



June 4, 2019

Senator Cecile Bledsoe
Representative Jeff Wardlaw
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: JFL Equity Investors V, L.P.
Franklin Park Venture Fund Series 2019, L.P.
Franklin Park Corporate Finance Access Fund, L.P.

Dear Senator Bledsoe and Representative Wardlaw:

By means of the enclosed Investment Summaries, ATRS is submitting three 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 \$30 million in JFL Equity Investors V, L.P., a private equity buyout fund that specializes in defense, aerospace and maritime industries and related businesses. The investment was recommended by both ATRS's private equity consultant, Franklin Park and ATRS staff.

The ATRS Board also authorized an investment of up to \$30 million to be made in Franklin Park Venture Fund Series 2019, L.P. This partnership is a fund of funds managed by Franklin Park that 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.

Another private equity investment was authorized by the ATRS Board as well for up to \$30 million in Franklin Park Corporate Finance Access Fund, L.P. This is a fund of funds managed by Franklin Park that will invest in smaller buyout, growth and turnaround private equity funds. Like the venture capital vehicle mentioned, Franklin Park charges no additional fee to manage this fund.

The ATRS Board approved each of the investments described above at its June 3, 2019 meeting and anticipates closing dates by the end of July 2019. 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,

Clint Rhoden
Executive Director

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

Investment	JFL Equity Investors V, L.P. (the "Fund")
Managing Party	J.F. Lehman & Company (the "General Partner" or "JFL")
ATRS Legal Interest	ATRS will be a limited partner
Report Date	June 2019
Expected Closing Date	The General Partner is targeting capital commitments of \$1 billion. ATRS is expected to close in July 2019.
ATRS Commitment & Reason for Entry	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.
Placement Agent	The General Partner has retained Credit Suisse and OnCor Capital to assist with fundraising.
Key Terms	<p><u>Management Fee</u>: The General Partner has proposed an annual management fee of 2.0% of commitments during the five-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 their aggregate capital contributions, write-downs 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 2029) plus three one-year extensions which is the industry standard for private equity funds due to the time required for buying, improving and selling underlying companies.
Investment Strategy	The Fund will make control investments in defense, aerospace and maritime companies in the United States and the United Kingdom. The Fund will primarily invest in corporate divestitures and acquisitions of entrepreneur-owned companies with a particular focus on suppliers to the government and/or commercial markets.
Management Team	The General Partner was founded in 1992 by John Lehman, Donald Glickman and George Sawyer (the "Co-Founders") and originally provided financial advisory services to companies in the defense and aerospace sectors. The firm's advisory business was terminated in 1997 upon the formation of its first institutional private equity partnership. Today, the General Partner is led by Louis Mintz, Stephen Brooks, Alex Harman and Glen Shor (the "Principals") and is headquartered in New York, NY with satellite offices in Washington, D.C. and London.

**Historical
Performance**

In its previous three funds, the General Partner has invested a total of \$1.3 billion in 21 portfolio companies. In aggregate, these investments have generated a gross IRR of approximately 30% as of December 31, 2018. Historical returns are not indicative of future performance.

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

Investment	Franklin Park Venture Fund 2019, 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	June 2019
Expected Closing Date	Closing is expected by the end of June 2019.
ATRS Commitment & Reason for Entry	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.
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 2034). 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	Since inception, Franklin Park has committed or advised on commitments in excess of \$10.2 billion to over 230 private equity funds.

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

Investment	Franklin Park Corporate Finance Access Fund, L.P.
Managing Party	Franklin Park Series GP, LLC (the "General Partner" or "Franklin Park")
ATRS Legal Interest	ATRS will be a limited partner
Report Date	June 2019
Expected Closing Date	Closing is anticipated by the end of June 2019.
ATRS Commitment & Reason for Entry	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.
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 or fund of funds.
Investment Strategy	The Fund invests in small top-tier private equity funds that need additional capital to increase value. It may 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.
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	Since inception, Franklin Park has committed or advised on commitments in excess of \$10.2 billion to more than 230 private equity funds and co-investments.