



June 2, 2003

TO: ALL INTERESTED PARTIES

FROM: CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

SUBJECT: PRIVATE EQUITY INVESTMENT SEARCH (PEIS) FOR NEW AND NEXT GENERATION FUND-OF-FUNDS MANAGER(S)

The California State Teachers' Retirement System (CalSTRS) is soliciting Private Equity Investment Search (PEIS) Investment Offerings from Fund-of-Funds Manager(s) to construct, manage, and liquidate a \$100 million New and Next Generation Private Equity Managers Portfolio.

Attached for your consideration is the PEIS for New and Next Generation Fund-of-Funds Manager(s) with instructions for its completion. The completed PEIS Investment Offering must be received by CalSTRS no later than July 7, 2003, 4:00 p.m. PDT. PEIS Investment Offerings received after the specified date and time will not be considered.

To be considered for this assignment, your organization must satisfy the minimum qualification stated in Section C. Minimum Qualification. You must also meet the requirements and submit the information stipulated in Section D.4. PEIS Investment Offering Requirements.


Prospective Manager(s) requiring clarification of the intent and content of this PEIS may request clarification only by submitting written questions to:

Delfina Palomo, Investment Officer
California State Teachers' Retirement System
7667 Folsom Blvd, MS 04
Sacramento, CA 95826
(916) 229-3996
FAX (916) 229-3790
E-mail: dpalomo@calstrs.ca.gov

To ensure a response, questions must be received by June 16, 2003, 4:00 p.m. PDT. Questions received by this date will be answered in writing and sent to all PEIS recipients within five (5) business days, without identifying the source of the query.

Any attempt by a Prospective Manager to initiate contact with any member of the Teachers' Retirement Board and/or CalSTRS' staff, other than the contact provided above, regarding this PEIS may disqualify the Prospective Manager from further consideration. Please note that no *verbal* information given will be binding upon the California State Teachers' Retirement System unless such information is issued in writing as an official addendum.

Sincerely,



Christopher Ailman
Chief Investment Officer

California State Teachers' Retirement System, Investment Division, MS04
7667 Folsom Boulevard, Suite 250, Sacramento, CA 95826
(916) 229-3996, www.calstrs.ca.gov
Securing the financial future and sustaining the trust of California's educators

**CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
PRIVATE EQUITY INVESTMENT SEARCH
NEW AND NEXT GENERATION FUND-OF-FUNDS MANAGER(S)
TIME SCHEDULE**

Issue of PEIS	June 2, 2003
Deadline for Written Questions	June 16, 2003
Mail Responses to Written Questions	June 23, 2003
Final Filing Date	July 7, 2003
PEIS Investment Offering Evaluation	July 8-11, 2003
Semi-finalist Interviews	To be announced
Finalist Interviews (If necessary)	To be announced
Selection of Manager(s)	To be announced
Partnership Legal Documents	Negotiated by CalSTRS and the Prospective Manager(s)

CalSTRS will use its best efforts to adhere to the time schedule specified above. However, CalSTRS reserves the right to amend the time schedule, as it deems necessary.

Prospective Manager(s) must submit seven (7) complete copies of their PEIS Investment Offering. Responses must be received no later than 4:00 p.m. PDT, July 7, 2003. Mail or deliver Investment Offerings to:

Delfina Palomo, Investment Officer
California State Teachers' Retirement System
7667 Folsom Blvd., Room 250 MS 04
Sacramento, CA 95826
(916) 229-3996

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
PRIVATE EQUITY INVESTMENT SEARCH
NEW AND NEXT GENERATION FUND-OF-FUNDS MANAGER(S)

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CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
PRIVATE EQUITY INVESTMENT SEARCH
NEW AND NEXT GENERATION FUND-OF-FUNDS MANAGER(S)

A. INTRODUCTION

The California State Teachers' Retirement System (CalSTRS) administers an investment portfolio with approximately \$92 billion in total assets. As of December 31, 2002, total assets were invested as follows: \$35.2 billion in domestic equities; \$18.4 billion in non-US equities; \$26.3 billion in domestic fixed income; \$4.5 billion in real estate equity; \$4.4 billion in alternative investments; and \$3.2 billion in liquidity.

