

August 24, 2012

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: Partial Equity Ownership agreement executed by APERS under Act 1211 of 2009

Based on APERS' investment consultant, Callan Associates, the APERS Board of Trustees voted to hire LaSalle Investment Management and TA Realty as investment managers. All criteria were met under Act 1211 to enter into the partial equity ownership agreements of these investments. In accordance with Act 1211, APERS is providing an Executive Summary of the partial equity ownership agreement to the Office of State Procurement (OSP) and the Arkansas Legislative Council (ALC).

As of the date of this letter, the investment managers have not received any retirement trust funds. The anticipated date of funding is still to be determined. Early fall is the best estimated funding date. It is my intent to comply with the notification procedures set forth in Act 1211, and would like to notify OSP and ALC in advance of the funding date.

The total amount that APERS intends to invest in these investments is \$30,000,000 each (\$60,000,000 total).

Should you need any additional information, please feel free to contact me.

Regards,



Gail H. Stone
Executive Director

Arkansas Public Employees Retirement System
 Real Estate Investment
 Executive Summary

Investment	The Realty Associates Fund X UTP, L.P., or the "Fund".
Managing Party	TA Realty
APERS Legal Interest	APERS is a Limited Partner.
Report Date	August 24, 2012
Expected Funding Date	September 30, 2012
APERS Commitment & Reason for Entry	The \$30 million investment is to help achieve the 16% target allocation to APERS' Real Assets. The fund was recommended by APERS' Investment consultant.
Placement Agent	No placement agent was utilized.
Key Terms	<p><u>Management Fee</u>: The fund charges a management fee of 0.5% in year 1; 0.8% in year 2; 1.1% in year 3; all based upon total committed capital; then 1.2% in year 4; 1.25% in year 5; 1.2% in year 6; 1.0% in year 7, and 0.6% thereafter, all based upon aggregate invested equity plus related reserves.</p> <p><u>Performance Fee</u>: At the portfolio level: first, return of capital plus changes in core CPI; second a 95%/5% LP/GP split to a 1% real return; third a 94%/6% LP/GP split to a 2% real return; fourth a 92.5%/7.5% LP/GP split to a 3% real return; fifth a 90.5%/9.5% LP/GP split to a 4% real return; sixth an 88.5%/11.2% LP/GP split to a 5% real return; seventh an 86.5%/13.5% LP/GP split to a 6% real return; eighth an 84.5%/15.5% LP/GP split to a 7% real return; ninth an 82.5%/17.5% LP/GP split to an 8% real return; tenth an 80%/20% LP/GP split thereafter.</p>
Justification of Investment Term & Anticipated Termination Date	The fund is a "closed end fund" and the investment period is anticipated to be until January 2015.
Investment Strategy	The Fund invests in "value add" type real estate assets. The fund is focused on primary markets with an emphasis on the coasts. The fund utilizes property diversification (warehouse industrial, office, garden-style multi-family apartments, grocery-anchored retail).
Management Team	TA's Portfolio Management team consists of Thomas Landry (Partner), Michael Ruane (Managing Partner), James Buckingham, James Whalen, and Blair Lyne (all 3 are Partners, in Acquisitions), James Raisides (Partner, Portfolio Management).

**Historical
Performance**

TA Realty was founded in 1982. They have had 5 funds that have been liquidated. Fund I realized net IRR of 2.36%, Fund II 11.57%, Fund III 10.88%, Fund IV 12.84%, and Fund V 10.30%. They are currently liquidating Fund VI with a projected net IRR of 10.66%. They have 3 active funds with the following projected net IRR: Fund VII 5.41%, Fund VIII 3.00%, and Fund IX 12.50%

TA Realty has approximately \$11 billion AUM.

Historical returns are not indicative of future performance.

