PSERS PRIVATE INVESTMENT PROGRAM

Recommendation for Investment in Clarity Partners II, L.P.

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Clarity Partners II, L.P.

EXECUTIVE SUMMARY

Clarity GenPar II and its affiliates ("Clarity" or the "Firm") are forming Clarity Partners II, L.P. ("Clarity II" or "Fund II" or the "Fund") to make investments in the media, communications, and business services sectors. The Fund is targeting capital commitments of $750 million. It typically will pursue control-oriented opportunities where it invests in the range of $20 million to $100 million. The Fund seeks to achieve superior financial returns by relying on the Firm's considerable transactional and industry-specific operational experience, leveraging its significant global relationships, and continuing to apply its proven investment approach.

Overview

Clarity was formed in 2000 by Stephen Rader, Barry Porter, Rudy Reinfrank, and David Lee, (the "Managing General Partners") and Josh Gutfreund, Clint Walker, and Jack Kessler (the "General Partners," and together with the Managing General Partners, the "Principals"). The Principals have long-standing professional relationships and transactional experience together which average 15 years. There has been no change among the Principals since the formation of Clarity.

Clarity closed its first fund, Clarity Partners, L.P. (together with its affiliates, "Clarity I" or "Fund I"), in November 2000 (with a second closing in August 2001) with capital commitments of $814.4 million. As of December 31, 2006, Fund I has made 17 investments for a total of $608.5 million of capital. An additional $98.2 million has been committed and reserved for follow-on investments in existing portfolio companies, bringing the total funded, committed, and reserved amount to $706.8 million. Fund I has generated a gross IRR on realized and partially realized investments of 30.0% as of December 31, 2006, representing a 2.0x multiple of capital invested in those transactions. Fund I has distributed $275.0 million of cash from its six realized or partially realized investments, representing approximately 45% of capital funded by Fund I investors to date and 75% of the amount funded in 2000 through 2004, the period during which the realized and partially realized investments were made.

Media and Communications Sector

The media and communications markets are large, dynamic sectors that offer investors the opportunity to obtain superior rates of return, even during difficult markets such as the 2000 to 2006 commitment period of Fund I. The markets for these products and services are among the largest and most fundamental in every country in the world, as governments, businesses, and consumers seek access to an expanding array of information, entertainment, and related content and services.

Like most significant sectors of the global economy, the media and communications industries and the many sub-sectors within these industries are affected by various cyclical factors. Economic cycles have varying impacts on sector, sub-sector, and company-specific revenue levels, growth rates, margins, financing terms, and company valuations. These industries have a long history of generating attractive investment returns for prudent investors and Clarity has both the experience and demonstrated ability to invest successfully through a variety of industry cycles and conditions.

Many of the media and communications sub-sectors are undergoing substantial change due to the evolution and introduction of new technologies, increasing impact of globalization, and changing regulatory environments. Attractive investment opportunities will continue as the digital age continues to evolve. Business processes related to the creation, distribution, consumption, and storage of content will continue to evolve, with the following major areas of ongoing change: mobility, security, enhanced applications, new distribution platforms, and the general automation of communications. Clarity is well positioned to understand these issues when evaluating investment opportunities. The media and communications industries as a whole, and many of the sub-sectors within the industries, have experienced significant corporate consolidation over time, accompanied by occasional and intermittent deconsolidation efforts. Larger companies operating in the sector with more mature businesses frequently seek to: (i) acquire smaller but more rapidly growing companies with new applications or strong positions in a specific market niche; (ii) apply current technology platforms to older assets or services to increase revenues or reduce costs; and (iii) increase management focus or investor interest by selling non-core assets. In addition, many younger growth companies seek capital from investors with domain expertise as they evaluate options to grow their businesses, either organically or through acquisition.

