PSERS OPPORTUNISTIC REAL ESTATE PROGRAM

Recommendation for Investment in
Lehman Brothers Real Estate Partners III, L.P.

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Lehman Brothers Real Estate Partners III, L.P.

EXECUTIVE SUMMARY

Lehman Brothers Real Estate Partners III, L.P. (together with its parallel funds, the "Fund" or "LBREP III") is a global real estate merchant banking fund being formed to continue Lehman Brothers' successful real estate investment activities. The Fund is the third generation opportunistic real estate private equity fund of Lehman Brothers Holdings Inc. ("Lehman Brothers" or the "Firm") and follows the success of Lehman Brothers Real Estate Partners II, L.P. ("LBREP II"), a $2.4 billion fund formed in December 2004, and its predecessor Lehman Brothers Real Estate Partners, L.P. ("LBREP I"), a $1.6 billion real estate fund formed in 2000 (together, the "LBREP Funds"). PSERS has committed previously to Lehman Brothers Real Estate Partners Funds I & II. The Fund will be managed by Lehman Brothers Real Estate Associates III, L.P. The Fund is targeting total capital commitments of $4.0 billion for opportunistic real estate equity investments primarily in North America, Europe and Asia. As with the LBREP Funds, Lehman Brothers and its employees will make a substantial contribution to the Fund, totaling at least the lesser of 20% of the total commitment and $800 million. This significant investment substantially aligns the interests among Lehman Brothers and its employees, the limited partners of the Fund and the management and employees dedicated to the Fund.

The Fund will benefit from its position in the Real Estate Private Equity Group ("REPE"), an integrated component of Lehman Brothers' Global Private Equity business, headed by Michael Odrich, and the Global Real Estate Group (the "Global Real Estate Group" or "GREG"), led by Mark Walsh. The Fund will be Lehman Brothers' primary vehicle for opportunistic investment in real estate and will be managed by Global Co-Heads, Brett Bossung and Mark H. Newman, each with over 18 years of industry experience. The close working relationship between REPE and GREG offers the Fund a unique opportunity to access the Firm's deal flow globally and enjoy the benefit of the many relationships established by Lehman Brothers with real estate entrepreneurs around the world.

THE SPONSOR

Preeminent Real Estate Platform. Lehman Brothers' Global Real Estate Group is a leading real estate franchise across a full range of products, including strategic advisory, initial public offerings, common stock, investment grade and high-yield debt, preferred stock, convertible securities, bank loans, mezzanine debt, CMBS, private placements and private equity. During the six-year period from 2000 through 2006, Lehman Brothers is estimated to have participated in more than $300 billion of real estate-related transactions. Lehman Brothers has been an active equity investor through principal transactions since 1993 and through the Real Estate Private Equity Group since 2000 on behalf of its three flagship funds, LBREP I and LBREP II, a series of global opportunity real estate funds and Lehman Brothers Real Estate Mezzanine Partners, L.P. ("LBREM"), a real estate mezzanine fund.

The breadth, depth and size of the Global Real Estate Group's capabilities and activities give Lehman Brothers a market presence which attracts both potential clients and transactions. Because of its dominant market presence, the Global Real Estate Group will be made aware of a substantial portion of all real estate capital transactions in the market through its network of clients, property owners, real estate companies and other businesses and relationships within and relating to the real estate industry.

Extensive Network of More than 500 Real Estate Relationships. The Fund will have access to extensive and, in many cases, proprietary or exclusive investment opportunities that will originate from Lehman Brothers' network of relationships. In addition to over 80 dedicated Real Estate Private Equity professionals, the Global Real Estate Group comprises over 400 real estate professionals worldwide, including 125 Managing Directors and Senior Vice Presidents who average eight years with Lehman Brothers and 17 years of real estate experience. These professionals have developed wide networks of relationships including more than 500 real estate corporations, operating companies, developers and owners throughout the world. The General Partner has created a financial incentive for these real estate professionals to originate investment opportunities for the Fund, and many of these senior real estate professionals will directly or indirectly invest in the Fund.

