



Retirement Security for Illinois Educators

## Memorandum

**Date:** January 6, 2004  
**To:** Jon Bauman  
Stan Rupnik  
**From:** Scott Parrish  
**Subject:** LLR Equity Partners II, L.P.

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LLR Partners Inc. ("LLR") is marketing their most recent private equity fund, LLR Equity Partners II, L.P. ("Fund II"). Fund II is a middle-market buyout fund that focuses on investments in the Mid-Atlantic region. LLR is targeting \$300 million for Fund II and have circled over \$250 million in commitments to date. Fund II is a follow-on to LLR Equity Partners, L.P. ("Fund I"), a \$260 million vintage year 1999 buyout fund. As of June 30, 2003, Fund I had invested \$161 million in 19 portfolio companies. Three of the companies have been sold for proceeds 64.5 million, resulting in a 65% gross IRR and a 2.8x multiple on invested capital. The unrealized investments had a market value of \$201 million, resulting in a 25% gross IRR and a 1.5x multiple on invested capital. The combined unrealized and realized gross IRR is 35% and the multiple on invested capital is 1.7x.

I spoke to Jim Brown at SCP about LLR. LLR is located in Philadelphia and SCP is located in Wayne, Pennsylvania. Ira Rupert, one of the Managing Directors of LLR, was the founder of Radnor Venture Partners, the first venture fund managed by Safeguard Scientifics. Jim said that Ira is a very respected and successful private equity investor.

I think it would be a good idea to take a meeting with LLR. As of June 30, 2003, only 6% of the total market value of the private equity portfolio was in portfolio companies located in the Mid-Atlantic region. Due to LLR's focus on the Mid-Atlantic region, Fund II would be a good complement with the System's other buyout managers.