<u>PSERS OPPORTUNISTIC REAL ESTATE PROGRAM</u>

Recommendation for Investment in
Morgan Stanley Real Estate Fund VI International, L.P.

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Morgan Stanley Real Estate Fund VI International, L.P.

EXECUTIVE SUMMARY

Morgan Stanley is sponsoring Morgan Stanley Real Estate Fund VI International, L.P. ("MSREF VI International" or the "Fund"), a global opportunistic real estate private equity fund managed by its affiliate Morgan Stanley Real Estate Funds ("MSREF"). MSREF has managed eight predecessor funds with over $12 billion of aggregate equity commitments. It is the Manager's ability to understand real estate fundamentals, acquire high-quality, attractively priced assets, execute a clearly defined plan to enhance value, and exit investments successfully, that makes this an attractive investment opportunity. The Manager will employ a similarly disciplined investment approach for MSREF VI International as was done in predecessor funds, having a focus on non-U.S. real estate markets such as Asia and Western Europe.

The management and strategy of MSREF VI International generally will be the same as those of its prior funds, of which PSERS is an investor in MSREF II, MSREF IV Domestic, MSREF IV International, MSREF V US and MSREF V International. The MSRE investment team consists of 326 dedicated real estate professionals globally (66 in Europe, 158 in Asia, and 102 in the US), and is distinguished by the fact that its members have strong hands-on real estate backgrounds; including acquisition, asset management, development, rehab/redevelopment, leasing and repositioning.

THE SPONSOR

Morgan Stanley is a significant global investment banking and asset management firm, providing comprehensive securities underwriting, sales and trading, investment banking, financial advisory, investment research and asset management services to institutional, corporate, government and high-net-worth clients. Morgan Stanley has approximately 53,000 employees in over 600 locations across 30 countries. In addition, Morgan Stanley has investment banking relationships with over 4,000 major corporations worldwide and a team of over 2,000 investment banking professionals dedicated to developing corporate and government relationships and local market expertise.

The Fund will benefit extensively from Morgan Stanley's global platform and relationships. Morgan Stanley is a leader in corporate advisory, capital markets and financial services and has global relationships with leading financial institutions, corporations and senior executives. Morgan Stanley's broad-based real estate capabilities are expected to generate significant proprietary opportunities for MSREF VI International. The Fund will benefit from the infrastructure, track record, relationships and institutional knowledge of Morgan Stanley Real Estate (MSRE), the real estate department of the Investment Banking Division of Morgan Stanley. MSRE has been engaged in the real estate business for more than 35 years and currently has over 680 professionals worldwide, located in Tokyo, Hong Kong, Seoul, Beijing, Shanghai, Sydney, Mumbai, London, Milan, Paris, Frankfurt, Munich, Madrid, Moscow New York, Atlanta, Los Angeles, San Francisco, Boston and Chicago. Over the last five years, MSRE had provided advisory services and sales and financing expertise in connection with worldwide real estate transactions valued at over $500 billion.

INVESTMENT ENVIRONMENT

Japan. Japan, with a 2005 GDP of approximately $4.6 trillion, is the second largest economy in the world. Morgan Stanley's economist expects Japanese GDP to grow by 3.2% and 2.3% in 2006 and 2007, respectively. From 2002 through 2004, overseas demand made the largest contribution to GDP growth. Nevertheless, it was domestic demand that maintained GDP growth in the first three quarters of 2005, accelerating from a 1.3% contribution to year-on-year GDP growth in the first quarter of 2005 to 3.1% in the final three months of that year.

The Bank of Japan ("BOJ") reported that the Japanese market is close to resolving the NPL issues that Japan has been wrestling with for nearly 10 years since the Asian financial crisis in 1997. The improved performance in Japan's corporate sector helped the ratio of bank NPLs to total credit exposure decline considerably. The BOJ's decision to raise interest rates came in response to the turnaround in inflation in Japan which became positive in November 2005 and has been positive since.

