

COURTLAND PARTNERS, LTD.

INSTITUTIONAL REAL ESTATE SERVICES

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September 10, 2012

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

Re: RCG Longview Debt Fund V, L.P.

Dear Trustees:

Courtland Partners, Ltd. ("Courtland"), having been duly authorized by the Board of PSERS, has evaluated RCG Longview Debt Fund V, L.P. (the "Fund"). The Fund will pursue an investment strategy that continues the strategy of its four predecessor debt funds. The Fund seeks to achieve its goal of generating "equity-like" returns while only taking debt level risk. RCG Longview originates most of its investments by utilizing its in-house origination team and relying upon its vast relationship network. The Fund will not invest in CMBS or other highly structured, complex securities. Fund investments will generally take the form of whole loans, bridge first mortgages, B-Notes, participations, mezzanine loans, preferred equity, mortgage purchase financings, and senior loans secured by existing mortgages. These investments will typically be made to borrowers who are engaged in an acquisition or refinancing of a loan, a discounted payoff of an existing loan, a restructuring of existing debt, a note financing or a recapitalization/partner buyout.

The Fund is expected to benefit from RCG's extensive contacts developed over decades of real estate investing. RCG Longview has developed a reputation as a no-nonsense financing provider that is well-equipped to quickly assess the risks associated with taking an exposure to a particular piece of real estate. Individually, each of the general partner members is a well-respected investor, and is often approached to participate in transactions based upon its reputation as an owner/lender.

RCG believes that its history as both lender and owner of real estate should enable the Fund to more effectively evaluate the risks associated with real estate investment opportunities. RCG and its affiliates collectively own interests in and/or manage approximately 27,000 apartments and over 22 million square feet of commercial space for their own account. Rather than underwriting according solely to prescribed formulas and checklists, or relying upon relative value propositions, the Fund will be able to evaluate transactions utilizing experiences with actual rental rates and expenses incurred in similar markets derived from these long-term holdings of other RCG affiliates. RCG expects to be able to draw upon the 400-plus personnel performing critical property management, construction supervision, leasing, and marketing activities who work directly for the members of the general partner in order to underwrite effectively, and execute on the Fund's objectives to the benefit of the Fund.

Courtland's recommendation is based upon the following factors and is made within the context of PSERS' investment guidelines.

- Detailed due diligence, including interviews with key RCG management team members, and review of all relevant materials.

- Evaluation of the Fund's proposed investment strategy within the context of the current investment environment.
- Evaluation of RCG's track record and organizational resources.
- Discussion and review of the market conditions in markets relative to the proposed investment strategy.
- The strategy proposed for the Fund is appropriate for the real estate component of the portfolio.

Based on the above, Courtland recommends that PSERS commit up to \$75 million to the Fund. Courtland makes this recommendation considering RCG's qualifications and PSERS' overall investment guidelines.

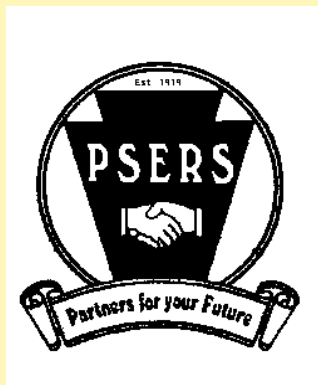
This recommendation is given solely for the benefit of PSERS and cannot be relied upon by other investors considering an investment in the Fund, since their needs, objectives and circumstances may not be identical to those of PSERS. The scope of this recommendation is limited to the investment merits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

Sincerely,



Steven Novick
Principal-Chief Operating Officer

COURTLAND PARTNERS, LTD.



Value-Added Real Estate Fund Commitment

RCG Longview Debt Fund V, L.P.

September 27, 2012

RCG Longview Debt Fund V, L.P. – Value-Added Real Estate

Overview

- Fund V is expected to raise \$500 million in capital to continue the successful strategy of their past four debt funds. RCG Longview seeks to capitalize on dislocations in the real estate lending marketplace, using an owner/manager approach molded since their first investments in 1999. They seek to distribute a current return of 8% and generate equity-like net leveraged returns of 12.5-24.5%, while only taking debt level risk
- The General Partner of RCG Longview Debt Fund V is jointly controlled by the Ramius Group, the asset management affiliate of Cowen Group, Inc., and the Feil Organization, one of the largest private real estate companies in the United States

Fund Strategy

- Fund V will invest in whole loans, bridge first mortgages, B-notes, participations, mezzanine loans, preferred equity, mortgage purchase financings and senior loans secured by existing real estate. Extensive use of proprietary deal sourcing through GP member relationships, primarily in New York City area

Investment Team

- The fund has a dedicated team of 27 professionals located in the NYC headquarters office. The members of the GP and Investment Committee have worked together since 1999
- The management, underwriting, and sourcing teams continue a long-term cooperative relationship between the Ramius Group, the Feil Organization, and Estreich & Company

RCG Longview Debt Fund V, L.P. – Value-Added Real Estate

GP “Value Add”

- Unique “first look” sourcing arrangement with Estreich & Company, a mortgage originator of \$25 billion of debt and equity transactions over the last 25 years
- Sponsors collectively own and/or manage over 22 million square feet of real estate, and approximately 27,000 residential units. They employ over 400 internal personnel for leasing, construction, marketing, landlord/tenant issues and other property management issues
- This fund gives PSERS the unique participation with a group of sponsoring partners that have an exceptional track record, reputation and history of sourcing proprietary deals

Performance (as of 3/31/12)

- RCG Debt Fund I (1999), 97% realized, net 1.9x MOC and a 15.9% net IRR
- RCG Debt Fund II (2001), 96% realized, net 1.4x and a 13.6% net IRR
- RCG Debt Fund III (2004), 91% realized, net 1.4x MOC and a 7.4% net IRR
- RCG Debt Fund IV (2007), currently investing, net 1.3x MOC and a 7.2% net IRR

Market Opportunity

- Over \$1 trillion in real estate loan will mature within the next few years
- Traditional commercial real estate lenders have generally reduced new loan originations in the face of continued macroeconomic uncertainty. When debt is available, the amount offered is much lower than in the past

RCG Longview Debt Fund V, L.P. – Value-Added Real Estate

History with PSERS

- This is PSERS' second commitment to the RCG Longview Debt series of funds, with the first commitment of \$175 million approved in 2008 for Debt Fund IV
- PSERS also has an existing commitment of \$125 million in the RCG Longview Equity series of funds approved in 2006

Board Issues

- Pennsylvania Presence – RCG Equity fund: Bakery Square, Pittsburgh, PA
- RCG Debt Fund IV: Four loans collateralized by properties located in Zullinger, Philadelphia, and Hazleton, PA
- Placement agents – None, but may use one for potential Australian clients
- PA political contributions – In the past three years, contributions have been made to the following Pennsylvania politicians by individuals affiliated with the GP:
 - Joe Sestak, for Senate
 - Rick Santorum, for President (he was no longer a PA politician)
 - Keith Rothfus, for Congress
- Relationship with consultant – None

Recommendation

- Staff, together with Courtland Partners, recommends that the Board invest up to \$75 million plus reasonable normal investment expenses, in RCG Longview Debt Fund V, L.P.