



February 17, 2011

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

Mr. David Ferguson
Bureau of Legislative Research
Administrative Rules Review Section
State Capitol, Room 315
Little Rock, AR 72201

Re: Notification of Imminent Need Under Act 1211 of 2009
Investment: Prudential Real Estate Investors – PRISA Fund

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 ATRS Board approved the need for Imminent Need in a recent special board meeting.

Based on the consultant and staff's recommendation on February 14, 2011, the ATRS Board of Trustees, in a special Board Meeting, adopted Resolution 2011-11, to declare an Imminent Need exists for an investment in the Prudential Real Estate Investors – PRISA Fund. The reason for the use of the imminent need declaration on this fund is to avoid a deposit queue that would prevent ATRS from making the investment on a timely basis. A deposit queue is a waiting list on a first come first serve basis to enter into a fund that is unwilling to take all new money immediately. Without making a current commitment, this investment might have been delayed into late 2011 or early 2012. The Board determined that all criteria were met under Act 1211 to enter into the partial equity ownership agreement for this investment. In accordance with Act 1211, ATRS is providing a copy of the aforementioned resolution to the Office of Procurement and the Legislative Council. ATRS tries to be very limited in the use of the imminent need process and will continue to do so.

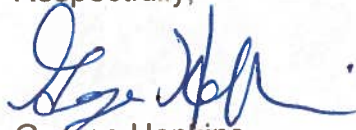
This letter has been sent in compliance with the five-day rule in Act 1211. In addition to providing meaningful early disclosure, ATRS intends to comply with the notification procedures set forth in Act 1211. The amount that ATRS intends to invest in this

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

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investment is approximately \$50,000,000.00. For full and open disclosure, ATRS is attaching an Executive Summary of the investment and details on the investment. ATRS will be following up with a specific procurement form as required in Act 1211. 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@atrs.gov.

Respectfully,

A handwritten signature in blue ink, appearing to read "George Hopkins", with a small dot at the end of the signature.

George Hopkins
Executive Director

GH:kd
attachment

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

**RESOLUTION
No. 2011- 11**

WHEREAS, The Board is authorized to invest and manage trust assets for the benefits of its plan participants; and

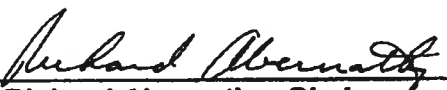
WHEREAS, The Board has reviewed the recommendation of its real estate investment consultant, Hewitt Ennis Knupp, Inc., along with the recommendation of the Investment Committee and staff regarding an additional investment in **Prudential Real Estate Insurance Separate Account I (PRISA)**, a fund which invests in core real estate assets; and

WHEREAS, The Board of Trustees of the Arkansas Teacher Retirement System approves an investment of **\$50 million (\$50,000,000.00)** in **Prudential Real Estate Investors – Property Investment Separate Account (PRISA)**, and the Board, after its review of the timing of the period in which the general partner of **Prudential Real Estate Investors – Property Investment Separate Account (PRISA)**, will accept new investors, has determined that there is an imminent need to immediately enter into the partial equity ownership agreement. The imminent need is due to the need to fund the investment as soon as possible to prevent the delay of a "deposit que" at PRISA, which is expected to develop soon. 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 Board of Trustees agrees to immediately close and subscribe the approved ATRS investment interest in **Prudential Real Estate Investors – Property Investment Separate Account (PRISA)**; and

FURTHER, BE IT RESOLVED, that the Board instructs the staff to provide to the Arkansas Legislative Council and the Office of State Procurement all appropriate documents and information regarding this investment as required by law.

Adopted this 14th day of February 2011.


Dr. Richard Abernathy, Chair
Arkansas Teacher Retirement System

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

Fund Prudential Real Estate Insurance Separate Account I (PRISA)
General Partner Prudential Real Estate Investors
Report Date March 2011

ATRS Commitment \$50 million (to help achieve 10% target allocation to Real Estate)

Placement Agent The General Partner acts as its own placement agent.

Term of Agreement The Fund is an open ended fund, meaning the assets are held in virtual perpetuity. An open ended fund allows for deposits (subject to investments being available) and withdrawals (subject to available liquidity) on a quarterly basis.

Key Terms PRISA's fee schedule has two principal components: a base management fee tied to assets cost (or market value for some properties, as further described below) and a performance-based fee tied to operating cash flow. Fees are subject to an annual maximum fee based on clients' account balances.

Base Management Fee

The Base Management Fee is calculated quarterly using the client's account balance to determine each client's share of the "Cost Basis for Fee Calculation" (described below) and applying the fee rate shown in the following schedule:

Share of Cost Basis	Annual Fee Percentage
Over \$100 million	0.50%

Performance-Based Fee

The Performance-Based Fee is calculated quarterly based on each client's share (calculated based on the client's account balance) of PRISA's "Operating Cash Flow" (as contractually defined and summarized below) and the following schedule:

Account Balance Used to Determine Share of Cash Flow	Annual Fee Percentage
First \$100 million	6.0%
\$100 million and over	5.0%

Cash

A fee of 10 basis points is applied to each client's proportional share of

PRISA's cash position on the last business day of each calendar quarter prior to any deposits, withdrawals or distribution of Operating Cash Flow.

Maximum Fee Levels

The maximum fee calculation is done annually as of each December 31. Total annual fees, shown in basis points as a percentage of each client's average account balance, are shown below.

Account Balance	Maximum Annual Fee
\$100 to \$200 million	1.05%
Over \$200 million	1.00%

Investment Strategy The Fund's investment strategy involves "core" type real estate investments. Core investments are Class A type real estate assets with stabilized (90% or better) occupancy

Management Team PRISA is a commingled, open-end fund with three portfolio managers. PRISA's Portfolio Management team consists of Kevin R. Smith, Managing Director & Senior Portfolio Manager, Catherine Marcus, Managing Director & Portfolio Manager, and Joanna Mulford, Principal & Assistant Portfolio Manager.

Historical Performance PRISA's inception date is July 31, 1970. Since inception PRISA has generated a gross return of 8.42% (7.29% net). As of December 31, 2010, PRISA had 278 investors, 236 investments, and a gross AUM of \$11,724.8 million (\$8,170.2 million net). Historical returns are not indicative of future performance.