

August 4, 2021

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: ISQ Global Infrastructure Fund III (UST), 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 August 3, 2021, the ATRS Board of Trustees (Board), in a called meeting, adopted Resolution 2021-30 to declare an Imminent Need exists to transfer the existing investment of ATRS in ISQ Global Infrastructure Fund III, L.P. to ISQ Global Infrastructure Fund III (UST), 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 transfer of investment interest was recommended by ATRS legal counsel as a more efficient subaccount of the main fund for the ATRS investment based on the tax status of ATRS 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.

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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 501-588-4367 or by email at: [clintr@artrs.gov](mailto:clintr@artrs.gov)

Respectfully,



Clint Rhoden  
Executive Director

CR:lw

**Arkansas Teacher Retirement System**  
**Real Asset Investment**  
**Executive Summary**

<b>Investment</b>	ISQ Global Infrastructure Fund III (UST), L.P.
<b>Managing Party</b>	ISQ Global Fund III GP, LLC.
<b>ATRS Legal Interest</b>	ATRS will be a limited partner. ATRS is transferring from ISQ Global Infrastructure Fund III L.P. into ISQ Global Infrastructure Fund III (UST) L.P. ATRS legal counsel has determined the ISQ Infrastructure Fund III (UST) is a more efficient subaccount of the main fund for the ATRS investment based on the tax status of ATRS.
<b>Report Date</b>	August 2021
<b>Expected Closing Date</b>	August 2021
<b>ATRS Commitment &amp; Reason for Entry</b>	The up to \$50 million investment 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>	Evercore (ISQ Global Fund III GP, LLC bears placement agent expense)
<b>Key Terms</b>	<p><u>Management Fee</u>: 160 bps (1.60%) on committed capital during the investment period and 160 bps on invested capital thereafter.</p> <p><u>Carried Interest</u>: 20% of profits after ATRS receives an 8% IRR preferred return.</p>
<b>Justification of Investment</b>	The strategy requires a period of time to identify, execute and then monetize a core+ value add infrastructure strategy. The fund is a
<b>Duration Term &amp; Anticipated Termination Date</b>	"closed end" variety with a ten-year term starting at the final close with the possibility of two-one-year extensions. The anticipated maturity is in 2032.
<b>Investment Strategy</b>	The Fund will primarily make brownfield, core+ and value-add investments in companies across utilities, transportation, communication, power and renewables, midstream energy and social infrastructure businesses located in North America, Europe and select growth economies, mainly in Asia and Latin America. ISQ focuses on developing investment platforms ("Platform Investments") that acquire and aggregate (through add-on acquisitions) small and mid-market assets with an ability to develop new assets and capacities as well.
<b>Management Team</b>	Sadek Wahba (Chairman and Managing Partner), Gautam Bhandari (Managing Partner) and Adil Rahmathulla (Managing Partner) (collectively

the “Principals”) in addition to three other Partners (collectively the “Partners”) have worked together for over 15 years. The strategy is executed by on-the-ground team spread across U.S. London, Singapore, Hong Kong and Delhi which enables ISQ to source exclusive investment opportunities through local relationships (outside auctions or sell-side financial advisors network), appropriately evaluate risks with local knowledge, actively implement strategic initiatives and manage investments utilizing local operational and policy expertise.

**Historical  
Performance**

The two previous ISQ funds average a combined net internal rate of return (“IRR”) of 15.9%.

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

**RESOLUTION**  
**No. 2021-30**

**Approving Transfer of Investment in ISQ Global Infrastructure Fund III, L.P. to ISQ Global Infrastructure Fund III (UST), 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 previously approved Resolution 2021-09 authorizing an investment in **ISQ Global Infrastructure Fund III, L.P.** of up to **\$50 million dollars (\$50,000,000)** with imminent need at the February 1, 2021 ATRS Board meeting; and

**WHEREAS**, the ATRS full commitment of **\$50 million dollars (\$50,000,000)** in **ISQ Global Infrastructure Fund III, L.P.** was successfully negotiated, accepted, and closed on March 4, 2021; and

**WHEREAS**, **ISQ Global Infrastructure Fund III, L.P.** is the main fund of the investment strategy and has several options for investors to utilize based on the investor's tax status; and

**WHEREAS**, it has been determined that **ISQ Global Infrastructure Fund III (UST), L.P.** is a more efficient ownership structure based on the tax status of ATRS. Accordingly, the revised recommendation of the ATRS real assets investment consultant, Aon Hewitt Investment Consulting, Inc., and subsequent recommendation from ATRS legal counsel along with the recommendation of the Investment Committee and ATRS staff has been revised to transfer ATRS interests in their entirety from **ISQ Global Infrastructure Fund III, L.P.**, to **ISQ Global Infrastructure Fund III (UST), L.P.**; and

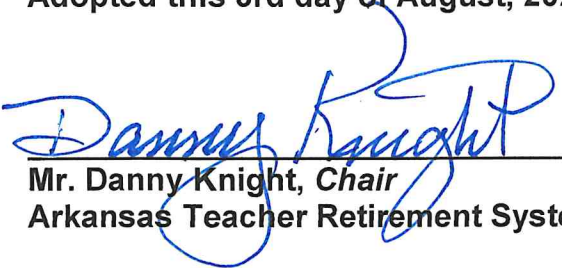
**WHEREAS**, the ATRS Board approves the transfer of the **\$50 million dollar (\$50,000,000)** investment in **ISQ Global Infrastructure Fund III, L.P.**, to **ISQ Global Infrastructure Fund III (UST), L.P.** and the Board, after its review of the timing in which the transfer to **ISQ Global Infrastructure Fund III (UST), L.P.** may need to occur, has determined that there is an imminent need to

immediately enter into the transfer of equity ownership agreement prior to the next scheduled meeting of the Arkansas Legislative Council. The Board also deems it financially appropriate to transfer 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 transfer of the **\$50 million dollar (\$50,000,000)** investment in **ISQ Global Infrastructure Fund III, L.P.** to **ISQ Global Infrastructure Fund III (UST), L.P.** and agrees to immediately move to transfer the subscription of the limited partnership investment interest from **ISQ Global Infrastructure Fund III L.P.** to **ISQ Global Infrastructure Fund III (UST), L.P.**; and

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

**Adopted this 3rd day of August, 2021.**

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