Lehman Brothers Private Equity Division. Lehman Brothers' Private Equity Division, a part of Lehman Brothers' Investment Management Division, has established a 23-year history of principal investing and has become a recognized and highly reliable source of capital in the marketplace. To date, Lehman Brothers has managed a number of private investment funds with various investment objectives and strategies having total committed capital in excess of $25 billion, including over $4.5 billion from Lehman Brothers and certain eligible employees. As of July 31, 2007, private equity assets under management were over $20 billion. Lehman Brothers Private Equity consists of 18 different investment strategies across the following six asset classes: merchant banking, venture capital, real estate, fund-of-funds, credit-related and infrastructure.

Aligning the activities of the division (including those of the Real Estate Private Equity Group) with Lehman Brothers' global origination platform greatly enhances the LBREP Principals' ability to successfully source, evaluate and execute real estate investments and to ultimately derive value from these investments.

Lehman Brothers' Global Footprint. The Fund will benefit from Lehman Brothers' global presence in 52 offices in 23 countries, leveraging the relationships of the Firm's 28,000 employees. Moreover, approximately 1,300 Lehman Brothers employees have personally invested over $200 million in the LBREP Funds, creating an additional alignment of interest with the limited partners of these funds, and it is anticipated that a significant number will invest in the Fund.

LBREP Principals. Throughout their careers, Messrs. Walsh, Bossung and Newman have developed personal and professional relationships that will provide an additional source of investment opportunities for the Fund. These gentlemen, each with over 18 years of real estate experience, have held leadership positions in the Real Estate Private Equity Group since its inception. Mr. Walsh is in his nineteenth year with Lehman Brothers, and since 1993, has overseen the Firm's distressed mortgage debt acquisitions, real estate principal equity and mezzanine lending activities as Head of Lehman Brothers' Global Real Estate Group. Mr. Walsh has had primary responsibility for over $300 billion in real estate equity and debt investments, including the investments made by the LBREP Funds and LBREM in his role as Co-Head of the Real Estate Private Equity Group from 2000 through 2006. Mr. Bossung served as Co-Head of LBREM, overseeing $1.7 billion of loan commitments, and has also held leadership roles in the Global Real Estate Investment Banking Group and the Real Estate Equity Capital Markets Group during his 15-year career with Lehman Brothers. Mr. Newman served as Head of the Real Estate Private Equity Group's European business from 2000 to 2005, and since 2005, has served as REPE's Global Chief Investment Officer and Chairman of the Screening Committee for REPE.

Messrs. Bossung and Newman will lead a team of professionals with extensive real estate investment experience that will be dedicated to the activities of the Fund. The LBREP Principals who lead this team were among those responsible for the acquisitions, asset management and finance and investor relations of LBREP I and II. The LBREP Principals, with an average of 15 years in the real estate industry, have broad contacts in the business, which are expected to generate further transaction opportunities for the Fund.

GLOBAL INVESTMENT OPPORTUNITIES

The continued volatility in the global economic and political environment, coupled with shifting demographics, is expected to provide attractive investment opportunities in the real estate sector over the investment period of the Fund. The investment objectives of the Fund will be achieved by anticipating, monitoring and analyzing the macro political, social, economic and capital market trends in its primary geographic regions, as well as the real estate supply and demand cycles in particular sub-markets.

Global Economic Strength. The global economy completed its fifth straight year of expansion in 2006, in the strongest period of growth since the early 1970s. For several years, the expansion has been synchronized, with the U.S., Europe and especially Asia contributing to overall economic strength. In the U.S., the Federal Reserve's increases in the Fed Funds rate have recently appeared to slow the expansion, as has weakness in the housing sector. Meanwhile, concerns over the health of the subprime lending sector and housing in general have added to volatility in the stock and bond markets, as investors have gauged their broader economic impact, and in particular the potential for credit tightening. However, low unemployment and new additions to payrolls suggest stability in the strength of consumer spending, while overseas demand, particularly for suppliers to the infrastructure build-out in China and India, appear to provide support to overall economic growth. In Europe, the long-term integration of markets and economies continues, helped by the unification of currency and efforts to improve and streamline regulation and other impediments to cross-border business. Economic growth is expected to be strong, with the fastest pace of expansion among newer EU entrants. Among more mature markets, Germany appears likely to show a strengthening recovery, while France is in the balance, albeit buoyed by recent results in presidential elections. Asian economies generate a substantial portion of their GDP from exports of goods and services, and as a result, Asia continues to benefit disproportionately from the synchronized global economic expansion. India and China should benefit from strong growth as they continue to expand their participation in the global economy and invest in domestic infrastructure.

