

ARKANSAS TEACHER RETIREMENT SYSTEM

July 17, 2023

1400 West Third Street

BOARD ROOM

Little Rock, AR 72201

Board of Trustees - Called Meeting

1:30 p.m.

Trustees

Danny Knight, Chair

Anita Bell

Kathy Clayton

Susan Ford

Dr. Mike Hernandez

Shawn Higginbotham

Michael Johnson

Bobby G. Lester

Chip Martin

Jeff Stubblefield

Ex Officio Trustees

Susannah Marshall, State Bank Commissioner

Jacob Oliva, Secretary, Dept. of Education

Honorable Dennis Milligan, State Auditor

Honorable Mark Lowery, State Treasurer

AGENDA
ARKANSAS TEACHER RETIREMENT SYSTEM
BOARD OF TRUSTEES - CALLED

July 17, 2023

1:30 p.m.

1400 West Third Street
Little Rock, AR 72201

- I. ***Call to Order/Roll Call.** page 1.
- II. ***Motion to Excuse Absences.**
- III. ***Adoption of Agenda.** page 2.
- IV. Executive Summary. (Attachment No. 1) page 4.
- V. ***Adoption of Resolution 2023-25, Authority to Transact Business.** *Mark White, Executive Director* (Attachment No. 2) page 7.
- VI. ***Recognition of Board Vacancy.**
 - A. ***Resolution 2023-26.** (Attachment No. 3) page 8.
- VII. ***Appointment of Trustee to Fill Vacancy.**
 - A. ***Resolution 2023-27.** (Attachment No. 4) page 9.
- VIII. Investment Committee Report. *Chip Martin, Investment Committee Chair*
 - A. ***Recommendations related to Hybar LLC and associated entities.** (Attachment No. 5) page 10.
 - 1. ***Recommendation to approve for Board adoption Resolution 2023-28 authorizing an investment of up to \$206,200.00 in Hybar LLC and associated entities with Imminent Need.** page 13.
 - a. ***Resolution 2023-28.** (Attachment No. 6) page 19.

* Action Item

2023-07-14 09:25:46.383822

2. ***Recommendation to approve for Board adoption Resolution 2023-29 authorizing a promissory note of up to \$28,512,149.70 related to the revenue stream generated by State of Arkansas tax credits related to Hybar LLC and associated entities with Imminent Need. page 15.**

a. ***Resolution 2023-29.** (Attachment No. 7) page 21.

3. ***Recommendation to approve for Board adoption Resolution 2023-30 authorizing a promissory note of up to \$10,000,000.00 related to the revenue stream generated by State of Arkansas rebate payments related to Hybar LLC and associated entities with Imminent Need. page 17.**

a. ***Resolution 2023-30.** (Attachment No. 8) page 23.

B. ***Recommendation to approve for Board adoption Resolution 2023-31 authorizing an investment of up to \$25 million dollars in Westrock Coffee Company (Westrock), with Imminent Need. (Attachment No. 6) page 23.**

1. ***Resolution 2023-31.** (Attachment No. 10) page 29.

IX. Other Business.

X. ***Adjourn.**

EXECUTIVE SUMMARY

TO: Board of Trustees - Called
FROM: ATRS Staff
RE: Executive Summary
DATE: July 17, 2023

V. *Adoption of Resolution 2023-25, Authority to Transact Business. Mark White, Executive Director page 7.

This is a standard Board resolution to authorize staff to take all actions necessary and limit authority of staff with the same authority and restrictions as in previous years. This Resolution adds the new Executive Director as authorized to transact business on behalf of ATRS. This is an action item.

VI. *Recognition of Board Vacancy.

A.C.A. 24-7-302(a)(2)(A)(i) provides that an active member trustee is ineligible to serve on the Board of Trustees of the Arkansas Teacher Retirement System ("Board") after retiring. A.C.A. 24-7-301(2)(D) requires the membership of the Board to include one (1) elected active member trustee who is employed in a position not requiring state licensure. Kelly Davis served as a member trustee of the Board in position #7; Ms. Davis retired effective July 1, 2023, therefore a vacancy exists on the Board of Trustees. This is an action item.

A. *Resolution 2023-26. page 8.

VII. *Appointment of Trustee to Fill Vacancy.

A.C.A. 24-7-302 (b)(2) provides that if a vacancy occurs in the office of an elected trustee, the Board of Trustees of the Arkansas Teacher Retirement System ("Board") may fill the vacancy by appointing a trustee to fill the vacant position until the next system election after retiring. Ms Kelly Davis served as a member trustee of the Board in position #7, the position designated for an elected active member trustee who is employed in a position not requiring state licensure. Ms. Davis retired effective July 1, 2023; causing a vacancy on the Board.

The Board has recognized that position #7 vacancy has existed on the Board since July 1, 2023, and continues to exist. The Board will vote on whether to appoint an eligible member of the system to fill the position #7 vacancy until the next system election or to have a special election for position #7. This is an action item.

A. *Resolution 2023-27. page 9.

VIII. Investment Committee Report. Chip Martin, Investment Committee Chair

A. *Recommendations related to Hybar LLC and associated entities. page 10.

Hybar is a rebar manufacturing facility planned to be developed in Mississippi County near Osceola, AR. Representatives of Arkansas Capital Corporation will present the Board with recommendations for three investments related to Hybar LLC and associated entities.

