



December 4, 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

Dear Senator Sample and Representative Edwards:

By means of the enclosed Investment Summaries, ATRS is submitting three private 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 up to \$25 million is to be made in Franklin Park Venture Series 2015, 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 2015 which was formed to provide diversified exposure to international and emerging markets while reducing risk. ATRS plans to invest 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 investment of up to \$30 million is also planned in Almanac Realty Securities VII, L.P., a real estate fund that seeks to pair capital with strong operators that use development, redevelopment or active leasing and management strategies. This investment was recommended by Hewitt EnnisKnupp, real assets consultant to ATRS.

The ATRS Board approved each of the investments described above at its December 1, 2014 meeting and anticipates closing dates in early 2015. 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

GH:lw
enclosures

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

Investment	Franklin Park Venture Fund 2015, 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 2014
Expected Closing Date	The General Partner is targeting capital commitments of \$90-100 million. Closing is expected in January 2015.
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 2030). 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, Neil Mowery, Raymond Jackson and John Mahoney (the "Senior Team"). The Senior Team is supported by ten associates, four analysts and an office manager.
Historical Performance	Since inception, Franklin Park has committed or advised on commitments totaling \$7.9 billion to approximately 95 corporate finance funds, 56 venture capital funds and 6 co-investments.

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

Investment	Franklin Park International Fund 2015, 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 2014
Expected Closing Date	The General Partner is targeting capital commitments of \$90-100 million. Closing is expected in January 2015.
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 2030). 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, Neil Mowery, Raymond Jackson and John Mahoney (the "Senior Team"). The Senior Team is supported by ten associates, four analysts and an office manager.
Historical Performance	Since inception, Franklin Park has committed or advised on commitments totaling \$7.9 billion to approximately 95 corporate finance funds, 56 venture capital funds and 6 co-investments.

**Arkansas Teacher Retirement System
Real Estate Investment
Executive Summary**

Investment	Almanac Realty Securities VII, L.P.
Managing Party	Almanac Realty Investors, L.L.C.
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	December, 2014
Expected Closing Date	March 31, 2015
ATRS Commitment & Reason for Entry	The investment of up to \$30 million is to help achieve the 15% target allocation to Real Assets. The fund was recommended by the ATRS real assets consultant, Hewitt EnnisKnupp. ATRS has invested in Almanac's previous funds V & VI whose returns are high relative to their peer group.
Placement Agent	No placement agent was utilized.
Key Terms	<u>Management Fee</u> : 1.25% based on committed capital during the investment period, and 1.25% on invested commitments thereafter. <u>Carried Interest</u> : 20% of profits after LP's receive 100% of their invested capital and a 9% IRR preferred return.
Justification of Investment Duration Term & Anticipated Termination Date	The strategy requires a period of time to perform the actual value add function. The fund has a ten year term with an anticipated maturity sometime in 2025. Three, one year extensions are permissible if market conditions warrant.
Investment Strategy	Almanac Realty Securities Fund VII ("ARS VII" or the "Fund") will be a closed end, domestic, value-added product targeting entity level investments in both private and public real estate operating companies. The Fund will make both equity and debt investments with a target net IRR to investors of 12%. The vast majority (approximately 90%) of underlying properties in historic Almanac fund investments have been located within the top 50 MSAs of the United States. Fund VII will pursue a relatively unique, but average risk strategy within the value-added style category and it is anticipated that roughly 50% of returns will be earned in the form of current income.
Management Team	Almanac is a small firm with a staff of 14 real estate professionals, four of which (John McGurk, Matt Kaplan, Pike Aloian, and Andrew Silberstein) are owners. The entire team works out of a single office,

located in New York. Though small, this is a fairly experienced group of professionals. The four partners of the firm each have more than 20 years of real estate industry experience and average just short of 30 years between them.

**Historical
Performance**

ATRS's historical performance experience with Almanac has been an average net 12.65% return in funds V & VI.