



December 8, 2021

Mr. Edward Armstrong  
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: Franklin Park International Fund XI, L.P.  
Franklin Park Venture Capital Opportunity Fund, L.P.  
Riverside Value Fund I, L.P.  
Revenue Stream of State of Arkansas Recycling Tax Credits

Dear Mr. Armstrong 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).

On December 6, 2021, the ATRS Board of Trustees (Board), in a scheduled meeting, adopted Resolution 2021-63 to declare an Imminent Need exists to commit up to \$30 million in Franklin Park International Fund XI, L.P. using Imminent Need. The investment was recommended by Franklin Park Associates, ATRS's private equity consultant and ATRS staff concurs.

At the same meeting, the Board authorized an investment of up to \$30 million in Franklin Park Venture Capital Opportunity Fund, L.P. also using Imminent Need through Resolution 2021-64. This investment was recommended by Franklin Park Associates and ATRS staff concurs as well.

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An investment of up to \$30 million in Riverside Value Fund I, L.P. with Imminent Need was also approved at the meeting through Resolution 2021-65. This investment was recommended by Franklin Park as well, and ATRS staff agrees.

Based on the recommendation of the ATRS Specialty Consultant, Global Principal Partners, the Board also adopted Resolution 2021-68 at the same meeting to declare an Imminent Need exists to invest up to \$5,015,816 in an expected revenue stream of approximately \$5.6 million of State of Arkansas Recycling Tax Credits associated with Highland Pellets.

The Board determined that all criteria were met under Act 1211 to enter into a partial equity ownership agreement for each of these investments. 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 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 of the investments 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>	Franklin Park International Fund XI, L.P. (the "Fund")
<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>	December 2021
<b>Expected Closing Date</b>	The General Partner is targeting capital commitments of \$80-100 million. Closing is expected in the first quarter of 2022.
<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>	There is no placement agent involved with the Fund.
<b>Key Terms</b>	<u>Management Fee</u> : None  <u>Carried Interest</u> : None
<b>Justification of Investment Term &amp; Anticipated Termination Date</b>	The term is the later of (i) the liquidation of the last fund investment or (ii) 15 years (anticipated termination in 2037). Term is standard for a private equity fund of funds due to the fact that terms for underlying funds are at least ten years and all underlying funds must be liquidated in order to terminate the fund of funds.
<b>Investment Strategy</b>	The Fund is being formed to build a well-diversified portfolio of top-tier international private equity funds.
<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 \$15.6 billion to 336 private equity funds and 37 co-investments.

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

**RESOLUTION  
No. 2021-63**

**Approving Investment in Franklin Park International  
Fund XI, 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

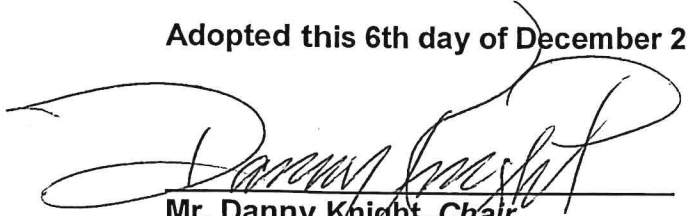
**WHEREAS**, the ATRS Board has reviewed the recommendation of its private equity consultant, Franklin Park Associates, LLC, along with the recommendation of the Investment Committee and ATRS staff regarding a potential investment in **Franklin Park International Fund XI, L.P.**, a fund of funds managed by Franklin Park investing in international private equity funds; and

**WHEREAS**, the ATRS Board approves an investment of up to **\$30 million dollars (\$30,000,000.00)** in **Franklin Park International Fund XI, L.P.**, and the Board, after its review of the timing in which the closing of the investment in **Franklin Park International Fund XI, L.P.** 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 **\$30 million dollars (\$30,000,000.00)** in **Franklin Park International Fund XI, L.P.** and agrees to immediately move to close and subscribe the approved ATRS limited partnership interest in **Franklin Park International Fund XI, L.P.** The total investment amount is to be determined by the private equity consultant 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 6th day of December 2021**



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

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

<b>Investment</b>	Franklin Park Venture Capital Opportunity Fund, L.P. (the "Fund")
<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>	December 2021
<b>Expected Closing Date</b>	Closing is expected in the first quarter of 2022.
<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>	There is no placement agent involved with the Fund.
<b>Key Terms</b>	<u>Management Fee</u> : None  <u>Carried Interest</u> : 4% carried interest for total investments of \$60 million or more and 5% for investments below \$60 million, after an 8% preferred return.
<b>Justification of Investment Term &amp; Anticipated Termination Date</b>	The term is the later of (i) the liquidation of the last fund investment or (ii) 15 years (anticipated termination in 2037). Term is standard for a private equity fund of funds due to the fact that terms for underlying funds are at least ten years and all underlying funds must be liquidated in order to terminate the fund of funds.
<b>Investment Strategy</b>	The Fund was formed to build a well-diversified portfolio of top-tier, later stage venture capital funds.
<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 \$15.6 billion to over 336 private equity funds and 37 co-investments.

