

# Domestic Private Equity Fund Commitment

## First Reserve Fund XII, L.P.

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# First Reserve Fund XII, L.P.

## Domestic Private Equity

### Overview

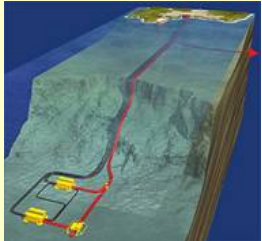
- Energy investments with significant growth potential, strong market positions and multiple exit opportunities across the energy sectors
- Targeted investments of \$200 million to \$1.5 billion in companies involved in the global energy and natural resources industries

### Fund Strategy

- Create value by structuring investments with significant equity to provide adequate capital for growth
- Largest portion of investments will be in Energy Manufacturing and Services, including existing energy infrastructure and new infrastructure development
- Additional investment focus will be Energy and Natural Resources Reserves, Renewables and Alternative Energy and Energy-Related Insurance and Financial Investments
- Pennsylvania Presence – 5 Pennsylvania companies, 782 employees and a payroll of \$53 million

# Diversified Portfolio Capturing Multiple Investment Theses

Reserves	Renewables / Alternatives	Services & Manufacturing		Insurance, Financial & Other
~25%	~15%	~25%	+	~25%



## Investment Type

- |   |  |  |   |  |
|---|--|--|---|--|
| <ul style="list-style-type: none"> <li>• <b>Hydrocarbons</b> <ul style="list-style-type: none"> <li>• Oil</li> <li>• Gas</li> <li>• Coal</li> </ul> </li> <li>• <b>Uranium , Iron Ore &amp; Other Minerals</b></li> </ul> | <ul style="list-style-type: none"> <li>• <b>Biofuels</b> <ul style="list-style-type: none"> <li>• Ethanol</li> <li>• Bio-Diesel</li> </ul> </li> <li>• <b>Alternative Power</b> <ul style="list-style-type: none"> <li>• Wind</li> <li>• Solar</li> <li>• Waste-to-Energy</li> </ul> </li> <li>• <b>CO2 Capture / Trading</b></li> </ul> | <ul style="list-style-type: none"> <li>• <b>Production Assets</b></li> <li>• <b>Transportation</b></li> <li>• <b>Processing</b></li> <li>• <b>Refining</b></li> <li>• <b>Power Generation</b></li> <li>• <b>Energy Distribution</b></li> </ul> | <ul style="list-style-type: none"> <li>• <b>Oilfield Services</b></li> <li>• <b>Mining Services</b></li> <li>• <b>Refining Services</b></li> <li>• <b>Power and Utility Services</b></li> <li>• <b>Capital Goods</b></li> <li>• <b>After-Market Service and Repair</b></li> </ul> | <ul style="list-style-type: none"> <li>• <b>Energy-related Insurance</b></li> <li>• <b>Energy-related Financial</b></li> </ul> |
|---|--|--|---|--|

## Drivers

- |  |   |   |   |  |
|--|---|---|---|--|
| <ul style="list-style-type: none"> <li>• <b>Growth of Demand and No Excess Capacity</b></li> <li>• <b>Remote and Technically Challenging Reserves</b></li> <li>• <b>Emergence of Longterm Hedging Markets</b></li> </ul> | <ul style="list-style-type: none"> <li>• <b>Focus on Global Warming</b></li> <li>• <b>Global Consciousness over Hydrocarbon Dependence</b></li> <li>• <b>Technological Advances Expanding the Market</b></li> </ul> | <ul style="list-style-type: none"> <li>• <b>Aging Existing Infrastructure (US and Europe)</b></li> <li>• <b>Absence of Infrastructure (BRIC)</b></li> <li>• <b>Rising Replacement Costs</b></li> <li>• <b>Power Assets</b></li> </ul> | <ul style="list-style-type: none"> <li>• <b>Industry Capacity Limitations</b></li> <li>• <b>More Complex and Costly Operations</b></li> <li>• <b>Rising Costs</b></li> <li>• <b>Emergence of National Companies as Customers</b></li> </ul> | <ul style="list-style-type: none"> <li>• <b>Evolution of Energy Insurance Markets</b></li> <li>• <b>Opportunistic Market-related Situations</b></li> </ul> |
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See Last Page for Disclaimer

# First Reserve Fund XII, L.P.

## Domestic Private Equity

### Investment Team

- Leading, most experienced, energy-focused private equity firm in the world
- Team of 100 employees worldwide; including 55 investment professionals
- Decades of energy investment experience in hundreds of companies

### GP “Value Add”

- 25 year history in development of a strong franchise of investing exclusively in the energy industry.
- Utilization of its broad base of specialist industry knowledge serving as a valuable competitive advantage
- Create value by structuring investments with significant equity to provide adequate capital for growth

### Performance

- Overall Gross IRR of 35.0% (First Reserve Funds VI-XI)
- Each of First Reserve’s funds has top-quartile performance for their vintage year

# First Reserve Fund XII, L.P.

## Domestic Private Equity

### Market Opportunity

- Fund provides PSERS with worldwide energy sector exposure

### History with PSERS

- This would be PSERS second fund relationship with First Reserve Corporation
- PSERS invested \$200 million in First Reserve Fund XI, L.P.

### Recommendation

- Staff, together with Portfolio Advisors, recommends that the Board invest an amount equal to 25 percent of the committed capital, but not to exceed \$250 million plus reasonable normal investment expenses