

**MINUTES**  
**ARKANSAS TEACHER RETIREMENT SYSTEM**  
**BOARD OF TRUSTEES MEETING**  
**via Telephone Conference**

**Monday, February 14, 2011**  
**9:10 a.m.**  
**1400 West Third Street**  
**Little Rock, AR 72201**

**ATTENDEES**

**Board Members Present**

Dr. Richard Abernathy, Chair\*  
Hazel Coleman, Vice Chair\*  
Lloyd Black\*  
David Cauldwell\*  
Beverly Leming\*  
Bobby Lester\*  
Susannah Marshall, designee for Candace Franks\*  
Donna Morey  
Robin Nichols\*  
Janelle Riddle\*  
Honorable Martha Shoffner\*  
Jeff Stubblefield\*

**Board Members Absent**

Honorable Charlie Daniels  
Charles Dyer  
Dr. Tom Kimbrell

\* *via Teleconference*

**ATRS Staff Present**

George Hopkins, Executive Director  
Gail Bolden, Deputy Director  
Kay Daniel, Director's Assistant  
Laura Gilson, General Counsel  
Amy Glavin, Administrative Assistant  
Wayne Greathouse, Dir. Public Markets  
Jerry Meyer, Dir. Real Estate  
Gaye Swaim, Operations Manager  
Leslie Ward, Dir. Private Equity

**Consultants Present**

P. J. Kelly, Hewitt EnnisKnupp\*  
Cris Reel, Hewitt EnnisKnupp\*

**Reporters Present**

Mike Wickline, Arkansas-Democrat Gazette

I. **Call to Order/Roll Call.** Chair, Dr. Abernathy, called the Board of Trustees meeting to order at 9:12 a.m. Roll call was taken. Honorable Charlie Daniels, Charles Dyer, and Dr. Tom Kimbrell were absent.

II. **Motion to Excuse Absences.**

**Ms. Nichols *moved to excuse* Honorable Charlie Daniels, Charles Dyer, and Dr. Tom Kimbrell from the February 14, 2011, Board of Trustees meeting. Mr. Stubblefield *seconded the motion*, and the Board *unanimously approved the motion*.**

III. **Adoption of Agenda.**

**Ms. Leming moved for adoption of the Agenda. Mr. Lester seconded the motion, and the Board unanimously approved the motion.**

IV. **Executive Summary.** The Executive Summary was provided for reference with no questions or expansions on the written summary.

V. **Recommendation to Use Imminent Need Funding for Wicks Capital Partners IV (Resolution 2011-09).** The Board approved an investment of up to \$40 million in Wicks Capital Partners IV at the February 7, 2011, Board of Trustees meeting. After the investment commitment was made, calls with Wicks indicated that the closing of the Wicks investment would be before the time that the Legislative Committee (Review Committee of Legislative Council) will meet. Due to the Legislative Session, all meetings of the Review Committee have been delayed until the Session is complete, which is projected to be sometime in mid-to-late April. In order that ATRS can complete the Wicks agreement and be a limited partner in the fund, ATRS needs an imminent need declaration in order to close prior to the Review Committee meeting.

**Ms. Leming moved to adopt Resolution 2011-09, authorizing ATRS to use Imminent Need funding for Wicks Capital Partners IV. Ms. Nichols seconded the motion, and the Board unanimously approved the motion.**

VI. **Recommendation to Fund Tennenbaum Opportunities Fund VI, LLC, and to Use Imminent Need Funding (Resolution 2011-10).** At the February 7, 2011, Investment Committee and Board meetings, a recommendation was accepted to fund Tennenbaum in the amount of up to \$40 million, subject to final due diligence. This recommendation did not have a resolution since the recommendation was subject to final due diligence by Hewitt EnnisKnupp and ATRS staff. Final due diligence is now complete and confirmed the earlier recommendation that ATRS should fund an investment in Tennenbaum Opportunities Fund VI, LLC, in an amount of up to \$40 million.

Since Tennenbaum will close in February 2011, there is also a need to declare this investment for imminent need since the Review Committee of the Legislative Council will not meet until sometime in April. The imminent need will allow this investment to be completed in a timely manner.

**Ms. Leming moved to adopt Resolution 2011-10, authorizing ATRS to use Imminent Need funding for Tennenbaum Opportunities Fund VI, LLC. Mr. Lester seconded the motion, and the Board unanimously approved the motion.**

- VII. **Recommendation to Fund Prudential Real Estate Investors – Property Investment Separate Account (PRISA) and to Use Imminent Need Funding (Resolution 2011-11).** At the February 7, 2011, meeting of the Board, a real estate pacing for core real estate in the amount of \$50 million in 2011 was approved. Hewitt EnnisKnupp Real Estate made a decision shortly after the last meeting that the appropriate core real estate investment is to add \$50 million to an existing core manager with an open-end fund. That investment manager is PRISA. Last year, ATRS funded the other two core real estate managers and did not add funding to PRISA. This will help properly diversify recent investments by ATRS into core real estate by spreading new core investments between the three existing ATRS core real estate managers.

PRISA has informed Hewitt EnnisKnupp and ATRS staff that it is experiencing several new investments into this fund and is about to develop an "investment que". This means that even if ATRS agrees to fund this investment, it could be delayed by a significant period of time as the fund will slowly allow new investments on a first come, first serve basis. There is a need for an imminent need declaration to prevent ATRS from getting into the investment line-up too late for a meaningful core real estate investment in 2011. Therefore, the resolution also includes an imminent need declaration in order that this new investment in PRISA can be made before the Review Committee meets.

**Ms. Leming *moved to adopt* Resolution 2011-11, authorizing ATRS to use Imminent Need funding for Prudential Real Estate Investors – Property Investment Separate Account. Ms. Riddle *seconded the motion*, and the Committee *unanimously approved the motion*.**

- VIII. **ATRS Potential Interest in Shackleford Crossing Note.** Shackleford Crossing is a real estate development in West Little Rock that includes several big box stores, restaurants, and retail outlets. The development group has encountered legal and financial problems that have placed the note securing the development into difficulty. It appears that although this note is presently current, in the near future, the note will likely go into default. The purchaser of this note is likely purchasing this note in order to become the owner of the underlying property. In the Board meetings, we have often heard the term "loan to own." It appears that the current owner of the note is willing to significantly discount the note in order to eliminate further involvement with the project.

If the discount on the note is significant, ATRS can receive a great return on the development. The price of the development will limit the buyers that can compete for the asset. This is the first asset that seems to have great promise in allowing ATRS to buy an asset with the opportunity of far greater return as the asset is enhanced and occupancy increases.

Staff requests authorization to write a non-binding letter of intent to keep ATRS as a potential investor. By continuing to participate, ATRS would be under no responsibility or obligation to buy but could continue to evaluate the property.

**Ms. Leming *moved to authorize ATRS staff to make a non-binding statement of intent regarding the Shackleford Crossing note. Mr. Black seconded the motion, and the Board unanimously approved the motion.***

IX. **Other Business.**

X. **Adjourn.**

**Dr. Abernathy *moved to adjourn the Board of Trustees Meeting. Ms. Shoffner seconded the motion, and the Board unanimously approved the motion.***

**Meeting adjourned at 9:20 a.m.**

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George Hopkins,  
Executive Director

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Dr. Richard Abernathy, Chair  
Board of Trustees

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Amy Glavin,  
Recorder

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Date Approved