

**CORRECTED MINUTES
ARKANSAS TEACHER RETIREMENT SYSTEM
BOARD OF TRUSTEE MEETING – SPECIAL CALLED MEETING**

Wednesday, September 11, 2019

1:45 p.m.

**1400 West Third Street
Little Rock, AR 72201**

ATTENDEES

Board Members Present

Danny Knight, Acting Chair
Dr. Richard Abernathy
Anita Bell
Lloyd Black
Kelly Davis
Candace Franks, State Bank Commissioner
Andrea Lea, State Auditor
Bobby Lester
Chip Martin
Jason Brady, designee for Dennis Milligan
Robin Nichols
Janet Watson

Board Members Absent

Kathy Clayton
Johnny Key, Education Commissioner

* *via telephone*

ATRS Staff Present

Clint Rhoden, Executive Director
Rod Graves, Deputy Director
Tammy Porter, Ex. Asst./Board Secretary
Laura Gilson, General Counsel
Willie Kincade, Assoc. Director of Operations
Manju, Director, Information System
Jerry Meyer, Manager Real Assets
Martha Miller, Staff Attorney
Joseph Sithong, Software Support Analyst

Guest Present

Jorge Perez, Division of Legislative Audit

- I. **Call to Order/Roll Call.** Mr. Danny Knight, Acting Chair called the Board of Trustees meeting to order at 1:45 p.m. Roll call was taken. Ms. Kathy Clayton and Mr. Johnny Key were absent.

- II. **Adoption of Agenda.**

Mr. Brady moved for adoption of the Agenda. Dr. Abernathy seconded the motion, and the Committee unanimously approved the motion.

- III. **Executive Summary.** The Executive Summary was provided for reference with no questions or expansions on the written summary.

IV. Investment Committee Report. Robin Nichols, Chair, gave a report on the Investment Committee meeting.

- A. Recommendation to Commit up to \$30 Million Dollars in KPS Special Situations Fund V, L.P., a Private Equity Turnaround Fund that will Invest in Large Manufacturing Companies with Solvable Operating and Financial Difficulties.** Mr. Michael Bacine of Franklin Park presented the recommendation to the Committee. ATRS invested in KPS III Supplemental in 2009 and in KPS IV in 2013. Both funds have performed very well with each generating a net IRR greater than 21%. The firm which is headquartered in New York and has an office in Frankfurt, Germany has historically made operational turnaround investments in mid-market and large manufacturing companies. Fund V will focus solely on larger companies while another new KPS fund will invest in middle market companies (see item B. below). The fund will target companies with appreciable potential that have identifiable and solvable operating and financial problems. Many of the deals will arise out of bankruptcy and out-of-court proceedings as well as acquisitions of underperforming non-core assets of large companies.

The KPS senior team is led by four principals, Michael Psaros, David Shapiro, Raquel Palmer and Jay Bernstein who have an average tenure of 24 years with the general partner. The principals are supported by mid and junior investment professionals, business development professionals and a portfolio operations group.

Both Franklin Park and ATRS staff recommend an investment of up to \$30 million in KPS Special Situations Fund V, L.P.

Ms. Nichols moved to adopt Resolution 2019-36, to Commit up to \$30 Million Dollars in KPS Special Situations Fund V, L.P., a Private Equity Turnaround Fund that will Invest in Large Manufacturing Companies with Solvable Operating and Financial Difficulties. The Board unanimously adopted the Resolution.

- B. Recommendation to Commit up to \$30 Million Dollars in KPS Special Situations Mid-Cap Fund, L.P., a Private Equity Turnaround Fund that will Invest in Middle Market Manufacturing Companies with Solvable Operating and Financial Difficulties.** Mr. Michael Bacine of Franklin Park presented the recommendation to the Committee. This fund will be operated in the same manner as KPS Special Situations Fund V, L.P. described above except that it will focus on middle market companies.

Previous KPS funds invested in both large and mid-sized companies and were highly successful with each type. Due to the robust deal flow in both the large and middle market spaces, the general partner has been able to create two separate teams to focus on specific deal sizes. The general partner will bring to bear the same expertise and resources for both funds, and the terms and economics will be the same as well. Both funds are highly sought-after and the general partner will hold only one closing for each fund in early October.

Both Franklin Park and ATRS staff recommend an investment of up to \$30 million in KPS Special Situations Mid-Cap Fund, L.P.

Ms. Nichols *moved to adopt* Resolution 2019-37, to Commit up to \$30 Million Dollars in KPS Special Situations Mid-Cap Fund, L.P., a Private Equity Turnaround Fund that will Invest in Middle Market Manufacturing Companies with Solvable Operating and Financial Difficulties. The Board *unanimously adopted the Resolution.*

- V. Executive Session.** A vacancy exists and the Board has asked for this item to be placed on the agenda. The Board has traditionally gone into Executive Session to discuss an appointment to the Board as allowed by the Arkansas Freedom of Information Act.

Mr. Knight *moved to convene* into Executive Session for the purpose of discussing filling the vacant position on the Board. Ms. Nichols *seconded the motion* and the Board *unanimously approved the motion.*

Mr. Knight, Acting Chair, called the Executive Session of the Board of Trustees to Order at 1:48 p.m.

Mr. Knight, Acting Chair, reconvened the Board of Trustees meeting at 2:10 p.m.

- VI. Appointment of Trustee to fill Unexpired Term for Member Position No. 6.**

Dr. Abernathy *moved to approve* the Appointment of Mr. Shawn Higginbotham, to fill the Unexpired Term for Member Position No. 6, on the Board of Trustees. Ms. Watson *seconded the motion* and the Board *unanimously approved the motion.*

- VII. Other Business. None**

VIII. Adjourn.

Mr. Knight *moved to adjourn* the Board of Trustee Meeting. Ms. Watson seconded the *motion*, and the Board Committee *unanimously approved the motion*.

Meeting adjourned at 2:17 p.m.

Clint Rhoden
Executive Director

Mr. Danny Knight, Acting Chair
Board of Trustees

Tammy Porter,
Board Secretary

Date Approved