



Value-Added Real Estate Commitment

DRA Growth and Income Fund VII, LLC

June 9, 2011

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Private Markets and Real Estate

DRA Growth and Income Fund VII, LLC – Value-Added Real Estate

Overview

- Fund size is anticipated to be \$850 million - \$1 billion
- Invest in direct and indirect controlling equity interests and loans secured by interests in real estate
- Preservation of capital, downside protection and stability of cash flows underlie the firm's investment approach

Fund Strategy

- Invest in a diversified portfolio of office, retail, multifamily, industrial and other real-estate related properties and assets across the United States and its territories. A significant portion of the return to the fund is expected to be from cash flow. DRA will pursue value-enhancement opportunities as well as capitalize on market inefficiencies

Investment Team

- The fund will be managed by thirteen partners, including one Founding Partner. The thirteen partners also own 100% of DRA
- The team consists of 74 employees; including 67 investment professionals located in New York City, San Francisco and Miami

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GP “Value Add”

- DRA has a wealth of investment experience, networks of industry leaders, an entrepreneurial style, and a history of successful value-added real estate investing throughout many cycles

Performance (as of December 31, 2010)

- DRA Opportunity Fund (1995) has a net 2.1x MOC and a 16.1% IRR
- DRA G&I Fund (1997) has a net 1.9x MOC and a 12.3% IRR
- DRA G&I Fund II (1998) has a net 2.2x MOC and a 15.7% IRR
- DRA G&I Fund III (2000) has a net 2.7x MOC and a 24.2% IRR
- DRA G&I Fund IV (2003) has a net 1.6x MOC and a 13.1% IRR
- DRA G&I Fund V (2005) has a net 1.0x MOC and a -0.6% IRR
- DRA G&I Fund VI (2007) has a net 0.9x MOC and a -3.0% IRR

Market Opportunity

- Approximately \$1.5 trillion commercial mortgage maturities will need to be refinanced or paid off over the next few years
- Without job growth the pace and depth of a broad real estate, and general economic, recovery remains uncertain

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History with PSERS

- This will be PSERS second fund investment with DRA . PSERS invested \$148 million in DRA Growth and Income Fund VI in 2007

Board Issues

- Pennsylvania Presence – DRA currently owns 29 office properties in Pennsylvania, totaling 1.6 million SF and valued at \$250 million
- Placement agents – DRA does not use a placement agent
- PA political contributions – none
- Relationship with consultant – none

Recommendation

- Staff, together with Courtland Partners, Ltd, recommends that the Board invest an amount equal to 25 percent of the committed capital, but not to exceed \$100 million plus reasonable normal investment expenses