OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
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www.opers.org

MEMORANDUM

DATE: July 3, 2007

TO: OPERS Retirement Board Members
Chris DeRose – Executive Director

CC: Jennifer Hom, Director – Investments
Greg Uebele, Senior Investment Officer – External Management

FROM: Bradley Sturm, Real Estate Portfolio Manager

RE: **Real Estate Update**

Purpose
This memorandum provides a general update for the real estate activities.

Investment Channel Activity

Separate Accounts

- The separate account managers are executing acquisition and disposition activities consistent with their 2007 investment plans that were approved by the OPERS Real Estate Committee. These plans set the parameters for manager discretion and are consistent with the OPERS 2007 Annual Investment Plan.

- Staff intends to renegotiate the contract with Bristol Group in 2007.

Open-End Funds

- Staff completed due diligence on Prudential Real Estate Investor's ("PREI") PRISA II Fund, an open-end fund with which OPERS has an existing relationship. In June, staff made an additional commitment of $60 million to the fund. See Attachment A for an executive summary report.

- In June, staff reduced the commitment to Prudential Real Estate Investor's ("PREI") PRISA Fund, an open-end fund, by $60 million. The investment in the PRISA fund was reduced to keep the commitment to a single fund in compliance with the Real Estate policy.

- Staff completed due diligence on the UBS RESA Fund, an open-end fund commingled fund. In June, staff funded the entire $200 million commitment to this fund. The investment in this open-end commingled fund is part of the OPERS real estate beta portfolio. See Attachment B for an executive summary report.

- Final due diligence is underway for a commitment of $75 million to the BlackRock Granite Property Fund, an open-end fund. If approved, this transaction is expected to close by September 30, 2007.

  Granite Property Fund - The Portfolio of the Granite Property Fund consists of both core and, to a smaller degree, value-add strategies to achieve its financial goals. The focus of management is to purchase high-quality assets within the best performing submarkets within major, high-growth regional markets. The management team is completing a successful repositioning of the Fund's predecessor, The Tower Fund. Merrill Lynch, PNC Financial Services Group and BlackRock's employees own the firm. As of March 31, 2007, BlackRock manages over $22 billion in real estate debt and equity strategies, with focuses on global, U.S., Europe, Australian and Asian markets.

Closed-End Funds

- Staff completed due diligence on Beacon Capital Strategic Partners V, L.P. (BCSP V) in May 2007, and closed on a $50 million commitment to the fund. See Attachment C for an executive summary report.

- Final due diligence is underway for a $75 million commitment to Five Arrows Realty Securities V, L.P. ("FARS V"). This is a fund investment with an existing general partner relationship. If approved, this transaction is expected to close by mid-July, 2007.

  FARS V - Five Arrows Realty Securities is managed by Rothschild Realty Inc. (Rothschild), and was initiated in 1996 as part of the OPERS separate account. Rothschild has managed real estate investments for OPERS since 1986. Rothschild, located in New York, is an affiliate of Rothschild, Inc., an international conglomerate with a significant money-management arm. The Five Arrows Funds consist of a $1.4 billion series of five partnerships that have a consistent strategy of making entity-level private placement investments in the securities of domestic companies that develop, acquire and manage real property.

- Final due diligence is underway for a $75 million commitment to LaSalle Asia Opportunity Fund III, L.P. ("LAOF III"). This is a fund investment with an existing general partner relationship. If approved, this transaction is expected to close by the end of July 2007.

  LAOF III - LaSalle Investment Management (Asia) Pte. Ltd., is the fund sponsor. The Sponsor's parent company, Jones Lang LaSalle, Inc. ("JLL"), is a publicly held, New York Stock Exchange listed company (ticker: JLL). JLL has approximately 160 offices worldwide and operates in more than 450 cities in over 50 countries. JLL has 12,000 people in 14 countries in Asia, and more than 35 years of experience in Asia. LaSalle Investment Management ("LIM") is a wholly owned, but operationally independent, division of Jones Lang LaSalle Inc. and an affiliate of The Sponsor. LIM has approximately $44.3 billion of assets under management, which includes $24.0 billion of assets under management invested in direct private real estate, via both separate accounts and funds invested, and $6.0 billion of publicly listed real estate securities. For over twenty-six years LIM has been investing on behalf of institutional investors, utilizing its 580 employees and 25 offices across North America, Europe and Asia Pacific.

