ARTRS
Arkansas Teacher Retirement System

November 9, 2009

Senator Henry "Hank" Wilkins
Representative Allen Maxwell
Arkansas Legislative Council
State Capitol, Room 315
Little Rock, AR 72201

RE: Arkansas Teacher Retirement System (ATRS) ACA §19-11-1302
Report/Spreadsheet

Dear Senator Wilkins and Representative Maxwell:

By means of the enclosed spreadsheet, ATRS is submitting a private equity partnership 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. The investment of $40 million is to be made in a limited partnership, which will then invest in small healthcare related and technology companies.

The ATRS Board approved the investment to be made in Riverside Fund IV based on the recommendation by our private equity consultants and anticipates a closing date in December 2009. The consultants' recommendation report is also included for review by ALC. We will be happy to provide any other information you request regarding this investment.

Respectfully,

George Hopkins
Executive Director

GH:kd
enclosures

George Hopkins, Executive Director – 501-682-1820 – Email: georgeh@artrs.gov

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Arkansas Teacher Retirement System

Arkansas Teacher Retirement System

Recommendation Report

Riverside Fund IV, L.P.

FranklinPark

Executive Summary

Fund	Riverside Fund IV, L.P. (the "Fund")
General Partner	Riverside Partners, LLC (the "General Partner" or "Riverside")
Report Date	September 2009
Fundraising	The General Partner is targeting capital commitments of $325 million with a hard cap of $400 million. The General Partner expects to hold a first closing for the Fund in September 2009 with $100 million in commitments. The General Partner expects to hold a final closing for the Fund during 2010.
Placement Agent	Atlantic-Pacific Capital
Key Terms	Management Fee: The General Partner has proposed an annual management fee of 2.0% of commitments from the initial closing date until the fifth anniversary of the final closing date. Thereafter, management fees will equal 2.0% per annum of net invested capital. Carried Interest: After the limited partners receive a preferred return of 8%, the General Partner will be entitled to 20% of the Fund's profits. The Fund does have a clawback provision. Termination Provisions: The limited partners may seek early termination of the investment period at any time after the second anniversary of the initial closing by a vote of 85% in interest of the limited partners. A vote of 60% in interest of the limited partners may elect to remove the General Partner upon notice of a for cause event. Key Person: If (i) any three of the Principals, as defined below, including at least one of David Belluck or Brian Guthrie or (ii) both Messrs. Belluck and Guthrie leave the firm, a key person trigger will occur. Additional terms are disclosed in Appendix III.
Investment Strategy	The Fund will pursue control investments in small, profitable healthcare and technology companies primarily in the United States. The General Partner will focus on family- or management-owned companies with enterprise values between $10 million and $100 million and will seek to add value through financial and operational improvements and to grow the companies both organically and through add-on acquisitions.
Management Team	Based in Boston, Riverside was founded in 1989 by Paul Craig as a 50/50 joint venture with the Monitor Group, a leading management consulting firm. David Belluck and Brian Guthrie joined Mr. Craig from the Monitor Group at inception. In 1994, Riverside ended the joint venture and became an independent firm. Mr. Craig retired from the General Partner in 2003, and the General Partner is currently led by Messrs. Belluck and Guthrie, Philip Borden, Steven Kaplan and Jon Lemelman (the "Principals"). The Principals are supported by four full-time Operating

Partners, who participate in the investment process, including due diligence and investment decisions, and who assume management roles at portfolio companies when necessary. The General Partner also employs six mid-level and junior investment professionals, a CFO, and administrative staff. Biographical information for the Principals and Operating Partners is provided in Appendix II.

Track Record

The General Partner's track record consists of three prior funds, the most recent of which was raised in 2005 with $225 million of capital commitments, as well as four single-purpose partnerships formed with other private equity firms. These four partnerships ("Pledge Deals") were sourced and reviewed by Riverside, but either closed between the investment periods of Fund I & II or after the Fund II investment period ended and required third party equity. The following chart summarizes the performance of the prior funds and the Pledge Deals, as of December 31, 2008 ($ 000).

Fund (Vintage)	Invested	Realized	Unrealized[1]	Gross ROI	Gross IRR
Fund I (1991)	$22,790	$106,288	$0	4.7x	34.8%
Fund II (1999)	56,217	155,357	16,438	3.1x	20.1%
Fund III (2005)	166,452	34,658	179,194	1.3x	23.6%
Pledge Deals (1996)	52,092	176,061	5,500	3.5x	62.9%
Total	**$297,551**	**$472,364**	**$201,132**	**2.3x**	**37.1%**

Note:
[1] Unrealized investments are valued by the General Partner based on a peer comparable multiple of operating cash flow. Franklin Park reviewed the valuations and deemed them to be reasonable.

Additional track record information is provided in Appendix V.

Investment Evaluation

1. **The General Partner targets a less competitive and inefficient market segment.** The General Partner will seek to make acquisitions of growing small companies. Smaller sized companies often attract less attention from larger strategic and financial buyers, and consequently can be purchased at more attractive prices, often on a non-auctioned basis. Further, companies in these segments tend to be under-managed, carry excess costs, and suffer from insufficient resources. As a result, managerial, operational, and financial improvements are readily identifiable. Such inefficiencies can lead to compelling returns.

   However, the opportunity for higher returns is accompanied by higher risk. Small companies may be more susceptible to economic downturns, face customer, supplier or product concentration, and often have less experienced management teams. These factors combine to make investments in smaller sized companies more risky.