Proven Investment Strategy and Process

Deep, sector-specific experience is required to properly analyze the macro trends in the media and communications sectors and anticipate the micro changes in each of the sub-sectors. Based on the deep industry experience and the long history of investing together, the Principals will continue to focus on investment opportunities that typically have several of the following characteristics: (i) superior management to execute and drive growth; (ii) a strategy of targeting under-served, growing, or large markets, or having a leading position in a valuable market niche; (iii) assets with strong underlying value; (iv) a competitive landscape that is influenced by a regulatory change or technology shift; (v) are at a pivotal point in their maturity and growth; and (vi) attractive valuations and transaction structures.

Transaction Size and Flexible Investment Structure

The Fund's investments will vary with respect to size and stage based on the diverse types of businesses in the media and communications sectors. In Fund I, the average amount committed to each investment was approximately $42 million. Clarity will continue to pursue a balanced mix of leveraged acquisitions, build-ups, divisional spinouts, growth capital investments, distressed opportunities, and other types of investments. The Principals recognize the importance of managing investment size and diversification by sub-sector within Clarity's large target industries. As of December 31, 2006, Fund I's capital was allocated approximately 50% to media and entertainment in seven transactions, 43% to communications in seven transactions, and 7% to business services in three transactions.

Deal Flow

Clarity has established a strong reputation as an active, supportive, value-added private equity investor in a broad range of media and communications companies. The Principals' long careers have generated a diverse, global network of operational and transactional relationships which generate a significant flow of investment opportunities, many of which are proprietary. This network also provides access to a pool of managers and executives which the Firm uses to support and improve portfolio company management teams. Clarity has been the investor of choice by management partners on many occasions, and the Firm and its network have created a number of internal transactions and investment opportunities. Of the 17 investments in Clarity I, as of December 31, 2006, only one was the result of a conventional, broadly-based auction process. While Clarity reviews many opportunities introduced by financial advisors and selectively participates in competitive transaction processes and auctions, this type of deal has not represented a significant part of its historical active deal flow.

Business Services Sector

While Clarity's primary focus is investing in the media and communications sectors, the Firm expects to continue its history of investments in the business services sector. These areas of opportunity and focus may include, but are not limited to, "technology enabled" businesses such as software, transaction processing, information technology, outsourcing, professional services, e-commerce, Internet-related technologies and services, and hosted applications. The opportunities that Clarity finds attractive in these areas are generally those companies that are natural extensions of the media and telecommunications sectors. Clarity follows the same proven investment philosophy with respect to investments in the business services sector and leverages its experience and relationships.

MARKET OPPORTUNITY

The media and communications markets are large, dynamic sectors that offer experienced investors opportunities to obtain superior rates of return across a wide range of market conditions and business cycles. The markets for these products and services are among the largest and most fundamental in every country in the world, as governments, businesses, and consumers seek access to an increasing array of information, entertainment, and related content and services. The PricewaterhouseCoopers' 2006 Global Entertainment and Media Outlook estimates that the 2004 global entertainment and media sector was a $1.3 trillion revenue industry and it will grow at a five-year compound annual growth rate of 7.3% to reach $1.8 trillion in 2009. According to the 2006 Telecommunications Industry Review, from The Insight Research Corporation, worldwide global carrier revenue will grow from $1.2 trillion in 2005 to $1.6 trillion in 2010, at a compound growth rate of 5.9%.

Like most significant sectors of the global economy, the media and communications industries and the many sub-sectors within these industries are affected by various cyclical factors. Economic cycles have varying impacts on sector, sub-sector, and company-specific revenue levels, growth rates, margins, financing terms, and company valuations. These industries have a long history of generating attractive investment returns for prudent investors and Clarity has both the experience and demonstrated ability to invest successfully through a variety of industry cycles and conditions.

