



October 31, 2012

Ms. Jane Benton
Office of State Procurement
1500 West 7th Street, Suite 300
Little Rock, AR 72201

Ms. Marty Garrity
Bureau of Legislative Research
State Capitol, Room 315
Little Rock, AR 72201

Re: Notification of Imminent Need Under Act 1211 of 2009 (ACA § 19-11-1303)
Investments: Pershing Square Holdings, Ltd and Pershing Square International,
Ltd

As Executive Director of ATRS, my intent and plan is not to use the Imminent Need provisions of Act 1211 unless warranted. Due to fund manager changes and speed of the markets, it is occasionally needed.

Based on Aon Hewitt EnnisKnupp's (ATRS's consultant) and ATRS staff recommendations on October 29th, 2012, the ATRS Board of Trustees, in a called Board of Trustees meeting, adopted Resolutions 2012-30 & 2012-31 to declare an Imminent Need exists for investments in the following funds: Pershing Square Holdings LTD (2012-30) & Pershing Square International LTD (2012-31) Funds. The Board determined that all criteria were met under Act 1211 to enter into the partial equity ownership agreements of these investments. In accordance with Act 1211, ATRS is providing a copy of the aforementioned resolutions to the Office of State Procurement and the Arkansas Legislative Council (ALC).

This letter has been sent in compliance with the five-day rule in Act 1211. In addition to providing meaningful early disclosure, ATRS intends to comply with the notification procedures set forth in Act 1211. The total amount that ATRS intends to invest in these investments is approximately \$164,400,000. For full and open disclosure, ATRS is attaching an Executive Summary, the Executive Director's Executive Summary

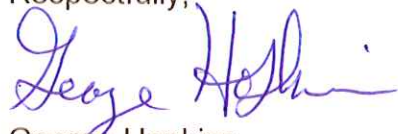
George Hopkins, Executive Director – 501-682-1820 – Email: georgeh@artsr.gov

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to the Investment Committee, the recommendation from Aon Hewitt EnnisKnupp, and executed resolutions for each of the investments to provide further details.

ATRS is hereby requesting that the investments mentioned above be reviewed by ALC at the next scheduled meeting. If any additional information is needed, please feel free to contact me on my direct line at 501-682-1820, my cell phone at 501-318-5998, or by email at: georgeh@artts.gov

Respectfully,



George Hopkins
Executive Director

GH:kd

**Arkansas Teacher Retirement System
Public Market Investment
Executive Summary**

Investment	Pershing Square Holdings, LTD, or the "Fund".
Managing Party	Pershing Square Capital Management, LP
ATRS Legal Interest	ATRS will be a share owner of the limited company.
Report Date	October 2012
Expected Closing Date	Notice of commitment due November 9, 2012 with conversion expected January 1, 2012.
ATRS Commitment & Reason for Entry	<p>The reason for entry is to allow ATRS to lower the incentive fee paid for its current investment in Pershing Square, LP. As of September 30, 2012 the value of the ATRS investment in Pershing Square, LP was approximately \$164.4 million. This conversion from Pershing Square, LP to Pershing Square Holdings, LTD will lower the incentive fee from 20% to 16%. Since no single investor can own more than 4.75% of Pershing Square Holdings, the exact amount that ATRS will be allowed to transfer cannot be known until all investor commitments have been analyzed by the Fund manager. The intent of ATRS is to transfer the maximum allowed, up to the entire value of the current ATRS investment in Pershing Square, LP, to Pershing Square Holdings.</p>
Placement Agent	No placement agent was utilized.
Key Terms	<p><u>Management Fee</u>: The fund charges a management fee of 1.5% of net asset value.</p> <p><u>Incentive Fee</u>: 16% of profits as defined in the Articles of Incorporation. If the intended initial public offering or "IPO" does not materialize after four years, the carry would return to 20%.</p>

Justification of Investment Term & Anticipated Termination Date The fund is a private fund and is being established to lessen liquidity burdens of the Fund manager through an IPO. After the IPO, investors would trade their shares on the open market like the equity of any other publicly traded company. If the IPO does not materialize, the fund would have liquidity based on the Fund documents. The investment will remain until liquidated, if ever.

Investment Strategy Pershing Square is an activist equity manager. It aims to unlock value at mid to large cap companies with sustainable businesses and strong brands that have underperformed in recent periods and are ripe for any number of changes, including spin-offs from conglomerates, operational turnarounds, improved capital expenditures, and, in some cases, management replacements.

Management Team The team of Pershing Square Capital Management, LP is led by William Ackman, CEO. Other members include Shane Dinneen, Senior Analyst and Paul Hilal, Senior Analyst. The team is supported by approximately 50 others at their headquarters in New York, New York.

Historical Performance Pershing Square Holdings is a new fund that will mirror the current ATRS investment in Pershing Square, LP. ATRS has been invested in Pershing Square, LP since 2008 with a return of 12% since inception compared to the benchmark of 4%.

