



December 4, 2017

Senator Bill Sample
Representative Jim Dotson
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

Investments: Franklin Park Venture Fund Series 2018, L.P.
Franklin Park International Fund 2018, L.P.
ATRS/FP Private Equity Fund, L.P.
Thoma Bravo Discover Fund II, L.P.
Sycamore Partners III, L.P.
Siris Partners IV, L.P.
Torchlight Debt Opportunity Fund VI, L.P.

Dear Senator Sample and Representative Dotson:

By means of the enclosed Investment Summaries, ATRS is submitting seven 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.

The ATRS Board recently approved an investment of up to \$25 million to be made in Franklin Park Venture Series 2018, L.P. 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, private equity consultant 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 mentioned above is the Franklin Park International Fund 2018, L.P. which was formed to provide diversified exposure to international and emerging markets while reducing risk. The ATRS Board authorized an investment of 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 ATRS/FP Private Equity Fund, L.P. was also approved. 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 as well as next generation funds managed by highly skilled teams. Like the previous two funds mentioned, Franklin Park charges no additional fee to manage this fund.

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Also approved is an investment of up to \$25 million in Thoma Bravo Discover Fund II, L.P., a buyout fund focused on lower middle market investments in the software industry. This investment was recommended by both ATRS's private equity consultant, Franklin Park and ATRS staff.

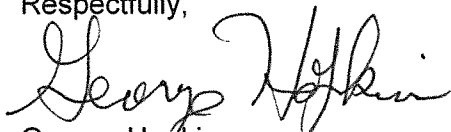
An investment of up to \$25 million in Sycamore Partners II, L.P. was authorized by the ATRS Board as well. Sycamore Partners is a turnaround firm that specializes in upper middle market retail companies. The investment was recommended by Franklin Park and ATRS staff.

The ATRS Board also authorized an investment of up to \$30 million in Siris Partners IV, L.P. a private equity buyout fund that will focus on upper middle market technology and telecom companies in the U.S. This investment was also recommended by Franklin Park and ATRS staff.

An investment of up to \$25 million in Torchlight Debt Opportunity Fund VI, L.P. was also approved. This opportunistic real estate fund will make high yield debt investments in both the public and private markets. This investment was recommended by both ATRS's real asset consultant, Aon Hewitt Investment Consulting and ATRS staff.

The ATRS Board approved each of the investments described above at its December 4, 2017, meeting and anticipates closing dates from mid December through the first quarter of 2017. 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

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Arkansas Teacher Retirement System
Private Equity Investment
Executive Summary

Investment	Franklin Park Venture Fund 2018, 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 2017
Expected Closing Date	The General Partner is targeting capital commitments of \$80-100 million. Closing is expected in January 2018.
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 2033). 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, Katherine Carlson, Narayan Chowdhury, Laure Brasch, Kristine O'Connor, Neil Mowery, Raymond Jackson and John Mahoney (the "Senior Team"). The Senior Team is supported by seven associates, seven analysts and an office manager.
Historical Performance	As of September 30, 2017, Franklin Park has committed or advised on commitments totaling \$12.0 billion to 231 private equity funds and 30 co-investments.

Arkansas Teacher Retirement System
Private Equity Investment
Executive Summary

Investment	Franklin Park International Fund 2018, 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 2017
Expected Closing Date	The General Partner is targeting capital commitments of \$80-100 million. Closing is expected in January 2018.
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 2033). 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, Katherine Carlson Narayan Chowdhury, Laure Brasch, Kristine O'Connor, Neil Mowery, Raymond Jackson and John Mahoney (the "Senior Team"). The Senior Team is supported by seven associates, seven analysts and an office manager.
Historical Performance	As of September 30, 2017, Franklin Park has committed or advised on commitments totaling \$12.0 billion to 231 private equity funds and 30 co-investments.

Arkansas Teacher Retirement System
Private Equity Investment
Executive Summary

Investment	ATRS/FP Private Equity Fund, L.P. (formerly 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 2017
Expected Closing Date	An additional commitment to the Fund is planned for early 2018.
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 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.
Investment Strategy	The Fund invests in portfolio companies that have received capital from other top-tier private equity funds but need additional capital to increase value. It will also invest in funds of "next generation" managers who are experienced but are typically either smaller or new to public pension plan or institutional investors. In some cases, the demand for the investment is very high and therefore the allocation available is smaller than a typical direct investment made by ATRS.
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, Katherine Carlson Narayan Chowdhury, Laure Brasch, Kristine O'Connor, Neil Mowery, Raymond Jackson, and John Mahoney (the "Senior Team"). The Senior Team is supported by seven associates, seven analysts and an office manager.
Historical Performance	As of September 30, 2017, Franklin Park has committed or advised on commitments totaling \$12.0 billion to 231 private equity funds and 30 co-investments.

