



# Private Debt Fund Commitment

## Avenue Special Situations Fund VI, L.P.

April 28, 2011

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# Avenue Special Situations Fund VI, L.P. – Private Debt Fund

## Overview

- Fund size is anticipated to be \$2 billion
- Will mostly invest in the non-control debt of US companies
- Avenue tends to focus on investing in the senior most part of the capital structure

## Fund Strategy

- Investments are expected to be made in: (i) companies that are undergoing restructuring, reorganization or bankruptcy; (ii) companies experiencing operational or financial difficulty; (iii) companies in industries that are in turmoil; and (iv) companies that are undervalued because of discrete extraordinary events

## Investment Team

- The fund will be managed by CEO and Co-Founding Partner Marc Lasry
- The team consists of 200 employees, comprising 27 investment professionals all located in New York City

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## GP “Value Add”

- Avenue’s comprehensive and deep credit and sector knowledge, led by it’s experienced team of portfolio managers and restructuring experts, affords it strong positioning in a distressed cycle

## Performance

- US Fund II has a net 1.6x MOC and a 20.7% IRR (12/31/2010)
- US Fund III has a net 1.7x MOC and a 18.5% IRR (12/31/2010)
- US Fund IV has a net 1.3x MOC and a 8.3% IRR (12/31/2010)
- US Fund V has a net 1.3x MOC and a 12.3% IRR (12/31/2010)

## Market Opportunity

- It remains challenging for many lower rated companies to refinance their debt
- Less competition now compared to prior years; Dodd-Frank and Basel III will exacerbate this

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## History with PSERS

- This will be PSERS tenth fund investment with Avenue. PSERS is an LP in the following Avenue Funds: Asia II, Asia III, Asia IV, Europe I, US Fund II, US Fund III, US Fund IV, US Fund V, and Real Estate Fund I.

## Board Issues

- Pennsylvania Presence – Avenue does not currently have a PA presence
- Placement agents – JP Morgan (one client so far) and Credit Suisse (as needed)
- PA political contributions – Marc and Cathy Lasry hosted an event for Robert McCord, Treasurer and paid the catering cost \$4,121 on June 22, 2010
- Relationship with consultant – Portfolio Advisors Fund of Funds investments: \$10 million in Avenue US IV; \$15 million in US V; \$15 million US V

## 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 \$75 million plus reasonable normal investment expenses.