2. **The General Partner employs an active management approach and seeks to add value post-investment.** For each portfolio company, the General Partner identifies growth opportunities, management augmentation and potential operational efficiencies. Post-investment, the General Partner works closely with management in executing its value creation plan to expand the business and improve profitability.

3. **The General Partner's team is deep and experienced.** The five Principals average more than 13 years of investment experience and Messrs. Belluck and Guthrie have been investing together since 1991. Further, Riverside's Operating Partners have substantial experience and are integrated in the General Partner's investment process.

4. **The General Partner's track record is attractive.** Since 1991, the General Partner has generated a 37% gross IRR on $293 million invested in 23 transactions. Additionally, all three of the funds raised by the General Partner since inception have generated first quartile performance compared to peers of the same vintage years.

   However, the track record includes two realized and three unrealized losses. Riverside's relatively higher loss ratio is consistent with the Fund's higher risk/return strategy of investing in smaller sized companies. Further, the General Partner's profitable investments have compensated for the prior losses.

Recommendation

Franklin Park recommends a commitment of up to $40 million to the Fund, subject to satisfactory negotiation of final documentation, based on the following:

- The Fund will target an attractive market segment.
- The General Partner's team is relatively deep and experienced; and
- The General Partner's track record is attractive.

Investment Strategy

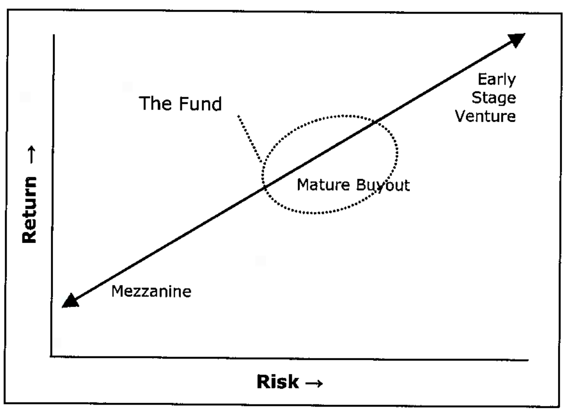
The Fund will pursue control investments in small, profitable healthcare and technology companies primarily in the United States. The Fund will focus on founder- or management-owned companies with enterprise values between $10 million and $100 million whose owners lack financial, strategic or operational expertise to scale the business. The General Partner typically partners with existing owners/management to enhance operations, improve profitability and execute organic and/or acquisition related growth initiatives.

Within the healthcare and technology sectors, Riverside generally targets manufacturers, suppliers, and services businesses with (1) differentiated products or services, (2) seasoned management and (3) high growth potential. Representative target segments within technology and healthcare are summarized below:

Technology	Healthcare
Industrial communications	Medical equipment
Wireless components	Medical device outsourced manufacturing
High-end workstations/displays	Services
Services	Diagnostics
Cleantech	Dental suppliers

Portfolio Characteristics and Limitations

With a focus on small companies, the Fund has a moderate to high risk profile relative to other private equity strategies. The charts below provide Franklin Park's subjective illustration of the expected risk profile of the Fund. The characteristics (region, size, stage, sector, security) of the companies targeted by the Fund are also described below.



Company Capitalization		Company Stage of Development				
		Early Stage Venture	Late Stage Venture	Expansion Stage	Mature Stage	Distressed/ Turnaround
	Small					
	Lower Middle					
	Upper Middle					
	Large					

Region: The General Partner expects to primarily invest in the U.S. Up to 20% of capital commitments may be invested outside the U.S.

Size: The Fund will target small companies with enterprise values between $10 million and $100 million. Investment sizes will generally range from $10 million to $35 million.

Stage: The Fund will primarily invest in expansion and mature stage, cash flow positive businesses.

Sector: The General Partner targets companies in the healthcare and technology sectors.

Security Type: The Fund will seek to invest in equity and equity-like securities.

Competition

Competitiveness of Strategy: The market for small companies with enterprise values of less than $100 million is inefficient and relatively less competitive than the middle and large cap markets.

Competitors: In executing its strategy, the General Partner will compete with other private equity firms focused on the small cap market including AIG Altaris, RoundTable, Brynwood, Water Street, Cressey & Co., and Beeken Petty O'Keefe.

Competitive Advantages: The General Partner seeks to differentiate itself from competitors through its history and experience in (1) investing in healthcare and technology businesses and (2) partnering with management owners in executing operational improvement and growth initiatives.

Evaluation of the Strategy

1. **The General Partner targets a less competitive and inefficient market segment.** The General Partner will seek to make acquisitions of growing small companies. Smaller sized companies often attract less attention from larger strategic and financial buyers, and consequently can be purchased at more attractive prices, often on a non-auctioned basis. Further, companies in these segments tend to be under managed, carry excess costs, and suffer from insufficient resources. As a result, managerial, operational, and financial improvements are readily identifiable. Such inefficiencies can lead to compelling returns.

   However, the opportunity for higher returns is accompanied by higher risk. Small companies may be more susceptible to economic downturns; face customer, supplier or product concentration; and have less skilled management teams. These factors combine to make investments in smaller sized companies more risky.

2. **The General Partner has been disciplined in executing its strategy.** Over the last 20 years, the General Partner has consistently focused on growth-oriented technology and healthcare businesses that meet three key criteria: (1) sustainable advantage, (2) seasoned management, and (3) growth opportunities.

