



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: Mesa West Real Estate Income Fund V, LP

Dear Senator Bledsoe and Representative Wardlaw:

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

The ATRS Board recently approved an investment of up to \$40 million to be made in Mesa West Real Estate Income Fund V, LP, a closed-end value added real estate fund focused on originating senior debt on value add/transitional commercial real estate properties. The fund was recommended by ATRS's real assets consultant, Aon Hewitt Investment Consulting and ATRS staff concurs.

The ATRS Board approved the investment described above at its meeting on December 7, 2020 and anticipates closing later this month. A summary of the investment including key terms and investment strategy 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

CR:lw  
enclosures

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

<b>Investment</b>	Mesa West Real Estate Income Fund V, LP
<b>Managing Party</b>	Mesa West Real Estate Income Fund V GP, LLC
<b>ATRS Legal Interest</b>	ATRS will be a limited partner.
<b>Report Date</b>	December, 2020
<b>Expected Closing Date</b>	December, 2020
<b>ATRS Commitment &amp; Reason for Entry</b>	The investment of up to \$40 million in value-add real estate debt is to help achieve the 15% target allocation to real assets. The fund was recommended by the ATRS real assets consultant, AonHewitt Investment Consulting.
<b>Placement Agent</b>	No placement agent was utilized.
<b>Key Terms</b>	<u>Management Fee</u> : 150 bps on committed capital during investment period; thereafter 150 bps on invested capital after investment period  <u>Carried Interest</u> : 20% of profits after LP's receive an 6% IRR preferred return.
<b>Justification of Investment Duration Term &amp; Anticipated Termination Date</b>	The strategy requires a period of time to identify, execute and then monetize value-added debt investments. The fund has an eight-year term with an anticipated maturity in 2029.
<b>Investment Strategy</b>	The fund will originate senior loans on value-add/transitional institutional quality commercial real estate properties throughout the U.S. Then apply leverage to pools of loans to create the targeted fund return. The fund aims for an 8%-10% net IRR with a large dividend yield helping to drive income returns.
<b>Management Team</b>	The firm was founded in 2004 by Jeff Friedman and Mark Zytko to originate custom tailored commercial real estate first mortgage portfolios on behalf of institutional investors. The firm grew organically, expanding ownership to include additional Principals Matt Cohen, Raphael Fishbach, Steve Fried, Ronnie Gul, and Ryan Krauch. In March 2018, Mesa West became a wholly owned subsidiary of Morgan Stanley. It remains dedicated to private market lending in commercial real estate, operating as a separate business unit within MS Investment Management's Real