



Real Estate Value-Added Fund Commitment

Mesa West Real Estate Income Fund II, L.P.

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

Mesa West Real Estate Income Fund II, L.P.

Value-Added Real Estate

Overview

- Mesa West originates and services commercial first mortgage investments throughout the Western U.S.
- The Fund seeks to create a portfolio that will produce high current income, low volatility, and superior risk-adjusted returns
- Senior management has the expertise, experience, track record, and relationships to source, structure, and manage the targeted investments

Fund Strategy

- The core strategy will focus on the direct origination of 1st mortgage loans
- They limit their acquisitions to the 4 regular asset types plus hotels
- With limited exceptions, they only invest in the Western U.S.
- 20% of the portfolio is allowed to be non-1st mortgage investments
- They focus on value-add, transitional, middle market properties
- Pennsylvania Presence – Due to Mesa West's restricted geographic focus, they do not expect to target investments in PA

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Investment Team

- The two co-founders have worked together for 10 years and have 14 and 19 years of real estate capital markets experience
- Walton Street Capital, RBS Greenwich Capital, and Brener Int'l Group are investors in Mesa West Capital, with Walton Street taking an active role on the Investment Committee
- The Fund will have 14 dedicated professionals in originations, asset management, and finance

GP “Value Add”

- Mesa West mitigates excessive risk with a disciplined strategy that avoids riskier asset types, excessive loan to value, and unfamiliar markets
- The professionals at Mesa have a good mix of experience and expertise in real estate and capital markets

Performance

- Fund I originated 82 loans totaling \$1.5 billion, with no loss of capital
- The current net projected IRR continues to be on track to be 13% or higher

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Market Opportunity

- The demand for financing within the Fund's targeted arena is estimated to be substantial
- The current credit market turmoil has removed many of Mesa West's competitors from the market place

History with PSERS

- This would be PSERS' initial investment with Mesa West

Recommendation

- Staff, together with Courtland Partners, recommends that the Board invest an amount equal to 25 percent of the committed capital, but not to exceed \$125 million plus reasonable normal investment expenses

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