



Private Equity Fund Commitment

Platinum Equity Capital Partners III, L.P.

January 19, 2012

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Charles J. Spiller, Managing Director,
Private Markets and Real Estate

Platinum Equity Capital Partners III, L.P. - Private Equity Fund

Overview

- Fund size is \$3.75 billion with an expected hard cap of \$4 billion
- Invest in undervalued and underperforming businesses and execute operations-intensive turnarounds
- Fund will primarily invest in North American and Western European companies

Fund Strategy

- Platinum's Mergers & Acquisitions & Operations approach deploys comprehensive operational capabilities at the earliest stages of the investment process
- Platinum invests in mission-critical businesses that have recurring revenues and long-term customer relationships, but are undermanaged, underperforming, or experiencing some degree of operational difficulty
- Platinum targets non-core assets of larger conglomerates which, due to the inefficiencies of these operations, often provide Platinum with a platform for add-on investments

Investment Team

- Fund will be managed by Tom Gores who founded Platinum in 1995, and a core group of senior professionals who joined Platinum during its formative years
- Platinum has grown steadily in size and scope and now comprises 120 investment professionals with substantial operations capability and experience
- Platinum is headquartered in Beverly Hills, CA, with principal offices in London, Boston and New York

Platinum Equity Capital Partners III, L.P. – Private Equity Fund

GP “Value Add”

- Since 1995, Platinum’s consistent investment strategy has resulted in best-in-class investment returns
- Platinum is well positioned to capitalize on opportunities across a wide variety of industries
- Platinum focuses on the business characteristics of the target company and the dynamics of the transaction
- Platinum has a dedicated business development team of approximately 15 professionals that proactively source and screen investment opportunities that meet the Firm’s investment criteria
- Platinum integrates the Firm’s in-house capabilities across the full life cycle of an investment

Performance

- PECP Fund I, a vintage 2004 fund, has a net 3.4x MOC and a 62.8% net IRR
- PECP Fund II, a vintage 2007 fund, has a net 1.4x MOC and a 9.1% net IRR

Market Opportunity

- The Partners have invested successfully through numerous business cycles and a variety of market conditions
- Platinum minimizes financial risk by negotiating favorable entry prices, minimizing upfront equity investments, managing cash prudently within its portfolio companies and recovering invested capital quickly once cash flows exceed operating costs
- Platinum places a premium on scalability, and the ability not only to scale downward during difficult economic periods but also scale upward when expansion is warranted

Platinum Equity Capital Partners III, L.P. – Private Equity Fund

History with PSERS

- This will be PSERS third commitment to Platinum. PSERS committed \$125 million to Platinum Equity Capital Partners I, a vintage 2004 fund, and \$300 million to Platinum Equity Capital Partners II, a vintage 2007 fund

Board Issues

- Pennsylvania Presence – 17 facilities in PA employing more than 750 people with an annual payroll of approximately \$42 million
- Placement Agents – Park Hill Group has been hired for new investor commitments. (There is no placement agent for PSERS)
- PA Political Contributions – none
- Relationship with Consultant – PECP II – Portfolio Advisors invested an aggregate \$30 million through Portfolio Advisors Private Equity Fund IV-C, Portfolio Advisors Private Equity Fund IV-C Offshore and Portfolio Advisors Private Equity Fund V-C.
- In PECP III, Portfolio Advisors committed \$20 million from Portfolio Advisors Private Equity Fund VI

Recommendation

- Staff, together with Portfolio Advisors, recommends that the Board invest an amount not to exceed \$200 million plus reasonable normal investment expenses

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December 28, 2011

Board of Trustees
Pennsylvania Public School Employees' Retirement System
5 North 5th Street
Harrisburg, PA 17101

Re Platinum Equity Capital Partners III, L.P.

Dear Trustees:

Platinum Equity Capital Partners III, L.P. ("Fund III" or the "Fund") is being formed by Platinum Equity, LLC (together with affiliates, "Platinum" or the "Firm") to invest in undervalued and underperforming businesses and execute operations-intensive turnarounds. Platinum was founded in 1995 by Tom Gores, an entrepreneur with more than 24 years of experience as both a principal investor and operator. The Firm continues to be managed by Mr. Gores and a core group of senior professionals who have an average tenure of more than a decade working together. Fund III is seeking aggregate capital commitments of \$3.75 billion with an expected hard cap of \$4.0 billion. The General Partner and its affiliates will make a meaningful commitment by investing at least \$200 million in Fund III, and will augment this with an additional commitment for co-investments alongside Fund III.

Platinum's investment strategy for Fund III, consistent with all of its prior funds, is to invest in underperforming businesses and apply operational improvements to build enterprise value while seeking to generate best-in-class investment returns. Fund III will opportunistically target companies that are experiencing operational difficulty but exhibit strong underlying business characteristics, including (i) long-term customer relationships; (ii) products and services or other elements that make the customer base and associated revenues "sticky" and predictable; (iii) established brands; (iv) sizeable market shares; and (v) value locked in the balance sheet. Because of its comprehensive operations focus and capabilities, Platinum believes it is able to identify and acquire non-core or underperforming assets of large companies, or to take-private public companies, whose value is being negatively impacted by operating challenges, establish those assets as a standalone business, and create and extract value by improving the company's operations and integrating add-on acquisitions. The Fund will primarily invest in North American and Western European companies but will also review opportunities in other geographies. The Firm's approach is not industry-specific. Instead, Platinum believes it is well-positioned to capitalize on opportunities across a wide variety of industries because the Firm focuses on the business characteristics of the target and the dynamics of the transaction.

Platinum's M&A&O approach integrates the Firm's in-house capabilities across the full lifecycle of an investment. Platinum's investment professionals are organized into groups: (i) the Business Development Team is responsible for global sourcing, identifying and screening acquisition opportunities for the Firm; (ii) M&A Teams are responsible for diligence, buy- and sell-side transaction execution; and (iii) Operations Teams lead the transition and integration process, and post-close operations supervision of companies in the Platinum portfolio. These disciplines are

integrated at the root level, with substantial cross-collaboration among each at every step of the investment process.

Portfolio Advisors' recommendation is based upon the following analytical factors and is made within the context of PSERS' investment guidelines.

- Detailed due diligence, including interviews with industry peers, private equity professionals and CEOs of portfolio companies.
- Evaluation of the composition of the investment team, how they work together, compensation structure and other factors that help determine whether a group is likely to be able to replicate past successes as currently configured.
- Evaluation of the Fund's proposed investment strategy within the context of the current investment environment.
- The strategy proposed for the Fund is appropriate for the Private Equity Partnership component of the portfolio.

Based on the above, Portfolio Advisors recommends that PSERS commit to up to \$200 million of limited partnership interests in Platinum Equity Capital Partners III, L.P. Portfolio Advisors makes this recommendation considering the General Partner's qualifications and PSERS' overall investment guidelines.

This recommendation is given solely for the benefit of PSERS and cannot be relied upon by other investors considering an investment in the Fund, since their needs, objectives and circumstances may not be identical to those of PSERS. The scope of this recommendation is limited to the investment merits of the Fund. Portfolio Advisors does not provide legal or other non-investment-related advice.

Sincerely,

A handwritten signature in blue ink, appearing to be 'J. P. ...', is written over a faint, light blue circular watermark or seal.

Portfolio Advisors, LLC