Clarity's Sectors: The global media and communications sectors are comprised of many sub-sectors, but operating companies are generally involved in creating and organizing content, distributing content, providing related services, applications, or enabling technologies. Each of the industry sub-sectors that Clarity may invest in is a multi-billion dollar global industry in its own right. The industries that Clarity has and will continue to evaluate and close investments in include the following:

CONTENT	DISTRIBUTION	MEDIA & BUSINESS SERVICES
Filmed Entertainment (Libraries & Production)	Television & Radio Broadcasting	Outdoor Advertising
TV & Cable Programming Networks	Cable TV Systems	Alternative & Out-of-Home Advertising
Newspapers	Wireless Voice, Data & Paging Networks	Advertising & Marketing Services
Consumer Magazines	Wireless Spectrum Licenses	Digital Cinema

Business-to-Business	Telecommunications Networks & Service Providers	Direct Marketing
Publications/Events	Tower Operators & Services	Application Service Providers
Business Information & Data	Satellite Networks & Service Providers	E-Commerce
Recorded Music	Internet Service Providers	Enabling Technologies & Software
Music Publishing	Data Centers	Security
Live &Out-of-Home Entertainment	Communications Software Equipment	Transaction & Data Processing
Radio Programming Networks	Hosting Services	Billing
Online Entertainment	Theatrical Exhibition	Outsourcing
Interactive Entertainment & Video Games	Private Information Networks	Training & Education
Digital, Mobile & Animated Content		Production & Professional Services

Flexible and Increasing Demand: Content in its various forms is the foundation of these large and established industries. Past experience shows that new distribution platforms and delivery systems continually increase both business and consumer demand for information and entertainment content. This linkage is both powerful and significant, because as the global revenue and consumption "pie" continues to grow, media consumption proves not to be a zero-sum game. As the media of communication have evolved from print to film to radio to television to online, consumers have added additional consumption at greater rates than those at which they have replaced older habits or mediums with newer ones. Similarly, in communications, wireless has been additive to wireline services, and data complements rather than replaces voice communications.

Technology's Enhancement of Assets: Technological innovation frequently adds value to established, quality media assets to a greater degree than it undermines or eliminates previously established asset values. New formats and windows such as CDs, DVDs, and syndicated, pay, and cable television, have added years of economic life and previously unanticipated revenues to music, film, and television program libraries. Similarly in distribution, the legacy, physical plants of coaxial cable for cable television and copper wire for phone companies have benefited from new hardware and software innovations to offer the additional services of broadband and DSL at incremental rather than complete replacement costs. Successful investors need to anticipate when new technologies are more revolutionary than evolutionary, and when established values are threatened temporarily or permanently, as they have been with inexpensive long-distance phone service and free online content, and with devices such as digital music players and digital video recorders.

Opportunities Stemming from Share Shifts: The ongoing evolution of various distribution platforms will continue to shift revenues, economics, and valuations within the growing media and communications industry "pie." For example, as three dominant broadcast television networks in the U.S. became hundreds of broadcast and cable television networks, the relative value of television stations decreased as emerging cable network values increased. Transmission and consumption will continue to shift from analog to digital formats and from fixed time and location communications to stored and mobile communications. Such ongoing change leads to continuing shifts in relative values within Clarity's sectors, which will continue to create investment opportunities.

<u>Avoiding Impaired or Over-Valued Sub-Sectors</u>: Evolving markets and technologies naturally lead to value disparities and corrections. While many businesses in Clarity's target sectors may have many attractive attributes and established franchise values, their relative valuations make generating superior equity investment returns unlikely. Some sub-sectors that Clarity has avoided at various points over the past several years for these reasons include broadcast television stations, radio broadcasting, and consumer magazines.

INVESTMENT STRATEGY AND PROCESS

Fund Objectives

The Fund will continue the Principals' investment strategy of: (i) identifying trends in targeted sub-sectors of the media, communications, and related industries that provide attractive investment theses; (ii) targeting companies with strong management teams which focus on under-served, growing, or large markets; (iii) selecting companies that are at a pivotal point in their maturity and may benefit significantly from regulatory or technological shifts; (iv) proactively generating proprietary investment opportunities by using their extensive relationship network and high-level access to industry executives and entrepreneurs; (v) facilitating or co-leading investments with other strategic, management, and potentially private equity partners; and (vi) taking active roles in helping portfolio companies develop and implement their business plans and drive growth.

