



PSERS PRIVATE INVESTMENT PROGRAM

Recommendation for Investment in Avenue Special Situations Fund V, L.P.

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Avenue Special Situations Fund V, L.P.

EXECUTIVE SUMMARY

Avenue Special Situations Fund V, L.P. ("Avenue V" or the "Fund") is being formed by Avenue Capital Partners V, LLC (the "General Partner") to make investments primarily in U.S. debt and equity securities or other obligations of companies in financial distress. Investments may be made in: (i) companies in which the General Partner anticipates a turnaround; (ii) companies in industries that are in turmoil; and (iii) companies that are undervalued because of discrete extraordinary events.

Avenue Capital Management II, L.P. (the "Investment Manager" or "Avenue") will serve as the investment manager of the Fund. Marc Lasry and Sonia Gardner (collectively, the "Senior Principals") together control the general partner of the Investment Manager, and Bruce Grossman is the Senior Portfolio Manager of the Investment Manager (together with the Senior Principals, the "Principals"). The General Partner, the Principals and the other investment professionals of the Investment Manager will collectively commit to invest at least \$100 million in Avenue V.

The Principals together have led investments of more than \$10 billion in U.S. distressed debt and securities through six primary investment funds: Avenue Investments, L.P., Avenue International, Ltd., Avenue Special Situations Fund, L.P. ("Avenue I"), Avenue Special Situations Fund II, L.P. (together with Avenue Special Situations Fund II (Parallel), L.P., "Avenue II"), Avenue Special Situations Fund III, L.P. (together with Avenue Special Situations Fund III (Parallel), L.P., "Avenue III") and Avenue Special Situations Fund IV, L.P. (together with Avenue Special Situations Fund IV (Parallel), L.P., "Avenue IV"). The structure of Avenue V is substantially similar to the structures of Avenue I, Avenue II, Avenue III and Avenue IV (collectively, the "Prior Funds"); in particular, the General Partner will not receive any carried interest until all capital, fees and the preferred return has been distributed to the limited partners.

From its initial investment in March 2006 through December 31, 2006, Avenue IV generated a gross annual internal rate of return ("IRR") of 39.1% and a net IRR of 29.7%. From its initial investment in August 2002 through December 31, 2006, Avenue III generated a gross IRR of 20.5% and a net IRR of 16.4%. From its initial investment in December 2000 through December 31, 2006, Avenue II generated a gross IRR of 22.5% and a net IRR of 19.7%. From its initial investment in June 1998 through its final liquidating distribution in June 2004, Avenue I generated a gross IRR of 12.9% and a net IRR of 10.1%.

The Senior Principals have successfully invested in the debt and securities of distressed companies across a variety of industries and geographies for more than 20 years. Since 1995, the Senior Principals have led Avenue Capital Group, an investment firm which currently manages more than \$12 billion in assets. In 1991, the Senior Principals founded the predecessor to Amroc Investments, LLC ("Amroc"), a leading national broker of distressed bank debt and trade claims. Amroc was the outgrowth of Amroc Investments, L.P., a distressed debt investment partnership organized in 1989 by the Senior Principals in association with Robert M. Bass Group, Inc. Prior to this time, the Senior Principals led investments in distressed debt and securities in conjunction with Cowen & Company.

The Investment Manager will continue to pursue a theme-driven, concentrated investment strategy that is analytically intensive and relies upon individual credit, industry and macro research and analysis. To execute this strategy, Avenue has assembled a deep and experienced investment team. The 25 investment professionals of the Investment Manager collectively have over 270 years of relevant experience, representing an average of

approximately 11 years per professional. The depth of experience of these professionals allows for thorough research and analysis of potential investment opportunities, including those with complicated, multi-layered capital structures across industries and market cycles.

Avenue V will focus primarily on opportunities in the United States. The Fund may also invest opportunistically in select European distressed situations, leveraging the experience and resources of the dedicated European investment professionals of Avenue Europe International Management, L.P., an affiliate of the Investment Manager. Europe is currently experiencing continued industrial globalization and competitive pressures in maturing sectors. Moreover, as in the U.S., tightening credit spreads, booming high yield issuance and the decline of credit quality are expected to produce a growing supply of European distressed situations over the coming years. Avenue expects to be well-positioned to take advantage of such opportunities.

