



February 7, 2017

Mr. Edward Armstrong
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: La Salle Income & Growth Fund VII, L.P.
BVIP Fund IX, L.P.
One Rock Capital Partners II, L.P.

Dear Mr. Armstrong and Ms. Garrity:

As Executive Director of Arkansas Teacher Retirement System (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 currently scheduled during that time frame due to the Legislative Session. ATRS anticipates the closings for these investments will occur before the end of the Legislative Session and expects to close in due course by the end of March 2017.

Based on the recommendation of Aon Hewitt Investment Consulting, Inc. (ATRS's real assets consultant), and ATRS staff, on February 6, 2017, the ATRS Board of Trustees (Board), in a scheduled Board meeting, adopted Resolution 2017-08 to declare an Imminent Need exists for investment in LaSalle Income and Growth Fund VII, LP. At the same meeting, the Board also adopted Resolutions 2017-09 and 2017-10 to declare an Imminent Need for investments in BVIP Fund IX, L.P. and One Rock Capital Partners II, L.P., private equity funds recommended by both Franklin Park Associates (ATRS's private equity consultant) and ATRS staff. The Board determined that all

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criteria were met under Act 1211 to enter into partial equity ownership agreements for each of these investments.

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 \$80,000,000. 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@arts.gov

Respectfully,



George Hopkins
Executive Director

GH:lw

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

RESOLUTION
No. 2017-08

**Approving Investment in LaSalle Income and Growth Fund VII,
LP 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

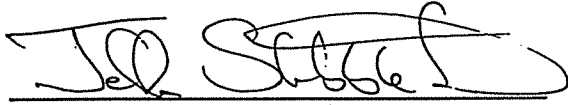
WHEREAS, The ATRS Board has reviewed the recommendation of its real assets investment consultant, Aon Hewitt Investment Consulting, Inc., along with the recommendation of the Investment Committee and ATRS staff regarding a potential investment in **LaSalle Income and Growth Fund VII, LP** a closed end, domestic, value added fund whose investment strategy will focus on the current and growing demand for core real estate assets by aggressively pursuing non-core properties that can be leased, redeveloped or repositioned and later sold to core buyers; and

WHEREAS, The ATRS Board approves an investment of up to **\$20 million dollars (\$20,000,000.00)** in **LaSalle Income and Growth Fund VII, LP** and the Board, after its review of the timing of the period in which the general partner of **LaSalle Income and Growth Fund VII, LP** will accept new investors, has determined that there is an imminent need to immediately enter into the partial equity ownership agreement since the anticipated closing to participate in this fund will occur prior to the next scheduled meeting of the Arkansas Legislative Council. 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 approves an investment of up to **\$20 million dollars (\$20,000,000.00)** in **LaSalle Income and Growth Fund VII, LP**, and agrees to immediately move to close and subscribe the approved ATRS limited partnership investment interest in **LaSalle Income and Growth Fund VII, LP**; and

FURTHER, BE IT RESOLVED, That the ATRS staff is hereby authorized to take all necessary and proper steps to implement this investment, if acceptable terms are reached.

Adopted this 6th day of February, 2017.

A handwritten signature in black ink, appearing to read "Jeff Stubblefield", written over a horizontal line.

