

Arkansas Teacher Retirement System
Private Equity Investment
Executive Summary

Investment	GCG Investors V, L.P. (the "Fund")
Managing Party	Greyrock Capital Group (the "General Partner" or "Greyrock")
ATRS Legal Interest	ATRS will be a limited partner
Report Date	April 2020
Expected Closing Date	The General Partner is targeting capital commitments of up to \$300 million for the Fund. ATRS is expected to close in the second quarter of 2020.
ATRS Commitment & Reason for Entry	The investment of up to \$35 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 Cross Bay Capital as a placement agent for fundraising.
Key Terms	<p><u>Management Fee</u>: During the investment period (five years) or until a successor fund begins to accrue management fees, the Fund will pay to the General Partner an annual management fee of 2% of commitments. After the investment period, the Fund will pay an annual management fee of 2.0% of net invested capital.</p> <p><u>Carried Interest</u>: After the limited partners receive their aggregate capital contributions and an 8% preferred return, the General Partner will be entitled to 20% of the Fund's profits.</p>
Justification of Investment Term & Anticipated Termination Date	<u>Term</u> : Ten years (anticipated termination in 2030) plus two one-year extensions which is industry standard due to the time required for acquiring, developing and selling underlying assets.
Investment Strategy	The Fund is being formed to invest in mezzanine debt and equity of small and lower middle market companies in North America. The Fund is expected to invest 70-75% of capital in debt securities and 25-30% in equity securities.
Management Team	The General Partner was formed in 2001 and is currently led by Stephen Etter, Todd Osburn, Tracy Perkins and Steve Dempsey (the "principals"). The firm has offices in Berkeley, CA, Chicago, IL, and Wilton, CT.
Historical Performance	Since 2002, the General Partner has invested approximately \$808 million in 74 investments that have generated an average IRR of approximately 16.5% as of December 31, 2019. Historical returns are not indicative of future performance.

**ARKANSAS TEACHER RETIREMENT SYSTEM
1400 West Third Street
Little Rock, Arkansas 72201**

**RESOLUTION
No. 2020-11**

**Approving Investment in GCG Investors V, L.P.
with Imminent Need**

WHEREAS, the Board of Trustees (Board) of the Arkansas Teacher Retirement System (ATRS) is authorized to invest and manage trust assets for the benefits of its plan participants; and

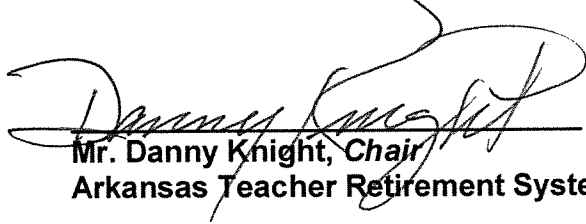
WHEREAS, the ATRS Board has reviewed the recommendation of its private equity consultant, Franklin Park Associates, LLC, along with the recommendation of the Investment Committee and ATRS staff regarding a potential investment in **GCG Investors V, L.P.**, a mezzanine fund focused on both debt and equity securities in the small and lower middle market; and

WHEREAS, the ATRS Board approves an investment of up to **\$35 million dollars (\$35,000,000.00)** in **GCG Investors V, L.P.**, and the Board, after its review of the timing in which the closing of the investment in **GCG Investors V, L.P.** may need to occur, has determined that there is an imminent need to immediately enter into the partial equity ownership agreement prior to the next scheduled meeting of the Arkansas Legislative Council. The Board also deems it financially appropriate to enter into the partial equity ownership agreement and concludes that to forego the opportunity to promptly implement its investment directives under the prudent investor rule would be inconsistent with its fiduciary duty of care to the members and annuitants;

NOW, THEREFORE, BE IT RESOLVED, that the ATRS Board approves an investment of up to **\$35 million dollars (\$35,000,000.00)** in **GCG Investors V, L.P.** and agrees to immediately move to close and subscribe the approved ATRS limited partnership interest in **GCG Investors V, L.P.** The total investment amount is to be determined by ATRS staff based upon the allocation available to ATRS and the overall investment objectives set by the Board; and

FURTHER, BE IT RESOLVED, that the ATRS staff is hereby authorized to take all necessary and proper steps to implement this investment using the Imminent Need process, if acceptable terms are reached.

Adopted this 6th day of April 2020



Mr. Danny Knight, *Chair*
Arkansas Teacher Retirement System