The results from the most recent national land price survey of 2005 reflected the optimism in the economy and supported the recent activity in the investment market. Commercial land prices in three of the country's largest cities posted an increase in land price of 1% for the first time in 15 years. In Tokyo, the average land price for commercial use rose 2.9% and the price for residential land rose 1.4%.

The introduction of the J-REIT in September 2001 has benefited the Japanese real estate markets by increasing liquidity and transparency. Over the past five years, the J-REIT market has grown from two companies representing a total market capitalization of approximately ¥260 billion ($2.3 billion) to 37 companies representing approximately ¥3.6 trillion ($32.9 billion) in market capitalization as of August 1, 2006. The dramatic increase is a result of the continuing flow of funds from pension funds, individuals and overseas investors.

The following factors should continue to contribute to an attractive real estate investment environment in Japan: (i) increasing demand for office space as the tight labor market continues and the economy grows; (ii) continued tight supply conditions for office space as the supply of CBD offices is growing only gradually; (iii) increased market liquidity in high quality assets as a result of the increased number of J-REITs and the ¥1.4 trillion ($13.3 billion) commercial mortgage backed security and residential mortgage backed security market as of July 2006; and (iv) a significant positive spread between real estate investment yields (which generally range from 4% to 7%) and real estate financing rates, which can range from 1% to 3%.

Asia ex-Japan. With over 1.3 billion people, China is the world's largest country by population and the fourth largest global economy with a 2005 GDP of $2.2 trillion. The opening up of China to foreign investment has increased the economic gap between urban and rural areas as provinces with good transportation links, including Guangdong, Shanghai and Jiangsu, have benefited from significant infrastructure development. Urbanization has been reducing the number of Chinese farmers, and it is expected that this trend will continue. Although permanent residence registrations show that China's rural population stands at 940 million as of 2005, the total number of actual rural dwellers is just 750 million while about 200 million people have migrated to work in cities and towns.

The Economist Intelligence Unit estimates the Chinese budget deficit at 1.8% of GDP in 2005. Faster than expected levels of GDP growth in early 2006 are likely to ease the pressure for extra public spending in the short term. Larger government spending on social welfare is likely in 2007 to help smooth social pressures ahead of the Chinese Communist Party Congress in 2007 and the Olympic Games in 2008. Consequently, the budget deficit is forecast to remain steady at 1.8% of GDP in 2006, before rising to 2.7% of GDP in 2007.

Consumer price inflation has fallen significantly in the past 18 months, with the year-on-year rate declining from 5.3% in August 2004 to 1.2% in April 2006. Despite high oil and non-oil commodity prices in 2006, a combination of domestic overcapacity and low food-price inflation is expected to continue to put downward pressure on prices.

In the short term, policy should continue to be directed towards reducing investment in overheated sectors and stimulating domestic consumption levels. Government efforts to curb investment were stepped up in April 2006, notably by raising the benchmark lending rate and tightening controls on investment approvals and the supply of land for development. The People's Bank of China ("PBC") released figures showing that RMB 1.3 trillion ($156 billion) in new local-currency loans had been issued in the first quarter of 2006, up 70% from the equivalent period in 2005, and already more than one-half of the government's target of RMB 2.5 trillion for the whole of 2006. Consequently, the PBC raised benchmark lending rates for one-year loans by 0.27% in April 2006, from 5.58% to 5.85%. Previous measures had proven ineffective, partly because of the inflow of liquidity associated with China's trade and investment surpluses and partly because regional governments paid little heed to the central government's calls to moderate investment growth.

Given the historical correlation between economic growth and real estate capital values, the strengthening economic fundamentals in Asian countries point to a favorable period for real estate ownership and investing.

Over the past two years, Hong Kong has experienced significant growth, and this trend continued during the first half of 2006. Property market demand remains relatively strong, with declining vacancy rates and rising rents. Domestic confidence should also improve significantly, as supply-side arrangements facilitate the increased two-way flow of tourists, wealthy individuals, corporate activity and goods and services with China. The influx of mainland Chinese tourists to Hong Kong should also continue to support the premium rents retail space has historically commanded. Other real estate classes have improved in performance with CBD office rents increasing by an average of 36% from the second quarter of 2005 to the second quarter of 2006.