   Further, the General Partner actively seeks to build value in portfolio companies post investment. In each of the prior investments, the General Partner has been active in adding value through three key areas: (1) management/board augmentation, (2) operational improvements and (3) executing growth plans. This approach has allowed the General Partner to grow the size and profitability of most of its prior and existing portfolio companies.

Management Team

Riverside, based in Boston, MA, was founded in 1989 by Paul Craig in partnership with Monitor Group, a management consulting firm. David Belluck and Brian Guthrie joined Mr. Craig from the Monitor Group on a full time basis in 1991. In 1994, Riverside ended the joint venture and became an independent firm.

The firm is currently led by Messrs. Belluck and Guthrie and Philip Borden, Steven Kaplan, and Jon Lemelman (the "Principals"). The Principals are supported by four full-time Operating Partners, six mid-level and junior investment professionals, a CFO and administrative staff.

The chart below summarizes backgrounds of the Principals:

Professional	Age	Tenure with General Partner	Years of Private Equity Experience	Relevant Experience
David Belluck	46	20	20	Monitor Group
Brian Guthrie	41	19	19	Monitor Group
Philip Borden	34	4	10	Oxford Bioscience Partners, Frazier Healthcare
Steven Kaplan	53	3	9	Audax, TPG
Jon Lemelman	37	5	9	Fidelity Investments

Note: Biographical information for the Principals and Operating Partners is provided in Appendix II.

Composition of Remaining Team

The Principals are supported by four Operating Partners, two Vice Presidents, and four Associates. In addition, the firm's professionals are supported by a CFO and administrative staff.

Historical Turnover

Since 2003, two senior professional have left the firm. In 2003, Paul Craig retired. In 2004, Phil Curatilo, who focused on deal sourcing, left the firm and was replaced by Mr. Lemelman.

Future Team Growth

The General Partner does not anticipate the need to add any additional senior investment professionals to invest the Fund.

Incentives/Succession Planning

The Fund's carried interest will be initially allocated to all Principals, Operating Partners and Vice Presidents – in total approximately 11 investment professionals. The Principals will receive approximately 75% of the carry, with Messrs. Belluck and Guthrie allocated 45%. The Operating Partners will be allocated 15% and other professionals will receive the remaining 10%.

Investment Committee Composition

Each deal team typically consists of one to two Principals, one Operating Partner and several Vice Presidents and/or Associates. The Investment Committee consists of the Principals but investment decisions are typically made by consensus of all professionals.

Litigation Involving the General Partner or Principals
The General Partner has reported that there is no outstanding litigation involving any of the Principals or the firm itself.

Public Domain Search
News runs were conducted on Riverside and its Principals for a time-period spanning the last five years. There were no material findings.

References
In its evaluation of the Fund, Franklin Park conducted a number of reference calls on the General Partner. These calls included discussions with portfolio company executives, prior employees and other individuals familiar with the General Partner's team. Reference results were generally favorable.

Evaluation of the Management Team

1. **There are several attractive attributes regarding the General Partner's team:**

   - **Messrs. Belluck and Guthrie have substantial investment experience together.** Having worked together investing in small companies in the technology and healthcare sectors since 1991, Messrs. Belluck and Guthrie are seasoned private equity investors.

   - **The senior investment team members have complementary backgrounds.** In addition to Messrs. Belluck and Guthrie, Steven Kaplan (former Audax, TPG operating partner) and Borden (former Oxford Bioscience Partners, Frazier Healthcare), who bring complementary investment backgrounds. Jon Lemelman, who joined in 2005, has an investment and leveraged finance background and oversees the firm's deal sourcing efforts.

   - **Additionally, the Operating Partners differentiate the firm and have created value in portfolio companies.** Each of the four Operating Partners has substantial experience operational experience and are actively involved in evaluating businesses and management teams. After investment, an Operating Partner is typically involved with portfolio company management in designing and executing operational improvement, strategic and growth initiatives.

2. **While the General Partner's team is relatively deep, lead investment experience is concentrated with Messrs. Belluck and Guthrie.** Messrs. Belluck and Guthrie are Riverside's most experienced investors and have led nearly all of the investments in Funds II and III.

   This concern is partially mitigated by (1) the fact that Messrs. Borden and Kaplan have acted as the second deal partner on several investments in Fund III and (2) Messrs. Borden and Kaplan have investment experience from their prior firms. The firm's Operating Partner resources serve to further mitigate this concern.

Track Record

Since 1990, the General Partner has raised three private equity funds ("Funds I-III"). Additionally, the General Partner provided performance information for four "Pledge Deals", which were completed in between the investment periods of the prior funds. Two of the Pledge Deals were completed in 1996 (in between Funds I and II) and 2 were done between 2003 and 2005 (in between Funds II and III). The General Partner's track record as of December 31, 2008 is summarized below

Aggregate Performance Summary ($ 000) [1]

Fund (Vintage)	Rlzd Deals / # Deals	Invested	Realized	Unrealized	Gross ROI	Gross IRR
Fund I (1991)	3 / 3	$22,790	$106,288	$0	4.7x	34.8%
Fund II (1999)	6 / 6	56,217	155,357	16,438	3.1x	20.1%
Fund III (2005)	0 / 10	166,452	34,658	179,194	1.3x	23.6%
Pledge Deals (1996)	2 / 4	52,092	176,061	5,500	3.5x	62.9%
Total	**11 / 23**	**$297,551**	**$472,364**	**$201,132**	**2.3x**	**37.1%**

Performance vs. Benchmark [2]

