



---

June 17, 2014

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)  
Investment: Big River Steel L.L.C.

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 the first and possibly only closing for it may take place prior to the Arkansas Legislative Council (ALC) meeting scheduled for June 20, 2014.

Based on recommendations of ATRS's specialty consultant, Delta Trust and ATRS staff, on June 17, 2014 the ATRS Board of Trustees, in a called Board of Trustees meeting, adopted Resolution 2014-39 to declare an Imminent Need exists for additional investments in Big River Steel L.L.C. (a \$60 million investment was approved through ATRS Board Resolution 2013-08 and reviewed at the Legislative Council meeting on May 28, 2013). The Board determined that all criteria were met under Act 1211 to enter into the partial equity and debt ownership agreements 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 additional investments is up to \$65,000,000. For full and open disclosure, ATRS is attaching an Executive Summary for this investment to provide further details.

Ms. Benton  
Ms. Garrity  
June 17, 2014  
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@atrs.gov](mailto:georgeh@atrs.gov)

Respectfully,

A handwritten signature in blue ink, appearing to read "George Hopkins".

George Hopkins  
Executive Director

GH:rg

**Arkansas Teacher Retirement System  
Partial Equity and Debt Investments  
Executive Summary**

<b>Investment</b>	Big River Steel L.L.C. (the "Investment")
<b>Managing Party</b>	Big River Steel L.L.C. (the "Managing Party" or "Big River Steel")
<b>ATRS Legal Interest</b>	ATRS will be a partial equity and debt owner.
<b>Report Date</b>	June 2014
<b>Expected Closing Date</b>	The Managing Party is targeting capital commitments of approximately \$1.6 billion in debt, equity, and grants. ATRS is expected to close in June 2014.
<b>ATRS Commitment &amp; Reason for Entry</b>	The additional investments of up to \$65 million (a \$60 million investment was approved through ATRS Board Resolution 2013-08 and reviewed at the Legislative Council meeting on May 28, 2013) are to help achieve the 8% target return of the ATRS investment portfolio. The fund was recommended by the ATRS specialty consultant.
<b>Placement Agent</b>	No placement agent was used.
<b>Key Terms</b>	<u>Management Fee</u> : There is no management fee associated with this investment.  <u>Carried Interest</u> : There is no carried interest associated with this investment.
<b>Justification of Investment Term &amp; Anticipated Termination Date</b>	The term of the investment is not defined.
<b>Investment Strategy</b>	The Investment is being made to build and operate a mini steel mill in Osceola, AR. The mill will have advanced techniques allowing it to produce several specialized grades of steel.
<b>Management Team</b>	The management team is led by John Correnti. Mr. Correnti and team have been involved with numerous projects in this sector of similar size and scope.

**Historical  
Performance**

The management team has built or refurbished fifteen mini steel mills. All fifteen of these projects have resulted in a profitable operation. The management team has and continues to attract strong industrial investors that have used their resources to fully vet not only this investment but prior ones undertaken by this management team.

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

**RESOLUTION**  
**2014-39**

**Approving Big River Steel, L.L.C. 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 benefit of its plan participants; and

**WHEREAS**, The ATRS Board approved an investment of up to \$60 million (\$60,000,000.00) for a 20% equity ownership in Big River Steel, L.L.C. through Resolution 2013-08; and

**WHEREAS**, The financial structure of Big River Steel L.L.C. has changed due to negotiations as the closing date approaches; and

**WHEREAS**, In order to maintain the initial recommended ownership percentages, investors are being asked to participate in the negotiated financial structures on a pro rata basis; and

**WHEREAS**, This pro rata portion for ATRS consists of up to a **\$20 million dollar** commitment to a contingency fund, up to a **\$12 million dollar** commitment to a debt reserve fund, and up to a **\$1.09 million dollar** commitment for pre development costs; and

**WHEREAS**, The financial structure obligations have also presented opportunities for investment in the debt structure of Big River Steel, L.L.C.; and

**WHEREAS**, This investment opportunity would consist of up to **\$5 million dollars** in mezzanine debt and up to **\$10 million dollars** of senior secured debt in Big River Steel L.L.C.; and

**WHEREAS**, Due to circumstances of cash flow and timing, Big River Steel may offer additional opportunities for financing of equity and debt structure investments; and

**WHEREAS**, The financing opportunities of up to **\$16.91 million dollars** may offer attractive rates for ATRS and may include more senior secured debt; and

**WHEREAS**, ATRS staff and the Board's specialty consultant, Delta Trust, recommend the investments listed above in accordance with the Prudent Investor Rule; and

**WHEREAS**, The ATRS Board has reviewed the recommendation of its specialty consultant, Delta Trust, along with the recommendation of the Investment Committee and ATRS staff regarding the additional investments in Big River Steel, L.L.C.; and

**THEREFORE, BE IT RESOLVED**, The ATRS Board approves the following investments:


1. Up to a **\$ 20 million dollar** commitment to the contingency fund
  2. Up to a **\$12 million dollar** commitment to the debt service fund
  3. Up to a **\$1.09 million dollar** commitment for pre development costs
  4. Up to a **\$5 million dollar** commitment to the mezzanine debt
  5. Up to a **\$10 million dollar** commitment to the senior secured debt
  6. Up to a **\$16.91 million dollar** commitment for financing opportunities;
- and

**ADDITIONALLY, BE IT RESOLVED**, That the ATRS Board, after its review of the timing of the period in which the closing for this investment may occur, has determined there is an imminent need to immediately enter into the partial equity and debt ownership agreements since the required funding is expected to begin within the week of this ATRS Board meeting. The Board also deems it financially appropriate to enter into the partial equity and debt ownership agreements 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;

**FURTHER, BE IT RESOLVED**, That the ATRS Board, agrees to immediately close, subscribe, and execute the approved ATRS investments in Big River Steel, L.L.C. or any related entity, that is a part of this investment using imminent need; and

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

**Adopted this 17<sup>th</sup> day of June, 2014**

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