



December 7, 2015

Senator Bill Sample
Representative David L. Branscum
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: DW Healthcare Partners IV, L.P.
PineBridge Structured Capital Fund III, L.P.
Thoma Bravo Discover, L.P.
Franklin Park Venture Fund Series 2016, L.P.
Franklin Park International Fund 2016, L.P.
Metropolitan Real Estate Partners Secondaries & Co-Investments Fund

Dear Senator Sample and Representative Branscum:

By means of the enclosed Investment Summaries, ATRS is submitting six 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 DW Healthcare Partners IV, L.P., a private equity buyout fund that invests in expansion stage companies in the healthcare sector. The investment was recommended by both ATRS's private equity consultant, Franklin Park and ATRS staff.

Also approved is an investment of up to \$30 million in PineBridge Structured Capital Fund III, L.P., a small and middle market mezzanine debt and equity securities fund. Again, this investment was recommended by both ATRS's private equity consultant, Franklin Park and ATRS staff.

Another private equity investment for up to \$30 million in Thoma Bravo Discover, L.P. was authorized by the ATRS Board. This fund will focus on opportunities in lower middle market software companies and was recommended by both Franklin Park and ATRS staff.

Also authorized by the ATRS Board is an investment of up to \$25 million to be made in Franklin Park Venture Series 2016, L.P. 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, private equity consultant 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.

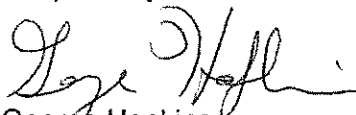
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Similar in structure to the venture capital fund mentioned above is the Franklin Park International Fund 2016, L.P. which was formed to provide diversified exposure to international and emerging markets while reducing risk. The ATRS board approved an investment of 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.

The ATRS Board also authorized a real estate investment of up to \$20 million in Metropolitan Real Estate Partners Secondaries & Co-Investments Fund, L.P. a real estate fund in which ATRS will invest only in the co-investment segment. This investment was recommended by both ATRS's real asset consultant, Aon Hewitt Investment Consulting and ATRS staff.

The ATRS Board approved each of the investments described above at its December 7, 2015, meeting and anticipates closing dates from the end of December through the first quarter of 2016. 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,

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

George Hopkins
Executive Director

GH:lw
enclosures

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

Investment	DW Healthcare Partners IV, 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 2015
Expected Closing Date	The General Partner is targeting capital commitments of \$350 million. Closing is expected in early 2016.
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 by the Fund
Key Terms	<p><u>Management Fee</u>: The annual management fee will equal 2.0% of commitments during the five-year investment period. Thereafter, management fees will equal 2.0% of the aggregate cost basis of unrealized investments.</p> <p><u>Carried Interest</u>: After the limited partners receive cumulative distributions equal to 100% of aggregate capital contributions, 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 2026) 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 seven mid/junior level investment professionals, and a team of three professionals dedicated to deal sourcing. The General Partner is based in Toronto, Ontario and Park City, Utah.

**Historical
Performance**

Since 2002, the General Partner has invested \$319.4 million in 22 portfolio companies. In aggregate, these investments have generated a gross IRR of approximately 28.3% as of June 30, 2015. Historical returns are not indicative of future performance.

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

Investment	PineBridge Structured Capital Fund III, L.P. (the "Fund")
Managing Party	PineBridge Investments (the "General Partner")
ATRS Legal Interest	ATRS will be a limited partner
Report Date	December 2015
Expected Closing Date	The General Partner is targeting capital commitments up to \$550 million. ATRS is expected to close in early 2016.
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	Allocation for ATRS was sourced without a placement agent.
Key Terms	<p><u>Management Fee</u>: From the first draw to the final close, management fees will be 1.5% of drawn capital and 0.75% of undrawn capital. Thereafter, during the investment period, the annual management fee will equal 1.5% of commitments. After the investment period, management fees will equal 1.5% of net invested capital.</p> <p><u>Carried Interest</u>: After the limited partners receive their aggregate capital contributions 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 seven years from the final closing (anticipated termination in 2023) plus two one-year extensions which is common for private equity debt funds due to the time required for buying, restructuring and/or adding value and then monetizing underlying assets.
Investment Strategy	The Fund is being formed to make structured capital investments in small and middle market companies. In particular, the General Partner seeks to invest in mezzanine debt and preferred equity securities that are structured with contractual coupons or dividends generating 12-16% yields with equity upside potential.
Management Team	Based in New York, PineBridge is a global asset management firm that manages capital across various public equities, fixed income and private equity strategies. The firm is a majority-owned subsidiary of Pacific Century Group ("PCG"), a private investment group. The Fund will be managed by two senior investment professionals, F.T Chong and Scott Gallin (principals), who are supported by a senior vice president, three vice presidents and three associates/analysts.