The Investment Management Plan provides an investment structure designed to provide diversification within each component of the portfolio. The Alternative Investment Program has target allocations of buyouts – 55%; equity expansion – 10%; debt related - 0%; venture capital – 20%; and international – 15%. Total alternative assets have a target of 6% as of December 31, 2002. The Investment Committee of the Teachers' Retirement Board recently made an allocation of \$350 million to Underserved Urban and Rural Markets, and New and Next Generation Managers. The New and Next Generation Program will receive a sub-allocation of \$100 million and is the subject of this PEIS.

CalSTRS intends to select either one or two fund-of-funds investment managers to select and manage \$100 million that would be invested in New and Next Generation Private Equity Managers. This portfolio(s) would complement the existing core private equity portfolio, which consists of established private equity general partnerships.

CalSTRS believes that there is a good investment opportunity in investing in New and Next Generation Private Equity Managers. For various reasons, an upcoming generation of senior investors at many funds may seek to develop their own funds, as they outgrow their current roles at their existing general partnerships. From this pool of experienced private equity investment professionals will come a new generation of successful private equity investment partnerships. The pool of general partners selected is expected to reflect the diversity of talented professionals that have entered the private equity profession over the past generation. This opportunity set for investing in private equity managers is expected to exist in all of the domestic private equity sub-asset classes: buyouts, equity expansion, debt related, and venture capital.

For more information about CalSTRS, please refer to the Internet Web site address at [www@calstrs.ca.gov](http://www.calstrs.ca.gov).

B. BACKGROUND

During the March 5, 2003 Investment Committee meeting, staff was directed to search for Private Equity Investment New and Next Generation Program Manager(s). As a result, CalSTRS plans to execute a Partnership Agreement(s) with a maximum of two (2) New and Next Generation Program Manager(s) with specialized expertise in the areas delineated in Exhibit A, Scope of Work.

In the event that none of the Investment Offerings are satisfactory, then no selection will be made.

C. MINIMUM QUALIFICATION

A Prospective Manager must meet the following minimum qualification to CalSTRS' satisfaction to be given further consideration. Failure to satisfy the minimum qualification will result in the immediate rejection of the proposal.

- a. The firm selected must have at least five (5) years private equity experience that includes a track record in investing in New and Next Generation Managers.

D. INVESTMENT OFFERING REQUIREMENTS AND INFORMATION:

1. Submission of Written Questions

Questions that Prospective Manager(s) may have regarding the information presented in the PEIS must be received by CalSTRS' Investment Office in writing via United States mail, e-mail at dpalomo@calstrs.ca.gov or facsimile transmission at (916) 229-3790, no later than June 16, 2003, 4:00 p.m. PDT. CalSTRS will answer all questions received by this date in writing without divulging the source of the query. Copies of all questions and CalSTRS' responses will be sent to all parties who requested the PEIS and will also be available on the internet at www@calstrs.ca.gov.

2. Statement of Minimum Qualification

The Prospective Manager must complete a Statement of Minimum Qualification (*Attachment 2*) substantiating that the Prospective Manager satisfies the minimum qualification and requirement. Failure to provide complete information will result in the immediate rejection of the proposal.

3. Fee Proposal

Prospective Manager(s) must submit their costs in the format prescribed in Fee Proposal (*Attachment 3*). Any deviation from the prescribed format, which in the opinion of CalSTRS is material, may result in the rejection of the Investment Offering. Once the Manager(s) is selected, the fees may be further negotiated. In no case will the fees be higher than contained in the Investment Offering.

4. PEIS Investment Offering Requirements

a. Cover Letter

The Investment Offering shall include a cover letter that exemplifies the Prospective Manager's ability and availability of staff and other required resources for performing all services and providing all deliverables within the timeframes, as described in Exhibit A, Scope of Work.

b. PEIS Investment Offering Requirements

- i. The Prospective Manager must provide three (3) client references for which the firm has provided at least three (3) or more of the services listed in Exhibit A, Scope of Work, within the past three (3) years. This information must be submitted with the PEIS Investment Offering Questionnaire (*Attachment 4*).

CalSTRS reserves the right to contact any of the persons/companies provided and to conduct reference checks beyond that supplied by the Prospective Manager.