**Arkansas Public Employees Retirement System
 Real Estate Investment
 Executive Summary**

Investment	LaSalle Income & Growth Fund VI, L.P., or the "Fund".
Managing Party	LaSalle Investment Management
APERS Legal Interest	APERS is a Limited Partner.
Report Date	August 24, 2012
Expected Funding Date	September 30, 2012
APERS Commitment & Reason for Entry	The \$30 million investment is to help achieve the 16% target allocation to APERS' Real Assets. The fund was recommended by APERS' Investment consultant.
Placement Agent	No placement agent was utilized.
Key Terms	<p><u>Management Fee</u>: The fund charges a management fee of 1.0% on committed equity during the investment period; 1.35% on invested equity thereafter.</p> <p><u>Performance Fee</u>: 20% over a 9.00% net IRR on a preferred basis (without catch-up).</p>
Justification of Investment Term & Anticipated Termination Date	The fund is an "closed end fund" and the investment period is anticipated to be until January 2015.
Investment Strategy	The Fund invests in "value add" type real estate assets. The fund identifies mispriced/mismanaged properties that can be repositioned as "core" and focuses on 4 major property types: office, industrial, retail and multifamily.
Management Team	LaSalle's Portfolio Management team consists of Jim Hutchinson (Fund President), Harlan Stanley (Fund Chief Operating Officer), Matthew Walley (Head of North America Client Services), and Brian Kuzniar (Fund Investment Officer).
Historical Performance	LaSalle was founded in 1980, and has had five Income & Growth Funds. Fund I had a realized net IRR of 11.0%, Fund II 20.3%, Fund III 9.2%, Fund IV -8.1%, and Fund V 35.4% As of December 31, 2011, LaSalle had \$47.2 billion AUM and 350+ institutional and individual investors from 30 countries.

Historical returns are not indicative of future performance.

September 10, 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
Administrative Rules Review Section
State Capitol, Room 315
Little Rock, AR 72201

Re: Partial Equity Ownership agreement executed by APERS under Act 1211 of 2009

Based on APERS' investment consultant, Callan Associates, the APERS Board of Trustees voted to hire Blackstone Alternative Asset Management as an investment manager. All criteria were met under Act 1211 to enter into the partial equity ownership agreements of these investments. In accordance with Act 1211, APERS is providing an Executive Summary of the partial equity ownership agreement to the Office of State Procurement (OSP) and the Arkansas Legislative Council (ALC).

As of the date of this letter, the investment manager has not received any retirement trust funds. The anticipated date of funding is October 01, 2012. It is my intent to comply with the notification procedures set forth in Act 1211, and would like to notify OSP and ALC in advance of the funding date.

The total amount that APERS intends to invest in this investment is \$115,000,000.

Should you need any additional information, please feel free to contact me.

Regards,



Gail H. Stone
Executive Director

Arkansas Public Employees Retirement System
 Real Estate Investment
 Executive Summary

Investment	Blackstone APERS Fund L.P., or the "Fund".
Managing Party	Blackstone Alternative Asset Management
APERS Legal Interest	APERS is a Limited Partner.
Report Date	September 10, 2012
Expected Funding Date	October 01, 2012
APERS Commitment & Reason for Entry	The \$115 million investment is to help achieve the 5% target allocation to APERS' Diversified Strategies. The fund was recommended by APERS' Investment consultant.
Placement Agent	No placement agent was utilized.
Key Terms	<u>Management Fee</u> : The fund charges a management fee of 1.00%
Justification of Investment Term & Anticipated Termination Date	The investment will be a "fund of one" and the investment period may remain open until APERS chooses to liquidate the investment, as stated in the Investment Management Agreement and the liquidity schedule.
Investment Strategy	The Fund invests in other professionally managed funds that undertake wide ranges of investment activities. The funds that are invested in are alpha generators that seek to achieve positive returns whether the financial markets are rising or falling. The strategies being recommended include, but are not limited to, equity, credit, multi-strategy, global macro, commodities, statistical arbitrage, and emerging markets.
Management Team	Blackstone's Investment Committee consists of Gideon Berger (Head of Risk Management), Greg Geiling (Head of Special Situations Investing), John McCormick (Head of Global Business Strategies), Scott Soussa (Head of Due Diligence), Steve Sullens (Head of Portfolio Management), Bob Jordan (Risk Management - Special Situations Investing), and Mike Purvis (Head of Investment Research)
Historical Performance	Blackstone was founded in 1985. It went public in 2007. There are over 1,600 employees in 24 offices globally. It is 59% employee owned. Blackstone's Real Estate group has \$50 billion AUM; their Private Equity group has \$47 billion AUM; their HF Solutions Group has \$43 billion AUM; their Credit group has \$51 billion AUM.

Blackstone's commingled OS Masterfund returned the following: last 10 years 5.55%, last 5 years 2.98%, last 3 years 7.63%, and last 3 months 3.09%.

Historical returns are not indicative of future performance.