



April 3, 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  
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 VI, L.P.  
KPS Special Situations Fund IV, L.P.  
Levine Leichtman Capital Partners V, 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 sixty days, and there is no ALC meeting scheduled or even likely before the latter part of June.

Based on Aon Hewitt Ennis Knupp (ATRS's real estate consultant) and ATRS staff recommendations, on April 1, 2013 the ATRS Board of Trustees, in a scheduled Board of Trustees meeting, adopted Resolution 2013-12 to declare an Imminent Need exists for investment in the following fund: La Salle Income & Growth Fund VI, L.P. 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 (ATRS's private equity consultant) and ATRS staff recommendations, the ATRS Board of Trustees also adopted Resolutions 2013-13 and 2013-14 to declare an Imminent Need exists for investments in the

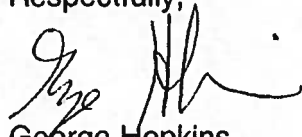
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following funds: KPS Special Situations Fund IV, L.P. and Levine Leichtman Capital Partners V, L.P. The Board determined that all criteria were met under Act 1211 to enter into the partial equity ownership agreements for these investments.

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 (ALC). The total amount that ATRS intends to invest in these investments is \$65,000,000. 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@atrs.gov](mailto:georgeh@atrs.gov)

Respectfully,

A handwritten signature in black ink, appearing to read 'George Hopkins', written over a horizontal line.

George Hopkins  
Executive Director

GH:lw

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

**RESOLUTION**  
**No. 2013-12**

**Approving LaSalle Income & Growth Fund VI, 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

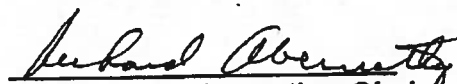
**WHEREAS**, The ATRS Board has reviewed the recommendation of its real estate consultant, Hewitt EnnisKnupp along with the recommendation of the Investment Committee and ATRS Staff regarding a potential investment in **LaSalle Income & Growth Fund VI, L.P.**, a real estate manager that will focus on a value-add strategy with a lower risk profile; and

**WHEREAS**, The ATRS Board approves an investment of up to \$20 million (\$20,000,000.00) in **LaSalle Income & Growth Fund VI, L.P.** and the Board, after its review of the timing of the period in which the general partner of **LaSalle Income & Growth Fund VI, L.P.** will accept new investors and the fact that the Arkansas Legislative Council will not meet until mid to late June 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 **LaSalle Income & Growth Fund VI, 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 1st day of April 2013.**

  
**Dr. Richard Abernathy, Chair**  
**Arkansas Teacher Retirement System**

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

<b>Investment</b>	LaSalle Growth & Income Fund VI, LP
<b>Managing Party</b>	LaSalle Growth & Income Fund VI GP, L.L.C. a Delaware limited partnership
<b>ATRS Legal Interest</b>	ATRS will be a limited partner.
<b>Report Date</b>	April, 2013
<b>Expected Closing Date</b>	April 20th, 2013
<b>ATRS Commitment &amp; Reason for Entry</b>	The \$20 million investment is to help achieve the 10% target allocation to Real Estate. The fund was recommended by the ATRS Real Estate consultant, Hewitt EnnisKnupp.
<b>Placement Agent</b>	None
<b>Key Terms</b>	<p><u>Management Fee</u>: 100 bps (1%) on committed equity during investment period, 135 bps (1.35%) on invested equity thereafter</p> <p><u>Carried Interest</u>: 20% of profits after LP's receive 100% of their invested capital and a 9% IRR preferred return.</p>
<b>Justification of Investment Duration Term &amp; Anticipated Termination Date</b>	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 four year investment period with the possibility of two-one year extensions. The anticipated maturity is in 2023.
<b>Investment Strategy</b>	LaSalle Growth & Income Fund VI'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.
<b>Management Team</b>	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**

Fund II is fully realized and has been the best performing fund producing a 20.1% net IRR and 1.8x net equity multiple. On an absolute basis, the returns for fully realized Funds I and III have been fairly consistent and closer to the target return range with net IRRs of 11.0% and 9.2% and 1.5x net equity multiples. At 17% realized, Fund V has already shown strong performance when compared to its peers.

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

**RESOLUTION**  
**No. 2013-13**

**Approving KPS Special Situations Fund IV, 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

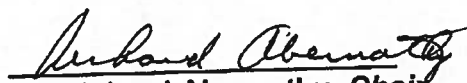
**WHEREAS**, The ATRS Board has reviewed the recommendation of its private equity consultant, Franklin Park Associates, LLC, along with the recommendation of the Investment Committee and ATRS Staff regarding a potential investment in **KPS Special Situations Fund IV, L.P.**, a fund that will make operational turnaround investments in middle market and large manufacturing companies; and

**WHEREAS**, The ATRS Board approves an investment of up to \$25 million (\$25,000,000.00) in **KPS Special Situations Fund IV, L.P.** and the Board, after its review of the timing of the period in which the general partner of **KPS Special Situations Fund IV, 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 only closing to participate in this fund is scheduled one day after this ATRS Board meeting. 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 agrees to immediately close and subscribe the approved ATRS limited partnership investment interest in **KPS Special Situations Fund IV, 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 1st day of April 2013.