ARKANSAS TEACHER RETIREMENT SYSTEM
1400 West Third Street
Little Rock, Arkansas 72201

RESOLUTION
2012-30

**A Resolution to Elect to Transfer Arkansas Teacher Retirement Assets
from Pershing Square L.P. to Pershing Square Holdings LTD, with an
Imminent Need Request for Immediate Authority to Act**

WHEREAS, The Board of Trustees (Board) of the Arkansas Teacher Retirement System (ATRS) is authorized to invest and manage trust assets for the benefit of its plan participants; and

WHEREAS, The ATRS Board has reviewed the recommendation of its general investment consultant, Hewitt EnnisKnupp, along with the recommendation of the Investment Committee and ATRS Staff regarding the transfer of assets from Pershing Square L.P. to Pershing Square Holdings LTD in order to reduce management fees and potentially enhance returns; and

WHEREAS, No one investor can own more than 4.75% of Pershing Square Holdings, LTD; and

WHEREAS, Amounts that exceed 4.75% per investor should be simultaneously invested in Pershing Square International LTD; and

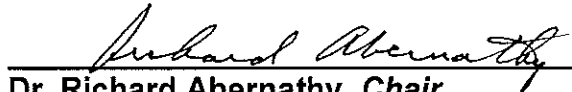
WHEREAS, The exact amount that goes into each fund cannot be known until all investor requests have been processed by the fund manager; and

WHEREAS, The ATRS Board approves this transfer of assets with the maximum amount allowed by the fund manager to Pershing Square Holdings, LTD from Pershing Square L.P. and the Board, after its review of the deadline for notification and document submittal of November 9, 2012, has determined that there is an imminent need to provide notification to enter into the partial equity ownership agreement with Pershing Square Holdings LTD. The Board also deems it financially appropriate to enter into the partial equity ownership agreement and concludes that to forego the opportunity to promptly implement its investment directives under the prudent investor rule would be inconsistent with its fiduciary duty of care to the members and annuitants;

NOW, THEREFORE, BE IT RESOLVED, That the ATRS Board agrees to immediately provide Pershing Square notice of the intent of ATRS to transfer the maximum allowable amount of ATRS assets in Pershing Square L.P. to Pershing Square Holdings LTD; and

FURTHER, BE IT RESOLVED, That the ATRS staff is hereby authorized to take all necessary steps to implement this investment including the execution of commitment and subscription documents by the November 9, 2012, deadline.

Adopted this 29th day of October, 2012



Dr. Richard Abernathy, *Chair*
Arkansas Teacher Retirement System

**Arkansas Teacher Retirement System
Public Market Investment
Executive Summary**

Investment	Pershing Square International, LTD, or the "Fund".
Managing Party	Pershing Square Capital Management, LP
ATRS Legal Interest	ATRS will be a share owner of the limited company.
Report Date	October 2012
Expected Closing Date	Notice of commitment due November 9, 2012 with conversion expected January 1, 2012.
ATRS Commitment & Reason for Entry	<p>The reason for entry is to allow ATRS to lower the incentive fee paid for its current investment in Pershing Square, LP. As of September 30, 2012 the value of the ATRS investment in Pershing Square, LP was approximately \$164.4 million. This conversion from Pershing Square, LP to Pershing Square Holdings, LTD will lower incentive fee from 20% to 16%. Since no single investor can own more than 4.75% of Pershing Square Holdings, the exact amount that ATRS will be allowed to transfer cannot be known until all investor commitments have been analyzed by the Fund manager. The intent of ATRS is to transfer the maximum allowed, up to the entire value of the current ATRS investment in Pershing Square, LP, to Pershing Square Holdings. As mentioned, no single investor can own more than 4.75% of Pershing Square Holdings and ATRS cannot stay in the current investment and also participate in Pershing Square Holdings. Pershing Square International is another fund designated to receive any amount from the current investment that cannot be invested in Pershing Square Holdings.</p>
Placement Agent	No placement agent was utilized.

Key Terms

Management Fee: The fund charges a management fee of 1.5% of net asset value.

Incentive Fee: 20% of profits as defined in the Articles of Incorporation.

Justification of Investment Term & Anticipated Termination Date

The fund is a private fund designated to accept the amount of the current investment in Pershing Square, LP that cannot be invested in Pershing Square Holdings due to fund manager restrictions. The investment will remain until liquidated, if ever.

Investment Strategy

Pershing Square is an activist equity manager. It aims to unlock value at mid to large cap companies with sustainable businesses and strong brands that have underperformed in recent periods and are ripe for any number of changes, including spin-offs from conglomerates, operational turnarounds, improved capital expenditures, and, in some cases, management replacements.

Management Team

The team of Pershing Square Capital Management, LP is led by William Ackman, CEO. Other members include Shane Dinneen, Senior Analyst and Paul Hilal, Senior Analyst. The team is supported by approximately 50 others at their headquarters in New York, New York.

