



PSERS PRIVATE INVESTMENT PROGRAM

**Recommendation for Investment in
Bridgepoint Europe IV, L.P.**

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Bridgepoint Europe IV, L.P.

EXECUTIVE SUMMARY

Bridgepoint, the premier pan-European middle-market buy-out group, is raising its fourth fund, Bridgepoint Europe IV. The Fund has a target size of €4 billion and will capitalize on the continued opportunity to create and realize value from middle-market acquisitions in Europe. Bridgepoint has operated as a single firm across Europe since 1990 and has generated strong and consistent investment performance. Key attributes of the Firm are its long-established culture and investment disciplines, its proven ability to add value to its acquisitions and the depth and quality of its investment track record.

European Business

Bridgepoint operates as a single team throughout Europe. The Firm pools resources across its network with individuals allocated to particular transactions based on their transaction and sector experience. Of its team of over 80 professionals, over 60 concentrate directly on investments, including 19 Bridgepoint Partners who on average have worked for Bridgepoint for 13 years of their 16 years' experience in private equity. Bridgepoint has the largest and most experienced private equity team focused solely on larger scale middle-market transactions on a pan-European basis. The investment team benefits from a high quality support group handling the financial, accounting, tax, reporting and compliance functions of Bridgepoint professionally and effectively.

History

Bridgepoint was established in the UK in 1984 as part of NatWest. It established a team in France in 1991, Spain in 1992, Germany in 1995 and Italy in 1996. The Firm made its first investment in the Nordic Region in 1995 and opened an office in Stockholm in 2001. In April 2007, the Firm established a Warsaw office.

The Warsaw office will focus both on support for existing Bridgepoint portfolio companies (several of which have operations in Central and Eastern Europe or ambitions to expand there) and also will evaluate transactions emanating from the region that meet Bridgepoint's investment criteria.

In the mid-1990s, Bridgepoint recognized the competitive advantage that would arise from bringing this local network together in order primarily to transform domestic businesses into larger European concerns, thereby attracting greater trade interest on exit.

In 1995, Bridgepoint began to operate as a cohesive team across Europe by establishing a one-firm culture, later reinforced by a single carried interest scheme. This arrangement rewards the team on the performance of a fund as a whole, irrespective of the geographic location of any particular investment. It is central to Bridgepoint's structure and culture today.

In December 1999, the Bridgepoint Partners and employees acquired the management company from NatWest. This transaction completed in June 2000. In a defining and reinvigorating moment for the team, the business was re-branded as 'Bridgepoint' and became 100% owned by the Bridgepoint Partners and employees.

Investment Team

Bridgepoint's team of over 60 investment professionals comprises highly experienced individuals with differing backgrounds tailored to the needs of Bridgepoint. About two-thirds of the team has worked previously in the financial or consulting sector, with the balance possessing industrial or operational experience. Three-quarters of the team speaks at least

two European languages and a significant number speak more. Geographically, over half of the investment team is located in six offices across Europe with the remainder in the UK.

Investment Performance

The key highlights of Bridgepoint's investment performance are as follows:

- BE II (2001 Vintage Fund) has produced a realized gross IRR of 51% and a 3.1x gross cash multiple from 14 full and one partial realization; substantial value remains to be realized from its 14 remaining investments.
- 3.1x gains have been generated from the 25 exits Bridgepoint has achieved on the 54 investments completed since it became independent.
- €7.6 billion in cash proceeds have been returned to investors, including €6.3 billion since 2000.
- Realizations from BE I and BE II Funds have been achieved at a weighted average premium of approximately 50% over their prior half-year valuation, demonstrating the prudence of Bridgepoint's valuation policies and practices.
- Consistent performance has been maintained throughout economic cycles. For the nine rolling three-year investment periods since 1996, Bridgepoint's average realized multiple has been 2.5x investment cost.

