ARTRS
Arkansas Teacher Retirement System

April 5, 2012

Senator Mary Anne Salmon
Representative Tommy Lee Baker
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

Dear Senator Salmon and Baker:

By means of the enclosed Investment Summaries, ATRS is submitting four private partnership 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.

An investment of $30 million is to be made in Rockwood Capital Real Estate Partners Fund IX, L.P., a limited partnership that will invest in both equity and debt capital targeting value-added real estate opportunities. The fund has an excellent track record and was recommended by our real estate consultants, Aon Hewitt EnnisKnupp.

A private equity investment is planned in Riverside Fund V, L.P. for $35 million. Riverside is a firm that has a successful record of investing in healthcare and technology companies. Again, this fund has a very good track and was recommended by our private equity consultants, Franklin Park.

ATRS is also submitting for review, a $35 million limited partnership investment in Court Square Partners III, L.P., a relatively large fund that will target upper middle market companies in a variety of sectors. The fund has a deep and experienced team and an excellent track record. This investment was also recommended by Franklin Park.

An investment of $35 million is planned in TPG Credit Strategies Fund II, L.P., a fund that will pursue an opportunistic distressed investment strategy primarily in the U.S. and Europe. This investment will help further diversify ATRS's private equity portfolio and provide some current income as well. The fund's team is very experienced and was recommended by Franklin Park as being one of the best in the distressed asset space.

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The ATRS Board approved each of the investments described above at its April 2, 2012 meeting and anticipates closing dates for the investments between April 30, 2012 and May 31, 2012. 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,

George Hopkins
Executive Director

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Arkansas Teacher Retirement System
Real Estate Investment
Executive Summary

Investment	Rockwood Capital Real Estate Partners Fund IX, L.P.
Managing Party	Rockwood Capital Partners (IX), LLC, a Delaware limited liability company
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	April 2012
Expected Closing Date	May 26th, 2012
ATRS Commitment & Reason for Entry	The $30 million investment is to help achieve the 10% target allocation to Real Estate. The fund was recommended by the ATRS Real Estate consultant, Aon Hewitt EnnisKnupp.
Placement Agent	No placement agent was utilized.
Key Terms	<u>Management Fee</u>: The fund charges a management fee of 1.40% of committed and invested capital. <u>Carried Interest</u>: 20% of profits after LP's receive 100% of their invested capital and an 8% IRR preferred return.
Justification of Investment Duration Term & Anticipated Termination Date	The strategy requires a period of time to perform the actual value add function. The fund is a "Closed ended" variety with a nine year term to anticipated maturity sometime in 2021.
Investment Strategy	Rockwood Capital is a real estate investment firm focused on providing equity and debt capital for primarily Value-Add opportunities. Rockwood Fund IX 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.
Management Team	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. Since Fund I, the Firm has invested over $3.8 billion of equity in over $11.2 billion of real estate assets through eight commingled funds and two separate accounts.

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.

Arkansas Teacher Retirement System
Private Equity Investment
Executive Summary

Investment	Riverside Fund V, L.P. (the "Fund")
Managing Party	Riverside Partners, LLC (the "General Partner")
ATRS Legal Interest	ATRS will be a limited partner
Report Date	April 2012
Expected Closing Date	The General Partner is targeting capital commitments of $550 million. ATRS is expected to close by April 30, 2012.
ATRS Commitment & Reason for Entry	The $35 million investment is to help achieve the 10% target allocation to private equity. The fund was recommended by the ATRS private equity consultant.
Placement Agent	No placement agent was used for fundraising.
Key Terms	<u>Management Fee</u>: The General Partner has proposed an annual management fee of 2.0% per annum of commitments during the five-year investment period. Thereafter, management fees will equal 2.0% of aggregate cost basis of unrealized investments. Management fees will be offset by 60% of transaction fee income. <u>Carried Interest</u>: After the limited partners receive cumulative distributions equal to 100% of aggregate capital contributions for realized investments, impairments and a preferred return of 8%, the General Partner will be entitled to 20% of the Fund's profits.
Justification of Investment Term & Anticipated Termination Date	The term is ten years (anticipated termination in 2022) plus two one-year extensions 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 acquire small, profitable healthcare and technology companies in the United States. The General Partner will focus on family or management owned companies with enterprise values between $25 and $150 million and will seek to increase the value of those companies through growth initiatives and operational improvements.
Management Team	The General Partner was founded in 1989 and is led by the following six principals: David Belluck, Brian Guthrie, Philip Borden, Steven Kaplan, Ian Blasco and Frank Do. They are supported by a deal sourcing partner, three operating partners, nine mid-level and junior investment professionals, a CFO and administrative staff. The firm is based in Boston, MA.

