business. Chad R. Pike , Senior Managing Director in the Tactical Opportunities Group and is Vice Chairman of Blackstone Europe. Mr. Pike is a member of the Investment Committee for the Tactical Opportunities funds. Prior to helping launch the Tactical Opportunities business, Mr. Pike was on the Investment Committee and was the Co-Head of the Real Estate Group where he was responsible for building and managing Blackstone's Real Estate Group's business outside the United States. Christopher James , Senior Managing Director and Chief Operating Officer of the Tactical Opportunities Group and is based in New York. Since joining Blackstone in 2006, Mr. James has been involved in a variety of strategic Blackstone business initiatives and special projects, including the firm's initial public offering, organizing new Blackstone investment products and firm acquisitions. Andrea Valeri , Senior Managing Director in the Tactical Opportunities Group and is based in London. Mr. Valeri has led the Tac Opps investments in Italian NPLs and Versace. Prior to joining the Tactical Opportunities Group, Mr. Valeri was with Blackstone's Private Equity Group where he was involved in a variety of private equity transactions.
Strategy:	Opportunistic Credit, Private Equity, Real Estate, Real Assets	
Year Founded:	1984	
Headquarters:	New York	
GP Commitment:	2%	

Investment Summary

Blackstone Tactical Opportunities ("Tac Opps") pursues an opportunistic investment strategy across asset classes, capital structures and geographies to seek to generate attractive risk-adjusted returns. The strategy can quickly shift focus and resources to the most compelling investment opportunities to capitalize on market dislocations, regulatory changes and asymmetries in the supply and demand for capital. Tac Opps benefits from an Investment Committee that is comprised of the most senior and experienced investment professionals at Blackstone, including the business heads of Blackstone's Private Equity, Real Estate and Credit businesses. The Tac Opps investment team of 36 professionals has experience across a broad range of disciplines, including private equity, real estate, credit and hedge funds, as well as geographies, including the U.S., Europe and Asia

Existing and Prior Funds

Funds	Vintage Year	Strategy	Returns as of 06/30/2014
BX-NJ Tactical Opportunities	2012	Opportunistic Credit, Real Estate, Private Equity, Real Assets	20.8% Net IRR, 1.23x Net TVPI, 0.17x Net DPI

IRR= Internal Rate of Return; TVPI = Total Value to Paid-In; DPI = Distributions to Paid-In

Vehicle Information:

Inception:	2012	Auditor:	Deloitte & Touche LLP
Fund Size (\$mil.):	\$1.0 billion	Legal Counsel:	Simpson Thacher & Bartlett LLP
Management Fee:	1% - 1.25% ¹		
Carry:	10%-25% ¹		
Hurdle Rate:	0%-8% ¹		

1. Management fee/carried interest/preferred return vary by investment type

NJ AIP Program

Recommended Additional Allocation (\$mil.):	\$250 million add-on	LP Advisory Board Membership:	N/A
% of Fund:	N/A	Consultant Recommendation:	Yes
		Placement Agent:	No
		Compliance w/ Division Placement Agent Policy:	N/A
		Compliance w/ SIC Political Contribution Reg:	Yes

*This review memorandum was prepared in accordance with the State Investment Council rules governing the Alternatives Investment Program and the policies and procedures related thereto.

Fund Name: GSO Energy Partners-A LP

January 29, 2015

Contact Info: Doyle Queally, 345 Park Avenue, New York, NY 10054

Fund Details:

Total Firm Assets (\$bil):	\$67.8 billion	<p>Key Investment Professionals:</p> <p>Bennett J. Goodman, GSO Co-Founder, Senior Managing Director, and member of Blackstone’s Management Committee. Prior to forming GSO, Mr. Goodman was the Managing Partner of the Alternative Capital Division of Credit Suisse.</p> <p>Tripp Smith, GSO Co-Founder and Senior Managing Director. Prior to forming GSO, Mr. Smith was the Global Head of the Capital Markets Group within the Alternative Capital Division of Credit Suisse. Prior to that, Mr. Smith was Global Co-Head of the Leveraged Finance Group.</p> <p>Doug Ostrover, GSO Co-Founder and Senior Managing Director. Prior to forming GSO, Mr. Ostrover was Chairman of the Leveraged Finance Group at Credit Suisse. Prior to that, he was Global Co-Head of the Leveraged Finance Group at Credit Suisse.</p> <p>Dwight Scott, GSO Senior Managing Director. Mr. Scott has been with GSO since 2005 and heads GSO’s energy-related investing efforts based out of New York.</p> <p>Robert Horn, GSO Senior Managing Director. Mr. Horn has been with GSO since 2005 and focuses on mezzanine lending and private equity investments in the energy and power sector.</p>
Strategy:	Real Assets	
Year Founded:	2005	
Headquarters:	New York	
GP Commitment:	1%-2%	

Investment Summary

GSO was founded in 2005 by Bennett Goodman, Tripp Smith, and Douglas Ostrover. In 2012, GSO partnered with New Jersey Division of Investment to launch an energy related separate account. The fund’s flexible mandate allows it to invest at any level of a company’s capital structure and opportunistically deploy capital between public and private opportunities depending on market conditions. In the current market environment, GSO is finding distressed opportunities in a variety of areas that up until a few months ago had been trading at fair value.

Existing and Prior Funds

<u>Funds</u>	<u>Vintage Year</u>	<u>Strategy</u>	<u>Returns as of 06/30/2014</u>
GSO Energy Partners	2012	Real Assets	18.37 % Net IRR, 1.22x Net TVPI, 0.29x Net DPI

IRR = Internal Rate of Return; TVPI = Total Value to Paid-In; DPI = Distributions to Paid-In

Vehicle Information:

Inception:	2012	Auditor:	Deloitte and Touche LLP
Fund Size (\$mil):	\$500 million	Legal Counsel:	Paul, Weiss, Rifkind, Wharton & Garrison LLP
	for < \$ 500 million, 1% on invested; for > \$500 million, 90 basis points on invested capital		
Management Fee:			
Carry:	18%		
Hurdle Rate:	7.50%		

NJ AIP Program

Recommended Additional Allocation (\$mil.):	\$150 million add-on	LP Advisory Board Membership:	N/A
% of Fund:	N/A	Consultant Recommendation:	Yes
		Placement Agent:	No
		Compliance w/ Division Placement Agent Policy:	N/A
		Compliance w/ SIC Political Contribution Reg:	Yes

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Fund Name: GSO Credit Partners-A, L.P.

January 29, 2015

Contact Info: Doyle Queally, 345 Park Avenue, 31st Floor, New York, NY 10154

Fund Details:

Total Firm Assets (\$bil):	\$67.8 billion	Key Investment Professionals: Bennett J. Goodman , GSO Co-Founder, Senior Managing Director, and member of Blackstone’s Management Committee. Prior to forming GSO, Mr. Goodman was the Managing Partner of the Alternative Capital Division of Credit Suisse. Tripp Smith , GSO Co-Founder and Senior Managing Director. Prior to forming GSO, Mr. Smith was the Global Head of the Capital Markets Group within the Alternative Capital Division of Credit Suisse. Prior to that, Mr. Smith was Global Co-Head of the Leveraged Finance Group. Doug Ostrover , GSO Co-Founder and Senior Managing Director. Prior to forming GSO, Mr. Ostrover was Chairman of the Leveraged Finance Group at Credit Suisse. Prior to that, he was Global Co-Head of the Leveraged Finance Group at Credit Suisse. Jason New , GSO Senior Managing Director. Mr. New is the Head of Special Situations Investing for GSO Capital Partners and the Co-Portfolio Manager of the Credit Alpha strategy. Mr. New focuses on managing GSO’s public investment portfolio with a specific emphasis on stressed and distressed companies and on sourcing direct distressed investment opportunities. Darren Richman , GSO Senior Managing Director. Mr. Richman is the Head of Research for GSO Capital Partners and the Co-Portfolio Manager of the Credit Alpha strategy. Mr. Richman focuses on distressed and special situation investments and is also a Senior Portfolio Manager of Special Situations.
Strategy:	Credit oriented	
Assets in Strategy(\$bil):	\$5.5 billion	
Year Founded:	2005	
SEC Registration	Yes	
GP Commitment:	1%	

