



H.2(b)

September 28, 2022

Senator Terry Rice
Representative Jeff Wardlaw
Arkansas Legislative Council
State Capitol, Room 315
Little Rock, AR 72201

Re: Submission of Investment for Review Under Act 1211 of 2009 (A.C.A. §19-11-1302)
Investments: JFL Equity Investors VI, L.P.

Dear Senator Rice and Representative Wardlaw:

By means of the enclosed Investment Summary, Arkansas Teacher Retirement System (ATRS) is submitting an 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 ATRS Board (Board) recently approved an investment of up to \$30 million to be made in JFL Equity Investors VI, L.P., a buyout fund that will invest in lower middle market defense, aerospace, maritime and environmental/infrastructure services companies. This investment was recommended by Franklin Park Associates, private equity consultants for ATRS, and ATRS staff concurs with the recommendation.

The ATRS Board approved the investment described above in a regular meeting on September 26, 2022 and anticipates closing in late October. A summary of the investment including key terms and investment strategy is enclosed for review by ALC. If any additional information is needed, please feel free to contact me on my direct line at 501-588-4367 or by email at: clintr@artts.gov

Respectfully,

A handwritten signature in blue ink, appearing to read "Clint Rhoden", with a long horizontal flourish extending to the right.

Clint Rhoden
Executive Director

CR:lw
enclosures

Arkansas Teacher Retirement System
Private Equity Investment
Executive Summary

Investment	JFL Equity Investors VI, L.P. (the "Fund")
Managing Party	J.F. Lehman & Company (the "General Partner" or "JFL")
ATRS Legal Interest	ATRS will be a limited partner
Report Date	September 2022
Expected Closing Date	The General Partner is targeting capital commitments of \$1.6 billion. ATRS is expected to close in October 2022.
ATRS Commitment & Reason for Entry	The investment of up to \$30 million is to help achieve the 12% target allocation to private equity. The fund was recommended by the ATRS private equity consultant.
Placement Agent	The General Partner has retained Credit Suisse and OnCor Capital 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 during the five-year investment period. Thereafter, management fees will equal 2.0% of net invested capital.</p> <p><u>Carried Interest</u>: After the limited partners receive cumulative distributions equal to their aggregate capital contributions, 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 2032) plus three 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 will make control investments in defense, aerospace and maritime companies in the United States and the United Kingdom. The Fund will primarily invest in corporate divestitures and acquisitions of entrepreneur-owned companies with a particular focus on suppliers to the government and/or commercial markets.
Management Team	The General Partner was founded in 1992 by John Lehman, Donald Glickman and George Sawyer (the "Co-Founders") and originally provided financial advisory services to companies in the defense and aerospace sectors. The firm's advisory business was terminated in 1997 upon the formation of its first institutional private equity partnership. Today, the General Partner is led by Louis Mintz, Stephen Brooks, Alex Harman and Glen Shor (the "Principals") and is headquartered in New York, NY with a satellite office in Washington, D.C.

**Historical
Performance**

In its previous three funds, the General Partner has invested a total of \$2.2 billion in 25 portfolio companies. In aggregate, these investments have generated a gross IRR of approximately 26.7% as of March 31, 2022. Historical returns are not indicative of future performance.