Arkansas Teacher Retirement System
Private Equity Investment
Executive Summary

Investment	Thoma Bravo Discover Fund II, L.P. (the "Fund")
Managing Party	Thoma Bravo LLC (the "General Partner" or "Thoma Bravo")
ATRS Legal Interest	ATRS will be a limited partner
Report Date	December 2017
Expected Closing Date	The General Partner is targeting capital commitments of up to \$2.0 billion. ATRS is expected to close in December 2017.
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	No placement agent was used to assist with marketing and fundraising.
Key Terms	<p><u>Management Fee</u>: The General Partner has proposed an annual management fee of 2.0% of commitments during the six-year investment period. Thereafter, management fees will equal 2.0% of net invested capital.</p> <p><u>Carried Interest</u>: After the limited partners receive cumulative distributions equal to 100% of aggregate capital contributions on realized investments, the General Partner will be entitled to 20% of the Fund's profits. However, the General Partner will not be entitled to receive any distributions of carried interest until such time as a 120% fair value test is satisfied or limited partners have received distributions equal to their capital contributions.</p>
Justification of Investment Term & Anticipated Termination Date	The term is ten years (anticipated termination in 2027) plus three one-year extensions which is common for private equity funds due to the time required for buying, improving and selling underlying companies.
Investment Strategy	The Fund is being formed to acquire lower middle market software companies in the U.S. The General Partner will typically pursue a buy and build strategy. The team will primarily seek companies operating in the application, infrastructure and security software industries, with a secondary focus on business, media and technology-enable services industries.
Management Team	The General Partner team is led by six managing partners: Orlando Bravo, Scott Crabill, Seth Boro, Holden Spaht, Carl Thoma and Lee Mitchell (managing partners). They are supported by eight investment professionals, a director of capital markets and ten operating partners.

**Historical
Performance**

The General Partner's previous fund has generated a net IRR of approximately 18% as of June 30, 2017. Historical returns are not indicative of future performance.

Arkansas Teacher Retirement System
Private Equity Investment
Executive Summary

Investment	Sycamore Partners III, L.P. (the "Fund")
Managing Party	Sycamore Partners (the "General Partner" or "Sycamore")
ATRS Legal Interest	ATRS will be a limited partner
Report Date	December 2017
Expected Closing Date	The General Partner is targeting capital commitments of up to \$4.5 billion million. ATRS is expected to close in December 2017.
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	No placement agent was used to assist with marketing and fundraising.
Key Terms	<p><u>Management Fee</u>: The General Partner has proposed an annual management fee of 2.0% per annum of commitments during the investment period; thereafter, 2.0% per annum of the cost basis of portfolio investments (excluding write-offs and write-downs).</p> <p><u>Carried Interest</u>: After the limited partners receive their aggregate capital contributions on realized investments and a preferred return of 8%, the General Partner will be entitled to 20% of the Fund's profits.</p>
Justification of Investment Term & Anticipated Termination Date	The term is ten years (anticipated termination in 2027) plus four one-year extensions which is common for private equity funds due to the time required for buying, improving and selling underlying companies.
Investment Strategy	The Fund is being formed to acquire underperforming middle market and large retail and consumer businesses in the U.S. The General Partner will frequently target corporate carve-outs, public-to-private transactions and other special situations. The General Partner may invest in companies in operational or financial distress.
Management Team	The General Partner was founded in 2011 by professionals who formerly worked together at Golden Gate Capital and have raised two funds since forming their own firm. The investment team consists of 25 professionals led by Stefan Kaluzny, Peter Morrow and Ryan McClendon (Principals). The Principals are supported by eleven mid-level and nine junior professionals.

**Historical
Performance**

The Principals were involved in a portfolio of investments that generated solid performance during their tenures with Golden Gate Capital as well as an average net IRR in excess of 20% for the first two funds of their own.