INVESTMENT STRATEGY

Bridgepoint has operated in the European middle-market for 17 years. Its investment strategy is to use its reach and resources to acquire robust, market-leading businesses across Europe, often with existing or prospective operations in several of the region's countries. These companies must have significant potential to grow rapidly, organically or by acquisition, or to increase their efficiency. Through their market positions, and diversification of activity, they also must have the likely staying power to perform resiliently in an economic downturn.

These businesses have enterprise values typically of between €200 million and €1 billion and must be capable of an attractive exit within three to seven years. By implementing this strategy in a disciplined fashion, Bridgepoint seeks to add value through a dynamic approach to geographic asset allocation. It applies resources and capital to situations of relative value, irrespective of location, while also ensuring that the fund portfolios Bridgepoint constructs are appropriately diversified by sector, size of investment and geography.

Bridgepoint's investment strategy results, in part, from its exceptional market position and its consequent deal flow. This allows Bridgepoint to identify and select targeted investments from a large pool of opportunities.

Each year Bridgepoint typically completes four to six new transactions as well as further, usually smaller, acquisitions for existing portfolio companies. Since 2000, as part of its ongoing refinement of its strategy, the Firm has gradually reduced the number of primary investments it makes. This reduction has been achieved by limiting the number of investments requiring equity capital, typically, of less than €75 million, which in Bridgepoint's experience have tended to be higher risk, particularly in an economic downturn. Importantly, the Firm retains its historic emphasis on disciplined portfolio construction, as it seeks to produce superior but also consistent returns. Therefore, no single investment has typically accounted for more than 8% of the fund's capital. Bridgepoint also remains alert to the importance of balance by sector as well as size of investment.

Selectivity and discipline are key to the success of Bridgepoint's investment strategy. A small but important number of transactions are introduced to Bridgepoint on an exclusive basis because of its strong relationships. For other opportunities, Bridgepoint is often a favored buyer for a vendor because of its long-standing business relationships and its well recognized track record.

Strength and Depth of Investment Team Across Europe

Bridgepoint's team of investment professionals provides an extraordinary depth of resource to enable efficient and highly selective execution of transactions. Many investments require multi-national teams, with varied sector and functional backgrounds. Bridgepoint can rapidly assemble the most effective team with the best skills set for each deal from across Europe. It also is sensitive to the impact of local or cultural issues on the execution of potential investments and often staffs its investment teams with such concerns in mind.

Virtually all of Bridgepoint's investment professionals have worked on deals outside the country where they are based. Bridgepoint considers this depth of resource and flexibility a material competitive advantage as the European middle-market matures and deals, particularly larger ones, become more complicated in scale or process.

Bridgepoint seeks to apply best practices in the allocation of its financial resources. On the one hand, it can direct an investment process of considerable scale, engaging top quality advisors and consultants to ensure that all issues important to the consideration of an investment are thoroughly investigated. On the other hand, due diligence costs are carefully controlled through regular monitoring and analysis.

Active Management of Investments

Bridgepoint regards itself as an active owner of assets, not simply an investor in them, and manages its investments accordingly.

Bridgepoint ensures that hands-on management continues throughout the life of all investments it makes. Generally, two Bridgepoint Partners or Bridgepoint directors serve on the boards of portfolio companies, and they share responsibility for execution of strategy with management.

While the Firm does not get involved in day-to-day operations without reason, it will always ensure that a business' reporting and information systems are developed and refined. In this way, Bridgepoint gains clear visibility of the business and can compare performance against the investment case (utilizing, specifically, Key Performance Indicators that both measure the pulse of important business drivers as well as track growth in capital values). This approach enables Bridgepoint to take timely corrective action, where necessary.

Success in Increasing Earnings

As a result of its years of experience, Bridgepoint recognizes that public market values (by which most private market transactions are priced) fluctuate unpredictably, as can the availability and pricing of debt finance. In seeking to generate attractive capital gains, Bridgepoint does not rely on an increase in the multiple of earnings that a buyer may pay it for an asset, nor on the effect of excessive leverage, to achieve its target returns. Instead, understanding that potential purchasers are consistently interested in high quality, growing and significantly profitable businesses, Bridgepoint seeks to improve the operations and increase the revenues of the companies in which it invests, and to see that improvement reflected in substantially increased earnings.

