



December 10, 2020

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

RE: Arkansas Teacher Retirement System (ATRS) Submission of Investment for
Review under ACA §19-11-1302
Investment: Conversion of Existing Investment in Highland Pellets

Dear Senator Bledsoe and Representative Wardlaw:

By means of the enclosed Investment Summary, ATRS is submitting the conversion of a previously reviewed investment for consideration of review by the Arkansas Legislative Council (ALC) as required under ACA §19-11-1302 et seq., otherwise referred to as Act 1211 of 2009.

ATRS plans to convert the legal structure of its existing investment in Highland Pellets from a direct investment vehicle to a limited partnership. The conversion is intended to potentially add diversification to the investment and simplify accounting for the investment. The conversion of the legal structure of the investment was recommended by ATRS legal counsel, Gill Ragon Owen.

The ATRS Board approved the conversion described above at its meeting on December 7, 2020 and anticipates implementing the conversion in the next few months. A summary of the conversion is enclosed for review by ALC. We will be happy to provide any other information you request regarding this investment.

Respectfully,

Clint Rhoden
Executive Director

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

Investment	Highland, LP
Managing Party	Thomas Reilley
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	December, 2020
Expected Conversion Date	January, 2021
ATRS Reason for Conversion	The conversion is expected to simplify accounting and add diversification potential to the existing investment. The conversion of this existing investment was recommended by the ATRS legal counsel, Gill Ragon Owen.
Placement Agent	No placement agent was utilized.
Key Terms	Final terms are still being negotiated but will be comparable to industry standard terms for similar investments.
Justification of Investment Duration Term & Anticipated Termination Date	The strategy requires a period of time to identify, execute and then monetize production and biomass related investments. The fund has an expected fifteen-year term with an anticipated maturity in 2035.
Investment Strategy	The fund will focus on wood pellet production and other biomass and infrastructure opportunities.
Management Team	The management team is led by Thomas Reilley. Mr. Reilley and team have been involved with numerous projects in various sectors of similar size and scope.
Historical Performance	The management team has extensive experience in developing and managing similar projects. The management team has and continues to attract strong industrial investors that may prefer this proposed investment structure to fund additional upgrades and other possible expansions. Performance of the existing investment is an IRR of approximately 25%.