Fundamentals and Liquidity Drive Real Estate Expansion. Real estate markets have, in general, experienced strong growth over the past several years, due both to favorable economic fundamentals and the exceptional liquidity that has been available in the capital markets. Over time, institutional investors have increasingly looked to alternative investments, including real estate, to diversify their portfolios. Private equity and hedge funds have been successful in attracting investment flows, focusing their investment efforts on portfolio acquisitions and take-private transactions. Numerous acquisitions of such publicly traded companies have pointed to the perceived potential on the part of private buyers, augmenting the traditional investor demand coming from institutions and yield-driven retail investors. Capital for real estate investments has been international in scope, with cross-border investments representing 42% of total direct commercial real estate investment transaction volumes in 2006.

Prolonged Economic Expansion in the United States. The expansion of the U.S. economy is expected to continue; however, some cooling could begin as a result of a softening housing market, concerns over the subprime lending sector, increasing energy costs and a weakening job market. Consumer-related fundamentals remain resilient with a modest slowing in job gains, but a pick-up in wages. Corporate profits are strong and remain one of the most relevant indicators of the economy. Total after-tax profits for all corporate businesses, both private and public, have more than doubled over the last five years, resulting in an annual growth rate of 15%. Despite softening in house price appreciation, net worth continues to rise, growing at an annualized rate of 10% in the fourth quarter of 2006. It is believed that the increase in financial assets has more than offset the deceleration in housing asset growth. Inflation concerns are expected to persist over the next few years, and the Federal Reserve will likely continue to weigh its promotion of economic growth against the risk of accelerating inflation.

Despite the cooling in economic growth, profits from the commercial real estate market are anticipated to remain robust. Supply growth has been relatively constrained due to higher construction costs in the form of materials, as well as land purchase prices. Meanwhile, the continued expansion has reduced inventory levels and improved occupancies. Moving forward, many major metropolitan areas are expected to add office jobs at or above their historical rates, which should further pressure supply. For industrial properties, supply and demand should remain stable, with occupancy remaining higher due to the long-term expansion, as supply begins to increase in some markets. Coastal regions, in particular, should benefit from international commercial activity. In the retail sector, a modest decline in consumer confidence related to higher short-term interest rates and the weakened housing market may affect earnings in the near term. However, favorable demographic trends and stable supply should keep fundamentals in balance. Finally, the apartment sector should experience strong demand due to demographic trends and overall job growth despite excess inventory created by previous overbuilding in the condominium segment.

In terms of investor demand, interest in the real estate sector remains strong, due to favorable earnings growth trends, continuing generous yields in comparison to the low interest rate environment and high levels of funding for private buyers. With the United States growing at a slower pace than Europe and Asia, the market is unlikely to “lift all boats” during the Fund’s investment period. As a result, selectivity and skill of investment managers will be increasingly important, especially in view of continuing abundance of capital for investment.

Economic, Political and Regulatory Convergence of European Economies. The continued economic integration and expansion of the European Union has created a stable platform for economic growth, resulting in a more efficient allocation and pricing of capital. Twelve new member states were admitted to the EU since 2004, expanding the union from 15 to 27 members including, among others, Poland, Latvia, Hungary, Czech Republic, Bulgaria and Romania. Additionally, there is strong capital movement towards the economies of anticipated new entrants, the prime example being Turkey, with 7% annual growth in 2006 boosted by strong foreign direct investment and high labor productivity. This economic integration has encouraged governments and corporations alike to rationalize their operations to improve competitiveness, as well as to enhance efficiency in their use and ownership of real estate assets.

In general, profitability among real estate companies is anticipated to grow, but the effects of higher oil prices, interest rates, German value-added tax and Italian taxes could prove a drag on results. With respect to specific sectors, industrial properties stand to benefit from the ongoing need for warehouse space and increased logistical capabilities. The office sector is also experiencing growth, bolstered by strong employment and favorable supply and demand. In the residential segment, demand for rental properties has increased due to higher home purchase prices (making rentals appear more affordable), while supply has been relatively limited. Still, the large scale of real estate investment flows in recent years, including the growth of a more global commercial mortgage-backed securities market, suggests that investors will need to work hard to discern the best opportunities among various markets and sectors across the European

Union. Looking beyond traditional investments to niche areas is one aspect of the General Partner's strategy that may prove effective during the Fund's investment period.

