

June 8, 2022

Mr. Mitch Rouse, Director
Office of State Procurement
1500 West 7th Street, Suite 300
Little Rock, AR 72201

Ms. Marty Garrity, Director
Bureau of Legislative Research
Administrative Rules Review Section
State Capitol, Room 315
Little Rock, AR 72201

Re: Partial Equity Ownership agreement executed by APERS under Act 1211 of 2009

Based on recommendations from APERS staff and the APERS investment consultant, the APERS Board of Trustees voted to hire TA Realty as a Value Add Real Estate investment manager. All criteria were met under Act 1211 to enter into the partial equity ownership agreements of these investments.

In accordance with Act 1211, APERS is providing an Executive Summary of the partial equity ownership agreement to the Office of State Procurement (OSP) and the Arkansas Legislative Council (ALC).

As of the date of this letter, the investment manager has not received any retirement trust funds. The anticipated date of funding is still TBD, but it is anticipated that the manager could begin calling capital in mid-2022. It is my intent to comply with the notification procedures set forth in Act 1211 and would like to notify OSP and ALC in advance of the funding date.

The total amount that APERS intends to invest is \$75,000,000 total.

Should you need any additional information, please feel free to contact me.

Regards,



Allison Woods
Deputy Director

Real Estate Investment Executive Summary

Investment	The Realty Associates <u>Fund XIII</u> UTP, L.P., or the "Fund".
Managing Party	TA Realty LLC
APERS Legal Interest	APERS is a Limited Partner.
Report Date	June 2, 2022
Expected Funding Date	Mid to Late 2022, perhaps early 2023
APERS Commitment & Reason for Entry	The \$75 million investment is to help achieve the allocation target to APERS' Real Assets/Real Estate investments. The fund was recommended by APERS' Investment consultant.
Placement Agent	No placement agent was utilized.
Key Terms	<p><u>Management Fee</u>: The fund charges a management fee of 0.50% in year 1; 0.85% in year 2; 1.15% in year 3; all based upon total committed capital; then 1.20% in year 4; 1.25% in year 5; 1.20% in year 6; 1.0% in year 7, and 0.60% thereafter, all based upon aggregate invested equity plus related reserves.</p> <p><u>Performance Fee</u>: At the portfolio level: first, return of capital plus changes in core CPI; second a 95%/5% LP/GP split to a 1% real return; third a 94%/6% LP/GP split to a 2% real return; fourth a 92.5%/7.5% LP/GP split to a 3% real return; fifth a 90.5%/9.5% LP/GP split to a 4% real return; sixth an 88.5%/11.2% LP/GP split to a 5% real return; seventh an 86.5%/13.5% LP/GP split to a 6% real return; eighth an 84.5%/15.5% LP/GP split to a 7% real return; ninth an 82.5%/17.5% LP/GP split to an 8% real return; tenth an 80%/20% LP/GP split thereafter.</p>
Justification of Investment Term & Anticipated Termination Date	The fund is a "closed end fund" and the investment period could last until the year 2030.
Investment Strategy	The Fund invests in "value-add" type real estate assets. The fund is focused on primary markets with an emphasis on the coasts. The fund utilizes property diversification (warehouse industrial, office, garden-style multi-family apartments, grocery-anchored retail). The objective is to achieve attractive returns without subjecting capital to undue risk.
Management Team	TA's Portfolio Management team consists of Thomas Landry (Partner), Michael Ruane (Managing Partner), James Buckingham, James Whalen, and Blair Lyne (all 3 are Partners, in Acquisitions), James Raisides (Partner, Portfolio Management), and Kendrick Leckband (Partner, Portfolio Manager)

**Historical
Performance**

TA Realty was founded in 1982. They have had 7 funds that have been liquidated. Fund I realized net IRR of 2.34%, Fund II 12.04%, Fund III 11.38%, Fund IV 13.42%, and Fund V 10.34%, Fund VI 8.55%, and Fund VII 0.33%.

They have the following active funds with the following projected net IRR: Fund X 12.58%, Fund XI 16.82%, Fund XII 50.05%

TA Realty has approximately \$11 billion AUM.

APERS is invested in Fund X (projected 12.58% Net IRR) and is currently invested in Fund XI (projected 16.82%), and Fund XII (projected 50.05%)

Historical returns are not indicative of future performance.