



July 21, 2016

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: Arkansas Opportunity Fund, LP
CBRE Strategic Partners U.S Value 8, LP
Arlington Capital Partners IV, L.P.
Highland, LLC

Dear Mr. Armstrong and Ms. Garrity:

As Executive Director of 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 investments presented at this time are considered Imminent Need due to the fact that the closing for each will likely need to take place prior to the next scheduled Arkansas Legislative Council (ALC) meeting.

On July 19, 2016, in a called Board of Trustees meeting, the ATRS Board of Trustees (Board) adopted Resolution 2016-26 to declare an Imminent Need exists for investment in the Arkansas Opportunity Fund, LP, an opportunistic/alternatives fund managed by Stephens, Inc. and Neuberger Berman Alternative Advisers, LLC. The investment was recommended by ATRS's specialty consultant, Simmons First National Bank and ATRS staff.

Based on the recommendations of ATRS's real asset consultant, Aon Hewitt Investment Consulting and ATRS staff, the Board also adopted Resolution 2016-27 declaring that an Imminent Need exists for investment in CBRE Strategic Partners U.S. Value 8 LP, a value added real estate fund focused on institutional quality multifamily, office and retail properties in the U.S. with Imminent Need.

Mr. Armstrong
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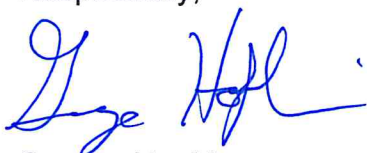
In addition, based on recommendations of ATRS's private equity consultant, Franklin Park and ATRS staff, the Board adopted Resolution 2016-28 to declare an Imminent Need exists for investment in Arlington Capital Partners IV, L.P., a private equity buyout fund specializing in small to lower mid-market companies in the U.S.

The Board also adopted Resolution 2016-29 declaring that an Imminent Need exists for investment in Highland, LLC, a wood pellet manufacturing facility located in the Pine Bluff Industrial Complex, adjacent to White Hall, Arkansas. This investment was also recommended by ATRS's specialty consultant, Simmons First National Bank and ATRS staff.

The Board determined that all criteria were met under Act 1211 to enter into the partial equity ownership agreements for each of the investments mentioned above. The total amount that ATRS intends to invest in these investments is up to \$180,000,000. This letter and a copy of the aforementioned resolutions are being sent to the Office of State Procurement and the Arkansas Legislative Council in compliance with the five-day rule in Act 1211. For full and open disclosure, ATRS is attaching an Executive Summary for each investment to provide further details.

ATRS is hereby requesting that the investments 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 501-682-1820, my cell phone at 501-318-5998, or by email at: georgeh@artts.gov

Respectfully,



George Hopkins
Executive Director

GH:lw

**Arkansas Teacher Retirement System
Alternative/Opportunistic Investment
Executive Summary**

Investment	Arkansas Opportunity Fund, LP (the "Investment" or "Fund")
Managing Party	Stephens, Inc. and Neuberger Berman Alternatives Advisers, LLC (the "Managing Parties")
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	July 2016
Expected Closing Date	ATRS is expected to close in July 2016.
ATRS Commitment & Reason for Entry	The investment of up to \$100 million is to help provide diversification to the ATRS trust fund. The fund was recommended by the ATRS specialty consultant.
Placement Agent	No placement agent was used.
Key Terms	<u>Management Fee</u> : The Fund has an annual management fee of 1.25% <u>Carried Interest</u> : The Managing Parties will be entitled to 15% of the Fund's profits from direct investments and 5% of the Fund's profits from fund investments, subject to a preferred return of 8%.
Justification of Investment Term & Anticipated Termination Date	<u>Term</u> : Ten years (anticipated termination in 2026) plus two one-year extensions which is industry standard due to the time required for acquiring, developing, and selling underlying assets.
Investment Strategy	The Fund will focus primarily on investments opportunities across multiple asset classes with various investment sizes designed to complement and enhance the existing ATRS portfolio.
Management Team	The Managing Parties will be led by Larry Middleton, Executive Vice President/Managing Director at Stephens and Brien Smith, Managing Director at Neuberger Berman.
Historical Performance	Stephens is well known for their investment experience across various asset classes. All Neuberger Berman customized funds have performed in the top half of their vintage years.

