



September 3, 2015

Senator Bill Sample
Representative David L. Branscum
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: American Industrial Partners VI, LP

Dear Senator Sample and Representative Branscum:

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 has been recommended by the ATRS Board in American Industrial Partners VI, LP, a private equity limited partnership that will make buyout, turnaround and distressed debt investments in middle market underperforming companies in the industrial sector. This investment will serve to further diversify ATRS's private equity portfolio.

The ATRS Board approved the investment described above at its September 2, 2015, meeting and anticipates closing by the end of the month. 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,



George Hopkins
Executive Director

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enclosures

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

Investment	American Industrial Partners VI, L.P. (the "Fund")
Managing Party	American Industrial Partners (the "General Partner")
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	September 2015
Expected Closing Date	The General Partner is targeting capital commitments of \$1.75 billion. ATRS is expected to close in September 2015.
ATRS Commitment & Reason for Entry	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.
Placement Agent	The offering was sourced directly from the General Partner.
Key Terms	<p><u>Management Fee</u>: The General Partner has proposed an annual management fee of 2.0% of capital commitments during the six-year investment period, and 2.0% of net invested capital after the investment period.</p> <p><u>Carried Interest</u>: After the limited partners receive a return of their contributed capital and costs on realized investments plus an 8% compounded annual preferred return, the General Partner will be entitled to 20% of the Fund's profits.</p>
Justification of Investment Term & Anticipated Termination Date	The term is ten years (anticipated termination in 2025) plus a one-year extension which is common for private equity funds due to the time required for buying, improving and selling underlying companies.
Investment Strategy	The Fund is being formed to make control investments in middle market U.S. industrial companies and will target underperforming companies with sales greater than \$75 million. The Fund may invest through buyout, turnaround, corporate carve-out, public-to-private, structured financings, bankruptcy acquisitions and debt-for-control transactions.
Management Team	Based in New York, the General Partner was founded in 1989. Since 2005, the firm has been led by Kim Marvin, John Becker and Dino Cusumano, principals. The principals are supported by 19 investment and operating professionals.
Historical Performance	In its previous two funds, the General Partner invested \$1.06 billion and has generated a net IRR of approximately 30% which constitutes top quartile performance relative to the fund's peers. Historical returns are not indicative of future performance.