1. *Recommendation to approve for Board adoption Resolution 2023-28 authorizing an investment of up to \$206,200.00 in Hybar LLC and associated entities with Imminent Need. page 13.

Representatives of Arkansas Capital Corporation will present the Board with a recommendation for an equity investment of up to \$206,200 in Hybar and ATRS staff concurs. Due to the fact that there is no scheduled meeting of the Arkansas Legislative Council before the anticipated closing date, Imminent Need is requested.

a. *Resolution 2023-28. page 19.

2. *Recommendation to approve for Board adoption Resolution 2023-29 authorizing a promissory note of up to \$28,512,149.70 related to the revenue stream generated by State of Arkansas tax credits related to Hybar LLC and associated entities with Imminent Need. page 15.

Representatives of Arkansas Capital Corporation will present the Board with a recommendation to invest up to \$28,512,149.70 in a promissory note related to the revenue stream generated by tax credits associated with Hybar and ATRS staff concurs. Due to the fact that there is no scheduled meeting of the Arkansas Legislative Council before the anticipated closing date, Imminent Need is requested.

a. *Resolution 2023-29. page 21.

3. *Recommendation to approve for Board adoption Resolution 2023-30 authorizing a promissory note of up to \$10,000,000.00 related to the revenue stream generated by State of Arkansas rebate payments related to Hybar LLC and associated entities with Imminent Need. page 17.

Representatives of Arkansas Capital Corporation will present the Board with a recommendation to invest up to \$10,000,000.00 in a promissory note related to the revenue stream generated by Create Rebate funds associated with Hybar and ATRS staff concurs. Due to the fact that there is no scheduled meeting of the Arkansas Legislative Council before the anticipated closing date, Imminent Need is requested.

a. *Resolution 2023-30. page 23.

B. *Recommendation to approve for Board adoption Resolution 2023-31 authorizing an investment of up to \$25 million dollars in Westrock Coffee Company (Westrock), with Imminent Need. page 23.

Westrock is a coffee, tea, flavors, extracts, and ingredients solutions provider based in Little Rock, AR. Representatives of Arkansas Capital Corporation will present the Board with a recommendation to invest up to \$25 million dollars in Westrock Coffee Company and ATRS staff concurs. Due to the fact that there is no scheduled meeting of the Arkansas Legislative Council before the anticipated closing date, Imminent Need is requested.

1. *Resolution 2023-31. page 29.

IX. Other Business.

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

**RESOLUTION
No. 2023-25**

Authority to Transact Business

BE IT RESOLVED, That effective this ____ day of July, 2023, **MARK WHITE**, Executive Director, **ROD GRAVES**, Deputy Director, and **WILLIE KINCADE**, Associate Director of Operations, each are authorized to execute, acknowledge and deliver such agreements, documents, and instruments as might be necessary or appropriate in connection with the purchase, sale, pledge, transfer, or other transaction of any kind whatsoever involving any investment approved by the Arkansas Teacher Retirement System Board of Trustees or approved by the Investment Committee of said Board; and

WHEREAS, This authority shall continue until after the first regular scheduled Board meeting in 2024; and

FURTHER RESOLVED, That the execution, acknowledgment and/or delivery of such agreement, document, or instrument by any one of the three (3) named persons shall constitute the valid, binding and enforceable act of the Arkansas Teacher Retirement System by its Board of Trustees.

Adopted this ____ day of July, 2023.

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

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

**RESOLUTION
No. 2023-26**

**Recognition of Vacancy for
Position # 7 - Member Trustee, Non-Certified Trustee**

WHEREAS, A.C.A. §§ 24-7-302(a)(2)(A)(i) provides that an active member trustee is ineligible to serve on the Board of Trustees of the Arkansas Teacher Retirement System (“Board”) after retiring; and

WHEREAS, A.C.A. § 24-7-302(2)(D) requires the membership of the Board to include one (1) elected active member trustee who is employed in a position not requiring state licensure; and

WHEREAS, position #7 on the Board is designated for a member trustee who meets the requirements of A.C.A. § 24-7-302(2)(D); and

WHEREAS, Kelly Davis served as a member trustee of the Board in position #7; and

WHEREAS, Kelly Davis retired effective July 1, 2023.

NOW, THEREFORE, BE IT RESOLVED, that a position #7 vacancy has existed on the Board since July 1, 2023, and continues to exist.

Adopted this _____ day of July, 2023.

Mr. Danny Knight, Chair
Arkansas Teacher Retirement System Board

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

**RESOLUTION
No. 2023-27**

**Appointment of Trustee to Fill Vacancy for
Position # 7 - Member Trustee, Non-Certified Trustee**

WHEREAS, A.C.A. §§ 24-7-302 (b)(2) provides that if a vacancy occurs in the office of an elected trustee, the Board of Trustees of the Arkansas Teacher Retirement System (“Board”) may fill the vacancy by appointing a trustee to fill the vacant position until the next system election after retiring; and

WHEREAS, Kelly Davis served as a member trustee of the Board in position #7, the position designated for an elected active member trustee who is employed in a position not requiring state licensure; and

WHEREAS, Kelly Davis retired effective July 1, 2023; and

WHEREAS, due to the retirement of Kelly Davis, the Board has recognized that a position #7 vacancy has existed on the Board since July 1, 2023, and continues to exist; and

WHEREAS, the Board by majority vote has voted to appoint an eligible member of the system to fill the position #7 vacancy until the next system election.

