



July 30, 2013

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 (A.C.A. §19-11-1303)
Investments: Macquarie Infrastructure Partners III, L.P.
Halderman Real Assets Management, LLC
Vista Foundation Fund II, L.P.

Dear Ms. Benton and Ms. Garrity:

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. The investments presented at this time are considered Imminent Need due to the fact that each of them will need to close within the next thirty to forty-five days, and there is no Arkansas Legislative Council (ALC) meeting scheduled before September 20, 2013.

Based on Hewitt EnnisKnupp (ATR's real assets consultant) and ATRS staff recommendations, on July 26, 2013 the ATRS Board of Trustees, in a scheduled Board of Trustees meeting, adopted Resolutions 2013-26 and 2013-29 to declare an Imminent Need exists for investment in the following funds: Macquarie Infrastructure Partners III, L.P. and Halderman Real Asset Management, LLC. The Board determined that all criteria were met under Act 1211 to enter into the partial equity ownership agreement for this investment.

At the same meeting, based on Franklin Park (ATR's private equity consultant) and ATRS staff recommendations, the ATRS Board of Trustees also adopted Resolution 2013-30 to declare an Imminent Need exists for investment in Vista Foundation

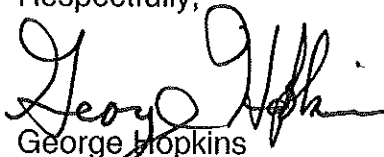
Ms. Benton
Ms. Garrity
July 29, 2013
Page Two

Fund II, L.P. The Board determined that all criteria were met under Act 1211 to enter into the partial equity ownership agreements for this investment as well.

This letter has been sent in compliance with the five-day rule in Act 1211. 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. The total amount that ATRS intends to invest in these investments is \$175,000,000. For full and open disclosure, ATRS is attaching an Executive Summary 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,

A handwritten signature in black ink, appearing to read "George Hopkins", written over the printed name.

George Hopkins
Executive Director

GH:lw

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

RESOLUTION
No. 2013-26

**Approving Investment in Macquarie Infrastructure Partners III
with Imminent Need**

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

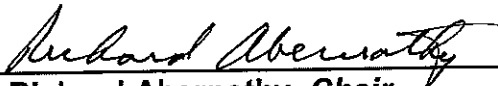
WHEREAS, The ATRS Board has reviewed the recommendation of its real assets investments consultant, Hewitt EnnisKnupp, along with the recommendation of the Investment Committee and ATRS Staff regarding a potential investment in **Macquarie Infrastructure Partners III**, a core infrastructure fund that invests globally in a mixture of infrastructure assets;

WHEREAS, The ATRS Board approves an investment of up to **\$50 million (\$50,000,000.00)** in **Macquarie Infrastructure Partners III, L.P.** and the Board, after its review of the timing of the period in which the general partner of **Macquarie Infrastructure Partners III, L.P.** will accept new investors and the fact that the Arkansas Legislative Council will not meet until September 20, 2013., have determined that there is an imminent need to immediately enter into the partial equity ownership agreement. The Board also deems it financially appropriate to enter into the partial equity ownership agreement and concludes that to postpone closing might cost ATRS the opportunity to make the investment or incur additional fees for late closing

NOW, THEREFORE, BE IT RESOLVED, That the ATRS Board of Trustees, approves an investment of up to **\$50 million (\$50,000,000.00)** in **Macquarie Infrastructure Partners III**; and

FURTHER, BE IT RESOLVED, That the ATRS Staff is hereby authorized to take all necessary steps to implement this investment.

Adopted this 26th day of July, 2013



Dr. Richard Abernathy, Chair
Arkansas Teacher Retirement System

**Arkansas Teacher Retirement System
Real Estate Investment
Executive Summary**

Investment	Macquarie Infrastructure Partners Fund III, LP (MIP III)
Managing Party	Macquarie Infrastructure Partners Fund III, GP LLC
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	July, 2013
Expected Closing Date	August 30, 2013
ATRS Commitment & Reason for Entry	The \$50 million investment is to help achieve the 15% target allocation to Real Assets. The fund was recommended by the ATRS's Real Assets consultant, Hewitt EnnisKnupp.
Placement Agent	None
Key Terms	<u>Management Fee</u> : 0.75% on un-invested capital; 1.50% on Committed Capital during the Investment Period, thereafter 1.50% on invested capital. First Close investors are afforded a zero management fee on un-invested capital. ATRS will be a First Close investor. <u>Carried Interest</u> : 20% of profits after LP's receive an 8% IRR preferred return.
Justification of Investment Duration Term & Anticipated Termination Date	The strategy requires a period of time to identify, execute and then monetize a core infrastructure strategy. The fund is a "closed end" variety with a ten year term starting at the final close with the possibility of two-one year extensions. An additional two-one year extensions may follow however they must be approved by the advisory committee or a majority interest of the limited partners. The anticipated maturity is in 2024.
Investment Strategy	The strategy aims to assemble a diversified portfolio of assets that generate predictable cash flows over the long-term, have relatively low risk and volatility, provide a hedge against inflation, and have a low correlation with other asset classes. A typical investment will be control-oriented equity, equity-related and, on a selected basis, investments in debt securities in businesses that own, operate, develop, manage or support infrastructure-related assets. These target assets include but are not limited to the following: toll roads, airports, telecommunications, point-to-point rail links, marine container terminals, midstream pipelines, utilities, and water and waste related assets.