- The following table is a summary of the closed-end fund commitments made in 2007.

Summary of 2007 Closed-End Fund Commitments
($ Millions)

Partnership	Type	Closing	Commitment
Colony Investors VIII	Diversified Global	January	$ 75
Blackstone Real Estate Partners VI	Diversified U.S.	February	$ 75
Beacon Capital Partners V	Primarily U.S. Office	May	$ 50
Total Commitments			**$200**

Next Steps
We seek to provide the right balance of information to meet your needs and appreciate your feedback on this real estate update format.

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Executive Summary Report

PRISA II – Additional Commitment

June 2007

Investment Rationale

The 2007 Annual Investment Plan calls for staff to make commitments of approximately $400 million to domestic open-end commingled funds (OECFs) this year. Staff believes that commitments made to open-end funds that are managed by the best in class general partners will enable the OPERS private market real estate portfolio to achieve its performance objective. Staff believes that Prudential Real Estate Investors are best-in-class managers. OPERS is a current investor in Prudential Real Estate Investors Separate Account (PRISA II). As of December 31, 2006, the market value of this investment was approximately $126.7 million. In 2007, PRISA II reopened and is accepting additional commitments from its current investors.

Firm

PRISA II is an investment product that is offered by Prudential Financial Services, Inc. (NYSE: PRU). PRISA II is a commingled, open-ended separate account that is made available under a group insurance product issued by The Prudential Insurance Company of America, which is a business unit of Prudential Financial Services, Inc. The fund fiduciary is Prudential Investment Management Inc., ("PIM") which is a subsidiary of Prudential Financial Services, Inc. PIM is a registered investment advisor. The fund manager is Prudential Real Estate Investors ("PREI"), which is a business unit of PIM.

PREI has been investing in real estate on behalf of institutional clients since 1970. PREI offers a broad range of investment vehicles investing in the U.S., Europe, Asia and Latin America. Investment opportunities are available through open-end and closed-end commingled funds and through individually managed separate accounts.

PREI is comprised of fund management centers in Parsippany, New Jersey; Atlanta, Georgia; Munich, Germany; London, England; and Singapore; supported by a network of local offices throughout the world. PREI's specialized operating units offer a broad range of investment opportunities and investment management services in the United States, Europe, Asia and Latin America. As of September 30, 2006, PREI managed $32.9 billion of gross assets ($23.7 billion net) on behalf of more than 300 clients.

Strategy

The investment strategy for PRISA II is to provide investors with a vehicle that is designed for long-term investment in core real estate within the United States. This is a moderately opportunistic investment strategy where the fund engages in some development activities to create core assets. The fund's return objective is to outperform the NPI by at least 200 basis points ("bps"), gross of fees over a market cycle, and provide an annual gross real rate of return of 5.0% to 7.0%.

PRISA II seeks to structure investments to enhance risk-adjusted returns. Investment may be made through direct ownership of real property, or indirectly through such vehicles as joint ventures, general or limited partnerships, limited liability companies, or real estate debt.

PRISA II has a preference for investing in joint ventures with experienced real estate operators and developers. The fund will often require a preferred return, where the partner's capital and investment returns are subordinate to the fund's invested capital and investment returns. PRISA II focuses on maintaining control over the management, sale, financing and refinancing of the venture's assets. The fund also structures joint venture investments so that PRISA II can exit the venture, within a reasonable period of time, without the partner's consent.

PRISA II seeks to participate in the development process as a means to acquire assets at cost, and to share in development profit. The fund does this primarily through the use of forward commitments to purchase properties upon completion of construction. With forward commitments, PRISA II assumes lease up risk, but the developer retains the risks associated with construction. PRISA II does not have specific diversification targets by property types or geography. Management prefers to maintain flexibility in portfolio construction to aid in achieving the performance objective.