Historical Performance

Pershing Square International was established in 2005 and mirrors the current ATRS investment in Pershing Square, LP. ATRS has been invested in Pershing Square, LP since 2008 with a return of 12% since inception compared to the benchmark of 4%. The annualized since inception return of Pershing Square International is 16.2%.

ARKANSAS TEACHER RETIREMENT SYSTEM
1400 West Third Street
Little Rock, Arkansas 72201

RESOLUTION
2012-31

**A Resolution to Elect to Transfer Arkansas Teacher Retirement Assets In
Excess of Allowable Ownership in Pershing Square Holdings LTD from
Pershing Square L.P. to Pershing Square International, LTD with an
Imminent Need Request for Immediate Authority to Act**

WHEREAS, The Board of Trustees (Board) of the Arkansas Teacher Retirement System (ATRS) is authorized to invest and manage trust assets for the benefit of its plan participants; and

WHEREAS, The ATRS Board has reviewed the recommendation of its general investment consultant, Hewitt EnnisKnupp, along with the recommendation of the Investment Committee and ATRS Staff regarding the transfer of current ATRS assets from Pershing Square L.P. to Pershing Square Holdings LTD in order to reduce management fees and potentially enhance returns; and

WHEREAS, Pershing Square Holdings LTD will allow ATRS the benefits of lower management fees and opportunity for enhanced performance; and

WHEREAS, No one investor can own more than 4.75% of Pershing Square Holdings LTD; and

WHEREAS, Pershing Square International LTD has the same fees and holdings of the current ATRS fund; and

WHEREAS, Amounts that exceed 4.75% per investor should be simultaneously invested in Pershing Square International LTD; and

WHEREAS, The exact amount that goes into each fund cannot be known until all investor requests have been processed by the fund manager; and

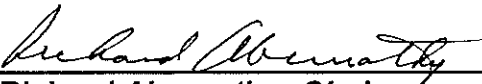
WHEREAS, The ATRS Board approves this investment of ATRS assets in excess of 4.75% ownership in Pershing Square Holdings LTD to Pershing Square International LTD and the Board, after its review of the deadline for notification and document submittal of November 9, 2012, has determined that there is an imminent need to provide notification to enter into the partial equity

ownership agreement with Pershing Square International LTD. The Board also deems it financially appropriate to enter into the partial equity ownership agreement and concludes that to forego the opportunity to promptly implement its investment directives under the prudent investor rule would be inconsistent with its fiduciary duty of care to the members and annuitants;

NOW, THEREFORE, BE IT RESOLVED, That the ATRS Board agrees to immediately provide Pershing Square notice of the intent of ATRS to transfer the maximum allowable amount of ATRS assets in Pershing Square L.P. to Pershing Square Holdings LTD with any excess in assets over the 4.75% ownership threshold being simultaneously invested in Pershing Square International LTD and

FURTHER, BE IT RESOLVED, That the ATRS staff is hereby authorized to take all necessary steps to implement this investment including the execution of commitment and subscription documents by the November 9, 2012, deadline.

Adopted this 29th day of October, 2012



Dr. Richard Abernathy, *Chair*
Arkansas Teacher Retirement System

EXECUTIVE SUMMARY

TO: Investment Committee
FROM: ATRS Staff
RE: Executive Summary
DATE: October 29, 2012

VI. Pershing Square Update & Conversion from Current Pershing Square L.P. Fund to Other Pershing Square Investment Vehicles to Enhance Returns.

ATRS invested with Pershing Square in July 2008. Pershing Square invests in large US companies that are underperforming and provides advice to improve earning and status. Since the ATRS investment, Pershing Square has provided an annualized return of **over 12%**, net of fees. The benchmark used to evaluate Pershing Square is the Dow Jones Total Stock Market Index. The benchmark has earned just over 4% annually during the same period. Pershing Square has greatly surpassed its benchmark. Essentially, Pershing Square has **tripled** the return of its benchmark (net of fees) during the time that ATRS has held it.

Pershing Square has been analyzing its operations and its opportunity to provide investors even greater returns than it already is providing. One method that it has determined that could enhance returns with a guarantee of fee reductions and better controls is if it changes its current fund structure. The proposed structure seems complex but is somewhat simple in nature once it is broken down to its component parts.

Pershing Square is often constrained in its investment opportunities since it allows investors to withdraw funds from its current fund with short term notice. This means that Pershing Square cannot make long term commitments even if those long term commitments would ultimately realize even greater returns than its current commitment ability.

Pershing Square has visited with ATRS, Hewitt Ennis-Knupp and its other investors and suggested an alternative to the current Pershing Square L.P. fund in which ATRS has an investment of approximately \$163 million dollars at this time. The proposal on a simplified basis is as follows:

By November 9, 2012, ATRS would commit to transfer all of the ATRS holdings in the current Pershing Square L.P. fund into two Pershing Square funds. ATRS would transfer **all possible** funds into the Pershing Square Holdings LTD. ATRS would also commit to transfer all that could not go into the Pershing Square Holdings LTD into the Pershing Square International LTD fund. The Pershing Square International LTD fund is an **EXACT** duplicate of the current fund that ATRS has with Pershing Square now. Pershing Square L.P. and Pershing Square International LTD have the exact same holdings, same returns and same managers. One is registered internationally and the other is registered in the U.S.

