



I.03(a)

September 28, 2023

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: Post Road Special Opportunity Fund III, LP

Dear Mr. Armstrong and Ms. Garrity:

As Director of Arkansas Teacher Retirement System (ATRS), my intent and plan is not to use the Imminent Need provisions of Act 1211 unless warranted. But it is occasionally needed to protect against loss, to target maximum return, and to comply with fiduciary obligations. The investment presented at this time is considered Imminent Need due to the fact that it will likely close before the next scheduled meeting of the Arkansas Legislative Council (ALC). If ATRS were to delay closing until a later date, such delay would result in ATRS being charged a higher management fee by the General Partner. The ATRS Board of Trustees (Board) determined that all criteria were met under Act 1211 to enter into a partial equity ownership agreement for the investment submitted today.

On September 25, 2023, the Board, in its regular quarterly meeting, adopted Resolution 2023-39 to declare an Imminent Need exists to make an investment of up to \$30,000,000.00 in Post Road Special Opportunity Fund III, LP. The investment was recommended by Franklin Park Associates, LLC, private equity consultants for ATRS, and ATRS staff concurs with the recommendation.

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 its October meeting. If any additional information is needed, please feel free to contact me on my direct line at 501-621-8853 or by email at: markw@artts.gov.

Respectfully,

A handwritten signature in black ink that reads "Mark White". The signature is written in a cursive style with a large, stylized initial "M".

Mark White
Executive Director

MW:lw

Arkansas Teacher Retirement System

Private Equity Investment

Executive Summary

Investment	Post Road Special Opportunity Fund III LP (the "Fund")
Managing Party	Post Road Group (the "General Partner" or "Post Road")
ATRS Legal Interest	ATRS will be a limited partner
Report Date	September 2023
Expected Closing Date	The General Partner is targeting capital commitments of \$500 million for the Fund. ATRS is expected to close in late September 2023.
ATRS Commitment & Reason for Entry	The investment of up to \$30 million is to help achieve the 12% target allocation to private equity. The fund was recommended by the ATRS private equity consultant.
Placement Agent	The Fund retained Park Hill to assist with fundraising.
Key Terms	<p><u>Management Fee</u>: The General Partner will be paid a management fee of 1.5% of invested capital plus 1% of unfunded commitments during the two-year investment period. Thereafter, the fee will equal 1.25% of net invested capital.</p> <p><u>Carried Interest</u>: After the limited partners receive their aggregate capital contributions and an 8% preferred return, the General Partner will be entitled to 20% of the Fund's profits.</p>
Justification of Investment Term & Anticipated Termination Date	<p><u>Term</u>: Five years (anticipated termination in 2028) plus two one-year extensions which is typical for private equity credit funds.</p>
Investment Strategy	The Fund is being formed to provide solutions-based capital to small and lower middle market businesses primarily in the telecommunications and digital infrastructure, communications, technology, media and other tech-enabled business services sectors. The Fund will make structured credit investments with equity upside typically through free warrants.
Management Team	Based in Stamford, CT, the General Partner was founded in 2015. The firm's corporate credit strategy is currently led by principals Michael Bogdan, Andrew Runk and Gardner Horan who have an average of over twenty-one years of investment experience spanning the areas of private equity as well as performing and distressed credit.
Historical Performance	The General Partner has invested over \$500 million in its previous two funds and nine "pre-fund" transactions resulting in an aggregate gross return of 23.3% IRR. Historical returns are not indicative of future performance.

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

RESOLUTION
No. 2023-39

**Approving Investment in Post Road Special Opportunity
Fund III, LP 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

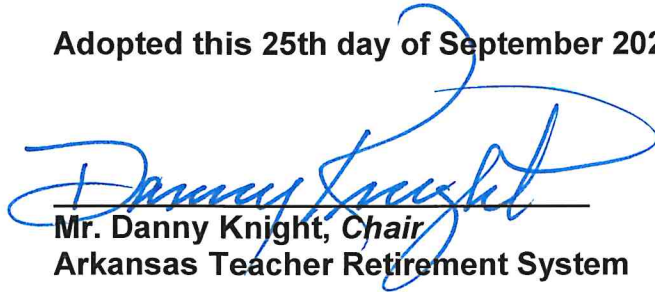
WHEREAS, the ATRS Board has reviewed the recommendation of its private equity consultant, Franklin Park Associates, LLC, along with the recommendation of the Investment Committee and ATRS staff regarding a potential investment in **Post Road Special Opportunity Fund III, LP**, a fund that will make structured credit investments with enhanced equity potential; and

WHEREAS, the ATRS Board approves an investment of up to **\$30 million dollars (\$30,000,000.00)** in **Post Road Special Opportunity Fund III, LP**, and the Board, after its review of the timing in which the closing of the investment in **Post Road Special Opportunity Fund III, LP** 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 **Post Road Special Opportunity Fund III, LP** and agrees to immediately move to close and subscribe the approved ATRS limited partnership interest in **Post Road Special Opportunity Fund III, LP**. 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 25th day of September 2023



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