

ARTS

Arkansas Teacher Retirement System

December 12, 2013

Senator Bill Sample
Representative John Charles Edwards
Arkansas Legislative Council
State Capitol, Room 315
Little Rock, AR 72201

RE: Arkansas Teacher Retirement System (ATRS) Submission of Investments for
Review under ACA §19-11-1302

Dear Senator Sample and Representative Edwards:

By means of the enclosed Investment Summaries, ATRS is submitting three private partnership investments for review by the Arkansas Legislative Council (ALC) as required under ACA §19-11-1302 et seq., otherwise referred to as Act 1211 of 2009.

An investment of up to \$25 million is to be made in Franklin Park Venture Series 2014, a limited partnership that will then invest in small venture capital funds. The partnership is a fund of funds that is managed by Franklin Park Associates, private equity consultants to ATRS and was formed for the purpose of obtaining access to the best venture capital funds available. The fund is managed with no additional fees paid to the consultant by its clients.

Similar in structure to the venture capital fund is the Franklin Park International Fund 2014 which was formed to provide diversified exposure to international and emerging markets while reducing risk. ATRS plans to invest up to \$25 million in this fund as well. Again, Franklin Park charges no fee and recovers only legal and accounting expenses incurred by the fund.

An increase in allocation of up to \$25 million to the Franklin Park Co-Investment Fund is also planned. This is an existing fund in which ATRS has invested since 2012 that makes investments in individual portfolio companies of top tier private equity funds.

The ATRS Board approved each of the investments described above at its December 2, 2013 meeting and anticipates closing dates in January 2014. A summary of each investment including key terms and investment strategy is enclosed for review by ALC. We will be happy to provide any other information you request regarding these investments.

Respectfully,



George Hopkins
Executive Director

GH:lw

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

Investment	Franklin Park Venture Fund 2014, L.P. (the "Fund")
Managing Party	Franklin Park Series GP, LLC (the "General Partner" or "Franklin Park")
ATRS Legal Interest	ATRS will be a limited partner
Report Date	December 2013
Expected Closing Date	The General Partner is targeting capital commitments of \$80-100 million. Closing is expected in January 2014.
ATRS Commitment & Reason for Entry	The investment of up to \$25 million is to help achieve the 10% target allocation to private equity. The fund was recommended by the ATRS private equity consultant.
Placement Agent	There is no placement agent involved with the Fund.
Key Terms	<u>Management Fee</u> : None <u>Carried Interest</u> : None
Justification of Investment Term & Anticipated Termination Date	The term is the later of (i) the liquidation of the last fund investment or (ii) 15 years (anticipated termination in 2029). 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.
Investment Strategy	The Fund is being formed to build a well-diversified portfolio of top-tier venture capital funds.
Management Team	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, Narayan Chowdhury, Laure Brasch, Kristine O'Connor, Neil Mowery and Raymond Jackson (the "Senior Team"). The Senior Team is supported by ten associates, four analysts and an office manager.
Historical Performance	Since inception, Franklin Park has committed or advised on commitments totaling \$6.3 billion to approximately 81 corporate finance funds, 38 venture capital funds and 6 co-investments.

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

Investment	Franklin Park International Fund 2014, L.P. (the "Fund")
Managing Party	Franklin Park Series GP, LLC (the "General Partner" or "Franklin Park")
ATRS Legal Interest	ATRS will be a limited partner
Report Date	December 2013
Expected Closing Date	The General Partner is targeting capital commitments of \$80-100 million. Closing is expected in January 2014.
ATRS Commitment & Reason for Entry	The investment of up to \$25 million is to help achieve the 10% target allocation to private equity. The fund was recommended by the ATRS private equity consultant.
Placement Agent	There is no placement agent involved with the Fund.
Key Terms	<u>Management Fee</u> : None <u>Carried Interest</u> : None
Justification of Investment Term & Anticipated Termination Date	The term is the later of (i) the liquidation of the last fund investment or (ii) 15 years (anticipated termination in 2029). 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.
Investment Strategy	The Fund is being formed to build a well-diversified portfolio of top-tier international private equity funds.
Management Team	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, Narayan Chowdhury, Laure Brasch, Kristine O'Connor, Neil Mowery and Raymond Jackson (the "Senior Team"). The Senior Team is supported by ten associates, four analysts and an office manager.
Historical Performance	Since inception, Franklin Park has committed or advised on commitments totaling \$6.3 billion to approximately 81 corporate finance funds, 38 venture capital funds and 6 co-investments.

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

Investment	Franklin Park Co-Investment Fund, L.P. (the "Fund")
Managing Party	Franklin Park Series GP, LLC (the "General Partner" or "Franklin Park")
ATRS Legal Interest	ATRS is already a limited partner
Report Date	December 2013
Expected Closing Date	Closing on an additional commitment to the Fund is expected in January 2014.
ATRS Commitment & Reason for Entry	ATRS is adding an additional commitment of up to \$25 million to its existing investment in the Fund to help achieve the 10% target allocation to private equity. The Fund was recommended by the ATRS private equity consultant.
Placement Agent	There is no placement agent involved with the Fund.
Key Terms	<u>Management Fee</u> : None <u>Carried Interest</u> : None
Justification of Investment Term & Anticipated Termination Date	The fund will end when the last underlying 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.
Investment Strategy	The Fund is being formed to invest in portfolio companies that have received capital from other top-tier private equity funds but need additional capital to increase value.
Management Team	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, Narayan Chowdhury, Laure Brasch, Kristine O'Connor, Neil Mowery and Raymond Jackson (the "Senior Team"). The Senior Team is supported by ten associates, four analysts and an office manager.
Historical Performance	Since inception, Franklin Park has committed or advised on commitments totaling \$6.3 billion to approximately 81 corporate finance funds, 38 venture capital funds and 6 co-investments. In addition, Franklin Park's team was involved in the execution of 20 direct/co-investment transactions while at other firms.