INVESTMENT STRATEGY

Avenue V intends to approach this opportunity by continuing the successful value investing strategy pursued by the Principals over the past 20 years. The key elements of Avenue's investment strategy are as follows:

- **Create Investments at Low Valuations.** The Investment Manager endeavors to invest at low creation multiples based on the Investment Manager's detailed projection of normalized EBITDA for debt investments. By maintaining a disciplined investment approach, the Investment Manager has generally avoided investments based on a perceived multiple spread between distressed and healthy companies in the same industry.
- **Follow Well-Developed Investment Themes.** As part of its top-down analytical approach, investments are generally pursued by the Investment Manager based upon well-developed industry themes that are identified as a result of the Principals' macro view of the economy. The Investment Manager's goal is to select industries that are undergoing periods of rapid change and/or deterioration, which may provide significant investment opportunities as these cyclical recessions run their course. Following a disciplined, theme-based strategy allows the Investment Manager to pursue a relatively concentrated portfolio with a limited number of core investments. This results in a portfolio that represents a careful selection of particular distressed investments within such industries rather than a broader, "indexed" approach.
- **Maximize Risk-Adjusted Returns Through Senior Debt Focus.** The Principals have historically emphasized senior debt to achieve the best risk-adjusted returns. Many of these investments have significant current returns and are senior in the capital structure and, as a result, are less volatile than more junior debt and securities. Investment returns also benefit from the capital appreciation that occurs upon readoption of these bonds and bank debt by the high yield or near-par bank debt markets. As of December 31, 2006, approximately 82% of the invested capital of Avenue IV was in senior debt.

Exploit Trade Claims Dominance Through Specialty Vendor Finance Group.

Avenue continues to be a force in the trade claims and specialty finance arena by providing liquidity solutions to the vendor community through its team of dedicated professionals. Through relationships developed over 20 years, the Principals maintain unique access to the trade claims market, predominately buying receivables of bankrupt companies. The value proposition for trade claims remains strong, allowing for the purchase of claims at substantial discounts to where the *pari passu* unsecured bonds are trading. These products each possess very attractive risk/return characteristics because of the structure (administrative/secured status) and the privately negotiated

nature of the transaction. The information provided by this market also provides Avenue with an early indicator of potential issues related to various companies and industries.

DISTRESSED DEBT MARKET OVERVIEW

The current U.S. market dynamics have created an attractive environment for investing in distressed debt and securities. Recent years of record high yield issuance, unsustainable leverage levels, a weakening housing market, volatile commodity prices and the likelihood of significantly higher default rates in the future all support this conclusion. While the current default rate is at a historically low level of less than 1%, the quantity of defaulted debt remains relatively large. To illustrate, the current total size of the defaulted and distressed public and private markets in the U.S. is \$627 billion (face value) compared to a peak of \$942 billion (face value) in 2002 when the default rate was at a record high of nearly 13%. Default rates will trend significantly higher in 2007 and 2008 and lead to a material increase in the supply of future opportunities.

Low treasury yields and historically low default rates have also assured a significant pipeline of high yield new issuance, which reached \$144 billion in 2006, with a total market value of \$876 billion. As the U.S. economy has continued to be relatively strong, credit underwriting standards have weakened and the quality of new issues has deteriorated markedly. The amount of new high-yield bond issues with ratings of B- or below was \$60.5 billion (42%) in 2006, while the CCC-rated and non-rated bonds represented a record high \$20 billion (14%) of the total high-yield bond issues in 2006. Historically, approximately 16% of B-rated and approximately 37% of CCC-rated bonds have defaulted within three years of issuance. This relatively low credit quality serves as an early warning of greater material default pressure in 2007 and beyond and is expected to lead to a strong pipeline of investments for the Fund.

Another indicator of future distressed debt supply is the record size of the U.S. leveraged loan market. In 2006, new issue loan volume was \$588 billion, the largest in history. Much of this growth was driven by the aggressive activity among leveraged buyout firms as well as mergers and acquisitions activity. These loans will provide a future source of additional investment opportunities.

Although the U.S. economy has been growing over the last several years, it now appears to be moderating. Economic concerns include a weakening housing market, volatile commodity prices, mixed employment data, an uncertain political landscape and continued conflict in Iraq. A slowing economy will inevitably impact company performance, and Avenue expects that many of the more aggressive bonds and loans will become stressed or non-performing over the coming years.

While the convergence of the factors described above is expected to provide an increasing supply of future distressed opportunities, we expect to remain extremely active in the near-term given the existing robust pipeline. In 2006, Avenue made significant investments in select soft pockets of the economy, including in the following industries: airlines, autos, energy and cable/telecom. Consistent with past practice, Avenue will carefully monitor and consider particular industry and company dynamics and add or reduce exposure as appropriate.