Investment Summary

GSO Credit Partners-A, L.P. seeks to invest in the highest conviction ideas across GSO Capital Partners’ (“GSO” or the “Firm”) alternatives platform in the U.S. and Europe, primarily opportunistic long and short, event driven investments in both public and private non-investment grade debt. The Fund will invest alongside the Firm’s hedge funds and closed-end funds, but will also make investments exclusive to the Credit Partners-A fund. The Fund is primarily long-only but also contains opportunistic single-name shorts and market hedges. Additionally, the Fund will have three dedicated senior investment professionals to the Credit Alpha strategy and will utilize shared resources from the public markets and private markets teams.

Existing Fund

<u>Funds</u>	<u>Vintage Year</u>	<u>Strategy</u>	<u>Returns as of 09/30/2014</u>
GSO Credit Partners - A	2012	Credit oriented hedge fund	23.1% Net IRR, 1.4x Net MOIC

Vehicle Information:

Fund Inception:	2012	Prime Broker:	Credit Suisse, JP Morgan
Fund Size:	\$800 million	Administrator:	BNY Mellon
Management Fee/Carry (based on NAV of LP Acct)	<\$250m: 1.0%, 15% >\$250m-<\$500m: 0.85%, 13% >\$500m-<\$750m: 0.75%, 11% >\$750m-<\$1b: 0.65%, 9%	Auditor:	Deloitte & Touche LLP
Hurdle Rate:	5%	Legal Counsel:	Paul, Weiss, Rifkind, Wharton & Garrison LLP

NJ AIP Program

Recommended Additional Allocation (\$mil):	\$200 million add-on	LP Advisory Board Membership:	N/A
% of Fund:	N/A	Consultant Recommendation:	Yes
		Placement Agent:	No
		Compliance w/ Division Placement Agent Policy:	N/A
		Compliance w/ SIC Political Contribution Reg:	Yes

*This review memorandum was prepared in accordance with the State Investment Council rules governing the Alternatives Investment Program and the policies and procedures related thereto.

Fund Name: Core+ Real Estate Separate Account

January 29, 2015

Contact Info: Kathleen McCarthy, 345 Park Avenue, New York, NY 10154

Fund Details:

Total Firm Assets (\$bil.):	\$284.4 billion	Key Investment Professionals: Jonathan Gray , Global Head of Real Estate. Mr. Gray has helped build the largest real estate platform in the world with nearly \$80 billion in investor capital under management. Blackstone's portfolio includes hotel, office, retail, industrial and residential properties in the U.S., Europe and Asia. Kenneth Caplan , Senior Managing Director, Global Chief Investment Officer. Ken plays a leading role establishing and overseeing our investment strategy globally, including chairing the Global Acquisitions Review Committee. He has been with Blackstone Real Estate since 1997 and has 17 years of experience in the U.S., Europe and Asia. Christopher Heady , Senior Managing Director, Head of Real Estate Asia. Mr. Heady is based in Hong Kong and is responsible for the day-to-day management of the Real Estate group's investment activities and personnel in Asia. William Stein , Senior Managing Director, Global Head of Asset Management. Since joining Blackstone in 1997, Mr. Stein has been involved in the direct asset management and oversight of Blackstone's real estate investments globally. Frank Cohen , Senior Managing Director, Global Head of Core+. Frank has been with Blackstone since 1996 and brings 18 years of investment experience and expertise to oversee our expansion efforts in the Core+ space globally. Frank serves on the Blackstone Real Estate Partners ("BREP") Investment Committee and Acquisitions Review Committee A.J. Agarwal , Senior Managing Director, Head of Core+ U.S., is based in New York, has been with Blackstone since 1992, and oversees the U.S. Core+ business. Wesley LePatner , Managing Director Global, Chief Operating Officer of the Core+, is based in New York, and oversees the day-to-day operations of the Core+ business globally. Michael Nash , Senior Managing Director, Chief Investment Officer of Blackstone Real Estate Debt Strategies ("BREDS"), is based in New York, and oversees the day-to-day investment activities and personnel of the global real estate debt business.
Strategy:	Core real estate	
Year Founded:	1985	
Headquarters:	New York	
GP Commitment:	1%	