Management and Investment Process

The Firm's Investment Committee consists of the following individuals:

Name	Title	Years of Real Estate Experience	Years with the Firm
Charles Lowrey	CEO	25	6
Robert Falzon	Managing Director, Global Merchant Banking	23	23
Youguo Liang	Managing Director, Investment Research	15	9
Roger Pratt	Managing Director, Senior Portfolio Manager	29	24
J. Allen Smith	Managing Director, Portfolio Management	16	16
Dale Taysom	Managing Director, Transactions	30	30
Gary Kauffman	Managing Director, Capital Markets	24	24

The PREI Investment process consists of the following steps.

- Define the strategy for each portfolio
- Source investment opportunities
- Allocate investments to the various portfolios
- Approve investments and close transactions
- Manage assets according to the portfolio strategy
- Dispose of assets

The PREI Investment Committee is responsible for all of the domestic portfolios under management, including PRISA II. The Investment Committee meets every two weeks to review and authorize transactions that have been submitted by the transactions staff in conjunction with the various PREI portfolio teams. Investments are approved by a simple majority of the committee with the head of transactions and the sponsoring portfolio manager abstaining.

Track Record

Staff and Townsend have completed a thorough review of PRISA II's track record. Further information is available upon request.

Portfolio Fit

The objective of the private market real estate portfolio is to identify and evaluate real estate investments that not only obtain a target allocation exposure to real estate but also produce returns in excess of the NCREIF Property Index ("NPI") benchmark. To achieve this objective, staff intends to construct the portfolio so that no less than 65% of the net asset value (NAV) is invested in core assets in the beta portfolio and up to 35% of the NAV is invested in non-core assets in the alpha portfolio.

The beta portfolio is the "keel in the water," designed to produce net returns equal to the NPI. Staff will use the separate account and open-end fund investment channels to construct this beta portfolio. Staff believes that investing in the closed end funds that are managed by best in class general partners will generate alpha for the private market real estate portfolio.

Using December 31, 2006 market values, the current investment in the (core) beta portfolio is 83.9% and the (non-core) alpha portfolio is 16.1% of the total private market real estate portfolio. Based on the March 2, 2007 version of the pacing model, open-end fund values approximate $668 million (17.6% of portfolio) and the long-term steady state investment target is $1.4 billion, or 30% of the private market real estate portfolio. At year-end 2006, the market value of the OPERS investment with PREI is $380.7 million, or approximately 10% of the private market real estate portfolio. Since the account balance with PREI is well below the policy limit of 20% invested with a single manager, OPERS has capacity to commit an additional $100 million to PRISA II.

This investment is in the beta portfolio, since the fund meets the Real Estate Policy definition of a core investment. The fund's weighted average occupancy at year-end 2006 stood at 84.7%, including the 3.2% of the portfolio invested in land and condominium development.

As with other open-end funds, investors are permitted to withdraw capital from PRISA II on a quarterly basis. PRISA II is unique among the open-end funds because the fund only accepts new capital commitments from investors periodically as investment conditions warrant. PRISA II's most recent openings were in 2000, when the fund accepted $453 million in additional contributions, and in 2004, when $862 million in contributions were accepted. In both instances, management invested the capital over a 24 to 36 month period.

Terms and Conditions

Fund Name:	PRISA II
Manager:	Prudential Real Estate Investors
Vintage:	1980
Hard Cap Target:	$2.25 billion
Expected Return:	>200 bps over NPI (gross of fees) over a market cycle
GP Commitment:	N/A
Counsel:	Internal counsel at Prudential
Term:	Open-end fund
Investment Period:	2-3 years (expected)
Placement Agent:	N/A

Due Diligence Efforts

The following tables summarize the partnership, due diligence, internally generated and The Townsend Group (TTG) documents reviewed and or created during due diligence. All of these documents are on file.

