PSERS PRIVATE INVESTMENT PROGRAM

Recommendation for Investment in
Greenpark International Investors III, L.P.

Charles J. Spiller
Director of Alternative Investments

January 25, 2007

Greenpark International Investors III, L.P.

Executive Summary

Greenpark International Investors III, L.P. ("Fund III") is being established for the primary purpose of purchasing interests in buyout, growth capital and venture capital, mezzanine and other funds and portfolios of direct investments in private equity assets in the global secondaries market. These interests will be based predominantly in Europe and North America. Fund III is seeking aggregate capital commitments of €500 million.

Greenpark Capital Limited ("Greenpark Capital" or "GCL") was established in 2000 and authorized by IMRO (now the Financial Services Authority) in September 2000. Initial sponsorship was provided by RMF (subsequently Man Investment Group), a leading European alternative asset manager, who held a 10% stake in Greenpark Capital Investment Management Limited ("GCIM"). This shareholding was subsequently acquired by GCL in 2004.

GCL is the investment adviser to GCIM, a Guernsey based investment management company. GCL now owns 100% of GCIM. GCIM is licensed by the Guernsey Financial Services Commission and acts as the manager of two private equity secondaries funds: Greenpark International Investors I, L.P./Greenpark German Investors 1 (together "Fund I") and Greenpark International Investors II, L.P./Greenpark German Investors 2 (together "Fund II").

Fund I closed in January 2003 on $200.3 million with 53% of the capital coming from European investors, 21% from North American investors and 26% from Asia Pacific and the Middle East. By type of investor, the fund's capital was represented by: 39% insurance companies, 20% state owned investment boards, 12% foundations, 12% asset managers, 10% family offices, 5% banks and 2% corporates. In April 2003, Greenpark syndicated a transaction which resulted in €40 million of additional capital under management.

Fund II closed in October 2004 on its cap of €353.5 million with 46% of the capital coming from European investors, 41% from North American investors and 13% from Asia Pacific and the Middle East. By type of investor, the fund's capital was represented by: 36% pension funds, 26% insurance companies, 14% foundations, 13% stated owned investment boards, 6% family offices, 4% asset managers and 1% banks. Fund II investors included 74% by value of investors in Fund I.

Greenpark currently has approximately €550 million under management, which includes Fund I, Fund II and a syndicated transaction.

Investment Objective. Fund III will seek to achieve long-term capital appreciation combined with reduced risk through the purchase of diversified investments in private equity funds and portfolios in the global secondaries market.

Investment Strategy. Fund III's investment strategy will remain unchanged focusing on the purchase of positions in buyout, growth capital, venture capital, mezzanine and other private equity funds and portfolios in the secondaries market, targeting two main types of secondaries transactions:

- Single positions or portfolios of limited partnership interests; and
- Portfolios of direct investments, with or without incumbent managers (spin-outs or tail-ends).

Fund III will focus on European and North American purchases from predominantly European sellers. Non-European sellers, particularly those based in the US and the Far East, will be pursued on an opportunistic basis.

Investment Process. Greenpark Capital operates a strict procedure and policy for the selection of investments. While recognizing the inherently opportunistic nature of secondaries, specific criteria are applied when assessing an opportunity to ensure that resources are allocated to deal flow that has the potential to achieve the desired investment returns and to ensure an acceptable risk profile.

Deal Evaluation Criteria. Greenpark Capital operates a rigorous procedure and policy for the selection of investments. Specific criteria are applied when assessing an investment opportunity to ensure that resources are allocated to deal flow that has the potential to achieve the desired investment returns and to avoid deviation from an investment model designed to reduce investment risk to tolerable levels and maximize investment returns.

Deal Screening. Greenpark Capital screens deals in respect of the following:

- Limited Partnership restrictions
- Deal size
- Fund maturity
- Geographic location – focus on European deals
- Sector – largely buyout and growth capital
- Management – track record on exits

Fund Type. The large majority of the deals screened by Greenpark Capital to date have been buyout or development capital fund positions giving the visibility for greater accuracy in pricing. We would anticipate this to be the case for Greenpark International Investors III with the addition of attractive later stage venture capital investments, where the underlying companies are well into the revenue generating stage and we can analyze exit timings and value ranges.

