



April 2, 2019

Mr. Edward Armstrong  
Office of State Procurement  
1500 West 7<sup>th</sup> Street, Suite 300  
Little Rock, AR 72201

Ms. Marty Garrity  
Bureau of Legislative Research  
State Capitol, Room 315  
Little Rock, AR 72201

Re: Notification of Imminent Need Under Act 1211 of 2009 (A.C.A. §19-11-1303)  
Investment: Arlington Capital Partners V, L.P.  
DW Healthcare Partners V, L.P.  
Blackstone Real Estate Partners Europe VI, SCSp

Dear Mr. Armstrong and Ms. Garrity:

As Executive Director of Arkansas Teacher Retirement System (ATRS), my intent and plan is not to use the Imminent Need provisions of Act 1211 unless warranted. Due to fund manager changes and speed of the markets, it is occasionally needed. The investments presented at this time are considered Imminent Need due to the fact that they will likely need to close before the next scheduled meeting of the Arkansas Legislative Council (ALC).

On April 1, 2019, the ATRS Board of Trustees (Board), in a scheduled meeting, adopted Resolution 2019-16 to declare an Imminent Need exists to commit up to \$30 million in Arlington Capital Partners Capital V, L.P. The investment was recommended by Franklin Park, ATRS's private equity consultant as well as ATRS staff.

At the same meeting, the Board authorized an investment of up to \$30 Million in DW Healthcare Partners V. L.P. using Imminent Need through Resolution 2019-17. This investment was recommended by both Franklin Park and ATRS staff as well.

The Board also adopted Resolution 2019-20 approving an investment of up to 44 million euros with Imminent Need in Blackstone Real Estate Partners Europe VI, SCSp. Both Aon Hewitt Investment Consulting and ATRS staff recommended the investment.

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Ms. Garrity  
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The Board determined that all criteria were met under Act 1211 to enter into a partial equity ownership agreement for each of these investments. This letter has been sent in compliance with the five-day rule in Act 1211. In accordance with Act 1211, ATRS is providing a copy of the aforementioned resolutions to the Office of State Procurement and to the Arkansas Legislative Council. For full and open disclosure, ATRS is attaching an Executive Summary for each of the investments to provide further details.

ATRS is hereby requesting that the investments mentioned above be reviewed by ALC at the next scheduled meeting. If any additional information is needed, please feel free to contact me on my direct line at 501-682-1820 or by email at: [clintr@artrs.gov](mailto:clintr@artrs.gov)

Respectfully,

A handwritten signature in black ink, appearing to read 'Clint Rhoden', with a long horizontal stroke extending to the right.

Clint Rhoden  
Executive Director

CR:lw

Arkansas Teacher Retirement System  
Private Equity Investment  
Executive Summary

|  |   |
|--|---|
| <b>Investment</b>  | Arlington Capital Partners V, L.P. (the "Fund")   |
| <b>Managing Party</b>  | Arlington Capital Partners (the "General Partner" or "Arlington")   |
| <b>ATRS Legal Interest</b>   | ATRS will be a limited partner  |
| <b>Report Date</b>   | April 2019  |
| <b>Expected Closing Date</b>   | The General Partner is targeting capital commitments of up to \$1.25 billion for the Fund. ATRS is expected to close in June 2019.  |
| <b>ATRS Commitment &amp; Reason for Entry</b>                              | The investment of up to \$30 million 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 Evercore as a placement agent for fundraising.   |
| <b>Key Terms</b>   | <p><u>Management Fee</u>: During the investment period (six years), the Fund will pay to the General Partner a management fee of 2% of commitments. After the investment period, the management fee will be 1.5% of net invested capital.</p> <p><u>Carried Interest</u>: The General Partner will be entitled to 20% of the Fund's profits after the limited partners have received their aggregate capital contributions on all realized investments plus an 8% preferred return.</p> |
| <b>Justification of Investment Term &amp; Anticipated Termination Date</b> | <p><u>Term</u>: Ten years (anticipated termination in 2029) plus three one-year extensions which is industry standard due to the time required for acquiring, developing and selling underlying assets.</p>   |
| <b>Investment Strategy</b>   | The Fund is being formed to make buy-and-build investments in small and lower middle market companies based in the U.S. The General Partner targets companies operating in four government-related areas: defense and aerospace; government services and technology; healthcare; and business services and software.  |
| <b>Management Team</b>   | The General Partner was founded in 1999 and is currently led by Jeffrey Freed, Matthew Altman, Michael Lustbader and Peter Manos (the "principals"). The principals are supported by two mid-level and five junior level investment professionals.  |
| <b>Historical Performance</b>  | The General Partner has generated attractive returns with a gross IRR of 21% on its previous 36 core deals as of September 30, 2018. Historical returns are not indicative of future performance.   |