Bridgepoint has calculated the impact of three factors – growth in operating earnings, the multiple of earnings it paid on purchase and the buyer paid on sale, and debt-reduction on the increase in value during Bridgepoint's ownership of a wide spectrum of realized investments.

The results of this analysis show that over 60% of its investment returns were attributable to growth in Bridgepoint investee companies' earnings, or EBITDA, as the chart above demonstrates. The Firm's track record also demonstrates great success in repositioning companies relative to their peers. This aspect of value creation is typically driven by a combination of better management, capital investment and business expansion. The value of this repositioning is seen clearly in the Firm's track record where an important element of the returns was derived from company specific multiple expansion, as shown in the chart above. Overall, this analysis underlines Bridgepoint's belief that its sustained focus on improved corporate performance across all of its investments contributes materially to its success generally in exiting them profitably.

MARKET OPPORTUNITY

The European middle-market, within which it typically concentrates on transactions valued between €200 million and €1 billion, continues to be an attractive investment environment, particularly suited to private equity.

Despite the private equity industry's growth in volume and impact in recent years, much of corporate Europe remains untouched by the business discipline, fresh capital and strategic direction that private equity practitioners can provide to a range of assets. The volume of buyout deals completed in the European middle-market (for the purposes of this discussion, defined to include transactions of less than €1 billion in enterprise value) has grown substantially in the last three years, and shows no sign of abating.

In the European middle-market significant informational inefficiencies can arise from differing industry and market characteristics, and the varying cultures, languages, legal and accounting practices in use across Europe. Private equity investors can apply the resources necessary to understand these differing characteristics and practices, in order to unlock the corporate value that they sometimes obscure.

Bridgepoint considers the European middle-market less mature and more fragmented when compared to the US private equity market. However, the European market has good standards of corporate governance, skilled legal, accounting and M&A practitioners and mature exit markets.

Therefore, the European middle-market offers compelling transactional conditions, in the form of an investing environment rich in opportunity and also possessing the stable systems and professional talent necessary for successful buyout investing.

MANAGEMENT

Bridgepoint is managed by an Operating Committee of eight members: William Jackson (Managing Partner), John Barber (Investor Services), Benoit Bassi (France), Alastair Gibbons (Business Development), Raoul Hughes (Finance and Support), Uwe Kolb (Germany), Kevin Reynolds (UK), and JosŽ Maria Maldonado (Spain). Additional Bridgepoint Partners participate in the decision-making process when issues relevant to their skills and experience are being discussed.

The Operating Committee meets in person on a weekly basis to discuss work in progress, resource allocation, performance of the portfolio, exit strategy and realization activity, compliance, marketing and investor relations. In addition, the Operating Committee approves the costs of early-stage due diligence and reviews monthly trading numbers for portfolio companies.

Investment executives from each of Bridgepoint's European offices also meet regularly to decide on best practice for deal flow generation, bidding tactics, transaction execution, relationship management of advisors and investment financing. Once agreed, their proposals are implemented across the Bridgepoint network. This encourages a dynamic, bottom-up approach to the adoption of new ideas that foster best practice across Bridgepoint. Bridgepoint has a team of over 80 investment and support professionals operating from seven offices across Europe: Frankfurt, London, Madrid, Milan, Paris, Stockholm and Warsaw.

BRIDGEPOINT BIOGRAPHIES

John Barber - John joined Bridgepoint in 2007 and is responsible for Bridgepoint's Investor Relations activities. John is a member of the Firm's Operating Committee. He was previously a managing director at Helix Associates, the private equity placement agents, and also had prior experience at a Los Angeles-based investment firm, WSGP Partners, and at Morgan Stanley in New York, London and Sydney. John is a member of the Investor Relations Committee and of the Awareness Task Force of the European Venture Capital Association. He is a graduate of Yale College.