NOW, THEREFORE, BE IT RESOLVED, effective July 17, 2023, the executive staff of the Arkansas Teacher Retirement System is authorized to: (1) Advertise the position #7 vacancy, and (2) Accept applications that the Board shall review and use to appoint an eligible member to fill the position #7 vacancy until the next system election.

Adopted this _____ day of July, 2023.

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



EMPOWERING ENTREPRENEURS

July 13, 2023

Mr. Mark White
Executive Director
Arkansas Teacher Retirement System
1400 West Third Street
Little Rock, AR 72201

Re: Transactions Related to Hybar Project

Dear Mr. White:

As a consultant to Arkansas Teacher Retirement System ("ATRS"), Arkansas Capital Corporation ("ACC") delivers this letter to ATRS, outlining ACC's recommendations related to various transactions (collectively, the "Transactions"), as described below, by ATRS's wholly-owned subsidiary, Pinnacle Mountain Holding Company VII, LLC ("Pinnacle"), each Transaction related to a project (the "Project") to build and operate a scrap metal recycling and steel rebar production mini mill facility (the "Mill") in Osceola, Arkansas, to be owned by Hybar LLC ("Hybar"). Hybar is wholly owned by Hybar Intermediate Holdings LLC, which is wholly owned by Green & Clean Holdings LLC ("G&C" or the "Company").

As a matter of disclosure, a subsidiary of ACC, Pine State Regional Center, LLC ("PSRC"), has agreed to raise up to \$132 million of foreign investment capital for the Project pursuant to the EB-5 Immigrant Investor Program (the "EB-5 Program"). The capital raised by PSRC pursuant to the EB-5 Program would be advanced as a loan to the Company, permitting the Company to return a proportionate amount of invested funds to the Company's equity investors. We have raised this point with all relevant parties, i.e., the senior management of both the Company and ATRS. We do not see this as a conflict in rendering our recommendations regarding the Transactions.

Background

Hybar will be investing approximately \$663 million to build, start, and ramp up production at the Mill over a construction period of approximately two years. Closing of the equity and senior debt for the Project is scheduled for July 31, 2023, and groundbreaking for the Mill is expected to happen the very next day, August 1, 2023. The Mill is expected to be a low-cost leader among its rebar competitors based on (a) employing the latest and most efficient steel-producing technologies and (b) its prime

Mr. Mark White
Re: Transactions Related to Hybar Project
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location in Mississippi County, on the Mississippi River, offering superior production cost advantages (electricity, logistics, and access to labor and scrap). The Mill is expected to produce 630,000 tons of rebar per year, which, according to World Steel Dynamics, a respected information source for the steel industry, would equate to approximately 6.6% of annual rebar demand, beginning in 2025. Hybar has already entered into a 10-year offtake agreement with one of North America's leading users of rebar for 24% of Hybar's expected annual production.

The Project will be capitalized with:

- senior debt of \$430 million, including (i) \$330 million of bonds (the "Bonds") issued by Arkansas Development Finance Authority and underwritten by a team led by Goldman Sachs, and (ii) \$100 million loan from KfW IPEX Bank of Germany ("KfW"), and
- \$233 million of equity and grants, including approximately \$17 million of equity dedicated to a debt service reserve fund.

Beyond the debt and equity capital cited above, Hybar will have additional liquidity available to it with:

- a \$50 million contingency loan from KfW,
- a \$50 million asset-backed commercial lending facility, and

According to materials compiled by the Company for bond investor presentations, the U.S. rebar market is undersupplied domestically, with 14% of annual U.S. consumption addressed by imports. The U.S. production resources currently in place for rebar are aging and inefficient, with more than 75% of supply in the Mill's serviceable market coming from facilities older than 30 years. Recent legislation passed by U.S. Congress is expected to meaningfully increase the U.S. demand for rebar and, in particular, domestically-produced rebar.

State Incentives

As an economic incentive for Hybar's planned several hundred million dollar investment in the Project and the creation of hundreds of new direct and independent direct positions at defined compensation levels, the State of Arkansas is offering the Project certain state-provided benefits, including:

- ("Create Rebate") – pursuant to Arkansas Code § 15-4-2707, the Director of Arkansas Economic Development Commission ("AEDC") has the discretion of authorizing annual cash payments to a qualifying enterprise, based on a

percentage of payroll of new full-time permanent employees under the Create Rebate Program.

- (“Tax Credits”) – Arkansas Code §26-51-506 (the “Act”) allows Arkansas taxpayers to receive a state income tax credits in an amount equal to 30% of the cost of waste reduction, reuse, or recycling equipment for a manufacturing facility that achieves a minimum investment amount and a minimum number of net new direct and independent direct jobs.

