



February 7, 2023

Mr. Mitch Rouse  
Office of State Procurement  
1500 West 7<sup>th</sup> 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: LLR Equity Partners VII, L.P.  
GCG Investors VI, L.P.  
Franklin Park Co-Investment Fund VI, L.P.

Dear Mr. Rouse and Ms. Garrity:

As Executive Director of Arkansas Teacher Retirement System (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 they will likely need to close before the next scheduled meeting of the Arkansas Legislative Council (ALC). The Board determined that all criteria were met under Act 1211 to enter into a partial equity ownership agreement for each of the investments submitted today.

On February 6, 2023, the ATRS Board of Trustees (Board), in a regular meeting, adopted Resolution 2023-10 to declare an Imminent Need exists to make an investment of up to \$30 million in LLR Equity Partners VII, L.P. The investment was recommended by Franklin Park Associates, LLC, private equity consultants for ATRS, and ATRS staff concurs with the recommendation.

At the same meeting, the Board authorized Resolution 2023-11 to invest up to \$30 million in GCG Investors VI, L.P. using Imminent Need. This investment was also recommended by Franklin Park, and ATRS staff concurs as well.

Mr. Rouse  
Ms. Garrity  
February 7, 2023  
Page Two

In addition, the Board authorized Resolution 2023-12 to invest up to \$65 million in Franklin Park Co-Investment Fund VI, L.P. with Imminent Need. Franklin Park recommended the investment, and ATRS staff concurs.

This letter has been sent in compliance with the five-day rule in Act 1211. In accordance with Act 1211, ATRS is providing a copy of each of the aforementioned resolutions to the Office of State Procurement and to the Arkansas Legislative Council. 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 501-588-4367 or by email at: [clintr@artts.gov](mailto:clintr@artts.gov)

Respectfully,



Clint Rhoden  
Executive Director

CR:lw



# Arkansas Teacher Retirement System Private Equity Investment Executive Summary

<b>Investment</b>	LLR Equity Partners VII, L.P. (the "Fund")
<b>Managing Party</b>	LLR Partners (the "General Partner")
<b>ATRS Legal Interest</b>	ATRS will be a limited partner.
<b>Report Date</b>	February 2023
<b>Expected Closing Date</b>	The General Partner is targeting capital commitments of \$2.25 billion. ATRS is expected to close in late February 2023.
<b>ATRS Commitment &amp; Reason for Entry</b>	The investment of up to \$30 million is to help achieve the 12% target allocation to private equity. The fund was recommended by the ATRS private equity consultant.
<b>Placement Agent</b>	ATRS's commitment was sourced directly from the General Partner.
<b>Key Terms</b>	<p><u>Management Fee</u>: The General Partner has proposed an annual management fee of 2.0% of capital commitments during the five-year investment period. Thereafter, management fees will equal 1.75% of net invested capital.</p> <p><u>Carried Interest</u>: The general Partner will be entitled to receive 20% of the fund's profits after the limited partners have received full return of capital contributions plus an 8% preferred return.</p>
<b>Justification of Investment Term &amp; Anticipated Termination Date</b>	The term is ten years (anticipated termination in 2033) plus two one-year extensions which is common for private equity funds due to the time required for buying, improving and selling underlying companies.
<b>Investment Strategy</b>	The Fund is being formed to invest in control and non-control transactions in U.S. small and middle market growth companies. The General Partner will target companies with values under \$100 million in the technology and healthcare sectors.
<b>Management Team</b>	Based in Philadelphia, LLR was founded in 1999 by Ira Lubert, Seth Lehr and Howard Ross. Today the general partner is led today by Messrs. Lehr and Ross as well as ten other principals. The principals have an average of seventeen years with the general partner.
<b>Historical Performance</b>	In its previous six funds, the General Partner has invested approximately \$4.5 billion in 131 deals generating an aggregate gross return on investment of 2.2x cost and gross IRR of 25.9%. Historical returns are not indicative of future performance.