Benoît Bassi - Benoît joined Bridgepoint in 1991 and is responsible for leading Bridgepoint in France. Benoît also serves on Operating Committee. He joined the French operation having co-founded Capital Privé in 1990. Benoît previously worked in a number of industrial groups including Carnaud Group and Bolloré Group. Benoît graduated from the Institut Supérieur de Gestion and has a post-graduate degree (DESS) from Université de Paris Dauphine. Board seats include Alain Afflelou, CIM and Mory.

Guido Belli - Guido joined Bridgepoint in 1996 and is responsible for leading the Firm in Italy. Guido previously worked for SO.PA.F. Group, a private equity company and in industry for Manifattura Caprotti, a textile company and Sae Sadelmi S.p.A., a subsidiary of ABB Group. Guido is a graduate in mechanical engineering from Politecnico di Milano and holds an MBA in Business Administration from Bocconi University in Milan. Guido is Chairman of the board of Limoni.

Vincent Brianon - Vincent joined Bridgepoint in 1997. He was originally based in London and in 2000 moved to Paris. He graduated in finance from ESSEC, a French business school and then spent two years at Société Générale in London. He has been involved in a number of pan-European transactions including IMO Car Wash Group and Marathon. Recent transactions include Médica, Nocibé, Moliflor Loisirs and Alain Afflelou.

John Davison - John joined Bridgepoint in 2003 and leads the financial services sector group. John holds an MBA from Harvard, where he won the Paul Revere prize. He spent his early career with McKinsey before joining The Carlyle Group as a director in Europe. He took a two-year sabbatical to train, qualify and compete for Great Britain at the 2000 Sydney Olympics. Before joining Bridgepoint, John turned around a Warburg Pincus-backed portfolio company. Recent transactions include Dorna and GDT. Board seats include First Credit and GDT.

Michael Davy - Michael joined Bridgepoint in 1989 and is responsible for leading Bridgepoint's Operational Support Group. Michael has a degree in engineering from Cambridge University and a business degree from London Business School. His current portfolio responsibilities include Tunstall, Swiss Caps, SEA and Protocol. Michael is a member of the Investment Committee with a role as 'devils advocate'.

Patrick Fox - Patrick joined Bridgepoint in 2002 and is based in London. After graduating from Oxford University he worked for JP Morgan, Charterhouse and BNP Paribas. He also has senior management experience in the food manufacturing and engineering sectors. In addition to board seats with Holmes Place/Virgin Active, Protocol and Capula Healthcare, Patrick is

responsible for the Bridgepoint Affinity Purchasing Scheme which provides procurement advice to portfolio companies and is a member of Bridgepoint's Operational Support Group.

Alastair Gibbons - Alastair joined Bridgepoint in 1984 and is responsible for leading Bridgepoint's business development activities. Alastair is also a member of Operating Committee. Prior to joining Bridgepoint, Alastair worked for PriceWaterhouseCoopers. A graduate of University College, Cardiff and a chartered accountant, Alastair's board seats include Swiss Caps.

Hamish Grant - Hamish joined Bridgepoint in 1999 from Deutsche Bank leveraged finance. Hamish studied at Oxford University. Hamish leads Bridgepoint's in-house banking group. Investments he has worked on include Pets at Home, A-Katsastus, Dorna, Fat Face and Gambro Healthcare.

Vince Gwilliam - Vince joined Bridgepoint in 1987 and is based in London. He leads the Firm's retail sector group. Prior to joining Bridgepoint, Vince worked at Coopers & Lybrand in the Business Services Group. He is a chartered accountant and a graduate of Durham University. Portfolio responsibilities include Faith, Pets at Home and Safestore.

Raoul Hughes - Raoul joined Bridgepoint in 1988 and is Chief Financial Officer based in London. Raoul joined NatWest Group in 1987, transferring to Bridgepoint in 1988. Raoul is a member of Operating Committee. He is a graduate of the University of Bath and a Fellow of the Society of Turnaround Professionals. Board seats include Concentric and JDR Cables.