Management Team

The members of MIP III have a good mix of complementary skill sets and the ability to access global infrastructure expertise from a pool of over 400 infrastructure professionals. 50% of the carried interest remains with the team with the other 50% going to the parent company, which is significantly different from prior funds where 100% of the carried interest went to the parent company. If fewer than five of the following seven continue to be involved (Martin Stanley, Chris Leslie, Graeme Conway, Karl Kuchel, Paul Mitchener, Andrew Chapman and Richard Nicholson), then the Key Man Provision may be triggered.

Historical Performance

Previous funds to date have returned an average 5.9% net IRR and 1.4x return of capital over the last ten years. This time period is inclusive of the worst financial downturn since the Great Depression.

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

RESOLUTION
No. 2013-29

**Approving with Imminent Need Assignment of the Farmland
Management Agreement From HFMS, Inc. to HRAM, LLC**

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

WHEREAS, In its capacity as fiduciary, the ATRS Board deems it appropriate to periodically update investment managers agreements; and

WHEREAS, Regulatory changes may necessitate additional licensing and registration requirements for ATRS's managers; and

WHEREAS, HFMS, Inc. Has deemed it necessary to become a Registered Investment Advisor (RIA) as defined by the Securities Exchange Commission and the Registered Investment Advisors Act of 1940 due to industry norms relating to the amount of assets under management; and

WHEREAS, Hewitt EnnisKnupp, ATRS's real assets consultant, and ATRS Staff have determined that having the RIA designation increases and codifies a managers fiduciary duty; and

WHEREAS, Hewitt EnnisKnupp, ATRS's real assets consultant, and ATRS Staff are recommending approval of the assignment to facilitate such licensing; and

NOW, THEREFORE, BE IT RESOLVED, That the Board of Trustees, after careful consideration of the documents and upon recommendation by ATRS Staff and the ATRS real assets consultant, Hewitt EnnisKnupp, approves the assignment of the farmland management agreement from **HFMS, Inc. to HRAM, LLC**; and

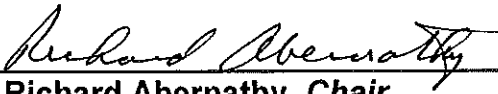
THAT The anticipated date of assignment is to occur before the August 29, 2013 date set by the Securities Exchange Commission; and

THAT Due to the need of this assignment being executed before the next scheduled Legislative Council meeting on September 20, 2013, this assignment

is made under the imminent need provisions of law in order to facilitate registration in a timely manner; and

THAT The ATRS Staff is authorized to conduct all necessary negotiations and finalize all necessary documents and terms to facilitate this assignment.

Adopted this 26th day of July, 2013



Dr. Richard Abernathy, Chair
Arkansas Teacher Retirement System

**Arkansas Teacher Retirement System
Real Estate Investment
Executive Summary**

Investment	Pinnacle Mountain Holding Company, LLC
Managing Party	Halderman Real Asset Management (HRAM), LLC
ATRS Legal Interest	ATRS is the only shareholder.
Report Date	July, 2013
Expected Closing Date	August 29, 2013
ATRS Commitment & Reason for Entry	This is an assignment of the Farmland Management Agreement initially executed in March 2011 with Halderman Farmland Management Services, Inc. (HFMS). HFMS is assigning the agreement to Halderman Real Asset Management, LLC (HRAM). The assignment is necessary for Halderman to obtain Registered Investment Advisor (RIA) licensing due to its fiduciary obligations towards ATRS and other institutional investors. RIA status codifies the advisors duties and obligations under the Registered Investment Advisors Act of 1940 and Securities Exchange Commission rules.
Placement Agent	No placement agent was utilized with this management agreement assignment.
Key Terms	<u>Management Fee</u> : 100 bps (1%) on committed capital. <u>Carried Interest</u> : 10% of profits after ATRS receives a 7% IRR preferred return.
Justification of Investment Duration Term & Anticipated Termination Date	The strategy requires a period of time to identify, execute and then monetize a core farmland strategy. The assets may in fact be held in perpetuity.
Investment Strategy	As approved at ATRS's October 4, 2010 meeting, ATRS established an initial \$100 million allocation through a separate account to farmland as a part of ATRS's Alternatives asset class (as a side note, farmland has been re-classified as part of the Real Assets portfolio). USDA growth rates on the land values from 1880 to 2007 are 4%, current land cash yields from rent range from 3% to 6%. HFMS was established in 1930 and is a national farmland operation, currently operating 675 farms, over 250,000 acres in 21 states with satellite offices in 6 states. HRAM will continue HFMS's function of identifying, selecting and purchasing farmland operations as well as selecting farm operators, monitor their

performance and provide technical support to those operators. All personnel and obligations of HFMS remain the same under HRAM.