Due diligence documents

Document	Source
2006 Annual Open-End Commingled Fund Questionnaire	The Townsend Group
November 11, 2006 PRISA II Advisory Committee presentation and meeting minutes	Prudential
PRISA II Fourth Quarter 2006 Fund Review	Prudential
PREI Website	Prudential
Prudential PRISA II Flipbook	Prudential
Private Market Real Estate Open-End Commingled Fund Report	Staff

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Executive Summary Report

UBS Real Estate Separate Account

June 2007

Investment Rationale

The objective of the core real estate portfolio is to mirror the NCREIF Property Index (NPI) in both property composition and gross returns. Open-end commingled funds (OECFs) provide an effective investment vehicle by which index-like returns may be achieved. The 2007 Annual Investment Plan forecasts new acquisition commitments to domestic OECFs in an amount of approximately $400 million. In order to reduce vintage risk, staff recommends investing $275 million in new OECF commitments during 2007.

UBS was identified to be a best in class manager based on staff's analysis of the OECF universe. The Real Estate Separate Account fund (RESA) has exhibited low volatility and has consistently achieved excess unleveraged and leveraged returns during the past five years. As a result, Staff recommends investing $200 million to the RESA fund. Staff's findings have been summarized in the *Open-End Commingled Fund Report* dated May 17, 2007. Please refer to the UBS RESA closing binder for a copy of this report.

Firm

In June 1996, Aetna Life Insurance Company sold its real estate investment advisory management business to Allegis Realty Investors LLC, an entity comprised of senior management and a Massachusetts-based venture capital company. In 1999, UBS acquired Allegis and the firm's name was changed to UBS Realty Investors LLC. As a registered Investment Advisor, UBS Realty provides acquisition, asset management, portfolio management, research, and valuation services for its clients. The firm is the discretionary investment manager of the RESA fund pursuant to an investment advisory, asset management and support services agreement with Aetna Life Insurance Company. In accordance with UBS' agreement with Aetna, RESA's investment structure will convert from an insurance company separate account to a private REIT on January 31, 2008. The new name will be the Trumbull Property Fund.

UBS Realty's parent company, UBS AG, is a leading global investment banking and wealth management firm. With headquarters in Zurich and Basel, Switzerland, and offices in more than 50 countries, UBS is present in all major financial centers worldwide. Standard & Poor's rates the company's long-term credit AA+. UBS Realty, a division of UBS Global Asset Management, is one of the largest real estate investment managers in the United States. As of December 31, 2006, UBS Realty managed 371 investments totaling approximately $15.9 billion on behalf of over 250 clients. The firm manages four real estate funds (Real Estate Separate Account, Participating Mortgage Separate Account, Farmland Fund, Core Plus Fund, Allegis Value Trust) and six separate accounts on behalf of individual clients.

Strategy

Management employs a top-down allocation strategy that provides broad diversification by both property type and location. Allocation targets are established by the Research Group based on measurements of the market basket of institutional real estate. Market weights are utilized to determine long-term ranges for RESA's target allocations. The fund's specific targets within those ranges may fluctuate based on management's outlook for a given property type or region. As of fourth quarter 2006, allocations to the office, apartment, industrial, retail and hotel sectors were 35.4%, 27.6%, 14.6%, 11.4% and 11.0%, respectively.

The fund is primarily comprised of well-leased, core properties, and also includes a modest amount of repositioning, new development and forward commitment projects. Investments are generally structured as either wholly owned properties or as partnership ventures. RESA's investments include direct equity interests in the traditional property sectors. RESA may also hold a portion of its assets in the form of indirect interests in real estate, such as common stock of an entity that owns real estate, or a REIT. Generally, the use of leverage will not exceed 20% of total assets and currently represents 9.6% of RESA's total assets as of December 31, 2006.

The performance objective for RESA is to provide at least a 5% real rate of return (before fees) over a three to five-year period. As of fourth quarter 2006, the fund was comprised of 152 investments totaling $10.5 billion in gross asset value ($9.4 billion in net asset value).