Determined Economic Growth in Asia. Asia is undergoing rapid economic growth, due to expanding manufacturing, service and exporting capabilities across a broad range of industries. The region has a relatively youthful workforce and a growing middle class, which increases its potential for self-sustaining economic growth and less dependence on economic cycles outside the region. Since the Asian crisis of the late 1990s, the financial system has improved markedly, with less leveraged companies, increased liquidity in capital markets and gradual reforms that have helped open up opportunities for international investors.

The rapid economic expansion in Asia has been driving real estate demand across asset classes. In the industrial sector, there has been strong demand for supply of new logistical plants in highly trafficked ports, vastly reducing inventories. Meanwhile, office properties are also attracting interest, although rapid development in some locations suggests the need for selectivity. For residential properties, luxury properties in financial centers continue to attract the interest of buyers, as the number of financial employers and their payrolls continues to increase. For retail properties, an ever-expanding consumer base, coupled with evolving consumer taste, is boosting development activity to new western-style retail facilities.

China. China's economy has enjoyed strong economic growth over the last decade, with GDP growing at approximately 10% per annum since 2003. The national GDP for 2006 was $2.7 trillion, a year-on-year growth of 10.7%, with GDP estimated to grow by 10.2% in 2007. China's growth has been led by the strength of its manufacturing and service sectors, which have contributed to a growing middle class seeking both residence and employment in urban areas.

Transportation, tourism, financial services and real estate account for approximately 40% of the country's economic activity, as the country expands its infrastructure to meet domestic growth, migration to urban areas and burgeoning employment needs. In addition, the abolition of a state-sponsored housing system in the 1990s, coupled with the introduction of land-lease rights, has contributed to the formation and expansion of the country's real estate investment market over the last decade. The confluence of a growing middle class and the expanding investment market has created substantial opportunity across the residential and commercial spectrums. With such dynamics expected to continue over the next decade, foreign and domestic real estate sponsors will seek to play a meaningful role in expanding China's institutional real estate market.

India. Among the key Asian nations, India stands out both for its current size and market potential. With a population of approximately 1.1 billion, India is second only to China, which it is likely to surpass within a few decades, given the relatively low average age of the Indian population. The country's economy grew by 9.2% in 2006, the highest since the economic reforms of 1991-92, and is expected to grow by about 8% annually over the next three years. Indian consumers and corporations supported this growth with robust performance in the services sector, including real estate and communications. The trade, hotel, transport and communications sectors are estimated to have contributed over 33% of the increase in GDP in 2006-07, while the manufacturing sector accounted for 19%. Companies in the information technology-enabled services and outsourcing service sector are developing a reputation for high-level capabilities, in addition to the relatively low cost of their educated workforces. These increasing employment opportunities have resulted in substantial growth in the country's disposable income per capita of 157% in the last five years, with forecasted growth of 10% per annum over the next five years.

Regulatory reforms have aided broad economic development as well as real estate expansion. India's real estate sector has historically been heavily regulated, with foreign investment either severely limited or entirely excluded. In 2005, the government opened up new opportunities for foreign direct investment, expanding the types of development projects available, while reducing approval hurdles. Exchange control regulations have also been liberalized, aiding the inflow of foreign capital. Overall, these elements are likely to create opportunities across a variety of segments of India's real estate market. For example, demand for new and larger store formats will require additional development, while a drop in the average age of home ownership is changing the mix of customer segments in residential real estate.

The following are key market conditions that will likely create opportunities for the Fund:

Capital Market Dislocations: The real estate markets are often characterized by dislocations between the private and public capital markets, and between real estate pricing and underlying real estate fundamentals. The Manager has extensive experience in creating customized financial structures that offer downside protection supported by fundamentally sound real estate. These transactions include private investments in public companies, recapitalizations of public companies during periods of illiquidity, structuring investments in companies when other capital sources are unavailable, and investing in large-scale single assets.

