

Arkansas Teacher Retirement System Private Equity Investment Executive Summary

Investment	Thoma Bravo Discover Fund III, 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	April 2020
Expected Closing Date	The General Partner is targeting capital commitments of up to \$3.5 billion. ATRS is expected to close in May 2020.
ATRS Commitment & Reason for Entry	The investment of up to \$20 million is to help achieve the 12% 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 2030) 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 eight managing partners: Orlando Bravo, Scott Crabill, Seth Boro, Holden Spaht, Carl Thoma, Lee Mitchell, AJ Rhode and Hudson Smith (partners). They are supported by eight investment professionals, a director of capital markets and ten operating partners.

**Historical
Performance**

The General Partner's previous fund has generated a net IRR of approximately 18% as of September 30, 2019. Historical returns are not indicative of future performance.

ARKANSAS TEACHER RETIREMENT SYSTEM
1400 West Third Street
Little Rock, Arkansas 72201

RESOLUTION
No. 2020-12

**Approving Investment in Thoma Bravo Discover Fund III, L.P.
with Imminent Need**

WHEREAS, the Board of Trustees (Board) of the Arkansas Teacher Retirement System (ATRS) is authorized to invest and manage trust assets for the benefits of its plan participants; and

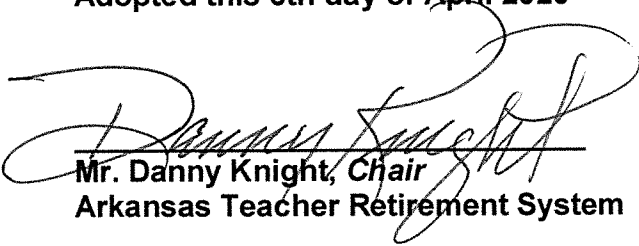
WHEREAS, the ATRS Board has reviewed the recommendation of its private equity consultant, Franklin Park Associates, LLC, along with the recommendation of the Investment Committee and ATRS staff regarding a potential investment in **Thoma Bravo Discover Fund III, L.P.**, a private equity buyout fund focused on U.S. investments with a specialization in software companies; and

WHEREAS, the ATRS Board approves an investment of up to **\$20 million dollars (\$20,000,000.00)** in **Thoma Bravo Discover Fund III, L.P.**, and the Board, after its review of the timing in which the closing of the investment in **Thoma Bravo Discover Fund III, L.P.** may need to occur, has determined that there is an imminent need to immediately enter into the partial equity ownership agreement prior to the next scheduled meeting of the Arkansas Legislative Council. The Board also deems it financially appropriate to enter into the partial equity ownership agreement and concludes that to forego the opportunity to promptly implement its investment directives under the prudent investor rule would be inconsistent with its fiduciary duty of care to the members and annuitants;

NOW, THEREFORE, BE IT RESOLVED, that the ATRS Board approves an investment of up to **\$20 million dollars (\$20,000,000.00)** in **Thoma Bravo Discover Fund III, L.P.** and agrees to immediately move to close and subscribe the approved ATRS limited partnership interest in **Thoma Bravo Discover Fund III, L.P.** The total investment amount is to be determined by ATRS staff based upon the allocation available to ATRS and the overall investment objectives set by the Board; and

FURTHER, BE IT RESOLVED, that the ATRS staff is hereby authorized to take all necessary and proper steps to implement this investment using the Imminent Need process, if acceptable terms are reached.

Adopted this 6th day of April 2020



Mr. Danny Knight, Chair
Arkansas Teacher Retirement System