



June 5, 2013

Senator Paul Bookout  
Representative John Charles Edwards  
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 Bookout and Representative Edwards:

By means of the enclosed Investment Summaries, ATRS is submitting four private 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 \$25 million is to be made in Lime Rock Resources III, L.P., a limited partnership that will acquire and operate mature oil and natural gas properties that have proven producing reserves. This investment will serve to further diversify ATRS's current holdings in the energy sector. The fund has a successful track record and was recommended by ATRS's private equity consultants.

A \$50 Million investment is planned in Brevan Howard Global Macro Hedge Fund which is run by a well-established manager that seeks return predominantly in the global fixed income and FX markets. The fund will employ complex strategies that add value to the ATRS portfolio but are less correlated to public markets. The investment was recommended by ATRS's alternative investment consultants.

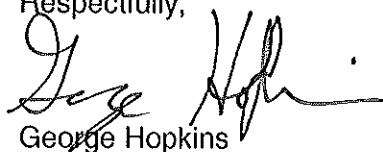
A commitment of \$30 Million to Torchlight Debt Opportunity Fund IV has been recommended by ATRS's real estate consultants. The investment is a closed end opportunistic fund focused on real estate debt investments in both public and private markets. Because of a continued imbalance in the supply and demand of debt capital for real estate assets, the fund is expected to produce strong returns.

ATRS is also submitting for review a contract assignment for the management of ATRS's timber holdings. The current contract with RMK Timberland Group is being assigned to BTG Pactual, a large Brazilian investment banking group with significant timberland investment experience and extensive resources. The current management team will transition to BTG Pactual. All fees, rights, duties, and operational provisions of the contract, except for the change to BTG Pactual, remain unchanged. ATRS's alternative investment consultants recommend that ATRS approve the assignment.

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The ATRS Board approved each of the investments described above at its June 3, 2013 meeting and anticipates closing dates in late June and July. 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  
Private Equity Investment  
Executive Summary**

<b>Investment</b>	Lime Rock Resources III, L.P. (the "Fund")
<b>Managing Party</b>	Lime Rock Resources (the "General Partner" or "LRR")
<b>ATRS Legal Interest</b>	ATRS will be a limited partner
<b>Report Date</b>	June 2013
<b>Expected Closing Date</b>	The General Partner is targeting maximum capital commitments of \$750 million for the Fund. ATRS is expected to close by June 30, 2013.
<b>ATRS Commitment &amp; Reason for Entry</b>	The \$25 million investment is to help achieve the 10% target allocation to private equity. The fund was recommended by the ATRS private equity consultant.
<b>Placement Agent</b>	The General Partner has retained Monument Group for assistance in raising the Fund.
<b>Key Terms</b>	<p><u>Management Fee</u>: The General Partner has proposed an annual management fee of 1.5% of aggregate commitments during the investment period. Thereafter, management fees will equal 1.25% of the lesser of: (i) aggregate contributions used to acquire portfolio investments that have not been realized, written off, or written down by at least 90%, or (ii) the unrealized value of the portfolio investments.</p> <p><u>Carried Interest</u>: After the limited partners receive their aggregate capital contributions plus an 8% preferred return, the General Partner will be entitled to 20% of the Fund's profits.</p>
<b>Justification of Investment Term &amp; Anticipated Termination Date</b>	<p><u>Term</u>: Twelve years (anticipated termination in 2025) plus two one-year extensions which is common in the private equity industry due to the time required for acquiring, developing and selling underlying assets.</p>
<b>Investment Strategy</b>	The Fund is being formed to primarily acquire and harvest mature oil and natural gas properties that are classified as proven developed producing reserves. The General Partner will directly operate reserves with in-house resources including, land acquisition, geological, engineering and field personnel.
<b>Management Team</b>	LRR is headquartered in Houston with field offices in Oklahoma, Texas and New Mexico. The General Partner is led by Eric Mullins, Charlie Adcock, Christopher Butta and Tim Miller (collectively, the "Principals"). The Principals are supported by 86 operating professionals, five engineering professionals and 28 finance and accounting professionals.
<b>Historical Performance</b>	Since 2005, the General Partner has invested \$742 million in 19 investment deals. In aggregate, these investments have generated a gross IRR of 18.6% and a multiple of 1.6x cost as of December 31, 2012. Historical returns are not indicative of future performance.

