



June 11, 2014

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
Investments: BVIP Fund VIII, L.P.
NGP Natural Resources XI, L.P.

Dear Senator Sample and Representative Edwards:

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

ATRS plans an investment of up to \$30 million in BVIP Fund VIII, L.P., a private equity buyout fund focused on U.S. investments with a specialization in information and business services. This investment was recommended by Franklin Park, ATRS's private equity consultant.

Also recommended by Franklin Park is an investment of up to \$30 million in NGP Natural Resources XI, L.P. This is a private equity buyout fund specializing in the production and development of crude oil and natural gas in North America.

The ATRS Board approved each of the investments described above at its June 2, 2014 meeting and anticipates closing dates within the next three months. 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	BVIP Fund VIII, L.P. (the "Fund")
Managing Party	BV Investment Partners (the "General Partner")
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	June 2014
Expected Closing Date	The General Partner is targeting capital commitments of \$400 million. ATRS is expected to close in July 2014.
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	No placement agent was used for fundraising.
Key Terms	<p><u>Management Fee</u>: The General Partner has proposed an annual management fee of 2.0% of aggregate capital commitments during the five-year investment period, reduced to 2.0% of the cost basis of the remaining investments after the investment period.</p> <p><u>Carried Interest</u>: The general Partner will be entitled to receive 20% of the fund's profits after the limited partners have received an 8% preferred return.</p>
Justification of Investment Term & Anticipated Termination Date	The term is ten years (anticipated termination in 2024) 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 lower middle market companies in the information and business services, and communications sectors. The General Partner will target companies with values between \$30 million and \$300 million based primarily in the U.S.
Management Team	BV Investment Partners was originally founded in 1983 as Boston Ventures. The firm was rebranded in 2010 following a leadership succession plan that stated in 2004. Today, the General Partner is led by Principals, Vikrant Raina, Andrew Davis, Louis Bertocci, Justin Harrison and Matthew Kinsey.
Historical Performance	In its prior fund, the General Partner invested \$320 million generating a net IRR of 11.9% which constitutes top quartile performance relative to the fund's peers. Historical returns are not indicative of future performance.

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

Investment	NGP Natural Resources XI, L.P. (the "Fund")
Managing Party	NGP Energy Capital Management (the "General Partner")
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	June 2014
Expected Closing Date	The General Partner is targeting capital commitments of \$4.5 billion. ATRS is expected to close by September 30, 2014.
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	No placement agent was used for fundraising.
Key Terms	<p><u>Management Fee</u>: The General Partner has proposed an annual management fee of 1.5% of commitments during the five-year investment period. Thereafter, management fees will equal 1.5% of net invested capital. Management fees will be offset by 100% of transaction fee income.</p> <p><u>Carried Interest</u>: After the limited partners receive cumulative distributions equal to 100% of aggregate capital contributions on realized investments, impairments, and fees and expenses, plus an 8% preferred return, the General Partner will be entitled to 20% of the funds profits.</p>
Justification of Investment Term & Anticipated Termination Date	The term is ten years (anticipated termination in 2024) 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 invest primarily in upstream oil and gas companies and assets in the U.S. and Canada. The General Partner will generally seek to acquire, consolidate and enhance mature, producing assets in partnership with management teams. The General Partner will also pursue midstream and services businesses.
Management Team	Founded in 1988, NGP Energy manages a family of energy sector focused private equity funds with offices in Dallas, Houston, Santa Fe, London, Washington and Stamford, CT. NGP Energy's investment activities include upstream oil and gas, energy mezzanine, midstream energy, energy technology, and agribusiness strategies. In 2006, NGP Energy sold a 40% non-voting stake in the firm to Barclay's Capital, a U.K based investment bank. Barclay's subsequently sold its interest to the Carlyle Group which now owns a 47.5% non-voting stake in NGP.

The General Partner is led by 13 senior investment professionals, headed by CEO Ken Hersh and COO Tony Weber. These principals are supported by a 13-member investment team.

**Historical
Performance**

Since 1988, the General Partner has invested \$8.0 billion in 176 deals. In aggregate, these investments have generated a net IRR of approximately 23.3% as of December 31, 2013. Historical returns are not indicative of future performance.