MANAGEMENT

Marc Lasry, Founder and Managing Partner

Mr. Lasry is a Founder and Managing Partner of Avenue Capital Group, and is also a founder of Amroc Investments, LLC (“Amroc”) and Amroc Investments Asia, Ltd. Distressed investing has been the focus of his professional career for over 21 years. Prior to operating Amroc as an independent entity, Mr. Lasry managed capital for Amroc Investments, L.P. Mr. Lasry and Amroc Investments, L.P. were affiliated with Acadia Partners L.P., an investment partnership whose general partners include Keystone, Inc. (an investment partnership firm that was associated with the Robert M. Bass Group, Inc.), American Express Company and the Equitable Life Assurance Society of America. Prior to that, Mr. Lasry was Co-Director of the Bankruptcy and Corporate Reorganization Department at Cowen & Company. Prior to that time, he served as Director of the Private Debt Department at Smith Vasiliou Management Company. Mr. Lasry also clerked for the Honorable Edward Ryan, former Chief Bankruptcy Judge of the Southern District of New York. Mr. Lasry graduated with a B.A. in History from Clark University (1981) and received a J.D. from New York Law School (1984).

Sonia Gardner, Founder and Partner

Ms. Gardner is a Founder and Partner of Avenue Capital Group, and is also a founder of Amroc and Amroc Investments Asia, Ltd. Ms. Gardner is the Partner in charge of managing Avenue Capital Group. Distressed investing has been the focus of her professional career over the last 19 years. Ms. Gardner was also a Senior Portfolio Manager responsible for the Trade Claims Investment Pool at Amroc where she was active in the review and trading of the debt of hundreds of bankruptcies. Prior to that, Ms. Gardner was a Senior Managing Director and General Counsel of Amroc Investments, L.P., the predecessor firm associated with the Robert M. Bass Group, Inc. Previously, Ms. Gardner served as Senior Attorney and Director of the Trade Claims Department at Cowen & Company. Prior to that, she was associated with Barst, Mukarnel & Babbit, a New York law firm specializing in bankruptcy and immigration law. Ms. Gardner received a B.A. with Honors in Philosophy from Clark University (1983) and a J.D. from the Cardozo School of Law (1986).

Bruce Grossman, Senior Portfolio Manager

Mr. Grossman is responsible for directing the investment activities of the Avenue U.S. strategy. Prior to joining Avenue in 1998, he was a Managing Director and the Global Head of the High Yield and Distressed Securities Research Groups at UBS Securities where he co-managed \$500 million of capital for UBS in this sector. At UBS Securities, Mr. Grossman was one of four managers responsible for building the High Yield and Distressed Sales, Trading, Research and Corporate Finance Groups. Prior to this, Mr. Grossman was a Vice President at Lehman Brothers where he specialized in industrial and commodity cyclical companies. In 1997, Mr. Grossman was ranked third by Institutional Investor magazine in the Paper and Forest Product Industry. He was also an investment banker and a research analyst for Kidder, Peabody & Co., Inc. and an analyst in the Restructuring Group at The Chase Manhattan Bank. Mr. Grossman received a B.A. in Economics from Tufts University (1985).

Julie Dien Ledoux, Portfolio Manager

Ms. Dien Ledoux is responsible for assisting with the direction of the investment activities of the Avenue U.S. strategy. Prior to joining Avenue in 1999, Ms. Dien Ledoux was a Vice President at Banco Santander/Santander Investment and a senior member of a group responsible for managing \$400 million of proprietary capital invested in high yield, distressed debt and special situations. Previously, Ms. Dien Ledoux was a Senior Analyst at the Grantchester Securities division of Wasserstein Perella & Co., covering the retail and restaurant industries. Ms. Dien Ledoux was also a High Yield Analyst and investment banking analyst in the Global Leverage

Finance Group at Bankers Trust Company/BT Securities, and an analyst in the Corporate Finance Group at Salomon Brothers, Inc. Ms. Dien Ledoux received a B.A. in Economics cum laude from Dartmouth College (1991). Ms. Dien Ledoux is currently on a leave of absence from Avenue.