The Pershing Square International LTD fund will be no different in its investment philosophy and circumstances than the current Pershing Square L.P. Fund of ATRS. The only difference is that it is housed outside of the United States because of complex regulatory issues. The transfer to Pershing Square International LTD fund would include all the same assets and all the same valuations as the current fund.

After the commitment is made to transfer from the current fund into the two funds, ATRS and the other investors will complete the final details with Pershing Square on the total amount that would flow to each fund. The next step would be that Pershing Square would transfer all the funds in the current Pershing Square L.P. fund into the Pershing Square International LTD fund and into Pershing Square Holdings LTD fund based on the maximum that ATRS will be able to place into the holdings fund.

All funds left in the Pershing Square International LTD fund would have the same fees, structure and performance as the existing fund of ATRS. The only change is the legal structure. The real benefit to ATRS is in the Pershing Square Holdings LTD fund.

Pershing Square Holdings LTD would be a closed-end fund with the attributes of less liquidity previously discussed and a significantly reduced carry right of Pershing Square of 16% rather than the 20% in the current Pershing Square L.P. fund. The management fee would remain the same in both the International Fund and in the Pershing Square Holdings LTD fund. The management fees for both will be the same as the current Pershing Square L.P. fund. The fee reduction is in the "carry" or incentive fee for the Pershing Square Holdings LTD fund.

Currently, any profit generated by Pershing Square is divided 20% to Pershing Square and 80% to the partners like ATRS. The proposal of Pershing Square L.P. for Pershing Square Holdings LTD is that the participants like ATRS keep **84%** and Pershing would only keep **16%**. Pershing Square is willing to do this since Pershing Square is convinced they will be even more competitive and produce more profits by having a

closed-end fund with greater opportunity for longer and more specialized investments due to reduced liquidity concerns in that fund. Even **after fees**, Pershing Square L.P. has had that 12% annual return verses the 4% of its benchmark.

The issue with the Pershing Square Holdings LTD fund is that Pershing Square has decided to limit any one participant's percent holdings in the fund initially to only **4.75%** of the total fund. This means the total funds that ATRS can put into Pershing Square Holdings LTD will remain uncertain until the fund is set to close. The intent would be for ATRS to move all it could into Pershing Square Holdings LTD and move the rest to the Pershing Square International LTD fund.

To provide liquidity in the closed end fund, (a "closed end" fund holds the assets with limited rights of withdrawal) Pershing Square intends to establish an IPO (Initial Public Offering) for Pershing Square Holdings LTD. This would create a stock for the fund that would trade on the value of the closed-end fund. This means that ATRS would hold shares in the closed-end fund and could liquidate all or part of its holdings by selling stock to have liquidity, not from liquidating holdings in the fund itself. This is the mechanism that would be used to allow the liquidity that would otherwise be lost if the funds were in a closed-end fund without a specific ending date. If an IPO does not occur, ATRS would still be able to obtain reasonability liquidity by the fund provisions.

In summary, the proposal is that ATRS move all of its holdings out of Pershing Square L.P. into Pershing Square International LTD and into Pershing Square Holdings LTD when the funds close.

A. Pershing Square L.P.

As explained above, Pershing Square L.P. is the current holding of ATRS. The first action by the Board would be to allow staff to sign an agreement to transfer all the holdings from Pershing Square L.P. into Pershing Square Holdings LTD and Pershing Square International LTD. Due to financial regulations, ATRS will not be allowed to invest in Pershing Square Holdings LTD and also hold an investment in the current Pershing Square fund so the Pershing Square International LTD fund must also be used.

B. Pershing Square Holdings LTD and Recommendation to Use Imminent Need Funding.

Board action here would allow all funds possible (4.75% of the total fund) to be moved into Pershing Square Holdings LTD for the purpose of lower carry, greater investment opportunity and

potentially enhanced returns. Ultimately, Pershing Square Holdings LTD is most likely to be converted into a closed end stock fund that is publically traded through an initial public offering in the future. In the event Pershing Square Holdings LTD does not reach an IPO, then after 4 years the fees in Pershing Square Holdings LTD returns to the original carry in Pershing Square L.P. of 20%. However, based upon Pershing Square's past performance, there would still likely be a significant reduction in carry to ATRS due to Pershing Square's historic stellar performance.

Resolution 2012-30 is a resolution to move all of ATRS assets possible from the existing Pershing Square fund into the Pershing Square Holdings LTD fund.

- C. Pershing Square International LTD and Recommendation to Use Imminent Need Funding.** Pershing Square International LTD is an existing fund of Pershing Square International LTD that has the exact holdings as Pershing Square L.P., the existing fund of ATRS. ATRS will transfer all leftover funds from the current fund that cannot move into Pershing Square Holdings LTD into this fund. There will be no difference in what stocks are held, no difference in the percentages, no difference in the fees. It is essentially an international fund just like the U.S. fund.