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

<b>Investment</b>	GCG Investors VI, L.P. (the "Fund")
<b>Managing Party</b>	Greyrock Capital Group (the "General Partner" or "Greyrock")
<b>ATRS Legal Interest</b>	ATRS will be a limited partner
<b>Report Date</b>	February 2023
<b>Expected Closing Date</b>	The General Partner is targeting capital commitments of \$200 million for the Fund. ATRS is expected to close in the first quarter of 2023.
<b>ATRS Commitment &amp; Reason for Entry</b>	The investment of up to \$30 million is to help achieve the 12% target allocation to private equity. The fund was recommended by the ATRS private equity consultant.
<b>Placement Agent</b>	The fund offering was sourced directly from the general partner.
<b>Key Terms</b>	<p><u>Management Fee</u>: During the investment period (five years) or until a successor fund begins to accrue management fees, the Fund will pay to the General Partner an annual management fee of 2% of commitments. After the investment period, the Fund will pay an annual management fee of 2.0% of net invested capital.</p> <p><u>Carried Interest</u>: After the limited partners receive their aggregate capital contributions and an 8% preferred return, the General Partner will be entitled to 20% of the Fund's profits.</p>
<b>Justification of Investment Term &amp; Anticipated Termination Date</b>	<p><u>Term</u>: Ten years (anticipated termination in 2033) plus two one-year extensions which is industry standard due to the time required for acquiring, developing and selling underlying assets.</p>
<b>Investment Strategy</b>	The Fund is being formed to invest in mezzanine debt and equity of small and lower middle market companies in North America. The Fund is expected to invest 70-75% of capital in debt securities and 25-30% in equity securities.
<b>Management Team</b>	The General Partner was formed in 2001 and is currently led by Steve Dempsey, Sam Snyder and Daniel Kapnick (principals). The firm has offices in Walnut Creek, CA, Chicago, IL and Wilton, CT.
<b>Historical Performance</b>	In its previous five funds, the general partner has generated an average gross IRR of approximately 26.6% as of September 30, 2022. Historical returns are not indicative of future performance.

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

<b>Investment</b>	Franklin Park Co-Investment Fund VI, L.P.
<b>Managing Party</b>	Franklin Park Series GP, LLC (the "General Partner" or "Franklin Park")
<b>ATRS Legal Interest</b>	ATRS will be a limited partner.
<b>Report Date</b>	February 2023
<b>Expected Closing Date</b>	Closing is expected in the first quarter of 2023.
<b>ATRS Commitment &amp; Reason for Entry</b>	The investment of up to \$65 million is to help achieve the 12% target allocation to private equity. The fund was recommended by the ATRS private equity consultant.
<b>Placement Agent</b>	There is no placement agent involved with the Fund.
<b>Key Terms</b>	<u>Management Fee</u> : 50 basis points  <u>Carried Interest</u> : 10% carried interest after an 8% preferred return.
<b>Justification of Investment Term &amp; Anticipated Termination Date</b>	The fund will end when the last underlying fund or portfolio company is liquidated; therefore, there is not a specific termination date for the fund. This is standard for a private equity co-investment fund or fund of funds.
<b>Investment Strategy</b>	The Fund will invest in direct co-investments primarily of middle market companies alongside private fund sponsors. Transaction types will include buyouts, build-ups, growth equity, structured equity, financial restructurings and operational turnarounds.
<b>Management Team</b>	Franklin Park, based near Philadelphia, PA, was founded in 2003 by six professionals that formerly worked together at a global private equity consultant and asset manager. The team is led by Bradley Atkins, Michael Bacine, James McGovern, Karl Hartmann, Katherine Carlson Narayan Chowdhury, Laure Brasch, Kristine O'Connor, Raymond Jackson, and John Mahoney (the "Senior Team"). The Senior Team is supported by seven associates, seven analysts and an office manager.
<b>Historical Performance</b>	Since inception, Franklin Park has committed or advised on commitments in excess of \$19.6 billion in 435 private equity funds and \$618 million in 78 co-investments.