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

**RESOLUTION**  
**No. 2019-16**

**Approving Investment in Arlington Capital Partners 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

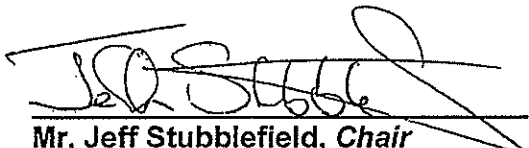
**WHEREAS**, the ATRS Board has reviewed the recommendation of its private equity consultant, Franklin Park Associates, LLC, along with the recommendation of the Investment Committee and ATRS staff regarding a potential investment in **Arlington Capital Partners V, L.P.**, a buyout fund specializing in small to lower middle market companies in the U.S.; and

**WHEREAS**, the ATRS Board approves an investment of up to **\$30 million dollars (\$30,000,000.00)** in **Arlington Capital Partners V, L.P.** and the Board, after its review of the timing in which the closing of the investment in **Arlington Capital Partners 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 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 **\$30 million dollars (\$30,000,000.00)** in **Arlington Capital Partners V, L.P.** and agrees to immediately move to close and subscribe the approved ATRS limited partnership interest in **Arlington Capital Partners V, L.P.** The total investment amount is to be determined by the private equity consultant and ATRS staff based upon the allocation available to ATRS and the overall investment objectives set by the ATRS 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 1<sup>st</sup> day of April 2019



**Mr. Jeff Stubblefield, *Chair***  
**Arkansas Teacher Retirement System**

Arkansas Teacher Retirement System  
Private Equity Investment  
Executive Summary

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|--|---|
| <b>Investment</b>  | DW Healthcare Partners V, L.P. (the "Fund")   |
| <b>Managing Party</b>  | DW Healthcare Partners LLC (the "General Partner" or "DWHP")  |
| <b>ATRS Legal Interest</b>   | ATRS will be a limited partner  |
| <b>Report Date</b>   | April 2019  |
| <b>Expected Closing Date</b>   | The General Partner is targeting capital commitments of \$475 million. Closing is expected in early May 2019.   |
| <b>ATRS Commitment &amp; Reason for Entry</b>                              | The investment of up to \$30 million 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>   | No placement agent was used by the Fund   |
| <b>Key Terms</b>   | <p><u>Management Fee</u>: The annual management fee will equal 2.0% of commitments during the five-year investment period. Thereafter, management fees will equal 2.0% of the aggregate cost basis of unrealized investments.</p> <p><u>Carried Interest</u>: After the limited partners receive cumulative distributions equal to 100% of aggregate capital contributions, and 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> | The term is ten years (anticipated termination in 2029) plus three one-year extensions which is standard for private equity funds due to the time required for buying, improving and selling underlying companies.  |
| <b>Investment Strategy</b>   | The Fund is being formed to acquire small healthcare companies in North America. The General Partner will target growth buyouts of specialty device manufacturers, product manufacturers, distributors and services businesses. Typically the General Partner will target companies seeking institutional capital for the first time.   |
| <b>Management Team</b>   | DWHP was formed in 2002 by Skip Klintworth, Andrew Carragher and Jay Benear, M.D. In 2007, Mr. Klintworth retired from the firm. Today, the team is comprised of Mr. Klintworth, Mr. Carragher and Dr. Benear as well as Doug Schillinger, Lance Ruud and Aly Champsi (the partners) who are supported by seven mid/junior level investment professionals, and a team of five professionals dedicated to deal sourcing. The General Partner is based in Toronto, Ontario and Park City, Utah. |

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

**RESOLUTION  
No. 2019-17**

**Approving Investment in DW Healthcare Partners 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

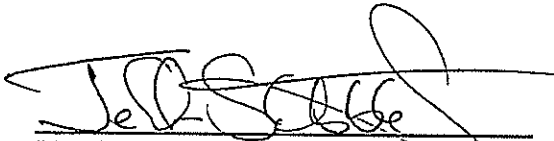
**WHEREAS**, the ATRS Board has reviewed the recommendation of its private equity consultant, Franklin Park Associates, LLC, along with the recommendation of the Investment Committee and ATRS staff regarding a potential investment in **DW Healthcare Partners V, L.P.**, a buyout fund that invests in expansion stage companies in the healthcare sector; and

**WHEREAS**, the ATRS Board approves an investment of up to **\$30 million dollars (\$30,000,000.00)** in **DW Healthcare Partners V, L.P.**, and the Board, after its review of the timing in which the closing of the investment in **DW Healthcare Partners 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 **\$30 million dollars (\$30,000,000.00)** in **DW Healthcare Partners V, L.P.** and agrees to immediately move to close and subscribe the approved ATRS limited partnership interest in **DW Healthcare Partners V, L.P.** The total investment amount is to be determined by the private equity consultant and ATRS staff based upon the allocation available to ATRS and the overall investment objectives set by the ATRS 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 1st day of April 2019**

A handwritten signature in black ink, appearing to read "Jeff Stubblefield", written over a horizontal line.