Resolution 2012-31 is a resolution to move all of ATRS assets from the existing Pershing Square fund that cannot move into Pershing Square Holdings LTD into Pershing Square International LTD.

VII. Other Business.

VIII. Adjourn.

Memo

To: Board of Trustees
Arkansas Teacher Retirement System

From: PJ Kelly, CFA
Kevin Hrad, Liquid Alternatives Research

Date: October 12, 2012

Re: Pershing Square: PSH Recommendation

Pershing Square Background

Pershing Square has served as an investment manager within the ATRS investment program since mid-2008, and the account value of \$164.4 million represented approximately 1.4% of total fund assets as of September 30, 2012.

Pershing Square is an activist equity manager led by founder and portfolio manager Bill Ackman. It aims to unlock value at mid to large cap companies with sustainable businesses and strong brands that have underperformed in recent periods and are ripe for any number of changes, including spin-offs from conglomerates, operational turnarounds, improved capital expenditures, and, in some cases, management replacements. Because of its strong history of success at effecting change and remaining invested as its initiatives take shape, Pershing Square's best asset is its reputation as it makes effective use of media channels and often takes board seats or nominates directors, but the manager's valuation insights and market observations are also highly respected. We continue to hold a strong opinion of Pershing Square, and our confidence going forward was reiterated during a recent review conducted by our research team which upheld a "Buy" rating.

PSH Summary

Earlier this year, Pershing Square notified investors that it would be launching a new fund vehicle, Pershing Square Holdings, Ltd. ("PSH"), with the intention of eventually making it a publicly traded, closed-end fund through an initial public offering (IPO). The purpose of PSH is to raise what the manager calls "permanent capital" that is not subject to constant investor flows. Importantly, there is

no change in investment strategy and the PSH portfolio will mirror those of the private funds, of which ATRS is currently invested in the onshore Pershing Square, L.P.

Pershing Square strongly believes that the ebbs and flows of investor redemptions, which were particularly substantial in the wake of the 2008 financial crisis, greatly inhibit its ability to execute its strategy most effectively; the uncertainty of fund outflows and the maintenance of a cash balance required to meet periodic redemptions can prevent Pershing Square from deploying capital at opportune times and preserving large ownership stakes in active engagements. By converting investors to PSH and having greater stability, Pershing Square will be better equipped to focus on the long-term investment objectives associated with many of its core, activist holdings without the need to manage assets for investor liquidity. Subsequently, if investors choose to redeem their interests in PSH, they must sell to other investors in the form of PSH shares listed on the London Stock Exchange without the manager serving in an intermediary role. Therefore, funds raised for PSH would never be subject to redemption from Pershing Square's perspective just as is the case with any publicly traded company issuing equity.

This permanent capital is believed to be so advantageous that Pershing Square has offered a performance fee discount—which has the potential to be substantial—to persuade existing investors to convert their interests from the legacy private funds to PSH. However, it is important to note that in addition to the upfront administrative burden, the performance fee discount is intended to compensate investors for the risk that the value of their PSH interests (which, following the IPO, will be based on the publicly traded price per share of PSH) is less than the net asset value (NAV) of the underlying portfolio.

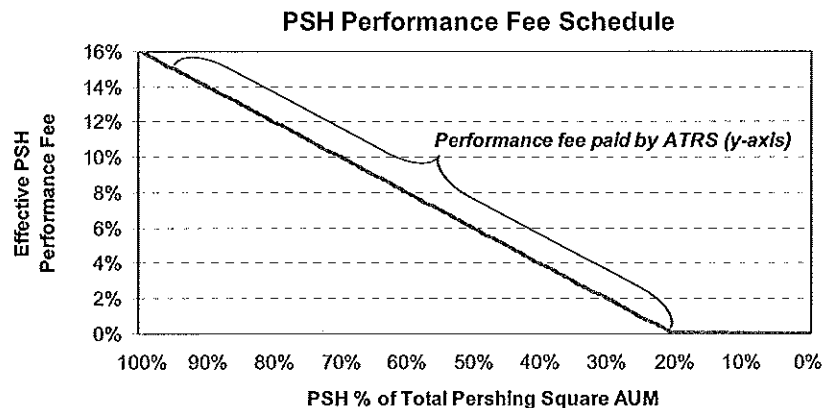
Investors have been provided with a cover letter, offering memorandum, detailed presentation, and subscription documents to sign and return to Pershing Square no later than the November 9, 2012 deadline if they elect to convert some or all of their private fund interests.