Proposed Transactions

Equity Investment

Pinnacle has been offered the opportunity to invest **\$206,200 as an equity investor in the Company (the “Equity Investment”)**. This is a relatively small investment amount, given that the total unrestricted cash equity being raised by the Company for the Project is \$206 million. Pinnacle would be investing, on the same terms, at the same price, and closing at the same time, alongside a very sophisticated group of equity investors, i.e.,

- an affiliate of TPG Inc., a leading global alternative asset manager with over \$137 billion in assets under management as of May, 2023;
- Consolidated Rebar Investors LLC, an investment entity controlled by Global Principal Partners LLC, developer of the Project (the “Developer”); and
- a subsidiary of Koch Industries, a multinational company based in Wichita, Kansas, being the second-largest privately held company in the U.S.

Although with different percentages of ownership in this Project, this is an almost identical group of equity investors that Pinnacle invested alongside in the very successful Big River Steel project (“BRS”) in 2014, and an add-on BRS investment in 2019. That equity investment in BRS was acquired in a two-stage transaction in 2019 and 2021 by U.S. Steel at a substantial return premium for BRS’s equity investors, including Pinnacle.

Because of its work with the Company in developing a plan for a capital raise through the EB-5 Program, ACC has been in close and regular contact with the Developer for more than a year and a half, with full access to the extensive Project data room, numerous meetings with the Developer, and a recent meeting with all the equity sponsors and tour of the Project site led by the Developer. We have reviewed Hybar investor presentations, the Offering Memorandum produced for the potential investors in the Bonds, and many other materials in the Project data room.

In making its recommendations regarding the Transactions, including the Equity Investment, ACC has taken note of the demonstrated fundamentally strong relevant

Mr. Mark White
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market dynamics, the highly-experienced and proven development/management team, and the high quality of the Project, particularly regarding the features that are projected to cause Hybar to be the most cost-effective producer of rebar in its region and the sustainability features of the Project that are expected to make its products even more marketable to customers increasingly seeking sustainable sourcing (collectively, the “Project Advantages”)

Beyond Pinnacle’s opportunity for a return on the Equity Investment on its own merits, we would note that, being an equity holder in the Company also unlocks the opportunity for Pinnacle to engage in the Tax Credit Loan transaction (as defined below) and further opens the door to the Create Rebate Loan transaction (as defined below), both being additive return opportunities in secured fixed-rate return investments by Pinnacle.

Based on our review of materials and other due diligence conducted and considering, among other things, the factors cited above, **we recommend that Pinnacle make the \$206,200 Equity Investment in the Company.**

Tax Credit Loan

Pinnacle, as an equity holder in the Company, is eligible under the Act to acquire, possess, and control the Tax Credits earned by the Company. With possession and control of the revenue stream from the Tax Credits, it is proposed that Pinnacle would advance a loan to the Company (the “Tax Credit Loan”), secured by the revenue stream produced by the Company’s sale of the Tax Credits to the Arkansas Department of Finance and Administration (“DFA”), as permitted by the Act.

Our modeling of the Tax Credit Loan, with a beginning principal balance of \$28,512,149.70, anticipates that the Company will request a drawdown of the Tax Credit Loan in July, 2025, after commencing start-up of the Mill, thus mitigating any construction risk by the time G&C calls for funding under the Tax Credit Loan. At such time, it is anticipated that the Company will have achieved its investment requirement, which will entitle the Company to sell the Tax Credits to DFA at an 80% discount. The Company may sell to DFA up to \$6.5 million of Tax Credits per year, producing up to \$5.2 million in annual cash payments to the Company. The total amount of tax credits that can be sold by the Company to DFA is up to \$48.25 million (producing \$38.6 million in total cash payments to the Company). The annual payments from DFA will be deposited into a restricted bank account that can only be used to service the Tax Credit Loan.

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Re: Transactions Related to Hybar Project
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Given that (a) it is contemplated that the Company will have met the Investment Requirement and the Job Creation Requirement (both as contemplated in the “Recycling Tax Credit Incentive Agreement”) prior to the draw down of the Tax Credit Loan, and (b) the entire principal and interest in the Tax Credit Loan is modeled to be fully paid by pledged and account restricted payments from the State of Arkansas, the primary risk to Pinnacle, as the lender on this loan, is whether the Company will continue to maintain its Employment Target and Compensation Target during the modeled term of the Tax Credit Loan. Given the very strong track record of the Developer in meeting and even exceeding comparable requirements in prior incentive arrangements with the State of Arkansas and the Project Advantages, previously cited, ACC believes that the risk in making the Tax Credit Loan is manageable, and we would submit that it is a matter of building an interest rate that is fair and reasonable relative to the risk being undertaken by Pinnacle.

ACC has evaluated what a fair and reasonable interest rate would be for the Tax Credit Loan. In doing so, we considered the precedent for similar transactions entered into by Pinnacle with other counterparties. In the precedent transactions, an interest rate (or discount rate in the case of a purchase of credits by Pinnacle) was “built” using, as a starting point, an essentially risk-free rate (using U.S. 10-year treasuries as a surrogate), a nominal premium for Arkansas state risk, and then a company-specific risk premium. As shown on the “Rate Detail” of **Exhibit A** to this letter, we are using a recent yield rate on a 10-year treasury instrument of 4.04% as a surrogate for the risk-free rate, applying a 25 basis point premium for the Arkansas state risk, and a 349 basis points premium for a company-specific risk premium. This is the same company-specific premium used in a prior comparable transaction by Pinnacle in a Big River Steel project transaction. This company-specific risk premium recognizes that the Tax Credit Loan, as shown in **Exhibit A**, should be retired entirely from payments by DFA in purchasing the Tax Credits, but also recognizes that the Company must continue to perform Tax Credit program requirements throughout the course of the period in which the Tax Credits are earned.

