

Value Added Real Estate Fund Commitment

Strategic Partners Value Enhancement Fund II

May 1, 2008

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Strategic Partners Value Enhancement Fund II

Value Added Real Estate

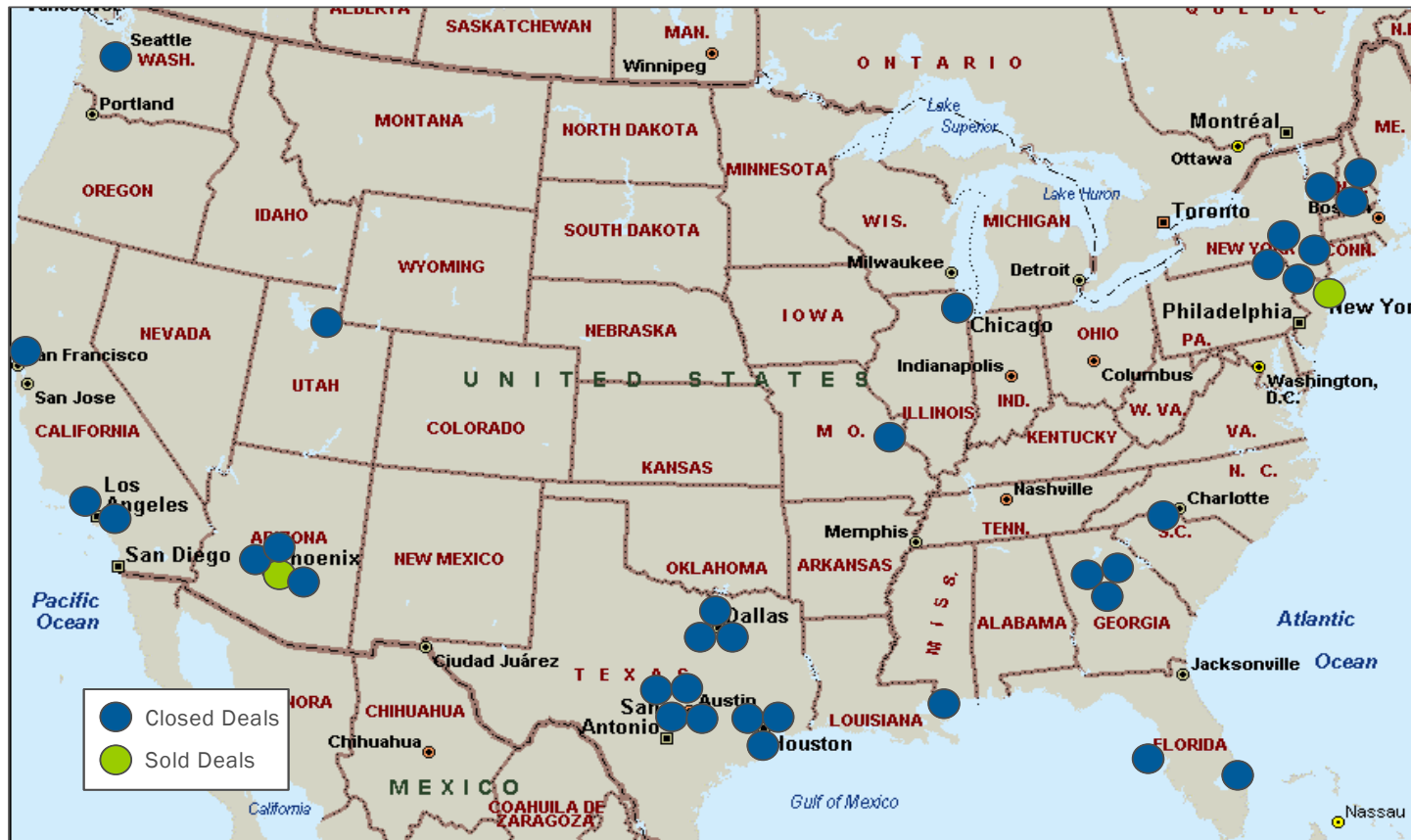
Overview

- Fund size of \$400 to \$500 million
- Principal focus is on analyzing, underwriting, and operating properties to enhance cash flow and exit values
- Use a network of local operators to enhance proprietary deal flow

Fund Strategy

- Seek smaller “off-market” value-add opportunities with a total size between \$10 and \$40 million
- Tri-coastal market strategy utilizing joint ventures with experienced local operators
- Pennsylvania Presence – Fund I targeted industrial in the Harrisburg market and apartments in Pittsburgh and Philadelphia. They did not meet the Fund’s return and risk criteria. SPVEF II will continue to focus on the major real estate markets in Pennsylvania

SPVEF I “Tri-Coastal” Strategy



Portfolio Focused In Tri-Coastal Markets

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Investment Team

- Fully staffed with 15 professionals in Chicago, Indianapolis, and New York City
- Executives and lead acquisition team members have invested over \$15 billion in the last 14 years

GP “Value Add”

- GP has a well-established and extensive database of local real estate operators to enhance sourcing and operations

Performance

- As of the end of 2007, Fund I invested \$176.2 million of equity in 38 investments, with 2 sold for a gross IRR of 60% and a projected IRR for the remaining portfolio of 21%

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Market Opportunity

- Utilize relationships with local operators to source smaller deals not normally accessible to institutional investors
- Ability to avoid competitive bidding situations
- Superior market knowledge

History with PSERS

- PSERS has a \$55 million commitment to SPVEF I

Recommendation

- Staff, together with Courtland Partners, recommends that the Board invest an amount equal to 90.91 percent of the committed capital, but not to exceed \$100 million plus reasonable normal investment expenses, in a side fund

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