



October 7, 2014

Senator Bill Sample  
Representative John Charles Edwards  
Arkansas Legislative Council  
State Capitol, Room 315  
Little Rock, AR 72201

RE: Arkansas Teacher Retirement System (ATRS) Submission of Investment for Review  
under ACA §19-11-1302  
Investment: Siris Partners III, LP

Dear Senator Sample and Representative Edwards:

By means of the enclosed Investment Summary, ATRS is submitting a private investment for review by the Arkansas Legislative Council (ALC) as required under ACA §19-11-1302 et seq., otherwise referred to as Act 1211 of 2009.

An investment of up to \$25 million is to be made in Siris Partners III, LP, a limited partnership that will make buyout investments in middle market technology and telecom companies. This investment will serve to further diversify ATRS's private equity portfolio.

The ATRS Board approved the investment described above at its October 6, 2014 meeting and anticipates closing in December. A summary of the investment including key terms and investment strategy is enclosed for review by ALC. We will be happy to provide any other information you request regarding this investment.

Respectfully,

G. Wayne Greathouse  
Associate Director of Investments

WG:lw  
enclosures

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

<b>Investment</b>	Siris Partners III, L.P. (the "Fund")
<b>Managing Party</b>	Siris Capital Group LLC (the "General Partner" )
<b>ATRS Legal Interest</b>	ATRS will be a limited partner.
<b>Report Date</b>	October 2014
<b>Expected Closing Date</b>	The General Partner is targeting capital commitments of up to \$1.5 billion. ATRS is expected to close in December 2014.
<b>ATRS Commitment &amp; Reason for Entry</b>	The investment of up to \$25 million is to help achieve the 10% target allocation to private equity. The fund was recommended by the ATRS private equity consultant.
<b>Placement Agent</b>	The offering was sourced directly from the General Partner, however the Park Hill Group was used for general fundraising.
<b>Key Terms</b>	<p><u>Management Fee</u>: The General Partner has proposed an annual management fee of 2.0% of capital commitments during the five-year investment period, reduced to 1.75% of net invested capital after the investment period.</p> <p><u>Carried Interest</u>: After the limited partners receive their aggregate capital contributions the General Partner will be entitled to a 2% carry advance; then an 8% preferred return is paid to limited partners. Thereafter, the General Partner will be entitled to 20% of the Fund's profits, inclusive of the carry advance.</p>
<b>Justification of Investment Term &amp; Anticipated Termination Date</b>	The term is ten years (anticipated termination in 2024) plus two one-year extensions which is common for private equity funds due to the time required for buying, improving and selling underlying companies.
<b>Investment Strategy</b>	The Fund is being formed to primarily make buyout investments in middle market technology and telecom companies. Targeted companies will often be formerly high-growth technology companies currently in transition. The General Partner will target U.S. companies with revenue between \$100 million and \$1 billion.
<b>Management Team</b>	Based in New York, the General Partner was formed in 2010 by Frank Baker, Jeffrey Hendren and Peter Berger (the Principals) who formerly worked together as the private equity team of SAC Capital. The current investment team consists of thirteen investment professionals led by the Principals. The investment team is supported by nine executive partners and three advisors who assist with sourcing, diligence and post-investment value creation.

**Historical  
Performance**

In its prior fund, the General Partner invested \$235 million generating a net IRR of 81% which constitutes top quartile performance relative to the fund's peers. Historical returns are not indicative of future performance.