**Arkansas Teacher Retirement System  
Alternative Investment  
Executive Summary**

<b>Investment</b>	Brevan Howard Master Fund Class L
<b>Managing Party</b>	Brevan Howard Asset Management, LLP
<b>ATRS Legal Interest</b>	ATRS is a limited partner.
<b>Report Date</b>	June 2013
<b>Expected Closing Date</b>	June 30th, 2013
<b>ATRS Commitment &amp; Reason for Entry</b>	The \$50 million investment is to help achieve the 5% target allocation to Alternative Investments in hedge funds. The fund was recommended by the ATRS Alternative Investment consultant.
<b>Placement Agent</b>	No placement agent was utilized.
<b>Key Terms</b>	<u>Management Fee</u> : The fund charges a management fee of 1% of committed and invested capital.  <u>Carried Interest</u> : 20% of profits.
<b>Justification of Investment Term &amp; Anticipated Termination Date</b>	The fund is a "open ended fund" and will remain open until liquidated. The fund has a five year "lock up" period which is typical for managers of this caliber.
<b>Investment Strategy</b>	Brevan Howard predominantly employs a combination of Global Macro and Relative Value trading strategies in Fixed Income and FX markets. The manager believes that effective risk management is fundamental to extracting economic value from these strategies. Brevan Howard seeks to generate consistent returns with favourable risk/reward characteristics across different market scenarios.
<b>Management Team</b>	The organization is well staffed with experienced and talented individuals in offices around the globe. While the role of CEO is performed by Nagi Kawkabani, founder Alan Howard remains a dominant force as both the largest shareholder and main risk taker. Brevan Howard has a stringent policy of staff excellence to ensure continued performance.
<b>Historical Performance</b>	Since inception in April of 2003 until April of 2013, Brevan Howard has averaged a 12.39% return.

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

<b>Investment</b>	Torchlight Debt Opportunity Fund IV, LLC (DOF IV).
<b>Managing Party</b>	Torchlight Debt Opportunity Fund IV GP
<b>ATRS Legal Interest</b>	ATRS is a limited partner.
<b>Report Date</b>	June 2013
<b>Expected Closing Date</b>	June 22 <sup>nd</sup> , 2013
<b>ATRS Commitment &amp; Reason for Entry</b>	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.
<b>Placement Agent</b>	No placement agent was utilized.
<b>Key Terms</b>	<u>Management Fee</u> : The fund charges a management fee of 1.50% of committed and invested capital.  <u>Carried Interest</u> : 20% of profits after ATRS receives a 9% IRR.
<b>Justification of Investment Term &amp; Anticipated Termination Date</b>	The fund is a "closed ended fund" and requires a period of time to execute its opportunistic strategy. Anticipated termination is in eight years.
<b>Investment Strategy</b>	Fund IV has the ability to invest across the entire spectrum of debt and other interests relating to commercial real estate, including: CMBS, interests in individual loans secured by commercial real estate, mezzanine loans and participating mortgages. Torchlight may also originate or acquire loans in the private market.
<b>Management Team</b>	Torchlight has 52 professionals in total across five main groups: investments, distressed debt workouts, operations and finance, marketing and client service, underwriting and asset management. Five senior team members make up the investment committee. The average tenure at the Firm for those investment committee members is 12 years and their average total professional experience is 23 years.
<b>Historical Performance</b>	DOF I is the only fully realized Fund and it has been the most successful, with a 24.7% net IRR. DOF II, has been the Firm's most challenged investment strategy ever at -8.4% net IRR. DOF III is at a 9.4% IRR.

**Arkansas Teacher Retirement System  
Alternative Investment  
Executive Summary**

<b>Investment</b>	American Timberland, LLC
<b>Managing Party</b>	BTG Pactual Asset Management US, LLC
<b>ATRS Legal Interest</b>	ATRS is the sole limited partner.
<b>Report Date</b>	June 2013
<b>Expected Closing Date</b>	June 30th, 2013
<b>ATRS Commitment &amp; Reason for Entry</b>	This is an assignment of the Timberland Management Agreement initially executed in May 1998 with Wachovia Bank's timberland management group. The Agreement was later assigned to Regions Bank. As part of a refocusing on core banking activities, Regions Bank is assigning to BTG Pactual.
<b>Placement Agent</b>	No placement agent was utilized.
<b>Key Terms</b>	<p><u>Management Fee</u>: The fund charges a management fee of .69% (69 basis points) of invested capital. The timber portfolio is currently valued at \$352 million.</p> <p><u>Carried Interest</u>: 7.5% of profits at dissolution to the extent they exceed an 8% real rate of return (return less inflation) for ATRS.</p>
<b>Justification of Investment Term &amp; Anticipated Termination Date</b>	The partnership consists of one partner, ATRS. The term will remain open until December 31 <sup>st</sup> , 2037 unless ATRS decides to terminate sooner.
<b>Investment Strategy</b>	The strategy is for ATRS to own and actively manage via American Timberlands I & II timberland assets. These real assets are considered a hedge against inflation. Timber is also one of the few commodities that can be stored in a state of growth until markets are favorable.
<b>Management Team</b>	Joyce Niggley, Jim Webb and Charlie Daniels will continue as the timber management groups executive officers and ATRS's primary contacts. The group will most likely be named "BTG Timberland Investment Management, US"
<b>Historical Performance</b>	Since inception in July of 1998 through March of 2013, the timber portfolio has returned 7.6%