

December 10, 2015

Ms. Camber Thompson
Office of State Procurement
1500 West 7th 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

Based on APERS' investment consultant, Callan Associates, the APERS Board of Trustees voted to hire LaSalle Investment Management (Fund VII) and TA Realty (Fund XI) as real estate investment managers. 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 to the Office of State Procurement (OSP) and the Arkansas Legislative Council (ALC).

As of the date of this letter, the investment manager has not received any retirement trust funds. The anticipated date of funding is still TBD, but it is anticipated that the manager could begin calling capital in early 2016. 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 of the funding date.

The total amount that APERS intends to invest in this investment is \$50,000,000 with each manager.

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

Regards,



Gail H. Stone
Executive Director

Arkansas Public Employees Retirement System Real Estate Investment Executive Summary

Investment	LaSalle Income & Growth Fund VII, L.P., or the "Fund".
Managing Party	LaSalle Investment Management
APERS Legal Interest	APERS is a Limited Partner.
Report Date	December 10, 2015
Expected Funding Date	January 2016
APERS Commitment & Reason for Entry	The \$50 million investment is to help achieve the 16% target allocation to APERS' Real Assets. The fund was recommended by APERS' Investment consultant.
Placement Agent	No placement agent was utilized.
Key Terms	<p><u>Management Fee</u>: The fund charges a management fee of 1.35% combined fee on invested equity for commitments below \$75 million; 1.15% combined fee on invested equity for First Close commitments below \$75 million and for later close commitments at or above \$75 million; 1.00% on invested equity for First Close commitments at or above \$75 million.</p> <p><u>Performance Fee</u>: 80%/20% split over a preferred return of 9.00% until investors achieve a 13% return, then 60%/40% split until the Advisor has received 20% of distributions; thereafter 80/20 split</p>
Justification of Investment Term & Anticipated Termination Date	The fund is an "closed end fund" and the investment period is anticipated to be until June 2020.
Investment Strategy	The Fund invests in "value add" type real estate assets. The fund identifies mispriced/mismanaged properties that can be repositioned as "core" and focuses on 4 major property types: office, industrial, retail and multifamily.
Management Team	LaSalle's Portfolio Management team consists of Jim Hutchinson (Fund President), Harlan Stanley (Fund Chief Operating Officer), Matthew Walley (Head of North America Client Services), and Brian Kuzniar (Fund Investment Officer).

**Historical
Performance**

LaSalle was founded in 1980, and has had five Income & Growth Funds. Fund I had a realized net IRR of 11.0%, Fund II 20.3%, Fund III 9.2%, Fund IV -8.1%, and Fund V 35.4%. As of December 31, 2011, LaSalle had \$47.2 billion AUM and 350+ institutional and individual investors from 30 countries.

Historical returns are not indicative of future performance.

Arkansas Public Employees Retirement System Real Estate Investment Executive Summary

** correction**

Investment	The Realty Associates <u>Fund XI</u> UTP, L.P., or the "Fund".
Managing Party	TA Realty
APERS Legal Interest	APERS is a Limited Partner.
Report Date	December 10, 2015
Expected Funding Date	January 2016
APERS Commitment & Reason for Entry	The \$50 million investment is to help achieve the 16% target allocation to APERS' Real Assets. The fund was recommended by APERS' Investment consultant.
Placement Agent	No placement agent was utilized.
Key Terms	<p><u>Management Fee</u>: The fund charges a management fee of 0.5% in year 1; 0.85% in year 2; 1.15% in year 3; all based upon total committed capital; then 1.2% in year 4; 1.25% in year 5; 1.2% in year 6; 1.0% in year 7, and 0.6% thereafter, all based upon aggregate invested equity plus related reserves.</p> <p><u>Performance Fee</u>: At the portfolio level: first, return of capital plus changes in core CPI; second a 95%/5% LP/GP split to a 1% real return; third a 94%/6% LP/GP split to a 2% real return; fourth a 92.5%/7.5% LP/GP split to a 3% real return; fifth a 90.5%/9.5% LP/GP split to a 4% real return; sixth an 88.5%/11.2% LP/GP split to a 5% real return; seventh an 86.5%/13.5% LP/GP split to a 6% real return; eighth an 84.5%/15.5% LP/GP split to a 7% real return; ninth an 82.5%/17.5% LP/GP split to an 8% real return; tenth an 80%/20% LP/GP split thereafter.</p>
Justification of Investment Term & Anticipated Termination Date	The fund is a "closed end fund" and the investment period is anticipated to be until January 2022.
Investment Strategy	The Fund invests in "value add" type real estate assets. The fund is focused on primary markets with an emphasis on the coasts. The fund utilizes property diversification (warehouse industrial, office, garden-style multi-family apartments, grocery-anchored retail).
Management Team	TA's Portfolio Management team consists of Thomas Landry (Partner), Michael Ruane (Managing Partner), James Buckingham, James

Whalen, and Blair Lyne (all 3 are Partners, in Acquisitions), James Raisides (Partner, Portfolio Management).

**Historical
Performance**

TA Realty was founded in 1982. They have had 5 funds that have been liquidated. Fund I realized net IRR of 2.36%, Fund II 11.57%, Fund III 10.88%, Fund IV 12.84%, and Fund V 10.30%. They are currently liquidating Fund VI with a projected net IRR of 10.66%. They have 3 active funds with the following projected net IRR: Fund VII 5.41%, Fund VIII 3.00%, and Fund IX 12.50%

TA Realty has approximately \$11 billion AUM.

Historical returns are not indicative of future performance.