



December 8, 2011

Senator Mary Anne Salmon
Representative Tommy Lee Baker
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 Salmon and Representative Baker:

By means of the enclosed Investment Summaries, ATRS is submitting four 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 \$25 million is to be made in Franklin Park Venture Series 2012, 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 2012 which was formed to provide diversified exposure to international and emerging markets while reducing risk. ATRS plans to invest \$25 million in this fund as well. Again, Franklin Park charges no fee and recovers only legal and accounting expenses incurred by the fund.

A \$25 million investment is planned in the Franklin Park Co-Investment Fund which will be comprised of investments in individual portfolio companies that have already received capital from private equity funds recommended by Franklin Park. Similar to the venture and international funds, Franklin Park will not charge a management fee and will recover only legal and accounting expenses incurred by the fund.

ATRS is also submitting for review, a \$40 million limited partnership investment in DW Healthcare Partners III, L.P. The focus of the fund is to make control investments in small healthcare companies, primarily specialty device and product manufacturers, as

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well as distributors and services businesses.

The ATRS Board approved each of the investments described above at its December 5, 2011 meeting and anticipates closing dates for the investments between mid-December 2011, and mid-January 2012. 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**

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| Investment | Franklin Park Venture Fund 2012, 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 2011 |
| Expected Closing Date | The General Partner is targeting capital commitments of \$90 million. Closing is expected by early January 2012. |
| ATRS Commitment & Reason for Entry | The \$25 million investment 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 2027). 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 and Neil Mowery (the "Senior Team"). The Senior Team is supported by nine associates, four analysts and an office manager. |
| Historical Performance | Since inception, Franklin Park has committed or advised on commitments totaling \$4.3 billion to approximately 63 corporate finance funds and 27 venture capital funds. |

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

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| Investment | Franklin Park International Fund 2012, 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 2011 |
| Expected Closing Date | The General Partner is targeting capital commitments of \$90 million. Closing is expected by early January 2012 |
| ATRS Commitment & Reason for Entry | The \$25 million investment 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 2027). 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 and Neil Mowery (the "Senior Team"). The Senior Team is supported by nine associates, four analysts and an office manager. |
| Historical Performance | Since inception, Franklin Park has committed or advised on commitments totaling \$4.3 billion to approximately 63 corporate finance funds and 27 venture capital funds. |

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

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| 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 will be a limited partner |
| Report Date | December 2011 |
| Expected Closing Date | Closing is expected by early January 2012. |
| ATRS Commitment & Reason for Entry | The \$25 million investment 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 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 and Neil Mowery (the "Senior Team"). The Senior Team is supported by nine associates, four analysts and an office manager. |
| Historical Performance | Since inception, Franklin Park has committed or advised on commitments totaling \$4.3 billion to approximately 63 corporate finance funds and 27 venture capital funds. In addition, Franklin Park's team was involved in the execution of 20 direct/co-investment transactions while at other firms. |

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

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| Investment | DW Healthcare Partners III, L.P. (the "Fund") |
| Managing Party | DW Healthcare Partners LLC (the "General Partner" or "DWHP") |
| ATRS Legal Interest | ATRS will be a limited partner |
| Report Date | December 2011 |
| Expected Closing Date | The General Partner is targeting capital commitments of up to \$300 million. Closing is expected in December 2011. |
| ATRS Commitment & Reason for Entry | The \$40 million investment 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 by the Fund |
| Key Terms | <p><u>Management Fee</u>: The annual management fee will equal 2.0% of commitments during the investment period; thereafter, 2.0% per annum of funded capital contributions that remain invested in portfolio investments. 80% of transaction and monitoring fees received by the General Partner will be credited against management fees.</p> <p><u>Carried Interest</u>: After the limited partners receive cumulative distributions equal to 100% of aggregate capital contributions, impairments and an 8% preferred return, 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 2021) plus three one-year extensions which is standard 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 small healthcare companies in North America. The General Partner will target growth buyouts of specialty device manufacturers, product manufacturers, distributors and services businesses. Typically the General Partner will target companies seeking institutional capital for the first time. |
| Management Team | DWHP was formed in 2002 by Skip Klintworth, Andrew Carragher and Jay Benear, M.D. In 2007, Mr. Klintworth retired from the firm. Today, the team is comprised of five senior professionals (the "Principals"), who are supported by three mid/junior level investment professionals, and a team of three professionals dedicated to deal sourcing. The General Partner is based in Park City, Utah. |

**Historical
Performance**

Since 2002, the General Partner has invested \$180 million in 16 portfolio companies. In aggregate, these investments have generated a gross IRR of 38.1% and a multiple of 2.1x cost as of June 30, 2011. Historical returns are not indicative of future performance.