Historical Performance

Since its inception, the General Partner has invested $566 million in 34 deals. In aggregate, these investments have generated a gross IRR of 36.7% and a multiple of 1.8x cost as of September 30, 2011. Historical returns are not indicative of future performance.

Arkansas Teacher Retirement System
Private Equity Investment
Executive Summary

Investment	Court Square Capital Partners III, L.P. (the "Fund")
Managing Party	Court Square Capital Management, L.P. (the "General Partner")
ATRS Legal Interest	ATRS will be a limited partner
Report Date	April 2012
Expected Closing Date	The General Partner is targeting capital commitments of $3 billion. ATRS is expected to close by May 31, 2012.
ATRS Commitment & Reason for Entry	The $35 million investment is to help achieve the 10% target allocation to private equity. The fund was recommended by the ATRS private equity consultant.
Placement Agent	UBS was used for fundraising.
Key Terms	Management Fee: The General Partner will be paid an annual management fee of 1.5% of commitments during the five-year commitment period. Thereafter, management fees will equal 1.0% of the cost basis (less write-offs and write downs) of the Fund's remaining investments. Management fees will be offset by 100% of transaction fee income. Carried Interest: After the limited partners receive their aggregate capital contributions on realized investments, write-downs and an 8% preferred return, the General Partner will be entitled to 20% of the Fund's profits.
Justification of Investment Term & Anticipated Termination Date	The term is ten years (anticipated termination in 2022) plus three one-year extensions 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 primarily make acquisitions of mature upper middle market U.S. companies in the business services, general industrial, healthcare, telecommunications and technology sectors.
Management Team	The General Partner was formed when the investment team at Citigroup Venture Capital (CVC) spun-out of Citigroup in 2006. Today the firm is led by the following managing partners: William Comfort, David Thomas, Thomas McWilliams, John Weber, Michael Delaney, Joseph Silvestri and Ian Highet as well as six partners. These are supported by two principals, three vice presidents and seven associates as well as accounting, compliance, information technology and investor relations staff.

Historical Performance

The General Partner has invested in 30 deals which have generated a gross IRR of 35.7% and a multiple of 2.0x cost as of September 30, 2011. Historical returns are not indicative of future performance.

Arkansas Teacher Retirement System
Private Equity Investment
Executive Summary

Investment	TPG Credit Strategies Fund II, L.P. (the "Fund")
Managing Party	TPG Credit Management (the "General Partner")
ATRS Legal Interest	ATRS will be a limited partner
Report Date	April 2012
Expected Closing Date	The General Partner is targeting capital commitments of $800 million. ATRS is expected to close by May 31, 2012.
ATRS Commitment & Reason for Entry	The $35 million investment is to help achieve the 10% target allocation to private equity. The fund was recommended by the ATRS private equity consultant.
Placement Agent	Denning & Co. was used for fundraising.
Key Terms	<u>Management Fee</u>: The General Partner has proposed an annual management fee of 1.75% of commitments during the three-year commitment period. Thereafter, management fees will equal 1.5% of net invested capital. <u>Carried Interest</u>: After the limited partners receive cumulative distributions equal to 100% of aggregate capital contributions on realized investments, impairments and fees and expenses, plus an 8% preferred return, the General Partner will be entitled to 20% of the Fund's profits.
Justification of Investment Term & Anticipated Termination Date	The term is six years (anticipated termination in 2018) plus three one-year extensions which is common for private equity debt funds due to the time required for buying, restructuring and/or adding value and then monetizing underlying assets.
Investment Strategy	The Fund is being formed to pursue an opportunistic distressed investment strategy primarily in the U.S. and Europe. The fund will invest in secured corporate debt and distressed assets in the aviation space, mortgage and consumer loan portfolios and other financial assets.
Management Team	The General Partner is based in Minneapolis and was founded in 2005 as an affiliate of TPG Capital by Rory O'Neill who previously led Cargill's global credit and special situations investment business. Besides Mr. O'Neill, the firm is led by Evan Carruthers, Jim Musel, Kirk Ogren, Jonathan Fragodt and Brandt Wilson, Principals. The Prinicpals are supported by 13 additional investment professionals, a head trader, a chief operating officer and 26 operating, accounting and administrative professionals.

Historical Performance

Since 2005, the General Partner has invested $2.1 billion in 112 deals. In aggregate, these investments have generated a gross IRR of 17.0% and a multiple of 1.2x cost as of December 31, 2011. Historical returns are not indicative of future performance.