Management and Investment Process

The Firm's Investment Committee consists of the following individuals:

		Experience in Years	
Name	**Title**	**Real Estate**	**Firm**
James O'Keefe Jr.	Senior Advisor (former President), Global Real Estate	34	13
Matthew Lynch	President, Head of Real Estate - U.S.	22	10
Kevin Crean	Portfolio Manager (RESA)	28	23
Siad Swan	Portfolio Manager (PMSA)	34	25
Paul Canning	Portfolio Manager (Core Plus)	27	16
Jeffrey Maguire	Portfolio Manger (Allegis Value)	24	10
William Hughes	Head of Research - U.S.	12	2
Ronald Urdanick	Head of Acquisitions	35	29
William Harrison	Head of Asset Management	39	15
Jayne Brundage	Head of Property Sales	23	23
Richard Trusz	Head of Valuation	29	23
Dean Lindquist	Chief Financial Officer	30	36
Thomas O'Shea	General Counsel	15	3
Thomas Anathan	Head of Client/Portfolio Services	34	32
Investment Committee Member Average		**27**	**18**

* In addition to the members listed above, the asset management Region Head responsible for the prospective investment is also a voting member.

UBS Realty has a formalized investment allocation process designed to determine the allocation of potential investments among different clients. No account has a preference or priority in the allocation process. If a potential investment is determined to be suitable for more than one account, then the property will be allocated to the account with the highest priority position on the rotation allocation list. The highest priority position will be held by the account with the longest elapsed time period on the list since the account was allocated an investment.

Once a property is acquired, UBS Realty engages developers, partners or other reputable real estate firms to provide property management and leasing services. In coordination with the property manager, the asset manager establishes a comprehensive asset management plan that addresses the overall investment objectives. This process includes creating an annual budget and developing a leasing strategy. The asset manager is held responsible for monitoring the property's financial performance throughout the holding period. As part of this process, the asset manager completes a hold-sell analysis each year to assist the portfolio manager with determining the optimal time to sale the property.

Track Record

Staff and Townsend have completed a thorough review of UBS RESA's track record. Further information is available upon request.

Portfolio Fit

The objective of the core real estate portfolio is to mirror the NCREIF Property Index (NPI) in both property composition and gross returns. OECFs provide an effective investment vehicle by which index-like returns may be achieved. According to the 2007 Annual Investment Plan, the long-term target allocation to domestic OECFs is 30%. In addition, the plan forecasts new acquisition commitments to domestic OECFs in an amount of approximately $400 million. Investment in the UBS RESA fund coincides with achieving these objectives. Utilizing December 31, 2006 market values, OECFs currently account for approximately 16.9% of the total private market real estate portfolio. Based on a $200 million commitment to RESA, this percentage will increase to 21.2%, consequently moving the allocation closer toward the long-term target.

Terms and Conditions

Fund Name:	UBS Real Estate Separate Account (RESA)
Manager:	UBS Realty Investors LLC
Fund Established:	1978
Gross Asset Value:	$10.5 billion
Net Asset Value:	$ 9.4 billion
Expected Return:	5% real return over a 3 to 5 year market cycle
Counsel:	Internal counsel at UBS
Term:	Open-end fund
Investment Period:	Indefinite
Placement Agent:	N/A

Due Diligence Efforts

The following tables summarize the partnership, due diligence, internally generated and The Townsend Group (TTG) documents reviewed and or created during due diligence. All of these documents are on file.

Due diligence documents

Document	Source
1Q 2007, 4Q 2006 Quarterly Report	UBS
1Q 2007 Townsend Recommendation Report	TTG
2006 Annual Report, Supplemental Information	UBS
2007 Annual Outlook, Winter 2007 Research Quarterly	UBS
4Q 2006 TTG Fund Questionnaire with Appendices	TTG
April 2007 Client Conference Meeting Materials	UBS
Final Due Diligence Report Checklist	OPERS
Form ADV	UBS
Group Pension Annuity Contract	UBS
June 2007 Flipbook	UBS
Manager Due Diligence Package	UBS
May 2007 OECF Staff Research Report	OPERS
UBS RESA Product Description	UBS
UBS Supplemental Due Diligence Information	UBS
UBS Website	UBS

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Executive Summary Report

Beacon Capital Strategic Partners V, L.P.