Investment Summary

The separate account will employ a similar strategy as Blackstone Property Partners L.P., which will seek to capitalize on Blackstone's successful real estate platform to implement a U.S.-focused core+ strategy. However, the separate account will focus on substantially stabilized assets and portfolios in major international markets such as London, Paris, Frankfurt, Berlin, Tokyo, Hong Kong, Singapore, Shanghai, Sydney, Sao Paolo and Rio de Janeiro, among others. The separate account will also have the ability to selectively participate in high-yield debt transactions in Europe and Asia, as long as the target net return is in line with the program's return objective.

Existing and Prior Funds

<i>Funds</i>	<i>Vintage Year</i>	<i>Strategy</i>	<i>Returns as of 09/30/2014</i>
BREP I	1994	Non-core	40% Net IRR, 2.4x Net MOIC
BREP II	1996	Non-core	19% Net IRR, 1.8x Net MOIC
BREP III	1999	Non-core	21% Net IRR, 2.0x Net MOIC
BREP Intl. I	2001	Non-core	23% Net IRR, 1.8x Net MOIC
BREP IV	2003	Non-core	14% Net IRR, 1.5x Net MOIC
BREP V	2006	Non-core	11% Net IRR, 1.7x Net MOIC
BREP Intl. II	2006	Non-core	4% Net IRR, 1.3x Net MOIC
BREP VI	2007	Non-core	14% Net IRR, 1.9x Net MOIC
BREP Europe III	2009	Non-core	20% Net IRR, 1.5x Net MOIC
BREP VII	2011	Non-core	27% Net IRR, 1.4x Net MOIC
BREP ASIA	2013	Non-core	14% Net IRR, 1.1x Net MOIC
BREP Europe IV	2013	Non-core	19% Net IRR, 1.1x Net MOIC

IRR = Internal Rate of Return ; MOIC = Multiple on Invested Capital

Vehicle Information:

Inception:	2015	Auditor:	Deloitte & Touche LLP.
Fund Size (\$mil.):	\$151.5 million	Legal Counsel:	Simpson Thacher & Bartlett LLP
Management Fee:	0.85% of NAV ¹		
Carry:	10%		
Hurdle Rate:	7.00%		

1. inclusive of fee offset in CT Highgrade II

NJ AIP Program

Recommended Allocation (\$mil.):	\$150 million	LP Advisory Board Membership:	N/A
% of Fund:	99%	Consultant Recommendation:	Yes
		Placement Agent:	No
		Compliance w/ Division Placement Agent Policy:	N/A
		Compliance w/ SIC Political Contribution Reg:	Yes

*This review memorandum was prepared in accordance with the State Investment Council rules governing the Alternatives Investment Program and the policies and procedures related thereto.

Fund Name: Blackstone Real Estate Partners VIII L.P.

January 29, 2015

Contact Info: Kathleen McCarthy, 345 Park Avenue, New York, NY 10154

Fund Details:

