



March 4, 2021

Mr. Edward Armstrong
Office of State Procurement
1500 West 7th 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: Riverside Fund V SQ-A, L.P.

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 investment presented at this time is considered Imminent Need due to the fact that it will likely need to close before the next scheduled meeting of the Arkansas Legislative Council (ALC).

On March 3, 2021, the ATRS Board of Trustees (Board), in a called meeting, adopted Resolution 2021-17 to declare an Imminent Need exists to assign the existing interest of ATRS in Riverside Fund V, L.P. to Riverside Fund V SQ-A, L.P. The Board determined that all criteria were met under Act 1211 to enter into a partial equity ownership agreement for this investment. The assignment of investment interest was recommended by Franklin Park, ATRS's private equity consultant, and ATRS staff concurs.

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 resolution to the Office of State Procurement and to the Arkansas Legislative Council. For full and open disclosure, ATRS is attaching an Executive Summary for the investment to provide further details.

Mr. Armstrong
Ms. Garrity
March 4, 2021
Page Two

ATRS is hereby requesting that the investment 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@artts.gov

Respectfully,



Clint Rhoden
Executive Director

CR:lw

Arkansas Teacher Retirement System
Private Equity Investment
Executive Summary

Investment	Riverside Partners V SQ-A, L.P. (the "Fund")
Managing Party	Riverside Partners, LLC (the "General Partner")
ATRS Legal Interest	ATRS will be a limited partner
Report Date	March 2021
Expected Closing Date	ATRS is expected to close by March 12, 2021.
ATRS Commitment & Reason for Entry	The assignment ATRS's interest in Riverside V, L.P. (at current market value) to Riverside V SQ-A, L.P. (a continuation fund) is being done to allow the General Partner to bring on new investors whose capital contributions will help enhance the value of the existing investments in Riverside V. The assignment of interest was recommended by the ATRS private equity consultant.
Placement Agent	No placement agent was used.
Key Terms	<p><u>Management Fee</u>: Annual 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 100% of aggregate capital contributions for realized investments, 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	Term: Five years (anticipated termination in 2026) plus two extensions which is typical for a continuation fund due to the time required for acquiring, improving and selling underlying companies.
Investment Strategy	The Riverside V SQ-A Fund will manage the small healthcare and technology companies originally acquired by Riverside V. The General Partner focuses on family or management owned companies with enterprise values between \$25 and \$150 million and seeks to increase the value of those companies through growth initiatives and operational improvements.
Management Team	The General Partner was founded in 1989 and is led by the following five principals: David Belluck, Steven Kaplan, Michelle Noon, Ian Blasco and Max Osofsky. They are supported by two deal sourcing professionals, four operating partners, fourteen mid and junior level investment professionals and administrative staff. The firm is based in Boston, MA.
Historical Performance	Since its inception, the General Partner has invested over \$1.1 billion in 41 deals. In aggregate, these investments have generated a gross IRR

of approximately 16.5% as of September 30, 2020. Historical returns are not indicative of future performance.

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

RESOLUTION
No. 2021-17

**Assignment of Interest in Riverside Fund V, L.P.
to Riverside Fund V SQ-A, 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 to assign the existing interest in **Riverside Fund V, L.P.** to **Riverside Fund V SQ-A, L.P.**, a continuation of a buyout fund that invests in small healthcare and technology companies; and

WHEREAS, the ATRS Board approves the assignment of interest in **Riverside Fund V, L.P.** to **Riverside Fund V SQ-A, L.P.**, and the Board, after its review of the timing in which the closing of the investment in **Riverside Fund V SQ-A, 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 the assignment of the existing interest in **Riverside Fund V, L.P.** to **Riverside Fund V SQ-A, L.P.** and agrees to immediately move to close and subscribe the approved ATRS limited partnership interest in **Riverside Fund V SQ-A, 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 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 3rd day of March 2021



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