The Fund's investments will vary with respect to size, stage, structure, and use of leverage. The Principals have demonstrated success in investments at all stages of company development and have used numerous deal structures to accomplish their investment objectives and balance potential risks and rewards. Investment types include leveraged acquisitions, build-ups, divisional spin-outs, growth capital investments, distressed opportunities, and other types of investments. The Principals intend to lead or sponsor investments in which the Fund will invest $20 million to $100 million of equity, including the acquisition or formation of operating companies that over time could require substantial additional capital.

Clarity will continue its history of leading or co-leading investments in larger companies in its sectors. These future investments may provide co-investment opportunities for Limited Partners and may include the participation of strategic co-investors from Clarity's network, as they did in the past. In these events, investments in the aggregate, including the Fund and co-investments, may exceed $100 million, as they did in many of Fund I's investments.

Investment Opportunity

The media and communications industries are large, established, growing, and global markets. Within these broad areas, there are numerous trends and factors that will continue to make industry sub-sectors attractive for private equity investments of the type Clarity has made and will continue to make.

Some of the factors and trends that will continue to create investment opportunities for the Fund are:

> **<u>Consolidation and Deconsolidation</u>:** While the long-term trend in Clarity's sectors generally has been for the larger companies to grow and consolidate their market positions through mergers and acquisitions, there have been several recent instances of deconsolidation. Larger multi-divisional companies periodically re-balance and rationalize their holdings for various reasons, leading to divestiture and divisional spin-out transaction opportunities. For various other reasons, some large companies in Clarity's sector, such as Viacom Inc. and Liberty Media, have recently elected to split-up their operating units

into separate companies. The long-term trends of consolidation generally will continue, but that intermediate-term deconsolidation efforts will create opportunities for the Fund.

Innovation and Entrepreneurship: Many of the most significant and valuable innovations and introductions of new content, products, applications, and other services in Clarity's sectors have been created by younger companies rather than by larger, more established industry leaders. The creation of the rapidly growing, multi-billion dollar, paid-search online advertising marketplace by Google, Inc. and Overture Services (since acquired by Yahoo, Inc.) are just two recent examples. This longstanding phenomenon will likely continue and will provide the Fund with opportunities to invest both in companies that may grow into enduring independent industry leaders and in innovative, earlier-stage companies that will be acquired by the larger consolidating companies in the sector.

Technology: New technologies have had dramatic impacts on the media and communications businesses over the last century and there will likely continue to be additional material developments. Recent significant trends include increased mobility for all communications, increased speeds of transmission, storage, and processing of data and content at reduced costs, and the proliferation of multiple new platforms, devices, and business models for media reception and consumption. These and other trends will continue to shift value between distribution and content and between established, "legacy" players and newer, more disruptive entrants. Clarity will continue to have the opportunity to invest in companies relying on long-established technologies which may be undervalued (such as various types of publications) as well as companies relying on newer technologies that may be at an inflection point approaching wide-scale adoption (such as emerging wireless and telecommunications service providers).

Regulations: Many of Clarity's sub-sectors are highly regulated, with different, complex regulatory regimes in the various countries where the Firm's current and future portfolio companies operate. The expiration, modification, or elimination of various regulations may dramatically enhance or diminish the value of various franchises and business models and may lead to consolidation and/or deconsolidation or required divestitures. The changes in perceived value stemming from regulatory shifts will create investment opportunities for the Fund.

Globalization: Clarity's target industries are global in nature, as information and entertainment content travels across borders and communications networks and applications increasingly are connected and shared internationally. The Principals' history and network of global relationships allow the Firm to apply experiences in the development of its economic sectors in one country or territory that may apply to another region.

Investment Philosophy and Strategy

Clarity will continue to build on its record of superior investment performance within its targeted sectors by combining its disciplined selection of companies with transactional flexibility and active portfolio company support.

The Fund will continue to focus on investment opportunities with the following attributes:

Superior Management: Enable the Firm to partner with, and in some cases recruit, superior management partners to execute and drive growth.

