



September 27, 2017,

Senator Bill Sample
Representative David L. Branscum
Arkansas Legislative Council
State Capitol, Room 315
Little Rock, AR 72201

RE: Reporting of Arkansas Teacher Retirement System (ATRS) Investment:
Highland, LLC

Dear Senator Sample and Representative Branscum:

By means of the enclosed Investment Summary, ATRS is reporting one investment to the Arkansas Legislative Council (ALC).

The ATRS Board recently approved an investment of up to \$26 million for a debt investment in Highland, LLC, a wood pellet manufacturing facility located in the Pine Bluff Industrial Complex adjacent to White Hall, Arkansas. The investment was recommended by both ATRS's consultant, Simmons Bank and ATRS staff.

The ATRS Board approved this investment described above at its September 8, 2017, called meeting. A summary of this investment including key terms and investment strategy is enclosed as information for ALC. We will be happy to provide any other information you request regarding this investment.

Respectfully,

A handwritten signature in black ink, appearing to read "Rod Graves", written in a cursive style.

Rod Graves
Deputy Director

Arkansas Teacher Retirement System
Debt Investment
Executive Summary

Investment	Highland LLC (the "Investment")
Managing Party	Highland LLC (the "Managing Party" or "Highland")
ATRS Legal Interest	ATRS is a current partial equity owner in Highland, LLC and will be a lender to Highland LLC.
Report Date	September 2017
Expected Closing Date	ATRS is expected to close in September 2017.
ATRS Commitment & Reason for Entry	The investment of up to \$26 million is to help achieve the 8% target return of the ATRS investment portfolio. The investment was recommended by the ATRS specialty consultant.
Placement Agent	No placement agent was used.
Key Terms	The Investment will have a negotiated interest rate of up to 9%.
Justification of Investment Term & Anticipated Termination Date	The term of the Investment is expected to be three years or September 2020.
Management Team	The management team is led by Thomas Reilly. Mr. Reilly 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 have used their resources to fully vet this investment.