	General Partner			vs. First Quartile Benchmarks [3]		
Fund (Vintage)	**Net IRR**	**DPI**	**TVPI**	**Net IRR**	**DPI**	**TVPI**
Fund I (1991)	25.0%	3.2x	3.2x	14.1%	1.7x	2.0x
Fund II (1999)	14.6%	2.2x	2.4x	14.2%	1.3x	1.6x
Fund III (2005)	11.2%	0.2x	1.1x	5.8%	0.2x	1.1x

Benchmark Analysis [2]

	General Partner			Quartile Ranking [3]		
Fund (Vintage)	**Net IRR**	**DPI**	**TVPI**	**Net IRR**	**DPI**	**TVPI**
Fund I (1991)	25.0%	3.2x	3.2x	1st	1st	1st
Fund II (1999)	14.6%	2.2x	2.4x	1st	1st	1st
Fund III (2005)	11.2%	0.2x	1.1x	1st	2nd	1st

Notes:
[1] Gross of fees and carried interest expenses. The unrealized investments are valued by the General Partner based on a peer comparable multiple of operating cash flow. Franklin Park reviewed the valuations and deemed them to be reasonable.
[2] Net of fees and carried interest expenses.
[3] Benchmark data provided by Thomson VentureXpert: (US - Buyout Funds) at December 31, 2008

Evaluation of the Track Record

1. The General Partner has a tenured and attractive track record:

- Since 1990, the General Partner has invested nearly $300 million in 23 companies, which have generated an overall ROI of 2.3 times and a gross IRR of 37%, including unrealized investments.
- The 11 realized investments generated an impressive 4.9 times invested capital and a gross IRR of 38%.
- Further, each of the General Partner's prior funds has generated first quartile returns relative to peers of the same vintage.

While Fund III is relatively young with no full realizations, underlying performance has been solid. Five investments in Fund III have been written up in value to reflect their growth in operating metrics and, with one exception, the remaining investments are carried at cost and performing on plan. One investment, JPDM, has been written down due to the loss of three key customers, but the General Partner ultimately expects the investment to be profitable after investing additional capital to support the business. The table below summarizes the operating performance of the companies in Fund III since investment.

Company	Hold. Period (yrs)	Revenue CAGR[1]	EBITDA CAGR[1]	EBITDA Margin % Change	Net Debt % Change	Implied ROI[2]
Quantum	3.0	25%	22%	-6%	26%	2.7x
NDS Surgical Imaging	3.1	40%	25%	-29%	106%	1.9x
Sixnet	3.0	35%	17%	-36%	68%	1.5x
JPDM	2.0	5%	-16%	-36%	-10%	0.4x
GEMCITY	1.3	-8%	0%	11%	-3%	1.1x
Tegra	1.2	19%	34%	17%	19%	1.8x
MaxVision	1.2	23%	34%	11%	-14%	2.8x
IPA	0.6	14%	16%	2%	4%	1.1x
HealthDrive	0.5	15%	0%	-6%	0%	1.0x
Alteris Renewables	0.3	283%	321%	3%	36%	1.5x
Average	**1.6**	**45%**	**45%**	**-7%**	**23%**	**1.6x**

[1] CAGR: compound annual growth rate
[2] Calculated as [current EBITDA * acquisition multiple] – current net debt / [acquisition EBITDA * acquisition multiple] – acquisition net debt

2. **The General Partner's track record has been volatile.** Two of the 11 realized investments in the General Partner's track record have been realized for losses. The two losses, SaRonix (completed in 2000 in Fund II) and Photo Stencil (pledge deal completed in 1996) account for 19% of capital invested in all realized investments. An additional three investments (JPDM and two pledge deals) are currently carried below cost. In total, 5 of 23 total investments since 1991 have generated realized or

unrealized losses, representing 26% of total invested capital. A summary of the five investments is provided below.

Company	Date of Invest.	Fund	Notes
Photo Stencil (realized)	July 1996	Pledge (Koch Industries)	Impacted by lower cost market entrants
SaRonix (realized)	July 2000	Fund II	Impacted by telecom industry downturn in 2001
Source Tech. (unrealized)	June 2003	Pledge (Liberty Partners)	Impacted by weakness in banking industry
LVI (unrealized)	Feb. 2005	Pledge (American Capital)	Impacted by US recession
JPDM (unrealized)	Jan. 2007	Fund III	Impacted by loss of 3 customers

Several factors should be considered in assessing Riverside's prior losses:

- Three of the five investments were Pledge Deals; accordingly, Riverside did not have normal governance control.
- The Fund's strategy of investing in small companies is inherently more risky compared to middle market and large buyout strategies. Riverside's loss ratio may be consistent with the higher risk/return profile of the strategy.
- Riverside's profitable investments have compensated for losses. Including losses, the 11 realized investments have generated an overall ROI of 4.9x invested capital and 38% gross IRR. Seven have generated an ROI greater than 2.0x and three investments, accounting for 25% of invested capital in realized investments, have generated an ROI of greater than 5.0x.

Fundraising

The General Partner is targeting capital commitments of $325 million, with a hard cap of $400 million. The General Partner expects to hold a first closing for the Fund in September 2009 with $100 million in commitments. The General Partner expects to hold a final closing for the Fund during 2010.

