



August 13, 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 Representative Baker:

By means of the enclosed Investment Summaries, ATRS is submitting three 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 \$40 million is to be made in Westbrook Real Estate Fund IX, LP an opportunistic fund that will focus on distressed debt, gateway cities and complex real estate transactions with a minimum of development activity. ATRS has invested in three previous Westbrook funds with positive results.

Another real estate investment is planned in Almanac Realty Securities VI, L.P. in the amount of \$30 million. This is a value-added fund that will make both equity and debt investments in the United States and will provide current income as well as long term value for ATRS.

ATRS is also submitting for review, an additional \$25 million commitment to its existing \$75 million commitment to Halderman Farm Management Services, Inc.(Halderman). This manager currently invests in operational farms in the United States for ATRS through limited partnerships. ATRS is pleased with the investments made by the firm and is seeking to complete its \$100 million allocation to farmland by making this additional commitment to Halderman.

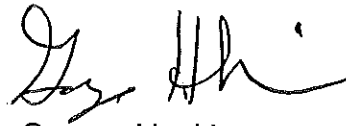
George Hopkins, Executive Director – 501-682-1820 – Email: georgeh@artrs.gov

1400 West Third Street - Little Rock, Arkansas 72201 - 501.682.1517 - 800.666.2877 - 501.682.2359 (fax) - www.artrs.gov

Senator Salmon
Representative Baker
August 13, 2012
Page Two

The ATRS Board approved each of the investments described above at its August 6, 2012 meeting and anticipates closing on each of the investments by September 30, 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,

A handwritten signature in black ink, appearing to read "George Hopkins", written in a cursive style.

George Hopkins
Executive Director

GH:lw
enclosures

**Arkansas Teacher Retirement System
Real Estate Investment
Executive Summary**

Investment	Westbrook Real Estate Fund IX, LP
Managing Party	Westbrook Realty Management IX, L.P. a Delaware limited partnership
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	August, 2012
Expected Closing Date	September 30, 2012
ATRS Commitment & Reason for Entry	The \$40 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. ATRS has invested in 3 previous Westbrook funds which had positive outcomes.
Placement Agent	Probitas Partners- No fee paid by ATRS
Key Terms	<p><u>Management Fee</u>: The fund charges a management fee of 1.35% of capital commitments; 1.5% if the 6% preferred return is met.</p> <p><u>Carried Interest</u>: 20% of profits after LP's receive 100% of their invested capital and an 6% IRR preferred return.</p>
Justification of Investment Duration Term & Anticipated Termination Date	The strategy requires a period of time to identify, execute and then monetize an opportunistic strategy. The fund is a "Closed end" variety with a eight year term starting at the end of the 3 year investment period to anticipated maturity sometime in 2023.
Investment Strategy	Westbrook Real Estate Fund IX (the "Fund" or "Fund IV") will be a closed-end, Opportunistic fund that will employ an investment strategy focused on distressed debt, gateway cities, low leverage, minimal development activity, and complex transactions. Westbrook's vertical integration and use of affiliated operators is a unique aspect of the Fund. The Fund will target a 15% Net IRR.
Management Team	The senior investment team consists of nineteen investment professionals and contains comprehensive representation of the various functions within the platform. Paul Kazilionis and Sush Torgalkar are responsible for the portfolio management function; Mr. Kazilionis possesses the lion share of the experience within the portfolio management pair.

**Historical
Performance**

Overall, Westbrook has generated mixed performance. When compared to the NFI Closed End Fund Index, two of its four funds generated median performance or better from a Net IRR perspective, but three delivered better than median results on a net multiple basis. Formed in 2005 and 2007, Funds VI and VII were challenged due to their respective vintage years and are expected to generate net IRRs of below zero and 2.3%, respectively. It is also important to note, that Westbrook's more conservative risk return profile limits its performance when compared to its more aggressive opportunistic peers. Going back to inception using funds I-VIII, Westbrook has had an average net IRR of 19.87%