Consequently, we recommend Pinnacle making the proposed \$28,512,149.70 Tax Credit Loan to G&C, and it is our opinion that an **interest rate for the Tax Credit Loan of 7.78%** is a fair and reasonable interest rate.

Create Rebate Loan

Similar to the Tax Credit Loan, it is proposed that Pinnacle would advance a loan (the “Create Rebate Loan”) to, in this case, Hybar, secured by the revenue stream produced by Create Rebate grant payments offered by the State of Arkansas based on a percentage of payroll for new full-time permanent employees, the average wages

Mr. Mark White
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paid those employees, and impacted by a tiering factor considering the location of the Mill in Mississippi County. The maximum Create Rebate grant payments over a ten year period is \$13,198,848. The annual amount is not limited, so it is possible that more than \$1,319,884.80 could be earned in any one year. In such case, the total maximum grant amount would simply be earned more quickly. It is also possible, of course, that a reduction in or interruption of wages at some point during the ten-year period would result in a lower annual grant award. As you will see in **Exhibit B** to this letter, we have modeled Create Rebate Loan payments assuming the total grant award is earned equally over the ten-year period and no discretionary prepayments are made on the Create Rebate Loan by Hybar. Funding of the Create Rebate Loan is scheduled in January of 2025, with the first claim for Create Rebate payments made for the calendar year 2024, payable at some time in 2025, conservatively estimated in the model to occur on June 30, 2025.

You will also see in **Exhibit B** that, under the modeling assumptions we have used, the amount of Create Rebate payments earned each year will be insufficient to fully retire a \$10 million Create Rebate Loan in that ten-year period. Any portion of the Create Rebate Loan not covered by the ten-year Create Rebate payments would still be owed by Hybar, but would be unsecured obligations of Hybar and subordinated to the senior debt owed by Hybar. To be consistent with disclosures made by Hybar in certain offering materials, Hybar has requested, in our model and recommendation, that we leave the original principal balance of the Create Rebate Loan at \$10 million and simply apply a higher risk premium in calculating the interest rate on the Create Rebate Loan.

In light of these factors, for the Create Rebate Loan, we have calculated a blended interest rate of 8.57%, applying a 7.78% rate to the portion of the Create Rebate Loan that is modeled to be fully retired by Create Rebate payments made by the State of Arkansas to Hybar equally over the 10-year earn-out period, and a 12.78% rate (500 basis points higher) for the portion of the Create Rebate Loan that is not modeled to be retired by the Create Rebate payments from the State of Arkansas.

Consequently, we recommend Pinnacle making the proposed \$10,000,000 Create Rebate Loan to Hybar, and it is our opinion that an **interest rate for the Create Rebate Loan of 8.57%** is a fair and reasonable interest rate.

Note re Interest Rates

For a debt instrument, it is somewhat unusual to price the instrument (i.e., assign an applicable rate) well in advance of the funding of the instrument. It presents an interest

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Re: Transactions Related to Hybar Project
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rate “risk” for both counterparties when this is done. We note that credible sources (e.g., Federal Open Market Committee of the Federal Reserve at their June 14, 2023 meeting) have predicted that interest rates, using a federal funds rate as a surrogate, are likely to be lower in 2024 and even lower in 2025 than they are presently. This works to the benefit of ATRS, if those predictions prove true. Given that factor, we believe using recent yields on 10-year treasuries is a reasonable starting point in building an interest rate for both loans covered by these recommendations.

ACC Statement

In performing its analysis and delivering this recommendation, ACC relied on drafts of documents for the Transactions along with research from the sources cited herein. ACC has not independently verified the accuracy of such information and disclaims all liability based on its reliance on such information in performing its analysis and making its recommendation hereunder.

Sincerely yours,
ON BEHALF OF ACC:



Rush B. Deacon

Exhibit A
Recycling Tax Credit

Total credits to be sold to Arkansas DFA	\$48,250,000
Purchase Price by Arkansas DFA	80.00%
Nominal Payment Stream Total	\$38,600,000
Transaction Funds Drawdown	
Closing Date	July 31, 2025
Beginning Loan	\$28,512,149.70