Total Firm Assets (\$bil.):	\$284.4 billion	Key Investment Professionals: Jonathan Gray , Global Head of Real Estate, Mr. Gray has helped build the largest real estate platform in the world with nearly \$80 billion in investor capital under management. Blackstone's portfolio includes hotel, office, retail, industrial and residential properties in the U.S., Europe and Asia. Kenneth Caplan , Senior Managing Director, Global Chief Investment Officer. Ken plays a leading role establishing and overseeing our investment strategy globally, including chairing the Global Acquisitions Review Committee. He has been with Blackstone Real Estate since 1997 and has 17 years of experience in the U.S., Europe and Asia. Christopher Heady , Senior Managing Director, Head of Real Estate Asia, Mr. Heady is based in Hong Kong and is responsible for the day-to-day management of the Real Estate group's investment activities and personnel in Asia. William Stein , Senior Managing Director, Global Head of Asset Management. Since joining Blackstone in 1997, Mr. Stein has been involved in the direct asset management and oversight of Blackstone's real estate investments globally. Frank Cohen , Senior Managing Director, Global Head of Core+. Frank has been with Blackstone since 1996 and brings 18 years of investment experience and expertise to oversee our expansion efforts in the Core+ space globally. Frank serves on the Blackstone Real Estate Partners ("BREP") Investment Committee and Acquisitions Review Committee. Tyler Henritze , Senior Managing Director, Co-Head of U.S. Acquisitions. Tyler has been with Blackstone since 2004 and has overseen hospitality acquisition efforts leading many of BREP'S largest hotel investments in the U.S., including the Cosmopolitan and Motel 6. Nadeem Meghji , Senior Managing Director, Co-Head of U.S. Acquisitions. Nadeem has been with Blackstone since 2008, and has led the growth of its highly productive investment programs in the retail and multifamily sectors in the U.S.
Strategy:	Non-core real estate	
Year Founded:	1985	
Headquarters:	New York	
GP Commitment:	at least \$300 million plus up to an additional 10% of each investment based on an annual election	

Investment Summary

The Blackstone Group LP ("Blackstone") is sponsoring Blackstone Real Estate Partners VIII L.P. ("BREP VIII" or the "Fund"), a global commingled private equity real estate fund with an opportunistic investment strategy. Limited new supply, recovering economies and moderate levels of debt capital create a favorable global investment environment. Blackstone Real Estate's dominant size, access to proprietary market information from its large portfolio and extensive relationship network will allow it to take advantage of: identifying mispriced opportunities ahead of its competitors; dispositions from motivated/distressed sellers; deleveraging from European banks; capital markets dislocation in Asia and complex public to private transactions. BREP VIII is a global opportunistic real estate fund with a primary focus on the U.S. The Fund's goal is to acquire distressed, out of favor or undermanaged properties at below market prices, unlock value through aggressive asset management and sell the stabilized properties to long term real estate owners. The Fund will target large, complicated situations where competition is limited and its ability to move quickly offers an advantage.

Existing and Prior Funds

<u>Funds</u>	<u>Vintage Year</u>	<u>Strategy</u>	<u>Returns as of 09/30/2014</u>
BREP I	1994	Non-core	40% Net IRR, 2.4x Net MOIC
BREP II	1996	Non-core	19% Net IRR, 1.8x Net MOIC
BREP III	1999	Non-core	21% Net IRR, 2.0x Net MOIC
BREP IV	2003	Non-core	14% Net IRR, 1.5x Net MOIC
BREP V	2006	Non-core	11% Net IRR, 1.7x Net MOIC
BREP VI	2007	Non-core	14% Net IRR, 1.9x Net MOIC
BREP VII	2011	Non-core	27% Net IRR, 1.4x Net MOIC

IRR = Internal Rate of Return ; MOIC = Multiple on Invested Capital

Vehicle Information:

Inception:	2015
Fund Size (\$mil.):	\$13 billion
Management Fee:	1.50%
Carry:	20%
Hurdle Rate:	8.00%
Additional Expenses:	30 basis points acquisition fee

Auditor:	Deloitte & Touche LLP.
Legal Counsel:	Simpson Thacher & Bartlett LLP

NJ AIP Program

Recommended Allocation (\$mil.):	\$100 million	LP Advisory Board Membership:	TBD
% of Fund:	0.77%	Consultant Recommendation:	Yes
		Placement Agent:	No
		Compliance w/ Division Placement Agent Policy:	N/A
		Compliance w/ SIC Political Contribution Reg:	Yes

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Fund Name: Blackstone Property Partners, L.P.

