



December 6, 2016

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: Franklin Park Venture Fund Series 2017, L.P.
Franklin Park International Fund 2017, L.P.
ATRS/FP Private Equity Fund, L.P.
GCG Investors IV, L.P.
EnCap Energy Capital Fund XI, L.P.

Dear Senator Sample and Representative Branscum:

By means of the enclosed Investment Summaries, ATRS is submitting five 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 \$25 million to be made in Franklin Park Venture Series 2017, 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.

Similar in structure to the venture capital fund mentioned above is the Franklin Park International Fund 2017, L.P. which was formed to provide diversified exposure to international and emerging markets while reducing risk. The ATRS Board authorized 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.

An increase in allocation of up to \$25 million to the ATRS/FP Private Equity Fund, L.P. was also approved. This is an existing fund in which ATRS has invested since 2012 that makes investments in individual portfolio companies of top tier private equity funds as well as next generation funds managed by highly skilled teams. Like the previous two funds mentioned, Franklin Park charges no additional fee to manage this fund.

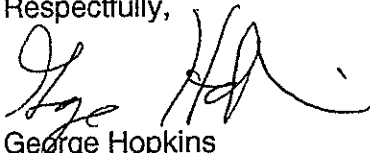
Senator Sample
Representative Branscum
December 6, 2016
Page Two

Also approved is an investment of up to \$30 million in GCG Investors IV, L.P., a mezzanine fund focused on both debt and equity securities in the small and lower middle market. This investment was recommended by both ATRS's private equity consultant, Franklin Park and ATRS staff.

The ATRS Board also authorized an investment of up to \$35 million in EnCap Energy Capital Fund XI, L.P. a private equity fund that seeks to make control investments in oil and gas exploration and production. This investment was also recommended by Franklin Park and ATRS staff.

The ATRS Board approved each of the investments described above at its December 5, 2016, meeting and anticipates closing dates from the end of December through the first quarter of 2017. 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', is written over the printed name.

George Hopkins
Executive Director

GH:lw
enclosures

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

Investment	Franklin Park Venture Fund 2017, 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 2016
Expected Closing Date	The General Partner is targeting capital commitments of \$80-100 million. Closing is expected in January 2017.
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 2032). 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, 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
Private Equity Investment
Executive Summary**

Investment	Franklin Park International Fund 2017, 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 2016
Expected Closing Date	The General Partner is targeting capital commitments of \$80-100 million. Closing is expected in January 2017.
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 2032). 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, 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

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	December 2016
Expected Closing Date	An additional commitment to the Fund is planned for early 2017.
ATRS Commitment & Reason for Entry	ATRS is adding an additional commitment of up to \$25 million to its existing investment in the Fund 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 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.
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

Private Equity Investment

Executive Summary

Investment	GCG Investors IV, L.P. (the "Fund")
Managing Party	Greyrock Capital Group (the "General Partner" or "Greyrock")
ATRS Legal Interest	ATRS will be a limited partner
Report Date	December 2016
Expected Closing Date	The General Partner is targeting capital commitments of up to \$300 million for the Fund. ATRS is expected to close in January 2017.
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	The General Partner has retained Cross Bay Capital as a placement agent for fundraising.
Key Terms	<p><u>Management Fee</u>: During the investment period (five years) or until a successor fund begins to accrue management fees, the Fund will pay to the General Partner an annual management fee of 2% of commitments. After the investment period, the Fund will pay an annual management fee of 2.0% 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	<u>Term</u> : Ten years (anticipated termination in 2027) plus two one-year extensions which is industry standard due to the time required for acquiring, developing and selling underlying assets.
Investment Strategy	The Fund is being formed to invest in mezzanine debt and equity of small and lower middle market companies in North America. The Fund is expected to invest 70-75% of capital in debt securities and 25-30% in equity securities.
Management Team	The General Partner was formed in 2001 and is currently led by Stephen Etter, Todd Osburn, Tracy Perkins and Steve Dempsey (the "principals"). The firm has offices in Berkeley, CA, Chicago, IL, and Wilton, CT.
Historical Performance	Since 2002, the General Partner has invested approximately \$542 million in 57 investments that have generated an average IRR of approximately 16.5% as of June 30, 2016. Historical returns are not indicative of future performance.

Arkansas Teacher Retirement System

Private Equity Investment

Executive Summary

Investment	EnCap Energy Capital Fund XI, L.P. (the "Fund")
Managing Party	EnCap Investments (the "General Partner" or "EnCap")
ATRS Legal Interest	ATRS will be a limited partner
Report Date	December 2016
Expected Closing Date	The General Partner is targeting capital commitments of \$6.5 billion for the Fund. ATRS is expected to close in late December 2016 or early 2017.
ATRS Commitment & Reason for Entry	The investment of up to \$35 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 raise the Fund.
Key Terms	<p><u>Management Fee</u>: The General Partner has proposed an annual management fee of 1.5% of commitments during the investment period. Thereafter, 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 on realized investments plus 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	<u>Term</u> : Ten years (anticipated termination in 2027) plus two one-year extensions (industry standard for this type of private equity fund due to the time required for acquiring, developing and selling underlying assets).
Investment Strategy	The Fund is being formed to primarily make control equity investments in oil and natural gas exploration and production companies in the U.S. and Canada. The Fund will provide capital to proven management teams to execute acquisition-oriented growth strategies in the oil and gas market in North America.
Management Team	<p>With offices in Houston and Dallas, EnCap has been investing in the oil and gas production sector since its inception in 1988. EnCap has managed 19 institutional funds since inception, including 10 private equity funds targeting primarily upstream energy assets.</p> <p>The Fund will be managed by a team of 37 investment professionals led by David Miller, Gary Petersen, D. Martin Phillips, Robert Zorich, Jason DeLorenzo, Murphy Markham and Douglas Swanson who are Managing Partners.</p>
Historical Performance	Since 2001, the General Partner has invested \$13.8 billion across 7 funds. The average return of these funds has been 1.5X cost as of June 30, 2016. Historical returns are not indicative of future performance.