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

**RESOLUTION**  
**No. 2021-64**

**Approving Investment in Franklin Park Venture Capital  
Opportunity Fund, 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

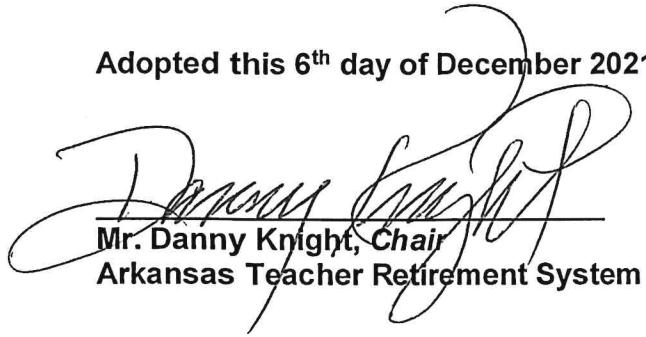
*WHEREAS*, the ATRS Board has reviewed the recommendation of its private equity consultant, Franklin Park Associates, LLC, along with the recommendation of the Investment Committee and ATRS staff regarding a potential investment in **Franklin Park Venture Capital Opportunity Fund, L.P.**, a fund of funds managed by Franklin Park investing in later stage venture capital private equity funds; and

*WHEREAS*, the ATRS Board approves an investment of up to **\$30 million dollars (\$30,000,000.00)** in **Franklin Park Venture Capital Opportunity Fund, L.P.**, and the Board, after its review of the timing in which the closing of the investment in **Franklin Park Venture Capital Opportunity Fund, L.P.** 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 **\$30 million dollars (\$30,000,000.00)** in **Franklin Park Venture Capital Opportunity Fund, L.P.** and agrees to immediately move to close and subscribe the approved ATRS limited partnership interest in **Franklin Park Venture Capital Opportunity Fund, L.P.** The total investment amount is to be determined by the private equity consultant 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 6<sup>th</sup> day of December 2021



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



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

<b>Investment</b>	Riverside Value Fund I, L.P. (the "Fund")
<b>Managing Party</b>	RVF I Associates, L.P. (the "General Partner")
<b>ATRS Legal Interest</b>	ATRS will be a limited partner.
<b>Report Date</b>	December 2021
<b>Expected Closing Date</b>	The General Partner is targeting capital commitments of \$350 million. ATRS is expected to close in early 2022.
<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 General Partner did not use a placement agent.
<b>Key Terms</b>	<p><u>Management Fee</u>: The Fund will charge an annual management fee of 2.0% of capital commitments during the six-year investment period, and 2.0% of invested capital after the investment period.</p> <p><u>Carried Interest</u>: After the limited partners receive contributed capital for realized investments, a portion of partnership expenses, and an 8% preferred return on those amounts, the General Partner will be entitled to 20% of the Fund's profits.</p>
<b>Justification of Investment Term &amp; Anticipated Termination Date</b>	The term is ten years (anticipated termination in 2032) plus four 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 acquire underperforming companies in the U.S. The investment team will target control investments in businesses with revenue of \$60 to \$300 million that are facing fixable operational or financial challenges.
<b>Management Team</b>	The General Partner is a subsidiary of The Riverside Companies, a global private equity firm founded in 1988. The firm has \$12 billion under management and employs over 300 professionals. The Value Fund team is based in New York and is led by Ron Sansom, Sean Osbolt, and Andy Fohrer (principals).
<b>Historical Performance</b>	The current team has performed well, generating an aggregate return of 2.3x cost for its previous 21 investments over a twelve-year period. Historical returns are not indicative of future performance.

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

**RESOLUTION**  
**No. 2021-65**

**Approving Investment in Riverside Value  
Fund I, 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

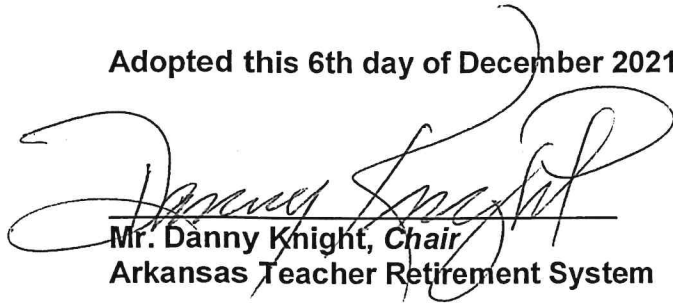
**WHEREAS**, the ATRS Board has reviewed the recommendation of its private equity consultant, Franklin Park Associates, LLC, along with the recommendation of the Investment Committee and ATRS staff regarding a potential investment in **Riverside Value Fund I, L.P.**, a private equity turnaround fund that will invest in underperforming companies in the U.S.; and