Europe. In Europe, recent surveys and data point to an acceleration in economic growth during the first quarter of 2006. Confidence in the economy among both consumers and companies in the Eurozone rose to the highest level in almost five years in March, according to the European Commission. In particular, the German Ifo confidence index rose to a 15-year high in March, beating expectations. The March 2006 PMI surveys confirmed that the Eurozone economy is improving with increased industrial productivity, continued expansion in services and signs of improvements in labor markets. With this, it is expected that the Eurozone economy will experience improved growth during 2006, with forecasted GDP growth of 2.3%, which would be the highest growth rate since 2000 and significantly above the 1.4% growth rate in 2005.

Increased economic growth in selected European cities during 2006, combined with limited supply and decreasing vacancy, has initiated an upturn in selected European office markets. Leasing activity in the European office markets rose to 113 million sq. feet in 2005, which was above the 100 million sq. feet level for the first time since 2000. Improved profitability and increased business confidence translated into higher demand for office space, and with the economy expected to further accelerate in 2006, leasing activity should continue to improve.

Investor interest in European real estate remains exceptionally strong, and record demand from domestic, regional and global investors has resulted in a record level of direct real estate investment of approximately €156 billion ($200.6 billion) in 2005, 20% higher than the previous high set in 2004. Buoyed by the low interest rate environment and improved fundamentals, direct real estate investment volumes rose by 22% in Germany and 18% in the U.K. Strong demand for real estate has put continued downward pressure on property yields across the majority of European real estate markets.

Outflows from the German open-ended property funds continued during the first two months of 2006. Investors withdrew €4.2 billion ($5.4 billion) in January and €1.2 billion ($1.5 billion) in February, according to statistics reported by BVI, the German association of investment and asset management companies. The high level of redemptions came after a few of the open-ended funds were forced to freeze their funds following a run on withdrawals. Total redemptions for 2006 (through July 31, 2006) totaled €8.1 billion ($10.5 billion). The continued distress in the German open-ended real estate sector is likely to push several of the funds facing a liquidity crisis to sell commercial assets in order to fund redemptions.

German residential real estate has become a focus for large-scale investment, particularly for international investors, with capital flows of over €20 billion ($25.7 billion) in 2004-05. While strong net demand is pushing up portfolio prices, an investment opportunity remains for select transactions that present attractive investment opportunities. With its low unit pricing relative to other European markets, a home ownership rate of 42% versus 59% average for the European Union and limited new housing supply due to low construction activity in recent years, good fundamentals underlie the German real estate market. In addition to direct investments in property portfolios, listed real estate securities are currently a focal point for investors. As supported by the newly-formed German government, the creation of a German Real Estate Investment Trust vehicle (“G-REIT”) is likely to increase German real estate-related capital markets activity. The availability of the G-REIT should lead to substantial real estate capital markets activity by facilitating property portfolio (or subsidiary) listings by non-core holders and allowing existing German real estate companies to convert to a tax-efficient status. The Initiative Finanzplatz Deutschland estimates a potential G-REIT market capitalization of €112-155 billion ($144-199.3 billion) between 2010 and 2020.

With forecasted economic expansion in much of the Eurozone, particularly the U.K. and France, and additional opportunities arising in Germany as a result of the country’s ongoing restructuring, there should be continued opportunities in the European markets. The combination of positive growth prospects, improving real estate fundamentals and ongoing financial restructuring should continue to provide a favorable European real estate investment environment.

