



October 9, 2013

Ms. Jane Benton
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)
Investment: CSFB-ATRS Fund of Funds, L.P. management transfer to
Grosvenor Capital Management, 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 investment presented at this time is considered Imminent Need due to the fact that acting under the Prudent Investor Rule, ATRS may need to close prior to the Arkansas Legislative Council (ALC) meeting scheduled for October 18, 2013.

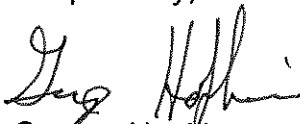
Based on Hewitt EnnisKnupp (ATRS's general consultant) and ATRS staff recommendations, on October 7, 2013 the ATRS Board of Trustees, in a scheduled Board of Trustees meeting, adopted Resolution 2013-35 to declare that an Imminent Need exists to consent to the transfer of the general partner of CSFB-ATRS Funds of Funds L.P., to Grosvenor Capital Management (Grosvenor). The general partner is currently owned by Credit Suisse Group AG and is being sold to Grosvenor. The Board determined that all criteria were met under Act 1211 to enter into the partial equity ownership agreement for this investment.

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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 resolution to the Office of State Procurement and the Arkansas Legislative Council. The approximate value of the investment that would be transferred to the new general partner and manager is \$483 million with approximately \$110 million of commitments that may be called in the future. For full and open disclosure, ATRS is attaching an Executive Summary for the investment to provide further details.

ATRS is hereby requesting that the investment 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@artts.gov

Respectfully,

A handwritten signature in cursive script, appearing to read "George Hopkins".

George Hopkins
Executive Director

GH:lw

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

RESOLUTION
No. 2013-35

**Approving Authority for ATRS Executive Director to Consent or
Withhold Consent to Transfer Management of
CSFB-ATRS Fund of Funds, 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, ATRS invested in CSFB-ATRS Private Equity Fund of Funds, L.P. (the Fund) as the sole limited partner beginning in 2005; and

WHEREAS, Credit Suisse Group AG which owns the General Partner/Manager of the Fund has entered into a definitive agreement to sell its interest in the General Partner/Manager to Grosvenor Capital Management, L.P.; and

WHEREAS, ATRS has the right to consent or withhold consent to the change in management of the Fund; and

WHEREAS, The ATRS Executive Director, Staff and the Board's General Investments consultant, Hewitt EnnisKnupp, are reviewing the details of the transfer and the qualifications of the potential new manager using the "Prudent Investor Rule"; and

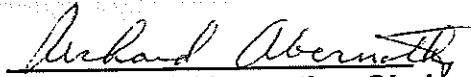
WHEREAS, The review process is not yet completed and a decision is not due until late October 2013.

NOW, THEREFORE, BE IT RESOLVED, That the ATRS Board authorizes the Executive Director of ATRS to make an appropriate decision in this matter on behalf of ATRS after the opportunity for a thorough review is completed which decision may include: **1. consent, 2. withholding consent, or 3. negotiating an agreement regarding a consent or withholding consent with Credit Suisse/ Grosvenor** regarding the transfer of the General Partner/Manager of CSFB-ATRS Fund of Funds, L.P. to Grosvenor Capital Management, L.P. A decision by the executive director **shall be accompanied** by Hewitt EnnisKnupp's recommendation and implemented only after favorable notice to the Chair of the ATRS Board.

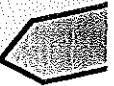
NOW, THEREFORE, FURTHER BE IT RESOLVED, That due to the sensitive timing of negotiating an agreement regarding a consent to the transfer, it may become necessary to consent or reach an agreement concerning consent before the transfer to a new General Partner/Manager can be reviewed at the

next Arkansas Legislative Council meeting on October 18, 2013, and therefore, an imminent need would exist to immediately move the existing partial equity ownership agreement from Credit Suisse to Grosvenor or by amending the existing agreement in a material way. The Board approves the use of Imminent Need for purposes of the option to consent or reach a new agreement with Grosvenor regarding the transfer of the General Partner/Manager of CSFB-ATRS Fund of Funds, L.P. to Grosvenor Capital Management, L.P.

Adopted this 7th day of October 2013.



Dr. Richard Abernathy, Chair
Arkansas Teacher Retirement System



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

Investment	CSFB-ATRS Fund of Funds, L.P.
Managing Party	Grosvenor Capital Management, L.P. (Grosvenor)
ATRS Legal Interest	ATRS is the sole limited partner.
Report Date	October 2013
Expected Closing Date	October 2013
ATRS Commitment & Reason for Entry	This is an assignment of the management of CSFB-ATRS Fund of Funds, L.P., an investment that was initially made by ATRS in 2005 with a general partner owned by Credit Suisse Group AG. The general partner is being sold to Grosvenor Capital Management, L.P. who will become the new manager.
Placement Agent	No placement agent was utilized.
Key Terms	<u>Management Fee</u> : The fee charge may be up to .75% (75 basis points) of invested capital plus unfunded commitments. <u>Carried Interest</u> : The general partner will receive carried interest of 5% after ATRS has received all capital invested, management fees paid and an 8% preferred return.
Justification of Investment Term & Anticipated Termination Date	Since the investment is a fund of funds, the term will remain open until all underlying funds have been terminated (estimated to be 2020).
Investment Strategy	The investment consists of 48 underlying private equity funds with varying strategies including buyout, venture capital, mezzanine, growth equity, distressed debt and turnaround.
Management Team	Kelly Williams, Bernard Yancovich and Michael Rose among others will continue as the management team and ATRS's primary contacts.
Historical Performance	Since inception in 2005 through June of 2013, the CSFB-ATRS Fund of Funds portfolio has returned approximately 7.0% net of fees.
Reason for Imminent Need	Due to the timing of negotiations to transfer the management of CSFB-ATRS Fund of Funds, L.P. to Grosvenor, it may become necessary for ATRS to consent to the sale of the general partner and transfer of management prior to review by the Arkansas Legislative Council at its October 18, 2013 meeting.