Transaction Date	Recycling Tax Credit Earned	Annual Payment	Beginning Loan Balance	Payment	Interest	Principal	Ending Loan Balance
12/31/2025			\$28,512,149.70		\$929,361.72		\$29,441,511.43
6/30/2026	\$6,500,000	\$5,200,000	\$29,441,511.43	\$5,200,000.00	\$1,135,277.59	\$4,064,722.41	\$25,376,789.01
12/31/2026			\$25,376,789.01		\$994,759.01		\$26,371,548.02
6/30/2027	\$6,500,000	\$5,200,000	\$26,371,548.02	\$5,200,000.00	\$1,016,898.45	\$4,183,101.55	\$22,188,446.47
12/31/2027			\$22,188,446.47		\$869,777.38		\$23,058,223.84
6/30/2028	\$6,500,000	\$5,200,000	\$23,058,223.84	\$5,200,000.00	\$894,047.57	\$4,305,952.43	\$18,752,271.41
12/31/2028			\$18,752,271.41		\$735,080.82		\$19,487,352.23
6/30/2029	\$6,500,000	\$5,200,000	\$19,487,352.23	\$5,200,000.00	\$751,440.84	\$4,448,559.16	\$15,038,793.08
12/31/2029			\$15,038,793.08		\$589,514.10		\$15,628,307.17
6/30/2030	\$6,500,000	\$5,200,000	\$15,628,307.17	\$5,200,000.00	\$602,634.38	\$4,597,365.62	\$11,030,941.55
12/31/2030			\$11,030,941.55		\$432,408.07		\$11,463,349.62
6/30/2031	\$6,500,000	\$5,200,000	\$11,463,349.62	\$5,200,000.00	\$442,031.79	\$4,757,968.21	\$6,705,381.41
12/31/2031			\$6,705,381.41		\$262,848.01		\$6,968,229.42
6/30/2032	\$6,500,000	\$5,200,000	\$6,968,229.42	\$5,200,000.00	\$270,182.50	\$4,929,817.50	\$2,038,411.92
12/31/2032			\$2,038,411.92		\$79,904.85		\$2,118,316.77
6/30/2033	\$2,750,000	\$2,200,000	\$2,118,316.77	\$2,200,000.00	\$81,683.22	\$2,118,316.78	\$0.00
Cumulative	\$48,250,000	\$38,600,000					

Rate Detail

<u>Risk Free Rate - 10 Year Treasury</u>	4.04%
Arkansas Premium	0.25%
Risk Premium Prior Transaction	3.49%
Assumed Rate	<u>7.78%</u>

Exhibit B
Create Rebate Tax Credit

Funding Date January 1, 2025
Funding Amount \$10,000,000
Assumed Rate 8.57%

Transaction Date	Create Rebate Payment Stream	Hybar Payment Stream	Beginning Loan Balance	Interest	Principal	Ending Loan Balance
6/30/2025	\$1,319,885.00		\$10,000,000.00	\$422,440.49	\$897,444.51	\$9,102,555.49
12/31/2025			\$9,102,555.49	\$393,073.88		\$9,495,629.37
6/30/2026	\$1,319,885.00		\$9,495,629.37	\$403,362.35	\$916,522.65	\$8,579,106.72
12/31/2026			\$8,579,106.72	\$370,469.89		\$8,949,576.61
6/30/2027	\$1,319,885.00		\$8,949,576.61	\$380,166.72	\$939,718.28	\$8,009,858.33
12/31/2027			\$8,009,858.33	\$345,888.15		\$8,355,746.48
6/30/2028	\$1,319,885.00		\$8,355,746.48	\$356,902.57	\$962,982.43	\$7,392,764.05
12/31/2028			\$7,392,764.05	\$319,240.29		\$7,712,004.34
6/30/2029	\$1,319,885.00		\$7,712,004.34	\$327,596.21	\$992,288.79	\$6,719,715.55
12/31/2029			\$6,719,715.55	\$290,176.17		\$7,009,891.71
6/30/2030	\$1,319,885.00		\$7,009,891.71	\$297,771.35	\$1,022,113.65	\$5,987,778.06
12/31/2030			\$5,987,778.06	\$258,569.05		\$6,246,347.12
6/30/2031	\$1,319,885.00		\$6,246,347.12	\$265,336.94	\$1,054,548.06	\$5,191,799.06
12/31/2031			\$5,191,799.06	\$224,196.45		\$5,415,995.51
6/30/2032	\$1,319,885.00		\$5,415,995.51	\$231,335.73	\$1,088,549.27	\$4,327,446.24
12/31/2032			\$4,327,446.24	\$186,871.27		\$4,514,317.50
6/30/2033	\$1,319,885.00		\$4,514,317.50	\$191,762.51	\$1,128,122.49	\$3,386,195.01
12/31/2033			\$3,386,195.01	\$146,225.40		\$3,532,420.41
6/30/2034	\$1,319,883.00		\$3,532,420.41	\$150,052.76	\$1,169,830.24	\$2,362,590.17
12/31/2034			\$2,362,590.17	\$102,023.27		\$2,464,613.44
6/30/2035		\$1,319,883.00	\$2,464,613.44	\$104,693.67	\$1,215,189.33	\$1,249,424.11
12/31/2035			\$1,249,424.11	\$53,953.64		\$1,303,377.75
6/30/2036		\$1,319,883.00	\$1,303,377.75	\$55,671.73	\$1,264,211.27	\$39,166.48
12/31/2036			\$39,166.48	\$1,691.32		\$40,857.80
6/30/2037		\$44,357.74	\$40,857.80	\$3,499.94	\$40,857.80	\$0.00
Cumulative	\$13,198,848	\$2,684,124				

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

**RESOLUTION
No. 2023-28**

**Approving Investment in Hybar LLC and Associated Entities
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 Arkansas Capital Corporation, along with the recommendation of the Investment Committee and ATRS staff regarding a potential investment in **Hybar** LLC and associated entities (Hybar). Hybar is a rebar manufacturing facility planned to be developed in Mississippi County near Osceola, AR; and