5. Submission of Proposal

- a. Submit seven (7) copies of your Investment Offering in a sealed package. One (1) copy must contain original signatures, be labeled "Master Copy", and placed in a loose-leaf, three-ringed binder, which displays the Prospective Manager's name on the outside front cover and the spine. (Do not submit the Master Copy with spiral binding.)
- b. All Investment Offerings must be delivered to the California State Teachers' Retirement System by **July 7, 2003, 4:00 p.m. PDT**. Investment Offerings received after this date and time will not be considered. Investment Offerings must be delivered to the following address:

U.S. Postal Service Deliveries
California State Teachers' Retirement System
P.O. Box 15275
Sacramento, CA 95851-0275

Hand Deliveries
(UPS, Express Mail, Federal Express)
California State Teachers' Retirement System
7667 Folsom Blvd., Room 250 MS 04
Sacramento, CA 95826

- c. The sealed investment offering envelopes must be plainly marked with the title, firm name and address, and must be marked with "DO NOT OPEN," as shown in the following example:

New and Next Generation Private Equity Manager
California State Teachers' Retirement System
Delfina Palomo, Investment Officer
7667 Folsom Blvd., MS 04
Sacramento, CA 95826

MAIL ROOM - DO NOT OPEN

- d. All Investment Offerings shall include the documents identified in Required Attachment Checklist (*Attachment 1*). Investment Offerings not including the proper "required attachments" shall be deemed non-responsive. A non-responsive investment offering is one that does not meet the basic investment offering requirements.
- e. An investment offering may be rejected if it is conditional or incomplete, deemed non-responsive, or if it contains any alterations of form or other irregularities of any kind. CalSTRS may reject any or all Investment Offerings and may waive any immaterial deviation in a proposal. CalSTRS's waiver of immaterial defect shall in no way modify the PEIS document or excuse the Prospective Manager from full compliance with all requirements if a Partnership Agreement is awarded.
- f. Costs for developing Investment Offerings and in anticipation of award of the Partnership Agreement are entirely the responsibilities of the Prospective Manager and shall not be charged to CalSTRS.
- g. An individual who is authorized to contractually bind the proposing firm shall sign the Prospective Manager Certification Sheet (*Attachment 5*). The signature must indicate the title or position that the individual holds in the firm. An unsigned investment offering may be rejected.

- h. A Prospective Manager may modify an investment offering, after its submission, by withdrawing its original investment offering and resubmitting a new investment offering prior to the investment offering submission deadline date. Investment offering modifications offered in any other manner, oral or written, will not be considered.
- i. A Prospective Manager may withdraw its investment offering by submitting a written withdrawal request to CalSTRS, signed by the Prospective Manager or an agent authorized, through the contact person named in Section 5c. above. A Prospective Manager may thereafter submit a new investment offering prior to the investment offering submission deadline. Investment Offerings may not be withdrawn without cause subsequent to investment offering submission deadline.
- j. CalSTRS may modify the PEIS prior to the date fixed for submission of investment offerings by issuing an addendum to all parties that received a PEIS package.
- k. Prospective Manager(s) are cautioned to not rely on CalSTRS during the evaluation to discover and report to the Prospective Manager any defects and errors in the submitted documents. Prospective Manager(s), before submitting their documents, should carefully proof them for errors and adherence to the PEIS requirements.

6. Investment Offering Evaluation Process

- a. The investment offering must be organized to correspond with all requirements and formats set forth in this PEIS. The investment offering should be clear, concise and must be complete. All information must be contained in the investment offering. No assumptions will be made by regarding the intentions of the prospective manager in submitting the investment offering. Written investment offerings must be bound and organized in a manner to facilitate ease of review by evaluators. All sections will be used in the evaluation. Prospective Manager(s) not providing all requested information may be rejected.
- b. All Investment Offerings submitted will be evaluated for form and content in accordance with the provisions stated in the final solicitation document. Clarifications may be requested from the prospective manager at any phase of the evaluation process for the purpose of clarifying ambiguities in the information presented in the investment offering.
- c. Investment Offerings and any subsequent presentations should be submitted with the most favorable terms the prospective manager can offer. If CalSTRS is unable to execute an Agreement with the apparent successful competitor, CalSTRS reserves the right to award the Agreement to the next highest scoring responsive and responsible prospective manager whose investment offering conforms to the requirements of this document.