Mr. Jeff Stubblefield, *Chair*
Arkansas Teacher Retirement System

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

Investment	LaSalle Income & Growth Fund VII, LP
Managing Party	LaSalle Income & Growth Fund VII GP, L.L.C. a Delaware limited partnership
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	February, 2017
Expected Closing Date	March 30, 2017
ATRS Commitment & Reason for Entry	The \$20 million investment is to help achieve the 10% target allocation to Real Estate. The fund was recommended by the ATRS Real Assets consultant, Aon Hewitt Investment Consultants.
Placement Agent	None
Key Terms	<u>Management Fee</u> : 135 bps (1.35%) on invested equity and a 50 bps (.50%) acquisition fee. <u>Carried Interest</u> : 20% of profits after LP's receive 100% of their invested capital and a 9% 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 value added strategy. The fund is a "Closed end" variety with a five year term starting at the end of the three year investment period with a one year extension possible during investment period. At the end of term there is the possibility of two-one year extensions. The anticipated maturity is in 2025 without any extensions.
Investment Strategy	LaSalle Income & Growth Fund VII's investment strategy is to capitalize on the current and growing demand for core real estate assets by aggressively pursuing non-core properties that can be leased, redeveloped or repositioned and later sold to core buyers. Specifically, LaSalle will seek to acquire non-core assets with a strong in place income, in major markets and targeted secondary markets that are temporarily out of favor.
Management Team	Jim Hutchinson serves as President of the Fund and has primary responsibility for its business affairs, including acquisitions, financings, and dispositions. Harlan Stanley serves as Chief Operating Officer of the Fund and directs all asset management activities. In addition to the senior leadership provided by Mr. Hutchinson and Mr. Stanley, the Fund

Team is comprised of ten investment and accounting professionals currently working exclusively on the Income & Growth fund activities.

**Historical
Performance**

The six preceding funds in the series have returned on average an 11% IRR.

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

RESOLUTION
No. 2017-09

**Approving Investment in BVIP Fund IX, 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 **BVIP Fund IX, L.P.**, a fund that will primarily invest in middle market companies in the business services, information technology and communication services sectors; and

WHEREAS, The ATRS Board approves an investment of up to **\$30 million dollars (\$30,000,000.00)** in **BVIP Fund IX, L.P.** and the Board, after its review of the timing of the period in which the general partner of **BVIP Fund IX, L.P.** will accept new investors, has determined that there is an imminent need to immediately enter into the partial equity ownership agreement since the anticipated closing to participate in this fund will occur prior to the next scheduled meeting of the Arkansas Legislative Council. 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 approves an investment of up to **\$30 million dollars (\$30,000,000.00)** in **BVIP Fund IX, L.P.** and agrees to immediately move to close and subscribe the approved ATRS limited partnership investment interest in **BVIP Fund IX, L.P.**; and

FURTHER, BE IT RESOLVED, That the ATRS staff is hereby authorized to take all necessary and proper steps to implement this investment, if acceptable terms are reached.

Adopted this 6th day of February 2017.



Mr. Jeff Stubblefield, Chair
Arkansas Teacher Retirement System

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

Investment	BVIP Fund IX, L.P. (the "Fund")
Managing Party	BV Investment Partners (the "General Partner")
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	February 2017
Expected Closing Date	The General Partner is targeting capital commitments of \$600 million. ATRS is expected to close in March 2017.
ATRS Commitment & Reason for Entry	The investment of up to \$30 million is to help achieve the 10% target allocation to private equity. The fund was recommended by the ATRS private equity consultant.
Placement Agent	No placement agent was used for fundraising.
Key Terms	<p><u>Management Fee</u>: The General Partner has proposed an annual management fee of 2.0% of aggregate capital commitments during the five-year investment period. Thereafter, management fees will equal 2.0% of net invested capital.</p> <p><u>Carried Interest</u>: The General Partner will be entitled to receive 20% of the fund's profits after the limited partners have received their capital contributions with respect to realized portfolio investments, write-downs, and an allocable portion of fund expenses plus an 8% preferred return.</p>
Justification of Investment Term & Anticipated Termination Date	The term is ten years (anticipated termination in 2027) plus two one-year extensions which is common for private equity funds due to the time required for buying, improving and selling underlying companies.
Investment Strategy	The Fund is being formed to primarily make buyout investments in lower middle market companies in the information technology, business services, and communications services sectors. The General Partner will target companies with values between \$35 million and \$350 million based primarily in the U.S.
Management Team	BV Investment Partners was originally founded in 1983 as Boston Ventures. The firm was rebranded in 2010 following a leadership succession plan that started in 2004. Today, the General Partner is led by Principals, Vikrant Raina, Justin Harrison, Matthew Kinsey, Stuart Brown and Mike Ricciardelli.
Historical Performance	In its previous two funds, the General Partner has invested approximately \$675 million in eighteen deals generating an aggregate net IRR of over 30%. Historical returns are not indicative of future performance.