Attractive Market: Target under-served, growing, or large markets or have a leading market position in a valuable market niche.

Asset Value: Possess strong underlying asset value.

Favorable Regulatory and Technology Factors: Are influenced by a regulatory or technology shift or change.

Pivotal Point: Are at a pivotal point in their maturity and growth, based on a combination of company-specific and broader industry trends and conditions.

Competitive Advantages: Have leading, sustainable competitive positions or the potential to achieve them.

Attractive Valuation and Deal Structure: Have attractive valuations and financial structures to allow the Fund to optimize risk and reward considerations.

To address the widest range of opportunities in the media and communications sectors, the Fund should have the flexibility to make investments that will vary with respect to size, stage, financial structure, and use of leverage. Specific types of transactions that the Principals have made in the past and expect to make through the Fund include:

Acquisitions and Build-ups: Acquire a controlling stake or substantial equity position in a company. These investments will often present the opportunity to provide additional capital to assist the portfolio company in add-on acquisitions and a consolidation of a particular industry sub-sector.

Divisional Spin-Outs and Joint Ventures: Formulate an investment in a divisional spin-out from or in a joint venture with an established company. These investments are likely to require substantial capital and would allow the Fund to use the Principals' strong global relationships in the media and communications industries as well as experience in structuring highly complex transactions.

Growth Capital Investments: Make growth-capital investments in companies at various stages of development. Typically, these investments are made as structured minority investments, generally in private companies, and contain various elements of controls over strategic direction and major transactions and include board representation.

MANAGEMENT

Clarity was formed in 2000 by Stephen Rader, Barry Porter, Rudy Reinfrank, and David Lee ("Managing General Partners"), and Josh Gutfreund, Clint Walker, and Jack Kessler ("General Partners," and together with the Managing General Partners, the "Principals"). The Principals and professionals of the Fund have extensive experience in the identification, evaluation, negotiation, and management of all types of private equity investments as well as broad experience and valuable domain expertise in the media and communications sectors. The Principals have long-standing professional relationships and transactional experience together, which averages 15 years. There has been no change among the Principals since the formation of Clarity in 2000.

Stephen P. Rader (51). Mr. Rader is a co-founder and a Managing General Partner of Clarity. Prior to the formation of Clarity, Mr. Rader co-founded Rader Reinfrank & Co., LLC (1997) ("Rader Reinfrank"), a $100 million Los Angeles-based private equity fund. Prior to co-founding Rader Reinfrank, Mr. Rader was the Managing Director of Chartwell Partners, a private investment firm controlled by A. Jerrold Perenchio, which focused on investment, acquisition, and advisory activities in the communications industry. During his tenure at Chartwell Partners, Mr. Rader led the acquisition of Univision Communications and its subsequent initial public offering. Prior to joining Chartwell Partners in 1989, Mr. Rader was a Managing Director in the investment banking group at Bear, Stearns & Co., where he acted as the lead investment banker on a broad range of acquisition, restructuring, and financing transactions. From 1981 to 1986, Mr. Rader practiced as a corporate securities attorney and a Certified Public Accountant.

Mr. Rader currently serves as a director on the boards of BASE Entertainment, Crescent Entertainment, ImpreMedia, and TelePacific Communications, and is an observer to the board of Oxygen Media. Mr. Rader may serve on the investment committee of Clarity China Partners, L.P. ("Clarity China") (see detail under David L. Lee below). Mr. Rader holds a Bachelor of Science degree in Business Administration with a major in Accounting from the University of Southern California Marshall School of Business where he graduated magna cum laude, and a Juris Doctor from the University of Southern California Gould School of Law where he graduated Valedictorian.