INVESTMENT OPPORTUNITIES

Divestitures of real estate assets and real estate-related subsidiaries by financial institutions, corporations and governments. Financial institutions, corporations and governments in Europe and Asia have been actively disposing of “non-core” assets in an attempt to strengthen balance sheets and redeploy capital into expanding core businesses. In addition, the movement to encourage privatization of traditionally government-controlled entities in an effort to subsidize budget deficits continues to drive divestitures throughout the European and Asian regions. In Europe, large corporations are considering disposing of real estate assets, and state-owned companies continue to look at privatization and/or the sale of state-owned assets to reduce public debt. In Germany, distressed real estate funds and financial institutions are restructuring their real estate holdings. As a result, there has seen an increase in the number of assets, portfolios and real estate-related subsidiaries being offered by these institutions, companies and governmental entities. DTZ Research estimates that over €50 billion ($64 billion) of real estate will become available through externalization by 2009 in Europe alone.

In Asia, most notably Japan, bank-driven distressed real estate opportunities are being replaced with corporate divestitures of non-core assets. Well-capitalized buyers are favorably positioned to acquire these portfolios and/or subsidiaries from companies that find it economically and politically difficult to carry non-core assets on their books. In addition, a renewed focus on core businesses and improving return on equity and return on assets is driving dispositions of real estate interests. Recently, banks and financial institutions in Hong Kong and South Korea have also divested non-core assets. In many cases, the ultimate sale value of non-core assets may be secondary to achieving timing, accounting or other strategic objectives.

Morgan Stanley's client relationships, real estate and institutional banking infrastructure, execution capabilities and franchise have proven to be valuable assets in sourcing corporate restructuring opportunities.

Improving real estate fundamentals driving real estate demand. Significant opportunities exist in countries continuing to see market recovery and economic expansion. The increase in economic growth in Europe during 2005 sparked a clear upturn in the European market. Demand for office space continues to rise across Europe and vacancy rates are decreasing as the number of completed developments remains low. In London, for example, the office sector continues to perform strongly, reflecting investor sentiment and positive rental growth. Similarly, in Paris, office space vacancy in the CBD continues to decrease. In Asia as well, vacancy rates are at extremely low levels, most significantly with respect to office space in Tokyo, Hong Kong and Shanghai. Prime office vacancy rates in Tokyo, Hong Kong and Shanghai fell to 2.7%, 4.6% and 4.3%, respectively, as of the second quarter of 2006 while Class A office rents in these cities simultaneously rose. Many major cities have limited new supply coming to market, and it is expected that these conditions will continue for the foreseeable future.

With respect to other asset classes, France is seeing limited supply across all sectors and Spain's retail market is experiencing significant growth. China and India's residential markets are also growing due to significant urbanization, increased spending power and affordability of a higher standard of living and growth of the middle class. As urbanization continues in these countries, a significant rise in value is expected across all asset classes, especially in residential, office and retail.

Increasing activity in public transactions in both Europe and Asia, together with select public-to-private opportunities. The first quarter of 2006 saw a continuation of the record level of capital raisings during 2005, supported by the strong performance of the real estate sector and the premium to net asset value at which these companies trade. New companies were listed in the U.K., France, Germany, Greece and Spain, raising over €2 billion ($2.6 billion) of new equity with a strong pace of new equity issuances continuing into the second quarter. In the first half of 2006, there were eight new Japanese Real Estate Investment Trust ("J-REIT") IPOs listed, raising a total of ¥327 billion ($2.8 billion) in equity. As of August 1, 2006, there are 37 listed REITs in Japan with a total market capitalization of approximately ¥3.6 trillion ($32.9 billion) on Japan's stock exchanges.

A REIT IPO market has recently developed in Hong Kong. Link, GZI, Prosperity, and Champion REITs have all listed since November 2005. Link was formed as part of a government privatization, while the three most recent listed REITs were sold by private developers. The high level of public transactions should continue throughout Europe and Asia, providing significant opportunities to take advantage of demand from the capital markets.

Continued distress in certain European markets leading to disposition and recapitalization of overleveraged and/or distressed real estate companies and borrowers. Although governments and banks have continued to make progress in addressing many of the global NPL issues, distressed loans remain in Germany and Italy. There are continuing questions about the size of Germany's NPL market with Ernst & Young citing initial estimates of €160 billion ($189.5 billion) to €300 billion ($356 billion). In Italy, although one of the first European countries to address NPL problems in 1999, Ernst & Young estimates that €50-60 billion ($59-71 billion) of NPLs remain outstanding.