Terms & Conditions

After January 1, 2013, PSH will remain a private, offshore fund for accredited investors until the IPO but in the meantime will charge a reduced performance fee of 16%, down from the 20% applied to the private funds. In order to achieve the goal of ensuring a broad, global public offering, Pershing Square has established the following standards before the IPO can take place: \$3 billion in capital from current investors with an additional \$1 billion raised from new investors, 100 unique investors, and no single investor constituting more than 4.75% of assets. Once these objectives have been achieved, the IPO is expected to follow in a matter of months afterward.

Following the IPO, the performance fee of PSH will continue to be at most 16% but will be further reduced by 20% of all the performance fees earned by the private funds. The amount of the additional performance fee reduction is dependent on the difference in the level of assets in PSH compared to that of the private funds, whereby the smaller PSH is in relation to the private funds, the greater the windfall of performance fee dollars from the private funds and the greater the discount for PSH investors.

Assuming the current level of assets under management at Pershing Square (roughly \$11 billion) and the minimum level of capital required for PSH to have an IPO (\$4 billion), the effective performance fee charged to PSH would be roughly 8-9%. This "variable performance fee" will be charged according to the chart below; note that the performance fee can be as low as 0% but not negative.



As illustrated, compared to the legacy private funds this represents an automatic cost savings of 4% of absolute returns, assured savings of even more with the safe assumption that some amount less than 100% of Pershing Square's total AUM will reside in PSH, and the very realistic if not probable scenario of the performance fee being less than 10% after the IPO.

If after four years (by year-end 2016) the IPO fails to materialize, PSH will thereafter remain a private fund and resume the 20% performance fee, which is the same performance fee that investors would have been charged otherwise should they decide not to convert. The benefit for converting investors in this case would be four years of performance fees reduced from 20% to 16%. Existing investors can make the switch to PSH at any time, so the benefit of converting upfront at year-end 2012 is to

take advantage of the performance fee discount as soon as possible and compound the savings over time.

Attached to this memo is a matrix provided by Pershing Square comparing Pershing Square L.P. to Pershing Square Holdings, Ltd.

Additional Considerations

It is important to know that while the circumstances of PSH make it a unique offering in some ways, the idea of a public fund vehicle catered to institutional investors is not without precedent. There have been instances where some publicly traded funds have traded at prices representing a significant discount to their NAVs, however that phenomenon is mostly attributable to the lack of readily available information in the case of private equity funds, a lack of sufficient transparency in the case of hedge funds, and liquidity and forced selling issues associated with the panic of the financial crisis.

While we believe that the relative simplicity of PSH will lessen the chance that its share price will deviate significantly from the NAV—with roughly 85-95% of its portfolio comprising ten to twelve large cap stocks with widespread analyst coverage and weekly NAV estimates from a reputable third-party administrator—that possibility always remains and there is no telling what market forces will influence the share price in the future, and the liquidity and trading volume of PSH cannot be known until it is listed on the exchange. (We note that the portfolio also includes a couple of positions that Pershing Square is still building and is not yet ready to make known publicly for the benefit of its investors, as is typical, and various derivatives for hedging and efficient implementation of the same strategy.)

However, we believe that the performance fee discount sufficiently compensates investors for assuming these risks, and that by maintaining both private fund and public fund accounts, ATRS can direct contributions and redemptions to take advantage of any dislocations. For example, if ATRS wished to increase its allocation to Pershing Square and PSH were to trade at a price below (above) its NAV, it could be beneficial to buy PSH shares at a discount (premium) (private funds at NAV). Similarly, if ATRS wished to decrease its allocation to Pershing Square and PSH were to trade at a price above (below) its NAV, it could be beneficial to sell PSH shares at a premium (discount) (private funds at NAV).

Because PSH is domiciled outside of the U.S. (as a Guernsey company) and investors cannot simultaneously be shareholders of both onshore and offshore funds, investors in the onshore Pershing Square, L.P. fund, which includes ATRS, must first transfer their existing investment to the legacy offshore fund, Pershing Square International, Ltd., before the conversion to PSH. In terms of

timing, ATRS must complete the subscription documents for Pershing Square International, Ltd. in addition to those for PSH by the notification deadline.

Lastly, because ATRS will need to execute transactions of PSH shares on the London Stock Exchange, it will require the opening of a brokerage account and may also entail other operational complexities.

Recommendation

Moving a portion of the ATRS investment to PSH will allow ATRS to take advantage of the cost savings from the reduced performance fee as the principal benefit, but it will also allow ATRS to choose between the PSH and private fund allocations when making additional contributions or redemptions based on the discount or premium of the PSH share price in relation to its NAV.

Investors can convert all of their existing private fund interest to the new PSH vehicle subject to the investor concentration limit of 4.75%, so the amount that ATRS can convert depends on the total dollar amount that is converted to PSH. Based on Pershing Square's total AUM of \$10.75 billion and the ATRS account value of \$164.4 million as of September 2012, ATRS will not be able to convert the entire account unless a total of \$3.46 billion is converted from all existing investors. While this figure cannot be known until the November 9th notification deadline, from the limited visibility we have at this point through our conversations with Pershing Square, it appears that the dollar conversion is likely to fall short of that amount which would prevent ATRS from converting the entire account.