**Historical
Performance**

Since 2000, the General Partner has invested approximately \$800 million in 37 deals. In aggregate, these investments have generated a net IRR of 16% as of June 30, 2015. Historical returns are not indicative of future performance.

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

Investment	Thoma Bravo Discover, L.P. (the "Fund")
Managing Party	Thoma Bravo LLC (the "General Partner" or "Thoma Bravo")
ATRS Legal Interest	ATRS will be a limited partner
Report Date	December 2015
Expected Closing Date	The General Partner is targeting capital commitments of up to \$1.0 billion. ATRS is expected to close in early 2016.
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 to assist with marketing and fundraising.
Key Terms	<p><u>Management Fee</u>: The General Partner has proposed an annual management fee of 2.0% of commitments during the six-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 100% of aggregate capital contributions on realized investments, the General Partner will be entitled to 20% of the Fund's profits. However, the General Partner will not be entitled to receive any distributions of carried interest until such time as a 120% fair value test is satisfied or limited partners have received distributions equal to their capital contributions.</p>
Justification of Investment Term & Anticipated Termination Date	The term is ten years (anticipated termination in 2026) 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 acquire lower middle market software companies in the U.S. The General Partner will typically pursue a buy and build strategy. The team will primarily seek companies operating in the application, infrastructure and security software industries, with a secondary focus on business, media and technology-enable services industries.
Management Team	The General Partner team is led by six managing partners: Orlando Bravo, Scott Crabill, Seth Boro, Holden Spaht, Carl Thoma and Lee Mitchell (managing partners). They are supported by eight operating partners, a director of capital markets and a staff of senior, mid and junior level professionals.

**Historical
Performance**

The General Partner's funds raised prior to 2014 have generated a net IRR of approximately 38% as of June 30, 2015. Historical returns are not indicative of future performance.

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

Investment	Franklin Park Venture Fund 2016, 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 2015
Expected Closing Date	The General Partner is targeting capital commitments of \$90-100 million. Closing is expected in January 2016.
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 2031). 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, six analysts and an office manager.
Historical Performance	Since inception, Franklin Park has committed or advised on commitments totaling \$8.8 billion to approximately 113 corporate finance funds, 59 venture capital funds and 16 co-investments.

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

Investment	Franklin Park International Fund 2016, 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 2015
Expected Closing Date	The General Partner is targeting capital commitments of \$90-100 million. Closing is expected in January 2016.
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 2031). 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, 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, six analysts and an office manager.
Historical Performance	Since inception, Franklin Park has committed or advised on commitments totaling \$8.8 billion to approximately 113 corporate finance funds, 59 venture capital funds and 16 co-investments.

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

Investment	Metropolitan Real Estate Partners Secondaries & Co-Investments Fund, L.P.
Managing Party	Metropolitan Real Estate Equity Management, LLC
ATRS Legal Interest	ATRS will be a limited partner.
Report Date	December, 2015
Expected Closing Date	December 21st, 2015
ATRS Commitment & Reason for Entry	The up to \$20 million investment is to help achieve the 15% target allocation to Real Assets. The fund was recommended by the ATRS Real Asset consultant, Aon Hewitt Investment Consulting.
Placement Agent	None
Key Terms	<p><u>Management Fee</u>: The fund charges a management fee of 1% of committed capital during the 3 year investment period, & 1% thereafter on invested.</p> <p><u>Carried Interest</u>: 10% of profits after LP's receive 100% of their invested capital and a 8% IRR preferred return.</p>
Justification of Investment Duration Term & Anticipated Termination Date	The strategy requires a period of time to identify, execute and then monetize an opportunistic strategy. The fund is a closed-end variety with an eight year term. The investment term may be extended for 1 year by a majority vote of the LP's. The anticipated maturity is in 2023.
Investment Strategy	Metropolitan Real Estate Partners Secondaries & Co-Investments Fund (the "Fund" or "SCIF") seeks to capitalize on current market imbalances and provide investors with access to both secondaries and co-investments which provides the benefit of J-curve reduction in the non-core space as well as participation in the ongoing recovery of property fundamentals across the globe. The Fund will seek to achieve long-term compounded returns in the mid-teens. ATRS will be investing in the co-investment segment.
Management Team	Metropolitan's real estate investment team consists of 15 investment professionals located across the globe with headquarters in New York, NY and additional offices in San Francisco, Boston, London and Hong Kong. The senior professionals of the Firm average 20 years of real

estate industry experience and an average tenure with the Firm of nearly 9 years, with many senior professionals having joined the Firm at inception or shortly thereafter. The leadership and industry tenure of David Sherman, David Nasaw and Margaret McKnight stand out compared to peers, with all three individuals having long, successful careers in the real estate investment industry prior to founding/joining Metropolitan.

**Historical
Performance**

Overall, Metropolitans co-investment strategy has generated solid, above average performance across most of its fund offerings. Previous co-investment strategies have on average yielded above 15% net IRR.