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

RESOLUTION
No. 2017-10

**Approving Investment in One Rock Capital Partners 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

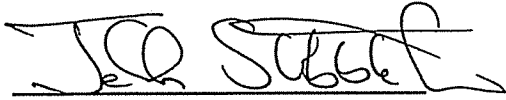
WHEREAS, The ATRS Board has reviewed the recommendation of its private equity consultant, Franklin Park Associates, LLC, along with the recommendation of the Investment Committee and ATRS staff regarding a potential investment in **One Rock Capital Partners II, L.P.**, a fund that will invest in small and lower middle market companies in the specialty manufacturing, healthcare products, chemical and processing, business and environmental services and auto retail sectors; and

WHEREAS, The ATRS Board approves an investment of up to **\$30 million dollars (\$30,000,000.00)** in **One Rock Capital Partners II, L.P.** and the Board, after its review of the timing of the period in which the general partner of **One Rock Capital Partners II, L.P.** will accept new investors, has determined that there is an imminent need to immediately enter into the partial equity ownership agreement since the anticipated closing to participate in this fund will occur prior to the next scheduled meeting of the Arkansas Legislative Council. 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 approves an investment of up to **\$30 million dollars (\$30,000,000.00)** in **One Rock Capital Partners II, L.P.** and agrees to immediately move to close and subscribe the approved ATRS limited partnership investment interest in **One Rock Capital Partners II, L.P.** and

FURTHER, BE IT RESOLVED, That the ATRS staff is hereby authorized to take all necessary and proper steps to implement this investment, if acceptable terms are reached.

Adopted this 6th day of February 2017.

A handwritten signature in black ink, appearing to read "Jeff Stubblefield", written over a horizontal line.

Mr. Jeff Stubblefield, *Chair*
Arkansas Teacher Retirement System

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

Investment	One Rock Capital Partners II, L.P. (the "Fund")
Managing Party	One Rock Capital Partners (the "General Partner")
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	February 2017
Expected Closing Date	The General Partner is targeting capital commitments of \$700 million. ATRS is expected to close in March 2017.
ATRS Commitment & Reason for Entry	The investment of up to \$30 million is to help achieve the 10% target allocation to private equity. The fund was recommended by the ATRS private equity consultant.
Placement Agent	No placement agent was used for fundraising.
Key Terms	<p><u>Management Fee</u>: The General Partner has proposed an annual management fee of 2.0% of aggregate capital commitments during the five-year investment period. Thereafter, management fees will equal 1.85% of net invested capital.</p> <p><u>Carried Interest</u>: The General Partner will be entitled to receive 20% of the fund's profits after the limited partners have received their aggregate contributions plus an 8% preferred return.</p>
Justification of Investment Term & Anticipated Termination Date	The term is ten years (anticipated termination in 2027) plus three one-year extensions which is common for private equity funds due to the time required for buying, improving and selling underlying companies.
Investment Strategy	The Fund is being formed to primarily make control-oriented investments in lower middle market companies in sectors such as specialty manufacturing and healthcare products, chemicals and processing, business and environmental services, and auto retail based primarily in the U.S.
Management Team	Based in New York and Los Angeles, the General Partner was founded in 2010 by Tony Lee and R. Scott Spielvogel, former managing directors of Ripplewood, a successful private equity firm. The founders are supported by three additional partners, three mid-level investment professionals, six junior investment professionals and seven operating partners.
Historical Performance	The General Partner has invested over \$225 million generating a net IRR above 20%. Historical returns are not indicative of future performance.