R. Rudolph Reinfrank (51). Mr. Reinfrank is a co-founder and a Managing General Partner of Clarity. Prior to the formation of Clarity, Mr. Reinfrank co-founded Rader Reinfrank, a $100 million Los Angeles-based private equity fund. From 1993 to 1996, he served as a Managing Director of Davis Companies, a holding company for the Marvin Davis family portfolio, where he was responsible for originating, sourcing, evaluating, structuring, financing, and realizing investments. During his tenure at Davis Companies, Mr. Reinfrank served on the boards of directors of Catapult Entertainment, Inc. and WebTV Networks, Inc. Prior to joining the Davis Companies, Mr. Reinfrank spent nine years (1984 to 1993) with the Roy E. Disney family's holding company, Shamrock Holdings, Inc. Prior to 1984, he served as a Consultant for Touche Ross & Co. (currently Deloitte & Touche) in its management consulting division.

Mr. Reinfrank serves as a director on the boards of BASE Entertainment, ImpreMedia, Crescent Entertainment, Woosh Wireless, Naylor, and PrimeCo Wireless Communications. Mr. Reinfrank may serve on the investment committee of Clarity China (see detail under David L. Lee below). Mr. Reinfrank holds a Bachelor of Arts degree in Economics from Stanford University and a Masters of Business Administration degree from the Anderson Graduate School of Business at the University of California, Los Angeles.

Barry A. Porter (49). Mr. Porter is a co-founder and a Managing General Partner of Clarity. Prior to the formation of Clarity, Mr. Porter was with Pacific Capital Group and helped focus that firm's media and telecommunications investment activities. Mr. Porter led Pacific Capital Group's investment in OpTel Inc., which he and his partners (including five of the other Principals) helped grow into the leading provider of competitive cable television services to large multi-dwelling units. Also while at Pacific Capital Group, Mr. Porter was a co-founder of Global Crossing and was involved with many of the company's early activities. Prior to that, Mr. Porter was a Senior Managing Director of Bear, Stearns & Co. and among other responsibilities was co-head of the media and communications practice, head of the gaming industries group, and an active participant in the firm's high-yield activities. Mr. Porter began his professional career as an attorney at the Los Angeles firm of Wyman, Bautzer, Rothman, Kuchel and Silbert, where he focused on media and entertainment matters.

Mr. Porter currently serves as a director on the boards of BASE Entertainment, Liberation Entertainment, and PrimeCo Wireless Communications and is an observer to the board of Opnext, Inc. Mr. Porter may serve on the investment committee of Clarity China (see detail under David L. Lee below). Mr. Porter also serves on the board of Public Counsel, the largest pro bono legal organization in the United States, the Independent School Alliance for Minority Affairs, and the Cedar Sinai Hospital Board of Governors. Mr. Porter received his Juris Doctor and Master of Business Administration degrees from the University of California, Berkeley. He graduated summa cum laude from the Wharton School of Business, earning a Bachelor of Science degree with dual majors in Finance and Political Science.

David L. Lee (56). Dr. Lee is a co-founder and a Managing General Partner of Clarity. Prior to the formation of Clarity, Dr. Lee was a co-founder of Global Crossing in 1997, and served as President and Chief Operating Officer until early 2000, when he left to co-found Clarity. Prior to that, Dr. Lee was with the Pacific Capital Group, where he helped the firm's expansion into the telecommunications industry. Before joining Pacific Capital Group, Dr. Lee was with TRW Information Systems Group ("TRW") and was Group Vice President of Finance & Acquisitions. He was instrumental in expanding the information systems business from two to nine divisions in four years through acquisitions and internal growth. In 1981, he joined a company that was acquired by Comsat, a satellite communications company, and held various executive positions at Comsat. Prior to that, in 1975, Dr. Lee started his professional career with Arthur Andersen & Co. in Los Angeles.

Dr. Lee is Co-Chairman of the Board of Directors of Opnext, Inc. and also serves as a director on the boards of ImpreMedia, Liberation Entertainment, and Naylor. He is Chairman of the Board of Overseers of the University of Southern California Keck School of Medicine and is a trustee at the California Institute of Technology. He is also a director of the Trust Company of the West. Through a grant from The Lee Family Foundation, Dr. Lee has established Centers for Advanced Networking at the California Institute of Technology and at the National Chiao Tung University in Taiwan. Dr. Lee was born in Taiwan and is fluent in Mandarin. Dr. Lee is a graduate of McGill University and holds a Doctorate in Physics with a minor in Economics from the California Institute of Technology.