As such, Hewitt EnnisKnupp recommends that ATRS move the maximum allowed amount to PSH, with the remainder of the account's assets to be invested in the Pershing Square International, Ltd Fund. ATRS' legal review and execution of the subscription documents must be completed and submitted by November 9, 2012, in order to complete this transaction.

We look forward to discussing this situation with you in more detail.

Comparison of Pershing Square, L.P. to Pershing Square Holdings, Ltd.

	Pershing Square, L.P.	Pershing Square Holdings, Ltd. (Private Phase)	Pershing Square Holdings, Ltd. (Public Phase)
Acronym	PSLP	PSH	PSH
Type	Limited Partnership	Guernsey Limited Liability Company	Guernsey Limited Liability Company
	Open-ended fund	Open-ended fund	Closed-ended fund
Start	1/2004	Expected 1/2013	Intended 6-18 months after private phase start (though there is no assurance that the IPO will be achieved)
Jurisdiction/Domicile	Delaware/United States	Guernsey	
Liquidity	<p>Three redemption options.</p> <p>Option 1: Rolling two year liquidity</p> <p>Option 2: 1/3 of capital available for redemption year 1, next 1/3 of capital available year 2, final 1/3 of capital available year 3. If capital is not redeemed in any year, it rolls for two years</p> <p>Option 3: 1/8 of capital available for redemption each quarter. If capital is not redeemed in any quarter, it rolls for two years</p> <p>Note: ATRS is invested in Redemption Option 2</p>	<p>One liquidity option equivalent to Option 3 in PSLP:</p> <p>1/8 of capital available for redemption each quarter. If capital is not redeemed in any quarter, it rolls for two years</p>	<p>Shares are non-redeemable. Shares will be publicly traded on the London Stock Exchange and may be sold on the public market.</p> <p>Please review pages 17 – 23 in the PSH Town Hall Meeting Presentation given June 18, 2012, for Pershing Square's thoughts on the improved liquidity that may be achieved by PSH versus the existing private funds.</p>
Redemption/Sale Price	Redeemable at NAV on redemption date		<p>Sale at daily market price.</p> <p>Please review pages 25-35 in PSH Town Hall Meeting Presentation regarding improved economics and the effect of NAV versus existing private funds</p>
Redemption Notice	<p>Options 1 and 2: 45 days (rescindable up to redemption date)</p> <p>Option 3: 65 days (non-rescindable)</p> <p>At notice date, NAV on redemption date</p>	<p>65 days (non-rescindable)</p> <p>At notice date, NAV on redemption date is unknown</p>	None

Comparison of Pershing Square, L.P. to Pershing Square Holdings, Ltd.

	Pershing Square, L.P.	Pershing Square Holdings, Ltd. (Private Phase)	Pershing Square Holdings, Ltd. (Public Phase)
	is unknown		
Portfolio Management	Due to open-ended nature of funds, during periods of acute market stress, the Investment Manager may protect cash or raise cash in order to fulfill investor redemption requests	Generally managed pari passu to Pershing Square, L.P. Due to open-ended nature of fund, during periods of acute market stress, the Investment Manager may protect cash or raise cash in order to fulfill investor redemption requests	Generally managed pari passu to Pershing Square, L.P., however, during periods of acute market stress the Investment Manager may choose to deploy cash opportunistically in new or existing positions
Management Fee	1.5% annually, (0.375% per quarter payable in advance on the first business day of each quarter)		
Incentive Fee	20% per year, generally payable at fiscal year-end	16% per year, generally payable at fiscal year-end. After 48 months, if no IPO, incentive fee will be 20%.	16% per year, to be reduced by 20% of all performance fees and incentive allocation earned by the Investment Manager and its affiliates from existing funds (Pershing Square, L.P., Pershing Square II, L.P. and Pershing Square International, Ltd.), and certain other future, private funds (the "Variable Performance Fee"). Please review pages 25-35 in PSH Town Hall Meeting Presentation for Pershing Square's thoughts on the improved fee economics and its effect on NAV versus existing private funds.
High water mark for performance allocation	Yes		
Expenses charged to the Fund	The substantial majority of expenses to be charged to the Funds will relate to legal, accounting, research and investment banking fees. There will be no cap on expenses charged to the Funds. See the relevant Offering Memorandum for a complete description of the type of expenses charged to the Funds. See "Underwriting fees and expenses" below for information relating to capital raising fees and other offering expenses for PSH.		
Underwriting fees and expenses	N/A		PSCM expects to finance the underwriting fees and other offering expenses by purchasing preferred shares, subject to ownership limits. The Preferred Shares will initially have a value of \$0. Preferred Shares will accrete in value, until the accretion equals the underwriting fees and other offering expenses plus a yield not to exceed 4.5%, to the extent the Variable

Comparison of Pershing Square, L.P. to Pershing Square Holdings, Ltd.