  
**Dr. Richard Abernathy, Chair**  
Arkansas Teacher Retirement System



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

<b>Investment</b>	KPS Special Situations Fund IV, L.P. (the "Fund")
<b>Managing Party</b>	KPS Capital Partners (the "General Partner" or "KPS")
<b>ATRS Ownership</b>	ATRS will be a limited partner
<b>Report Date</b>	April 2013
<b>Expected Closing Date</b>	The General Partner is targeting capital commitments of \$3.0 billion. The only closing will take place on or before April 19, 2013.
<b>ATRS Commitment &amp; Reason for Entry</b>	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.
<b>Placement Agent</b>	The General Partner did not retain a placement agent for fundraising
<b>Key Terms</b>	<p><u>Management Fee:</u> The General Partner will charge an annual management fee of 1.0% per annum of commitments during the commitment period; thereafter, 1.0% per annum on net invested capital. 50% of transaction fees, monitoring fees and break-up or similar fees received by the General Partner, net of expenses, will be credited against management fees.</p> <p><u>Carried Interest:</u> After the limited partners receive their aggregate capital on realized investments, write downs and an 8% preferred return, the General Partner will be entitled to 30% of the Fund's profits.</p>
<b>Justification of Investment Term &amp; Anticipated Termination Date</b>	The term is twelve years (anticipated termination in 2025) plus two one-year extensions which is not unusual for private equity funds due to the time required for buying, improving and selling underlying companies.
<b>Investment Strategy</b>	The Fund will make operational turnaround investments in middle market and large manufacturing companies in the US and Europe. The General Partner will focus on bankruptcy and out-of-court restructurings, and acquisitions of underperforming, non-core assets from large companies.
<b>Management Team</b>	KPS, based in New York, was formed in 1997 as the successor firm to Keillin & Co., a financial advisory and restructuring firm. Currently, the General Partner is led by four partners, Michael Psaros, David Shapiro, Raquel Palmer and Jay Bernstein who are supported by 12 investment professional, 10 operational professionals as well as accounting and legal staff.

**Historical  
Performance**

Since 1999, the General Partner has invested \$1.84 billion in 34 portfolio companies. In aggregate, these investments have generated a gross IRR of 34.8% and a multiple of 2.1x cost as of December 31, 2012. Historical returns are not indicative of future performance.



**ARKANSAS TEACHER RETIREMENT SYSTEM**  
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**RESOLUTION**  
**No. 2013-14**

**Approving Levine Leichtman Capital Partners V, 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

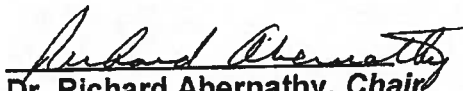
**WHEREAS**, The ATRS Board has reviewed the recommendation of its private equity consultant, Franklin Park Associates, LLC, along with the recommendation of the Investment Committee and ATRS Staff regarding a potential investment in **Levine Leichtman Capital Partners V, L.P.**, a fund that will make both debt and equity investments in middle market companies; and

**WHEREAS**, The ATRS Board approves an investment of up to \$20 million (\$20,000,000.00) in **Levine Leichtman Capital Partners V, L.P.** and the Board, after its review of the timing of the period in which the general partner of **Levine Leichtman Capital Partners V, L.P.** will accept new investors, and the fact that the Arkansas Legislative Council will not meet until mid to late June 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 **Levine Leichtman Capital Partners V, 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 1st day of April 2013.**

  
**Dr. Richard Abernathy, Chair**  
**Arkansas Teacher Retirement System**

# Arkansas Teacher Retirement System Private Equity Investment Executive Summary

<b>Investment</b>	Levine Leichtman Capital Partners V, L.P. (the "Fund")
<b>Managing Party</b>	Levine Leichtman Capital Partners (the "General Partner" or "LLCP")
<b>ATRS Ownership</b>	ATRS will be a limited partner
<b>Report Date</b>	April 2013
<b>Expected Closing Date</b>	The General Partner is targeting capital commitments of \$500 million. ATRS is expected to close by May 31, 2013.
<b>ATRS Commitment &amp; Reason for Entry</b>	The \$20 million investment is to help achieve the 10% target allocation to private equity. The fund was recommended by the ATRS private equity consultant.
<b>Placement Agent</b>	The General Partner has not retained a placement agent for fundraising in the U.S. but may use one for foreign investors.
<b>Key Terms</b>	<p><u>Management Fee:</u> The management fee is 1.75% of commitments if aggregate commitments are less than \$1.25 billion or 1.65% of commitments if aggregate commitments are greater than \$1.25 billion. After the investment period of six years, the fee is 1.5% of unreturned contributed capital.</p> <p><u>Carried Interest:</u> After the limited partners receive their aggregate capital contributions on realized investments, write-downs and an 8% profit, the General Partner will be entitled to 20% of profits.</p>
<b>Justification of Investment Term &amp; Anticipated Termination Date</b>	The term is ten years (anticipated termination in 2023) plus three one-year extensions which is the industry standard for private equity funds due to the time required for buying, improving and selling underlying companies.
<b>Investment Strategy</b>	The Fund is being formed to make debt and equity investments in middle market companies. In particular, the General Partner will purchase senior debt, subordinated debt, preferred stock and common stock in growth companies.
<b>Management Team</b>	Levine Leichtman was formed in 1984 by Arthur Levine and Lauren Leichtman who continue to lead the team along with five Senior Partners. These seven Principals are supported by fourteen investment professionals. The General Partner has offices in New York, London, Chicago, Dallas and Los Angeles.
<b>Historical Performance</b>	In its four prior funds, the General Partner has invested \$2.04 billion in 43 portfolio companies. In aggregate, these investments have generated a gross IRR of 20.4% and a multiple of 1.5x cost as of September 30, 2012. Historical returns are not indicative of future performance.