WHEREAS, the ATRS Board approves an investment of up to **\$206,200.00** in **Hybar** and the Board, after its review of the timing in which the closing of the investment in **Hybar** 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 **\$206,200.00** in **Hybar** and agrees to immediately move to close and subscribe the approved ATRS limited partnership interest in **Hybar**. The total investment amount is to be determined by Arkansas Capital Corporation 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 17th day of July 2023

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

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

**RESOLUTION
No. 2023-29**

**Approving a Promissory Note Related to the Revenue Stream
Generated by Tax Credits Related to Hybar LLC and Associated
Entities
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 benefit of its plan participants; and

WHEREAS, the ATRS Board has reviewed the recommendation of its special investment consultant, Arkansas Capital Corporation, along with the recommendation of the Investment Committee and ATRS staff regarding a promissory note related to the revenue stream generated by the Hybar LLC and associated entities (Hybar) tax credits to be issued by the State of Arkansas; and

WHEREAS, the ATRS Board approves an investment of up to \$28,512,149.70 in a promissory note related to the revenue stream generated by the Hybar tax credits to be issued by the State of Arkansas; and

WHEREAS, the Board, after its review of the timing in which the closing of the investment in the promissory note related to the revenue stream generated by Hybar tax credits has determined that there is an imminent need to immediately enter into the agreement prior to the next scheduled meeting of the Arkansas Legislative Council. The Board also deems it financially appropriate to enter into the 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 **\$28,512,149.70** in a promissory note related to the revenue stream generated by Hybar tax credits to be issued by the State of Arkansas and agrees to immediately move to close and subscribe the approved promissory note related to the revenue stream generated by Hybar tax credits to be issued by the State of Arkansas; 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 17th day of July 2023

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

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

RESOLUTION
No. 2023-30

**Approving a Promissory Note Related to the Revenue Stream
Generated by Create Rebate Funds Related to Hybar LLC and
Associated Entities
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 benefit of its plan participants; and

WHEREAS, the ATRS Board has reviewed the recommendation of its special investment consultant, Arkansas Capital Corporation, along with the recommendation of the Investment Committee and ATRS staff regarding a promissory note related to the revenue stream generated by the Hybar LLC and associated entities (Hybar) Create Rebate funds to be issued by the State of Arkansas; and

WHEREAS, the ATRS Board approves an investment of up to \$10,000,000.00 in a promissory note related to the revenue stream generated by the Hybar Create Rebate funds to be issued by the State of Arkansas; and

WHEREAS, the Board, after its review of the timing in which the closing of the investment in the promissory note related to the revenue stream generated by Hybar Create Rebate funds has determined that there is an imminent need to immediately enter into the agreement prior to the next scheduled meeting of the Arkansas Legislative Council. The Board also deems it financially appropriate to enter into the 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 **\$10,000,000.00** in a promissory note related to the revenue stream generated by Hybar Create Rebate funds to be issued by the State of Arkansas and agrees to immediately move to close and subscribe the approved promissory note related to the revenue stream generated by Hybar Create Rebate funds to be issued by the State of Arkansas; 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 17th day of July 2023

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



EMPOWERING ENTREPRENEURS

July 12, 2023

Mr. Mark White
Executive Director
Arkansas Teacher Retirement System
1400 West Third Street
Little Rock, AR 72201

Re: Potential Equity Investment in Westrock Coffee Company

Dear Mr. White:

As a consultant to Arkansas Teacher Retirement System ("ATRS"), Arkansas Capital Corporation ("ACC") delivers this letter to ATRS, outlining ACC's recommendations related to a proposed equity investment by a wholly-owned subsidiary of ATRS, Pinnacle Mountain Holding Company VIII, LLC ("Pinnacle") in a new issuance of 2,500,000 shares of common stock (the "Shares") of Westrock Coffee Company (NASDAQ: WEST) ("Westrock" or the "Company") at a price of \$10.00 per share (the "Share Price").

Background

Westrock is a leading integrated coffee, tea, flavors, extracts, and ingredients solutions provider in the U.S., providing coffee sourcing, supply chain management, product development, roasting, packaging and distribution services to the retail, foodservice, convenience store, and hospitality industries around the world. It's corporate headquarters office is located in Little Rock, Arkansas, and it has roasting, manufacturing, packaging, and warehouse facilities at multiple locations, both in and outside the U.S.

Westrock first opened operations in Rwanda in 2009, sourcing coffee beans with a unique mission-driven view to local farmer development that separated it from others and gave them a favorable position in that market. Westrock began roasting operations in Little Rock in 2010, and for the last ten years the Company has embarked on an acquisition strategy and organic growth initiatives that have led Westrock to now being the #1 coffee supplier to U.S. restaurants, the #1 tea supplier to U.S. restaurants, and the #3 coffee extract supplier in ready-to-drink ("RTD") coffee, with over 1,300 employees and operations in 10 countries.

Mr. Mark White

Re: Potential Equity Investment in Westrock Coffee Company

July 12, 2023

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The ACC team met in our offices in early June of this year with a team from Westrock, including Scott Ford, Co-Founder and CEO, Chris Pledger, CFO, Elizabeth McLaughlin, EVP of Sales, and Will Ford, Group President of Operations. They shared and discussed information regarding the overall beverage market, the Company's acquisition rationale and strategies, the progress being made on a major manufacturing build-out of the former Kimberly Clark plant in Conway, Arkansas, (the "Conway Plant") and the Company's financial results and projections.

