

March 1, 2013

Ms. Jane Benton  
Office of State Procurement  
1500 West 7<sup>th</sup> 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

By means of the enclosed Executive Summaries, APERS is submitting two private equity ownership agreements for review by the Arkansas Legislative Council ("ALC") and the Office of State Procurement ("OSP") as required under ACA § 19-11-1302 et seq., otherwise referred to as Act 1211 of 2009.

Based on recommendation from APERS' investment consultant, Callan Associates, the APERS Board of Trustees voted to terminate an investment with National Timber Partners, LLC ("NTP"), and reduce a current investment with Pinnacle Forest Investments, LLC ("PFI"). 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.

- Regarding the investment with NTP, both APERS and NTP have mutually agreed to terminate this investment. APERS entered into a partial equity ownership agreement with NTP in April 2006 (prior to the enactment of Act 1211 of 2009). APERS did utilize the Professional/Consultant Services ("PCS") contract process. The original PCS contract expires June 30, 2013. In lieu of submitting a new PCS contract for six (6) months, APERS would like to submit an Executive Summary for the period July 1, 2013 thru December 31, 2013. The original investment monies will be returned to APERS by the end of the agreement which will terminate on December 31, 2013.
- Regarding the investment with PFI, the APERS Board of Trustees voted to reduce the current investment which will occur over the upcoming years. The existing investments will be liquidated and/or restructured during the next 5 years. The process is designed to reduce the size of APERS current timberland portfolio from approximately \$193 as of December 31, 2012 to approximately \$75 million.

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.

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

Regards,

A handwritten signature in blue ink that reads "Gail H. Stone". The signature is written in a cursive, flowing style.

Gail H. Stone  
Executive Director

## Arkansas Public Employees Retirement System “APERS” Timberland Investment Executive Summary

<b>Investment</b>	NTP Timber Plus+ Fund I, LP, or the “Fund”
<b>Managing Party</b>	National Timber Partners , LLC, or “NTP”
<b>APERS Legal Interest</b>	APERS is a Limited Partner.
<b>Report Date</b>	March 1, 2013
<b>Expected Funding Date</b>	This is an existing investment. APERS would like to submit this Partial Equity Investment for a six (6) month period, until December 31, 2013, at which time the agreement between NTP and APERS will terminate.
<b>APERS Commitment &amp; Reason for Entry</b>	APERS has an existing investment with National Timber Partners LLC of approximately \$100 million. On October 18, 2012 the APERS Board of Trustees elected to terminate the investment.
<b>Placement Agent</b>	No placement agent was utilized.
<b>Key Terms</b>	<u>Management Fee</u> : none
<b>Anticipated Termination Date</b>	The termination date is December 31, 2013
<b>Investment Strategy</b>	This closed-end limited partnership agreement that invested in timberland, has been voluntarily terminated by both parties. Liquidation and wind-up of assets will be completed by December 31, 2013.
<b>Management Team</b>	Mr. Alan Murray, Ms. Josie Hart, Mr. Chris Burk
<b>Historical Performance</b>	<p>National Timber Partners has been a Timber manager for APERS for approximately 6 years.</p> <p>As of Sept. 30, 2012, the investment returned -22% last year due to write downs, -2.21% for the past 3 years, and 3.78% for the past 6 years.</p> <p>Historical returns are not indicative of future performance.</p>

## Arkansas Public Employees Retirement System “APERS” Timberland Investment Executive Summary

<b>Investment</b>	PFI Timberfund I LP, or the “Fund” or “PFI”
<b>Managing Party</b>	Pinnacle Forest Investments, LLC
<b>APERS Legal Interest</b>	APERS is a Limited Partner.
<b>Report Date</b>	March 01, 2013
<b>Expected Funding Date</b>	APERS current investment with Pinnacle Forest Investments will be entering the liquidation/restructure phase. Over the next five (5) years, Pinnacle Forest Investments will liquidate and/or restructure the existing investments, with the exception of the new commitment amount of approximately \$75 million. APERS will be fully liquidated/restructured by December 31, 2017.
<b>APERS Commitment &amp; Reason for Entry</b>	At the November 14, 2012 APERS Board of Trustees meeting, the Board approved to reduce the current investment currently valued at approximately \$193 million to approximately \$75 million. The change was recommended by APERS’ Investment consultant.
<b>Placement Agent</b>	No placement agent was utilized.
<b>Key Terms</b>	<u>Management Fee</u> : The fund charges a management fee equal to the sum of (a) 0.225% [0.90% per annum] of the ending net asset value of the Partnership’s assets for the quarter up to \$100,000,000 of net asset value plus (b) 0.175% [0.70% per annum] of the ending net asset value for the quarter in excess of \$100,000,000.
<b>Justification of Investment Term &amp; Anticipated Termination Date</b>	Unless earlier terminated in accordance with the provisions of the Partnership Agreement, the term of the Fund will expire on December 31, 2027. The term may be extended, upon the recommendation of the General Partner, for up to an additional 24 months subject to the approval of the Limited Partner, which approval may be granted or withheld in the Limited Partner’s sole discretion.
<b>Investment Strategy</b>	Timberland investments. The purpose of the partnership shall be (a) to conduct any business that may be lawfully conducted by a limited partnership organized under the Act, including, without limitation, acquiring, owning, developing, managing, operating, planting, harvesting, reforestation, protecting, improving, leasing (as lessor or lessee), licensing, financing, encumbering, selling, exchanging and otherwise disposing of Timberlands and the production and sale of timber and forest products for commercial exploitation; and (b) the Partnership shall have the power to do all acts and things, and to enter into agreements necessary or useful in furtherance of and, to

accomplish the purpose of the Partnership.

**Management  
Team**

Key Person(s), Msgrs. Barry L. Beers and Henry H. Page, Jr. The departure from the General Partner of or the lack of active involvement in the affairs and activities of the General Partner by Messrs. Beers and Page, or a determination by the Limited Partner that Messrs. Beers and Page have a materially diminished role with the General Partner, will constitute a "Key Person Event." Upon the occurrence of a Key Person Event, the Limited Partner will have the option to replace the General Partner. However, if the Limited Partner approves a replacement for either Mr. Beers or Mr. Page, or both, the approved replacement will be a Key Person, and the departed or inactive individual will no longer be considered in determining whether a Key Person Event has occurred.

**Historical  
Performance**

Pinnacle Forest has been a Timber manager for APERS for approximately 14 years.

As of Sept. 30, 2012, the investment returned 3.26% for the past year, 2.56% for the past 2 years, 1.70% for the past 3 years, and 2.31% for the past 5 years.

Historical returns are not indicative of future performance.