May 2007

Investment Rationale
The 2007 Annual Plan calls for three to five commitments in domestic funds totaling between $150 million to $200 million. The closed end commitment and pacing models planned for a $50 million commitment to large domestic fund specializing in office via a re-commitment to Beacon Capital Partners in its fifth fund, Beacon Capital Strategic Partners V, L.P. ("The Fund"). The private market real estate strategy is to identify and invest in a relatively limited number of high quality partnerships and participate in their subsequent funds at similar commitment levels, provided they maintain a consistent investment strategy and demonstrate the ability to produce above average performance. OPERS' relationship with Beacon Capital Partners began with its commitment to Beacon Capital Strategic Partners IV, L.P. in April 2006.

Staff believes a commitment to The Fund is a prudent investment based upon the following:

- Team – Knowledgeable and experienced senior team with many relationships within the office industry. The team has tenure at Beacon Capital Partners since its inception in 1998.
- Good performance history –Beacon Capital Partners is included on The Townsend Group's best of class high return list.
- Reputation – Beacon Capital Partners has a long history of "doing what it says it will do" and closing, which is an advantage in winning deals, maintaining relationships, and securing quality service providers.
- Focus – Beacon Capital Partners' focus is limited to just office investments in a select number of target markets. These target markets exhibit institutional investor appeal, higher transaction volume, and greater liquidity.

Firm
Beacon Capital Partners was established in 1998 after its predecessor public company, Beacon Properties Corporation (a New York Stock Exchange listed company), merged with Equity Office Properties Trust in a transaction valued at $4 billion. Beacon has been active in the construction, development, acquisition, management, operation and finance of real estate assets for almost six decades.

Since 1998, Beacon Capital Partners ("Sponsor") has sponsored five separate investment vehicles as the General Partner: BCP, Inc., BCSP I, BCSP II, BCSP III, and BCSP IV. Alan Leventhal leads the company as Chairman and CEO and controls the ownership of Beacon Capital Partners. The Sponsor's headquarters remain in Boston, with offices in Los Angeles, New York, London and Paris.

Strategy
The investment strategy is focused primarily on office properties in a select number of target markets, including: Boston, Washington, D.C., New York, Los Angeles, San Francisco, Seattle, Denver, Chicago, London, and Paris. These target markets are generally considered "knowledge-based" economies, with highly educated workforces and high concentrations of colleges, universities and teaching hospitals. It is the Sponsor's belief that markets with these characteristics are more resilient to the peaks and valleys of the real estate cycle and offer greater and more consistent strength over the long term.

In evaluating prospective investments, the Sponsor looks for the following basic characteristics:

- Primary and urban markets: the Sponsor typically targets larger, primary markets that appeal to most institutional investors and offer greater liquidity.
- Constraint on new supply: the Sponsor prefers markets where it is more difficult or expensive for competitive supply to be brought on line.
- Strong long-term demand fundamentals: Emphasis is placed on markets that have broad, diverse economies and are dominated by industries with strong, long-term growth prospects.
- Opportunities to capitalize on market inefficiencies: the Sponsor looks for assets that possess strong fundamentals, but that may be impaired or undervalued due to excess leverage, temporary market illiquidity or weak ownership.

- Opportunities to apply operating expertise: the Sponsor also looks for opportunities where it can add value to assets through its operating skills and expertise. This includes releasing, repositioning, restructuring the capitalization or redevelopment.

The strategy for The Fund is to pursue a primarily domestic strategy via large direct acquisitions of fee simple real estate. Many of these investments are anticipated to be sourced off-market (i.e. through a limited competitive or non-competitive basis) to generate pricing discounts relative to replacement costs.

Management and Investment Process

The Investment Committee consists of twenty individuals representing asset management, finance, and acquisitions. The large number of individuals on the Investment Committee is the result of the Sponsor believing that input from the entire team is a key to success. Substantially the same investment professionals who invested the commitments to Funds I-IV are also expected to invest commitments made to The Fund. Those same investment professionals intend to apply to The Fund the same investment strategies and approaches that helped generate the returns for Funds I-IV.