d. The purpose of the investment offering evaluation process is two-fold: (1) to assess the responses for compliance with the minimum qualification, content and format requirements; and (2) to identify the Prospective Manager(s) that have the highest probability of successfully performing the services as described herein. The evaluation process will be conducted in a comprehensive and impartial manner as set forth herein:

i. Prequalification Evaluation

- a) Each investment offering package will be date and time stamped when received.
- b) Each investment offering package will be inspected to ascertain that it is properly sealed and labeled. Investment Offerings not passing this inspection may not be accepted.
- d) All investment offerings will be reviewed to determine if they satisfy the minimum qualification specified in Section C. Minimum Qualification and contain the required submittals specified in Section D.4b. PEIS Investment Offering Requirements.

ii. PEIS Investment Offering Evaluation

- a) Investment Offerings that pass the prequalification evaluation review will undergo an evaluation process conducted by a team of reviewers selected by CalSTRS' Chief Investment Officer and the Director of Alternative Investments. Each team member will independently evaluate and score the Investment Offerings based on the categories enumerated in the PEIS Investment Offering Evaluation Sheet (*Exhibit B*).
- b) A prospective manager must receive a minimum score of **100** points on the PEIS investment offering questionnaire section of *Exhibit B* to be given further consideration.

iii. Fee Proposal Evaluation

Points for fees will be computed for all Investment Offerings that obtain a minimum of **100** points on the PEIS Investment Offering Evaluation. The investment offering with the lowest total fee will receive **90** points. Other Investment Offerings will be rated proportionally as follows:

$$\frac{\text{Lowest Fee}}{\text{Proposer's Fee}} \times \text{Maximum Number of Points} = \text{Prospective Manager's Score}$$

iv. Finalists Interviews

The highest scoring Prospective Manager(s) passing the investment offering evaluation will be invited to an interview with CalSTRS at Sacramento, California. At the discretion of CalSTRS, the interview may take place by conference call or at the office of the Prospective Manager. The interview will have a maximum rating of **130** points, as identified on the Finalist Interview Evaluation (*Exhibit D*).

7. Addenda: Errors and Omissions

CalSTRS may modify any part of the PEIS in writing by issuance of an addendum. Addenda issued prior to the final filing date for submission of Investment Offerings will be sent to all parties who were sent the PEIS and also available on the internet at www@calstrs.ca.gov. Addenda issued after the final filing date will be sent to all responding Prospective Manager(s) as appropriate.

If a Prospective Manager discovers any ambiguity, conflict, discrepancy, omission or other error in this PEIS, the Prospective Manager shall immediately notify the CalSTRS Investment Office of such error in writing and request clarification or modification of the document. Such notice shall be given prior to the final filing date for submission of Investment Offerings. Modifications of the PEIS by CalSTRS shall be made by addenda. Clarifications by CalSTRS shall be issued by written notice to all parties who were sent the PEIS. If, prior to the final filing date for submission, a Prospective Manager fails to notify CalSTRS of a known error, or an error that reasonably should have been known, the Prospective Manager shall not be entitled to additional compensation or time by reason of the error or its late correction.

ATTACHMENT 1

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
PRIVATE EQUITY INVESTMENT SEARCH
NEW AND NEXT GENERATION FUND-OF-FUNDS MANAGER(S)

REQUIRED ATTACHMENT CHECK LIST

A complete investment offering package will consist of the items identified below.

Complete this checklist to confirm the items in your investment offering. Place a check mark or "X" next to each item that you are submitting to CalSTRS. For your investment offering to be responsive, all required attachments must be returned, including this checklist. Submit seven (7) copies of your investment offering in a sealed package. One (1) copy must contain original signatures.

<u>Attachment:</u>	<u>Attachment Name/Description:</u>
_____ Attachment 1	Required Attachment Check List
_____ Attachment 2	Minimum Qualification Certification
_____ Attachment 3	Fee Proposal
_____ Attachment 4	PEIS Investment Offering Questionnaire
_____ Attachment 5	Prospective Manager Certification Sheet

ATTACHMENT 2

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
PRIVATE EQUITY INVESTMENT SEARCH
NEW AND NEXT GENERATION FUND-OF-FUNDS MANAGER(S)

MINIMUM QUALIFICATION CERTIFICATION

Prospective Manager Firm Name

The Prospective Manager must substantiate that the firm satisfies the minimum qualification, to CalSTRS' satisfaction, to be given further consideration for a Partnership Agreement. The statement must contain sufficient information as prescribed to assure CalSTRS of its accuracy. Failure to provide complete information, based on CalSTRS' sole judgment, will result in the immediate rejection of the investment offering.