Generally speaking, exposure to NPLs has placed significant strains on the financial sectors in each of these countries. As a result, it is expected that distressed institutions, funds and insurance companies will likely continue to restructure their real estate holdings. In addition, that liquidity and earnings pressures from corporations and municipalities suffering from budget pressures will likely fuel asset portfolio sales and sale-leasebacks.

There also exists selected distress opportunities in Japan and China. A number of banks and corporations retain distressed assets in those countries, creating opportunities to acquire assets at significant discounts to their underlying gross book value.

Development driven by scarcity of high quality real estate. Development opportunities in selected global markets, including China, France, India, Japan, South Korea, Spain and the United Kingdom where economic growth is strong, vacancy is low or declining, supply is limited, and capital values are increasing. China, for example, has strong supply/demand fundamentals in the Shanghai office market, serviced apartments and retail, leading to opportunities to capture a large segment of the market by providing quality products. In India, the office sector shows an uptrend as a result of strong capital inflows and tight supply conditions. The Indian retail sector is also poised for healthy growth with increasing income levels and a limited supply of quality properties. There is also a strong condominium market in Japan where a need exists in major cities for quality properties.

Real estate directed fund flows into the public and private emerging markets have been increasing in the past 12 to 18 months driven, in part, by an increase in availability and transparency of real estate data. According to Jones Lang LaSalle's 2006 Real Estate Transparency Index, commercial real estate markets around the world have become increasingly transparent over the past two years. France, Hong Kong, India, Italy, Japan and Mexico among others, have shown improvement in transparency according to the study. Rapidly developing economies in population-rich Asian countries, particularly China and India, as well as the emerging eastern European countries continue to grow, increasing the demand for real estate development. As the economies of these major population centers mature, considerable demand for new, institutional real estate products should occur. Development opportunities driven by demand for real estate in several

Asian and European markets present an opportunity for considerable transaction flow as well.

EXECUTION OF STRATEGY AND MITIGATION OF RISKS

Proprietary Deal Flow. MSREF generates significant proprietary deal flow through relationships that have been developed by its senior partners and its existing global network of strategic operating partners, as well as Morgan Stanley's investment banking group and other real estate professionals. Through these proprietary opportunities, the Manager seeks to invest capital efficiently and take advantage of limited competition to acquire assets with attractive pricing. A substantial portion of current pipeline transactions for MSREF VI International has been generated by existing partner relationships and proprietary opportunities sourced through the Morgan Stanley platform.

High Quality Local Partners. MSREF professionals work with experienced local operating partners who have specific geographic or product expertise, provide proprietary deal flow and contribute meaningful equity to align their interests with those of the Fund. Several of these partners work with MSREF in exclusive programmatic joint-venture relationships, securing future proprietary deal flow. These relationships also enhance the Manager's ability to react quickly to market dynamics and to successfully implement complex value enhancement programs.

Diligent Investment Review and Structuring. MSREF engages in a detailed due diligence process, including the rigorous review of risk factors, the structuring of efficient capital and tax vehicles, and the evaluation of multiple exit strategies. The Manager places particular emphasis on mitigating downside risks while maximizing upside potential through creative financial structures. MSREF actively manages risk through tax planning, insurance, currency and interest rate hedging, and cash management.

Proactive Asset and Risk Management. Asset management is a critical element of MSREF's investment process and the senior investment professionals retain responsibility for their investments from acquisition through disposition. At the time of acquisition, a comprehensive asset management plan is created which serves to benchmark each investment's performance. Thereafter, MSREF carefully adapts business plans to changing local market conditions and to actively identify attractive exit opportunities.

Alignment of Interests. Morgan Stanley, its affiliates and their employees have committed to invest 20% of the total capital in MSREF VI international.

