



April 19, 2011

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 Summary, ATRS is submitting a private 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.

An investment of \$20 million is planned in Altus Capital Partners II, L.P., a limited partnership that will invest in small profitable manufacturing companies in the Midwest and Eastern parts of the country. The fund has a successful track record and was recommended by ATRS's private equity consultants.

The ATRS Board approved the investment described above at its April 4, 2011 meeting and anticipates a closing date for the investment in June 2011. A summary of the 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 the investment.

Respectfully,

George Hopkins
Executive Director

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enclosures

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

**Arkansas Teacher Retirement System
Private Equity Investment
Executive Summary**

Investment	Altus Capital Partners II, L.P. (the "Fund")
Managing Party	Altus Capital Partners (the "General Partner" or "Altus")
ATRS Legal Interest	ATRS will be a limited partner
Report Date	April 2011
Expected Closing Date	The General Partner is targeting capital commitments of \$160 million. ATRS is expected to close in June 2011.
ATRS Commitment & Reason for Entry	The \$20 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	The General Partner has retained Mercury Capital Advisors to assist with fundraising.
Key Terms	<p><u>Management Fee</u>: The General Partner has proposed an annual management fee of 2.0% of commitments from the initial closing date until the earlier of: (i) the date on which all of the Fund's capital commitments have been invested; and (ii) the fifth anniversary of the final closing date. Thereafter, management fees will equal 2.0% per annum of net invested capital. The General Partner has proposed that 100% of any break-up fees, 65% of any transaction fees, and 65% of any monitoring fees will be applied to offset the management fee.</p> <p><u>Carried Interest</u>: After the limited partners receive their aggregate capital contributions on realized investments and write-downs and a preferred return of 8%, the General Partner will be entitled to 20% of the Fund's profits.</p>
Justification of Investment Term & Anticipated Termination Date	The term is ten years (anticipated termination in 2021) plus two one-year extensions which is the industry standard for private equity funds due to the time required for buying, improving and selling underlying companies.
Investment Strategy	The Fund is being formed to make acquisitions of small, profitable manufacturing companies in the U.S. In particular, the General Partner will target companies with highly-engineered manufacturing processes and products and leading niche market positions. The General Partner will primarily target companies based in the Midwest and Eastern U.S.
Management Team	The General Partner's predecessor, Max Capital, was formed in 1997. In 2003, partners Russell Greenberg, Greg Greenberg and Elizabeth Burgess (the "Principals") reconstituted the firm as Altus. The Principals are supported by one mid-level, one junior investment professional and a CFO. The General Partner has offices in Westport, CT and Lincolnshire, IL.

**Historical
Performance**

Since 1998, the General Partner has invested \$92.4 million in 15 portfolio companies. In aggregate, these investments have generated a gross IRR of 26.7% and a multiple of 2.7X cost as of December 31, 2010. Historical returns are not indicative of future performance.