- (1) The firm has at least five (5) years private equity experience that includes a track record of identifying, investing in, and monitoring New and Next Generation Managers Yes: _____ No: _____

Name of Firm

Prospective Managers Authorized Signature

Title

Printed Name

Date

ATTACHMENT 3

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
PRIVATE EQUITY INVESTMENT SEARCH
NEW AND NEXT GENERATION FUND-OF-FUNDS MANAGER(S)

FEE PROPOSAL

Firm Name

Prospective manager(s) must submit their proposed fee in the format prescribed below. The proposed fee shall include all costs payable by CalSTRS for providing New and Next Generation Manager services to CalSTRS through a fund-of-funds structure as described in the scope of work (Exhibit A). Once the manager(s) is selected, the fee may be further refined depending on factors which may affect the proposed fee. In no case will the refined fee be higher than the fee contained in the investment offering.

The length of the fund will be for a total of ten years. The initial five year period will be the investment period, while the next five years will be for harvesting the fund investments.

There will be either one (1) successful manager with a mandate of \$100 million, or two (2) successful Manager(s) with a mandate of \$50 million each.

PROPOSED FEE

NEW AND NEXT GENERATION FUND-OF-FUNDS MANAGER – FLAT FEE PER YEAR* (If the proposed fee is different for a \$100 versus \$50 million mandate, please indicate both proposed fees)

	Sourcing, selecting, investing & monitoring	Legal	Total
Years 1 – 5 (Investment Period)			
Years 6-10 (Post Investment Period)			
TOTAL			

*Fees are to be reduced by any fees generated by the fund manager and by the profits of successful investments.

CARRIED INTEREST FEE COMPONENT

The selected New and Next Generation Fund-of-Funds Manager(s) will have a tiered carried interest scheme which will be paid on a net-net basis, after the return of invested capital and all fees to CalSTRS, and subject to the agreed upon performance hurdle rates.

Please describe your proposed incentivized compensation plan based on the following tiered system:

____% if the Net IRR is equal to or greater than 8% but less than or equal to 14%

____% if the Net IRR is greater than 14% but less than or equal to 20%

____% if the Net IRR is greater than 20%

Name of Firm

Prospective Manager's Authorized Signature

Title

Printed Name

Date

ATTACHMENT 4

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
PRIVATE EQUITY INVESTMENT SEARCH
NEW AND NEXT GENERATION FUND-OF-FUNDS MANAGER(S)

PEIS INVESTMENT OFFERING QUESTIONNAIRE

INSTRUCTIONS:

CalSTRS is considering Investment Offerings for a fund-of-funds private equity manager(s) as outlined in the PEIS.

FIRM/FUND NAME:

MAIN ADDRESS:

CONTACT:

Name:

Title:

Phone:

Email:

This portion of the questionnaire is intended to provide CalSTRS with specific information concerning your capability to provide private equity fund of funds investment services for New and Next Generation Managers as described in the PEIS. Please limit your responses to no more than one (1) page per question and type each question in the same number order as in this questionnaire.

SECTION I – PRIVATE EQUITY PROFESSIONAL STAFF

1. List your firm's key professionals in the format provided below. Identify with an asterisk (*) those who will be assigned to CalSTRS' account. In an Appendix to this questionnaire, provide a detailed biography, description of present responsibilities, the number of funds and total assets being managed for each person identified.

<i>KEY PRIVATE EQUITY PROFESSIONALS (For this fund)</i>				
Name	Responsibility	Investment Experience		
		With Firm	+ Prior	= Years

2. Provide an organizational chart identifying key professionals in your organization as it relates to private equity fund investing.
3. Provide a historical overview of your firm.
4. Describe the duties and responsibilities of each partner and investment professional that would be dedicated to this program.
5. Describe all additions and departures of professionals over the past five (5) years.

SECTION II – NEW AND NEXT GENERATION MANAGER EXPERIENCE

6. Describe your organization's investment experience and approach to investing in new and next generation managers.

Please address the following in your answer to the above:

- a. How do you source investment opportunities?
- b. What factors are most important in the construction of a portfolio?
- c. Address the role of buyout, venture, equity expansion and debt related funds in the proposed portfolio.
- d. List those features that distinguish your investment approach from other new and next generation fund managers.