**Management
Team**

Howard Halderman – President Halderman Farm Management Services since 2000. Bachelor of Science in Agricultural Economics, Purdue University 1988.

Pat Karst, VP Real Estate Acquisitions. Vice President of Real Estate since 2005. Area Representative from 1984 – 2005. Purdue University - Bachelor of Science in Agricultural Economics, Farm Business and Management – December 1983

David Martin - Halderman Special Accounts Manager Since 2008. Purdue University - Bachelor of Arts in Agricultural Economics, May 1992.

Adam Gore – Operations. Cornell University - Bachelor of Science in Agribusiness Management, May 2009. Oversees the management of \$300MM of row crop and livestock operations in 8 states for Halderman Farm Management Services.

**Historical
Performance**

For calendar year 2012, Pinnacle Mountain Holding Company provided an overall return of 10.74%.

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

RESOLUTION
No. 2013-30

Approving Vista Foundation II, L.P. with Imminent Need

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

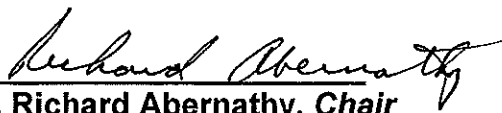
WHEREAS, The ATRS Board has reviewed the recommendation of its private equity consultant, Franklin Park Associates, LLC, along with the recommendation of the Investment Committee and ATRS Staff regarding a potential investment in **Vista Foundation Fund II, L.P.**, a fund that will make investments in small and middle market enterprise software companies; and

WHEREAS, The ATRS Board approves an investment of up to **\$25 million (\$25,000,000.00)** but not less than **\$15 million (\$15,000,000.00)** in **Vista Foundation Fund II, L.P.** and the Board, after its review of the timing of the period in which the general partner of **Vista Foundation Fund II, L.P.** will accept new investors and the fact that the Arkansas Legislative Council will not meet until mid to late September at the earliest, has determined that there is an imminent need to immediately enter into the partial equity ownership agreement. The Board also deems it financially appropriate to enter into the partial equity ownership agreement and concludes that to postpone closing might cost ATRS the opportunity to make the investment or incur additional fees for late closing;

NOW, THEREFORE, BE IT RESOLVED, That the ATRS Board agrees to immediately close and subscribe the approved ATRS limited partnership investment interest in **Vista Foundation Fund II, L.P.**; and

FURTHER, BE IT RESOLVED, That the ATRS Staff is hereby authorized to take all necessary steps to implement this investment.

Adopted this 26th day of July 2013.


Dr. Richard Abernathy, Chair
Arkansas Teacher Retirement System

**Arkansas Teacher Retirement System
Private Equity Investment
Executive Summary**

Investment	Vista Foundation Fund II, L.P. (the "Fund")
Managing Party	Vista Foundation (the "General Partner" or "VFF")
ATRS Legal Interest	ATRS will be a limited partner
Report Date	July 2013
Expected Closing Date	The General Partner is expecting maximum capital commitments of \$1 billion for the Fund. ATRS is expected to close by mid-September, 2013.
ATRS Commitment & Reason for Entry	The \$25 million investment is to help achieve the 10% target allocation to private equity. The fund was recommended by the ATRS private equity consultant.
Placement Agent	The General Partner has not retained a placement agent for fundraising.
Key Terms	<p><u>Management Fee</u>: The General Partner has proposed an annual management fee of 2.0% of commitments during the five-year investment period. Thereafter, management fees will equal 2.0% of contributions net of distributions, write-offs and write-downs.</p> <p><u>Carried Interest</u>: After the limited partners receive their aggregate capital contributions on realized investments, write-downs and an 8% preferred return, the General Partner will be entitled to 20% of the Fund's profits if cumulative distributions do not represent a 3.0x or greater multiple on capital contributions in realized investments. If cumulative distributions represent a 3.0x or greater multiple, the General Partner will be entitled to 30% of the Fund's profits.</p>
Justification of Investment Term & Anticipated Termination Date	<u>Term</u> : Ten years (anticipated termination in 2023) plus two one-year extensions which is industry standard due to the time required for acquiring, developing and selling underlying assets.
Investment Strategy	The Fund is being formed to make control investments in small and lower middle market enterprise software companies. The Fund will seek to invest in quality companies with enterprise values of \$20 to \$200 million that have recurring revenues and significant value creation opportunities.
Management Team	The General Partner is the lower middle market affiliate of Vista Equity Partners ("Vista"), a software-focused private equity group founded in 2000 by Robert Smith, Stephen Davis and Brian Sheth. The General Partner's team includes eight dedicated professionals led by Alan Cline and Rob Rogers who are supported by three Vice Presidents and three Associates.
Historical Performance	Since 2009, the General Partner has invested \$283 million in seven investment deals. In aggregate, these investments have generated a gross IRR of 31.1% and a multiple of 1.5x cost as of December 31, 2012. Historical returns are not indicative of future performance.