Prior fund limited partners include:

Yale University
MIT
Ford Foundation
Abbott Capital
Kauffman Foundation
TIFF

MN Services
Hartford Insurance Company
HighVista
Rochester Institute of Technology
St. Louis University
Tao Capital (Pritzker family)

Appendix I
Summary of Due Diligence Performed

- Reviewed the Fund's offering memorandum in April 2009.
- Met with David Belluck and Brian Guthrie in May 2009.
- Reviewed the due diligence information provided by the General Partner in June and July 2009.
- Conducted reference calls with company executives, prior fund limited partners and former employees in June, July and August 2009.
- Conducted an investment and operational due diligence site visit in the General Partner's Boston office in July 2009.
- Held conference call with the General Partner in July 2009.
- Conducted background checks on Messrs. Belluck and Guthrie in July 2009.
- Conducted follow-up due diligence visits in the General Partner's Boston office in August 2009.
- Prepared this memo summarizing our findings.

Appendix II
Senior Professionals' Biographies

Principals

David Belluck, 46, joined the General Partner in 1989 and became a Principal in 1992. He previously worked as a consultant for the Monitor Group. Mr. Belluck holds a Bachelor of Arts degree in Economics from Harvard College and a Master of Business Administration from Harvard Business School.

Brian Guthrie, 41, joined the General Partner in 1990 and became a Principal in 1992. He started his career with the Monitor Group. Mr. Guthrie holds a Bachelor of Arts degree in Economics from Harvard College.

Philip Borden, 34, joined Riverside in 2005 and was named Principal in January 2009. Mr. Borden was previously with Oxford Bioscience Partners, a life science venture capital firm located in Boston, and began his investment career at Frazier Healthcare Ventures in Seattle. Mr. Borden holds a Bachelor of Science degree in cell and molecular biology from Duke University and a Master in Business Administration from Harvard Business School.

Steven Kaplan, 53, consulted with the General Partner in 2005 and joined full-time as a Principal in 2006. Previously, Mr. Kaplan was a Managing Director of Audax Group, a private equity and mezzanine debt firm, and served as an Operating Partner at Texas Pacific Group. Mr. Kaplan began his career in strategy consulting and was a Partner at The Boston Consulting Group. Mr. Kaplan holds Bachelors degrees in Electrical Engineering and Computer Science and in Management Science from the Massachusetts Institute of Technology as well as a Masters degree in Management from MIT.

Jon Lemelman, 37, joined Riverside in 2004 from Fidelity Strategic Investments. Prior to Fidelity, he was the Director of Business Development at Reciprocal, Inc., an enterprise software company. From 1995 to 1999, Mr. Lemelman was a Vice President at Fidelity Investments. Mr. Lemelman holds a Bachelor of Business Administration from Emory University and a Master of Business Administration from the Wharton School of Business at the University of Pennsylvania.

Operating Partners

Daniel Berry, 62, joined Riverside in 2002. Prior to joining the General Partner, Mr. Berry was President and Chief Operating Officer at Ultratech Stepper, Inc., a manufacturer of semiconductor equipment. Before that, he was Director of International Operations at General Signal Corporation and Director of Marketing with Perkin Elmer Corporation, both suppliers of semiconductor manufacturing equipment. Mr. Berry began his career at Bell Laboratories. He holds a Bachelor of Science degree in Electrical Engineering from the Polytechnic Institute of Brooklyn.

Karen Clark, 48, consulted with the General Partner in 2008 and joined full-time in 2009. Most recently, Ms. Clark was the Vice President of Finance for the $1 billion Biosciences Group of Fisher Scientific. Previously, she was the CFO for two public companies: PacifiCorp, a $5 billion electric utility and Capstone Turbine Corporation, a $20 million alternate energy technology company, where she also served as the Chief Legal Officer. Additionally, Ms. Clark has held financial leadership roles at Precision Castparts Corp, Tektronix, The Coleman Company, Inc. and its acquirer, Sunbeam Corporation. Ms. Clark also served as a Certified Public Accountant and a Certified Management Accountant in the consulting and auditing practices of Ernst & Young and Arthur Andersen. Ms. Clark has a Bachelor of Science degree in Accounting from Montana State University.

Steven Kaufman, 42, joined Riverside in 2005. Previously, Mr. Kaufman was President and CEO, and earlier COO, of Avici Systems Inc., a telecommunications equipment company. Prior to Avici, he worked at Lucent Technologies, most recently serving as President of the Multiservice Core Networks division, a $2 billion business. He was also Vice President and General Manager of Lucent's core switching business and General Manager in Lucent's microelectronics group. Additionally, Mr. Kaufman worked for Intel Corporation in various marketing management roles. Mr. Kaufman holds a Bachelor of Science degree in Electrical Engineering from Brown University, a Master of Business Administration degree from Harvard Business School, and a Master of Science degree in Computer Science from Stanford University.

Lloyd Rogers, 65, joined Riverside in 1999. Subsequently, he also served as the CEO and Executive Chairman of BarrierSafe Solutions International, a Fund II portfolio company, until its sale. Prior to joining the General Partner, Mr. Rogers served as President and CEO of Wells Lamont Corporation, a global manufacturer of a variety of retail, industrial, medical and clean room glove products. Prior to Wells Lamont, he was Executive Vice President and General Manager of Tarkett, Inc., a Swedish flooring company, and Vice President of Marketing at Champion International, a public company with an emphasis on packaging products and medical packaging in particular. He earned a Bachelor of Science degree in Computer Science from Boston University.