Diversification. The Fund's investment portfolio will be diversified by geography, property type and deal structure, while maintaining its focus on major markets. The Fund will invest globally, focusing on non-US markets including Asia and Western Europe. To mitigate risk, not more than 25% of the Fund's capital commitments will be invested in any one investment.

MANAGEMENT OF THE FUND

The staff of MSREF VI International will consist of three separate divisions: Acquisitions, Asset Management and Finance and Investor Relations. Each of these professionals is currently involved in the activities of the prior funds and many were involved in identifying and closing prior fund investments. Below is biographical information regarding senior members of the MSREF Team.

Jay H. Mantz, New York—Global Co-Head of MSRE and Chairman of MSREF

Jay H. Mantz is a Managing Director of Morgan Stanley and the global Co-Head of MSRE. Jay is also Chairman of MSREF and a member of the global Management and Operating Committee of the Investment Banking Division of Morgan Stanley. Jay joined Morgan Stanley in the New York office in 1993 and moved to London in 1996 as Head of MSREI in Europe. In 1999, he was named Global Head of MSREI. Jay has completed numerous mergers, investments in and financings of real estate assets and portfolios, non-performing loan portfolios and operating companies around the world. He is an active member of various real estate organizations including the Urban Land Institute and the Pension Real Estate Association. Jay received his MBA from The Wharton School of the University of Pennsylvania and a BA from Boston University.

John A. Carrafiell, London—Global Co-Head of MSRE

John A. Carrafiell is a Managing Director of Morgan Stanley and the global Co-Head of MSRE. John is also a member of the global Management and Operating Committee of the Investment Banking Division of Morgan Stanley. John joined Morgan Stanley in the New York office in 1987, moved to the London office in 1989, and initiated MSREF's European investment program in 1994 as Director of Acquisitions (Europe). He became Head of MSRE in Europe in 1995. John is a Trustee of the Urban Land Institute, a director of the Management Board of the European Public Real Estate Association (EPRA) and director of leading real estate companies including Deutsche Immobilien Chancen, Grupo Lar and Canary Wharf, where he is chairman of the audit committee. He graduated with a BA from Yale University.

K. S. (Sonny) Kalsi, New York—Global Head of MSREI

K.S. (Sonny) Kalsi is a Managing Director of Morgan Stanley, the global Head of MSREI, and President of the MSREF Funds. Sonny is also a member of the global Management Committee of the Investment Banking Division of Morgan Stanley. Sonny joined Morgan Stanley in 1991, where his primary focus has been on investing in real estate assets, companies and loans, real estate merchant banking and real estate investment banking. For over eight years until mid-2006, he was based in Tokyo and was Head of MSREI in Asia. Sonny is the Vice Chair-At-Large and a Council member of the Urban Land Institute in Japan. He is also an active participant in Morgan Stanley Inspire, the Firm's philanthropic organization. Sonny received a BA in Finance from Georgetown University's School of Business Administration.

John Kessler, New York—Global Chief Financial Officer of MSREI

John Kessler is a Managing Director of Morgan Stanley and the global Chief Financial Officer of MSREI. John joined Morgan Stanley in 1993 and has been exclusively involved in Morgan Stanley's real estate activities since that time. Prior to his role as Chief Financial Officer, John served as Head of Real Estate Separate Accounts. Since 1993, John has been active in a broad spectrum of MSRE's advisory and capital raising activities. He has also served as the operations officer for MSRE and was one of the original members of Morgan Stanley's CMBS unit. John is a council member of the Urban Land Institute, a member of the Pension Real Estate Association, and the Commercial Mortgage Securities Association. John received his MBA from the University of Chicago Graduate School of Business and a BA from Harvard College.