**Arkansas Teacher Retirement System
Real Estate Investment
Executive Summary**

Investment	Almanac Realty Securities VI, L.P.
Managing Party	Almanac Realty Investors, L.L.C.
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	August, 2012
Expected Closing Date	September 30, 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. ATRS has invested in Almanacs previous fund V whose return is high relative to its peer group.
Placement Agent	No placement agent was utilized.
Key Terms	<p><u>Management Fee</u>: 1.0% of commitments during the first 36 months following the final close, and 1.0% of unreturned commitments thereafter (or as soon as the Fund's commitments have been fully drawn)</p> <p><u>Carried Interest</u>: 19% of profits after LP's receive 100% of their invested capital and a 9% IRR preferred return.</p>
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 end" variety with a ten year term to anticipated maturity sometime in 2022. Three, one year extensions are permissible if market conditions warrant.
Investment Strategy	Almanac Realty Securities Fund VI ("ARS VI" or the "Fund") will be a closed end, domestic, Value-Added product targeting entity level investments in both private and public real estate operating companies. The Fund will make both equity and debt investments with a target net IRR to investors of 12%. The vast majority (approximately 90%) of underlying properties in historic Almanac fund investments have been located within the top 50 MSAs of the United States. Fund VI will pursue a relatively unique, but average risk strategy within the Value-Added style category and it is anticipated that roughly 50% of returns will be earned in the form of current income.
Management Team	Almanac is a small firm with a staff of 14 real estate professionals, four of which (John McGurk, Matt Kaplan, Pike Aloian, and Andrew Silberstein) are owners. The entire team works out of a single office, located in New York. Though small, this is a fairly experienced group of

professionals. The four partners of the Firm each have more than 20 years of real estate industry experience and average just short of 30 years between them.

**Historical
Performance**

Almanac's historical track record has been positive generating net IRRs generally falling in the mid to low double digits with multiples of 1.5x – 2.2x for those funds that have been substantially realized (Funds I-III). These figures are based on mark to market values as of December 31, 2011.

**Arkansas Teacher Retirement System
Alternative Investments (Agricultural Manager Selection)
Executive Summary**

Investment	Agricultural Farmland Separate Account Addition
Managing Party	Halderman Farm Management Services, Inc.
ATRS Legal Interest	ATRS will be sole owner through Pinnacle Mountain Holding company, LLC.
Report Date	August 2012
Expected Closing Date	September 30, 2012
ATRS Commitment & Reason for Entry	The additional \$25mm investment will complete the ATRS \$100mm total commitment to the agricultural farmland separate account. The additional commitment was recommended by the ATRS Farmland consultant, Aon Hewitt EnnisKnupp.
Placement Agent	The General Partner has retained C.P. Eaton Partners, LLC to assist with marketing and fundraising, however ATRS paid no fee.
Key Terms	<u>Management Fee</u> : 1% annualized management fee paid quarterly on invested capital. <u>Carried Interest</u> : 10% carried interest after a 7% hurdle rate based on appraisals seven years after initial commitment.
Justification of Investment Duration Term & Anticipated Termination Date	This addition to the March 31 st , 2011 commitment of \$75mm is co-terminus with that stated management agreement term of seven years. At that point appraisals of the assets will be used to determine and pay the amount of carry, if any. This term should be sufficient to go through several crop cycles & complete capital improvements in order to maximize returns.
Investment Strategy	As approved at ATRS' October 4, 2010 meeting, ATRS established an initial \$100 million allocation through a separate account to farmland as a part of ATRS' Alternatives asset class. USDA growth rates on the land values from 1880 to 2007 are 4%, Current land cash yields from rent range from 3% to 6%. Halderman Farm Management Services was established in 1930 and is a national farmland operation, currently operating 675 farms, over 250,000 acres in 21 states with satellite offices in 6 states. Halderman Farm Management Services will select and purchase farmland operations as well as select farm operators, monitor their performance and provide technical support to those operators. Halderman's additional commitment completes the total farmland allocation.
Management Team	Howard Halderman – President Halderman Farm Management Services since 2000. BS in Agricultural Economics, Purdue University 1988.

Pat Karst, VP Real Estate Acquisitions. Vice President of Real Estate

since 2005. Area Representative from 1984 – 2005. Purdue University - Bachelor of Science in Agricultural Economics - Farm Business and Management – December 1983

David Martin - *Halderman Special Accounts Manager Since 2008.*
Purdue University - Bachelor of Arts in Agriculture Economics, May 1992.

Adam Gore – Operations. Cornell University - Bachelor of Science in Agribusiness Management, May 2009 Oversees the management of \$300mm of row crop and livestock operations in 8 states for Halderman Farm Management Services.

**Historical
Performance**

Halderman currently manages over \$1 billion in farmland assets for institutional and private separate accounts. Due to the relatively short investment period concerning ATRS's investments, performance figures are not meaningful.