Government and Corporate Divestitures: Governments, financial institutions and large corporations often face pressure to divest non-strategic assets such as real estate and focus financial resources on core competencies. The Manager has demonstrated success buying real estate from corporate and government sellers. European corporations are continuing to adapt to the expansion of the European Union and deregulation of their economies, resulting in an ongoing process of real estate divestiture. In Japan, divestiture has accelerated as the government, financial institutions, and corporations struggle to reduce excessive leverage and restructure balance sheets after more than a decade of economic stagnation. Lehman Brothers and the Manager's extensive international platform and network of government and corporate relationships will be beneficial in sourcing these transactions.

Distressed Debt: Financial institutions periodically become involuntary owners of real estate and non-performing and sub-performing loans due to financial and real estate market volatility. Often institutions are forced to sell these assets as a result of an inability to manage the underlying real estate and/or recapitalize the assets, corporate balance sheet pressures, and regulatory constraints. The Manager is experienced in evaluating both real estate fundamentals and complex bankruptcy processes, thereby creating investment opportunities to either acquire assets from financial institutions or team-up with under-capitalized borrowers who have opportunities to acquire their own debt at an attractive discount.

Continued recapitalization of overleveraged property owners: Many private owners of real estate continue to face significant balance sheet pressure resulting from high leverage and short-term debt maturities. This is most evident in Japan. This environment may continue to create very significant opportunities for targeted acquisitions.

EXECUTION OF STRATEGY AND MITIGATION OF RISKS

Proprietary Deal Flow: LBREP 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 Lehman Brothers 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.

High Quality Local Partners: LBREP 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 LBREP 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: LBREP 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. LBREP 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 the Fund'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, LBREP carefully adapts business plans to changing local market conditions and to actively identify attractive exit opportunities.

Alignment of Interests: As with previous LBREP funds, at least 20% of the total capital commitment (up to $800 million) will be made by Lehman Brothers and its employees. This significant commitment substantially aligns the interests between Lehman Brothers and its employees, the limited partners of the Fund and the management and employees dedicated to the Fund.

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 North American, Asian and Western European markets.

MANAGEMENT OF THE FUND

The Fund will benefit from its position in the Real Estate Private Equity Group ("REPE"), an integrated component of Lehman Brothers' Private Equity business, headed by Michael Odrich, and the Global Real Estate Group, led by Mark Walsh. The Fund expects to be staffed by substantially the same team of real estate professionals that worked together on the LBREP Funds.

The team will be directed by co-heads Brett Bossung and Mark H. Newman, and comprises over 80 professionals in regional offices in New York, London, Frankfurt, Hong Kong, Tokyo and Mumbai. The LBREP team has strong acquisitions expertise and a complementary range of skills including (i) extensive local experience in key geographic markets, (ii) thorough understanding of legal, accounting and structuring frameworks, (iii) analytical and corporate finance skills, (iv) asset and portfolio management and (v) strong relationships with leading third-party arrangers of debt finance.

Mark A. Walsh is a Managing Director of Lehman Brothers and Head of Lehman Brothers' Global Real Estate Group. Mr. Walsh is in his nineteenth year with Lehman Brothers. Since 1993, he has overseen the Firm's distressed mortgage debt acquisitions, real estate principal equity and mezzanine lending activities. During his career at Lehman Brothers, Mr. Walsh has overseen the origination of more than $300 billion of commercial real estate debt and equity transactions. Under his leadership, Lehman Brothers has been a top-ranked CMBS underwriter both globally and domestically over the past decade. In addition to his responsibilities as Head of the Global Real Estate Group. Mr. Walsh is a member of Lehman Brothers' Investment Committee and the Fixed Income Operating Committee. Prior to joining Lehman Brothers, Mr. Walsh was a lawyer and represented financial institutions in all aspects of commercial mortgage loan origination, workouts and secondary market transactions. Mr. Walsh is also a Founding Member of the Ziman Center for Real Estate at UCLA's Anderson School of Management and holds a B.A. from the College of the Holy Cross and a J.D. from Fordham Law School.

