



February 6, 2018

Mr. Edward Armstrong
Office of State Procurement
1500 West 7th 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: ATRS/FP Private Equity Fund, L.P.
CG Equity Opportunity Fund, L.P.

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 need to close within the next few days, and there is no Arkansas Legislative Council (ALC) meeting scheduled during that time frame.

Based on the recommendation of ATRS Specialty Consultant, Simmons Bank and ATRS staff, on February 5, 2017, the ATRS Board of Trustees (Board), in a scheduled meeting, adopted Resolution 2018-15 to declare an Imminent Need exists to expand the strategy of the ATRS/FP Private Equity Fund, L.P. to include appraisal right opportunities and to make an additional commitment of up to \$30 million in this existing investment. The Board determined that all criteria were met under Act 1211 to enter into a partial equity ownership agreement for this investment.

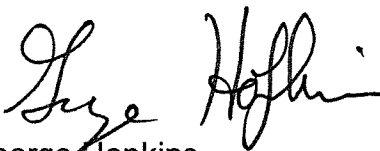
At the same meeting, the Board also adopted Resolution 2018-16 to declare an Imminent Need exists to commit up to \$30 million in CG Equity Opportunity Fund, L.P., an opportunistic/alternative fund that will specialize in appraisal rights as well. Both Simmons Bank and ATRS staff recommended this investment, and the Board determined that all criteria were met under Act 1211 to enter into a partial equity ownership agreement.

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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 the Arkansas Legislative Council. The total amount that ATRS intends to invest in these funds is up to \$60,000,000. 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 501-682-1820, my cell phone at 501-318-5998, or by email at: georgeh@atrs.gov

Respectfully,

A handwritten signature in black ink, appearing to read "George Hopkins". The signature is written in a cursive, flowing style.

George Hopkins
Executive Director

GH:lw

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	February 2018
Expected Closing Date	An additional commitment to the Fund is planned for February 2018.
ATRS Commitment & Reason for Entry	ATRS is adding an additional commitment of up to \$30 million to its existing investment in the Fund to help achieve the 5% target allocation to alternative/opportunistic investments and add more diversification by expanding the strategy to include merger and appraisal right opportunities. The Fund was recommended by the ATRS special consultant, Simmons Bank.
Placement Agent	There is no placement agent involved with the Fund.
Key Terms	<p><u>Management Fee</u>: the Fund has an annual management fee of 1% for the appraisal right opportunities tranche.</p> <p><u>Carried Interest</u>: The managing partner will be entitled to 10% of the Fund's profits in the appraisal right opportunities tranche, subject to a high water mark and hurdle.</p>
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. A change is being made in the strategy going forward to include merger and appraisal right investment opportunities.
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 totaling \$10.2 billion to 205 private equity funds and 23 co-investments.

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

RESOLUTION
No. 2018-15

Authorizing Strategy Expansion for ATRS/FP Private Equity Fund, L.P. And Approving Additional Allocation 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 Board has reviewed the recommendation of its specialty consultant, Simmons Bank, along with the recommendation of the Investment Committee and ATRS staff regarding an expansion of the strategy of the **ATRS/FP Private Equity Fund, L.P.**, an open-end fund (with recallable distributions) of underlying private equity portfolio companies and next generation manager funds to now include appraisal right opportunities; and

WHEREAS, the ATRS Board has also reviewed the recommendation of its specialty consultant, Simmons Bank, along with the recommendation of the Investment Committee and ATRS staff regarding an additional allocation of up to **\$30 million dollars (\$30,000,000.00)** to the **ATRS/FP Private Equity Fund, L.P.**, to accommodate the addition of appraisal right opportunities; and

WHEREAS, the ATRS Board approves an investment of up to **\$30 million dollars (\$30,000,000.00)** in **ATRS/FP Private Equity Fund, L.P.**, with recallable distributions and the Board, after its review of the timing in which the closing of the investment in **ATRS/FP Private Equity 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 the expansion of the strategy of the **ATRS/FP Private Equity Fund, L.P. (Fund)** to include appraisal right opportunities that will also have recallable distributions and approves an additional commitment of up to **\$30 million dollars (\$30,000,000.00)** to the Fund to accommodate the addition of appraisal right opportunities as well as new co-investment opportunities and next generation manager funds and agrees to immediately move to close and subscribe the approved ATRS limited partnership interest in the Fund. The total investment amount is to be determined by 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, including fees and carried interest on the appraisal rights portion of the ATRS/FP Private Equity Fund, L.P.

Adopted this 5th day of February 2018.

A handwritten signature in black ink, appearing to read "Jeff Stubblefield", written over a horizontal line.

Mr. Jeff Stubblefield, *Chair*
Arkansas Teacher Retirement System

**Arkansas Teacher Retirement System
Alternative/Opportunistic Asset Investment
Executive Summary**

Fund	Circumference Group ("CG") Equity Opportunity Fund, L.P. (the "Fund")
Managing Partner	Circumference Group, ("CG")
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	February 2018
Expected Closing Date	ATRS is expected to close in February 2018
ATRS Commitment & Reason for Entry	The investment of up to \$30 million dollars is to help achieve the 5% target allocation to alternative/opportunistic investments and add more diversification. The Fund was recommended by the ATRS special consultant, Simmons Bank.
Placement Agent	No placement agent was utilized.
Key Terms	<u>Management Fee</u> : The Fund has an annual management fee of 1%. <u>Carried Interest</u> : The managing partner will be entitled to 10% of the Fund's profits, subject to a high water mark and hurdle.
Justification of Investment Term & Anticipated Termination Date	The fund is an "open-ended" fund and will remain open until it is liquidated, if ever.
Investment Strategy	The Fund utilizes the extensive operational experience of the management team to identify possible investments related to merger and appraisal right opportunities.
Management Team	Jeff Fox, Founder; John Haley, President, CIO; John Ebner, Partner; Holly Larkin, COO, John Lammers, CoCIO. The firm is based in Little Rock and was founded in 2009.

**Historical
Performance**

The Fund is a relatively new strategy. The management team has a long history of successfully managing similar investment strategies and will apply their unique skillset to this strategy. Historical returns are not indicative of future performance.

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

RESOLUTION
No. 2018-16

**Approving Investment with Circumference Group in the CG
Equity Opportunity Fund, LP 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 Board has reviewed the recommendation of its specialty consultant, Simmons Bank, along with the recommendation of the Investment Committee and ATRS staff regarding a potential investment in **CG Equity Opportunity Fund, LP**, managed by Circumference Group, an opportunistic/alternative fund focused on appraisal rights; and

WHEREAS, the ATRS Board approves an investment of up to **\$30 million dollars (\$30,000,000.00)** in **CG Equity Opportunity Fund, LP**, with recallable distributions and the Board, after its review of the timing in which the closing of the investment in **CG Equity Opportunity Fund, LP**, 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 **CG Equity Opportunity Fund, LP** with recallable distributions and agrees to immediately move to close and subscribe the approved ATRS limited partnership interest in **CG Equity Opportunity Fund, LP**. The total investment amount is to be determined by 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, including fees and carried interest.

Adopted this 5th day of February, 2018.

A handwritten signature in black ink, appearing to read "Jeff Stubblefield", written over a horizontal line.

Mr. Jeff Stubblefield, *Chair*
Arkansas Teacher Retirement System