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

RESOLUTION
No. 2016-26

**Approving Investment in Arkansas Opportunity Fund, 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

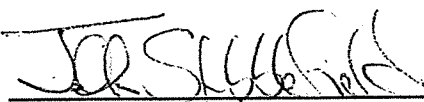
WHEREAS, The ATRS Board has reviewed the recommendation of its special investment consultant, Simmons First National Bank, along with the recommendation of the Investment Committee and ATRS staff regarding a potential investment in **Arkansas Opportunity Fund, LP** a fund that will invest in various asset classes; and

WHEREAS, The ATRS Board approves an investment of up to **\$100 million dollars (\$100,000,000.00)** in **Arkansas Opportunity Fund, LP** with recallable distributions and the Board, after its review of the timing in which the closing for **Arkansas Opportunity Fund, 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 agrees to immediately move to close and subscribe the approved ATRS limited partnership investment interest in **Arkansas Opportunity Fund, LP**; and

FURTHER, BE IT RESOLVED, That the ATRS staff is hereby authorized to take all necessary and proper steps to implement this investment, if acceptable terms are reached.

Adopted this 19th day of July 2016.



Mr. Jeff Stubblefield, Chair
Arkansas Teacher Retirement System

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

Investment	CBRE Strategic Partners U.S. Value 8, L.P. (the "Fund")
Managing Party	CBRE Strategic Partners U.S. Value 8 GP, LLC
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	July, 2016
Expected Closing Date	August, 2016
ATRS Commitment & Reason for Entry	The investment of up to \$25 million in the value-added real estate fund is to help achieve the 15% target allocation to real assets. The fund was recommended by the ATRS real assets consultant, AonHewitt Investment Consulting.
Placement Agent	No placement agent was utilized.
Key Terms	<p><u>Management Fee</u>: 1% per annum on invested capital which is inclusive of fee discount. Fee discounts for first close investors; 25 bps for life of fund. In addition there is a 50 bps acquisition fee on invested capital.</p> <p><u>Carried Interest</u>: 20% of profits after LP's receive a 9% preferred return.</p>
Justification of Investment Duration Term & Anticipated Termination Date	The strategy requires a period of time to identify, develop, and sell underlying assets. The fund has a nine year term with an anticipated maturity in 2026.
Investment Strategy	CBRE Strategic Partners U.S. Value 8 is a continuation of the Strategic Partners value-add fund series that will look to acquire, reposition, and re-lease high-quality real estate in select U.S. markets for sale into the core marketplace. The Fund maintains a heavy emphasis on cycle-aware investing including risk mitigation, capital preservation, and value-creation through property-level execution. The Fund is targeting net returns of 12% - 13.5% with a stabilized net income return of 6% - 7%.
Management Team	The team is led by Vance Maddocks who joined CBRE in 1984. Mr. Maddocks is the founder of Strategic Partners U.S., the firm's enhanced return platform. Under the direction of Mr. Maddocks, Strategic Partners U.S. has raised \$7.7 billion of capital from 81 limited partners in ten funds and three co-investment vehicles and closed 202 transactions totaling \$18.1 billion.

**Historical
Performance**

Performance of the seven preceding funds average a net 9.7% IRR.

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

RESOLUTION
No. 2016-27

**Approving Investment in CBRE Strategic Partners U.S. Value 8,
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 real assets consultant, Aon Hewitt Investment Consultants along with the recommendation of the Investment Committee and ATRS staff regarding a potential investment in **CBRE Strategic Partners U.S. Value 8, LP**, a fund that will look to acquire, reposition, and re-lease high-quality real estate in select U.S. markets for sale into the Core marketplace.; and

WHEREAS, The ATRS Board approves an investment of up to **\$25 million dollars (\$25,000,000.00)** in **CBRE Strategic Partners U.S. Value 8, LP** and the Board, after its review of the timing of the period in which the general partner of **CBRE Strategic Partners U.S. Value 8, LP** will offer a fee discount to investors, has determined that there is an imminent need to immediately enter into the partial equity ownership agreement since the anticipated closing will occur before 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 agrees to immediately move to close and subscribe the approved ATRS limited partnership investment interest in **CBRE Strategic Partners U.S. Value 8, LP**; and

FURTHER, BE IT RESOLVED, That the ATRS staff is hereby authorized to take all necessary and proper steps to implement this investment, if acceptable terms are reached.

Adopted this 19th day of July 2016.