January 29, 2015

Contact Info: Kathleen McCarthy, 345 Park Avenue, New York, NY 10154

Fund Details:

Total Firm Assets (\$bil.):	\$284.4 billion	Key Investment Professionals: Jonathan Gray , Global Head of Real Estate, Mr. Gray has helped build the largest real estate platform in the world with nearly \$80 billion in investor capital under management. Blackstone's portfolio includes hotel, office, retail, industrial and residential properties in the U.S., Europe and Asia. Kenneth Caplan , Senior Managing Director, Global Chief Investment Officer. Ken plays a leading role establishing and overseeing our investment strategy globally, including chairing the Global Acquisitions Review Committee. He has been with Blackstone Real Estate since 1997 and has 17 years of experience in the U.S., Europe and Asia. William Stein , Senior Managing Director, Global Head of Asset Management. Since joining Blackstone in 1997, Mr. Stein has been involved in the direct asset management and oversight of Blackstone's real estate investments globally. Frank Cohen , Senior Managing Director, Global Head of Core+. Frank has been with Blackstone since 1996 and brings 18 years of investment experience and expertise to oversee our expansion efforts in the Core+ space globally. Frank serves on the Blackstone Real Estate Partners ("BREP") Investment Committee and Acquisitions Review Committee A.J. Agarwal , Senior Managing Director, Head of Core+ U.S., is based in New York, has been with Blackstone since 1992, and oversees the U.S. Core+ business. Wesley LePatner , Managing Director Global, Chief Operating Officer of the Core+, is based in New York, and oversees the day-to-day operations of the Core+ business globally.
Strategy:	Core real estate	
Year Founded:	1985	
Headquarters:	New York	
GP Commitment:	\$35 million	

Investment Summary

Blackstone Property Partners L.P. ("BPP") is an open-ended fund that will seek to capitalize on Blackstone's successful real estate platform to implement a U.S.-focused core+ strategy. BPP represents the first Blackstone Real Estate vehicle focused on equity investments structured to provide quarterly liquidity for investors. BPP intends to invest in substantially stabilized and well leased office, multifamily, industrial, and retail assets, primarily in major U.S. markets such as New York, San Francisco, Los Angeles, Boston, and Washington D.C., by targeting undermanaged assets that require a modest repositioning or capital upgrade to bring the property to full stabilization. BPP will target a 9%-11% net IRR with approximately 50% of the total return generated through current income.

Existing and Prior Funds

<i>Funds</i>	<i>Vintage Year</i>	<i>Strategy</i>	<i>Returns as of 06/30/2014</i>
BREP I	1994	Non-core	40% Net IRR, 2.4x Net MOIC
BREP II	1996	Non-core	19% Net IRR, 1.8x Net MOIC
BREP III	1999	Non-core	21% Net IRR, 2.0x Net MOIC
BREP Intl. I	2001	Non-core	23% Net IRR, 1.8x Net MOIC
BREP IV	2003	Non-core	14% Net IRR, 1.5x Net MOIC
BREP V	2006	Non-core	11% Net IRR, 1.7x Net MOIC
BREP Intl. II	2006	Non-core	4% Net IRR, 1.3x Net MOIC
BREP VI	2007	Non-core	14% Net IRR, 1.9x Net MOIC
BREP Europe III	2009	Non-core	20% Net IRR, 1.5x Net MOIC
BREP VII	2011	Non-core	27% Net IRR, 1.4x Net MOIC
BREP ASIA	2013	Non-core	14% Net IRR, 1.1x Net MOIC
BREP Europe IV	2013	Non-core	19% Net IRR, 1.1x Net MOIC

IRR = Internal Rate of Return ; MOIC = Multiple on Invested Capital

Vehicle Information:

Inception:	2014	Auditor:	Deloitte & Touche LLP
Fund Size (\$mil.):	\$2.0 billion	Legal Counsel:	Simpson Thacher & Bartlett LLP
Management Fee:	1.0% of NAV		
Carry:	10%		
Hurdle Rate:	7.00%		

NJ AIP Program

Recommended Allocation (\$mil.):	\$50 million	LP Advisory Board Membership:	TBD
% of Fund:	2.5%	Consultant Recommendation:	Yes
		Placement Agent:	No
		Compliance w/ Division Placement Agent Policy:	N/A
		Compliance w/ SIC Political Contribution Reg:	Yes

*This review memorandum was prepared in accordance with the State Investment Council rules governing the Alternatives Investment Program and the policies and procedures related thereto.