William Jackson - William Jackson is Managing Partner and has executive responsibility for the direction of Bridgepoint and day-to-day management of the Firm and its investment policy. A graduate of Oxford University, he joined the Firm in 1986, formerly led Bridgepoint in the UK and has worked extensively on buyouts across Europe. William is the chairman of Bridgepoint's Operating Committee and the firm's Investment Committee. He represents Bridgepoint on the board of Alliance Medical and is chairman of the board of Dorna.

Uwe Kolb - Uwe joined Bridgepoint in 2006 and is responsible for its Operations in German speaking countries. Uwe is a member of the Operating Committee. Uwe previously worked as a partner at Permira. Prior to Permira, Uwe was the Managing Partner of PwC's transaction services team in Germany and was the Managing Partner responsible for the PwC European Mid Market Practice. He holds an MBA from Saarbruecken University. Board seats include Rodenstock and Dragenopharm.

Alan Lewis - Alan joined Bridgepoint in 1991 and is an Advisory Partner to the Firm. He has significant transactional experience throughout Europe. He previously worked for 3i plc for 10 years and, prior to that, worked in industry. Alan is a graduate of Liverpool University with an MBA from Manchester Business School. He is chairman of Norcros and member of the boards of Moliflor Loisirs, Limoni and Leeds Bradford International Airport.

José Maria Maldonado - José Maria joined Bridgepoint in 1992 and leads Bridgepoint's activities in Spain. José Maria is a member of Operating Committee. He previously worked for Bankers Trust and Bank of America and is a graduate of the University of Madrid and has an MBA from the Kellogg Graduate School of Business (Northwestern University). His board seats include Arco Bodegas Unidas and Dorna.

Rob Moores - Rob joined Bridgepoint in 1993 and leads the healthcare sector group. He is a graduate of Bristol University and qualified as a chartered accountant at Arthur Andersen. Rob has been responsible for a range of transactions including Healthcall, Virgin Active and Molton Brown. Current board seats include Alliance Medical, Tunstall and Gambro Healthcare.

Graham Oldroyd - Graham joined Bridgepoint in 1990 and is responsible for Bridgepoint's investment activities in the Nordic countries. Graham is based in Stockholm and London. Prior to joining Bridgepoint he gained industrial experience at Ove Arup, an international engineering consultancy. Graham is a Chartered Mechanical Engineer. He has an MBA from INSEAD Business School and is a graduate of Cambridge University. His board seats include A-Katsastus.

Kevin Reynolds - Kevin joined Bridgepoint in 1987. He is based in London and leads Bridgepoint's UK investment activities. Kevin is also a member of Operating Committee. Prior to joining Bridgepoint, Kevin worked for a small private equity firm which he joined in 1986 from Deloitte, Haskins & Sells, where he qualified as a chartered accountant. Kevin is a graduate of the University of Sheffield. Board seats include 1st Credit, ERM and John Brown Publishing. He was formerly a member of the BVCA Council.

Khai Tan - Khai joined Bridgepoint in Warsaw in 2007 and is the Partner responsible for investment activities in Central and Eastern Europe. Prior to joining Bridgepoint, Khai was head of Advent International's operations in Poland, having previously worked for the retail and wholesale distributor of consumer products, Eastbridge Group, in Central Europe, where latterly he was CFO. He has also worked for ING Bank in Brazil, Poland and the Philippines from 1987 to 1998. Khai is a graduate of, and holds an MBA from, Nijenrode University in The Netherlands. He serves on the board of Wolters Kluwer Education.

CONCLUSION/RECOMMENDATION

Based upon the successful track record, experience of the principals and the recommendation of PSERS' consultant, Portfolio Advisors, staff recommends that the Board invest an amount equal to 25 percent of the committed capital, but not to exceed €300 million plus reasonable normal investment expenses, in Bridgepoint Europe IV, L.P. The final terms and conditions of the investment must be satisfactory to the Investment Office, the Office of Chief Counsel, and the Executive Director.