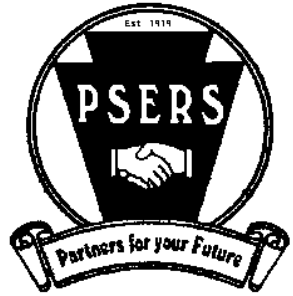


Venture Capital Fund Commitment



LLR Equity Partners IV, L.P.

June 21, 2012

See Last Page for Disclaimer

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

LLR Equity Partners IV, L.P. - Venture Capital Fund

Overview

- Fund size is \$800 Million, with a hard cap of \$1.0 Billion
- LLR will provide investors with superior, risk-adjusted returns through a diversified portfolio of investments in lower middle-market growth companies, typically having annual revenue of less than \$100 million

Fund Strategy

- LLR will seek to generate returns through revenue growth and operating margin enhancement that will often result in multiple expansion at exit. LLR invests primarily in service-based businesses operating in five industries with solid fundamentals and long-term growth potential: Business Services, Consumer Services, Financial Services, Healthcare Services and Software/IT. Focus is on revenue and earnings growth, but also incorporates strategic planning, leadership development and the deployment of best practices across all key functional areas

Investment Team

- LLR has 32 professionals who will participate in the selection and management of LLR IV's investments. LLR is led by nine partners who are a seasoned and cohesive group with deep experience investing in and advising lower middle-market growth companies. Each partner has an average of over 11 years of experience with LLR and over 17 years of experience in the private equity industry
- LLR's five industry teams are staffed with five to six investment professionals. Two partners manage each team and each investment opportunity

LLR Equity Partners IV, L.P. – Venture Capital Fund

Investment Team (Cont.)

- LLR has a full-time CFO who is responsible for overseeing all administrative matters. Currently, several administrative functions are provided by Independence Capital Partners, LLC

GP “Value Add”

- Lower middle market is a highly attractive market segment
- LLR is the established leader in lower middle market investing as they have been investing in this space for over 13 years
- They are an experienced and stable investment team
- Strong investment performance in previous funds
- Proven investment methodology
- Effective marketing and investment origination
- Refined investment evaluation process
- Proactive value creation

Performance

- LLR Equity Partners, a 1999 vintage fund, has a net 2.2x MOC and a 22.0% net IRR
- LLR Equity Partners II, a 2004 vintage fund, has a net 1.4x MOC and a 10.4% net IRR
- LLR Equity Partners III, a 2008 vintage fund, has a net 1.2x MOC and a 14.1% net IRR

LLR Equity Partners IV, L.P. – Venture Capital Fund

History with PSERS

- This will be PSERS fourth commitment to LLR. PSERS committed:
 - \$62.5 Million to LLR Equity Partners
 - \$75 Million to LLR Equity Partners II
 - \$187.5 Million to LLR Equity Partners III

Board Issues

- Pennsylvania Presence –10 portfolio companies in PA., employing 3,615 people with an annual payroll of \$130.4 million
- Placement Agents – none
- PA Political Contributions – none
- Relationship with Consultant – none

Recommendation

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

Notice: This document was presented to the Public School Employees' Retirement Board at the public meeting at which the Board acted on the resolution to which the information relates. The sole purpose for posting the presentation information on this website is to enable the public to have access to documents that were utilized at a public meeting of the Public School Employees' Retirement Board, and no other purpose or use is intended.



May 31, 2012

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

Re: LLR Equity Partners IV, L.P.

Dear Trustees:

LLR Equity Partners (“LLR” or “the Firm”) is organizing its fourth private equity fund, LLR Equity Partners IV, L.P. (“LLR IV”, “LLR 4” or “the Fund”). LLR IV is an extension of the three prior LLR funds, which have focused on investing in lower middle market growth companies, typically with revenues less than \$100 million. The Firm focuses on five verticals: Business Services, Consumer & Education, Financial Services, Healthcare Services, and Software & IT Services, each with a dedicated team of professionals. Fund IV is targeting \$800 million in commitments, with a hard cap set at \$1.0 billion. The General Partner will be committing \$28 million to the partnership.

LLR invests in lower middle-market growth companies in which the Firm has the opportunity to leverage its experience and industry knowledge to help develop and sustain meaningful competitive advantages. The Firm often invests in what it calls “good companies” and uses its expertise and resources to try to transform them into “great companies.” LLR provides expertise and service to its portfolio companies to enhance their business models, drive growth and margin improvement, and lead to significant exit valuations. LLR also focuses creating beneficial transaction structures, entry valuation, and capital preservation.

LLR seeks to align its core values with all stakeholders in the business to create an effective working relationship with the management team of a portfolio company. LLR utilizes a client service approach to working with management teams and focuses on listening to management objectives, alignment of interests, and collaboration. To further align interests with management LLR does not charge deal-specific transaction or management fees to our portfolio companies.

LLR is flexible in ownership levels and transaction structuring. The Firm is willing to take both majority and minority ownership positions, is flexible with regard to investment type, and is comfortable providing capital for growth, recapitalizations and buyouts, or a combination. LLR tailors financing solutions to align interests of LLR, the selling shareholders, and management who will retain a stake in the business. For example, unlike many competitors, LLR has emphasized the use of flow-through entities for tax purposes, which is attractive to many middle-market business owners.

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 LLR Equity Partners IV, 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 light blue horizontal line.

Portfolio Advisors, LLC