- e. Describe your experience with selecting new and next generation managers located in California, or that have done significant investing in California.
 - f. Describe your experience with new and next generation managers with teams that reflect the diversity of California.
7. Provide a description of your strategy for investing in new and next generation managers for your proposed fund-of-funds. If this strategy differs in any way from your previous funds, please describe.

SECTION III – DUE DILIGENCE PROCESS AND OPERATIONS

8. Describe your due diligence process, including:
- a. How is it normally staffed and conducted?
 - b. What are the critical deal killers?
 - c. Are any third party resources utilized?
 - d. Describe your legal review process. Do you have in-house legal counsel?
 - e. What investment restrictions would you have?
 - f. What types of funds will you avoid?
 - g. How do you evaluate technology funds?
9. How do you ensure that a GP has a strong alignment of interests?
10. Ongoing management:
- How would the advisory board function? What is the role of the advisory board, and what are the members' duties?
 - What systems do you use for program operations and reporting?
 - Please list the ongoing reports provided and frequency of distribution for each report.
 - Please provide an example of the reports that you use.
 - How do you monitor existing funds?
 - What types of reports are required from the GPs? How often?
11. Please list your service providers for the following:
- Auditing
 - Legal
 - Accounting
 - Any others

SECTION IV - PERFORMANCE

12. Please use the format provided in **Attachment 4.1** to show the performance of each of your previous fund of funds. Please list all funds, and new and next generation manager funds.
13. Please use the format provided in **Attachment 4.2** to show your investment performance. Please list all funds, and new and next generation manager funds.

14. List the originator of each investment (which general partner or professional) in the prior funds. Also, briefly describe the source of each transaction.
15. Provide the data used to calculate the IRR to investors for all prior funds. Include the dates and amounts for each cash flow (i.e., capital call, management fee payment and other fees charged directly to the Limited Partners, if any, and distributions), and label each. Note: Provide this data in electronic format.
 - Please show these figures both gross and net of fees.
 - Please state fees for the periods involved. Also, note if figures are AIMR compliant.
 - Please indicate whether the fund is VC, buyout, equity expansion, debt related, or mixed.

SECTION V – FUND STRUCTURE

16. Describe the key deal terms pertinent to the proposed fund:
 - GP commitment
 - Vesting schedule for the team
 - Sharing of the carry for the team
 - Management fees offset for fees generated by fund
 - GP/LP carried interest split
 - Preferred return
 - Clawback provision
 - Keymen included in the fund
 - Percentage of fund interest in typical fund

Attachment 4.2

FOR EACH FUND							
Fund Name		Fund 1	Fund 2	Fund 3	Fund 4	Fund 5	Total all Funds
Date of Initial Investment							
Fund Type *							
New & Next Generation (Y/N)							
Date of Exit							
Method of Exit							
Deal Originator							
Source							
Industry							
Board Seat and who							
Lead Investor							
Control							
Cost							
Unrealized							
Realized							
Total FMV							
Gain/Loss							
Avg. Holding Period							
Gross IRR							
Multiple of cost							
Amt of bank/other financing guarantees provided							

* VC, buyout, equity expansion, and debt related, all as of 12/31/2002



ATTACHMENT 5

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
PRIVATE EQUITY INVESTMENT SEARCH
NEW AND NEXT GENERATION FUND-OF-FUNDS MANAGER(S)

PROSPECTIVE MANAGER CERTIFICATION SHEET

This Prospective Manager Certification Sheet must be signed returned along with all the "required attachments" as an entire package.

A. The signature affixed hereon and dated certifies compliance with all the requirements of this PEIS Investment Offering. The signature below authorizes the verification of this certification.

An Unsigned Prospective Manager Certification Sheet May Be Cause For Rejection

1. Partnership Name	2. Telephone Number () Fax: ()	2a. E-mail address
3. Address		
Indicate primary contact person, if different from individual signing this certification sheet:		
4. Name and Title	5. Telephone Number ()	6. E-mail Address
7. Prospective Manager's Name (Print)		8. Title
9. Signature		10. Date

EXHIBIT A

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM PRIVATE EQUITY INVESTMENT SEARCH NEW AND NEXT GENERATION FUND-OF-FUNDS MANAGER(S)

SCOPE OF WORK

- A. The firm(s) selected will construct, manage, and liquidate a private equity portfolio of new and next generation manager partnership investments. The manager(s) will have full discretion over the portfolio.