Brett Bossung is a Managing Director of Lehman Brothers and Global Co-Head of Real Estate Private Equity. Mr. Bossung has been at Lehman Brothers for 15 years and before taking over as Global Co-Head of Real Estate Private Equity he served as Co-Head of LBREM. Mr. Bossung is also a member of the Firm's Private Equity Management Committee. Prior to joining Lehman Brothers' Real Estate Private Equity Group, Mr. Bossung was one of the senior bankers in the Global Real Estate Investment Banking Group where he was involved in a broad range of financial advisory/M&A assignments, asset dispositions, initial public offerings and single-asset and pooled CMBS transactions. During his 18-year career he has been involved with over $20 billion of transactions. From 1996 through 1998, Mr. Bossung was head of the Real Estate Equity Capital Markets Group, responsible for structuring equity related transactions and coordinating all real estate equity-related offerings. Prior to joining Lehman Brothers, Mr. Bossung worked in the real estate investment banking group at Kidder, Peabody & Co. Mr. Bossung holds a B.A. from Drexel University and an M.B.A. from the University of Chicago.

Mark H. Newman is a Managing Director of Lehman Brothers and Global Co-Head of Real Estate Private Equity. Mr. Newman chairs the Screening Committee for the LBREP Funds and LBREM and is also a member of the firm's Private Equity Management Committee. He joined Lehman Brothers in June 2000 as the Head of Europe for Real Estate Private Equity and then moved on to become the Global Chief Investment Officer for Real Estate Private Equity. Prior to joining Lehman Brothers, Mr. Newman was a managing director and a principal with the Fortress Investment Group (Fortress), where he managed its European business. He joined Fortress from Gentra Inc., a Canadian real estate finance company (formerly known as Royal Trustco), where he worked from 1993 to 1998. Mr. Newman has over 18 years of real estate experience and holds a B.A. from Dartmouth College and an LL.B. from Dalhousie University.

Michael Barr is a Managing Director and principal of Lehman Brothers Real Estate Partners. Prior to joining Lehman Brothers in 2001, Mr. Barr was a principal and a member of the Investment Committee at Westbrook Partners, L.L.C., a real estate merchant banking firm. During his tenure at Westbrook, which spanned three real estate investment funds with $2.7 billion in total equity capital, Mr. Barr focused on transaction origination and execution throughout the U.S. He began his career in the Real Estate Investment Banking Group at Merrill Lynch & Co., where he participated in numerous financing and advisory assignments for public and private real estate companies. Mr. Barr has 15 years of real estate experience and holds a B.B.A. from the University of Wisconsin.

Karen Blakely is a Managing Director of Lehman Brothers and a principal of Lehman Brothers Real Estate Partners. From 1995 through 2001, Ms. Blakely was a member of Lehman Brothers' Principal Transactions Group, managing deals and investments on behalf of the Firm. Prior to joining Lehman Brothers, she was a member of the Portfolio Management Group at Hanford Healy Real Estate Advisors, based in San Francisco, where she participated in multiple mortgage and equity portfolio acquisitions, restructures and dispositions on behalf of public and private clients, including Lehman Brothers. Ms. Blakely has over 17 years of real estate experience and holds a B.A. from Cornell University.

Michael J. McNamara is a Managing Director of Lehman Brothers and a principal of Lehman Brothers Real Estate Partners. Prior to joining Lehman Brothers in 2000, Mr. McNamara was National Head of Acquisitions at Lend Lease Real Estate Investments and its predecessor

Equitable Real Estate Investment Management. Mr. McNamara was instrumental in executing a broad range of real estate transactions at Lend Lease including over $5 billion in acquisitions in his last two years there. While at Lend Lease, Mr. McNamara was responsible for the formation of the Lend Lease Office Trust, a joint venture acquisition of $1 billion of office buildings from Equity Office Properties. Mr. McNamara is a member of the Leadership Group of the Urban Land Institute, a member of the Board of Directors of the National Multi-Family Housing Council and a member of International Council of Shopping Centers. He has 27 years of real estate experience and holds a B.S. from St. John’s University.