Appendix III
Summary of Terms

Term	Fund's Proposed Term	Meets Market Standards
Fund Size		
Target Size	$325 million	n/a
Minimum Size	Not stated	n/a
Maximum Size	$400 million	n/a
Duration		
Investment Period	The investment period terminates on the fifth anniversary of the final closing date which can occur up to one year from the initial closing.	Yes
Capital Reinvestment	The cost basis of securities disposed of by the Fund may be recalled and reinvested during the Investment Period if (i) the securities were held for less than 18 months and (ii) the Fund received proceeds from the sale of the securities in excess of its cost basis.	Yes
Term	The term will be ten years from the first drawdown date. The term may be extended for up to two consecutive one-year periods at the discretion of the General Partner.	Yes
Limitations on Investment Activities		
Single Portfolio Company	The Fund will not invest more than 20% of total commitments in any single portfolio company.	Yes
Geographic Limitations	The Fund will not invest more than 20% of the Fund's aggregate commitments in portfolio companies that are not U.S. portfolio companies.	Yes
Public Securities	The Fund will not make open market purchases of publicly-traded securities in an amount which exceeds 10% of aggregate commitments.	Yes
Fees and Carried Interest		
Management Fee	The annual management fee will equal 2.0% of the aggregate commitments until the expiration of the Investment Period, and then 2.0% of net invested	Yes

	capital thereafter.	
Transaction Fees	50% of transaction fees will be used to offset the management fee.	Consider negotiating
Organizational Expenses	The Fund will bear legal and organizational expenses, up to a maximum of $1,250,000.	Yes
Carried Interest	After the limited partners receive an 8% preferred return, the General Partner will be entitled to 20% of the Fund's profits.	Yes
Clawback Provision	Upon termination of the Fund, the General Partner will be required to return any distributions it has received in excess of its 20% carried interest.	Yes

Management of the Fund

GP Commitment	The General Partner will commit 1.5% of total commitments.	Yes
Key-Person Provision	If (i) any three of the Principals including at least one of David Belluck or Brian Guthrie or (ii) both Messrs. Belluck and Guthrie leave the firm, then the investment period will be suspended.	Consider negotiating
Advisory Board	The Fund will have an Advisory Board composed of at least three limited partners. The Advisory Board will review certain conflict of interest situations and other operations of the Fund with the General Partner.	Yes

Evaluation of the Investment Terms

The terms of the Fund are generally consistent with market terms, except the following terms may warrant negotiation:

- **Transaction Fees:** Consider negotiating a higher transaction fee offset.
- **Key Person:** Consider negotiating a single key person trigger on both Messrs. Belluck and Guthrie.

Appendix IV
Operational Due Diligence

Operational due diligence is an integral part of our investment evaluation process. Such due diligence includes a review of non-investment related matters, particularly: (1) the experience of operations personnel, (2) operations resources, (3) fund reporting and administration practices, (4) conflicts of interests, and (5) legal liabilities and business insurance.

Findings from our operational due diligence are summarized below.

Experience and Reputation Managing Institutional Funds

The General Partner has managed three prior institutional funds since 1991. The General Partner currently manages one fund with $225 million of commitments focused on small buyouts. Two prior institutional funds are fully realized or winding down.

- The operations team is led by Chief Financial Officer, Kevin Sullivan, CPA, who has 17 years of experience. Prior to joining the General Partner in 2006, Mr. Sullivan was with Thomas Lee Partners and was Director of Finance for a venture backed company.
- Reference calls to prior fund limited partners were generally favorable.

Operational Infrastructure

The operations staff is comprised of the CFO and an accountant.

The firm's systems and data recovery infrastructure is summarized below:

- The firm utilizes Quickbooks accounting software for its accounting needs.
- Files stored on the firm's computers are backed up daily online and servers are backed up nightly on tape. Backup tapes are stored offsite.
- All professionals have laptops and can connect remotely to the firm's network, which is firewall protected.
- Systems maintenance is managed by Thrive Networks, a third party IT solutions provider.

The General Partner will use the following third party service providers:

- Banking – Silicon Valley Bank
- Independent auditor – Deloitte and Touche
- Legal counsel – Choate, Hall and Stewart

Reporting & Fund Administration

Reporting and administration procedures are summarized below:

- The CFO oversees the daily fund accounting and administration.

- On an annual basis, the Fund's portfolio valuations will be analyzed by the Principals and the CFO and reviewed by the firm's auditors. Valuations are also provided to the Limited Partner Advisory Board for review and approval. On a quarterly basis, valuations will be reviewed and adjusted for any significant changes in portfolio company operating performance.

- Quarterly financial statements and limited partner capital account statements are issued within 60 days after quarter-end and are provided to limited partners electronically. The annual financial statements of the Fund will be audited on a GAAP basis. Summary performance information on portfolio holdings will be provided in the annual reports.

- Capital will generally be called as needed to fund investments and expenses of the partnership.
  - Management fee calculations are prepared by the CFO and reviewed by the firm's legal counsel.

- Sample capital call and distribution notices provided sufficient information regarding the use/source of proceeds and allocation among the limited partners and the General Partner.

- Cash movements are made via wire transfer. Wire transfers are input by the accountant and reviewed by Mr. Sullivan, and require the approval of Mr. Belluck. Mr. Belluck does not have the ability to input wires. Mr. Sullivan and the accountant do not have authorization to release wires.

Conflicts of Interest

The Limited Partner Advisory Board will consist of at least three limited partners. The Board's role will be to counsel the General Partner regarding conflicts of interest and other operating issues concerning the Fund.

Legal Actions / Allegations and Insurance

The General Partner has reported that there is no outstanding litigation involving any of the Principals or the firm itself.

The General Partner carries $5 million of Directors & Officers Liability insurance with Houston Casualty Company.