Michael Elkins, Portfolio Manager

Mr. Elkins is responsible for assisting with the direction of the investment activities of the Avenue U.S. strategy. Prior to joining Avenue in 2004, Mr. Elkins was a Portfolio Manager and Trader with ABP Investments US, Inc. While at ABP, he was responsible for actively managing high yield investments using a total return-special situations overlay strategy. Prior to ABP, Mr. Elkins served as a Portfolio Manager and Trader for UBK Asset Management, after joining the company as a High Yield Credit Analyst. Previously, Mr. Elkins was a Credit Analyst for both Oppenheimer & Co., Inc. and Smith Barney, Inc. Mr. Elkins received a B.A. in Marketing from George Washington University (1990) and an M.B.A. in Finance from the Goizueta Business School at Emory University (1994).

Robert Symington, Portfolio Manager

Mr. Symington is responsible for assisting with the direction of the investment activities of the Avenue U.S. strategy. Prior to joining Avenue in 2005, Mr. Symington was Managing Director and Chief Investment Officer of the M.D. Sass Corporate Resurgence Funds of Resurgence Asset Management, L.L.C. At Resurgence, he was responsible for analyzing and actively managing a portfolio of distressed investments in a variety of industries. Mr. Symington has extensive experience analyzing companies undergoing Chapter 7 liquidation, reorganization under Chapter 11 and the pre-bankruptcy and post-bankruptcy process. Mr. Symington has also served on several creditor committees, bank debt steering committees and boards of directors. Prior to his 13 years at Resurgence, Mr. Symington was also a credit analyst and loan officer at the Philadelphia National Bank. Mr. Symington received a B.A. in English Literature from Dickinson College (1986) and an M.B.A. in Finance and Accounting from Cornell University's Johnson Graduate School of Management (1992).

Rena Economou, Senior Vice President

Ms. Economou is responsible for identifying, analyzing and modeling investment opportunities for the Avenue U.S. strategy. Prior to joining Avenue in 2004, Ms. Economou was a Senior Analyst in the convertible arbitrage/capital structure arbitrage group at Angelo, Gordon & Co. Previously, Ms. Economou was a Portfolio Manager of the loan portfolio group at Barclays Capital, after working as an analyst in the fixed income and distressed debt/high yield telecom groups. Prior to Barclays, Ms. Economou was a Proprietary Trader on the fixed income desk of Smith Barney. Previously, she was a Portfolio Manager for Prudential Global Advisors. Ms. Economou received a B.A. in Economics from Harvard University (1987) and an M.B.A. in Finance from the University of Chicago (1996).

Matthew Kimble, Senior Vice President

Mr. Kimble is responsible for identifying, analyzing and modeling investment opportunities for the Avenue U.S. strategy. Prior to joining Avenue in 2003, Mr. Kimble was a Research Analyst with Bellport Capital Advisors, L.L.C. Previously, he served as an Investment Banking Associate for Gordian Group, L.P. Mr. Kimble was a Senior Analyst in Corporate Accounting & Finance for International Business Machines Corporation. Mr. Kimble received a B.S. with Honors in Accounting from University of Illinois (1993) and an M.B.A. in Finance from the NYU Stern School of Business (1999).

Sheri Levine, Senior Vice President

Ms. Levine is responsible for identifying, analyzing and modeling investment opportunities for the Avenue U.S. strategy, with a focus on trade claims. Prior to joining Avenue in 2001,

Ms. Levine was a Senior Analyst at Amroc where she also concentrated on pre-petition and

post-petition trade claims, with a focus on liquidation analysis. Before this, Ms. Levine was an Associate in the Investment Banking division of Lehman Brothers, where she focused in both the High Yield and Consumer Products Groups. Ms. Levine received a B.A. in Art History from Barnard College (1990) and an M.B.A. in Finance from Columbia University (1995).

Ruth Steinberg, Senior Vice President and Head Trader

Ms. Steinberg is responsible for the trading of the portfolio and for the identification of investment opportunities for the Avenue U.S. strategy. Prior to joining Avenue in 2003, Ms. Steinberg was Senior Vice President for Amroc, where she negotiated the purchases and sales of distressed corporate bank debt from commercial banks and other financial institutions. Previously, she was a Vice President at Amroc, overseeing a distressed portfolio of 13,000 claims with a face value of \$5 billion. Prior to Amroc, Ms. Steinberg was a trial attorney specializing in corporate law. Ms. Steinberg received a B.A. with Honors in History from Clark University (1986) and a J.D., *cum laude* from the University of Connecticut School of Law (1989).

