



April 3, 2019

Senator Cecile Bledsoe  
Representative Jeff Wardlaw  
Arkansas Legislative Council  
State Capitol, Room 315  
Little Rock, AR 72201

RE: Arkansas Teacher Retirement System (ATRS) Submission of Investments for  
Review under ACA §19-11-1302  
Investments: Rockwood Capital Real Estate Partners Fund XI, L.P.  
Walton Street Real Estate Debt Fund II, L.P.

Dear Senator Bledsoe and Representative Wardlaw:

By means of the enclosed Investment Summaries, ATRS is submitting two investments 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.

The ATRS Board recently approved an investment of up to \$40 million to be made in Rockwood Capital Real Estate Partners Fund XI, L.P. a closed end, value added real estate fund that invests in value added office, apartment, retail and hotel properties across multiple regions in the U.S. The fund was recommended by ATRS's real asset consultant, Aon Hewitt Investment Consulting and ATRS staff.

The ATRS Board also authorized an investment of up to \$40 million in Walton Street Real Estate Debt Fund II, L.P., a closed end, value added real estate debt fund that invests in a diversified portfolio of higher yielding commercial real estate debt investments. This investment was also recommended by Aon Hewitt Investment Consulting and ATRS staff.

The ATRS Board approved each of the investments described above at its April 1, 2019 meeting and anticipates closing dates from late May through the second quarter of 2019. A summary of each 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 these investments.

Respectfully,

Clint Rhoden  
Executive Director

CR:lw  
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Arkansas Teacher Retirement System  
Real Estate Investment  
Executive Summary

<b>Investment</b>	Rockwood Capital Real Estate Partners Fund XI, L.P.
<b>Managing Party</b>	Rockwood Capital Partners XI LLC
<b>ATRS Legal Interest</b>	ATRS will be a limited partner.
<b>Report Date</b>	April 2019
<b>Expected Closing Date</b>	May 2019
<b>ATRS Commitment &amp; Reason for Entry</b>	The \$40 million investment is to help achieve the 15% target allocation to real assets. The fund was recommended by the ATRS real assets consultant, Aon Hewitt Investment Consulting.
<b>Placement Agent</b>	No placement agent was utilized.
<b>Key Terms</b>	<u>Management Fee</u> : 140 bps (1.40%) on committed equity during investment period, then the same rate for invested equity for the fund duration. <u>Carried Interest</u> : 20% of profits after LP's receive 100% of their invested capital and a 9% IRR preferred return.
<b>Justification of Investment Duration Term &amp; Anticipated Termination Date</b>	The strategy requires a period of time to perform the actual value add function. The fund is a "closed end" variety with a nine year term to anticipated maturity sometime in 2028.
<b>Investment Strategy</b>	Rockwood Capital is a real estate investment firm focused on providing equity and debt capital for primarily Value-Add opportunities. Rockwood Fund XI will focus on building a portfolio of real estate investments that has both strong in-place cash flow and the potential for near-term income growth through value creation activities such as leasing, re-leasing, repositioning, redeveloping, and changing use.
<b>Management Team</b>	Rockwood's roots trace back to 1990, when the two founding partners, Ed Kavounas and Neil Smith, merged their operation with David Rockefeller's Rockefeller & Associates Realty to create a commingled fund with capital from five high net worth families; this pool of capital was Fund I for Rockwood's track record. Rockwood Capital was formed in 1995 when Fund II was launched. In 1998, Rockwood Capital formed Fund III and the

investor base expanded from just high net worth to include institutional capital as well.

**Historical  
Performance**

Rockwood ranks in the top quartile for all of its prior funds that can be compared to the NFI Townsend Value-Add Index except for Fund VII, a 2006 vintage Fund. Previous funds have averaged a 16% IRR.

Arkansas Teacher Retirement System  
Real Estate Investment  
Executive Summary

**Investment**            Walton Street Real Estate Debt Fund II, L.P.

**Managing Party**    Walton Street Real Estate Debt Managers II, L.P.

**ATRS Legal Interest**        ATRS will be a limited partner.

**Report Date**            April 2019

**Expected Closing Date**    May 2019

**ATRS Commitment & Reason for Entry**            The \$40 million investment is to help achieve the 15% target allocation to real assets. The fund was recommended by the ATRS real assets consultant, Aon Hewitt Investment Consulting.

**Placement Agent**    None

**Key Terms**            Management Fee: 150 bps (1.50%) on invested capital.

Carried Interest: 15% of profits after LP's receive 100% of their invested capital and a 7% IRR preferred return.

**Justification of Investment**        The strategy requires a period of time to identify, execute and then monetize a value added strategy. The fund is a "closed end" variety with a five year term starting at the end of the three year investment period. The anticipated maturity is in 2027.

**Duration Term & Anticipated Termination Date**

**Investment Strategy**            Walton Street Real Estate Debt Fund II will look to structure junior loans by originating whole loans and partnering with cost effective senior lenders to achieve the Fund target returns of approximately 9%, net of fees. Loans will be secured by high-quality, cash-flowing assets in U.S. markets.

**Management Team**            Neil G. Bluhm - Co-Founder and Managing Principal overseeing the strategic direction of Walton Street and Walton Street's funds. Prior to forming Walton Street, Mr. Bluhm cofounded JMB Realty Corporation in 1969. Prior thereto, Mr. Bluhm was a partner in the Chicago law firm of Mayer, Brown & Platt. He has a BBA from University of Illinois and a JD from Northwestern University.

Eric C. Mogentale - Co-Founder and Managing Principal overseeing marketing and client services. Prior to forming Walton Street, Mr.

Mogentale was a Vice President of JMB Institutional Realty Corporation in the Acquisitions Group and, prior thereto, a Senior Consultant at Arthur Andersen & Company. He has a BA from Northwestern University.

Jeffrey S. Quicksilver - Co-Founder and Managing Principal overseeing acquisitions. Prior to forming Walton Street, Mr. Quicksilver was a Managing Director of JMB Realty Corporation in the Acquisitions Group and, prior thereto, an Associate at the law firm of Kirkland & Ellis. He has a BA from University of Michigan and a JD from Stanford University.

Robert S. Bloom - Senior Principal in acquisitions. Prior to joining Walton Street, Mr. Bloom was an acquisition Vice President in Goldman Sachs' Real Estate Principal Investment Area (Whitehall). He has a BA from Yale University and an MBA from Stanford University.

**Historical  
Performance**

The preceding fund in the series has returned a 10% IRR.