Appendix V
Track Record Summary ($ 000)
As of December 31, 2008

Realized Performance Summary ($ 000) [1]

Fund (Vintage)	No. Deals	Invested	Realized	Unrealized	Gross ROI	Gross IRR
Fund I (1991)	3	$22,790	$106,288	$0	4.7x	34.8%
Fund II (1999)	6	56,217	155,357	16,438	3.1x	20.1%
Fund III (2005)	0	0	0	0	N/A	N/A
Pledge Deals (1996)	2	13,567	176,061	0	13.0x	66.0%
Total	**11**	**$92,574**	**$437,705**	**$16,438**	**4.9x**	**38.1%**

Unrealized Performance Summary ($ 000) [1]

Fund (Vintage)	No. Deals	Invested	Realized	Unrealized	ROI	Gross IRR
Fund I (1991)	0	$0	$0	$0	N/A	N/A
Fund II (1999)	0	0	0	0	N/A	N/A
Fund III (2005)	10	166,452	34,658	179,194	1.3x	23.6%
Pledge Deals (1996)	2	38,525	0	5,500	0.1x	-32.4%
Total	**12**	**$204,977**	**$34,658**	**$184,694**	**1.1x**	**3.7%**

Aggregate Performance Summary ($ 000) [1]

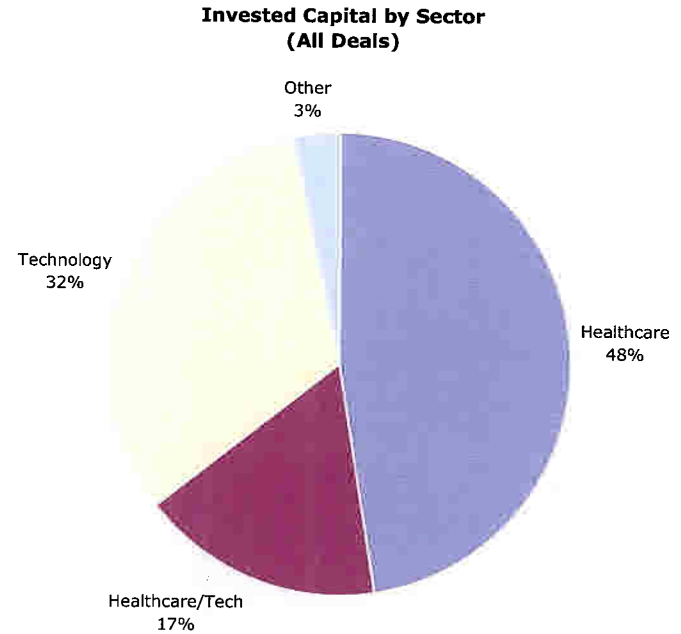
Fund (Vintage)	Realized Deals / No.	Invested	Realized	Unrealized	ROI	Gross IRR
Fund I (1991)	3 / 3	$22,790	$106,288	$0	4.7x	34.8%
Fund II (1999)	6 / 6	56,217	155,357	16,438	3.1x	20.1%
Fund III (2005)	0 / 10	166,452	34,658	179,194	1.3x	23.6%
Pledge Deals (1996)	2 / 4	52,092	176,061	5,500	3.5x	62.9%
Total	**11 / 23**	**$297,551**	**$472,364**	**$201,132**	**2.3x**	**37.1%**

Notes:
[1] Gross of fees and carried interest expenses. The unrealized investments are valued by the General Partner based on a peer comparable multiple of operating cash flow. Franklin Park reviewed the valuations and deemed them to be reasonable.

Appendix V
Track Record Summary ($ 000)
Returns by Sector
As of December 31, 2008

	All Deals			
Sector	**# of Deals**	**Invested**	**ROI**	**Gross IRR**
Healthcare	11	$141,232	2.2x	48.7%
Healthcare/Tech	2	50,632	1.7x	17.8%
Technology	9	95,419	2.6x	60.2%
Other	1	10,268	2.5x	17.3%
Total	**23**	**$297,551**	**2.3x**	**37.1%**

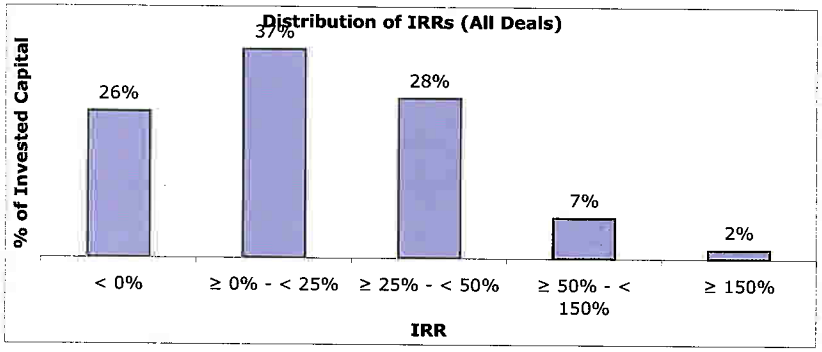
	Realized Deals			
Sector	**# of Deals**	**Invested**	**ROI**	**Gross IRR**
Healthcare	5	$40,761	5.2x	49.1%
Healthcare/Tech	1	12,500	1.9x	10.7%
Technology	4	29,045	6.6x	63.1%
Other	1	10,268	2.5x	17.3%
Total	**11**	**$92,574**	**4.9x**	**38.1%**