Arkansas Teacher Retirement System
Private Equity Investment
Executive Summary

Investment	Siris Partners IV, L.P. (the "Fund")
Managing Party	Siris Capital Group LLC (the "General Partner")
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	December 2017
Expected Closing Date	The General Partner is targeting capital commitments of up to \$3.5 billion. ATRS is expected to close in December 2017.
ATRS Commitment & Reason for Entry	The investment of up to \$30 million is to help achieve the 10% target allocation to private equity. The fund was recommended by the ATRS private equity consultant.
Placement Agent	The offering was sourced directly from the General Partner.
Key Terms	<p><u>Management Fee</u>: The General Partner has proposed an annual management fee of 1.75% of capital commitments during the five-year investment period, reduced to 1.50% of actively invested capital after the investment period.</p> <p><u>Carried Interest</u>: After the limited partners receive their cost on realized investments, the General Partner will be entitled to a 2% carry advance; after a return of aggregate capital contributions and an 8% preferred return is paid to limited partners, the General Partner will be entitled to 20% of the Fund's profits, inclusive of the carry advance.</p>
Justification of Investment Term & Anticipated Termination Date	The term is ten years (anticipated termination in 2027) plus two one-year extensions which is common for private equity funds due to the time required for buying, improving and selling underlying companies.
Investment Strategy	The Fund is being formed to primarily make buyout investments in middle market and large technology and telecom companies. Targeted companies will often be formerly high-growth technology companies currently in transition. The General Partner will target U.S. companies with revenue between \$100 million and \$1 billion.
Management Team	Based in New York, the General Partner was formed in 2010 by Frank Baker, Jeffrey Hendren and Peter Berger (the Principals) who formerly worked together as the private equity team of SAC Capital. The current investment team consists of twenty investment professionals led by the Principals. The investment team is supported by eleven executive partners who assist with sourcing, diligence and post-investment value creation.

**Historical
Performance**

In its prior two funds, the General Partner invested \$1.5 billion generating a net IRR of approximately 15%. Historical returns are not indicative of future performance.

Arkansas Teacher Retirement System
Real Estate Investment
Executive Summary

Investment	Torchlight Debt Opportunity Fund VI, LLC (DOF VI).
Managing Party	Torchlight Debt Opportunity Fund VI GP, LP
ATRS Legal Interest	ATRS is a limited partner.
Report Date	December 2017
Expected Closing Date	January 2017
ATRS Commitment & Reason for Entry	The up to \$25 million investment is to help achieve the 15% target allocation to Real Assets. The fund was recommended by the ATRS Real Assets consultant Aon Hewitt Investment Consulting.
Placement Agent	No placement agent was utilized.
Key Terms	<p><u>Management Fee</u>: The fund charges a management fee of 1.50% of committed capital during the investment period and 1.5% on invested capital thereafter.</p> <p><u>Carried Interest</u>: 20% of profits after ATRS receives an 8% IRR.</p>
Justification of Investment Term & Anticipated Termination Date	The fund is a closed-end fund and requires a period of time to execute its opportunistic strategy. Anticipated termination is in 2027.
Investment Strategy	Fund VI will have the ability to opportunistically invest across the entire spectrum of real estate debt strategies including first-lien commercial mortgages, CMBS, mezzanine loans, and commercial real estate backed CDO's. Additionally, Torchlight will have the ability to originate or acquire loans in the private market. In Fund IV Torchlight focused on the private markets, however, in Fund V the firm saw more opportunities in public markets and decided to pursue that strategy. Although Fund V has focused on the public markets, Fund VI is expected to focus on private debt to make up approximately 2/3rd of the portfolio. New originations of high LTV loans on complex real estate assets will comprise the majority of this private debt allocation. Real estate debt securities will comprise the remainder of the portfolio with an emphasis on attractive opportunities in the junior stacks of CMBS where principal only paying B pieces can often be found at steep discounts to par.
Management Team	Torchlight employs 27 investment professionals across five main groups: investments, distressed debt workouts, operations and finance, marketing and client service, and underwriting and asset management. Five senior team members make up the investment committee with an average firm tenure of 12 years and over 20 years

of real estate investment experience.

**Historical
Performance**

Torchlight's Debt Opportunity Fund Series are averaging an 11.92% IRR. ATRS has invested in 4 previous Torchlight funds.