**WHEREAS**, the ATRS Board approves an investment of up to **\$30 million dollars (\$30,000,000.00)** in **Riverside Value Fund I, L.P.**, and the Board, after its review of the timing in which the closing of the investment in **Riverside Value Fund I, L.P.** 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 **\$30 million dollars (\$30,000,000.00)** in **Riverside Value Fund I, L.P.** and agrees to immediately move to close and subscribe the approved ATRS limited partnership interest in **Riverside Value Fund I, L.P.** The total investment amount is to be determined by the private equity consultant 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 6th day of December 2021**



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

**Arkansas Teacher Retirement System**  
**Revenue Stream Generated by Tax Credits Associated with Highland Pellets**  
**Executive Summary**

<b>Investment</b>	Revenue Stream Generated by Tax Credits Associated with Highland Pellets (the "Investment").
<b>Managing Party</b>	Act 594 of 2021 (Act 594) puts the Arkansas Teacher Retirement System (ATRS) in possession and control of the recycling tax credits on behalf of Highland Pellets.
<b>ATRS Legal Interest</b>	ATRS is a partial equity and debt owner in Highland Pellets and will maintain possession and control of the recycling tax credits.
<b>Report Date</b>	December 2021
<b>Expected Closing Date</b>	ATRS is expected to close by the end of 2021.
<b>ATRS Commitment &amp; Reason for Entry</b>	The investment of up to \$5,015,816 (for up to approximately \$7 million in recycling tax credits resulting in a revenue stream of approximately \$5.6 million) was approved through ATRS Board Resolution 2021-68 at the December 6, 2021 meeting. The investment is to help achieve the 15% target allocation to fixed income of the ATRS investment portfolio. The fund was recommended by the ATRS specialty consultant.
<b>Placement Agent</b>	No placement agent was used.
<b>Key Terms</b>	<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.
<b>Justification of Investment Term &amp; Anticipated Termination Date</b>	The term of the investment is expected to be 2 years.
<b>Investment Strategy</b>	The Investment is being made to purchase a revenue stream of approximately \$5.6 million generated by recycling tax credits paid over 2 years.
<b>Management Team</b>	Act 594 of 2021 (Act 594) puts the Arkansas Teacher Retirement System (ATRS) in possession and control of the recycling tax credits on behalf of Highland Pellets.

**Historical  
Performance**

Act 594 requires the state of Arkansas to purchase the recycling tax credits for 80% of face value. The expected rate of return is approximately 6% for the revenue stream.

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

**RESOLUTION**  
**No. 2021-68**

**Approving Purchase of Revenue Stream Generated by Tax  
Credits Associated with Highland Pellets  
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, Global Principal Partners, along with the recommendation of the Investment Committee and ATRS staff regarding the purchase of the revenue stream generated by tax credits associated with Highland Pellets to be issued by the state of Arkansas; and

*WHEREAS*, the ATRS Board approves an investment of up to \$5,015,816 million dollars (for up to approximately \$7 million dollars in tax credits producing a revenue stream of approximately \$5.6 million dollars) to purchase the revenue stream generated by the tax credits associated with Highland Pellets to be issued by the state of Arkansas; and

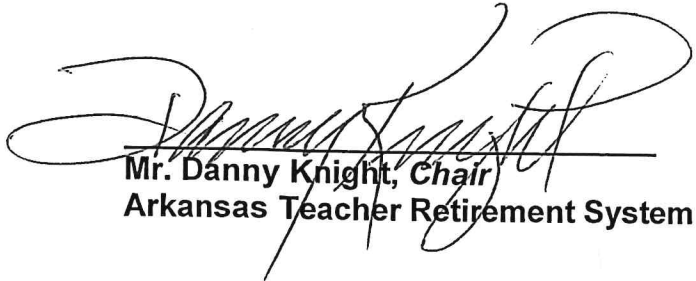
*WHEREAS*, the Board, after its review of the timing in which the closing of the investment to purchase the revenue stream generated by tax credits associated with Highland Pellets may need to occur, has determined that there is an imminent need to immediately enter into the agreement prior to the next 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 **\$5,015,816.00 million dollars** to purchase the revenue stream generated by tax credits associated with Highland Pellets to be issued and agrees to immediately move to close and subscribe the approved purchase

of the revenue stream generated by tax credits associated with Highland Pellets 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 6th day of December 2021**



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