Greenpark Capital looks for funds:

- That can deliver the targeted investment returns in a reasonable time frame;
- Where the position represents a healthy spread of risk and opportunity;
- Where the exit prospects for the secondary component are visible within the targeted timeframe;
- Where earnings of the underlying companies are of a reasonable quality and sustainability;
- Where a proper history of revenues and earnings of the underlying companies can be established and verified; and
- Where management of the investments is of a good quality and interests are aligned to those of their investors.

Ideally Greenpark Capital seeks deals:

- Where a deadline creates an imperative for a speedy transaction;
- Where Greenpark Capital can negotiate an exclusivity period to assess the deal and formulate an offer; and
- Where the secondaries assets in question have sufficient history to create transparency.

Deal Size. Greenpark Capital will review deals of any appropriate size. However, the preferred deal size is between €10m and €50m.

Fund Maturity. Fund III will be targeting investments where the underlying assets are between 40% and 60% drawn/committed to existing investments.

Geographic Location. Fund III will focus on assets located in Western Europe and will also consider North American assets. To a far lesser extent assets from certain Asian and Pacific Rim countries are acceptable depending on the liquidity of their capital markets and their exit climates in general.

Sector. Greenpark Capital prefers buyout and growth capital assets, where a history of revenues and earnings for the existing investments can be established and verified. To date, Greenpark Funds have directed over 82% of their capital to these investments.

Management:

- Greenpark Capital assesses, among other criteria:
- the track record of the Manager;
- the structure and terms of the fund, especially fees, carry, ability to extend the life of the fund, transfer, pre-emption rights and clawback provisions;
- to what extent the manager’s interests are aligned to that of investors;
- investment and divestment history;
- deviation – if any – from core competence.; and
- value added by the manager to the fund portfolio.

Valuation Methodology

Greenpark Capital evaluates funds and portfolios of direct investments on a bottom-up basis, analyzing each individual investee company line-by-line, complemented by a top down approach. Among the factors that are considered are:

Bottom-up for underlying investee companies. Historic, current and future expected financial performance; and exit potential, in particular the opportunities for trade sale or IPO in the light of financial performance, relevant market conditions, size of shareholding, date of investment, country of origin, industry, strength and motivation of the management team, identity of other shareholders (financial or otherwise) and their strategy and influence on the company.

Top-down for the fund:

- Evaluation of the fund management team: factors considered will include motivation and commitment, industry experience, track record and reputation, and relationships with the management teams of the underlying companies.
- Time discount, i.e. the reduction in the number of years that Greenpark Funds will be required to hold the investment versus the holding period of the original investor.
- Price discount, i.e. the discount to fair market valuation. Although this is an output derived from our internal exit analysis, this will often affect the seller's ability to pursue the transaction. This discount may vary significantly depending on the underlying fund manager's valuation policy. If a large discount is required, then Greenpark Capital will work closely with the seller to find ways to structure the transaction so as to minimize this discount without significantly impacting the risk/return profile of the deal.
- Achievability of the strategy of the fund; market segment/competition.

Typically, Greenpark Capital undertakes research using its own databases and other information on file, reference calls, and extensive desk and on-line research. This is complemented by extensive meetings or conversations with the fund managers, and with the managers of the underlying companies as appropriate, during which the current financial and business status is explored and existing information is verified. From this research comparables are generated and suitable EBIT/EBITDA multiples and P/E ratios are derived. These, in combination with qualitative information obtained in the course of the due diligence, are then used to project "low", "medium" and "high" exit scenarios for each investee company. The exit forecasts for the underlying companies are then aggregated and adjusted to take into consideration the impact of management fees and carried interest payable. Thereafter, the bid price is determined, taking into account the required return for Limited Partners. Any discount to the underlying manager's valuation is part of the output of Greenpark Capital's analysis and is, therefore, highly variable.

Greenpark Capital customizes transactions in order to optimize fund returns by utilizing deferred payment, leverage and other structures. Leverage is used very selectively on a deal-by-deal basis as a return enhancing tool in situations where portfolio quality is high and exit prospects are imminent.