Competition

Competitors for deal flow include other real estate funds, public REITs, pension funds, foreign investors, corporations, and individual investors. The competitors vary by market and by risk profile of the asset under review. The current real estate market is extremely competitive, fast-paced, and pricey. Through the Sponsor's long history and many contacts, The Fund will pursue opportunities off-market or directly with owners. The Sponsor will continue to outperform its competitors by maintaining its market focus, seeking quietly marketed deals, buying quickly, and bringing in co-investors if needed.

Track Record

Staff and Townsend have completed a thorough review of Beacon Capital Partners' track record. Further information is available upon request.

Portfolio Fit

Staff projects that the non-core portfolio should be constructed to produce gross returns that are at least 1.5 times the expected return of the NPI (whose average return from inception through 12/31/2006 is 10%), for the private market real estate portfolio to meet the NPI benchmark. Assuming a long-term total return forecast for the NPI of 7%, and closed-end fees of an estimated 400 basis points, The Fund's projected 18% gross IRR (14.5% net IRR as estimated by TTG) and an equity multiple between 1.8x and 2.0x should generate the annual total returns necessary for the non-core portfolio.

Using December 31, 2006 market values, the closed end funds represent 11.8% and non-core real estate represents 16.1% of the private market portfolio. Based on the 2007 Annual Plan, anticipated closed end fund commitment activity for domestic funds ranged between $150 million and $200 million, supporting three to five relationships. To date, one $75 million commitment to BREP VI has been made to domestic funds. An additional domestic commitment to FARS V ($75 million) is pending. The two above mentioned commitments sum to $150 million, leaving capacity for a $50 million commitment to The Fund.

Because The Fund will pursue office some overlap occurs within our existing portfolio, especially relative to commitments with the Normandy and Parkway funds. However, the nature and structure of the expected transactions will differ from the existing OPERS portfolio (i.e. strategy, geography, fund and transaction size). Investing with these firms provides OPERS with broad exposure to office within the domestic real estate marketplace. Further, OPERS separate account and open-end fund exposure to this property type is largely a beta, rather than alpha, strategy and usually employs limited leverage, if any.

Terms and Conditions

Partnership Name:	Beacon Capital Strategic Partners V, L.P.
General Partner:	Beacon Capital Partners, LLC
Vintage:	2007
Closings:	December 14, 2006; January 25, 2007; May 17, 2007
Hard Cap:	$3.5 billion target size (looking to amend to $4.0 billion)
Property Type:	Diversified
Expected Return:	18% -20% gross IRR
GP Commitment:	$40 million (1.3% on $3.0 billion)
Counsel:	Goodwin Proctor LLP
Term:	8 years with up to 2 additional years
Investment Period:	4 years from final closing
Placement Agent:	Monument Group & Morgan Stanley

Due Diligence Efforts

The following tables summarize the partnership, due diligence, internally generated reports, and The Townsend Group documents reviewed and or created during due diligence. All of these documents are on file. Additionally, staff met with the General Partner on the following dates.

Partnership Documents

Document	Source
Limited Partnership Agreement	Monument Group (placement agent)
Subscription Agreement	Monument Group (placement agent)
Private Placement Memorandum	Monument Group (placement agent)

Due Diligence Documents

Document	Source
Consultant Report & Track Record Analysis	TTG
Final Due Diligence Report	Staff

Meetings

Date	Location	Attendees
November 9, 2006	Columbus, OH	Beacon Capital Partners – Alan Leventhal Monument Group – Lori Campagna OPERS – Heather Christopher, Brad Sturm, and Greg Uebele
March 15, 2007	Columbus, OH	Beacon Capital Partners – Alan Leventhal, Michael Baldwin Monument Group – Lori Campagna OPERS – Heather Christopher, Brad Sturm, and Evelio Rosario

Reference Calls

As a part of the due diligence process, staff has conducted reference calls and spoken to people within its peer group. The calls have not uncovered any aspect of Beacon Capital Partners that would concern us. The Townsend Group's Investment Committee has approved the Fund.