



December 5, 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: Atlas Capital Resources II, 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 it will need to close by December 14, 2013, and there is no Arkansas Legislative Council (ALC) meeting scheduled until December 20, 2013.

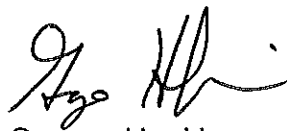
Based on recommendations of ATRS's private equity consultant, Franklin Park and ATRS staff, on December 2, 2013 the ATRS Board of Trustees, in a scheduled Board of Trustees meeting, adopted Resolution 2013-44 to declare an Imminent Need exists for investment in Atlas Capital Resources II, L.P. The Board determined that all criteria were met under Act 1211 to enter into the partial equity ownership agreement for this investment.

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 total amount that ATRS intends to invest in these investments is up to \$25,000,000. For full and open disclosure, ATRS is attaching an Executive Summary for this investment to provide further details.

Ms. Benton
Ms. Garrity
December 5, 2013
Page Two

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 black ink, appearing to read "George Hopkins", with a stylized flourish at the end.

George Hopkins
Executive Director

GH:lw

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

RESOLUTION

No. 2013-44

**Approving Atlas Capital Resources II, 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

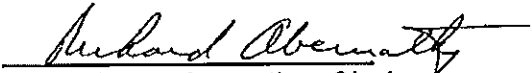
WHEREAS, The ATRS Board has reviewed the recommendation of its private equity consultant, Franklin Park Associates, LLC, along with the recommendation of the Investment Committee and ATRS staff regarding a potential investment in **Atlas Capital Resources II, L.P.**, a fund that will make turnaround investments in small and middle market companies undergoing operational or financial distress; and

WHEREAS, The ATRS Board approves an investment of up to \$25 million (\$25,000,000.00) but not less than \$15 million (\$15,000,000.00) in **Atlas Capital Resources II, L.P.** The Board, considering that the closing for **Atlas Capital Resources II, L.P.** is expected to take place before the Arkansas Legislative Council meeting scheduled for December 20, 2013, 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 **Atlas Capital Resources II, L.P.** as long as all documents are approved and negotiations successfully concluded by ATRS staff; and

FURTHER, BE IT RESOLVED, That the ATRS staff is hereby authorized to take all necessary steps to implement this investment.

Adopted this 2nd day of December 2013.


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

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

Investment	Atlas Capital Resources II, L.P. (the "Fund")
Managing Party	Atlas Holdings (the "General Partner" or "Atlas")
ATRS Legal Interest	ATRS will be a limited partner
Report Date	December 2013
Expected Closing Date	The General Partner is expecting maximum capital commitments of \$900 million for the Fund. ATRS is expected to close by mid-December, 2013.
ATRS Commitment & Reason for Entry	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.
Placement Agent	The General Partner has retained Capstone Partners to assist with fundraising and bears the entire cost of the placement agent.
Key Terms	<p><u>Management Fee</u>: The management fee is 2.0% of aggregate commitments during the six-year investment period. Thereafter, management fees will equal 2.0% of net of invested capital.</p> <p><u>Carried Interest</u>: After the limited partners receive an 8% preferred return on their investment, the General Partner will be entitled to 20% of the Fund's profits. If cumulative distributions represent a 2.5x or more of aggregate capital contributions, the General Partner will be entitled to 25% of the Fund's profits.</p>
Justification of Investment Term & Anticipated Termination Date	<p><u>Term</u>: Ten years from the date of initial investment (anticipated termination in 2024) plus three one-year extensions. This is industry standard due to the time required for acquiring, developing and selling underlying assets.</p>
Investment Strategy	The Fund is being formed to make turnaround investments in small and lower middle market companies undergoing financial or operational distress. The General Partner will seek to make acquisitions through pre-bankruptcy restructurings, bankruptcy purchases and corporate carve-outs primarily in the U.S.
Management Team	Based in Greenwich, CT, the General Partner was founded in 2002 by Andrew Bursky and Tim Fazio. Today, the General Partner's investment team consists of nine professionals led by six Principals (including the two founders). The investment team is supported by two operations support professionals, 50+ operating partners, a CFO, VP of Finance, Controller and other support staff.
Historical Performance	The Messrs. Bursky and Fazio along with the General Partner have invested \$315 million in fourteen investment deals. In aggregate, these investments have generated a gross IRR of 76.3% and a multiple of 3.2x cost as of June 30, 2013. Historical returns are not indicative of future performance.