Once an investment has been executed, Greenpark Capital will remain in regular contact with the general partners to monitor closely the exit timing and value of the underlying investee companies against projections at the time of acquisition.

The Secondaries Market Opportunity

The main drivers of the secondaries market are:

- Substantial amounts invested in primary markets creating the base for secondaries deal flow;
- Economic and regulatory developments in worldwide financial markets, causing peaks of activity in the secondaries market;
- Increased awareness: secondaries transactions are now common practice in the USA and Europe;
- Mergers and acquisitions and other corporate restructurings, provoking divestment of private equity investments;
- Increasing use of the secondaries market as a portfolio management tool.

Substantial amounts invested in primary markets. Over $1,100 billion has been raised globally in the primary market since 1999, with around one third of this capital having been raised in Europe.

Economic and regulatory developments. Developments in the worldwide financial markets and regulatory environment create additional deal flow spikes for the secondaries market, for example the Basel II capital adequacy requirements for banks and the introduction of IFRS accounting standard requirements.

Increased awareness. Until two years ago, for many investors and/or limited partners with commitments to private equity funds, exiting before the maturity of the fund was unthinkable, due to perceived reputational issues for themselves and/or the general partner; unfeasible, because of the limited universe of buyers and a reluctance to get involved in a secondaries sale process for the first time; or simply unattractive, due to the price often representing a serious discount to the book value.

Secondaries transactions are now commonplace in the United States and Europe, and are increasingly a feature of the Asian private equity landscape. Potential reputation issues for the selling investor and for the general partner have largely disappeared as it is commonly acknowledged that on average between 2% and 4% of the total primary capital pool is recycled in the secondaries market each year. In addition, increasing competition between buyers and the emergence of intermediaries focusing on private equity secondaries transactions contribute to giving the selling party comfort that an appropriate and attractive exit price and relatively straightforward process are achievable.

Mergers and acquisitions and other corporate restructurings. Internal developments within limited partner organizations also drive the market in a substantial way and many secondaries transactions have been prompted by changes at the institutional investor level. These changes include major public bid or merger activity, or the appointment of new decision makers at senior investment / trustee level. A new senior team member often instigates a critical review of the existing portfolio with a view to undertaking some housekeeping and to considering partial divestments via a secondaries sale. In combination with the increased awareness, internal developments offer an ever-greater opportunity for secondary private equity transactions in the future.

Use of the secondaries market as a portfolio management tool. The main driver behind the growth of the private equity secondaries market in the last two years has been the increasing use of secondaries as a portfolio management tool. Historically the secondaries market represented a tool for investors with cash constraints or requirements to create liquidity out of long-term illiquid holdings. Only in that situation would an investor be prepared to go through a sale process with which he would typically be unfamiliar.

Management

Marleen Groen – Principal Founder and CEO. Marleen has over 10 years of global secondaries experience and is responsible for day-to-day management, fundraising, and firm strategy. She has been responsible for over 100 secondary investments, including portfolios of direct investments and LP interests in funds. Prior to founding Greenpark Capital in 2000, Marleen was an Investment Director at Coller Capital where she worked closely with both Joanna Jordan and Andrew French, and for the last three years was also Board Director of the firm. Before moving into private equity she spent ten years in senior corporate finance positions at leading European banks, including Head of M&A at Societe Generale London. Marleen is a Dutch national and holds an MBA from the Rotterdam School of Management and an MA from the University of Leiden. She is fluent in Dutch, English, German, and French.

Joe Topley - Investment Director. Joe joined Greenpark in 2002 and is responsible for deal sourcing and execution. He is also a member of the firm's management team. Joe was previously Managing Director of Long Acre, a specialist investment bank in London in the TMT sector, and a partner at Absolute Ventures, a venture capital fund in Geneva.

He also worked at CSFB in London and Madrid and Sega Europe in London. Joe holds a BSc in Biochemistry from Imperial College, London, a post-graduate diploma in Economics (Distinction) from University College, London, and an MBA from INSEAD. He is fluent in English, French, Italian, Spanish, and Portuguese.