Innovation and proprietary technologies have been at the heart of Westrock's strategies for market advantages and future growth opportunities. They have been a leader in the coffee industry in establishing a transparent supply chain, in 2018 developed the first digitally-traceable coffee container ships, in 2020 launched its proprietary traceable technology platform (Farmer Direct Verified®), and in November, 2022 launched the build-out of what will be the largest roasting to RTD packaging facility in the U.S. at the Conway Plant.

The Conway Plant is planned to have packaging capabilities in glass bottles, cans, bulk coffee extract, bag-in-the-box (BIB), and roasting and grinding. The Conway Plant build out is currently on time and on budget, and the first sellable production is scheduled for Q2, 2024. The new operations at the Conway Plant will be, in particular, taking advantage of the impressive market growth trajectory of the RTD coffee drinks that seem to be, demographically, broadly popular and demonstrably preferred by younger generations. Interestingly, looking at market categories over the last ten to fifteen years, hot coffee and tea have held steady, with slight growth, so the substantial growth of RTD coffee is not coming at the expense of consumption trends in hot beverages. Both categories are opportunities for growth for Westrock.

In addition to the other factors noted here, ACC's analysis and recommendation also considered the fact that a knowledgeable and financially sophisticated investor has entered into an agreement to subscribe to an even larger number of shares in the Company at the same Share Price, on the same relevant terms, and planning to close at the same time as Pinnacle's acquisition of the Shares. The acquisition of 7,500,000 shares of the Company by an affiliate of HF Capital LLC and the Herbert Hunt family was publicly announced on June 30, 2023. HF Capital is, in essence, a family office operation for the Haslam family, based in Knoxville, Tennessee. Jim Haslam, the family's patriarch, founded Pilot Company in 1958. Pilot acquired the bulk of the comparable operations of the Flying J stores, and earlier this year, 80% of Pilot/Flying J was sold to Berkshire Hathaway for \$8.2 billion, the Haslam family retaining the other 20%.

Mr. Mark White
Re: Potential Equity Investment in Westrock Coffee Company
July 12, 2023
Page 3

HF Capital, pre-transaction, already owns 8.3% of the common shares of the Company, so the recently announced add-on investment by them is a strong statement as to their confidence in the future enterprise value proposition for Westrock. In the public release announcing the transaction, Andrew Seamons, Chief Investment Officer at HF Capital commented, "**Our agreement to make this additional investment further validates our belief in Westrock Coffee's strategy to capitalize on the strong demand for extracts and RTD as a growing consumer category, and on the ability of the Westrock Coffee team to deliver on that strategy.**"

Post-transaction, HF Capital would own approximately 14% of the Company, the third largest stockholding position in the Company, behind the Ford Family (Scott Ford, and directly or indirectly, his father and others in his family) at 24.8%, and Brown Brothers Harriman (a private investment banking company) at 17.7%. Another recognizable current Westrock shareholder is Stephens Group of Little Rock, which currently owns 8.6% of the Company's shares.

While not the primary factor considered, investing alongside trusted, sophisticated co-investors is a strategy that has worked well for ATRS, including, in particular, the investment ATRS made in Big River Steel Holdings LLC ("BRS") in 2014, with an add-on investment in 2019, that aggregate investment position being substantially liquidated at a meaningful premium for ATRS in a sale of BRS to U.S. Steel, completed in January, 2021.

We would also note that the Share Price represents an approximate 10% discount to the current 30-day value weighted average price of the Company's common stock. We have verbally discussed exit strategies with the management of ATRS. Such strategies are speculative in nature at this time, but suffice it to say that we believe exit strategies exist for Pinnacle, in the future, realizing a return on its investment in the Shares.

Recommendation

Based on our review of materials and other due diligence conducted and considering, among other things, the factors cited above, **we recommend that Pinnacle make the proposed \$25 million equity investment in the Shares of the Company.**

ACC Statement

In performing its analysis and delivering this recommendation, ACC relied on drafts of documents for the Transactions along with research from the sources cited herein. ACC has not independently verified the accuracy of such information and disclaims all

Mr. Mark White
Re: Potential Equity Investment in Westrock Coffee Company
July 12, 2023
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liability based on its reliance on such information in performing its analysis and making its recommendation hereunder.

Sincerely yours,
ON BEHALF OF ACC:

A handwritten signature in black ink, appearing to read "Rush B. Deacon". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Rush B. Deacon

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

**RESOLUTION
No. 2023-31**

**Approving Investment in Westrock Coffee Company
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 Arkansas Capital Corporation, along with the recommendation of the Investment Committee and ATRS staff regarding a potential investment in **Westrock Coffee Company (Westrock)** a coffee, tea, flavors, extracts, and ingredients solutions provider based in Little Rock, AR; and

WHEREAS, the ATRS Board approves an investment of up to **\$25 million dollars (\$25,000,000.00)** in **Westrock** and the Board, after its review of the timing in which the closing of the investment in **Westrock** 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 **\$25 million dollars (\$25,000,000.00)** in **Westrock**. and agrees to immediately move to close and subscribe the approved ATRS interest in **Westrock**. The total investment amount is to be determined by Arkansas Capital Corporation 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 17th day of July 2023

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