William Baker, Vice President

Mr. Baker is responsible for identifying, analyzing and modeling investment opportunities for the Avenue U.S. strategy. Prior to joining Avenue in 2002, Mr. Baker was an Analyst and trader with Goldman Sachs. Mr. Baker received a B.S. in Finance from Babson College (1999) and an M.B.A. in Finance from the NYU Stern School of Business (2004).

Joseph Colquhoun, Vice President

Mr. Colquhoun is responsible for identifying, analyzing and modeling investment opportunities for the Avenue U.S. strategy. Prior to joining Avenue in 2002, he was a Vice President at Scott's Cove Capital Management where he was responsible for trading and analysis of bank loans and distressed corporate bonds. Previously, Mr. Colquhoun was a Senior Vice President with Fahnstock & Co. and co-manager of the proprietary trading department. Prior to this, Mr. Colquhoun was a co-managing partner of the broker/dealer at MJ Whitman & Co., and he was a partner in the institutional fixed income department at Cowen & Company.

Jason Feller, Vice President

Mr. Feller is responsible for identifying, analyzing and modeling investment opportunities for the Avenue U.S. strategy. Prior to joining Avenue in 2002, Mr. Feller was an Investment Banking Analyst with the Leveraged Finance Group of JP Morgan Securities Inc. Previously, he worked as a corporate real estate associate at Williamson, Pickett, Gross, Inc. Mr. Feller received a B.A. in Business Administration from Emory University (1998).

Scott Friedman, Vice President

Mr. Friedman is responsible for identifying, analyzing and modeling investment opportunities for the Avenue U.S. strategy, with a focus on trade claims. Prior to joining Avenue in 2004, Mr. Friedman was a Vice President at Information Clearinghouse, Inc., where he analyzed high yield/distressed retail and wholesale credits for trade vendors and investment clients. Previously, Mr. Friedman was a Financial Analyst of the Risk Management Department of American International Group. Before this, he was an Associate in the U.S. banking division of Natwest Bank, N.A. Mr. Friedman received a B.S. in Management with a concentration in Finance from Binghamton University (1992) and an M.B.A. in Corporate Finance from Pace University (1993).

Randal Klein, Vice President

Mr. Klein is responsible for identifying, analyzing and modeling investment opportunities for the Avenue U.S. strategy. Prior to joining Avenue in 2004, Mr. Klein was a Senior Vice President at Lehman Brothers. His responsibilities at Lehman included restructuring advisory work, financial sponsors coverage, mergers and acquisitions and corporate finance. Prior to Lehman, Mr. Klein worked in sales, marketing and engineering as an aerospace engineer for The Boeing

Company. Mr. Klein received a B.S. in Aerospace Engineering, with Highest Distinction from the University of Virginia (1986), and an M.B.A. in Finance, as a Palmer Scholar from the Wharton School of the University of Pennsylvania (1994).

Brian Mulhern, Vice President

Mr. Mulhern is responsible for identifying, analyzing and modeling investment opportunities for the Avenue U.S. strategy. Prior to joining Avenue in 2005, Mr. Mulhern was a Senior Vice President at Citadel Investment Group where he worked in both Chicago and London. Previously, he was an analyst in Merrill Lynch's mergers & acquisition group and a consultant at Booz, Allen & Hamilton. Mr. Mulhern received a B.A. in Economics from the University of Notre Dame (1995).

Trent Spiridellis, Vice President

Mr. Spiridellis is responsible for identifying, analyzing and modeling investment opportunities for the Avenue U.S. strategy. Prior to joining Avenue in 2007, Mr. Spiridellis was the Director of Research and a partner at Duma Capital Partners. His responsibilities at Duma Capital included fundamental analysis of public and private companies, as well as originating and developing investment ideas across their capital structures. Prior to Duma Capital, Mr. Spiridellis was a Senior Credit Analyst at Duquesne Capital Management. Previously, he was a Senior Research Analyst at Banc of America Securities and an Associate at Chase Securities. Prior to that, he was an Analyst in the Pershing Division of Donaldson, Lufkin & Jenrette Securities Corporation. Mr. Spiridellis received a B.S. in Management with a concentration in Finance and Marketing at Tulane University (1989) and an M.B.A. in Finance and Accounting at the NYU Stern School of Business (1994).

Chelsea Clinton, Associate

Ms. Clinton is responsible for identifying, analyzing and modeling investment opportunities for the Avenue U.S. strategy. Prior to joining Avenue in 2006, Ms. Clinton was an Engagement Manager at McKinsey & Company where she worked in the financial services and health care practices. Ms. Clinton received a B.A. in History from Stanford University (2001) and a M.Phil in International Relations from Oxford University (2003).