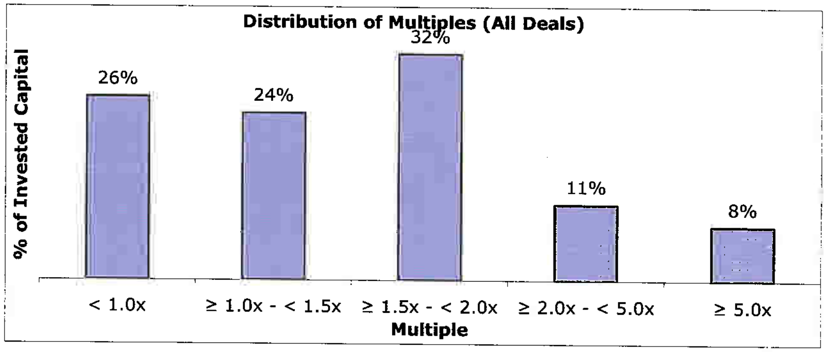


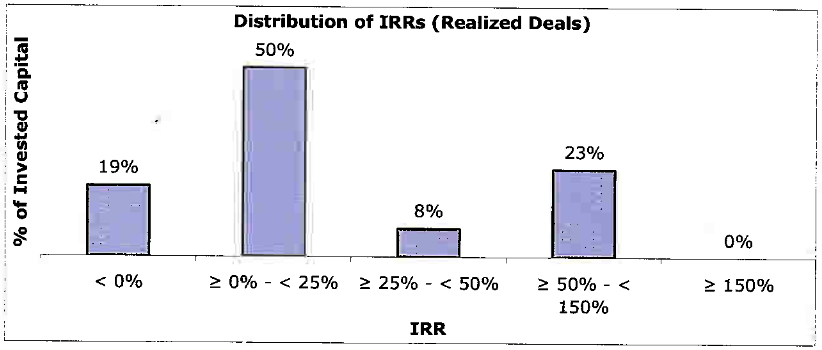
Appendix V
Track Record Summary ($ 000)
Dispersion of Returns
As of December 31, 2008

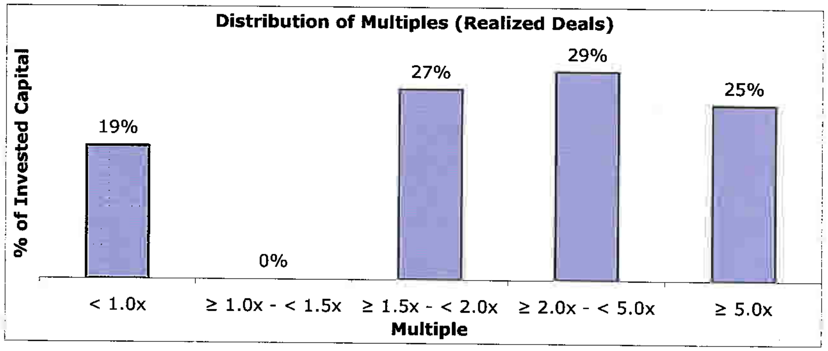
	All Deals			Realized Deals		
IRR Range	**# of Deals**	**Invested**	**ROI**	**# of Deals**	**Invested**	**ROI**
< 0%	5	$77,037.6	0.2x	2	$17,430.0	0.1x
≥ 0% - < 25%	8	109,909.1	1.6x	4	46,582.3	2.4x
≥ 25% - < 50%	6	84,206.7	2.4x	2	6,976.4	11.5x
≥ 50% - < 150%	3	21,585.5	12.0x	3	21,585.5	12.0x
≥ 150%	1	4,812.5	4.9x	0	0.0	N/A
Total	**23**	**$297,551.4**	**2.3x**	**11**	**$92,574.3**	**4.9x**

	All Deals			Realized Deals		
Multiple Range	**# of Deals**	**Invested**	**ROI**	**# of Deals**	**Invested**	**ROI**
< 1.0x	5	$77,037.6	0.2x	2	$17,430.0	0.1x
≥ 1.0x - < 1.5x	5	70,286.4	1.0x	0	0.0	N/A
≥ 1.5x - < 2.0x	5	95,164.8	1.6x	2	24,894.2	1.7x
≥ 2.0x - < 5.0x	5	32,101.3	3.7x	4	27,288.8	3.5x
≥ 5.0x	3	22,961.3	13.6x	3	22,961.3	13.6x
Total	**23**	**$297,551.4**	**2.3x**	**11**	**$92,574.3**	**4.9x**









Arkansas Teacher Retirement System
Investments Under Act 1211

Special Notations	Contract Number	Contractor	Authorized Total Investment Commitment	Total Capital/ Investment Costs Funded To Date	Total Fund Size	Investment Legal Structure	Legal Interest of ATRS	Reason for Entry into Partial Equity Ownership Agreement	ATRS Entry Date	Term and Duration of Investment	Justification for Duration of Investment	Total Distributions To Date	Description of Fee Calculation	Estimated Fees for First Year
Section A														
	Applied for	Riverside Fund IV, LP	$40M	$0	$400M	Limited Partnership	Limited Partner	To satisfy allocation to private equity per Investment Guidelines adopted by ATRS Board	December 2009 target closing date.	10 yrs + 2 one-year extensions	Market standard holding period for private equity. Term is set by partnership agreement.	$0	Annual fee is 2% of commitments for the investment period (5yrs). Carried interest of 20% to general partner after 8% return to limited partners.	$800K

Special Notations Legend

B=Billion **K**=Thousands

M=Million