Dr. Lee is also a principal of Clarity China GP, LLC, which is raising a $200 million investment fund, Clarity China, whose principal objective is to make private equity investments in Greater China. Dr. Lee is a member of Clarity China's investment committee. The principals and advisors of Clarity China also include well known industry and regional executives. Dr. Lee intends to spend a substantial amount of his time on Clarity China and its activities.

Joshua L. Gutfreund (45). Mr. Gutfreund has been a General Partner of Clarity since the formation of the firm in 2000 and has been in the private equity business since 1988. Prior to joining Clarity, Mr. Gutfreund was a Partner at Rader Reinfrank, a $100 million private equity fund since 1997. Prior to Rader Reinfrank, from 1993 through 1997, Mr. Gutfreund was an Associate Director at Chartwell Partners, a private investment firm controlled by A. Jerrold Perenchio focused on media and communications businesses, including Univision Communications Inc. Prior to Chartwell, Mr. Gutfreund was an Associate in the private equity group at Warburg Pincus from 1988 to 1991. At Warburg Pincus, Mr. Gutfreund evaluated and structured numerous private equity investments in companies in media, communications, and other businesses and had responsibility for the management and monitoring of various portfolio company investments.

Mr. Gutfreund currently serves on the boards of BASE Entertainment, Crescent Entertainment, Naylor, and Oxygen Media. Mr. Gutfreund holds a Bachelor of Arts degree from Columbia University and a Master of Business Administration degree with distinction from New York University's Stern School of Business.

Clinton W. Walker (44). Mr. Walker has been a General Partner of Clarity since the formation of the firm in 2000. Prior to joining Clarity, Mr. Walker was Vice President of Corporate Development at Global Crossing, where he focused on mergers, acquisitions, and strategic investments. Prior to Global Crossing, Mr. Walker served as a Vice President at Pacific Capital Group from 1994 to 1998, where he participated in numerous transactions including the formation of Global Crossing, OpTel, and Campuslink. From 1985 to 1994, Mr. Walker was at Price Waterhouse in the Corporate Finance Group and Entrepreneurial Services Group where he was responsible for numerous financial advisory assignments and accounting engagements in the middle-market sector.

Mr. Walker currently serves as a director on the boards of CaseStack, IPWireless, TelePacific Communications, Westec Interactive, and Woosh Wireless. Mr. Walker holds a Bachelor of Business Administration degree from Pacific Union College and is a Certified Public Accountant.

W. Jack Kessler, Jr. (55). Mr. Kessler has been a General Partner and Chief Financial Officer of Clarity since the formation of the firm in 2000. Prior to joining Clarity, Mr. Kessler was Chief Financial Officer of Rader Reinfrank & Co., LLC from 1998 to 2000. Prior to joining Rader Reinfrank, Mr. Kessler practiced corporate tax law and law practice management at the firm of Alschuler Grossman & Pines, LLP from 1990 to 1998, where he also served as Executive Director. From 1982 to 1985, Mr. Kessler served as CFO and General Counsel for Lamborghini of North America, where he was instrumental in reintroducing the company to the American market. In 1977, Mr. Kessler co-founded a law firm emphasizing the needs of emerging companies.

Mr. Kessler received his Master of Business Administration and Juris Doctor degrees from the University of Southern California Marshall School of Business and Gould School of Law in a dual-degree program in 1977, while serving as Editor-in-Chief of the Southern California Law Review. Mr. Kessler graduated with dual undergraduate majors in Business Administration and Theology from Ambassador College in Pasadena, California. Mr. Kessler is a licensed Certified Public Accountant and an active member of the California State Bar.