Sheetal Acharekar, Associate

Mr. Acharekar is responsible for identifying, analyzing and modeling investment opportunities for the Avenue U.S. strategy. Prior to joining Avenue in 2004, Mr. Acharekar was an Analyst with Miller Buckfire Lewis Ying & Co., involved in telecom, energy, airline, and consumer products sector restructurings. Previously, he served as an analyst in the Restructuring Group at Dresdner Kleinwort Wasserstein in London. Mr. Acharekar received a B.S. in Foreign Service, *cum laude*, from Georgetown University (1998) and a Diploma in Accounting and Finance from the London School of Economics (2001).

Ira Balsam, Chief Financial Officer

Mr. Balsam is responsible for the accounting, operational, and financial activities across all the Avenue Capital Group strategies. Prior to joining Avenue Capital Group in 2002, Mr. Balsam was a Partner at Goldstein Golub Kessler LLP, where he focused on audit and tax advice primarily for hedge funds, institutional funds, and investment partnerships. Mr. Balsam also assisted in structuring limited partnership agreements and reviewed private placement memorandum for clients. Prior to joining Goldstein in 1992, Mr. Balsam was a Senior Accountant at Mahoney Cohen & Co., PC. where he advised clients on accounting and tax issues. He is a member of the New York State Society of Certified Public Accountants where he has chaired a committee and several conferences and served on various other committees.

Mr. Balsam graduated with a B.S. in Accounting from the City University of New York (1988) and he is also a Certified Public Accountant.

Julie Baumann, Managing Director, Investor Relations and Client Services

Ms. Baumann has worked with the Senior Principals since 1993 and is responsible for investor relations and client services across all the Avenue Capital Group strategies. Prior to this, Ms. Baumann was previously a Portfolio Manager at Avenue where she was responsible for assisting in developing the investment focus of the Avenue U.S. strategy. She also was previously Director of Research at Amroc where she directed a team of research analysts conducting analysis of distressed and special situation securities for institutional clients. Prior to that, she was with James D. Wolfensohn, Inc., where she advised domestic and international clients on acquisitions, divestitures, restructurings and joint ventures. Prior to Wolfensohn, Ms. Baumann was with the Corporate Finance Department of Drexel Burnham Lambert. She also served as a Certified Public Accountant with KPMG Peat Marwick. Ms. Baumann received a B.S. *with distinction* in Accounting and Business Administration from the University of Kansas (1985) and an M.B.A. in Finance from The Wharton School of the University of Pennsylvania (1989).

Todd Greenberg, General Counsel and Senior Vice President of Investor Relations

Mr. Greenberg is responsible for assisting in legal matters across all the Avenue Capital Group strategies, as well as investor relations. Prior to joining Avenue Capital Group in 2003, Mr. Greenberg was an Associate in the Investment Funds practice at Paul, Weiss, Rifkind, Wharton & Garrison LLP where he specialized in the formation and development of private equity funds, institutional funds and hedge funds. Mr. Greenberg received a B.S. in Psychology from the University of Pennsylvania where he graduated Phi Beta Kappa, *summa cum laude* (1997) and a J.D. from New York University School of Law (2000).

Eric Ross, Chief Compliance Officer

Mr. Ross is responsible for overseeing compliance across all the Avenue Capital Group strategies. Prior to joining Avenue Capital Group in 2006, Mr. Ross was a Senior Associate at Cobb & Eisenberg LLC, Avenue Capital Group's regulatory counsel, where he represented hedge funds, private equity funds, funds-of-funds, offshore funds, investment advisers, and broker-dealers and focused on compliance, fund formation and investment adviser regulations. Prior to that, Mr. Ross was a Senior Associate at Olsham Grundman Frome Rosenzweig & Wolosky LLP where he focused on fund formation and compliance matters. Mr. Ross was also with the firm Fischbein Badillo Wagner Harding. Prior to that, Mr. Ross was with Josephthal & Company, Inc., a NYSE and NASD member firm. Mr. Ross received a B.S. in Finance from Syracuse University (1991) and a J.D. from New York Law School (1995).

CONCLUSION/RECOMMENDATION

Based upon the successful track record, prior relationship, and experience of the principals and the recommendation of PSERS' consultant, Portfolio Advisors, staff recommends that the Board invest an amount equal to 25 percent of the committed capital, but not to exceed \$300 million plus reasonable normal investment expenses, in Avenue Special Situations Fund V, 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.