Christophe Nicolas – Investment Director. Christophe joined Greenpark in 2004 and is responsible for deal sourcing and execution. He is also a member of the firm's management team. Christophe previously worked for three years at Permira, sourcing and executing investments, and five years as a principal at Broadview, a London-based

M&A and private equity Adviser. He started his career in corporate finance at Goldman Sachs and BNP in Hong Kong. He holds an MBA from Ecole Superieure de Commerce de Paris ("ESCP"), is a native French speaker, and is fluent in English.

Daniel Green – Associate Investment Director. Daniel joined Greenpark in 2001 and is responsible for deal execution. He has been involved in numerous secondaries investments throughout Europe and the USA. Daniel has an MA Hons in French and Spanish from the University of St Andrews, Scotland and became an exam-qualified chartered accountant through PriceWaterhouseCoopers. While at PWC, he was seconded to a UK private equity firm for a year. Daniel speaks English, French and Spanish.

The senior investment team is supported by three analysts and an associate who work on the detailed analysis of data and transaction modeling, as well as many aspects of the execution of transactions. Their professional backgrounds typically cover investment banking, corporate finance, accountancy and private equity. Their nationalities are: French, Italian, British and Swedish.

Senior Operational Team

Joanna Jordan – Co-founder and Operations/Investor Relations Director. Joanna is a co-founder of Greenpark with 12 years of secondaries experience. She is responsible for operations and investor relations and has been involved in many aspects of building Greenpark into a successful secondaries business since its founding. Previously, Joanna spent six years at Coller Capital where, as Investor Relations Director, she worked closely with Marleen Groen and Andrew French. Prior to that, Joanna worked for a real estate development company involved in international strategic acquisitions. Joanna holds an MBA from Leicester Business School.

Andrew French – Co-founder and Finance Director. Andrew is a co-founder of Greenpark with wide-ranging financial experience, including eight years of secondary fund management and oversight of accounting, taxation, fund administration and regulatory matters. Andrew spent two years at Coller Capital as Head of Finance where he worked closely with both Marleen Groen and Joanna Jordan. He previously worked in the insurance, securitized mortgage lending, and banking industries. He qualified as a Chartered Accountant with KPMG in London and has a BSc (Hons) in Accountancy and Law from the University of Southampton.

The investment team benefits from the exclusive deal flow introductions of country investment consultants who further enhance the Greenpark network with their high-level contacts in their respective countries. These consultants are remunerated on a success basis following the completion of an investment by Greenpark; such investment is made at the full discretion of Greenpark.

Country Investment Consultants

Staffan Elmgren – Country Investment Consultant – Nordic Region. Staffan is currently consulting with respect to private equity investments for a number of institutional investors based in the UK and Scandinavia and on an exclusive basis for Greenpark since 2001. Prior to this, Staffan was the Head of Private Equity at SPP/Trygg-Hansa, one of Sweden's largest life assurance companies and pension fund groups, where he was responsible for a range of direct and fund investments. He was also Head of Project Financing, Head of Lending, Head of Operations and Directeur Général of SPP-LET Holdings SA, the international property arm of SPP, based in Brussels. From 1989-1992, he was Chairman of the Swedish Venture Capital Association. Previously, Staffan worked as an investment banker in London with Lazard Brothers and Baring Securities, and in Stockholm with Handelsbanken and SwedBank.

Jean Salmona – Country Investment Consultant – France. Jean is Managing Partner of J&P Partners, a financial consulting company. He is a member of the Investment Committee of AXA Venture, a Senior Adviser at Lazard Brothers Bank, and Chairman and Managing Director of ITFD International, an association of corporate and government executives from both developed and emerging countries working in the field of information technology applications. He previously held the following positions: Non-Executive Director of Global TeleSystems, Ebone (USA); Chairman and CEO of NTL France; Founder, Chairman, and CEO of CESIA Consulting Group; Managing Director of the National Center for Government Information Systems; and Senior Executive Officer of the French Government Agency for Statistics and Economic Analyses (INSEE).

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 25 percent of the committed capital, but not to exceed €75 million plus reasonable normal investment expenses, in Greenpark International Investors III, 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.