**Mr. Jeff Stubblefield, *Chair***  
**Arkansas Teacher Retirement System**



Arkansas Teacher Retirement System  
Real Estate Investment  
Executive Summary

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|--|--|
| <b>Investment</b>  | Blackstone Real Estate Partners Europe VI SCSp   |
| <b>Managing Party</b>  | Blackstone Real Estate Associates Europe VI (Lux) S.à r.l.   |
| <b>ATRS Legal Interest</b>   | ATRS is a limited partner.   |
| <b>Report Date</b>   | April 2019   |
| <b>Expected Closing Date</b>   | April 2019   |
| <b>ATRS Commitment &amp; Reason for Entry</b>                              | The fund is global and requires investment in euros. The €44 million euro investment (approximately \$50 million dollars) is to help achieve the 15% target allocation to real assets. The fund was recommended by the ATRS Real Assets consultant, Aon Hewitt Investment Consulting.  |
| <b>Placement Agent</b>   | No placement agent was utilized.   |
| <b>Key Terms</b>   | <u>Management Fee</u> : 150 bps (1.50%) on committed equity during investment period, then the same rate for invested equity for the fund duration.<br><u>Carried Interest</u> : 20% of profits after LP's receive 100% of their invested capital and a 8% IRR preferred return.   |
| <b>Justification of Investment Term &amp; Anticipated Termination Date</b> | The fund is a "closed end" variety with a ten year term to anticipated maturity sometime in 2029. The longer term is to facilitate the larger value and complexity of typical underlying investments.  |
| <b>Investment Strategy</b>   | Blackstone focuses on acquisitions of large portfolios, platform investments, and single assets where distress, under-management, and/or situational complexity allow the sponsor to acquire the assets at a discount. Upon acquisition the Sponsor implements asset management initiatives to fix existing issues and exit at higher values to a core buyer.  |
| <b>Management Team</b>   | Blackstone was founded in 1985 by Stephen A. Schwarzman (current Chairman and CEO) and Peter G. Peterson (retired from the Sponsor in 2008) as an alternative investment manager and advisory firm headquartered in New York City. Jon Gray is Blackstone's President and Chief Operating Officer, formerly Blackstone's Global Head of Real Estate from 2005 to 2018. Kenneth Caplan and Kathleen McCarthy, previously CIO and COO of the real estate group respectively, have assumed the role of Global Co-Heads of Real Estate. The Sponsor has grown to become one of the largest alternative investment firms. |

**Historical  
Performance**

The BREP Europe Fund series has delivered mostly top quartile performance when measured against the NCREIF Townsend Opportunistic Fund Indices. Previous Funds in the series have averaged over a 16% IRR.

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

**RESOLUTION**  
**No. 2019-20**

**Approving Investment in Blackstone Real Estate Partners  
Europe VI SCSp 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 real assets investment consultant, Aon Hewitt Investment Consulting, Inc., along with the recommendation of the Investment Committee and ATRS staff regarding a potential investment in **Blackstone Real Estate Partners Europe VI SCSp** a closed end, European, opportunistic fund whose investment strategy acquires distressed and undermanaged properties at below market prices and execute business plans to fix the issues, creating assets that can be sold to core real estate buyers; and

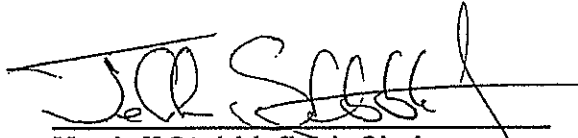
**WHEREAS**, the ATRS Board approves an investment of up to **€44 million euros (€44,000,000)**, approximately the equivalent of **\$50 million dollars (\$50,000,000.00)** at the time of adoption of this Resolution, in **Blackstone Real Estate Partners Europe VI SCSp** and the Board, after its review of the timing of the period in which the general partner of **Blackstone Real Estate Partners Europe VI SCSp** will accept new investors, has determined that there is an imminent need to immediately enter into the partial equity ownership agreement since the anticipated closing to participate in this fund will occur 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 **€44 million euros (€44,000,000)**, approximately the equivalent of **\$50 million dollars (\$50,000,000.00)** at the time of adoption of this Resolution, in **Blackstone Real Estate Partners Europe VI SCSp** and agrees to immediately move to close and subscribe the approved ATRS limited partnership investment interest in **Blackstone Real Estate Partners Europe VI**

**SCSp.** The total investment amount is to be determined by the real assets consultant and ATRS staff based upon the allocation available to ATRS and the overall investment objectives set by the ATRS 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 1st day of April, 2019.**



**Mr. Jeff Stubblefield, *Chair***  
**Arkansas Teacher Retirement System**