Erez Barnavon (37). Mr. Barnavon will be joining Clarity in January 2007 as a Senior Vice President. Previously, Mr. Barnavon was the CFO & EVP of Continuous Computing ("Continuous"), a leading provider of hardware, software and services for over 150 telecom equipment customers worldwide. While at Continuous from 2000 to 2006, Mr. Barnavon grew the company from $15 million to over $80 million annualized revenue and from 45 to over 400 employees. Prior to Continuous, Mr. Barnavon was a Vice President in Investment Banking at Credit Suisse First Boston ("CSFB"). While at CSFB, Mr. Barnavon helped raise over $2.5 billion for emerging media and telecommunications companies in the public and private markets, and executed numerous M&A and strategic advisory assignments. Prior to CSFB, Mr. Barnavon was a corporate attorney at Cravath, Swaine & Moore, where he specialized in M&A and corporate securities offerings.

Mr. Barnavon received his Juris Doctor degree from Columbia University School of Law, and his Bachelor of Science degree in Mechanical Engineering from the Massachusetts Institute of Technology.

Leo Griffin (36). Mr. Griffin will be joining Clarity in January 2007 as a Vice President. From 2003 through 2006, Mr. Griffin was a Principal at Monitor Ventures, the venture capital and advisory arm of the Monitor Group, a global strategy consulting firm and merchant bank. At Monitor Ventures, Mr. Griffin focused on advising and investing in various communications and media companies. From 1998 through 2003, Mr. Griffin served as a strategy consultant with Monitor Group's consulting arm, where he helped to found MarketSpace, a consulting practice focused on new media businesses. Prior to Monitor, from 1992 to 1996, Mr. Griffin was with Braxton Associates, where he advised companies in Europe, Russia, and the Middle East.

Mr. Griffin holds a degree in Industrial Economics from the London School of Economics and received his MBA with distinction from the Kellogg School at Northwestern University.

Karan Suri (25). Mr. Suri has been an Associate at Clarity since 2005. He was previously an Analyst in the Investment Banking group at UBS Investment Bank where he was involved with the analysis and execution of high yield, equity, and M&A transactions in the telecommunications industry. Previously, Mr. Suri worked for eBay, Inc. in their finance department. Mr. Suri holds a Bachelor of Arts degree from Cornell University, with a double major in Computer Science and Economics, and a Master of Engineering degree in Computer Science from Cornell University.

Vikram Maniar (26). Mr. Maniar has been an Associate at Clarity since 2005. He was previously an Analyst in the Investment Banking group at Lehman Brothers where he was involved with the analysis and execution of corporate finance and M&A transactions in the media and telecommunications industries. Mr. Maniar holds a Bachelor of Arts from Wesleyan University with a major in Economics.

Kyle Donnelly (42). Ms. Donnelly has served as Controller of Clarity since the formation of the firm in 2000. Prior to joining Clarity, Ms. Donnelly worked at Arthur Andersen LLP from 1993 to 2000 in the Business Process Outsourcing group, a segment of their business consulting division. As a Manager, Ms. Donnelly was responsible for the finance and accounting, financial reporting, investment portfolio analysis, and supplemental tax reporting for multiple clients, including Rader Reinfrank & Co., LLC when it was founded in 1997. From 1990 to 1992, Ms. Donnelly worked for a Northern California-based computer firm, where she traveled throughout the United States and Canada installing mainframe computers and training client personnel on both hardware and software applications.

Ms. Donnelly received her Master of Business Administration degree from Woodbury University and holds a joint Bachelor of Science degree from the University of California, Riverside in Economics/Administrative Studies. Ms. Donnelly is a licensed Certified Public Accountant in the state of California.

CONCLUSION/RECOMMENDATION

Based upon the successful track record and experience of the principals and the recommendation of PSERS' consultant, Portfolio Advisors, staff recommends that the Board invest an amount equal to 90.91 percent of the committed capital, but not to exceed $200 million plus reasonable normal investment expenses, in a side fund in Clarity Partners II, 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.