	Pershing Square, L.P.	Pershing Square Holdings, Ltd. (Private Phase)	Pershing Square Holdings, Ltd. (Public Phase)
			<p>Performance Fee investors pay is less than 16%.</p> <p>Please see page 40 in PSH Town Hall Meeting Presentation for overview of underwriting fees and other offering expenses financed by Pershing Square. Also please review related section of PSH Offering Memorandum</p>
Tax considerations	Please refer to PSLP's Offering Memorandum.	Please refer to PSH's Offering Memorandum.	Please refer to PSH's Offering Memorandum.
VoteCo	N/A	In order to address U.S. regulatory issues, as part of the Initial Offering, PS Holdings Independent Voting Company Limited ("VoteCo") will be issued voting shares that will carry voting power equal to 50.1%	
Governance/Partner/ Shareholder Rights	<p>Limited Partners ("LPs") holding more than 80% of the aggregate LP Interests may require to dissolve PSLP. PSLP will also be dissolved upon the retirement, dissolution or bankruptcy of the General Partner (the "GP"), unless LPs holding more than 50% of the aggregate LP Interests (a "Majority in LP Interest") elect a successor general partner within 60 days of the retirement, dissolution or bankruptcy.</p> <p>PSLP's Limited Partnership Agreement (the "LPA") may be amended by the GP in any manner that does not adversely affect any LP or to conform to applicable laws and regulations based on a reasonable good faith determination by the GP that such amendment is advisable. The LPA may also be amended by action taken by both (i) the GP and (ii) a Majority in LP Interest at the time of the amendment, provided that, if any amendment discriminates against</p>	<p>Super-majority votes of all voting shares plus super-majority vote of all shares other than VoteCo, management and preferred shares can approve termination of IMA and dissolution and liquidation of Company</p> <p>Super-majority votes of all voting shares plus majority vote of all shares other than VoteCo, management and preferred shares can approve amendments to Articles of Incorporation and material amendments to PSH's investment policy</p> <p>Other shareholder rights as described in PSH Offering Memorandum and Articles of Association.</p>	<p>Super-majority votes of all voting shares plus super-majority vote of all shares other than VoteCo, management and preferred shares can approve termination of IMA and dissolution and liquidation of Company</p> <p>Super-majority votes of all voting shares plus majority vote of all shares other than VoteCo, management and preferred shares can approve amendments to Articles of Incorporation, material amendments to PSH's investment policy and continuation of the company following (i) termination of IMA (ii) Key Man Event or (iii) deemed assignment of IMA</p> <p>Other shareholder rights as described in PSH Offering Memorandum and Articles of Association.</p>

Comparison of Pershing Square, L.P. to Pershing Square Holdings, Ltd.

	Pershing Square, L.P.	Pershing Square Holdings, Ltd. (Private Phase)	Pershing Square Holdings, Ltd. (Public Phase)
	<p>any LP relative to the other LPs, then that amendment shall only be effective against such LP with its prior written consent, or otherwise as provided in the LPA.</p> <p>The GP shall not assign any GP Interest or its management rights under the LPA to any other party without the consent of the Majority in LP Interest.</p>		
Key Man Event	<p>Investors can redeem at the end of the month which includes the 90th day after notice of a Key Man Event</p>		<p>During first 7 years, orderly liquidation unless shareholders vote to continue</p> <p>After 7 years, PSCM expects to have largely minimized key-man risk</p>

Comparison of Pershing Square, L.P. to Pershing Square Holdings, Ltd.

Reporting/ Investor Relations	<p>Monthly NAV, until IPO of PSH, then weekly NAV</p> <p>Quarterly investor letters</p> <p>Quarterly investor conference calls</p> <p>Periodic distribution of investment specific presentations</p> <p>Individual investor updates by IR team as requested</p> <p>Annual investor dinner and presentation (January/February)</p> <p>Annual European investor presentation (June)</p>	<p>Monthly NAV</p> <p>Quarterly investor letters</p> <p>Quarterly investor conference calls</p> <p>Periodic distribution of investment specific presentations</p> <p>Individual investor updates by IR team as requested</p> <p>Annual investor dinner and presentation (January/February)</p> <p>Annual European investor presentation (June)</p>	<p>Weekly NAV</p> <p>Quarterly investor letters</p> <p>Quarterly investor conference calls</p> <p>Periodic publication of investment specific presentations</p> <p>Individual investor updates by IR team as requested, subject to any applicable legal and regulatory limitations with respect to inside information.</p> <p>Annual shareholder meeting (TBD)</p>
Outcome if IPO	Conversion of existing capital to permanent capital is expected to benefit private fund investors as well as PSH investors.	N/A	PSH will become a closed end fund publicly traded on the London Stock Exchange
Outcome if no IPO	No change.	<p>PSH will be an offshore, private fund with the same strategy as the existing private funds. Liquidity will be 1/8 of capital per quarter same as PSLP Option 3</p> <p>Incentive fee will increase from 16% to 20% after 12/31/2016</p>	N/A