Fund Name: Blackstone Energy Partners II

January 29, 2015

Contact Info: Michael Sotirhos, 345 Park Avenue, New York, NY 10154

Fund Details:

Total Firm Assets (\$bil.):	\$284.4 billion	Key Investment Professionals: David I. Foley , Senior Managing Director in the Private Equity group and Chief Executive Officer of Blackstone Energy Partners. Mr. Foley is based in New York and is responsible for overseeing Blackstone's private equity investment activities in the energy and natural resource sector on a global basis. Sean T. Klimczak , Senior Managing Director in the Private Equity group based in New York. Mr. Klimczak is responsible for Blackstone's private equity investment activities in power generation and transmissions and natural resource sectors on a global basis. Angelo G. Acconcia , Senior Managing Director in the Private Equity group and based in New York. Mr. Acconcia is responsible for Blackstone's private equity investment activities in upstream oil and gas on a global basis. Mustafa M. Siddiqui , Managing Director in the Private Equity group and is based in London. Since joining Blackstone in 2009, Mr. Siddiqui has been focused on investments in the oilfield services and upstream sectors. Michael Ryder , Senior Managing Director in the Private Equity group and is based in New York. Since joining Blackstone in 2014, Mr. Ryder has primarily focused on investments in the oilfield services and midstream sectors. Joseph Baratta , Global Head of Private Equity and a member of Blackstone's Management and Executive Committees. Mr. Baratta is based in New York.
Strategy:	Real Asset, Energy/Natural Resources	
Year Founded:	1984	
Headquarters:	New York	
GP Commitment:	\$80 million	

Investment Summary

Blackstone Energy Partners II ("BEP II") a global opportunistic energy and natural resource fund. BEP II will continue its strategy of proactive, thematic investing and partnering with exceptional management teams to build, develop and acquire a portfolio of high quality assets that are diversified by geography and across each segment of the energy and natural resource industry value chain. Selected investment themes include: Large-scale development of unconventional shale resources in North America; identification, exploration and development of oil and gas reserves located in deeper water, geologic zones and technically complex environments; shift by public companies to divest partially-developed, producing natural gas assets in North America and redeploy capital toward the development of oil reserves; increased global spending on oilfield services and equipment; shifting concentration of demand driving massive capital investment in midstream/downstream assets; economic growth in emerging markets increasing demand for electricity; implementation of renewable energy incentives; merchant power generation in the United States; and consolidation of assets in cyclically out of favor segments of the energy and natural resource sector. The firm's relationship with top quality, experienced management teams that can build and/or acquire assets gives them an edge over firms with less scale and depth.

Existing and Prior Funds

<u>Funds</u>	<u>Vintage Year</u>	<u>Strategy</u>	<u>Returns as of 06/30/2014</u>
Fund I	2011	Energy	51.83% Net IRR, 1.53x Net TVPI, 0.40x Net DPI

IRR = Internal Rate of Return, TVPI = Total Value to Paid-In, DPI = Distributions to Paid-In

Vehicle Information:

Inception:	2015	Auditor:	Deloitte & Touche LLP
Fund Size (\$mil.):	\$4.5 billion	Legal Counsel:	Simpson Thacher & Bartlett LLP
Management Fee:	During investment period: 1.56% on drawn capital; 1.31% on undrawn capital- (Post investment period: 1%)		
Carry:	20%		
Hurdle Rate:	8%		
Fee Offset:	100% fee offset		