Gerald Parkes is a Managing Director of Lehman Brothers and a principal of Lehman Brothers Real Estate Partners responsible for the day-to-day management of the Fund’s European activities and investments. Mr. Parkes has more than 25 years of experience in cross-border investment for institutional funds, having been a partner in Richard Ellis’ Investment Management business in the United States during the 1980s, as well as the initiating partner for The Yarmouth Group in Europe in 1989 and the founder of Parkes and Company in 1995. In 2001, he sold Parkes and Company to Invesco where he was a Global Partner and head of its European Real Estate Investment Management business. He joined Lehman Brothers in 2004. Mr. Parkes is a Fellow of the Royal Institute of Chartered Surveyors, a Trustee and former Chairman of the Urban Land Institute in Europe and the Chairman of the Real Estate Advisory Board for Cambridge University. He holds an M.A. from Cambridge University.

Kevin Dinnie is a Managing Director of Lehman Brothers and a principal of Lehman Brothers Real Estate Partners, responsible for global asset management. Prior to joining Lehman Brothers in early 2001, Mr. Dinnie was a managing director with GE Capital Real Estate where he worked in both the U.S. and Europe from 1990. He had overall responsibility for risk and asset management in Europe and was instrumental in the growth of GE’s European portfolio from $500 million in 1992 to over $6 billion of investments across 15 European countries. Prior to joining GE, Mr. Dinnie worked for Andersen Consulting in the Real Estate Services Group. He has 22 years of real estate experience and holds a B.A. and M.B.A. from the University of Connecticut.

John P. McCarthy is a Managing Director of Lehman Brothers, responsible for asset management of the European portfolio. Prior to joining Lehman Brothers Real Estate Partners in 2005, Mr. McCarthy was a Partner at O’Connor Capital Partners (O’Connor), Co-Head of O’Connor’s European business and Head of European Asset Management. O’Connor is co-general partner with JP Morgan of the Peabody and Argo Funds. Prior to his employment with O’Connor, Mr. McCarthy was with GE Capital for 17 years. Mr. McCarthy spent 12 of those years with GE Real Estate in a variety of locations and roles. From October 1998 until he joined O’Connor, Mr. McCarthy was located in Vienna, Austria and was responsible for GE Real Estate’s investing activities across Central Europe. Mr. McCarthy holds a B.S. in Finance from the University of Connecticut and an M.B.A. in Accounting from Fordham University.

Rodolpho Amboss is a Managing Director of Lehman Brothers and a principal of Lehman Brothers Real Estate Partners, responsible for global financial and risk management. Mr. Amboss joined Lehman Brothers in 1997 and, prior to joining the Real Estate Private Equity Group, was involved in a number of financial advisory assignments, strategic/M&A and capital markets transactions for both private and public clients. Prior to joining Lehman Brothers, Mr. Amboss worked for Gafisa S.A., one of Brazil’s largest residential development and construction companies. He has over 21 years of experience in the acquisition, development, operation, financing and risk management of commercial and residential real estate worldwide. Mr. Amboss received a B.Sc. in Civil and Construction Engineering from Universidade Federal do Rio de Janeiro, Brazil and an M.B.A. from the University of Chicago’s Graduate School of Business.

Michael J. Odrich is a Managing Director and Global Head of the Lehman Brothers Private Equity business. The Lehman Brothers Private Equity business currently manages in excess of $20 billion of committed and invested capital across six different asset classes and 18 fund strategies. Mr. Odrich joined Lehman Brothers in 1986 in the M&A Department. Beginning in 1992, he spent three years working directly for Lehman Brothers' Chairman and Chief Executive Officer. During this time, Mr. Odrich worked on the spin-off transaction of Lehman Brothers from American Express in 1994. In 1995, he joined the Firm's Private Equity business, responsible for identifying, executing and managing investments for the Merchant Banking Group. Also in 1995, he established the Firm's venture capital investment program and has led that business since inception. Mr. Odrich became Head of Private Equity in 2000. In 2001, Real Estate investing was added to the Private Equity platform, and in 2002, the Credit-Related and Fund of Funds asset classes were added. In 2006, Infrastructure was added as the sixth asset class of private equity. Mr. Odrich is a member of the Lehman Brothers Management Committee. He also is a member of the Firm's Investment Committee, Valuation Committee and the Screening Committees for the six asset classes of private equity. Mr. Odrich is currently a director of Firth Rixson LLC and Regeneration Technologies, Inc. (NASDAQ: RTIX). Mr. Odrich holds a B.A. from Stanford University and an M.B.A. from Columbia University.

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 $300 million plus reasonable normal investment expenses, in Lehman Brothers Real Estate Partners 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.