Mr. Jeff Stubblefield, Chair
Arkansas Teacher Retirement System

**Arkansas Teacher Retirement System
Private Equity Investment
Executive Summary**

Investment	Arlington Capital Partners IV, L.P. (the "Fund")
Managing Party	Arlington Capital Partners (the "General Partner" or "Arlington")
ATRS Legal Interest	ATRS will be a limited partner
Report Date	July 2016
Expected Closing Date	The General Partner is targeting capital commitments of up to \$700 million for the Fund. ATRS is expected to close in late July 2016.
ATRS Commitment & Reason for Entry	The investment of up to \$30 million is to help achieve the 10% target allocation to private equity. The fund was recommended by the ATRS private equity consultant.
Placement Agent	The General Partner has retained Evercore as a placement agent for fundraising.
Key Terms	<p><u>Management Fee</u>: During the investment period (six years), the Fund will pay to the General Partner a management fee of 2% of aggregate commitments. After the investment period, the management fee will be 1.5% of net invested capital.</p> <p><u>Carried Interest</u>: The General Partner will be entitled to 20% of the Fund's profits after the return of capital on all realized investments and investments that have been written off, plus management fees and other expenses allocated to such investments, and an 8% preferred return on these amounts.</p>
Justification of Investment Term & Anticipated Termination Date	<u>Term</u> : Ten years (anticipated termination in 2026) plus three one-year extensions which is industry standard due to the time required for acquiring, developing and selling underlying assets.
Investment Strategy	The Fund is being formed to make buy-and-build investments in small and lower middle market companies based in the U.S. The General Partner targets companies operating in four government-related areas: defense and aerospace; government services and technology; healthcare; and business services and software.
Management Team	The General Partner was founded in 1999 and is currently led by Jeffrey Freed, Matthew Altman, Michael Lustbader and Peter Manos (the "principals"). The principals are supported by two mid-level and five junior level investment professionals.
Historical Performance	The General Partner has generated attractive returns with a net IRR of 22.3 % on its previous 21 core deals as of December 31, 2015. Historical returns are not indicative of future performance.

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

RESOLUTION
No. 2016-28

**Approving Investment in Arlington Capital Partners IV, 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 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 **Arlington Capital Partners IV, L.P.**, a fund that will invest in small and lower middle market companies; and

WHEREAS, The ATRS Board approves an investment of up to **\$30 million dollars (\$30,000,000.00)** in **Arlington Capital Partners IV, L.P.** and the Board, after its review of the timing of the period in which the general partner of **Arlington Capital Partners IV, L.P.** will accept new investors, has determined that there is an imminent need to immediately enter into the partial equity ownership agreement since the only closing to participate in this fund is scheduled within two weeks of this ATRS Board meeting and 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 agrees to immediately move to close and subscribe the approved ATRS limited partnership investment interest in **Arlington Capital Partners IV, L.P.**; and

FURTHER, BE IT RESOLVED, That the ATRS staff is hereby authorized to take all necessary and proper steps to implement this investment, if acceptable terms are reached.

Adopted this 19th day of July 2016.



Mr. Jeff Stubblefield, Chair
Arkansas Teacher Retirement System

**Arkansas Teacher Retirement System
Partial Equity Investment
Executive Summary**

Investment	Highland LLC (the "Investment")
Managing Party	Highland LLC (the "Managing Party" or "Highland")
ATRS Legal Interest	ATRS will be a partial equity owner.
Report Date	July 2016
Expected Closing Date	The Managing Party is targeting capital commitments of approximately \$220 million in debt and equity. ATRS is expected to close in July 2016.
ATRS Commitment & Reason for Entry	The investment of up to \$25 million is to help achieve the 8% target return of the ATRS investment portfolio. The fund was recommended by the ATRS specialty consultant.
Placement Agent	No placement agent was used.
Key Terms	<u>Management Fee</u> : There is no management fee associated with this investment. <u>Carried Interest</u> : There is no carried interest associated with this investment.
Justification of Investment Term & Anticipated Termination Date	The term of the Investment is not defined.
Management Team	The management team is led by Thomas Reilley. Mr. Reilley 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.

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

RESOLUTION
No. 2016-29

Approving Investment in Highland, LLC
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 special investment consultant, Simmons First National Bank, along with the recommendation of the Investment Committee and ATRS staff regarding a potential investment in **Highland, LLC**, a wood pellet manufacturing plant located in the Pine Bluff Industrial Complex adjacent to White Hall, Arkansas; and

WHEREAS, The ATRS Board approves an investment of up to **\$25 million dollars (\$25,000,000.00)** in **Highland, LLC**, with recallable distributions and the Board, after its review of the timing in which the closing for **Highland, LLC** 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 agrees to immediately move to close and subscribe the approved ATRS limited partnership investment interest in **Highland, LLC**; and

FURTHER, BE IT RESOLVED, That the ATRS staff is hereby authorized to take all necessary and proper steps to implement this investment, if acceptable terms are reached.

Adopted this 19th day of July 2016.



Mr. Jeff Stubblefield, Chair
Arkansas Teacher Retirement System