Paula Schaefer, New York—Global Chief Administrative Officer of MSREI

Paula Schaefer is a Managing Director of Morgan Stanley and the global Chief Administrative Officer of MSREI. Paula joined MSRE's asset management group in New York in 1995. In 1999, she relocated to London as Head of European Asset Management for MSREI, returning in 2005 to the global Chief Administrative Officer role based in New York. Before joining Morgan Stanley, Paula was at Reichmann International, the asset management arm of The Quantum Realty Fund. Prior to that, she held asset management and acquisition positions at The Yarmouth Group and Cadillac Fairview Shopping Centers U.S. Paula received her MBA in Real Estate Finance from The Wharton School of the University of Pennsylvania and a BS from Georgetown University. She is a Certified Public Accountant.

Michael E. Foster, New York—Global Director of Asset Management for MSRE

Michael E. Foster is a Managing Director of Morgan Stanley, the global Director of Asset Management for MSRE, and CEO of MSP. Michael joined Morgan Stanley in 1994, after spending six years with the Goldman Sachs Whitehall Fund's Asset Management Group. Prior to joining Goldman Sachs, he was Director of Operations and Corporate Real Estate at TIE/Communications in Shelton, Connecticut for five years and before that was Vice President of Operations at Citibank in the General Services Group in New York for six years. He is also active in NAREIT, the Urban Land Institute, the International Council of Shopping Centers and the Real Estate Board of New York. Mike is a retired captain in the U.S. Naval Reserves. Mike received his MBA from Bryant College and is a graduate of Holy Cross College.

Struan Robertson, Paris—Head of MSRE in Europe and the Middle East

Struan Robertson is a Managing Director of Morgan Stanley and the Head of MSRE in Europe and the Middle East. He is based in Paris and London. Struan first joined Morgan Stanley in 1988 and worked in the Mortgage Finance and Corporate Restructuring departments in New York. In 1990, he joined Morgan Stanley's European Real Estate department in London. In 1991, Struan became Finance Director of the Czech entertainment company Bonton in Prague and came back to investment banking in 1992, working on distressed debt investments as well as property and lodging corporate finance. Struan spent the mid-to-late 1990's in Europe with a focus on the European continent and led a wide variety of transactions, including principal investments, various IPOs, spin-offs, complex restructurings, hostile bid defense, takeovers, securitizations and convertible bond financings. He moved to Tokyo at the end of 2000 to become Head of Asian Real Estate Investment Banking and returned to Europe mid-2002 to become Co-Head of European Real Estate Investment Banking. Struan graduated from Yale University with a BA.

Zain Fancy, Hong Kong—Head of MSRE in Asia Pacific

Zain Fancy is an Executive Director of Morgan Stanley and the Head of MSRE in the Asia-Pacific region. Zain is based in Hong Kong and oversees 50 professionals in Hong Kong, China, India, Australia and South Korea. Zain joined Morgan Stanley in 1996. Prior to joining MSRE in 1998, he worked in the Mergers & Acquisitions Department. Zain has spent five years in the U.S. business and the remainder in Asia. Zain received a BS from Georgetown University's School of Foreign Service.

Fred K. Schmidt, Tokyo—Head of MSRE in Japan

Fred K. Schmidt is a Managing Director of Morgan Stanley and the Head of MSRE in Japan. He has been running the investing business in Japan for Morgan Stanley since 2003. Fred joined Morgan Stanley in 1998 as president of Morgan Stanley Properties Japan and has served as Representative Director for Morgan Stanley's affiliate loan servicing company, Lombard Servicing Inc., since 1999. Fred has extensive experience in advisory services, asset management and NPL servicing. Prior to joining Morgan Stanley, Fred spent ten years in the real estate consulting group at KPMG Pete Marwick. Fred received a BS from University of California at Santa Barbara.

CONCLUSION/RECOMMENDATION

Based upon the successful track record and experience of the principals and the recommendation of PSERS' consultant, Courtland Partners, Ltd, staff recommends that the Board invest an amount equal to 25 percent of the committed capital, but not to exceed $400 million (plus a 10 percent reserve) plus reasonable normal investment expenses, in Morgan Stanley Real Estate Fund VI International, L.P. The final terms and conditions of the investment must be satisfactory to the Investment Office, the Office of Chief Counsel, and the Executive Director.