NJ AIP Program

Recommended Allocation (\$mil.):	up to \$100 million	LP Advisory Board Membership:	TBD
% of Fund:	2.2%	Consultant Recommendation:	Yes
		Placement Agent:	No
		Compliance w/ Division Placement Agent Policy:	N/A
		Compliance w/ SIC Political Contribution Reg:	Yes

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Fund Name: Blackstone Capital Partners VII

January 29, 2015

Contact Info: Michael Sortirhos, 345 Park Avenue, New York, NY 10154

Fund Details:

Firm AUM (\$bil):	\$284.4 billion	Key Investment Professionals: Joseph Baratta , Global Head of Private Equity and a member of the firm's Management and Executive Committees. Before joining Blackstone, Mr. Baratta was with Tincum Incorporated and McCown De Leeuw & Company. Prakash A. Melwani , Chief Investment Officer of the Private Equity Group and chairs the Investment Committee. Prior to joining Blackstone, Mr. Melwani was a founding partner of Vestar Capital Partners and served as its Chief Investment Officer. Lionel Assant , European Head of Private Equity. Before joining Blackstone, Mr. Assant worked for seven years at Goldman Sachs in the Mergers & Acquisitions, Asset Management and Private Equity divisions. Michael S. Chae , Head of Private Equity for Asia/Pacific. Before joining Blackstone in 1997, Mr. Chae was an Associate at the Carlyle Group.
Strategy:	Buyout	
Year Founded:	1984	
Headquarters:	New York	
GP Commitment:	\$400 million, plus up to an additional 7.5% in each Investment on a side-by-side basis (based on an annual election).	

Investment Summary	Existing and Prior Funds			
Blackstone Capital Partners VII ("BCP VII") represents Blackstone's seventh general corporate private equity fund. The Partnership will invest primarily in control and control-oriented private equity investments globally, with a focus on large and mid-cap buyouts, growth equity/development projects and buy and build platforms primarily in the United States and Western Europe. Selected investment themes include: companies that require significant operational intervention; 'buy and build' strategies within large, fragmented industries; mismatch between requirement for capital and its supply; and sectors that are undergoing cyclical/market dislocations. The value-oriented strategy focuses on generating an unlevered return in excess of what could reasonably be earned by investing in an unlevered public company. The fund plans to invest in 10-15 corporate private opportunities per year with a typical hold period of 4-6 years	<i>Funds</i>	<i>Vintage Year</i>	<i>Strategy</i>	<i>Returns as of 6/30/2014</i>
	BCP I	1987	Buyout	18.86% Net IRR, 1.86x Net TVPI, 1.86x Net DPI
	BCP II	1993	Buyout	32.32% Net IRR, 2.10x Net TVPI, 2.10x Net DPI
	BCP III	1997	Buyout	13.97% Net IRR, 1.93x Net TVPI, 1.93x Net DPI
	BCP IV	2002	Buyout	36.82% Net IRR, 2.45x Net TVPI, 2.05x Net DPI
	BCP V	2006	Buyout	7.84% Net IRR, 1.49x Net TVPI, 0.63x Net DPI
	BCP VI	2011	Buyout	19.07% Net IRR, 1.23x Net TVPI, 0.19x Net DPI
IRR = Internal Rate of Return; TVPI= Total Value to Paid-in; DPI= Distributions to Paid-In				

Vehicle Information:

Inception:	2015	Auditor:	Deloitte & Touche LLP
Fund Size (\$mil.):	\$15 billion	Legal Counsel:	Simpson Thacher & Bartlett LLP
Management Fee:	During investment period: 1.5% on committed; 6 month management fee waiver at initial closing; Post investment period: steps down 25 bps every two years to a floor of 75 bps		
Carry:	20%		
Hurdle Rate:	8%		
Fee Offset:	100% fee offset		

NJ AIP Program			
Recommended Allocation (\$mil):	\$50 million	LP Advisory Board Membership:	No
% of Fund:	3%	Consultant Recommendation:	Yes
		Placement Agent:	No
		Compliance w/ Division Placement Agent Policy:	N/A
		Compliance w/ SIC Political Contribution Reg:	Yes

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