- B. Acting as fund-of-fund manager, the selected firm(s) will be allocated a total of \$100 million to invest in a portfolio of New and Next Generation Private Equity Managers. The portfolio(s) of investments will be made on a discretionary basis by the selected manager(s) and will have the following characteristics:
 - 1. Diversified over time, geography, and private equity sub-asset class (buyout, equity expansion, debt, and venture capital).

 - 2. Will include partnerships developed by existing experienced private equity professionals splitting or spinning off from their current partnerships or organizations, young partnerships seeking their second institutional fund, and experienced private funds/investors seeking institutional funding for the first time. New and next generation private equity partnerships should reflect the diversity of the State of California and may be comprised of experienced private equity professionals from a broad range of settings, including private equity firms, insurance companies, pension funds, and investment banking.

- C. Duties performed by the selected firm(s) will include:
 - 1. Source New and Next Generation Managers;

 - 2. Conduct due diligence through a detailed questionnaire, site visits, detailed reference checks, reviews of previous investments, and investment attribution analyses;

 - 3. Prepare analyses and written recommendations for the funds selected for investment;

 - 4. Construct a diversified portfolio;

 - 5. Negotiate business and legal agreements;

 - 6. Provide fund record keeping services;

 - 7. Provide fund monitoring services;

 - 8. Perform reporting services to CalSTRS on the portfolio investments; and

 - 9. Other services as may be required that is consistent with this mandate.

EXHIBIT B

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
PRIVATE EQUITY INVESTMENT SEARCH
NEW AND NEXT GENERATION FUND-OF-FUNDS MANAGER(S)

PEIS INVESTMENT OFFERING EVALUATION SHEET

Name of Prospective Manager		MAXIMUM POINT SCORE	PROSPECTIVE MANAGER'S POINT SCORE
A. <u>PEIS INVESTMENT OFFERING QUESTIONNAIRE</u>			
<i><u>Section I</u></i> Private Equity Professional Staff			
SUBTOTAL	40	_____	_____
<i><u>Section II</u></i> New & Next Generation Manager Experience			
SUBTOTAL	25	_____	_____
<i><u>Section III</u></i> Due Diligence Process And Operations			
SUBTOTAL	25	_____	_____
<i><u>Section IV</u></i> Performance			
SUBTOTAL	25	_____	_____
<i><u>Section V</u></i> Fund Structure			
SUBTOTAL	25	_____	_____
Total Item A*	140	_____	_____
B. FEES	90	_____	_____
C. FINALISTS INTERVIEW**	130	_____	_____
GRAND TOTAL	360	_____	_____

* A prospective manager must receive a combined score of at least 100 points on Sections I, II, III, IV and V to participate in phase II of the process.

** A prospective manager must receive a minimum score of 95 points on the FINALISTS INTERVIEW to be given further consideration.

EXHIBIT C

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
PRIVATE EQUITY INVESTMENT SEARCH
ALTERNATIVE INVESTMENT NEW AND NEXT GENERATION PROGRAM MANAGER(S)

SEMI-FINALIST INTERVIEW EVALUATION

Name of Prospective Manager

PROSPECTIVE MANAGER RATING*

_____ PASS

_____ FAIL

*Must receive a PASS rating to be given further consideration

Comments:

For Interview Panel

Date

EXHIBIT D

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
PRIVATE EQUITY INVESTMENT SEARCH
ALTERNATIVE INVESTMENTS NEW AND NEXT GENERATION PROGRAM MANAGER(S)

FINALIST INTERVIEW EVALUATION

Name of Prospective Manager

<u>Category</u>	<u>Maximum Score</u>	<u>Prospective Manager's Score</u>
1. Organization	<u>30</u>	_____
2. New and Next Generation Manager Experience	<u>40</u>	_____
3. Investment Philosophy/Process	<u>40</u>	_____
4. Overall Presentation	<u>20</u>	_____
TOTAL POINTS	<u>130</u>	=====

Staff Interview Committee

Date